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ISLAMIC CREDITS AND THEIR APPLICATION TO UZBEKISTAN

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Abstract:

This article discusses ways to strengthen the integration of the banking system with the real sector of the economy through the adaptation of some elements of Islamic banking.

In addition, Islamic credits and their application to Uzbekistan, many proposals and recommendations have been developed.

Keywords: Islamic banking, The analysis of Islamic banking products, Integration of banking and real sectors.

INTRODUCTION

The integration of the banking and real sectors of the economy based on elements of Islamic banking reflects a reliable mechanism for strengthening mutually beneficial partnership, which is becoming increasingly important in the current global geo-financial situation. According to the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60 "On the development strategy of the new Uzbekistan for 2022-2026" and the entry into force of the Law of the Republic of Uzbekistan "On non-bank credit organizations and microfinance activities" No. ZRU-765 dated April 20 2022, microfinance organizations have the right to carry out microfinance activities using elements and models of Islamic banking - providing the real sector with: loans, leasing, guarantees, provide factoring services and Islamic financing services in an amount exceeding the amount of microcredit. There are total institutional networks in the world that have laws, rules and regulations that govern them. Islamic finance also has its own set of laws that govern it. At the same time, the rules regulating the way of life of Muslim people are expressed in the set of Islamic laws - Sharia. These laws have four sources. The first is the Holy Qur'an, which is the original and unchanging source of religious knowledge. The Qur'an contains the revelations of God through the Prophet Muhammad, peace be upon him, through Gabriel (peace be upon him), and is a divine instruction to all mankind. The second source of these laws is hadiths. They are the sayings of our Prophet Muhammad, may God bless him and grant him peace and tutums or short narrations about the events related to them, which form the basis of the Sunnah of the Prophet, may God bless him and grant him peace.

The third source that forms Sharia law is called "ijma". Ijma are solutions developed by reputable Islamic scholars for a specific issue or situation. In the Islamic tradition, scholars who have the right to draw independent conclusions from the Qur'an and Sunnah are called "mujtahids".

The fourth source is called "comparison". The original meaning of this term comes from the words "to measure" or "to make a comparison between two things". Qiyas is the making of judgments based on the creation and imitation of new solutions by mujtahids on complex and controversial issues, according to the principles described in the Qur'an and hadiths.

In Islamic jurisprudence, evidence based on the Qur'an and hadiths are called shari'i, that is, legal evidence, their reliability is free of any doubts, because these two sources form the absolute authentic and solid basis of Islamic teachings. Arguments based on ijma and qiyas are also known as 'furu' - a branch of Sharia law.

The Islamic banking system quickly became known to the world as an alternative system to the conventional banking system, and in a short period of time it became a mechanism capable of competing with commercial banks in its full form. In contrast to commercial banks, Islamic banks have been able to attract entrepreneurs and businessmen through the distribution of profits and losses among participants in financing. At the same time, it was distinguished by the presence of several alternatives to the products offered by traditional commercial banks. According to Standard and Poor's and Thomson Reuters, today the number of countries practicing Islamic finance and Islamic economy exceeds 75 and 45 of them have a regulatory framework for Islamic finance, including countries with a minority Muslim population in addition to countries with large Muslim populations, including: the UK (4.4%), the US (1.1%), Singapore (14.7%), Switzerland (5.2%), Canada (3.2%), Australia (2.6%), France (8.8%), Germany (5.7%), Russia (13 .5%) and countries such as Spain (2.6%) are also using Islamic banking services. This system attracted not only Muslims but also representatives of other religions with its fairness and low level of financial crisis.

One of the problems faced by the traditional banking system in Uzbekistan today is the lack of resources. The introduction of the Islamic banking system will encourage the attraction of immobile

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resources in the hands of the population, and this can be considered as another proof of the relevance of the development of the system. One of the main priorities of the state economic policy in Uzbekistan is the formation of a stable banking system capable of ensuring the country's political and economic independence and being an effective tool for development, which can provide high-prospect results.

Since the majority of the population of our country is from those who believe in the religion of Islam, we can determine that the demand and supply of financial resources in our country is at a low level, as it is mentioned in verses 275 and 276 of Surah Al-Baqara of the Holy Qur'an. That is, provision of financial resources to the general public in the banking system of our country based on Sharia laws has not been established. That is why it is important to study the types of loans offered by Islamic banks and put them into practice.

Islamic banks are proving to be stable and reliable in the extremely complicated conditions of the financial market, which is shaken by periodic crises.

I would like to dwell on another observed trend. Recently, many western banks are opening their Islamic branches in different countries of the world. These include Chase Manhattan, Goldman Sachs, ING Bank, Nomura Securities, GP Morgan and others. Citibank, one of the famous American banks, has allocated 1 billion for special Islamic funds. dollar allocation is also a sign of the increasing role of Islamic banks in the financial market.

Islamic banks are institutions established for the purpose of conducting banking activities based on religious beliefs. Any financial institution aims to get the highest profit.

