A. The Principles of Bay‘ and Network Marketing Business in Islam

1. The Principles of Bay‘ in Islam

Every business transaction cannot be separated from bay‘. Bay‘ is an activity of selling between objects with objects, or objects with money. Sale or bay‘ means an agreement between two parties (the seller and the buyer) to the effect that the ownership of the sale item is transferred from the seller to the buyer in exchange for a price.¹ Meanwhile, business is the exchange of goods, services, or money that gives mutual benefit and profit.² Thus, bay‘ transaction and business transaction can be considered as the same subject. Both bay‘ and

¹ www.isfin.net/node/31/ Islamic finance from A to Z _ iSfin.htm, accessed 22 February 2013.
business transaction are parts of *muʿāmalah* in Islam. The original legacy of the *muʿāmalah* is permissible as stated in the fiqh principle:

> الأصل في المعاملات الإباحة إلا أن يدل دليل على تحريمها

“Originally, a transaction is permissible until a dalîl stated the prohibition”.

The sources from which the law is derived, al qurān, as Sunnah, Ijmâ’, Qiṣṣâs, etc stipulate limitations on any transactions conducted by people. The sources show distinct determinations to which transactions are lawful and which ones are unlawful. These are some sources (dalîl) that show some limitations in any business transactions.

> يا أئِمَّة الْدِّينِ إِنْ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بِالْبَاطِلِ إِلاَّ أَنْ تَكُونَ تِسْعَةً عَنْ تَرَاضَيْنَكُمْ.

“O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful”.

The verse above indicates that someone should not make any selling in the wrong way. Then, the verse indicates that any person who makes a transaction must trust and accept each other about the contract. Rasulullah SAW asserted the point through sunnah: “Originally, selling should be accepted by each other”.

Besides, there are some rules required when someone has a transaction and contract. Allah SWT mentioned it in surah Al Baqarah verse 282:

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4 QS. An Nisa: 29.
"...when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him... And bring to witness two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses ... except when it is an immediate transaction which you conduct among yourselves. For [then] there is no blame upon you if you do not write it...”.

The message conveyed in the verse is that any purchase agreement or other muamalah transactions must be written and must bring witnesses two men when signing the contract. It aims to make the contract safe between two parties. In case of witness, two women represent one man. Some simple transactions do not require any writing if such people trust each other to do transaction.

Next, The Prophet Muhammad SAW on his sunnah stipulated restrictions about the things that can be included in any mu‘amalah enterprises and selling transactions. It was narrated from Jabir bin Abdillah RA. :

"إنَّ اللَّهَ وَرَسُولُهُ حَرَّمَ الْخَِّرَ وَالْمَيْتَةَ وَالخََّرِيرَةَ وَالأَصْنَااِ "

"God and His Messenger have forbidden the sale of alcohol, carcass, and pork, and sculptures".

Islamic law prohibits sale of intoxicating things, unclean items, and unlawful purposed ones such as beer, carcass, pork, and sculptures. Beer

5 QS. Al Baqarah: 282.
represents sample showing that any sales of intoxicating things such as drugs, shabu-shabu, marijuana, etc is illicit. Carcass (Maytah) and pig (khinzîr) are unholy (najîs)\(^7\) and unusable things to buy. On the other hand, some scholars added that dogs are allowed to sell due to urgency conditions such as for keeping the house from thieves or others.\(^8\)

Prohibition of selling sculptures (ashnâm) suggests not to do sale and purchase transactions with the aims of activities is prohibited in Islam. The hadith indicates prohibition of buying sculptures to be worshiped. At that time, worshiping sculptures was still commonly done by Arabians. Thus, Rasulullah SAW banned people especially the moslems to buy sculptures.

One common problem in the activities of buying and selling is a problem of pricing. In this case, Some sellers will sell things in very high prices and far from normal price. Although it is not commonly practiced in current business activities specially in traditional retail due to marketing management consideration, high pricing still occurs in some other kinds of business such as antique things business. In Islam, deciding prices far above normal is called the ghibn. Ghibn is divided into ghibn yasîr (middle-high pricing) and ghibn fâhisy (very-high pricing). Actually, discussion about the ghibn is specified at the sale of valuable and antique good. Futhermore, it depends on two parties agreement. If

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\(^7\) Najîs: everything that is originally unholy such as dirt, dog, pig, etc.. The sale or purchase of unholy things is not allowed. Mutanajjis: any things holy initially but later unholy things hit the holy things. Then the holy things become unclean (mutanajjis). For example, shirts is originally, but then it gets touched by a wet dog. Then the shirt become mutanajjis shirts. Mutanajjis things are not prohibited for sale.

both trust and accept each other, the transaction becomes considered lawful. Hanafites explained that the actual problem in this model is the problem of selling unclear things (taghrîr). In some case of when the purchased items do not match consumers’ consideration, then the buyer may cancel the transaction. For example, someone buys a legendary portrait in an auction for billions. But after a few days it was discovered that the portrait is not the original copy. The portrait was duplicated. When this problem happens, Islam allows the buyer to cancel the transaction and ask back his money. Ghibn with gharar is similar to khiyâr ʿayb.⁹

Overall, there are many limitations that must be considered to make buying and selling transactions. In Islam, there are various terms defining types of unlawful transactions practiced by people. In general, trading is justified legal if it contains no element of ribâ, gharar, ghurûr, dharar, and maysir:

1. Ribâ (Usury): etymologically means grow and develop. Terminologically, usury is a practice of lending money to others by return with a larger amount. There are three kinds of usury in Islam: Usury from exchange transaction (Riba fadhl), usury from credit transaction (riba jahiliyyah), dan usury due to fixed predetermined return (riba nasi’ah).¹⁰

2. Gharar: Selling something with uncertain type and size of the goods in the transaction. For example, selling mangos on the tree that are not ripen. Some scholars do not prohibit selling things with only a little kind of uncertainty.

