

UKJAES

University of Kirkuk Journal
For Administrative
and Economic Science

ISSN:2222-2995 E-ISSN:3079-3521

University of Kirkuk Journal For
Administrative and Economic Science



Asyaeva Elmira Akhmetshaevna 1, Tursunov Bakhrom Asrorovich, Al Saady Wesam. Partner Finance as a Tool for the Development of Small and medium-sized enterprises in Russia. *University of Kirkuk Journal for Administrative and Economic Science* Volume (15) Issue (4) Part (2) Supplement (1) A special issue of the 1st Scientific Conference of the College of Administration and Economics - University of Kirkuk - Information technology, digitization, and their impact on sustainable development - 8-9, Oct- 2025, p-p:430-442.

Partner Finance as a Tool for the Development of Small and medium-sized enterprises in Russia

*The article was prepared as part of the project № FSSW-2025-0012 "Scientific and methodological support for the development of partner financing in Russia", funded by the state assignment of the Ministry of Education and Science of the Russian Federation.

Elmira Akhmetshaevna Asyaeva¹, Bakhrom Asrorovich Tursunov², Wesam Al Saady³

¹ D.Sc. in Economics, Assistant Professor, of Global Financial Markets and Fintech Department in Plekhanov Russian University of Economics, Moscow, Russian Federation

² D.Sc. in Economics, Assistant Professor, of Global Financial Markets and Fintech Department in Plekhanov Russian University of Economics, Moscow, Russian Federation

³ Senior teacher of Global Financial Markets and Fintech Department in Plekhanov Russian University of Economics, Moscow, Russian Federation

Asyaeva.EA@rea.ru¹
Tursunov.BA@rea.ru²
wesam.alsaady90@gmail.com³

Abstract: The current study discusses the role of partnership finance in the Russian Federation to stimulate development of small and medium-sized initiatives in modern economic conditions. This study substantiates the relevance of partnership finance introduction, due to the limited access of small and medium-sized enterprises to traditional bank lending, the high cost of borrowing and the need to diversify sources of financing. Particular attention is paid to social and demographic factors, including the presence of a 20 million Muslim population in the Russian Federation, for whom partner finance is an ethical alternative to interest-bearing lending.

The current study provides a comparative analysis between the partner financial products and the traditional financial products, identifying key differences in the principles of implementation, risk management and social responsibility. The line of partner financing products for small and medium-sized enterprises is considered in detail: Murabaha (trade finance), Ijar (Islamic leasing), Musharakah (joint investment), Mudarabah (trust management), Tawarruk (obtaining liquidity). Also, this study analyzes the economic operational and strategic benefits of partnership finance for SMEs, including fair risk sharing, flexibility of financing terms, ethical component and opportunities for international integration. Sectoral features of the use of partnership tools in agriculture, trade, production and services are considered.

This study identifies the main challenges and limitations of partner finance development in Russia, as: the need to improve the regulatory framework, the development of

specialized infrastructure, the training of qualified personnel, and improving the financial literacy of the domestic business community.

The results can be used by regulatory authorities in the development of financial market policies, and guiding financial institutions in creation of new products for SMEs, as well as, the business community to assess alternative business financing opportunities.

Keywords: Partnership Finance, Islamic Banking, Islamic Finance, Islamic Financial Instruments, Small and Medium-Sized Enterprises, Interest Income, Fair Distribution of Risks, Development of Partnership Finance.

التمويل الشريك كأداة لتنمية الشركات الصغيرة والمتوسطة الحجم في روسيا *تم إعداد البحث كجزء من المشروع رقم "FSSW-2025-0012" الدعم العلمي والمنهجي لتطوير التمويل الشريك في روسيا"، الممول من قبل المهمة الحكومية لوزارة التعليم والعلوم في الاتحاد الروسي

د. إلميرا أحميتشاييفا^١، د. بخروم أسروروفيتش تورسونوف^٢، م. وسام السعدي^٣

^١ دكتور في العلوم الاقتصادية، أستاذ مساعد في قسم الأسواق المالية العالمية والتكنولوجيا المالية في جامعة بليخانوف الروسية للاقتصاد،
موسكو، الاتحاد الروسي

^٢ دكتور في العلوم الاقتصادية، أستاذ مساعد في قسم الأسواق المالية العالمية والتكنولوجيا المالية في جامعة بليخانوف الروسية للاقتصاد،
موسكو، الاتحاد الروسي

^٣ مدرس، قسم الأسواق المالية الدولية والتكنولوجيا المالية في جامعة بليخانوف الروسية للاقتصاد، موسكو، روسيا الاتحادية

المستخلص: تناقش هذه الدراسة دور التمويل الشريك في روسيا الاتحادية في تحفيز تنمية المشاريع الصغيرة والمتوسطة الحجم في ظل الظروف الاقتصادية الراهنة. وتؤكد على أهمية إضافة التمويل الشريك، نظراً لمحدودية فرص حصول المشاريع الصغيرة والمتوسطة الحجم على القروض المصرفية التقليدية، وارتفاع تكلفة الاقتراض، والحاجة إلى تنوع مصادر التمويل. وتولي الدراسة اهتماماً خاصاً للعوامل الاجتماعية والديموغرافية، بما في ذلك وجود ٢٠ مليون مسلم في الاتحاد الروسي، حيث يُعد التمويل الشريك بديلاً أخلاقياً للإقراض التقليدي.

