

Philosophical aspect of installment trading in Islamic Rules

La necesidad de redefinir y presentar una nueva percepción sobre la interpretación integral del Sagrado Corán

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Summary

In this article, I would like to stop at one of the common types of trade called “Installment trading”, which is permitted in Islam, if the necessary conditions required in the Shari'ah will be fulfilled. At the same time, installment trading in Islam (Installment sale) is only one of many types of sale and purchase. Now this type of trade is very common in the world. Individuals and various industrial enterprises, firms, etc. use installment trading. Instalment selling is often used in Islamic financing. One of the types of installment trading is As-Salam, when payment for goods is made long before it was purchased, and which is known according to Arab sources long before Islam arose, used in Islam more than a thousand years ago. It should be noted that trade in Islam is permitted and this is because all the messengers of Allah were sent to change what God prohibited, but with regard to trade, there was no prohibition. In particular, the proof of that is the trade deals of the Messenger of Allah (peace be upon him).

Keywords: Installment trading, Islamic financing, Mutual aid.

Resumen

En este artículo, me gustaría detenerme en uno de los tipos comunes de comercio llamado "comercio a plazos", que está permitido en el Islam, si se cumplen las condiciones necesarias requeridas en la Shari'ah. Al mismo tiempo, el comercio a plazos en el Islam (venta a plazos) es solo uno de los muchos tipos de compra y venta. Ahora bien, este tipo de comercio es muy común en el mundo. Los particulares y diversas empresas industriales, empresas, etc. utilizan el comercio a plazos. La venta a plazos se utiliza a menudo en la financiación islámica. Uno de los tipos de comercio a plazos es el As-Salam, en el que el pago de los bienes se realiza mucho antes de su compra, y que según las fuentes árabes se conoce mucho antes de que surgiera el Islam, utilizado en el Islam hace más de mil años. Cabe señalar que el comercio en el Islam está permitido y esto se debe a que todos los mensajeros de Alá fueron enviados para cambiar lo que Dios prohibió, pero con respecto al comercio, no había ninguna prohibición. En particular, la prueba de ello son los acuerdos comerciales del Mensajero de Allah (la paz sea con él).

Palabras clave: Comercio a plazos, financiación islámica, ayuda mutua.

Introduction

Indeed, in Islam, many social ways are open, through which people interact with each other and this is what leads to the knowledge of people of each other.

The proof of that is an ayah (verse) in the Quran: «people, I created how many men and women and made you peoples and tribes to know each other. I would honor you with God. I fear you, because God knows best and expert»

“O mankind! We created you from a single (pair) of a male and a female. And made you into nations and tribes, that ye may know each other. Verily the most honoured of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things)”.

Trade is one of such relationships between people and even between countries. Moreover, as time goes on, it has become diverse to the point that in the modern world people purchase and sell by the Internet (Fatau daru al-ifta musriyah. Page 1249. Available: <https://www.daralifta.org/Foreign/default.aspx>; Akhkamu attaamul ma al-bunuk. Page 1239. <https://salamquran.com/s102?mode=aye&t=en6-ru3-tr2-fa7>; Abhas kibar al-'ulama. Page 295. <https://www.onesearch.id/Record/IOS3659.16023/Description>; Surah annisah - ayat 58. http://www.islaminquran.com/en-US/surah-4/an-nisa/ayat-58/quran_ayats.aspx; Installment trading mysriya. Page 65; Jamia in usuli riba. Mysriya. 159).

In the modern world, the following risk factors are identified in installment trading (Installment trading - Hisham Muhammad Sayyid. Mysriya- pp. 6):

1. Credit risk.
2. Liquidity risk.
3. Risk of return.

Literature review

The credit risk in this case means the same as the traditional one. A Bank can accept additional collateral and guarantees the protection of its investments.

When conducting this transaction, it does not make sense to impose a penalty on a customer for late payment and thereby add additional amounts to the outstanding debt.

The reason for that is simple. If a customer cannot or will not pay, let us say, 1000, he will not be able to pay 1200.

Fining a customer will reduce his incentive to pay the debt. Thus, the lender will lose its customers (Mugni. Page 209).