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⁹ Wahbah Zuhaili, Al Fiqh Al Islamy Waadillatuha Book 4 (Damascus: Dâr al Fikr), 3073.
3. *Ghurûr*: selling something by showing the good side and hiding the bad side to get sold with the current condition. For example, Selling bread by showing good part outside while the bread is rotten inside.

4. *Dharar*: selling and purchasing something prohibited due to the hazards, the dangers, and the risks to body, soul, and religion. For example: narcotics, drugs, marijuana, morphine, heroin, and beers.  

5. *Maisir*: any gambling and speculative transactions including maysir.

### 2. The Principles of Network Marketing Business in Islam

Currently, there are about 200 network marketing companies operating in Indonesia. 62 of them are legal and already a member of DSA/Direct Selling Association of Indonesia (APLI/Asosiasi Penjualan Langsung Indonesia). There are around 8 millions of Indonesian citizens engaged in the business of network marketing. This business is quite obsessing because of the promises of passive income through bonuses given by the company for people who can survive perennially and are persistent to expand the network.

Network marketing is a direct selling and marketing using people to expand the sales by recruiting the people to join the network. The marketing is done by the members of the network individually by talking to people, coming door to door, or spreading brochures. Marketing products with this system, the company can reduce the cost of advertising and sponsorships in the budget.

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12 Telaah Kritis Analitis terhadap Fatwa DSN No 75_DSN MUI_VII 2009 Tentang PLBS (Penjualan Langsung Berjenjang Syariah) « Program Solusi untuk Umroh dan Haji Plus.htm
Mostly, the budget is used to give bonuses for people who have built large networks of the company to expand sales.

Two important points to notice in term of network marketing are selling and recruiting. Everyone working in a network marketing business will do selling and recruiting. Selling is a major part of marketing, while recruiting is a major part of building a network. In term network marketing, the primary word is marketing, not network. Network is an adjective, modifying marketing. Primary purpose of network marketing is to market a product, and ultimately, to sell a product. Secondary purpose of network marketing is to establish a network of people recruited to form a team in order to expand sales.13

The network marketing industry traces its roots to the 1940s when Nutrilite Products, Inc., launched the sale of food supplement products and, ten years later, Amway introduced the sale of household products. Over the past fifty years, the industry has matured into legitimate and efficient channel of distribution ideally suited for the next wave about to break in the world of business.14

In fact, many network marketing companies doing the business illegal and unfair affect many scams that ultimately lose members’ money as victims. This realities get scholars in Islam to decide limitations of Islamic jurisprudence for systems run by network marketing companies. As a result, there are many law products and fatwa issued by scholars and fatwa institutes such as Syariah

14 Yarnell, *Tahun Pertama Anda dalam Network Marketing*, Translated by Tri Budhi Sastrio (Jakarta: Erlangga, 1999), Introduction page.
National Council (Indonesia) and Dâr al Iftâ’ (Egypt). Like other mu‘âmalah transactions, the legal origin of organizing business with a network marketing system is allowed until the system shows matters that are prohibited by syariah. These are some sources (dalîl) which is used in determining network marketing as legal:

“O you who have believed, fulfill [all] contracts”.$^{15}$

The verse above shows that the system in network marketing business is allowed as long as those who do business with each other fulfill their contract properly.

“And cooperate in righteousness and piety, but do not cooperate in sin and aggression”.$^{16}$

The verse above shows that in this business, every member in the organization should encourage and support others for a successful sale. The direct sales gives unlimited job opportunities as possible for people, educated or non-educated. Although it does not guarantee that everyone who join this business to be successful because the difficulty level is high enough. Based on some statistics, only less than $40\%$ of people who have come into network marketing business survive and succeed.

$^{15}$ QS. Al Maidah: 1.
$^{16}$ QS. Al Maidah: 2.
Syariah National Council issued Fatwa No: 75/DSN MUI/VII 2009 about PLBS (Penjualan Langsung Berjenjang Syariah/ Syariah Multi Level Marketing) which contains 12 points of terms and conditions that have to be included in every system of network marketing business. The system of a network marketing company is considered lawful and legal if it fulfill these 12 requirements as below:

1. The existence of real object in the trade transaction of good or service products.
2. Goods or services traded is not something forbidden and not used for something unlawful.
3. Transactions in trade do not include elements of gharar, maysir, usury, dharar, dzulm, and immorality.
4. There is no excessive pricing (excessive mark-up), to the detriment for buyers because the product is not commensurate with the quality/benefit got by the consumers.
5. Commission given by the company to members of both the amount and the form should be based on actual job performance that is related to the volume or value of sales of goods or services product, and should be a major revenue of the business.
6. The amount or percentages of bonus given by the company to members (business partners) must be counted clearly and in accordance with target sales of goods and services been set by the company;
7. There should be no commissions or bonuses acquired passively regularly without any guidance job and or sale of goods or services.

8. Commissions or bonuses by the company to members (business partner) did not result in ighra. *Ighra* is to persuade people by giving sweet or exaggerated promises.

