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SOME ASPECTS OF ACTIVITY OF THE ISLAMIC BANKING SYSTEM IN THE MARKET OF FINANCIAL SERVICES

Abstract. Throughout the last twenty-fifth anniversary the financial and banking sector of economy, both the certain countries, and the whole regions periodically experiences the acute crises, which are expressed in the sudden and sharp growth of number of banks, the investment and insurance companies finding the insolvency. In recent years possible ways of replacement of percent attentively were considered by Muslim experts in economy and banking. Muslim economists have developed economic models of interest-free economic system and have analyzed consequences of cancellation of percent on the economic growth, establishment of resources and distribution of income. They have also proved theoretical base for the organization of modern banking on an interest-free basis. The big contribution to practice about interest-free banking was also made by bank staff. The concept of interest-free banking is not purely theoretical category anymore. In the last two decades were created several Islamic banks in the different parts of the world; they work successfully. Three countries of the Islamic world: Pakistan, Iran and Sudan have made useful attempt to abolish percent on the scale in all economy, which led to the significant progress.

Key words: kharadzh, currency system, International bond market, financial shocks, default, financial markets of the world, globalization of financial activity, insolvency virus, financial institutions, banking.

In the market of financial services the young Islamic bank shows the development by involvement of the non-Muslim population in ranks of the regular customers. The number of non-Muslim clients dynamically grows, for example, the Islam Malaysia Berkhard bank during the rather small period (1984-1993) has increased the number of the clients to the 350th thousand from whom 17 thousand. In 2007 the number of clients became more than one million; 10 % of them are not Muslims.

Such situation in the world banking sector shows the nature of Islamic banking system, based on the ethical principles. The statistical analysis of the sector of consumers of Islamic banks proves the viability of Islamic financing, irrespective of race and religion of the consumers of Islamic bank. Advantage of Islamic bank, to our mind, in the ethical and philosophical component, which provides the consumer of Islamic banks with additional factors of insurance. It is the huge potential of instruments of protection, both for the client, and for the bank by itself.

There are well known three main groups of activity of Islamic bank: reception of deposits from the clients of the bank, financing of projects, and other banking services. The principles of Sharia are applied and interpreted by the countries, according to the internal laws, adopted by the government. The structure of banking products of Iran is an example of use of Islamic bank tools (see table 1).

So, in the field of construction and repair such forms of rendering of services as civil partnership, installment sale, cards al Hassan, Dzhoalya and direct investments are applied. The principles of Islamic bank have not only positive characteristics, but promote growth of financing of the industrial sector, in spite of the fact, that many countries are agrarian. Focusing on a certain sector or branch at Islamic financing depends on external and internal factors of development of bank.

Table 1 – Structure of banking products

#	Principles of Sharia	Field of Application	Type of Activity
1	Installment Sale	Production	Industry Agriculture Mining
2	Civil Partnership		
3	Legal Partnership		
4	Payment by Installments		
5	Forward Transaction		
6	Direct Investments		
7	Kard Al Khasan		
8	Dzhoalya		
9	Mozarima		
10	Makasat		
1	Modaraba	Trade	Import Export Domestic Trade
2	Civil Partnership		
3	Legal Partnership		
4	Dzhoalya		
1	Civil Partnership	Service	
2	Legal Partnership		
3	Installment Purchasing		
4	Installment Sale		
5	Dzhoalya		

External factors of development for Islamic bank have four directions: rules of the Central bank, economic situation, competition, and image of reputation of bank. Pakistan, being the main player in the Islamic banking market, is guided by the circulars of National bank of Pakistan, containing the principles of project financing.

In Bangladesh the banks are based on the basic principles of Sharia practices, so-called “bai bisaman”. Further we’ll show the table of coincidence of the principles of Sharia, involved in Islamic banking system (see table 2).

Table 2 – Comparison of the Principles of Sharia over the Countries

#	Principle of Sharia	Malaysia	Bahrain	Bangladesh	Indonesia	Kuwait	Turkey	United Arab Emirates	Jordan	
1	Musharaka	–	+	+	+	–	–	+	+	5
2	Mudaraba	+	+	–	+	–	–	+	+	5
3	Murabacha	+	+	+	–	+	–	+	+	6
4	Bai Bisaman	+	–	–	–	–	–	–	–	1
5	Idzhara	+	+	–	–	–	–	+	+	4
6	Kard Khasan	–	–	+	–	–	–	–	+	2
6	Istisna	+	–	–	–	+	–	+	+	4
		5	4	3	2	2	0	5	6	

As we see from the table, such principles of Sharia as “bay bisaman” and “Kard Khasan” are used less.