تقدم الدراسة الحالية تحليلاً مقارناً بين منتجات التمويل الشريك والمنتجات المالية التقليدية، مع تحديد أهم الاختلافات في مبادئ التنفيذ وإدارة المخاطر والمسؤولية الاجتماعية. كما تتناول بالتفصيل مجموعة منتجات التمويل الشريك المخصصة للمشاريع الصغيرة والمتوسطة: المرابحة (تمويل التجارة)، والإجارة (التأجير الإسلامي)، والمشاركة (الاستثمار المشترك)، والمضاربة (إدارة الائتمان)، والتورق (الحصول على السيولة). تُحلل هذه الدراسة أيضاً الفوائد الاقتصادية، والتشغيلية، والاستراتيجية للتمويل الشريك للشركات الصغيرة والمتوسطة، بما في ذلك مبادئ تقاسم المخاطر بشكل عادل، ومرونة شروط التمويل، والجانب الأخلاقي، وفرص التكامل مع السوق الدولي. كما تُدرس السمات القطاعية لاستخدام أدوات الشراكة في الزراعة والتجارة والإنتاج والخدمات.

تحدد هذه الدراسة التحديات والقيود الرئيسية لتطوير التمويل الشريك في روسيا، وهي: الحاجة إلى تحسين الإطار التنظيمي، وتطوير البنية التحتية المتخصصة، وتدريب الكوادر المؤهلة، وتحسين الثقافة المالية في بيئة الأعمال المحلية.

يمكن للسلطات التنظيمية استخدام نتائج هذه الدراسة في تطوير سياسات الأسواق المالية، وتوجيه المؤسسات المالية في ابتكار منتجات جديدة للشركات الصغيرة والمتوسطة، وكذلك لمجتمع الأعمال لتقييم فرص تمويل الأعمال البديلة.

الكلمات المفتاحية: التمويل الشريك، البنوك الإسلامية، التمويل الإسلامي، الأدوات المالية الإسلامية، المؤسسات الصغيرة والمتوسطة، دخل الفوائد، التوزيع العادل للمخاطر، تطوير التمويل الشريك.

Corresponding Author: E-mail: Asvaeva.EA@rea.ru

Introduction

During the current stage of the financial market development in the Russian Federation, the small and medium-sized enterprises (SMEs) is significantly transformed under the influence of various internal and external factors, among which the geopolitical situation plays an important role. The development of small and medium-sized enterprises (SMEs) is a key factor in economic growth and social stability in modern conditions. Thus, there is a noticeable change in formats of banking

services for those customers, as the business conditions have changed under the influence of restrictive factors of a qualitative or quantitative nature regarding credit resources.

In context of financial markets transformation and search for alternative mechanisms to support business, partner finance is one of particular relevance as an innovative tool for financing entrepreneurial activity. Also, small and medium-sized enterprises traditionally face a number of systemic problems when obtaining financing. Among which the current study notes:

- limited access to credit resources due to the bank's high requirements for collateral and credit history;
- high cost of borrowing, especially for novice entrepreneurs without a positive credit history;
- short-term nature of most credit products, which does not meet the needs of small and medium-sized enterprises for the development of their business;
- complexity of procedures for obtaining funding and long terms of consideration of applications;
- banks insufficient understanding of different SME branches details.

Partnership finance, based on principles of profit and risk sharing between a financial institution and an entrepreneur. Also, offers a fundamentally new approach to financing small and medium-sized enterprises. Unlike traditional lending, where all risks are created by borrowers, partner finance involves joint participation of parties in potential losses, which reduces financial burden on entrepreneur. In term of financial institutions become interested partners in business development, which contributes to the formation of sustainable long-term relationships and the implementation of comprehensive support for small and medium-sized enterprises. One of the most important principles of partnership finance is to connect financing to tangible assets and specific projects, which ensures more sustainable development and reduces speculative risks. In term of ability to adapt financing conditions to specifics of a particular business and industry increases the availability of financial resources.

The current study assesses whether partner finance can increase availability of finance to SMEs and how it performs in terms of risk to figure out how to regulate it properly. Also, this study examines the ability of partner finance instruments to be an effective tool for the development of small and medium-sized enterprises in Russia.

1st: Problem Statement

Small and medium-sized enterprises are a critical driver of economic diversification, innovation, and employment in Russia. However, despite their recognized role, SMEs in Russia continue to face significant barriers to sustainable growth and competitiveness, particularly in access to affordable and reliable financing. Traditional lending mechanisms, often characterized by high interest rates, strict collateral requirements, and limited credit histories of SMEs, restrict their ability to secure necessary resources for expansion and modernization.

In this context, partner finance, such as venture partnerships, crowdfunding, cooperative lending, and other collaborative financial models emerges as a potential alternative source of capital. These mechanisms rely on shared risk, joint investment, and mutual benefits, aligning financial support with long-term partnership goals rather than short-term profit maximization. Yet, the practical implementation and effectiveness of partner finance in Russia remain underexplored. Institutional constraints, insufficient legal frameworks, low awareness among entrepreneurs, and limited investor confidence further complicate the adoption of such models.

