

Topic 28 - Basic Principle of Partnership Deed

Activity 28.1

Read the situation below:

Taher and Mufaddal decide to start a small stationery shop together. Taher invests ₹60,000 and Mufaddal invests ₹40,000. They agree to share profits but **do not write anything down**. After six months, the business earns profit. Taher wants a bigger share because he invested more. Mufaddal wants equal profit because she manages the shop daily.

Questions-

1. Why has a disagreement arisen between Taher and Mufaddal?
2. What could they have done **before starting the business** to avoid this problem?
3. List **any two points** that should have been written down in advance.

Expected Learning Outcome

Students should realize that:

- Verbal agreements can cause misunderstandings
- A **partnership deed** clearly defines rights, duties, profit sharing, and responsibilities
- Written agreements prevent disputes

The written agreement that clearly states the terms and conditions between partners is called a **Partnership Deed**. Let us now study its principles and contents.”

مقدمة

الداعي الاجل سيدنا عالي قدر مفضل سيف الدين طع فرماوے چھے:

Kalemaat Nooraniyah 28.1

"اپس ما partnership شریعة ناقانون موافق هوئی ، هر ایک party ما جر بھی اتفاق تھائی
یر عن تراض - خوشی سی هوئی ، برابر legal document تیار تھائی تاکر اپس ما محبة سی unity
ناسا تھے زیادة وپار تھائی ، انے شیطان نا وساوس سی دور رہے"

ایان مبارک سی واضح تھائی چھے کہ شریعة موافق partnership deed هووی جوئیے جر ناسب
اتفاقی سی وپار کری سکا ئی انے نفع بھی زیادة تھائی ، اعنوان نے بہتر شاکلة سی سمجھوا واسطے
مالی موضوعات ما تقسیم کیدا چھے:

1. Introduction to Partnership Deed
2. Types of Partnership
3. Roles and Responsibilities of a Partner
4. Capital Contribution and Profit Sharing
5. Exit, Dissolution and Dispute Resolution
6. Benefit of Partnership Deed across Supply Chain
7. Role of Partnership Deeds in Dawoodi Bohra Businesses across Countries

فحوی۔ جر وقت کر بے مرد مال ما شرکتہ نوارادۃ کرے تو یوے پوتانا مال نے نکالے ، انے یر
مال نے ملاوی دے حتی کر مال نے الگ نہ کری سکائی ، انے ایم عقد کرے کر امال سی وپار
کر سے انے جر نفع تھا سے تو یوے اہما شریک چھ انے جر نقصان تھا سے اہما بھی یوے شریک چھے
، تو ا صحیح شرکتہ چھے کر جر ما اختلاف نہھی۔

A partnership is the relation between persons by contract who have agreed to share in the profits and loss of a business carried on by all or any of them acting for all.

The partnership refers to the relationship of all partners collectively.

All decisions regarding the formation of a partnership and operation of the firm or venture should be made by **mutual agreement and free will** . Parties entering a partnership should be baaligh and of sound mind. Partners should maintain a good working relationship with each other and maintain trust and transparency during the partnership.

Note: A partnership is formed by contract or agreement only and the relation of partnership arises from contract and not from status. A family member who is not by agreement a member of the firm is not considered a partner and does not share in the rights and authorities of partners.

Example 28.1

Fakhri Fasteners, a small-scale manufacturer of precision safety valves for 25 years, is owned by two cousins, Taher and Shabbar. Taher's younger brother Husain also works as part of the product development division in the firm. Although Husain

has been working for the firm for 7 years, no agreement has been made formally by Shabbar and Taher to add Husain as a partner to the firm. Until a formal agreement is made, Husain is still considered an employee of the firm and doesn't share any of the rights of the partners, including profit-sharing or taking key business decisions reserved for partners.

Did you know?

If there is **no partnership deed**, the business is governed by the **Partnership Act**, which may not suit the needs of all partners.

Types Of Partnership

There are two types of partnerships described in Dawat texts.

1. Musharakat (مشاركة)

A partnership that involves the investment of capital by all partners, with equity (ownership) proportional to the amount of capital invested by the partners.

2. Mudaarabat (مضاربة)

A partnership where one party provides capital to another non-investing party for a particular venture. Both parties share in the profit earned from the venture.

