INVALIDITY

OF THE

"RUNNING MUSHARAKAH"

SCHEME

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INTRODUCTION

"Running Musharakah" is a weird 'partnership' scheme conjectured by Hadhrat Mufti Taqi to promote the interests of the capitalist banks. It is a scheme which has no relationship with any kind of valid Shar'i *Shirkat* mode.

In the *"running musharakah"* scheme the account-holders who are deceptively proclaimed the 'partners' in business ventures, are paid pure, unadulterated interest (riba) in the guise of 'profit'. Interest is imagined to be profit, and with this imaginary 'profit' theory the depositors are duped into believing that the gains they are receiving are halaal profit when in reality it is nothing but interest.

There is no bank, even if it happens to be Muslim-owned, geared for Shariah-compliant business products. The so-called Islamic banks and kuffaar capitalist banks offering 'islamic' accounts, are all agents of Shaitaan. They bamboozle the unsuspecting and ignorant Muslim public with Islamic terminology and 'halaal' certificates issued by the 'Scholars for Dollars' who man the corrupt so-called 'shariah boards' of the banks. They operate in exactly the same way as the Carrion-Halaalizing bodies such as SANHA and the MJC. Whilst the latter miserable specimens of humanity halaalize carrion, the miserable shariah board employees of the banks and the Scholars for Dollars halaalize interest (riba).

This booklet consists of two parts. Part one is Mufti Taqi's article outlining his *baatil "running musharakah"* idea. Part two is our Refutation of the riba-halaalizing *"running musharakah"* scheme.

Was-salaam
Mujlisul Ulama of S.A.

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PART ONE

By Mufti Taqi Uthmaani Sahib

THE "RUNNING MUSHARAKAH" SCHEME

RUNNING MUSHARAKAH ACCOUNT ON THE BASIS OF DAILY PRODUCTS:

Many financial institutions finance the working capital of an enterprise by opening a running account for them from where the clients draw different amounts at different intervals, but at the same time, they keep returning their surplus amounts. Thus the process of debit and credit goes on upto the date of maturity, and the interest is calculated on the basis of daily products.

Can such an arrangement be possible under the *Musharakah* or *Mudarabah* modes of financing? Obviously, being a new phenomenon, no express answer to this question can be found in the classical works of Islamic Fiqh. However, keeping in view the basic principles of *Musharakah* the following procedure may be suggested for this purpose:

- A certain percentage of the actual profit must be allocated for the management.
- The remaining percentage of the profit must be allocated for the investors.
- The loss, if any, should be borne by the investors only in exact proportion of their respective investments.
- The average balance of the contributions made to the *Musharakah* account calculated on the basis of daily products shall be treated as the share capital of the financier.
- The profit accruing at the end of the term shall be calculated on daily product basis, and shall be distributed accordingly.

If such an arrangement is agreed upon between the parties, it does not seem to violate any basic principle of the *Musharakah.* However, this suggestion needs further consideration and research by the experts of Islamic jurisprudence. Practically, it means that the parties have agreed to the principle that the profit accrued to the *Musharakah* portfolio at the end of the term will be divided based on the average capital utilized per day, which will lead to the average of the profit earned by each rupee per day. The amount of this average profit per rupee per day will be multiplied by the number of the days each investor has put his money into the business, which will determine his profit entitlement on daily product basis.

Some contemporary scholars do not allow this method of calculating profits on the ground that it is just a conjectural method, which does not reflect the actual profits really earned by a partner of the *Musharakah*. Because the business may have earned huge profits during a period when a particular investor had no money invested in the business at all, or had a very insignificant amount invested, still, he will be treated at par with other investors who had huge amounts invested in the business during that period. Conversely, the business may have suffered a great loss during a period when a particular investor had huge amounts invested in it. Still, he will pass on some of his loss to other investors who had no investment in that period or their size of investment was insignificant.

This argument can be refuted on the ground that it is not necessary in a *Musharakah* that a partner should earn profit on his own money only. Once a *Musharakah* pool comes into existence, all the participants, regardless of whether their money is or is not utilized in a particular transaction earn the profits accruing to the joint pool. This is particularly true of the Hanafi School, which does not deem it necessary for a valid *Musharakah* that the monetary contributions of the partners are mixed up together. It means that if 'A' has entered into a *Musharakah* contract with 'B', but has not yet disbursed his money into the joint pool, he will be still entitled to a share in the