9. There is no exploitation and injustice in the distribution of bonuses among the first members (uplines) and the next members (downlines).

10. Membership recruitment system, a form of respect and ceremonial events do not contain elements that are contrary to faith, Islamic and moral values, such as polytheism, abused cults and violations.

11. Each business partner doing recruitments (uplines) is obligated to provide guidance and supervision to members recruited (downlines).

12. There is no money game.

### B. Herbalife and The System of Bonus

Herbalife is a Global Nutrition and Weight Management Company. It was founded by Mark Hughes (1956-2000 CE) in 1980 CE. The central office lies in Los Angeles USA. The company uses network marketing or multi-level marketing in the marketing system. Lionel Messi and David Beckham are two of many athletes who have been contracted to sponsor Herbalife.

The Center of Science and sophisticated products of Herbalife recently opened in The Plaza Herbalife in South Bay Area, Los Angeles under the

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17 Fatwa of Syariah National Council No : 75/DSN MUI/VII 2009 about PLBS (Penjualan Langsung Berjenjang Syariah).
leadership of scientific dr. Steve Henig and a team of developers with a high-tech laboratory. In the study of nutrition, Herbalife has a cooperation with nutritional laboratory in UCLA (University of California Los Angeles).  

Herbalife makes significant expenditures across multiple scientific areas that support high-quality and innovative product development. It maintains its own design and testing laboratory and manufacturing facilities for its products. It has 180 scientists on staff, 19 of whom have Ph.D.s. Thirty consulting scientists supplement this internal staff, all with Ph.D.s. In 2011, Herbalife spent about $25 million combined on research and development, technical operations, scientific affairs, quality assurance and quality control, product safety, and compliance efforts. Beyond this, an additional $11 million was spent on nutrition affairs, product licensing, and strategic sourcing. Herbalife continues to support outside scientific research, with 12 clinical studies initiated between January 2011 and March 2012, five on the Formula 1 product.  

Nutritional products produced by herbalife use cellular nutrition principles that provide optimal nutrition to the cells of the body, so the body's cells get optimal levels of health and be able to heal itself (self-healing). Some nutritional products primarily produced include: nutritional shake mix, multivitamin complex, fiber & herbs, NRG instant tea, etc.. Besides, Herbalife also produces outside care products.

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Someone who wants to be a Herbalife distributor must purchase mini IBPs (International Business Pack) that contains two main products, guide books, ID cards so distributors and some other supplies. After completing application properly and the process, then he can officially becomes a Herbalife Distributor. An official distributor will undergo some enhancements by qualifying his position towards higher levels through measuring the amount of volume points he purchased from Herbalife. The following is distributor discount scale and the distributor enhancements preview:

**Table 1: Distributor discount scale and the distributor enhancements preview.**

<table>
<thead>
<tr>
<th>Distributor Level</th>
<th>Monthly Volume</th>
<th>Discount</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor</td>
<td>0 – 499 volume points</td>
<td>25%</td>
<td>Until becomes eligible for a higher discount</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>achieve 500 volume points or more</td>
<td>35%</td>
<td>accumulate 500vp during the month and then the next order is at 35% or purchase a 500 vp order @ 35%, all order will be placed at 35% until eligible for a higher discount</td>
</tr>
<tr>
<td></td>
<td>accumulate 2000 volume points or more</td>
<td>42%</td>
<td>once a distributor accumulated 2000 vp, he is eligible to place this order and all orders for the remainder of the volume month at a 42% discount</td>
</tr>
<tr>
<td>Success Builder</td>
<td>minimum 1000 volume points (one order)</td>
<td>42%</td>
<td>this order is entitled to a a 42% discount on this order and all order for the remainder of the volume month</td>
</tr>
<tr>
<td>Qualified Producer</td>
<td>2500 personally purchased Volume points in 1-3 months</td>
<td>42%</td>
<td>Qualified producer is entitled to a 42% discount on every order. Must requalify annually.</td>
</tr>
<tr>
<td>Qualifying Supervisor</td>
<td>Accumulate 4000 volume points or more</td>
<td>Temporarily 50%</td>
<td>Once 4000 volume points are achieved in one volume month, additional orders are purchased at a temporary 50% discount.</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------------------------</td>
<td>-----------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Supervisor</td>
<td>1. 4000 volume points in 1 month</td>
<td>50%</td>
<td>Supervisor is entitled to a 50% discount on every order. Must requalify annually.</td>
</tr>
<tr>
<td></td>
<td>2. 2500 volume points in 2 consecutive months or</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. accumulate 5000 personally purchased volume points within 12 months (with a 3 months minimum required)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Once a distributor has qualified for senior consultant the following monthly discount scale will apply:

1. 35% = 0 – 1999 Vp (volume points)
2. 42% = 2000 – 4000 Vp (volume points)
3. 42% = 1000 in one order = Success Builder.

After acknowledged as full qualified supervisor, a distributor start to get eligible for royalties or bonuses. The next higher qualification is the World Team.

