

## Improving the Use of Islamic Banking Services in Financing Investment Projects in Uzbekistan

Dilmurod Yusupaliyevich Khujamkulov<sup>1</sup>; Ruhiddin Khusniddin Ogli Zayniddinov<sup>2</sup>;

Dilmurod Rakhmatullayevich Ergashev<sup>3</sup>; Mamajon Akhmatjonovich Mamatov<sup>4</sup>;

Khusniddin Fakhriiddinovich Uktamov<sup>5</sup>

<sup>1</sup>Associate Professor, “World Economy” Department, Tashkent State University of Economics, Tashkent City, Republic of Uzbekistan, Uzbekistan.

<sup>1</sup>dilmurodxujamkulov77@gmail.com

<sup>2</sup>Assistant, “World Economy” Department, Tashkent State University of Economics, Tashkent City, Republic of Uzbekistan, Uzbekistan.

<sup>2</sup>zayniddinovrukhiddin@gmail.com

<sup>3</sup>Senior Teacher, “World Economy” Department, Tashkent State University of Economics, Tashkent City, Republic of Uzbekistan, Uzbekistan.

<sup>3</sup>edilmurod@mail.ru

<sup>4</sup>Teacher, Tashkent State University of Economics, Tashkent City, Republic of Uzbekistan, Uzbekistan.

<sup>4</sup>mamatovahmadjon@rambler.ru

<sup>5</sup>Assistant, “Economic Security” Department, Tashkent State University of Economics, Tashkent City, Republic of Uzbekistan, Uzbekistan.

<sup>5</sup>husniddin1309@gmail.com

### Abstract

*Financial inclusion is remained low level by the majority of households and firms in Uzbekistan, instead of using formal finance, they are more partial to save and borrow informally. In this case, both indicate the high cost of finance as the top reason for not using it. Moreover, households, which are mostly Muslim, declare that religious reasons prevent them from using formal finance, as only conventional finance is available. The result of the survey was passed between a number of households and entrepreneurs that most of them claimed to use Islamic banking products. On the other hand, there are not created main mechanisms, infrastructure, and other important devices to regulate Islamic banking services in the country.*

*The major objective of this study was to investigate there were used some Islamic banking products under some conventional banks for two decades and we have discussed the empirical experiences in Uzbekistan as well as given recommendations for improving the use of Islamic financial services related to foreign experiences and the result of the survey.*

**Key-words:** Islamic Finance, Islamic Banking Products, Survey, SWOT Analysis, Legislation of Tax and Banking, Uzbekistan, IDBG, IDB, ICD, Entrepreneurs and Individuals, Conventional Banks.

## 1. Introduction

Using effective methods in financing investment projects in Uzbekistan, taking into account the specifics of the national economy, minimization of project risks in investment activities, effective management of investment risks play an important role in the maintenance of organizing in effective financing of large investment projects.

In this case, improving the use of the financial services of rapidly growing Islamic financial institutions in the terms of improving the quality of financial services, increasing the capacity of the private sector, improving the living standards of the population, and contributing to the development of the country's economy has been gaining importance in recent years.

Nowadays, Islamic financial institution is one of the fastest-growing and most reliable sectors in the world, with a total of \$ 2.88 trillion in assets, which is growing by 15-20% per year. The development of this sector is especially relevant for countries where the majority of the population is Muslim.

At the opening ceremony of the 43rd session of the Council of Ministers of Foreign Affairs of the *Organization of Islamic Cooperation (OIC CFM)* took place on October 18-19, 2016, in Tashkent, Sh.M.Mirziyoyev who is the President of the Republic of Uzbekistan said that "The Islamic world has huge economic, investment potential and energy resources. Moreover, he emphasized that proper use of Islamic financial services, expansion of international trade, economic, financial, and investment cooperation with the Member States of Organization of Islamic Cooperation (OIC) member states, and establishing the transport routes which are connected to our countries will allow achieving high rates of economic development and as resolute, serve ultimately as a basis for the development of all other areas [1].

