

International Credit and Alternative Islamic Financial Instruments and their Importance in the Development of the Economy of Uzbekistan

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ABSTRACT

In this article, we analyze international credit relations, international credit, its nature, principles, forms, risks, and alternative Islamic financial instruments, their content, principles, classification, and risks.

Also, this article talks about the importance and prospects of international credit and Islamic financial instruments in the development of the economy of Uzbekistan.

International credit relations, essence, principles, forms of international credit and its positive and negative aspects.

In the current period, the socio-economic development of the countries of the world differs sharply from the previous stages in terms of its meaning. The most basic and important aspect is the increasing integration and globalization of national economies. At the moment, these processes are having an impact on financial and credit relations at the international level. At this point, the question arises: what kind of relations do international credit relations regulate?

Such are the legal relations of international credit a contractual relationship in which one party is a foreign element, i.e. banks, firms, companies, legal entities and individuals of a foreign country, Transnational Corporations and the foreign country itself to another country, its legal entities and individuals, at the expense of interest, within the terms specified in the contracts is understood as a loan relationship with the condition of repayment. It should be emphasized that international credit relations are based on interstate and civil legal agreements. Due to the lack of international legal regulation of credit relations at the present time, it requires the parties to reach a high level of mutual agreement on the contracts. Since the parties did not agree on the amount of credit to be given, the currency of the loan, the interest rate, the repayment period, and which right they will exercise during the period of signing any contract, in the event of a dispute arising in ensuring the fulfillment of the terms of the contract, it is necessary to resolve it they may face some difficulties in finding.

As for the essence of international credit, the essence of international credit is the temporary use

of goods or monetary resources by one or more countries, international financial credit organizations, to other countries for the development of specific sectors of the national economy and the expansion of mutual economic relations. Subjects participating in international credit relations are commercial banks, central banks, state bodies, governments, large corporations, and international and regional financial and credit organizations¹.

The principles of international credit are of particular importance in international credit relations. After all, these principles, in other words, the conditions of international credit can reveal its economic nature more deeply². These principles include:

- 1) Reversibility. Accordingly, if the received funds are not returned, the form of non-return of monetary capital appears, that is, financing occurs. In other words, the money received in the form of a loan serves as a temporary source of financial resources of the borrower, and it must be returned to the bank.
- 2) Term. This principle is derived from the repayment principle of a bank loan. Any bank loan must be repaid within the specified period.
- 3) Solvency (percentage). Represents the application of the law of value and the ways in which credit differential conditions are implemented, and the interest rate charged for international credit is the price of that credit.
- 4) Material security. It means the guarantee of repayment of the loan, protecting against the risks arising from the loan.
- 5) Goal orientation. The purpose of this principle is to determine the specific objects of the loan and thereby stimulate the export of the creditor country.

As for international credit forms, international credit forms can be grouped into several types:

1. On the reimbursement of the foreign economic transaction from debt funds;
 - ✓ commercial credit (mainly loans related to foreign trade and services);
 - ✓ financial credit (used for any other purpose, including capital injections, construction of investment facilities, purchase of securities, foreign debt repayment, foreign currency intervention);
 - ✓ "intermediate" loans (intended to serve mixed forms of outflow of capital, goods and services).
2. International credit can be divided into 2 main forms;
 - ✓ international bank loan;
 - ✓ international commercial credit.

International bank credit is mainly in the form of currency (money). International commercial credit, on the other hand, usually takes the form of a commodity³.

It should be noted that international credit plays a double role in performing its functions - positive and negative⁴. International credit serves as an impetus for the development of foreign economic relations. International credit leads to the internationalization and exchange of production, the creation and development of the world market, and the deepening of the

¹ Private international law: Textbook / Author team || yfd, Assoc. Under the general editorship of I. Rustambekov. - T.: TDYU, 2019. - 343 p.

² Khakberdiev AA ARBITRATION COURT: SOME ISSUES OF LAW PROTECTION //World Bulletin of Management and Law. - 2021. - T. 4. - S. 9-12.

³ Vahobov AV, Malikov TS Finance. Textbook / Tashkent Institute of Finance. - Tashkent: "Noshir", 2011.

