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PASSIVE OPERATIONS OF ISLAMIC BANKING

Sharipova Nigina Djurakulovna
Teacher, Samarkand Institute of Economics and Service

Temurov Davlatshokh Ikromovich
Student of the Faculty of Banking and Audit of the
Samarkand Institute of Economics and Service.

ABSTRACT

This article examines the passive operations of Islamic banking and the specifics of their functioning in modern financial systems. The paper examines the principles of forming the resource base of Islamic banks, based on Shariah norms, as well as mechanisms for attracting deposits from individuals and corporate clients without the use of interest. Particular attention is paid to the analysis of deposit instruments used by Islamic financial institutions, including mudarabah deposits, qard hasan, waqf funds, and investment accounts. The study examines global experience in the development of Islamic banking and the prospects for its implementation in the banking system of the Republic of Uzbekistan. Legislative changes related to the development of Islamic finance are analyzed, and the economic preconditions for the growing interest in Islamic banking products among the country's population are examined. The article presents statistical data from international financial organizations reflecting the dynamics of Islamic bank assets and the scale of the Islamic financial market. Special attention is given to a comparative analysis of traditional and Islamic passive operations, their advantages, and existing challenges. The author concludes that Islamic banking has the potential to become an additional source of investment resources and a tool for increasing the financial stability of Uzbekistan's banking sector.

Keywords: Islamic banking, passive operations, mudarabah, Islamic deposits, Sharia, Islamic finance, banking system, investment accounts, Uzbekistan, financial market.

INTRODUCTION

Over the past two decades, Islamic banking has evolved from a relatively local financial phenomenon into a full-fledged part of the global banking system. Back in the early 2000s, many economists perceived Islamic banks as limited religious institutions, focused primarily on countries in the Middle East. Now the situation looks completely different. The assets of the Islamic financial sector, according to the Islamic Financial Services Board, have already exceeded $4 trillion, and the Islamic finance system itself operates in more than 80 countries around the world. And we are talking not only about Muslim states. Islamic banking products are being actively introduced in the UK, Germany, Singapore and even in some regions of the USA. This dynamic is not explained solely by religious factors. In many cases, clients are attracted by the stability of Islamic banks, the limitation of speculative transactions and the focus on real assets. After the global financial crisis of 2008, interest in the Islamic financing model increased markedly. Many researchers have begun to consider Islamic banking as an alternative mechanism for reducing financial risks. This is especially true for operations related to the formation of banking resources. Passive operations of Islamic banks differ from traditional ones in that they do not have fixed interest income, which is prohibited by Shariah rules. Instead of the classic deposit system, partnership mechanisms for distributing profits and losses are

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used. This creates a completely different model of the relationship between the bank and the client. For countries with developing economies, this approach becomes especially interesting, since it allows expanding the circle of potential investors and investors. Uzbekistan is also gradually showing interest in Islamic financial instruments. In recent years, the country has been discussing the introduction of Islamic banking services, improving the regulatory framework and attracting investments from Islamic countries. Against this background, the study of passive operations of Islamic banking acquires not only theoretical, but also practical significance.

The economic literature has long focused on the active operations of Islamic banks related to project financing, trade transactions and investments. Passive operations remained less studied, although they form the resource basis of any banking activity. Without a stable system for raising funds, it is impossible to ensure the stable development of an Islamic bank. It is interesting that the mechanisms of passive transactions in the Islamic financial system themselves are quite flexible. For example, deposit products of Islamic banks are not based on a predetermined interest rate, but on the distribution of profits received by the bank from investment activities. The depositor, to a certain extent, becomes a partner of the financial institution. This changes the nature of financial relationships and influences customer behavior. In the traditional banking system, the depositor is usually guided by the interest rate. In Islamic banking, bank reliability, transparency of investment projects and compliance of operations with Shariah standards begin to play an important role. In some Gulf countries, the level of public confidence in Islamic banks already exceeds that of traditional commercial banks. In Malaysia, the share of Islamic banks in the banking system is close to 40 percent. For Uzbekistan, this experience is of particular interest. The country's population predominantly professes Islam, but Islamic financial products are still only at the stage of formation. At the same time, the demand for such services is gradually growing. This is evidenced by the results of sociological surveys and active discussion of Islamic banking in business circles. Some Uzbek banks have already begun cooperation with the Islamic Development Bank and international Islamic financial institutions. In 2023–2025, discussions on the creation of a full-fledged legislative framework for Islamic finance intensified in the country. All this makes the study of passive operations of Islamic banking especially relevant right now.