In addition, the address of the President of the Republic of Uzbekistan on December 28, 2020, "It is time to create a legal framework for Islamic finance," which shows once more the importance of this sector and its role in economic development in our country [2].

Therefore, it is necessary to attract funds from investment funds, companies, and existing banks were based on Islamic finance in Muslim countries in order to support the socio-economic development of Uzbekistan and the private sector, to expand opportunities for financing investment projects.

It should be noted that more research into the introduction of partnership-based financing mechanisms under traditional financing institutions is still necessary before obtaining a definitive answer to create a wholly profit-sharing Islamic window in Uzbekistan.

It should be noted that it is necessary to look at the national banking system in a new way, that is, to study the introduction of partnership-based financing mechanisms traditional financing mechanisms.

## **2. Literature Review**

The extent to which the subject is studied Scientists who have studied Islamic finance, its development, and directions.

### **The Definition, Principles and Islamic Methods of Financing**

Naturally, the question arises, what is Islamic finance? How is it different from the traditional financial system? Of course, in order to answer these questions, it would be expedient to dwell on the essence of Islamic finance, to further clarify our research topic, and to find a solution to the problem posed.

The study has confirmed the findings of the history of Islamic economics that the term "Islamic economics" was first illuminated by the Indian Muslim scientist Sayyid Manazir Gilani [3] in his book, "Islamic Economics," published in Urdu, 1947.

Gilani had written about a perfect economic model that met the requirements of Islam. However, the establishment of the world's first Islamic financial institutions took place only fifteen years after the publication of the Islamic Economy. However, the large discussions and analyses of the term "Islamic economy" emerged among scientific circles during the 1970s.

Islamic finance refers to a financial service or product that is consistent or principally implemented to comply with the principles of Shariah or Islamic law (Gait and Worthington, 2008) [4]. According to Lewis and Algaoud (2001) [5], there are five religious features that form distinctive identity or basis of the Islamic finance i.e. riba (interest), haram (forbidden) or halal (permissible), gharar (speculative) or maysir (gambling), zakat (the prescribed purifying alms) and Shariah (Islamic) board. The concept of financing in Islam differs with conventional or "Western finance". The distinction between Islamic financial system with the conventional system includes (Mirakhor and

Iqbal, 2011) [6]: Firstly, Islamic financial system strives for equitable, fair society and economic order.

The prohibition of interest (riba) in the Islamic financial system is intended to avoid exploitation, to avoid profiteering through manipulation prices and to protect the poor (i.e. borrower). Secondly, Islamic financial system stresses the principle of cooperation and brotherhood. This is evident by the system of risk-taking, profit-and-loss-sharing that help the productivity of the business venture rather than creditworthiness of the entrepreneur of the conventional financial system. Thirdly, Islamic finance is grounded by the strict ethical criteria of Islamic law or Shariah.

Hanif and Iqbal (2010) [7] have categorized Islamic modes of financing into two; (1) Shariah-compliant products and (2) Shariah-based transactions. Shariah compliant products are defined as Islamic mode of finance where the return of financier is predictable, predetermined and fixed within Shariah constraints, which includes Murabahah (cost plus profit sale or mark-up financing), Bai Bithaman Ajil (acquisition of assets and hire purchase financing or sale of goods on deferred payment), Ijarah (a leasing agreement), Musharakah Mutanaqisah (diminishing Musharakah housing finance), Bai Salam (sale of goods where price is paid in advance, goods deliver in future), Istisna (acquisition of goods by specification, where price is paid in advance, and goods deliver in the future) and Qard Hassan (benevolent or interest free loan). While, Shariah-based transactions are a mode of financing which based on the principles of risk and profit-sharing, where the return of financier is not fixed in advance, and it is dependable on the outcome of the project. Mudarabah (partial-equity partnership or profit sharing) and Musharakah (full equity partnership or partnership financing) are the two profit-sharing arrangements or partnership contracts preferred under Islamic law [8].

### **Relevance of Previous Studies on Attitude towards Islamic Finance**

Previous studies indicate that the Muslim economic literature has not yet provided a single generally accepted definition of the concept of “Islamic economics”.