⁴ KHAKBERDIEV A. HISTORY AND LEGAL CHARACTERISTICS OF THE ARBITRAL TRIBUNAL //International Journal of Early Childhood. - 2022. - T. 14. - no . 02. – S. 2080-2090.

international division of labor. But at the same time, it has its downside. The negative role of international credit in the economy is manifested in the strengthening of its contradiction in the development of the market economy. It deepens imbalances in the economy, accelerates credit commodity recycling, redistributes loan capital among countries, and greatly accelerates production during periods of economic booms and cyclical downturns⁵. International credit increases the imbalance in social production, as a result of which the development of profitable sectors becomes easier, while at the same time, the development of sectors that do not attract foreign capital slows down. Another negative aspect of the credit policy serves to strengthen the position of the creditor country in the world market⁶. That is:

First, international credit is used to transfer the income of the borrowing country to the lending country. At the same time, the annual interest payments that repay the loan, the formation of funds that increase the net income of the society and ensure the growth of production, the sources of formation of these funds have a negative impact on the debtor countries.

Second, international credit requires the borrower country to create a favorable economic and political environment for creditor countries.

Also, in order to further strengthen their position, the leading countries, through banks, governments, international and regional currency-credit and financial organizations, use credit discrimination and credit blockade against the countries that conduct policies that do not suit them from time to time.

Islamic financing, Islamic banking, the tools they offer, their content, principles, and risks.

At this point, let's explain a little about Islamic financing and Islamic banking. After all, a closer acquaintance with Islamic financing and the activities of Islamic banking will help to better understand Islamic financial instruments. Islamic finance is a financial system based on Islamic jurisprudence. As in traditional finance, there are banks, investment firms, funds, insurance companies and other participants. Only they operate in accordance with the requirements of Islamic law in addition to the laws of the countries where they operate. The distinctive feature of Islamic financing is that it mobilizes funds and assets in the most efficient way for the benefit of the real economy. Today, the Islamic finance market is growing by leaps and bounds. Its importance has increased especially during the world economic crisis. Because even during the 2008 global financial and economic crisis, Islamic financial institutions continued to develop their activities. At a time when the world's leading traditional banking and insurance companies were unable to fulfill their obligations and faced a crisis, the power of Islamic financial institutions increased by 20.3% compared to the end of 2007 and reached 758 billion . 951 billion from US dollars. increased to USD. In the following years, the growth rate decreased slightly and amounted to approximately 8-12 percent per year and reached 1.04 trillion US dollars in 2009, 1.13 trillion US dollars by the end of 2010, and 1.29 trillion US dollars in 2011⁷.

According to the World Bank, the widespread use of products and services of the Islamic financial system will help to reduce the financial impact of the COVID-19 pandemic on the vulnerable population⁸. Also, the chairman of the European Central Bank, the former head of the International Monetary Fund, Christine Lagarde, expressed the following opinion about Islamic finance:

⁵ Štefánik L., Khakberdiev A., Davronov D. CLASSIFICATION AND TYPES OF ARBITRATION COURTS // Norwegian Journal of Development of the International Science. - 2022. - no . 79-2. - S. 19-25.

⁶ International currency-credit relations. Textbook / TI Bobakulov, UAAbdullayev; - T.: "Economy-Finance", 2019. — 228 p.

⁷ Bilal Rasul: Islamic Finance and the Global Financial Crisis, at <http://www.qfinance.com/capital-markets-best-practice/islamic-finance-and-the-global-financial-crisis/>

⁸ А.А.Хакбердиев Низоларни муқобил тартибда ҳал қилишда ҳакамлик ва арбитраж судининг ўрни ва уларнинг турлари // Журнал правовых исследований. - 2022. - 7-йил. - 4.

"Islamic finance has the potential to provide financial stability, because its risk-sharing nature reduces financial indebtedness, and financing is tied to certain existing assets and therefore guaranteed"⁹.

In our opinion, today, in ensuring financial stability and improving the banking and financial system, taking an example from the Islamic financial system, which is based on real asset financing and cooperation relations, and not on international credit relations, can help solve the problems facing the world economy.

