

ISSUES OF THE GRADUAL INTRODUCTION OF ISLAMIC FINANCE INTO THE BANKING SYSTEM OF UZBEKISTAN

Kenjaeva Durdona Ravshan qizi

Tashkent State University of Economics Independent Researcher

Annotation. This article discusses Islamic finance, a system that emerged in the global financial landscape nearly 14 centuries ago but is only now being introduced into the financial market of Uzbekistan. Islamic finance differs from the conventional financial system due to its emphasis on fairness, adherence to “halal” principles, and equitable risk-sharing. The article examines the challenges, shortcomings, and ongoing efforts related to the implementation of this system in Uzbekistan’s financial sector.

Keywords: Murabaha, Mudaraba, Sukuk, Murabaha, risk, riba, gharar, Islamophobia, “Islamic banking window,” Islamic Development Bank.

The issue of implementing the Islamic banking system is considered one of the long-awaited tasks that entrepreneurs in our country have been expecting to be resolved for many years. The reason is that the Islamic banking system has been recognized in other countries of the world as an alternative to the conventional banking system. Unlike commercial banks, Islamic banks have attracted entrepreneurs and businesspeople by distributing profits and losses equally. This system, due to its fairness and lower susceptibility to financial crises, has attracted not only Muslims but also representatives of other religions.

Today, Islamic finance, Islamic banking, Islamic insurance, and Islamic stock exchanges are successfully operating worldwide. Since the foundation of finance is the banking system, I believe that the time has come to introduce new products and practices into the banking services system, to increase public trust in the banking system, to promote the principles of justice and honesty, and, in particular, to abandon interest (riba) in the use of banking services by representatives of the Muslim faith.

Issues related to the introduction of Islamic banking services in commercial banks and the transformation of commercial banks into Islamic banks have been studied in the scientific works of Abu Hamid Ghazali, Sayyid Manazir Gilani, Muhammad Umar Chapra, Yusuf Qaradawi, Taqi Usmani, Alexander Walters, Lone A., Al Shehri, Muhammad Tariq Majeed, Noor Ahmed Memon, Baydaulet Yelan, Renat Bekkin, and others. In Uzbekistan, our scholars such as Sheikh Muhammad Sodiq Muhammad Yusuf have provided information related to Islamic banking services in works like “Debt and Related Issues,” “Tafsiri Hilol,” and “Market and Related Issues.”

Currently, young researchers and specialists such as H. Hasanov, H. Nusratkhojaev, K. Turayev, and M. Husniddinov—who have studied in international organizations in the field of Islamic finance and gained practical experience—are providing information to the public through seminars, training sessions, and social media about Islamic finance instruments such as murabaha, musharaka, salam, ijara, gharar, SPV, mudaraba, riba, and sukuk.

In writing this article, studies were also conducted based on the scientific works of I. Amanbayev and A. Tursunov on Islamic finance published in recent years. Since scientific research and studies in this field are still insufficient in our country, the terminology of Islamic finance remains relatively new for many of us. However, in recent years, interest in Islamic finance has been growing.

In his Address to the Oliy Majlis on December 29, 2020, the President of Uzbekistan, Shavkat Mirziyoyev, stated: “The time has come to create a legal framework for the introduction of Islamic financial services in our country. The Islamic Development Bank and other financial institutions will be involved in this process.” These words indicate that opportunities are being created to introduce Islamic finance into the banking and financial system of Uzbekistan.

According to the Ministry of Investments and Foreign Trade, the introduction of Islamic finance could bring an additional 100 million US dollars in revenue to the state budget. However, weak infrastructure, insufficient regulatory and legal frameworks, underdeveloped deposit protection systems, and obstacles related to fiscal, tax, and other mandatory payments hinder the implementation of Islamic finance in Uzbekistan. Nevertheless, initial steps have already been taken, which can be seen from the increasing number of agreements signed with the Islamic Development Bank Group:

Ministry of Finance – 100 million USD

JSCB “Qishloqqurilishbank” – 10 million USD

JSCB “Mikrokreditbank” – 30 million USD

JSCB “Turon Bank” – 35 million USD

JSCB “Aloqa Bank” – 15 million USD

JSCB “Ipak Yuli Bank” – 15 million USD

JSCB “Trastbank” signed an agreement with the Jordanian company ICS Financial Systems Ltd. to install software for providing Islamic financial services.

