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Article

Assessing Islamic Financing Efficiency in Uzbekistan: A Three-Stage Framework and Maqasid al-Shariah Criteria

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Abstract: Uzbekistan adopted a legal basis for Islamic banking in 2026, but no Islamic bank or window has been licensed so far, and only microfinance organizations offer Islamic financing. This study asks how the efficiency of Islamic financial institutions can be assessed in such a nascent market and what the current evidence shows. A three-stage framework is applied: (1) CAMELS-type financial ratios, which can be computed now; (2) frontier methods (data envelopment analysis and stochastic frontier analysis), which require multi-year panel data that do not yet exist; and (3) a Maqasid al-Shariah index, for which evaluation criteria adapted to Uzbekistan are proposed. Stage 1 draws on official Central Bank statistics for 2025-2026 and benchmarks the results against Malaysia, Saudi Arabia, Türkiye, Pakistan, Kazakhstan, Kyrgyzstan and Tajikistan. The banking environment is well capitalized and highly liquid, but profit growth relies on non-interest income, provisioning absorbs a large share of the interest margin, non-performing loans rose during 2026, and loans exceed deposits by a wide margin. Islamic financing remains marginal and dominated by murabaha. Kyrgyzstan is the closest regional analogue. Its contribution is the first efficiency-assessment framework for Islamic finance in Uzbekistan and, to the author's knowledge, in the CIS region, together with five Maqasid-based criteria mapped to their data sources. For policy, the key implication is that frontier and Maqasid-based evaluation cannot begin until Islamic financing is reported separately and regularly.

Keywords: Islamic finance; Maqasid al-Shariah; bank efficiency; Uzbekistan; Central Asia

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1. Introduction

Islamic finance: concept, principles and development

Global financial crises, unstable debt-driven growth and widespread speculation have revived interest in models that keep finance tied to the real economy. Of these, Islamic finance is the most developed. The World Bank describes it as asset-based, ethical, sustainable and socially responsible finance,[1] and the International Monetary Fund defines it as the provision of financial services in accordance with Islamic law, its principles and rules.[2] Its defining features are the prohibition of interest, the link to real economic activity, risk sharing and fairness.[3],[4] By one estimate, the industry operated in 140 countries in 2024 and was valued at USD 5.98 trillion, about 21% more than a year earlier. Activity is concentrated: Iran, Saudi Arabia and Malaysia hold 72% of global Islamic finance assets.[5][6]

Three prohibitions shape Islamic financial contracts. Riba is any predetermined return on money lent that is not linked to the real outcome of the financed activity. Jurists distinguish riba al-nasi'ah, the surplus charged on a deferred exchange of money for

money, from riba al-fadl, an unequal spot exchange of goods of the same kind.[7] Gharar is excessive uncertainty or an information asymmetry that gives one party an unjust advantage. Maysir is gain obtained by chance at another party's expense, as in gambling and speculation.[8] From these prohibitions come two working principles: those who supply funds act as risk-sharing investors rather than creditors, and debt can arise only from the sale or lease of real assets. Chapra lists the conditions that stop such debt from outgrowing the real economy: the asset must be real, the financier must own it and bear its risk, the sale must be genuine, and the debt cannot be sold on to shift its risk.[9] The resulting contracts are sale-based (murabaha, salam, istisna), lease-based (ijara) and profit-and-loss sharing (PLS) partnerships (mudaraba, musharaka). The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has standardized all of them.[1]0 Partnerships are closest to the Islamic ideal. Usmani argues that murabaha, a cost-plus sale, should be only a transitional device where partnerships are impractical.4

The modern industry grew out of the first interest-free banking models of the 1950s and the experiments of the 1960s, the Mit Ghamr savings associations in Egypt and Tabung Haji in Malaysia. It became institutional with the founding of the Dubai Islamic Bank and the Islamic Development Bank in 1975, AAOIFI in 1990-1991 and, in the 2000s, the Islamic Financial Services Board (IFSB), the International Islamic Financial Market and the Liquidity Management Centre, alongside the growth of sukuk.[11] During the 2007-2009 global crisis, Islamic banks proved relatively resilient, largely because they were better capitalized.[12]

