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Towards a Shariah Legal Framework for Personal Financing: A Critical Analysis of Gift-Reward Mechanisms in Islamic Jurisprudence

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Abstract: This study examines the juridical potential of gift-reward mechanisms as an alternative structure for Shariah-compliant personal financing amid continuing debates over contemporary financing instruments such as *tawarruq munazzam* and *bai' al-'inah*. Although these mechanisms are widely employed in Islamic financial practice, their contractual structures have generated persistent juristic disagreement concerning substance, legal form, and conformity with the objectives of Shariah. The study aims to critically assess the legal basis, contractual characteristics, and Shariah boundaries of gift-reward mechanisms and to formulate a jurisprudential framework for their application in personal financing. Employing a qualitative doctrinal approach, the research analyzes primary and secondary sources of Islamic jurisprudence through content analysis, supported by *uṣūl al-fiqh*, *maqāṣid al-sharīʿah*, and *qawāʿid fiqhiyyah*. Particular attention is given to the legal characterization of *hibah* (gift), *thawāb* (reward), and their relationship with financing obligations to determine whether the mechanism constitutes a genuine contractual arrangement or merely replicates the economic substance of contested financing structures. The findings demonstrate that a reconstructed gift-reward mechanism may be accommodated within *fiqh al-muʿāmalāt* when the underlying contracts remain legally independent, the gift is not transformed into a disguised return on a loan, and contractual conditions do not undermine the principles of voluntariness, transparency, and avoidance of *ribā*. The study further identifies the need for clear legal boundaries governing the timing, conditionality, and economic relationship between financing and reward. Its academic contribution lies in developing a jurisprudential framework that connects classical contractual doctrines with contemporary personal-financing innovation without reducing Shariah compliance to formal contractual arrangements. The proposed framework offers a basis for developing ethically grounded financing structures while preserving contractual integrity and advancing the substantive objectives of Shariah.

Keywords: Gift-Reward Mechanism; Islamic Jurisprudence; Personal Financing; Shariah Legal Framework; *Tawarruq Munazzam*.

INTRODUCTION

Malaysian Islamic banks offer *al-qard al-hasan* (benevolent loan) as a standard financing option. However, it is not used for commercial purposes, and the shift toward market-driven commercialism within the Islamic financial sector jeopardizes its foundational commitment to social equity.[1] Therefore, Malaysian banks relied heavily on *bai' al-'inah* in products such as money market transactions, personal financing, Islamic bonds and securities, credit cards, overdrafts, general investment, and real estate mortgages.[2] *Bai' al-'inah* has other names and labels, including same-item sale-repurchase, sale with immediate repurchase, and sale and buy-back.[3] Although most Islamic banks in Malaysia have adopted organised tawarruq, also known as commodity murabahah (cost-plus sale), many still offer *bai' al-'inah* in certain products, such as personal finance.[4]

According to Bank Negara Malaysia (the central bank of Malaysia) and El-Gamal,[5] *bai' al-'inah* and organised *tawarruq* are equally permissible with strict conditions.[6] As stated by Ayub[7], the International Islamic Fiqh Academy of the OIC and Muslim World League, organised *tawarruq* has little difference from *bai' al-'inah* since the mechanisms of both instruments are identical.[8] As Jusoh claims, organised tawarruq and *bai' al-'inah* serve as sharia-compliant debt-based financing tools. Both terms can also be defined generally as a murabahah (cost-

[1] Mohammad Ghozali et al., "Reforming Qardh Practices in Islamic Banking: A Critical Analysis Based on Jasser Auda's Maqāṣid al-Sharīah Systems Approach in Indonesia," *Justicia Islamica* 22, no. 2 (December 2025), https://doi.org/10.21154/JUSTICIA.V22I2.11165.

[2] N. N. T. Nik Hassan Thani and Madzlan Hussain, "Legal and Regulatory Issues Concerning Islamic Finance's Development in Malaysia," *Current Issues in Islamic Banking and Finance Resilience and Stability in the Present System*, ahead of print, 2010, https://doi.org/10.1142/9789812833938_0005.

[3] Mahmoud A. El-Gamal, *Islamic Finance Law, Economics, and Practice* (New York: Cambridge University Press, 2006).

[4] Hidayah N. Maksum M, "The Mechanism of Avoiding Riba in Islamic Financial Institutions: Experiences of Indonesia and Malaysia," *JURIS (Jurnal Ilmiah Syariah)* 22, no. 2 (2023), https://doi.org/10.31958/JURIS.V22I2.6952.

[5] Mahmoud A. El-Gamal, *Incoherence of Contract-Based Islamic Financial Jurisprudence in the Age of Financial Engineering*, 2007, http://www.jlaw.com/Articles/heter4.html.

[6] "Shariah Resolutions in Islamic Finance (Second Edition) - Bank Negara Malaysia," accessed March 12, 2026, https://www.bnm.gov.my/-/shariah-resolutions-in-islamic-finance-second-edition-.

[7] Muhammad Ayub, *Understanding Islamic Finance*, in *Understanding Islamic Finance* (wiley, 2015), https://doi.org/10.1002/9781119209096.

