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ELENA DMITRIEVA. ISLAMIC FINANCIAL SYSTEM AND ITS PROSPECTS IN RUSSIA

Keywords: Islamic banks; partner financing; pilot experiment; Russian Muslims; Sharia norms; commercial activities of the bank; geopolitical situation.

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Abstract. Currently, the Islamic financial system (Islamic banking) is developing dynamically and becoming an integral part of the global financial market. A significant number of Muslims live in Russia and therefore Islamic banking is relevant in the financial and economic spheres of the country. The changed geopolitical situation requires Russia to take more active steps in the field of introducing Islamic banking, which can become one of the tools for developing and

increasing the competitiveness of the country's economy, attracting investment from the countries of the Muslim world under the sanctions imposed by the West.

The Islamic financial system (Islamic banking) is becoming more and more popular in the world and has already received recognition even in those countries where the predominantly non-Muslim population lives. Many major global banks offer Islamic financial products in parallel with their core activities. The Islamic banking system allows Muslim clients to source bank services without violating Sharia principles.

To integrate the Islamic financial system into the classical one and to attract more Muslim customers, banks must meet a set of specific conditions. To do this, banks create special units or even subsidiaries that deal with Islamic financial products, but in recent years more and more banks have offered such services within their core activities. The principles under which banks offering their services to Muslim clients must operate include a number of requirements: no interest on loans; prohibition on transactions related to risk, speculative operations, rejection of investments prohibited for Muslims (i.e. not to invest money, for example, in alcohol and tobacco, gaming and pornography business, etc.); mandatory interest in profit or loss; social responsibility of business; monitoring compliance with Sharia standards through the creation and involvement of special expert committees in the work of the bank. The difference between Islamic banking and classical banking is that according to Sharia, the object of trade is a commodity that, figuratively speaking, can be touched and which can be traded, marking-up. For example, the bank does not give money at interest to buy real estate, as it is according to the classic scheme in banks, but buys this real estate into the ownership of the bank and resells it to the client in installments with its own trade mark-up. The bank's income consists in this markup, as the bank cannot operate in the red for itself, like any other bank. There is also a principle of lease, when an Islamic bank buys an object and leases it to a client for a certain period, after which the object will be freehold to the client. To make investments in the Islamic banking system, there is a principle of partnership, which is that a bank financing a business becomes one of the partners and shares all entrepreneurial risks with the client, also bearing losses in the event of bankruptcy. In the partnership scheme, the bank receives income in the form of a share in the business. The Islamic bank is also allowed to conduct foreign exchange transactions, where the commission from operations goes to the bank's income. The tax on charity is the mandatory rule for an Islamic bank

Nowadays, Islamic banking has become a full-fledged component of the global financial market. A client of an Islamic bank can become not only a believing Muslim, but also any person who is not related to the Islamic religion. For example, in Malaysia, more than 50 per cent of Islamic bank customers are non-Muslim. [1] Non-Islamic clients choose an Islamic bank given the greater stability, low risks. But, in fairness, it should be noted that for all the attractiveness of the Islamic banking system, some offers of Islamic banks.

However, in fairness, it should be noted that for all the attractiveness of the Islamic banking system, some offers of Islamic banks in comparison with ordinary banking products can be more expensive (the bank compensates the lack of interest for services with higher fees or rents), so the clients of Islamic banks are mainly Muslims, for whom compliance with Sharia norms is primarily important. Despite the fact that Islamic banks offer products and services that comply with Sharia norms, they inherently have a similar economic essence with the same products in classic banks. No bank, either Islamic or classical, will operate at a loss.

