



## EXPERIENCE AND PRACTICAL ANALYSIS OF USING ISLAMIC FINANCE INSTRUMENTS

**Mirzayeva Yulduzoy**

*The Banking and Finance Academy  
of the Republic of Uzbekistan*

ORCID: 0009-0000-3703-4608

[mirzayevayulduzoy9398@gmail.com](mailto:mirzayevayulduzoy9398@gmail.com)

**Mamatova Tursunoy**

*The Banking and Finance Academy  
of the Republic of Uzbekistan*

ORCID: 0009-0002-9532-7809

[katiekate412@gmail.com](mailto:katiekate412@gmail.com)

**Abstract.** This article explores the experience and practical analysis of using Islamic finance instruments with a focus on successful project case studies. It examines how key instruments such as mudaraba, musharaka, sukuk, and ijara have been applied in financing infrastructure, energy, and business projects across Muslim-majority countries, with particular emphasis on Malaysia and the Middle East. The study highlights that these instruments not only provide alternatives to conventional credit but also ensure ethical, risk-sharing, and sustainable approaches to financing. Lessons from successful projects are discussed for possible implementation in Uzbekistan.

**Keywords:** Islamic finance, mudaraba, musharaka, sukuk, ijara, case study, successful projects.

## ISLOMIY MOLIYA VOSITALARIDAN FOYDALANISH TAJRIBASI VA AMALIY TAHLILI

**Mirzayeva Yulduzoy**

*O'zbekiston Respublikasi  
Bank-moliya akademiyasi*

**Mamatova Tursunoy**

*O'zbekiston Respublikasi  
Bank-moliya akademiyasi*

**Annotatsiya.** Maqola islomiy moliya vositalaridan foydalanish tajribasi va amaliy tahliliga bag'ishlangan bo'lib, muvaffaqiyatli loyihalar tahlili asosida yondashuvni yoritadi. Unda mudoraba, mushoraka, sukuk va ijara kabi vositalarning infratuzilma, energetika hamda biznes loyihalarida qo'llanishi o'rganiladi. Xalqaro tajribada, xususan Malayziya va Yaqin Sharq mamlakatlarida erishilgan natijalar tahlil qilinib, ushbu instrumentlar an'anaviy kreditlarga muqobil bo'lib, risklarni bo'lishishga asoslangan va barqaror moliyalashtirish imkonini berishi ko'rsatib o'tiladi. O'zbekiston sharoitida ham ularni joriy etish istiqbollari muhokama qilinadi.

**Kalit so'zlar:** islomiy moliya, mudoraba, mushoraka, sukuk, ijara, muvaffaqiyatli loyihalar.

## ОПЫТ И ПРАКТИЧЕСКИЙ АНАЛИЗ ИСПОЛЬЗОВАНИЯ ИСЛАМСКИХ ФИНАНСОВЫХ ИНСТРУМЕНТОВ

**Мирзаева Юлдузой**

Банковско-финансовая академия Республики Узбекистан

**Маматова Турсуной**

Банковско-финансовая академия Республики Узбекистан

**Аннотация.** В статье рассматривается опыт и практический анализ использования исламских финансовых инструментов на основе анализа успешных проектов. Особое внимание уделено таким инструментам, как Мудараба, Мушарака, Сукук и Иджара, применяемым при финансировании инфраструктурных, энергетических и бизнес-проектов в странах с мусульманским большинством, в частности в Малайзии и на Ближнем Востоке. Показано, что данные инструменты выступают альтернативой традиционным кредитам, обеспечивая справедливое распределение рисков и устойчивое финансирование. Отмечены возможности применения этих подходов в условиях Узбекистана.

**Ключевые слова:** исламские финансы, мудараба, мушарака, сукук, иджара, успешные проекты.

### Introduction.

The rapid development of the global financial system has encouraged the search for alternative mechanisms that are more ethical, sustainable, and inclusive. In this context, Islamic finance has emerged as a viable system based on the principles of Shariah, which prohibit interest (riba), excessive uncertainty (gharar), and speculative transactions (maysir). Instead, it promotes risk-sharing, asset-backed financing, and investment in real economic activities. Over the past few decades, Islamic financial instruments such as Mudaraba, Musharaka, Sukuk, and Ijara have gained wide recognition and have been successfully implemented in many countries, particularly in Malaysia, the United Arab Emirates, and Saudi Arabia.

Despite being relatively new to Uzbekistan, the adoption of Islamic finance has significant potential to diversify the financial market, attract foreign investment, and support sustainable economic development. Recent reforms by the Government of Uzbekistan and the Central Bank highlight the importance of introducing Islamic finance as part of the national financial modernization strategy. However, challenges remain in terms of legal frameworks, awareness, and institutional readiness.