Therefore, the correct solution used in Islamic banks is the possibility of direct access to the customer's income. The instalment selling is a monetary debt obligation for a certain period of time and according to Sharia, it is allowed to make an instalment purchasing and selling, i.e. not for cash. Due to the fact that the instalment selling is a debt, the value of the property being sold cannot be increased after the auction. This means that the floating installment-selling rate is not consistent with the principles of Sharia. For example, during making a trade transaction, after the merchant's proposing and the buyer's accepting the goods, the transacting will be mandatory. It is the same here, when after approving the price of the goods, its value will not change regardless of any changes such as a fall or increase in the monetary equivalent (Kauaidu nuroniyatu. Pages 222-225).

Therefore, in order to avoid risks that occur due to price fluctuations in a long-term debt transaction, the price is inflated at the beginning of this transaction between the seller and the buyer.

In the implementation of this type of trade as as-salam there is the possibility of financing the seller, as well as providing the buyer with a discount.

Price fluctuations were a major factor in the development of futures markets. From the Islamic point of view, futures do not comply with the principles of Sharia, and therefore cannot be the right solution to the problem.

Scholars in Islamic law have different views on retail trade.

The basis of retail sale and purchase is profitability for the seller because he can sell his goods above the price than the price of these goods at this time, and even if the buyer does not have cash. In addition, there is a profit for the buyer as well: he can purchase the goods he needs even without cash on him, and then, after a certain period of time, he can pay for the goods in the time period agreed between the buyer and the seller. Alternatively, he can raise this sum of money and pay it after a while, but at a different price, i.e. the higher price than the one that was (Surah annisah - ayat 58. http://www.islaminquran.com/en-US/surah-4/an-nisa/ayat-58/quran_ayats.aspx).

The installment purchasing and selling process can be characterized as both a type of relationship between people and a help to each other, where mercy and flexibility are clearly shown. In particular, this type of trade is important for poor population that need for a certain thing. And, of course, the main thing in this trade is the absence of penalties in case of late payment by the seller or return of goods, as we can see it in the modern world when bank-creditors take the goods from the buyer for late payment, which contradicts the concept of mutual aid. It means that the overpricing is provided in order to avoid any effects of other factors that may occur during the payment period. One of them is the buyer's late payment. Actually, the buyer's losses are increased by two or more times. However, there are different opinions among scholars of Islamic Fiqh regarding the penalty for late payment.

There are the following necessary conditions for the correct conduct of installment trading (Installment trading mysriya. Page 65).

Firstly, the payment deadline for the goods must be specific. Uncertainty in time can lead to disagreement, which is forbidden in Sharia. Also, in this case, there will be no wisdom (meaning) in the legality of this trade. In case of occurrence of a dispute or even a fight between the two parties, mutual aid and mercy are lost in the Muslim society. It is not the goal in achieving bilateral agreement, but rather it is undesirable and, as it is known, this leads to distrust between people (Sharhu fathi kodir. Page 8).

Secondly, the beginning of the retail trade time is counted from the moment when the buyer receives the goods and he must pay immediately for some part of the goods and can use this thing. And all this is carried out if the purchase is mandatory, that is, certainly at this time. There should be no choice (the buyer can use the goods for three days, and if he is satisfied with it, he will keep it, but if he is not satisfied with it, he can refuse it). If the buyer has a choice within three days (which is permitted in the Islamic Sharia), in this case, the start time is counted after these days of selection.

Thirdly, the account of time is determined according to the lunar calendar or the Gregorian calendar, and scholars have different views in this matter. Thus, according to Imam Shafi'i, the necessary condition is that the length of time should be calculated according to the lunar calendar. Proof of Imam Shafi'i's position is an excerpt from the Quran: "They ask you, [O Muhammad], about the new moons. Say, "They are measurements of time for the people and for Hajj".

And Allaah has made only the moon a countdown for Muslims (Tafsiru Darakutni. Page. 330).

