



The Islamic Bank and Its Evolution

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ABSTRACT

The article describes the history of Islamic banks, their emergence and evolution, and discusses the differences between traditional banks and Islamic banks. It also suggests reasons why the demand for Islamic banks now tends to increase from year to year.

Keywords:

Islamic Bank, Credit, Capital, Islamic Finance, Islamic Economy, Murobaha.

1. Introduction.

A developed and efficient banking system is essential for a developing economy. At the same time, it helps to shift financial resources from surplus units to deficit units and therefore ensures a continuous supply of financial resources to people working in various fields of economic activity. The role of the bank is comparable to the role of the arterial system in the human body. In short, the banking system is very positive for the development of the economy, and the mismanagement of the banking system can lead to an economic crisis, which has happened many times in history.

In particular, the Great Depression was caused by shortcomings in the banking system and had a negative impact on the global economy. The 2008 Financial and Economic Crisis is also a global crisis caused by certain operations of the traditional banking system (caused by errors in mortgage operations by mortgage banks). There have been many such crises and banking crises in history, and the crisis has deepened in banking. We believe that

the main reason for this is that the profitability and principle of operation of traditional banks is based on full-blooded (speculative) operations. It is the banking system that has suffered the least since the 2008 crisis, with Islamic banks, the banks operating on Islamic principles, and thus the growing interest in Islamic finance and Islamic banking around the world.

The Islamic financial sector is one of the fastest growing sectors in the world during the crisis and includes innovative financing mechanisms. According to experts, the total assets of Islamic financial institutions are approaching \$ 4 trillion, growing by 15-20% per year [1]. The development of this network is especially important for Muslim-majority countries.

2. Literature review.

Tursunov Anvar Sultanovich, Doctor of Philosophy in Economics, described the Islamic bank as follows:

An Islamic bank is a commercial organization that "opens and maintains bank

accounts in accordance with Islamic law, makes payments, attracts funds to deposits, finances individuals and legal entities, and provides other banking services" [2].

Russian scholars, on the other hand, refer to the Islamic banking system, not Islamic finance as a separate system, but both as "Islamic economies," and L.R. Syukiyenen described it as follows [3].

Islamic economics is a system based on the general Islamic ideas of an ideological nature, the methodological approaches of Islam and the problems of modern Islamic society.

3. Research methodology.

This article examines the theoretical approaches of foreign and domestic researchers on the subject, in particular, the views on the evolution, features and fundamental theoretical foundations of the development of the Islamic bank.

4. Analysis and discussion of results.

The historical roots of economic education in the development of financial thinking, the rules of Islam, the immortal works inherited from our great ancestors serve us as an invaluable source. The statement of economic ideas in Islamic teachings, the holy book of the Qur'an, one of the activities of human society, economic relations play an important role. Because in economic relations, the basic human characteristics are reflected. The Qur'an tells people that the equality of all human beings on earth is a divine command.

If we look at the history of Islamic finance, Islam came to humanity through the Prophet (peace and blessings of Allah be upon him) and in a relatively short period of time spread to Mecca and Medina. Before Islam, these cities prospered through local entrepreneurship, interstate and inter-ethnic trade relations. In particular, the verses of the Qur'an, which forbade usury, the consumption and sale of certain products, served as the basis for Islamic finance. As a result, these principles have been successfully applied in Mecca and Medina, and have spread to other parts of the world over the centuries. The establishment of

Bait al-Mal, the central Islamic treasury, during the time of the Prophet (peace and blessings of Allah be upon him) indicates that the development of the Islamic financial system began at that time.

In addition to the establishment of the House, historical evidence confirms the existence of roadblocks in the early days of Islam. For example, Ibn Abbas r.a. He would take the voriq (silver minted on dirhams) and send a confirmation to Kufa (a city in Iraq). Another example is Abdullah ibn Zubayr r.a. In Mecca, he would accept cash from depositors and write a letter to his brother in Iraq, ordering the depositors to give them their deposits when they arrived in Iraq [4].

The development and expansion of Islamic financial institutions around the world from 2000 to the present has increased the need for common legal frameworks and regulations at the local and international levels. These reasons have led to the development of institutions that specialize in setting international standards in the early 21st century. In 2001, the International Islamic Financial Market, one of the most prestigious financial institutions in the world, was established. Organizations such as the International Accounting Standards Council for Accounting and Auditing for Islamic Financial Institutions, the Islamic Financial Services Council, and the International Islamic Rating Agency have also begun operations.

