



MODERN MECHANISMS FOR FINANCING INVESTMENT PROJECTS BASED ON ISLAMIC FINANCE PRINCIPLES AND THEIR DEVELOPMENT PROSPECTS

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In recent years, Islamic finance has gained particular significance within the global financial system, distinguished by its stability, equitable risk distribution, and adherence to the principle of interest-free transactions (*riba*). Financing investment projects on the basis of Islamic finance principles has emerged as a vital instrument for the efficient allocation of economic resources, the development of the real sector, and the promotion of social justice.

The core mechanisms of Islamic finance-based financing are *murabaha*, *musharaka*, *mudaraba*, *ijara*, and *sukuk*. All of these are grounded not in interest, but in real assets, profit-and-loss sharing, and Sharia compliance. Currently, a number of modern mechanisms for financing investment projects within Islamic finance are widely applied. Notably, instruments such as *musharaka* (joint partnership), *mudaraba* (trust-based investment management), *murabaha* (cost-plus trade financing), *ijara* (lease-based financing), and *sukuk* (Islamic bonds) occupy a central role. These instruments serve to ensure the financial sustainability of investment projects and to mitigate risks for investors.

Core Mechanisms

- **Murabaha** — A bank or financial institution purchases an asset and sells it to the client on a deferred payment basis with an agreed-upon markup. This is a trade-based financing structure widely used in investment and equipment procurement.
- **Musharaka** — A partnership model in which parties contribute capital and share project profits and losses according to a pre-agreed ratio. It is particularly well-suited for investment projects and joint ventures.
- **Mudaraba** — A partnership arrangement in which one party provides capital and the other contributes management expertise and labor. Profits are distributed in accordance with the agreement, while losses are typically borne by the capital provider.
- **Ijara** — A mechanism for generating income through asset leasing. It is applied in the financing of equipment, transportation assets, and real estate.
- **Sukuk** — Although similar in structure to conventional bonds, *sukuk* does not represent debt; rather, it constitutes an instrument granting a proportional share in an asset or project revenue. Additionally, *qard hasan* — a benevolent interest-free loan — is utilized in socially oriented financing.

MECHANISM	Description	Primary use case	Type
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MURABAHA	Bank purchases an asset and resells it to the client at an agreed markup on a deferred payment basis.	Equipment procurement, investment financing, trade finance	Trade-based
MUSHARAKA	Joint partnership where all parties contribute capital; profits and losses are shared at a pre-agreed ratio.	Investment projects, joint ventures, real estate	Partnership
MUDARABA	One party provides capital; the other provides management and labor. Profits are shared; losses borne by the capital provider.	Trust-based investment management, venture funding	Partnership
IJARA	Asset leasing arrangement generating income for the owner while the lessee gains use of the asset.	Equipment, transport assets, real estate, infrastructure	Lease-based
SUKUK	Islamic bonds granting proportional ownership in an asset or share in project revenue — not a debt instrument.	Infrastructure financing, capital markets, sovereign funding	Asset-backed
QADR HASAN	A benevolent interest-free loan extended for social or humanitarian purposes, repaid without any additional charge.	Social finance, microfinance, community development	Charitable

These mechanisms channel capital toward the real economy, ensure equitable risk distribution, and strengthen the spirit of partnership between investors and entrepreneurs. Particularly in the financing of investment projects, infrastructure, small businesses, and manufacturing ventures, they represent an effective alternative to conventional credit.

From the perspective of future development, the integration of digital technologies (fintech), blockchain, and Islamic crowdfunding platforms is expected to significantly expand the toolkit of Islamic finance instruments. Furthermore, strengthening the legal and institutional foundations for the development of the Islamic finance market — particularly in the Central Asian countries and specifically in Uzbekistan — is of considerable importance. Given that Islamic finance is still an

emerging sector within Uzbekistan's economy, substantial opportunities remain to be realized.

In conclusion, the financing of investment projects based on Islamic finance principles continues to evolve as a sustainable and equitable financial system within the modern economy. Its future advancement is directly linked to innovative financial instruments and processes of international integration. To ensure its continued development, it is imperative to improve the legal framework, strengthen standardization, reinforce Sharia governance, and diversify the range of available investment products.

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