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## Concept of Ju'ala in Islamic Law and Its Application in Islamic Banking and Finance

**Dr Hafiz Rao Farhan Ali**

*Postdoctoral Research Fellow, Islamic Research Institute,  
International Islamic University, Islamabad,  
Assistant Professor, Department of Shariah,  
Allama Iqbal Open University, Islamabad  
Email: rao.farhan@aiou.edu.pk*

### **Abstract**

Juala refers to a contract in which the ja'il (the one offering the reward) assigns to a person a known task or a task whose exact estimation is difficult and promises a specified compensation in return.

This article primarily discusses the foundational concept of Ju'alah in Islamic jurisprudence and then examines its applications in the context of Pakistan. The study employs a qualitative method. The author concludes that The permissibility of Ju'alah is established through the Qur'an and Sunnah and Ju'alah is also affirmed in the Maliki, Shafi'i, and Hanbali schools of thought. The jurists have also discussed the rulings of Ju'alah in their classical legal works. There is a need to apply these classical rulings to contemporary financial transactions. In this regard, the contract of *Ju'alah* can be implemented quite successfully in Islamic banking and finance, and it has the potential to yield highly beneficial outcomes.

The researcher recommends that the contract of *Ju'alah* be employed comprehensively within Islamic banking and finance across multiple operational areas. These include deposit mobilization, loan financing, debt recovery, facilitating home financing through property identification, investment in real estate, product development, and the exploration of natural resources. Effectively leveraging *Ju'alah* in these domains has the potential to generate substantial benefits. In this regard, there is a need to benefit from the Ju'alah-based initiatives of the Central Bank of Indonesia.

**Keywords:** Ju'ala, Islamic Jurisprudence, Islamic Banking, Islamic Finance

## Definition of *ju'alah*

The lexical meaning of *ju'alah* is wage, reward, or compensation.<sup>(1)</sup> In terminological usage, it refers to a contract in which the *ja'il* (the one offering the reward) assigns to a person a known task or a task whose exact estimation is difficult for himself and promises a specified compensation in return. In *ju'alah*, payment of the compensation is made after the completion of the task.<sup>(2)</sup>

## Legitimacy (Permissibility) of *Ju'alah*

According to the Ḥanafī school, *ju'alah* is not permissible because it contains *gharar* (uncertainty). Both the task and the time period are unknown. It is not definite whether the task will even be accomplished or not.

The Ḥanafīs, making *qiyās* (analogical reasoning) upon other forms of *ijārah*, deemed it impermissible because a valid *ijārah* requires the work, the wage, and the duration to be clear and specified.

However, in one exceptional case, the Ḥanafī jurists have allowed *ju'alah*: If a lost or escaped slave is returned, *ju'alah* is permitted. This permissibility is granted based on *istihsānan* for the purpose of protecting the owner's property.<sup>(3)</sup>

On the other hand, the Mālikī, Shāfi'ī, and Ḥanbalī schools consider the contract of *ju'alah* generally permissible. These schools present evidence from the Qur'an and Sunnah to support its permissibility.

One such example is found in the story of Prophet Yūsuf A.S, where it is mentioned:

قَالُوا نَفَقْدُ صُوعَ الْمَلِكِ وَلَنْ جَاءَ بِهِ حِمْلُ بَعِيرٍ وَأَنَا بِهِ زَعِيمٌ<sup>(4)</sup>

“They said, We are missing the measuring-bowl of the king, and whoever brings it back shall deserve a camel-load, and I stand surety for it.”

A well-known ḥadīth also indicates the permissibility of offering a reward. A tribe once refused to host a group of the Companions (may Allah be pleased with them) who were travelling. Soon afterward, the chief of that tribe was bitten by a snake. The tribesmen then approached the Companions and requested that someone perform *ruqyah* for their leader.

The Companions stipulated that the tribe should first set a reward for them. Consequently, the tribe fixed a flock of sheep as the reward. One of the Companions recited Sūrat al-Fātiḥah and performed *ruqyah*, upon which the chief recovered. The Companions then collected the flock of sheep.

