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ISLAMIC FINANCE: A NEW FINANCIAL MODEL FOR UZBEKISTAN

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Annotation: The article analyzes the economic and legal foundations for implementing Islamic finance in Uzbekistan, the population's needs for financial services, and opportunities to increase investment activity through Islamic banking. The study scientifically highlights the differences between Islamic finance and the traditional financial system, specifically the prohibition of interest (ribo), the sharing of risks and profits on a partnership basis, asset-backed financing, and the principles of social justice. The results of the study show that Islamic finance can serve as an important financial model for expanding financial inclusion in the country, supporting small businesses and entrepreneurship, and increasing the flow of foreign investment. At the same time, the article develops scientific and practical proposals for improving the regulatory framework for the development of the Islamic finance system in Uzbekistan, training qualified specialists, and implementing international standards.

Keywords: Islamic finance, Islamic banks, sukuk bonds, takaful insurance, musharaka, mudaraba, murabaha.

Introduction. Ensuring the stability and efficiency of the financial system is becoming increasingly relevant in the global economy. Interest in alternative financial mechanisms has increased, especially after global financial crises revealed certain weaknesses of the banking system based on traditional interest rates. One such financial system is Islamic finance, which operates based on Sharia principles and is based on principles such as economic justice, risk sharing on a partnership basis, and financing based on real assets. Islamic finance is currently developing not only in Muslim countries but also in developed countries such as the United Kingdom, Singapore, and Luxembourg. According to international financial institutions, the volume of global Islamic finance assets has reached trillions of US dollars, the bulk of which consists of Islamic finance. In particular, financial instruments such as sukuk bonds, musharaka, mudaraba, murabaha, and rent are being used as effective tools for financing investment projects. In recent years, Uzbekistan has also paid special attention to modernizing the financial sector, attracting foreign investment, and expanding the population's access to financial services. The fact that the majority of the country's population is Muslims leads to an increase in demand for Islamic financial services. At the same time, the importance of interest-free financing mechanisms in supporting the real sector of the economy and developing small business and entrepreneurship is growing. In recent years, the expansion of cooperation with the Islamic Development Bank, ongoing reforms to create a regulatory framework for Islamic finance, and initiatives by some commercial banks to introduce Islamic finance services have shown that this sector is a promising direction. However, there is a need to improve the legal framework, qualified personnel, international standards, and institutional mechanisms for the full implementation of Islamic finance in the country. The purpose of this scientific article is to reveal the economic essence of Islamic finance, analyze its international experience, and evaluate the prospects for the development of Islamic finance in Uzbekistan. During the study, the economic efficiency of Islamic financing instruments, their integration into the national financial system, and their impact on

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the country's economic development will be scientifically studied.

Literature review. Islamic finance is considered one of the important and rapidly developing sectors of the modern economy. The theoretical foundations, economic efficiency, and practical mechanisms of this system have been studied by many foreign and domestic economists. In scientific literature, Islamic finance is primarily evaluated as an alternative financial model based on Sharia principles. The scientific works of Muhammad Umar Chapra play an important role in the formation of Islamic economic theory. In his research, the scholar emphasizes that the primary goal of Islamic finance is to ensure economic justice, effectively distribute financial resources, and enhance the well-being of society. He believes that an interest-based financial system can exacerbate economic inequality, while Islamic finance strengthens economic stability by sharing risks and profits on a partnership basis. Furthermore, research conducted by Monzer Kahf analyzes the positive impact of Islamic banking on investment activity and its role in increasing financial inclusion. According to the scholar's scientific views, instruments such as murabaha, musharaka, and mudaraba reduce speculative operations and ensure financial stability because they are directly linked to the real economy. Scientific research on Islamic finance in Uzbekistan has been intensifying in recent years. Local economists are studying the role of Islamic banking in the national economy, its impact on the investment climate, and its potential for small business development. In particular, special attention is paid to the implementation of Islamic finance instruments in the reforms carried out by the Ministry of Economy and Finance and the Central Bank.

Methodology. This scientific article examines the theoretical foundations of Islamic finance and its prospects in Uzbekistan's financial system based on scientific and methodological approaches. In the course of the study, modern methods of economic analysis were used, and the differences between Islamic finance and the traditional banking system, its economic efficiency, and its impact on the national economy were comprehensively studied. The theoretical basis of the research is the scientific works of international economists on Islamic economics and Islamic banking. In particular, the theoretical views of Muhammad Umar Chapra, Monzer Kahf, and other scholars on Islamic finance were used as a methodological basis. The study scientifically examined the core principles of Islamic finance: the prohibition of usury, the sharing of profits and risks on a partnership basis, financing based on real assets, and the principles of social justice. The article utilizes methods of analysis and synthesis, statistical analysis, economic comparison, induction, and deduction. The international experience of Islamic finance was studied on the example of Malaysia, Saudi Arabia, the United Arab Emirates and other countries, and their economic efficiency was assessed. The financial market, banking system, and population needs for Islamic financial services in Uzbekistan were also analyzed.