Efficiency measurement in Islamic financial institutions

The concept of efficiency goes back to Koopmans's definition of an efficient production unit[13] and Debreu's coefficient of resource utilization.[14] Farrell separated technical efficiency from allocative efficiency,[15] and Leibenstein added X-efficiency, the gap caused by the quality of management.[16] Kumbhakar and Lovell unified these concepts in the stochastic frontier framework,[17] and Berger and Humphrey classified the efficiency concepts used for financial institutions.[18]

Three families of methods are used to assess Islamic banks. The first is ratio analysis under the CAMELS system (capital, asset quality, management, earnings, liquidity and sensitivity to market risk), which United States supervisors introduced in 1979 and revised in 1996.[19] For Islamic banks a Shariah-compliance dimension is often added, and capital adequacy has to reflect the IFSB-15 "alpha" factor. Alpha is the share of the risk on profit-sharing investment accounts that remains with the bank.[20] The second family is frontier analysis. With data envelopment analysis (DEA), Hassan found that Islamic banks are more cost-efficient than profit-efficient, with large differences between countries. Beck, Demirgüç-Kunt and Merrouche studied 88 Islamic and 422 conventional banks in 22 countries over 1995-2009. Islamic banks were better capitalized and had better asset quality, but managed costs less well.12 Metafrontier studies show that most of the gap between the two groups comes from managerial quality within each group, not from bank type.22,23 The third family asks whether institutions serve the objectives of the Shariah. Mohammed, Razak and Taib built a performance index on Abu Zahra's theory of maqasid al-Shariah,24,25 and later studies combined this Sharia Maqasid Index with CAMEL ratios.26 On whether Islamic institutions are more efficient, the literature is divided; the answer depends on the method, the period and the country studied.

Research gap, scientific novelty and contribution

Almost all of this evidence comes from leading centers such as Malaysia, the United Arab Emirates, Saudi Arabia, Indonesia and Pakistan. The reason is practical: DEA and stochastic frontier analysis (SFA) need panel data covering five to ten years for enough institutions. In the Commonwealth of Independent States (CIS), Islamic banks are rare. Kazakhstan has had two (Al Hilal and Zaman-Bank) and Kyrgyzstan one (EkoIslamicBank), and Uzbekistan has no licensed Islamic bank at all. The regional

literature is therefore descriptive. One study analyzed the stability and liquidity ratios of Kazakh and Kyrgyz Islamic banks for 2014-2018.27 Another showed that the lack of a unified legal base, double taxation and the absence of a dedicated supervisor reduce operational efficiency in Russia.28 For Uzbekistan, a UNDP survey found that up to 80% of small and medium-sized enterprises have limited access to finance. In the same survey, 61% of businesses and 75% of individuals said they would use an Islamic bank.29 Other work reviews the prospects for introducing Islamic finance in the country30 or projects Islamic finance assets of about USD 1 billion by 2028 and USD 2.4 billion by 2033.31

The CIS and Uzbek literature thus consists of legal and institutional analyses, market-potential surveys and conceptual papers. No study applying DEA, SFA or a Maqasid al-Shariah index to Islamic financial institutions in the CIS region or in Uzbekistan was found. The present study addresses this gap and makes four contributions. (i) It proposes a three-stage efficiency-assessment framework (financial ratios, frontier methods and a Maqasid index) for a market where Islamic finance is just emerging, and states the data conditions under which each stage becomes computable. (ii) It provides a Stage 1 baseline for the banking environment in which the first Islamic windows will operate, using official 2025-2026 data. (iii) It develops Maqasid al-Shariah evaluation criteria adapted to Uzbekistan and maps each indicator to its data source and current availability. (iv) It compares Uzbekistan with seven countries, including its Central Asian neighbors, and links qualitative development scenarios to the measurability of efficiency. Law No. ZRU-1126 on Islamic banking entered into force on June 29, 2026,32 so the study records a baseline before the first licences are issued.

The study addresses three research questions. RQ1: What does the current performance of Uzbekistan's banking system imply for the introduction of Islamic banking? RQ2: What is the state of Islamic financing in Uzbekistan, and which efficiency methods can be applied to it now? RQ3: How does Uzbekistan compare with established and regional Islamic finance jurisdictions, and what criteria should guide a future Maqasid-based assessment?

2. Methodology

Research design: a three-stage framework

No single method captures the efficiency of an Islamic financial institution. Ratios are simple but treat each dimension separately. Frontier methods combine several inputs and outputs into one score but need data that a new market lacks. Neither measures whether the institution serves the objectives of the Shariah. Hence the sequential framework used here: each of its three stages is activated only once its data requirements are met (Table 1).