At the same time, most scholars are of the opinion that the counting of days and months can be based on the traditions of people, even if it is preferable to do a countdown on the Hijri (lunar calendar). It also should be noted that the lunar calendar for Muslims is associated with the relocation of the messenger of Allah from Medina to Mecca. For instance, the word - (Al-Hijra) is translated as resettlement. This means that, according to their opinion, it is allowed to make a countdown on a different calendar. This is proved by another verse in the Quran, where there is no time limit: "O ye who believe! When ye contract a debt for a fixed term, record it in writing. Let a scribe record it in writing between you in (terms of) equity."

Fourthly, there should be no doubts that can lead to usury and people should be careful. As our Prophet (peace be upon him) said to Wabisat bnu Magbad (r.a.), "The halal (lawful) is clear and the haram (prohibited) is clear, and between them are unclear matters that are unknown to most people."

The essence of this hadith is that a person should avoid the unknown so as not to fall into the prohibited (Kauaidu nuroniyatu. Pages 222-225).

Based on the above stated, let us give a few examples: If someone sold an item now or for a long time, and the one who buys it took it in hand but, without paying for it, sold this item back to the one who bought it, at a smaller price, then such purchase and sale will not be valid. It is prohibited in Hanafi and Hanabilah, but allowed in Shafi'i, because it is a regular trade in Imam Shafi'i.

If the buyer of the goods took it in his hands but did not pay for it to the seller and the buyer gave it to a third party from whom the seller bought it back at a lower price for which he sold it, then such trade will be allowed.

Fifthly, there should be no conditions that lead to usury. For example, if the buyer is late paying for the goods in an installment trade, the seller will charge interest for the buyer's late payment.

1. However, it is commonly known that, in order to avoid usury, you must meet three conditions (Tirmizi. Trade. Page 1231):

- 1 - the goods must be equal (quantity, weight)
- 2 - the goods must be similar
- 3 - instant conclusion of a transaction without inflating the price of one of them.

Scholars of Islamic law have identified the types of trade where you cannot sell in installments for a long time. These include:

First. a trade in which usury may occur. This is evidenced by the hadith. As Ibadatun bnu Assomatun reported the words of the Messenger of Allaah (peace be upon him) "It is possible to

sell and buy - gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, equal and only hand-to-hand, but if the price of one of them is increased, then there will be usury” (Kafi bidayatu muzhtahid. Page 772).

Also, Malik bnu Aus heard from Omar (r.a.), the Messenger of Allah (peace be upon him) and said: “Gold for gold, usury, only hand-to-hand, wheat for wheat, usury, only hand-to-hand, dates for dates, usury, only hand-to-hand, barley for barley, usury, only hand-to-hand.”

That is, the above six types of goods and similar ones cannot be sold in installments, as well as it is impossible to make trade in installments of these goods with each other. For example, gold for gold in installments, silver for silver in installments, Dinar for Dinar in installments, wheat for wheat in installments, etc. Also, you can not trade in installments of gold for silver, zhuneikha for Dinar or wheat for barley, etc. since trade between them in installments covers those conditions in trade that lead to usury. But, you can trade any of the things for money: just like trading in installments of wheat for money or barley for gold or silver. That is, those types of goods that when bought and sold can lead to usury but, at the same time, can exceed the purchase and sale between different types of goods but will not be considered to be usury (Fatau daru al-ifta musriyah. Page 1249. Available: <https://www.dar-alifta.org/Foreign/default.aspx>).

According to Ibn Rushd – all scholars agree that it is impossible to buy and sell identical types of goods, as said in the hadith.

He also said that the meaning in the hadith transmitted to ibadat bnu Assomata consists in banning of identical types of goods and high prices of one of them immediately during the exchange of goods. But the prohibition of buying and selling identical types of goods for a long time is indicated in many other hadiths and the more common of them is the hadith transmitted by Omar bnu Khattab (r.a.) “Gold for gold, usury, only as hand-to-hand, wheat for wheat, usury, only hand-to-hand, dates for dates, usury, only hand-to-hand, barley for barley, usury, only hand-to-hand”. Then Ibn Rushd says: if the goods are different, then you can make a purchase and sale with an increase in the price of one of them, and it will not be usury only as in one collection. But it is not allowed in installments. The proof of this is the hadith said by the Messenger of Allah (peace be upon him): “Sell gold for silver as you wish, but only hand-to-hand” (Bidachti muzhtahid. Page 69).

