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# Islamic Financial Model: the Problems of Formation and the Demand for Development in Russia in the Current Political and Economic Situation

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## ABSTRACT

In the current severe political and economic situation, Russia radically needs revising its development strategy, finding truly reliable and long-term partners. Among the most preferred counterparts for building long-term mutually beneficial relations are the Islamic states, which prefer to use a financial model compliant with their confessional principles. The Islamic financial model is relevant for Russia not only as a tool to attract Islamic investments, but also as a framework for building strong relations with most solid partners. Despite the fact that the Islamic financial model is criticized from the inside, and not devoid of certain shortcomings, the principles laid down in it will be able to ensure the even development of the economy and reduce social tensions through a fair redistribution of income. This article tells about the development of Islamic finance in the world and in Russia.

**Keywords:** Islamic financial model; partnership instruments; development problems; Islamic world; Islamic financial institutions; Russian economy

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## INTRODUCTION

Due to the sharp imbalance in the foreign political and economic environment that began in 2014 and full-scale sanctions actions by the US and its allies (the EU, Japan, Australia and some other countries), especially tightened with the start of the SMO in February 2022, the Russian Federation has faced with the need for an urgent change of priorities in foreign policy and foreign economic cooperation, reorientation from the Western to the Eastern direction, search for new reliable strategic partners and the creation of conditions for comfortable and mutually beneficial cooperation. Currently, the world is divided into two parts: (1) the US and its allies blindly following the will of the “hegemon”, often to the detriment of national interests, national economies and domestic producers, and (2) other countries that have seen a real oppor-

tunity to demonstrate the independence of their policies from the alleged “general line” pursued by the US, and take advantage of the situation to choose their own path that meets national interests, taking into account the confessional and ethical characteristics of the population. The BRICS countries (Brazil, Russia, India, China, South Africa) and the countries of the Organisation of Islamic Cooperation (OIC),<sup>1</sup> most of which have significant reserves of oil and other raw materials and are members of OPEC, act as a counterweight to the US. African and Latin American states have become active in world politics.

<sup>1</sup> An international organisation of leading Islamic countries. It was established in 1969 to strengthen ties between the states of the Islamic world. Until 2011, it was called the Organisation of the Islamic Conference (OIC), and then renamed the OIC. Now the permanent members are 57 states.

China and India were naturally the first candidates for the role of partners, and Russia began to increase the volume of trade transactions with them, while building joint collective security systems. However, we believe that it is still not worth limiting interaction only with these two countries (undoubtedly powerful in economic terms and representing the interests of almost 2.5 billion people). There are several reasons for this.

Firstly, China and India are trying to use Russia's difficult situation to their advantage as much as possible — having assumed obligations to increase oil purchases, they buy oil products with a solid discount, allowing them not only to use cheap energy resources profitably at home, but also to sell the surplus to other countries at market prices. Secondly, both countries have a strong multi-level bureaucratic system, which takes a long time for decision-making at urgent matters that are favourable for them. Third, India and China are not ready to intensify any of the areas of co-operation with Russia. They will neither stimulate investments, nor create joint projects, nor provide assistance to Russian companies to purchase Western products, as such actions are associated with additional operational, financial, and reputational risks for them, as both states do not stop maintaining normal relations with the US and the EU, whose markets are more significant and prioritised for them than the Russian one.

Russia should be apprehensive about building financially unfavourable relations with India and China, similar to those that have existed with Germany for many years. West Germany's industry was able to develop so quickly thanks to cheap gas and other raw materials from the USSR and then from Russia. According to the data of Credit Swiss experts, stated by the famous Russian economist M. Delyagin, the Russian Federation supplied raw materials worth 20 billion euros, but on the basis of these raw materials the West Germany's industry produced goods worth 2 trillion euros and sold

them back to Russia. The ratio was 1:100! [1, p. 3]. Now Russia sells oil to India and China with at a significant discount (25–30% of the average world market price) for tens of billions of US dollars, while Chinese and Indian companies produce goods based on it and sell them to Russia at a higher price, and to the EU and the US at a lower price, taking into account competition and price restrictions under contracts. In other words, Russian raw materials purchased at a discount are used to produce goods supplied to countries unfriendly to us, which save money on this and then use the saved finances against Russia. These arguments suggest that Russia should pay close attention to the Islamic world — the countries of the Middle East and Southeast Asia — and choose them as long-term partners.

