



ISLAMIC BANKING AND IMPLEMENTING IT TO UZBEKISTAN

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ABSTRACT

Introduction:

The research which is going to be conducted will provide the larger scope of the Islamic banking System in all over the world and will analyse the negative and positive sides of this system whether it has the more beneficial sides rather than the conventional banking systems. The study aims to focus on the implementation of this system into one of the developing country in our case Uzbekistan. Furthermore to observe several impacts in the certain areas.

Background of the study:

When we look back the history of the Islamic Banking and Finance was underestimated by most of the developed countries until recent years. Due to the flourishing economy and outstanding financial performance of Muslim countries as they are main promoters of this system Conventional Banks in the Western world started to observe the Islamic banking System and Finance as it financial rules and regulations were obeyed for several centuries . Each incident or the story, which happened in the financial world, the responds could be found. As the result, many bank specialists and researchers started to find out those exact differences of Islamic Baking to Conventional Banking. For many years in the Islamic Banking System, they have their own terminology, which are still in use; these words are in Arabic, from my research I have found out these words have become the part of those which are implementing this system.

According to Omar, Al Faud (1996) this terminology (Islamic Banking) is described a new financial tool for investment, which had the successful achievement in its home country. By Hassan T (1986) the theory and the concepts of the Islamic Banking is first introduced in the XX century, in precise, in 1963 by Dr Akhmad Elnagar who was the manager at one of the banks in Egypt. However, in that period only the concept was created so that it was not implements to any of the banks. Islamic Banking form was used in the end of the 1970. The



system was more updated with more competitive investment techniques, strategies, and product development (Steward, 2008)

The pioneering Islamic Bank was founded in 1975 in Arab Emirates, and it was called Dubai Islamic Bank. DIB (Dubai Islamic Bank) owns more than 60 branches all over the world; according to Platt (2008), this bank offers higher returns than conventional banks.

There are several Islamic countries where Islamic Banking and its system is not optional but compulsory. They are Iran, Pakistan, and Sudan. Those countries fully implement Islamic banking and Islamic financial law in all their banks. Whilst, there are few countries where the bank services and the products are provided in the system but on the scope of the conventional banks. For example Malaysia, Egypt, Bangladesh, Indonesia and others.

For instance, by the report that is prepared Rehman K and Ahmad A (2010) in Pakistan the growth of the interest reached 11,5 %, as this is one the positive trend in the Islamic banking system. As it was mentioned above, Pakistan is one of the country where Islamic Banking is implemented. For the free interest rate, the banks mainly IB are increased drastically in Pakistan. In particular, there are more than 5 banks in Pakistan, which are fully operated by the IB, and more than 10 conventional banks, which provide their clients with services and products by the IB.

Some sceptics criticize that the huge success of IB is starting its branches in the Muslim countries, for that reason they achieved better results, however we will observe on the experience of the other more developed countries.

All of the banks in Uzbekistan are working on the alternative banking system or another word it, as European banking system, though it is high time to implement Islamic Banking System to the banks of Uzbekistan. Because after new presidential elections in 2016 thorough the country there are, quite many changes in different areas. It can be observed that, there is the high interest of foreign investors, in this occasion banks should have competitive services in order to satisfy their client. In reality, high rate of inflation and almost same type of services and product that are provided by the banks also many ambiguous procedures in the banks are making people dissatisfied. The research study is focused on establishing new service system in banks for supporting the economy and financial side of the country and observe its negative and positive qualities of this system.

1.1. The history of Islamic Banking and Islamic Development Bank (IDB) their growth

It is worth to mention that one of the fundamental part of the IB is Islamic Development Bank (IDB) which was founded in 1973 at the same time with the IB. According to Abdul W.B (2006) IDB is described as global financial institute which mainly focuses on to direct investments in order to support the local business and entrepreneurs. In addition, it will fund some projects in order to develop social and economic dynamics of the certain country especially for the developing countries. Adopting to the Shari'ah Law IDB is not receiving interest to any transactions, instead uses the law, which is accepted by Islam Mudarabah as limited ownership, or Musharakah full partnership. These terminologies and other related words will be discussed later on the other chapters of the dissertation. By the report of IDB (2002), the main purpose is to participate in equity capital and grant loans for different projects and humanitarian organizations, as well as, to provide financial assistance for those countries, which are members of this IDB.