Table 1. Three-stage framework for assessing the efficiency of Islamic financial institutions in Uzbekistan

Stage	Method	Main indicators / output	Data requirements	Status in Uzbekistan (October 2026)
1	Financial ratios (CAMELS-type)	ROA, ROE, net interest (financing) margin, CIR, NPL/NPF, CAR, loans/deposits, LCR, NSFR; for Islamic institutions also PLS share and alpha-adjusted CAR	Published financial statements; a single period is sufficient	Computable for the banking system; not yet for a separate Islamic segment
2	Frontier efficiency: SFA, DEA, metafrontier	Technical, cost and profit efficiency scores (0-1); technology gap ratio; productivity change	Panel of 5-10 years; enough decision-making units; input and output quantities and prices	Not computable: no licensed Islamic bank or window, no separate statements
3	Maqasid al-Shariah index	Composite index across Maqasid dimensions	Islamic-segment disclosures: contract mix, zakat and charity, education spending, Shariah audit findings	Criteria proposed (Table 6); values not yet computable

Data and sources

Stage 1 uses official statistics of the Central Bank of the Republic of Uzbekistan (CBU). These are the Statistical Bulletin for March 2026, with a reporting date of April 1, 2026,33 and the monthly tables of non-performing loans (NPLs) up to August 1, 2026.34 Information on Islamic financing comes from legal acts, CBU regulations and reviews, and public statements by CBU officials. The international comparison uses reports of national central banks, supervisors and international organizations. The data cut-off is October 15, 2026, and a few comparator sources were accessed on October 24, 2026. Four rules governed the data. Values computed by the author are kept separate from published figures. No value is entered for an indicator that has not been published. Islamic-financing statistics are never combined with aggregate commercial-bank statistics. Reporting dates and coverage are stated for every table.

Stage 1: financial ratios

Return on assets (ROA) and return on equity (ROE) are net profit over average assets and average equity. The cost-to-income ratio (CIR) is non-interest plus operating expenses over gross income, defined as the net interest margin plus non-interest income. The NPL ratio is NPLs over total loans. Capital adequacy (CAR) is regulatory capital over risk-weighted assets, and liquidity is measured with the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The CBU does not publish interest-earning assets, so its own analogue, the net interest margin over total assets, replaces the textbook margin. For Islamic institutions, the same ratios apply with Islamic substitutes. Non-performing financing (NPF) replaces NPL, the net financing margin replaces the interest margin, the share of PLS financing is added, and CAR applies the IFSB-15 alpha factor.20

Stage 2: frontier methods and why they cannot yet be applied

SFA35 separates managerial inefficiency from random noise in a cost frontier:

$$\ln C_i = f(y_i, w_i; \beta) + v_i + u_i, \quad u_i \geq 0 \qquad (1)$$

Here Ci is total cost, yi is the output vector, wi is the vector of input prices, vi is random error and ui is inefficiency. Cost efficiency, CEi = exp(−ui), lies between 0 and 1. DEA36 builds a non-parametric frontier from the best performers in the sample and, for each decision-making unit, maximizes

$$h_i = \Sigma_r u_r y_{ri} / \Sigma_k v_k x_{ki} \rightarrow \max, \quad \text{subject to } h_j \leq 1 \text{ for all } j \qquad (2)$$

where yri and xki are outputs and inputs and ur and vk are weights chosen to favor the unit being assessed. The metafrontier approach estimates separate frontiers for Islamic and conventional banks and then a common envelope. This avoids comparing institutions with different contractual "technologies" against a single frontier.22 None of these methods can yet be applied credibly in Uzbekistan. They need a panel of five to ten years and enough comparable units, but no Islamic bank or window had been licensed by the data cut-off. The roughly twelve microfinance organizations offering Islamic products do not publish separate statements for this activity. Running DEA or SFA on conventional banks would measure conventional efficiency and say nothing about Islamic institutions. Stage 2 is therefore specified here and left for future work.