Loss, however, is borne on the capital investment only.



Figure 2: Types of Partnership⁴

In the modern business world, partnerships have evolved to suit different industries, legal systems, and business needs. However, the **three most common types of partnerships** found in most places are **General Partnership, Limited Partnership, and Limited Liability Partnership.**

⁴ Partnership business structure: Types and benefits - clear tax Melbourne (2023) Clear Tax Accountants. Available at: <https://cleartax.com.au/taxation/partnership-business-structure-types-and-benefits/>

1. General Partnership (GP)

A **General Partnership** is the most basic and traditional form of partnership.

Features:

- All partners **participate in management**
- Partners have **unlimited liability**
- Profits and losses are shared as agreed
- Each partner is **personally responsible** for the debts of the business

Example 28.2

Mohammed and Taher open a grocery store together. Both invest money, manage the shop daily, and share profits equally. If the business incurs debt, both are personally responsible for repaying it. In a general partnership, **each partner acts as an agent** of the firm and can bind the firm through their actions.

2. Limited Partnership (LP)

A **Limited Partnership** consists of two types of partners: **general partners** and **limited partners**.

Features:

- At least **one general partner** with unlimited liability
- One or more **limited partners** whose liability is limited to their investment
- Limited partners do **not take part in management**
- Common in investment-based businesses

Example 28.3

Mohammed and Taher start a real-estate business. Zara manages the business and

bears unlimited liability. Sameer only invests capital and does not manage operations; his liability is limited to his investment.

3. Limited Liability Partnership (LLP)

A **Limited Liability Partnership** is a modern form of partnership that combines features of a partnership and a company.

Features:

- Liability of partners is **limited**
- Partners are **not responsible** for the misconduct of other partners
- Has a **separate legal identity**
- Requires registration under law
- Very popular among professionals and startups

Example 28.4

Three software engineers start an IT consultancy as an LLP. Each partner contributes capital and shares profits. If one partner makes a mistake, the others are not personally liable for it.

Quick tip

Always mention the duration and objective of the partnership clearly in the deed to avoid confusion later.

Roles and Responsibilities of Partners



Figure 3: Partnership Roles⁵

In Islam, partnership is known as **Shirkah**. It is a lawful form of business based on the principles of **justice** (عدل), **mutual consent** (تراضي), **trust** (امانة), and **honesty** (صدق). A partnership must comply with the rules of **Shari'ah**, and all partners are accountable to Allah for their actions.

الداعي الاجل سيدنا القاضي النعمان رض كتاب مختصر الاثار ما فرماوے چھے:

"وليس لاحدهما ان يبيع ولا يشتري ولا يحدث حدثا فيما اشتركا فيه الا مع صاحبه وعن امره"⁶
فحوى۔ بیوے شریک ماسی کوئی ایک واسطے ایم جائز نہھی کہ جر چیز ما شرکتہ کیدی چھے اھنے
ویچے یا خریدے یا اھما کوئی حدث کرے الا کہ اھنا صاحب ناسا تھے یا اھنا امر سی ۔⁷

⁵ Limited, A. (no date) *Partnership hi-res stock photography and images*, Alamy. Available at: <https://www.alamy.com/stock-photo/partnership.html?sortBy=relevant> (Accessed: 13 January 2026).

⁶ کتاب مختصر الاثار الجزء الثاني

All decisions while operating the business venture should be by mutual consent of all the partners or based on specific stipulations made in the partnership agreement. As best practice, the partners should establish beforehand a detailed division of work and responsibilities regarding the management of the venture and describe it in the agreement.

Roles (Rights) of Partners

1. Right to Mutual Agreement

All partners have the right to enter the partnership **with free consent**, without coercion or deception.

2. Right to Participate in Business

Partners have the right to participate in **management and decision-making**, according to the agreed terms of the partnership.

3. Right to Share Profits

Profit must be shared according to a **pre-agreed ratio**, not fixed amounts. This ensures fairness and avoids injustice.

4. Right to Transparency

Each partner has the right to **clear information** about business activities, accounts, and profits. Concealment and ambiguity (غمر) are prohibited.

