

## The Role of Islamic Finance in the Economy of Uzbekistan

Sattorova Nasiba Ganijon Kizi

Department of banking and investment, TSUE

**ANNOTATION:** This article describes the concept of Islamic finance, its differences and advantages from a simple financial system. The state of the global Islamic financial market, in which the role of Islamic banks is analyzed. International experience was studied, the problems of the population's access to financial services were identified and ways to solve them were suggested

**KEY WORDS:** financial capitalism, Sharia, Islamic finance, fiqh al-muamalat, usury, commercial issue, exclusion, mudoraba, debt ul-hasan, foundation.

**Introduction.** There are more than two billion Muslims in the world [1] and interest is not available to them. However, in today's world, one's faith does not prevent one from using financial services. If someone does not want to take a traditional loan, many people in the world are offered alternatives. This is because everyone should have equal opportunities (the principle of democracy) and such opportunities that arise in society lead to inclusive development, that is, economic development that is fairly distributed among members of society and provides equal opportunities for all.

Given that the majority of the population in our country, ie more than 90%, are Muslims, the introduction and development of Islamic financial services will play an important role in meeting the needs of our people for financial services. When thinking about the Islamic financial system, which is an integral part of the Islamic economy, it is important to keep in mind that we are not talking about a financial system from a traditional point of view, but a system in the interpretation of the compatibility of Islamic financial institutions and instruments. The mistake of talking about the traditional financial system is that the financial sector is completely Islamized in only one country in the world - Sudan. In most countries, Islamic financial institutions are part of the existing traditional system. The structure of Islamic finance revolves around the prohibition of any income (interest) borrowed and the legitimacy of income. Interest is the increase that is received from the borrower as a reward. This means income from transactions involving the conversion of money into cash or the addition of the agreed price to the sale of loans at the expense of deferred payment. The Shari'ah forbade this because it caused imbalances in the economy. This is because all interest-bearing transactions are strictly prohibited. The nature of interest can be more clearly understood through economic indicators. Value added is the difference between the value of the product purchased (ie the value of the goods purchased by each manufacturer (firm) from another) and the total revenue from its sale. Value added in cash is associated with net financial transactions. Value added in cash is associated with net financial transactions. It includes the acquisition and sale of financial instruments that do not provide for the payment for the goods or services in question. The difference between the purchase price of financial instruments and their selling price represents the value added paid. These transactions do not change the amount of GDP (gross domestic product) and are the result of redistribution of

funds between economic agents. This value added is the ribbon itself (excluding the exchange of one currency for another and remittances)

**Main part:** Islam offers guidelines and commands a set of rules for all aspects of human life, as well as for socio-economic relations. It is only in the last few decades that serious efforts have been made to interpret these financial and economic regulations and norms in terms of modern analytical terms, and although many studies have been published, There is some confusion over the application of a clear definition to the various social sciences to which the term “Islamic” has been added, such as “Islamic finance” or “Islamic economics”. One of the main reasons for this is the tendency to consider different aspects of such a system not as a whole, but separately. Research methodology. In this study, statistical tables and graphs, logical and comparative analysis, grouping methods, as well as research works of foreign and local scientists on the subject and official statistical websites were widely used. Analysis and results. In the Islamic legal system, a set of rules governing the Muslim way of life, the Sharia, governs the state and the well-being of society. The main source of this legal system is the Qur'an and the Sunnah. The rulings are taken from the Qur'an and the Sunnah. In addition, consensus is also used as a source of law. Every country has legal systems and can be divided into three major groups: Legal families Islamic finance is a part of Islamic jurisprudence. The main principles of Islamic finance are:

- Wealth is created from legitimate trade and asset-based investments;
- Investments also bring social and moral benefits to the wider community in addition to net profits;
- Risk distribution;
- The need to avoid all harmful (unclean) activities; The Continental Anglo-Saxon Islamic Court is based on precedents, they have no laws, and law books are like court decisions. Based on codes, Uzbekistan, many European and world countries work in this system. In them, the rules are determined by the constitution, codes, laws. Sharia-based - There are several countries that make full use of this legal system. For example, Saudi Arabia.

Islamic finance is now a whole modern system that includes various banks, insurance companies, consulting companies and so on. Under the financing practice of such institutions is trade (at the request of the client: construction of buildings, equipment, goods and raw materials). Traditional banks are not allowed to trade. Islamic finance is a secular issue that everyone can use equally. The important point is that Islamic finance means "moral and social finance." In this finance, people build a society together, the rich are not separated, and the poor are not separated. (See Figure 3) Usury has long been forbidden in all religions, especially the ancient Greek philosophers Aristotle and Plato. Adam Smith, who later advocated free market capitalism and the state's policy of non-interference in the economy, also advocated regulating usury. True, he did not oppose usury at all, but he advocated interest rate caps. We can also consider S. Gezell, J. Keynes and Douglas (1924), Fisher (1935), Simons (1948) as reformers of the anti-usury trend. They considered it unethical and fraudulent for banks to charge interest at no cost or loss [9]. Islamic finance is a moral and social finance. Because the culture of capitalist states is an individualistic culture, the desires of the individual prevail over everything. The focus of Islamic finance is the community. Another reason why Islamic finance is called social-ethical finance is that it includes commercial and non-commercial finance. The connection between Islam and finance. The

field of study of Islamic law is called Fiqh. Fiqh that deals with financial matters is called Fiqh al-Mu'amalat. Fiqh al-Mu'alam is a set of rules that govern the problems that exist in society. The basis of financial rules in Islam Part of it is the financial problem, which covers financial relations between people, trade with each other, money transactions.

