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The Current State and Prospects of Global Islamic Banking: The Emirati Experience as a Model

واقع وأفاق الصيرفة الإسلامية العالمية "التجربة الإماراتية أنموذجاً"

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Abstract

This study aims to analyze the current state of global Islamic banking, as well as the experience of the United Arab Emirates in this domain. It does so by reviewing the sector's pioneering developments and the factors that have contributed to its growth both regionally and globally. The study adopts a descriptive-analytical approach, relying on statistical data and official reports to examine the volume and distribution of assets, along with relevant regulatory and legislative developments.

The findings reveal that global Islamic finance assets amounted to approximately USD 4.5 trillion in 2022, with projections indicating a rise to USD 6.7 trillion by 2027. Islamic banks account for 72% of these assets. The UAE is recognized as the fourth-largest Islamic banking market globally. Furthermore, the sukuk and takaful markets have experienced rapid growth, supported by an increasing number of innovative initiatives and Sharia-compliant financial products. The success of the UAE's experience is reflected in its advanced regulatory framework, the flexibility of its financial policies, and its focus on innovation and sustainability within the Islamic banking sector.

Keywords

Islamic banking, Islamic finance, UAE experience, financial sustainability, banking legislation

المخلص

تهدف هذه الدراسة إلى تحليل واقع الصيرفة الإسلامية العالمية و كذا تجربة دولة الإمارات العربية المتحدة في مجال الصيرفة الإسلامية، وذلك من خلال استعراض تطوراتها الريادية والعوامل التي أسهمت في نمو هذا القطاع إقليمياً وعالمياً. اعتمدت الدراسة على المنهج الوصفي التحليلي، بالاستناد إلى بيانات إحصائية وتقارير رسمية لتحليل حجم الأصول وتوزيعها والتطورات التنظيمية والتشريعية ذات الصلة.

أظهرت النتائج أن أصول التمويل الإسلامي عالمياً بلغت نحو 4.5 تريليون دولار عام 2022 مع توقعات وصولها إلى 6.7 تريليون دولار في 2027، وتستحوذ المصارف الإسلامية على 72% من هذه الأصول. وتعد الإمارات رابع أكبر سوق مصرفي إسلامي في العالم، كما شهد سوق الصكوك والتأمين التكافلي نمواً متسارعاً مع ازدياد المبادرات المبتكرة والمنتجات المتوافقة مع الشريعة. ينعكس نجاح التجربة الإماراتية في البنية التنظيمية المتطورة، ومرونة السياسات المالية، والاهتمام بالابتكار والاستدامة في قطاع الصيرفة الإسلامية.

الكلمات المفتاحية

الصيرفة الإسلامية، التمويل الإسلامي، تجربة الإمارات، الاستدامة المالية، التشريعات المصرفية.

1.Introduction

In recent years, Islamic banking has witnessed significant dynamism and growth worldwide. It has become an integral component of the global financial system and has managed to establish itself as one of the most important financial sectors, thereby surpassing the long-standing dominance of conventional banks over various global economic and financial aspects. This success is particularly evident in the sector's resilience and ability to withstand global financial crises, attributed to its reliance on the real economy, as opposed to speculative or fictitious finance, and its contribution to solidarity and cooperation among members of society. These attributes are rooted in its foundational principle of conducting transactions in accordance with the rulings of Islamic Sharia, which prohibits interest (riba), whether in giving or taking—an element that has long been central to the operations of conventional banks.

The term *Islamic banking* has thus come to refer to the contemporary financial sector that places adherence to Islamic financial principles at the core of its daily operations. As such, this sector constitutes a reality that demands careful study to ensure its continued success and prosperity. Islamic countries were the pioneers in adopting Islamic banking systems, albeit with diverse structures and modalities. Among them, the United Arab Emirates has been at the forefront, striving to provide its society with financial solutions that comply with Islamic Sharia. Moreover, this initiative has motivated modern financial institutions to make Sharia compliance a primary objective, enabling them to offer innovative financial products and services consistent with Islamic principles.