It is important to note that IB has not restricted its function with only Muslim countries, it has already moved to the world. When it was first founded, that was only the concept of halal banking system. By Steward (2008), this halal system of banking firstly implemented in Egypt by the founder of this concept. Since then another milestone in development of Islamic Banking system is dated to 1974. That was year that the Islamic Summit on the banks and banking system was held in Lahore in Pakistan. In this summit, Pakistan instigated to establish Islamic Banks and Islamic Development Bank in this country. (Khan, M.A, 1992). Primarily, Pakistan and Iran presented their concepts by establishing of Islamic Banks in their banking system, while other members of this summit allowed operating partly according to the new system in banking as halal. Now, according to the statistics, even, more people had a doubting view on the success of the system in the beginning, there are more than 50 Islamic Financial Institutions operating in 60 countries, except this, there are nearly 400 Islamic Banks with 400 billion USD funds with 20% annual growth.

Another crucial event was Islamic Conference which was initiated by King Faisal bin Abdul Aziz Al Saoud of Saudi Arabia in order to support Islamic Financial Institutions (Belder R.T & Khan N.H, 1993). Later Islamic bonds were also introduced to the public. According to Ismail A.G Malaysia was the first country on presenting Islamic bond by the help of the government, as it also one of the significant step to the development of this system (IB)

On the other hand, there are some other countries where equal opportunities are provided for both Islamic Banks and Conventional Banks, for instance Bahrain use the above-mentioned strategy by supporting both types of banking system. Especially, they have established Bahrain Monetary Agency (BMA) for those projects. (Bokhari,F.,20017). In addition, Liquidity Management Centre (LMC) and International Islamic Financial Market (IIFM) are also located here. (Dubai, R,K.,20017). Accepts this country Iran, Pakistan, Malaysia, Kazakhstan and other countries there are the branches of this system.

Above mentioned countries are Muslim countries, here it has been described their success, it is the fact that readers might think that those huge achievements are the result that they were implemented only on the Muslim countries, however there are some other non-Muslim countries and banks which have reached attainment on the implementation of the IB. One of them HSBC and Citibank. One of the prominent partners of this system is HSBC, because it has already created new product and services which are based on the Islamic Banking, such as Sharia insurance, Murabaha contract, Ijarah concept for leasing and financing of small business. S Above mentioned services are not only for Muslims but also for other customers who wish to use Islamic Banking and Finance.

1.2 The effect of Islamic Banking through Islamic Development Bank to the CIS countries.

After the collapse of USSR in 1990, most central Asian countries had a positive view on the presence of Islamic Banking via IDB. One of the aspect of this attitude was the ability of IDB to help to the government by socio, and economic spheres by supporting them in their hard time. Islamic Banking and Finance, which is created on the concept of non interest rate, has only started to flourish after the Soviet Union, before event though majority of population was Muslims, the previous authorities did not permit it.



According to Geoffrey F.G (2007) Islamic Banking through Islamic Development Bank launched their project not simultaneously but step by step to the CIS countries. Those countries joined to Islamic Development Bank in the following order:

- 1st Azerbaijan in 1992
- 2nd Kirgizstan in 1993
- 3rd Turkmenistan in 1994
- 4th Kazakhstan in 1995
- 5th Tajikistan in 1996
- 6th Uzbekistan in 2003

Regional office of IDB for CIS countries was established in Almaty in 1997. It was another milestone of distributing and supporting for the CIS countries. (IDB, Annual Report, 2007). Now mainly all projects are managed by this headquarter. It also helps to nourish the trade link between CIS countries and other members of the Organization of the Islamic Conference (OIC).

Following table illustrates the information on investments of IDB into CIS countries after they became the member:

Country	US Dollars (millions)	Number of Projects
Azerbaijan	89.770 USD	20
Kazakhstan	80.572 USD	21
Kyrgyzstan	65.900 USD	17
Tajikistan	65.041 USD	19
Turkmenistan	76.400 USD	13
Uzbekistan	50.564 USD	17
Total	525.141 USD	117

Table 1.1 Distribution of IDB Financing by country.

Source: report Islamic Development Bank (2010)

Next table provides the information the particular sectors, which the fund is directed by IDB in order to support the developing countries in CIS countries.

Sector	US Dollars (millions)	Percentage
Transport	147.398 USD	34%
Technical assistance	20.700 USD	25.4%
Utilities	101.203 USD	20.1%
Agriculture	80.893 USD	15.2%
Social	60.480 USD	6%
Others	9267 USD	3%
Total	400.7665 USD	100%

Table 1.2 Distribution of IDB Financing by country.