The analysis of the instruments of Islamic financing over the countries shows lack of the universal standard between the countries-participants of IBD, which doesn’t prevent the principle in each country in order to develop all branches in own country with the means of Islamic financing. It is provided by the various sources in the different countries (see the chart 1).

The graphic analysis of the structure of Islamic financing shows that the main emphasis was made on the development of the fund forming branches: construction and industry are actively financed by all countries-members of IBD.

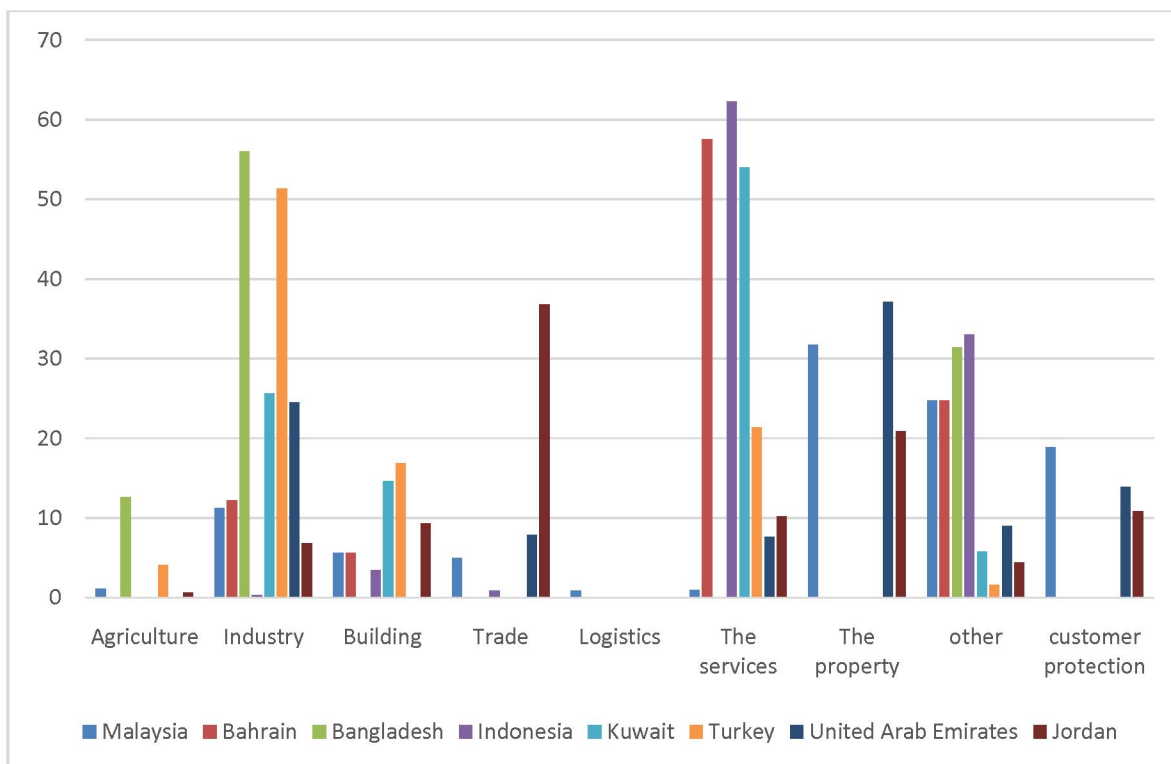


Chart 1 – Graphic Analysis of Structure of Islamic Financing

Internal factors of the development of Islamic bank determine the competitive level by two main aspects: quality of management and the standards of service. Experts of Islamic financing emphasize the fact of use by the clients the products of Islamic banks for the economic reasons. They have no dependence on religious affiliation. Clients of Islamic banking products are attracted by an efficiency factor in relation to regular customers of bank with the minimum quantity of conditions of service. Islamic banks actively promote the international trade and development of globalization processes, provide the letters of credit of mudarab, import the stated goods and protect the client of bank from risks. The algorithm of financing of import of goods by the Islamic banks we would like to show in the figure (see the figure 1).

