

**PARTNERSHIP-BASED ISLAMIC FINANCE AND ITS
INTEGRATION INTO THE LEGAL SYSTEM OF UZBEKISTAN:
A COMPARATIVE ANALYSIS OF MUSHARAKAH, MUDARABAH AND
NATIONAL PARTNERSHIP FORMS**

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***Annotatsiya.** Ushbu maqolada islom moliyasidagi sherikchilikka asoslangan asosiy shartnomalar — musharakah va mudarabahning huquqiy tabiati tahlil qilinadi hamda ular O‘zbekiston qonunchiligida nazarda tutilgan oddiy shirkat, xo‘jalik shirkatlari, mas‘uliyati cheklangan jamiyat, aksiyadorlik jamiyati va mulkni ishonchli boshqarish institutlari bilan qiyosiy o‘rganiladi. Maqolada O‘zbekistonda islomiy moliyalashtirishni bosqichma-bosqich joriy etish jarayoni mavjud ekani, biroq sherikchilikka asoslangan islom moliyasi institutlarini to‘laqonli tatbiq etish uchun fuqarolik, bank, soliq va nazorat mexanizmlarini uyg‘unlashtirish zarurligi asoslab beriladi. Xulosa sifatida, islom moliyasi shartnomalarini alohida huquqiy konstruktsiya sifatida tan olish, soliq neytralligini ta‘minlash, shariat nazorati va nizolarni hal etishning ixtisoslashgan mexanizmlarini rivojlantirish bo‘yicha takliflar ilgari suriladi.*

***Kalit so‘zlar:** Islamic finance, musharakah, mudarabah, simple partnership, trust management, Shariah governance, Uzbekistan law.*

***Аннотация.** В статье исследуются основные партнерские конструкции исламских финансов — мушарака и мудараба и проводится их сравнительный анализ с институтами, предусмотренными законодательством Республики Узбекистан: договором простого товарищества, хозяйственными товариществами, обществом с ограниченной ответственностью, акционерным обществом и*

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доверительным управлением имуществом. Обосновывается, что в Узбекистане уже формируется нормативная база для поэтапного внедрения исламского финансирования, однако полноценная интеграция партнерских исламских моделей требует согласования гражданско-правовых, банковских, налоговых и надзорных механизмов. В качестве вывода предлагаются меры по законодательному признанию исламских финансовых договоров, обеспечению налоговой нейтральности, развитию шариатского контроля и специализированного разрешения споров.

Ключевые слова: *Islamic finance, musharakah, mudarabah, simple partnership, trust management, Shariah governance, Uzbekistan law.*

Abstract. *This article examines the legal nature of the two principal partnership-based Islamic finance contracts, musharakah and mudarabah, and compares them with the main partnership and asset-management institutions available under the law of Uzbekistan. It argues that Uzbekistan already possesses several partially compatible legal mechanisms, especially the simple partnership agreement, business partnerships, limited liability companies, joint-stock companies and trust management of property. However, the effective integration of Islamic risk-sharing finance requires more than institutional analogy: it requires coordinated reforms in civil, banking, tax and supervisory law. The article therefore proposes the express recognition of Islamic finance contracts, tax neutrality, Shariah governance mechanisms and more specialized dispute-resolution tools within the Uzbek legal system.*

Keywords: *Islamic finance, musharakah, mudarabah, simple partnership, trust management, Shariah governance, Uzbekistan law.*

Islamic finance has moved from theory to legislative practice in Uzbekistan. The 2024 regulation on Islamic financing services for microfinance organizations expressly permits Islamic ijara, mudarabah, murabaha, musharaka and salam, while requiring service provision in compliance with legal rules and the instructions of a special council. In March 2026, Uzbekistan adopted Law № LRU-1126 “On introducing amendments and additions to certain legislative acts of the Republic of Uzbekistan aimed at the introduction of Islamic banking in Uzbekistan” aimed at introducing Islamic banking; that law states that it enters into force three months after official publication, which means that, as of April 2026, the country is still in a transitional phase rather than a fully settled Islamic banking regime [4], [8], [9].

At the doctrinal level, partnership-based Islamic finance rests on a different logic from conventional credit. The comparative literature used in this study consistently treats musharakah and mudarabah as the preferred instruments of genuine profit-and-loss sharing. In musharakah, the parties jointly contribute capital to a venture and share profit and loss, while in mudarabah one party provides capital and the other manages the enterprise; profits are shared according to a pre-agreed ratio, whereas financial loss is borne by the capital provider unless the manager has committed misconduct, negligence, or breach of mandate [1], [2], [3].

This distinction is important because it shows that Islamic finance is not merely “interest-free finance.” Its core is the legal redistribution of commercial risk. The Malaysian and Ethiopian studies both emphasize that profit in Islamic finance should be tied to real economic activity and asset-backed or partnership-based structures rather than a fixed creditor–debtor return. The same studies also

warn that when partnership-based products are adapted to conventional legal environments without sufficient doctrinal care, they may become debt-like in substance even if they remain Islamic in form [1], [2], [3].

For Uzbekistan, the most important comparative question is which existing domestic institution is closest to musharakah. Functionally, the answer appears to be the **simple partnership agreement** under Article 962 of the Civil Code. That article provides that two or more persons may combine their contributions and act jointly, without establishing a legal entity, in order to obtain profit or achieve another lawful purpose. This structure closely resembles the contractual logic of musharakah because it is based on contribution, joint activity and a non-corporate profit-oriented relationship [1], [5].

