Islamic law of contract, also known as Islamic contract law or **Shariah contracts**, refers to the principles governing commercial agreements within Islamic jurisprudence. It's based on the Quran, the teachings of Prophet Muhammad (PBUH), and interpretations by Islamic scholars. Here are some key aspects:

* **Underlying Principles:**
  + **Fairness and Justice:** Contracts should be fair and avoid exploitation of either party.
  + **Mutual Consent:** Both parties must freely agree to the terms without coercion.
  + **Clarity and Transparency:** Contract terms should be clear, well-defined, and avoid ambiguity.
  + **Fulfillment of Obligations:** Both parties must fulfill their contractual obligations.
  + **Prohibition of Riba (Interest):** Charging or receiving interest on loans is forbidden.
* **Contract Formation:**
  + Offer and acceptance are essential elements, similar to common law.
  + Intention to create a legal obligation is more important than formalities.
  + Contracting parties must be legally competent adults of sound mind.
* **Prohibited Transactions:**
  + Contracts involving usury (riba) are not allowed.
  + Gharar (excessive uncertainty) in the subject matter or price is discouraged.
  + Maysir (gambling and speculation) is forbidden.
* **Types of Shariah-compliant Contracts:**
  + There are various Shariah-compliant contract structures designed for different business needs, such as:
    - Murabaha (cost-plus sale)
    - Ijara (leasing)
    - Sukuk (Islamic bonds)
    - Istisna'a (manufacturing financing)

**Importance:**

* Islamic contract law provides a framework for ethical and responsible business practices within the Islamic world.
* It has gained increasing interest due to the growth of Islamic finance and the global Muslim population.

**Islamic Banking: Sale and its Types**

Islamic banking operates under the principles of Shariah law, which prohibits interest-based transactions. In Islamic finance, sales (known as Bai) form the foundation for most financial products. Here's a breakdown of sales in Islamic banking:

**Types of Shariah-compliant Sales:**

* **Bai Musawamah:** A standard sale where the price is negotiated between buyer and seller without disclosing the cost price.
* **Bai Murabaha:** The seller discloses the cost price and adds a predetermined profit margin. The buyer pays the total price, including the profit.
* **Bai Muajjal:** Similar to Murabaha, but the sale price is disclosed without necessarily revealing the cost. Payment can be deferred.
* **Bai Salam:** An advance payment sale. The buyer pays the full price upfront for goods to be delivered at a future date.
* **Bai Istisna':** A manufacturing financing agreement. The buyer commissions the seller to manufacture a specific good according to agreed-upon specifications. Payment is made in installments or upon completion.
* **Bai Mudarabah:** A profit-sharing partnership. The bank (Rabbil Mal) provides capital, and the entrepreneur (Mudarib) manages the business. Profits are shared according to a pre-agreed ratio.
* **Bai Murabaha for Istisna':** Combines Murabaha with Istisna'. The bank purchases the good from the manufacturer using Murabaha and then sells it to the customer with a profit markup.

**Criteria for a Valid Sale (Bai Sahih):**

* **Contract (Aqd):** A clear and mutual offer and acceptance between seller and buyer.
* **Subject Matter (Mabe'e):** The good being sold must be identifiable, permissible under Shariah (e.g., not alcohol), and owned by the seller.
* **Price (Thaman):** The price must be a known and agreed-upon amount, free from ambiguity. It cannot be a fixed percentage of future profits.
* **Possession or delivery (Qabza):** The buyer must take physical or constructive possession of the good at some point.

**Non-Valid Sales:**

* **Sales involving Riba (interest):** Loans with fixed interest charges are prohibited.
* **Sales with excessive uncertainty (Gharar):** The good or price cannot be excessively unclear or contingent on future events.
* **Sales of impermissible goods:** Goods prohibited under Shariah, like pork or alcohol, cannot be sold.
* **Sales with fraud or deception:** Contracts based on misleading information are not valid.

1.**1Offer & acceptance (*Ijab-o-Qobool*):** The term “Offer” means that one person proposes to either sell his commodity to another person or buy from him and “Acceptance” means that the person who has been offered gives his approval of the proposal. Offer and acceptance are always done in past tense eg. “I have sold” or “I have purchased” etc. There are two ways of doing it:

1.1.1 Oral (*Qauli*): By saying.

1.1.2 Implied (*Isharaa*): By indicating. This is of two types:

1.1.1(a) Credit Sale (*Istijrar*) for eg. settlement of the bill at the end of the month.