Formulated definitions of Islamic economics by Muslim economists are sometimes one-sided and have not done clearly embody how Islamic economics differs from capitalist or socialist economics.

In particular, according to the famous Saudi economist Muhammad Omar Chapra, Islamic economics is a network of knowledge that helps to achieve human well-being through the distribution

of unique resources in accordance with Islamic teachings, ensuring the inviolability of individual freedoms as well as avoiding macroeconomic and environmental incompatibility [9].

What is surprising is that descriptions provided by other researchers also do not make much sense. Islamic economics as an economic policy based on the Qur'an and Sunnah (Sayfuddin Tajiddin [10]); as a social science that studies people's economic problems under the influence of Islamic values (M.A. Mannon [11]); as a response to the economic challenges of Muslim thinkers in their time (M.N. Siddiqui [12]); as a method of morality in Muslim society with its own characteristics (S.R.X. Naqvi [13]); is defined as knowledge that applies the rules and prohibitions of the Shari'ah (Hasan az-Zaman [14]) with the aim of acquiring material resources and eliminating any injustice that may occur in the management process.

### **3. Methodology**

Research methods such as induction, deduction, scientific abstraction, analysis, and synthesis have been used effectively. Moreover, this study used a descriptive survey design. The main aim to use a descriptive survey was to collect detailed and factual information that describes actual phenomena. Primary data collected to accomplish the study. According to primary sources can be gathered through achieved information, especially the results of survey and interviews that by researcher created.

The participants of this study were those who are individuals and entrepreneurs in the all regions of Uzbekistan and most of the participants included in the survey were individuals and consists of 2050 respondents. Moreover, the second type of participants were entrepreneurs and included 900 respondents. By 890 of them answered the questions of the survey through the internet while 10 participants responded by conversation.

Investigation consisted of 7 questions, which structured from previous literatures were designed by application (Ahunov, M. 2018. Financial Inclusion, Regulation, and Literacy in Uzbekistan). Before answering questions, It was asked to read carefully each question and to be honest. The results analyzed and converted into tables and percentages. The statistical summaries of the result were interpreted in the form of percentages and tables using computer data analysis package, such as SPSS and PASW statistics. Finally, resilience metrics are then defined and calculated using the survey results and external data.

#### 4. Findings and Analysis

The current research study has been designed to explore essential factors that to achieve the research objectives, a methodology is developed as presented in Tab.1. The methodology was performed for the major reasons for not using formal financial services in Uzbekistan.

Column (a) of Table 1 presents the major reasons for not using formal financial services in Uzbekistan. The high costs of financial services are reported as the top reason for households not using formal finance in 2020.

Table 1- Major Reasons for Not Using Formal Financial Services and Reasons for Having No Bank Account

No		Major Reason for Not Using Formal Financial Services (a)	Major Reason for Having No Bank Account (b)
1	Insufficient money to use financial institutions	1	38.2
2	Lack of the necessary documentation	25	19.6
3	Someone else in the family already has an account	23	12.4
4	Financial institutions are too far away	8	12.0
5	Financial services are too expensive	45	14.8
6	Lack of trust in financial institutions	12	8.8
7	Religious reasons	35	4.0

Source: Field Survey, 2020

Religious reasons are the second most important reason for people not using financial services. The CIA Factbook reports that 88% of the members of Uzbekistan's population are Muslims; however, the banks offer no Islamic banking products [15]. This is partly a legacy of the former Soviet Union and a cautious approach to reforms in Uzbekistan. In May 2018, a number of news websites announced that, with the support of the Islamic Development Bank, the Ministry of Finance was preparing a presidential decree on creating a legislative base and infrastructure to support Islamic finance [16]. A lack of documentation and the inability to obtain an account are the next important reasons for not using formal financial services. A total of 12% of the respondents reported that they do not trust financial institutions. This is in line with the CER (2011), which reported, based on a 2010 Uzbekistan national survey, that 78% of their respondents indicated that they do not save with banks because they cannot withdraw cash when needed.

Columns (a) and (b) in Table 1 are not comparable. A lack of money to use an account, a lack of documentation, the long distance to a bank branch, and the high cost of using a bank account are the major reasons for not using formal finance.