Muslim states are ready to work with Russia; they perceive it as a continuation of the USSR, which helped them for a long time both in gaining independence and in economic recovery and development. The OIC states have about \$ 500bn of excess liquidity, which is difficult to invest in their economies, and more than \$ 2 trillion in reserves of public and private family royal funds, which have significant investment potential for our country [2, p. 3].

I believe that the Middle East vector is the most promising and preferable at present for Russia. But this does not mean that it is the easiest direction. The Middle East has its own mentality, its own specifics of doing business and making business decisions.

In addition, most potential investors and business partners prefer to use the Islamic financial model — both in servicing trade deals and in financial issues.

### SO WHAT IS THE ISLAMIC FINANCIAL MODEL?

In modern historical terms, the Islamic financial model, based on the following of Islamic confessional prohibitions and created in opposition to the conventional model was restored in the 1940s. At that time, Islamic scholars were able

to combine theoretical Shariah principles with practice and create recommendations for the construction of the first financial instruments in accordance with Islamic law or Shariah.<sup>2</sup> They primarily proposed the use of financial products based on partnership (mudarabah and musharakah).<sup>3</sup>

The modern pioneer among Islamic scholars in the theory of Islamic finance was Anwal Iqbar Qureshi, who in his monograph “Islam and the Theory of Interest” in 1946 proposed to use the principle of partnership between investor and borrower, when losses and profits were shared between the parties according to prior mutual agreements. This idea was supported by Sheikh Mahmud Ahmad, who published a comprehensive work, *The Economics of Islam*, in 1947. Other authors, such as Mohammad Uzair (1955), Irshad (in 1964), and Al-Arabi (1966), also considered the partnership principle to be the most favourable in Islamic finance. Shariah-compliant Islamic financial products were further developed in 1968 by the renowned Pakistani scholar Siddiqi, who proposed to classify them as agency services performed for a commission; partnership investments based on profit and risk sharing; and non-reimbursable services with the possibility of voluntary compensation to the investor from the borrower. Chapra in 1985 had already theorised the concept of Islamic banks or Islamic financial institutions as investment companies serving the public interest, with social responsibility rather than seeking commercial results in any way possible.<sup>4</sup>

<sup>2</sup> Shariah (Arabic for “the right or correct way”) — is a set of legal guidelines based on confessional Islamic principles. There is a distinction between ibadat, which regulates religious issues, and muamalat, which governs the problems of a Muslim’s daily activities.

<sup>3</sup> Mudarabah — a partnership financing transaction where an investor invests in a project, bearing the risks of his investment, but the profit made is shared between the investor and the project realiser in pre-agreed proportions. Musharakah — a joint venture where all partners invest their financial resources, bearing the risks, but the profits are shared based on the arrangements made.

<sup>4</sup> Islamic banking: the history of development. URL: <https://islam.ru/content/economica/46551> (accessed on 18.06.2023).

Islamic scholars have always separated the very concept of Islamic financial institution from its traditional “usurious” analogue, believing that the Islamic bank, although acting as an intermediary, but should be a true partner to its customers, solving socio-economic problems of great public importance, such as poverty alleviation, equalising distortions in the distribution of material resources, providing jobs, helping vulnerable segments of the population, popularising charity, etc. Despite the fact that theorists somewhat idealised the role of Islamic financial institution, the first founders of Islamic banks tried to adhere to the socio-ethical orientation of this concept [3, p. 2].

### DEVELOPMENT OF ISLAMIC FINANCE IN THE WORLD

The theoretical developments provided the basis for the establishment of the first financial institutions — Mit Gamr Bank in Egypt and the Hajj Pilgrims Fund (Tabung Haji) in Malaysia in 1963. The Islamic Bank in Egypt was aimed at retail customers and started its operations by issuing small interest-free loans based on the mudarabah instrument using the principle of risk and profit sharing. The Pilgrims Fund in Malaysia provided an opportunity for those wishing to perform the Hajj in Mecca to save money in accordance with Shariah rules. For this purpose, the Malaysian Ministry of Finance opened a separate special account in which the depositors’ money was accumulated.

