

MINISTRY OF EDUCATION AND SCIENCE OF
THE REPUBLIC OF KAZAKHSTAN

SULEYMAN DEMIREL UNIVERSITY
SDU BUSINESS SCHOOL



«Approved»
Head of department
«Economics and Business»
_____ PhD
Azimbekova Aigerim
«14» 06 2023

THESIS WORK

Theme: « Islamic investment products: features and development prospects»

Specialty «7M04101 - Economics»

Submitted by Student
2-nd course, group
«Economics»

(signature of the student)

Arailym Rakhymberdi

Phd

(signature of the
supervisor)

Roza Tulegenova

Kaskelen, 2023

CONTENTS

ABSTRACT	iii
LIST OF TABLES	iv
LIST OF FIGURES.....	iv
1. INTRODUCTION	1
2. REVIEW OF LITERATURE	4
2.1. Investment banking products: concept and identification criteria.....	4
2.2. Principles of Islamic economics have impacted the development and characteristics of Islamic banking and its associated products.....	6
2.3. Foreign practice of Islamic investment.....	10
2.4. The development and progress of Islamic banking organizations in Kazakhstan.....	11
METHODOLOGY	16
ANALYSIS AND FUNDINGS	18
DISCUSSION AND RESULTS	27
REFERENCES.....	31

Abstract

Over the past few years, there has been considerable instability in the financial sector, which has had the capacity to negatively impact other areas of the economy, such as production and services. Economists have increasingly embraced the terms Islamic finance, Islamic banking, and Islamic economics. This dissertation research aims to provide both theoretical and practical guidance for the integration and advancement of Islamic investment products within the banking practices of Kazakhstan.

The main objectives of this study are to examine the necessary conditions for the progress of the Islamic economic model, compare traditional and Islamic investment products, examine international practices in utilizing Islamic investment products, propose implementation strategies specific to Kazakhstan, and suggest approaches to enhance the legislative framework for incorporating Islamic banking principles. The research employs a range of commonly used scientific methods, including analysis, synthesis, classification, induction, deduction, and comparison. The research aims to identify crucial elements that could facilitate the effective adoption of Islamic banking and investment products. These factors encompass the potential for diversifying capital sources, the existence of demand for Islamic banking products driven by the national composition of the population, the necessity of reinforcing the investment focus of lending practices, and the opportunity to leverage practical experience to adapt traditional banking products in alignment with Islamic banking principles.

Keywords: Islamic finance, Islamic banking, mortgage, investment

LIST OF TABLES

Table 1. Apartment foreclosure schedule according to the decreasing musharaka model	23
Table 2. Mortgage repayment schedule	24

LIST OF FIGURES

Figure 1. The share of Islamic banking assets by country at the end of the 4th quarter of 2022	13
Figure 2. The main barriers to the introduction of Islamic banking	18

1. Introduction

In recent years, the financial industry has been quite unsteady and has had the potential of disrupting other aspects of the economy, including production and services. In spite of the fact that Kazakhstan and the CIS countries have been following the market-oriented approach for over 25 years, they still encounter issues such as cheated depositors, the requirement to restore specific banks, or even their insolvency. The banking system's function in guaranteeing consistent economic development is crucial (Karbhari, 2004).

Famous Western European approaches, which have been implemented by commercial banks in the post-Soviet region, prove to be ineffective during crises and only sustain themselves through state aid. Thus, it is essential to explore an alternative financial relationship regulation framework, specifically the practices of Islamic nations (Jaffer, 2005). By analyzing and assessing this approach, we can develop innovative investment-driven financial offerings and banking institution models.

The research topic's significance arises from the necessity to enhance the composition of the Kazakhstani banking sector, utilizing a broader range of investment-oriented models and products.

The degree of elaboration of the research topic. Islamic finance, Islamic banking or Islamic economics are terms that have confidently come into use among economists. The Islamic economic model is able to cover and influence all spheres of human economic

life. The Islamic faith forms the essential basis for the Islamic economic system. However, even though Islam has been present for over 1400 years, there has not been enough theoretical explanation of how to utilize Islamic economic tools in practical situations.

For the first time, such prominent religious figures as Abu Yusuf, Al-Ghazali, Ibn Khaldun, Ibn Qayyim Al-Jauziya tried to systematize knowledge in the field of economics on the basis of Islamic dogmas. Most of them, being theologians, dealt with issues not only purely religious, but also analyzed all spheres of human activity (including economic). Thus, in his work *Muqaddima* ("Introduction"), published back in 1377, Ibn Khaldun discusses the causes of the rise and decline of civilizations, where the main emphasis is on the economic component of the development of the state. He examines the function of the government in the economy and provides both practical and theoretical explanations for the effects of state measures on production and commerce.

Umar Chapra, Abdul Azim Islahi, Zamir Iqbal, Muhamad Taki Usmani, and Abbas Mirakhor are noteworthy economists who have intentionally addressed the topic of Islamic economics and finance. They have developed the fundamental theoretical principles that underlie the functioning of the Islamic financial system(.

However, there are still unresolved issues, such as the development of legal frameworks to facilitate the implementation of Islamic finance, the resolution of management concerns within financial institutions that operate based on Islamic banking principles, and the feasibility of transforming Islamic investment products for use in conventional banks(Gresh,2007).

The purpose of this dissertation research is to develop theoretical and practical recommendations for the implementation and development of Islamic investment products in Kazakhstani banking practices. To achieve this goal, the study aims to analyze the prerequisites for the development of the Islamic economic model, evaluate the differences between traditional and Islamic investment products, review the international experience of using Islamic investment products, suggest implementation

strategies for Kazakhstan, and propose approaches to improve the legislative framework for the implementation of Islamic banking principles.

The research uses general scientific methods such as analysis, synthesis, classification, induction and deduction, and comparison. The information base of the study includes materials from leading Kazakhstani and foreign financial publications, legislative and regulatory documents from several countries, and analytical materials from various financial institutions.

The novelty of the study lies in expanding the theoretical and methodological foundations of banking through the analysis of Islamic investment products and suggesting implementation strategies in Kazakhstan to enhance the target orientation of the banking system. The research's theoretical significance lies in providing a deeper understanding of investment banking, while its practical significance lies in the proposals and recommendations that commercial banks can use for the implementation of Islamic investment products in traditional banks.

The study identifies key factors that could contribute to the successful implementation of Islamic banking and investment products, including the possibility of diversifying sources of capital, the presence of demand for Islamic banking products due to the population's national composition, the need to strengthen investment orientation of lending, and the possibility of using practical experience to transform traditional banking products in line with Islamic banking principles.

2. Literature review

2.1 Investment banking products: concept and identification criteria

The identification of the essence and features of investment banking products requires the analysis of such theoretical concepts as investments, investment banking, banking products. A significant number of definitions of the concept of "investment" have been proposed in foreign and domestic literature. "Investments" in foreign practice are defined as funds that are invested in securities for a long time (Garas, 2007).

Let's consider the term "investment" in the works of domestic authors. It appeared relatively recently, replacing the previously used concept of "gross capital investments", which meant expenditures carried out at a certain time for the reproduction of fixed assets funds. The modern concept of investments is much broader than gross capital investments, since they can be invested both in maintaining current fixed assets and in expanding an enterprise by creating new production lines, acquiring intangible assets, securities, that is, capital investments are one of the forms of investment (Gabbasova, 2016).

