



SOME ISSUES OF ATTRACTING DEBT CAPITAL THROUGH THE ISLAMIC FINANCIAL INSTRUMENTS IN CAPITAL MARKETS

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Abstract. This article examines in detail the important aspects, peculiarities and role and importance of debt financing in Islamic finance in the activities of corporate structures. In addition, the stages of organization and implementation of the practice of issuing Islamic securities, “Sukuk”, are presented, and conclusions and recommendations on the use of Islamic financial instruments in our country have been developed by studying the practice of foreign countries.

Keywords: Capital markets, islamic financial instruments, sukuk, financial risk, securitization, exchange

INTRODUCTION

In 2021-2025, Uzbekistan plans to issue sukuk securities, which are instruments of the Islamic financial market. Uzbekistan attaches great importance to expanding the diversity of financial instruments in the stock market. To this end, the UN project in Uzbekistan and the Islamic Development Bank are working together. In particular, Uzbekistan intends to capture the "sukuk" market, which is an Islamic financial instrument. This financial instrument is one of the tools that allows to attract not only domestic but also foreign investors to the financial market.

A number of global challenges in 2023, including the coronavirus pandemic, have caused serious damage to the world economy. These unexpected changes, especially for the economies of third world countries and developing countries, have led to a number of problems, such as rising external debt, declining foreign trade, rising unemployment. In the financial and banking sector as well, the decline in the solvency of the population and entrepreneurs has led to an increase in problem loans, a decline in the quality of bank assets.

However, in countries that have created the necessary ecosystem for the development of Islamic finance and banking, Islamic banks, the Islamic financial system in 2023 will continue to grow at a high rate.

Moody's 2021 report notes that despite the challenges posed by the coronavirus pandemic, Islamic banking, Islamic banking, and legal and takoff areas of the Islamic financial system are encouraged by the incentive policies of most governments and the strong support for these products. has gained some interest due to demand and maintained growth rates in 2022-2023 as well. With this in mind, in this master's dissertation we will analyze the emerging Islamic financial markets, the Islamic securities market and the activities of "sukuk" securities in the financial markets.

ANALYSIS AND DISCUSIONS

Returning to the Islamic principles of financing, it should be noted that usury means usury. Interest does not have to be charged in this way. In fact, usury refers to any illegal or unfair gain arising from a quantitatively incompatible steering equivalent. Driving interest or



usury (that is, buying and selling steering wheels) is just one form of usury.

The prohibition of usury, which is the main rule of the system, literally means ‘excess’ and is interpreted as ‘any unreasonable view of the carital, whether in the form of sale or debt’. The general view among Islamic scholars is that usury includes not only usury, but also the calculation of unfair income, which is widely used in practice. A direct consequence of the interest rate ban is the prohibition of interest rates on net debt obligations.

This prohibition is based on the principles of social justice, property rights and equality. Islam encourages profit, but prohibits the collection of pure steering interest because labor-based profits are a symbol of successful entrepreneurship and the creation of additional wealth. In contrast, interest is an expense that is not based on labor, is calculated regardless of the outcome of the activity, and cannot generate wealth if there are commercial losses. Social justice requires that the profits and losses of the debtor and the lender be shared equally, and that the process of accumulation and distribution of wealth in the economy be fair and reflect real productivity.

Different parties have expressed differing views on the purpose or rationale for the prohibition of interest collection by Sharia. Considering all the relevant principles and texts of the Islamic Law League, it can be argued that the only reason that is considered strict is the fair distribution of material wealth, as the prohibition of usury is intended to prevent the accumulation of wealth in the hands of a group of people.

Rollers are considered “probable” caries, meaning that they become caries only when they are combined with other resources to carry out production activities in practice. Islam recognizes the temporal value of rules, only for which they must participate as a carital in reality, not as a “probable” caricature. The Shari'ah divides usury into two forms:

- the interest on the conversion of the steering wheel to the steering wheel results in a loan interest, where the conversion is delayed or slowed down, and this is the reason for the additional payment applied in today’s financial practices. Regardless of whether they are related to a gift or service that is due or prepaid, a variable interest or fixed income from the entire amount, or a gift or service that must be recovered as a condition of obtaining a loan Sharia law applies;
- phase interest is more subtle and is associated with hand-to-hand or barter exchanges. The prohibition stems from the demand of the hadiths of the Prophet (peace and blessings of Allaah be upon him) that goods should be exchanged for a steering wheel, and that barter can be used as a commodity, which leads to unfair treatment. Fazl's interest is very similar to the ban on food credit in the Old Testament. In today's markets, the exchange takes place by means of rollers, the relevance of the phase interest seems to have diminished, but the application of the essence of the consortium to such cases remains.

