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## Summing up the results of 9 months of Islamic finance development support pilot project in Russia

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### Abstract

The article analyzes the process of formation of Islamic finances in the Russian Federation, examines issues related to new financial products and instruments developed by Islamic financing companies in Russia. The author shares his impressions of the XV annual forum Kazan Forum 2024 held in the capital of the Republic of Tatarstan, Kazan, which is a key platform for discussing the development of the Islamic financial model in the Russian Federation. The article notes unconditional progress in this area, including the development of innovative Shariah complaint financial products. However, the results of 9 months of the support the development of Islamic finance experiment in four regions of Russia seem insufficient to the author. He names possible reasons that hinder the development process, and also offers decisions for solving emerging difficulties.

**Keywords:** Islamic financing, results of the experiment, Islamic finance, Kazan Forum 2024, Islamic world, stress testing, Islamic finance development, Islamic banks risks

### Introduction

On August 4, 2023, President of the Russian Federation Vladimir Putin signed federal law No. 417-FZ, which began in Russia on September 1, 2023 an experiment (pilot project) to establish special regulation in order to create the necessary conditions for Islamic financing activities in certain constituent entities of the Russian Federation. The law approved the regulator - the Bank of Russia, which is responsible for maintaining an official register of companies conducting operations taking into account Islamic financial principles, which in Russia are called "Partnership financing companies." On May 20, 2024 twenty three companies are included in the official register of the Bank of Russia, including four conventional banks (Sberbank, Tinkoff Bank, AkBars Bank and Avtogradbank). Other companies have other legal forms: partnerships, consumer societies, leasing, factoring, and financial, microfinance and other companies [Central Bank: 2024:1] <sup>[1]</sup>.

In May 2024, Kazan Forum 2024 was held in Kazan, the capital of one of the largest Muslim regions of Russia. This event is a key annual event of federal status, an international discussion platform for discussing issues of Islamic finance. Within the framework of the Forum, a wide range of problematic issues related to the development of the Islamic finance sector in Russia was raised. It also summed up the results of 9 months of the experiment in four Muslim regions of the Russian Federation.

### Research methods

The empirical base of the study is based on facts and data on the development of Islamic finance, the functioning of Islamic financial institutions in Russia, the possible directions of investment cooperation between Russia and Islamic countries of the Middle East and Southeast Asia, obtained from official information resources, as well as data from information and analytical agencies with open access, mass media and presentations of the speakers at Kazan Forum 2024.

The study relies on general scientific methods: induction and deduction, collection and generalization of information, systematization, classification, comprehensive and comparative analysis.

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### The first success of the experiment

According to the provisions of federal legislation, the Bank of Russia is a key element of the pilot project. He is responsible not only for selecting participants and maintaining an official register of Islamic financing companies, but also is obliged to closely monitor the progress of this pilot project, noting both positive aspects and risks and vulnerabilities. I believe that the main function of the regulator should be to timely identify any legal, financial or other problems that may arise during the experiment, and take the necessary measures to promptly solve them.

The Bank of Russia collects reports from participants in the experiment, summarizes it and publishes consolidated analytical information. For the first time, a brief summary of the activities of Islamic financing companies by the Bank of Russia was presented at Kazan Forum 2024 by Ekaterina Lozgacheva, Director of the Department for Strategic Development of the Financial Market. However, only the results of 2023 were presented. Thus, as a result of the experiment in 2023, the Bank of Russia estimated the total volume of transactions carried out by new participants at 1.8 billion rubles (attracting and investing financial resources). The most popular Islamic instruments were "contributions to the authorized capital" (Musharakah Shariah standard) - the total volume is about 1.2 billion rubles, and the "sale and purchase agreement" (Murabahah Shariah standard - 750 million rubles. [Business newspaper: 2024: 1] <sup>[1]</sup>.

