Q: I have a considerable amount of money saved by me from my monthly income. I want to invest it in a lawful business which can give me some profit. One of my friends has offered me to enter into partnership with him, I shall give him the money and he will invest it in his business which is already established and run by him. He has agreed to pay me a sum of two thousand rupees monthly as my share in the profit. Is it permissible for me to enter into partnership on these terms?

A: No. A pre-determined amount of money cannot be fixed as a profit in a partnership. If you want to enter into partnership with your friend, you will have to share his risks also. In case he faces a loss, you will have to bear it in proportion to your investment. And if the joint venture brings a profit, the same may be shared on the agreed ratio.

Thus the amount of profit can only be known after the profit accrues actually, and it cannot be fixed beforehand. However a provisional profit may be distributed before the actual accounting takes place. On this basis, the monthly payment of a particular amount may be agreed but it must always be subject to the final settlement at the end of the term. When this final settlement will take place on the basis of the actual gain or loss, all the provisional payments made earlier must be taken into account and must be adjusted according to the actual profit or loss. Without this necessary condition the said agreement of partnership will not be a valid agreement according to Shariah.