When this incident was presented to the Prophet ﷺ, he smiled and said: "Allocate a share for me from those sheep as well."<sup>(5)</sup>

### **The Intellectual and Rational Basis for Establishing the Validity of the Ju'alah**

From a rational perspective, the permissibility of *ju'alah* is equally evident. There are situations in which the owner of a task cannot perform it himself, such as searching for a lost item or carrying out a difficult or risky task. In such circumstances, the offer of a reward becomes an effective motivation for others to undertake that effort.

Although some jurists objected to *ju'alah* because the work and duration are not fixed and clearly regulated, the majority of scholars hold that when the task is lawful, beneficial, and permissible, offering a reward or making such a promise is valid.

### **Essential Elements (*Arkan*) of Ju'alah**

The essential elements of *Ju'alah* include offer and acceptance, the *ja'il* (the offeror), the *'amil* (the worker), the task for which the *ju'alah* contract is made, and the compensation or reward that is given to the worker. The details of each of these elements are given below.

#### **1. The Offer (Ijāb) from the Ja'il and Its Form**

Since *Ju'alah* is a unilateral commitment in which the *ja'il* (the offeror) undertakes the responsibility of granting a reward upon the completion of a specified task, the contract of *Ju'alah* is established solely through the words of the *ja'il*. These words must be explicit and clearly indicate the offer of a reward in exchange for the performance of a task, and at the same time obligate the *ja'il* to pay the reward once the assigned work has been completed.<sup>6</sup>

#### **2. Conditions for the Ja'il (the one offering the reward)**

Two essential conditions must be met for the *ja'il*:

1. The first condition for the *ja'il* is that he must be legally competent and capable of valid disposal in his affairs.
2. The second condition is that the *ja'il* must be fully independent in making the offer; he must not be under any form of coercion..<sup>(7)</sup>

#### **3. Conditions for the 'Amil (the performer of the task)**

The *'amil* must fulfill the following requirements:

If the agent is a specified individual, he must have the capability to perform the task for which the ja'il has made the offer; otherwise, selecting such an 'amil would be useless and meaningless. However, if the 'amil is not a specified person and the offer is general, such as "Whoever finds my lost car and brings it back will receive fifty thousand rupees," then this condition does not apply. Anyone may accept such an open offer, and the work may even be completed by someone else. <sup>(8)</sup>

The reason is evident: since the offer is general, anyone may accept it. The primary purpose is to complete the task outlined in the offer, and this completion may be achieved through any means.

### **When the 'Amil becomes entitled to the reward**

When a person fully completes the task assigned in the Ju'alah contract, he becomes entitled to the reward. However, if someone performs the required task but does not complete it in full, they will not be eligible for the reward. For example, a person's sacrificial animal goes missing, and he announces that whoever finds and brings back his lost animal will receive fifty thousand rupees. Suppose someone finds the animal and brings it back, but as he approaches the owner's house, the animal breaks free and runs away. In such a case, he is not entitled to the reward. <sup>(9)</sup> The reason is clear: although he undertook the task, he did not complete it fully.

## **4. Conditions Related to the Reward or Compensation**

The reward must be known and specified; otherwise, the contract of Ju'alah becomes invalid. An unknown or unspecified reward leads to disputes and conflict, and it also undermines the rights of the worker. Furthermore, if the reward itself is ambiguous, a person would have no motivation to strive for the completion of the task assigned in Ju'alah. Along with being specified, the reward must also be lawful. An unlawful reward, such as a specified quantity of wine or pork, cannot be stipulated in Ju'alah.

## **5. Conditions related to the assigned work**

The task offered in Ju'alah must also be something permissible according to Islamic jurisprudence, such as finding a lost animal, car, laptop, or recovering data. A task that is impermissible in Shariah cannot be the subject of Ju'alah; for example, offering a reward for dancing or playing music.

The Shāfi'ī jurists add another condition: the task in Ju'ālah should be something that requires reasonable effort. If the task requires no effort at all, it cannot be the subject of a Ju'ālah contract. The Mālikī jurists add the condition that the assigned task should have a meaningful purpose and provide some benefit to the *ja'il*. For example, entering into Ju'ālah for recovering valuable lost data is permissible. However, if the task has no purpose or provides no benefit to the *ja'il*, it is not permitted. For example, if a *ja'il* offers: "Whoever climbs this mountain will receive five thousand rupees," such an offer does not constitute a valid Ju'ālah.<sup>(10)</sup>

### **Ju'ālah in matters of worship**

Acts of worship whose benefit is confined solely to the one performing them cannot be made the subject of Ju'ālah. The reason is that Ju'ālah is only stipulated for tasks that yield some benefit to the *ja'il* (the one offering the reward). Therefore, any act of worship that brings no benefit to the *ja'il* cannot be validly contracted through Ju'ālah.