5. Right to Lawful Earnings

Partners have the right to ensure that the business earnings are ḥalāl, free from interest, fraud, or unlawful activities.

Example: If two partners agree to share profits in a 60:40 ratio, **each partner has the right to receive profit only according to this agreed ratio**, not a fixed guaranteed return.

Responsibilities (Duties) of Partners

1. Duty of Honesty and Trust

Partners must act honestly and treat the partnership as a **trust from Allah**. Cheating and deception are strictly forbidden.

3. Duty to Share Losses Justly

Losses must be shared according to **capital contribution**, as per Shariah principles.

4. Duty to Avoid Fraud and Deception

Any form of cheating, misrepresentation, or concealment of information invalidates the ethical basis of the partnership.

5. Duty to Act in the Best Interest of the Partnership

Partners must not harm the business intentionally or engage in competing activities that damage the partnership.

Example 28.5

If a partner secretly takes business money for personal use, they have violated the **duty of trust** and are sinful under Shariah, in addition to being liable to repay the amount.

In Shariah, partnership is not only a legal arrangement but also a **moral and spiritual responsibility**. Partners are accountable to one another and to Allah. A partnership that follows Islamic principles promotes **justice, trust, and lawful earnings**, ensuring success in both this world and the Hereafter.



Did you know?

A partner cannot transfer
their share to an outsider
**without the consent of other
partners.**

Capital Contribution and Profit Sharing



Figure 4: Capital Contribution⁷

1. The amount of Initial capital contributed by each partner should be clearly specified at the time of formation.
2. Any capital invested into a partnership is owned and utilized jointly by the partnership without bias or classification of specific ownership.
3. Debt of any kind cannot be converted into an investment for partnership. The debt must be repaid as is.

Example 28.6

Huzaifa has taken Qardan Hasana from Adnan of Rs. 350,000. Huzaifa uses the Qardan and decides to start a small consultancy firm in the name of Noor Consultancy. A few months later, Huzaifa's company is very profitable, so Adnan tells Huzaifa to convert the Qardan into an investment with profit-sharing of 30%.

⁷ Bruin, B.D. (2019) *What is a capital contribution?*, De Bruin Law Firm. Available at: <https://debruinlawfirm.com/what-is-capital-contribution/>.

This is prohibited and Huzefa must repay the Qardan of Rs. 350,000 to Adnan before he can Invest with him.

3. The ratio or share of ownership for each partner is proportional to their capital investment in the partnership.
4. There should be an agreement on whether partners may invest additional capital, withdraw capital, and the limits to which they may do so.
5. The amount of capital added or subtracted by partners should always be specified and recorded since it could change the ratio or share of ownership of each partner.

Sharing of Profit and Loss

۱. الداعي الاجل سيدنا القاضي النعمان رض كتاب مختصر الاثار ما فرماوے چھے:

"واذا كان المال بين الشريكين بالسواء فاشترط ان الربح والوضيعة بينهما كذلك بالسواء فهما على

شرطهما وان شرطاً في ذلك التفاضل فالربح على ما اشترطاه والخسارة على قدر المال"^۸

فحوى۔ جر وقت کر بے شریک نادر میان سرکھو مال ہوئی۔ پچھی ایم شرط کرے کر رخ انے

^۸ کتاب مختصر الاثار الجزء الثاني

تقصان بیوے نا درمیان یر ۷ مثل سرکھو هوئی۔ تو یر شرط جائز چھے، انے جو یر شرکت ما تفاضل شرط کرے تو نفع جیم شرط کیدو هوئی یر مثل رھے انے خسارۃ مال نا مقدار مطابق رھے۔

Profit may be distributed amongst partners according to any ratio agreed upon. It does not need to match the investment or ownership ratio of the partners.

Example 28.7

Mohammed invests Rs. 30,000 and Shabbir invests Rs. 70,000 in starting a new hardware shop named Raj Enterprises - so the investment ratio is 30:70. Mohammed also gives more time to running the firm so both partners agree to a profit-sharing ratio of 50:50.