[8] The International Islamic Fiqh Academy, *Resolutions and Recommendations of the International Islamic Fiqh Academy* (Jeddah: International Islamic Fiqh Academy, 2024).

plus sale) scheme.[9] However, both instruments have generated controversy after being linked to certain Sharia prohibitions, including transacting a sale for a sale, providing a loan for a sale, selling without the responsibility to guarantee, using an impermissible legal ruse, and selling unavailable or unpossessed items.[10] These elements represent *maqasid khassah*[11] (specific objectives) for the illegitimacy of both instruments. *Maqasid* (Shariah objectives) are an analytical benchmark for Sharia-compliant assessment,[12] along with the logic, lawfulness, and ethical framework of established legal systems.[13] Moreover, a study found that some tawarruq practices in Malaysia may not comply with Sharia, mainly because of improper contract sequencing.[14] In practice, banking agreements often deviate from their intended outcome, frequently giving rise to contractual disputes between the financial institution and the account holder.[15]

Consequently, this research explores another sharia contract mechanism: a gift for a reward, or conditional gift (*hibah bi shart al-thawab*). It promotes the concept without invoking the aforementioned sharia prohibition. It explores the concept's viability as a financing mechanism in terms of sharia compliance. The concept represents an exchange contract that utilises a gift-reward transaction. This mechanism is expected to serve as a new mechanism in Islamic financing. It provides an alternative financing mechanism apart from organised *tawarruq* and *bai' al-'inah*.

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[9] Syihabudin et al., "A Bibliometric Study of Sharia Compliance in Islamic Banking," *Al-'Adalah* 22, no. 1 (June 2025), https://doi.org/10.24042/ADALAH.V221.26525.

[10] Amir Fazlim Jusoh and Mat Noor Mat Zain, "Sharia Objectives in Illegitimacy of Bay' al-'Inah as A Personal Financing Product in Malaysia," *Islamiyyat - The International Journal of Islamic Studies* 39, no. 2 (December 2017), https://doi.org/10.17576/islamiyyat-2017-3902-01.

[11] Abdul Mujib, "The Failure of Indonesian E-Commerce Law in Adapting to Digital Economy," *Ijtihad : Jurnal Wacana Hukum Islam Dan Kemanusiaan* 25 (December 2025), https://doi.org/10.18326/ijtihad.v25i2.213-230.

[12] Irma Novida et al., "Rethinking Profit and Loss Sharing: Regulatory Paradoxes in Mudharabah Savings and the Operationalization of Maqasid al-Shariah," *Al-Istinbath: Jurnal Hukum Islam* 11, no. 1 (April 2026), https://doi.org/10.29240/JHI.V11I1.11364.

[13] Nina Nurani, Apriwandi Apriwandi, and Hafied Noor Bagja, "Intellectual Property Rights Law Reform Based on Maqāṣid Al-Sharī'ah as a Model for Green Business-Based Creative Industry Protection to Support Sustainable Development," *De Jure: Jurnal Hukum Dan Syar'iah* 18, no. 1 (February 2026), https://doi.org/10.18860/J-FSH.V18I1.40840.

[14] Mohammad Mahbubi Ali and Rusni Hassan, "Survey on Sharī'ah Non-Compliant Events in Islamic Banks in the Practice of Tawarruq Financing in Malaysia," *ISRA International Journal of Islamic Finance* 12, no. 2 (2020), https://doi.org/10.1108/IJIF-07-2018-0075.

[15] Evi Eka Elvia et al., "BASYARNAS as a Place for Dispute Resolution of Musyarakah Financing in Sharia Banking in the Disruption Era," *El-Mashlahah* 13, no. 1 (June 2023), https://doi.org/10.23971/EL-MASHLAHAH.V13I1.5345.

Developments in Islamic finance worldwide are driven by product innovations, shaped by the strict requirements of Islamic law.[16] These changes to conventional and classical Islamic products have positively enhanced the capabilities of Islamic banking industries to compete with their counterparts in conventional banking. Both are considered profit-oriented business institutions.[17] However, the validity of certain products or concepts is disputed because they violate Islamic law.[18] Disagreements arise because Muslim jurists interpret the sources differently and apply classical concepts to modern transactions in different ways. The issue becomes more problematic when it involves a non-Sharia-compliant stratagem or ruse to justify the validity of a newly applied product. Islamic banks often use classical Islamic terminology to portray the authenticity and validity of their products, even when their implementation contradicts classical application.[19] To date, Islamic banking industries rely heavily on controversial products such as *bai' al-'inah*, *tawarruq munazzam*, and the safe-keeping fee in Islamic pawnbroking.[20]

One controversial product is *bai' al-'inah*, which is claimed to be lawful under the Islamic legal thought of al-Shafiʿiyyah and al-Zahiriyyah, but current implementation violates their rulings on certain issues, rendering the transaction null and void. Apart from *bai' al-'inah*, classical *tawarruq* is considered a financing tool in Islamic commercial law; it is less controversial but impractical to implement in its classical form. All Islamic legal schools concur that an unorganised *bai' al-'inah* transaction, or whenever the merchandise does not return to the seller (creditor), is valid and permissible. They are in unanimous agreement that planned *bai' al-'inah* contracts have no legal effect and are void, due to the element of putting a condition to a sale contract, such as exchanging

[16] Fadli Daud Abdullah et al., "Contemporary Challenges for Sharia Financial Institutions to Increase Competitiveness and Product Innovation Perspective of Sharia Economic Law: Evidence in Indonesia," *MILRev: Metro Islamic Law Review* 3, no. 2 (December 2024), https://doi.org/10.32332/MILREV.V3I2.9202.

[17] Kasanah N. Hanifuddin I Eficandra, "Al-Qarḍ al-Ḥasan Program of Bankziska: Zakat Fund-Based Empowerment Model for Victims of Loan Sharks," *JURIS (Jurnal Ilmiah Syariah)* 23, no. 1 (2024), https://doi.org/10.31958/JURIS.V23I1.10799.

[18] Agung Iriantoro, "Notarial Authority and Legal Accountability in Sharia Banking Contracts: A Doctrinal Study," *Jurnal Hukum* 41, no. 3 (August 2025), https://doi.org/10.26532/JH.V41I3.42041.