1.1 Problem Statement

From the foregoing, the central problem of this study emerges, articulated as follows: What is the current state of the Emirati experience in Islamic banking?

Answering this central question necessitates addressing the following sub-questions:

- What is meant by Islamic banking?
- What is the global status of Islamic banking?
- What is the state of Islamic banking in the United Arab Emirates?

1.2 Research Hypotheses

In light of the main and subsidiary questions, the following hypotheses can be formulated:

- *Hypothesis 1:* Islamic banking is experiencing rapid global growth.
- *Hypothesis 2:* The United Arab Emirates is among the leading countries in the field of Islamic banking.

1.3 Significance of the Study

The significance of this contribution lies in its effort to define Islamic banking, highlight its key components and financial instruments, and clarify its current state and evolution both globally and—more specifically—within the United Arab Emirates.

1.4 Objectives of the Study

This study seeks to achieve the following objectives:

- To address the global status of Islamic finance;
- To examine the Emirati experience in Islamic banking.

1.5 Research Methodology

In order to construct a framework that contributes to resolving the research problem and achieving the study's objectives, the descriptive-analytical method has been employed. This involves a comprehensive review of various statistical data and necessary analytical tools, along with their interpretation, to arrive at relevant findings and recommendations.

1.6 Previous Studies

- **The study by Manzari Ibtissem and Mohamed Sehnoun (2020)**, entitled "*Electronic Islamic Banking Between Reality and Aspiration – The Case of Dubai Islamic Bank*", published in the *Journal of the University of Emir Abdelkader for Islamic Sciences, Constantine – Algeria*, aimed to elucidate the concept of electronic Islamic banking and analyze its current state in light of technical and legislative challenges, with a particular focus on the experience of Dubai

Islamic Bank as a practical case study. The study concluded that this form of banking constitutes a strategic option for keeping pace with digital transformation, and that the success of the Emirati experience reflects the importance of developing digital infrastructure and enhancing the legislative framework in alignment with the principles of Islamic law (Sharia).

- **The study by Mellah Abdelghani (2021)**, entitled *“Islamic Banking as an Alternative for Financing Economic Development Projects in Algeria – A Study of the Experiences of Selected Countries”*, is a doctoral dissertation submitted to Yahia Fares University of Medea. The study sought to highlight the capacity of Islamic banking, through its array of financing instruments such as sukuk and participatory financing models, to support development projects in Algeria amid declining state revenues from hydrocarbons. The research relied on an analysis of the experiences of countries such as Sudan, Malaysia, and the Gulf states, and also examined the current state of Islamic banks in Algeria. It concluded that Islamic banking represents an effective financing alternative for both the public and private sectors. The study recommended integrating Islamic financial products into the Algerian financial market and activating the issuance of sovereign sukuk to finance major projects.

1.7 Structure of the Study

To address the posed research problem, the study has been organized into the following thematic sections:

- Section One: Theoretical framework of Islamic banking;
- Section Two: The global status of Islamic banking;
- Section Three: The state of Islamic banking in the United Arab Emirates.

2. Theoretical Framework of Islamic Banking

2.1 The Nature of Islamic Banking

Islamic banking refers to “a banking system or activity that complies with Islamic Sharia.

In other words, it encompasses all forms of banking services based on Islamic principles, which prohibit the payment or receipt of interest (riba), and instead are founded on the principle of profit and loss sharing. It focuses on generating returns through investment instruments that are in accordance with Sharia rulings.”

