

PRINCIPLES OF ISLAMIC BANKING, DIFFERENCES AND EMERGENCE FROM CONVENTIONAL BANKS

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Islamic banking is not a new concept in the world of financiers. However, the question naturally arises among newcomers: "Is it possible to combine religion with banking?" In fact, very successful results can be achieved through the Islamic banking principle. Islamic banks operate under Sharia law. Islamic banks operate on the basis of Sharia principles: they provide interest-free money only for specific projects.

Keywords: *Islamic economy, Islamic banking, commercial bank, interest (ribo), zakat (property tax), customer, contract, murabaha*

INTRODUCTION The main difference between Islamic banking and traditional banking is that it prohibits interest on deposits. The Islamic Bank prohibits pre-determined interest depending on the term and size of the loan. According to Muslim law, one must live and work on the basis of honesty and integrity.

Muslims can benefit, but cannot use interest for it. In this case, no product or service is produced and there is no prosperity in society.

Some Muslims, even if they live in European countries, abide by Sharia law and refuse to receive deposit interest. To do this, they fill out an application at a credit institution.

The bank does not charge interest. He becomes an investor, not a creditor. Accordingly, he shares the risks with the entrepreneur.

A Sharia-based bank receives funds only to invest in real business. All banking services are structured in such a way that income is derived only from real business.

The Islamic Bank prohibits gambling and securities transactions. This is because working with them is very risky, as the client may lose investment. They also do not approve loans for tobacco products, alcohol, arms sales, pornography distribution, and other dubious activities.

The most important thing in Islamic banking is to follow the principles of the contract. This must be done by all parties to the contract. If one of the parties also



doubts the percentage, the deal will not be executed. Islamic bankers avoid financial problems.

ANALYSIS OF THE LITERATURE ON THE SUBJECT

Banks in Arab countries are a new phenomenon compared to the American and European currency systems. The first financial institution was established in 1963 in Egypt . The founder was Mitt Ghamr, who raised funds from individuals and invested them. Mit Ghamr Bank operated until 1967.

In 1971, the Nasser Social Bank was opened in Cairo. The financial institution provided interest-free loans for production, and shared the profits if the project was successful. The company also helped those in need and provided student loans. The president allocated the first capital to the bank.

After Nasser Social Bank, the Islamic Bank of Dubai was established in 1975 . It was created by the rulers of Dubai and Kuwait. The capital of the Islamic Bank of Dubai is 50 million dirhams.

They are the main consumers of Sharia banks in Asia and Africa. Branches of credit companies have been opened in European countries and the United States.

Businessmen from Iran, Pakistan and Sudan work according to Islamic norms. There are two types of financial institutions in Malaysia, the United Arab Emirates, Brunei, and Saudi Arabia.

There are very few Islamic banks in Russia. In the 1990s, Badr-Forte Bank operated under a sharia banking system. It was founded by Adalet Jabiyev, Doctor of Technical Sciences.

ANALYSIS AND RESULTS Popular expressions of banks of Islamic countries An interest-free loan that a small business receives from a bank is called a loan. In Arab countries, such as Iran, financial institutions are required to divert some of their money to non-performing loans. It is forbidden to demand interest. The borrower has the right to make a voluntary payment to thank the financial institution.

Murabaha is one of the popular services. It's like a bank loan or a lease. A financial institution allocates money for a specific sale. The goods will remain with the credit institution until the debtor repays the loan in full.

Takaful is an insurance based on Islamic principles.

Islamic banks also use the term "musharaka" extensively. This involves co-financing an idea or business by several investors. Individuals and businesses are allowed to participate.

The benefits of the competition are distributed as follows:





the partner receives a share for their work, participation in the project and management skills;

The rest of the profits are shared between the investor and the partner financial institution. The amount depends on the level of contribution to the project and the costs of the participants.

The company distributes the losses according to the amount contributed by the parties to the transaction.

The term "mudoraba" is used to place deposits . The owner of the money gives his money to the bank, and the other bets it on business development. The principles of profit distribution are predetermined. The consumer knows how much money to invest. In the traditional financial system, this scheme is called venture financing.

Islamic finance in Uzbekistan

In 2021, the Central Bank planned to draft a law on non-bank credit institutions, which includes the concept of Islamic finance. This was announced by the Deputy Chairman of the Central Bank Behzod Hamrayev at a press conference at the AOCA on January 11, 2021 .


Shavkat Mirziyoyev made this proposal in his address to the parliament on December 29, 2020. The President instructed the Central Bank to consider a draft law on non-bank credit institutions by February 1, 2021 to strengthen the competition in the financial market, as well as to create a legal framework for the introduction of Islamic financial mechanisms.

Islamic finance in Uzbekistan is presented in the form of the Islamic Bank's private sector development projects, which have long been successfully cooperating with the Silk Road Bank . Financing is provided in the form of providing lines of financing to banks to provide guarantees in accordance with the principles of Murobaha.

CONCLUSIONThe Islamic Banking System has successfully overcome the global financial crisis, proven its resilience to systemic risks, its resilience and resilience in a secular legal environment, and has made a significant contribution to overall economic growth. At the same time, it provides opportunities for those who apply to Islamic finance based on their religious beliefs, as well as for those who intend to meet their financial needs more fully through this system. , its development and its place in the world. The urgency of implementing this system in the practice of Uzbekistan and recommendations for its application are given.

In contrast to the norm-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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