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LEGAL BASIS FOR THE IMPLEMENTATION OF THE ISLAMIC BANKING SYSTEM IN THE FINANCIAL MARKET OF UZBEKISTAN

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Abstract: This article comprehensively analyzes the objective necessity, current status, challenges of developing the regulatory and legal framework, as well as the impact and prospects of introducing Islamic banking and finance into the financial market of the Republic of Uzbekistan. It provides a scientifically substantiated framework for integrating Islamic finance principles into the traditional banking system, as well as international experience and necessary amendments to national legislation.

Keywords: Islamic banking, financial market, legal framework, Uzbekistan, Islamic finance, tax neutrality, economic prospects.

Abstract: In this state, the objective necessity, current situation, challenges of developing the regulatory and legal framework, as well as the impact and prospects of introducing Islamic banking and finance into the financial market of the Republic of Uzbekistan are analyzed. Nauchno obsnovany mechaniznyi integratsii principov islamskogo finansirovaniya v traditsionnuyu bankovskuyu system, zarubezhnyi opyt i neobhodimye immeneniya v natsionalnoe zakonodatelstvo.

Key words: Islamic banking, financial market, legal basis, Uzbekistan, Islamic finance, tax neutrality, economic perspective.

Annotatsiya: Ushbu maqolada me'yoriy-huquqiy bazani ishlab chiqishning ob'ektiv zarurati, hozirgi holati va qiyinchiliklari, shuningdek, O'zbekiston Respublikasi moliya bozorida islom bank ishi va moliyasini joriy etishning ta'siri va istiqbollari har tomonlama tahlil qilinadi. The Islamic banking system is a key component of the Islamic banking system, which is integrated into the traditional financial system.

This article is about the Islamic banking system, the Islamic banking system, the Islamic Republic of Uzbekistan, the Islamic Republic of Uzbekistan, the Islamic Republic of Uzbekistan, and the Islamic Republic of Uzbekistan.

Introduction. At the current stage of development of the global financial architecture, Islamic banking and finance have firmly established themselves as an effective alternative and attractive partner to the traditional financial system. Uzbekistan is implementing large-scale reforms to diversify the financial market, increase investment attractiveness, and extend financial and banking services to all segments of the population.

The fact that the vast majority of the country's population professes Islam, as well as the high demand from businesses for interest-free financial resources, create not only an economic but also a social imperative for the introduction of Islamic banking in Uzbekistan. However, for this system to

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function fully, the legal foundations of the financial market and a thorough scientific and theoretical analysis of its economic consequences are required.

The Islamic banking system is based on the norms and principles of Sharia, and its fundamental difference from the traditional banking system lies in the complete elimination of usury (riba), excessive uncertainty, and gambling. Furthermore, in the Islamic financial system, money is viewed solely as a medium of exchange and cannot generate value or profit on its own. Profit arises only through real economic activity, trade, or partnerships based on the mutual sharing of risks and profits.

The economic prospects of this system are determined by several key factors. First, Islamic banking is directly linked to the real sector of the economy. Islamic banks don't simply lend money to clients at interest; they finance the acquisition of specific assets, lease them, or participate as partners in joint projects. This prevents the formation of artificial "bubbles" and reduces inflationary pressure in the financial market.

Secondly, the system allows for the attraction of hidden funds from households and entrepreneurs, outside of banking, into the formal economy. There are a significant number of domestic investors who, for religious reasons, do not use interest-bearing loans from traditional banks. The emergence of Islamic financial instruments will ensure the influx of these funds into the banking system in the form of deposits and investments.

The main obstacle to the implementation of the Islamic banking system in the financial market of Uzbekistan is the lack of a comprehensive legal framework. Current banking and tax legislation is adapted exclusively to the traditional financial system, which is based on interest. To successfully implement the new model, conceptual changes to a number of legislative acts or the development of specific draft laws are necessary.

First and foremost, the legal status of Islamic financial contracts must be defined in civil and banking legislation. For example, in one of the most common Islamic finance instruments, the murabaha agreement, a bank purchases goods or real estate in its own name for a client and then sells it to the client at a premium on a staged payment basis. However, according to current banking legislation

Commercial banks are prohibited from directly engaging in production and trading activities. This creates a legal contradiction in the core operations of Islamic banks.

The second important issue is improving tax legislation. With traditional lending, ownership of the property transfers only once, and interest payments are made. In Islamic finance (for example, in murabaha or ijarah agreements), because the property is first acquired by the bank and then transferred to the client, a double purchase and sale transaction occurs. Without specific amendments to tax legislation, these transactions will be subject to double value-added tax and property registration fees. This will make Islamic financial products significantly more expensive than traditional loans, and they will lose their competitiveness. The only solution to this problem is to implement the principle of "tax neutrality" in the tax system, that is, to establish an equal tax burden for Islamic financial transactions and traditional loans.

Strengthening the legal framework for Islamic banking in Uzbekistan will bring significant positive changes to the country's economy. This can be seen in several ways. The scale of attracting foreign direct investment will expand. Large investment funds and Islamic banks in Middle Eastern countries, particularly the Persian Gulf states, direct their funds only to projects that comply with Sharia principles. The creation of an Islamic financial infrastructure in Uzbekistan, including an Islamic securities market (sukuk), will pave the way for the influx of this significant capital into the country's economy, particularly in the infrastructure, energy, and agriculture sectors.

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Successful implementation of the Islamic banking system in Uzbekistan requires a phased and systematic approach. Initially, it is necessary to establish a special department within the Central Bank to regulate and oversee Islamic banking, as well as a Sharia Council at the national level. This Council will review and evaluate products offered to the financial market for their compliance with international Islamic finance standards.

In the second stage, an accounting and reporting system should be developed that allows for the opening of "Islamic windows" at conventional banks and ensures the separation of Islamic funds from traditional interest-bearing resources. This method will allow the system to be tested in practice without posing serious risks to the country's financial system. The third and most important area is personnel training. Islamic banking is a complex field requiring both economic and religious-legal knowledge. Therefore, the introduction of specialized departments and curricula on Islamic finance in the country's higher education institutions, particularly in universities specializing in economics and finance, as well as advanced training for existing bank employees with the involvement of international experts, are urgent priorities.

Conclusion. The introduction of the Islamic banking system in the financial market of Uzbekistan is not simply the emergence of a new type of service, but a strategic tool that ensures sustainable economic growth and accelerates its integration into the global financial space. Improving the legal framework, in particular introducing appropriate amendments to the Civil and Tax Codes and banking laws, will create a solid foundation for the full and effective operation of Islamic banks. From an economic perspective, this system will take the competitiveness of the financial market of Uzbekistan to a new level by mobilizing domestic resources, attracting foreign investment, and developing small businesses.

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