Stage 3: Maqasid al-Shariah index

The reference model is the Sharia Maqasid Index of Mohammed, Razak and Taib.24 It rests on three objectives: educating the individual (tahdhib al-fard, weight 30%), establishing justice (iqamah al-adl, 41%) and promoting public interest (jalb al-maslahah, 29%). These are measured through ten ratios, such as education spending over total expenses, interest-free income over total income, zakat over net assets and real-sector investment over total investment. The weights come from a survey of 16 Shariah experts.24,26 Because these weights were not designed for Uzbekistan, the model is used only as a template. Indicators are normalized to [0, 1] (x_k), weights w_k with $\Sigma w_k = 1$ are set by expert assessment, and the index is

$$SMI = \Sigma_k w_k \times x_k \qquad (3)$$

International comparison and scenario analysis

Malaysia and Saudi Arabia were selected because they rank first and second in the Islamic Finance Development Indicator (IFDI) 2025.6 Türkiye and Pakistan represent dual banking systems with substantial Islamic segments, while Kazakhstan, Kyrgyzstan and Tajikistan are Central Asian neighbors with Islamic banks or services. Because reporting dates and definitions differ, gaps of up to one percentage point are not interpreted. Since the data cannot support a quantitative forecast, prospects are assessed through a factor analysis and three qualitative scenarios, which are not official forecasts.

3. Results

Stage 1: financial performance of Uzbekistan's banking system

Because no Islamic bank yet operates, Stage 1 describes the environment in which Islamic windows will compete and from which they will draw resources. The indicators refer to conventional banks, not to Islamic institutions. In 2025 deposits grew much faster than loans, strengthening the resource base (Table 2). Concentration is high: at April 1, 2026, the 11 banks with assets above UZS 30 trillion held 76.7% of the assets of the 34 commercial banks.33

Table 2. Main volume indicators of commercial banks, UZS billion

Indicator	1 Jan 2025	1 Jan 2026	Change, %
Total assets	769,330.4	924,763.1	+20.2
Loans	533,121.2	604,002.2	+13.3
Deposits	308,692.3	417,258.2	+35.2
Equity capital	114,792.4	135,339.1	+17.9

Source: CBU Statistical Bulletin, Table 5.1.2;33 growth rates computed by the author.

Profitability and buffers improved over the five quarters to April 2026 (Table 3). ROE rose markedly in early 2026 while the margin ratio slipped, so the gain did not come from lending margins. Capital ratios edged up, and both Basel III liquidity ratios stayed far above minimums and rose sharply in early 2026.

Table 3. Profitability, capital adequacy and liquidity of the banking system, %

Reporting date	ROA	ROE	Net interest margin / assets	CAR	Tier 1 CAR	LCR	NSFR
1 Jan 2025	–	–	–	17.4	14.3	193.8	115.3
1 Apr 2025	2.1	11.6	4.5	17.6	15.2	196.8	116.2
1 Jul 2025	2.0	10.8	4.5	17.4	14.6	195.0	116.8
1 Oct 2025	2.1	11.8	4.5	18.2	15.1	199.7	115.8
1 Jan 2026	2.2	12.4	4.5	18.3	15.2	207.5	119.9
1 Apr 2026	2.6	16.0	4.2	18.5	15.8	244.6	140.0

Source: CBU Statistical Bulletin, Tables 5.1.3, 5.1.4 and 5.1.6.33 ROA is based on pre-tax profit; ROA, ROE and the margin ratio are annualized, as published by the CBU. "–" = not reported in the source for that date.

Recomputing the 2025 ratios from net profit gives a more conservative picture (Table 4). Net-profit ROA is clearly below the published pre-tax figure, and the cost-to-income ratio was slightly above one half. Non-interest income was almost twice the net interest margin, which made profits depend mainly on non-lending revenue, while loan-loss provisioning absorbed well over half of the margin. On cost efficiency, the CBU's monthly non-interest-expense ratio for the first quarter of 2026 was below the full-year 2025 cost-to-income level, but it rose month by month from January to March, so the cost burden grew over the quarter.