ANALYSIS OF THE RELEVANT LITERATURE

As of January 1, 2021, the permanent population of the Republic of Uzbekistan is 34.5 million people. 96.5% of the population believes in the Muslim religion. I believe that this information alone is enough to consider the development of Islamic banks in Uzbekistan and their ability to easily compete with traditional banks. Islamic financial and credit institutions are directly related to the circulation of goods and money and are provided with real assets, the content and offers a range of tools unique to its structure.

The characteristics of Islamic financial instruments are based on the following characteristics:

- absence of usury;
- creation of additional value in reality;
- provision of real assets;
- that it is composed of moral and spiritual aspects;
- distribution of profits and losses, proportional participation;
- that each of the parties is aware of the information.

A Malaysian scholar, Sudin Harun, lists five categories of instruments used in Islamic banking: the first category includes instruments based on the distribution of profits and losses, the second includes instruments based on trading, and the third includes instruments containing fees and commissions. The fourth category describes free services, and the fifth - tools that include ancillary services.

Russian specialist in the field of Islamic finance R. I. Beckin provides the following classification of Islamic financial products:

- instruments based on the profit and loss distribution mechanism or investment means of financing: mubaraka, musharak;

– Debt-based financing instruments: murabahah, salam, as well as exclusion' and lease.

The basic instruments used by most Islamic banks and strictly defined by international standards are:

1) Partnership agreement (shared financing): - negotiation, negotiation;

2) Trade agreement (debt financing). The difference between these instruments is defined by the terms of sale of assets: - murabahah, lease, exception', salam.

3) The following are considered additional instruments: - debt hasan (interest-free debt), agency fees (power of attorney, jula), sukuk (directing capital to target securities).

By studying and summarizing the Islamic financial instruments known to us, which are often used in the practical activities of Islamic financial and credit institutions, they can be divided into three forms:

a) products based on partnership (or sharing of profits and losses, in other words, equity financing): mubaraka and musharak;

b) products based on participation in sales transactions (in other words, debt financing): murabahah, (leasing), salam, exception';

v) products (or commission products) based on the payment of bank commissions (tariffs); agency (agency agreement).

RESEARCH METHODOLOGY

Musharaka and Mudaraba are real and ideal means of financing in Shariah. When the funder contributes based on these two instruments, it must be converted into profitable assets. Profit is derived from the sale of these real assets.

Salam and exception funds create real assets. In the case of Salam, the financier receives real goods and can make a profit by selling them in the market. In exceptional cases, financing is done by producing some real asset, where the financier receives a profit as a reward.

In the period after the global financial and economic crisis of 2008, the growth of alternative finance became stronger. Although Islamic financial products were not popular at first, in recent years it has expanded to attract a large number of customers. Islamic finance, which has remained in the shelter of the global economy, has now come to the forefront. Currently, most large financial institutions are involved in one way or another in the field of alternative finance due to consulting, accounting, as well as information activities. According to researchers' calculations, Islamic finance is currently operating in 105 countries, most of which have succeeded in creating a regulatory framework for this field. In the Islamic world itself, these financial institutions remain the main participants in financial relations.

RESULTS AND DISCUSSION

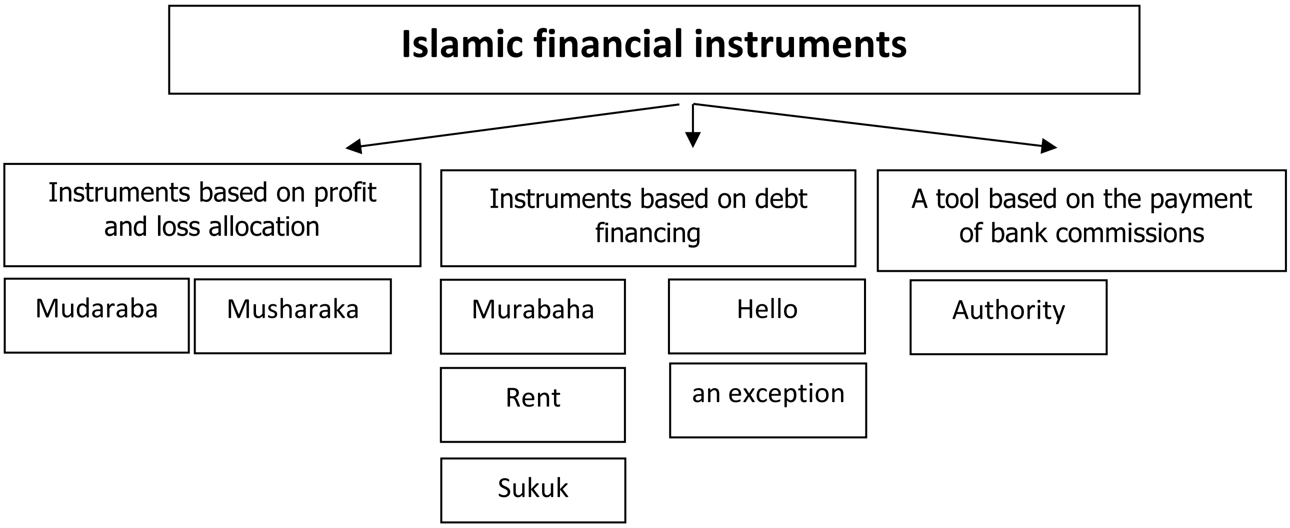

Figure 1. Islamic financial instruments

Application of Musharaka Contract in Islamic Finance

Musharaka is an Arabic word that literally means "to share". In the context of business and commerce, it refers to a joint venture in which all partners share in the profits or losses of the joint venture.

