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THE ROLE OF ISLAMIC BANKING IN ECONOMIC DEVELOPMENT

Key words: *Islamic Finance, Takaful, Riba*

Açar sözlər: *İslam Bankçılığı, İslam sığortası, Şəriət*

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Introduction

We need to explore existing financial and banking systems to ensure sustainability of economic development that has been observed in recent years in the world and to achieve possible economic development. Islamic religion, which is considered to be the most outstanding achievement of world culture and the most striking example of spiritual moral values, is also a very consistent tool for the study of human sciences. One of the earliest calls of Islam was to invite people to think, to get rid of ignorance. The outlook on reason, science and thought, and the lifestyle of this world outlook can be a protection against human distractions and a healthy lifestyle.

Different economic development models are applied in Muslim countries, a single economic system that never works on Islamic principles will fail to achieve a high score if no single Islamic ideology is taken into account. However, the general principles of the Islamic economy and the fact that it is based on economic development will shape a single Islamic development model.

The fundamentals of the Islamic economy model are based on the rules formed by the living standards of Muslim societies and the principles and methods they have adopted and implemented in the economic field. Without knowing the fundamentals of Islam's economic model, it will not be possible to get a full understanding of Islamic banking and to obtain the expected benefit from the system.

The meaning of islamic finance

Even though its name is related to Islam, Islamic finance is not a religious product. Its working principles and rules of governance are mostly dated to 1400 years ago. It's specific past features have now been further developed for today. Now it is more modern and innovative. Although the purpose of both systems, both conventional finance and Islamic finance is to make economic benefits, but each of them have different characteristics.

In addition, it has several types of financial products that meet the requirements of Muslim and non-Muslim population. As we all know, the key elements of conventional finance are interest and risk, which is forbidden by Islam law. Therefore, finance that meets the Islamic rules has been created.

This financial system is now used in many countries around the world. Even in countries where the Muslims are less than non-Muslims. The reason for this is that it is liked by most people in the world for its features which belong to it. Risk and interest limit the development of many entrepreneurs in the world. However, they are forbidden in Islamic finance. This feature of Muslim finance supports new small and medium entrepreneurs who enter the market. (Muhammad Ayub., 2007)

It is based on Islam and its principles and values are derived from the Holy Quran and the Prophet Muhammad. Islamic laws begin with the writing of the Quran and regulate many transactions, marriages, divorce, trade and other processes.

The main components of islamic banking

This finance combines all aspects of finance that do not contradict Sharia rules. Commonly, Conventional finance and banking basically based on collecting deposits from the population and lending to the population. For these reasons, banker and customer relationships remain the same as the debtor and lender. And these transactions carried out with interest unlike Islamic Banks. As we know, interest is considered haram according to Sharia laws. Therefore, interest-charging transactions were forbidden in Muslim countries. In contrast to other financial systems, Islamic finance is a trust among Muslims. Muslims believe that Sharia will regulate their operations and maintain Islamic compliance. Such as, the timely repayment of these debts, tolerance towards each other, compliance with contract, honesty in all statements and guarantees etc. (Md Akther Uddin., 2015)

The role of the islamic financial sector in achieving economic development

In Islamic banking, savings are involved in trade and industrial activities and receive a production factor. In this way, the added value is generated and the amount of savings increases. Savings outside the economy are a loss for both the country and the depositors. Moreover, the outside collection of money does not correspond to the principles of Islamic economics. Return to equity means an increase in national income, and this growth promotes the welfare of the community.

Valuation of deposits outside the real economy, such as promissory notes, stock exchanges and interest rates can prevent the entrepreneur from producing and working as he entrains savvy businessmen. In times of crisis, industrial organizations are gaining higher interest rates by earning a large portion of their income through interest. The economy, which is not based on production, is built on debt and a small minority lives in prosperity, while large masses are forced to fight poverty. Particularly high share of public institutions, where extravagant wasting is widespread, shrinks resource potential of the producer and the employer. The state's borrowing requirement is, as a matter of principle, beyond the interest of Islamic banks. Islamic banks are constantly reducing the destructive power of crises as they are constantly financing real economy, production, and trade. Even in times of crisis, it continues to help its customers. They do not value their funds in any other area. Therefore, it continues to use funds from its customers during crisis times (perhaps at times when companies have the most demand for the source). In addition to the features we have mentioned above, some features of Islamic finance are those that give rise to economic development. (Bank Negara Malaysia., 2015)

How islamic banking and islamic finance services can provide economic development?