۲. الداعی الاجل سیدنا القاضي النعمان رض کتاب مختصر الاثار ما فرماوے چھے:

"وان دفع رجل الى رجل مالا ليعمل به او يتجرفيه وجعل عليه فيه ربحا معلوما فذلك لا يجوز ولا

یحل ولا یلزم من جعل علیه وما اخذ فی ذلك من جعله فهو ربوا"^۱

فحوی۔ جو ایک مرد بیسرا مردنی طرف مال سو نیے تا کر یر اھا تجارتہ کرے انے اھا ربح معلوم

^۱ کتاب مختصر الاثار الجزء الثاني

(fixed profit) اہنا واسطے کرے ، تو یہ جائز نہی حلال نہی ، جریرہ رخ ماسی لیدویرہ بی

چھے ،

الداعی الاجل الفاطمی سیدنا عالی قدر مفضل سیف الدین طع فرماوے چھے:

Kalemaat Nooraniyah 28.2

"گھناور سونی وات چھے ، مملوک سیدنا - تھوری امد تھی ہسے ، ایک بھائی آیا ، مملوک سیدنا نے کہے چھے کہ اپ جو رقم اپتا ہوئی تو اپ نے اہنا double ملیسے.... میں باواجی صاحب نے پوچھو کہ بھائی نے میں رقم اپوز؟ نہ ۶ فرماوی دیدو کہ اپنوا کام نہی بھائی... مؤمنین نے بھی سگلا نے ایم profit loss ما شامل تھا و جوئی ، ایم نہیں کہ ام اتنا رقم آیا نے fix کری دے کہ نہ اتنا پوپور سے ، یہ تو ویاج تھی جائی ، جرہی نفع نقصان چھے اہما شامل تھا و جوئی ، اتنا fix کرو تو ویاج ۶ تھی جائی." ۱۰

Example 28.8

Ahmed invests Rs. 100,000 into a paper manufacturing unit named Babji Papers - owned and operated by Idris. Both partners agree that Ahmed will receive a fixed return of Rs. 10,000 per month, regardless of the profit and loss posted by the unit itself. This type of return is strictly prohibited and the agreement is invalid.

۱۰ المجلس السابع ۱۴۳۳ھ

3. Profit earned from the venture should be calculated first and then distributed among partners according to the profit-sharing ratio agreed upon.

Example 28.9

After reviewing the profit and loss of Raj Enterprises at the end of the year, the partners find that the firm has earned a net profit of Rs. 200,000. Based on their profit-sharing ratio of 50:50, both partners are eligible to draw profits of up to Rs. 100,000 each.

4. If the venture incurs a loss, the partners will bear the loss in proportion to their capital investments or ownership ratio only.

Note: In the case where only one partner has invested, the investing partner bears the loss totally because loss is only borne on capital investment. However, the non-investing partner will not be compensated for his efforts.

If a partner violates the terms and conditions stipulated in the partnership contract by acting irresponsibly or unethically, he or she is responsible for any loss incurred.

Exit, Dissolution, and Dispute Resolution



Figure 5: Dissolution of Partnership¹¹

الداعي الاجل سيدنا القاضي النعمان رض كتاب مختصر الاثار ما فرماوے چھے:

"واذا مات احد الشريكين انفسخت الشركة واهما اراد فسخها فسخها متى شاء".

فحوى۔ جر وقت بے شريك ماسي كوئي ايک گزري جائی تو شركة تمام تهئي ، انے بے شريك ماسي جر چاهے انے جيوارے چاهے شركة نے توڑي سکے چھے.

A partnership is dissolved if:

- Partner dies, resigns, retires, or at will, notifies all the partners of his/her intention to dissolve the partnership.
- The purpose or time for which the partnership was formed is completed.

At the end of a partnership, all the partners should receive their share of the capital at fair market value. As best practice, fair market value can be derived using generally accepted accounting principles (GAAP).

¹¹ Nandedkar, P. by Satyamedh (2025) *Acca Study Material 2025: Syllabus, Books & Preparation Tips, Plutus Blog*. Available at: <https://plutuseducation.com/blog/acca-study-material/> .

At the time of dissolution, if a third party owes the firm, then the asset (in the form of cash or kind) must first be recovered and tallied with the capital or assets of the firm and then divided proportionally amongst all the partners. The asset cannot be divided before recovery.