However, bank investments have their own specifics due to macro- and microeconomic aspects. The macroeconomic aspect refers to the role of a financial intermediary, which is typical for commercial banks in meeting the needs of economic entities in investments. The microeconomic aspect is due to the bank's activity as an investor, which independently invests its own funds in a certain period for the acquisition of financial assets in order to maximize the welfare of owners (shareholder wealth maximization). It should also be noted that in addition to the above aspects, a characteristic feature of banks is that they primarily help transform savings and savings into investments (Alani, 2012).

Investment activities involve various legal entities that take on the roles of lenders, investors, buyers, and borrowers. These entities can include manufacturing organizations, service companies, banking institutions, and specialized credit and financial institutions. Among these, credit and financial institutions are the major

players in the investment services market and offer a diverse range of financial products to their customers(Al-Atyat,2012).

In addition to traditional financial institutions, investment companies or funds also exist that focus on attracting temporary funds from economic entities through the issuance of their own securities, and then investing these funds in various other financial instruments (Usmani, 2002).

However, investment banking, along with specialized investment companies, can also be carried out by universal commercial banks that have the appropriate license. At the same time, all licensed banks are universal in Kazakhstani conditions, and investment companies are not banks by law, but the boundaries between them have been gradually erased in recent years. Thus, investment banks are expanding the range of their operations, and universal banks are joining investment companies as subsidiaries. That is why the range of investment banking operations and products provided within the framework of this activity is currently quite wide (Adil, 2016).

Therefore, an investment banking product can be considered a product whose characteristics meet the criteria of urgency, target orientation, specifics of the composition and level of risks, the use of special tools, which provides an expanded interpretation of the concept of this concept, taking into account its direct or indirect compliance with the criteria for the implementation of certain investment goals (Adil, 2016).

Based on the above criteria, we believe that investment banking products should include not only products and services the bank for the placement of its own and attracted funds (provision of long-term loans, project financing), but also products involving the attraction of funds, taking into account their targeted placement in the capital markets (individual investment accounts, collective investment funds, etc.) (Bahnasawy,2017).

At the same time, the specifics of a particular type of investment banking product depends, first of all, on the features of the strategic and operational business model of a commercial bank. These features are most pronounced when comparing bank

investment products in traditional and Islamic banking models, in which special principles and approaches to the formation of bank-client relationships are implemented (De Cordier, 2012).

2.2 Principles of Islamic economics have impacted the development and characteristics of Islamic banking and its associated products

From the very beginning of the appearance of Islam, this religion claimed to determine the life of a person in all spheres of his activity. The economic activity of people was no exception. In view of this, from the ninth to the fourteenth century, Muslim scholars offered the world a lot of outstanding ideas and concepts regarding production, investment, finance, economics, taxation, private property. Thus, such financial instruments as hawala, Islamic trust fund – waqf, checks, mufawada and much more were developed. It is important to emphasize that most of these tools, which are commonplace for us today, were revolutionary 1400 years ago and solved various economic tasks and problems facing society and the state, ensuring an effective economic life (Al-Suwaidi, 1994).

The Muslim theologian and scholar from India Manazir Ahsan Gilani first wrote about the Islamic economy as an alternative way of developing human economic activity in 1947 in his work "Islamic Economy" in Urdu. At the same time, but already in English, a book by Sheikh Mahmoud Ahmad was published under the title "The Economy of Islam". Thus, scientists agree that the "Islamic economy" as an economic model emerged in the 1940s. But it was only as a result of a scientific conference in 1976 in the center of the Muslim world – Mecca, that the concept of "Islamic economy" was consolidated in the scientific literature. However, until now, Muslim scholars have not been able to develop one generally accepted and comprehensive definition of this term.

Supporters of the alternative Islamic economy note that it overcomes the shortcomings of the capitalist and socialist models, which consist in a balance between absolute private property under capitalism and a complete state monopoly under Soviet-style socialism. It should be noted that the alternative of the Islamic economy

does not consist in distinguishing differences, but in combining capitalist and socialist views of building an economic system (Ariff, 1988).

Thus, in Islam, the right to private property is no less guaranteed to the owner. Moreover, for crimes such as theft, embezzlement of other people's property, harsh and sometimes cruel punishments are provided in comparison with the humane Western world (Al-Atyat, 2007).

On the other hand, if we assume that an Islamic bank would have been created in the USSR, then the country's economic policy prohibiting usury, declaring the social orientation of business, fully corresponds to the postulates of Islam. Also, the planned nature of the economy, the dominant position of the state in the economy does not contradict Islamic principles (Adil, 2016).

Thus, the Islamic economy can be characterized as a system of economic relations, which, according to its basic principles, corresponds to some capitalist and socialist organizations of economic life at certain stages of the development of capitalism and socialism, respectively. Thus, any science, including economics, finds its place among other sciences only if resources are limited. Therefore, Abu Ali Sultan's argument is relevant that "the central problem of the economy should not be the issue of resource allocation, but the issue of limiting human needs". Islam as a religion excludes the problem of lack of resources, as it makes a distinction between basic human needs and luxury (Alani, 2012).

At the same time, the construction of a full-fledged Islamic economy in the international coordinate system is possible only in a purely Muslim country, where the secular nature of the state is rejected, political and everyday decisions are made with an eye to Sharia (Ahmad, 2009). In turn, such a system should be absolutely independent of international economic cooperation and international trade, which, of course, is also impossible in the modern world. Thus, when building an Islamic economic system, it is impossible not to take into account those institutions that have existed in the West for centuries, and which, due to various circumstances, have not taken root in the Muslim East (Alani, 2012).

It should be noted that secular countries deliberately prefer not to give any religious color to their economic decisions. That is why some countries use streamlined reform formulations that correspond to the Islamic economic concept, namely, everything related to the word "Islam" is replaced with other words, while the content of such changes is consistent with the ideas of the Islamic economy, which determines the possibilities of their implementation (Iqbal, 1999).

Therefore, the unique aspect of the Islamic economic model is its consideration of not only the material needs of economic entities, but also their moral and spiritual state.

The banking sector is the subject of the greatest discussions and discrepancies between the traditional economic system, by which we understand the capitalist model, and the Islamic economic model (Jaffer, 2005).

According to Karbhari (2004), the key limitations of Islamic banking, which are distinctive features from the traditional banking system, are reflected in the following provisions:

- a general ban on loan interest;
- a ban on speculative operations – operations that do not lead to an increase in the welfare of society, but are aimed solely at the self-interest of one party to the transaction;
- a ban on the financing of gambling (casino, lottery, etc.);
- a ban on the financing of the production and trade of alcoholic beverages;
- ban on financing the production and trade of tobacco products;
- a ban on financing activities for the production, processing and trade of pork meat and animals that have died of natural causes;
- a ban on financing media outlets that publish pornographic materials.

If the first three prohibitions are aimed at ensuring the balance of the economic system, reducing social tension and stratification of society, then the next four are socio-ethical conditions for the selection of projects for investment by Islamic banks.

The rejection of loan interest allows Islamic economists to operate with such a concept as "capital efficiency", instead of such an instrument as the "price of money", which is absolutely unstable and subject to the influence of numerous subjective and purely speculative factors. In turn, according to the concept "capital efficiency", resources always move towards the sectors of the economy with the greatest prospects and the highest rate of return (Mustafa, 2006).

