

THE NECESSITY OF DEVELOPING THE REGULATORY LEGAL FUNDAMENTALS OF THE ISLAMIC BANKING SYSTEM IN THE REPUBLIC OF UZBEKISTAN

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Annotation: This article substantiates the need to develop a regulatory framework for the Islamic banking and financial system in Uzbekistan based on foreign experience in the field and the results of a survey of the population and businesses. It also analyzes the current work and shortcomings in the development of the relevant regulatory framework.

In addition, the benefits that can be seen through the introduction of the Islamic banking system and suggestions and recommendations for the faster implementation and efficient operation of the system are given.

Key words: Islamic bank, shariah, AAOIFI, islamic financial services, non-bank credit institutions, microfinance, murabahah, istisna, musharakah.

Introduction. The development of the legal framework for the Islamic banking and financial system began in the 80s and 90s of the twentieth century, and the countries that first introduced this system went two different ways. For example, Pakistan, Sudan and Iran have chosen a single banking system, and in a short time an Islamic banking and financial system has been introduced in these countries, where all financial institutions provide only Sharia-based financial products and services. Later, Pakistan also introduced two different financial systems. Malaysia, the United Arab Emirates, Kuwait and Bahrain have begun to gradually introduce a dualistic banking system. In these countries, traditional banks and Islamic banks began to operate together [1, P.152].

At present, foreign experience has been formed for the use of Uzbekistan in both directions. International standards for the use of Islamic banks have also been developed by international organizations such as the Accounting and Auditing (AAOIFI), the International Accounting Standards Council (IASB), and the Islamic Financial Services Board (IFSB) for Islamic Financial Institutions.

It should be noted that the Islamic banking system is also developing rapidly in developed European countries, where the majority of the population is non-Muslim.

For example, 22 banks in the United Kingdom, 3 in France, 1 in Germany, and 1 bank in Luxembourg provide Islamic finance services [2, P.26].

In short, a ready-made foreign experience has been created for the use of Uzbekistan, and it is only necessary to begin to develop an appropriate regulatory framework. The first steps have been taken, albeit partially, in this regard.

In particular, according to the results of 2020, the President of the Republic of Uzbekistan Sh. Mirziyoev. In his address to the Oliy Majlis, Mirziyoev said that "the time has come to create a legal framework for the introduction of Islamic financial services in our country, with the involvement of experts from the Islamic Development Bank and other international financial institutions"[3]. This incident showed that interest in Islamic finance is also high among high-ranking officials.

Discussion and Results. In the first half of 2020, the United Nations Development Program (UNDP) conducted a large-scale survey of Islamic finance opportunities in the country as part of a study entitled "Financing Sustainable Development in Uzbekistan". The survey involved 7,200 participants, including 2,235 enterprises and entrepreneurs, 4,938 people, 27 of 30 commercial banks [4].

60% of businesses and entrepreneurs surveyed and 68% of citizens said their main reason for not taking a loan from a bank was their religious beliefs.

If Islamic financial institutions start operating in Uzbekistan, 61% of enterprises and entrepreneurs surveyed, and 75% of citizens expressed a desire to become their customers.

When asked whether Islamic finance products are more expensive, you want use 47% of businesses and entrepreneurs and 55% of citizens answered yes.

44% of businesses and entrepreneurs and 42% of citizens said they were ready to direct their funds to Islamic banks through a muzoraba agreement.

All 27 commercial banks surveyed said they supported the introduction of Islamic finance and banking. The research also covered problems, opportunities, literacy and other issues in this area. Although people's words and desires differ from their practical decisions, the results of the survey gave a clear positive answer to the question of whether the demand for Islamic finance in Uzbekistan is sufficient [5].

The results of the above survey show that there is a need for faster development and implementation of the regulatory framework of the Islamic banking and financial system in our country.

A lot of work has been done in this area so far. In particular, the 46th Annual Meeting of the Board of Governors of the Islamic Development Bank (IDB) was held on September 1-4, 2021 at the International Congress Hall in Tashkent.

The meetings were attended by 4,100 participants from member countries and 27 international and regional partner organizations.

The annual conference of the Islamic Development Bank in Tashkent was very useful and productive for our country and people. IDB and our government have signed cooperation agreements in a number of areas. In particular:

IDB to provide \$ 80 million to support oncology services development project in Uzbekistan dollars.