profit of the transactions effected by 'B' for the *Musharakah* through his own money. Although his entitlement to a share in the profit will be subject to the disbursement of money undertaken by him, yet the fact remains that the profit of this particular transaction did not accrue to his money, because the money disbursed by him at a later stage may be used for another transaction. Suppose 'A' and 'B' entered into a *Musharakah* to conduct a business of Rs. 100,000/- They agreed that each one of them shall contribute Rs. 50,000/- and the profits will be distributed by them equally. 'A' did not yet invest his Rs. 50,000/- into the joint pool. 'B' found a profitable deal and purchased two air conditioners for the *Musharakah* for Rs. 50,000/- contributed by himself and sold them for Rs. 60,000/-, thus earning a profit of Rs. 10,000/-. 'A' contributed his share of Rs. 50,000/- after this deal. The partners purchased two refrigerators through this contribution which could not be sold at a greater price than Rs. 48000/- meaning thereby that this deal resulted in a loss of Rs. 2000/- Although the transaction effected by 'A's money brought loss of Rs. 2000/- while the profitable deal of air conditioners was financed entirely by '*B's* money in which 'A' had no contribution, yet 'A' will be entitled to a share in the profit of the first deal. The loss of Rs. 2000/- in the second deal will be set off from the profit of the first deal reducing the aggregate profit to Rs. 8000/-. This profit of Rs. 8000/- will be shared by both partners equally. It means that 'A' will get Rs. 4000/-, even though the transaction effected by his money has suffered a loss.

The reason is that once the parties enter into a *Musharakah* contract, all the subsequent transactions effected for *Musharakah* belong to the joint pool, regardless of whose individual money is utilized in them. Each partner is a party to each transaction by virtue of his entering into the contract of *Musharakah*.

A possible objection to the above explanation may be that in the above example, 'A' had undertaken to pay Rs. 50,000/- and it was known beforehand that he would contribute a specified amount to the

Musharakah. But in the proposed running account of *Musharakah* where the partners are coming in and going out every day, nobody has undertaken to contribute any specific amount. Therefore, the capital contributed by each partner is unknown at the time of entering into *Musharakah*, which should render the *Musharakah* invalid.

The answer to the above objection is that the classical scholars of Islamic Fiqh have different views about whether it is necessary for a valid *Musharakah* that the capital is pre-known to the partners. The Hanafi scholars are unanimous on the point that it is not a pre-condition. Al-Kasani, the famous Hanafi jurist, writes:

According to our Hanafi School, it is not a condition for the validity of *Musharakah* that the amount of capital is known, while it is a condition according to Imam Shafi'i. Our argument is that Jahalah (uncertainty) in itself does not render a contract invalid, unless it leads to disputes. And the uncertainty in the capital at the time of *Musharakah* does not lead to disputes, because it is generally known when the commodities are purchased for the *Musharakah*, therefore it does not lead to uncertainty in the profit at the time of distribution." (Badai-us-sanai v.6 p.63)

It is, therefore, clear from the above that even if the amount of the capital is not known at the time of *Musharakah*, the contract is valid. The only condition is that it should not lead to the uncertainty in the profit at the time of distribution. Distribution of profit on daily product basis fulfills this condition.

It is true that the concept of a running *Musharakah* where the partners at times draw some amounts and at other times inject new money and the profits are calculated on daily products basis is not found in the classical books of Islamic Fiqh. But merely this fact cannot render a new arrangement invalid in Shariah, so far as it does not violate any basic principle of *Musharakah*. In the proposed system, all the partners are treated at par. The profit of each partner is calculated on the basis of the period for which his money remained

in the joint pool. There is no doubt in the fact that the aggregate profits accrued to the pool is generated by the joint utilization of different amounts contributed by the participants at different times. Therefore, if all of them agree with mutual consent to distribute the profits on daily products basis, there is no injunction of Shari'ah which makes it impermissible; rather, it is covered under the general guidelines given by the Holy Prophet in his famous hadith, as follows:

"Muslims are bound by their mutual agreements unless they hold a permissible thing as prohibited or a prohibited thing as permissible."

If distribution on daily products basis is not accepted, it will mean that no partner can draw any amount nor can he inject new amounts to the joint pool. Similarly, nobody will be able to subscribe to the joint pool except at the particular dates of the commencement of a new term. This arrangement is totally impracticable on the deposit side of the banks and financial institutions where the accounts are debited and credited by the depositors many times a day. The rejection of the concept of the daily products will compel them to wait for months before they deposit their surplus money in a profitable account. This will hinder the utilization of savings for development of industry and trade, and will keep the wheel of financial activities jammed for long periods. There is no other solution for this problem except to apply the method of daily products for the calculation of profits, and since there is no specific injunction of Shari'ah against it, there is no reason why this method should not be adopted.

At the end of the mudhaarabat period, the profits which are accrued, that owsatan *(average)*, in a day in the rupees, how much profits were accumulated?