Loan interest in Islam is considered as an element of idleness and exploitation of some (users of capital) by others (lenders): the lender, without incurring any risks, by issuing a loan to an individual or legal entity, demands repayment of the debt plus accrued interest in any case. Moreover, in case of late payment, the banking institution charges penalties, fines and other amounts that increase the bank's profit and reduce the welfare of the borrower. This phenomenon at the societal level results in crises such as individual bankruptcies that trigger a "domino effect" of bank bankruptcies and defrauded depositors, ultimately increasing social tension and highlighting the state's inability to protect its citizens from such situations (Parker, 1993).

In order to answer in detail the topical issues that arise in real life, taking into account the culture, traditions of society, the stage of economic development of the state, there are special mechanisms in Islamic law, including the issuance of Islamic fatwas. Thus, the Islamic fatwas of the Council of the Islamic Academy of Jurisprudence were designed to solve point problems regarding the prohibition of usury (Roula, 1995).

Islamic banking specialists have found a solution to this problem in financial products used in the economic life of Muslims for many centuries, among which *mudaraba* and *musharaka* are widely known as fundamental tools in the field of investment financing in Islamic banks. However, as you know, any investment activity is carried out, including at the expense of attracted funds, which form bank liabilities. Therefore, it is important to consider in detail the main types of Islamic banking products and their essence.

One of the key characteristics on the basis of which it is possible to classify Islamic financial contracts is the role of the Islamic bank. So, there are transaction contracts used to carry out any transactions, and intermediary contracts in which an Islamic bank acts as a financial intermediary, taking on taking certain risks associated with the transaction and providing the necessary capital.

It should be noted that any Islamic bank combines transactional and intermediary contracts in its activities. The Bank, being a financial intermediary between the depositor and the borrower, collects funds and places them in the most promising and profitable businesses that do not contradict Sharia, and thus concludes transactional contracts to finance the lender's economic activities. Therefore, it is practically impossible for an Islamic financial institution to specialize exclusively in intermediary contracts or transactional ones.

The Islamic insurance contract operates on the principle of mutual responsibility, which eliminates the negative elements described above in accordance with Islamic law.

Thus, the basic principles of the Islamic economy are reflected in almost all products and services of Islamic banks. At the same time, it is possible to identify specific features

2.3 Foreign practice of Islamic investment

While Islamic banks have similar objectives to traditional banks, the Islamic economy aims not only to establish an interest-free financial system and introduce zakat, but also to create a society free from all forms of exploitation, as stated in the first chapter of the study (Jamall, 2013).

According to the World Development Report (1989, Box 6.3), Islamic banks provide depositors with open-ended mutual funds, which involve more risk compared to fixed interest rate deposits. This approach is similar to that of cooperative and mutual banks in the West, where deposits generate variable interest and also function as capital. However, the lending process poses challenges due to profit and loss sharing

agreements, which result in significant monitoring and control difficulties, particularly in the small business lending sector (Roula, 1995).

The lack of interest in Islamic finance does not mean that capital does not generate income, but rather changes the way it is earned. Islam prohibits a fixed return on capital because it does not encourage full employment of capital. Investment and entrepreneurship are what separate real contributions and returns. Many banks, including Western ones, began using the Islamic banking model for their clients in Asia, the Middle East, Latin America, and Europe. In the 1960s, the first Islamic interest-free banks were established in Egypt, but they did not initially adhere to Islamic finance principles for fear of political motives. However, in the 1970s, commercially-oriented Islamic banks emerged, promoting the Islamic alternative to traditional financial institutions. These included Islamic commercial banks and Islamic investment and international holding companies. In Pakistan, regulations were adopted to Islamize the national banking system in 1979. In Iran, banking and financial transactions involving *riba* (interest) are completely prohibited. Tabung Haji was the first Islamic bank in Southeast Asia, established in 1983.

Today, both traditional and Islamic banks are present in Malaysia. At the same time, there are no legal restrictions in the country regarding the operations that banks can perform. In other words, the bank can be called Islamic, while also using traditional financial instruments in its operating activities. It should be noted that many Islamic scholars and economists criticize Malaysia for this dualistic approach. Additionally, most scholars are of the opinion that as a result of combining the cash flow of Islamic financial products and traditional banking products, the resulting final income becomes forbidden and does not comply with the principles of Sharia. In turn, the flexible position taken by the Malaysian Government provides attractiveness for Western European banks, which, along with traditional financial instruments, also offer Islamic investment products in carrying out their business activities. In particular, Citibank's net income from Islamic financial products for the period from 1998 to Q3 2019 grew

by an average of 40.8% annually, while the CAGR for the same period for net interest income was 1.9%.

In 1973, the Amanah Bank was established in the Philippines to meet the special banking needs of the Muslim community but it carried out both traditional operations and operations based on Islamic financing methods. Attempts were made to turn it into a full-fledged Islamic bank. The Islamic Bank of Brunei Berhad was established in 1993 in accordance with the order of the Sultan of Negara Brunei Darussalam. The bank's purpose was to fulfill religious obligations for the country based on the teachings of the Holy Quran. The bank operates within the national framework. The Islamic Development Bank was established in 1975 and is an intergovernmental institution that provides financing and interest-free loans to support development projects in the least affluent member countries. The largest participants in the Islamic finance market are Iran, Saudi Arabia, and Malaysia. However, Saudi Arabia and Malaysia are striving for leadership as regional centers of attraction for the countries of Asia and the Middle East. The UK has developed separate legislation for Islamic financing, and in Ireland, Germany, France, Italy, and Luxembourg, the regulator has issued separate instructions or directives for the implementation of Islamic financing. The migration of the Muslim population to Western European countries led to the opening of the first Islamic bank in Germany in 2015.

In France, which has the highest presence of Muslims in Europe, the provision of Islamic financial products is carried out mainly through Sharia-compliant mutual funds, and only one Islamic window is open in the traditional Chaabi bank, where Islamic investment deposits and housing finance services are offered [73].

At the same time, in Luxembourg, as well as in Ireland, where the need for the existence of Islamic funds is most recognized by the local population [70], there are no Islamic financial institutions that would offer products and services that fully comply with Sharia.

Thus, we will summarize the analysis carried out in this paragraph in the form of summary graphs reflecting the state of Islamic banks in Muslim countries. Figure 1

shows the distribution of assets of Islamic banks in the context of Muslim countries. Iran, Saudi Arabia and Malaysia are the leaders of the industry, while Iran, despite international sanctions, has been the largest Islamic economy for many years. These countries account for 32.1%, 20.2% and 10.8% of all Islamic banking assets in the world, respectively. Therefore, of course, Iran, Saudi Arabia and Malaysia can be considered leaders in the Islamic banking industry and a locomotive for further sustainable development of this sector of the economy. The "other countries" group includes states whose share of the total assets of Islamic banks is less than 1%.

