

Haram may turn Halal. Accordingly, without going into further detail it may be concluded that such loans are impermissible for a Muslim employee. Similar is the situation for interest-bearing loans from provident fund or loans arranged by the employer through financial institutions.

Loans from benevolent funds and welfare funds are sometime interest-free and these may carry interest also, although on a lower rate. These may be availed as long as these do not carry any interest. However, the basic principle of truthful representation at the time of application of loan is a prerequisite.

Owning one's own house is not only a dream for a person from lower class to the middle class, but is also a necessity of life. Accordingly, a house building loan generally tempts an employee more than any other benefit that is offered by various employers. House building loans are not very common in private organizations except for banks and financial institutions. On the other hand these are very much common in case of government organizations. Generally these are provided by the employers to the employees at discounted interest rates with an intention of retaining their employees on long-term basis. These are repayable in long-periods of time generally not less than five years.

Since these are mostly interest-bearing, accordingly these may not be termed Halal irrespective of how low interest rate is offered by the employer as a symbol of his generosity. Even in certain cases, house building loans at rates as low as 3 percent have been observed to be offered by the employers as a benefit to their employees whereas, in most of the cases these are well below the market interest rates. In this respect this principal needs to be recalled that interest-bearing transactions are categorically impermissible irrespective of the rate of interest implicit therein.

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- ★ Interest-bearing loans and advances;
- ★ Loans from provident funds;
- ★ Loans from benevolent or welfare funds.

Facility of interest-free loan is generally provided by a very few employers. Instead, it is observed that providing a loan bearing interest rate less than the market rate is considered to be a benefit to the employees. Needless to mention, the amount or rate of interest does not make it Haram, but it is the functionality it has. Accordingly, low interest-bearing loans are as much Haram as are those carrying high rates of interest. Short-term interest-free advances against salary for a few months are comparatively a better option, if available. These advances are generally not a common policy of most employers and are granted against various specific needs. The only precaution in this respect is the truthful application against genuine need. Obtaining an advance against a fake need makes the transaction doubtful in substance. Even in case of a genuine need, a fake application mentioning wrongful contents brings doubts in the transaction.

Advances against expenses are provided to the employees responsible for managing day to day purchasing and administration functions. It is more common in case of employees who are in travel or are stationed at other locations. For a Muslim employee, the main concern in this area is the concept of Amana or Trust. According to the very basic principles of Islam, an Amana needs to be returned to the one to whom it belongs, as it is, without any intervention by the holder. Accordingly, any advance received against expenses by the employer should always be termed and treated as an Amana. The employee holding such advance has no right under the Shariah to utilize such amount in any of his personal uses except specific permission from the employer for the effect.

Interest-bearing loans are generally against purchase of property, construction of house, marriages, purchase of transport, etc.. From the perspective of an independent observer, none of these objectives appear to be situation of Iztirar, i.e. situation in which

However, in case of a loss or deficit in the fund, the employer is responsible to make good the same and on the contrary, in case of a surplus in the fund, the same is paid back to the employer either directly or in form of reduction in future contributions.

Gratuity, pension and similar benefits are paid as per agreed terms, irrespective of funding of the scheme and irrespective of the amount of profits and losses on these funds. Moreover, any profit and loss on such investments belongs to the employer. Accordingly, there is a consensus amongst the scholars that the amount received by the employee from a funded gratuity or pension scheme is considered Halal for him because it is as per the agreed terms with the employer against his Halal job description and it is the employer who is earning Haram to make such payment.

### Other retirement benefits

Other retirement benefits are also dealt with using the same principles as defined above for the provident funds and pension / gratuity schemes because these generally follow the same principles. In case of any distinct nature scheme, it would be prudent to get advice from an expert of the field or a Shariah scholar.

### Loans and advances

Obtaining loans from employers is a common phenomenon in Pakistani business culture of medium to large sized organizations, provided that the employer is that much generous. In certain circumstances, employers also prefer to lend loans to employees, which help them retaining the employees for long periods.

Following are the general types of loans provided by the employers:

- ★ Interest-free advances and loans;
- ★ Advances against expenses;

nonetheless, in certain schemes an option of commutation is provided to the employees, which makes it similar to gratuity. In most parts of the world, the common wording of pension is used for all these type of benefits.

Gratuity, according to Pakistani labour law, is applicable for every employer having more than 20 employees (in case of commercial establishment) or 50 employees (in case of industrial establishment), subject to a proviso whereby an employer who has arranged a provident fund is not obliged to pay gratuity. The statutory rate of gratuity is 30 days wages (last drawn) for each completed year of service.

On the other hand most of the government institutions and a number of multinational corporations offer pension in addition to or as a replacement of these benefits. Pension is paid under various formulas which in some cases are dependent on the death or type of retirement and even the number of successors etc..

Since the gratuity and pension are paid to the employee according to the promise entailed in the terms of employment, these are considered to be Halal.

Only one concern arises whereby a number of employers have funded their schemes. In a funded scheme the employer pays contributions to the respective fund and the trustees of the fund invest the same in various investment schemes and profitable ventures, which are generally not considered Halal. Nevertheless, such practice may be termed as devastating because in a Muslim society, it needs to be ensured that these funds are invested in Shariah compliant avenues only.

Contributions to such funds are generally computed by actuaries and experienced accountants and financial analysts in order to ensure that the future liability on these accounts is best met by the contributions and the return on investment of such contributions.

At the time of retirement, termination or death, the amount appearing to the credit of a member's account, including the amount deducted from his salary, employer's contribution thereon and the interest earned during the service period is paid to the employee or in case of his death, to his nominees.

Provident funds also grant loans according to their rules which also generally bear interest. These loans are repaid along with the interest thereon, by the employee through deductions in his monthly salary. In certain circumstances, permanent withdrawals are also allowed to the employees.