Mohamed Al-Beltagi also defines Islamic banking as: “The provision of tangible or intangible financing to various enterprises in a form that complies with the rulings and principles of Islamic Sharia, and in accordance with legal and technical standards and regulations, thereby contributing effectively to achieving economic and social development.” (Makki., 1998, p. 19)

2.2 The Concept of Islamic Banks

Islamic banks are defined as “financial institutions that conduct financial and banking transactions, as well as other financial, commercial, and investment activities, in accordance with Islamic Sharia. They do not engage in interest-based transactions, whether in receiving or paying interest, and their aim is to uphold Islamic values and ethics, purify banking activities from corruption, and achieve the highest possible economic and social returns to support economic development.” (Mellah, 2020, p. 6)

2.3 Pillars of Islamic Banking

Islamic banking is based on several foundational principles, including the following:

(Faisal Islamic Bank of Egypt, 2024)

The prohibition of interest in financial transactions, meaning that no interest is to be charged or paid, and that monetary loans are not extended with interest;

- The prohibition of all forms of monopolistic practices and the prevention of hoarding in its various forms;
- The channeling of financial resources toward productive economic activities that benefit society;

- The prohibition of employing financial resources in activities categorically forbidden by Sharia, such as the trade of alcohol or pork products;
- The promotion of social solidarity through the institutionalization of zakat (obligatory almsgiving).

2.4 Islamic Banking Financing Instruments

The financing instruments provided by Islamic banks are generally divided into two main categories:(Zirek, , 2019, p. 07)

- **Fixed-return instruments:** These are characterized by a predetermined return and, in this case, Islamic banks resemble conventional banks in their intermediation role. Examples include *murabaha* (cost-plus sale), *salam* (advance payment sale), *istisna'* (manufacturing contract), and *ijara* (leasing).

- **Profit-and-losssharing instruments:** These are based on the principle of “al-ghunm bil-ghurm” (profit is accompanied by risk) and include *mudaraba* (trust-based partnership), *musharaka* (joint partnership), *muzara'a* (sharecropping), and *musaqat* (irrigation partnership). Additionally, *qard hasan* (benevolent loan) is considered, along with the aforementioned profit-and-loss sharing contracts, to embody the true philosophy of Islamic finance.

2.5 The Islamic Capital Market

The Islamic capital market refers to “the Sharia-compliant framework or domain in which financial instruments consistent with Islamic principles are issued by deficit units and subsequently acquired and traded through efficient channels linking them with surplus units, in an organized, regulated manner under the supervision of a Sharia supervisory board.”(Ben Addaif, 2013, p. 142)

2.6 Functions of the Islamic Capital Market

The Islamic capital market performs the following functions:(Bizar, 2020, pp. 156-157)

- Supporting long-term investment in Islamic banks by developing investment methods within Islamic financial institutions

through reliance on the primary (issuance) and secondary (trading) markets;

- Through the primary market, the financial market seeks material investment by offering various financial instruments for public subscription, such as Islamic *sukuk* and tradable investment certificates;
- Through the secondary market, the Islamic capital market facilitates the trading of financial instruments initially issued in the primary market, and financial investment through the establishment of investment funds, management, and structuring of financial portfolios;
- Diversifying Sharia-compliant investment options for savers, offering investment opportunities free from interest-based suspicion, while meeting their needs for profitability, liquidity, and security;
- Diversifying long-term financing sources for Islamic banks and financial institutions, thereby contributing to refining the Islamic banking experience. This enables such institutions to invest their funds over longer horizons in alignment with their developmental goals and the balance they seek between profitability, liquidity, and safety;
- Ensuring that options contracts, futures, and forward agreements remain Sharia-compliant and free from violations or areas of ambiguity.

3. The Global State of Islamic Banking

3.1 The Status of Global Islamic Finance Assets

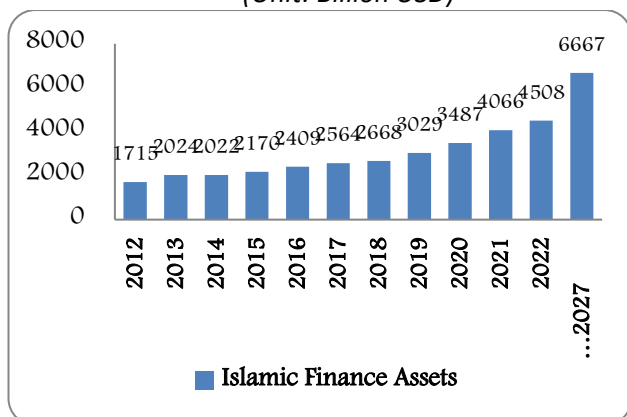
a. The Development of Global Islamic Finance Assets