Analysis and results. In recent years, the share of Islamic finance in the global financial system has been increasing. According to international organizations, the volume of Islamic finance assets exceeded 4 trillion US dollars as of 2024, with Islamic banking accounting for the bulk of it. Islamic finance has become an important component of the economy, especially in Malaysia, Saudi Arabia, and the United Arab Emirates.

Table 1

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State	Share of Islamic banks' assets (%)	Main developed direction
Saudi Arabia	74	Islamic banking and sukuk
Malaysia	43	Sukuk Market and Investments
United Arab Emirates	23	Takaful and mutual funds
Turkey	8.	Islamic retail banking services
Uzbekistan	Less than 1	Pilot projects and start-up services

Share of Islamic bank assets in the banking system of certain countries

The data in the table show that Islamic finance has become an important part of the banking system in developed Muslim countries. In Uzbekistan, this system is still in its early stages, and some commercial banks are implementing pilot projects to introduce Islamic financing services. The growing demand for Islamic finance in Uzbekistan is explained by several economic factors. First, a significant portion of the population is interested in interest-free financial services. Secondly, partnership-based financing mechanisms are convenient for small businesses and entrepreneurs. Thirdly, the opportunity to attract investments from the Islamic Development Bank and the Gulf states through Islamic finance will increase. Analysis shows that Islamic finance allows for the attraction of new financial resources for the economy of Uzbekistan. In particular, infrastructure projects can be financed through the issuance of sukuk bonds. International experience indicates that the sukuk market serves as an effective tool for attracting long-term investments. Furthermore, Islamic banking reduces the risk of financial speculation due to its reliance on real assets. This contributes to strengthening financial stability. International studies have noted that Islamic banks operated relatively stably, especially during global financial crises. At the same time, there are certain problems in the development of Islamic finance in Uzbekistan. In particular, factors limiting the development of this field are the incomplete formation of the regulatory and legal framework, the lack of qualified specialists, the low level of knowledge of the population on Islamic finance, and the insufficient implementation of international standards. According to the research results, the gradual introduction of Islamic finance in Uzbekistan can serve to diversify the country's financial system, improve the investment climate, and increase economic growth rates. In particular, the development of Islamic banking and the sukuk market is of great importance in expanding the country's long-term financial resource base.

Suggestions and conclusions. Research indicates that Islamic finance is of great importance as a promising and alternative financial model for Uzbekistan. This system not only creates opportunities for interest-free financing but also serves as an effective tool for supporting the real sector of the economy, attracting investment, and expanding financial inclusion. In particular, financing mechanisms based on the principles of partnership and risk sharing create favorable conditions for the development of small business and entrepreneurial activity. Based on the research results, a number of scientific and practical proposals for the development of Islamic finance in Uzbekistan have been developed. First of all, it is necessary to form a separate regulatory framework that regulates the activities of Islamic finance in the country. The development of legislative mechanisms regulating the activities of Islamic banks, sukuk bonds, takaful insurance, and other Islamic financial instruments strengthens the legal foundations of this system. It is advisable to establish Islamic financing "windows" within the structure of commercial banks. Through this method, it will be possible to offer Islamic financial services to the population and business entities without drastically changing the existing banking system. This experience has yielded effective results in countries such as Malaysia and Turkey. Training qualified specialists in the field of Islamic finance is of great importance. Therefore, it is necessary to introduce special educational programs on Islamic economics and Islamic banking in higher education institutions, to organize trainings and seminars with the participation of international experts. This will serve to increase the potential of national personnel. It is necessary to increase the financial literacy of the population in Islamic finance. Because a large part of the population does not have a sufficient understanding of Islamic financing mechanisms. Promoting the essence and benefits of Islamic finance through mass media, scientific seminars, and educational programs strengthens trust in these services. It is necessary to expand cooperation with the Islamic Development Bank, the Islamic Financial Services Board, and other international financial institutions. The experience and investment opportunities of these organizations serve as an important factor in the effective implementation of Islamic finance in Uzbekistan.

In conclusion, Islamic finance can play a crucial role in diversifying Uzbekistan's financial system, attracting foreign investment, and strengthening economic stability. The phased implementation of this system will expand the coverage of financial services, support the real sector of the economy, and increase the country's competitiveness in the international financial market. For this reason, the development of Islamic finance in Uzbekistan is considered one of the promising areas of strategic importance.

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