[19] Holis et al., "Reconciling Shariah Compliance and Institutional Risk: A Maqāṣid-Based Analysis of Ḥawālah and Kafālah in Indonesian Islamic Banking," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 13, no. 1 (April 2026), https://doi.org/10.29300/MZN.V13I1.10758.

[20] Djumadi et al., "Critical Review of Murābaḥah Financing in Contemporary Islamic Banking: A Maqāṣid al-Sharīʿah Perspective," *MILRev: Metro Islamic Law Review* 4, no. 2 (2025), https://doi.org/10.32332/MILREV.V4I2.11087.

a loan for a sale and exchanging between two sales or selling items that have not been delivered or possessed, or selling without guaranteeing responsibility.[21] Unplanned *bai' al-'inah,* or without prior agreement, rarely occurs in banking industries; in fact, it never occurs. The currently practised *bai' al-'inah* is a well-planned transaction, which contains at least one of the aforementioned prohibited elements. Therefore, contemporary *bai' al-'inah* is no longer fit to be a Sharia-compliant product.[22] Since the time of the Prophet Muhammad, *bai' al-'inah* has been known and utilised. It was introduced as a method of circumventing riba by procuring an interest-bearing loan, which involves paying an amount greater than the principal in a loan contract, debt, or trade-related contract, without equivalent counter-value in an exchange.[23]

The debtor and the creditor have the same interest through this contract to avoid any involvement with *riba*. Although it is a sale contract, parties to such a transaction do not intend to sell; rather, they engage in debt-based financing. It constitutes an immediate cash facility.[24] It involves trading items that the customer does not even possess or observe, such as property. Any credit mechanism could employ this kind of arrangement. This mechanism appears to lack an element of interest even though it represents a credit facility, while the bank procures profit; it is identical to interest.[25]

Another controversial product is *tawarruq munazzam*.[26] After international authorities prohibited *bai' al-'inah* in Islamic finance, Malaysian jurists adopted a new instrument based on tawarruq but with an innovative approach; it is known as organised *tawarruq*. Nonetheless, by Declaration No. 179 (5/19), after extensive deliberation in 2009, and through Declaration No. 2 during its 17th session, the Islamic Fiqh Academy of OIC and the Fiqh Academy of the Muslim World League in 2003 mutually prohibited pre-planned tawarruq on Sharia compliance grounds. The judgement is founded on the similarity of organised tawarruq to *bai' al-'inah*, the presence of forbidden legal stratagems, and issues

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21 Yusoff A. F., Ahmad A. A., and Nik Abdul Ghani N. A. R., "Classical Tawarruq: A Potential Alternative to Baiʿ al-ʿĪnah in the Malaysian Banking and Finance Industries," *Arab Law Quarterly* 33, no. 4 (2019), https://doi.org/10.1163/15730255-12330401.

22 Jusoh and Zain, "Sharia Objectives in Illegitimacy of Bay' al-'Inah as A Personal Financing Product in Malaysia."

23 Ayub, *Understanding Islamic Finance*.

24 Zaha Rina Zahari RBS Coutts, *A Primer on Islamic Finance* (n.d.), accessed March 11, 2026, www.cfainstitute.org.

25 H. (Herschel) Visser, *Islamic Finance : Principles and Practice | E-Book*, 2009, 184.

26 Tunis Abu Bakr Rahman, Widad Mahdi Jasim, and Nooruldeen Mustafa Kamil Al-Gburi, "Legal and Shariah Analysis of Commercial Paper Discounting and Islamic Banking Financing Alternatives," *Nusantara: Journal of Law Studies* 5, no. 1 (2026), https://doi.org/10.5281/ZENODO.18676735.

concerning the validity of sales contracts.[27] However, the *tawarruq munazzam* currently applied in Malaysia has been revised and improved to meet Sharia requirements. Still, issues such as double agency need to be resolved because the bank represents customers as both a buyer and a seller. Moreover, the overuse of *tawarruq munazzam* is a major concern in Islamic banking in Malaysia, as it could result in adverse effects such as reputational damage, Sharia non-compliance risks, and a culture resistant to innovation within the sector.[28]

Another personal financing product that does not charge interest, but includes a pledge, has been declared null and void and non-compliant with Sharia, as stated by the Shariah Advisory Council (SAC) of Bank Negara Malaysia. This is because the product promotes benefit on loan, which is prohibited in Sharia.[29] The creditor imposes a fee for safekeeping the pledged item, which is equivalent to benefit on loan. From this literature, a new mechanism should be explored to provide alternatives to current personal financing instruments. The gift-for-benefit mechanism is a suitable candidate because it has features of a sale contract that the contracting parties can exploit. These three concepts or mechanisms, namely *bai' al-'inah*, *tawarruq munazzam,* and the safe-keeping fee of Islamic pawnbroking, have been heavily criticised based on non-compliance with Sharia principles and rulings. They represent stratagems for interest-based financing. Nonetheless, they fail to meet Sharia requirements for a valid transactional contract. Therefore, a new mechanism or concept is imminent to replace these problematic financing tools.

Yusoff has initially explored the concept of gift for a reward as an Islamic financing tool. The discussion focuses on the legality of the classical concept without elaboration on its application as a modern Islamic financing tool.[30] The study also lacks a model for its application and an assessment of its viability as a financing mechanism. The gift-reward contract is a promising alternative because it is an exchange contract with different counter-value. It is a sale contract like *bai' al-'inah* and *tawarruq munazzam*, but no study has examined its practicality as a

[27] Shinsuke N, "Critical Overview of the History of Islamic Economics: Formation, Transformation, and New Horizons," *Asian and African Area Studies* 11, no. 2 (2012), https://doi.org/10.14956/ASAFAS.11.114.