However, the figures announced by the mega-regulator do not coincide with the data of the largest participant in the experiment - Sberbank. Senior Vice President of Sberbank Oleg Ganeev in May 2023 informed that Sberbank had already conducted transactions in the Islamic "format" in the amount of 17 billion rubles, among which were international operations, including grain supplies. [Klyakhin Danil: 2024: 2] <sup>[5]</sup>. During a speech at the Kazan Forum on May 17 this year, Oleg Ganeev said that Sberbank has already carried out about 7.5 thousand Islamic financing transactions in the amount of 18.2 billion rubles, possessing Islamic financial assets worth 875 million rubles. It turns out that, according to the Bank of Russia for the year from May 2023 to 2024, only one Sberbank completed transactions worth 1.2 billion rubles. But what about the rest of the Islamic finance market participants? Why doesn't the Bank of Russia take into account their operations? We believe that such a difference in the figures of the regulator and large market participants is explained by the imbalance in the accounting system, as well as the fact that the Bank of Russia presented reporting data only to some of the participants in the experiment and only for 4 months of 2023. We will expect a new official reporting of the Russian financial supervisory authority, perhaps there will be fewer questions from the expert community.

At the same time, Sberbank product line has expanded significantly. So for corporate clients it is proposed: Aman current account, Islamic payments and settlements, halal business cards, trade financing, developer financing, project financing, letters of credit, negotiable financing (Card al-Hassan), financial leasing (Ijara). For retail customers are available: Adafa debit card, Aman current account, mortgage loan (Murabahah), halal investments through banking mutual funds, trust management (Mudarabah). It is

planned to introduce deposit products and credit cards (for the retail segment) and factoring based on Murabahah (corporate segment) in the near future.

Sberbank opened an Islamic financing office in Kazan in 2022, an office and an Islamic financing window in Ufa in 2024. The bank expects to expand the network by opening flagship Islamic financing branches in Grozny, Makhachkala and Moscow. Sharia control in Sberbank is carried out by a council, which includes specialists certified by AAOFI with the active assistance of the DUM of Russia. According to Sberbank experts, the potential of the Islamic financing client base in Russia is 5 million retail clients and about 90 thousand legal entities. [RIA Novosti: 2024: 1]

Other traditional large banks announced start of projects on Islamic financing. So the regional manager of Islamic financing department of Tinkoff bank Askhat Giniyatov declared that since June, 2024 the halal debit card will be available to clients. This payment tool was developed together with Council of Shariah Scholars of the Republic of Tatarstan <sup>[1]</sup>.

The cost of service of the card is fixed and excludes the hidden commissions. Besides, holders of the Islamic card won't be able to pay with it the products, goods or services which are considered as forbidden under Sharia, for example gambings, tobacco products, alcoholic drinks, services of pawnshops and other categories. In turn the Bank has no right to use the financial resources received from clients on investments in the forbidden industries. During the second half of the year 2024 the Islamic card will become available to the order in all regions of Russia with free shipping.

Tinkoff bank at the moment develops and plans to offer the market Murabahah, halal investments in the stock market, an Ijara and Takaful insurance in the nearest future. For legal entities the start of financial leasing is planned (Ijara). For creation comfortable among citizens from Muslim regions it is planned to translate the application and Tinkoff ATMs of bank into national languages of indigenous people of Muslim regions. [Banking Review: 2024:2] <sup>[9]</sup>

CEO of the financial house of Amal (Kazan, Tatarstan) Rustam Sagdeev informed the audience about the activity of the very first Islamic financial institutions in Russia working more than 13 years. According to his data, the portfolio on investments grew by 68%, having reached 590 million rub, and the portfolio on financing increased by 47%, having reached 441 million rubles.

The Russian-Iranian financial company Miras also told about the achievements in the field of development Islamic finance. Just retail and cooperative consumer loans by the principle a Murabahah in 2023 it was given out on 65 million rubles, and in 4 months 2024 already total amount of transactions on this tool reached 139 million rubles. From them 72 million rubles acquisition of the industrial equipment, and on 50 million rubles – cars was financed. The volume of transactions on a Mudarabah considerably lags behind (8 million rubles in 2023, 4 million rubles for the first four months 2024). At the same time the company

<sup>1</sup> All information and statistical data here and later, if doesn't been cited, were provided during presentations and personal interviews by speakers and participants of Kazan Forum 2024, where author took part from 15 till 18 of May, 2024, – Remarks of authors

shared the plans for the near future. First, it is planned to apply the bank license, secondly it plans to construct and offer to customers other Islamic products: a Musharakah, an Ijara, Kard-ul-hassan, Takaful insurance, and thirdly – to expand the geographical representation at Dagestan and Chechnya.

