



ANALYSIS OF THE ISLAMIC FINANCIAL INSTRUMENTS MARKET

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ABSTRACT

This scientific article comprehensively analyzes the importance of Islamic finance's main financial instruments corresponding to Islamic finance - sukuk - in the modern global financial system. The study carefully studied the international experience gained in the process of using these instruments not only in Muslim countries, but also in the global financial markets.

KEYWORDS

Sukuk, Islamic finance, Islamic financial instruments, Islamic financial funds, Islamic bank.

Introduction

Currently, Islamic finance occupies an important place in the global financial market. Many countries are successfully implementing Islamic finance principles into their financial systems, and this model is proving its effectiveness in various fields. Islamic finance has become an integral part of the financial market today, contributing to increased market stability.

The process of developing Islamic finance in Uzbekistan began in 2018. President of the Republic Shavkat Mirziyoyev paid special attention to this sphere and repeatedly emphasized its importance. In particular, in his address to Parliament on December 29, 2020, the President noted the need to create a legal framework for the development of Islamic financial services in the country and said that experts from the Islamic Development Bank and other international financial institutions should be involved. According to international data, the total assets of the Islamic finance industry reached \$4 trillion at the end of 2023 (IFSB, 2023), which indicates its rapid growth.

The long-term development strategy of Uzbekistan - "Uzbekistan - 2030" (2023 Decree) provides for achieving sustainable economic growth and joining the ranks of high-income countries. The 50th goal of the Strategy is defined as reforming the banking system, expanding the financial market, and increasing competition. It is also planned to take measures to implement the principles of Islamic finance and strengthen its legal framework in at least 3 commercial banks.

These processes will contribute to the further development of Uzbekistan's financial reforms and integration into the international financial system.

Literature review.

Currently, Islamic finance is developing at a noticeable pace, which is increasing the interest of researchers and scholars worldwide. Research is being widely conducted on innovative solutions of Islamic finance adapted to the principles of Sharia, its importance as a sustainable financial model, and its integration into the global economy. In particular, in the article "IMPROVING THE TAX SYSTEM IN THE COUNTRY THROUGH ISLAMIC FINANCE INSTRUMENTS" (2024) by Sadullayeva Gulnoza Usmanovna and Shukhratova Sarvinoz Dilmurod kizi, they provided several scientific proposals to reduce the tax burden on business entities and develop entrepreneurship through the implementation of the following, namely, the introduction of Mudaraba and Musharaka contracts. Matniyazov Omonboy Quryazovich also highlighted the Murabaha contract in his article "MURABAHA: THE MOST POPULAR PRODUCT OF ISLAMIC FINANCE" (2025) and emphasized his scientific proposals in this regard. Eshimov Alisher Dusmurodovich presented his proposals for implementing Islamic financial instruments in Uzbekistan in the following article "UZBEKISTAN'S BANKING AND FINANCIAL SYSTEM AND ISLAMIC FINANCIAL INSTRUMENTS IN IT"(2025). In his article "ISLAMIC FINTECH: A NEW STAGE OF DIGITAL FINANCE IN UZBEKISTAN"(2024) Mardonov Sukhrob Khayriddin ugli analyzed the prospects for the development of Islamic financial technologies in Uzbekistan and provided his suggestions.

Andrea Paltrinieri et al. (2023) in their scientific work "Sukuk: Bibliometric Review of Literature," 80 scientific literature were studied and analyzed from 1950 to 2018 to identify research directions and future research questions on sukuk. The article highlights significant growth in Islamic finance across various sectors, including Islamic banks, sukuk, Islamic stock indices, and investment funds.

The scientific work focuses on the study of Sukuk literature from 1950 to 2018. Various methods were used in the study, such as bibliometric citations and joint citation analysis. In addition, an analysis of a systematic literature review of 82 articles published on sustainable finance in European governance between 1992 and 2022 is presented.

Ezzedine Ghlamallah et al. (2021) in their work "Topics of Islamic Economics and Finance Research," conducted research on Islamic economics and finance is deeply analyzed and studied. The researchers studied about 1,500 scientific works published between 1979 and 2018 and investigated the possibility of a good description of Islamic economics and finance literature within 11 topics covering economic, financial, and ethical issues.