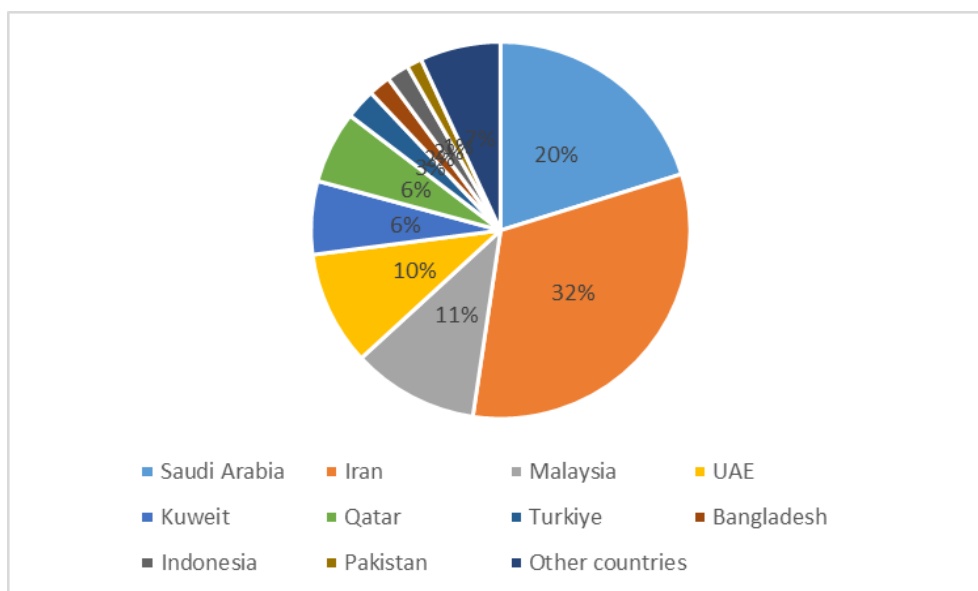


Figure 1 - The share of Islamic banking assets by country at the end of the 4th quarter of 2022

Other important criteria in the analysis of financial activity of banks are the following indicators:

- how has the volume of assets changed during the analyzed period;
- how has the amount of funding changed over the analyzed period;
- how has the structure of the bank's liabilities changed: do depositors trust their money to a financial institution, or vice versa, is there an outflow of customers?

So, for the period from 2016-2018, there was an increase in the above-mentioned indicators. Despite a slight decrease in dynamics in 2018 compared to previous periods,

there is a steady steady increase in the size of assets of Islamic banks, the volume of financing and the amount of investment deposits.

Thus, it is also important to note that the profits of Islamic banks in Muslim countries show stable growth. Thus, in 2014, the total profit exceeded \$ 25.8 billion, and in 2018 it increased by another \$16.2 billion (or 62.7%). This dynamics is also characteristic of the indicator profit before taxes and zakat. During the period under review (2014-2018), the growth in relative terms amounted to 91.9%, and in monetary terms – 6.6 billion US dollars [58].

According to a study conducted by the International Monetary Fund comparing the effects of the 2008 global financial crisis on Islamic and traditional banks, it was found that none of the Islamic banks went bankrupt during that period. This finding is supported by statistical data presented in Appendix B. The data in Appendix B also confirms the success of Islamic banks, which are mainly represented in three models worldwide. However, the specifics of the Islamic banking model vary from country to country, as seen in the development of Islamic banking in CIS countries.

2.4 The development and progress of Islamic banking organizations in Kazakhstan.

Islamic banking in Kazakhstan developed in a unique way, with the National Bank of Kazakhstan becoming a full member of the Islamic Development Bank in 1995, allowing Kazakhstan to join international financial organizations. The IDB opened a regional office in Almaty in 1998, the first in Central Asia and the CIS countries, connecting Kazakhstan to international markets and institutions of Islamic finance. The IDB is now one of Kazakhstan's strategic partners in developing the Islamic financial and banking industry. In August 2012, the Development Bank of Kazakhstan and the State Institute of Financial Investments issued sukuk (Islamic bonds) worth 75 million US dollars .

Even before the beginning of the financial crisis in 2008, several large banks in Kazakhstan entered the international market of Islamic finance. During the period 2005-2008, Islamic banks provided loans totaling \$238 million to banks in Kazakhstan.

However, at the same time, all international transactions between Kazakh and foreign financial institutions were carried out on the basis of traditional and international banking rules. In the legislation of Kazakhstan in force during this period, there was no clear distinction between the possibility of using the principles of Islamic banking, but at the same time, there was no prohibition on their application (Adil, 2016).

In 2006, representatives of local traditional banks concluded that there were no obstacles preventing them from conducting transactions with Islamic banking partners. Local regulatory authorities learned about the experience of Islamic banks in Malaysia, leading to the opening of "Islamic windows" for conducting Islamic banking operations within traditional banks (Jamall, 2013).

A conference on the introduction and regulation of Islamic finance was held in 2007, where the prospects for the development of Islamic finance in Kazakhstan were discussed. The need to create a regulatory framework for Islamic banking was reflected in an agreement signed by the then President Nazarbayev in 2009. This agreement led to the creation of a regulatory and legislative infrastructure for the introduction and development of specific Islamic financial instruments in the country, including the introduction of Councils on the Principles of Islamic Finance (Gabbasova, 2016).

However, amendments to the legislation authorizing Islamic banking activities did not fully take into account the specifics of Islamic banking instruments, leading to ambiguity in interpretation and application of these laws. Currently, there are no specific tax regimes applicable to Islamic financial instruments in Kazakhstan. Islamic banking in Kazakhstan is hindered by various factors, including the lack of insurance requirements for deposits of Islamic banks in some countries (Adil, 2016).

3. Methodology

In order to answer the research question, mix of qualitative and quantitative method of research were the most appropriate approach. In particular, this method enables researchers to have a deeper understanding of a phenomenon (Austin & Sutton, 2014) as the main objective was to understand the behavior of Kazakhstani population towards Islamic investment products and develop practical recommendations on how to implement it in traditional banks.

General scientific methods (analysis and synthesis, systematic approach, classification, induction and deduction, methods of grouping and comparison), as well as special methods of cognition (statistical method, methods of mathematical statistics) were used as the methodological basis of the study.

In-depth open-ended and semi-structured interviews from key informants were used to collect the primary data. The target sample for this study represents clients and vendors of traditional banking services. Judgment (or purposive) sampling was utilized to identify informants with relevant expertise and experience. Overall, the research has lasted for nine months starting from September 2022 until May 2023.

After identifying the sample of the research, the process of deliberately contacting vendors and clients of banking services, who could accept to hold an interview, through well-connected acquaintances and partners from place of internship has started. All the interviews were pre-planned and held on the company's premises. As a result, 15 people agreed to be the participants and the time and type of the interview had been arranged. In order to outline the responsibilities and roles between interviewers and interviewees, the consent form had been built up and signed by all parties. The interviews were undertaken both face-to-face, with whom there was an opportunity to meet, and via the online platform “Zoom”¹. The identity of companies

¹ This software is primarily designed for qualitative research or analysis of qualitative data, although it can also be used for other purposes.

and individuals referenced in this study is concealed due to the confidentiality of the information.

Moreover, interview protocol and questions had been developed and given to the interviewees in advance by their personal request. In-person interviews with a duration of 15-50 minutes were audio-recorded and transcribed manually. At the beginning of each interview respondents were asked to give detailed answers as the qualitative method of research is difficult to analyze due to its vulnerability to subjective opinion of the authors. To code and analyze the data gathered from the interviews using the thematic analysis approach and inductive reasoning, “Atlas Ti” software had been used. Following the transcription of the interviews held, codes were built by the periodical intensive discussion after identifying, interpreting and theming the issues from periodic revision and rereading of the information gathered. After codes were built and codebooks facilitated, with the help of the software “Atlas Ti”, according to the rules of thematic analysis, all the codes had been grouped and examined due to their nature and effect on the research topic. After themes were formulated, relationships between codes were identified.