Other non-banking companies working in the field of the IT industry and development of digital products are integrating at Russian Islamic financial market offering new Shariah compliant digital products. Thus, on May 15 on Kazan Forum the Interfax group presented the scoring mechanism of selection of the companies and their securities for admission on Islamic segments of the stock market. In Islamic finance such procedure is called "screening". For identification the Islamic Financial Index (IFI) will serve. The index estimates financial stability of the organization, level of a debt burden and degree of the involvement of the company into the Haram industries. In assessment procedure with participation of technologies with use of neural networks and artificial intelligence more than 160 various parameters are applied, including even data on personnel, commitment of the company to Islamic ethical principles, level of social responsibility in business processes, etc. Interfax, being the leading Russian company in the field of work with Big Data, believes that this index can be applied to other integration associations, for example OIC, BRICS and also to become a basis for creation of other scoring indicators for products of Islamic financing [Interfax: 2024: 2] <sup>[2]</sup>.

The release by the Universal Blockchain Company on the platform of the operator of the information system Masterchain digital issued sukuk of 1 million rubles became other example of Shariah compliant digital products using. It is the Russia's first issue of the digital Islamic financial asset (DFA). The We Unite Technologies Company became the organizer of issue. Shariah expertise was carried out by the LLC Zolotoy sunduk (Golden Box), which have been certified by AAOIFI. It is supposed that the funds raised as a result of issue will be used for development of the electronic Digital Rank platform. It is the independent expert platform which by means of artificial intelligence will form a ranking of digital assets and the companies which are releasing them. Repayment the sukuk is planned in 900 days. This digital issue, it seems, should be considered as test as usually the sukuk in the world is issued for the sum exceeding an equivalent of 100 mln dollars of the USA. In Russia it is the second issue the sukuk, but the first digital one. The first issue in the amount of 1 million rubles. was carried out by Sukuk-Invest in the summer of 2017 for a period of 62 days. [Kuznetsov Mikhail: 2024: 2] <sup>[6]</sup>

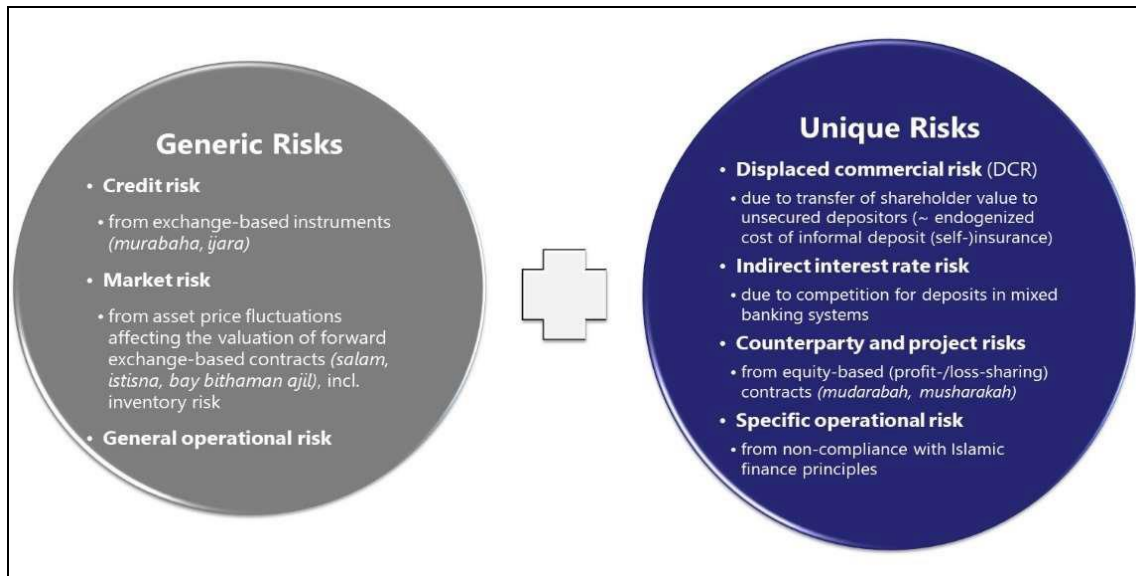
And other new entrants have developed and are ready to offer Islamic digital financial instruments to the market. Thus, the innovative company Islam-Finance has developed a digital platform with which sukuk will be securitized into tokens (NFT), called "Islam Coins," which are Shariah compliant. According to Executive Director Renat

