

HALAL ENTREPRENEURSHIP IN UZBEKISTAN: GLOBAL PRACTICE AND NATIONAL PERSPECTIVE

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Abstract:

This article is devoted to the introduction and development of halal business practices in Uzbekistan. It analyzed international experience in the field of halal finance, investments and insurance, and considered promising directions for Uzbekistan. In particular, such issues as the development of halal financial institutions, the formation of the halal consumer goods and services market, the support of halal entrepreneurship, and the formation of halal business culture were covered.

Keywords: Halal business, Islamic finance, Islamic banking, Halal insurance, Halal products, Halal services, Halal business culture, social responsibility.

Introduction

Halal business is a unique form of business activity organized in accordance with Islamic values and moral standards, and is based on the economic principles of Islam. These principles include non-corruption, non-profiteering, real ownership of assets, reliability and efficiency in production and service delivery.

In addition to ensuring economic efficiency, honest business includes social responsibility. In it, principles such as honesty in production and service provision, protection of workers' rights, protection of nature, and support of the poor and vulnerable are given priority.

Other key features of halal business include:

- Saving of capital. Honest business does not allow excessive spending, unnecessary expenses and financial transactions.
- Health of the business environment. Honest business involves fair and respectful relationships between stakeholders.
- High level of social responsibility. Decisions made by honest entrepreneurs and the activities carried out ensure that society benefits.
- Help to fight corruption. An honest business is committed to legality, openness and accountability.

We can say that honest business is based on ethical standards and social responsibility along with economic and financial benefits. Such an approach plays an important role in improving the business environment, fighting corruption and ensuring social justice.



In May 2023, the "First Halal Forum of the Republic of Uzbekistan" was held in Tashkent in cooperation with the Association of Exporters of Uzbekistan, the International Association of Islamic Business and the Lithuanian company "World Halal Trust Group", which implements the halal certificate and standard. The forum discussed the process of halal certification, its benefits and relevant research. The participants of the forum discussed the advantages of the halal certificate and its importance for entrepreneurs. It is noted that having a halal certificate gives businesses the following opportunities and conveniences:

- Customs privileges. There are reliefs in customs duties and customs clearance procedures for import and export of Halal certified products.
- Expansion of export opportunities. Halal certificates are especially important for entrepreneurs exporting to Muslim countries.
- Reliable reputation. Halal certification confirms the quality and safety of products or services, which increases consumer confidence.
- Increasing competition. Having a halal certificate gives entrepreneurs a competitive advantage.

At the same time, the participants of the forum mentioned some complexities of the halal certification process. In particular, the financial costs of obtaining a certificate cause financial problems for entrepreneurs. In addition, the relatively complicated and time-consuming process was also noted as a problem.

At the forum, information was also provided about the scientific research conducted to study the principles of consumption and demand for halal products. Including:

- The needs and requirements of the population of Uzbekistan for halal products and services are being studied in depth.
- Economic and social effectiveness of halal production technologies and halal certification is being researched.
- Scientific and practical developments on the formation of halal consumer culture, promotion of halal morals and values are being developed.

The participants of the "First Halal Forum of the Republic of Uzbekistan" thoroughly discussed the benefits of halal certification and its introduction. The results of scientific research aimed at studying the market of halal products and services were also discussed. Such an approach is important in the development of halal entrepreneurship and the formation of halal consumption culture of the population.

Materials and Methods

Today, halal business is increasingly global and transcends national borders. The demand for halal products and services in the world market is increasing. This leads to the rapid development of the halal industry in many countries. According to statistics, countries such as Malaysia, Saudi Arabia, the United Arab Emirates, Turkey, East Asian and African countries, as well as Europe and America are the leaders in implementing the "Halal" standard. As the world's Muslim population increases, the demand for halal products is also increasing.

Uzbekistan has also moved to the path of rapid development in the field of halal business. In recent years, the legal framework in the field of halal business has been improved, national standards and a certification system have been created. Today, reforms are being carried out in areas such as halal food, cosmetics, financial services, and tourism.