This financial company became the first Islamic financial institution in Malaysia, and its activities and the active position of its participants contributed to the issuance of the first Islamic banking law in the world history in 1983 (Islamic Banking Act No. 276), which became the basis for the establishment of the dual financial system of the Kingdom of Malaysia, which is rightly considered as the flagship of Islamic finance in the world.

The Islamic financial model is based on the key confessional and ethical guidelines

contained in the holy Koran, the Sunnah (the words and heritage of the Prophet Muhammad) and other Islamic sources of the Shariah. The basic principles of muamalat are to avoid prohibitions and follow recommendations. Otherwise, a Muslim has freedom of action in his daily activities, which extends to the freedom to enter into contracts. All existing prohibitions (haram — Arabic) can be divided into four parts.

The first — the most important one — is the prohibition of any activity where there is a conditional lending interest, i.e., when the investor, providing monetary resources, demands to return the money to him with more than it is worth, with additional income determined in advance (Riba — Arabic). Islam considers it usury, illegitimate profit and does not recognise it at all.

The second one — is related to the presence of uncertainty (Gharar — Arabic), which extends to the quality and other characteristics of the product, the mechanism of income generation and other relationships.

The third one — is excessive risk (Maysir — Arabic), which accompanies any human activity, including business relations. Excessive risk is determined by special experts — Shariah advisors who test this element for compliance with the Shariah.

The fourth — applies to industries where it is forbidden to invest, earn income, or even interact: the production and trade of alcohol, tobacco, pork, casinos, nightclubs, adult entertainment, and the conventional financial system (banks, insurance companies, stock market operations, etc.).

In determining the prohibition of industries, Islam proceeds from their usefulness not only for the individual but also for society as a whole. Emerging new branches of human production activities are screened for compliance with the Shariah, mainly on the basis of their social utility, and then a consensus decision is made — whether to blacklist a certain industry or not.

At the end of the 20th century, Islamic finance began to develop actively in the Muslim

countries of the Middle East, South-East Asia, North and Central Africa, gradually spreading to Europe, North and South America, and then to Australia and Oceania. Some Islamic states, such as Iran and Sudan, radically restructured their financial system, completely eliminating conventional usury finance. The remaining countries have constructed a dual financial system, including a sector of Islamic finance (banks, insurance takaful companies,<sup>5</sup> financial companies operating on stock markets) and a sector with conventional financial institutions operating under the supervision of a single regulator. The leaders in the development of Islamic finance are considered to be: Saudi Arabia, Kuwait, UAE, Malaysia, Iran. Islamic financial institutions are represented on all continents, even in those countries where there are few Muslims. Thus, the first Islamic financial fund in Europe with the participation of capital of the royal family from the UAE was opened in Luxembourg and Switzerland in 1978 and still exists today. In total, there are currently about 700 Islamic financial institutions operating in the world, which control assets of about \$ 5 trillion. However, globally, this represents only 1.5 per cent of the total [4, p. 3].

### PROBLEMS OF FORMATION OF ISLAMIC FINANCE IN THE WORLD

Rather rapid development of Islamic finance in the world (annually, according to leading experts, the Islamic financial industry grew by at least 15%) predetermined the emergence of certain problems, which both theorists and practitioners working in different segments of the Islamic financial system began to pay attention to.

Thus, Dr. Obiyathulla Ismath Bacha, Doctor of Islamic finance practice, professor of the leading centre of Islamic finance education in Malaysia INCEIF, believes that Islamic finance for 60

<sup>5</sup> Islamic insurance companies operating in the Islamic finance segment, mainly in the form of mutual insurance funds, where takaful policy holders are also shareholders in Islamic insurance companies.



years of its existence has managed to construct Shariah-compliant and consumer-demanding products in all areas of the financial system, spreading to countries where there is almost no Muslim population. In general, we can say that Islamic financial institutions are represented in the banking sector, insurance, and securities market. And the volume of assets controlled by the Islamic financial sector in the world is growing without reducing the initial rate of growth.

However, according to the Malaysian professor, the replication of products of conventional lending financial institutions, which was acceptable in the initial period of the emergence of the Islamic financial model in the world, continues at the present stage, which is wrong. Most new products are only slightly adapted and sent to Shariah auditors for evaluation.

