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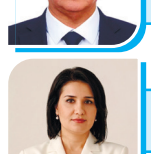
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PROSPECTS FOR THE DEVELOPMENT OF ISLAMIC BANKS AND FINANCE IN UZBEKISTAN

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Abstract. This article analyzes the legal, institutional, and economic aspects of the introduction of Islamic banking and Islamic finance in Uzbekistan and is structured in accordance with the IMRAD framework. It examines the size and dynamics of the global Islamic finance market, the stages of formation of the regulatory and legal framework governing this sector in Uzbekistan, the results of cooperation with the Islamic Development Bank (IsDB), and the results of surveys conducted among the population and entrepreneurs. The analysis is presented on the basis of statistical data, tables, and diagrams. The article draws on open data from international financial institutions and organizations (IFSB, ICD-LSEG, Coalition Greenwich, Standard Chartered) and official Uzbek sources (Lex.uz, the Central Bank, Gazeta.uz, Spot.uz).

Keywords: Islamic banking, Islamic finance, sukuk, mudarabah, musharakah, ijara, Islamic Development Bank, Central Bank, Uzbekistan, IFSB.

Annotatsiya. Ushbu maqolada O'zbekistonda islom bankchiligi va islom moliyasini joriy etishning huquqiy, institutsional va iqtisodiy jihatlari tahlil qilinadi hamda material IMRAD tuzilmasiga muvofiq shakllantirilgan. Unda jahon islom moliyasi bozorining hajmi va dinamikasi, O'zbekistonda ushbu sohani tartibga soluvchi normativ-huquqiy bazaning shakllanish bosqichlari, Islom taraqqiyot banki (IsDB) bilan hamkorlik natijalari, shuningdek, aholi va tadbirkorlar o'rtasida o'tkazilgan so'rovlar natijalari ko'rib chiqiladi. Tahlil statistik ma'lumotlar, jadvallar va diagrammalar asosida taqdim etilgan. Maqolada xalqaro moliyaviy institutlar va tashkilotlarning ochiq ma'lumotlari (IFSB, ICD-LSEG, Coalition Greenwich, Standard Chartered), shuningdek, O'zbekistonning rasmiy manbalari (Lex.uz, Markaziy bank, Gazeta.uz, Spot.uz)dan foydalanilgan.

Kalit so'zlar: islom bankchiligi, islom moliyasi, sukuk, mudaraba, musharaka, ijara, Islom taraqqiyot banki, Markaziy bank, O'zbekiston, IFSB.

Аннотация. В статье анализируются правовые, институциональные и экономические аспекты внедрения исламского банкинга и исламских финансов в Узбекистане; материал структурирован в соответствии с форматом IMRAD. Рассматриваются объем и динамика мирового рынка исламских финансов, этапы формирования нормативно-правовой базы, регулирующей данный сектор в Узбекистане, результаты сотрудничества с Исламским банком развития (ИБР), а также итоги опросов населения и предпринимателей. Анализ представлен на основе статистических данных, таблиц и диаграмм. Статья опирается на открытые данные международных финансовых институтов и организаций (IFSB, ICD-LSEG, Coalition Greenwich, Standard Chartered), а также на официальные источники Узбекистана (Lex.uz, Центральный банк, Gazeta.uz, Spot.uz).

Ключевые слова: исламский банкинг, исламские финансы, сукук, мудараба, мушарака, иджара, Исламский банк развития, Центральный банк, Узбекистан, IFSB.

INTRODUCTION

Over the past decade, Islamic finance has become one of the fastest-growing segments of the global financial system. According to the Islamic Financial Services Board (IFSB), the total assets of the global Islamic finance industry reached US$3.88 trillion in 2024, representing a 14.9 percent increase over the previous year, while the Islamic banking segment expanded by 17.05 percent [19]. Other international research centers — Coalition Greenwich, Standard Chartered, and ICD-LSEG — estimate this figure at US$5.4 trillion, US$4.0 trillion, and US$5.98 trillion, respectively, and forecast that the sector will reach US$7.5–9.75 trillion by

2028–2029 [18, 20, 21, 22]. Such discrepancies are explained by differences in methodological approaches, particularly in the scope of coverage of banking, sukuk, takaful, and investment funds, although all sources confirm the overall growth trend.

Amid the economic reforms launched in 2017, the Republic of Uzbekistan has paid particular attention to developing an Islamic finance infrastructure with the aim of increasing financial inclusion and more fully meeting the demand of the population and entrepreneurs for banking services. While an initial draft resolution on creating an infrastructure for Islamic banking and financing was developed in 2018, the issue was repeatedly raised during a series of open dialogues between President Shavkat Mirziyoyev and entrepreneurs in 2022–2024 [1, 6]. In particular, according to the results of a survey conducted among entrepreneurs, 38 percent of respondents indicated their readiness to obtain resources based on Islamic finance principles [9].