[28] Muhammad Shahrul Ifwat Ishak et al., "The Principle of Maalat in Dealing with the Issue of Tawarruq Overuse in Islamic Banking in Malaysia," *Journal of Islamic Accounting and Business Research*, ahead of print, 2025, https://doi.org/10.1108/JIABR-08-2024-0304/1255739/THE-PRINCIPLE-OF-MAALAT-IN-DEALING-WITH-THE-ISSUE.

[29] Mila Dwi Rahmatya et al., "Islamic Sale & Purchase Principles in Decentralized Exchanges: An Evaluation of Sharia Compliance," *AHKAM : Jurnal Ilmu Syariah* 25, no. 2 (December 2025), https://doi.org/10.15408/AJIS.V25I2.41250.

[30] Amir Fazlim Yusoff, "Islamic Personal Financing Instruments in the Malaysian Banking Industries: Issues and Alternatives," *Journal of Contemporary Islamic Law* 1, no. 1 (2016).

financing tool. This is an opportunity to explore a new model based on a gift-reward contract. The concept is well established and accepted by most Muslim jurists.

METHOD

This research focuses on a new Islamic financing mechanism for the Islamic finance and banking industries, offering an alternative to current concepts based on the controversial contracts of *bai' al-'inah*, *tawarruq munazzam*, and the safe-keeping fee of Islamic pawnbroking. This study is anchored in Sharia principles and is not intended to constitute a legal analysis of any contemporary statutory framework or modern civil law. This research uses qualitative content analysis and draws on primary and secondary Sharia sources, applying legal analysis within the framework of Islamic jurisprudence, as the study focuses entirely on Sharia compliance. Before examining the legality of a gift for a reward, this study collects perspectives on the concept of gift for a reward from various Islamic legal schools, including al-Hanafiyyah, al-Malikiyyah, al-Shafiʿiyyah, al-Hanabilah, al-Zahiriyyah, al-Jaʿfariyyah, al-Zaidiyyah, and al-Ibadiyyah. Focus on these schools of law because they include most Muslim jurists still alive today, except for al-Zahiriyyah. The study then drew on principles of Islamic jurisprudence, specifically *maslahat mursalah* (unverified public interest) and *hilah* (legal stratagem). Both principles were expected to provide a legal basis for the new gift-reward contract model.

Data collection focuses on the principal references within each school of law. Moreover, this study undertakes a comprehensive examination of supplementary sources, including Hadith, legal texts, documents and websites issued by Islamic banks, fatwas and resolutions, academic journals, official reports, pamphlets, and other pertinent materials relating to the contemporary application of Islamic personal financing. Data were analysed using interpretations of Islamic rulings based on schools of law, principles of Islamic jurisprudence, and Islamic legal maxims. The proposed model was scrutinised based on the best opinion supported by the Qur'an and Sunnah. In addition to Hadith, the model was analysed using principles such as *maslahat mursalah* and hilah.

RESULTS AND DISCUSSION

Sharia Rulings on *Hibah*-Reward Transaction

Muslim jurists have established that a gift is a voluntary act of donating something during one's lifetime by transferring ownership to another person without exchange.[31] It is a benevolent act, which is not intended as a profitable

[31] Z. Ibn Nujaim, *Al-Bahr al-Raʾiq* (Beirut: Dar al-Maʿrifah, n.d.); K. Ishaq, *Mukhtasar Khalil* (Beirut: Dar al-Fikr, 1994); Y. al-Nawawiyy, *Raudah Al-Talibin* (Beirut: al-Maktab al-Islamiyy, 1985); Ibn Qudamah, *Al-Mughniyy* (Beirut: Dar al-Fikr, 1984); al-ʿAmiliyy, *Al-Raudah al-*

contract. There is no dispute about the legality of a gift, since the Quran and Hadith endorse its application. However, a gift for a reward differs from an ordinary gift and carries a different sharia ruling.

Figure 1: Hibah-reward rulings based on schools of law

Schools of Law	*Hibah*-Reward Ruling
Al-Hanafiyyah	As a gift prior to delivery, as a sale post-delivery
Malik and al-Malikiyyah	Sale, but between rich or poor to rich people
al-Shafiʿiyy, al-Shafiʿiyyah, al-Hanabilah, al-Ibadiyyah, al-Zaidiyyah and al-Jaʿfariyyah	Treated as a sale contract
al-Zahiriyyah	Not permissible

Source: Author's Interpretation

Figure 1 shows that, as stated by al-Hanafiyyah, a gift that is conditioned with a specific benefit is regarded as a gift in the first place, or prior delivery, but ultimately it develops into a sale contract, or after taking delivery of the transacted item as exchanged with the reward by the contracting parties.[32] In the opinion of Malik and al-Malikiyyah, a gift for a reward is considered a sale transaction and is permitted only between rich people, or as a gift from a poor person to a rich person for a reward, whether the benefit is specified or unspecified.[33] According to the opinion of al-Shafiʿiyy, al-Shafiʿiyyah, al-Hanabilah, al-Ibadiyyah, al-Zaidiyyah and al-Jaʿfariyyah, a gift for a reward is classified as a sale and purchase contract, necessitating the fulfillment of all essential terms and conditions inherent to such contracts. This includes clear identification and certainty of the items involved, as well as the transfer of actual possession to ensure the validity and enforceability of the transaction.[34] According to al-Zahiriyyah, an agreement

Bahiyah Fi Syarh al-Lumʿah al-Dimasyqiyyah (Beirut: Dar al-ʿAlam al-Islamiyy, n.d.); M. Y. ʿAtfayish, *Syarh Al-Nail Wa Syifaʾ al-ʿAlil* (Saudi Arabia: Maktabah al-Irsyad, n.d.); A. Y. al-Murtada, *Al-Taj al-Madhhab Li Ahkam al-Madhhab* (Beirut: Dar al-Kitab al-Islamiyy, n.d.).