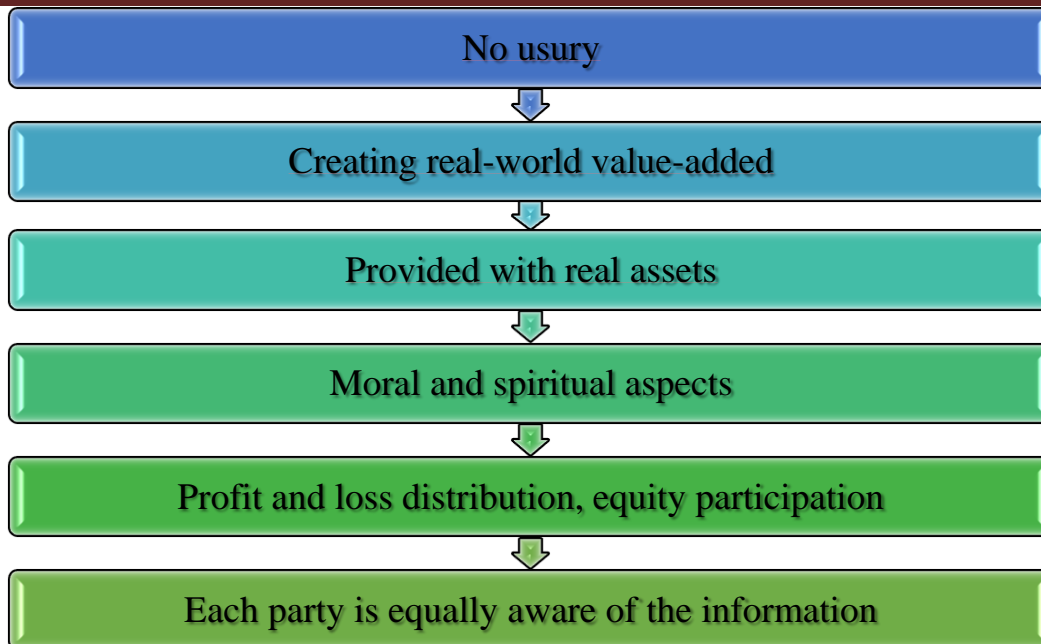


Figure 1. Characteristics of Islamic financial instruments¹

By focusing on usury in financial practices, a more formal definition of the term can now be restored. According to the Shari'a, usury, which must be paid by the debtor to the creditor (lender) together with the principal amount as a condition for extending the term of the loan or obtaining a loan, is technically "premium". It is not possible to sell rollers (credit) for. In this regard, usury is a key feature of western banking and finance and reflects all of the characteristics listed above.

In financial transactions, the cave is the most important component after interest. Simply put, the decision is the result of a problem of ignorance of information and is related to any uncertainty that arises due to lack of control or information in the contract. A transaction that is concealed by other (partners) or that neither party has control over is considered a decision or may be considered as ignorance of information about certain parts of the transaction.

Taking into account the concept of justice in all Islamic trade agreements, the Shari'a treats any uncertainty as to the quantity, quality, restoration, or the existence of the subject matter of the contract as a reference to the element of decision. However, it allows jurists to determine the level of caution in transactions, and depending on the situation, they may recognize the transaction as valid or invalid. The Shari'ah prohibits pre-Islamic blind exchange agreements, which are highly uncertain or cause unnecessary controversy and injustice, and uncertainty is not known to one or both parties to the agreement. . In most cases, the gap can be eliminated by eliminating unnecessary uncertainty by clearly defining the objects of sale in the transactions and their prices. A well-documented contract will also help eliminate the caveat. Throughout the book, the cave will be fully covered in subsequent chapters.

Because lending interest is prohibited, net debt obligations are eliminated from the system, and suppliers of funds become investors, not creditors. The financial card supplier and the entrepreneur share the distribution of practical risks in the profits and losses.

Banning debt obligations and encouraging risk sharing will restore a fair economic

¹Prepared independently by the author using economic literature.



system where there is a direct link between the financial and real sectors. As a result, the system introduces the “availability” aspect, which deals directly with the underlying asset through financing in such a way that financial transactions are clearly and inextricably linked to activities in the real sector. There will be an integral link between the real efficiency of the asset and the capital cycle used to finance it.

The Islamic financial system prevents excessive accumulation and prohibits practices involving excessive uncertainty, gambling, and risk.

Islam sees support for contractual obligations and the disclosure of information as a necessity. This task is designed to reduce the risk of dealing with information ignorance and dishonesty (deception). Islam attaches great importance to the protection of property rights, defines equality between the state and society, civil rights, and strictly prohibits encroachment on the right to property.

Sukuk is one of the most widely used means of debt-based financing. According to the international standards of the International Organization for Finance and Auditing for Islamic Financial Institutions, sukuk are certificates of the same value, the right of ownership of certain investment activities or assets of a particular project, the right to use them in kind, the right to use services, material In practice, such a right is exercised after the funds received for the purpose of issuing sukuk are used and the subscription is completed and the sukuk value is received.