Any beneficial and beneficial operations are performed. Since Islamic finance prohibits making money by lending, several alternative instruments have been created to serve the development of the economy, through which money will eventually spread to the real economy. The following are the main types of transactions in Islamic finance:

- 1) Murobaha is a form of trade. In it the asset is bought and sold;
- 2) Lease - an asset is purchased and leased to another party. In this case, the landlord benefits from the lease, and the lessee is interested in using it.
- 3) The exception is betting on something that doesn't exist. (project financing). Financing of assets that are not yet being created.
- 4) Salaam - financing of agriculture, ie pre-purchase of the crop from the farmer;
- 5) Musharaka - partnership;
- 6) Mudoraba - a contract between a person who does not have the ability to do business, but has the ability to do business (knows the secrets of the business) with a person who has the funds. In doing so, one person bets money on the business, while the other party bets on their abilities;
- 7) Sukuk - securities, ie investments. B. Ineffective treatment - it mainly helps the poor.

Secularly, wealth belongs to man. In Islam, however, wealth is given to everyone temporarily, and a portion of that temporary wealth is also the right of the poor. That, in turn, has a huge positive effect on the economy. On the one hand, if the situation of the poor improves, on the other hand, the poor use that money in the market (use goods or services). In this way, the money returns to the real economy and continues to circulate. Or in the traditional financial system, companies and enterprises with high credit ratings attract funds at low prices. However, for ordinary individuals or small businesses, banks and financial institutions provide loans at high interest rates. Their income ends with interest. In general, new startups, small businesses (micro level), widows or divorced women and the needy do not provide bank loans. The above problems can be solved through non-profit instruments in Islamic finance. (See Figure 3) 1) Zakat - Every year (once a year, mainly during the month of Ramadan), up to 2.5 percent of the wealth of the rich is given directly to the poor. 2) Almsgiving - The rich give alms to the poor (monthly, weekly, etc.). Simply put, this instrument performs the function of redistribution. 3) Debt ul Hasan is a guaranteed interest-free loan. It is given to individuals or legal entities for a certain period of time without any interest. 4) Foundation - solves macroeconomic social problems.

**Conclusion:** It would be expedient to widely introduce the Islamic financial system in Uzbekistan, taking into account the following in meeting the needs of the population and legal entities in Islamic financial services. - Immediate adoption of national legislation and regulations, using the experience of existing foreign countries in the activities of Islamic banks and Islamic banking services; - Training of promising personnel in this field with the opening of special areas in the higher education system; - Improving the literacy of the

population through the widespread use of the media and the Internet; - Opening of separate national Islamic banks, such as promising digital banks (Anor Bank, TBS Bank, Orange Bank), which will be opened as a new era bank; In short, everyone has the right to access financial services based on their beliefs, and we live in an age where alternative solutions to traditional financial services are being developed around the world. That is, Islamic financial services are based on Sharia law and do not interfere with usury. We can also see that the assets of Islamic finance are increasing year by year as a result of research. In general, the use of Islamic financial services is, on the one hand, a matter of respecting the user's faith, on the other hand, maintaining ethical standards in society, and, on the other hand, a way to attract large financial resources.

#### LIST OF USED LITERATURE:

1. [www.worldpopulationreview.com](http://www.worldpopulationreview.com)
2. Ahmedova, Shahlo Irgashbaevna BAHRAYN YOZUVCHILARI FAVZIYA RASHID VA AMIN SOLIH HIKOYALARI USLUBI // ORIENSS. 2021. №Special Issue 2. URL: <https://cyberleninka.ru/article/n/bahrayn-yozuvchilari-favziya-rashid-va-amin-solih-hikoyalari-uslubi>
3. Law of the Republic of Uzbekistan No. ZRU-765 of April 20, 2022 "On non-bank credit institutions and microfinance activities". [www.lex.uz](http://www.lex.uz).
4. [www.islommoliyasi.uz](http://www.islommoliyasi.uz);
5. O.Akhmadjonov, A.Abdullaev, J.Anvarov, S.Ismoilov. ISLAMIC FINANCE // scientific progress. Vol 3. Issue 2. 2022y. 45-b
6. Fundamentals of Islamic finance - E. Baydaulet, H. Hasanov. Tashkent: Uzbekistan NMIU.2019.17.18-p.
7. M.Pulatova, M.Mehmonaliyev. Islamic finance and its evolution // Science and Education. 2022. №2.
8. [www.accaglobal.com](http://www.accaglobal.com).
9. Wayne A.M.Visser and Alastair McIntosh; 180-pp.
10. <https://www.statista.com> - Global No.1 Business Data Platform. JOURNAL OF MARKETING, BUSINESS AND MANAGEMENT (JMBM) [www.jmbm.uz](http://www.jmbm.uz) VOLUME 1, ISSUE 3 (May) ISSN: 2181-3000 Page 45
11. <https://www.refinitiv.com/en/resources/special-report/islamic-financedevelopment-report>
12. <https://www.gfmag.com/topics/blogs/islamic-finance-just-muslim-majoritynations#:~:text=Islamic%20finance%20is%20today%20a,concentrated%20in%20Over%20y%20few%20markets>
13. Fundamentals of Islamic finance - E. Baydaulet, H. Hasanov. Tashkent: Uzbekistan NMIU.2019.17.18-p. 14. 15. 16. Author's development.