

THE ROLE AND IMPORTANCE OF ISLAMIC BANKS IN THE DEVELOPMENT OF UZBEKISTAN

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Abstract. *Living in a period that is rapidly developing today, reaching the peak of development, the banking and financial sectors are gaining an important role not only on the global scale, but also in Uzbekistan and in the lives of each of us. In this article, the attention paid to Islamic banks in developing Uzbekistan was expressed, as well as the role of Islamic finance in the development of our country.*

Keywords: *islamic banking, islamic finance, IsDB, ICD, ITFC, IRTI, sharia tamoils.*

Introduction

In Uzbekistan and the world, in a period of rapidly developing social economic spheres, the role of the financial sectors is incomparable. Particular importance is paid to the development of this area and enrichment with new resources. Therefore, attention is now paid to the introduction of Islamic finance in the national market of the country, which is widely spread and developing in the world. President of the Republic of Uzbekistan SH.M. Mirziyoyev insisted, “The time has come to create a legal framework for the introduction of Islamic financial services in our country”. On this basis, it became necessary to study the theoretical and practical aspects of Islamic finance in our country.

Despite the fact that the issue of the implementation of the banking system of Islamic finance is one of the most important issues expected by the inhabitants and entrepreneurs of our country for many years, it is the issue of professionals who are well versed in the field, and the number of residents and entrepreneurs with initial knowledge in this area is a disadvantage. Therefore, first of all, it is the main issue to give the population knowledge in this area and to preserve the principles and goals of Islamic finance.

Traditional banks have also expressed their opinion on the establishment of Islamic financial institutions in Uzbekistan, the emergence of honest and transparent competition in the Financial Network, which, as a result, will lead to the growth and diversification of the flow of investments in the country.

Thematic literature analysis

A number of foreign economic scientists have conducted scientific research on the stages and prospects of the development of Islamic finance. Including: M.A.Mannan, Khurshid Ahmad, S.M.Khasanuz-Zamanwa etc.

Khurshid Ahmad of foreign economist scholars: Islamic economics is a social knowledge that studies the economic problems that people have with Islamic values.

S.M.Khasan uz-Zaman: Islamic economics is the implementation of law regulations that prevent the improper and wasteful use of economic resources to meet human demands.

Kearney: declining growth figures and declining profitability indicate that it is time to take better advantage of the potential of the Islamic Bank.

Analysis and results

Islamic banks operate under Sharia law. Offers interest-free money only for specific projects. The main difference of the Islamic Bank from traditional banks is the Prohibition of interest on deposits. The Islamic bank prohibits a predetermined percentage depending on the term and size of the debt. Muslims can make a profit, but cannot use a percentage for it. Islamic banks do not receive interest. He becomes an investor, not a creditor. Accordingly, he shares the risk with the entrepreneur.

Operating on sharia principles, the bank receives funds only to invest in real business. All banking services are structured in such a way that income is obtained only from real, that is, from real business. In Islamic finance, gambling and securities transactions are prohibited. This is because working with them requires a lot of risk, and the client may be forced to lose investments.

Of course, in order for Islamic banks to also enter Uzbekistan and promote their services in our country, it is necessary to set a number of strategic goals and, accordingly, to eliminate problems. Therefore, in order to further improve the banking credit system in our country and reduce interest-bearing loans, President Shavkat Mirziyoyev noted in his address to the Parliament of December 29, 2020 that Islamic commercial banks will start their activities in our country, and in this regard, proposals for the organization of Islamic banking activities in Uzbekistan are being held.

The field of Islamic finance has hardly developed in Uzbekistan so far, despite the fact that there are many adherents of Islam in our country. However, our country has a very kata potential for the development of this sphere, and this is also recognized by experts from large international financial organizations. In particular, the Islamic Development Bank (IsDB), Private Network Development (ICD), International Islamic Trade Finance Corporation (ITFC), Islamic Research and Training Institute (IRTI) have directed more than US \$ 2 billion to our country to date in the development of Islamic finance. In order to meet the needs of Islamic finance by business representatives, Uzbekistan joined the IsDB in 2003 and the ICD in 2004, which paved the way for the penetration of Islamic finance into Uzbekistan. In 2019, the first Islamic insurance company began its activities, a financial product platform was developed based on the electronic Murobaha –Trade Agreement, which was one of the first in the CIS countries.

Tawhidbanki, founded in Tajikistan, a close neighbor of our country, is the first Islamic Financial Bank here. This bank was established on August 24, 1999 as a “Joint-Stock Commercial Bank for the development and support of entrepreneurship”, and was re-established on May 22, 2002 under the name “Sahibkorbank”. Since its founding, the Bank has been known as an active, reliable and stable participant in the country’s financial services market. From 1 July 2019, the bank’s name was changed to “Tawhidbank” and has been operating as the first Islamic Bank in Tajikistan since 16 September 2019. The net profit of the bank was 4.3 crores. The net income of the financial portfolio increased by 370% compared to the previous year. Commission revenue grew by 20 percent, mainly due to accounting transactions and guarantees. As of 30 November 2021, the capital has increased by 21% from the previous year to 110 crores. The bank’s assets were 181 crores with a 32% increase. The bank’s financing portfolio increased by 155% to 23 crores.

In my opinion, it is necessary to increase the level of International Islamic organizations, educational institutions, Islamic banking financial institutions and organizations in Uzbekistan to go beyond their narrow national framework and, having studied the experience of countries that have successfully introduced Islamic finance, to promote it widely among the participants of the

financial market, thereby understanding the essence of Islamic finance. By establishing Islamic banking, in states where the majority are Muslim, it is possible to operate effectively and have a significant impact on the state's economy.

To organize Islamic finance in Uzbekistan, the following may be the solution:

First of all, the establishment of the central Islamic Bank in our country;

Creating a legal and political framework that is perfect;

Organization of Sharia councils and various international coordination centers in Islamic banks;

To connect large-scale partnership relations with coordinating organizations of countries that have introduced Islamic Banking Finance and have established a solid foundation for the development of Islamic finance;

based on its capabilities for the introduction of Islamic finance, the aim is to develop a strategy to accelerate the integration of our country into the Islamic financial system;

Training personnel with the necessary skills in this field in our country;

Opening the incitements and Phyllis of Islamic finance and attracting qualified personnel to it.

Conclusion

In conclusion, the service sector of the Islamic Bank will create important conditions for the bright future of our country and will be the prospect of development in the foundation. And as a result of these works, Uzbekistan is considered a country with deep roots in Islam in culture, and with its attractiveness it is able to attract foreign investors more in foundation. We are not mistaken if we say that through this opportunity our state can take great steps to the prosperous life and sustainable development of the population.

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