The IDB will provide a grant of \$ 51.5 thousand to establish a smart class of Islamic development at the International Islamic Academy of Uzbekistan.

IDB has provided \$ 200 million to improve the living standards of the rural population and sustainable development of these areas in Uzbekistan.

The initial capital of the IDB is 100 mln. \$ 20 million for the Economic Capacity Building Fund of Uzbekistan.

IDB has provided \$ 10 million each to four private banks in Uzbekistan: Kapitalbank, Trustbank, Orient Finans Bank and InFinBank. An agreement was signed on the allocation of funds in the amount of \$.

Islamic Development Bank allocates \$ 265,000 technical assistance grant to support development of legal framework for Islamic banking and finance in Uzbekistan [6].

In turn, on April 20, 2022, the Law No.765 "On non-bank credit institutions and microfinance activities" was adopted. The law introduces the concept of "Islamic financial services" for the first time. The standards will be set by international organizations such as the Accounting and Auditing Organization for Islamic Financial Institutions and the Islamic Financial Services Council as a source of rules and principles for the implementation of Islamic finance. It is planned that the Central Bank will develop a procedure for the provision of Islamic services in accordance with the rules of international organizations that set the standards of Islamic finance.

This normative-legal document is the first on Islamic finance. However, it should be noted that the fact that this law gives the right to provide Islamic financial services only to non-banks and microfinance institutions is not a complete solution for the development of Islamic finance. This is due to the fact that the share of non-bank credit institutions and microfinance institutions in the financial sector of Uzbekistan is only 0.29%.

According to the law, it is not possible to accept deposits from the population and invest them in the principles of Islamic finance (for example, mudoraba);

The activities of partnership (mushoraka) and demand-based financing (istisna), which are the main products of Islamic finance, are limited;

Leasing activities are limited, in particular, the possibility of leasing products to individuals is not provided;

The maximum amount that can be given (50 million sum) does not fully allow to do business (this amount is not even equal to 5 thousand dollars);

It is not possible to finance a long-term home purchase based on the principles of Islamic finance (musharaka mutanaqisa) [7].

The urgency of this issue is that the development of the legal framework for Islamic finance, in particular, Islamic banking, has a number of benefits for Uzbekistan.

1. It will increase the inflow of investment from the Organization of Islamic Cooperation, which can invest in the development of the Islamic banking financial system, in particular, the rich Gulf countries with excess capital, as well as Malaysia and Turkey, which in turn will diversify incoming investment.

2. Satisfying the desire of our entrepreneurs to operate within the Islamic banking and financial system will increase their economic activity, which in turn will ensure the growth of the national economy and the creation of new jobs.

3. As the introduction of an alternative system increases competition in the financial market, the introduction of the Islamic banking and financial system will contribute to the development of the country's banking and financial system, which in turn will contribute to the further development of the traditional banking and financial system.

4. The development of the Islamic banking and financial system will lead to the development of related industries, primarily the market of halal products and services, which will increase exports to foreign markets, primarily to neighboring Muslim countries, and increase the flow of foreign tourists from Muslim countries.

5. The introduction of the Islamic banking and financial system will serve to further strengthen economic ties with other Muslim countries.

6. It ensures that the free funds that are not attracted to the economy due to their religious beliefs are directed to production, trade, investment and other areas.

Conclusion. Based on the above analysis, the following suggestions and comments can be made on the creation of a legal framework for the introduction of Islamic financial services in our country:

First, to establish a working group on the creation of a legal framework for the introduction of Islamic financial services by bringing together professionals with relevant knowledge and experience and forming the most convenient and effective approach for society and the state.

Secondly, in the new edition of the Civil Code of the Republic of Uzbekistan, developed by the Ministry of Justice, it is expedient to include relevant legal norms on the creation of a legal framework for Islamic financial services. It should be noted that the Civil Code of the Kyrgyz Republic has a separate chapter on legal norms of Islamic financial contracts. (Chapter 34-1. Financing in accordance with Islamic principles of financing).

Third, the inclusion of legal norms on Islamic financial services, principles and subjects in the current legislation in the field of banking and finance. In particular, amendments to the laws of the Republic of Uzbekistan "On Securities Market", "On Banks and Banking", "On Insurance", "On Leasing" and the Tax Code.

Fourth, to conduct research and development in Islamic higher education institutions on Islamic financial services, to study existing scientific sources abroad and to translate them into Uzbek.

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