ANALYSIS OF THE FORMATION AND FUNCTIONING OF ISLAMIC BANKS

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Abstract. this article deals with the analysis of the formation and functioning of Islmaic bank in various countries namely Europe, South America and Asia. In addition, author provides some basic notions from economical legislation.

Keywords: *Islamic banks, political, economic, Islamic Development Bank, Sharia.*

Currently, Islamic financial institutions operate in more than 75 countries around the world. Their greatest concentration is in the historically conditioned region of the Middle East and Southeast Asia (Bahrain and Malaysia are the largest centers), as well as in Europe and the USA [1].

Regardless of whether we are talking about the development of Islamic banks in the Islamic financial system or the global financial system at the present stage, it is impossible not to take into account those globalization processes, which have an undeniable impact on any financial system existing in any country in the world. In attempts to explain global changes, modern science offers various concepts and approaches for the concept of globalization.

In the explanations of K. Ome, “modern globalization means a new era, the distinctive feature of which is that people everywhere are increasingly dependent on the orders prevailing in the world market”[2]. There is no doubt that Islamic bank, both those operating in a historically determined territory and banks outside it, also fall under this influence.

There are a number of hypotheses by such scientists as P. Marcuse, J. Rosenau, E. Giddens, J. Thompson, J. Aldo, which can be reduced to the thesis that globalization “is the highest stage of capitalist integration of the world economy or a “modern version of capitalism” [3].

It is also important in the development of Islamic banks that the ruling elites of most countries in the regions of the spread of Islam are often subjected to political and economic pressure from Western countries and are forced to develop the economies of their states taking into account the global situation [4].

The global trend today is the rapid reduction of natural resources necessary for the life support of developed countries of post-industrial society, which leads to a change in their geopolitics.

The development of Islamic banks in various regions of the world is also associated with the peculiarities of various models of economic behavior of peoples, depending on their social, cultural and religious affiliation. This is confirmed not only by the expansion in the financial sphere, but also by the active process of migration of the population of Islamic states to developed non-Islamic countries. Considering such an indicator of globalization as labor migration, it should be noted that Europe – England, Germany, France, others countries that have previously experienced the strong migration and cultural influence of the Arab world, where the positions of Islam are now very strong, now Islamic financial institutions are beginning to seep into the financial sphere of European states” [5]. Therefore, the products of Islamic finance in different countries will be in demand to varying degrees. At the same time, the understanding of the essence of Islamic financing operations is at a very low level. 3-5% of the people surveyed really understand what the essence, the meaning of the operation is” [6].

In 1974, the Islamic countries established the Islamic Development Bank (IDB), which is successfully developing to the present day. The main task of the IDB is to support Islamic banks in the world and promote the ideas of Islamization of the economy, improving the welfare of the population in the member countries of the Organization of the Islamic Conference (OIC), support and promotion of human development, science and technology, Islamic economics, finance and banking. The IDB is recognized by international organizations. First of all, the Bank implements a special technical assistance program aimed at supporting the OIC countries in their activities related to the World Trade Organization (WTO). Bank for International Settlements in June

In 2004, in accordance with the New Capital Agreements, the IDB was classified as a risk-free multilateral development bank. In turn, the rating agency Standard and Poors in 2004 assigned the highest rating to the IDB – AAA/A1+, which indicates its high reliability.

The Islamic dinar, which is the single unit of account of the IDB, is equivalent in value to 1 SDR of the International Monetary Fund (IMF), since the IDB was recognized by the IMF as an official holder of the SDR, as a result of which it received the right to purchase and use the SDR in its operations and transactions with the IMF and the central banks of the IMF member countries, and also with other SDR holders on the same terms as provided to the member countries of the Fund [7].

“The IDB pursues, in fact, a policy of patronage in relation to the developing countries participating in the OIC that need external financing of the national plans and programs of economic development adopted by them. At the same time, the IDB acts as the main ideologist and the undisputed leader in the promotion of the Islamic economy. The process of creating new Islamic banks continues at a fairly stable pace, which reflects their expansion both in Arab countries and outside the borders of the Muslim world, including in non-Muslim countries, including a number of leading industrialized countries (Great Britain, USA, Denmark, Switzerland, Canada, South Africa, etc.)” [8].

The successful development and spread of Islamic banks outside the regions where the majority of the population professes Islam is also due to the fact that Islamic banking assumes the greatest transparency of its activities than traditional banks. The fact that Islamic banks act mainly as partners between their depositor clients and borrowers dictates the need for their transparency in order to reduce the moral risks of depositors and investors, objectively related to the fact that an Islamic bank usually does not give any guarantees to the depositor on attracted long-term investments. At the same time, the greatest transparency of the activities of Islamic banks, rather than traditional Western ones, plays a positive role in the economy of states.

Islamic banks provide information to regulatory authorities and the public about the bank's long-term investment strategy, types of securities, monitoring of risk factors, internal financial control, data on the financial condition of the bank, staff qualifications, etc. It is believed that “the less transparent a country is, the greater the outflow of capital from it during crises is observed” [9]. Therefore, the problem of transparency of financial structures and banks in different countries is very acute. These losses are comparable to the losses of the Soviet Union during World War II and amount to 2 trillion US dollars. Many experts in the field of economics believe that such zones are one of the causes of the global financial crisis [10].

At the same time, in Sharia, these areas are considered as forbidden and the action of Islamic financial institutions in them is prohibited.

It is also significant that Islamic banks, acting on the principle of sharing losses and investment risks with depositors, are forced to constantly maintain the liquidity of their balance sheet at a significantly higher level than conventional Western-type banks, which gives a significant margin of stability during crises and economic diseases.

Occupying a secondary place in the global financial system, Islamic banks play a major role in changing views on the established financial system.

Formed according to Sharia law, the Islamic financial system is least susceptible to the emergence of crisis phenomena.

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