In 30 days, a person acquired 30 rupees profit on 300 rupees. So now, it means that upon 300 rupees, one rupee profit was accrued per day. Therefore, on one rupee on one day, the profit was 0.00333.

Now, if a persons one rupee stayed for 15 days in the mudhaarabat account, then the profit of 0.00333 should be multiplied by 15, the result being that the person had gained 0.04999 profits on the one rupee for 15 days. Now, if a persons ten rupees stayed for 15 days (in the mudhaarabah account), then the profit should be multiplied by ten which is a profit of 0.4999. This is called the daily product method.

THE REFUTATION

The very term *'mushaarakah'* is alien to our Fuqaha. All our Fuqaha use the term *Shirkat.* The reason for mentioning this fact is to indicate the liberalist attitude of Hadhrat Mufti Taqi Sahib. There is no need to deflect from the terms used by the Fuqaha for *Shar'i* enterprises.

(1) The arrangement outlined in the beginning of page 1 of Mufti Taqi's article, is in reality not a valid *Shirkat* according to the Shariah. It is a pure savings account arrangement accruing interest for the depositors. The depositors have absolutely no idea of what is happening in the business venture. They don't even know what their percentage profit is. They simply deposit money into the account, withdraw as they require and at the end of the month see a 'dividend' credited to them. This 'dividend' is pure riba.

The contention that the arrangement is a *'mushaarakah'* enterprise is utterly baseless and weird. The following elements are essential requisites in a valid *Shar'i Shirkat:*

(a) All parties in the *Shirkat* are on an equal footing in so far as transacting is concerned. All parties have the right to buy, sell, i.e. trade in general. A partner cannot be denied actual physical participation in the *Shirkat* enterprise.

(b) An essential requisite of *Shirkat* is the validity of the *Waqaalat* of every partner. Each partner is the *wakeel* of the other partner. A *Shirkat* which excludes automatic *Waqaalat* is baatil.

(c) The partnership business, i.e. the *Shirkat enterprise,* belongs to all the partners who are real, physical, intelligent persons. The *Shirkat* cannot be between people and imaginary donkeys termed 'legal entity' or a company. The Shariah does not recognize the validity of a legal donkey which is the fundamental basis of the *musharakah*

concept produced by the banks where depositors, the so-called 'partners', deposit their monies for riba gains which are deceptively termed 'dividends' or 'profit'.

(d) All partners are liable for the debts of the partnership in proportion to their capital investment.

All four of these requisites are non-existent in the type of '*mushaarakah'* scheme proposed by Mufti Taqi. Thus, regardless of his meandering explanations and *ta'weelaat'* to confer *jawaaz,* the mushaarakah products offered by the banks and those schemed by Mufti Taqi are baatil and haraam.

(2) Regarding requisite (a), above, there is no equality of transacting. The depositors who are the providers of the capital investment, have absolutely no say and no power to transact in or on behalf of the supposed partnership business. The only act they can perform is to deposit money in their savings accounts. They do not have the haziest idea of the business, its operation, its functioning, and the myriad of other factors associated with a huge corporate venture controlled by the riba capitalist magnates.. Their concern is only to deposit money in the bank and claim a dividend (riba). Besides this, they have absolutely no relationship with the legal donkey who in terms of Mufti Taqi's *mushaarakah* scheme is the primary partner in the business.

All the depositors are thus contracting with a legal donkey who is their partner and in whose sole control is the operation of the business. Every aspect of the business is in the control of the legal donkey whose workers are the directors. The directors are not necessarily partners. And, even if they happen to be partners, they too will be transacting with the legal donkey.

The legal donkey debars all the 'partners' from doing any trading activity on behalf of and in the name of the company. Only the directors whom the legal donkey has appointed are allowed to trade

and transact in the name of the company. Negating the transacting right of the partners invalidates the partnership. Hence, there is no valid partnership according to the Shariah in the scheme proffered by Mufti Taqi Sahib.

(3) With regard to requisite (b), above, Mufti Taqi's scheme of *musharakah* excludes *Waqaalat.* In his scheme, the depositors (the supposed partners) are not each other's *wakeel.* They are never the *Wakeels* of the legal donkey with whom they have supposedly contracted and invested. While the legal donkey is their *wakeel*, they are not its *wakeel*. The excision of the essential requirement of *Waqaalat* renders Mufti Taqi's *musharakah* concept *baatil*.

(4) With regard to requisite (c) above, there is simply no existence of a *Shirkat* in terms of the Shariah. The company is not a human being with whom transactions could be made. Company XYZ which 'accepts' the investments is a legal fiction. Despite being a fictitious donkey, the law encumbers this fictitious 'person' with rights and obligations which in reality should have been the rights and obligations of the real, human partners – all the investors.