The work also discusses the peculiarities of Islamic economics not covered in the traditional economic system. Jiyanov Uktam Panjiyevich and Norboyeva Maftuna Shavkat kizi (2024) in the article "Green Sukuk Emmission: Examples from Malaysia" studied the Malaysian market for green sukuk and provided their scientific conclusions. Yaqubjonov Abdulaziz (2024) In his article "Review of Scientific Literature on Islamic Securities," he conducted an analysis of many world literature on Islamic finance and made the following suggestions. Having studied the scientific works of scholars, it can also be added that Islamic banks are not free from risks, and this, in turn, shows that we should only apply the necessary parts of world experience for our country. This, in turn, will mark a radical turn in the economy of Uzbekistan and influence its entry into the next stage of development.

In his article "Ways to Develop Islamic Banking Services in Uzbekistan: Problems and Proposals" (2025), Olimjonov Lochinbek Akramovich conducted research and presented a conclusion that Islamic finance can be an important tool in increasing financial inclusivity in the Uzbek economy, supporting

small and medium-sized businesses, attracting international investments, and developing a green economy.

Research methodology

Various data and annual popular site reports were used in preparing this article. The data are based on such areas as Islamic finance and financial instruments. The information obtained in the article analyzes the development of Islamic finance in the world. The obtained data were used in reliable data.

Analysis and discussion of results

We can see that the demand for Islamic finance has been increasing in recent times, including Islamic banks, Islamic insurance (takaful), sukuks, green sukuks, Sharia-compliant securities, Islamic stock indices, and Islamic investment funds are developing very rapidly. As an example, we can cite the following tables and diagrams. The information presented in LSEG's 2024 Islamic Finance Report is presented as follows. Islamic finance assets have approached US\$5 trillion, and the Islamic capital market is playing a major role in the growth rate.

