



Assigning a fixed percentage of the profits to be distributed among shareholders

The third question of Fatwa no. 6419

Q3: Firms that are now established in Saudi Arabia such as cattle companies and agricultural banks, distribute the profits as following:

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5% as a premium for the company's administration, 15% as reserves, not less than 5% to be distributed among the shareholders as a down payment. Reserves are to be left out once they reach 50% of the company's capital. The question now is: Is the distribution of profits done in this way considered Riba (usury) since the percentage of profit is specified not be not less than 5%? Whereas, these firms may distribute more than 5%. What is the ruling on their specifying the percentage of profit to be not less than 5%?

A: It is permissible to specify part of the profits to be distributed among all the shareholders namely 10 % and 5% and this has nothing to do with the unlawful specification of profit. May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family, and Companions!

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