(5) With regard to requisite (d), above, the so-called partners are completely absolved of all obligations. Whilst they (the depositors) have the right in terms of kufr law to claim their share of the riba gains paid by the legal donkey, they are totally absolved of all liabilities incurred by the donkey in the operation of the business by its (the donkey's) workers (the directors). This vital element belies the claim that the venture is a valid shariah compliant *shirkat.*

According to the Shariah, the partners in a *Shirkat* are responsible for the liabilities. If there is a loss, all the partners have to bear the loss in proportion to their capital investment. They are not allowed to go scot free whilst the creditors have to suffer the loss incurred by the legal donkey in the name of *musharakah.* There is no absolution from debt in terms of the Shariah. This absolution from debt inherent

in the capitalist system effectively denies the claim of the existence of *musharakah.*

The aforementioned explanation is sufficient to expose the invalidity of Mufti Taqi's *musharakah* scheme. In view of the *butlaan (invalidity/being null and void)* of the proffered *musharakah* scheme, there is really no need to proceed further for refuting the other aspects of the scheme. Nevertheless, the other aspects of the scheme are also in conflict with the Shariah, hence the need to proceed with our refutation.

(6) Stating the "procedure" in terms of the "basic principles of *Musharakah",* Mufti Taqi says: *"A certain percentage of the actual profit must be allocated for the management."* This contention is baseless. This procedure is not consonant with the "basic principles" of *Shirkat.* It is imperative to distribute the entire sum of the *net* profit. The profit for distribution is the balance remaining after payment of management/running/operational expenses. That is, gross profit minus all trade expenses is the net profit which has to be compulsorily distributed to the partners. Management expenses are trade expenses.

However, in the legal fiction capitalist system to which Mufti Taqi seeks to render the Shariah subservient, the directors compulsorily withhold a large amount of the profits which they will utilize at their own sweet discretion. The partners who are the rightful owners of the profit have no say whatsoever. The decrees of the directors appointed by the legal donkey are the holy writ. The management expenses are paid from the day-to-day sales. But, in the baatil *musharakah* scheme of the riba banks, despite the trade expenses having already been paid, they hold back a substantial amount from the net profits for future development, etc. The partners have no say in this malpractice. In terms of kufr laws, the directors driving the legal donkey have the right to decide how the undistributed amount of the profit will be

utilized. This element of the procedure suggested by Mufti Taqi is untenable with the principles of *Shirkat.*

(7) Mufti Taqi says: *"The loss, if any, should be borne by the investors only in exact proportion of their respective investments."* Although this is correct, it is not the factual position in the company (legal donkey) scheme. In this scheme, the investors do not bear any losses. At most, they stand to lose only their savings in the bank – savings which constitute the *'capital investment'* of the baseless *musharakah* scheme.

(8) Mufti Taqi says: *"The average balance of the contributions made to the Musharakah account calculated on the basis of daily products shall be treated as the share capital of the financier."* This theory is untenable It is a massive deception. The capital of the *Shirkat* enterprise is the actual amount invested by the partners. However, since there are no real partners in the capitalist scheme evolved by Mufti Taqi – they are merely savings-account holders who collect interest in the name of dividends/profit – this 'average balance' has been conjectured in a futile attempt to present the *baatil* capitalist system of hallucinated 'partnership' as a 'shariah-compliant' product when in reality it is not so.

During the subsistence of the *Shirkat*, the partners may not withdraw any amount of their capital investment. The capital investment is repaid only on termination of the *Shirkat* or when any partner decides to opt out. The creature of 'average balance of contributions being the share capital' is a haraam and baatil creation to sustain the capitalist model which produces nothing but interest which is deceptively paid to the account-holders as 'profit' in the name of the *'musharakah* phantom.

(9) Mufti Taqi Sahib says: *"Practically, it means that the parties have agreed to the principle that the profit accrued to the Musharakah portfolio at the end of the term will be divided based on*

the average capital utilized per day, which will lead to the average of the profit earned by each rupee per day……" This idea is absolute nonsense in relation to a valid *Shar'i Shirkat. Actual* profit is a fundamental of *Shirkat*, not *average* profit or some other figure in terms of an imaginary theory unsustainable in the light of the principles governing the Islamic concept of *Shirkat.*

(10) Mufti Taqi says: *"Some contemporary scholars do not allow this method of calculating profits on the ground that it is just a conjectural method, which does not reflect the actual profits really earned by a partner of the Musharakah."* Undoubtedly, this method is conjectural in relation to calculation of the actual profit. The Shariah stipulates that *actual* profits have to be distributed, not 'conjectural profits'.