1.1.1(b) Hand-to-Hand Sale (*Taati*): Exchange of money with goods without uttering *Ijab-o-Qobool* for eg. procedure adopted in contemporary stores.

1.2 Buyer & seller (*Muta’aquadeen*): Both must be :

1.2.1 Sane : Should be mentally sound at the time of contract.

Mature : Should be adult, however, if minor, must understand

. Sale must be non-contingent :The delivery of the sold commodity to the buyer must be certain and should not depend on a contingency or chance. Eg. ‘A’ sells his car stolen by some anonymous person to ‘B’ who purchases it in the hope that he will manage to recover it. The sale is void.

1.3.1(a) Unconditional contract: The sale must be unconditional for eg. ‘A’ buys a car from ‘B’ with a condition that ‘B’ will employ his son in his firm. The sale is conditional and hence invalid.

1.3.1(b) Under reasonable conditions: The conditions which do not go against the contract for eg. ‘A’ tells ‘B’ to deliver the goods within a month, the sale is valid.

1.3.1(c) Under unreasonable condition but in market practice : If a sale is under unreasonable condition but is in market practice, the sale is valid for eg. ‘A’ buys a refrigerator from ‘B’ with a condition that ‘B’ undertakes its free service for two years. The condition being recognized as a market practice, is valid and the sale is lawful

1.3.2 Sale must be immediate

The sale must be instant and absolute. Thus a sale attributed to a future date or a sale contingent on a future event is void. If the parties wish to effect a valid sale, they will have to effect it afresh when the future date comes or the contingency actually occurs. Eg. ‘A’ says to ‘B’ on the first of January: “I sell my car to you on the first of February”. The sale is void, because it is attributed to a future date.” Similarly, if ‘A’ says to ‘B’: “If x party wins the elections, my car stands sold to you”, the sale is void because it is contingent on a future event.

1.1 Existable

The subject matter of sale must be existing at the time of sale. Thus, a thing which has not yet come into existence cannot be sold. If a non-existent thing has been sold, even with mutual consent, the sale is void according to shari’ah. Eg. ‘A’ sells the unborn calf of his cow to ‘B’. The sale is void.

1.2 Valuable

The subject of sale must be a property of value. Thus a thing having no value according to the usage of trade eg. a leaf or a stone on a roadside cannot be sold or purchased.

1.3 Usable

The subject of sale should not be a thing which is not used except for a *haram* purpose, like pork, alcohol etc.

2.4 Capable of ownership/title

The subject matter should not be anything which is not capable of ownership/title for eg. sea or sky.

2.5 Capable of delivery/possession

For eg. an unconstructed building cannot be possessed since it is non-existent.

**Price *(Thaman****)*

3.1 Quantified (*Maloom*): The measuring unit of the price should be known Eg. currency etc.

3.2 Specified & certain (*Muta’aiyan*): For a sale to be valid, the price should be ascertained and specified eg. the total amount etc. If the price is uncertain, the sale is void. Eg. ‘A’ says to ‘B’: “If you pay within a month, the price is Rs.50 but if you pay after two months, the price is Rs.55”. ‘B’ agrees. The price in this case is uncertain and therefore the sale is void unless any one of the two alternatives is agreed upon by the parties at the time of sale.

The subject of sale must be in the physical or constructive possession of the seller when he sells it to another person. This is done only in respect of movable goods, not immovable.

4.1 Physical (*Haqiqi*): For eg. ‘A’ has purchased a car from ‘B’. ‘B’ has not yet delivered it to ‘A’ or to his agent. However, ‘A’ cannot sell the car to ‘C’. If he sells it before taking its delivery from ‘B’, the sale is void.

4.2 Constructive *(Hukmi):* “Constructive possession” means a situation where the possessor has not taken the physical delivery of the commodity, yet the commodity has come into his control and all the rights and liabilities of the commodity are passed on to him, including the risk of its destruction. For eg. ‘A’ has purchased a car from ‘B’. ‘B’ after identifying the car has placed it in a garage to which ‘A’ has free access and ‘B’ has allowed him to take the delivery from that place whenever he wishes. Thus the risk of the car has passed on to ‘A’. The car is in the constructive possession of ‘A’. If ‘A’ sells the car to ‘C’ without acquiring physical possession, the sale is valid.