However, those religious services from which the general public derives benefit, such as the services of a judge (*qādī*), an imam of the mosque, a preacher (*khaṭīb*), or a muftī, may be arranged through a Ju'ālah contract.<sup>(11)</sup>

### **The Binding Nature of Ju'ālah After Completion of the Task**

When the task assigned in Ju'ālah has been completed, the contract becomes binding. At this point, the *ja'il* no longer has the option to withdraw from the contract. The reason is that the obligation tied to the task has been fulfilled, thus the compensation becomes due.

### **Revocation and Termination of Ju'ālah**

The jurists agree that Ju'ālah is not a binding contract in its initial stage. Therefore, both the *ja'il* and the *āmil* have the right to terminate it. However, if the worker has already begun working on the assigned task, whether the contract can still be revoked or not, is a point of scholarly debate among the jurists.<sup>(1)</sup>

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<sup>(1)</sup>Al-Shīrāzī, Al-Muhadhdhab, 273/2.

### **Termination Due to Death or Permanent Insanity**

The Ju'alah contract terminates upon the death of either party or upon one of them losing sanity completely. However, the Mālikī jurists maintain that the contract does not necessarily end in such a situation; rather, it transfers to the heirs, provided they are trustworthy.<sup>(12)</sup>

### **Application of Juala in Islamic Banking and Finance**

The application of Ju'alah within Islamic banking and finance can be realized in several ways, including its use in loan recovery.

#### **1. Ju'alah for Loan Recovery**

When Ju'alah is utilized for debt collection, for example, when the offeror states, "Recover my one million rupees, and in return, you will receive fifty thousand," the jurists unanimously agree on its permissibility. This is because such an agreement involves no ambiguity. However, scholars differ regarding its legal characterisation: some classify it under Ijārah, whereas others classify it under Ju'alah.

If, however, one says: "Recover my debt, and you will receive 2% of the amount recovered as Ju'alah," then the jurists differ. The jurists, including the Ḥanafīs and Shāfi'īs, hold that such an arrangement constitutes a fasid (defective) Ijārah, because the wage (ʿajr) here is unknown and therefore invalid.

On the other hand, the later Mālikī scholars and the Ḥanbalīs deem such an arrangement permissible, basing their view on the principles of Ju'alah.<sup>(13)</sup>

Imam al-Tasūlī states that among the transactions in which Ju'alah is permissible despite the compensation being unknown is the case where a person says to another:

"Recover my debt, and whatever amount you recover, half of it will be yours." Or he says:

"Harvest my crop, and whatever you cut, half of it will be yours."

All such forms fall under Ju'alah, and they are valid. However, the worker (ʿāmil) still has the right to withdraw from the agreement.

According to the Ḥanbalī jurists, this falls under the category of *Ju'alah*, and it is permissible for the compensation to be unknown, provided that the compensation is generally acceptable. Its example is like this when a military commander says:

“Whoever guides me to a way into the fortress shall receive one-third of whatever spoils are found inside.”<sup>(14)</sup>

According to the jurists, this type of *ju'alah* is valid, and it has been considered permissible based on military necessities. Since it is permissible there, it should also be permissible for loan recovery.

Its permissibility is also understood from this ḥadīth. The Prophet ﷺ announced in the Battle of Ḥunayn:

(15) «مَنْ قَتَلَ قَتِيلًا لَهُ عَلَيْهِ بَيِّنَةٌ فَلَهُ سَلْبُهُ» قَالَهَا ثَلَاثًا

“Whoever kills an enemy combatant and can provide proof of it, then his belongings shall belong to him.” The Prophet ﷺ repeated this three times. The Majallah al-Aḥkām al-‘Adliyyah has also adopted this view, basing its position on the school of Imam Aḥmad ibn Ḥanbal<sup>(16)</sup>

The rational basis for this ruling lies in the fact that, at times, individuals are required to engage others for tasks in which the remuneration is inherently uncertain. A salient example is the *ju'alah* contract employed for the recovery of a lost item. In such circumstances, an *ijarah* contract is deemed invalid because the wage/reward remains indeterminate; the worker may or may not receive compensation, as payment becomes contingent upon the successful retrieval of the lost item. In view of such practical necessities and the public need (*ḥājah*), the Shariah permits *ju'alah* in these cases. This consideration of necessity and human need is similarly reflected in the permissibility and structuring of other contractual arrangements within Islamic jurisprudence.

