

ABSTRACT
of the monograph

KUANOVA LAURA AIBOLOVNA

THE SOCIAL ISLAMIC FINANCE: THEORY AND PRACTICE

The monograph is devoted to studying the nature of the phenomenon of the social effectiveness of Islamic finance and the development of recommendations for the successful implementation of Islamic social instruments in the financial system of the Republic of Kazakhstan.

The recurring financial crises of the last two decades, including those related to the Covid-19 pandemic, have demonstrated that the Islamic finance industry has suffered relatively less than the traditional financial sector. This fact not only determines the growing academic interest of researchers around the world in Islamic finance but also continues to be accompanied by heated discussions, as according to experts, Islamic financial instruments, by their social nature, are among the optimal tools for the implementation of the 17 U.N. Sustainable Development Goals [1] [2] [3].

The current global Islamic financial services industry is estimated at 2.88 trillion U.S. dollars, 1% of all world financial assets [4]. The average growth rate of global Islamic finance over the past ten years has amounted to 12.5%. There are 1462 Islamic financial institutions in more than 75 countries, including 505 Islamic banks. Notably, Islamic finance and banking proliferate in Islamic countries and show progress in non-Islamic countries. Outside the Islamic world, Islamic financing has increased in the U.K., followed by other European countries and the U.S. This growth has arguably been driven by the demand from the faith and risk diversification-focused investors.

Thus, today all countries of the world can take advantage of the corporate social responsibility of the Islamic financial industry, based on special principles of profit and loss distribution and promotion of real economic development. In addition, Islamic financial instruments reduce transaction costs associated with property rights protection, opportunistic behavior, and increased confidence.

In Kazakhstan, where about 70% of the population adheres to Islam to varying degrees, the country can take advantage of the social principles of Islamic finance and use them as one of the driving forces. This is also vital for the current period of the Covid-19 pandemic, characterized by high turbulence, unpredictability, and repeated lockdowns, which negatively affected the world market and national economies, and the global financial architecture. Simultaneously, the global financial system is radically changing its conceptual configuration, becoming high-tech and increasingly virtual.

In these circumstances, Kazakhstan is facing a GDP decline, accompanied by a growing budget deficit, a sharp decline in the population's real incomes, a steady devaluation of the national currency, and increasing transfers from the National Fund. Also, the country's banking sector has been repeatedly subjected to crises, and the stock market has not become an instrument for effective capital transfer. All these negative phenomena occur against the background of high volatility in world oil prices, on the export of which the state budget revenues and investment activity in the country still depend. Obviously, in the search for alternative ways out of the deepening crisis, researchers pay attention to the advantages of Islamic finance and the Islamic economy, which is designed to provide for basic human needs without neglecting moral laws and prohibitions by the interpretation of Shariah. Among them, social solidarity through creating conditions for unity and cooperation between capital and labor, achieving social justice through reasonable wages, and eliminating unemployment may become essential for Kazakhstan. It is noteworthy that exactly such strategic goals of our country were repeatedly announced by the President of the Republic of Kazakhstan K.K. Tokayev [5].

Thus, the socially-oriented nature inherent in Islamic finance, dynamic growth in the world, and the untapped potential of the Islamic financial industry in the Republic of Kazakhstan, determined the relevance of the proposed research. In turn, to widely use the advantages of the Islamic financial industry in solving the socio-economic problems of the population of Kazakhstan, there was a need for a theoretical and methodological justification of the social effectiveness of Islamic finance and the development of practical recommendations for their implementation in the financial system of the country.

The research was conducted based on a systematic approach using the following quantitative and qualitative methods: generalization, systematization, comparison, historical and logical methods – to

study the economic essence of the concept of the Islamic finance's social component; analysis of foreign experience in the development of Islamic finance and the use of social tools; analysis of the legislative framework of Kazakhstan for the activities of Islamic financial and non-financial institutions; narrative and statistical analysis – for investigation the state of the Islamic financial system; SWOT analysis and the method of expert assessments – for determining the priority directions of the development of Islamic finance in solving social problems; financial analysis – for assessing the social effectiveness of Islamic finance and its impact on the social well-being of the country.

The information base of the research is primary and secondary data. Sources of primary data: data of expert assessment of 45 experts, professionals in the field of Islamic finance in Kazakhstan, data of in-depth interviews of representatives of the management of Islamic financial institutions, conventional financial institutions, and social Islamic non-financial foundations, data of a survey of 1376 respondents. Sources of secondary data: statistical data of the Bureau of National Statistics of the Agency for Strategic Planning and Reform of the Republic of Kazakhstan, analytical reports of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market, the National Bank of the Republic of Kazakhstan, the "Astana" International Financial Centre, Kazakhstan Stock Exchange, the World Bank, the Islamic Research and Training Institute, and the United Nations.

The following results were obtained during the research, defining its scientific novelty:

- the concepts of the social function of Islamic finance and Islamic social finance have been clarified and delineated;
- by identifying the role of specific Islamic social financial instruments – zakat, waqf, and Islamic microfinance, considering the peculiarities of the foreign countries' experience, the forms range of Islamic social finance for Kazakhstan has been expanded;
- the methodology for assessing the social effectiveness of Islamic finance at different levels of the economic hierarchy has been proposed;
- the methods of assessing the potential Islamic finance assets and potential zakat amount have been proposed, and their impact on the welfare of socially vulnerable groups of the population of the country has been determined;
- the role of Islamic financial institutions and non-financial organizations in solving social problems in Kazakhstan has been substantiated;
- the measures for improving the social effectiveness of Islamic finance in the Republic of Kazakhstan based on the application of information technologies such as crowdfunding and block chain have been proposed;
- the recommendations on institutional support for implementing the social function of Islamic finance in the Republic of Kazakhstan have been developed.

There has been gained new theoretical knowledge of the methods of assessing the social effectiveness of Islamic finance. Theoretical conclusions and the results of this research are essential for developing theoretical and methodological foundations for studying social instruments of Islamic finance, the socio-economic efficiency of the application, and the expansion of the range of Islamic finance functions in solving social problems. The research results can become the basis for setting new research tasks for both domestic and world science.

The results of monograph can be useful for assessing the social effectiveness and socio-economic efficiency of social business. The conclusions, proposals, and scientific and practical recommendations can be taken into account and used in the implementation, development, and improvement of strategies, programs, concepts, and development plans of the Ministry of Labor and Social Protection of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market within the Ministry of Finance. The results obtained during the research will contribute to the development of instruments of Islamic finance by integrating financial technologies into the activities of the "Zeket and charity" foundation of Kazakhstan to ensure transparency and openness, which in turn, will lead to an increase in the financing of social projects and reduce the cost of state assistance for the socially vulnerable population of the country.

The materials in the monograph can be used in the educational process to prepare specialists in the following specialties: Finance, Islamic Finance, and financial technologies.