Example 28.10

Brothers Huzaifa and Yusuf own a firm in the international trade of dry fruits under the name of Qadir's Cashews & Dry Fruits. Two of their major clients in India have simultaneously defaulted on a payment (supposed to make at delivery) for a large shipment of Almonds that came in from the U.S. The partners had blocked most of their capital in the shipment, and the clients are asking for 6 months to make the payment. The partners decide it is no longer feasible to run the firm. Since they are dissolving the partnership, Huzaifa suggests that whatever is recovered from the first client belongs to him and whatever is recovered from the second client belongs to Yusuf. This is prohibited and all the payments recovered from both clients should be distributed to both. Whatever is recovered from capital should be distributed according to their ownership and anything recovered from profits according to their profit-sharing ratio.

Dispute Resolution



Figure 6: Dispute Resolution¹³

1. If a dispute arises between partners, they should first work to resolve their dispute amicably amongst themselves.
2. In the case of an unresolved dispute, partners should seek resolution from the office of His Holiness Dr. Syedna Mufaddal Saifuddin TUS or a person appointed by him acting as a mediator. All partners must honour any decisions taken during mediation as final and binding. The concerned parties should not seek resolution from the courts or any other entity.

Quick tip

In community-based businesses, **written partnership deeds protect relationships** as much as they protect money.

¹³ All posts - tag: Dispute resolution (no date) Hocmarketing.org. Available at: <https://en.hocmarketing.org/blog/tag/dispute-resolution> (Accessed: 13 January 2026).

Benefit of Partnership Deed across Supply Chain

1. Manufacturer

Manufacturing businesses require large capital, specialized skills, and risk sharing.

A partnership deed helps manufacturers by:

1. Clearly defining capital contribution of each partner.
2. Dividing technical, managerial, and financial responsibilities.
3. Sharing production risks and market fluctuations.
4. Preventing disputes through predefined rules.

Example 28.11

Mala's Fruit Products, Panchgani is a manufacturing enterprise producing jams, fruit crushes, syrups, squashes, and sauces, founded by **Late Taiyab Mala** and now managed by the **Mala family**. The business highlights the role of a partnership deed in manufacturing by clearly defining division of responsibilities for production, quality control, and marketing, capital investment in machinery, profit sharing from seasonal products, and compliance with food safety standards, thereby combining capital, expertise, and management while reducing production risks.

2. Wholesaler

Wholesalers deal in bulk buying and selling, requiring strong supplier relationships and credit management. A partnership deed helps by:

1. Fixing profit-sharing ratios.
2. Assigning responsibility for inventory management and logistics.

3. Setting rules for credit sales and recovery.
4. Ensuring continuity even if one partner is unavailable.

Example 28.12

Maimoon Impacts is a wholesale business supplying disposable plates, cups, containers, cutlery, packaging materials, and event-use disposables, owned by **Abdulqadir Jabalpurwala**. The partnership deed allocates responsibilities for bulk procurement, warehousing and logistics, and billing and credit control, while clearly defining credit terms, responsibility for damaged or slow-moving stock, capital contribution, and profit-sharing ratios, thereby ensuring smooth inventory movement, financial discipline, and continuity in large-volume wholesale trade.

3. Retailers

Retail businesses depend heavily on daily operations, customer service, and location management. A partnership deed helps retailers by:

1. Defining daily operational duties.
2. Sharing costs such as rent, staff salaries, and utilities.
3. Managing working hours and leave arrangements.
4. Reducing individual financial burden.

Example 28.13

Fakhri Farsan, located in **Bhindi Bazaar, Mumbai**, is a Dawoodi Bohra-owned retail business associated with **Mr. Saifuddin Fakhri**. The partnership deed defines the division of daily responsibilities, profit sharing—especially during festive seasons—

and continuity of operations, ensuring smooth functioning, consistent product quality, and reliable customer service.

4. Service provider

Service businesses rely more on skills, reputation, and coordination than physical goods. A partnership deed helps by:

1. Defining roles based on expertise.
2. Sharing income from service contracts.
3. Protecting goodwill and client relationships.
4. Establishing procedures for dispute resolution.

Example 28.14

Goga Caterers is a Dawoodi Bohra–run, family partnership providing catering services for weddings, community functions, majlis, and large events. The partnership deed allocates responsibilities for food preparation, client coordination, and staff and financial management, while defining profit sharing, quality and hygiene standards, and protection of goodwill, thereby ensuring professionalism, accountability, and continuity of service even during large-scale or multiple events.