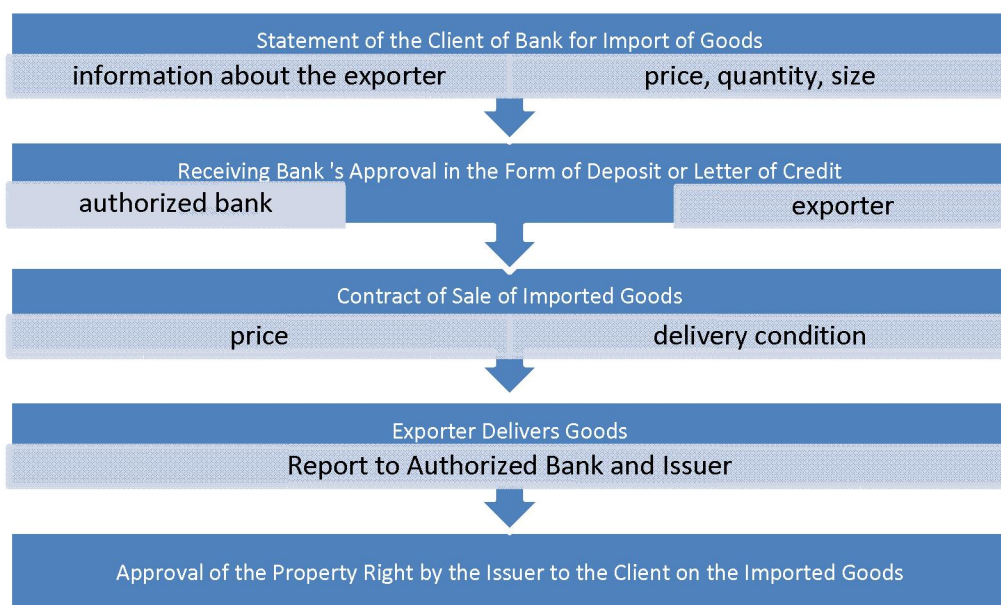


Figure 1 – Algorithm of Financing of Import of Goods

Table 3 – Role of Islamic Bank in Maintaining the International Transactions

#	Agreement Type	Role of Bank	Interest of Bank
1	Vakala	Agent and Client's Representative	Payment for Services
2	Musharaka	Client's Partner From Financing Shares	Commission Charges for Services and Management. Profit Share
3	Murabacha	Islamic Bank Businessmen	Fixed Payment and Expenses on Management. Collecting. Commissions.

Stimulation of international trade in Islamic banks is conducted by three methods or ways: Vakala method, Musharaka method, Murabacha method (see table 3).

Thus, the economic behavior of Islamic bank carrying out the international transactions with the clients of bank, bank active businessmen, bank partner and bank agent (see figure 2).

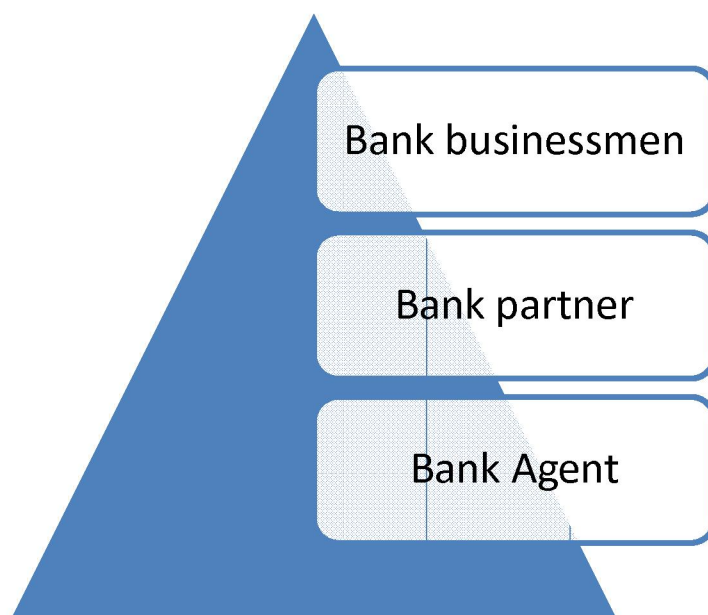


Figure 2 – Role of Islamic Bank in Carrying Out the International Transactions

Structure of rendering services of the international transactions in all countries of IBD is different, but provided of all participants of IBD with the powerful instrument of the development of the international trade between all countries. Only Malaysia provides all types of service in the sphere of international trade. It is known that there are three sources of Islamic banks: deposits, share capital, and other obligations. The paid capital, various reserves, retained earnings enters the share capital. The structure of sources of financing of the countries of participants of IBD is presented in table 4.