Source: report Islamic Development Bank (2010)

As it can be seen from the table the number of the projects and the investments for those projects are differ in each country. One of the reason for this is that when the projects were asserted and confirmed, there is the specific purpose of it. Below there is the precise explanation on the objectives of different projects in the CIS countries.



1.3 Main objectives of the projects by IDB for the CIS countries

As it was mentioned above and the provided table the number of the projects and the funds for those programmes are differ from the country to country. There is no preference by the IDB for any of those CIS countries, the number of projects depend on the year that those countries become the member. In addition, those projects are implemented by studying and doing the research and analysing the social and economic condition of the people, who live in those areas.

Below you can observe the particular objectives of funding in each CIS countries:

Kazakhstan:

According to the IDB regional headquarter in Almaty, 9.57 million USD were directed to the Almaty-Gulshod road infrastructure. This project was not only to improve the road also to make the people' life better, for those who live in those areas.

Moreover, in 2007 by the initiative of IDB, there was the establishment of Investment company, it helps to analyse the market and direct the foreign investment to the developing country (Geoffrey, 2007)

In addition, Kazakhstan received 20 million USD for reconstructing one the historical city Astana, after the Independence the capital city of Kazakhstan was moved from Almaty to Astana, that area, was only covered with the sand, so those who worked on this project, created the new modern city on the dessert.

Later, in 2006 13,6 million USD was directed to the construction of the academy under the Kazakhstan University of Law and Humanities, after the construction was completed it was called the University of Nazarbayev or Presidential University, where most foreign lecturers and professors work.

Also, during those years in order to support commercial banks in the period of global economic crisis, IDB directed 14.7 million USD for the Bank TuranAlem, and Kazakh Commerce Bank.

Except this, According to the speech of the director of the Central Asia regional IDB office, Hasham Maarouf, IDB aims to establish long-standing relationship between Kazakhstan and Malaysia, through National Bank of Kazakhstan and the Bank of Malaysia, as Malaysia considered to the hub of the IB system in the world. In future, they are going to straighten the Islamic Banking System in Kazakhstan; also it is worth to mention among the central Asian countries Kazakhstan was the first, which implemented IB system in its banks.

Azerbaijan:

According to Geoffrey F.G (2007) after Azerbaijan joined to the IDB, they have realized following projects:

Firstly, IDB funded 10 million USD for supporting refugees, infrastructure, reconstruction of the educational institutions, after the ceasefire with Armenia over the Karabakh;

The geographical condition and soil in this country is very contaminated. For that reason, 9.8 million USD loan was directed for cultivating 300,000 hectares of saline soil.

In addition, interest-free loan about 9 million USD was provided for reconstruction of schools an housing system after the earthquake in 2000.



58 million USD was invested by the IDB for energy project, in order to financing and constructing of the Kachmaz substation.

For improving the road infrastructure and connect with the Kachmaz power station 36.5 million USD was directed to support the Road Project in 2007, by this project Azerbaijan was connected with Russian energy systems.

For reconstructing of the Valvalacay Bridge 11 million USD was given for this project.

Kyrgyzstan:

This country owns the highest rate of the poverty among central Asian countries. Except this, poor socio-political and economic sector is poorly developed. Changing political situation, lack of working places, and high rate of the corruption even in the authority made this country one of the under-developed. The population mainly work other, more developed countries as Russia, as black-collar workers. Even though, the land of this country is bigger than other central Asian countries, those places mainly consist of diserts, mountains, and forest which are unsuitable for farming. For those reasons, Kyrgyzstan gained much from the IDB in order to develop socio-economic condition in the country. (Geoffrey, F, G 2007).

The first direct investments of the loan was for establishing power transmissions lines in 1997, with about 10 million USD. Later, for improving the conditions of the road nearly 300.000 USD given as a grant, by this fun more 200 km of the road were improved. Furthermore, about 9.5 million USD was directed for the upgrading of the airport in Osh city in Kyrgyzstan. Recently, more than 36 million USD credited in order to reconstruct the roads between Kazakhstan and Kyrgyzstan. Annually different loans are directed by the IDB in order to support public health and the education, especially in the rural areas.