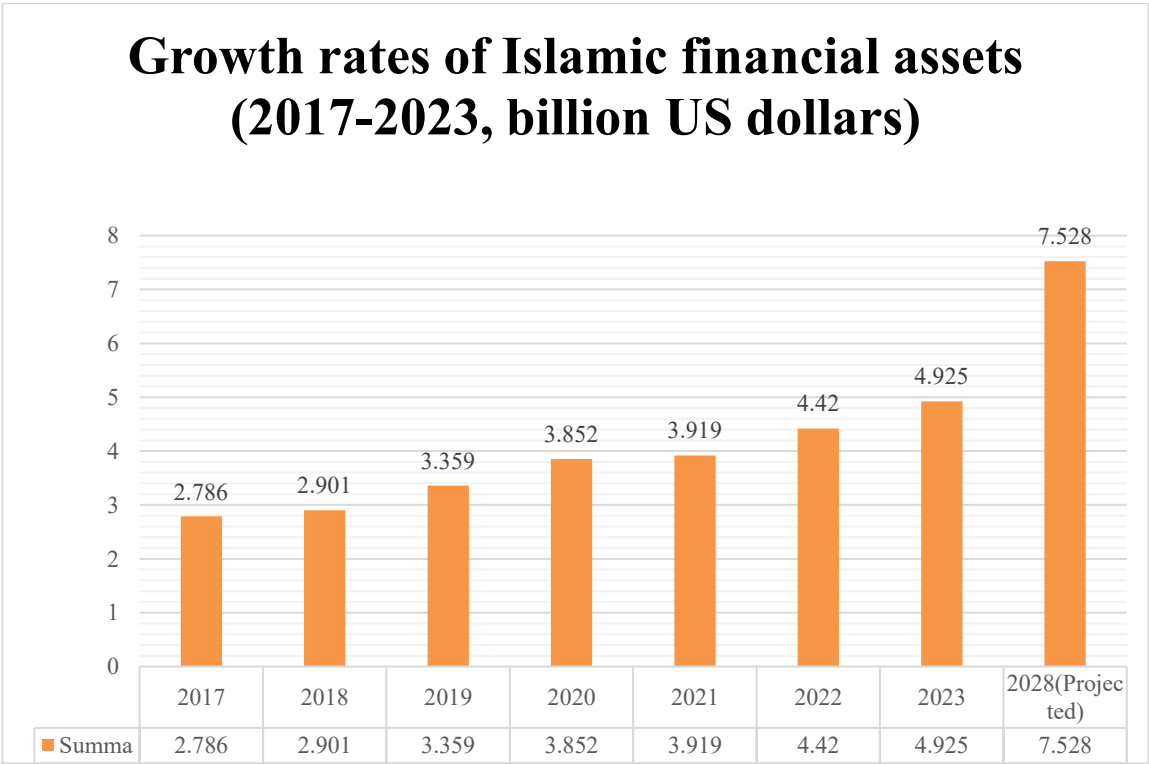


Figure 1
Source www.lseg.com

As can be seen from the figure above, the volume of assets in 2017 amounted to 2.786 billion US dollars, and by the end of 2023 this figure will be 4.925 billion US dollars, over 6 years the volume of assets has increased by 59% compared to 1.6 trillion dollars, which indicates the rapid development of Islamic finance. It is expected to reach \$7,528 by 2028. As can be seen from the data, Islamic financial assets have shown slight annual growth.

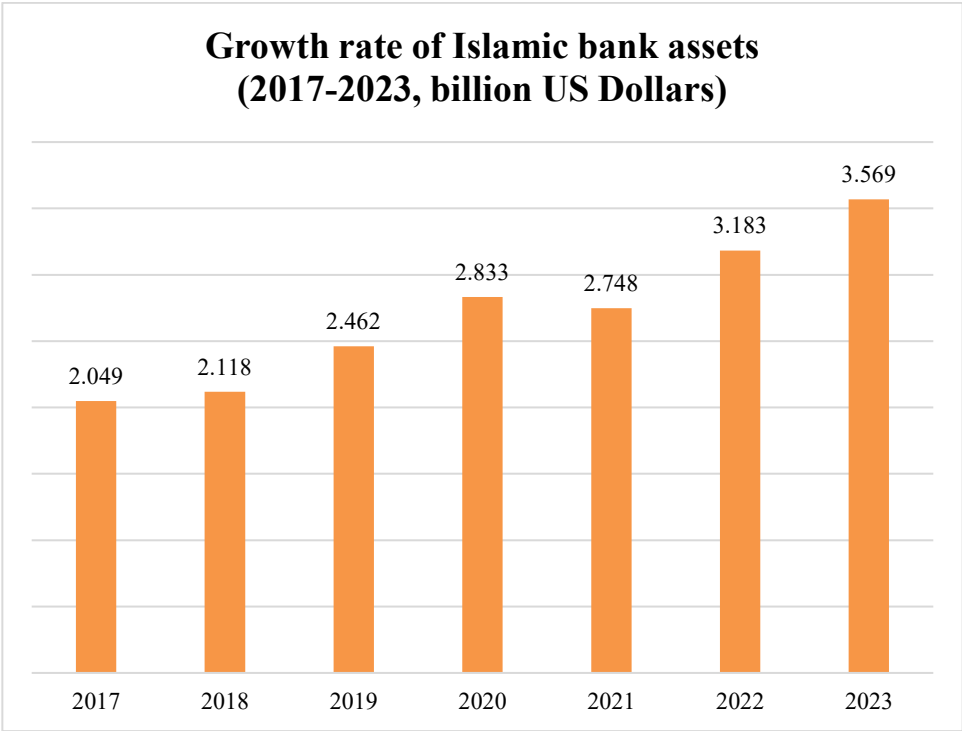


Figure 2

Source www.lseg.com

Figure 2 shows that Islamic bank assets amounted to US\$2,049 in 2017 and reached US\$3,569 by the end of 2023, meaning a 72% growth of US\$1.52 trillion over 7 years. As can be seen from the figure, growth was observed almost every year, we can only see a decline by 2021, but this indicator was restored again in 2022/2023.