For example, from the perspective of strict analogy (*qiyās*), the contract of *Muḍārabah* should also be impermissible, because in it both the work and the eventual profit share are unknown. However, it is allowed because it is established through the practice of the Prophet ﷺ, and underlying this permissibility is the recognition of the genuine need people have for such a financial arrangement.

Islamic banks can conveniently apply the concept of *Ju'alah* in the context of loan recovery. The bank may declare that whoever recovers its

outstanding debts will receive a specified reward. It is also permissible to link the reward to a proportion of the recovered amount.<sup>(17)</sup> For example, the bank may announce that it has five billion rupees in receivables, and whoever succeeds in recovering them will be given 4% of the recovered amount as a reward. This permissibility is also affirmed within the Mālikī school of jurisprudence. Imam Gharnāṭī states that if a person agrees with another by saying:

“Whatever amount you recover from my debtor, one-third of it will be yours,” then, according to the dominant view within the Mālikī school, this form of ju‘ālah is valid, even though a contrary opinion from Imām Mālik himself is also reported.<sup>(18)</sup>

## 2. Purchasing Goods via Debt and Credit Cards

Rewards may also be offered on purchases made through debit and credit cards, and, in our view, their juristic characterization can be based on Ju‘ālah.

An Islamic bank can announce to its account holders that whoever makes a purchase from a particular store or shopping mall, or fulfills a specified condition, will receive a discount. This discount may be a fixed percentage, such as five percent of the transaction, or a fixed amount.

In this context, the bank (Ja‘il) benefits from transaction fees, merchant commissions, and insights into customer preferences and behavior, while the account holder (‘Āmil) gains the benefit of the discount on their purchases.

For example, Meezan Bank Pakistan offers its cardholders various discount deals at the 1969 Restaurant, Islamabad. These offers range from 20% to 40% discounts on purchases.<sup>(19)</sup>

## 3. Performance-Based Ju‘ālah in Islamic Banks

Islamic banks or Takaful companies may also use Ju‘ālah-based rewards to enhance employee performance. For example, they may announce that employees will receive a specific amount as reward for achieving specific targets, or that their compensation will be calculated as a fixed percentage, for example, five percent of the sales price of products. Such arrangements can be implemented to:

- Reduce operational costs,
- Increase overall profit,
- Encourage employees’ active participation in product sales.

## Shariah Perspective

According to the Ḥanafī school, this practice is generally impermissible. For example, *Muḥīṭ al-Burhānī* cites a similar scenario: one person offers another, Sell my animal, and half of the sale proceeds will be yours. When the animal is sold, the original owner retains full ownership, so the price belongs to them, not to the person selling it (as he is not the owner). In this case, the contract is considered a *fasid* Ijārah because the wage (half of the price of the animal) was predetermined by the parties. Therefore, the seller receives a reward equivalent (ʿajr mathlī) for his effort.

The Hanfi perspective is that, granting a laborer a portion of the very output he produces, such as giving a flour-grinder flour derived from the same wheat as compensation, constitutes a prohibited form of remuneration.

The prohibition is established from the Hadith<sup>(20)</sup>, it entails *jahālah* (indeterminacy) and uncertainty in the wage. However, the Hanafis have also provided other alternatives to it.<sup>(21)</sup> In such cases, the compensation must be stipulated in the form of a fixed and determinate payment, whether in currency or another clearly specified commodity.

On the other side, jurists hold that such a transaction is permissible, provided that the wage is clear and determined, as explained previously. Even if the wage is indeterminate, for example, a *shared portion* (*ḥiṣṣah mushāʿah*) with an unspecified amount, the contract is still considered valid, as discussed earlier.