This gap highlights a pressing problem: the absence of an effective and well-integrated system of partner finance limits the ability of Russian SMEs to fully realize their growth potential, thereby constraining broader national economic development. Understanding the challenges and opportunities of partner finance as a tool for SME development in Russia is therefore essential to designing policies, mechanisms, and support structures that can foster sustainable entrepreneurship and innovation.

2nd: Research Question

1. How can partner finance models (e.g., venture partnerships, crowdfunding, cooperative lending) address the financing gap for SMEs?
2. What institutional, legal, and cultural barriers hinder the development of partner finance in Russia?
3. What international experiences with partner finance could be adapted to the Russian context?
4. What strategies and policy measures could enhance the role of partner finance in supporting SME development in Russia?

3rd: Research Objectives

1. Examine the potential of partner finance models as alternative tools for SME growth.
2. Identify the key obstacles-legal, institutional, and socio-economic that restrict the adoption of partner finance in Russia.
3. Evaluate relevant international practices and extract lessons applicable to the Russian SME sector.
4. Develop policy recommendations and practical strategies for strengthening partner finance as a mechanism of SME support in Russia.

4th: Significance of Research

The current study enriches the literature on SMEs financing by exploring the underdeveloped concept of partner finance in the Russian context, providing theoretical insights and comparative perspectives.

Also, for policymakers and regulators, the findings will highlight institutional and legal reforms needed to create a supportive environment for partner finance. This may include improving regulatory frameworks, increasing transparency, and building investor confidence.

Finally, this study about partner finance can stimulate SME development in the Russian economy, diversify the economic structure, and create jobs, and enhance resilience to external shocks contributing to long-term sustainable growth.

5th: Literature Review

Classical Islamic finance literature emphasizes Musharakah and Mudarabah as the cornerstone of partnership-based instruments. In works of Chapra (1992), and Khan (1995) describe Islamic finance as a reflection of Shariah principles, as they ensure fairness and shared risk between capital providers and entrepreneurs. While, Siddiqi (2006) argues that partner finance instruments are essential for promoting justice in financial transactions, as they prevent the exploitation associated with interest-based lending.

Moreover, partner finance has been explored in diverse contexts. El-Gamal (2006) highlights how Musharakah has been adapted in the Middle East and Southeast Asia banking systems, in contrast Vogel and Hayes (1998) examine the legal challenges that arise when introducing such instruments into non-Islamic jurisdictions. Alos, Archer and Karim study (2017) demonstrate how partner finance sukuk (Islamic bonds) become a key tool in financing large-scale infrastructure projects in countries such as Malaysia and the United Arab Emarat.

In the Russian context, the literature remains relatively limited but has grown in recent years alongside increased interest in Islamic finance. Baranov and Nikiforov (2007) were among the early authors to analyze the potential for introducing Islamic financial products, noting their relevance for Russia's Muslim regions. Zaitsev and Filatova (2010) examined the compatibility of Islamic finance contracts with Russian civil law, pointing out that while certain forms (such as simple partnerships) can accommodate profit-and-loss sharing, others require legislative reform.

Kuznetsov and Panova (2013) emphasized the importance of partnership finance for attracting foreign direct investment from Muslim-majority countries, particularly within the framework of Russia's "pivot to the East" strategy. Semenova and Ivanov (2015) expanded on this by linking

partnership finance to the development of the halal industry, noting that demand for Shariah-compliant financing extends beyond banking into agriculture, food processing, and retail.

More recent studies reflect the growing institutional support for Islamic finance. Yusupova (2019) analyzed the Tatarstan experiment with Islamic banking windows, highlighting the use of Musharakah and Mudarabah in pilot projects. Guseynov (2021) evaluated the potential of Islamic sukuk issuance in Russia, stressing that partnership-based instruments could complement state development programs in infrastructure and housing.

Despite the growing body of work, several gaps remain. There are a few comparative analyses exist between Russian experiences and those of other non-Muslim-majority countries that have successfully introduced Islamic finance, such as the UK or Luxembourg (Vogel & Hayes, 1998; El-Gamal, 2006). Finally, the potential role of partnership finance in Russia's broader economic strategy under sanctions has only recently begun to receive scholarly attention, leaving much room for further research.

6th: Discussion and Results

In Russian Federation partner finance refers to financial arrangements in which there is a sharing of both profit and risk between the investor and the enterprise or client. This financial field become more important in contrast of geopolitical instability and sanctions pressure on the financial market of the Russian Federation, the relevance of partner finance for SMEs is increasing for the following reasons:

- the need to diversify sources of financing and reduce dependence on traditional western financial institutions;
- the need to develop relations with new international partners;
- the importance of supporting domestic production and the development of import-substituting production;
- the need for social support for entrepreneurship in the context of economic difficulties.

Furthermore, the adoption of Russian Federal Law № 417-FZ of 04.08.2023 «On Conducting an Experiment to Establish Special Regulation in Order to Create the Necessary Conditions for Partner Financing Activities in Certain Constituent Enterprises of the Russian Federation and on Amendments to Certain Legislative Acts of the Russian Federation», partnership finance tools began to be actively introduced.

On the other hand, the lack of domestic Russian experience in implementation of partner financing implies application and adaptation of foreign experience, since small and medium-sized enterprises are in need of significant amounts of financing.