Implementing Islamic Finance services can increase domestic investment. It is known that Muslim practitioners practicing Islam in their lives do not use traditional banks services. As a result, the pillow economy deprives the economy of additional investment opportunities. In order to ensure that these savings are pulled out of the pillows and flowing into the economy, mechanisms that do not contradict people's beliefs are required. It is also widely practiced by the application of Islamic Financial Services.

The application of the Islamic mortgage can solve the problem of the homeowner's homeless part of a religious one. This, in turn, can ease the state's homeless social program.

Islamic Banks can also invest in nonprofit social projects, as these cases are widely observed in international Islamic banking practice. In most of these banks, even in almost all of them, charity funds are established. Voluntary contributions, including zakat payments, are collected in these funds. Collected funds are spent for charitable purposes. All of these can play a role in resolving social problems of the population and raising the welfare.

Conclusions and suggestions

This field has recently been developed at an excellent pace of 15-20% per year. Especially during the crisis, this type of banks has proved to be very stable. It is very important that Islamic banks serve the real sector, not just financial sector, as traditional banks. Therefore, in such non-Islamic countries (England, USA, Singapore, France, etc.), such banks are appreciated and created. It would be expedient to apply Islamic Banking and other Islamic finance services in Azerbaijan, taking into account both the development of the field and the potential increase in the portfolios, the individuals, as well as the citizens who have not used traditional bank services in their lives. (Rodney Wilson., 2007)

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İslam bankçılığının iqtisadi inkişafda rolu

Xülasə

Son illər İslam maliyyə və bankçılıq sistemi yalnız müsəlmanlar yaşayan ölkələrdə deyil, hətta qeyri-müsəlmanlar yaşayan ölkələrdə də geniş yayılmağa başlamışdır. Belə ki, əmanətçilərdən əldə olunmuş vəsaitlərin faiz olmadan maliyyə ehtiyacı olan sahibkarlara ödənilməsi insanlarda böyük marağa səbəb olmuşdur. Ənənəvi bank sistemindən fərqli xüsusiyyətləri onun global böhranlar dövründə belə inkişafına şərait yaratmışdır. Onun təklif etdiyi məhsullar sahibkarlığın və ölkənin iqtisadi inkişafında mühüm rolu ilə digər bankçılıq sistemindən fərqlənərək əhəmiyyət kəsb etmiş, bu məqsədlərdə qərb ölkələri kommersiya banklarında bu məhsulların bir qismini təklif etməyə başlamışdır.

Bu bank sisteminin İqtisadi İnkişafda rolunun göstərilməsi və bu bank sisteminin ölkəmizdə tətbiqinin yenidən təşkili üzrə təkliflər vermək bu tədqiqatın başlıca məqsədlərindən biridir.

Tədqiqatın aparılmasında ən başlıca statistik metodlardan, əvvəlki illərdə tədqiqat aparmış tədqiqatçı və elm adamlarının həyata keçirdiyi sorğu və müşahidə metodlarının nəticələrindən istifadə olunmuşdur.

İslam Bankçılıq sisteminin hal-hazırda ölkəmizdə fəaliyyət göstərməməsi məhdudiyyətlərdən biridir ki, bu da öz növbəsində bu sahə üzrə məlumat əldə etmək də tədqiqatçılara çətinliklər yaradır.

Роль исламского банка в экономическом развитии

Резюме

В последние годы исламская финансово-банковская система получила широкое распространение не только в странах с мусульманским большинством, но и в немусульманских странах. Таким образом, возврат средств, привлеченных от вкладчиков финансово нуждающимся предпринимателям без процентных ставок, вызвал большой интерес у людей. Различные особенности традиционной банковской системы создали такие условия для ее развития во время мирового кризиса. Продукты, которые он предлагал, имели большое значение в экономическом развитии предпринимательства и страны, а также других банковских систем, и западные страны начали предлагать некоторые из этих продуктов в коммерческих банках.

Одной из основных целей данного исследования является обеспечение роли этой банковской системы в экономическом развитии и внесение предложений по реорганизации этой банковской системы в нашей стране.

Наиболее важными статистическими методами, использованными в исследовании, были результаты опросов и методов наблюдения, выполненных исследователями и учеными, которые проводили исследования в предыдущие годы.

Тот факт, что в настоящее время в стране действует система исламского банкинга, является одним из ограничений, что, в свою очередь, обязывает исследователей находить информацию в этой области.

Rəyçi: Dr.E.Guliyev