One of the main features of Islamic banking is the prohibition of riba, that is, usurious interest. This principle underlies the entire Islamic financial system. In practice, this means that the bank cannot guarantee the depositor a fixed income in advance, regardless of the results of its activities. In a traditional bank, the client receives interest even if individual projects are unprofitable. An Islamic bank operates differently. The investor's income depends on the efficiency of investing funds. Sometimes researchers call such a system more fair, since risks are distributed among all participants in financial relations. But this cannot be said that such a model is completely free of problems. The lack of fixed income makes Islamic deposits less predictable for some clients. This is especially noticeable when economic instability. At the same time, proponents of Islamic banking believe that limiting speculative transactions reduces the likelihood of financial crises. Interestingly, during the 2008–2009 crisis, a number of Islamic banks actually demonstrated greater resilience than some conventional banks. This is due to the fact that Islamic financial institutions were unable to invest in high-risk derivatives. In Uzbekistan, the issue of banking system stability also remains relevant. In recent years, the government has been reforming the banking sector to increase competition, attract investment, and develop digital financial services. In these conditions, Islamic banking can become an additional mechanism for diversifying the financial market. Passive transactions appear particularly promising, as they attract the available funds of the population and businesses.

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Another reason for the topic's relevance is the growing international interest in Islamic financial instruments. Major global banks have long been opening Islamic divisions. For example, HSBC, Standard Chartered, and Citi are developing specialized Islamic financial products for clients from Muslim countries. Even countries with a Muslim minority are trying to adapt their legislation to Islamic investments. The United Kingdom is considered one of the European leaders in this area. Islamic banks operate in London, issue sukuk bonds, and create specialized financial platforms. These developments indicate that Islamic banking is gradually becoming part of the global financial architecture. This is of strategic importance for Uzbekistan. The country is actively developing cooperation with Middle Eastern countries and Islamic international organizations. In recent years, agreements have been signed with the Islamic Development Bank, and projects have been implemented with the participation of Islamic investment funds. The development of Islamic banking could facilitate the attraction of capital from the Persian Gulf and Southeast Asian countries. However, the full implementation of Islamic finance requires a thorough understanding of the mechanisms of banking operations, especially passive ones. It is through these operations that the bulk of banking resources are generated. The sustainability of an Islamic bank, its ability to finance projects, and maintain liquidity depend on the effectiveness of these passive operations. Therefore, research on this topic cannot be considered a purely theoretical matter. It is an area that could influence the development of the country's entire financial system.

METHODOLOGY

The study of Islamic banking passive operations was conducted using a comprehensive approach combining elements of comparative, statistical, institutional, and logical analysis. Research papers by foreign and Uzbek economists, materials from the Islamic Development Bank, reports from the Islamic Financial Services Board, data from the Central Bank of the Republic of Uzbekistan, and analytical reviews from international rating agencies were used in preparing the paper. During the study, special attention was paid to a comparative analysis of traditional and Islamic models of attracting banking resources. In the first stage, the theoretical foundations of Islamic banking and the principles of Shariah finance were studied. Next, an analysis was conducted of the characteristics of deposit operations at Islamic banks in countries where the Islamic financial system is most active. Malaysia, Saudi Arabia, the UAE, Indonesia, and Turkey were selected for comparison. These countries differ not only in the scale of Islamic banking but also in their different models of government regulation. In studying the Uzbek experience, regulatory documents from 2020–2025 concerning the implementation of Islamic financial instruments were analyzed. Changes related to Uzbekistan's expanded cooperation with the Islamic Development Bank and international investment funds were particularly significant. The study employed a dynamic analysis method to identify changes in the volume of Islamic financial assets over the past ten years. Elements of content analysis were also employed. Publications by banking specialists, conference proceedings, and expert assessments on the prospects of Islamic banking in Central Asia were reviewed. Some conclusions were formed not only based on statistics but also through the comparison of practical examples. This was necessary, as the Islamic banking system develops unevenly even within Muslim countries. In some places, Islamic banks occupy a dominant position, while in others they remain merely a supplementary financial instrument. This heterogeneity allowed for a deeper understanding of the specifics of Islamic banks' passive operations and the factors that determine their effectiveness. The study utilized both quantitative and qualitative methods of analysis. A quantitative approach was used to assess the dynamics of Islamic financial assets, deposit volumes, investment accounts, and the participation of Islamic banks in national financial systems. For example, the growth rates of Islamic banking assets in Middle Eastern countries were compared with those of conventional banks for the

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period 2015–2024. In some countries, Islamic financial institutions demonstrated growth of 10–15 percent annually, significantly exceeding the growth rates of individual conventional commercial banks. A qualitative analysis allowed us to study the internal structure of Islamic passive transactions and identify the specifics of their practical application. Special attention was paid to mudaraba Islamic deposits. Unlike conventional bank deposits, they involve the depositor's participation in profit sharing. The study showed that this mechanism creates a closer relationship between the bank and the client. Sometimes this Contributes to increased public confidence in the financial system. The study also utilized an institutional approach to assess the impact of the legal environment on the development of Islamic banking. It was found that the lack of clear legislative regulation significantly slows the implementation of Islamic financial instruments. This is particularly noticeable in countries where Islamic banking is in its infancy. In the case of Uzbekistan, the regulatory framework remains a key issue. Despite growing interest in Islamic finance, a fully-fledged regulatory system has not yet been fully established. The study analyzed speeches by government officials, economists, and banking specialists discussing the prospects for implementing Islamic banking services in the country. It sometimes seems that practical interest in Islamic banking is growing faster than the legal mechanisms for its implementation. This discrepancy creates certain risks for the future development of the sector.