The Islamic finance industry has witnessed significant and rapid development since its inception in the mid-1970s, when banks began offering Sharia-compliant products in response to the Islamic revival. This evolution is due to the substantial advantages and critical importance of such financial products. To verify this development, we sought to obtain empirical statistics on the growth of global Islamic finance assets over the past ten years, as well as projections for

the year 2027. The following figure illustrates these trends:

(Note: The original Arabic text mentions a forthcoming figure or graph, which should be inserted or referenced here if available.)

Figure 1: Evolution of Global Islamic Finance Assets during the Period 2012–2022
(Unit: Billion USD)



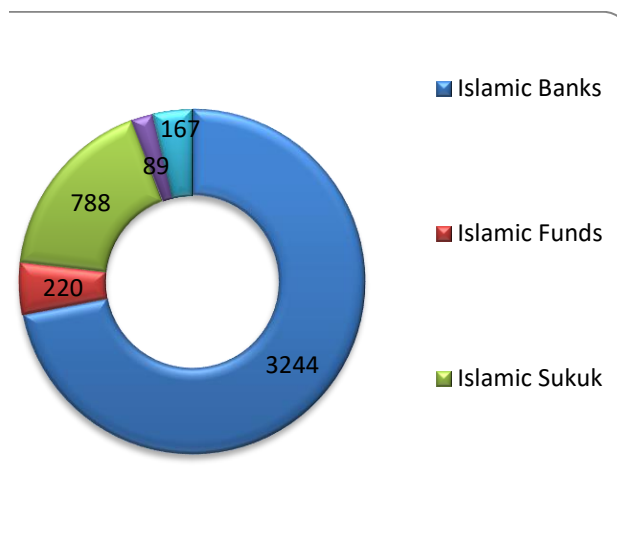
(ICD, 2023, p. 26) Source:

As shown in **Figure 1**, the Islamic finance industry has experienced strong growth over the past decade, with a 163% increase in assets from 2012 to 2022. The industry continued its upward trajectory in 2022, as global Islamic assets grew by 11% compared to 2021, reaching USD 4.5 trillion in 2022. This growth is expected to persist, as many countries are integrating Islamic finance into their national roadmaps or economic strategies and are working to enhance their supportive ecosystems. Consequently, the industry is projected to expand to USD 6.7 trillion by 2027.

b. Distribution of Global Islamic Finance Assets

The types of Islamic finance assets vary depending on their nature and source. Among the most prominent are banking assets, *sukuk* (Islamic bonds), and Islamic investment funds. To understand the share of each type in the total global Islamic finance assets, we will examine their distribution for the year 2022, as illustrated in **Figure 2**:

Figure 2: Global Islamic Finance Asset Distribution by Type in 2022 (Unit: USD Billion)



Source :

(ICD, 2023, p. 8)

It is evident from Figure 2 that the Islamic banking sector held the lion's share of total Islamic finance assets in 2022, accounting for approximately 72%, or around USD 3.2 trillion, of the global Islamic finance industry. This dominance is attributed to several factors contributing to the growth of the Islamic banking sector, foremost among them being operational efficiency, the integration of financial technology in recent years, and the rising demand for Islamic banking across various parts of the world.

Islamic *sukuk* ranked second, comprising around 17%—equivalent to approximately USD 788 billion. *Sukuk* have also come to play a significant role in shaping the industry, with their use gaining considerable momentum in recent years, and major corporations beginning to show increasing interest in them.