What started as imitation products has evolved into replication of processes and systems and finally extended even to regulation. The initial Islamic financial products (*mudarabah* and *musharakah*), which were endorsed by the early theorists, are being used but not improved. The expert believes that there is a total lack of original thinking and innovation, leading to the fact that a non-specialist would hardly distinguish Islamic finance from conventional one.

Modern leaders often forget that the founders of the first Islamic banks believed that Islamic financial institutions would contribute to the fight against inequality and unfair distribution of income in the world, and would be able to reduce tensions in society through social responsibility and charitable programmes. The first theorists dreamed of building a financial system that would lead to a fair world order.

However, a number of Islamic financial institutions follow the path of least resistance and do not try to be creative in developing new instruments and products in line with Shariah values. Having started to develop the

Islamic financial system a century later than the traditional one, the practitioners, without taking into account the mistakes of the latter, still copy the interest rate analogues available on the market, only slightly adjusting them to Shariah standards. The Islamic financial model now has serious gaps and inconsistencies. Many of them are to some extent the result of the fact that modern Islamic financial institutions are not able to compete properly and fight for customers.

The first obvious shortcoming is the unwillingness of Islamic finance companies to absorb global resources and use them to meet their own needs. For example, at least half of the world's 20 largest sovereign wealth funds (SWFs) are created from the capitals of Muslims in Islamic countries. Their total assets amount to about \$ 3 trillion. However, the average market capitalisation of the 10 largest Islamic stock exchanges — is only US \$ 208 bln, the total value of *sukuk* issued in circulation<sup>6</sup> — is US \$ 320 bln., and Islamic investment funds — are worth US \$ 56bln. [5, p. 3].

Obviously, the money of Muslim sovereign funds has not flowed into any of these sectors of the Islamic financial system. The total assets of the Islamic banking sector in the world amount to just over \$ 3 trillion. Seems like a fairly respectable amount?! But only during the global financial crisis of 2007–2009, the US Federal Reserve distributed credit resources on favourable terms for USD 16 trillion. At the same time, the two largest loans received by Citigroup (\$ 2.5 trillion) and Morgan Stanley (\$ 2.04 trillion) are almost one and a half times greater than the total assets of Islamic banks in the world [2, 6].

Given that the conditions for depositors in an Islamic bank and in a conventional sovereign

<sup>6</sup> *Sukuk* (pl. from Arabic *saqq* — cheque) — a certificate of share value, a Shariah-compliant security, an Islamic quasi-analogue of traditional bonds. Holders of *sukuk* are co-owners of the assets of a specially created issuing company and are entitled to regular payments from the profits generated by these assets. *Sukuk* can be private or sovereign, depending on the issuer. The leading issuer of *sukuk* is Malaysia.

fund are similar, the financial resources of Muslims could be channelled into Islamic bank deposits as well. Therefore, it is an obvious conclusion that excessive liquidity from Islamic countries finds its way into the global loan markets through the financial centres of the West.

Large sovereign funds from Islamic states invest their resources in Western institutions, and Islamic companies in need of money have to borrow from Western banks. As a result, lending institutions in Western countries make money from Islamic clients in several ways: when they accept funds and underpay in income distribution (interest on deposits) and when they issue loans and charge high interest on them. And the possible profits that could be earned by Islamic financial institutions, by attracting funds from the population, corporate and public sector of their own countries, are received by Western lending institutions.

In addition, most Muslim states underestimate the need to utilise Islamic financial resources to finance development needs. Virtually every Muslim country is a developing economy and its financial needs are enormous. According to the World Bank's estimates, investment in development infrastructure should be at least \$ 1 trillion per year. Consulting company McKinsey Global estimates the need at US \$ 57 trillion by 2030. Most of these needs are in the Muslim world, but Islamic financial institutions have been less active in investing in development: of the approximately \$ 320 billion of sukuk in circulation, less than 10 per cent has been used for development. Most sukuk have a maturity of five years or less and are mainly used for short-term financing, such as working capital. The situation is similar in the banking sector. Islamic banks use most of their funds for short-term retail loans, while long-term financing is mainly mortgages.