A distributor will qualify as a World Team with the following provisions:

1. Achieving a total volume of 10,000 points in one volume month or
2. Achieving a total of 2500 points each month for four consecutive months or
3. Achieving 500 points of royalty points in one volume month.
Successful Supervisors have the opportunity to proceed to the higher echelon of the Herbalife Marketing Plan, which is the Top Achievers Business (TAB) Team. The Tab. Team is the distributors who have built an organization of their own and are qualified to receive the 2% leadership bonuses. 2% bonuses are paid out at each of the leadership levels. There are three steps within the TAB Team: Global Expansion Team (GET), Millionaire Team and President’s Team:

a. Global Expansion Team (GET): by achieving 1000 Royalty Points for three consecutive months. On the first of the following month, a distributor will be promoted to Global Expansion Team (GET) member.

b. Millionaire Team: by Achieve 4,000 Royalty Points for three consecutive months. On the first of the following month, a distributor will be promoted to Millionaire Team member.

c. President's Team: Achieve 10,000 Royalty Points in three consecutive months. After a waiting period of three months, earn a 2% to 6% Production Bonus.

d. 20K President: Achieve 20,000 Royalty Points in three consecutive months. After a waiting period of three months, earn a 2% to 6.5% Production Bonus.

e. 30K President: Achieve 30,000 Royalty Points in three consecutive months. After a waiting period of three months, earn a 2% to 6.75% Production Bonus.

f. 50K President: Achieve 50,000 Royalty Points in three consecutive months. After a waiting period of three months, earn a 2% to 7%
Production Bonus. The levels continue to 90K President but the maximum percentage bonus production is achieved in this level.

g. Executive President’s Team: achieving 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have one (1) first line President’s Team member who has fulfilled all qualification requirements.

h. Senior executive president’s Team: achieve 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have two (2) first line President’s Team members who have fulfilled all qualification requirements.

i. International Executive President’s Team: achieve 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have three (3) first line President’s Team members who have fulfilled all qualification requirements.

j. Chief Executive President’s Team: achieve 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have four (4) first line President’s Team members who have fulfilled all qualification requirements.

k. Chairman’s Club: achieve 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have five (5) or more first line President’s Team members who have fulfilled all qualification requirements.
I. Founder’s Circle: achieve 10,000 Royalty Points in at least six months between January 1 and December 31 in any given year and have ten (10) or more first line President’s Team members who have fulfilled all qualification requirements.

Volume points are point values of any Herbalife product that applies worldwide and is equal in all countries. In the bonus system, volume is the main reference point to calculate and qualify distributors’ achievement which ultimately determine the amount of bonuses given to them. There are a number of ways volume is credited in the Herbalife Marketing Plan:

a. Personally Purchased Volume: the volume of purchases made directly to Herbalife using identification numbers.

b. Personal Volume: as a full qualified supervisor, purchases made at a discount of 50% and purchases by downline distributors of 25%, 35% and 42% calculated as a private volume (excluding any orders placed at 50% discount).

c. Group Volume: the volume on orders purchased at a Temporary 50% discount, by Qualifying Supervisor(s) in their qualifying month. This Temporary 50% Volume is accumulated as Personal Volume for the Qualifying Supervisor who purchased it, but is Group Volume for the Fully Qualified Supervisor. The Fully Qualified Supervisor may earn Royalty Overrides on their Group Volume if all other Royalty Override requirements are met. See “Qualifying as a Supervisor” and “Temporary 50%” sections for complete details.
d. Total Volume: the combined total of a Supervisor’s Personal Volume plus Group Volume.

e. Organization Volume: the accumulated volume amount on which a Supervisor earns Royalty Overrides. For instance, volume of purchases under the supervisor within a supervisor’s organization is 10,000. So the overriding royalty that is obtained is $10000 \times 5\% = 500$ points overriding royalty.

f. Encumbered Volume: all volume produced by any Distributor qualifying for Supervisor in your personal organization, down to the first qualified Supervisor, who has achieved 2,500 Volume Points or more at 25% - 42% discount, in one Volume Month.

g. Unencumbered Volume: all volume produced by anyone in your personal organization, down to the first qualified Supervisor, who achieves less than 2,500 Volume Points in one Volume Month, plus all your own Personal Volume. Therefore, this is volume that is not used by anyone for Supervisor qualification purposes.

h. Matching Volume is the volume a sponsoring Supervisor must have through personal orders or by Distributors in their personal organization in a given month to equal or exceed the volume achieved by their downline Distributor(s) who are qualifying for Supervisor. Without adequate Matching Volume, the new Supervisor will go to the next upline Supervisor.20

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For the distributors or marketers who are members of this company, there are several types of income that they can get. Those are:

a. Direct Retailing Profit: profit from directly sales to consumers.

b. Wholesale Profit (Commission): profit gap between an upline’s purchase for the products and a downline’s purchase for the product in the organization up to 25%. This is he chart of split commission from a wholesale advantage.

Table 2: Example for Split Commission in wholesale transaction.

<table>
<thead>
<tr>
<th>Retail</th>
<th>Discount Scale</th>
<th>Distributor Cost</th>
<th>Commission Split</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>For Qualified Producers</td>
</tr>
<tr>
<td>$ 100</td>
<td>25%</td>
<td>$ 75</td>
<td>$ 17</td>
</tr>
<tr>
<td>$ 100</td>
<td>25%</td>
<td>$ 75</td>
<td>Without QP</td>
</tr>
<tr>
<td>$ 100</td>
<td>35%</td>
<td>$ 65</td>
<td>$ 7</td>
</tr>
<tr>
<td>$ 100</td>
<td>35%</td>
<td>$ 65</td>
<td>Without QP</td>
</tr>
</tbody>
</table>

c. Overriding Royalty Revenue (Royalty Payment for Referrals) monthly up to 5% for the three levels of downline. Royalty overrides are paid as follows:

1) The 1% - 5% Royalty Override is paid on the Total Volume of personally sponsored first-level qualified Supervisors.