[32] M. A. al-Sarakhsiyy, *Al-Mabsut* (Beirut: Dar al-Maʿrifah, n.d.).

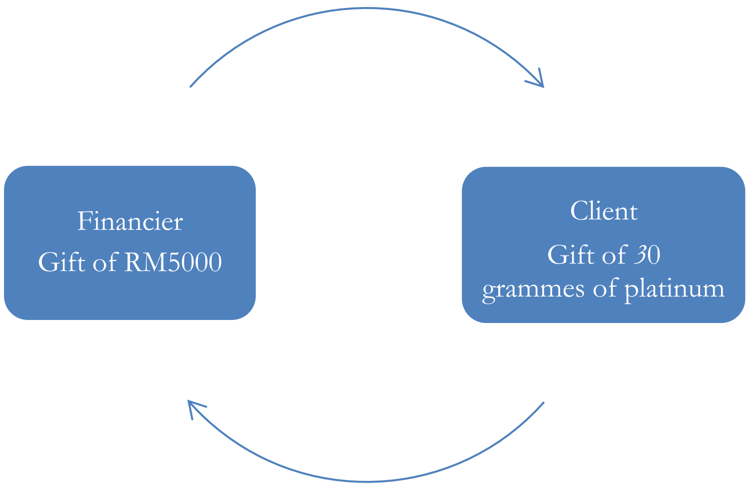
[33] al-Dardir, *Al-Sharh al-Kabir* (Beirut: Dar al-Fikr, n.d.); Y. A. al-Qurtubiyy, *Al-Kafi* (Beirut: Dar al-Kutub al-ʿIlmiyyah, n.d.); M. Y. al-ʿAbdariyy, *Al-Taj Wa al-Iklil* (Beirut: Dar al-Fikr, 1977).

[34] M. Y. al-Bahutiyy, *Al-Raud al-Murabbaʿ* (Riyad: Maktabah al-Riyad al-Hadithah, 1970); Ibn Qudamah, *Al-Mughniyy*; J. A. al-Hilliyy, *Sharaʾiʿ Al-Islam Fi Masaʾil al-Halal Wa al-Haram*

involving a gift for a reward is considered wholly impermissible because this specific condition lacks explicit endorsement or mention in the foundational texts of Islamic law, namely the Quran and Hadith. The absence of clear textual evidence renders such an arrangement invalid under Sharia, as Islamic jurisprudence requires contractual terms to be firmly grounded in authoritative religious sources to ensure legitimacy.[35] Still, their opinion lacks a basis because the Hadith provide well-founded proof that allows such practice. From the data, we can conclude that most schools of Islamic law allow the concept of a gift-for-reward transaction, but treat it as a sale contract.

New Model of Hibah-Reward Financing

Figure 2: Proposed conditional gift for reward-based financing.



- The financier extends a gift of RM5,000 to the client, subject to the condition that the client provides a reward amounting to 40 grammes of platinum.
- The client provides the bank with a reward of 30 grammes of platinum, valued at RM5,460, either for immediate delivery or for delivery at a later date.
- The financier needs to convert the platinum into cash to generate profit.

In a proposed conditional gift system for rewards, a financier grants a gift to a customer, for example, RM5000, on the condition that the customer

(Beirut: Muʾassasah Matbuʿah Ismaʿiliyyan, n.d.); ʿAtfayish, *Syarh Al-Nail Wa Syifaʾ al-ʿAlil*; al-Murtada, *Al-Taj al-Madhhab Li Ahkam al-Madhhab*.

[35] Ibn Hazm, *Al-Muhalla* (Beirut: Dar al-Afaq al-Jadidah, n.d.).

https://doi.org/10.66325/nusantaralaw.v5i2.266

subsequently provides a specific reward in return, such as 30 grams of platinum worth RM5460.[36] This arrangement allows both parties to secure the necessary financing through a lawful procedure. Nevertheless, the financier must convert the platinum into cash to generate a profit of RM460. Figure 2 illustrates the operational framework of a conditional gift for reward. It shows that the classical conditional gift mechanism for rewards can be applied in modern commercial transactions. The result would be treated as a sale contract with its principles and requirements.

Viability of Hibah-Reward Financing

Figure 3: Viability factors for gift-reward financing

Viability factors	Supported by Hadith
	Relied on *maslahat mursalah* (unverified public interest)
	Muamalat transaction; innovation allowed
	Compliant with Sharia rulings, principles, and objectives
	Legal stratagem; no unnecessary mechanism

Source: Author's Interpretation

The Sharia-compliant mechanism serves as a viable alternative to traditional loans and the prohibited *bai' al-'inah* transaction. This mechanism is a time-tested, effective solution, with roots tracing back to the era of the Prophet Muhammad. The instrument represents a *mu'amalat* (peer-to-peer transaction) that allows innovative adaptations to meet society's evolving needs. Furthermore, this mechanism does not contravene any Sharia rulings, principles, or objectives. These attributes enable the mechanism to operate within the public interest framework, even without formal certification. By adhering to Sharia principles and serving the greater good, this mechanism provides a reliable and ethical alternative to conventional financial practices.