Role of Partnership Deeds in Dawoodi Bohra Businesses across Countries

The **Dawoodi Bohra community** is globally known for its strong presence in **trade, manufacturing, retail, and service industries**. Spread across Asia, Africa, the Middle East, and Western countries, Bohra entrepreneurs rely heavily on **partnership deeds** to ensure ethical conduct, legal compliance, and smooth inter-generational business continuity. The benefits of partnership deeds become more significant when businesses operate across different legal, cultural, and economic environments.

1. United Arab Emirates (UAE)

Dawoodi Bohra businesses in the UAE are active in trading, retail, food services, logistics, and construction support services.

Role of Partnership Deeds:

- Define ownership structure among resident and non-resident partners
- Clarify capital contribution for high-value trade licenses and visas
- Allocate management authority where partners live in different emirates or countries
- Ensure compliance with UAE Commercial Companies Law and free-zone regulations

Partnership deeds in the UAE provide legal certainty and continuity in a highly regulated and competitive business environment.

2. Kuwait

Bohra entrepreneurs in Kuwait commonly operate wholesale trade, retail outlets, and service-based businesses.

Role of Partnership Deeds:

- Clearly specify profit-sharing ratios in family partnerships
- Protect silent or overseas partners
- Define liability exposure in accordance with Kuwaiti commercial law
- Ensure orderly succession in case of partner relocation or death

Given Kuwait's strict licensing and sponsorship rules, partnership deeds are essential for risk management and compliance.

3. Bahrain

In Bahrain, Dawoodi Bohra businesses are involved in trading, food services, and professional services.

Role of Partnership Deeds:

- Establish clarity between working and investing partners
- Support compliance with Bahrain's business registration framework
- Define exit mechanisms in closely held family firms
- Maintain transparency in profit distribution

Partnership deeds help Bohra businesses maintain stability in a relatively liberal yet regulated economy.

4. Kenya

Kenya hosts long-established Dawoodi Bohra businesses in wholesale, manufacturing, hardware, and retail.

Role of Partnership Deeds:

- Formalize trust-based family partnerships
- Define responsibility for credit sales and debt recovery

- Protect partners from currency and market volatility
- Facilitate generational transition

In Kenya's dynamic market, partnership deeds promote financial discipline and long-term sustainability.

5. Tanzania

Bohra businesses in Tanzania are prominent in trade, textiles, and retail.

Role of Partnership Deeds:

- Clearly allocate operational responsibilities
- Protect partners against regulatory and tax changes
- Define capital reinvestment policies
- Enable succession planning within extended families

Partnership deeds provide structure in an evolving regulatory environment.

6. Uganda

In Uganda, Dawoodi Bohra enterprises focus on trading, retail, and small-scale manufacturing.

Role of Partnership Deeds:

- Clarify ownership and decision-making authority
- Manage risks in credit-driven markets
- Support business continuity during political or economic uncertainty
- Document family rights and obligations

Partnership deeds serve as safeguards against informal business risks.

7. Madagascar

Bohra-owned businesses in Madagascar are mainly in wholesale trade and retail.

Role of Partnership Deeds:

- Establish legal clarity in a developing legal framework
- Define partner responsibilities in import-export operations
- Protect minority or non-working partners
- Ensure continuity in remote or family-managed enterprises

Here, partnership deeds are vital for legal recognition and internal discipline.

8. India

India is a core base for Dawoodi Bohra businesses in manufacturing, food processing, retail, and services.

Role of Partnership Deeds:

- Clearly outline Shari‘ah-compliant profit and loss sharing
- Prevent family disputes through documented roles
- Support compliance with tax, GST, and partnership laws
- Enable smooth functioning during religious or family commitments

In India’s family-run enterprises, partnership deeds preserve harmony and efficiency.

9. Pakistan

In Pakistan, Bohra businesses operate mainly in trading, manufacturing, and services.

Role of Partnership Deeds:

- Define rights and liabilities in joint family businesses
- Align commercial practices with Islamic principles
- Manage succession and inheritance issues
- Provide legal enforceability in disputes

Partnership deeds strengthen trust and legal protection in closely held businesses.