Table 4. Earnings structure and cost efficiency, %

Indicator	Calculation	Value	Period
ROA (net profit basis)	Net profit ÷ average assets	1.83	2025
ROE (net profit basis)	Net profit ÷ average equity	12.39	2025
Net interest margin ÷ average assets	37,999.6 ÷ 847,046.8	4.49	2025
Cost-to-income ratio (CIR)	(Non-interest + operating expenses) ÷ (net interest margin + non-interest income)	52.28	2025
Loan-loss provisions ÷ net interest margin	22,916.9 ÷ 37,999.6	60.31	2025
Non-interest expenses ÷ gross income (CBU)	Published monthly, year to date	41.3 → 45.4 → 46.9	Jan → Feb → Mar 2026
Net interest margin ÷ gross income (CBU)	Published, year to date	30.3	Mar 2026

Source: CBU Statistical Bulletin, Tables 5.1.2, 5.1.5 and 5.1.7;33 2025 values computed by the author from net profit of UZS 15,501.7 billion; average assets and equity are means of the 1 Jan 2025 and 1 Jan 2026 balances.

Asset quality, which had improved in 2025 (the NPL ratio fell from 4.0% to 3.0% over the year), began to deteriorate in 2026.33 Between January 1 and August 1, 2026, the system-wide NPL ratio rose from 3.0% to 3.7%. It rose from 3.2% to 4.0% at banks with

state ownership and from 2.6% to 3.2% at other banks.34 Dispersion is wide. At August 1, 2026, NPL ratios among the 24 largest banks ranged from zero at KDB Bank Uzbekistan to 13.1% at Tibisi bank. Mikrokreditbank's ratio more than doubled to 9.9%.

Funding sets the system apart. At April 1, 2026, the loan-to-deposit ratio was 143.6% for the system, 187.4% at banks with state ownership and 97.9% at other banks. Borrowed funds and leasing made up 30.7% of liabilities, so state-owned banks finance lending heavily from non-deposit sources.33 Mid-sized banks (UZS 3-30 trillion in assets) earned ROE of about 24-25%, against 13.6% for the largest banks.

The current state of Islamic financing in Uzbekistan

The legal basis for Islamic finance was built first through microfinance and then through banking legislation (Table 5). By the cut-off the banking framework was complete, but no licence had been issued.

Table 5. Legal and institutional milestones of Islamic financing in Uzbekistan

Date	Act or event	Content
2022	Law "On non-bank credit organizations and microfinance activity"	Microfinance organizations (MFOs) allowed to provide services based on Islamic principles37,38
26 Jul 2024	CBU regulation (registration No. 3536)	MFOs may offer murabaha, Islamic ijara, salam, musharaka and mudaraba; a dedicated Shariah council and separate accounting are required39,40
17 Oct 2025	Amendments to the MFO regulation (Ministry of Justice No. 3412-1)	Islamic financing recognized as assets; rules on asset classification, provisioning and reporting; only MFOs entitled to provide Islamic financing41
27 Mar 2026	Law No. ZRU-1126	Introduces Islamic banking, six types of Islamic finance operations and an Islamic Finance Council at the CBU; in force from 29 Jun 202632
Jul 2026	Islamic Finance Council; licensing rules	Five-member council established at the CBU; licensing rules for Islamic banks and windows registered on 17 Jul 202638
25 Aug 2026	Licensing launched	Licensing process opened; no bank had yet obtained a licence for Islamic finance services42

Until a licence is issued, Islamic financing is provided only by MFOs, and in very small volumes. In the first quarter of 2025 Islamic financing totaled UZS 415 million, all of it murabaha.40 For the whole of 2025, eight MFOs extended about UZS 21 billion (roughly USD 1.7 million) under mudaraba, ijara, murabaha and musharaka contracts. In January-May 2026 the volume reached UZS 22 billion, and about twelve MFOs now offer Islamic products.37,43 Murabaha dominates, although one MFO specializes in mudaraba-based investment schemes.43 These are period flows, not outstanding balances. Volumes by contract type, client numbers and regional coverage are not published, and the figures come from reviews and statements rather than a regular statistical series.

Stage 3: proposed Maqasid al-Shariah evaluation criteria for Uzbekistan

Building on the Sharia Maqasid Index template,24,26 five assessment dimensions are proposed for Uzbekistan (Table 6). Each indicator is linked to a data source and its current availability, which turns the index into a disclosure agenda. This is a methodological proposal, not an approved standard.