Also, there is a question, if you sold the goods for money for a long time, can you change (replace) the price of another type of goods, which will lead to usury?

The views of fiqh scholars are contradictory on this issue.

According to Imam Malik and Imam Hanbal, it is impossible to change the given price. For example, if you sell barley or wheat in installments for money, you can not change their price for barley or wheat or other types of similar goods that will lead to usury.

The reason for the ban on price replacement is that the seller does not take the price for the goods immediately, but nevertheless sold it for a long time with an overpriced price. For instance, selling barley for barley or wheat for wheat with an increased price in installments. There is a unanimous opinion among scholars regarding prohibition.

Second-- According to Imam Hanafi and Imam Shafi'i, such change of the price for the goods is allowed, as the price for the goods is a debt and he bought the goods in debt.

Also, if you sold jewelry made of gold or silver for dinars at an inflated price of jewelry made of gold or silver.

In this matter, it should be noted that gold and silver are initially price goods. That is, they can be the goods and at the same time they can be the price for the goods (Fataua li jannati daimatu li-buhusi alamiyya wa al-ifta. Page 233).

Scholars' opinions are divided

The first opinion

According to Imam Shafi'i, such buying and selling is not allowed. Because these things are homogeneous and overestimating the price of one of them leads to usury. In addition, the sale of gold or silver, where their prices are not known in relation to jewelry. The proof of Imam Shafi'i is the above hadith of Ibadat (r.a.).

Second opinion: the scholars of Imam Malik's madhhab and other scholars who followed his views spoke about the permissibility of buying and selling jewelry made of gold and silver. Jewelry, because of their decorations, are not related to the goods of price belonging. It means that they are like ordinary goods (Bukhari. The Book of Commerce. Page 776).

Also, according to their opinion, if a thing made of gold or silver is forbidden as tableware, then their sale will also be forbidden both homogeneous and different. But, if a decorated gold or silver jewellery is a permitted thing, like a silver ring or a woman's jewelry and what decorates weapons and other jewelry, then they can be bought and sold, otherwise it will be usury.

Therefore, jewelry that can be used in everyday life is not included in the number of goods, purchase and sale of which will not be considered as usury. And they can only be as goods but not the price for the goods, the goods (thing) sold, but they cannot be a price.

In recent times, there has been widespread trade in installments between individuals and between trading companies. It is also carried out by a variety of different types (Mustalakhatu fiqhiyya al-Maliyya al-muasir. Page 121).

Therefore, we want to consider several types of them, both between individuals and between trading companies.

1 - Installment trading between individuals can be allowed and prohibited.

A) The basis of the item to be sold are two prices. The first price is a direct payment by cash for the goods at the time of receipt of the goods or is paid after a long time with the condition of choosing one of these prices between the agreeing parties at the place of this agreement before separating. Also, this agreement is not a purchase and sale agreement at the same time.

B) In installment trading, the price for the goods must be the same and it should not change. Also, this price must be paid for a certain time and in a certain amount. It should also be known by what amount the price for the goods was increased due to installments. The amount to be paid each time at a certain time must be determined. For instance, paying a given amount in each month, or several months in a year, or paying each year only (as agreed by the parties).

They can agree on early payment of a certain amount and the remaining amount in installments, or without early payment, but only in installments (Mukhtaru Misbakh. Page 36).

This type of trade is permitted by most scholars. And it makes it easier to get property for those who need it.

C) The following type of purchase and sale in installments can be the following: when the total amount of the price for the goods in installments, where the duration of time is determined, is known, but the amount, which should be paid each time, is not determined. At the same time, when the buyer pays for each month or year, he will pay 5 or 10 percent over this amount. This type of installment trading is prohibited without the consent of all scholars, because this is usury.

However, some scholars put forward an opinion about the permissibility of this type of installment trading.

They explain that such type of installment trading encourages the parties to implement the agreement in a timely manner. Therefore, overpricing, due to untimely implementation of agreement, can lead to the seller's losses, which is not desirable (Akhkamu attaamul ma al-bunuk. Page 1239. <https://salamquran.com/s102?mode=aye&t=en6-ru3-tr2-fa7>).

