



THE ROLE OF ISLAMIC FINANCE IN PROMOTING FINANCIAL INCLUSION IN UZBEKISTAN

Anorqulova Mastura Sadirjon kizi

Teacher at the ISFT institute

mail: masturaanorqulova@gmail.com

Abstract: Islamic finance is getting to be increasingly prevalent all through the world as a workable substitute monetary framework that regards the ethical and devout feelings of Muslims. Islamic banking offers a calculated chance to make strides in monetary incorporation in countries like Uzbekistan, where a sizable area of the people is still unbanked and abused by customary money-related education. The potential commitment of Islamic funds to growing Uzbekistan's access to monetary administrations is inspected in this exposition. Employing a desk-based technique, the ponder analyzes current investigations, develops controls, and hones worldwide best practices. It highlights vital issues like regulation capability, open numbness, and limited legitimate systems.

It moreover draws consideration to potential, such as growing political backing, intrigue from universal financial specialists, and developing open requests. The creation of a money-related foundation that complies with Sharia law, administrative changes, and open mindfulness activities are a few of the arrangement thoughts.

Keywords: islamic finance, financial inclusion, financial development, Islamic microfinance, islamic art, Muslims.

1. Introduction

One of the most powerful powers behind financial development is monetary consideration, or the accessibility and utilization of formal money-related administrations by both people and undertakings. Uzbekistan still has challenges coming to unbanked populations in spite of headways in money-related segment changes, particularly in country districts and among people who have devout sensitivities to conventional interest-based budgetary items (World Bank, 2022).

Sharia-based money-related items, including risk-sharing, interest prohibition (riba), and instability shirking (gharar), are given by Islamic funds (El-Gamal, 2006). Muslim communities trying to find ethically sound financing may discover it engaging since it incorporates a variety of instruments like Ijara (rent), Murabaha (cost-plus financing), and Mudarabah (profit-sharing) (Ali, 2011).

This exposition investigates what vital measures are required for the development of Islamic banking and how it seems to offer assistance to Uzbekistan in accomplishing its objective of expanding budgetary consideration.

2. Literature Review

Islamic banking has extended rapidly on a worldwide scale, with resources surpassing USD 3 trillion by 2022 (IFSB, 2023). With noteworthy authoritative backing and public-private participation, countries such as Malaysia, Indonesia, and the joined-together Middle Eastern Emirates have viably joined Islamic back into their standard budgetary frameworks (Zin et al., 2020).

Islamic back and monetary consideration: Islamic funds have appeared to be valuable instruments for budgetary consideration, especially in regions with a larger part of Muslims. The IMF (2021) claims that Islamic microfinance organizations have played a noteworthy part in making a difference in low-income and rustic communities in countries like Bangladesh and Sudan.

Obstacles in Creating Markets: In numerous creating countries, Islamic banking experiences troubles in spite of its potential because of hazy directions, a need for Sharia administration, lacking item advancement, and low client mindfulness (Obaidullah and Khan, 2008).

Setting of Uzbekistan: With the assistance of collaborations with the Islamic Development Bank (IsDB) and eagerness to order laws relating to Islamic managing an account, Uzbekistan has illustrated an expanding interest in Islamic finance (IsDB, 2022). Be that as it may, ordinary banks proceed to overwhelm its money-related division, advertising a little determination of Islamic items.

3. Methodology

This considered utilizing a desk-based, subjective technique, looking at auxiliary information from:

Distributions from organizations that give Islamic money

World Bank, IMF, and Islamic Development Bank reports

The lawful and established establishments of Uzbekistan

Advertise, investigate, and academic distributions.

The analysis's fundamental objectives are to pinpoint the impediments that must be evacuated and the potential commitment Islamic funds might make to extending access to monetary administrations.

4. Findings and Discussion

4.1 Islamic Finance's Potential for Money-Related Consideration The majority-Muslim populace of Uzbekistan can have their devout inclinations obliged by means of Islamic money-related administrations. Little undertakings and clients in need of financing that acclimates with Islamic standards might advantage significantly from items like Murabaha and Ijara (Ali, 2011).