Table 4 – Sources of Financing of Islamic Banks over the Countries to Participants of IBD

#	Country-Participant of IBD	Investments	Capital Stock	Other Obligations	Total
1	Malaysia	88,4	5,6	6,0	100
2	Bahrain	72,3	20,5	7,2	100
3	Bangladesh	86,9	6,2	6,9	100
4	Indonesia	87,0	8,0	5,0	100
5	Kuwait	74,4	16,0	9,06	100
6	Turkey	81,2	14,5	4,3	100
7	United Arab Emirates	77,6	12,7	9,7	100
8	Jordan	84,8	12,5	3,1	100
	Average Value	81,6	12,0	6,4	100

The analysis of sources of Islamic banks shows its focus not only on the share capital, but the deposits of investors: in average- 81,2 percent from all sources of financing. Thus, the efficiency of activity of Islamic banks strictly depends on the number and volumes of deposits, the policy and management of Islamic bank. The evident comparative chart of sources of financing of IBD is provided in the chart 2.

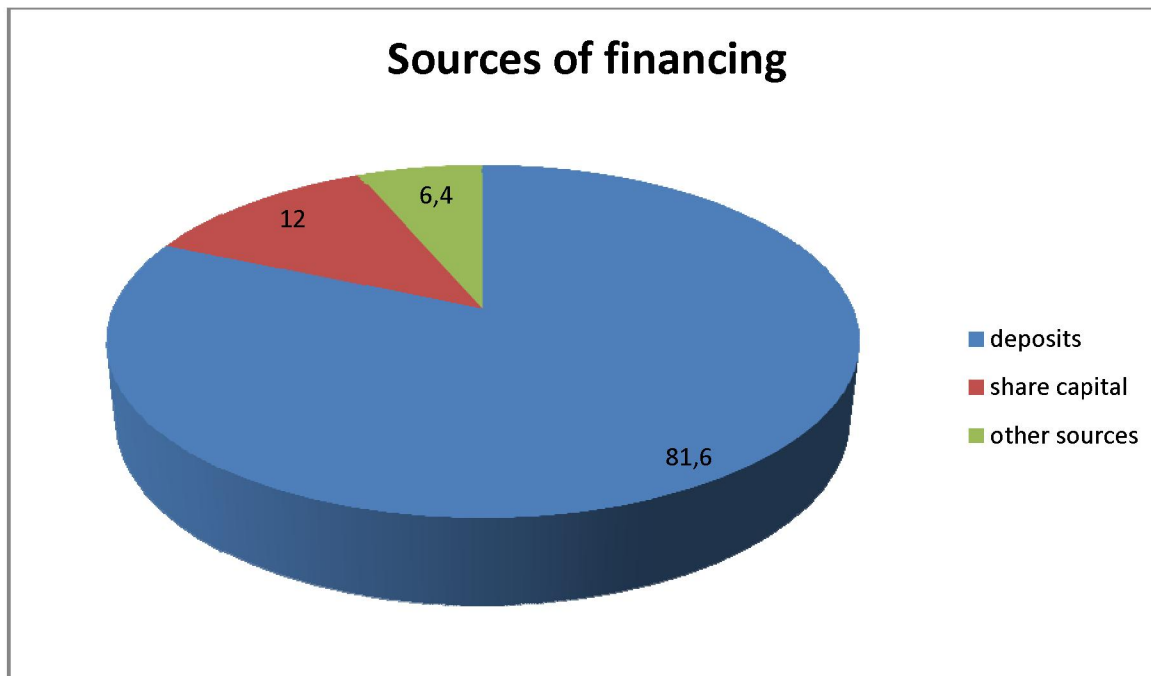


Chart 2 – Sources of Structure Financing of IBD

Activation of deposits in Islamic banks is stimulated with the realization of policy of powerful social programs of Islamic banks in the several directions: educational help, humanitarian help, and charitable help. Strengthening of the social activity provides by the Bank of Bangladesh through “Islamic Bank Foundation” with the types of the next programs:

- formation of income;
- health care;
- education;
- religious education;
- human Resources.