Kudakayev, Islam Finance has developed an innovative blockchain platform for Islamic financing, which allows investing and attracting investments in projects, using blockchain technologies to ensure the security and transparency of transactions. These tokens can be bought and sold on this platform, being both an investment mechanism and a tool for attracting financial resources for a halal business. Digitalization of sukuk rights through NFT ensures uniqueness, transparency and security of transactions, simplifying circulation and accessibility for investors. The blockchain technology used guarantees transparency and security by registering all transactions and preventing fraud. The profitability of token investors will depend on the commercial results of the project, stimulating the choice of effective initiatives and strengthening the connection between investors and project implementers. Among the features of this platform that can be considered as competitive advantages are: 1) smart contracts, which, by automating transactions, increase their efficiency and security, reducing the risks of errors and fraud; 2) thorough verification of projects for their compliance with Sharia requirements, which improves the quality of investment proposals; 3) the integration of artificial intelligence into all stages of Shariah and financial expertise ensures a high level of compliance and reliability of projects; 4) the platform's built-in token exchange mechanism simplifies the conversion of crypto assets, simplifying international transactions; 5) focus on specific target customer groups allows to fine-tune the company's offers and marketing policy.

We believe that such issues will make it possible to work out the mechanism for issuing Islamic debt securities and in the future move to larger-scale issues, including sovereign sukuk. Such borrowings not only attract Islamic investors from the Middle East and Southeast Asia, but also improve Russia's reputation as a new market for Islamic financial instruments and strengthen investment cooperation with Middle Eastern conservative partners. Sukuk are also of interest to domestic investors (not only Muslims), possessing a high degree of reliability, transparency and profitability, providing ample opportunities to diversify the investment portfolio. Sukuk in the form of digital financial assets simplifies the mechanisms for issuing and maintaining sukuk, attracting investors focused on working with digital products.

All these examples indicate that Russian Islamic financing companies quickly approached the second stage of development - the use of digital models in Islamic finance. Given the achievements of the Russian IT industry, one can predict good growth prospects for this segment of Islamic finance in Russia and their high competitiveness in the world.

Islamic financial institutions activity and risks was examined by researches of BIS and IMF. Thus, the experts from IMF mentioned following risks of Islamic banks at their IMF Working paper devoted to Islamic banking risks and stress testing of industry.



Source: [Jobst & Solé: 2020: 20] [3]

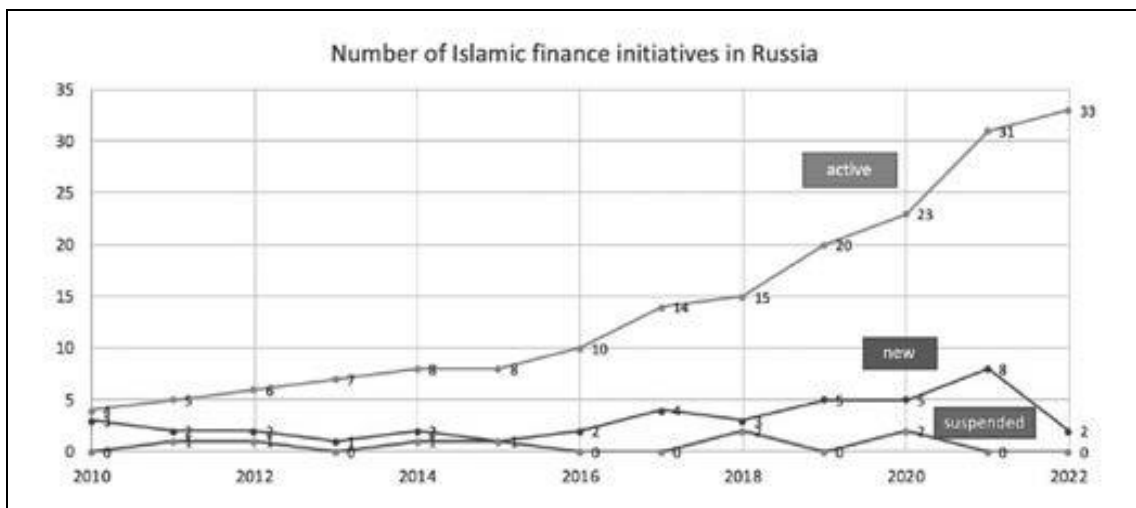
Fig 1: Generic and Unique Risks of Islamic banks