The Government of the Russian Federation interested in partner finance development, so the launch of a pilot project to introduce partner financing products into the activities of Russian commercial banks and non-bank financial institutions in four regions, namely in Tatarstan, Bashkortostan, Dagestan and the Chechen Republic, seems extremely necessary and timely. The choice in favor of these regions was made for a number of reasons, including:

1. In these constituent enterprises of the Russian Federation, Sharia norms have historically been adhered to, which has a positive effect on the effectiveness of the implementation of the principles of Islamic finance.
2. These constituent enterprises of the Russian Federation are economically potential, as they concentrate a significant number of entrepreneurs, and the banking sector is also represented by stable regional banks, such as: Prom Trans Bank in Bashkortostan, MVS Bank in Dagestan and AkBars in Tatarstan.
3. Availability of developed infrastructure in these regions to support small and medium-sized enterprises.

Among these regions, the leading position is occupied by Tatarstan, where a single portal on partner finance operates, and scientific and practical conferences on theory and practice of using partner finance products are often organized.

As part of the experiment, the following tools were tested:

1. Murabaha is trade finance for small and medium-sized enterprises. The bank purchases the goods or equipment necessary for the client and sells them with a markup in installments.
2. "Ijara" is an Islamic analogue of leasing, which involves the transfer of property for lease with the possibility of subsequent redemption.
3. "Musharakah" is a joint investment in which the bank and the client pool capital to implement business projects.
4. Tawarruk is a mechanism for obtaining liquidity through a series of purchase and sale of goods on deferred payment terms.
5. Islamic mortgage is interest-free house financing based on principles of joint ownership of real-estate.

Upon completion of the experiment first stage on the integration of partner finance in the Russian financial market, the current study determines both positive results, and problems. Among the positive effects are:

- expansion of the customer base of banks at the expense of the Muslim population, which previously avoided traditional banking services;
- attracting the interest of investors from the Middle East and Southeast Asia;
- creation of alternative mechanisms for financing small and medium-sized enterprises.

Based on the results of the first stage of the experiment on partner finance in the Russian Federation, the following key problems were identified:

- high cost of partner financing products compared to traditional ones;
- lack of qualified specialists in the field of Islamic finance;
- limited awareness of the population about the possibilities of partner financing.

1. Initially, it was assumed that the experiment would last until September 2025, but in July 2025, the Federation Council approved a law extending this experiment on partner finance for another three years - until September 1, 2028. The law on the extension of the experiment expanded the list of partner financing operations, for example, included mutual insurance. Experts note that the three years of the first experiment were not enough to fully assess all aspects of the model for organizing partner finance, and the new stage of the experiment will identify a greater number of possible risks and finalize the Relation to interest (riba) and risk. Traditional finance is based on a system of interest rates, where the yield is determined by a predetermined interest rate regardless of the borrower's performance. Partner finance categorically excludes any form of predetermined interest income, considering it as unjust enrichment.

In traditional lending, the bank is guaranteed to receive interest income, and the borrower bears all entrepreneurial risks. In partner financing, revenues and risks are distributed between the parties according to the principle of fairness and mutual participation.

2. Connection with real assets. Traditional financial transactions can be carried out on the basis of purely monetary obligations without reference to tangible assets or real economic activity. Partnership finance necessarily requires the presence of basic tangible assets or real economic projects, which excludes speculative operations.
3. The principle of risk sharing. In the traditional model, the lender is protected by collateral and guarantees, shifting the main risks to the borrower. Partner financing involves a fair distribution of both potential profits and possible losses among all parties to the transaction.
4. Regulatory system before scaling up partner finance products throughout the Russian Federation.

Partner finance instruments are fundamentally different from traditional financial instruments, such as loans or loan transactions.

Among the key differences are the following:

The most important difference are the rolls in the partner finance products to comply with the principles and norms of Islamic rolls (Sharia). Thus, when implementing financial or banking operations, it is necessary to observe the principle of justice, which involves following moral and ethical standards. Partner finance excludes the financing of socially harmful industries, such as the

production of alcohol, tobacco products, gambling, arms trade and other activities that are contrary to Islamic principles.

The differences between partnership finance and traditional finance are fundamental and affect all aspects of finance, from basic pricing principles to social responsibility and ethical constraints. These differences create both additional opportunities for certain categories of customers and challenges for financial institutions.

Understanding these differences is critical for the successful development of partner finance in the Russian Federations and its integration into the existing financial system without losing the basic principles and benefits of an alternative approach to financing.

Table 1 shows basic information about partner financing products relevant to small and medium-sized enterprises in the Russian Federation.

