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## Governing Principals of Shari'ah:

### A Study of Islamic Business Transactions for Contemporary Practices

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#### Abstract

*Islamic law of business transaction is an integral area of Islamic law dealing with the general principles of contracts, the elements of contracts, eligibility criteria of contracting parties, conditions of subject matter, the nature of remuneration or compensation in contracts, classification of contracts in terms of valid, invalid and void contracts. In modern practices of Islamic capital market, the law of Halal and Haram provides basis to Shari'ah screening methodology that is used to segregate the Shari'ah-compliant stocks from non-Shari'ah compliant stocks in a particular market. Further, disturbing external attributes must be made as explicit as possible in order to avoid Riba (Interest), Gharar (Uncertainty) and Zulam (Injustice) to any of the parties. Interest-prohibition is investigated from global religious perspective. In history, the Christianity in much of Medieval Europe, the Judaism, the Hinduism, the Buddhism and Islam in many parts of the world today, have regarded charging any kind of interest for loans as sinful. As the matter of fact, this interest-sensitive theory of economic perspective is institutionalized by Muslim intellectuals through inception of modern Islamic banking in recent decades. This study reviews the classical literature of Islamic law of business contracts to provide a conceptual foundation to contemporary practices of Islamic financial institutions. The Islamic financial industry now comprises 430 full-fledged Islamic banks and financial institutions and around 191 conventional banks having Islamic banking windows operating in more than 75 countries.*

**Keywords;** *Islamic business contracts, History of Islamic Economic Thought, Islamic banking, Governing Principals Shari'ah for Business Contracts,*

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