LITERATURE REVIEW

The literature on Islamic finance can be broadly divided into two complementary directions: studies of global market development and studies of institutional formation in individual countries. International reports by the Islamic Financial Services Board (IFSB), the Islamic Corporation for the Development of the Private Sector and the London Stock Exchange Group (ICD-LSEG), Coalition Greenwich, and Standard Chartered emphasize the rapid expansion of Islamic finance, the dominant role of Islamic banking, and the growing importance of sukuk as an instrument for mobilizing long-term capital [18–21]. The IFSB particularly highlights the need to deepen markets, strengthen regulatory frameworks, and sustain the resilience of Islamic financial institutions [19].

A second strand of research focuses on the institutional and regulatory conditions required for the development of Islamic banking. The literature stresses that successful implementation depends not only on the availability of Sharia-compliant financial products but also on an appropriate legal framework, effective supervisory institutions, qualified specialists, and mechanisms for ensuring Sharia compliance. In the context of Uzbekistan, the study on Islamic banking development trends identifies the formation of an institutional environment and the gradual introduction of Islamic financial instruments as important prerequisites for sector development [17]. Recent official and analytical materials on draft legislation further indicate that Uzbekistan has moved from the discussion of Islamic finance toward the establishment of a formal legal basis for Islamic banking operations [1–4, 6].

Another important area of the literature concerns the role of international Islamic financial institutions in supporting economic development. Research on the Islamic Development Bank (IsDB) and Uzbekistan emphasizes the contribution of financial cooperation to infrastructure, education, agriculture, and social development, while also viewing such cooperation as an element of the country's broader economic diplomacy [15, 16]. The recent expansion of IsDB projects in Uzbekistan provides an empirical basis for assessing how Islamic development finance can complement domestic financial resources and support long-term investment projects [10–14].

At the same time, the reviewed literature reveals a research gap concerning the comprehensive assessment of Uzbekistan's prospects for developing Islamic banking and finance following the recent formation of the legal and institutional framework. Existing studies and analytical materials tend to examine either global market trends, regulatory developments, or individual development finance projects. Less attention has been paid to integrating these dimensions with the potential demand of the population and entrepreneurs. Therefore, this article contributes by combining international market indicators, the chronology of regulatory reforms, IsDB cooperation, and available survey evidence in order to provide a more integrated assessment of the prospects for Islamic banking and finance in Uzbekistan.

RESEARCH METHODOLOGY

The research methodology includes the following methods: the comparative analysis method — to compare estimates of the size of the global Islamic finance market from various international sources; the chronological analysis method — to systematize the stages in the formation of the regulatory and legal framework for Islamic finance in Uzbekistan; and the statistical analysis and visualization method — to present survey results and financial indicators in the form of tables and diagrams. To ensure the reliability of the data, only official government sources, official reports of international financial organizations, and verified data from recognized mass media were used, while estimated or unconfirmed figures were not included in the article. In preparing and editing the text of this article, artificial intelligence tools were used to an extent not exceeding 10 percent, without affecting the independent interpretation of the results and conclusions.

ANALYSIS AND RESULTS

1. Size and Structure of the Global Islamic Finance Market

According to the official IFSB report, in 2024, the assets of the global Islamic finance industry amounted to US$3.88 trillion, of which 71.6 percent consisted of Islamic banking assets, 23.3 percent of sukuk (Islamic securities), and the remainder of takaful (Islamic insurance) and investment funds [19]. According to the ICD-LSEG report, the outstanding volume of the global sukuk market exceeded the US$1 trillion threshold for the first time in 2024, while the annual volume of sukuk issuance amounted to US$254.3 billion, representing an increase of 11 percent [20]. Table 1 below presents estimates of the size of the global Islamic finance market from various international sources.

Table 1. International Estimates of the Size of Global Islamic Finance Assets (2024)

Source	2024 volume, US$ trillion	2028/2029 forecast	Key finding
IFSB (2025)	3.88	—	Annual growth of 14.9%; banking segment grew by 17.05% [19]
Standard Chartered	4.0	$5.2 trillion (2028)	Sukuk market to grow from $971 billion to $1.5 trillion [21]
Coalition Greenwich	5.4	$9.75 trillion (2029)	GCC — 50%, Southeast Asia — 20% share [18]
ICD-LSEG (IFDI-2025)	5.98	$9.7 trillion (2029)	Annual growth of 21%; banking active in 84 markets [20]