2) The 1% - 5% Royalty Override is paid on the Total Volume of second-level qualified Supervisors; e.g., a Supervisor who has been sponsored in turn by your personally sponsored Supervisor.

3) The 1% - 5% Royalty Override is paid on the Personal Volume of third-level Supervisors; e.g., a Supervisor who has been sponsored in turn by a second-level Supervisor.
Supervisors who meet the specified requirements to earn Royalty Overrides must also comply with Herbalife’s Ten Retail Customers Rule and the 70% Rule, to earn and receive both Royalty Overrides and Production Bonus. The Supervisor must confirm their adherence to these requirements by submitting the Earnings Certification Form each month. If the Supervisor fails to comply with either of these rules, the Royalty Overrides and Production Bonus will not be paid to the Distributor. The amount of Royalty override revenue is measured from the total volume achieved.

**Table 3: The calculation of distributor downlines sales that decide the percentages counted to be Overriding Royalty Revenue.**

<table>
<thead>
<tr>
<th>Total Volume Points</th>
<th>Royalty Override Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 499</td>
<td>0%</td>
</tr>
<tr>
<td>500 – 999</td>
<td>1%</td>
</tr>
<tr>
<td>1000 – 1499</td>
<td>2%</td>
</tr>
<tr>
<td>1500 – 1999</td>
<td>3%</td>
</tr>
<tr>
<td>2000 – 2499</td>
<td>4%</td>
</tr>
<tr>
<td>2500 and up</td>
<td>5%</td>
</tr>
</tbody>
</table>

d. Monthly Production Bonus: TAB Team member you are eligible to receive from a 2% to 7% Production Bonus on your entire downline organization’s volume. Production Bonus earnings are paid monthly to all

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21 **Ten Retail Customers Rule**: A Distributor must make sales to at least ten (10) separate retail customers each month to qualify and receive Royalty Overrides and Production Bonus.

22 **The 70% Rule**: In any given month, a Distributor must sell to retail customers and/or sell at wholesale to downline Distributors, at least 70% of the total value of Herbalife products they hold for resale, in order to qualify for TAB Team and to earn and receive Royalty Overrides and Production Bonus for that month’s business.
qualified TAB Team members. The more details about the system of production will be presented in chapter discussion and analysis.

e. Annual Bonus: A bonus payment representing a percentage of Herbalife’s worldwide sales is distributed annually among Herbalife’s top achievers in recognition of their outstanding performance in advancing sales of Herbalife products.

f. Eligibility for Vacation and Training Events: Held in exciting locations around the world, the Vacation and Training Events will teach successful distributors how to meet goals, increase earning power and build an international business without leaving the home.

g. Awards and recognition of presidential plus for Gold and Diamond Cufflinks and Earrings, one diamond for Executive President’s Team, two diamonds for Senior Executive President’s Team, three diamonds for International Executive President’s Team, four diamonds for Chief Executive President’s Team, five diamonds Chairman’s Club, ten diamonds Founder’s Circle, and luxury watches for the achievers highest royalty override points (250,000, 500,000, 750,000, and 1000,000 royalty override points).23

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C. Juʻālah Contract

Discussion about Juʻālah contract is listed almost in every books of fiqh such as At Tahdīb, Minhâjut Thullāb, Fath al Qarîb, Al Iqnâ’, Mughny al Muḥṭâj, al Muḥadzab, Al Fiqh al Islamy Waadillatuh, etc. Nevertheless, the discussion of juʻâlah is not as complete as the discussion of ijârah. This is because some scholars see similarities between juʻâlah and ijârah. As a matter of fact, some argue that juʻâlah contract is a part of the ijârah contract.

However, juʻâlah contract is not the same as ijârah contract. In juʻâlah transaction, the order demanded by jâʼil is a specified target that must be achieved. Curing diseases for example. In this case, the ʻâmil will not get any reward if the patient does not recover. While the ijârah contract, when ʻâmil has work on something that was ordered by the tenant, the ʻâmil get the agreed payment although the whole target is not met.24 For example, we hire someone to paint our house with wage of 50,000, - per day. Then the overall target of house painting is not finished in a day work, ʻâmil still get the 50,000, - wages because the contract is to paint for 1 day. By using juʻâlah contract, then the contract would be like this, “paint the whole interior wall of my house in a week. If you can reach the target, then I will give you 1 million rupiahs reward”.

Thus, the most identical matter in juʻâlah contract is the relationship between the target achieved and the reward given. The payment term commonly uses reward, not wage or fee. Wage or fee are both used in a concern of ijârah contract. Juʻâlah contract do not notice how and how long ʻâmil does the job, but

24 Wahbah Zuhaili, Al Fiqh al Islamy wa Adillatuh, book 5 (Damascus: Dâr al Fikr), 3867.
notice the target reached. While *iǰārah* contract concerned on type of job and
duration of job.