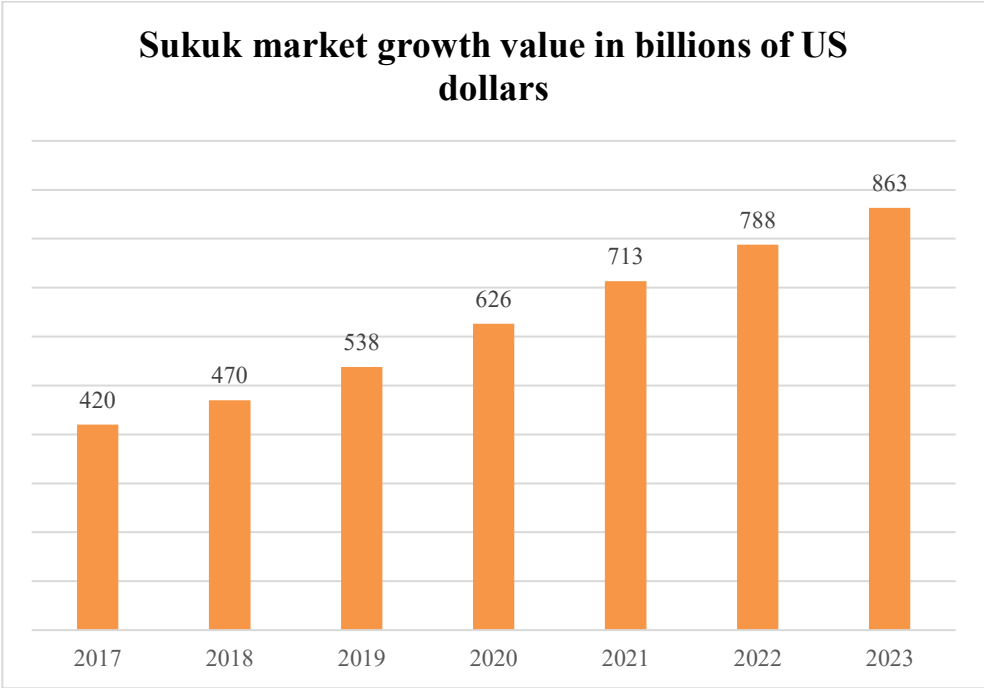


Figure 3

Source www.lseg.com

As can be seen from the figure above, the sukuk market shows a 7-year continuous growth rate of at least 17-18% per year, and we can see that the sukuk market amounted to 863 billion US dollars by the end of 2023, while in 2017 it was US dollars.

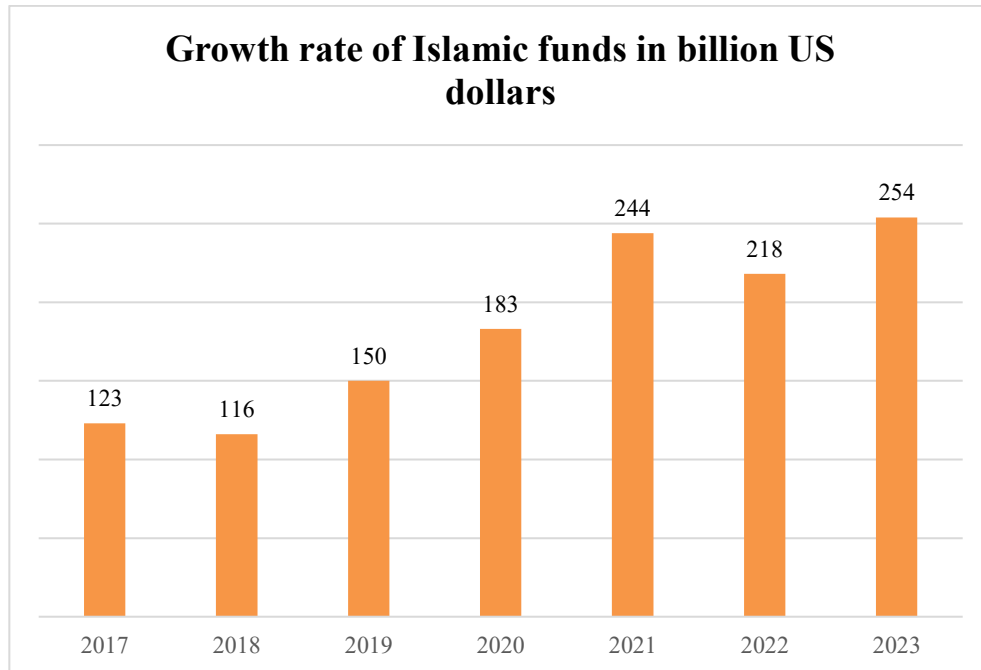


Figure 4

Source www.lseg.com

Figure 4 informs us that Islamic funds amounted to 123 billion US dollars in 2017 and 254 billion US dollars by the end of 2023.