Islamic banks in Pakistan have historically applied performance-based commission schemes. In our view, these commission schemes fall under the contract of Jaʿālah and are permissible. To illustrate the practice adopted in this regard by a reputable and well-established Islamic bank, consider the following example:

- If an employee succeeded in arranging a Takaful policy for a client, he was given four percent of the client's investment as commission. If this commission was paid by the bank from its own funds, then it is permissible, and if this commission was paid out of the client's investment, then it should not be permissible, because the client deposits this amount with the Takaful company to obtain risk coverage. Therefore, the company should utilize the client's funds as much as possible to cover the risk of that client and other participants.

- When an employee achieved a Takaful sales target of one million rupees, they would be awarded a trip to Malaysia.
- For achieving 1.2 million rupees, the reward was a trip to the Maldives.
- If the employee failed to meet the target, they would receive only the commission, without any additional reward.<sup>(22)</sup>

Although in our view, this banking practice falls within the scope of the Ju'alah contract, this by no means implies that bank employees are permitted to employ every lawful or unlawful means to sell products or achieve assigned targets. In this regard, Shariah auditors bear a crucial responsibility to closely monitor such practices and to actively discourage and prevent any impermissible conduct.

Islamic banks offer financing through the following means, and the aforementioned model can be effectively applied to them.

### **Vehicle Financing:**

- Motorcycles financed under *Musawamah*.
- Cars financed under *Ijārah Muntahiyah bi al-Tamlik*.

### **1. Home Financing:**

- Provided under *Mushārahah Mutanāqishah*.

### **2. Consumer Goods Financing:**

- Household appliances such as refrigerators, microwave ovens, etc.

### **3. Solar Panel Financing:**

- All the above are offered by Meezan Bank under consumer financing programs.<sup>(23)</sup>

An Islamic bank may announce that any employee who sells its products will be given two percent of the transaction value, and such arrangements are indeed implemented in practice. An employee of a well-reputed bank of Pakistan shared that it was common practice to reward employees with a commission based on successful financing cases. It was around 1.6% of the financed amount when they successfully arranged financing for customers.<sup>(24)</sup>

This is similar to a scenario where a person tells a real estate agent: "Sell my house, and you will receive 2% of the sale price." Just as this arrangement is permissible, the commission-based reward for employees arranging Islamic financing is also considered valid because unlike conventional banks, where financing is purely a loan, in Islamic banks,

financing involves the sale of assets on a deferred basis (Murabaha, Bai Muajjal, etc). So, arranging financing in Islamic banks means facilitating the sale of assets or assisting in their purchase.

However, this creates a debt obligation (dayn) for the customer, but the bank's contractual relationship with the customer is separate from the employee's agreement to find customers. Therefore, an employee of a bank who earns a commission on financing does not fall under the category of interest (riba), nor is the practice of the Islamic bank in this regard impermissible.

#### **4. Ju'alah for Deposit Mobilization**

Islamic banks can also enter into a Ju'alah contract with individuals and institutions to encourage them to deposit their funds. This can apply to both current and savings accounts; it is a matter of time, because the general public often holds small amounts of savings, which on their own cannot be invested in substantial business ventures. When these small and scattered savings are deposited with banks, they consolidate into significant capital that the bank can deploy in larger investment projects. This, in turn, can contribute to employment generation.

Munawwar Iqbal writes:

Financial intermediaries remove the size mismatch by collecting the small savings and packaging them to suit the needs of entrepreneurs. It is often considered that small savers are risk-averse and prefer safer placements, whereas entrepreneurs deploy funds in risky projects. Furthermore, small savers cannot efficiently gather information about opportunities to place their funds. Financial intermediaries are in a much better position to collect such information, which is crucial for making a successful placement of funds.<sup>(25)</sup>

In the case of current accounts, since the deposited funds are considered loans from a Shariah perspective, a Ju'alah contract can also be employed to facilitate borrowing.

Imam al-Mawardi (RA) states:

"If someone says, 'Obtain a loan of 100 dirhams for me from someone, and in return, I will give you 10 dirhams,' there is no objection to this. However, if the person himself provides the loan, taking 10 dirhams in return is not permissible, because it would constitute riba"<sup>(26)</sup>

As stated in Al-Rawḍ al-Murabba', Sharḥ Zād al-Mustaqni':

"If someone says, 'Obtain a loan of 100 dirhams for me from someone, and in return, I will give you 10 dirhams,' there is no objection to this. However, if one says, 'Become the guarantor of this loan and in return you will receive 10 dirhams,' this is impermissible." (27)

### **Juristic Justification**

Ju'alah on obtaining a loan is essentially a payment for a lawful service. This action itself does not create any financial guarantee or obligation on the part of the person providing the service.