Sukuk securities represent participation in a project or lease, and the title itself indicates the essence of the project (sukuk al-muzaraba, sukuk al-mushoraka, sukuk al-ijara, etc.). In terms of the scale of the projects and the attraction of Euro investors to them, the most popular sukuk are securitization projects (sukuk al-ijara).

Sukuk has many similarities with a traditional equity certificate. In essence, sukuk is used as a means of securitizing assets.

The purpose of Sukuk is to attract investors to finance the project on a repayable and repayable basis. The issuance of sukuk should be regulated in such a way that, on the one hand, it protects investors and provides them with an acceptable return on investment, and on the other hand, it meets the requirements of Sharia.

As mentioned above, sukuk is called Islamic securitization. The basis for this is that the security is related to any asset. In other words, sukuk is not only a simple bond, it would also be against Sharia law - it would also document the rights of sukuk owners to a particular asset, such as real estate, rental income, financial flows from trading operations, and so on.

Another ingredient that is common to sukuk and securitization is SRV - a specialized project company. It is this legal entity or trust that, as a rule, issues sukuk certificates, is accountable to sukuk holders, invests funds received from certificate holders according to the issuance documents and distributes financial flows between them.

Despite the impact of the coronavirus accident on the global economy, the placement of Islamic securities by the end of 2020 is expected to be close to the volume in 2019. In the first nine months of 2020, the issue of Islamic securities amounted to 130.5 billion US dollars. This in turn reflects the demand for this market. Islamic instruments of Islamic securities in satisfying the need for capital are attracting interest in blind countries and are spreading widely. In recent years, Uzbekistan has also been trying to enter the market, and Kazakhstan is preparing for a second sukuk issue.

As we study and analyze the Islamic stock market, there are a number of requirements and criteria for buying and selling stocks. We use these requirements in the International Accounting and Auditing Organization for Islamic Financial Institutions (IFI)



and in the guidelines of the Meezan Bank of Rokistan. . They include:

1. The activities of the invested enterprise must be in accordance with Sharia. Therefore, it is forbidden to invest in the shares of traditional banks, insurance companies and companies engaged in illegal activities, such as the production of soft drinks, pork products, gambling, nightclubs, pornography and corruption. .

2. The ratio of interest-bearing debt of the enterprise to total assets should not exceed 37%. If it is higher, the enterprise is considered to be financed mainly by interest-based sources. Interest-bearing loans include bonds, bank loans, financial leasing, derozit certificates, preferred shares.

3. The company's non-compliant investments should not exceed 33% of total assets. Such investments include mutual funds, investments in steering markets, interest-bearing bank deposits, various bonds, U.S. Treasuries, derivatives and other investments.

4. Prohibited income received by the enterprise should not exceed 5% of total income. It will be necessary to get rid of such forbidden income through charity and rock the income.

5. The non-liquid assets of the enterprise must be higher than 25%. Non-liquid assets include all steering and its equivalent.

The market price of one share of the enterprise must be higher than the value of liquid assets per share.

At the level of developed countries, Islamic financial markets in the UK will initially reflect interbank market operations with banks in London by providing new banking services for overnight deposits in the Gulf countries.

In 1982, Al Baraka International, a Jeddah-based financial investment company, bought Hargrave Securities, which had the right to accept deposits, and converted it into an Islamic bank. The bank served a limited segment of the British Muslim community, but its main customers were wealthy people from Arab countries who spent the summer in London.

After the opening of branches, the bank's activities expanded significantly, and in 1991 the number of bank customers exceeded 11,000. The bank offered its customers to open a current account with a minimum deposit of £ 150. The use of checks required a balance of at least £ 500, which was slightly higher than the demand of other banks in the UK. Typically, traditional banks allow for a negative balance on current accounts, although Al Baraka International, an Islamic financial institution, did not calculate such interest, although interest was charged for exceeding the current account balance. Al Baraka International has offered investment derosites based on the distribution of profits for amounts exceeding 5,000 units under settlement agreements. The derosite base is estimated to be 23 million in 1983. £ 154 million in 1991. pound sterling.

Al Baraka International has demonstrated a major initiative in financing home purchases. Since 1988, the bank has been offering long-term Islamic iroteka loans to customers. Al Baraka International and its clients have signed an agreement to jointly purchase a house or apartment, in which the shareholding of the parties is determined by the financial contribution of each party. Al Baraka International expects a fixed and fixed profit amount for the loan period, while the customer makes monthly or quarterly payments over a period of 10 to 20 years, repays the loan amount and pays the bank profit. There has been some controversy that the bank's profits can be calculated based on the market price of rent, but the frequent revaluation of property can be an administratively blind and complex process. and this was rejected, given that prices in the London real estate market fluctuate and this poses significant risks to banks.



