

Improving the Practice of Leasing Services Based on the Principles of Islamic Finance

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Abstract: This scientific article analyzes the practice of leasing services based on the principles of Islamic finance. In addition, it highlights the distinctive features and significant aspects of Islamic finance that have contributed to its increasing popularity.

Keywords: Islamic finance, Islamic financial system, mudarabah, musharakah, traditional financial services, Islamic window, sukuk, ijara, salam.

Introduction

In the global financial services market, Islamic banking is regarded as an innovative financial instrument and has shown a rapid growth trend in recent years. In particular, according to information provided by the “Qardus” publication, the average annual growth rate of the Islamic finance sector in the global financial market has been 15–25 percent in recent years. Currently, Islamic financial institutions manage more than 2.7 trillion USD worth of global financial assets¹. This situation indicates that interest in services provided on the basis of Islamic financial instruments in the global financial services market is increasing year by year. Scientific research is being conducted worldwide on priority areas such as supplementing financial services based on capitalist principles with Islamic finance products and services, developing Islamic banking practices in Western countries, improving the provision of banking services based on Islamic financial instruments, and enhancing the role of Islamic banking in financially supporting small businesses and private entrepreneurship.

Analysis of Literature on the Topic

As a result of research conducted within the framework of this topic, the opinions and views of scholars regarding Islamic finance and banking can be analyzed, providing necessary knowledge about the significance of this field, its future prospects, anticipated opportunities, and potential risks.

In particular, scholar Al-Azzawi in his research defined Islamic finance as “*a commercial institution that, based on Islamic Sharia, opens and maintains financial accounts, carries out payments, attracts deposits, finances individuals and legal entities, and provides other financial services*” [2].

In an academic article written by economist Litau, it was emphasized that the foundation of the Islamic financial system lies in the prohibition of **riba** (usury/interest), along with the principles

¹ Ali Ismail. The Islamic Financial Services Industry Statistics. [Online resource]. URL: <https://www.qardus.com/news/the-islamic-financial-services-industry-statistics#:~:text=Currently%2C%20the%20Islamic%20finance%20sector,over%202.7%20trillion%20USD%20globally.>

of avoiding gharar (excessive uncertainty), maysir (gambling), and haram (prohibited activities) [3].

Research Methodology

In carrying out this scientific work, conclusions, proposals, and recommendations were developed in relevant areas through the analysis of the development trends and factors of Islamic finance and banking. The methods used included interviews with scholars and industry representatives, analysis of their written and oral opinions, expert evaluation, observation of processes, applying a systematic approach to economic phenomena and processes, as well as conducting comparative analysis with the author's own experiences.

Analysis and Results

In Uzbekistan's financial services market, banking and leasing services hold a priority position compared to other types of services. At the same time, the population's demand for financial services has been increasing year by year. According to data provided by the Central Bank of the Republic of Uzbekistan, during 2020–2023, 66.0 percent of banking services provided in the country were accounted for by legal entities, while the remaining 34.0 percent consisted of financial services provided to individuals.

In particular, an analysis of the structure of credit lines allocated by commercial banks to various sectors of the national economy during the period under review shows that 29.6 percent of loans went to enterprises operating in the industrial sector, 14.9 percent to entities in trade and public catering, 7.9 percent to agricultural enterprises, 3.9 percent to construction companies, and 3.6 percent to entities engaged in transportation and communication services. This situation indicates that economic entities with a need for financial resources in the development of the national economy's sectors have a high level of demand for financial services.

In recent years, in order to develop practices of providing services based on Islamic Sharia in the country's financial services market, consultations have been conducted under a memorandum signed between the government and the Islamic Corporation for the Development of the Private Sector (ICD) to open "Islamic windows" in more than 10 local commercial banks. These include Qishloq Qurilish Bank, Hamkor Bank, Trust Bank, Ipak Yuli Bank, InFin Bank, Turon Bank, and Microcredit Bank. In global practice, the introduction of "Islamic windows" in banks when Islamic banking enters the financial services markets of Western countries is considered as the initial stage in the development of Islamic banking in those countries. Taking this into account, the fact that the ICD has begun work on opening "Islamic windows" in commercial banks operating in our country's financial services market indicates that, in the near future, the operation of banks based on Islamic Sharia is expected to develop within the national banking system.

Conclusion

In conclusion, it can be stated that the field of Islamic financial services will serve as an important factor, foundation, and development prospect for the bright future of Uzbekistan. As a result, foreign investors' interest in a country whose culture reflects the deep roots of Islam will increase, and the government will be able to fully utilize this opportunity to ensure public welfare and the sustainable development of the nation.

In general, the economic system envisaged by Islam aims at social justice, which prevents not only the community but also an individual enterprise or entrepreneur from causing harm either to others or to themselves.

During the years of independence, the practice of providing traditional banking services based on capitalist principles has developed in the country. Under the conditions of New Uzbekistan, in order to bring the development of the financial services market to a new stage, work is being carried out to form a regulatory and legal framework for the practical use of Islamic financial products, including:

In the financial services market, among the financial institutions engaged in providing services based on the principles of Islamic Sharia are: **UzbekLeasing International**, **APEX TAKAFUL** insurance company, **UZARO** insurance company and business consulting organization, **IMAN Invest** — an investment organization for individuals based on trust principles through murabaha, **TAIBA Leasing** — a leasing company belonging to the Islamic Corporation for the Development of the Private Sector (ICD), **Hamkorbank**, and **Trust Muamalat** (a subsidiary of Trustbank).

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