Since the payment (commission) is being given for a permissible and lawful act, such Ju'alah is valid.

In contrast, in the case of kafalah (guarantee), the guarantor becomes legally responsible for the debt, and the loan becomes obligatory upon them. When the guarantor repays the debt, they are entitled to recover the same amount from the original debtor. This is, in essence, equivalent to lending money. Therefore, if the guarantor receives any financial benefit or profit for providing the guarantee, it constitutes profit on a loan, which is explicitly prohibited as *riba* (interest) in Shariah.

### **Bank Indonesia's Ju'alah Contract for Absorbing Liquidity and Controlling Monetary Flow**

The National Sharia Council of Indonesia issued a Fatwa Based on Ju'alah. We are quoting here this fatwa without any change:

In this fatwa, while elucidating its necessity and significance, it was stated that:

- "Under a financial system based on the principles of Shariah, instruments are required for the implementation of monetary control and for managing excess liquidity in Islamic banks, while ensuring that one of the key objectives of Islamic banking, development of the real economic sector, is not neglected.
- Since interest-based monetary instruments cannot be used by Islamic banks, avoiding them is obligatory.
- Although an existing Shariah instrument called *Sertifikat Wadi'ah Bank Indonesia (SWBI)* is available, it does not fully meet the needs of Islamic banks regarding liquidity management and monetary control.

- An instrument based on the *Ju'alah* contract is more suitable, as it provides a Shariah-compliant method for conducting monetary control and liquidity management more effectively.
- Therefore, the DSN–MUI<sup>(28)</sup> finds it necessary to issue a formal fatwa regarding the *Sertifikat Bank Indonesia Syariah Ju'alah (SBIS Ju'alah)* so that it may serve as practical guidance.”

### **Mechanism of SBIS Ju'alah**

- “SBIS Ju'alah may be used for monetary control and liquidity management in Islamic banks.
- In this contract:
  - Bank Indonesia (BI) is the *jā'il* (the one offering the reward),
  - The Islamic bank is the *'āmil* (the one performing the task),
  - The subject of the contract is that the Islamic bank assists BI in absorbing liquidity by collecting excess funds from the public and placing them with BI for a specified period.
- During its monetary operations, when BI issues SBIS, it informs Islamic banks of the liquidity absorption target and promises to grant a specific reward (*ju'l / 'iwadh*) to banks that participate”.

### **Third: Legal Rulings**

- “BI is obliged to pay the promised reward to Islamic banks that have assisted in liquidity control through SBIS Ju'alah.
  - Funds placed by Islamic banks with BI through SBIS are considered Wadi'ah Amānah Khāṣṣah (special trust deposits). BI will not use these funds; it will only safeguard them. The Islamic bank cannot withdraw them before maturity.
  - If an Islamic bank needs liquidity before maturity, it may enter into a repo of its SBIS Ju'alah, and BI may impose a disciplinary penalty (*gharāmah / ta'zīr*).
  - BI is obligated to return the principal amount upon maturity.
  - Islamic banks may invest only their excess liquidity in SBIS Ju'alah funds not presently required for operations in the real sector.
1. SBIS Ju'alah may not be traded or transferred; it is not part of an investment portfolio for trading.”<sup>(29)</sup>

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## 5. Provision of Technical Services to Islamic Banks

Technical services may also be offered to Islamic banks and financial institutions based on a Ju'alah contract. In the present-day financial system, customer-related account data is of utmost importance to banks and institutions. If such data is lost, the bank may suffer losses amounting to billions, and in some cases, it could even lead to bankruptcy.

If a bank's data is lost and an Islamic bank announces, based on Ju'alah, that "whoever recovers our customers' lost data will be given a reward of 20 million rupees," then this is permissible. This arrangement is highly beneficial for banks because customer data is their most valuable asset, and the survival of banks depends on it.