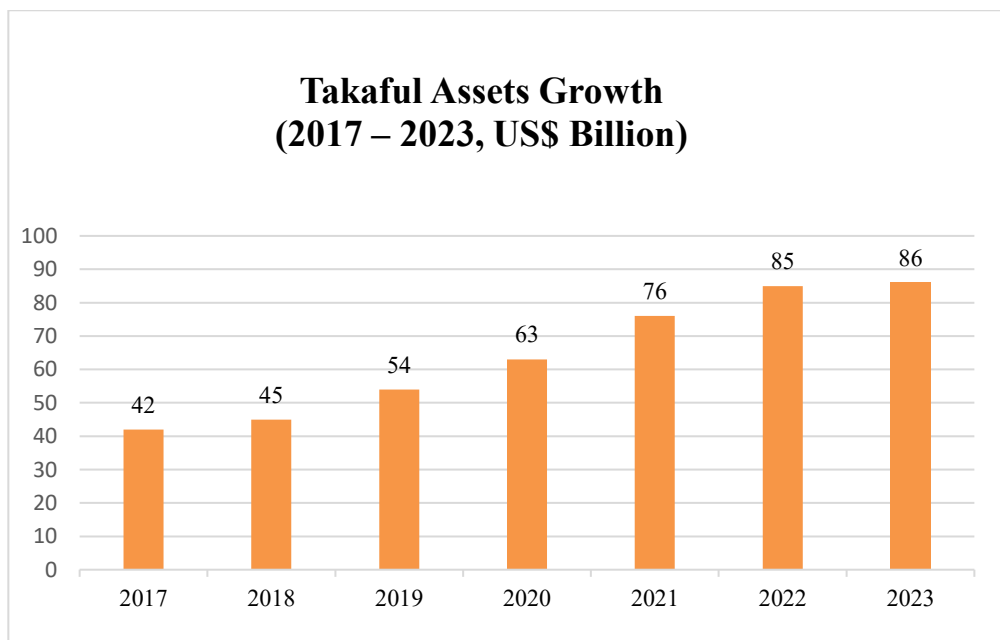


Figure 5

Source www.lseg.com

Figure 5 shows that Islamic insurance amounted to \$42 billion in 2017 and \$86 billion by 2023. As can be seen, the indicator has doubled, that is, we can see that it has increased by 105%, and the average

annual growth rate is 12.5%. The Takaful market is growing steadily and rapidly, especially in 2021-2022. The reason for this may be related to the growing interest in the field of Islamic finance. By observing and analyzing the above data, we can say that Islamic finance is growing year by year. True, we can observe declines in some years, but there hasn't been a significant decline, but if we take the total share of Islamic finance, we can see it increasing year by year.

Conclusions and suggestions

Our research shows that Islamic finance and its instruments are constantly developing and increasing the attractiveness of the global financial market. Currently, many countries, including leading countries like Malaysia, are successfully implementing Islamic finance. Therefore, we also propose to apply this approach in the financial system of Uzbekistan and learn from experience.

However, it should be noted that Islamic finance is not free from risks. We need to implement this model in our national financial system by thoroughly studying the risks and taking measures to minimize them. The introduction of Islamic finance provides opportunities such as attracting new investments and developing various market segments.

But for this, it is necessary to improve the legal framework, in particular, to eliminate such shortcomings as the development of specific regulatory documents for such instruments as sukuk.

In conclusion, the use of Islamic finance instruments, if carried out taking into account all aspects, can have a significant positive impact on the country's economy, and the introduction of Islamic finance in Uzbekistan is not only an important step towards economic diversification but also strengthening our country's position on the international financial map.

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