Table 6. Proposed Maqasid al-Shariah evaluation criteria for Uzbekistan

Dimension	Indicators and calculation	Unit	Data source	Current data status
1. Financial stability	ROA = net profit ÷ average assets; capital adequacy; NPF share = non-performing financing ÷ total financing	%	Separate reports of Islamic institutions; CBU	No separate indicators for Islamic activity published
2. Access to finance	Number of clients served; average contract size = total volume ÷ number of contracts; regional coverage	Units; UZS mn; number of regions	CBU; Islamic institutions	Only total volume available; clients and regions not published
3. Support for the real economy	Share of asset-based contracts (murabaha, ijara, salam); share of PLS contracts (mudaraba, musharaka); share directed to the real sector	%	Reports of Islamic institutions	Volumes by contract type not published
4. Social responsibility	Zakat and charity ÷ net assets; education and training expenses ÷ operating expenses	%	Reports and notes of Islamic institutions	No data
5. Shariah compliance	Share of products approved by the Shariah board; share of income from non-permissible sources; number of Shariah-audit findings	%; units	Shariah board and audit reports	System being established (Islamic Finance Council, Jul 2026)

Dimensions 1, 3, 4 and 5 correspond broadly to the reference model's profitability, PLS and real-sector, zakat and education, and interest-free-income ratios. Dimension 2, access to finance, is added because financial inclusion is the main argument for Islamic finance in Uzbekistan.29 No index value can yet be computed.

3.4. International comparison

The weight of Islamic finance varies widely across the comparator systems. In Malaysia, Islamic financing reached MYR 1,076.4 billion in July 2026, 44.4% of all bank lending and financing.44 In Saudi Arabia, Islamic banks held 75.8% of banking assets in the third quarter of 2025.45 Participation banks account for about 9.6% of banking assets in Türkiye,46,47 and Islamic banking institutions hold 23.7% of assets and 29.2% of deposits in Pakistan.48 In Central Asia, Islamic banks hold only about 0.5% of banking assets in Kazakhstan (2024, with source estimates ranging up to 1.5%).49 In Kyrgyzstan, Islamic financing makes up 4.69% of the loan portfolio, and six of 26 banks offer Islamic services.50 Tajikistan has one Islamic bank among 19 banks.51 Table 7 sets out the core prudential indicators.

Table 7. Core banking indicators: Uzbekistan and comparator countries, %

Country	Reporting date	ROA	ROE	CAR	NPL	Loans / deposits
Uzbekistan33,34	1 Apr 2026 (NPL: 1 Aug 2026)	2.6	16.0	18.5	3.7	143.6
Malaysia44,52	ROA, ROE: Dec 2025; other: Jul 2026	1.5	13.1	18.2	1.4	82.8
Saudi Arabia53	Q1 2026 (10 largest banks)	2.0	14.7	20.9	0.9	104.1
Kyrgyzstan50	31 Aug 2026 (preliminary)	2.5	15.1	31.8	1.8	68.9
Türkiye46,54	Aug 2026 (ROA, ROE: 2025)	2.3	27.0	16.6	2.9	87.6
Pakistan48,55	30 Jun 2026	1.1	19.0	19.6	5.5	35.2
Kazakhstan56	1 Sep 2026	3.5	22.9	20.2	4.0	83.9
Tajikistan57-59	End-2024 (loans/deposits: end-2025)	3.8	20.7	21.8	7.1	77.0

Definitions differ: ROA is pre-tax in Uzbekistan and Tajikistan and after-tax in Pakistan; Türkiye ROA and ROE are 2025 annual averages; Malaysia uses gross impaired loans and the loan-to-fund ratio; Saudi data are a consultancy aggregate of the 10 largest banks, not official sector statistics; Kyrgyzstan NPL is the share of overdue loans (classified loans: 11.5%); Kazakhstan NPL is 90+ days overdue and CAR is k2; Tajikistan NPL is 30+ days overdue. Loans/deposits for Kyrgyzstan, Türkiye, Kazakhstan and Tajikistan were computed by the author from official volumes; Pakistan is the advances-to-deposits ratio (35-37% depending on definition).