Moreover, a questionnaire of 30 multiple choice question was build on Google Forms platform in order to identify the awareness of clients of traditional banking sector about principles and features of Islamic financial services.

During the period of industrial internship in Shanyrak Platinum LLP, the actual data about cost of apartment was collected from the parent company BI Group.

4. Analysis and Findings

As a result of the qualitative work, we consider the main problems related to the feasibility and possibility of introducing Islamic banking in general and Islamic investment banking products, in particular, into the practice of traditional banks. Thus, we suppose that the main problems include a whole range of barriers of a strategic and non-strategic nature, reflected in Figure 2, some of which were considered earlier.

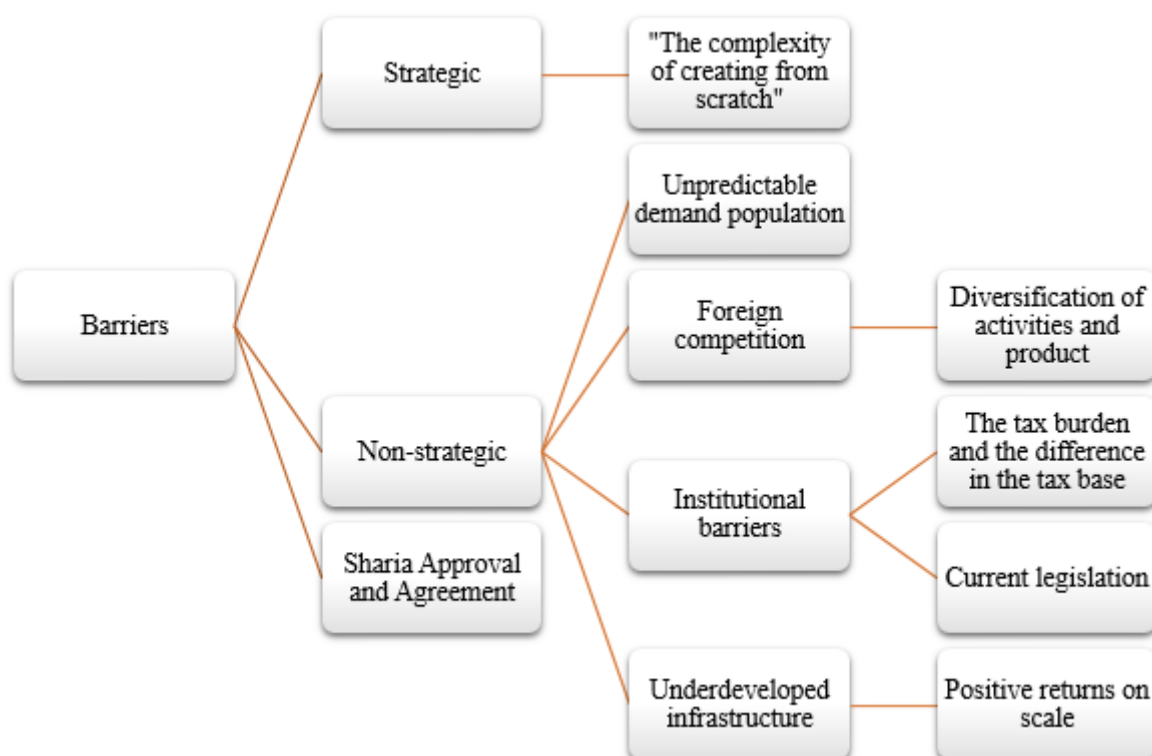


Figure 2 – The main barriers to the introduction of Islamic banking

In most cases, the basic criteria for Why Islamic banking is not developing in Kazakhstan are:

1. Equal regulatory conditions - All prudential standards are equal, the equalization of the "k4" standard in 2021 was decisive.

The nearly equivalent regulatory requirements imposed on Islamic banking as compared to conventional banks has played a significant role in the growth of Islamic banking in Kazakhstan. Additionally, the adoption of the prudential standard "k4" in 2021, which established equality between the two types of banks, was a critical determining factor.

2. Deposit insurance of Islamic banks - there is no guarantee mechanism (there are restrictions on investing funds)

In order for Islamic banks to operate effectively, it is crucial to establish investment instruments for their surplus liquid assets. Currently, there are no securities (such as Sukuk) available in Kazakhstan that Islamic banks can invest in. The UK's experience indicates that the existence of investment tools for free liquidity is one of the prerequisites for the growth of Islamic banking.

Sukuks are a type of financial instrument that enable Islamic financial institutions to generate capital for funding different ventures, while avoiding the use of interest rates which are not allowed in Islamic finance. Instead, they operate on the principle of shared ownership, allowing investors to earn income by sharing the profits of the project that the Sukuk finance.

3. Availability of investment instruments - there are no securities (sukuk) where Islamic banks could invest their funds.

Kazakhstan currently lacks a deposit guarantee mechanism for Islamic banks, which can hinder the growth of their deposit portfolios. Research indicates that deposit guarantee mechanisms typically promote greater confidence in depositors and support the expansion of Islamic banks' deposit base.

Globally, there are more than 20 funds that provide guarantees for Islamic deposits. These funds operate on a similar principle to traditional deposit insurance programs, where Islamic banks pay regular premiums based on their level of risk. However, there are some funds that provide coverage for both traditional and Islamic deposits, with the condition that contributions from Islamic banks are managed separately and invested in Sharia-compliant instruments.

4. Competitiveness of Islamic banks – lack of infrastructure constrains the capabilities of Islamic banks

Islamic banks in Kazakhstan face challenges in creating competitive products due to the inadequate infrastructure. For instance, the return on Islamic deposits in Kazakhstan does not exceed 8%, whereas the average return on traditional non-term deposits is 16.3% (as of March 2023). Additionally, Islamic banks lag behind traditional banks in terms of digital infrastructure, do not create their own ecosystems, and do not develop customer applications.

This deficiency is evident in the composition of their loan portfolios, where Islamic banks primarily operate in the corporate sector, while traditional banks are actively expanding their retail lending.

Recognition of these problems leads to the search for ways and means to implement the positive properties of Islamic banking. We will present a number of key factors that could contribute to the successful implementation of Islamic banking and Islamic investment products:

- the possibility of diversifying the sources of capital for the development of the economy based on the expansion of the membership of the banking market;
- the presence of demand for Islamic banking products due to the peculiarity of the structure of the Kazakhstani population by national composition;
- the need to strengthen the investment orientation of lending in the Kazakhstani economy;
- the possibility of using practical experience in the transformation of traditional banking products in accordance with the principles of Islamic banking.

Initially, the growth of Islamic banking is widely acknowledged as a prevailing pattern, particularly considering the evidence that during the 2008 worldwide financial crisis, Islamic financial institutions demonstrated greater stability.

Secondly, there is a fairly broad layer of the Muslim population in the country (although the desire to use Islamic banking services is not necessarily associated with belonging to the followers of the religion of Islam).

Thirdly, the need to expand the investment activity of business entities in the Kazakhstani economy is becoming generally recognized. In turn, an increase in the size

of investments in the economy due to an increase in the types of investment banking products should solve the task of increasing labor productivity.