Explaining the ground on which the opposition basis their refutation of the conjectural method, Mufti Taqi says: *"Because the business may have earned huge profits during a period when a particular investor had no money invested in the business at all…"*

This is a perfectly valid ground on which to basis the rejection of Mufti Taqi's conjectural scheme. In a futile attempt to answer this contention of the opposition, Mufti Taqi says: *"This argument can be refuted on the ground that it is not necessary in a Musharakah that a partner should earn profit on his own money only. Once a Musharakah pool comes into existence, all the participants, regardless of whether their money is or is not utilized in a particular transaction earn the profits accruing to the joint pool."*

This argument is deceptive and invalid because he has not answered the argument of the opposition. His answer relates to another scenario, not to the scenario in which the 'investor' *"had no money invested in the business at all."* The question arises: Why did he have no money invested at all? The answer is that he has withdrawn his so-called investment. Withdrawal of one's investment is in actual

fact the termination of the *Shirkat* in relation to the withdrawing partner. Hence, this former 'partner' is not entitled at all to any profit since he is no longer a partner. But in terms of Mufti Taqi's hallucinatory method, the one who is not a partner is entitled to substantial profit when there happens to be "huge profits".

Withdrawal of the investment signifies the termination of the partnership relative to the withdrawer, hence he is not entitled to any profit. The entitlement to profit mentioned by Mufti Taqi whether a particular investor's capital has been used or not in any particular transaction, applies to a person who is a valid partner. It does not apply to one whose partnership agreement stands cancelled in consequence of him having withdrawn his capital investment. Entitlement to profit is on the basis of *Maal or Amaal or Dhimaan.* None of these three justifying foundational principles for the justification of claiming profit applies to one who has withdrawn from the partnership. Thus, the contention that he is entitled to profit is *baatil*.

Mufti Taqi's argument that the "mixing of the monetary contributions of the partners" is not necessary for a valid *musharakah* is not being contested. The introduction of this issue in the context of the conjectural method is baseless. The argument is that profit is being paid to a person who is *not* a partner. The argument is not that profit cannot be paid to a partner because his capital investment is lying idle in the business. Once a valid *Shirkat* has come into existence, the partners are entitled to profit regardless of their respective amounts of funds being used or not. This is not the issue being contended. The issues are:

(a) The method suggested by Mufti Taqi is baseless conjecture.

(b) The one who has withdrawn his capital investment being paid a share of the profit in terms of the conjectural method, is not a partner.

(11) Venturing another shot in the dark, Mufti Taqi says: *"A possible objection to the above explanation may be that in the above example, 'A' had undertaken to pay Rs 50,000 and it was known beforehand that he would contribute a specified amount to the Musharakah. But in the proposed running account* (i.e. in the scheme suggested by Mufti Taqi) *of Musharakah where the partners are coming in and going out every day, nobody has undertaken to contribute any specific amount. Therefore the capital contributed by each partner is unknown at the time of entering into Musharakah, which should render the Musharakah invalid.*

The answer to the above objection is that the classical scholars of Islamic Fiqh have different views about whether it is necessary for a valid Musharakah that the capital is pre-known to the partners. The Hanafi scholars are unanimous on the point that it is not a pre-condition……while it is a condition according to Imam Shafi'. Our argument is that the Jahalah (uncertainty) in itself does not render a contract invalid, unless it leads to disputes. And the uncertainty in the capital at the time of the Musharakah does not lead to disputes, because it is generally known when the commodities are purchased for the Musharakah, therefore it does not lead to uncertainty in the profit at the time of distribution."

This is another deceptive 'refutation' based on an imaginary objection which is indicated by his statement *"A possible objection…"* This 'possible' or imagined objection is not an objection of the opposition. The objection has already been stated and explained in No.10, above. Furthermore, the Hanafi view will coincide with the Shaafi' view in the event of the *jahaalah (ambiguity)* leading to dispute. This proviso is explicitly stated by the Hanafi Fuqaha, and which Mufti Taqi has mentioned above.

(12) Mufti Taqi says: *"It is true that the concept of a running Musharakah where partners at times draw some amounts and at other times inject new money and the profits are calculated on daily*

products basis is not found in the classical books of Islamic Fiqh. But merely this fact cannot render a new arrangement invalid in Shariah, so far as it does not violate any basic principle of Musharakah."

This contention is agreed and accepted. But Mufti Taqi overlooks the fact that the basic principles of *Shirkat* are in fact violated in the new system he has suggested. The violations are as follows:

(i) The method of calculating the profit is pure conjecture while the Shariah's principle is that the profit must be a known entity.