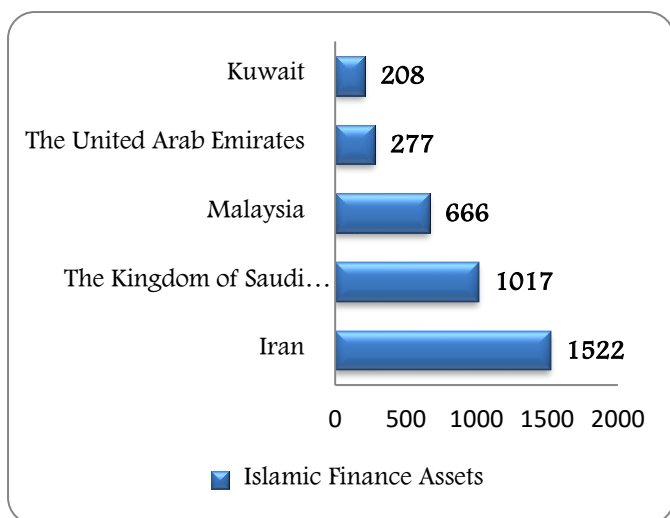
However, not all categories of Islamic assets recorded continuous growth. In 2022, the assets under management in Islamic funds experienced a substantial decline, primarily due to the adverse impact on equity-based funds resulting from the global

economic slowdown following rising interest rates. This downturn also affected the investment performance of certain Islamic financial institutions and *takaful* operators.

C. Ranking of the Top Five Countries in Global Islamic Finance Assets

Among the other key indicators of the development of the Islamic finance industry is the availability of Islamic liquidity management instruments, which has historically posed a challenge for the sector. The largest Islamic finance markets are located in the Gulf Cooperation Council (GCC) countries, Southeast Asia, and South Asia, with the industry being heavily concentrated in the leading markets. For further details, we will analyze **Figure 3**:

Figure 3: Top 5 Countries in Islamic Finance Asset Holdings in 2022 (Unit: USD Billion)



(ICD, 2023, p. 8) Source :

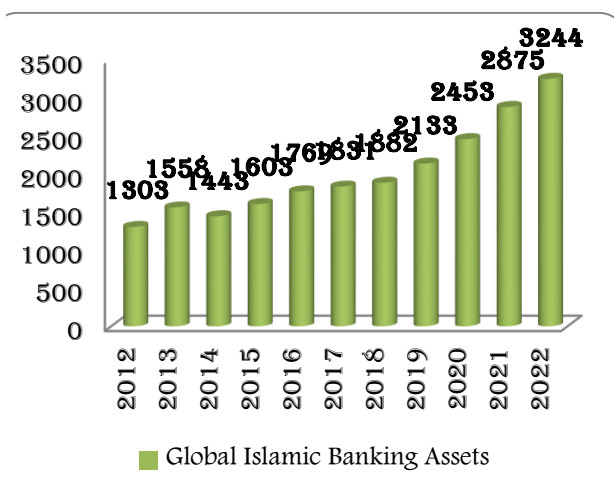
Figure 3 illustrates the ranking of the top five countries in terms of Islamic finance asset issuance, collectively accounting for 82% of total global assets. Meanwhile, the top ten countries are home to 95% of the industry's total assets. The highest growth in 2022 was recorded in regions that have only recently begun to adopt Islamic finance, such as Central Asia. Iran topped the list with over

USD 1.5 trillion, followed by Saudi Arabia with approximately USD 1 trillion. Malaysia, which had long held the leading position, fell to third place with around USD 666 billion. The United Arab Emirates and Kuwait ranked fourth and fifth, respectively, each with assets exceeding USD 200 billion.

3.2 The Status of Global Islamic Banks

Islamic banks play a vital role in the development of global Islamic finance assets, accounting for more than 72% of total assets in 2022. In this context, **Figure 4** will be used to highlight the evolution of Islamic banking assets over the past ten years.