In Russia, a multi-religious society has historically developed, including a significant share of adherents of the Islamic religion. The number of people practicing Islam in Russia has grown in recent decades, due to the high birth rate and migration from the former Soviet republics of Central Asia. In the Russian banking system, Islamic banking has not become widespread yet, although some steps have been taken in those regions of Russia where the predominantly Muslim population lives. At the moment, Russian laws do not establish the procedure for carrying out Islamic financial transactions and therefore commercial activities, which are the basis of the activities of Islamic banks, do not comply with the basic Federal Law "On Banks and Banking Activities" [2], but there are regulations of the Central Bank of Russia that in some way regulate certain services of banks to carry out "Islamic" operations. Mainly in Russia, Islamic banking services are currently provided by various commercial and microfinance organizations.

To regulate the system of Islamic financing in Russia, the concept of an experimental right-wing regime was proposed, which is relatively new to Russian legislation. In August 2023, Russian President V.V. Putin signed the law "On conducting an experiment to establish special regulation in order to create the necessary conditions for the implementation of partner financing activities in certain territorial entities of the Russian Federation and on amending certain legislative acts of the Russian Federation" [3]. It concerns the experimental introduction and regulation of the Islamic banking system in four regions of Russia, where the Muslim population traditionally lives – the Republic of Bashkortostan, the Republic of Dagestan, the Republic of Tatarstan and the Chechen Republic.

Within two years from 01.09.2023 to 01.09.2025, an experiment will be carried out in these regions to implement the so-called partner financing in practice. Both credit organizations and non-credit financial organizations, consumer societies, various foundations, non-profit organizations or business partnerships can become its participants, but all of them must have the status of a resident of the Russian Federation. During the experiment, program members will be able to carry out operations and transactions to attract and provide funds in the form of a loan, financing persons by means of purchase and sale of goods by installments, finance by providing property under the leasing contracts that is, in all schemes conforming to the norms of Islamic law. The Central Bank of Russia will have to establish the procedure for informing customers about the activities of the participants in the experiment, as well as determine the amount of open information for customers, the procedure and timing of its provision. The new Federal Law does not provide for restrictions on religious grounds when applying for partner funding. The law does not mention Islamic banking or the Islamic financial system, and these concepts are defined by terms such as "partnership" and "partner financing." Clients of financial institutions participating in the experiment can be not only individuals, but also legal entities. According to the results of the experiment, the Russian government will be able to expand the scope of the Islamic financial system and extend its operation in an experimental mode.

The experiment in Bashkiria, Dagestan, Tatarstan and Chechnya will make the model of Islamic banking in Russia efficient and effective, which will become attractive for business. The development of the Islamic financial system will allow Russian Muslims to use the Islamic banking system, which does not contradict their religious beliefs, which will attract more customers to banks, and for the non-Muslim population of the country will create a variation in banking services. It should be noted that we should not expect a big difference in interest (in the case of traditional Russian banks) and markups (in Islamic banks) when selling certain types of services, since the country should maintain a unified financial system regardless of the form of financial institution.

The pilot experiment in four regions of Russia is designed to develop mechanisms that will overcome differences in the financial system of Russia and countries where Islamic banking is legally approved. This will allow developing closer cooperation in the financial sector not only with the countries of the so-called non-CIS countries, but also with the CIS countries, where banking legislation has already been adapted to the requirements of Islamic banking, for example, Kazakhstan, Kyrgyzstan, Tajikistan. So far, the share of Islamic finance in these three

Central Asian republics is low – from 0.2 per cent to 1.5 per cent, [4] but the potential for growth is great, given their geopolitical position and changes in the global economy.

The new geopolitical situation and the reorientation of Russia from the European market to states in Asia and Africa, where the Muslim population is a large share, were an incentive for the adoption of a new Federal Law on Partnership Financing. Russian entrepreneurs will be able to export to Muslim countries, and investors from Muslim countries will invest in the Russian economy. Business in Russia on the principles of Islamic partner financing is intended to become an alternative to Western financing, which is currently limited by the framework of sanctions. For Russia, the introduction of the Islamic finance system can contribute to the development of the entire national economy.

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KSENIA ATAMALI. ARAB PRESS ABOUT EVENTS IN UKRAINE

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