Musharaka is a form of partnership between an Islamic bank and its clients, according to which each party contributes an amount equal to or less than the partnership capital to create a new project or participate in an existing project, and accordingly each party becomes a capital owner on a permanent or decreasing basis, and will have an appropriate share of the profits.

At the same time, 40 mln. for the development of small business entities. US dollars and 30 million to the field of transport, preschool education. Negotiations are underway on the allocation of resources in the amount of US dollars. (Interview of H. Khasanov, head of the representative office of the Islamic Development Bank in Uzbekistan).

SWOT analysis of the development of Islamic financing in Uzbekistan (Table 1)

Strengths	**Opportunities**

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- In world practice, Islamic banks have a stable development and have not suffered a financial and economic crisis; - The majority of the population of Uzbekistan, i.e. 96.5%, are Muslims; - Targeted and effective use of credit funds; - Support of the head of state; - Provided loans are secured by real assets; - Attracting additional funds from the ITB group to finance the economy of Uzbekistan.	- Attracting investment funds from Muslim countries and directing them to the economy of Uzbekistan; - Diversification of funding sources, especially for small and medium-sized businesses; - Promotion of real production in Uzbekistan; - Increasing the reputation of Uzbekistan as a secular country that successfully implements Islamic financing; – Availability of financing market adequately covered by traditional financing (small and medium-sized business entities, agricultural sector); - With the growth of the Islamic market, i.e. Islamic mortgage, Islamic insurance, new investment projects, new markets will appear; - The principles of Islamic financing help reduce social inequality, strengthen social justice; - Due to the emergence of alternative banking services, the population's access to banking services will expand; - Increasing support of Western countries in the development of this industry - The opening of Islamic windows in commercial banks increases competition and creates wide opportunities for Muslims; - To create a wide opportunity for the implementation of entrepreneurship for the Muslim group that rejected the practice of usury.
Weaknesses	**Risks**
- Insufficient knowledge of the population and entrepreneurs about Islamic financing services; – Lack of specialists working in Islamic banking services; - Absence of a legal framework for the provision of Islamic window services by traditional banks; - Distrust of the population in new financial services; - Existence of tax law problems in the provision of Islamic banking services; - That muftis, scholars and scholars of the country do not have enough knowledge about the banking system.	- Religious prejudice can hinder the growth of Islamic banking in the country; - Strong competition with traditional banks; - Islamophobia. The existence of various misconceptions about the connection of Islamic banking services with terrorism and extremism; - Avoiding some of the Islamic principles in practice and causing distrust in the whole system; - Resistance by private shareholders of local commercial banks as a result of misunderstanding.

CONCLUSIONS

Focusing on riba in financial practices, it is now possible to recover a more formal definition of the term. According to Shari'ah, ribo, which must be paid by the borrower to the creditor (lender) along with the principal amount, as a condition for extending the loan term or obtaining a loan, is technically "ustama".

In Islamic financial transactions, it is not possible to sell money (loan) for money (interest). In this regard, ribo is the main feature of western banking and finance and reflects all the above-mentioned features.

Islam calls all its adherents to participate in trade activities: in the 275th verse of Surah Al-Baqara,

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Allah Almighty orders Muslims to establish business, but to avoid interest - riba.

Our Prophet, may God bless him and grant him peace, was a merchant and businessman like many companions. One of the most important aspects of Islamic banking is that there should be no elements of riba in the transactions. Calculating and paying interest is described as a forbidden act in both the Qur'an and the hadiths. Let's take a closer look at the most common forms of partnership, shirkat ul-amwal (partnership). According to the contract, two or more persons combine their savings into a common project and create a company based on the rule of equity participation. The agreement on the distribution of profits must be concluded at the beginning of the validity of the contract, otherwise, according to the norms of Islamic jurisprudence, the contract is considered void. The mechanism of profit distribution between participants and the share of each of them is determined by the parties on the basis of a mutual agreement, in which the share of profit may differ from the share of invested capital. At the same time, the losses are distributed among the parties in proportion to the invested capital, that is, each of the parties is exposed to the risk of losing the invested capital in the event of failure of the joint venture.

Each shareholder has the right to intervene in the management of the project in the established partnership, and thus the negative consequences of lack of information and corresponding risks are avoided. Project financing can be carried out by more than two parties, and in this case project management is carried out by all or one of the participating parties.

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