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*By Universitas Muhammadiyah Sidoarjo*

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## Table Of Contents

<b>Journal Cover</b> .....	1
<b>Author[s] Statement</b> .....	3
<b>Editorial Team</b> .....	4
<b>Article information</b> .....	5
Check this article update (crossmark) .....	5
Check this article impact .....	5
Cite this article.....	5
<b>Title page</b> .....	6
Article Title .....	6
Author information .....	6
Abstract .....	6
<b>Article content</b> .....	7

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# Academia Open

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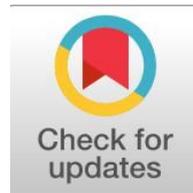
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## World Islamic Bank Market

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### Abstract

**General Background** The global Islamic banking market has emerged as a rapidly expanding segment within the international financial system, characterized by interest-free financing, risk-sharing mechanisms, and asset-backed transactions. **Specific Background** Over the past decade, Islamic finance has experienced significant growth, supported by increasing asset volumes, institutional development, and broader geographic participation across regions such as the Middle East, Southeast Asia, and Europe. **Knowledge Gap** Despite extensive reporting on asset growth and regional distribution, there remains a need for integrated analysis linking growth trends, regional concentration, and future development drivers within the global Islamic banking system. **Aims** This study aims to analyze the size, growth rate, and regional distribution of Islamic banking assets based on recent global financial reports. **Results** Findings indicate that global Islamic finance assets reached approximately USD 6 trillion, with USD 4.32 trillion attributed to Islamic banking, growing at 10.6%, primarily concentrated in MENA and GCC regions, while Southeast Asia and Africa demonstrate emerging growth potential. **Novelty** The study provides a consolidated perspective combining asset distribution, regional dynamics, and future sectoral trends including digital banking, sukuk markets, and sustainable finance instruments. **Implications** These findings suggest that Islamic banking will continue to expand globally, with diversification beyond traditional regions and increasing integration into sustainable and digital financial systems, contributing to broader financial inclusion and stability.

#### Highlights:

- Global Asset Volume Reaches USD 4.32 Trillion With Sustained Double-Digit Expansion
- Regional Concentration Dominated by Middle East and Gulf Economies With Emerging Asian Markets
- Future Development Driven by Digital Banking Systems and Sukuk-Based Financial Instruments

**Keywords:** Islamic Banking Market, Islamic Finance Assets, Sukuk Market, Digital Banking, Financial Growth.

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## Introduction

The study of the global Islamic banking market is very relevant today, as it is becoming a rapidly growing segment of the global financial system. Islamic banks are distinguished by interest-free financing, fair risk distribution and reliance on real assets. According to the Islamic Finance Development Report, the volume of global Islamic finance assets has increased several times over the past decade [1]. This growth is observed not only in Muslim countries, but also in developed markets in Europe and Asia.

The Islamic banking system plays an important role in strengthening financial stability and ensuring resilience to crises. World Bank analyses have recognized Islamic finance as an effective tool for developing inclusive finance [2]. Islamic banks are also actively involved in supporting small businesses and investment projects. The standards of the Islamic Financial Services Board are strengthening the integration of Islamic banks into the international financial system.

The growing interest in environmentally and socially responsible finance in the world is increasing the importance of Islamic banks [3]. Therefore, in-depth study of the global Islamic banking market is important for economic policy and financial strategies.

## Literature Analysis

The Islamic Finance Development Report is one of the main sources for scientific analysis of the global Islamic banking market. This report details the steady growth of Islamic banking assets, regional distribution and market drivers. According to the report, Islamic banks are more stable than traditional banks in the world financial system [4].

Also, studies prepared by the World Bank have evaluated Islamic finance as an effective mechanism for financial inclusion and poverty reduction. In these studies, the impact of Islamic banks on the economy of developing countries is scientifically based. In addition, the publications of the Islamic Financial Services Board provide in-depth analysis of international standards and risk management issues in the Islamic banking system [5], [6].

At the level of Uzbekistan, analytical reports of the Central Bank of the Republic of Uzbekistan are of great importance in studying the Islamic banking market. The perspectives and legal basis of introduction of Islamic banking services are highlighted in them.

Also, scientific articles prepared by local scientists analyze the role and development opportunities of Islamic banks in the Uzbek economy.

These literatures serve as a theoretical basis for adapting world experience to national conditions [7].

