

Directions of Development of Islamic Banking Services In Commercial Banks

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Abstract: *Islamic finance has successfully overcome the global financial crisis, has proved its resilience to systemic risks, is viable and flexible in the secular legal environment, and contributes significantly to overall economic growth. At the same time, it offers opportunities for those who apply for Islamic finance based on their religious beliefs, and for those who wish to better meet their financial needs through the system. This article analyzes establishment of Islamic window in commercial banking system, its development and its role in the world. There are recommendations on the relevance and practical application of this system in Uzbekistan.*

Keywords: Islamic economy, Islamic banking, commercial bank, Islamic window, interest (ribo), zakat (property tax), customer, contract, digital economy.

1. Introduction.

The Islamic banking system was founded in the 1970s. In a short period of time, it has become an integrated mechanism that can fully compete with commercial banks. Unlike commercial banks, Islamic banks have attracted entrepreneurs and business people through a profit-and-loss sharing system (credit system). The system, with its fairness and low level of financial crisis, has attracted not only Muslims but also members of other religions. In recent years, the total assets of Islamic financial institutions have reached \$ 2.5 trillion, growing by 15-20 percent per year. Therefore, it is important to attract the funds of existing banks, investment funds and companies based on Islamic finance in developed countries in order to support the socio-economic development of Uzbekistan and the private sector.

2. Analysis and results.

The first Islamic bank was founded in 1963 in Egypt. According to Reuters, today there are more than 300 Islamic banks and more than 200 Islamic windows in 67 countries (Citibank annual report, 2018). The total capital of Islamic banks has exceeded \$ 2 trillion Islamic banks are developed in the following banks: Iran, Kuwait, Malaysia, Saudi Arabia, United Arab Emirates, Turkey, Bangladesh, Pakistan. Islamic banks also operate in the United States, Canada, the United Kingdom, Germany, France, Italy, Ireland, Luxemburg and other countries.

Implementation of Islamic finance projects in Uzbekistan began in 2004 due to Uzbekistan's accession to the Islamic Development Bank in September 2003 (Baidalet, Khasanov, 2019). In 2004, the Islamic Development Bank used "lease" and negotiation agreements to finance energy and health projects. Islam is not only a religion that educates people spiritually, but also a system that regulates a wide range of social, economic and political relations in society. The main sources of this system are the Holy Qur'an and the Sunnah of the Prophet Muhammad (peace and blessings of Allaah be upon him). The Islamic financial system can be described as a set of financing mechanisms and methods that allow economic activity without violating the basic principles formed by the Sharia (Bekkin, 2009).

Islamic banking and finance are being trained at more than 130 universities around the world. In particular, special courses have been organized at the following most famous universities in the world (Harvard University, Oxford University, Cambridge University, Durham University, Liverpool University, Bolton University, London School of Economics, Al Madina International University and others). Students study at the bachelor's, master's and doctoral levels. Kazakhstan was the first Central Asian country to obtain a permit in March 2010 to conduct the first Islamic bank operation, Al-Hilal. On August 17, 2017, Zamanbank received a license to provide Islamic services and began operations. In April 2009, Kyrgyzstan adopted amendments to the Law of the Kyrgyz Republic "On Banks and Banking" and others. These amendments have created opportunities for the use of Islamic methods of financing in traditional banks with Islamic and "Islamic window".

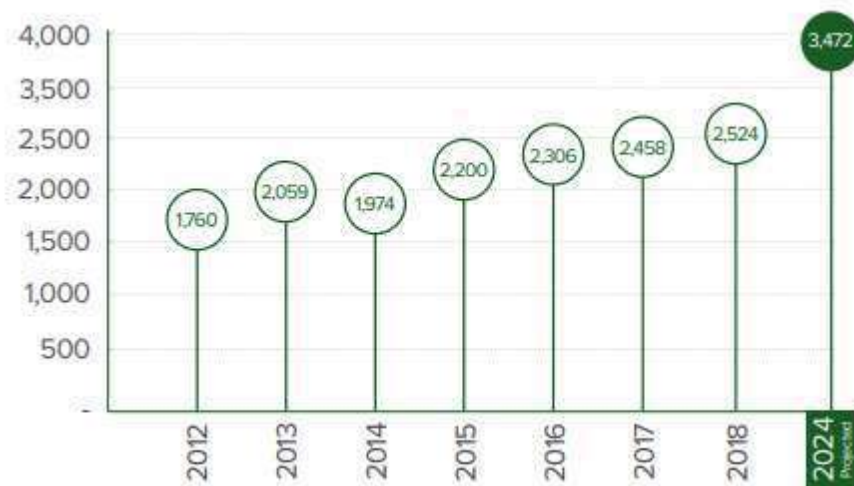


Figure 2 Changes in the capital of Islamic banks in the world in 2012-2018
(ICD-REFINITIV, 2019)

Modern scientific achievements in the economy, social sphere and public administration of the country in accordance with the state program for the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Science, Enlightenment and Digital Economy", along with the implementation of innovative measures and comprehensive measures for the introduction of the digital economy, as well as the reform of the banking and financial system and the introduction of modern market mechanisms in this area (Decree, 2017). In particular, radically improve the practice of allocating soft bank loans at the expense of public funds, gradually reduce the state share in banks, open Islamic windows in commercial banks, establish Islamic services, qualified in this area. the introduction of training is a requirement of the times.

3. Conclusions and results.

The following conclusions and recommendations were made after analyzing the studied data.

First, there are serious shortcomings in the Bank's credit system. For example, complex credit processing mechanisms limit the ability to obtain loans quickly, the inability to allocate microloans does not increase the level of microloans, and high interest rates on the services of microcredit organizations and pawnshops often lead to a deterioration in the financial situation of consumers. If Islamic windows are set up under commercial banks, there will be an alternative to getting a loan.

Secondly, because the majority of the population of our country is Muslims, if an Islamic bank or Islamic banking services are established, the number of depositors in the bank will increase sharply. This, in turn, will allow cash to flow through the bank and reduce inflation.

Third, funding through Islamic banks will increase. For example, the Islamic Development Bank alone is expected to implement 17 investment projects worth more than \$ 2 billion 42 million in 2019-2021.

Fourth, additional jobs will be created. The most important thing is to study the rapidly growing system in the world today, put it into practice and benefit from it for the future of our country. In order to implement the Islamic financial and banking system, it is necessary to do the following.

1. Training of qualified personnel. Establishment of joint faculties with foreign universities;
2. Establishment of a window of Islamic services under commercial banks;
3. Sending existing staff for internships in Islamic banks;
4. Establishment of a Sharia Council at the center of Islamic civilization.

In contrast to the norm of profit-interest rate in the Islamic economy, a more efficient and rational mechanism of resource allocation is a system that counteracts many negative trends of the modern economy (monopolization, the sharp gap between rich and poor, financial crises, etc.). It also deserves serious study.

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