The legal basis underpinning a conditional gift presented as a reward does not amount to a prohibited legal stratagem, as its method is firmly rooted in a specific source of Sharia. Adding an unrelated mechanism, such as a sale and purchase contract, does not change this conclusion. This mechanism does not breach the Sharia prohibitions against providing a loan for a sale, engaging in a sale for a sale, selling an item that is not available, entering into an illegitimate prior agreement, or creating a benefit-generating loan.

Figure 3 suggests that the mechanism of conditional gift for reward financing is grounded in the previously mentioned authentic Hadith. Nonetheless, this

[36] "Platinum Price Chart | BullionByPost," accessed April 9, 2025, https://www.bullionbypost.co.uk/platinum-price/.

mechanism was not initially intended to function as a financing mechanism similar to a loan. Additionally, the Quran and Hadith provide no clear evidence validating its legitimacy and authority as a financing instrument. The main purpose of giving a gift is to promote compassion, friendship, and closeness among community members. Consequently, constructing this concept as an Islamic personal financing product may ultimately rely on *maslahat mursalah*, a subcategory of *maslahah*[37] (public interest), consistent with the principles of Islamic jurisprudence,[38] as dictated by the moral framework of Islamic finance.[39] It is a principle in Islamic law aimed at achieving benefits and preventing harm.[40] *Maslahat mursalah* refers to the benefits of something that can bring goodness, but there is no religious source that either permits or prohibits it.[41] It addresses issues not explicitly detailed in the Qur'an or Hadith and may be resolved through secondary Islamic jurisprudence, provided such rulings align with primary sources, offer verifiable public utility, and yield practical results.[42] It is particularly relevant to commercial activities, as it provides a structured framework for trade designed to maximize public utility and minimize risk when implemented properly.[43]

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[37] Setiawan bin Lahuri et al., "Halal Certification Governance in Indonesia: An Islamic Legal Appraisal Based on Maṣlaḥah Principles," *JURIS (Jurnal Ilmiah Syariah)* 24, no. 2 (2025), https://doi.org/10.31958/JURIS.V24I2.15411.

[38] Muhammad Salman Al Farisi et al., "Consumer Behavior of Muslim Minorities in Purchasing Halal Products: A Maslahah Perspective," *Jurnal Ilmiah Al-Syir'ah*, no. 2 (2024), https://doi.org/10.30984/JIS.V22I2.2788.

[39] Lia Yuliana and Antoni Julian, "Power and Ethics in State-Owned Enterprises: The Pertamax Adulteration Case through the Lens of Sharia Economic Law," *Nusantara: Journal of Law Studies* 4, no. 2 (October 2025), https://doi.org/10.5281/ZENODO.17340949.

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[43] Desi Norma Siamtina et al., "The Legal System of the All-You-Can-Eat Ticket System at Tlogo Argo-Tourism, Indonesia: A Maṣlaḥah al-Mursalah Perspective," *Journal of Islamic Law* 4, no. 1 (February 2023), https://doi.org/10.24260/JIL.V4I1.1150.

Sharia Views on Contract Status and Termination

Muslim jurists have long held that a gift is a voluntary donation made during one's lifetime that transfers ownership to another person without exchange.[44] It is a benevolent act, which is not intended as a profitable contract. There is no dispute about the legality of a gift, since the Quran and Hadith endorse its application. According to al-Hanafiyyah, this instrument is fundamentally a sale contract because it involves exchanging two items, such as exchanging platinum for money. Nevertheless, the instrument is regarded as an ordinary gift if the reward is unidentified, since the term is void. A sale contract is only valid if the goods being exchanged are clearly specified and mutually acknowledged by both parties. Therefore, in this case, the transaction remains an original gift.[45] According to Malik and al-Malikiyyah, if a client represents a needy person, this instrument is not approved for use in the financial sector because banks are considered wealthy parties. Nevertheless, there is no clear and authentic evidence in the primary sources of Sharia, the Quran and Hadith, that invalidates such application.

As stated by al-Shafiʿiyy in his *qawl jadid* (latest opinion), the reward of a gift is expected to be the same value or based on local custom or according to the preference of a contributor, provided that the reward is specified or stated during the agreement.[46] Nevertheless, the reward may be unspecified according to al-Shafiʿiyyah, the predominant view of al-Malikiyyah, al-Ibadiyyah, al-Zaidiyyah, and al-Jaʿfariyyah. By contrast, unspecified reward would invalidate the gift, as the Hanabilah maintain, even though Ahmad endorses it. He asserts that the agreement is valid despite the initial lack of specification, provided the contributor acknowledges the reward. It may be regarded as a sale contract, but without *ijab* (verbal offer) or *qabul* (acceptance). The contributor may terminate the agreement if the reward does not meet expectations, thereby repossessing his gift.[47] Although this practice is acceptable under sharia, any agreement must be unambiguous, especially in contemporary banking and finance, to avoid disagreement between the contracting parties. Consequently, a specified reward is more desirable for a new financing instrument.

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44 Ibn Nujaim, *Al-Bahr al-Raʾiq*; Ishaq, *Mukhtasar Khalil*; al-Nawawiyy, *Raudah Al-Talibin*; al-ʿAmiliyy, *Al-Raudah al-Bahiyah Fi Syarh al-Lumʿah al-Dimasyqiyyah*; ʿAtfayish, *Syarh Al-Nail Wa Syifaʾ al-ʿAlil*; al-Murtada, *Al-Taj al-Madhhab Li Ahkam al-Madhhab*.

45 Ibn Nujaim, *Al-Bahr al-Raʾiq*; A. A. al-Haskafiyy, *Al-Durr al-Mukhtar Sharh Tanwir al-Absar Wa Jamiʿ al-Bihar* (Beirut: Dar al-Fikr, 1996).