Finally, as the analysis showed, some products of Islamic banking can be used without violating the fundamental principles of Islamic finance. In particular, the attraction of funds to settlement and current accounts and their use in order to ensure the profit of the credited object as a source of income on these accounts has become one of such forms. Among the new services of Islamic banking were also offers to open bank payment cards, the market of which Islamic banks began to enter since the early 1990s [52].

Thus, taking into account the current legal restrictions on the use of Islamic banking products, at the transitional stage it is advisable to develop hybrid products using specific conditions for their provision. In particular, such a hybrid product can be a mortgage for the purchase of commercial real estate by small businesses or as an object of investment activity of an individual.

The hybrid nature of the product is expressed in the following:

– on the one hand, the procedure for granting a mortgage loan, analysis and assessment of the client's creditworthiness are similar to the procedures used when issuing such a loan in a traditional bank (naturally, taking into account the possibility of an individual approach to a particular borrower);

– on the other hand, the procedure for obtaining income from the provision of a mortgage loan is based on the principles and forms of providing Islamic banking products and assumes excellent conditions and the procedure for settlements with borrowers, common in a traditional bank.

The banking models operating in Kazakhstan were copied from Western practice after the collapse of the USSR. A model that is based on financing the purchase or construction of real estate, but at the same time without sharing risks with the borrower on the ownership, use of the investment object, has no right to exist from the point of view of ethics, since the commercial bank takes a deliberately advantageous position in the transaction. An alternative approach to mortgage lending and relationships

arising in the process of financing the purchase or construction of a real estate object is reflected in the Islamic principles of financing.

Let's highlight the features of the Islamic financial product Murabakh in relation to the conditions of mortgage lending. Murabaha is a purchase and sale agreement at an agreed price, where the bank acquires a real estate object for its own light, but on behalf of the buyer and subsequently resells it to its client in installments with a certain margin. Thus, the bank, being an intermediary in the transaction, receives its own fixed commission, as any other economic agents would do. The Murabakh agreement does not imply any fines, penalties and other late payments, which eliminates the risk of damage to the economic interests of both parties to the transaction, since the bank's profit is fixed, as well as the buyer's costs, which also cannot exceed the previously agreed values.

The second Islamic investment product for buying real estate is the decreasing musharaka. This tool assumes that the lender and the borrower jointly participate in the property, according to the subject of the loan, which in this case is a non-residential premises purchased for the purpose of using it for business purposes, or residential premises as an object of investment of the client.

A definite schedule is being formed for the repurchase of the bank's share in joint ownership. Thus, there will be an increase in the share of borrowers and a decrease in the ownership of property by the bank, and at some point the ownership of the property will completely pass to the Client.

At the same time, for the use of a share of real estate owned by the bank, the borrower is obliged to pay a pre-agreed amount, which in its content will be the bank's profit. Potentially, the monthly rent that has been formed in the real estate market, where the subject of the mortgage is also located, may be the amount of the monthly payment due to the bank. Thus, the monthly payment amount under the hybrid mortgage agreement will consist of the amount of the repurchase of the share of real estate from the bank and the amount of rent owed to the bank.

For clarity, we will consider in detail the implementation of this mechanism on a specific example.

Thus, the cost of 1 square meter in Astana in March 2023, according to the BI GROUP of Companies, was 650,000 tenge, and the rental price for February 2023 at the final metro stations ranged from 3,500 to 5,000 tenge per 1 square meter. Suppose that a room with an area of 75 square meters was purchased. The amount of the initial payment was accepted equal to the minimum amount according to the requirements in most banks, namely 15%. The borrower plans to repay the debt and buy the property in 10 years. For the purposes of the analysis, it was assumed that the rental rate will grow conservatively at the rate of inflation in Kazakhstan. It is also assumed that the amount of rent for 1 square meter is equal to 4250 tenge or 318,750 tenge per month of using the property. Let's present the payment schedule for decreasing musharaka in Table 1.

Period	Rental rate	Share of rent		Purchase of a share by the Client	The Client's share in the apartment	Share of Client %	The Bank's share in the apartment	Share of Bank %	Monthly payments
		Client	Bank						
-	-	-	-	-	7 312 500,00	15%	41 437 500,00	85,00%	-
1	318 750,00	47 815,00	270 935,00	345 315,00	7 653 750,00	15,70%	41 096 250,00	84,30%	616 250,00
2	318 750,00	50 070,00	268 680,00	345 315,00	7 995 000,00	16,40%	40 755 000,00	83,60%	613 990,00
3	318 750,00	52 330,00	266 420,00	345 315,00	8 336 250,00	17,10%	40 413 750,00	82,90%	611 735,00
4	318 750,00	54 585,00	264 165,00	345 315,00	8 677 500,00	17,80%	40 072 500,00	82,20%	609 475,00
5	318 750,00	56 845,00	261 905,00	345 315,00	9 018 750,00	18,50%	39 731 250,00	81,50%	607 220,00
6	318 750,00	59 100,00	259 650,00	345 315,00	9 408 750,00	19,30%	39 390 000,00	80,80%	604 960,00
7	318 750,00	61 360,00	257 390,00	345 315,00	9 750 000,00	20%	39 048 750,00	80,10%	602 705,00
8	318 750,00	63 615,00	255 135,00	345 315,00	10 091 250,00	20,70%	38 658 750,00	79,30%	600 445,00
9	318 750,00	65 875,00	252 875,00	345 315,00	10 432 500,00	21,40%	38 317 500,00	78,60%	598 190,00
10	318 750,00	68 135,00	250 615,00	345 315,00	10 773 750,00	22,10%	37 976 250,00	77,90%	595 930,00
11	318 750,00	70 390,00	248 360,00	345 315,00	11 115 000,00	22,80%	37 635 000,00	77,20%	593 670,00
12	318 750,00	72 650,00	246 100,00	345 315,00	11 456 250,00	23,50%	37 293 750,00	76,50%	591 415,00
13	331 500,00	77 905,00	253 595,00	345 315,00	11 797 500,00	24,20%	36 952 500,00	75,80%	589 910,00
***	***	***	***	***	***	***	***	***	***
118	453 680,00	444 040,00	9 640,00	345 315,00	48 067 500,00	98,60%	682 500,00	1,40%	354 955,00
119	453 680,00	447 255,00	6 425,00	345 315,00	48 408 750,00	99,30%	341 250,00	0,70%	351 740,00
120	453 680,00	450 465,00	3 215,00	345 315,00	48 750 000,00	100%	-	0,00%	348 525,00
Total payments		27 503 080,00	18 420 275,00	-	48 750 000,00	0,00	0	0,00	59 857 775,00

Table 1 – Apartment foreclosure schedule according to the decreasing musharaka model

Source: computed by author

According to the decreasing musharaka model, the amount of the bank's remuneration due to the provision of a loan is equal to 18,420,275 tenge. At the same time, the monthly payment rate was determined on the basis of market indicators, such as monthly rent and the annual growth rate of the rental rate.

At the same time, any result makes sense only when conducting a comparative analysis. Therefore, we will calculate the profitability of a traditional bank that provides credit funds at a fixed interest rate per year.

The weighted average interest rate on mortgage loans was 10.15%. Let's imagine the cost of servicing this loan for 10 years in the case of the purchase of premises with an area of 75 square meters worth 48,750,000 tenge with an initial payment of 7,312,500 tenge and borrowed funds in the amount of 41,437,500 tenge in Table 2.