In accordance with the social program the Bank of Bangladesh has constructed six medical institutions, service centers, five educational institutions, including the fund of the improvement of quality of life in the society. Since 1995 in Bangladesh was established the monetary vakuf certificate. Islamic banks give the chance of transparent mobilization and distribution of zakyat. “Such management provides the multilateral analysis of the situation, adoption of extraordinary decisions, effective creativity” [1, p. 64].

The increasing consumer demands from the banking services dynamical changes in the institutional structure of the financial market, for example, auto credit, retail institutions, etc. Existence of free consumer segment of the Muslim population gives strong competitive advantages for the development of Islamic banks in the territory of the Russian Federation. “The banking system is a set of the banking institutions, functioning in the territory of any country” [2].

There are the following factors of the strengthening of competition in the banking services:

- increase the number of competitors in the corresponding market;
- competition grows in the market on consumer demand for banking services;
- insufficient differentiation of banking products also strengthens the competition between the participants of the financial market;
- intensity of the strategic behavior of banks leads to the strengthening of the competition.

Thus, the constructive behavior of IBD in the market is the condition of application of successful economic forecasts in the field of bank's activity.

The analysis of the competitiveness of banking product has been carried out by use of the special technique. K. R. Nurmagambetov has adapted Islamic Bank with important algorithm:

- definition of the list of experts in the field;
- ranging of factors of the cost of the product;
- ranging by experts of the level of service of the client of bank;
- calculation of level of competitiveness of banking product;
- adoption of the strategic decision.

The basic formula for calculation of level of competitiveness of a banking product is offered [3, p.58]:

$$U = \left[\frac{UPS_p}{UPS_k} \right]^\alpha + \left[\frac{C_k}{C_r} \right]^\beta + \left[\frac{UOp}{UOk} \right]^\gamma$$

There are:

- the first composed this relation of the level of consumer cost of a banking product;
- the second composed this relation of the prices of banking products of competitors and the studied bank;
- the third composed this relation of the level of service of the client of bank;
- degrees of fractions have to be equal to 1.

For achievement the convenience of calculations for the formula we would like to offer the following tables (see tables 4, 5).

Table 4 – UPS Banking Product of Two Banks

#	Consumer properties of banking product	Al Khalil RK	Amal competitor	Relative Significance
1	2	3	4	5
1	Availability of Information	5	4	0,20
2	Reputation of Product	4	5	0,30
3	Hedging of Risks	4	5	0,20
4	Effectiveness	5	3	0,20
5	Maintenance by Consulting	5	4	0,050
6	Liquidity	4	3	0,050
				1,00

Absolute value of level of consumer properties of a banking product for the studied bank:

$$UPS_r = 5^{0,2} + 4^{0,3} + 4^{0,2} + 5^{0,2} + 5^{0,05} + 4^{0,05} = 7,793;$$

$$UPS_k = 4^{0,2} + 5^{0,3} + 5^{0,2} + 3^{0,2} + 4^{0,05} + 3^{0,05} = 7,690;$$

Table 5 – Level of Bank Service of Two Banks

#	Factors of Level of Service of the Client of Bank	Al Khalil RK	Amal	Relative Importance Factor
1	Professionalism of the Officer of Bank	5	4	0,5
2	Skill to Communicate of the Manager	4	4	0,3
3	Degree of Empathy of the Manager of Bank	3	3	0,1
4	Feedback from Clients of Bank	5	4	0,05
5	After-sales Service of the Client by Bank	4	3	0,05

Absolute Value of Level of Bank Service for Bank:

$$U_{0r} = 5^{0,5} + 4^{0,3} + 3^{0,1} + 5^{0,05} + 4^{0,05} = 7,018;$$

Absolute Value of Level of Bank Service for Bank of the Competitor:

$$U_{0k} = 4^{0,5} + 4^{0,3} + 3^{0,1} + 4^{0,05} + 4^{0,05} = 6,820;$$

Absolute value of level of competitiveness of banking product by all criteria:

$$y = \left[\frac{7,793}{7,690} \right]^{0,3} + \left[\frac{15000}{16000} \right]^{0,2} + \left[\frac{7,018}{6,820} \right]^{0,5} = 2,299;$$

In the conclusion we would like to stress, that the competitiveness of banking product of Al Khalil is positive on the relations between the bank and the competitor. The leading strategy of the behavior in the market of the banking services must be chosen carefully and correctly.