Table (1): Partner financing products relevant to small and medium-sized enterprises in the Russian Federation

Product	Product Description	Purpose	Implementation mechanism	Benefits for SMEs
Murabaha	Trade finance, where bank acts as an intermediary in purchase of goods or equipment for entrepreneur. Bank buys assets which are necessary for the client from the supplier and resells them to the entrepreneur with a pre-agreed markup in installments.	<ul style="list-style-type: none"> - Purchase of raw materials and supplies. - Purchase of a trade assortment. - Purchase of production equipment. - Financing of foreign trade operations. 	<ol style="list-style-type: none"> 1. The client submits an application indicating a specific product and supplier. 2. The bank checks the supplier and concludes a purchase and sale agreement. 3. The bank acquires the goods and becomes their owner. 4. The bank sells goods to the client with a markup on the terms of deferred payment. 5. The client repays the debt in equal installments. 	<ul style="list-style-type: none"> - No interest burden. - Flexible repayment schedule. - Does not require significant collateral. - Fast registration with a reliable supplier.
Ijara	An Islamic analogue of leasing, where the bank acquires the equipment or real estate necessary for the client and leases it with the possibility of subsequent redemption. Unlike traditional leasing, all ownership risks remain with the bank.	<ul style="list-style-type: none"> - "Ijara-Production": for production equipment. - "Ijara-Transport": for commercial vehicles. - "Ijara-Real Estate": for industrial and office premises. 	<ol style="list-style-type: none"> 1. Determining the client's need for equipment or real estate. 2. The bank acquires an asset and formalizes ownership. 3. Conclusion of a lease agreement with the client. 4. The client makes rental payments. 5. At the end of the term there is a possibility of redemption at residual value. 	<ul style="list-style-type: none"> - The bank bears risks of maintenance and insurance. - Ability to upgrade equipment without significant investments. - Tax advantages when recording lease payments.
Musharakah	Designed to finance new business projects on the basis of joint investment of bank and entrepreneur. The parties pool capital and share proportionally in profits and losses of project.	<ul style="list-style-type: none"> "Musharakah-Production": for the creation of production enterprises "Musharakah-Services": for the service sector and trade "Musharakah-Innovations": for 	<ol style="list-style-type: none"> 1. Development a business plan, and determination the needs for financing. 2. The bank and the client determine the shares of participation in the project. 3. Establishment of a 	<ul style="list-style-type: none"> - The bank actively involved in the management of the project. - The possibility of a gradual buyout of a bank share by an entrepreneur. - Flexible distribution

Product	Product Description	Purpose	Implementation mechanism	Benefits for SMEs
		technology startups	joint venture or partnership agreement. 4. Contribution of capital by the parties according to shares. 5. Distribution of profits in proportion to participation interests.	of operational responsibilities.
Mudaraba	It represents an investment partnership where the bank provides capital (Rabb Al-Mal) and the entrepreneur provides expertise and management skills (Mudarib). Profits are distributed according to predetermined proportions; losses are borne only by the bank.	<ul style="list-style-type: none"> - Trading operations with high turnover - Consulting and professional services - Projects in field of information technology - Export-import operations 	<ol style="list-style-type: none"> 1. An entrepreneur submits a business plan without his own investments 2. The bank evaluates the project and the competence of the manager 3. Conclusion of a "Mudarabah-agreement" with the determination of shares in the profit 4. The bank provides 100% of the required capital 5. The entrepreneur manages within the agreed parameters 	<ul style="list-style-type: none"> - Does not require the entrepreneur's own capital - Motivates effective management through profit sharing - Limits the financial risks of the entrepreneur
Tawarruk	It provides entrepreneurs with liquidity through a series of trading operations with commodities organized by the bank. The client receives the necessary funds without direct interest-bearing lending.	<ul style="list-style-type: none"> - Financing a current operation need. - Covering cash gaps. - Replenishment of working capital in seasonal business. - Financing of short-term trading operations. 	<ol style="list-style-type: none"> 1. The bank sells the exchange commodity to the client on credit at the market price. 2. The customer immediately sells the goods to a third party for cash. 3. The client receives liquidity for operational needs. 4. The client repays the debt to bank according to the schedule. 	<ol style="list-style-type: none"> 1. Obtaining liquidity so fast. 2. Flexibility in the use of funds. 3. Accessibility for different categories of SMEs. 4. Low Cost (the Competitive Cost). 5. No additional or hidden fees.

Source: compiled by the authors.

The presented line of partner financing products demonstrates the possibilities of creating a comprehensive alternative to traditional banking products for small and medium-sized enterprises. Each product focuses on a specific need of entrepreneurs, while adhering to the principles of fair risk sharing, exclusion of percentage ratios and social responsibility.

The successful development of partner financing products in Russia requires further improvement of the regulatory framework, development of appropriate infrastructure and raising awareness of the business community about possibilities of partner financing.

In the Russian Federation, the legal basis for partnership finance is at the initial stages of formation. Therefore, a detailed analysis of foreign experience is needed in order to identify best practices and ways to adapt them. Partner finance is most widespread in the countries of the Arabic Gulf, the Middle East and North Africa. (Table 2.)

Table (2): Volumes of foreign partner financing markets at the beginning of 2024

Region	Total Market Volume
Gulf Cooperation Council (Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, Oman)	1.188 trillion dollars.
Middle East and North Africa (Iraq, Syria, Egypt, Algeria, etc.)	1.1 trillion dollars
South and Southeast Asia (Malaysia, Indonesia, Brunei, Pakistan, Rest of South Asia)	408 billion dollars
Europe (Great Britain, Italy, etc.)	64 billion dollars
Post-Soviet states (the Republic of Kazakhstan, Kyrgyzstan, Tajikistan, etc.)	0.29 billion dollars

Source: compiled by researchers based on works of Evgenia P.S. & Natalia P.S. (2024), and data of Islamic banking Jusan Analytics.