Table 2 shows the top reasons for entrepreneurs not using bank loans/line of credit. High interest rates and complex application procedures were ranked by companies as the two major reasons for not applying for a formal loan/line of credit. Based on a field study in Uzbekistan, also illustrated that entrepreneurs claimed that the paperwork needed to obtain a loan was among more difficult process than others.

Table 2- Top Reasons for Not Using Bank Loans/Lines of Credit

	2013	2020
High interest rates	0.42	0.48
Complex application process	0.33	0.23
High collateral requirements	0.22	0.27
Insufficient loan size and maturity	0.03	0.02
Won't be approved	0.00	0.00

Source: Enterprise surveys, 2013 [17] and 2020

As shown in Tab.2 there is a clear trend of decreasing between high collateral requirements and insufficient size and maturity between 2013 and 2020. The second-largest group, containing 33% of firms in 2013 while it went down by 23% in 2020. What is interesting in this data is that reported high collateral requirements 42% as the major reason behind their decision not to use formal finance in 2013, while the figure remained the place by 48 % in 2020.

Figure 1- The Share of Entrepreneurs and Individuals for Not Using Traditional Banking Lines of Credit by Religious Reasons

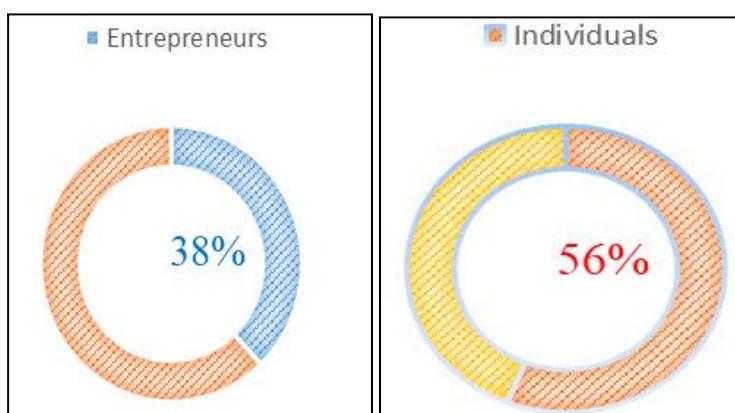
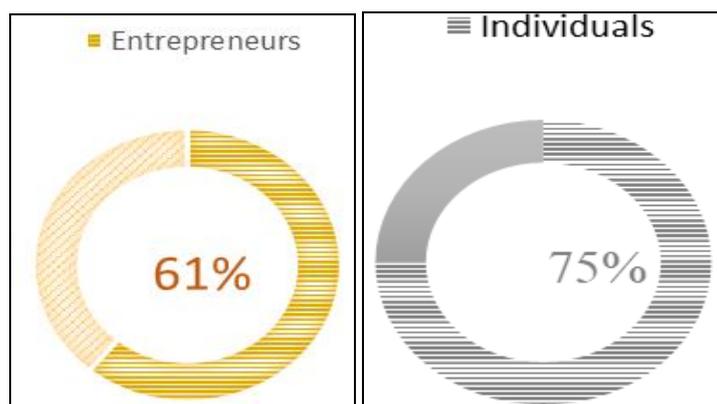


Figure 2- The Share of Entrepreneurs and Individuals Who are Ready for using Islamic Banking Services If they begin to Work or offer their Services in Uzbekistan



Recently, the Islamic financial system has been developing rapidly and confidently occupying the global financial space.

It is noteworthy that new Islamic banks, insurance companies, investment funds based on Islamic finance have been established in most Muslim countries, and this system has been developing even in non-Muslim countries.

Although, the UK is a secular country where the majority of citizens are Christians, more than 20 banks have been offering Islamic finance products and services to entrepreneurs and individuals [18]. In addition, UK has been even known as the “Third Habi” of Islamic financial institutions.

According to the data of the World Bank, the growth rate of Bangladesh has increased from 5.57 % (2010) to 7.9% (2018).

The current study found that Islamic banks have made a significant contribution to Bangladesh’s economic development by supplying the demand for finance of small and medium-sized businesses.