## 6. Employee Hiring

Employee hiring is one of the major challenges of today. Institutions often outsource this function to a third party. Recruitment agencies usually perform this task efficiently due to the following reasons:

1. The institution seeking employees wants to avoid the burden of screening, background checks, and intelligence reports, preferring that a third party handle these tasks.
2. Recruitment agencies possess specialized staff and expertise not available to many institutions.
3. Outsourcing reduces personal bias, nepotism, and bribery.
4. It saves time for the hiring institution.
5. Some institutions outsource hiring due to the absence of a dedicated HR department.
6. Recruitment firms have expert interviewers and well-designed tests, which help select suitable candidates.

### Ju'alah Contract for Hiring Employees

A Ju'alah contract for hiring may be structured as follows:

An institution assigns a recruitment agency the task of hiring, for example, ten employees. The institution agrees that the agency will be paid a fee equivalent to five percent of the first three salaries of the recruited employees.

Recently, an Islamic bank entered into such an agreement with a company: whenever the bank requires employees, it will inform the company of its needs, and the company will provide shortlisted CVs. For each

candidate selected, the company will receive a specific percentage as a reward.

### **7. Locating a residential property through a real estate agent**

In consumer financing, banks also offer their customers the facility of purchasing a house. Meezan Bank, under *Mushārahah Mutanāqishah*, offers its clients the option to purchase a house. For acquiring a house on a rental or ownership basis, an Islamic bank may engage a real estate agent to work with the customer.

For example, a client approaches Meezan Bank wishing to purchase a house through the bank. Meezan Bank has established partnerships with the top property dealers in Rawalpindi and Islamabad, enabling them to search for the best properties in these two cities on behalf of Meezan Bank.

Keeping in view the customer's requirements, the bank offers one of these dealers the task of finding a suitable house according to the client's needs and preferences. If the dealer successfully finds a house and the customer purchases it through the bank, the dealer will be paid either a lump-sum amount or, for example, 2% of the property's price based on *Ju'alah*. Thus, for the purchase of a property worth 20 million rupees, the bank will pay the dealer 400,000 rupees as a *Ja'alah*-based payment.

### **8. Investment in Real Estate**

Islamic banks often face the criticism that they do not participate in practical trade activities to the extent they ought to. There are many ways in which they may participate in real commercial activities, and one such method is buying and selling real estate on the basis of *Ju'alah*.

According to the model mentioned above, Islamic banks can purchase and sell properties at national and international levels through reputable real estate agents with strong credibility. Sometimes, investment in real estate becomes long-term in nature, but such investments are also highly profitable. Therefore, it would be appropriate to invest long-term deposits in real estate.

### **Hypothetical Case Study**

For example, the construction of Giga Mall Extension, DHA Islamabad, is underway, and commercial shops and flats are being sold. Considering the performance of the first Giga Mall project, there is strong potential that the value of this property will rise significantly.

Keeping these prospects in mind, Bank Islami wishes to purchase shops and flats in this mall. However, the bank has no prior experience in property acquisition, and venturing into this project directly may lead to losses. Therefore, Bank Islami agrees with a well-known company, Sky Marketing, stating that it requires fifty shops and fifty flats. Whatever the price of these properties may be, Bank Islami will pay a 2% fee (for example) as compensation.

In this way, the Islamic bank gains an investment opportunity, and Sky Marketing receives a commission based on *Ju'alah*.

### **Findings and Recommendations**

- The legitimacy of *Ju'alah*, a reward-based contract, is affirmed by the Qur'an and Sunnah, and rational reasoning further reinforces its permissibility.
- The rulings on *Ju'alah* as articulated by jurists are based on strong rational foundations. For example, the offerer (*Jā'il*) should be among those who are legally competent to act, the worker (*'Āmil*) possesses the capability to perform the work proposed under *Ju'alah*, that a reward or compensation is specified for the work, the reward is lawful, that the work offered under *Ju'alah* is lawful, and other such conditions all of these are fully supported by sound reasoning.
- *Ju'alah* is highly useful for the recovery of loans. Islamic banks should utilize this contract in loan recovery processes.
- The *Ju'alah* contract is also beneficial for increasing deposits in current and savings accounts. Islamic banks are advised to benefit from the *Ju'alah* model of Bank Indonesia in this regard.
- *Ju'alah* is useful in asset-based financing, achievement of targets, investment in real estate, and employee hiring. Islamic banks should make full use of the *Ju'alah* contract in these fields.
- Target- and assignment-based *Ju'alah* is highly attractive for both freelancers and Islamic banks. By employing this technique, Islamic banks can achieve various targets effectively.

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