Four points stand out. Uzbek banks are profitable by regional standards: their ROA exceeds that of Malaysia, Saudi Arabia, Türkiye and Pakistan, although ROE trails Türkiye, Kazakhstan, Tajikistan and Pakistan; given definitional differences, these rankings are only indicative. Capital adequacy is close to Malaysia's but below most other comparators. Asset quality is weaker than in the two leading Islamic finance jurisdictions and in Türkiye and Kyrgyzstan, similar to Kazakhstan's, and better than in Pakistan and Tajikistan. Funding is where Uzbekistan is a clear outlier: it is the only country where loans substantially exceed deposits, while its LCR also exceeds those of Malaysia (148.7%), Saudi Arabia (171.6%) and Pakistan (214.1%).44,48,53

Kyrgyzstan is the closest analogue. Islamic financing there grew by 54.3% in the first eight months of 2026, to KGS 29.7 billion, about twice the growth of the total portfolio, and its overdue share was 0.7% against 1.8% for all loans.50 The base is small, so generalization requires caution. For illustration only, not as a forecast: if Islamic financing reached the Kyrgyz share of the loan portfolio in Uzbekistan, it would amount to about UZS 29,230.2 billion against the April 1, 2026, portfolio.33

Development prospects and qualitative scenarios

Five factors shape the prospects. The legal framework is favorable: the law is in force, the Islamic Finance Council exists and licensing rules are registered.38 The service base is at an initial stage, confined to MFOs. The financial infrastructure is also favorable, with high capital and liquidity and 133 MFOs operating at April 1, 2026,33 though this describes the general environment. Data transparency is a constraint, and demand is not yet established. Ten banks are preparing Islamic windows and four or five foreign banks have expressed interest,60 but no official survey of household demand was found. Official plans

envisage at least one window in 2026, two fully Islamic banks over 2026-2030 and about USD 1 billion of additional investment and deposits.61 The updated "Uzbekistan-2030" strategy instead envisages Islamic financing in banks from 2027 and in at least three banks by 2030, and the CBU has spoken of at least ten Islamic banks by 2030.62 Because the timelines differ, they are treated as plan targets, not forecasts. USD 1 billion equals about UZS 12,164.0 billion at the March 2026 average rate, roughly 1.27% of banking assets and 1.95% of loans at April 1, 2026 (author's calculation).33 Table 8 summarizes three qualitative scenarios.

Table 8. Qualitative scenarios for Islamic financing in Uzbekistan

Scenario	Conditions	Qualitative outcome for efficiency assessment
Cautious	Licensing and Shariah governance develop slowly; Islamic services remain mainly in MFOs	Islamic finance remains a small segment; data for Maqasid-based evaluation stay limited
Baseline (in line with plans)	At least one window launched; two fully Islamic banks by 2030; national standards introduced	Reports of the first window allow the Table 6 criteria to be computed; Stage 1 ratios for the Islamic segment become available
Active	Several banks and foreign investors enter; product range widens; data published regularly	Systematic Maqasid-based assessment and inter-bank comparison become possible; panel builds up for Stage 2 (DEA/SFA)

Source: author's analysis based on official plan indicators; reporting date October 15, 2026. Scenarios are not official forecasts.

4. Discussion

What the banking environment implies for Islamic banking

Stage 1 shows ample capital and liquidity buffers, a necessary condition for Islamic windows, whose sponsoring banks must absorb start-up costs and early losses. Three features of the environment, however, bear specifically on Islamic institutions. The first is the earnings model. Profit growth depended on non-interest income, the lending margin narrowed, and provisioning absorbed most of it. Islamic windows cannot earn interest margins at all. Their income will come from mark-ups, rentals and profit shares, so cost discipline will be decisive. The cost ratio rose within the first quarter of 2026, even though its level stayed below the 2025 full-year ratio. Operating costs, in other words, are not falling. The international evidence is mixed. Islamic banks have tended to lag conventional banks in cost management,12 while Hassan found them stronger in cost than in profit efficiency, with wide cross-country variation.21 Either way, cost efficiency is likely to be the first test for Uzbek Islamic windows.

Credit risk is the second concern. NPLs rose throughout 2026 and dispersion across banks is wide. Murabaha and ijara carry credit-like exposure. Mudaraba and musharaka add equity-like exposure and the information-asymmetry problems that the literature sees as their main weakness.4,63 Stronger monitoring and dispute-resolution institutions are therefore a precondition for expanding PLS finance. Funding is the third. Loans exceed deposits by a wide margin, and borrowed funds make up almost a third of liabilities. A segregated Islamic window cannot draw on interest-bearing wholesale funds. It will depend on its own deposits and profit-sharing investment accounts until Shariah-compliant liquidity instruments, such as sukuk, and infrastructure of the kind built internationally around the IFSB and the Liquidity Management Centre become available.11 High system-wide LCRs do not remove this constraint for a newly segregated Islamic book.