As for the activity of Islamic banking, it should be noted that there are some misunderstandings regarding the activity of Islamic banking. For example, many people have a misconception that an Islamic bank is a religious organization, a charitable organization, or an agency that develops Sharia law¹⁰. However, it is not. The proof of this is that the Islamic bank is not a financial institution serving only Muslims, it operates in most developed countries, in particular, the USA, Great Britain, Germany, Turkey, Malaysia and more than 105 other countries.

On the one hand, it manages the funds of investors on the basis of trust and partnership, and on the other hand, it directs these funds to finance various business projects of individuals and legal entities, and thereby receives income (profit). It also performs some intermediary operations (payments, money transfers, currency exchange, etc.) like traditional banks. In other words, the goal of the Islamic bank is to make a significant contribution to the country's development, economic growth, and the welfare of the people, to operate on the basis of clear ethical standards, to bring income/profit to its investors, and to benefit the weak and needy people (for example, by paying zakat). can also be considered as a financial institution.

As for Islamic financial instruments, Islamic financial and credit institutions are directly related to the circulation of goods and money and are provided with real assets, offering a unique set of instruments based on their content and structure.

Currently, Islamic financial instruments operate on the basis of the following principles:

- a) absence of usury;
- b) creation of additional value in reality;
- c) that it is provided with real assets;
- d) it is composed of moral and spiritual aspects;
- e) distribution of profits and losses, proportional participation;
- f) equal knowledge of each of the parties¹¹.

Islamic financial organizations and banks are very innovative organizations. Because **traditional banks** have not introduced new products for decades and the main principle is to make a profit based on **lending**. In Islamic banks, various transactions based on trade and partnership, differing from each other in income levels, have been developed, the most important of which are as follows:

A trade deal is a murabahah. According to the international standards of AAOIFI, murabahah means that a bank or other financial intermediary buys an asset needed by a customer from a seller and sells it to the customer by extending the payment period. This transaction represents the sale of the purchased goods at a certain agreed premium. This

⁹ www.islommoliyasi.uz

¹⁰ Abdumurad K. Ensuring Confidentiality in the Detection and Investigation of the Crimes of Money Laundering // Rechtsidee . - 2019. - T. 5. – no. 2. - S. 10.21070/ jhr . 2019.5. 65-10.21070/ letter. 2019.5. 65.

¹¹ Hans Visser. Islamic Finance: Principles and Practice. – Edward Elgar, Cheltenham, UK • Northampton, MA, USA, – 2009

premium can be a certain percentage of the purchase price or an amount of money. Usually, this form of transactions is used in the financing of trade operations¹². Murobaha can also be used to finance personal purchases, similar to a consumer loan. The main difference between Murobaha and traditional lending is that the financial intermediary must be the full owner of the resale property with all the risks arising from it. In addition, although it is possible to claim reimbursement of costs incurred as a result of the sale of an asset to another person, as a rule, a customer cannot be forced to purchase an item purchased by a financial intermediary.

A lease is a lease. According to it, one party (the lessor) buys any (movable and immovable) property and leases it to the other party (the lessee) for a certain period, in return for which the lessor pays a fee in the form of rent payments in the amount previously agreed between the parties. Unlike Murobaha, the bank does not lose ownership when the property is transferred to the client during the implementation of the lease agreement. Accordingly, the bank assumes ownership risks. In addition, for example, if a bank premium (premium) is fixed (fixed) in the murabahah contract, it can be revised from time to time in the lease contracts.

Also, **investment deals - negotiation and musharakah** - are considered as alternative means offered by Islamic finance. According to these transactions, it is a joint project of the bank and the client, which provides for the signing of a partnership agreement between the bank and the client, according to which the parties will jointly finance the project. Profits and losses are shared between the client and the bank in proportion to the parties' participation in the financing of the project¹³.

Sukuk is one of the most widely used debt financing instruments. In other words, it is a means of fair distribution of wealth, because it allows investors to benefit from real profits as a result of participation in the enterprise. It is one of the best ways to finance large enterprises that cannot be managed by a single investor. It serves as an excellent liquidity management tool for Islamic financial institutions and banks.

