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THE ROLE OF ISLAMIC FINANCE IN THE GLOBAL ECONOMY

Mashkhura Qakhkhorova

Student of the Jizzakh branch of the National University of Uzbekistan

Annotation. This article analyzes the role of Islamic finance in the global economy, its growth trends, and its impact on financial stability. It examines key instruments such as Sukuk, Islamic banking, and ethical investment mechanisms. The study also highlights current challenges and proposes solutions for further development.

Keywords: Islamic finance, sukuk, global economy, financial stability, Islamic banking, investment.

Аннотация. В данной статье рассматривается роль исламских финансов в мировой экономике, тенденции их развития и влияние на финансовую устойчивость. Анализируются ключевые инструменты, такие как сукук, исламский банкинг и инвестиционные механизмы. Также освещаются существующие проблемы и пути их решения.

Ключевые слова: исламские финансы, сукук, мировая экономика, финансовая устойчивость, исламский банкинг, инвестиции.

In recent years, Islamic finance has been increasingly becoming an important segment of the global financial system. It is widely applied not only in Muslim countries but also in Western nations. The key characteristic of Islamic finance is the prohibition of interest (riba) and the use of asset-based financing mechanisms. This fundamentally distinguishes it from the conventional financial system.

According to statistical data, global Islamic financial assets exceeded USD 5 trillion in 2024 and are projected to reach USD 7.5 trillion by 2028. This indicates the rapid growth of the system.

In the context of increasing financial crises, inflation, and rising risks in the global economy, the demand for alternative financial systems is growing. Islamic finance is considered a relevant system that meets this demand.

After the global financial crisis of 2008, interest in Islamic finance increased, as it is based on principles of risk-sharing and asset-backed financing. In addition, its compatibility with ESG (Environmental, Social, and Governance) principles has further enhanced its importance.

A review of the literature shows that academic research on Islamic finance has significantly increased in recent years. Studies conducted by various international organizations, including the Islamic Development Bank, highlight the growing share of Islamic finance in the global economy. Scientific sources identify the main components of this system as Islamic banking, capital markets, insurance (takaful), and investment funds. In particular, the Sukuk instrument has become an important financing tool for governments and corporations and is widely used in financing infrastructure projects. Research also indicates that the size of the Islamic finance market has increased several times over the past decade and is expected to continue growing at a high pace in the coming years.

Despite the rapid development of Islamic finance globally, there are several systemic and institutional challenges that hinder the realization of its full potential. These challenges are relevant not only at the level of individual countries but also within the global financial system. Therefore, their in-depth analysis and the development of comprehensive solutions are essential for the sustainable development of Islamic finance.

The first major challenge is the insufficient development of the legal and regulatory framework. In many countries, Islamic finance has been introduced as a supplement to the conventional financial system and lacks a separate and comprehensive legal foundation. As a result, various legal uncertainties arise in the implementation of Sukuk, Islamic banking products,

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and other financial instruments. For example, conflicts may occur between conventional and Islamic approaches in areas such as property rights, taxation, and contractual obligations. To address this issue, it is necessary for governments to develop specific Islamic finance legislation, study international experience, and adapt it to national systems. Additionally, the development and global harmonization of unified standards are crucial.

The second challenge is related to differences in the interpretation of Shariah principles. Although Islamic finance is based on key concepts such as *riba* and *gharar*, different countries and schools of Islamic jurisprudence may interpret these concepts differently. This complicates the standardization of financial products and creates uncertainty for investors. As a result, a financial instrument considered *halal* in one country may not be accepted in another. To overcome this issue, it is necessary to strengthen cooperation among Shariah boards at the international level, develop unified methodologies, and expand the activities of global standardization bodies.

The third challenge is the shortage of qualified professionals. Islamic finance is a complex and multifaceted system that requires not only economic knowledge but also a deep understanding of Islamic law (*fiqh*). Currently, there is a shortage of specialists who can combine these two areas of expertise. This creates difficulties in developing, evaluating, and implementing new financial products. To address this problem, it is necessary to introduce specialized programs in Islamic finance in higher education institutions, develop international certification systems, and expand practical training.

The fourth challenge is the low level of financial literacy. Many people lack a clear and comprehensive understanding of Islamic finance. As a result, they do not benefit from its advantages or may misinterpret its principles. This limits the demand for Islamic financial services. To solve this issue, it is essential to conduct large-scale awareness campaigns, implement educational programs, and carry out public outreach activities.

The fifth challenge is the slow integration with financial technologies (*fintech*). Although digital technologies have become an integral part of modern financial systems, their adoption in the Islamic finance sector has been relatively slow. This reduces its competitiveness. To overcome this issue, it is necessary to implement digital banking services, blockchain technologies, and artificial intelligence-based financial solutions.

The sixth challenge is the limited availability of liquidity management instruments. In conventional banking systems, central banks manage liquidity through interest-based instruments, whereas in Islamic banking such mechanisms are restricted due to the prohibition of *riba*. This affects the efficiency of banking operations. To address this issue, it is important to develop and implement Shariah-compliant liquidity management instruments.

The seventh challenge is the insufficient level of global integration. Islamic finance is primarily developed in Muslim-majority countries, while its presence in other regions remains relatively limited. This constrains its role in the global financial system. To overcome this challenge, it is necessary to expand cooperation with international financial institutions, actively promote Islamic financial instruments in global markets, and improve the investment climate.

Addressing the above-mentioned challenges requires a comprehensive approach. First of all, it is necessary to develop a national strategy for the development of Islamic finance at the state policy level. In addition, expanding scientific research, creating innovative financial products, and adopting international best practices are of great importance. Furthermore, strengthening cooperation with international organizations such as the Islamic Development Bank can facilitate knowledge exchange and enhance financial support mechanisms.

In conclusion, although the existing challenges are systemic in nature, they can be addressed gradually through a scientific and well-structured approach. If appropriate measures are implemented, Islamic finance will continue to strengthen its position in the global economy and develop as a stable and equitable financial system.

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