To obtain more objective results, a comparative research method was used. This allowed us to compare the efficiency of passive operations of Islamic and conventional banks. The analysis was conducted based on several criteria: the stability of the deposit base, the level of customer confidence, the degree of dependence on interest rate policy, and the banks' ability to attract long-term resources. Data from international banking reports for 2018–2024 was examined. The study found that Islamic banks are less sensitive to interest rate fluctuations. This is due to the lack of a direct link between deposit instruments and fixed interest rates. In some cases, this model helps avoid sudden outflows of funds during periods of financial instability. However, there are also counterexamples. During periods of economic uncertainty, some clients prefer the more predictable instruments of the traditional banking sector. This contradiction makes Islamic banking a particularly interesting subject of study. Furthermore, structural analysis methods were employed in the study. These were used to examine the composition of Islamic banks' liabilities. Instruments such as qard hasan current accounts, mudarabah investment accounts, waqf funds, and special savings programs were examined. Each form of fundraising has its own characteristics and level of risk. For example, qard hasan does not imply a profit for the depositor, but it does contribute to strengthening the bank's social function. Investment accounts, on the other hand, are aimed at generating income related to the banking performance. The study also analyzed the role of Sharia boards, which monitor the compliance of banking operations with Islamic law. In some countries, these bodies wield significant influence over banks' financial policies. In Uzbekistan, a similar system is still under discussion. Therefore, studying international experience has important practical implications for the development of a national Islamic banking model.

STUDY RESULTS

The study revealed that the passive operations of Islamic banks form a unique system for attracting financial resources, characterized by a higher dependence on customer trust and transparency. Unlike traditional commercial banks, Islamic financial institutions do not use fixed interest rates to attract depositors. Mudaraba investment accounts, in which depositors effectively participate in the bank's profit sharing, remain the primary instrument. An analysis of international statistics revealed that this mechanism is the most common among Islamic banks in the Gulf and Southeast Asian countries. For example, in Malaysia, more than 60 percent of Islamic banks' deposit base is in profit-sharing investment accounts. In Saudi Arabia, the same figure exceeds 55 percent.

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The study found that this model fosters more stable relationships between the bank and its clients. People begin to perceive the bank not simply as a financial intermediary, but as a partner. This is especially noticeable during periods of economic instability. During certain crises, Islamic banks experienced lower deposit outflows compared to traditional financial institutions. However, it cannot be claimed that the Islamic model is completely risk-free. The lack of a guaranteed return sometimes makes potential depositors cautious, especially among those clients seeking a stable and predictable return. The study also found that Islamic banks place significantly greater emphasis on reputational factors. Violating Sharia principles can negatively impact client trust and lead to a reduction in the volume of deposits. In Islamic finance, reputation is often no less important a factor than profitability.

A separate analysis was devoted to the prospects for the development of Islamic passive banking in Uzbekistan. The results of the study showed that interest in Islamic banking services is gradually growing in the country. In recent years, this issue has been actively discussed both among economists and at the government level. In 2023, representatives of the Central Bank of Uzbekistan stated the need to develop Islamic financial instruments to expand investment opportunities in the economy. Furthermore, cooperation with the Islamic Development Bank has increased in the country. Infrastructure and social projects totaling over $2 billion were financed. An analysis of public opinion and expert publications shows that some of the population favors the idea of Islamic banking. This is especially true for small businesses and individuals who prefer Sharia-compliant financial transactions. The study also revealed another important aspect. For many potential clients, Islamic banking is associated not only with religious principles but also with a fairer distribution of financial risks. Interestingly, this viewpoint is common even among people without in-depth knowledge of Islamic finance. However, the development of passive operations of Islamic banks in Uzbekistan still faces a number of limitations. The main problem remains the lack of a comprehensive regulatory framework. Currently, Islamic banking products are being introduced primarily through individual pilot projects and partnership programs. There is no fully-fledged Islamic bank in the country yet. This limits the practical application of Islamic deposit instruments. Another problem is insufficient public awareness. Many citizens do not understand the differences between Islamic and conventional banking operations. As a result, there is interest in Islamic banking, but the level of practical use remains low.

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