## Analysis and Result

Islamic finance, and especially Islamic banking, has become a stable and rapidly growing segment of the global financial system over the past decade. The recently published Islamic Finance Development Report 2025 according to the report 2024 assets of Islamic finance in the world 6 reached a trillion US dollars, of which 4.32 trillion dollars goes directly to Islamic banks [8]. Islamic banks and conventional banks with Islamic “windows” . 84 operates in the country; total 681 there are banks, and about half of them are Islamic “windows” within the framework of traditional banks . These structures It manages US \$ 619.9 billion in assets and accounts for approx 14 percent.

The growth rates of the sector are also attractive. According to S&P Global Ratings, 2024 assets of the Islamic finance industry in 10.6 percent, and 60 percent of this growth was accounted for by the banking sector [9], [10]. As stated in the report, this growth 81 percent was provided by the Gulf Cooperation Council (GCC) countries, led by Saudi Arabia. 2025 - 2027 In the years to come, high double-digit growth rates are expected to continue in Southeast Asian markets such as Malaysia and Indonesia (Table 1).

**Table 1.** Global Islamic banking assets by region (2024)

No.	Region	Islamic bank assets (billion USD)	Share (%)
1	Other MENA (Middle East & North Africa)	2,095	48.5
2	GCC (Saudi Arabia , UAE, Qatar, etc.)	1,660	38.4
3	Southeast Asia	380	8.8
4	South Asia	92	2.1
5	Europe	85	2.0
6	Other countries	6	0.2
<b>Total</b>		<b>4 318</b>	<b>100</b>

The following aspects should be highlighted from the above information:

- j ahon Islamic bank assets 86-87 percent of the total is in MENA and GCC countries;
- It shows that Islamic finance is still geographically concentrated ;

# Academia Open

Vol. 11 No. 1 (2026): June  
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- Southeast Asia (Malaysia and Indonesia) It is considered a strategic growth point with a share of 8-9 percent;
- The European market is small in size (2 percent ), but institutionally strong and the capital market is developed;
- other regions (Africa, Central Asia) the potential is great, but the market is still in its infancy [11].

So the Islamic banking market is currently dependent on oil - rich countries and the Arab region, but the process of diversification has begun.

**Table 2.** Islamic banking assets by leading countries (2024)

No.	Country	Assets (billion USD )	Share in the national banking system (percentage)
1	Saudi Arabia	826	65 - 70
2	Malaysia	334	38 - 40
3	UAE	220	23 - 25
4	Qatar	120	25 - 30
5	Indonesia	55	6 - 7
6	Pakistan	36	25
7	Bangladesh	84	22 - 23
8	Nigeria	5.4	2 - 3

The following main points can be made regarding the analysis of the size and share of Islamic bank assets:

- Saudi Arabia's global Islamic banking market controls more than 33 percent;
- Malaysia is considered the most institutionally advanced model for Islamic finance [12], [13];
- Indonesia, despite its small population, is characterized by high growth rates;
- Although the share is large in Pakistan and Bangladesh, the banking system is in the process of transitioning to full Islamicization;
- In Africa (Nigeria), the growth rate is high, but the volume is still small.

Based on these data, it can be concluded that Islamic banking leaders are divided into two types:

1. High concentration (Saudi Arabia).
2. Diversified and innovative model (Malaysia).

**Table 3.** Growth rates of the Islamic banking sector ( 2023 - 2024 )

Index	2023	2024	Growth (%)
Global Islamic Bank Assets	3.90 trillion . \$	4.32 trillion . \$	+10.6
GCC assets	1.53 trillion . \$	1.66 trillion . \$	+8.5
Malaysian Islamic Bank Assets	309 billion \$	334 billion \$	+8
Indonesian assets	50 billion \$	55 billion \$	+10
Bangladesh assets	74 billion \$	84 billion \$	+13.5
Nigerian assets	3.8 billion \$	5.4 billion \$	+42

And changing trend of the Islamic banking sector shows the following:

- The global Islamic banking sector maintains a double-digit growth rate (+10.6 percent);
- The GCC market is growing steadily, but not exponentially;

# Academia Open

Vol. 11 No. 1 (2026): June

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- In Southeast Asia, stable growth above inflation is noted;
- Markets like Bangladesh and Nigeria have high growth potential;
- The African market is growing rapidly due to the effect of a small base.