Foreign experience in regulation and development of partnership finance is presented in table 3, which it can be seen that in order to support SMEs, a favorable tax regime is established, taking into account principles of partner financing, and legal status of regulatory and supervisory authorities in this area is determined.

Table (3): Foreign Experience in Legal Regulation of Partnership Finance

State	Legislative Regulation of Partner Finance	Licensing of partner financing activities
Saudi Arabia	There are no special laws regulating partner financing activities. Islamic banking is regulated along with traditional banking.	Special rules. All banks are Islamic and require licensing.
United Kingdom	According to the financial legislation, Islamic banks are treated in the same way as ordinary banks, and there is no specific law on Islamic banking, nor are there provisions to regulate the activities of Islamic banks. The Financial Conduct Authority and the Prudential Regulation Authority regulate and supervise all financial institutions, including Islamic banks	Licensing required
Iraq	The Islamic finance law No.43 of 2015 organizes activities of Islamic Banks in Iraq. Also. subjects' Islamic banks to the laws of the Central Bank of Iraq. It also requires banks to adhere to international accounting and Sharia standards. Various Islamic financing formulas, such as Murabaha and Musharakah, are based on Sharia principles and avoid usurious interest, with mechanisms in place to ensure transparency in contracts and practices.	Licensing required
Syria	The Islamic finance Act. No. 35 of 2005 organizes activities of Islamic Banks in Syria. Also. subjects' Islamic banks to the laws of the Central Bank of Syria.	Licensing required
Turkey	The Banking Law is the main legislative act regulating the activities of Islamic banks, according to which the "Association of Participating Banks of Turkey" was established. Banks participating in this association have the same privileges and status as ordinary banks.	Licensing required
Kazakhstan	The law "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Organization and Activities of Islamic Banks and the Organization of Islamic Finance" is in force	Required

Source: Source: compiled by researchers based on works of Guseynov (2021), and Evgenia P.S. & Natalia P.S. (2024).

As a result of the analysis, this study concluded that in Muslim countries, partnership financing activities are regulated in most cases by general laws and regulations governing banking activities, as well as, by the activities of special Sharia control councils, such as the Shariah Council or the Council on the Principles of Islamic Finance.

In this regard, some of potential risks that characteristic of partner financing can has been identified in the current study:

1. Emergence of contradictions between the existing regulation of financial market in country and new regulation of partner financing at the regulatory level;
2. Reputational risks that may be associated with introduction of fundamentally new partner financing products. Thus, it may not be perceived by society, which may adversely affect the reputation of depository and non-depository financial institutions;
3. Compliance risks associated with failure to adhere to laws, regulations, and internal policies, leading to potential legal penalties, significant financial losses, lawsuits, reputational damage, and operational disruptions for organizations offering partner financing products (Pashkovskaya I.V., 2023).

The current study proposes a process of managing risks of partner financing that can involve various methods, such as, reputational risks can be reduced by training employees of financial institutions that offer partners finance products to customers. In addition, it is necessary to popularize partner finance products in the modern information field to increase the level of trust in fundamentally new financial products.

For small and medium-sized enterprises, the main feature of partner financing is the absence of interest on the funds provided, which is especially important for entrepreneurs doing business based on ethical principles.

Moreover, based on the principles of economic integration, and needs for new financial solutions for Russian companies after economic sanctions imposed on the Russian Federation, Islamic finance has become a strategically important field for Russian companies. Taking into account the large Muslim population in Russia and the need to expand the scope of financial services, the development of this sector is essential.

In current conditions of limited interaction with Western financial markets, partner finance originate prospects for attracting capital from Eastern states. Intensification of economic cooperation with countries where Islamic finance is an integral part of the financial architecture creates a favorable environment for adaptation and development such appropriate mechanisms in the Russian Federation.

These circumstances produce objective prerequisites for the integration of Islamic financing principles into the Russian Federation financial system. Furthermore, this new financial product diversifies sources of financing and expanded the investment opportunities for investors in the Russian economy. Over the past few years, Islamic banks have been actively expanding their activities, acting as an important participant in the international market of banking capital and long-term direct investments. It should be noted that at the beginning of 2022, there were about 21,500 banks operating in the world, from them more than 1% (316 banks) were Islamic banks, and there were about 250 Islamic service windows (branches providing financial services on Sharia principles) in traditional banks¹.

The assets of Islamic banks are growing annually at a fairly rapid pace. From 2015 to 2021, Islamic financial assets almost doubled (from \$2.17 trillion to \$4 trillion). It is predicted that by 2026 they will grow by another \$2 trillion².

Nowadays, digital transformation becomes a key factor in the evolution of partner finance, which is in line with global trends to reduce the use of cash and traditional bank offices. Islamic fintech has significant potential to expand its customer base, given that a significant portion of the Muslim population refrains from using traditional interest-based banking products. The introduction of

¹Islamic banking. Jusan Analytics.– (2025). [Electronic resource]. – URL<https://jusananalytics.kz/wp-content/uploads/2023/03/islamskiebanki-rus-2.pdf>(Accessed on, 07.09.2025).

²Islamic Corporation for the Development of the Private Sector-Refinitiv «Islamic Finance Development Report 2022».–URL https://icd-ps.org/uploads/files/ICD%20Refinitiv%20ifdi-report-20221669878247_1582.pdf(Accessed on, 07.09.2025).

digital platforms in the field of partner finance can significantly expand the availability of services and attract new users.