The second opinion of scholars: they consider this type of trade invalid because it leads to usury while using needy people to sell goods. This is contrary to what Allah said: "If the debtor is in a difficulty, grant him time 'til it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew" (Sura Bakara - 280a.)

Instalment trading between trading companies and buying and selling between a company and an individual

1- Lease trade or lease with buyout (Surah annisah - ayat 58. http://www.islaminquran.com/en-US/surah-4/an-nisa/ayat-58/quran_ayats.aspx):

This is a modern type of trade that is common among some people and replaces the installment trading. It is defined mainly at the request of the seller so that the goods remain in his possession until the buyer pays for the goods in full.

And this type of trade is called installment trading with subsequent buyout. It has two features.

First: the buyer must guarantee the integrity of the goods, their careful storage and proper use.

Second: if the buyer goes bankrupt, then the goods he bought in installments will not be part of his bankruptcy. That is, he is not relieved of responsibility because of his bankruptcy (Installment trading *mysriya*. Page 65).

The peculiarity is that if the contract was drawn up as an installment sale, the buyer will not be able to become the full owner of the goods immediately after the act is drawn up. Due to bankruptcy on the part of the buyer, a judge may seize all of his property and sell it in order to repay the seller the debt he owns. Therefore, in order to avoid this process in the case of the buyer's bankruptcy, another type of trade as a lease with subsequent buyout has been chosen. In such a trade, the seller and the buyer agree on the price of the goods at the time of installment payment and the seller will remain the owner of the goods until the buyer pays for the goods at the time specified by him and the buyer becomes the full owner of the goods and can dispose of them at his discretion. The idea is that the seller will be able to protect himself in case of the buyer's bankruptcy. Because his property seized by the judge may not be sufficient for the full repayment of his debt for the goods. But if the seller will remain the full owner of the goods until the buyer pays in full within the agreed time limit, he will be guaranteed with respect to the goods in case the buyer is unable to pay in full. But in the case of bankruptcy, the goods will remain with the seller, which allows him to avoid using the services of a judge. And the consequences would be unknown, which could eventually harm the seller.

Relatively recently, Islamic finance has become a reality for Muslims. A little more than a year ago two companies appeared on the market at once: Amal financial house and religious partnership Yumart Finance, which declared that their financial services are related to Shariah. Control over this correspondence in both companies was assigned to a special Shariah expert, Bulat Mulyukov, who has a higher Islamic education from the Islamic University of Riyadh and is a specialized Shariah auditor in Islamic financial institutions of the Accounting and Auditing Organization at the Islamic Financial Institutions (Bahrain).

However, we know that in Islam there is a rule: "people do not know the truth, but people know the truth," and, accordingly, this or that issue is clarified primarily on the basis of arguments and not the approval of an expert on Shariah as such. Therefore, it is quite reasonable that some aspects of Islamic financial companies raise questions for some Muslims who want to understand them on the basis of Shariah arguments. One such issue is the permissibility of the sale of ordered goods in installments, known in the terminology of Islamic banks as "Murabaha Lil Amir Bish Shira". The main doubts that arise regarding this type of relationship are as follows (Iskhakov et al., 2012):

1. There is no difference between lending money on terms of a larger refund (which is unambiguous usury) and buying a product that one needs and selling it in installments at a high price.

2. "There is no difference between al-Ina, which is forbidden by the hadith of Prophet, and this type of trade relationship (selling ordered goods in installments)".

3. The financier "only bought the product after they gave him a guarantee and promised to pay him back more than it cost. So it's just a ruse."

4. Regarding the above doubts, scientists have the following explanations for them:

There are significant differences between usury and the sale of ordered goods in installments. According to the hadith of Prophet, usury in the line of duty (*riba an-Nasya*) is "any loan entailing profit. That is, a person takes money and gives money, but in larger quantities. "Murabaha Lil Amir Bish-Shirah" also means selling goods, that is, a person receives goods, not money. The seller has the right to set the price of the goods as he wishes (as long as the price is determined and unambiguous), and he is not at all obligated to sell them at the same price as he bought it. On the contrary, any transaction involves a surcharge by the seller when it comes to a commercial relationship.