An in-depth analysis of the risks of Islamic banks by Western scientists allowed them to come to the following conclusions. While the general mechanics and core principles of stress testing apply universally, the distinct characteristics of Islamic banking require a differentiated treatment of several risk factors, including (i) DCR (due to some transfer of shareholder value to unsecured depositors); (ii) indirect interest rate risk (due to competition for deposits in mixed banking systems); (iii) counterparty and project risk (if a counterparty fails to perform its payment obligations); (iv) market risk from inventories of commodities and parallel special sales contracts as natural hedges; and (v) operational risk from non-compliance with Islamic finance principles. [Jobst & Solé: 2020:48] [3]. Having investigated and named the specific risks inherent only to Islamic financial institutions, their size and the degree of influence on the stability of banks, were recognized as insignificant, albeit worthy of attention and separate control by the leaders of Islamic banks and Shariah auditors. In general, Islamic banking institutions are

recognized as more stable and protected from external and internal negative factors, more stable than conventional banks. First of all, this is due to the absence of high-risk transactions, as well as double control of the level of risks from risk managers and Shariah auditors. The assets of Islamic banks are recognized as reliable, and the ratio between assets and liabilities is quite balanced compared to conventional banks.

**Research of current trends at Russian market of Islamic finance**

The Russian market of Islamic financial services is only at the stage of primary development, at the first stage of formation, although it currently has a legitimate base. In Russia, in addition to the risks arising from Islamic financial institutions in the process of work, there are problems associated with the formation and restructuring of both organizational and economic mechanisms and the mentality of clients and employees of Islamic banks and financial companies.



Source: [Kalimullina: 2024: 34] [4]

Fig 2: Islamic finance initiatives in Russia



The results of the calculation and estimations show that to the date of beginning of pilot project, the assets of the Islamic finance market in Russia exceeded ten bln rubles (over 160 mln USD). Despite the lack of regulation, the average growth rate of the market in 2018–2022 amounted to 48-50 percent. Such high rates can be explained as following. Firstly, the low base effect, with the potential of the market being much higher and deeper. Compared to Kyrgyzstan and Kazakhstan, other ex-Soviet Union republic with Muslim population with their market estimated at around 100 and 200 million USD respectively, Russia has

much higher potential given the size of the Muslim population, overall financial market size and development and other factors. Secondly, the market has gained important experience in the previous years of development, some initiatives were a good example to follow for new market players, who used the same or similar business model. Thirdly, the overall market literacy in Islamic finance in Russia increased due to the expanding operations of the existing market players as well as the existence and growth of the educational courses and publications on Islamic finance.

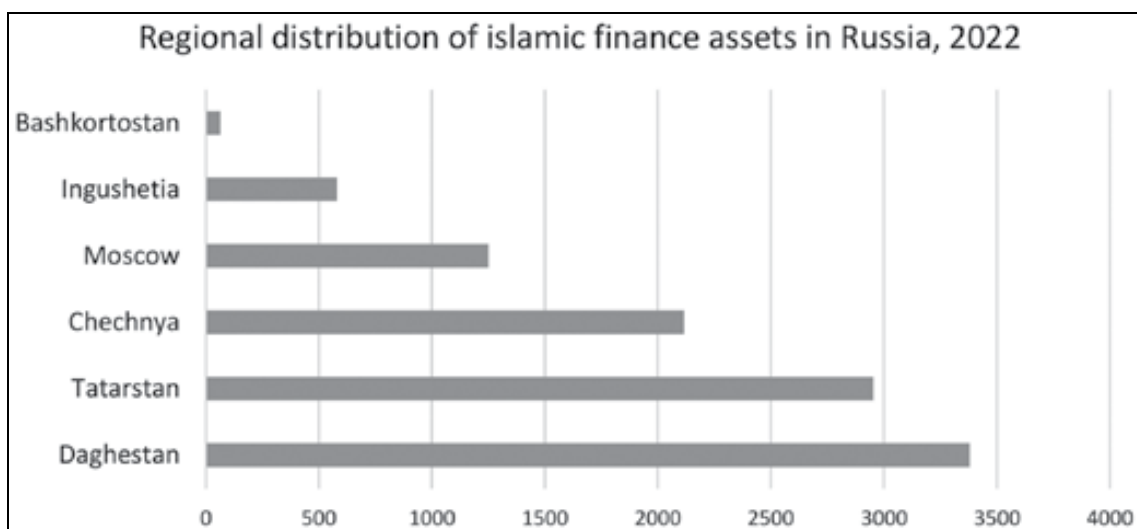


Source: [Kalimullina: 2024: 35] <sup>[4]</sup>

Fig 3: Assets of Islamic financial market in Russia

The main regions where Islamic finance operations have significant size are Dagestan, Tatarstan and Chechnya (Figure 4). Moscow as a capital and financial hub of Russia

showing its solid interest to Islamic finance, but presently the main Islamic finance operations are performed by companies registered at main Russian Muslim regions.