Nowadays, the share of Islamic banks is 24% of the total assets of the state’s banking system in Bangladesh.

In 2012, the principles of Islamic finance were implemented in Oman, and the volume of Islamic financial assets amounted to 12.6 billion USD, and its share in the banking sector reached 13.7 % during the last years. Currently, Oman is ranked 15th in terms of Islamic financial market size in the world.

In general, there are more than 300 Islamic banks and financial institutions that total assets are \$ 2.88 trillion, growing annually by 15-20 percent.

In this case, it is important to attract the funds of organizations based on Islamic financing to the economy of Uzbekistan in order to support the private sector.

Despite Uzbekistan is the largest Muslim population country in Central Asia, it lags far behind Kazakhstan, Kyrgyzstan, and Turkmenistan in using Islamic financial products.

The initial practice of Islamic finance in our country began due to the accession of Uzbekistan to the Islamic Development Bank (IDB) in 2004.

In 2004, the Islamic Development Bank (IDB) used “Ijara” and “Murabaha” products to finance projects in the energy and health sectors of Uzbekistan. However, IDB has been active in Uzbekistan since the early years of independence and has been involved in grant projects through programs to support Muslim communities in non-member countries.

Nowadays, apart from Islamic Development Bank, Uzbekistan is a member of Islamic Corporation for the Development of the Private Sector (ICD). Until these days, It has been financed projects valued at more than \$ 350 million by the corporation. Mainly, the Islamic Corporation for the Development of the Private Sector (ICD) uses the "Murabaha" method of financing in the country.

Of course, the existence of a law is a prerequisite for the use of Islamic banking products by economic entities of the country however, the Republic of Uzbekistan does not have separate legislation on Islamic finance.

The projects which have been financing in Uzbekistan by the Islamic Development Bank and the Islamic Corporation for the Development of the Private Sector are implemented in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 371 of August 27, 2003, and December 21, 2004. According to the resolutions, the government of Uzbekistan has adopted the articles of the agreement on the establishment of the IDB and ICD.

Currently, the bank offers to its customers the following means of financing:

- murabaha;
- istisna;
- ijara;
- financing lines based on murabaha.

These financing methods above are used on contracts provided by the Islamic Development Bank or ICD.

These Islamic products are only for entrepreneurs, and there are not yet Islamic financing services and products for individuals in Uzbekistan. Moreover, for entrepreneurs apart from the above-mentioned products and services that Islamic insurance or deposits and other Islamic products and services have been not yet offered.

Our research demonstrated that current legislation prohibits commercial banks to offer Islamic finance services. In particular, current tax and banking legislation does not allow conventional banks to buy and sell Islamic products.

As it is not generally agreed that tax law in Uzbekistan, if banks finance equipment or technology under Islamic finance, they have to pay value-added tax (VAT) or cannot be allowed to charge a payment for late in Islamic finance, and even if they are taken for disciplinary purposes, the money is credited to a separate account and used for charity. However, this fine is considered as a profit by the tax authorities and charged as a tax.

In addition, Article 52, paragraph 6, of the Law on the Central Bank of the Republic of Uzbekistan sets requirements for the calculation of interest on loans and their inclusion in the bank's income statement, but this approach is specific to traditional banks and does not apply to Islamic financial institutions.

