

REVIEW OF DEVELOPMENT COUNTRIES PRACTISES WITH
ISLAMIC FINANCE AND BANKING SYSTEM

Ozoda Mirzasalimova To'liq qizi

Bowl Foods Group MCHJ, marketing menejer, magistr

ozow95@gmail.com (+998977681577)

Annotatsiya

Tezisning asosiy mazmuni bugungi kunda islom moliyasi rivojlanib tobora moliya bozorida keng xizmatlari bilan biz uchun keng imkoniyatlar ochayotgani va rivojlangan davlatlarning yaxshi natijalari haqida. Bizga ma'lumki Markaziy Osiyoda Islom dini qancha asrlardan buyon bor bo'lgan va bugungi kunda ham Islomiy moliya va bank tizimida tarmoqli tartibda o'sib kelmoqda. Ko'plab rivojlangan davlatlar islomiy moliya tizimida ko'pgina samarali ishlarni bajarib, yanada rivojlantirishga harakat qilmoqdalar. Tan olib aytish kerakki bugun islom moliyasi nafaqat to'g'ri va halol moliya tizimi bilan balki moliya va bank tizimida yangi xizmatlari bilan ham butun dunyo uchun yangi va samarali tizimni taklif qilmoqda

Annotation

The main purpose provided by this thesis is admitting today's Islamic finance becoming more developed and opening variety of chances in finance marketing by expanding its services, so about perfect results made by developed countries. As it's known by all of us that Islam religion has been by many centuries and today's system of Islamic finance is increasing its services. Most developed countries have great results in Islamic finance and making continuous developments on it. I should admit that today Islamic finance not only the way of new glance to finance world but it has right and halal service and offers effective system for all.



Аннотация

Основная цель данной диссертации заключается в признании того факта, что современное исламское финансирование становится все более развитым и открывает множество возможностей в сфере финансового маркетинга за счет расширения спектра услуг, что позволяет развитым странам достигать отличных результатов. Как всем известно, исламская религия существует уже много веков, и современная система исламского финансирования расширяет спектр своих услуг. Большинство развитых стран достигли значительных результатов в области исламского финансирования и продолжают его развивать. Я должна признать, что сегодня исламское финансирование не только представляет собой новый взгляд на мир финансов, но и предлагает правильные и халяльные услуги, а также эффективную систему для всех.

Kalit so'zlar

CIBAFI	Council for Islamic Banks and Financial Institutions
CBs	Conventional Banks
MoU	Memorandum of Understanding

Review of Developed Countries Practices with Islamic Finance and Banking system

The main purpose provided by this thesis is admitting today's Islamic finance becoming more developed and opening variety of chances in finance marketing by expanding its services, so about perfect results made by developed countries. Most developed countries have great results in Islamic finance and making continuous developments on it. I should admit that today Islamic finance



not only the way of new glance to finance world but it has right and halal service and offers effective system for all.

The World Bank Group involvement in Islamic finance is directly linked to the Bank's work on reducing poverty, expanding access to finance, developing the financial sector, and building financial sector stability and resilience in client countries. (World Bank Group, Islamic Finance 2017)

By helping expand the use of Sharia-compliant modes of financing in World Bank Group operations, we are helping deliver benefits to client countries in three areas: The sustainable development of Islamic finance offers benefits for economic growth, reducing poverty and fostering shared prosperity. Islamic finance can significantly contribute to economic development, given its direct link to physical assets and the real economy. The use of profit- and loss-sharing arrangements encourages the provision of financial support to productive enterprises that can increase output and generate jobs. The emphasis on tangible assets ensures that the industry supports only transactions that serve a real purpose, thus discouraging financial speculation. (World Bank Group, Islamic Finance 2017)

Islamic finance helps promote financial sector development and broadens financial inclusion. By expanding the range and reach of financial products, Islamic finance could help improve financial access and foster the inclusion of those deprived of financial services. Islamic finance emphasizes partnership-style financing, which could be useful in improving access to finance for the poor and small businesses. It could also help improve agricultural finance, contributing to improved food security. In this regard, Islamic finance can help meet the needs of those who don't currently use conventional finance because of religious reasons. Of the 1.6 billion Muslims in the world, only 14% use banks. It can help reduce the overall gap in access to finance, since non-Muslims aren't prohibited from using Islamic financial services. (World Bank Group, Islamic Finance 2017)

It helps strengthen financial stability. As the 2008 global financial crisis



ravaged financial systems around the world, Islamic financial institutions were relatively untouched, protected by their fundamental operating principles of risk-sharing and the avoidance of leverage and speculative financial products.

Despite its recent years of rapid growth, Islamic finance is still in its early stages of development, and it will need to address several challenges. We are supporting our client countries to strengthen the legal, regulatory and institutional foundations of Islamic finance. We have also expanded our efforts in promoting the systematic and sustained use of relevant knowledge of Islamic finance to raise awareness, build consensus and promote the worldwide use of Sharia compliant financing instruments. (World Bank Group, Islamic Finance 2017)

As part of its work on Islamic finance, the World Bank, in partnership with the government of Turkey, established the Global Islamic Finance Development Center in 2013 as a knowledge hub for developing Islamic finance globally, conducting research and training, and providing technical assistance and advisory services to World Bank Group client countries interested in developing Islamic financial institutions and markets.

