



اَوْنُوْزْ سِيْتِيْ بِاْتِيْكَوْ لُوْ كِيْ مَبَارَا  
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**IMU 451: FIQH MUAMALAT**

**GROUP: IC2102A**

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**TOPIC ASSIGNMENT: THE IMPORTANCE OF CONTRACTS IN  
ISLAMIC TRANSACTIONS**

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## **STUDENT DECLARATION**

We hereby acknowledge that in fact all the work in the preparation of this academic work is the result of our own efforts and works except as expressly stated.

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## **TABLE OF CONTENT**

<b>BIL</b>	<b>CONTENT</b>	<b>PAGE</b>
1	INTRODUCTION	4
2	RESEARCH OBJECTIVES	5
3	METHODOLOGY	5
4	LITERATURE REVIEW	6-7
5	FINDING AND DISCUSSIONS 5.1) CONCEPT OF CONTRACT 5.2) CHARACTERISTIC OF CONTRACT 5.3) IMPORTANCE OF CONTRACT 5.4) CURRENT ISSUE OF ISLAMIC CONTRACT	8-20
6	CONCLUSION	21
7	REFERENCES	23

## 1.0 INTRODUCTION

Contract law, being a very special branch of law, stands in the hub of business activities in such a pertinent way that enhances business transactions not only at the national level but also at the international level as well. Corporations are performing million-dollar business transactions and numerous business contract documents are signed on behalf of the company with the pure intention of making a legitimate profit for the company shareholders. (Jalil, 2010). The philosophy of law in Islam differs from the Western philosophy of law quite significantly. The Islamic philosophy says this world was created by only one God known as 'Allah' and all materials on earth and in the universe were created by Him and He alone managed this creation. There were angels to help him but without the help of angels, He was just as capable of accomplishing this monumental task without any problem in whatever way He wished and planned. The Islamic religion emphasizes the importance of the law of contract. The Islamic law of contract has detailed provisions to ensure viable business transactions between companies. Islam only prohibits earnings through usury or interest in business as clearly mentioned in the Al-Quran. Allah (God) says in the holy Quran: 'Taking interest on the loan is prohibited for you but doing business is permitted for you'.

The definition of contract from an Islamic point of view is "an expression of the matching between a positive proposal made by one of the contractors and the acceptance of the other contractor in a way which has an impact on the subject of the contract". Shariah commercial law in Islamic legal terms known as *fiqh muamalat* constitutes an important branch of law dealing with the issue of contract and the legal effects arising from a contract that can be a valid, void, or avoidable contract. For a valid contract in Shariah law, certain conditions are to be met. It can appear as a valid contract based on several elements of a valid contract which are an offer or an offeree, offer, and acceptance, and the subject matter and the consideration. As for the parties to a contract, they must be legally capable of entering into the contract. The capability to transact in Islamic law is measured by two aspects, namely prudence, and puberty. (Teacher, 2013)

The Islamic contract law is not totally different from the English contract law principles. In English law, a 'contract is an agreement enforceable by law'. In Islamic law, the contract is known as '*aqd*' which means tie or bond. It means a contract that binds the parties together. To make a contract in Islamic law, there must be an agreement between two parties. The agreement

must be based on the free consent of the parties. To make an agreement legally effective, there must be an offer and an acceptance between the parties. In other words, the offeree must accept the offer from the offerer absolutely and without any qualification. To effect a valid contract the parties must have the intention to create a legally binding relationship. Islam emphasizes on fulfilling contractual obligations. (Jalil, 2010)

## **2.0 RESEARCH OBJECTIVE**

- 1) Explain the concept of contract and its meaning from Islamic and conventional views and the pillars of contracts.
- 2) Explain the characteristics of valid and invalid contracts.
- 3) The importance of contracts in Islamic transactions

## **3.0 METHODOLOGY**

This study's research methodology is dependent on online research. Primary references were chosen from authoritative reference sources such as journals and books. Working papers, chosen books, and related books to the specified topic were utilized as secondary references. My buddies and I utilize physical and electronic reference sources from websites such as Google Scholar, digital libraries, and others.