

A CRITICAL STUDY AND ANALYSIS OF THE MANUFACTURE CONTRACT  
'AQD AL-ISTISNA' FOR ISLAMIC BANKING AND FINANCE

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**Abstract**

*Scholarship has rarely presented Islamic Law in such a way as to demonstrate its values "in their own right" as reflections of universal principles articulated in revelation rather than the values of the observer. The Islamic Laws of Transactions and Finance are firmly based on Islamic values and ethics. The Prohibited and the Permissible are the core concepts of Islamic values and ethics.*

*This is a research project book. The aim of this research is to present and explain the istisna' contract and its practical application in Islamic banks and conventional banks as a model for Islamic finance investment for this present-day transactions. The scope of this research is to provide a definition of the concepts involved, differences between istisna' and Salam, the legitimacy of istisna', the effect of istisna', conditions for the legality of istisna', liquidated damages and penalties of istisna', termination of the istisna' contract, features of istisna', modes of application of istisna', the practical steps of istisna' sale, the parallel istisna' and difference between Islamic banks and conventional banks.*

*Islamic economic jurisprudence is full of many detailed ideas that enable the society to live at a higher level. The istisna' has played an important role in practical life in Islamic society. In istisna', the manufacturer provides the manufactured goods and experience, while the purchaser gets the benefit on the basis of appropriate measures. The istisna' contract is one of the contemporary contracts in Islamic jurisprudence that is accepted and demanded by both individuals and governments. The istisna' contract meets the needs of the country's economy and constructions. Istisna' plays an important role in Islamic banks nowadays. Moreover, istisna' represents the legal way for the provision of the liquidity to the factories and artisans which is an alternative offer to the loans with interest (usury) offered by banks. It is a kind of sale between the manufacturer and the purchaser which provides funding based on cash benefit to the individuals without falling into usury.*