Islamic financial institutions are more vulnerable from a risk management perspective

as they are functionally limited in their choice of hedging instruments. While conventional loan fund managers have a wide range of available hedging instruments, index options, index futures and portfolio insurance strategies, etc., Islamic funds have very few such Shariah-compliant instruments. Many effective hedging instruments (swaps or index derivatives) are prohibited in Islamic finance companies. This is a serious problem and requires significant efforts by practitioners and regulators to find hedging (risk mitigation) instruments that could be offered for use by Islamic banks, funds, takaful companies.

Another contemporary problem of Islamic finance in different countries is the significant gap between partnership financing instruments (mudarabah and musharakah), which involve risk and profit sharing between the parties, towards instruments based on the sale of debt and trade transactions (murabahah).<sup>7</sup> Experts estimate that 80% of all Islamic financial instruments used are based on murabahah, which is not recognised as legitimate by some representatives of conservative Islamic legal schools (maskhabs — Arabic).<sup>8</sup> Thus, of all types of sukuk, only 15–20% are securitised on the basis of partnership financing.

Overall, despite the different and more equitable principles of the Islamic financial system, which imply the maintenance of better stability through a special attitude to risk and dual control of all transactions, the practical implementation of the Islamic financial model is unfortunately currently fraught with problems.

<sup>7</sup> Murabaha — is an Islamic financial instrument based on a trade transaction where an investor provides funds through the purchase and subsequent sale with a trade mark-up of an asset. In this case, the borrower can pay for the goods (return the monetary resources) in instalments.

<sup>8</sup> Maskhabs — are schools of law in Islam, whose representatives have different approaches to the interpretation of the Koran, Sunnah and Sharia law. There are five maskhabs — 4 Sunni and 1 Shiite. Of the Sunni maskhabs, half of the maskhabs adhere to conservative positions of fundamental Islam, while others take a more flexible position.



If overlooked, Islamic financial institutions may move away from the fundamental principles — on which the industry's pioneers started — and lose customers. Confessional-focused clients will doubt the canonical purity of the business; those pursuing business goals may be disappointed with the variety and quality of services provided and the level of profitability of Islamic instruments. All this can lead to the fading of the Islamic financial idea and the closure of Islamic financial institutions around the world.

Despite its impressive growth and global presence, the Islamic financial system as a whole is still in a niche position; it has not yet been able to create a worthy competition to the conventional “usury” system and has not had the impact on global financial and monetary relations that was expected of it. This is largely due to the fact that the creation of Islamic financial instruments, the choice of methods of risk management, regulation, supervision, determination of norms used analogues from the traditional financial system. It can be assumed that if a unique way, its own regulatory and supervisory mechanisms, internal control, and accounting procedures had been developed from the very beginning, the Islamic financial model would probably show better results today.

But now everything depends on coordinated joint efforts of Shariah scholars, practitioners of Islamic finance, retail and corporate customers, government authorities of different countries. It is necessary to develop unified standards of Islamic finance, mandatory for application throughout the world, to find options for resolving problem situations, even, perhaps, to create a common global plan (road map) for the development of Islamic finance in order for the Islamic financial model to acquire all the necessary qualities that will allow it to gradually replace the outdated loan and usury model, which only hinders the development of the world economy, spreading unpredictability and turbulence in global and national markets.

## ISLAMIC FINANCE IN RUSSIA

In Russia, the Islamic financial model began to develop in the early 1990s. Badr-Forte Bank was the first Russian bank that operated under a licence from the Bank of Russia as a traditional banking institution but began to conduct operations according to Islamic financial principles. It tried to design financial products that would both comply with Islamic principles and fit into the legal framework of the Russian Federation. Promissory note circulation was used as a basis. The first insurance *takaful* company was “Itil”, established by R. Bekkin in Kazan in 2005. And the first Islamic institute offering services on the stock market was the “Halal” mutual investment fund, organised by the company BKS in 2007.

There was renewed interest in the Islamic financial model in the second decade of the 21st century. Conventional banks in Bashkiria, Nizhny Novgorod region, Dagestan, and Tatarstan began to actively study Islamic financial instruments and offer the simplest of them (mainly debit interest-free cards or financial leasing) to their customers. Sberbank conducted several Islamic principles transactions with financial leasing. Ak Bars Bank was the first to be able to raise USD 160 million from Islamic Development Bank structures in two transactions: in 2011 (USD 60 million) and 2014 (USD 100 million), using exchange-traded *Murabahah* (commodity *Murabahah*).<sup>9</sup>

Bank “Express” from the Republic of Dagestan went the furthest in the development of Islamic financial transactions. Its specialists developed and issued tens of thousands of plastic *halal*<sup>10</sup> debit cards and even credit cards compliant with Shariah.