The fact that the field of halal business is developing at a global pace makes the importance of international experience in this regard even higher. In this context, this article analyzes the international experience and national development in the field of halal business.

Halal business is developing in many Islamic countries. Malaysia, Saudi Arabia, United Arab Emirates, Turkey. countries like are trying to rapidly develop this sector. In these countries, the halal certification system, standards, legal framework have been created, and mechanisms are being introduced to encourage halal business. We analyze best practices in the fields of halal certification, marketing, financial services and investment in these countries.

- Malaysia is one of the world's leading countries in the development of halal business. The country's government pays great attention to the development of the halal industry.

Halal manufacturing, certification, halal logistics and financial services are common in Malaysia. In 1974, the Halal certification system was introduced in the country. In this field, effective cooperation has been established between the state, private business and Islamic organizations. Currently, more than 2,000 halal certificates have been issued in Malaysia. Malaysia is a leading exporter of halal food, cosmetics, pharmaceuticals, tourism and other industries.

Reforms in halal marketing, halal logistics, halal financial services and other areas were implemented within the framework of the "Development of Halal Industry" strategy adopted in 2006. "Halal products and services approval, registration and certification centers" are operating in the country. With the development of the halal industry, Malaysia can be a role model for other countries. His experience can serve as a basis for other countries to introduce halal principles and develop this industry.

- Saudi Arabia is one of the leading countries in the halal industry, especially in the field of halal food and cosmetics. Production, certification and international trade have been established in the country in compliance with halal principles. Saudi Arabia introduced the Halal Standards and Certification System in 1984. At the regional level, the brand "Saudi Halal System" is prestigious. In 2022, more than 72 thousand products that passed halal certification were registered in the country.

Islamic banking is common in Saudi Arabia. The country has 23 Sharia-compliant Islamic banks in 2022, accounting for 55% of the national banking system. Islamic banks are considered one of the leaders in the field of halal finance in the world. The development of the halal financial system of Saudi Arabia has a positive effect on the economic and financial stability of the country.

- The United Arab Emirates is one of the countries at the forefront of the development of the halal industry. In the UAE, national standards, certification system and institutional support mechanisms have been established in halal tourism, food, cosmetics and other fields. The UAE government has created favorable conditions for the development of the halal industry. In 2013, the country adopted the law "On halal and prohibited (harm) products". This gave a great impetus to the development of halal certification. More than 9,000 halal certificates have been issued in the country today.

- The pace of development in the field of halal business in Turkey does not lag behind the above countries. Halal standards, certification, marketing and international trade have been established in the country. Turkey is actively developing in Islamic banking, halal tourism and other fields. Turkey introduced Halal accreditation and certification system in 2010. Currently, more than 350 halal certificates have been issued in the country. Turkish brand "Halal" is prestigious in the world



market. Turkey has also achieved success in the field of halal tourism. In 2019, the number of honest tourists to the country exceeded 4 million.

Nowadays, the international halal market is developing rapidly every year. Global halal trade will exceed 2 trillion US dollars in 2021. Halal food, cosmetics, pharmaceuticals, tourism, finance and other industries are leading in this growth. International organizations such as the World Halal Assembly, the Islamic Development Bank, the International Halal Association, and the Halal Standardization Network play an important role in supporting halal business, introducing unified standards, and covering financial and investment costs.

On May 17, 2024, the President of Uzbekistan and the Prime Minister of Malaysia reached an agreement on more effective cooperation in the development of honest business. The parties agreed to expand cooperation in Islamic finance, halal certification, introduction of artificial intelligence technologies to the halal industry, and development of international halal tourism.

In particular, in order to support the halal industry in Uzbekistan, the Uzbekistan-Malaysia halal business and industrial zone was established in 2022. Joint projects in the field of halal product production, halal certification, halal finance and Islamic banking are being implemented in this area. In order to further develop pilgrimage tourism, the "Umra Plus" program was launched. Within the framework of this program, the share of pilgrimages from Uzbekistan to Mecca and Medina, as well as to other holy places, has been increased.