Project financing is an exception. This bank product is specially designed for financing large-scale and long-term projects. Calculations for such contracts are based on prices established on the date of signing the agreement, and payments are made during the project and at the end of the project at predetermined intervals.

It's a debt. This financial instrument represents an interest-free loan, in which the debtor will have to return only the principal amount to the creditor. But the debtor has the right to make an additional payment to the main amount of the loan in order to cover the direct expenses of the creditor based on his opinion. This form of lending does not generate any income and is permitted by the Shariah, which aims to achieve social and economic justice. A customer repaying principal can pay the bank a certain amount in the form of a discretionary premium - **hiba - to cover administrative costs.** The bank may require collateral as a guarantee for repayment of the loan. Also, loan hasan can be understood as an interest-free loan given for charitable purposes and to finance short-term, profitable projects¹⁴.

We should also mention that the Islamic banking and financial system cannot be said to be fluffy. Islamic banks, like traditional banks, mainly deal with financial and operational

¹² Khakberdiev A. THE PROCESS OF TERMINATION OF AN EMPLOYMENT CONTRACT WITH AN EMPLOYEE OF A FOREIGN EMBASSY //Science and innovation. - 2022. - T. 1. – no. C7. - S. _ 303-306.

¹³ Hakberdiev AA CHALLENGES OF ARBITRATION IN REFORMING CIVIL AND ECONOMIC PROCEDURAL PROCESSES //Archive of Conferences. - 2021. - S. 159-162.

¹⁴ Al-Jarhi M. A. Islamic finance: an efficient equitable option / M. A. Al-Jarhi // Islamic research and training institute, Islamic development Bank. - 2002.

(practical) risks¹⁵. Financial risks are divided into credit, market and liquidity risks, and in the case of Islamic banks, it is the risk of investing in equity capital.

Operational risks are divided into internal and external (business risks). Although the main categories of risks for the banking sector are considered general, in Islamic banks, risks are differentiated into subcategory risks, such as market and operational risks. In general, the risk map of Islamic banks is quite complex, because different transactions involve different risks. For this reason, risk assessment is a very important and extremely complex step for Islamic banks. Due to errors in risk assessment, the chain of prudent risk management of Islamic banks may be interrupted¹⁶. However, the Islamic Financial Services Council has developed risk management guidelines based on the Council's standards.

The importance and prospects of international credit and Islamic financial instruments in the development of the economy of Uzbekistan.

It is known that reforms aimed at implementing structural changes in the economy of our country and attracting investments for it, including attracting foreign investments, especially direct investments, and developing international currency-credit relations much attention has been paid since its initial stages. At the current stage of reforms in Uzbekistan, the main goal of international currency-credit relations is to further strengthen the investment activity of enterprises and companies in order to implement structural changes, modernization and diversification processes in the economy, to ensure the competitiveness of the economy, to increase decentralized investments, to increase the economy. is to attract more investments. In this regard, cooperation with the World Bank organizations, in particular, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDF), the International Finance Corporation (IFC) and the International Investment Guarantee Agency (IGIA) is important in the implementation of the foreign economic strategy of Uzbekistan. plays a role. The International Finance Corporation (IFC) is also involved in the implementation of a number of projects in Uzbekistan. The European Bank for Reconstruction and Development (EBRD) also plays a special role in the implementation of Uzbekistan's foreign economic activities.

If we go to the analysis of the initial and current state of the development of Islamic finance in our country and the development of Islamic financing in our country, the implementation of projects based on Islamic financing in Uzbekistan began in 2004, and this is due to the fact that Uzbekistan joined the Islamic Development Bank in September 2003. However, we should mention that there is no separate legislation on Islamic financing in the Republic of Uzbekistan. Projects financed by the Islamic Development Bank and the Islamic Corporation for the Development of the Private Sector in our country are implemented in accordance with the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 371 of August 27, 2003 and December 21, 2004. According to them, the government of Uzbekistan accepted the articles of agreement on the establishment of ITB and CSRIK.