**Table 4: Differences between *juʿālah* and *iǰārah* contract**

<table>
<thead>
<tr>
<th></th>
<th><em>Juʿālah</em> Contract</th>
<th><em>Iǰārah</em> Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acceptance (<em>qabūl</em>)</strong></td>
<td>Not required</td>
<td>Required</td>
</tr>
<tr>
<td><strong>Uncertainty of task</strong></td>
<td>The nature of the task to</td>
<td>The task and period of</td>
</tr>
<tr>
<td></td>
<td>be done can be in the</td>
<td>employment must be</td>
</tr>
<tr>
<td></td>
<td>form of known or unknown.</td>
<td>determined.</td>
</tr>
<tr>
<td>**Entitlement of reward or</td>
<td>Can not be given upfront</td>
<td>It is permissible to pay</td>
</tr>
<tr>
<td><em>ujrah</em>**</td>
<td></td>
<td>the wages/ujrah upfront</td>
</tr>
<tr>
<td><strong>Nature of contract</strong></td>
<td>The nature of the contract</td>
<td>The contract is binding and</td>
</tr>
<tr>
<td></td>
<td>is permissible (jāız) and</td>
<td>it cannot be revoked</td>
</tr>
<tr>
<td></td>
<td>not binding, which can be</td>
<td>without the consent of</td>
</tr>
<tr>
<td></td>
<td>revoked by one of the</td>
<td>the other party.</td>
</tr>
<tr>
<td></td>
<td>contracting parties.</td>
<td></td>
</tr>
<tr>
<td><strong>General/specific ʿāmil</strong></td>
<td>May be made generally</td>
<td>The person who will</td>
</tr>
<tr>
<td></td>
<td>without specifying any</td>
<td>undertake the task must</td>
</tr>
<tr>
<td></td>
<td>party who will do it.</td>
<td>be determined.</td>
</tr>
<tr>
<td><strong>Control over worker</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

"*Juʿālah* is conducted by two parties, the jāʾil (the first party who has
willingness to compensate someone for a job) and majʿul lah party (the second
party who will do an order from the first party) .... (*Juʿālah* ) is the competent
legal commitment to provide a certain return on a particular job or not particular
to certain or uncertain people."²⁶

1. Definition of *Ju‘âlah* Contract

Terms ‘*aqd*’, agreement, and contract represent activities of two or more parties in the context of mu‘âmalah and business. In The Compilation of Islamic Finance Law (Kompilasi Hukum Ekonomi Syariah/KHES), it is stated that ‘*aqd*’ is a treaty in a contract between two or more parties to do or not do certain legal acts. Burgerlijk wetboek (B.W). article 1313 determines an agreement or consent as an act by which one or more attach himself to one or more other people. Contract is an act committed by two or more parties in which each party is required to perform one or more achievements. In this terms, such a contract is an agreement as well. However, the contract is in the form of a written agreement.

In The Compilation of Islamic Finance Law (Kompilasi Hukum Ekonomi Syariah/KHES), there are many words about economic transactions. Some of them have similarities in definition as well as practice. ‘*Aqd*’ is an agreement in a contract between two or more parties to do or not to do certain legal acts. *Kafalah* is a guarantee given by the guarantor to the third party/lender to afford the obligation of the second party/borrower. *Ijârah* is a lease of goods or services within a specified time with certain payment. *Ju‘âlah* is a certain agreement with benefits between the first party and the second party for the implementation of a task or a service performed by a second party for the first party.27

Letter *jîm* in lafadz *ju‘âlah* can be read by three vowels: *ju‘âlah*, *ja‘âlah*, and *Ji‘âlah* (جَعالة, جُعالة, جَعالة). *Ju‘âlah* is an agreement of using someone to reach certain target which the result is still uncertain. For instance, providing

27 *Kompilasi Hukum Ekonomi Syariah*, (Bandung: Fokus Media, 2009).
some rewards for those who finds lost treasure, digs a well until reaching the
water, and heal a sick man until recovery.\textsuperscript{28}

National Syariah Council (Dewan Syariah Nasional/DSN) in its fatwa
about Ju‘ālah, gives some limitations concerning Ju‘ālah:

a. *Ju‘ālah* is a promise or commitment (*iltizâm*) to reward (*‘iwadhlju‘l*)
   upon the achievement of certain results (*natîjah*) were determined from a
   job.

b. *Jâ‘il* is the party who promises to deliver certain benefits upon attainment
   of the work (*natîjah*) were determined.

c. *Maj’il lah* is the party who implements *Ju‘ālah* /the work.\textsuperscript{29} in this
   research, *maj’il lah* also means ‘âmil or worker.

One important point we need to note in *ju‘ālah* contract is the job
performed by *ma’jîl lah/’âmil*. Although target becomes priority of the contract,
but some scholars argue that the type of job should be determined as well. It is
important to consider the way to target. As stated in a fiqh principle, “lil wasail
hukmul maqashid”. In every way, there is law of the purpose.

There are four essential principles (*rukn/p. arkân*) of *ju‘ālah* contract as
stated in book *Al Wasîth Fil Muhadzab*. Those are:

a. *Shîghah*: some words spoken by jâ’îl to give clear order as well as the
   reward will be given (*ijâb*). In this contract, there is no special *qabûl*
   required. The *qabûl* refers to everyone who knows this information.

\textsuperscript{28} Sayyid Sabiq, *Fiqh As Sunnah* Book 3 (Beirut: Dâr al Kutb al Ilmiyyah), 351.
\textsuperscript{29} Fatwa Dewan Syari’ah Nasional No: 62/Dsn-Mui/Xii/2007 About ‘aqd *ju‘ālah*. 
b. ‘Āqidayn (parties of the contract): capability of jâ‘il to conduct this kind of contract is required. Jâ‘il doesn’t have to choose whom of certain people he orders.

c. ‘Amal (job): deciding kinds of job should proritize to reduce the gharar entity. But the existence of deciding jobs by ‘âmil is not an obligation.

d. Ja‘l (reward): there must be certain clear amount of rewards to give.  