This research paper aims to analyze the experience and practical application of Islamic finance instruments, with a focus on case studies of successful projects financed through these mechanisms. By examining international practices and comparing them with the Uzbek context, the study provides valuable insights into how Islamic finance can contribute to economic growth, financial inclusion, and project development in Uzbekistan.

### Literature review.

Over the past few decades, the global financial ecosystem has undergone a notable transformation, characterized by the growing prominence of alternative modes of capital allocation. Islamic finance may be comprehensively defined as the design, structuring, and execution of financial transactions in conformity with the injunctions of the Qur'an, the Prophetic traditions (Sunnah), and the jurisprudential principles articulated in Islamic legal scholarship (fiqh) (Ayub, 2007). The framework explicitly prohibits interest-based (riba) arrangements, as they are perceived to perpetuate distributive imbalances and to contravene the moral imperative of justice in economic dealings. In lieu of such mechanisms, Islamic finance privileges asset-backed contracts, partnership-driven structures, and profit-and-loss

sharing arrangements, thereby aligning financial returns directly with tangible, value-generating activities in the real economy (Usmani, 2002).

Sharia-compliant financial mechanisms encompass a diverse set of contractual instruments purposefully engineered to facilitate lawful(halal) economic engagement. Among the most prevalent are:

- **Murabaha**- a cost-plus sale arrangement in which the seller discloses the acquisition cost and stipulates a mutually agreed profit margin;

- **Mudaraba**- a fiduciary investment partnership in which the investor provides capital while the manager contributes expertise, with profits allocated according to a pre-established ratio;

- **Musharaka**- a joint equity venture in which all participants contribute capital and proportionately share both profits and potential losses;

- **Ijara**- a lease contract granting the lessee the right to use a specified asset for a defined period in exchange for rental payments;

- **Sukuk**- asset-based or asset-backed certificates that evidence proportionate ownership in tangible assets or usufruct rights (IFSB, 2020).

Over the past decade, there has been a marked rise in global interest in Islamic finance, driven by its perceived resilience, ethical orientation, and capacity to promote financial stability. The post-crisis re-evaluation of conventional banking systems has positioned Shariah-compliant finance as a credible and sustainable alternative in both Muslim-majority and non-Muslim countries. Today, Islamic financial instruments are actively integrated into economic systems across diverse regions, including the Middle East, Southeast Asia, and parts of Europe and Africa. Nations such as Malaysia, the United Arab Emirates, and the United Kingdom have emerged as significant hubs for the development and application of Islamic finance.

The operationalisation of Islamic finance within the domain of project financing has attained considerable maturity in jurisdictions such as Malaysia, the United Arab Emirates (UAE), and Saudi Arabia, where regulatory frameworks, market sophistication, and institutional depth have enabled the large-scale deployment of Shariah-compliant instruments.

Malaysia has arguably consolidated its position as the pre-eminent global hub for Islamic finance, underpinned by a highly developed regulatory environment and an innovative financial architecture. The country's extensive utilisation of sukuk (Islamic bonds) to mobilise capital for infrastructure expansion has been particularly instructive. Notable exemplars include the Kuala Lumpur International Airport expansion and the KLIA Express rail project, which were structured through long-term sukuk issuances (Ahmed, 2018).

In United Arab Emirates, the empirical trajectory has been characterised by the integration of Islamic financial modalities into real estate, transport, and tourism-related megaprojects. The Dubai Metro project, together with a range of high-profile real estate ventures, was financed through a hybrid utilisation of murabaha and ijara contracts (Khan and Bhatti, 2020).

The case of Saudi Arabia further illustrates the adaptability of Islamic financial mechanisms to capital-intensive sectors such as energy and petrochemicals. Major undertakings-including the Sadara Chemical Complex and the Ras Al-Khair Industrial City-were funded through large-scale Islamic financial arrangements, reflecting both the government's commitment to Shariah-compliant economic practices and its broader policy of industrial diversification under Vision 2030 (Al-Salem, 2019).

### **Research methodology.**

In this research, the collected data will be analyzed using descriptive statistical methods. Descriptive statistics will help summarize the responses of participants, financial indicators, and the extent to which Islamic financing instruments are applied.

The analysis will employ the following approaches:

Tables – used to present respondents' answers in percentages, to compare financial indicators, and to illustrate key trends.

Graphs and charts – applied to visually represent changes over time, sectoral distribution, and comparative results. For example, a line graph will show the annual dynamics of financing volumes, while a pie chart will illustrate the market share of financial instruments.

Percentages and averages – used to identify the overall perspectives of respondents and to calculate the average values of the main indicators.

Thus, the use of tables, graphs, and charts will make it possible to present the research findings more clearly and comprehensively.

In addition to descriptive statistics, this study applies comparative analysis to evaluate the differences and similarities between Uzbekistan and other countries in the application of Islamic finance. The main purpose of this method is to understand how Islamic financing instruments are implemented in different contexts and to identify best practices that could be adopted in Uzbekistan.