Turkmenistan

This country is one of the wealthiest with the outer and inner pernicious materials, with rich geological and natural resources. Except this, the population of Turkmenistan is fewer than other central Asian countries, and for this reason, the poverty rate is also less than other places. Even though Turkmenistan has opened its border to the foreign investments, but there is a strong regulation by the government. In the period of 1994 the IDB had a limited access to financial had banking system of the country due to the strict political control. Despite of the authoritarian regulation IDB implemented several project in order to support socio- economic circumstances in the country.

In 1993 about 8 million USD loan was directed for reconstruction of the road between Turkmenistan and Iran. Between the years 200-2003 9.7 million USD was invested to build Diagnostic Centre in Turkmenistan. Later multi- million project on trans-Asia-Europe fibre-optic communication was supported by IDB.

Tajikistan:

Tajikistan is considered one of the underdeveloped with the highest rate of bureaucracy, corruption and the poverty in the CIS countries. As the Kyrgyzstan IDB supported the projects on healthcare, public education and infrastructure of the country. It distinguished with reach geological and natural resources, lack of technology and the innovation put barriers to the development of the country. In addition, lack of management and regulation system weakened the country. One of the first credits with about 53 million USD was invested on



technical support of social and economic sectors, such as health, transport, education, energy, irrigation systems in Tajikistan between 2001-2003. (Geoffrey, F, G, 2007)

In 2001, IDB financed for construction of the Sharon Igor Road Project with 9.1 million USD. Later loan with the 2.5 million USD was funded for establishing of Emergency Surgical Care Centre in Tajikistan. During 2006-2014 IDB financed more than 150 major and minor projects on social sphere with the 74 million USD. Those projects proposed by the Tajik government, later the specialists of the IDB observed the circumstances in the certain area, and then they suggested some other projects. Even though IDB supported building hydropower stations, that some of them were built in 2004-2006 with the funding 11.6 million USD, they did not finance the prime project of hydropower station, which is called 'Rogun' Hydro-Power Station. One of the reason of the rejection on this projected was shortage of water in the areas which are situated in the central Asian countries, as most of those countries are fully dependant on agriculture and farming. One of the consequences can be disastrous if this reservoir exploded or bombed. The reason of this conclusion that one of the border of Tajikistan is connected with Afghanistan, where the huge threat can be appeared in any time.

Uzbekistan:

Uzbekistan became the member of the IDB in 2003, the last member, among the central Asian countries. One of the reason of this decision, after the collapse of the Soviet Union, Uzbekistan coped with the difficulties in its economy with untrustworthy of the neighbourhood countries, and sceptical attitude of the other developed countries, made Uzbekistan very alert on it. Except this, terroristic attacks in the capital city also made this country to be more observant. Furthermore, one of the task after the independence was to notify its strategy of the development, in socio and economic spheres. In addition, the banks, which remained after the Soviet Union, used the conventional system, which should have been developed after the Independence. Lack of knowledge and experience created much hardship to this country. Also one of the tasks on the objectives, research questions and assumed hypothesis of this dissertation is to identify the present status of Islamic Banking and Finance in Uzbekistan further to identify the further possibilities on its prosperity in Uzbekistan. It is important to mention that since the IDB entered to Uzbek market, even though, it faced several challenges and the obstacles. After being the part of IDB, they form up significant and relatively strong relationship and mutual understanding and the support within the country. That led to cooperate on different projects, in order to increase the share of the Islamic Banking and IDB in social and economic sector of Uzbekistan. On the other hand, there are still obstacles related to lack of knowledge in order to receive further development. However, after the new presidential election, the newly- elected president opened huge opportunities for all the sectors in Uzbekistan, altering the banking system is also on the list. Annual meeting with the president, those representatives of the banks were offered to implement Islamic Banking system to the commercial banks in Uzbekistan. It is known fact that there are two types of banks, they are governmental and commercial banks. In fact, those commercial banks also managed by the governmental banks, on the loan and credit system those commercial or the conventional banks have their own interest except the governmental banks, so the interest rate is very high for the given loan. During the 1996-



2000, the interest rate was around 10-13%, those years the affordability of the people who live in Uzbekistan had very low, mainly the corrupted system did not give the population much information and the opportunity about this system. After the 2004 the interest rate for the offered credits and loans increased by 15-20 % which created the hardship to the population. In addition, banks demand additional verifying document as a property, which is worth the credit, to guarantee returning the taken credit. (Aslanov., M 2018). In present, the interest rate is more than 20%, those presents may vary according to the type of the credit.

One of the aspect of Islamic Banking and Finance in Uzbekistan is to stabilize the socio-economic condition. For this reason, there are quite many projects by IDB, here I would like to write some of them.