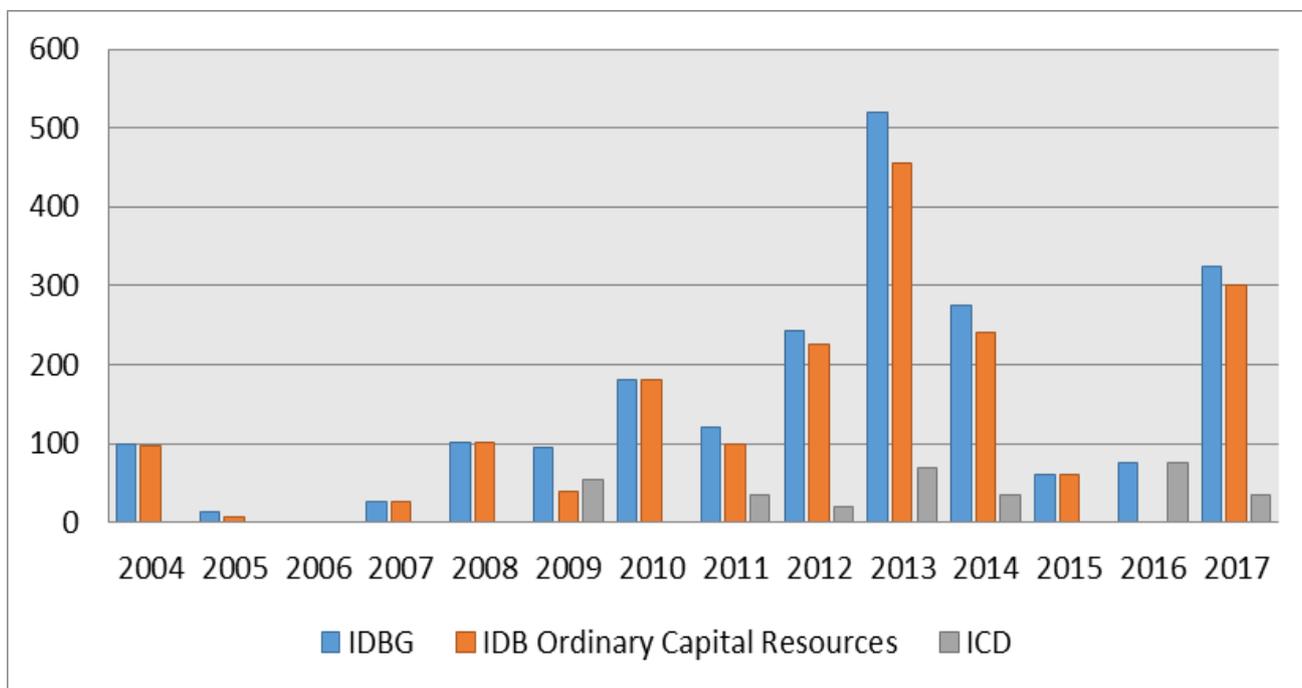
Table 3 provides a SWOT analysis of the development of Islamic finance in Uzbekistan, which discusses the strengths and weaknesses, opportunities, and threats to the development of the sector.

Table 3- SWOT Analysis of the Development of Islamic Finance in Uzbekistan

Strengths	Opportunities
<ul style="list-style-type: none"> <li>- Support of the head of state</li> <li>- Targeting loan funds and efficient use</li> <li>- The absence of bankruptcy of Islamic banks and the stability of mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>- Diversification of financing sources, especially for small and medium businesses</li> <li>- If Uzbekistan attracts investment from the Middle East and Southeast Asian countries, it can be directly benefited its economy</li> <li>- Increasing the reputation of Uzbekistan as a secular state that successfully introduces Islamic finance</li> <li>- Existence of the financing market, which is not adequately covered (small and medium business entities, agricultural sector) by traditional financing.</li> <li>- Due to the fact that the majority of the population of Uzbekistan believes in Islam, it is expected that there will be a stable demand for these financial products.</li> <li>- The principles of Islamic finance help to reduce social inequality, strengthen social justice.</li> <li>- Due to the emergence of alternative financial products, the population will be able to expand to access financial services.</li> <li>- Opportunity to introduce the world's most successful tools and methods in the public and private corporate sectors in order to reduce the debt burden and financial rehabilitation of enterprises that can be the basis of the country's system</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>- Inconsistency of local tax and banking legislation to the principles of Islamic finance</li> <li>- Lack of experienced staff working with Islamic products</li> <li>- Low financial awareness: unawareness of the population and business about Islamic finance products and other standards</li> <li>- The complexity of borrowing from an Islamic bank. Islamic financial products are based on the principle of profit and loss sharing, which requires documentary transparency and a careful analysis of the debtor's solvency</li> <li>- Distrust of the population in completely new financial products</li> <li>- Lack of systematization in the current legislation</li> <li>- Serious problems with the taxation of Islamic financial products</li> </ul>	<ul style="list-style-type: none"> <li>- Risk of fraud. The emergence of a fake Islamic finance institution is among the population leads to a loss of confidence in Islamic finance</li> <li>- Islamophobia. There are various misconceptions about the involvement of this industry in terrorism and extremist organizations</li> <li>- Cultural differences (non-acceptance of Islamic principles at the level of consumption)</li> <li>- Risk of competition by mutual insurance companies and microfinance institutions which offer traditional financial services</li> <li>- Lack of real investment climate in the eyes of large Islamic investors, unwillingness to officially acknowledge the existing facts</li> <li>- Insufficient attention is paid to the active introduction of these services</li> <li>- Resistance by private shareholders of local commercial banks as a result of misunderstanding</li> </ul>