These agreements between Uzbekistan and Malaysia create a solid foundation for further development of the halal industry in Uzbekistan and effective cooperation with Malaysia. Joint promotion of Islamic finance, certification, innovative technologies and halal tourism between the business circles of the two countries opens new opportunities for further development of halal business in Uzbekistan.

In the following years, a number of important laws and regulations were adopted in the field of halal business in Uzbekistan. In 2020, Uzbekistan approved the National Standards "On Halal Products". These standards include requirements for production, certification and marketing of halal products.

The adoption of the Islamic Banking Law in 2021 was an important step in the development of the Islamic financial system. This law established the regulatory and legal frameworks that regulate the activities of Islamic banks. Also, the Cabinet of Ministers of Uzbekistan approved the "Regulation on the procedure for issuing the Halal certificate". This determined the mechanisms of certification of halal products and services.

Currently, the legislation and regulatory framework for the halal sector is being consistently improved in our republic. In particular, relevant regulatory documents have been adopted in halal food, cosmetics, tourism, finance and other sectors. Such legal and institutional reforms serve to further develop the sphere of halal entrepreneurship in Uzbekistan. In particular, it is aimed at strengthening the halal financial system, halal production and service delivery systems, as well as raising the culture of halal consumption.

Improvement of legal documents, institutional development of the halal industry and introduction of the certification system will create favorable conditions for the effective operation and development of halal business in Uzbekistan. In conclusion, it can be said that legislative and institutional reforms in the field of halal entrepreneurship in Uzbekistan are aimed at the consistent development of this direction in the country and ensuring highly efficient economic activity based



on halal principles.

In recent years, the market of halal production and services has been developing rapidly in Uzbekistan. Important reforms have been implemented in the country to introduce the halal certification system. In 2020, the Cabinet of Ministers of the Republic of Uzbekistan adopted a decision "On measures to further develop the system of standardization and certification of halal products (works, services) in the Republic of Uzbekistan." In accordance with this decision, national halal standards were introduced in Uzbekistan, and certification of products in accordance with them began to be carried out by the "Uzstandart" agency.

The newly introduced national halal standards cover food products, cosmetics and chemical products, logistics, financial services, tourism and other industries. National standards of Uzbekistan in this field are also recognized by international Islamic organizations (OIC, SMIIC). As a result, during 2020, more than 200 entrepreneurs and enterprises managed to obtain the "Halal Standard of the Republic of Uzbekistan" certificate for their products and services. This figure will reach 450 by 2022.

The number of enterprises with halal certificate is growing year by year. This makes it possible to further develop halal entrepreneurship in Uzbekistan and enter global halal markets. In addition, the quality of production and service provision in the country according to halal principles has also increased significantly.

A number of state programs and projects for the development of the halal business sector are being implemented by the government of Uzbekistan. In particular, such programs as "Halal Industry Development", "Halal Food Industry Development" program, and "Halal Tourism" project have been adopted. Issues such as state support for halal product manufacturers, creation of modern infrastructure for halal industry and services, development of halal exports, formation of national brands and access to international halal markets are being implemented within the framework of these programs and projects.

In Uzbekistan, special attention is paid to supporting honest business entities. In particular, all-round assistance to producers of halal products in tax, financial, export, real estate and other areas is envisaged. For example, producers of halal products are given tax benefits, guaranteed loans for halal financial instruments, subsidies for real estate and technology upgrades. Also, marketing and export support is being implemented to reach international halal markets.

At present, areas such as halal food production, halal financial services (Islamic banking), and halal tourism are rapidly developing in Uzbekistan.

Halal food

Halal food is food prepared in accordance with Islamic laws (Sharia) and suitable for consumption. The word "Halal" is Arabic and means "permitted" or "valid". This concept refers to the processes of preparation, storage and consumption of food products, as well as the ingredients and methods that are added to them. Currently, more than 100 enterprises that have received a halal certificate are exporting halal products to the domestic market as well as abroad.