Recently more than 50 million USD given for improving the water supply in the rural areas, especially, Bukhara, Samarkand and Karakalpakstan regions.

Grant for 54 million USD was allocated on improving the social sector, also to support the small business in order to decrease the unemployment rate. Form that grant, 15 million USD is assigned to National Bank for Foreign Economic Activity for supporting SME development and projects on small business. 12.5 million USD is given for modernizing the asphalt factory, road construction, and for purchasing new equipment. Around 25 million USD is spend for reconstruction and updating the turbine system two power station, which are situated near the Tashkent region. Recently, 143.000 USD supported the investment projects by one the company.

Initially, important arrangements were made in 2005, when Islamic Corporation for the Development of the private sector, members of the IDB group, and the National Bank Uzbekistan signed an agreement of cooperation for further development. Prior reason of supporting the private sector is, to increase the competitiveness of the factories and companies, which are functioning in Uzbekistan. Later, the first organization on the management of the governmental properties is created, in order to decrease the share of the government in the basis of the factories and the producing the production sectors.

It is vital to mention that, many non-governmental and the governmental organizations. There are certain interests and the reasons of it, some of them, as it has been mentioned above with the reach natural resources, availability of skilled and educated workforce, and socio-economic crisis in the Central Asian countries. Uzbekistan have suffered less due to the strict regulations and laws, which could protect the economy of the country. Primarily, most investors were scared about to open the business here, for the usual reasons such as high governmental regulation and interventions can show this. For instance, the recent financial crisis have affected less than other central Asian countries. In this regard, foreign investors and financial institutions see Uzbekistan as the important country among CIS countries for investment opportunities. (Geoffrey F., Gresh ,2007)

2.0 Research objectives:

The research will analyse if Islamic Banking system is better than conventional banking system in order to implement in certain conditions of Uzbekistan. Furthermore, to research either the cultural background of people, it should be mentioned that 90 % of them are Muslims, whether this system effects positively or negatively in the banking system. Also, to



analyse Islamic Banking System in the scope of economy, banking and the financial sector of Uzbekistan. In addition, observing the effect of foreign investment by applying this system.

It should be noted that, Islamic Banking is not the new system for the Central Asian countries, as it was mentioned above, Kazakhstan was the first country, which implanted this system, by this economy of Kazakhstan improved by attracting more foreign investment.

By this research, some aspects are going to be analysed in order to conclude the proper recommendations:

1. To analyse if IB is considered the alternative to the conventional banking system that can be

Implanted in Uzbekistan.

2. To observe the by the questionnaire whether by implementing IB, with the cultural Muslim background and characteristics of Uzbekistan, will have positive or negative impact.

3. To study the impact of Islamic Banking on economy, banking and financial sector of Uzbekistan

After observing above given objectives, the second objective is to analyze the Islamic Banking and finance e, its main characteristics and principles, and to observe the positive and negative sides of Islamic Banking to Conventional Banking system by reviewing several literature sources on this topic.

2.1 Scope of the research

The research is mainly focused on Islamic Banking implementation in Uzbekistan, also to observe its impact on the Uzbek economy, and to analyze how the cultural background of the researched area will effect on the implementation of Islamic Banking. While doing the research, relevant articles and the books will be analyzed, and used as the key features. It should be also mentioned that, while I research, I have faced several terminology that are mainly used in the Islamic Banking system. In fact, those set of terminology is used in the same manner in those conventional banks too. In the scope of the research those set of phrases will be analyzed and defined.

2.2. Research outcomes

Primarily, one of the vital research outcome is to provide some evidences based on the research and the hypothesis, either local banks in Uzbekistan can implement the Islamic Banking services and the products. Secondly, how the method of the Islamic Banking will influence economy of this country. Thirdly, to analyze how the cultural characteristics of Uzbekistan will effect on the implementation process. In addition, by doing the research, understand the system of the Islamic Banking, its objectives, scope areas, and principles, and to highlight in what circumstances this system could be reliable, for what project either it is allowed to fund by IDB.