Islamic financing and the readiness of efficiency methods

Islamic financing in Uzbekistan is marginal, confined to microfinance and dominated by murabaha. This mirrors the international pattern in which sale-based contracts outweigh partnerships. It also carries the risk, noted by Usmani, that murabaha becomes functionally close to conventional credit,4 and the proposed real-economy dimension, which tracks the PLS share, is designed to make this visible. The finding that frontier methods cannot yet be applied is itself substantive. Presenting DEA or SFA scores for conventional banks as evidence on Islamic finance would be misleading. As the metafrontier literature shows, the two groups operate under different contractual technologies.22,23 Stating the data conditions of each stage keeps the assessment transparent and shows which disclosures are needed before the next stage can begin.

Lessons from international comparators

The comparators suggest that institutional depth matters more than headline profitability. Malaysia and Saudi Arabia combine large Islamic shares with strong capital and low NPLs, and Malaysia publishes capital and liquidity ratios for Islamic banks separately.44 In the region, the Kyrgyz central bank reports the volume and overdue share of Islamic financing in its regular banking review.50 Uzbekistan has no such series yet. Kazakhstan's experience is a caution: Islamic banks there still hold only about half a percent of assets,49 which shows that a legal framework alone does not create scale. Tax neutrality and dedicated supervision matter as well, as Russian experience indicates.28 The United Kingdom and Singapore extended tax neutrality to Islamic finance early.11 Kyrgyzstan gives more cause for optimism: Islamic financing there is growing faster than conventional lending, with a lower overdue share. Earlier evidence that Kyrgyz and Kazakh Islamic banks held liquidity above 100%, however, also points to under-used resources.27 In Türkiye and Pakistan the Islamic segment has grown steadily alongside conventional banking. In Pakistan its asset share rose by almost a percentage point in one half-year,48 which is consistent with the gradual, window-first path planned for Uzbekistan.

Limitations and future research

The main limitation is that Islamic financing in Uzbekistan has no separate financial statements. The Stage 1 ratios therefore describe the conventional environment, and Stages 2 and 3 are specified but not estimated. Islamic-financing volumes come from official reviews and statements, not a statistical series. The comparison mixes reporting dates (end-2024 for Tajikistan, September 2026 for Kazakhstan) and definitions. The 2026 Saudi figures are a consultancy aggregate, the Kyrgyz data are preliminary, and estimates of Kazakhstan's Islamic share vary between sources. The Maqasid weights are not calibrated for Uzbekistan, and the scenarios are qualitative. The obvious next step is to compute Stage 1 ratios for the first Islamic window as soon as it reports. Once five or more years of data exist, DEA and SFA scores can be estimated against a metafrontier with conventional banks. The Maqasid weights, for their part, should be calibrated through a structured survey of Shariah scholars and practitioners in Uzbekistan.

5. Conclusion

This study proposed a three-stage framework for assessing the efficiency of Islamic financial institutions in a market where Islamic finance is only now being introduced, and applied it to Uzbekistan as Islamic banking legislation took effect. Stage 1 shows comfortable capital and liquidity, but also earnings that rely on non-interest income, heavy provisioning, rising NPLs, a cost burden that grew within the first quarter of 2026 and strong dependence on non-deposit funding. Islamic financing is still a microfinance niche dominated by murabaha. Frontier methods (Stage 2) cannot yet be applied credibly, and the proposed Maqasid criteria (Stage 3) define what must be disclosed before they can be computed.

The findings lead to four policy recommendations. First, the Central Bank should add a regular Islamic-financing section to its Statistical Bulletin, covering volumes by contract type, non-performing and overdue financing, numbers of clients and regional coverage, as the Kyrgyz and Malaysian central banks already do. Second, Islamic windows should publish separate financial statements, including profit-sharing investment accounts and an IFSB-15 alpha-adjusted capital ratio. Third, Shariah-compliant liquidity instruments, sukuk in particular, should be developed in parallel with licensing. Fourth, the five Maqasid dimensions can serve as a disclosure template from the start. As data accumulate, the framework sets out a path from descriptive ratios to frontier efficiency and, ultimately, Maqasid-based evaluation.

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Conflict of Interest

[The author(s) declare no conflict of interest.]

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