Later, the General Council of Islamic Banks and Financial Institutions and the Arbitration and Reconciliation Center for Islamic Financial Institutions and many other organizations were established.

As for the spread of Islamic finance and banking in Western countries, Islamic banking and finance has become widespread not only in Islamic countries, but also in Western countries. The following are some of the most popular Islamic banks and institutions in the West:

Table 1
The first Islamic financial institutions to be established in the West [5]

No	Countries and cities	Names of Islamic financial institutions	Year of establishment
1	Luxembourg	Islamic Banking International Holding	1978
2	Geneva	Dar-al-mal-al-Islami	1981
3	Denmark	Al-Baraka Group and the International Islamic Bank of Denmark	1982
4	London	Islamic Finance House	1983

In addition to the above-mentioned institutions, there are several world-renowned traditional international banks offering Islamic banking services, including Chase Manhattan, Citibank, HSBC, Union Bank of Switzerland (UBS), BNP-Paribas, Standard Chartered and others.

Financial institutions that are established as Islamic finance are carried out through Islamic finance contracts. In Islam, a contract can only be valid if it does not contradict the Shari'ah. Islamic finance contracts have been developed throughout Islamic civilization within the framework of Sharia and in accordance with the requirements of society. Even before the advent of Islam, the Arabs of the Arabian Peninsula used several types of contracts to meet their financial needs. Even after the advent of Islam, these treaties were not completely abolished, but their subject matter and practices were emphasized. Because trade and financial practices are an integral part of Islam. Thus, any contract in which the Ribo

element was found to be present was found to be haram and was annulled. A number of contracts that are not in accordance with the Shari'a, but can be changed, have been amended, conflicting components have been removed, and the Shari'ah has been restored [6].

Some of the contracts that existed among the pre-Islamic Arabs (for example, to take a product by blind touch without seeing and inspecting it, to identify it by throwing stones, to sell it without ownership) It was declared invalid and un-Islamic by the Messenger of Allaah (peace and blessings of Allaah be upon him).

Contracts such as Bay al-Salam have also been made lawful after all the wrong elements have been removed.

The above operations were a brief history of the treaties made during the time of the Prophet (peace and blessings of Allah be upon him). Let us now consider the various treaties in Islamic finance, as well as their structure and application.

In the Qur'an, Allah says (interpretation of the meaning): "O you who believe! Keep the covenants!" (Surat al-Ma'ida). This verse of the Qur'an can be considered the basis for agreements in Islam. The contract is called "Aqd" in Arabic, which means "tie", "knot" or "joining". The contract binds all parties involved. The contract, while expressing the intentions of the parties and defining their rights and obligations, clearly defines the nature, processes, means and duration of the transaction or business. In Islam, contracts are given special importance, so all contracts in the field of finance should be based on the principles of Sharia.

Islam does not prohibit debt (subject to certain restrictions), but it does prohibit a culture of living in debt that is detrimental to human dignity. Islam also does not naturally forbid self-interest that follows entrepreneurship, but it does forbid animalistic qualities such as selfishness, greed, and deceit. At the same time, we will look at the differences between an Islamic bank and a traditional bank [7].

In a country where there are two types of banking systems (Islamic banking and traditional banking), an enterprise receives a loan from a traditional commercial bank. In half a year, the company will sign a "murobaha" agreement with the Islamic Bank.

But the company's performance is not going well. Both traditional bank loans and Islamic banking "murobaha" agreements are due. At the moment, the company can't pay them [8].

Under the Murobaha agreement, the company has to pay a certain amount of money, which was previously agreed upon, according to the sale agreement with the bank. At the same time, the Islamic Bank does not impose any penalties for late payments of one year, and the amount of the payment remained unchanged due to the prohibition of usury in Islam.

The company's management is surprised that the amount it has to pay under the "murobaha" agreement has not even increased by \$ 1, if it has avoided the fines imposed by a traditional commercial bank. Naturally, they are impressed by the Islamic Bank's attitude and are the first to pay off the debt under the murabba agreement. The traditional bank is being sued over huge debts caused by fines and penalties [9].

If fines, penalties, loans were applied, the company would most likely disappear altogether and dozens of people would be unemployed, but the outcome was good.