2.3 Limitations

One of the important aspects of my research is to discuss about the limitations or the problems, which were faced, especially on the part of the questionnaire and the information and the articles, which are related, on the projects, which are based on the topic. Lack or the shortage of the available local sources on Islamic Banking, up to dated investment statistics in Uzbekistan on Islamic Banking, closed data sources created some challenges. Except this, on the part of the research, the respondents have the limited or the basic knowledge of the



system, on this reason some questions have not been completed in proper order, or the expectations. Even though, there was a controlling question, this strategy did not approve its effectiveness. Furthermore, access to the respondents was also an issue in process, either due to the workload of the respondents or not having a desire to participate in the process. Some of the aspects of the research, especially on the theoretical part of the paper, there were different view, ideas, theories which contradicts with each author, in this case, the research tried to use both of them by making the conclusion in accurate order.

In conclusion, in spite of the mentioned obstacles the research has collected reasonable amount of literature and data for supporting. The hypothesis were proven by using the data collection based on the questionnaire.

Findings

According to the SPSS analysis, 100 respondents were asked 20 question on implementing IB in Uzbekistan. Based on five hypothesis, considering those questions the made hypothesis either accepted or rejected. In the beginning part of the questionnaire, it is worth to note that, in the beginning of the questionnaire there is a hooking question, that can sort out participants whether they could understand and evaluate the given questions, by this report, 72% of them are acquainted with Islamic banking system, that means 72 of the respondents, however, 27% of them do not know about this system. In conclusion, the research is valid.

In the literature part and the hypothesis part of the research, there is the precise explanation of the difference between IB and CB, this question is directly connected to the hypothesis1 and 1A

H₁₀- Interest –free banking system is competitive to the conventional banks

H_{1A}- Interest –free banking system is not competitive to the conventional banks

By the analysis, it will be known either interest free banking system is competitive or not competitive to the conventional banking system. As it is known fact that most of the banks in Uzbekistan conventional or commercial banks which focus on the interest rate. From the analysis, it is seen that 81% of the respondents agreed it is competitive to the conventional banking system, as the interest-free system that will mainly focus on the result rather than the profit, and directs the attention for supporting the business again rather than only thinking about the benefit from the bankruptcy. To sum up the hypothesis ₁₀ is accepted according to the hypothesis Interest-free banking system is competitive to the conventional banking system.

To the hypothesis, H₂₀-Satisfaction of the customers in banking system is very low (in Uzbekistan), H_{2A} –Satisfaction of the customers in banking system is very high (In Uzbekistan). Above-mentioned hypothesis are analysed by certain systems on SPSS programme in order either to accept or rejecting of these theories, as a results satisfaction of the banking system in Uzbekistan among respondents is very low. In addition, they suppose some changes should be implemented in order to change the current banking system.

In the analysis, part of the research paper, the hypothesis 3 and 3_a have been studied. Proper table and related content showed that there is a high opportunity for implementation of IB as the alternative to the conventional banking system in Uzbekistan. Thus, hypothesis_{3a}



is accepted, whilst hypothesis 3₀, there are low\ no opportunity for implementing of IB as alternative to the conventional banking system if rejected.

Hypothesis 4₀ and 4_a are relevant to the Muslim culture and the effect of the this culture on implementing of IB. in the literature review part, there are some examples that the Muslim culture can negatively effect on implementing, however in the SPSS analysis this trend show the positive results among genders, and positions. It is worth to mention that the position of the respondents are various, they are from the students level to high managerial positions.in conclusion hypothesis 4₀ Muslim background of the majority of population in Uzbekistan on implementing IB can effect positively is accepted, whereas, hypothesis 4_a is rejected.

Several questions have been observed in order to accept or reject the hypothesis 5₀ and 5_a. On this hypothesis the main idea, either IB is able to impact economy, banking system and investment opportunities positively in Uzbekistan or not. Set of questions such as attracting more foreign direct investment, motivate minor business sectors and IB can stand against the poverty satisfaction of banking system in Uzbekistan. Analysis show that hypothesis 5_A is accepted by several results according to the SPSS. According to the hypothesis 5₀ and 5_A whether implementing IB can effect economy, banking system and investment opportunities or not. By the analysis it is clear that most respondents are not satisfied from the banking system in Uzbekistan, as it is told above, majority of the banks in Uzbekistan are commercial banks. By this regulation for the banks, the new law and recent regulation by the government will reduce the state share. Even though, by the responses of the participants show the negative results on motivating minor business sectors by implementing IB, that can be the consequences of the low level knowledge in Islamic banking system. However, in the part of the literature review it is proven that IB is supporting not only gigantic companies, but also minor business sectors. To sum up, hypothesis 5_A is accepted, and the hypothesis 5₀ is rejected.

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