In addition, it is known that in commercial relations it is possible to come to a certain result by both forbidden and permitted ways. In the hadith of Imam Muslim the following hadith

is given: «Bilal came to the Prophet (peace and blessings be upon him) and brought a certain amount of quality dates, and the Prophet (peace and blessings be upon him) asked where they came from. Bilal explained that he had exchanged two parts of low quality dates for one part of high quality dates. The Prophet, peace and blessings be upon him, said: "This is usury! Do not do this. Instead, sell dates of the same quality and buy others with money".

Thus, the Prophet, peace be upon him, indicated that a person could receive good dates instead of bad dates, but in smaller quantities - if he did so by selling the latter and buying the former with the money he earned - and it would be legal. At the same time, the result can be exactly the same as if one were simply exchanging bad dates for good dates - but the latter is usury (*riba al-fadl*). Thus, the outward similarity of the results is not always an argument for taboo (Iskhakov et al., 2012).

In the case of usury by credit (*riba an-nasia*) and the sale of ordered goods in installments, as already mentioned, even the results of the transactions are excellent: in the first case the person receives money, and in the second the goods.

The "buy al-In" transaction, which is forbidden by the hadith of Prophet, also means getting money now in order to get more money in the future, the product is only fictitious in the transaction (see Ibn Kudamah "Al-Mughni", Volume 4, Pages 258- 256, al-Qasani "Badai al-Sanai fi tartaribi ash-Sharai", Volume 5, Pages. 198.) Scholars give a similar explanation based on the following legend:

Al-Aliya bint Aufa said: Zayd's wife, the mother of his child (um al-Walyad) and I met Aisha, may Allah be pleased with her, and his mother said: "I sold the slave, I will enter Ibn Arkam, may Allah be pleased with him in installments of 800 dirhams, and then I redeemed him for 600 dirhams in cash. "Aisha replied, How bad is what you bought and how bad is that Zayd sold you, tell Zayd that he has deprived his jihad with the Prophet, peace and blessings be upon him, until he repents" (Hadith collections of Imam ad-Darakutni and Imam Ahmad).

That is, "buy al-'ina" means buying the goods in installments and selling them back to the original seller only to receive cash, not the goods themselves. However, as already mentioned, "Murabaha Lil Amir Bish Shirah" means the purchase of goods, not the lending of money. One receives precisely the commodity that has value and is capable of benefiting in and of itself, whereas money alone cannot benefit and has no usufruct (Iskhakov et al., 2012).

The promise to buy a certain commodity at a certain price is not forbidden either for the final buyer or for the seller. Moreover, the permissibility of this kind of transaction has been explained by scholars of earlier generations of Muslims, including great scholars such as Imam al-Shafi (in Kitab al-Umm) and Imam Muhammad ibn Hasan al-Shaybani, a student of Imam Abu Hanifa (in al-Khiyal, p. 133), and Ibn al-Kayyim al-Jawziya (in Ilam al-Muawakein, vol. 4, p. 24) So, the following statement of Muhammad ibn Hasan is known: Muhammad ibn al-Hasan al-Shaibani (may God be pleased with him) said: He buys the house as an option for three days in it and takes it to him, then the commander comes to him and says I took it from you for a thousand and a hundred, and the officer says it is yours by that.

If one man orders another man to buy a house for a thousand dirhams and tells him that if he does so, he will buy it from him for a thousand and a hundred dirhams. And if the one who is told fears that the one who ordered to buy may change his mind to buy from him ... then let buy the house with the condition that he may return within three days and take possession of it, and then when the one who ordered to buy comes to him and says: "I bought (will buy) from you for a thousand and a hundred", he will say "your house for this price" (Iskhakov et al., 2012).

It is also known that most modern Islamic scholars and authoritative fiqh councils allow this type of transaction. The list of scholars sanctioning "Murabaha Lil Amir Bish Shira" would take one page, and so we will limit ourselves to referring to the largest fiqh councils (Muftiyat, 2015):

Standing Fatwa Committee of the Kingdom of Saudi Arabia (Fatwas No. 2020, vol. 13, p.154. Collection of Fatwas of the Standing Committee 2000 (2nd edition), Riyadh (source).