Thus, Islam offers guidelines and commands to follow a set of rules for all aspects of human life, as well as for socio-economic relations (behavior). It is only in the last few decades that serious efforts have been made to interpret these financial and economic regulations and norms in terms of modern analytical terms, and although many studies have been published, There is some confusion over the application of a clear definition to the various social sciences to which the term "Islamic" has been added, such as "Islamic finance" or "Islamic economics". One of the main reasons for this is the tendency to consider different aspects of the system as a whole, rather than as a whole. For example, the

term "Islamic finance" is often used to describe a system that "forbids interest" [10]. But such a simple statement is not only incorrect, but also a source of additional confusion. Thus, Islam offers guidelines and commands to follow a set of rules for all aspects of human life, as well as for socio-economic relations (behavior).

5. Conclusions and suggestions.

In conclusion, it should be noted that the introduction of Islamic finance and the Islamic banking system in Uzbekistan is based on two factors.

The first factor is that Islamic finance will thrive when the government itself promotes Islamic finance and encourages people to do so, develops laws, regulations and regulations, and creates the necessary infrastructure by the central bank. That is, the state must approve laws that support the development of the Islamic financial and banking system, and the central bank must develop rules and regulations that justify the differences between the traditional and Islamic banking systems. We can see this in the case of Malaysia, which is studying Islamic finance as a center.

The second factor stems from this market demand. Then people will want such services and products.

Frankly, Uzbekistan has both of these factors. That is, the central bank is interested in paving the way for Islamic finance, and we understand that they are focusing more on finance than on the word Islam. Ultimately, it will be an important financial infrastructure for them to support the economy. Because Islamic finance and traditional finance complement each other.

I think this is a very healthy environment for any country, especially an important tool for attracting people to the economy who do not want to approach the banking sector because of their religious beliefs.

The interest of the government and the central bank in expanding Islamic finance is to ensure the active participation of this segment of the population in the banking system and to include them in the financial system.

The central bank is now keen to ensure that Islamic finance is properly regulated and controlled by the central bank. They are currently working on it, studying the experience of different countries around the world, looking for the most suitable method for the needs of the population.

Now when it comes to customer demand, it can be evaluated through banks. Here, the banks are very eager to open such Islamic finance windows and establish Islamic banks, as they are ready to meet the needs of customers and communicate. They came to this decision after realizing that the demand for financing based on Islamic principles is high, based on customer demand, and we, the Islamic Corporation for the Development of the Private Sector, have tried this by investing.

It is one of the most successful countries in Uzbekistan. We would also like to emphasize that the demand from both sides is equally high, which means that both the government and the people are very interested in Islamic finance. Needless to say, the majority of the population here is Muslim.

It is natural that the demand for Islamic financial services is high among Muslims, but we would like to emphasize once again that Islamic finance serves not only Muslims but also non-Muslims.

Of course, such misunderstandings exist among the people. I can cite a few examples of this, where Muslims make up no more than 5 percent in Singapore, but Islamic finance is booming in Singapore, especially Sukuk and similar financial services.

One of the priorities of Uzbekistan is the mode of operation of the central bank, the supervisory body in your country. Another advantage of your country is that you are not the first country to implement the industry, but you have the opportunity to effectively use the negative and positive aspects of the experience of other countries that have implemented this system. There are various methods and models of implementation in Islamic finance in countries around the world.

Dual systematization in Malaysia is one of the acceptable methods in our experience. They have both a complete Islamic banking

system and a full traditional banking system under one central bank. It gives people the freedom to choose. If they use the services of Islamic banks or choose the traditional method, everyone will be covered by the banking system. At the same time, resources are used efficiently and tax revenues are maximized. Because in this, everyone moves within a single system.

Islamic finance is a great tool for countries with good agriculture and industry. Because Islamic finance creates a favorable environment for the development of the real economy and its balance with the financial sector. Instead, we have to go through a cycle of crises on a regular basis to deal with the effects of the bursting of interest-free bubbles in the traditional economy.

It is not enough to say that I am providing services on the basis of Islamic finance. It is possible that Islamic banks will introduce new types of products that can compete with traditional banks, such as customer service, they must be advanced in raising their fortunes.

Offering standard products, we don't have to sleep and freeze where we stand. Instead, customers need good service and products. Provide customers with complex and useful products consisting of two or three deals. This finance allows customers to develop products that meet the terms of payment and cash flow.

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