The history of the Islamic finance system dates back nearly 15 centuries. Islamic finance has gone through seven stages up to the present day. Since the time of our Prophet Muhammad (peace be upon him), great importance has been attached to honesty and justice in monetary relations. Indeed, the saying “there is blessing in trade” is not without reason. However, over time and with the development of civilization,

the currently practiced conventional banking and financial system has advanced significantly.

Nevertheless, in a country like Uzbekistan, where more than 90% of the population is Muslim, the demand for Islamic banking services has not yet been fully satisfied. This can be explained by several reasons:

The lack of sufficient legislation for organizing Islamic finance. Although both Islamic finance and conventional banking provide services related to money circulation, some practices are rejected in Islamic finance, such as *riba* (interest) and *gharar* (uncertainty):

- Islamophobia, meaning the existence of incorrect and negative perceptions that associate this financial system with terrorism and extremism.

- The shortage of sufficiently qualified specialists in Islamic finance.

- The risk of fraud, including the possibility that fake financing schemes may emerge with the introduction of Islamic finance, potentially undermining public trust.

Since the majority of Uzbekistan's population consists of Muslims, the introduction of Islamic financial services in the country is expected to be successful. This would lead to several positive changes:

- Money currently kept "under pillows" (informal savings) would enter circulation;

- It would become possible to conduct business activities without involving interest (*riba*), fostering a sense of avoiding sin;

- Profits and losses would be shared equally, motivating commercial banks to support entrepreneurs more actively, increasing banks' net profits and the number of entrepreneurs.

In the conventional banking system, an entrepreneur who takes a loan and goes bankrupt is still required by the bank to repay the debt regardless of their financial condition. Moreover, penalties are charged for each day of delay. This situation places entrepreneurs—who may not yet have earned any profit—into an even more difficult position. Such practices contradict Sharia principles, as taking advantage of someone's hardship is considered sinful and unacceptable.

In fact, Islamic finance principles are explained quite simply. For example:

- Sukuk are certificates of equal nominal value representing ownership rights in tangible assets of a specific project;

- Murabaha is a trade-based financing method that is often more advantageous than credit when purchasing goods on deferred payment terms;

- Mudaraba is a partnership agreement between the capital provider (*rab-ul-mal*) and the entrepreneur (*mudarib*), where one party provides capital and the other provides labor. Losses are shared (capital loss by the investor, effort loss by the entrepreneur), while profits are distributed according to a pre-agreed ratio (e.g., 50/50, 70/30, 20/80).

Services such as mudaraba, musharaka, murabaha, and others are based on principles of honesty and fairness, emphasizing that economic activities should be grounded in real assets and real economic processes. The introduction of Islamic finance also facilitates cooperation with countries where such systems are already established.

In conclusion, for the Islamic finance system to become an integral part of the economy and compete with the conventional financial system, a number of measures still need to be implemented, including:

-Developing legislation in Uzbekistan that meets the requirements of Islamic finance, introducing amendments and updates to regulatory and legal documents, and reforming the tax, insurance, and banking systems;

-Attracting specialists in Islamic finance and improving the qualifications of existing professionals;

-Ensuring that the population develops an understanding of Islamic banking. This can be effectively achieved by preparing television programs, organizing radio broadcasts, using social media and newspapers, conducting training sessions in financial institutions, and introducing it as an academic subject in relevant higher education institutions.

It is possible to gradually introduce Islamic banking services into the banking system of Uzbekistan by requiring all existing banks in the country to establish an “Islamic Banking Services Window” and, as a pilot initiative, opening the first bank that provides exclusively Islamic banking and financial services.

LIST OF REFERENCES

1. Sheikh Muhammad Sodiq Muhammad Yusuf, Tafsiri Hilol, 2019.
2. E.A. Baydaulet, X. Hasanov, Fundamentals of Islamic Finance, translated by Botirkhoja Jurayev, “O‘zbekiston” Publishing House, 2019.
3. Omar M. (2013), Islamic Banking and Finance, article (6/2019).
4. Renat Bekkin, Islamic Economic Model and Modern Times, 2019.
5. <http://lex.uz/docs/8099403> Law of the republic of uzbekistan “On introducing additions and amendments to certain legislative acts of the Republic of Uzbekistan aimed at implementing Islamic banking activities in Uzbekistan” Tashkent, March 27, 2026, № LRU-1126
6. <https://islommoliyasi.uz>
7. <https://stat.uz>
8. <https://tawhidbank.tj>
9. <https://www.istisna.kz/rus/?p=1749>
10. <https://www.aaoifi.com>
11. <http://www.ifsb.org>