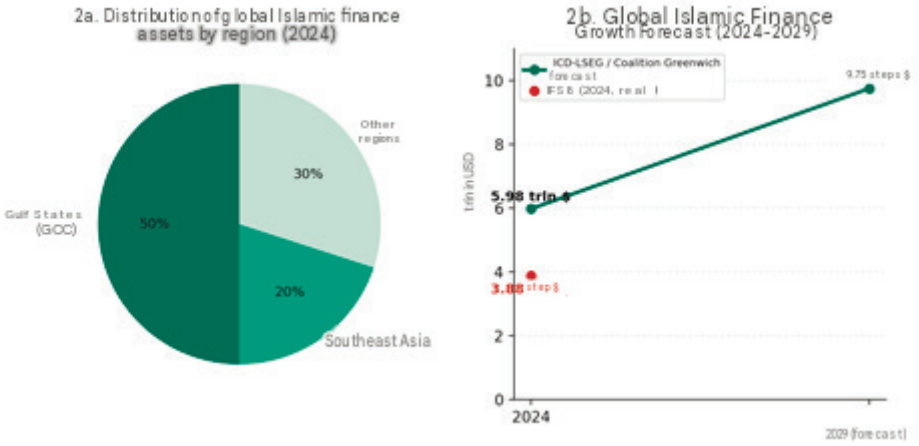


Chart 1. Regional Distribution of Global Islamic Finance Assets and Growth Forecast through 2029 (Source: compiled by the author based on [18, 19, 20])

2. The Regulatory and Legal Framework Governing Islamic Finance in Uzbekistan

The process of institutionalizing Islamic finance in Uzbekistan is being carried out step by step. Under a presidential resolution adopted in November 2023, the task of developing a regulatory and legal framework for Islamic financing services for microfinance organizations was established, and as a result, in July 2024, microfinance organizations were officially permitted to provide services on Islamic terms [2, 8]. In order to ensure the implementation of Presidential Decree No. PF-132 of August 30, 2024, and Resolution No. PQ-292 of September 5, 2023, the Central Bank, with the participation of foreign and local experts, developed a complete draft law [6]. On September 16, 2025, the Legislative Chamber of the Oliy Majlis adopted this draft law in its first reading, and subsequently, on March 27, 2026, the corresponding amendments and additions to the Law “On the Central Bank” (Law No. O‘RQ-1126) officially entered into force [3, 6].

Under the adopted legislation, Islamic Finance Councils will be established both under the Central Bank and at commercial banks and will be responsible for approving Islamic finance standards and overseeing compliance with Sharia requirements. In addition, on December 24, 2024, the Central Bank officially became a member of the Islamic Financial Services Board (IFSB), an important step in Uzbekistan’s integration into

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international Islamic finance standards [9]. By the beginning of 2026, more than 10 commercial banks had expressed readiness to introduce Islamic financial services [5].

Table 2. Chronology of Key Regulatory and Legal Documents Governing Islamic Finance in Uzbekistan

Date	Document / event	Content
2018	Draft presidential resolution	Initial document on creating an infrastructure for Islamic banking and financing [1]
November 2023	Presidential resolution	Instruction to develop a regulatory framework on Islamic finance for microfinance organizations [2, 8]
September5, 2023	Resolution No. PQ-292	Instruction to develop the draft law on Islamic banking [6]
July 2024	Central Bank permission	Permission for microfinance organizations to provide services on Islamic terms [2]
August 30, 2024	Decree No. PF-132	Measures for developing the Islamic finance sector [6]
December 24, 2024	IFSB membership	The Central Bank of Uzbekistan joined the IFSB [9]
September 16, 2025	Adopted in first reading	The draft law on Islamic banking activity approved by the Legislative Chamber [1, 6]
March 27, 2026	Law No. O'RQ-1126	Amendments and additions on Islamic finance to the Law "On the Central Bank" entered into force [3]

3. Cooperation with the Islamic Development Bank (IsDB)

Uzbekistan has been a member of the Islamic Development Bank since 2003, and cooperation between the country and the IsDB has covered infrastructure, education, agriculture, and social sectors [15, 16]. A partnership strategy worth US$1.3 billion for 2018–2021 was signed [15]. In 2024, the second phase of the "Integrated Rural Development" program was launched with IsDB financing of US$260 million, covering 21 districts of the Samarkand, Surkhandarya, and Kashkadarya regions [13]. The program includes the development of social and rural infrastructure, including schools, kindergartens, and healthcare facilities.

In February 2025, agreements were signed for education (the SmartEd program, US$160.25 million) and for the reconstruction and upgrading of the A-373 highway (US$138.8 million) [12, 14]. In February 2026, financing agreements totaling US$164.06 million were signed, including US$70 million for the 4R40 Dashtabad–Zaamin–Bakhmal–Gallyaaral road project in the Jizzakh region and US$94.06 million for the SmartEd education project [10, 14]. In May 2026, the IsDB officially announced that it was considering 20 new projects in Uzbekistan with a total value of US$3 billion [11].