Islamic Academy of Jurisprudence at the Organization of Islamic Cooperation (POSITIONS 13 (1/3). On the Council of the Islamic Development Bank of the Islamic Academy of Law (fiqh) under the Organization of the Islamic Conference (11-16 October 1986); POSITIONS 40-41 (2-3/5) On Performance of Obligations, Purchase Contract (Murab) of the

Council of the Islamic Academy of Law (fiqh) under the Organization of the Islamic Conference during its fifth session convened in Kuwait (Kuwait State) 1-6 months Jumad al-Uu 1409 (10-15 December 1988).

Shariah Council for Accounting and Auditing in Islamic Financial Institutions (Bahrain) - see Murabaha Standard.

Based on the above arguments, we are convinced that selling ordered goods in installments (Murabaha Lil Amir Bish-Shirah) is legal, and Allah knows better. We hope that this article will be useful for Muslims, and in addition to this issue, Muslims will also study other Shariah issues related to economic relations in order to protect themselves from the forbidden and to achieve success in both worlds.

Scholars of theology have argued that such a transaction was permitted by evidence from the Quran and Sunnah.

Allah Almighty in the Quran says

And Allah permitted the sale

(meaning): "And Allah allowed trade" (surah al-Baqarah, ayat 275). This ayat, with its generalized meaning, covers all TYPES of trading, including trading with a price premium due to delay.

Allah Almighty also says in Quran: O those who believe, do not eat your money in vain among you, unless it is trade.

(meaning): "O you who believe! Do not devour your property among yourselves falsely, except that it be trading by your mutual consent. (Surah "An-Nisa", ayat 29)

This verse also covers the permissibility of trade in its general sense if it is based on the satisfaction of both parties. And if the buyer is satisfied with a price increase in exchange for a delay, it will be a valid contract (Muftiyat, 2015).

"The Messenger of Allah (peace and blessings of Allah be upon him) bought food from a Jew on deferred payment, giving him his chain mail as a deposit." (Bukhari, Muslim)

This hadith indicates permission to trade with delayed payment of the price, and in fact, instalment trading is essentially trading with delayed payment. Only in instalment trading the price is paid in installments; for each installment there is a known (specified) payback time. The hadith transmitted by Bukhari says:

On the authority of Aisha, may God be pleased with her, that: I came to me with justification: I wrote to my family about whether it was worse.

Aisha says that a woman named Barira came to her and informed her that she had freed herself from slavery to her master by making an agreement to pay nine dollars (a measure of weight equal to 12 dirhams or 37.44 g), one oko for each year.

This hadith indicates the permissibility of payment in installments because the Messenger of Allah (peace and blessings of Allah be upon him) neither rejected nor forbade it, on the contrary, he approved it. Although Aisha later bought the woman by accelerating the instalments.

The seller agrees to the delay because of the benefit of the surcharge, and the buyer is satisfied with the surcharge because of the delay and the difficulty of paying the cash immediately. Each benefits from the transaction.

When the Prophet (peace and blessings of Allah be upon him) ordered Abdullah ibn Amr ibn al-As (may Allah be pleased with him) to prepare an army, he bought one camel at the price of two for a term, that is, he took one camel for cash in order to pay for it with two camels after a certain time. This points to the permissibility of a price increase in an installment sale and the fact that this type of transaction was practiced among Muslims in the past and is practiced in the present (Muftiyat, 2015).

In conclusion, let us note a few necessary conditions for installment trading:

1. It is allowed to increase the price of goods when selling them by installments for a certain period. In this case, the price of goods by installments and the schedule of debt repayment (the amount of installments and their terms) must be clearly defined at the time of the transaction. Otherwise the transaction contradicts the Shariah;

2. It is not allowed to set in the contract additional interest (penalties) for late payment within a specified time, because this amount will already be considered as interest on the debt, which is usury;
3. Sharia prohibits the debtor from paying debts in order to delay repayment, but does not allow the creditor to collect any compensation from the debtor for doing so;
4. The seller has the right to put a condition in the contract for early payment of the full value of the goods by the buyer in case of non-compliance with the repayment schedule;
5. The seller does not retain ownership of the goods after entering into an installment sale agreement.

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