Period	Payment amount	Main Debt	Interest	Remaining debt
1	551 045,00	200 555,00	350 490,00	41 236 945,00
2	551 045,00	202 250,00	348 795,00	41 034 695,00
3	551 045,00	203 960,00	347 085,00	40 830 735,00
4	551 045,00	205 635,00	345 410,00	40 625 100,00
5	551 045,00	207 425,00	343 620,00	40 417 675,00
6	551 045,00	209 180,00	341 865,00	40 208 495,00
7	551 045,00	210 950,00	340 095,00	39 997 545,00
8	551 045,00	212 735,00	338 310,00	39 784 810,00
9	551 045,00	214 535,00	336 510,00	39 570 275,00
10	551 045,00	216 035,00	335 010,00	39 354 240,00
11	551 045,00	218 175,00	332 870,00	39 136 065,00
12	551 045,00	220 025,00	331 020,00	38 916 040,00
13	551 045,00	221 885,00	329 160,00	38 694 155,00
***	***	***	***	***
118	551 045,00	539 800,00	11 245,00	1 088 270,00
119	551 045,00	541 840,00	9 205,00	546 430,00
120	551 045,00	546 425,00	4 620,00	5,00
Total	66 125 400,00	41 437 500,00	24 688 180,00	-

Table 2 – Mortgage repayment schedule

Source: computed by author

According to the traditional model, the amount of the bank's remuneration or overpayment for an individual for 10 years of using borrowed funds at a rate of 10.15% will amount to 24,688,180 tenge, which is 6,267,905 tenge more than the decreasing musharaka or 34%. In this regard, a well-justified question arises as to why the overpayment occurs and what is the driver of the interest rate.

It should be noted that the yield of 18,420,275 tenge is provided by an interest rate of 7.82%, which is declared as the target value by the country's leadership.

A positive feature of a traditional mortgage loan is the fixation of the monthly payment amount throughout the duration of the mortgage agreement, while with the

decreasing musharaka model, the rental rate is subject to change due to market indicators and, accordingly, may increase significantly in the future. To avoid sudden changes in the amount of rent, the parties can determine the market index by which the monthly rent will increase: inflation, average rental rates based on data from reliable analytical agencies and (or) other.

In addition, the use of funds raised on the basis of Islamic principles (that is, on an interest-free basis) will provide, on the one hand, an opportunity for an entrepreneur to reduce mortgage payments (according to the example discussed above), and, on the other hand, the released funds will be an additional source of capital for further progressive expansion of entrepreneurial activity.

In turn, the Islamic bank, being a participant in the project and a financing party, will also receive its share of profits due to the expansion of its client's business, which can be used for settlements with depositors.

It should be noted that among the products of Islamic banks there are few instruments that are directly intended for financing sectors of the economy related to the provision of services, i.e. the production of material assets. Almost all Islamic financial products require that they be backed by real, tangible assets of a physical nature. Murabaha is no exception, according to which an Islamic bank purchases goods and resells them at a markup to its client. Nevertheless, according to its description and the principle of use, Murabakh's financial product is most suitable for the purposes of buying and reselling a "place" in an educational institution, and therefore we will consider this particular financial instrument for the purposes of the analyzed case.

As the calculations above have shown, with a comparable approach of providing these hybrid credit products, the conditions for the borrower and the level of profitability for the bank, with the applicable schemes of charging for the use of the loan, are more comfortable and acceptable, respectively.

The economic efficiency of hybrid credit products may manifest itself:

– at the macro level:

– for the economy as a whole – in promoting the development of small businesses by increasing the availability of credit for the purchase of commercial real estate; expanding the availability of education for the implementation of the strategic objective of investing in human capital;

– for the banking system – in expanding the demand for credit services due to more attractive lending conditions;

– at the micro level:

– for customers – in ensuring the attractiveness of credit conditions by reducing its cost;

– for the bank – in the possibility of increasing income from lending by attracting additional borrowers

It should be noted that such financial instruments as murabaha and musharaka in no way infringe on the interests of both parties to the transaction, but on the contrary, each party becomes a partner when concluding an agreement and fulfilling its obligations. We believe that the introduction of the Islamic model in banks will provide users of financial instruments with an additional choice. Banks will also be able to optimize their risks due to the fact that there will be a direct link between profitability and market conditions in the real estate market. In turn, this will allow representatives, first of all, of small and medium-sized businesses to start or expand their activities, which will ensure the solution of a number of important socio-economic tasks for the development of the Kazakhstani economy, including employment growth, expanding the range and improving the quality of goods and services of small enterprises, increasing the real incomes of those employed in the field of small entrepreneurship.

5. Discussion and Conclusion

Recent financial crises in both national and international markets have compelled researchers to explore sustainable models for financial regulation, such as Islamic banking. Meanwhile, the Kazakhstani banking system has not been sufficiently focused on investment to promote sustainable economic growth. However, issues such as developing legislation for implementing Islamic finance, managing financial institutions based on Islamic principles, and assessing the potential for transforming Islamic investment products in conventional banks remain unresolved. Therefore, the goal of this dissertation research was to identify solutions to these problems, leading to the following scientific results:

1) defining investment banking products, and substantiating the criteria for differentiating traditional and Islamic investment banking products.

Based on this, we can define an investment banking product as a product that satisfies specific criteria based on its characteristics, with an additional criterion that considers whether the product is focused on achieving investment goals through direct means such as lending, or indirect means such as investment deposits and deposits. By identifying the fundamental principles of Islamic banking, we were able to establish criteria that differentiate investment banking products in traditional and Islamic banking, such as the predominant type of income, limitations in determining investment targets, legal restrictions, availability of associated services, and the proportion of investment products in a bank's balance sheet.

The research also revealed the characteristics of Islamic banking development in different countries.

2) Examining the implementation of Islamic banking principles in national and international markets uncovered certain features of this process, such as:

- The emergence of three models for implementing Islamic banking.
- Legal constraints hindering Islamic banking development in most countries.

These limitations restrict the ability to implement the core principles of Islamic finance.

However, regulators are increasingly working to make necessary changes to the legal framework.

- Adaptation of traditional banking products to align with Islamic banking principles. Some countries have accumulated experience in modifying traditional banking products to ensure compliance with Sharia requirements, while still adhering to existing legislation.

- Limited use of Islamic investment banking products. In Kazakhstan, products designed to attract funds according to Islamic principles are mainly utilized, while investment placements are still being developed.

3) The dissertation proposes directions for introducing Islamic investment products into Kazakhstani banking practices, motivated by several factors:

- The potential for diversifying sources of capital for economic development through the expansion of the banking market;

- The demand for Islamic banking products due to the unique demographic composition of Kazakhstan;

- The need to strengthen the investment focus of lending within the Kazakhstani economy;

- The ability to utilize practical experience in transforming traditional banking products in accordance with Islamic banking principles.

To capitalize on the positive aspects of Islamic banking, the following measures are proposed:

1. Developing hybrid investment products and implementing them into Kazakhstani commercial banks. For example, a hybrid product could be a mortgage for the purchase of commercial real estate or an educational loan. The hybrid nature of the product combines traditional lending procedures and client creditworthiness analysis with the principles and forms of providing Islamic banking products, which involve different conditions and settlement procedures with borrowers than those of traditional banks.