10. Sri Lanka

Bohra enterprises in Sri Lanka are involved in retail trade, food services, and small manufacturing.

Role of Partnership Deeds:

- Clarify ownership and profit-sharing arrangements
- Support compliance with local business laws
- Ensure continuity during economic fluctuations
- Protect inter-generational family interests

Partnership deeds offer stability in a fluctuating economic environment.

11. Malaysia

In Malaysia, Dawoodi Bohra businesses operate in food services, trading, and professional services.

Role of Partnership Deeds:

- Align business operations with Malaysian law and Islamic principles
- Define roles based on expertise rather than age or seniority
- Ensure transparency in profit distribution
- Support professional management structures

Partnership deeds act as a bridge between religious values and modern corporate governance.

12. United States of America (USA)

Bohra entrepreneurs in the USA are active in restaurants, IT services, healthcare support, retail franchises, and consulting.

Role of Partnership Deeds:

- Define liability and risk-sharing clearly
- Protect partners in a highly litigious environment
- Support partnerships with non-family professionals
- Enable structured expansion and investor confidence

In the USA, partnership deeds are critical legal instruments for credibility and protection.

13. Canada

In Canada, Dawoodi Bohra businesses operate in retail, food services, technology, and professional services.

Role of Partnership Deeds:

- Ensure compliance with provincial and federal laws
- Clarify tax responsibilities and profit allocation
- Support orderly succession and immigration-linked ownership issues
- Protect minority partners

Partnership deeds strengthen governance in a transparent regulatory system.

14. Australia

Bohra-owned enterprises in Australia include restaurants, retail, healthcare services, and consulting.

Role of Partnership Deeds:

- Define operational roles and financial obligations
- Manage compliance with strict regulatory standards
- Support partnerships between family members and professionals
- Facilitate long-term business planning

In Australia's regulated economy, partnership deeds ensure accountability and sustainability.

Across **each individual country**, partnership deeds play a **central role** in Dawoodi Bohra businesses by:

- Defining capital contribution and profit-sharing
- Clarifying roles, responsibilities, and authority
- Ensuring legal compliance and ethical conduct
- Supporting succession and long-term continuity

This disciplined approach reflects the Dawoodi Bohra community's **global reputation for principled, structured, and sustainable entrepreneurship.**

Case Study 28.1

Business Failure Due to Absence of a Partnership Deed

Background of the Business

Starline Traders was a small wholesale and retail business dealing in electrical goods in an urban market in India. The business was started by three friends as an **informal partnership**, based purely on mutual trust and verbal understanding. No written partnership deed was prepared at the time of formation.

Nature of the Problem

In the initial years, the business performed well. However, as the scale of operations increased, several problems began to arise due to the **absence of a clear partnership deed**.

Issues Faced Due to Lack of Partnership Deed

1. Unclear Capital Contribution

Partners had invested different amounts, but there was no written record. This led to disputes over ownership and entitlement to profits.

2. Disputes Over Profit Sharing

Since profit-sharing ratios were not defined, disagreements emerged when profits increased, affecting trust among partners.

3. No Defined Roles and Responsibilities

All partners interfered in daily operations, resulting in confusion, duplication of work, and frequent conflicts.

4. Misuse of Firm Funds

One partner withdrew money for personal use, claiming it as a right, as there were no rules regarding drawings.

5. No Exit or Dispute Resolution Clause

When one partner decided to leave the business, there was no agreed method for valuation or settlement, leading to legal disputes.

Impact on Business Performance

Due to continuous internal conflicts:

- Suppliers lost confidence in the firm
- Creditors demanded immediate payments
- Employees faced salary delays
- Business reputation declined

Eventually, the partnership dissolved, and the business was shut down within five years of its establishment.

This case clearly shows that the **absence of a written partnership deed** can seriously harm a business. Even when partners trust each other initially, lack of clarity regarding capital, profit sharing, roles, and exit provisions can lead to disputes and business failure.