Source: [Kalimullina: 2024: 35] <sup>[4]</sup>

Fig 4: Regional Share of Islamic finance (MLN Rub)

Russia demonstrates a positive development in the Islamic finance market. This involves both qualitative and quantitative changes: growth in the number of active

initiatives, growth of the asset size and the number of regions involved, and the legislative developments. The efficiency of the regulation, which could be further

enhanced upon the experimental regime, is a very important factor in further market expansion. The market potential is several times higher than the current figures.

However, despite certain achievements and progress in the formation of Islamic financing in the Russian Federation, during the implementation of the experiment, difficulties arise that can slow down the progress of the experiment as barriers.

Analysis of current situation; identifying of challenges & problems arising during the Islamic financing support pilot project in Russia and recommendation about possible ways to solve them

### **Challenges and problems of Islamic finance development in Russia and possible ways how to solve them**

Each of the speakers at the Kazan Forum 2024 tried not only to demonstrate the successes of his organization in the development of the Islamic financial model, but also to highlight the obstacles that appeared and offer some variants for their elimination.

One of the issues has been discussed at the forum was the lack of a united national council responsible for Sharia expertise of projects at the federal level. The second function of this council could be to create a unified methodology for determining Shariah compliance and the working procedures of internal Shariah auditors and external advisers. And thirdly, the national council can be an arbiter in emerging disputes of market participants over the interpretation and use of various sharia standards.

Ekaterina Lozgacheva, Director of the Bank of Russia's Financial Market Strategic Development Department, voiced the regulator's position and supported the creation of the Council for Ethical Standards at the national level. She invited the expert community to determine the form and organization of this council. This can be the advice of a self-regulatory public professional organization such as the Russian Association of Islamic Financing Experts or the Association of Russian Banks. Alternatively, the Council could be established under the Council of Muftis of Russia or the Spiritual Administration of Muslims of Russia. In the near future, all possible options will be discussed.

The management of Sberbank, in turn, is worried about the impossibility, according to Sharia rules, to impose penalties, fees, fines, and additional commissions for unscrupulous borrowers. The bank proposes to allow Islamic financing companies to charge fines, penalties and forfeits, considering this as measures to strengthen the disciplinary responsibility of borrowers, and not as additional income for the bank. The financial resources received by banks in the form of penalty payments are supposed to be transferred to charitable foundations. In addition, Sberbank proposed to consider and resolve the issue of unifying the process of paying Zakat by Islamic financial companies.

As additional obstacles to the development of Islamic finance, they also called: not including clients in government programs of preferential mortgages; the impossibility of using maternity capital so far; the insecurity of Islamic deposits of retail depositors in terms of the compulsory deposit insurance program; additional taxes on multi-transaction Islamic financing products (Murabahah, sukuk), as well as a lack of knowledge among Russians about the features of the Islamic financial model, its

advantages; insufficient number of certified specialists in various areas of Islamic finance, as well as Shariah experts, one of the reasons for which is the small number of continuing education programs in Islamic finance and the lack of specialized academic disciplines for bachelors and masters of economists and lawyers in Russian universities.

Summing up the results of three quarters since the start of the experiment on September 1, 2023, on the one hand, we can still note steady progress and progress in the development of Islamic finance. Conventional banks and financial companies of various legal forms are making active efforts to form an integrated market for Islamic financing using new financial digital technologies. New players are joining the industry, digital Shariah complaint financial assets are being introduced, Islamic financial indices are being developed, and all new Islamic financial instruments are being mastered, expanding the product line of Islamic financing companies.

However, in general, the number and financial volume of transactions carried out by all participants in the experiment in Russia, the number of official participants, as well as the territorial coverage of clients are still insignificant, which cannot be recognized as satisfactory and makes us think about the reasons for this situation.