46 al-Nawawiyy, *Raudah Al-Talibin*; M. M. al-Ghazzaliyy, *Al-Wasit* (Cairo: Dar al-Salam, 1996).

47 Ibn Qudamah, *Al-Mughniyy*.

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Some al-Hanabilah jurists maintain that a conditional gift for a reward remains a gift.[48] Nonetheless, this opinion is problematic because it amounts, in essence, to riba. For instance, Islamic banks could offer a conditional gift for a reward by giving customers money in exchange for a reward, which is also money but with a higher monetary value. Evidently, this transaction represents a trade involving the exchange of money of unequal value, which leads to riba. Islamic finance is based on reality, not appearance, according to an Islamic legal maxim that affirms a contract's validity depends on its substance, not its form.

Nonetheless, Muslim jurists disagree on the legal maxim. Occasionally, a contract depends on expression; for example, when a customer says, "I purchase these clothes from you with certain specifications," and the vendor says, "I sell them to you," al-Nawawiyy holds that this constitutes a sale agreement based on the verbal expression. In contrast, al-Subkiyy considers it as a forward sale agreement.[49] The aforementioned Islamic legal maxim could have two implications, depending on whether the contract depends on form or substance. Therefore, in this situation, the position of some al-Hanabilah who view the contract as a mere gift does not apply to dealings involving an item associated with riba. Nevertheless, it may be advantageous for taxation because the agreement is not regarded as a sale agreement.

With relation to discourse among al-Zahiriyyah, there is no basis for their opinion because there is well-founded proof in the Hadith that allows such practice. Ahmad reports an authentic Hadith narrated by Ibn ʿAbbas:

> "An Arab Bedouin offered a camel to the Prophet as a gift, and the Prophet honoured him as a reward consisting of three camels and enquired: Are you contented? He replied: No. The Prophet increased the number of camels and asked again, "Are you contented?" He replied: No. The Prophet increased the number of camels and asked, "Are you contented?" He (eventually) replied: Yes."[50]

The narration shows that the Arab Bedouin initially offered the Prophet an unconditional gift. Because he was dissatisfied with the reward, the gift became conditional, as he intended to seek more rewards, which were unspecified at the time of the agreement. It is concluded from the Hadith that the reward in a conditional gift might as well be unspecified. The majority of Muslim jurists agree that a conditional gift may have a specified or unspecified reward. The contract ought to be recognised as a trade agreement. Accordingly, the conditional gift for

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[48] A. S. al-Mardawiyy, *Al-Insaf Li al-Mardawiyy* (Beirut: Dar Ihyaʾ al-Turath al-ʿArabiyy, n.d.).

[49] A. A. al-Suyutiyy, *Al-Ashbah Wa al-Naẓaʾir* (Beirut: Dar al-Kutub al-ʿIlmiyyah, 1982).

[50] A. Ibn Hanbal al-Shaibaniyy, *Musnad Ahmad* (Cairo: Muʾassasah Qurtubah, n.d.).

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a reward could be utilised as a tool for Islamic financing in contemporary banking and finance.

Possession (*Qabd*) Requirements Across Schools of Thought

Initially, the new gift-reward financing model appears as an exchange of RM5000 for RM5460, which is not permissible under Sharia due to riba, since it represents an exchange of the same item without similar value. The structure becomes Sharia-compliant when structured as a conditional gift for a reward, a concept accepted by most Muslim jurists. Thus, it transforms from an exchange of RM5000 for RM5460 to an exchange of RM5000 for 30 grammes of platinum, for example, worth RM5460. This model is based on the opinion of al-Shafiʿiyy, al-Shafiʿiyyah, al-Jaʿfariyyah, al-Ibadiyyah, al-Hanabilah and al-Zaidiyyah. A gift given in return for a reward is treated as a sale-and-purchase contract and must meet all the terms and conditions of a sale contract, including clarity of the items involved and the transfer of possession.[51] The platinum used in the model is just an example. Any commercial item could be used as the subject matter for this mechanism, except riba-related items. Ideally, the traded item does not fluctuate much in price, ensuring a stable price for the bank to monetise.

Practical Implementation in Islamic Banking

In a conditional gift for a reward, the customer (beneficiary) receives a gift from the Islamic bank (donor) with the understanding that the customer will provide a specific item in return, as agreed in the contract. If the customer does not fulfil their contractual obligations, the Islamic bank may terminate the agreement and recover the original gift. According to the Hanafi school of Islamic jurisprudence (al-Hanafiyyah), a conditional gift for a reward is initially considered a gift until both parties have received their respective items. This means that the Islamic bank can terminate the contract and retrieve its gift before the customer provides the agreed-upon reward. Once the customer delivers the reward, the contract becomes a sales contract that cannot be cancelled. Although the contract can be terminated at inception or during the gift phase, such termination is impermissible from the al-Hanafiyyah legal perspective. This is because a conditional gift for a reward is a binding contract that both parties must fulfil.[52]

According to the al-Malikiyyah and al-Shafiʿiyyah schools of thought, a donor may reclaim the gift if the beneficiary has not provided any reward after the transfer of possession (qabd) or has not agreed to provide the reward.

[51] al-Bahutiyy, *Al-Raud al-Murabbaʿ*; Ibn Qudamah, *Al-Mughniyy*; al-ʿAmiliyy, *Al-Raudah al-Bahiyah Fi Syarh al-Lumʿah al-Dimasyqiyyah*; al-Hilliyy, *Sharaʾiʿ Al-Islam Fi Masaʾil al-Halal Wa al-Haram*; ʿAtfayish, *Syarh Al-Nail Wa Syifaʾ al-ʿAlil*; al-Murtada, *Al-Taj al-Madhhab Li Ahkam al-Madhhab*.