The analogy becomes stronger when one looks at the rules on profits and losses. Under Article 967 of the Civil Code, common expenses and losses are determined by agreement and, absent agreement, are borne proportionately to the value of the parties' contributions; a clause completely exempting one partner from expenses or losses is void. Under Article 968, profit is distributed proportionately to contributions unless the contract provides otherwise, and a clause excluding a partner from profit is invalid [5]. These provisions do not reproduce classical musharakah perfectly, but they bring Uzbek private law relatively close to the Islamic partnership model.

At the same time, an important doctrinal difference remains. In classical musharakah, the comparative literature stresses that loss must follow capital contribution as a core rule, while profit may be distributed according to a pre-agreed ratio. Uzbek civil law is more flexible: it allows the parties to regulate the order of expenses and losses by agreement, subject to the rule that one party cannot

be fully exempted. Therefore, Uzbek law is compatible with musharakah only in part. It provides a workable foundation, but not yet a full Islamic finance rule set [1], [3], [5].

A second group of relevant institutions is the law on **business partnerships**. Uzbek law defines a business partnership as a commercial organization with charter capital divided into shares, in which founders or some of them personally participate in entrepreneurial activity; it may be formed as a full partnership or a limited partnership [6]. This model reflects some of the entrepreneurial seriousness of Islamic partnership, especially where active participation by partners matters. Yet it remains a company-law construction rather than a Shariah-based contractual allocation of profit entitlement and capital risk. For that reason, business partnerships can support Islamic-finance-oriented entrepreneurship, but they cannot fully replace musharakah or mudarabah [1], [6].

The same is true, even more clearly, for **limited liability companies** and **joint-stock companies**. The LLC law provides that participants are not liable for the company's obligations and bear the risk of losses only within the value of their contributions. The JSC law regulates the creation, operation and liquidation of joint-stock companies and the protection of shareholders' rights [7]. These forms are useful for capital pooling, governance and continuity of enterprise, but they are not doctrinal equivalents of musharakah because the Islamic contract is not merely a vehicle for investment; it is also a normative allocation of risk and entitlement. In other words, LLCs and JSCs may serve as institutional shells for Islamic business activity, but not as substitutes for Islamic finance contracts themselves [1], [7].

Trust management of property is relevant mainly to mudarabah. Uzbek civil law requires the trust-management agreement to be in writing, segregates the

managed property from the founder's and manager's other property, requires separate accounting, and allows the trustee to exercise the owner's rights within the limits of law and contract [5]. These features make trust management useful for asset segregation and fiduciary administration. However, it still does not fully replicate mudarabah, because mudarabah is not simply management of property; it is a profit-sharing investment relationship in which one party provides capital and the other provides entrepreneurial skill [2], [5].

Comparative experience shows why formal similarity is not enough. The Malaysian studies demonstrate that musharakah-based products may be described as equity finance while functioning as debt-like instruments because capital protection, purchase undertakings, ownership structuring and default rules effectively neutralize real risk sharing. The Ethiopian study reaches a related conclusion from another angle: Islamic banking cannot develop properly where tax rules, equity-investment restrictions, Shariah supervision and dispute-resolution mechanisms remain tailored to conventional banking [1], [2], [3].

These warnings are directly relevant for Uzbekistan. The country has already taken meaningful steps in the microfinance sector. The 2024 regulation not only allows Islamic financing products, but also requires a **special council** within the microfinance organization; that council must have at least five members, including at least one person with higher education in Islamic law, one with higher legal education, and the other members with international certification in Islamic financing [4]. This is a significant move toward institutional Shariah governance.

The 2026 Islamic banking law goes further. It states that legal amendments are being introduced to establish the legal basis for Islamic banking activity, and it requires a bank seeking an Islamic banking license to provide information showing

that the bank has established an Islamic finance council, a special unit on Islamic finance matters and internal Islamic finance audit, along with separate accounting for Islamic financial operations [8]. This is a strong legislative signal that Uzbekistan is moving beyond experimental Islamic finance and toward a full supervisory architecture.

Still, several unresolved issues remain. First, Uzbekistan needs explicit statutory definitions of musharakah and mudarabah, not merely product labels. Second, tax neutrality must be guaranteed so that partnership-based and trade-based Islamic transactions are not placed at a disadvantage relative to conventional credit. Third, dispute resolution requires specialization; otherwise, courts may interpret Islamic contracts through purely conventional categories. Fourth, accounting and prudential rules must distinguish between Islamic and conventional operations clearly enough to prevent legal and supervisory uncertainty. These concerns are strongly supported by the comparative literature relied on in this article [1], [2], [3], [8].

In my assessment, the most realistic model for Uzbekistan is a staged integration model. At the first stage, banking legislation should expressly recognize the main Islamic finance contracts. At the second stage, civil legislation should clarify that a Shariah-compliant partnership contract may operate as a special subtype, or specially regulated form, of simple partnership. At the third stage, tax and accounting rules should be aligned with the economic substance of Islamic finance transactions. This approach would avoid two extremes: treating Islamic finance as entirely foreign to Uzbek law, or forcing it into conventional categories that erase its risk-sharing identity [1], [3], [5], [8].

In conclusion, Uzbekistan already possesses several legal institutions that can support the reception of partnership-based Islamic finance. The simple partnership agreement is the closest functional analogue to musharakah; trust management is partially relevant to mudarabah; business partnerships, LLCs and JSCs may serve as organizational frameworks for Islamic commercial activity. However, none of these forms, by itself, reproduces the doctrinal core of Islamic risk-sharing finance. That is why the future of Islamic finance in Uzbekistan depends not on formal borrowing, but on careful legal harmonization: explicit contract recognition, tax neutrality, Shariah governance, separate accounting and more specialized dispute resolution. Only under those conditions can Islamic finance be integrated into Uzbek law without losing its substance [1]–[9].

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