(ii) In this new scheme, persons who are not partners are paid profits for which they are not entitled since they have withdrawn their capital investment. This is in diametric conflict with the principles of *Shirkat.*

(iii) The effect of the blooming'daily product' method is unadulterated riba. This shall be explained further on in this discussion, Insha-Allah. Instead of investment acquiring profit, it gains interest, pure and simple.

Thus, the *'running musharakah'* concept is haraam, not because it is new or because there is no mention of it in the kutub of the Shariah. It is *baatil* because it is in violation of the basic principles of *Shirkat* as mentioned above, and its yield is nothing other than riba.

A further element of impermissibility of the new scheme is the negation of the liability of the partners. As explained earlier, the so-called partners are not responsible for losses and the debts incurred by the company. The creditors have to suffer the loss. In addition the essential requisite of *Waqaalat* is cancelled. Also, a substantial amount of the net profit is withheld at the discretion of the donkey's directors. The partners have no power and no right in terms of the terms of the kufr system to claim the withheld sum.

(13) The example which Mufti Taqi presents to justify his *"running musharakah"* concept is superfluous. There is no support for his scheme in the example in which one partner's capital had not as yet been employed, nevertheless, he participates in the effects of the partnership, whether it be profit or loss. This issue is not being contested nor does it lend support to the haraam *"running musharakah"* scheme which is in conflict with the Shariah's principles of *Shirkat.*

(14) Mufti Taqi says: *"Therefore, if all of them agree with mutual consent to distribute the profits on daily product basis, there is no injunction of Shariah which makes it impermissible, rather it is covered under the general guidelines given by the Holy Prophet in his famous hadith, as follows: 'Muslims are bound by their mutual agreements unless they hold a permissible thing as prohibited or a prohibited thing as permissible."*

The Hadith cited by Mufti Taqi unequivocally excludes prohibitions of the Shariah from the command to honour mutual agreements. What we are saying is that since the *'running musharakah'* scheme violates the Shariah on several issues as explained above, it cannot be granted the coverage of the Hadith. On the contrary, the Hadith prohibits this imaginary *musharakah* on the basis of it being haraam which may not be legalized by mutual consent. The Shariah's injunctions which render the new-fangled scheme impermissible have already been explained earlier.

By mutual consent *actual* profits could be distributed on a daily system. But then, a viable system has to be formulated for effecting this onerous task. Mutual consent cannot halaalize and legalize distribution of fictitious 'profits'. The figment termed 'profit' in the confounded haraam *'running musharakah'* scheme is actual interest. The presentation of the Hadith in this context is deceptive or erroneous.

(15) Elucidating his *'running musharakah'* scheme, Mufti Taqi proffers the following example:

"In 30 days, a person acquired 30 rupees profit on 300 rupees. So now it means that upon 300 rupees, one rupee profit was accrued per day. Therefore, on one rupee on one day, the profit was 0.00333. Now, if a person's one rupee stayed for 15 days in the mudhaarabat account, then the profit of 0.00333 should be multiplied by 15, the result being that the person had gained 0.04999 profits on the one rupee for 15 days. Now, if a person's ten rupees stayed for 15 days in the mudhaarabat account, then the profit should be multiplied by ten which is a profit of 0.4999. This is called the daily product method."

The consequence of this rigmarole is pure interest based on a truly stupid, hallucinated haraam method. It is pure conjecturing which produces riba. A rudimentary comprehension of arithmetic is enough to understand that the net effect of the method of calculation depicted in the above example is that the gain for the investor is a percentage of his capital investment. It is not a percentage of the actual profits.

The .000333 is a percentage of the 300 rupees capital investment. Now in this hallucinatory scheme, the so-called 'profit' is a percentage of the capital investment, not a percentage of the actual profit. The baseless method imagines that the investor's one rupee will perpetually yield the same initial profit, namely, 30 rupees in 30 days on 300 rupees investment. Pretending that this illusion is an established fact, the scheme proceeds to calculate 'profit' as a percentage of capital investment regardless of there being actual profit or actual loss, or whether the rupees in future yield more or less profit than the initial 30 rupees mentioned in the example. In fact the initial 30 rupees profit is also a figment in the fictitious haraam scheme. Banks have a fixed system and operate accordingly without regard for profit or loss. They pay interest on savings regardless of the facts of the ground.

The example presented by Mufti Taqi unequivocally confirms that the gains paid to depositors – they are never conscious investors in a valid *Shirkat* enterprise – are nothing but interest. Despite Mufti Taqi being such a learned man, his overlooking this fact or his failure to understand this simple fact beggars credulity. The Shariah emphatically stipulates shares from the *actual* profits, not from imagined 'profits'. The consequence of imagined 'profits' is riba.

