



PROSPECTS OF THE ISLAMIC BANKING SYSTEM AS A SOURCE OF ATTRACTING INVESTMENTS TO THE ECONOMY OF UZBEKISTAN

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Annotatsiya:Maqolada islom bank tizimining asosiy xususiyatlari, moliyaviy vositalardan foydalanish turlari va usullari hamda ulardan O‘zbekiston iqtisodiyotida foydalanish imkoniyatlari tavsifi berilgan.

Kalit so‘zlar: islom bank tizimi, mushoraka, mudaraba, sukuk, islomiy bank darchalari.

Annotation:The article provides a description of the main characteristics of the Islamic banking system, types and methods of using financial instruments and the possibility of their use in the economy of Uzbekistan

Key words:Islamic banking system, musharaka, mudaraba, sukuk, Islamic bank branches.

In recent years, the low ranking of attracting foreign investors has been maintained, and the amount of attracted investments does not fully meet the requirements of the current period. Therefore, effective attraction of foreign investments and diversification of this sphere remains an urgent issue today.

Islamic banking is now a global phenomenon with a proven track record of success in not only the Muslim countries, but also in non-Muslim states, IB is a reckoning sector in Muslim-minority jurisdictions including UK, Europe, and Africa.

By the end of 2022, the total assets of this industry amounted to 4 trillion US dollars and is growing by an average of 15-20% per year. Also, today

47 countries around the world have created a legal basis for the use of Islamic financial relations, and in these countries there are about 1,600 Islamic financial institutions offering a wide range of financial services.

The leaders in terms of financial assets are the financial institutions of Iran (with assets of about 200 billion dollars), Saudi Arabia (100 billion dollars) and Malaysia (80 billion dollars), the Persian Gulf countries and Turkish banks are in second place. The leading financial center in western countries is Great Britain (more than 15 billion dollars).

Islamic finance is an economic system that obeys the principles of Islamic economics and conforms to the norms and principles of Islamic law (Sharia). The main rule of Shariah in the field of finance is the prohibition of any speculation and contractual terms that create interest on loans, uncertainty and (or) one party takes undue advantage at the expense of another.

Financial relations between the parties may be regulated by the following main contracts in accordance with Sharia rules:

Qard hassan (benevolent loan) – is a loan extended on a goodwill basis, mainly for welfare purposes. The borrower need only pay back the amount they borrowed, with no interest. On principle, Islam does not allow interest.

Sukuk (Certificates of Ownership) – Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services, or (in the ownership of) the assets of particular

projects. The returns on the certificates are directly linked to the returns generated by the underlying assets.

Murabaha – Trade with markup or cost-plus sale. The purchase of an asset is financed for a profit margin, with the asset purchased on behalf of client and resold at a pre-determined price. Payment could be in lump sum or in installments and ownership of the asset remains with bank till full payments are made

Musharakah (Profit-and-loss sharing joint venture) – is a form of a joint venture where all partners contribute capital and share the profit and loss on a pro-rata basis. The major types of these joint ventures are:

- **Diminishing partnership:** This type of venture is commonly used to acquire properties. The bank and investor jointly purchase a property. Subsequently, the bank gradually transfers its portion of equity in the property to the investor in exchange for payments.

- **Permanent musharakah:** This type of joint venture does not have a specific end date and continues operating as long as the participating parties agree to continue operations. Generally, it is used to finance long-term projects.

Mudarabah (Profit-and-loss sharing partnership) – is a profit-and-loss sharing partnership agreement where one partner (financier or *rab-ul mal*) provides the capital to another partner (labor provider or *mudarib*) who is responsible for the management and investment of the capital. The profits are shared between the parties according to a pre-agreed ratio.

Leasing (*Ijara*) – In this type of financing arrangement, the lessor (who must own the property) leases the property to the lessee in exchange for a stream of rental and purchase payments, ending with the transfer of property ownership to the lessee.

The basic standards and regulations of Islamic banking are developed and approved by the International Islamic Finance Market (IIFM). This structure ensures the standardization of financial instruments, activates international cooperation processes and guides the development of new financial products based on Sharia law.

The main principle in the activity of Islamic banks is the complete prohibition loan interest. This applies equally to active and passive banking operations. The second important condition for the Islamic bank's activity is the presence of a specialized body in its structure, the Shariah Supervisory Board, which carries out special control over the compliance of banking operations with Sharia requirements.

The following models of state-legal regulation have been formed in the Islamic banking system. The first model stipulates a complete prohibition of usury at the level of the state constitution (Pakistan). The second model is a mixed type with legislation for the Islamic banking system and the conventional banking sector. The third model (the most common) involves regulation within special articles of general legislation.

In Islamic banking practice have been developed other simplified financing mechanisms which are called Islamic divisions/windows, and In the standards set by the Islamic Financial Services Council, these methods are defined as the actions of a traditional bank branch (department) that manages funds based on Shariah principles.

The mechanism of the Islamic windows is widely used by leading western financial institutions such as HSBS, ABN Amro, UBS, Citigroup, Deutsche Bank and others.

The activity of Islamic banks also occupies a significant place in the stock market. Shares and bonds of leading corporations in the Muslim world, as well as treasury bonds, are actively traded on the stock exchanges of the UAE, Bahrain, Malaysia, and even Great Britain.

In Uzbekistan, the activities of Islamic financial institutions are not yet widespread, and special regulatory legislation has not been adopted.

If the introduction of the Islamic banking and finance system in our country primarily encourages domestic investments, the formation of the necessary infrastructure for Islamic finance would cause the rapid influx of foreign investments in the direction of Islamic finance from the countries of the Arab world, as well as from Malaysia, Pakistan, Indonesia, Turkey and several other countries.

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