Although Al Baraka International provides banking services in London, the most lucrative area of activity for it was card management, and in most respects the bank has established itself as an investment company. The bank lacked a strong structure to compete in pricing under the influence of large institutions in the financial industry. In the wake of the collapse of the Bank of Credit and Commerce International and the tightening of regulatory requirements by the Bank of England, the management of Al Baraka International decided not to pursue a banking permit, as this would lead to the restructuring of funds. would mean the need to incur large associated costs and make additional investments in the equity card. In June 1993, Al Baraka International revoked its banking license and closed its branches, but continued to operate as an investment company. Depositors received full coverage and most of them transferred their funds to the investment company.

This provided a great deal of flexibility, as the bank was no longer subject to the 1987 banking law and was regulated by the financial services and commerce laws.

In the late 1980s, the demand for commercial investments in the clients of the United Bank of Kuwait increased, and in 1991 it was decided to open a branch of this bank specializing in Islamic banking in London. As a separate division, the accounts in the form of Islamic liabilities were separated from the Central Bank in lieu of deposits in accordance with Islamic assets, and they were formed in the form of trade-based financial instruments. The unit had its own Sharia advisers and operated as an Islamic bank, but was able to draw on the experience and resources of the United Bank of Kuwait if necessary. In 1995, it was renamed the Islamic Investment Banking Branch and moved to its new office, providing a personal logo and trademark to emphasize its Islamic character. In the late 1990s, the share of bank-managed assets was \$ 750 million. dollars. As a result of the merger with Al Ahli Bank, the bank was renamed Al Ahli United Bank. entered the market with a plan to acquire.

In the implementation of Murobaha transactions, there was a need to pay two-sided stamp duty: the first time when the bank bought the property on behalf of the customer, and the second time resold the house to the customer at a premium. It was perceived by most members of the Muslim community as discriminatory, and only as a result of effective protection of the interests of Muslims by the British Islamic Council and the Committee to Investigate the Problems did the two-sided coat of arms be abolished in 2003. funding was not a network with political and legal support.

The Financial Services Authority (FSA) has pursued a policy of “no barriers - no special privileges” for Islamic banks and any new or innovative financial companies in general. The Board was interested in ensuring a level playing field between traditional and Islamic financial institutions. At the same time, the Board emphasized that it was a financial regulator, not a religious one. In early 2000, a working group on Islamic finance was formed under the chairmanship of E. George (Bank of England) and A. Buxton (Barclays Bank). The working group consisted of members from the Ministry of Finance, the Financial Services Department, the Irotaka Creditors' Council, financial institutions, and the Muslim community.

Since the establishment of this working group, the UK government and regulators have amended various regulations on alternative finance to create a market environment that is indistinguishable from that of traditional financial institutions in the field of taxation of Islamic banks and their clients. tried to create. For example, the stamp duty on real estate transactions (Stamp Duty Land Tax, SDLT) has been changed to eliminate double taxation on housing finance transactions under Sharia law.



In 2018, 22 banks in the UK provided Islamic financial services, 6 of which are fully compliant with Sharia law.

Interestingly, the Islamic Bank of the United Kingdom provides comprehensive services to the population not through branches and cash operations (which account for the bulk of costs for such banks), but mainly through agency divisions (known as legal or consulting firms) and online. through banking.

In 2022, the assets of the Islamic Bank of Great Britain amounted to 261 million. pound sterling. The volume of financing provided to other banks through commodity litigation and authorities increased by 86% and amounted to 129 mln. pound sterling. The volume of Islamic housing financing ("Housing Purchase Plan") increased by 92% and amounted to 117 mln. pound sterling. Deposits of individuals increased by 22% to 238 mln. pound sterling. The total number of bank customers exceeded 50,000. The main shareholder of the Islamic Bank of Great Britain is the International Islamic Bank of Qatar (Qatar International Islamic Bank CJSC).

CONCLUSION

Today, bank loans and securities financing are widely used in international practice as the main types of financing the economy. This not only allows companies to expand their financial and economic activities, but also contributes to the economic and social development of the country, increasing the efficiency of financial markets. In this process, the development of the financial market through the introduction of Islamic securities in the financial market, attracting a wide range of investors through Islamic securities, and the effective regulation of securities issuance will create additional opportunities.

One of the differences between Islamic securities markets and traditional securities markets is that they are subject to restrictions on risky or secular (gharar) contracts. Other restrictions include gambling, short-term sales, and arbitration. These restrictions are a good source for Islamic asset risk management strategies and can reduce investors' need for hedges.

Differences between bonds and sukuk: If the bond represents a debt obligation, sukuk gives partial ownership of the asset, and if the price of the bonds is based on the issuer's creditworthiness, the price of sukuk is based on the value of the underlying asset.



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