In recent operations in Egypt and Turkey, for example, the Bank Group helped governments to design Sharia-compliant financing frameworks to expand financing for small and medium scale enterprises. (World Bank Group, Islamic Finance 2017)

Also, in July 2015, the World Bank and the General Council for Islamic Banks and Financial Institutions (CIBAFI), the global umbrella of Islamic financial institutions, signed a Memorandum of Understanding (MoU) to help foster the development of Islamic finance globally and expand its use as an effective tool for financing development worldwide, including in non-Muslim countries. The development of Islamic finance in France is attributed to strong support by the French authorities, who have built an appropriate and friendly environment for such finance in this country.

In December 2007, Paris EUROPLACE, the organization that promotes the city's role as a financial center, established the Islamic Finance Commission. Since



then, the French financial markets regulator, the Autorité des marchés financiers AMF, has issued two positions allowing Shari'ah compliant investment funds and sukuk listings. As such, the Bourse de Paris (Paris stock exchange) has created a sukuk segment and four tax regulations (relating to murabahah, sukuk, ijarah and istisna') have been published that confirm a parity of tax treatment with conventional financial products. (World Bank Group, Islamic Finance 2017)

In recent years, the French regulatory authorities have taken a number of steps to encourage Islamic finance in the country. The first initiative, which involved significant tax and regulatory changes aimed at boosting Islamic finance in France, was announced in July 2008. More specifically, these changes were related to the admission to listing of sukuk on a French regulated market, the tax treatment of Islamic financial transactions and, to a lesser extent, reforms of the fiducie (French trust). Under these changes, compensation paid by sukuk issuers is, for tax purposes, treated just like the interest on a traditional bond offering and is deductible from taxable income. In addition, the compensation paid to non-resident sukuk investors is exempt from withholding tax in France, regardless of whether an offering is governed by French law or the laws of another country.

Germany was the first Western country to tap the Islamic capital market when the federal state of Saxony-Anhalt issued the country's first Islamic bond (sukuk) in 2004. The paper attracted strong demand and was fully subscribed, with 60% of the issue going to investors in Bahrain and the UAE and the remaining 40% to investors in Europe, particularly those in France and Germany. The €100 million ijarah sukuk (Islamic sale-and-leaseback debt instrument) was fully redeemed in 2009. (Islamic finance in Europe - European central bank)

In 2009, Germany's Federal Financial Supervisory Authority (BaFin) accepted a request from a foreign institution to conduct banking operations within the country in accordance with Islamic principles. However, without a full banking license, the range of offerings remained limited. A follow-up conference on Islamic finance was organized by BaFin in May 2012, which had a special focus on Shariah-compliant capital market products (Islamic funds, sukuk and asset-backed

securities). (Islamic finance in Europe - European central bank)

The German market has also witnessed the offering of a new Shariah-compliant investment

product that is benchmarked to the West LB Islamic Deutschland Index. This is comprised of shares in ten German firms whose business activities are conducted in line with the Shariah.

German financial institutions also actively participate in the Islamic finance industry by their subsidiaries in London, Dubai and Kuala Lumpur. These institutions could play a key role in

attracting Shariah-compliant funds to Germany through their established networks and expertise. (Islamic finance in Europe - European central bank)

The prospects for the further development of Islamic finance in Germany are rather solid. First, Germany is the largest economy in Europe and it features the largest Muslim population (4.1 million people, against 3.5 million in France and 2.9 million in the UK). Second, German exporters could use institutions offering Islamic financing solutions as alternative sources of funding and thereby further enhance their funding profiles. Third, Islamic trade finance products offer the potential to strengthen trade ties with countries such as Turkey; a country which is an active trading partner of Germany and that has a budding Islamic finance sector. (Islamic finance in Europe - European central bank)

References

World Bank Group (2017) Islamic Finance, World Bank. Available at: <https://www.worldbank.org/en/topic/financialsector/brief/islamic-finance> (Accessed: 01 December 2023).

Islamic finance in Europe - european central bank. Available at: <https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp146.pdf> (Accessed: 02 December 2023).



Fitch Ratings: Credit Ratings & Analysis for Financial Markets.

Available at: <https://www.fitchratings.com/research/banks/turkey-islamic-banking-growing-operating-environment-difficult-12-05-2022> (Accessed: 18 November 2023).

Islamic finance and economic growth: The Turkish experiment, ISRA International Journal of Islamic Finance. Available at: <https://www.emerald.com/insight/content/doi/10.1108/IJIF-12-2020-0255/full/html> (Accessed: 20 November 2023).

Ghazali, M 2008, 'The bank-specific and macroeconomic determinants of Islamic bank profitability: Some international evidence', Thesis, University of Malaya, viewed 15 October 2017, Google Scholar.

Hussain, M, Shahmoradi, A & Turk, R 2016, 'An overview of Islamic finance', *Journal of International Commerce, Economics and Policy*, vol. 7, no. 01, pp. 88-115.

Hasan, M & Dridi, J 2011, 'The effects of the global crisis on Islamic and conventional banks: A comparative study', *Journal of International Commerce, Economics and Policy*, vol. 2, no. 02, pp. 163-200.

Di Mauro, F, Caristi, P, Couderc, S, Di Maria, A, Ho, L, Kaur Grewal, B, Masciantonio, S, Ongena, S & Zaheer, S 2013, 'Islamic finance in Europe'. Occasional Paper Series No. 146. European Central bank.

Easterby-Smith, M, Thorpe, R, Jackson, P & Lowe, A. 2008, 'Management research: theory and practice', *Sage Publications Ltd., London, UK*, vol. 101, p. 210.