2. Possible options for building organizational structures of Islamic banks are being proposed in order to solve the problem of control and management during the introduction of Islamic investment products. In many Islamic countries, the stock market is insufficiently developed and is strongly exposed to volatile fluctuations. As a solution, one option is to create Islamic banks as private limited liability companies, where the owners have limited responsibility only within their society, and entrepreneurs or large institutional investors provide the required financing. Another option is to organize a company on the basis of "equality," where all participants have equal rights and obligations. This model gives depositors some rights, making it more democratic and stable in the long term. A combination of these two organizational forms can also be used, such as a venture financing model that ensures a balance of management and control between the company's management and other shareholders. Islamic banks can also invest their funds in public companies through commercial banking to improve the accumulation and monitoring of information and provide competitive advantages by diversifying operations. To control other investments, Islamic banks can create a special monitoring agency to collect financial and other information about the activities of companies in which they have a share. It is advisable to develop a code that includes the best experience of Islamic banking, and a corresponding declaration of commitment to such a code in their operations, which should be supported by government statements and the adoption of appropriate regulatory legal acts.

The extent and order of the steps for implementing Islamic investment banking in Kazakhstan will be influenced by various factors, including the level of demand for Islamic banking services among the population, particularly among Muslims (based on surveys), the degree of promotion of ethical banking ideas in the general population irrespective of religion, collaboration with the venture industry to determine the potential market for investments of Islamic banks, and the availability of state support, including from other Muslim countries and the EurAsEC. The introduction of Islamic investment banking products will help to enhance the focus of the Kazakhstani banking

industry on investment processes and promote sustainable and high-quality growth of the Kazakhstani economy.

References

1. Adil, M. A. (2016). New frontier for Islamic Finance. Kazakhstan Islamic Report. *Thomson Reuters; Islamic Research & Training Institute*. 140 p.
2. Ahmad, W.L. (2009). Islamic Banking in the UK: Challenges and Opportunities. *Kingston Business School*. 111 p.
3. Alani, F.S. (2012). Traditional Banks Conversion Motivation into Islamic Banks: Evidence from the Middle East. *International Business Research*, 5 (12). – P. 83-98. – DOI: 10.5539/ibr.v5n12p83.– ISSN 1913-9004.
4. Al-Atyat, Y. (2007). Transforming Conventional Banks to work According to Islamic Shari'a: A Study to show the Viability of Application in Jordan. *The Arab Academy for Banking and Financial Sciences*. 119 p.
5. Al-Suwaidi, A. (1994). Finance of International Trade in the Gulf (Arab and Islamic Laws). Springer. 480 p.– ISBN 978-1-8533-3947-9.
6. Ariff, M. (1988). Islamic Banking in Southeast Asia. *Institute of Southeast Asian Studies*. 212 p. – ISBN 978-9-9719-8898-2.
7. Bahnasawy, A. (2017). Two years after opening, Germany's only Islamic bank posts strong growth, mulls expansion. *Salaam Gateway*. 2017. URL: <https://www.salaamgateway.com/story/two-years-after-opening-germanys-only-islamic-bank-posts-strong-growth-mulls-expansion>.
8. De Cordier, B. The development space(s) of Non-OECD aid donors in Southern Eurasia: A look at the Islamic Development Bank. (2012). *Central Asia Economic Paper*, 3. – 8 p.
9. Chapra, M.U. (2001). What is Islamic Economics. IDB, Islamic Research and Training Institute. 76 p. – ISBN 9960-627-92-6.
10. Farook, S. (2014). Global Islamic Asset Management Report. *Thomson Reuters*. 88 p.

11. Gabbasova, R. (2016). First Steps Towards Islamic Finance Regulation in the Russian Federation. *Journal of King Abdulaziz University: Islamic Economics*, 29 (1). P. 127-136. – ISSN 7383-1018.
12. Garas, S.N. (2007). Internationalization of Islamic Financial Institutions: Challenges and Paths to Solution. *Thunderbird International Business Review*, 49 (2). P. 225-249. – ISSN 1096-4762.
13. Ghlamallah, E. (2014). Islamic finance in France. *Islamic Banker*. 30 November. URL: <https://islamicmarkets.com/articles/islamic-finance-france>.
14. Gresh, G.F. (2007). The Rise of Islamic Banking and Finance in Central Asia. *The Fletcher School Online Journal for issues related to Southwest Asia and Islamic Civilization*. URL: <https://www.scribd.com/document/215581953/Gresh-The-Rise-of-Islamic-Banking-and-Finance-in-Central-Asia>.
15. Holmes, Z. (2015). Islamic finance outlook. *Standard & Poor's*. URL: <https://ribh.files.wordpress.com/2014/09/islamicfinanceoutlook2015.pdf>
16. Ibrahim, M.H. (2018). Islamic Economics and Islamic Finance in the World Economy. *The World Economy*, 41 (3). P. 668-673. – DOI: 10.1111/twec.12506. – ISSN 1467-9701.
17. Islamic finance: by the book // *The Financial Times*. – URL: <https://www.ft.com/content/d7976706-d793-11e3-80e0-00144feabdc0>
18. Jamall, A. (2013). Islamic Finance. *Creating Value PwC*. 2013. URL: https://www.pwc.com/m1/en/publications/islamic_finance_capability_statement.pdf
19. Jaffer, S. (2005). Islamic Retail Banking and Finance: Global Challenges and Opportunities. *Euromoney Institutional Investor PLC*. 300 p. – ISBN – 978-1-8437-4198-5.
20. Karbhari, Y. (2004). Problems and Challenges Facing the Islamic Banking System in the West: The case of UK. *Thunderbird International Business Review*, 46 (5). P. 521-543. – DOI: 10.1002/tie.20023. – ISSN 1096-4762.

21. Mustafa, M.E. (2006). Assess the Phenomenon of Transformation Conventional Banks to Islamic Banking: Applied Study on the Saudi Banks. *Open American University*. 99 p.
22. Parker, M. (1993). Getting the message across. Islamic banking gets recognized by the Western banks. *The Middle East*. 227 p.
23. Roula, K. (1995). Banking the Islamic way. (Citibank position in Bahrain). *World Press Review*. P. 42:35.
24. Saleh, N.A. (1986). Unlawful Gain and Legitimate Profit in Islamic Law: Riba, Gharar and Islamic Banking . *Cambridge University Press*. 144 p. ISBN 978-0-5213-2298-0.
25. Scharf T.W. (1983). Arab and Islamic Banks: New business. *Development Centre of the OECD*. 222 p. ISBN 978-9-2641-2562-9.
26. Sultan, A.A. (1981). Al Mushkilat al Iqtisadiyyah al 'Alamiyyah al Mu'asirah wa Halluha al Islami . A Discussion Paper by the International Center for research in Islamic Economics. *Islamic Economics: Notes on Definition and Methodology* 18 p. URL: http://monzer.kahf.com/papers/english/paper_of_methodology.pdf
27. Usmani, M.T. (2002). An Introduction to Islamic Finance . *The Hague: Kluwer Law International*. 140 p. ISBN 978-9-0411-1619-2.
28. World Development Report. (1989) : Financial Systems and Development // World. URL: <https://openknowledge.worldbank.org/bitstream/handle/10986/5972/WDR%201989%20-%20English.pdf?sequence=1&isAllowed=y>
29. Wolters, A. (2012). Open Politics as a Challenge. On the Political Transformation in the Kyrgyz Republic. *20 years of Democratic Development in Kyrgyzstan: Internal and External Perspectives*. 314 p. – ISBN 978-9-9672-6969-9.