[52] al-Sarakhsiyy, *Al-Mabsut*; Ibn Nujaim, *Al-Bahr al-Raʾiq*.

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However, once the beneficiary accepts the donor's request for a reward, the contract becomes binding (lazim), even if the donor has not yet received it. At this point, the gift-based transaction effectively converts into a sale contract, making it irrevocable by either party. In such cases, the beneficiary may be compelled to fulfil their obligation to reward or compensate the donor through legal action.[53]

The opinion suggests that, if a customer fails to provide the agreed reward item to an Islamic bank using a particular mechanism, this view is more practical for Malaysia's existing banking and financial industries. It seeks to safeguard the interests of Islamic banks that implement this instrument by requiring the customer to fulfil their obligation to provide the stipulated reward. This stems from the view that the contract is classified as a sales contract. According to the view held by al-Jaʿfariyyah, the beneficiary has the discretion to pay the item's prearranged value.[54]

According to al-Hanafiyyah, if an Islamic bank followed this view, it could not generate profit from a specific mechanism if the customer fails to deliver the promised reward as required. This is because, under al-Hanafiyyah's view, until the customer completes their duty to provide the agreed-upon reward to the bank, the contract is treated as a gift rather than a sale contract. If the customer does not provide the promised reward, the bank may terminate the contract and recover its gift. However, the bank cannot derive any profit from this mechanism because, according to the al-Hanafiyyah, the contract remains a gift throughout the process. In the opinion of the al-Shafiʿiyyah, al-Malikiyyah, and al-Zaidiyyah schools of thought, the validity and binding nature of a conditional gift exchanged for a reward does not depend on the actual delivery or possession of the item. Contract formation occurs merely through offer and acceptance between the parties.[55]

According to the al-Hanafiyyah school of Islamic jurisprudence, both the parties involved in a hibah transaction must take physical possession of the gift and the reward (consideration) for the contract to be valid.[56] This differs from some other schools of thought that may not require both parties to take delivery in all cases. The al-Hanafiyyah view emphasises the importance of both parties receiving their respective parts of the contract to ensure fairness and fulfil the legal requirements. This approach protects the rights of both the giver and the recipient by making the transfer of ownership and consideration explicit through

[53] M. ʿUlaish, *Manh Al-Jalil* (Beirut: Dar al-Fikr, 1989); al-Nawawiyy, *Raudah Al-Talibin*.

[54] al-Hilliyy, *Sharaʾiʿ Al-Islam Fi Masaʾil al-Halal Wa al-Haram*.

[55] A. al-Malikiyy, *Kifayah Al-Talib* (Beirut: Dar al-Fikr, 1991); al-Nawawiyy, *Raudah Al-Talibin*; al-Murtada, *Al-Taj al-Madhhab Li Ahkam al-Madhhab*.

[56] al-Sarakhsiyy, *Al-Mabsut*; Ibn Nujaim, *Al-Bahr al-Raʾiq*.

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taking possession. By mandating delivery of both the gift and the reward, the al-Hanafiyyah school aims to create a clear, binding contract that leaves no room for ambiguity or dispute regarding the transfer of ownership and the fulfilment of contractual obligations.

In gift-based financing, the contract's duration continues until the donor is satisfied with the exchange, and the debtor remains obligated to provide the rewards.[57] Initially, the contract between the donor and recipient does not require a fixed time for the donor to receive the reward or compensation. However, the contract allows the two parties to mutually determine and specify a particular date by which the agreed-upon delivery or transfer will take place, based on their mutual understanding and arrangement. In the Malaysian banking and finance sector, the mechanism is relevant and provides Islamic banks and their customers with a broader range of choices, customised to the contracting parties' requirements. However, to effectively monetise the precious metal utilised as a medium of exchange, this mechanism necessitates the incorporation of *tawarruq*.

CONCLUSION

Islamic banking and finance industries promote innovations, especially in products and operations. Research and development should continue to minimise non-Shariah-compliant elements. The proposed model of conditional gift for a reward could be a new alternative to the controversial *bai' al-'inah* and *tawarruq munazzam*. This model complies with Shariah by avoiding the forbidden acts of offering loans for sales, conducting sales on sales, and selling items not yet possessed, as well as entering into an unauthorised prior agreement and benefit-producing loan that exist in the aforementioned controversial mechanisms. Classical Sharia rulings did not use this innovative mechanism as a financing tool. However, by structuring the model around uncertified public interest (maslahat mursalah), it is suitable as a Sharia-compliant financing tool in the modern world. Nonetheless, this model requires further study on its implementation in the Islamic banking and finance sectors, particularly its practicality, marketability, and legal aspects.

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The author contributed to all aspects of this study, including conceptualization, research design, data analysis, manuscript drafting, data collection, methodology development, critical revision of the manuscript, literature review, data interpretation, and editorial review of the manuscript as well as the final version of the manuscript.

AI USAGE STATEMENT

The use of Artificial Intelligence (AI) tools in this work is strictly limited to supportive functions, and for language editing, grammar checking, and improving clarity and readability. AI was not used to generate core ideas, conduct substantive analysis, interpret data, or draw scholarly conclusions. The author retains full responsibility for the originality, accuracy, and academic integrity of the content, and AI tools are not credited as authors or contributors, in accordance with ethical standards in academic publishing.

CONFLICT OF INTEREST

The author declares that there is no conflict of interest regarding the publication of this manuscript.

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