Studying this topic, in the course of analyzing the main reasons for the insufficient pace of development of Islamic finance in Russia, we propose to divide the research into the following areas:

1. First, let's consider why companies already operating according to Islamic financial principles are not so willing to participate in the experiment (for example, only 1-2 companies participate from Bashkiria, Chechnya and Dagestan, when there are significantly more real Islamic financing companies in the regions). The answer can be divided into several main parts while offering brief recommendations for problem solving.

#### **1. Not enough incentives**

##### **1. There are no special conditions for the participants in the experiment**

- A) Islamic financial companies operating in Russia can carry out all types of transactions using Russian legislation without entering into a pilot project.
- B) The current legal restrictions for the participants in the experiment (payment and settlement units, microcredit organizations) have not been lifted.

#### **2. Tax disparity not eliminated**

- A) The exemption from VAT of interest on a commercial loan is not enshrined in law (Tax Code of the Russian Federation) and therefore the tax inspectorate may charge this tax later.
- B) Investors pay personal income tax, regardless of the amount of investment, when as bank deposits up to 1 million rubles exempted from this tax.

3. There are no programs of state support for Islamic financing companies, including support for small and medium-sized businesses, i.e. there are no preferences for

the participants in the experiment.

As ways to solve this set of problems, amendments to legislative acts should be introduced that abolish legal restrictions for companies of certain forms. As part of the elimination of tax disparity, it is necessary to work together with the Ministry of Finance and the Federal Tax Service of Russia to exempt multi-transaction Islamic financial products from taxation, providing for them a regime similar to REPO transactions, when the tax authorities consider several transactions in aggregate, and calculate the tax on the final result, based on the economic sense of the operation. In addition, Islamic financial transactions should be included in various government dotation programs, as well as allowed to use maternity capital in Islamic financing transactions, primarily mortgage products.

2. Due to the growing demand for financing products based on the principles of Islamic finance, the problem of funding arises, that is, Islamic financing companies (IFC) simply do not have enough resources and low possibilities to attract halal funds.

It is proposed to equalize the conditions for banks and companies of a different legal status, as well as to provide benefits and preferences for state programs for the IFC (subsidizing financing and providing the possibility of using maternity capital with a halal mortgage).

### 3. Risks of additional control and general uncertainty

1. Lack of understanding of the essence of Islamic financing transactions by law enforcement and regulatory state bodies (Police, Protection Customers Rights Service, etc.) and conflict situations arising in connection with this in the regions;
2. The participants in the experiment have additional reporting requirements, as well as AML&FT activity. These circumstances raise certain doubts of existing Islamic financing companies about the advisability of entering into an experiment.

To solve these problems, we believe it is advisable to conduct additional training and advanced training programs for law enforcement officers working with Islamic financing companies to improve their financial literacy and understanding of the economic essence of the Islamic financial model. It is also recommended to simplify and automate the reporting process for Islamic financing companies, making it convenient and fast, for this the Bank of Russia needs to develop special software and distribute it among the participants in the experiment.

### 4. Technical and organizational issues

1. Not all microfinance companies that are ready to participate in the experiment can fulfill the minimum authorized capital standards; therefore this condition for participation in the experiment requires either cancellation or adjustment;
2. It is difficult to demand that the current director of an Islamic financial company have experience in IFCs within 2 years. Some companies specifically open

separate Islamic branches (windows) in the regions designated in the law, so this requirement is impracticable and requires legislative change.

## II. Besides, there are a number of common problems which don't allow developing quickly to the sector of Islamic financing in general, including slow down appearance of new participants of the industry of Islamic finance

First of all, this lack of the correct and complex information on an essence, rules, advantages of Islamic (Islamic) financing, both at the population, and at business structures. A part of the Russian population was only heard by something about Islamic finance, other part considers that Islamic finance it is confessional operations only for Muslims; someone is sure that Islamic financing is free grants like charity.

As solutions of this problem it is possible to offer: 1) inclusion of scope of Islamic financing in state programs of increase in financial literacy, since primary school; 2) inclusion of "Islamic finance" as obligatory studying unit for a bachelor degree and a magistracy on economic and legal specialties; 3) creation of educational programs for upgrading skills for professionals in the leading universities of the country; 4) creation of interuniversity uniform education center of Islamic finance which would be engaged in certification of all educational programs in the field of Islamic financing; would develop educational standards and methodology of training; interacts with foreign universities and educational centers, organizes oversees internship for students and listeners of educational programs, etc.

