



DEVELOPING THE INSURANCE SYSTEM THROUGH ISLAMIC FINANCIAL INSTRUMENTS

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Annotation

This article examines the issues of developing the country's insurance system using Islamic finance instruments. The basic principles of the Takaful insurance system, its differences and advantages from traditional insurance are analyzed. Also, based on international experience and statistical data, the legal, economic and social aspects of introducing Takaful in our country are considered and recommendations for development are given.

Keywords: *Islamic finance, Takaful, insurance system, economic justice, foreign experience, risk distribution, interest.*

The insurance system is an important component of the economy and is of great importance in ensuring the financial stability of the population. Today, improving the insurance system and increasing confidence in it among the population is one of the urgent issues in Uzbekistan. In this regard, the introduction of a takaful insurance system based on the principles of Islamic finance is of great importance. The takaful system is recognized as an innovative approach that ensures economic justice, transparency, and benefit. This article analyzes the possibilities of developing the insurance system through Islamic finance instruments.

Extensive research has been conducted internationally on Islamic finance and the takaful insurance system. Ahmad and Rahman (2017) in their study examined in detail the basic principles of the takaful system, including the principles of mutual assistance and risk sharing. Al-Suhaimi and Qudsi (2019) also analyzed the main differences of the takaful system from traditional insurance and showed its social and economic advantages. Among local studies, the work of Solimov and Karimov (2021) deserves special attention, who analyzed the specific adaptability of Islamic finance for the Uzbek economy. However, in-depth research on the development of the takaful insurance system in our country has not been conducted enough.

The takaful insurance system is an important component of Islamic finance, the main principles of which are based on mutual assistance, justice and transparency. In the takaful system, participants pool funds together and use these funds to cover unexpected financial losses. In this process, elements prohibited in Islam, such as





interest and gambling, are strictly prohibited. The main differences between takaful insurance and traditional insurance are as follows:

1. In traditional insurance, the risk is borne by the insurance company, while in takaful it is distributed among the participants.

2. In the takaful system, all transactions are transparent and fair conditions are provided for the participants.

3. Takaful is aimed not only at economic profit, but also at providing assistance to society.

The introduction of the takaful insurance system in the conditions of Uzbekistan provides the following advantages:

- Increasing confidence in insurance services;
- Support for small and medium-sized businesses;
- Achieving social justice by ensuring the economic stability of the population.

The experience of countries such as Malaysia, the United Arab Emirates and Saudi Arabia in the field of takaful insurance is noteworthy. In Malaysia, the takaful system is supported by the state and operates on a legal basis. In this country, takaful companies actively participate in financing social projects. In Saudi Arabia, takaful insurance is an important part of the health care system and is intended for the general public. In the United Arab Emirates, the takaful insurance system is widely used in the business and private sectors, which is important in ensuring the stability of the country's economy.

The insurance market in Uzbekistan is still in the development stage, its share in GDP is 1.2%. The level of use of insurance services is low, and trust in it among the population is not sufficiently formed. In Malaysia, the insurance market accounts for 4.5% of GDP, which indicates the economic efficiency of the takaful system. The introduction of takaful insurance in Uzbekistan can expand the insurance market and increase the financial stability of the population.

In conclusion, it can be said that the possibilities of developing the country's insurance system through Islamic finance instruments were analyzed. The following proposals were put forward:

1. Formation of legal frameworks for the development of the takaful insurance system and provision of state support.

2. Development of a model suitable for the conditions of Uzbekistan, based on the experience of Malaysia and Saudi Arabia.

3. Introduction of takaful insurance as a means of financial support for small and medium-sized businesses.





4. Conducting comprehensive explanatory work on Islamic finance and takaful insurance among the population.

These proposals will serve to increase the economic efficiency of the insurance system and ensure the financial well-being of the population.

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