

**DEVELOPING THE MORTGAGE MARKET THROUGH ISLAMIC FINANCE***Islomova Nasiba Ulug'bek kizi**2nd year Master's student at the Academy of Banking and Finance of the Republic of  
Uzbekistan**Scientific advisor: PhD, H. Kholiqov**Chief Specialist of the Licensing and Permitting Procedures Department, Central Bank of the  
Republic of Uzbekistan*

The Islamic financial system is a financial system based on profit sharing, not interest, and is based on various investment operations. In this system, any operation must be beneficial to all parties involved, not just one party. The mortgage market is one of the main instruments used to finance real estate.

The development of the mortgage market, especially based on Islamic finance principles, is of great importance for the successful operation and widespread use of this system. This article examines the specific features of developing the mortgage market based on Islamic finance, practical examples from around the world, and its contribution to economic development and challenges.

One of the basic principles of Islamic finance is *riba* (interest): in Islamic finance, any interest-bearing transactions (*riba*) are strictly prohibited. This, in turn, ensures that Islamic mortgages are free from interest.

The Islamic mortgage model is based on the principles of *musharakah* (partnership) and *mudarabah* (profit sharing). In the mortgage market, this is achieved through joint financing of the property and sharing the profits from the property.

Reasonable contracts: All contracts based on Islamic finance must be transparent and fair. This, in turn, regulates the contracts used in the mortgage market.

The characteristics of the mortgage market in Islamic finance are as follows:

**Murabaha** (the form of the sale price): The Islamic mortgage market operates on the basis of the *murabaha* model. In this model, the financing institution purchases the property from the customer, increases the sale price, and then sells it at a profit.

**Ijarah** (leasing-based financing): The leasing model is also widely used in the Islamic mortgage market. In this case, the customer leases the property from the financing institution and has the right to purchase the property at a later date.

**Sukuk** (Islamic bonds): Islamic bonds, or *sukuk*, are often used in the mortgage market as a means of raising capital. *Sukuk* are not based on interest and can be a primary source of financing for real estate.

We can learn from the international experience of several countries in developing the Islamic mortgage market. For example, Malaysia is one of the world's leading countries in developing the Islamic mortgage market. The Malaysian government has created a legal framework to expand the Islamic mortgage market, and banks are one of the countries offering Islamic mortgages. Saudi Arabia is also one of the countries that has developed effective practices in Islamic finance. Here, the *murabaha* and *ijara* models are widely used, and *sukuk* also play an important role.

In the United Arab Emirates (UAE), the Islamic finance market is well developed, and the mortgage market in this country is also based on Islamic principles. Here, Islamic banks and financial institutions operate on the basis of murabaha, ijara and sukuk models.

It is possible to say that the Islamic mortgage market has a positive economic and social impact, as it stimulates economic growth by developing the real estate market and the construction industry. On the other hand, this system allows for financing that is not based on interest rates in the banking system, which creates a more stable system for the financial sector.

On the other hand, there is a social impact: the Islamic mortgage system is designed to ensure social justice. Due to the absence of interest, it is possible to offer mortgage products tailored to low- and middle-income families.

In general, it is necessary to resolve the existing difficulties and problems and find a solution.

**Legal and regulatory framework:** Legal and regulatory issues may arise in the development of the Islamic mortgage market. Each country needs to develop specific laws and regulations to create Islamic financial systems.

**Financial literacy:** Financial literacy needs to be improved to ensure the widespread adoption of Islamic financial products in the mortgage market. Banks and financial institutions need to provide customers with a thorough understanding of Islamic mortgage products.

**Global competition:** In the global mortgage market, Islamic mortgage products may be relatively small compared to products offered by conventional banks, which may hinder the expansion of the market.

In conclusion, it should be noted that the development of the Islamic mortgage market based on Islamic finance encourages social and economic growth in many countries. In this system, the interests of all parties are fairly distributed and, because it is not based on interest-bearing financing, it ensures the stability of the financial sector.

For the Islamic mortgage market to develop, states need to create the necessary legal and financial infrastructure.

Banks and financial institutions should draw on their experience in promoting and offering Islamic financial products to customers.