Currently, the bank offers its clients the following means of financing:

- ✓ murabahah;
- ✓ exceptional;
- ✓ rent;

¹⁵ Khakberdiev AA PROSPECTS OF IMPROVING ARBITRATION COURTS AS ONE OF THE METHODS OF ALTERNATIVE DISPUTE RESOLUTION IN UZBEKISTAN //Web of Scientist: International Scientific Research Journal. - 2023. - T. 4. – no. 1. - S. 77-88.

¹⁶ Innovation and Risk Management in Islamic Finance: Shari'ah Considerations. Monzer Coffee. Seventh Harvard International Forum on Islamic Finance, April 22–23, 2006.

✓ financing lines based on murabahah.

In these financing methods, contracts provided by the Islamic Development Bank or XSRIK are used. This financing is aimed at legal entities, and there are no Islamic financing services and products intended for individuals in Uzbekistan, and no Islamic products and services are offered for legal entities, except for the products and services mentioned above, that is, Islamic insurance or deposits, etc. However, in order not to be left behind by globalization and innovative changes in the world, it is recommended that the government of Uzbekistan develop a road map for the development of the banking industry based on Islamic finance or partnership. This road map includes improvement¹⁷ of the existing legislation (amendments and amendments to the legislation on banking activity, taxation, securities), conducting promotional activities, developing the infrastructure of Islamic finance, developing international cooperation and the public sector, developing the market of Islamic financial services, carrying out scientific and educational work. should include visiting and working with investors.

In conclusion, it is suggested that the production potential of the country, the levels of economic development, the increase in the quality and volume of material and spiritual production, the development of the production infrastructure largely depend on the international currency-credit relations. However, in turn, international credit increases the imbalance in social production, as a result of which the development of profitable industries becomes easier, while at the same time, the development of industries that do not attract foreign capital slows down. Another negative aspect of the credit policy serves to strengthen the position of the creditor country in the world market. In order to further strengthen their position, the leading countries, through banks, governments, international and regional currency-credit and financial organizations, occasionally use credit discrimination and credit blockades against countries with policies that do not suit them.

Currently, there are several Islamic financial instruments listed above that are rapidly developing around the world as an alternative to international credit. It should be emphasized that in the banking and financial sector, due to the low quality of the control system, very large risks were not taken into account, a large gap was allowed between the scale of financial operations and the real value of assets, and the main economic problems in most developed countries of the world. Islamic financial institutions continued to develop their activities even during the 2008 world financial and economic crisis, which was manifested in the form of an extreme decrease in indicators and, as a result, a sharp reduction in production rates.

Economists and financiers began to study the reasons for this resilience to the crisis, and the working methods and practices of Islamic financial institutions began to attract the attention of both theorists and practitioners of the field of finance and economics. The analysis showed that the reason for such resistance to the crisis is very simple - the use of any speculative tools and methods, known as "maysir" in the Islamic banking and financial system, that is, aimed at obtaining profit without involving resources in production, and in Arabic, it is called "gharar" (the word "gharar" Arabic meaning "danger, distraction", "to face risk") unjustified excessive risk-taking is prohibited and Islamic financial institutions rely on the production network (real sector) which ensures resilience to financial crisis. Even Western researchers have recognized this.

In our opinion, today, in ensuring financial stability and improving the banking and financial system, taking an example from the Islamic financial system, which is based on real asset financing and cooperation relations, and not on international credit relations, can help solve the

¹⁷ Yu P., Khakberdiev A. ABOUT PSYCHOLOGICAL FEATURES CONDUCTING AN INTERROGATION //Norwegian Journal of Development of the International Science. - 2021. - no . 60-3. - S. 6-9.

problems facing the world economy¹⁸. It should also be mentioned that Islamic financing is a new direction for the economy of Uzbekistan, which is needed by both the business side and the population. The emergence of alternative financing products helps to expand the population's access to financial services.

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¹⁸ Khakberdiev AA WAYS OF IMPROVING ARBITRATION COURTS IN UZBEKISTAN //INTELLECTUAL EDUCATION TECHNOLOGICAL SOLUTIONS AND INNOVATIVE DIGITAL TOOLS. - 2023. - T. 2. – no. 14. - S. 75-81.

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