A simpler example for better understanding of this deception is a case in which the profit per rand has initially been calculated as one cent. That is, one rand accrues a profit of one cent per day, i.e. 1%. Therefore, R100 left in the savings account will accrue imagined profit of 100 cents (R1) per day. If the R100 is left for 20 days in the savings account, the accrued imaginary 'profit' will be R20. If R50 is withdrawn, then according to the weird riba scheme, only the remaining R50 will earn 'profit' at the rate of 50 cents daily for as many days as the money is left in the account. This is pure riba of 1% of the savings per day.

Although Mufti Taqi has abortively attempted to show that the imagined 'partnership' subsists despite withdrawal of savings, the banks operating these rubbish so-called 'islamic' riba accounts, do not pay 'profit' on amounts which have been withdrawn. If 50% of the savings are withdrawn, the bank will pay imagined 'profit' (interest) on the 50% balance. If all the savings are withdrawn, the bank will not continue paying 'profit' (interest) despite Mufti Taqi's claim that the partnership still exists in his *"running musharakah"* concept. Whilst the bank maintains the so-called *musharakah/mudharabah* account operative to facilitate daily withdrawals and deposits, the imagined 'partnership' practically ceases with each rand withdrawn and resumes with each rand deposited. This whole weird scheme is pure riba bunkum forged to deceive and mislead the ignorant masses.

Even if it should be assumed that at one stage, initially, the corrupt riba banks did actually calculate the profit in order to determine the 1% ratio with the rand, it is absolutely bizarre to imagine that the profit in future is constant. All factors which influence profit and loss are summarily ignored and the 1% per rand per day is proclaimed the holy writ, as if divine revelation has been received to this effect. Besides the gross deception, it is moronic to presume that for the next couple of years the profit will be the same as it had been at the initial stage or the pre-initial stage of the so-called investment. As far as the depositor is concerned, he makes no investment. The bank invests the savings on its own behalf. It pays the depositor fixed interest for his savings.

Muslims should not be pretend to be so stupid as to intentionally fall into this scheme of deception. Whatever so-called 'islamic' formula the banks or the 'shariah' boards of the banks which employ these scholars for dollars, forge is pure deception and *baatil.* In the current capitalist bank scenario it is impossible to operate a valid Islamic *Shirkat or Mudharabat* enterprise.

There are absolutely no valid Shar'i grounds for the claimed permissibility of the *"running musharakah"* scheme. It is baatil and haraam.

(16) In the penultimate paragraph of his article, Mufti Taqi reveals the objective for his *'running musharakah'* endeavour. A Mu'min is supposed to underline his every pursuit with the objective of *Ridha Ilaahi (Divine Pleasure).* This is secured by meticulous obedience to the Shariah. The adoption of valid stratagems and circumventions which do not violate the Shariah is also discouraged in the absence of dire need. But in so far as baseless stratagems and circumventions of the Shariah are concerned – gimmicks and schemes which violate the principles of the Shariah – it is not merely an issue of discouragement. It enters the domain of prohibition, the adoption of

which is haraam. There is absolutely no dire need for the haraam riba scheme which has been proffered in the guise of *musharakah.*

Stating the objective of his endeavour, Mufti Taqi says: *"If the distribution on daily products basis is not accepted, it will mean that no partner can draw any amount nor can he inject new amounts to the joint pool."* So what? The Shariah states that a partner may withdraw his capital with the consequence of termination of the partnership. This principle may not be violated.

As for injection of new capital, this is not prohibited. A new arrangement could be contracted to cater for the new introduction. The tenets of the Shariah do not stifle progress. But the progress must be based on permissibility not impermissibility.

Further expanding on his objective, Mufti Taqi says: *"This arrangement is totally impracticable on the deposit side of the banks and financial institutions where the accounts are debited and credited by the depositors many times a day."*

This confirms that the actual objective is subservience to the riba banks and financial institutions of the capitalist kuffaar whose models and systems the Muslim banks have totally adopted. Mufti Taqi, with his *running musharakah* scheme is at pains to hammer out a hybrid system to primarily serve the interests of the western financiers – the banks and the financial institutions of riba.

The fact of daily debits and credits by depositors also confirms that the purpose of the deposits is not investment to gain genuine profit, but is savings to be utilized on a daily basis – savings which earn interest. The deceptive façade of 'profit' makes it attractive for the unwary, unsuspecting and ignorant masses to utilize the facilities of the financial institutions offering *baatil* ventures presented in Islamic guise. Fanciful Islamically sounding terms serve to bamboozle the masses. A valid *Shirkat* enterprise does not allow for daily

withdrawal of capital investment. Such a measure defeats the very objective of the partnership.