In 2004, Uzbekistan became a member of the Islamic Corporation for the Development of the Private Sector. The IDB Representative in Uzbekistan began its work in October 2006 in Tashkent.

Figure 3- Funds provided by ITBG for Uzbekistan (USD in Millions)[19].



Currently, Uzbekistan has been considering the issue of joining two other organizations of ITB. These are the Islamic Corporation for Investment and Export Credit Insurance (ICIEC) and the International Islamic Trade and Finance Corporation (ITFC).

From the given figure above, it can be seen that the amount of projects approved by the Islamic Development Bank for Uzbekistan is 2.1 billion USD, of which 304 mln. USD belongs to ICD and 1.82 bln. USD the share of the ITB in the given period.

In 2010, an initial leasing company named "Toiba Leasing" was founded by ICD with a charter capital of \$ 5 million, also provides its Sharia-compliant leasing services to the private sector. Until these days (2010-2017), the company has financed more than 200 worth of projects included USD 26.3 mln.

Tables 4 and 5 summarize the IDB's financing methods for Uzbekistan and its sectoral financing portfolio.

In terms of financing methods, the first place is occupied by istisna (model for construction works), the second and third places are taken by murabaha (sale in installments) and ijara (leasing).

Table 4- IDBG Portfolio for Uzbekistan in Terms of Financing Methods [19]

Methods of financing	Projects		
	number	mln. I.D.	mln. USD.
Technical support	5	0,8	1,1
Credit	3	22,2	32,5
Special assistance operations	8	1,4	1,9
Sell to pay in installments	11	292,4	446,0
Istisna	12	616,7	909,3
Co-financing lines	3	29,4	45,0
Capital	1	3,2	5,0
Leasing	11	275,7	412,1
Trade finance	19	199,6	292,6
<b>Total</b>	<b>73</b>	<b>1,441,4</b>	<b>2,145,5</b>

The results, as shown in Table 4, indicate that the main share of projects (45.4%) are the construction and building materials industry meanwhile, the second, third, and fourth places are gained by light industry (14.87%), transport services (4.96%) and food production (4.95%) respectively. The share of other sectors is 29.8 % in total and less than 4 % on an individual basis.

It can be seen that construction-oriented projects are the main part of the financing, which includes the reconstruction of irrigation systems, road construction, construction of schools, colleges, and other projects.

Funding by ICD is mainly used as Murabaha contracts, and more than 70% of it directs on lines of financing through banks, and the remaining 30% is direct financing. These projects of the ICD contribute to the development of various sectors of the economy, particularly, including pharmaceuticals, healthcare, construction materials, textiles, food industry, agriculture, and others.

Table 5- Financing Portfolio of IDB and ICD for Uzbekistan shown in the Part of the Sectors