2. Terms and Conditions

Islamic jurisprudence determine terms and conditions of the Ju‘âlah contract:

a. for those who conduct the contract, Syafi’ite and Hanbalite explained that they should be bâligh, intelligent, and clever. Then Malikiyyah just required cleverness of both. The worker/’âmil should be person who is believed capable of doing the job.

b. compensation or reward provided should be clear.

c. the benefits achieved should be clear and the job must be allowed by syarî‘ah principles. In case of work purposed for worshiping and having taqarrub to Allah SWT, it can not be done with the ju‘âlah contract.

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30 Abu Hamid Muhammad bin Muhammad Al Ghazali, Al Wasith fil Muhadzab book 4 (Kairo: Dâr al Islam, 1995), 211.

31 For instance, a case where first party hires someone to make a pilgrimage for the first party uses ijarah contract. In this context, ijarah contract is almost used by the heirs, judges, and other parties. As stated in Syamsul Munirah, there are 14 terms and conditions required when someone wants to conduct an ijarah contract to make a pilgrimage. One of them is that the hired man should have made a pilgrimage before. Furthermore, it is stated that someone can conduct a ju’âlah contract to get someone to make a pilgrimage. It is stated an expression “jâ‘altuka litahujja” (make me a pilgrimage then I will give you reward). Ali bin Hasan Baharun, Asy Syams al Munirah book 2, (Pasuruan: Dâr al Lughah wad Da’wah, 2008), 263-266.
d. There is no time or duration limitation. In case where determining time and
duration is required, then it is ijárah contract. Determining time limitation
is sometimes found in ju’álah contract. But it includes the target. For
example, “whoever can fix my car in one day, then I'll give him 5 millions
for reward.”

National Syariah Council (DSN/Dewan Syari’ah Nasional) determines
terms and conditions about ju’álah contract:

a. Jâ’il parties must have legal capacity and writerity (al-tasharruf al
muthlaq) to perform the contract;

b. Enterprises in this contract (maj’il ‘alayh/’amal) must not be prohibited
by the Islamic law;

c. The achievement (natîjah) referred must be clear and known by both
parties in the first offer.

d. The amount of reward (‘iwad/ja’il) should be determined by the jâ’il
and
informed between two parties in the first offer.

e. There should be no reward conditions given in advance/ upfront (before
doing the job).  

3. Legal Concept

Ju’álah is justified right, legal, and mubâh (permissible) in Islamic law.

Most scholars depend their law concept of ju’álah transaction on Al Quran sūrah

Yusuf verse 72:

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32 Wahbah zuhaili, Al Fiqh Al Islami Waadillatuuh Book 5 (Damascus: Dâr al Fikr), 3868.
“They said: We are missing the measure of the king. And for he who produces it is [the reward of] a load camel, and I am responsible for it.”

Interpreting the verse, Sheykh Ahmad Bin Ali Abu Bakr Al Rozi explained that this is the basic legal source for scholars to define that transactions of *ju‘ālah* permissible. That is transaction with Shīghah like, “Whoever brought these goods to a particular place, then I will give you certain benefits”.

Another source (*nash*) of law regarding *Ju‘ālah* contract is referred to the following hadith:

> َحَدَّثَنَا أَبُو النُّعْمَانِ حَدَّثَنَا أَبُو عَوَانَةَ عَنْ أَبِِ بِشْرٍ عَنْ أَبِِ الدُتػَوَكِّلِ عَنْ أَبِِ سَعِيدٍ رَضِيَ اللَّوُ عَنْوُ قَالَ: انْطَلَقَ نػَفَرٌ مِنْ أَصْحَابِ النَّبِِِّ صَلَّى اللهُ عَلَيْوِ وَسَلَّمَ فيِ سَفْرَةٍ سَافػَرُوىَا حَتََّّ نػَ ََّلُوا عَلَى حَيٍّ مِنْ أَحْيَاءِ العَرَبِ فَاسْتَضَافُوىُمْ فَأَبَوْا أَنْ يُضَيِّفُوىُمْ فػَلُدِغَ سَيِّدُ ذَلِكَ الحَيِّ فَسَعَوْا لَوُ بِكُلِّ شَيْءٍ لاَ يػَنػْفَعُوُ شَيْءٌ فػَقَالُوا: يَا أَيػُّهَا الرَّىْطُ إِنَّ سَيِّدَنَا لُدِغَ وَسَعَيػْنَا لَوُ بِكُلِّ شَيْءٍ لاَ يػَنػْفَعُوُ فَهَلْ عِنْدَ أَحَدٍ صٜص: 93 مِنْكُمْ مِنْ شَيْءٍ فػَقَالُوا: اقْسِمُوا فػَقَالَ الَّذِي رَقَى: لاَ تػَفْعَلُوا حَتََّّ.  