Says Mufti Taqi: *"The rejection of the concept of daily products will compel them to wait for months before they deposit their surplus money in a profitable account. This will hinder the utilization of savings for development of industry and trade, and will keep the wheel of financial activities jammed for long periods."*

The rejection of the *baatil* concept of *"daily products"* is simply Waajib for the many reasons elaborated in this discussion. Waiting for months to discover a profitable business enterprise for one's surplus money is nothing out of the ordinary. It is simply necessary. Impatience does not justify transgression of the Shariah's limits. Surplus money may not be invested in just any venture even if haraam, on the basis of a halaal enterprise not being available.

The problem with Muslims, and also lamentably with Mufti Taqi, is deficiency in *Aqeedah,* hence the fallacious idea that people will lose out if they do not invest immediately. Rasulullah (sallallahu alayhi wasallam) said: *"Rizq is sealed, and the one of greed is deprived."* No amount of greed and haste to invest in just any confounded scheme hallucinated by brains gone haywire will increase a person's predetermined Rizq, nor will withholding from investment decrease one's Rizq. It is the Waajib *Aqeedah* of the Mu'min that Allah Ta'ala is the Sole Raaziq, and that his Rizq will reach him regardless of his efforts or abstention from effort. According to the Hadith, Rizq is inseparable from a person. It follows him like his shadow. When a man has consumed his final morsel of Rizq, his Maut arrives.

It is imperative to keep focus on this *Aqeedah* in the pursuit of Rizq. Wherever there is a clash between the demands of the Shariah and one's worldly objectives, the bounden duty of the Mu'min is to cast aside the worldly objective and submit to the Shariah. After all, this is the purpose of our presence on earth. There will always be

conflicts to test our Imaan. The type of sacrifice Mufti Taqi mentions if the baatil scheme is rejected, is in fact no sacrifice. On earth we have to offer sacrifices. In these times, Allah Ta'ala does not demand from us the super sacrifices which the early Muslims had to offer and suffer. In this era of Imaani weakness, our sacrifices are abstention from haraam, mushtabah, laghw and la'b – abstention from riba, insurance, bank products marketed as 'shariah-compliant', halaalized carrion and the plethora of doubtful foods – and abstention from emulating the kuffaar. We are not called on to sacrifice, home, property, family, land and life.

Aqeedah, Akhlaaq and *Taqdeer* may not be isolated from our monetary dealings. The Hadith informs us: *"Verily, you have been created for the Aakhirah."* The minimum Waajib degree of Tawakkul – Waajib for every Mu'min – is strict observance of the Shariah, and to abandon whatever is in conflict with the Shariah. If abstention from haraam monetary dealings appears to bring poverty and hardship in its wake, let it be so. Accept it as the decree of *Taqdeer.* This is not advocating inertia, laxity and indolence. *Aqeedah. Akhlaaq and Taqdeer* are to sustain the Mu'min in a conflict situation.

Therefore, Mufti Taqi's attitude projected in his idea of "waiting for months to profitably invest surplus funds, and of the "wheel of financial activities jamming", is silliness unexpected of an Aalim of his status. It is ludicrous and haraam to forge by hook or crook a scheme to keep the wheel of the capitalist riba-devourers running, when the scheme is in stark conflict with the Shariah, but presented as a 'shariah compliant' product.

If abstention from the *baatil "running musharakah'* scheme will "hinder the utilization of savings for development of industry and trade", then let it be so. Muslim savings are not meant for promoting the riba empires of the capitalists, whether they be kuffaar or Muslims. Muslims should not regard themselves to be in need of the

interest which the banks pay in the form of 'islamic' accounts of a variety of kinds. They should be content with whatever Allah Ta'ala bestows to them by way of halaal Rizq. There is considerable barakat in the little halaal they possess.

While it may be Mufti Taqi's ambition to promote the banks, it is our duty to promote the Deen. His dalliance with the capitalist banks has desensitized in him the natural abhorrence which a Mu'min should have for these riba banks. Imaam Ghazaali (rahmatullah alayh) said that if there had to be trade and commerce in Jahannum, it would be the trade of banks (money-changers and money-lenders).

In the desperate desire to impose his *baatil musharakah* scheme on Muslims, Mufti Taqi laments: *"There is no other solution for this problem except to apply the method of daily products for the calculation of profits…"* There is no need for a solution, since in this context there is no problem. The problem is imaginary for Muslims. It could be a problem for the capitalists who require the savings of even the small man to finance huge business ventures. But withholding savings from deceptive 'islamic' bank accounts poses no problem for Muslims. The scheme formulated by Mufti Taqi is primarily designed for the interests of the riba capitalists.

"The truthful, honest trader will (on the Day of Qiyaamah) be with the Ambiya, Siddiqeen and the Shuhada."

(Hadith)