<sup>9</sup> Ak Bars Bank attracted financing to the economy of Tatarstan on the principles of Shariah law. URL: <https://tatcenter.ru/news/quot-ak-bars-quot-bank-privlek-finansirovanie-v-ekonomiku-tatarstana-na-printsipah-shariata/> (accessed on 27.06.2023).

<sup>10</sup> Halal — (correct, pious, recommended — Arabic). That is what a Muslim is recommended to do.

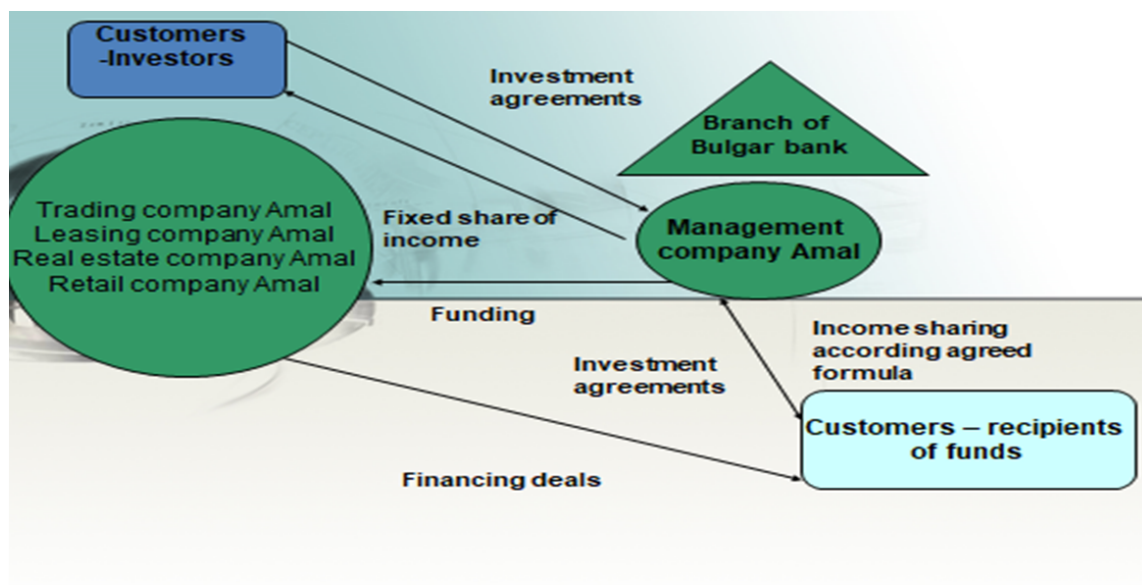


Fig. The Structure of Financial House “Amal” (Kazan)

Source: compiled by the author.

But the bank was artificially bankrupted and ceased to exist in 2012.

In 2011, the former head of the Islamic Finance Department of Bank “Express”, M. Aliskerov, established a comradeship “La Riba Finance”, a microfinance Islamic company in the form of a limited partnership. Currently, it holds a leading position among Islamic financial institutions in terms of the number of Islamic financial products developed and offered to the population and entrepreneurs.

“Amal” Financial House was founded in the Republic of Tatarstan in 2010. This company has chosen a different form: the managing structure is a consumer society interacting with the Islamic branch of a traditional bank, and the services are performed by a group of affiliated structures — leasing, trading, retail, real estate, and other companies, depending on the required profile (see *Figure*).

