ASPECTS OF THE DEVELOPMENT OF ISLAMIC FINANCE IN UZBEKISTAN

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ABSTRACT

Today, the use of Islamic financial instruments in the global financial market is becoming an extremely relevant source. This is confirmed by the fact that Islamic finance is growing by 15-20 percent annually. Islamic finance is being used in practice by more than 400 financial institutions around the world, its annual turnover is 800 billion. US dollars..

Today, the use of Islamic financial instruments in the global financial market is becoming an extremely relevant source. This is confirmed by the fact that Islamic finance is growing by 15-20 percent annually. Islamic finance is being used in practice by more than 400 financial institutions around the world, its annual turnover is 800 billion. US dollars. Therefore, Islamic finance plays an important role in the development of the national financial sector of our country, which has undergone major reforms based on the development strategy of New Uzbekistan. In particular, Islamic finance plays an important role in introducing new promising directions for the development of the securities market in Uzbekistan, increasing the investment attractiveness of the state, creating alternative financial market instruments such as banking products and Islamic securities. In this regard, the President of the Republic of Uzbekistan, in his Address to the Chambers of the Oliy Majlis on December 29, 2020, noted that "the time has come to create a legal framework for the introduction of Islamic financial services in our country. Experts from the Islamic Development Bank and other international financial organizations will be involved in this regard" [1].

In the provision of Islamic financial services, the relationship is directly directed to real economic assets, is tied to a specific economic result based on profit and loss sharing or trading practices between the parties. In Islamic financial services, the financier (bank, credit institution) and the recipient of financial funds become equal partners with common interests in the success and efficiency of the project. These features distinguish the relationship in the process of providing Islamic financial services from traditional financial relations.

Today, the use of Islamic financial instruments is becoming widespread in the world due to the growing demand for them and the accumulation of significant financial resources by some Muslim countries. Undoubtedly, many scientific works have been carried out, books have been written and definitions have been given by world scientists on the ways of using Islamic financial instruments. In particular, "If a person is not able to put his earned money into circulation, he should invest it in the activities of another enterprise and receive a share of its income. The names of financial transactions from the time of the creation of Islam one and a half thousand years ago still exist and are based on the same rules. That is why modern Islamic banks in Manama, Kuala Lumpur and London continue to provide all types of financial services in accordance with ancient principles." (Bataeva BS 2013). Islamic finance is understood as a financial service or product that is implemented on the basis of Sharia principles (Gait and Worthington , 2008). According to Levis and Algaoud (2001), there are five religious features that constitute the identity or foundation of Islamic finance, namely riba (interest), haram (forbidden) or halal (permitted), gharar (uncertainty) or maysir (gambling), zakat, and the Sharia (Islamic) council. The concept of financing in Islam is different from that of traditional or "Western finance".

Islamic finance has gone through 7 periods of development to date. In the first, formative period (622–661), the principles of Islamic finance were applied by the Arabs living in the Arabian Peninsula. Even our Prophet Muhammad (peace be upon him) traded according to these principles before the revelation came. Their first wife, our mother Khadijah, traveled to the state of Sham (now Syria) with her goods to trade. They hired assistants on the basis of a contract based on profit sharing. This type of contract, called "mudaraba" in Islam, is still used today. Also, during this period, musharaka (another contract based on profit sharing), barter (the practice of exchanging different monetary units), murabaha (need for sale), and agency contracts (transferring a loan from one person to another) were developed. At the same time, riba, that is, interest-based financial relations, were booming at that time. After the revelation came to our Prophet Muhammad (peace be upon him), the first thing that was forbidden was the use of usury.

The second period of the development of Islamic finance (VII-X centuries) falls on the reign of the Umayyads and the first Abbasid dynasties. At this time, the economy and financial system were highly developed, depending on agriculture. In particular, the popularization of trade among the people served the development of the Islamic financial system. In subsequent periods, Islamic finance sometimes grew, sometimes declined. But in any case, the demand for it did not disappear. The last, seventh period began with the revival of Islamic finance. The step taken in this regard in the 1970s continues to the present day. In this process, the stages of development of Islamic economics and finance were analyzed, and by this time, modern innovation in Islamic banking has emerged. Under the influence of economic development and political changes that occurred in the previous six stages, finally, in the 1960s, most of the Persian Gulf countries began to transition to a modern banking system. It was during this period that interest-free banking was established. Later (1970s-80s) Islamic banks and corporations began to be established.