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БАНК ЖҮЙЕСІНІҢ КЕЙБІР АСПЕКТІЛЕРІ ИСЛАМ ҚАРЖЫ ҚЫЗМЕТТЕРІН КӨРСЕТУ НАРЫҒЫНДАҒЫ ҚЫЗМЕТІН

Аннотация. Қазақстан Республикасы мемлекеті жалпы алғанда ұлттық экономиканың бәсекеге қабілеттілігін арттыру бағытындағы, нақты алғанда кәсіпкерлікті дамытуда көптеген мәселелер шешу үстінде. Олар экономиканы құрылымдық өзгерістер жүргізу, әртүрлі экономикалық салалардағы технологиялық құрылымдық кемшіліктерді жою, ішкі интеграцияны жетілдіру, сонымен қатар өндіргіш күштердің бәсең дамуын жою, инфраструктураны дамыту және нарық институттарын жетілдіру болып табылады. Осы жағдайлар Қазақстан Республикасында кәсіпкерлікті дамыту мемлекеттің экономикалық саясат бағытындағы басымдыққа ие болып саналады. Қазақстан Республикасында кәсіпкерлікті дамыту әлемнің дамыған елдеріндегіден әлде қайда ерекше болса да, қазіргі Қазақстан экономикасында шағын және орта бизнес белгілі дәрежедегі өзіне тиісті орынға ие болды. Соңғы кездерде шағын және орта бизнес субъектілерінің кәсіпкерлік ортада өсуі байқалса да, ол орта аса көп қаржы құюды қажет етпейді, жабдықтар мен көптеген қызметкерлерінің кооперациясы жоқ бағыттар болып табылады. Шет елдердің тәжірибесіне жүгінсек, кәсіпкерлік Қазақстан экономикасын тұрақтандырудың және дамытудың реалды секторына айналуы мүмкін. Нарықтық ортаға, тиімділігін сипаттайтын экономиканың тұрақтылығын қамтамасыз ету үшін өндіру мен өткізудің, өнімдер мен технологиялар, инновациялар ірі кәсіпорындар қаржылық тұрақтылығын, бәсекелестікке негізделген сыртқы ортаның бәсекелестер жасаған қадамын реактивті жүзеге асырады және стратегиялық түрлендіреді.

Түйін сөздер: инновациялар, нарықтық экономика, кәсіпкерлік, экономикалық дағдарыс, ұлттық заңнама, бәсекеге қабілеттілік, экономикаға ықпалы, ұлттық табыс, еңбек нарығының тиімділігі, бәсекелестік потенциал.

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НЕКОТОРЫЕ АСПЕКТЫ ДЕЯТЕЛЬНОСТИ ИСЛАМСКОЙ БАНКОВСКОЙ СИСТЕМЫ НА РЫНКЕ ФИНАНСОВЫХ УСЛУГ

Аннотация. На протяжении последнего двадцатипятилетия финансовый и банковский сектор экономики, как отдельных стран, так и целых регионов периодически испытывает острые кризисы, выражающиеся во внезапном и резком росте числа банков, инвестиционных и страховых компаний, обнаруживающих свою неплатежеспособность. В последние годы мусульманскими экспертами по экономике и банковскому делу внимательно рассматривались возможные пути замены процента. Мусульманские экономисты разработали экономические модели беспроцентной экономической системы и проанализировали последствия отмены процента на экономический рост, установление ресурсов и распределение дохода. Они также обосновали теоретическую базу для организации современного банковского дела на беспроцентной основе. Большой вклад в практику о беспроцентном банковском деле также внесли банковские работники. Концепция беспроцентного банковского дела уже не является чисто теоретической категорией. В последние два десятилетия было создано и работают на беспроцентной основе несколько исламских банков в разных частях мира. Три страны исламского мира: Пакистан, Иран и Судан предприняли смелую попытку упразднить процент в масштабе всей экономики, что привело к значительному прогрессу в этом.

Ключевые слова: харадж, валютная система, Международный рынок облигаций, финансовые потрясения, дефолт, финансовые рынки мира, глобализация финансовой деятельности, вирус неплатежеспособности, финансовые учреждения, банковское дело.

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