Several Islamic financial institutions operate in Chechnya and Bashkiria, but unfortunately there are no more than eight active Islamic financial structures in our country. This is very little, given that the indigenous Islamic population is 22 million people (14.5% of the

country’s population),<sup>11</sup> and 7–10 million Muslim labour migrants have been living in Russia for at least a year.<sup>12</sup>

But such a low level of development of Islamic finance in Russia is quite understandable — until July 2023, they had no legislative framework. Only on 19 July 2023, the State Duma of the Federal Assembly of the Russian Federation approved the draft law No. 198584–8, which launched an experiment to establish special regulation to create the necessary conditions for partnership (Islamic) finance activities in four regions of Russia with predominantly Muslim populations (Tatarstan, Bashkiria, Dagestan, and Chechnya). During this pilot project, from 1 September 2023 to 1 September 2025, the Islamic financial model will be tested in these regions, and then it is planned to determine the need to extend it to other regions. The Bank of

<sup>11</sup> How many Muslims there will be in 2023: forecast and statistics. URL: <https://usemake.ru/svezhie-novosti/skolko-musulman-budet-v-rossii-k-2023-godu-prognoz-i-statistika> (accessed on 27.06.2023).

<sup>12</sup> The Ministry of Internal Affairs of the Russian Federation disclosed the statistics of migrants’ stay in the country. URL: <https://tj.sputniknews.ru/20230622/myd-russia-statistika-prebyvaniye-migranty-strana-1057847290.html> (accessed on 27.06.2023).





Russia is appointed as the regulator, which will be responsible for issuing licences, maintaining the state register, developing accounting and reporting rules, methodological support, as well as for supervising the activities of Islamic financial institutions.

It can be assumed that the availability of legal frameworks will allow intensifying the development of Islamic financial infrastructure not only in the field of Islamic banking, but also takaful insurance, stock market operations, which will help to intensify the process of attracting Islamic foreign investment in the Russian economy. However, the issue of training qualified personnel, Shariah auditors and advisors remains open, which is currently clearly insufficient, and the demand for them will only grow. Russian universities have only just started to train Islamic finance specialists and so far only through advanced training programmes. Only Kazan (Volga Region) Federal University has managed to develop and implement a master programme in Islamic finance. Much remains to be done in the field of human resources for the Islamic finance industry in Russia: to approve “Islamic finance” as a speciality for economists in Russia, as well as to develop and implement appropriate educational profiles for bachelors, specialists and masters in the economic universities.

Russian government structures need to carry out extensive work to create a reliable mechanism for attracting Islamic capital.

Firstly, despite the adoption of the above draft law, it will still be necessary to improve the legal and regulatory framework of Islamic finance in Russia.

Secondly, the state needs to take an active position in the formation and improvement of Islamic financial infrastructure: Islamic banks, takaful companies, funds, brokers, etc.

Thirdly, a sufficient number of experts in the field of Islamic finance and Islamic law should be trained, as currently Russia has no more than 50 experts certified mainly in foreign educational centres and universities.

Fourthly, the system of protection of foreign investors' rights should be strengthened — for the first time the state can provide them with special guarantees.

If desired, all the necessary measures can be carried out quickly and efficiently. As a result, Russia will create long-term stable and promising financial investment and trade relations with a group of influential Islamic states, and will acquire a collective reliable and wealthy partner for many years, while developing a socially oriented and publically significant Islamic financial model.

## CONCLUSIONS

The Islamic finance model appears more attractive to the borrower compared to the conventional interest and loan model, because the Islamic investor bears equal risks for the investment project, having no right to demand his funds back and to charge fines, penalties and interest. Islamic financier is interested in the stability of development and profitability of the investment project, because the principle of profit sharing between the investor and the recipient of funds on the basis of partnership contractual relations is the most recognised and recommended instrument of Islamic finance. In addition, businessmen from Islamic countries are characterised by conservatism and constancy in choosing a partner — if the latter has shown himself with the best side and the joint project has brought profit, the next time the Islamic investor will again work with him.

According to diplomatic orientalists, the states of the Middle East, Southeast Asia and North Africa can play a significant role in the near future on a global scale [7, p. 222]. Position of these countries is vitally important and has great influence to the overcoming of the current political crisis, and also impacts to the development of the global economic and political situation for long term period. Therefore, the strategic vector of Russia's political and economic efforts

should be the intensification of bilateral and multilateral relations with Islamic countries. And the success of such efforts will largely depend on how Russia will be able to integrate into the Islamic financial model offered by them. Therefore, the consistent,

comprehensive and intensive development of Islamic finance in Russia is the key goal for the close period, the achievement of which will determine the future of our country and the configuration of the world order on a planetary scale.

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