A few of the scholars opine that any amount paid by the provident fund at the end of the service, since, it comes into the ownership of the employee or its successors at that time. They are of the view that since such amount was not in that employee's control, so his ownership is not complete and accordingly, he cannot invest such amount in a Halal option of his choice. Accordingly, when such amount is paid to him, it comes into his ownership for the first time so even if it includes interest, it is Halal for him. This principle is generally applied by scholars in case of government provident fund whereby it is a mandatory fund and the same is not in the custody of the employee or the trustees as his agents. This logic, on the contrary, may not be applied in case of private provident funds.

Notwithstanding the said logic, in view of most of the other scholars, such portion of such amount which represents interest earned during the service life is not Halal for the employee.

### **Pension and Gratuity**

The other common retirement benefits are pension and gratuity. These are very much similar in most of the aspects because in both the cases the employer promises a specific sum in lump sum or according to certain formula that is paid to the employee after the retirement or death. Pension is generally paid on monthly basis,

funds, nowadays, consist of interest-based investments or at the least, such investments comprise of the major chunk of such fund. Similarly, in a few circumstances, these benefits involve insurance contract or such a transaction that entails "Gharar" which makes them doubtful in the eyes of a Muslim.

Following are the generally applicable retirement benefits.

- ★ Provident Fund;
- ★ Pension;
- ★ Gratuity;
- ★ Benevolent Fund;
- ★ Death / Injury compensation;
- ★ Group Life Insurance.

### Provident Fund

Provident funds are very common category of retirement benefits in Pakistan. Being generally applicable in the government institutions make these further common. In a traditional provident fund, each employee contributes a specific sum per month, which is directly deducted by the employer from his salary. Such sum along with an additional promised sum contributed by the employer, which is generally equal in amount, is paid to a fund being administered by trustees appointed by the employer including nominees from the employees. The trustees invest such sum in various schemes that are generally interest-based. Any return on such investment is also credited to the employee's account maintained by the trustees in proportion of employees' balances at the end of the year.

In a few arrangements, a minimum interest is also guaranteed by the employer on the employee's balances. In certain circumstances, particularly in the government institutions, no separate fund is established and the employer itself manages the fund in the similar fashion and pays a fixed interest on such balances. .

well, the next question arises of making the earnings Halal by keeping regard to the time and duty.

A school of thought has the vision of employment as a part time slavery. (On the contrary, another school is of the view that it is just a transaction of selling your services. Supporters of the former view are generally from those who are more lucky ones, i.e. from the employers' side. They view such an arrangement just as a gesture of their kindheartedness that they have given an opportunity to such person to serve them. They have various grounds that bring similarity in the slavery and employment.

Viewing the matter in a purely secular perspective, one may agree or disagree with any or both the perspective, nonetheless, in Islamic Shariah the matter of employment is something different from both the viewpoints. Although the latter standpoint is nearer to the Islamic perspective, it also has a few weaknesses that should not be tolerated.

Anyway, the matter of timing and duty are a main concern regarding the honesty of an employee. This is not only considered to be ethical but also a religious duty to ensure that a Muslim employee abide by the terms of employment, including but not limited to, the timing of duty and the responsibilities assigned as the duty.

Fulfilling all the duties in most effective and efficient manner, at best of your capabilities and using the official timing for official purposes ensures that as a Muslim employee you are making your livelihood Halal.

### **Retirement benefits**

Another basic problem, which generally a Muslim employee faces, relates to the retirement benefits which also include the benefits in case of death in service and injury compensations. These benefits are generally paid through specially created funds and most of these

However, most of the candidates do not ask a question which is supposed to be the most crucial question for a Muslim employee i.e. "whether or not this job is Halal for me?" It is not necessary that this question be asked directly or rather bluntly, but you would appreciate that entering an organization without even knowing, as to whether the earning from such organization is Halal for you, is something questionable.

The factors that need to be considered in this area include the following:

- ★ Whether or not the prime business of the organization is Halal? i.e. it should not be an organization involved in Haram activities. As an example, doing a job in a conventional bank, an insurance company, a brewery or a television channel involved in activities not allowed by Shariah is not permissible for a Muslim; and
- ★ Whether or not my duties include anything that is not permissible by Shariah e.g. paying bribes, dealing with banks for interest-bearing transactions, lying and making untruthful presentations for the purpose of marketing or financial reporting and like that.

You should remember that if your earnings are Haram, then anything you do, cannot balance it, because according to a Hadith as already discussed earlier, the Hell has the first right on the person whose meat is developed by eating Haram. And remember that by earning Haram one does not only makes himself a fuel of the Hell but also endangers all his dependents to meet this eventuality.

### Time and duty

Once you have joined a job with an organization involved in Halal activities, and with a job description considered to be Halal, as

## PROBLEMS OF A MUSLIM EMPLOYEE

Having discussed the problems with the entrepreneurs, now we wish to discuss a few problems with the employees. You will, however, observe that a number of these problems are also the matters of concern for the entrepreneurs themselves.

### Seeking the right job

Generally the interviewers allow the prospective employees to ask a few questions at the end of a successful interview regarding the job and the organization. The most common questions asked by the employees include the following:

- \* What will be the salary and what will be the benefits?
- \* What will be the designation and to whom I shall be reporting?
- \* What are the duty timings and leave arrangements?
- \* What will be the job description?

Certain smart candidates also ask a few questions like that:

- \* What are my growth prospects and what career opportunities do you offer to me?
- \* What is the current organizational structure and what sort of expansion is expected therein?
- \* How much will be the job pressure and what are the past trends of employee turnover?
- \* What is the financial position and what growth prospects of the organization can be foreseen?