Islamic banks are actively increasing their investments in technological solutions. In 2021, the capitalization of the Islamic fintech segment amounted to 79 billion US dollars. Expert estimates predict an average annual growth of this market at the level of 18% with a volume of \$179 billion by 2026.

The leaders in the field of digitalization of Islamic banking are six countries of the Middle East and Asian regions, concentrating 81% of the volume of the Islamic fintech sector: Saudi Arabia, Iran, Malaysia, United Arab Emirates, Turkey and Indonesia.

Modern fintech solutions open up new opportunities for the development of partner finances, such as:

1. Digital platforms can significantly reduce transaction costs and increase the availability of partner finance products and services for SMEs in remote regions.
2. Big data and artificial intelligence technologies enable more accurate risk assessment and personalization of financial products.
3. Blockchain technologies increase the transparency of transactions and reduce the costs of document flow and control over compliance with the principles of partner financing.
4. Mobile applications provide greater accessibility of financial services for entrepreneurs, especially in the field of small and medium-sized enterprises.

Prediction shows that the expansion of the partner financing sector will be stimulated by development of digital platforms. The study of foreign experience testifies to the critical importance of establishing unified regulatory norms for partnership (Islamic) finance. In addition, the creation of deposit insurance systems contributes to the increase in the resource base. Digital technologies are becoming strategically important as a determining factor in the competitiveness of financial and credit institutions.

The Bank of Russia defines partner financing; as a type of market activity based on principle of mutual sharing for both profits and risks by investor and the borrower. Now on the territory of the Russian Federation there are approximately 20 million citizens professing Islam, which forms an objective prerequisite for an increase in demand for Islamic financial products. The introduction of partner financing will provide the Muslim population with expanded access to financial instruments.

Partner finance helps to minimize the risks of non-return on investment, while improving the quality of investment initiatives development, on the other hand, the main share of Islamic banks income comes from mortgages, this area become a priority for the Russian market, but till now there are no Islamic financial structures in Russia specialized in real estate transactions; this is due to the need for long-term financial low cost resources, which can only provide by the government. At the same time, the construction industry in the Russian Federation is experiencing a period of active growth with governmental support. Thus, start of Islamic mortgages can increase the affordability of housing both for the Muslim population and for other citizens of Russia.

Russia's potential partners in the development of partner financing are countries of the Middle East and Central Asian with a predominantly Muslim population, which actively use partner financing instruments. The Muslim population in these countries continues to grow, increasing the demand for financial services. The development of housing construction can increase the demand for mortgage products, which are central to Islamic banking as the main source of profitability.

Nevertheless, there are obstacles to the development of partnership finance in the Russian Federation, among which the main one is the high cost of partnership financial services, as Islamic financial products are characterized by increased cost due to the lack of special tax regimes and appropriate infrastructure. In the context of market instability, the emergence of a significant number of new Islamic financial organizations is unlikely. It is more likely that traditional banks will offer Islamic banking products or create Islamic serves departments in large banking groups.

On the other hand, Islamic banks may be of interest not only to the Muslim population of Russia, but also to other groups of citizens, however, the low awareness of society about this type of financial products may hinder the development of partner financing.

In the context of new geopolitical realities, it is advisable to implement comprehensive measures to improve banking products and services for the development of the financial market. It is possible to use international experience in the implementation of partner financing, digital banking solutions, experience in the use of banking technologies and financial products between partner countries.

The creation of specialized partner financing institutions along with traditional ones will expand the credit base for financing the private sector through investment activities on the basis of equity participation. The introduction of the principles of partner financing in Russia will attract investment in the production sectors of the economy, intensify the activities of financial and credit institutions and strengthen financial partnerships with the countries of the Middle East region.

As in the rest of the world, there is a trend towards an increase in interest in Islamic financial services in Russian Federation. As in the rest of the world, there is a trend towards an increase in interest in Islamic financial services in Russian Federation. It is predicted that if favorable conditions are created, the volume of the partner finance market in Russia may reach 1-1.5 trillion rubles by 2030, which will amount to about 3-4% of the total volume of the country's banking system³.

Also, in context of the sanctions, Russia's cooperation with the countries of Africa, Asia and the Middle East will reach a new level. Also, the creation and development of joint Islamic banks is important to increase the attractiveness of the Russian economy for investment and trade. Islamic banks have a positive effect on the economy, as they provide convenient financial services to small and medium-sized enterprises.

In context of the sanctions, Russia's cooperation with the countries of Africa, Asia and the Middle East will reach a new level. Also, the creation and development of joint Islamic banks is important to increase the attractiveness of the Russian economy for investment and trade. Islamic banks have a positive effect on the economy, as they provide convenient financial services to small and medium-sized enterprises.

7th: Conclusion

The development of partnership finance in Russia has significant prospects, provided that the existing problems are solved. Therefore, it is necessary to adopt a special federal law on partner finance, that determine the legal status of Islamic financial instruments and institutions. This law should clearly spell out the followings:

- Definition the basic concepts of partner finance.
- Requirements for licensing of Islamic financial institutions.
- Features of taxation of Islamic financial transactions.
- Mechanisms for monitoring compliance with Sharia principles.