It should be noted here that the Islamic banking sector is growing faster than global finance, especially in developing countries [14]. The main trends of the Islamic banking system are as follows:

1. The global Islamic banking market is currently highly dependent on the MENA region.
2. Asia (especially Malaysia and Indonesia) is the future growth driver.
3. Africa is emerging as a new frontier market.
4. Digital Banking and Sukuk Market Next 5 will be the main source of annual growth.
5. Inconsistency of liquidity management and Shariah standards is a major systemic problem.

We continue our analysis by turning to the regional aspects of the Islamic banking system.

GCC and other MENA countries . 2024 In 2018, nearly 86 percent of Islamic banking assets were located in MENA and GCC countries [15]. Saudi Arabia is the largest player in this market, with Islamic finance assets in the country worth 3.1 trillion Saudi riyals (826 billion US dollars ) and it is the global Islamic banking assets 33 Saudi Vision 2030 The initiative is diversifying bank portfolios by focusing Islamic leasing, musharakah and murabahah contracts on infrastructure and consumer sectors. The UAE is the second largest market for the development of Islamic finance, and the international financial center of Dubai has become the global center of sukuk trading.

Europe. Islamic finance has also penetrated western markets. There are five fully Islamic banks in the UK and more than twenty conventional banks with Islamic “windows”. Their assets exceed £6 billion. The London Stock Exchange is the world’s third largest listing venue for USD-denominated sukuk. 2024 of dollar sukuk in London in approx 35 The Bank of England (BoE) 2021 In 2018, it launched the Alternative Liquidity Facility, creating a Sharia-compliant liquidity platform for Islamic banks.

Southeast and South Asia. Malaysia remains the benchmark market for Islamic finance. 2025 In July 2018, Islamic bank assets amounted to 1.58 trillion ringgit (334 billion US dollars and bank assets of this country 38.7 percent [16]. Islamic financing of bank loans 47.5 percent, of which 63.5 percent corresponds to housing and consumer sector. Malaysia is also a leader in the sukuk market: global sukuk issuance 33.9 percent corresponds to the contribution of this country. Assets of Islamic banks in Indonesia 2016 of the year 4.8 from a percentage 2024 by the year 6 increased by percent , annual growth 10 percent. The government has promoted digital banking and P2P crowdfunding platforms, and launched microfinance programs. Islamic banking assets in Bangladesh 13.56 growing by a percentage, 9.21 reached trillion taka (84 billion US dollars). The share of foreign deposits 23.64 percent 22.40 percent and increased competition. State bank in Pakistan 2027 planned to transfer the national banking system to a completely Islamic basis. 2024 Islamic banks’ assets in December 10 trillion rupees (35.6 billion US dollars) and deposits 7.91 trillion rose to Rs [17].

Africa. While Islamic banks are still small across the continent, some countries are seeing rapid growth. Nigeria is one of the largest markets for the Islamic finance industry: 2023 the size of the field in 2.5 trillion Naira (5.4 billion US dollars), of which 1.36 trillion naira Islamic banking assets, 1.09 constituted a trillion naira sukuk. Islamic bank deposits 92.5 growing by a percentage, 971.53 million naira, and the debt portfolio 60.7 The Central Bank of Nigeria has been stimulating the market in recent years by introducing zero-interest commercial paper and infrastructure sukuk.

## Conclusions

A number of positive innovations in the development of Islamic finance, there are also a number of challenges. The global Islamic banking market is rapidly developing digital technologies, digital lending services through tokenized sukuk and mobile banking applications. Countries such as Malaysia and the United Kingdom are introducing green sukuk and sustainable investment instruments. At the same time, there are problems such as a lack of high-quality Sharia-compliant assets for liquidity management, a lack of global harmonization of Sharia standards, and information asymmetry in PLS (profit-loss sharing) instruments. Experts emphasize the need for international cooperation, harmonization of the legal framework, and strengthening educational programs to address these problems.

Based on the analysis, it should be noted that the Islamic banking market is showing growth trends . While large markets such as Saudi Arabia, the UAE and Malaysia are leading the price and volume renewal, countries such as Indonesia, Pakistan, Nigeria and Bangladesh are capturing new opportunities. Digital innovations and sustainable sukuk are shaping the future of the market. If cooperation between banks and regulators is effective, the Islamic banking system can become an even more important part of global finance in the coming years.

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