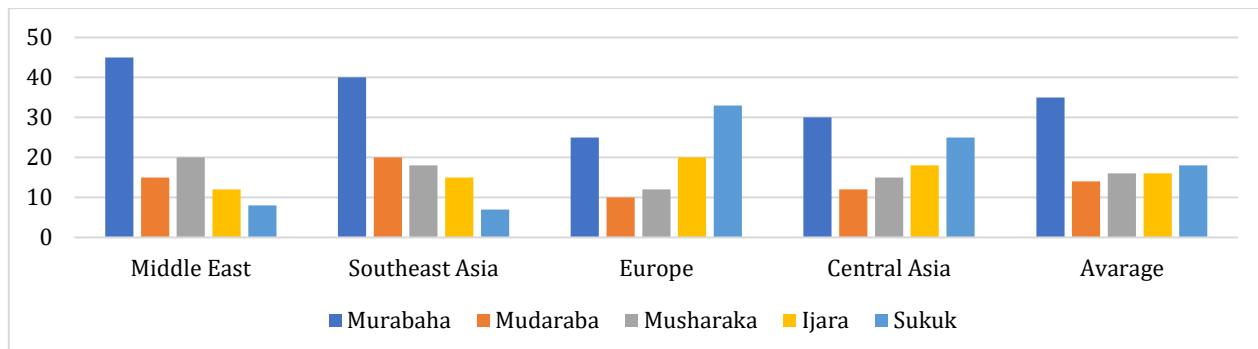
### Analysis and discussion of results.

The application of Islamic finance instruments varies significantly across regions due to differences in economic structures, regulatory frameworks, cultural preferences, and the maturity of financial markets. While the Middle East and Southeast Asia remain the leading hubs of Islamic finance, Europe and Central Asia have increasingly adopted selected instruments, particularly those that align with global capital market trends such as Sukuk (IFSB, 2023; AAOIFI, 2022). This section provides a comparative analysis of five major Islamic finance instruments – **Murabaha, Mudaraba, Musharaka, Ijara, and Sukuk** – across four major regions.

**Table 1**  
**Application of Islamic Finance Instruments in Global Practice (%)**

Instrument	Middle East (%)	Southeast Asia (%)	Europe (%)	Central Asia (%)	Average(%)
Murabaha	45	40	25	30	35
Mudaraba	15	20	10	12	14
Musharaka	20	18	12	15	16
Ijara	12	15	20	18	16
Sukuk	8	7	33	25	18

*Source:* author's compilation based on IFSB (2023); AAOIFI (2022).



**Figure 1. Application of Islamic Finance Instruments by Region (%)**

*Source:* author's development based on data obtained during research.

As shown in Table 1 and Figure 1, the dominance of **Murabaha** in both the Middle East (45%) and Southeast Asia (40%) reflects its long-standing position as the backbone of Islamic banking. Murabaha is relatively straightforward to structure and administer, offering predictable returns while maintaining Shariah compliance (El-Gamal, 2006). Its popularity in

these regions can be attributed to well-developed Islamic banking sectors, supportive regulations, and customer familiarity with cost-plus financing models. By contrast, in Europe, Murabaha accounts for only 25% of Islamic financial activity, as the demand for more capital-market-oriented instruments has grown (Iqbal & Mirakhor, 2011).

**Mudaraba**, on the other hand, remains less common across all regions, with averages around 14%. This limited application is largely due to its inherent risk-sharing model, which requires strong trust and transparency between capital providers and entrepreneurs (Usmani, 2002). In regions such as Europe and Central Asia, where legal frameworks for Islamic finance are still developing, Mudaraba faces significant challenges. However, in Southeast Asia, particularly Malaysia and Indonesia, Mudaraba is gaining traction as regulators promote risk-sharing instruments to diversify Islamic financial markets (Bank Negara Malaysia, 2022).

**Musharaka** shows a similar pattern, averaging 16% globally. It is slightly more popular in the Middle East (20%) where partnership-based financing is used in real estate and infrastructure projects (Ayub, 2007). Central Asia also demonstrates some adoption (15%), especially in Kazakhstan and Uzbekistan, where governments have shown interest in partnership-based project financing. However, Europe has seen limited application (12%) due to regulatory hurdles and a preference for fixed-income-like Sukuk structures (Warde, 2010).

**Ijara** stands out as the most balanced instrument, with moderate adoption across all regions. Europe (20%) and Central Asia (18%) have higher shares of Ijara compared to the Middle East (12%). This indicates that lease-based financing resonates in markets where asset-backed structures are familiar and align with existing leasing practices (Iqbal & Llewellyn, 2002). Ijara's flexibility and alignment with tangible assets make it a practical choice in emerging Islamic finance markets.