Table 3. Recent Major Projects of the Islamic Development Bank in Uzbekistan (2024–2026)

Year	Project	Financing volume	Focus area
2024	"Comprehensive Rural Development" (Phase 2)	$260 million (20-year concessional loan)	Rural infrastructure, education, healthcare [13]
2025	SmartEd education program	$160.25 million	Inclusive education, school infrastructure [12, 14]
2025	A-373 highway (Syrdarya)	$138.8 million	Road infrastructure, 37 km reconstruction [12, 14]
2026	4R40 highway (Jizzakh)	$70 million (phase of $192 million total)	143 km road repair [10, 14]
2026	20 new projects (under consideration)	≈$3 billion	Infrastructure, industry, social sector [11]

4. Demand for Islamic Finance among the Population and Entrepreneurs

The main economic basis for the development of the Islamic finance sector is the actual demand among the population and entrepreneurs. According to a survey conducted by the UNDP, 68 percent of Uzbekistan's population and 60 percent of business representatives do not wish to use traditional interest-based banking services for religious reasons [1, 2]. A survey conducted as part of the open dialogue between the President and entrepreneurs in August 2024 showed that 38 percent of entrepreneurs would like to obtain financial resources based on Islamic finance principles [9]. These figures are presented in Chart 3.

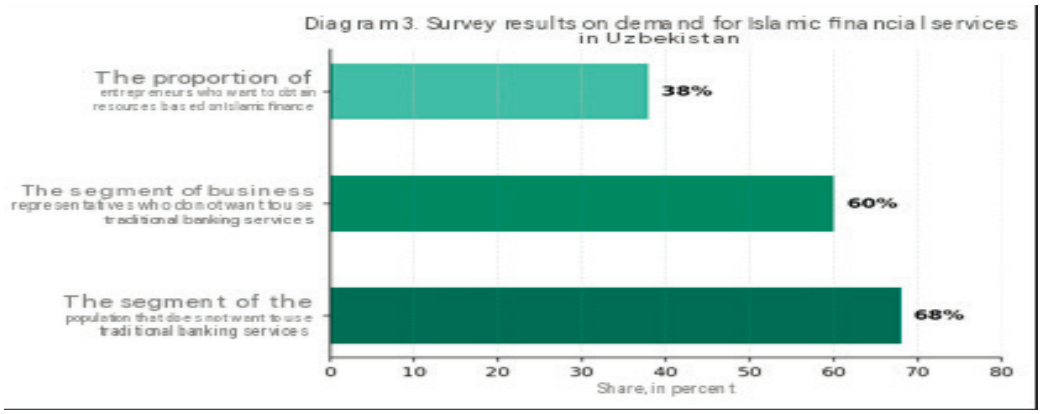


Chart 3. Survey Results on Demand for Islamic Financial Services in Uzbekistan (Source: compiled by the author based on [1, 2, 9])

These figures show that the potential demand for Islamic financial products in the country is high, but this demand has not yet been fully captured by the formal banking system. This, in turn, indicates the potential to increase financial inclusion and reduce the share of the informal economy through the development of Islamic banking infrastructure [3].

CONCLUSION AND SUGGESTIONS

The analysis presented in this article leads to the following conclusions:

1. The global Islamic finance industry demonstrates a stable growth trend, with its size estimated at between US$3.88 trillion and US$5.98 trillion in 2024 according to various sources and projected to reach US$7.5–9.75 trillion by 2028–2029 [18–22]. This creates favorable external conditions for Uzbekistan in terms of both attracting foreign investment and mobilizing domestic financial resources.

2. The regulatory and legal framework governing Islamic finance in Uzbekistan was formed step by step over the period 2018–2026 and reached an important stage of institutional development with the amendments to the Law “On the Central Bank” (Law No. O‘RQ-1126), which entered into force on March 27, 2026 [3]. These amendments established the legal basis for licensing Islamic banks, supervising their activities, and regulating relevant taxation issues.

3. Cooperation with the Islamic Development Bank is yielding practical results in infrastructure and social sectors, with more than US$600 million disbursed or allocated in 2024–2026 and a further US$3 billion in new projects under consideration [10–14]. At the same time, further development of private Islamic banking and the sukuk market will require additional targeted measures alongside existing cooperation focused primarily on concessional financing for public projects.

4. The high potential demand among the population and entrepreneurs — 68 percent and 60 percent, respectively, with 38 percent of entrepreneurs expressing practical readiness to use Islamic finance [1, 2, 9] — confirms the sector’s domestic growth potential. This highlights the need for targeted measures in personnel training, establishing effective Sharia boards, and improving public financial literacy in order to realize this potential.

5. Future research could focus on examining the actual financial performance, customer base dynamics, and formation of a national sukuk market once the first Islamic banks and “Islamic windows” begin operating in Uzbekistan.

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