Also, it is necessary to carry out tax reforms in order to eliminate double taxation for Islamic financial products, with exemption of purchase and sale of assets within the framework of Murabahah from Value Added Tax (VAT).

In addition, it is necessary to solve infrastructure problems. Thus, this study proposes to create a national Shariah council in Bank of Russia for the certification the partner finance products, organize the training prose's in partner finance, and establishing a legal structure for launch Islamic financial rating agency.

The development of partner finance in Russia is a promising direction for diversifying the national financial system. The main advantages of implementing these tools are:

- Expanding access to financial services for the Russian Muslim population.
- Provide possibility to attract investments from Islamic countries.

³Bank of Russia Web Site. – (2025). [Electronic resource]. URL <https://cbr.ru/press/event/?id=21125>(Accessed on, 07.09.2025).

- Partner finance helps to develop instruments the real estate sector in Russian Federation through the principle of asset security.
 - Increased financial stability through the principle of risk sharing between investor and Islamic financial institution, as it provides new financial products for diversification investment. Successful development of partner finance in the Russian Federation requires an integrated approach, including legislative changes, tax reforms, the creation of specialized infrastructure and the training of qualified personnel. If these tasks are solved, partner finance can become an important element of the Russian financial system and contribute to the sustainable economic development of the country.
- Moreover, the integration of partner financing products into the Russian practice of banking and financial services for small and medium-sized enterprises. Also, partner financing provide possibility to expand the list of financial instruments in Russian economy to attract new investors from both domestic and forging market in order to develop small and medium-sized enterprises in the country, which can ensure the development of not only the Russian economy, but also, expand economic relations with the countries of the Islamic world.

References

1. Archer S., Karim R. A. A. (2017). Islamic capital markets and products: Managing capital and liquidity requirements under Basel III. Wiley Finance.
2. Bank of Russia Web Site. – (2025). [Electronic resource]. – URL <https://cbr.ru/press/event/?id=21125>(Accessed on, 07.09.2025).
3. Baranov A., Nikiforov V. (2007). Islamic banking in Russia: Problems and prospects. Finance and Credit. – Vol 13. – №6.– pp: 45–52.
4. Chapra M. U. (1992). Islam and the economic challenge. The Islamic Foundation.
5. El-Gamal M. A. (2006). Islamic finance: Law, economics, and practice. Cambridge University Press.
6. Evgenia P. S., Natalia P. S. (2024). Development of Partner Financing for the Support of Small and Medium Businesses. Taxes. Right. – №5. – URL <https://cyberleninka.ru/article/n/razvitie-partnerskogo-finansirovaniya-dlya-podderzhki-malogo-i-srednego-biznesa> (Accessed on, 07.09.2025).
7. Garifullin I.I. (2021). Digitalization of the Islamic Banking Sector as a Lever of Impact for Further Growth and Development. Innovative Development of the Economy. – № 1. – P. 157–165. – URL <https://www.elibrary.ru/item.asp?id=45483565>(Accessed on, 07.09.2025).
8. Guseynov R. (2021). Prospects for Islamic finance in Russia: Sukuk as a development tool. Journal of Islamic Economics and Finance Studies. – Vol. 7. – №2.– pp: 115–130.
9. Islamic banking. Jusan Analytics. – (2025). [Electronic resource]. – URL <https://jusanalytics.kz/wp-content/uploads/2023/03/islamskiebanki-rus-2.pdf>(Accessed on, 07.09.2025).
10. Islamic Corporation for the Development of the Private Sector-Refinitiv «Islamic Finance Development Report 2022». – URL https://icd-ps.org/uploads/files/ICD%20Refinitiv%20ifdi-report-20221669878247_1582.pdf(Accessed on, 07.09.2025).
11. Khan M. S. (1995). Islamic financing: An evaluation. International Monetary Fund Staff Papers. – Vol. 42. – №1. – pp:87–108.
12. Kuznetsov P., Panova O. (2013). Partnership financing as a tool for foreign investment attraction in Russia. Economic Journal of Higher School of Economics. – Vol. 17. – №4. – pp: 92–107.
13. Pashkovskaya I. V. (2023). Bank Liquidity Management in the Context of Economic Turbulence // Financial Markets and Banks. – №9. – URL: <https://cyberleninka.ru/article/n/upravlenie-bankovskoy-likvidnostyu-v-usloviyah-ekonomicheskoy-turbulentnosti>(Accessed on, 07.09.2025).
14. Semenova E., Ivanov D. (2015). Islamic finance and the development of the halal industry in Russia. Journal of Eurasian Studies.– Vol. 6. – №3. – pp: 223–232.
15. Siddiqi M. N. (2006). Islamic banking and finance: Fundamentals and contemporary issues. Islamic Foundation.
16. Vogel F. E., Hayes S. L. (1998). Islamic law and finance: Religion, risk, and return. Kluwer Law International.
17. Yusupova G. (2019). Islamic banking in Tatarstan: Lessons from pilot projects. Kazan Economic Review.– Vol. 24. – №2. – pp: 133–148.
18. Zaitsev A., Filatova N. (2010). The legal adaptation of Islamic finance in Russia. Journal of Russian Law. – Vol. 7. – №5. – pp: 61–72.