Also, Islamic microfinance can give ethically sound and comprehensive substitutes for conventional advances, especially for lady agriculturists, casual specialists, and trade proprietors. (IFSB, 2023).

4.2 The Show Circumstance of Uzbekistan's Islamic Fund In Uzbekistan,

Islamic art is still exceptionally youthful. A few progressions have been accomplished by:

Foundation and instructive activities supported by IsDB Islamic microfinance pilot programs (IsDB, 2022).

To empower Islamic managing of account operations, draft enactment is being checked on (CBU, 2023).

Commercial banks haven't, however, set up completely utilitarian Islamic backups or windows, all things considered.

4.3 Execution Challenges

Administrative deterrents incorporate the need for Sharia administration systems and a particular Islamic way of keeping money control (IMF, 2021).

Regulation Capacity: Insulant talented staff in item structure and Islamic monetary standards (Obaidullah and Khan, 2008).

Open Mindfulness: Imminent clients have little information about Islamic monetary administrations (Zin et al., 2020).

Advertise Preparation: Because of the perceived complexity and costs, conventional banks may well be hesitant to grow their item offerings.

4.4 Opportunities and Enabling Factors

Political Support: The Uzbek government has communicated an extraordinary interest in progressing Islamic finance and has marked participation agreements with the IsDB.

External Organizations: To progress capacity and draft controls, universal organizations can give specialized offers of assistance (IsDB, 2022).

Statistic Demand: The Muslim community includes a solid want for monetary products that follow Sharia law.

5. Conclusions and Recommendations

In Uzbekistan, Islamic finance provides a way to extend money-related consideration that's both ethically and socially satisfactory. Its precepts are in line with the convictions of a sizable parcel of the masses and offer a way to bring money-related administrations to underprivileged regions.

Recommendations:

1. Embrace Comprehensive Law: Make a system of laws custom-fitted to Islamic law that covers authorizing and oversight.
2. Make Sharia Sheets: Make certain that all Islamic banks have Sharia admonitory sheets that

are qualified.

3. Empower Monetary Education: Begin open mindfulness campaigns with respect to the preferences of Islamic funds.

4. Capacity Building: Teach controllers and bank workers about Islamic fund concepts. 5. Advance Advancement: Help with the creation of Islamic fintech items for online keeping money and microfinance.

The Islamic fund has the potential to altogether contribute to Uzbekistan's increased financial incorporation with the proper regulation arrangement and administrative backing.

References:

1. Ali, S.S., 2011. Islamic Micro and Medium Enterprise Finance: Exploring the Role of Islamic Financial Services in Promoting Financial Inclusion. Islamic Development Bank, Jeddah.
2. CBU, 2023. Central Bank of Uzbekistan Annual Report 2022. [online] Available at: <https://cbu.uz>
3. El-Gamal, M.A., 2006. Islamic Finance: Law, Economics, and Practice. Cambridge University Press.
4. IFSB, 2023. Islamic Financial Services Industry Stability Report 2023. [online] Islamic Financial Services Board. Available at: <https://www.ifsb.org>
5. IMF, 2021. Islamic Finance: Opportunities, Challenges, and Policy Options. [online] International Monetary Fund. Available at: <https://www.imf.org>
6. IsDB, 2022. Islamic Development Bank Annual Report 2022. [online] Available at: <https://www.isdb.org>
7. Obaidullah, M. and Khan, T., 2008. Islamic Microfinance Development: Challenges and Initiatives. Islamic Research and Training Institute.
8. World Bank, 2022. Uzbekistan Financial Sector Assessment Program Update. [online] Available at: <https://www.worldbank.org>
9. Zin, R.H.M., Muhammad, J. and Ahmad, A., 2020. Financial inclusion through Islamic finance: Opportunities and challenges. Journal of Islamic Monetary Economics and Finance, 6(1), pp.129–150.