۱ session نا شروع ما اقامولى طع نا بيان مبارك سي استنارة ليتا هوا ايم ذكر تهئي كہ partnership deed بناوي جوئي جہر ناسب اتفاق انے خوشي سي وپار كرى سكا ئي چھ ، تر بعد شرڪة ني ۲ قسم مشارڪة انے مضاربة ني ذكر كي دي انے تر ساھ دنيا ما جہر بيجا اقسام جيم general partnership ، limited partnership ، انے limited liable partnership ني ذكر كي دي ، ثانياً ايم ذكر تهئي كہ ايڪ partner عدل ، خوشي انے امانت داري سي اھني ذمہ داري لئي اھے جہر ماير capital contribution انے نفع (profit) مشتركين نادرميان جيم اتفاق تھيو هوئي ايم تقسيم تھائي اھنو خيال راكھي ،

تر بعد partner نا گذروا سي ، ياير resign كرے ، يا كہ retire تھائي ، يا كہ ير partnership ني مدت يا مقصد تمام تھائي توير partnership dissolve تھئي جائئ چھ انے كوئي جھگڑو پيش اوے اھنے كئي طرح resolve كرى سكا ئي چھ ير ذكر تهئي ،

اج نا زمان ني سعادت ما سي چھ كہ مؤمنين ايس ما ساھ ملي نے وپار كرى سڪے ير واسطے partnership deed تيار كرو ما اوي چھ جہر ناسب مؤمنين فائدتے لے چھ انے اھناسب وپار ما صلاح قائم رھے چھ انے مؤمنين كوئي بھي قسم ناساد انے نقصان سي دور رھے چھ .

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Sr No.	Glossary
1	<p>Mudarabah: is a form of profit-loss sharing joint venture between two parties, one being the financial-capital provider (şahib al-mal or rabb al-mal) and the other, the entrepreneur or the investment manager (muḍārib). In this sense, it is a specific form of partnership (shirkah or mushārahah) that allows those who have financial capital but are unable to involve themselves directly in trading or business activity to receive a share of the profit from the activities of entrepreneurs who have the skills but may not have the financial capital. (The muḍārahah is sometimes called muqarāḍah [loan])</p>
2	<p>Partnership Deed: is a crucial legal document outlining the terms, conditions, rights, and responsibilities for a business run by two or more partners, detailing profit/loss sharing, capital, duties, and dispute resolution to ensure smooth operations and legal standing for things like bank accounts and registrations (GST, PAN).</p>
3	<p>Mutual Agreement: A mutual agreement is a consensus or shared understanding where two or more parties willingly consent to the same terms, essential for binding contracts, resolving disputes, or ending relationships, signifying a "meeting of the minds" on conditions, responsibilities, or actions, from business deals to property severances . It ensures clarity and enforceability by confirming all participants accept and are bound by the agreed-upon conditions, whether formal (written contract) or informal (verbal understanding).</p>
4	<p>Limited Liability Partnership: is a hybrid business structure blending a traditional partnership's flexibility with a company's liability protection,</p>

	where partners' personal assets are shielded from business debts and the negligence of other partners, making them only liable for their investment; it's a separate legal entity with perpetual succession, popular among professionals like lawyers and accountants.
5	Dissolution of Partnership: means the end of the business relationship between partners, either by terminating the entire firm or just the existing agreement, involving settling debts, realizing assets, and distributing the surplus, often by mutual consent, a partner's exit (death, insolvency, retirement), or court order, with the key difference being that a dissolved partnership might continue with new terms (dissolution of partnership), while a dissolved firm ceases all operations and legal existence (dissolution of firm).
6	Dispute Resolution: is the process of settling disagreements between parties, using methods like negotiation, mediation, and arbitration as alternatives to court (litigation).

About HQHB & TR

We are a department formed by the 52nd Dai-al-Mutlaq Syedna Mohammed Burhanuddin RA as a part of the chain of events that took place on the auspicious occasion of His Golden Jubilee to commemorate 50 years tenure as the leader of the Dawoodi Bohra Community. We educate mumineen about Qardan Hasana and doing Business compliant with Fiqh-e-Fatemi and its benefits in the world and, thereafter, fostering economic and social growth. To summarise, AL-TIJAARAT-AL-RAABEHAH & IDAARAH HASANAAT AL-QARD AL-HASAN AL-BURHANIYAH are non-commercial, religious departments.



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