The results of a survey conducted with the participation of business representatives and the population on Islamic finance in Uzbekistan were also published. 2,235 business representatives and nearly 5,000 individuals participated in the survey, which was conducted in person and online. According to the results, 38 percent of business entities and 56 percent of individuals do not use traditional bank credit services due to their religious beliefs. 61 and

75 percent of participants, respectively, said they would be ready to choose Islamic financial institutions if they started operating in Uzbekistan or if Islamic financial services were offered.

Also, a technical assistance grant of $265,000 was provided by the Islamic Development Bank to support the development of a legal framework for Islamic banking and finance in Uzbekistan.

It is known that the implementation of any business project requires a certain amount of investment (capital). At the same time, a Muslim person must know what business projects and how to invest, otherwise there is a risk of investing in projects prohibited by our religion or in dubious ones. This issue is becoming more relevant today, when new and new types of business activities are emerging. Based on the above considerations, the following table has been formed on the requirements of Islamic finance for investments. (Table 1)

Table 1

Islamic finance requirements for making investments in our country[1]

Asset / financial instrument	**Islamic finance principles appropriate comes / fits will not come**	**Compatibility / Incompatibility regarding general information**
“ Day trading ” (daily trading (stocks)	Suitable it's not	Guard deficiency based on gambling to the games looks like (day) during bought and sold as wholesale necessary , even to the detriment of if also).
Forex in the markets trade to do	Suitable it's not	Currency same himself/herself not , maybe his/her other to currency ratio (i.e. in the middle difference (trade) Interest is paid . and credit shoulder existence .
To business investments	Specific to the conditions compliance if done appropriate comes	Business and financial Screening is required . Business screen when of the enterprise business activity Sharia requirements answer to give or not giving audited ; Financial screen including enterprise received percentage loans how much is considered .
Stock exchange investment bonds (ETN)	Suitable it's not	Main / base to the property has not happened money in the form of debts

[1] It was developed by the author during the study of economic literature.

From the above information, it is clear that Islamic finance can develop based on two factors.

First, when the government itself promotes Islamic finance and encourages people to do so, develops legislation, procedures and regulations, and the central bank creates the necessary infrastructure, Islamic finance will develop. Secondly, it comes from market demand. Then people will demand such services and products. Both of these factors are present in Uzbekistan. That is, there is a great interest from the central bank to open a wide path to Islamic finance, and as we understand, they are giving more importance to the financing sector than to the word Islam. Ultimately, this will be an important financial infrastructure for them that will help the economy. Because Islamic finance and conventional finance complement each other. This is a very healthy condition for any country, especially as it is an important tool for attracting people to the economy who do not want to approach the banking sector due to their religious beliefs.

To do this, it is necessary to eliminate the following factors that hinder the development of Islamic finance in our country :

1. We need organizations that teach Islamic finance, high-level universities that train bachelors and masters, and a business administration department. Also, the way the supervisory body, the central bank, operates is one of the advantages of Uzbekistan. In particular, our country has the opportunity to effectively use the negative and positive aspects of the experience of other countries that have implemented this system. There are different methods and models for implementing Islamic finance in countries around the world.

2. It is not enough to simply say that they provide services based on Islamic finance. Perhaps Islamic banks need to be more innovative in introducing new types of products that can compete with traditional banks and improving the quality of customer service.

3. We should not stand still, offering standard services. On the contrary, customers need good service and products. We need to provide complex and profitable products for customers, consisting of two or three transactions. This finance allows us to develop products that are convenient for customers, with convenient payment terms and cash flow.

4. The main risk in changing the form of banking in Islamic finance is that this process can have a significant impact on the bank's operations and even raise the issue of whether the bank will continue to operate (for example, if a large number of depositors/customers dissatisfied with such a change withdraw/return their money from the bank, the bank may find itself in a serious financial situation). While some losses and reduced income for the bank during the change process are inevitable, it is necessary to ensure that the transformation process does not significantly affect the bank's daily operations, i.e. the bank's operations should not stop..

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