The second problem is the lack of confidence in connection with effect of novelty. Most of participants of the market aren't ready to open new projects, to invest in Islamic finance in the presence of the processes adjusted business. Even if the working business, is also desire to participate in transactions on Islamic financing for various reasons, time for analyzing and understanding is required as to work with it. Time for risk assessment and embedding new risk program, taking into account Shariah compliance, the software is necessary, carrying out transactions on accounts department, change of marketing strategy and there are a lot of other important questions. There is some hope that a number of such business structures are even in process of consideration and assessment and they will become soon the active participants of this experiment, considerably having improved the general statistics.

Moreover, in modern Russia in general is very low trust to any financial institutions (effect of the 1990th cheating people "financial pyramid constructing" years). Also existence of such words as "Islamic", Shariah" which also for the non-Muslim population of Russia still bear in themselves a negative shade causes rejection. Change of mentality is slow process, but explanatory work of government institutions, mass media, advertising activity of participants of the market and also effective activity of the companies of Islamic financing in Russia will help to accelerate it.

In all countries the development of Islamic finance (Malaysia, the UAE, and Bahrain) were pushed by enthusiasts who because of the founders of Islamic finance companies, maintain the business referring to the

confessional and ethical Muslim conditions, sometimes even to the detriment of their own financial interests. Such enthusiasts are in Russia also, but at them not enough financial resources for getting out of the status of micro-financial companies. And here we need the active position of the state, first of all, of the financial regulator. It is vitally important. Only joint efforts of business - enthusiasts and state structures will allow providing acceleration to development of Islamic finance in Russia. By the way, experience of the countries which successfully constructed dual national financial system (including conventional and Islamic financial institutions) proves it.

And at the end we pass to main, in our opinion to the problem which is slowing down development of Islamic financing in Russia – lack of political will. In Russia there is no accurately designated complex state position concerning need of development of Islamic finance. The specifics of Russia are that the task of development of Islamic financing has to be set at the highest political level – at the level of the President of Russia. Only in this case the responsible ministries and departments will be quickly defined, the coordinator is appointed, the long-term comprehensive plan of development (road map) is developed, algorithms and mechanisms of work taking into account regional features are developed. Considering that Islamic financing is allocated already as the separate direction of interstate cooperation in many working groups of important integration associations, for example, in documents of the Working group on financial services of Business Council of BRICS, the top-level objective similar accurately would be extremely expedient also an vitally urgent at the moment. We suppose that there are also other questions requiring the solution, but the main problems and possible ways of their decision, we believe, found related to this article.

### Conclusions

In general, the first 9 months of the development of Islamic finance in Russia as part of a legal experiment, of course, showed the interest of the population and business in new instruments of Islamic financing, especially digital innovative products. Not only conventional banks come to the Islamic financing market, but also medium-sized companies, even startups offering their unique digital and traditional products designed specifically for the Islamic finance industry, which have novelty, comfort, low risks and good profitability. Participants in the Islamic financing market are ready to cooperate, jointly creating a new sustainable Islamic component of the Russian national financial system, including Islamic banks, takaful insurance companies, operators in the Islamic stock market, Shariah charity and other funds.

At the same time, the position of the state in the development and promotion of a nationwide concept for the development of the Islamic financial segment is unambiguously decisive. Regulatory bodies represented by the Government, the Bank of Russia, law enforcement authorities and other government agencies must act in a coordinated manner within the framework of the law and the national strategic task for the development of Islamic finance in Russia, be quite flexible in solving emerging contradictions and problems. The task of control and supervisory state bodies is not only to identify shortcomings and punish for offenses, but, above all, - create a system in which participants of the Islamic finance market, feeling

comfortable, will not only have the opportunity to develop their business, but independently determine internal rules that correspond to the Shariah ethics of conducting business relations, regulate all internal processes and independently solve emerging problems. The development of competition within the market, as well as with conventional financial institutions, will contribute to improving the conditions for retail and corporate clients of Islamic financing companies. A sustainable and comprehensive infrastructure that includes transparent and reliable mechanisms to protect the rights of investors, will allow attracting solid conservative foreign Islamic investors in projects in the Russian Federation, which will serve the further progressive and comprehensive development of the Islamic financing market in Russia.

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