Sector	Projects								
	IDBG (Total)			In particular					
	Number	mln. I.D.	mln. USD.	IDB			ICD		
Number				mln. I.D.	mln. USD.	Number	mln. I.D.	mln. USD.	
Education	12	52,3	78,6	5	51,1	77,0	0	0,0	0,0
Finance	17	189,3	279,7	4	29,6	45,1	10	151,8	223,0
Health care	9	81,0	118,5	3	53,0	78,3	5	27,8	40,0
Industry and mining	9	41,1	61,1	2	13,7	20,0	7	27,4	41,1
Information and communication technologies	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0
Transport	4	228,6	348,0	4	228,6	348,0	0	0,0	0,0
Energy	8	350,0	533,1	8	350,0	533,1	0	0,0	0,0
Agriculture	8	436,8	632,6	8	436,8	632,6	0	0,0	0,0
Real estate	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0
Water supply, sanitation and municipal services	2	61,7	92,9	2	61,7	92,9	0	0,0	0,0
Others	4	0,7	1,0	4	0,7	1,0	0	0,0	0,0
<b>Total</b>	<b>73</b>	<b>1,441,4</b>	<b>2,145,5</b>	<b>40</b>	<b>1,225,2</b>	<b>1,828,0</b>	<b>22</b>	<b>207,0</b>	<b>304,1</b>

As follows from the table shown above, the projects approved for financing by the Islamic Development Bank Group by sector, the largest investment is directed to the agricultural and rural development sector, which accounts for almost 30% of the ITBG portfolio. After the figure, It is followed by energy with a share of 25%, transport (16%) and finance (13%) respectively.

Despite being the last of the CIS countries to join the IDB and ICD, Uzbekistan ranks first in the portfolio of both organizations in the region.

In March 2018, it was signed between the Government of Uzbekistan and the ITFC about 100 million USD allocated to finance trade operations. According to this contract, the corporation has got a chance to finance trade projects before being a member of Uzbekistan in the organization, and to date, the ITFC has provided a line of financing based on Murabaha to the Asian Alliance Bank, Trustbank, and Kapital Bank.

In addition, by 2021, the Islamic Corporation for the Development of the Private Sector (ICD) has signed agreements to open windows providing Islamic financial products and services ("Islamic windows") in several commercial banks in Uzbekistan. The launch of these windows is scheduled for the second half of 2021 [20].

The Islamic window is in most cases set up in countries where there is no Islamic financial system or legislation on Islamic finance. Because, the Islamic window offers a limited number of services and products as a product of a traditional bank, based on the existing laws and legal framework of a particular country.

Islamic banking services and products are usually completely provided after the relevant laws have been enacted in that country. Therefore, the most common purpose of establishing Islamic windows is to:

1. To study the demand for Islamic financial services in the country;
2. Offering Islamic financial services on the basis of the existing infrastructure (buildings, staff, etc.) in conventional banks without additional costs;
3. To make practical proposals for the development of a law on Islamic finance and banking in the country through the study and in-depth analysis of the activities of established Islamic windows;
4. Increasing their participation in the country's economy by increasing the financial literacy of the population and the private sector;
5. Development of future development strategies of banks based on the analysis of the results of the Islamic window.

## **5. Conclusion**

From the outcome of our investigation, it is possible to conclude that Islamic finance is a new field for the Uzbek economy, which is needed by both entrepreneurs and individuals. The emergence of alternative financing products will help expand the population's access to financial services. One of the more significant findings to emerge from this study is that 61 % of entrepreneurs and 75 % of individuals respondents who participated in the survey are ready for using Islamic Banking services if they begin to work or offer their services in Uzbekistan. However, existing expectations can be seriously distorted due to the lack of experience and knowledge of potential customers in the field of Islamic finance, as well as insufficient improvement of banking and financial legislation.

There are also risks associated with the regulation of Islamic financial products in the context of the unequal interpretation of Sharia law in Muslim countries based on a lack of qualified specialists in the field of Islamic finance.

Based on the research results, it is recommended that the Government of Uzbekistan develop a roadmap for the development of the banking industry based on Islamic finance or partnership in

order to create alternative financial services to increase the opportunity of entrepreneurs and individuals. This roadmap is aimed at improving the existing legislation (to add amendments and additions to the legislation on banking, taxation, securities), development of Islamic financial infrastructure, development of international cooperation and the public sector, development of the Islamic financial services market, organizing scientific-educational works and working with investors. At the same time, it is expedient to establish a responsible agency and deadline for each work.

On the basis of the promising findings presented in this paper, work on the remaining issues is continuing and will be presented in future papers.

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