Honest financial services

Uzbekistan adopted the Law "On Islamic Banking" in 2021. By the end of 2022, the total assets of Islamic banks amounted to 10.5 trillion soums, deposits to 6.3 trillion soums, and the loan portfolio



to 8.1 trillion soums. These indicators showed an increase of 28%, 24% and 25%, respectively, compared to 2021. The total assets of Islamic financial institutions are 4.1 trillion soums, their savings are 3.4 trillion soums, and the loan portfolio is 3.8 trillion soums. Compared to 2021, we can see that these indicators have increased by 21%, 17% and 23%, respectively.

The pace of development of the Islamic finance sector in Uzbekistan is high and it is supported by the state. According to the Central Bank, by 2025 the share of Islamic banks and financial institutions in the total market is planned to reach 20%.

Halal tourism

New tourist routes, infrastructure and services are being formed for the development of halal tourism in our country. In this regard, expansion of international cooperation is important.

It is important to improve the halal business system in Uzbekistan by effectively using the experience of leading countries such as Malaysia, Saudi Arabia, the United Arab Emirates and Turkey. The best practices, institutional reforms and government programs developed by these countries over the years in the areas of halal certification, halal marketing, halal finance, halal tourism and others can be an important example for Uzbekistan.

In 2022, the Law "On Halal Products" and the Cabinet of Ministers' Decision "On Halal Certification" were adopted in Uzbekistan. Also, relevant regulatory documents were developed in halal food, cosmetics, tourism, finance and other industries. This serves to improve the halal business system, expand international cooperation and meet the needs of the Muslim population.

In order to expand the institutional, financial and infrastructural development of halal business in Uzbekistan, it is important to further improve the unified coordination, standardization, certification and control system of halal business. It is necessary to create a modern infrastructure for the development of halal business lending, tax and other incentives, and the development of halal industry and services.

The establishment of the "Uzbekistan-Malaysia Halal Business and Industrial Zone" by the Uzbek government in 2023 was an important step in this regard. This new initiative serves to further develop the halal industry in our country and expand international cooperation.

Development of halal business through innovative technologies, blockchain, artificial intelligence and other modern solutions, assimilation of successful international experience and centralized management of halal industry create new promising opportunities for Uzbekistan. Equal cooperation at the international level, expanding the export of halal products and services, forming the halal brand and image of Uzbekistan will further increase the existing potential.

Conclusions

In short, Uzbekistan is setting ambitious goals in the field of honest entrepreneurship. It is important to study the experience of the world's leading countries and further improve the national system.

Strengthening the legal, institutional, financial and infrastructural bases of honest entrepreneurship is a priority task for Uzbekistan. In particular, it is necessary to further develop the halal financial system, halal certification mechanisms, and halal entrepreneurship support systems.



In 2021, the Law "On Halal Products" and the Cabinet Decision "On Halal Certification" were adopted. This served to strengthen the legal framework in the halal sector. Uzbekistan-Malaysia halal business and industrial zone was established in 2022. Joint projects in the field of halal product production, halal certification, halal finance and Islamic banking are being implemented in this area. Coordinated legal and institutional reforms have also been implemented in areas such as Islamic finance, halal production, halal services and halal tourism. In particular, within the framework of the "Umra Plus" program, pilgrimages from Uzbekistan to Mecca and Medina are being organized.

In recent years, the innovative development of halal entrepreneurship is becoming an important component of the economy of Uzbekistan. In this direction, correct strategies are being implemented to increase the range of new halal products and services, introduce halal consumer technologies, and expand cooperation with global halal business. By 2023, more than 72,000 products with halal certification will be produced in Uzbekistan, which will make it easier to provide customers with halal products. There are 23 Islamic banks operating in the republic, and they have a 55% share in the national banking system.

The reforms implemented in these directions serve the growth of the halal sector, which opens up new opportunities for the development of halal entrepreneurship in Uzbekistan. Expansion of halal products and services, compliance with consumer requirements will strengthen the halal business position of Uzbekistan in the field of increasing competitiveness in national and international markets.

In addition, through its comprehensive approach, Uzbekistan can become one of the leading countries in the field of halal entrepreneurship at the regional and global level. This, in turn, has a positive effect on the stable development of our country's economy, attracting investments and increasing the well-being of the population. Thus, halal entrepreneurship is important in ensuring stability not only in the economy, but also in social and environmental directions.

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