34 QS. Yusuf: 72.
Narrated from Abu Numan, Abu Awana told, from Abu Al Moutawakkel, from Abu Said R.A. said: a group of Prophet Muhammad SAW companions make a trip, until they reach an Arabian area. The group wanted the residents to give treat. Then the leader of the residents got sick. No one from the residents could heal the leader. Then they asked one of the group, “is there one of you can do something to heal our leader?”. One of the group said, “I can do something to heal your leader with a ruqyah (certain prays used to heal). But you didn’t treat us so will we treat you?. Well, we will heal your leader but you have to pay us something”. Then, the resident agreed to give the group a kind of goat. The man pray “Alhamdu lillahi rabbil alamin”, futhermore the leader recovered. Then the resident fulfill the promise. Then, one of the group said,”lets share this goat to eat!”. Another man said, “no, until we ask this case to prophet SAW”. As they meet prophet SAW, they tell the whole story. Then Rasulullah SAW laughed and said,”share this goat. This is yours.”

In term *ijmâ‘*, majority of scholars said that the law of Ju‘âlah transaction is legitimate and permissible. They based their opinions to the verse and the hadith above.

وقد أجازا جمهور الفقهاء من الدالكية والشافعية والحنابلة عملاً بقصة يوسف عليو السلاا م

إخوته: {قالوا: نفقد صُواع الدلك  ولدن جاء بو حِل بعير  وأنا بو زعيم 

{Yusuf: 12/72}],

وؤيده قوله عليه الصلاة والسلام يوم تعينين: «من قتل قتيلاً فله سمبه».

“The majority scholars of Maliki and Shafi‘i and Hanbali referring to story of Yusuf peace be upon him with his brothers: [ They said: We are missing the measure of the king. And for he who produces it is [the reward of] a load camel, and I am responsible for it. [Yusuf: 12/72], and supported by saying peace be upon him on Hunain Day: «Whoever killed people deserve that (reward).”

36 Muhammad bin Ismail Al Bukhari, Shahih Bukhari, Book 3 (Dâr Thuuq an Najah), 92.
37 *Ijma‘* (Consensus): consensus on Islamic law clearly stated both in the form of an agreement or silence all / majority clerical authority. Totok Jumantoro AND Samsul Munir Amin, Kamus Ilmu Ushul Fiqh, (Jakarta: AMZAH, 2009), 103.
Conversely, Imam Abu Hanîfah and some other scholars prohibited the practice of *juʻâlah* contract. The scholars who prohibit the transaction of *juʻâlah* based the idea to its essential of *gharar* (ambiguity) transaction or *khathr* (danger):

\[\text{وَعُمْدَةُ مَنْ مَنَعَوُ اللَّهُ غَرَرُ الَّذِي فِيْهِ قِيَاسًا عَلَى سَائِرِ الإِْجَارَاتِ.}\]

The basic logic of prevention: *gharar* (ambiguity) as compared to the other kinds of lease. Furthermore, Wahbah Zuhaili explained that the meaning of *gharar* here is the type and duration of work.

The other source of *ijtihâd* regarding *juʻâlah* contract discussed in this chapter is by *qiyās* (analogy). Scholars make an analogy to similar other activities to the Qur‘an, the hadith the Prophet, and the consensus of the *juʻâlah* contract. For instance, legal provisions issued by the Dâr al ifâ’ (Egypt) that one of the transactions (besides contract *bay‘*) applied in the network marketing system is *juʻâlah* transaction. There are three main terms in the way of deriving law (*ijtihad*) by qiyās:

1. *Ashl*: the origin law that has been ruled by nash and there found similarity of illat with furu’. In *juʻâlah* contract, The *ashl* is taken from al qurân Surah Yusuf Verse 72 and The Hadith above narrated by Bukhari and *ijmâʿ* by scholars of Islamic law.

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40 Qiyās: prevailing laws to laws ashl furu’ similarity illat that can not be achieved through a language approach. Totok Jumantoro dan Samsul Munir Amin, *Kamus Ilmu ushul fiqh*, (Jakarta: AMZAH, 2009), Hal 270
2. *Furū*: The new problem has not been determined because there is no legal texts as the basis yet. For example the bonus and the contract system conducted. It is new because this system was appeared and implemented about 60 years ago.

3. *ʻIlah*: the essential characteristic of *ashl* which is the same as the *furu*, noted by scholars to derive the law. For example, the similar meanings Shîghah and problems of the reward, award, revenue between Juʻâlah contract and system of bonus in network marketing enterprises.

The literature below are taken from on of the books of Madzhab Hanafi, Maliki, Syaffiy, and Hanbali that shows their perspectives about *juʻâlah*:

"Imam Abu Hanifah R.A. gave his opinion on the problem of a man who was ordered to sell the goods. If the goods are sold at a price that has been determined, then he got the dinar. However, if he is not able to sell the goods, then he does not get any reward/wage. Actually, this ‘*aqd* is broken. whether he succeed selling the goods or not, he should still get paid for the work." 42

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We asked Malik about this (Juʻâlah) and he said no problem, the Medina is still practicing the Juʻâlah with the other (or people outside the Medina). Then we asked, Are they rewarded? Then he said, they may or may not be rewarded. This is what Imam Malik meant concerning the permission of practicing Juʻâlah.  

I asked about the competition for the return of escaping slaves from Egypt. Then he (Ahmad bin Hanbal) said, refer to the words of the Prophet Muhammad SAW, Umar RA and Ali RA regarding the dinar reward for whoever can restore the slave outside Egypt.

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44 Muhammad bin Idris Asy Syafi’y, Al Umm Book 4 (Beirut: Dâr al Ma’rifah, 1990), 75.
45 Abdullah bin Ahmad ibn Hanbal, Masail al Imam Ahmad (Beirut: Al Maktab al Islamy, 1981), 310.