Finally, **Sukuk** plays a leading role outside the traditional Islamic finance hubs. In Europe (33%) and Central Asia (25%), Sukuk issuance has gained significant attention due to its compatibility with global capital markets and its appeal to both Islamic and conventional investors (Jobst et al., 2008). European financial centers such as London and Luxembourg have developed regulatory frameworks that support Sukuk listings, while Central Asian countries have started exploring Sukuk for infrastructure financing. In contrast, Sukuk represents a smaller portion in the Middle East (8%) and Southeast Asia (7%), where bank-based Murabaha continues to dominate.

Islamic finance has not only developed as a theoretical concept but has also been successfully implemented in large-scale projects worldwide. These projects demonstrate the practical viability of Shariah-compliant instruments such as **Murabaha, Musharaka, Ijara, and Sukuk** in financing infrastructure, real estate, and energy sectors (El-Gamal, 2006; IFSB, 2023).

One of the most prominent cases is the Dubai Metro Project (UAE), partially financed through Sukuk issuance. The government raised funds by issuing Shariah-compliant bonds, which attracted both regional and international investors. The Sukuk structure allowed the Dubai Roads and Transport Authority to fund large-scale infrastructure without relying solely on conventional debt, showcasing the flexibility of Islamic capital markets (Jobst et al., 2008).

Another well-documented example is the Saudi Aramco Sukuk Programme, launched to finance the expansion of oil and gas facilities. The programme successfully raised billions of dollars, demonstrating the ability of Sukuk to mobilise long-term capital in energy projects. This case reflects how Islamic finance can support strategic sectors while maintaining investor confidence through asset-backed structures (AAOIFI, 2022).

In Malaysia, Islamic finance has been instrumental in real estate and public infrastructure projects. The Putrajaya Government Complex was partly financed through Ijara Sukuk, enabling lease-based financing structures compatible with both Shariah and global investment practices (BNM, 2022). Similarly, Khazanah Nasional Berhad, Malaysia's sovereign wealth fund, has used innovative Sukuk such as Sukuk Ihsan to fund education initiatives,

proving that Islamic finance can also support social and developmental projects (Iqbal & Mirakhor, 2011).

In Central Asia, Islamic finance is still emerging, but Uzbekistan and Kazakhstan have initiated pilot projects. In 2021, Uzbekistan announced its first Islamic leasing (Ijara) project to support small and medium enterprises (SMEs) in agriculture and manufacturing (Islamic Development Bank, 2021).

### **Conclusion and suggestions.**

This research demonstrates that Islamic finance instruments -particularly Mudaraba, Musharaka, Sukuk, and Ijara — are not only theoretical concepts but also practical mechanisms that have shown success in global financial markets. The experience of Malaysia and other Muslim-majority countries proves that these instruments can effectively support infrastructure, entrepreneurship, and long-term investment.

Recommendations: Uzbekistan should 1) improve legislation on Islamic finance, 2) establish training programs for specialists, 3) pilot Islamic finance projects in agriculture, SMEs, and infrastructure, 4) promote public awareness campaigns, and 5) integrate international best practices.

Overall, Islamic finance can become a strategic tool for diversifying Uzbekistan's financial system and promoting sustainable, inclusive growth.

### **References:**

Ahmed, H. (2018) *Islamic Banking and Finance: Theory and Practice*. Kuala Lumpur: IIUM Press.

Al-Salem, A. (2019). Title of the article. *Journal Name*, 10(2), pp. 123-145.

Ayub, M. (2013) *Understanding Islamic Finance*. Chichester: John Wiley & Sons.

El-Gamal, M.A. (2006) *Islamic Finance: Law, Economics, and Practice*. Cambridge: Cambridge University Press.

Iqbal, Z. and Mirakhor, A. (2011) *An Introduction to Islamic Finance: Theory and Practice*. 2nd edn. Singapore: John Wiley & Sons.

Islamic Development Bank (IsDB) (2021) *Islamic Finance and Development*. Available at: <https://www.isdb.org>.

Islamic Financial Services Board (IFSB) (2022) *Islamic Financial Services Industry Stability Report*. Kuala Lumpur: IFSB.

Islamic Financial Services Board (IFSB) (2022) *Islamic Financial Services Industry Stability Report*. Kuala Lumpur: IFSB.

Jobst, A.A., Kunzel, P., Mills, P. and Sy, A.N.R. (2008) *Islamic Bond Issuance: What Sovereign Debt Managers Need to Know*. IMF Working Paper WP/08/237. Washington, DC: International Monetary Fund.

Khan, T. and Bhatti, M. (2020) *Developments in Islamic Banking: Practices and Challenges*. London: Palgrave Macmillan.

Usmani, M.T. (2002) *An Introduction to Islamic Finance*. The Hague: Kluwer Law International.