Figure 4: Global Islamic Banking Asset Growth from 2012 to 2022 (Unit: USD Billion)



Source: (ICD, 2023, p. 27)

As shown in **Figure 4**, global Islamic banking assets have witnessed rapid expansion in recent years, rising from USD 1.3 trillion in 2012 and USD 1.88 trillion in 2018 to USD 3.24 trillion in 2022. This

growth is attributed to the increasing number of fully-fledged Islamic banks, as well as the rising presence of conventional banks offering Islamic windows or services. The highest growth in Islamic banking over the past decade was observed in Saudi Arabia, the United Arab Emirates, and Iran—countries that benefited from improvements in their local currencies during the early years.

Islamic banking, which holds approximately 70% of global Islamic finance assets, has been the primary driver of the industry's overall growth during the past decade. Islamic banks have demonstrated resilience amid market fluctuations from 2012 to 2022 and have recovered steadily from the severe pressure experienced during the COVID-19 pandemic. The post-2020 economic uncertainty led investors to channel more capital and investments into Islamic banking institutions.

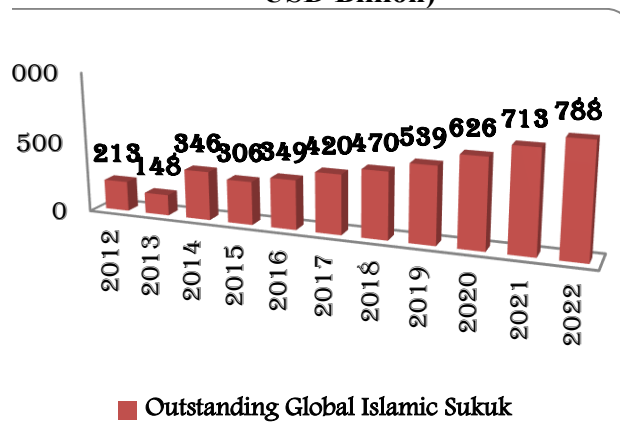
3.3 The Status of Global Islamic Financial Instruments

Sukuk (Islamic bonds) are considered the most significant product in the Islamic financial industry due to their crucial role in providing sources of financing and offering multiple avenues for investing surplus Muslim capital—especially given their diversity. This diversity has opened up greater opportunities for *sukuk*, increasing investor confidence, even in non-Muslim countries, as issuers, originators, and intermediary institutions all share both risk and return. This shared structure enhances investment oversight and strengthens investor trust.

a. The Development of Global Sukuk

The demand for *sukuk* has grown both domestically and internationally, and they have witnessed significant development across multiple dimensions. As a result, *sukuk* have contributed to the unprecedented presence of Islamic financial products in international capital markets. Through **Figures 5 and 6**, we will highlight the development of outstanding *sukuk* and new *sukuk* issuances, respectively, during the period 2012–2022.

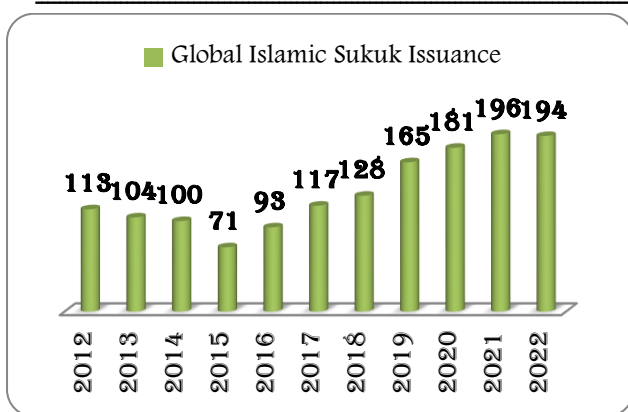
Figure 05: Outstanding Global Sukuk Development from 2012 to 2022 (Unit: USD Billion)



Source: (ICD, 2023, p. 28)

As illustrated in **Figure 5**, the value of outstanding *sukuk* in 2022 was approximately three times higher than in 2012—reaching around USD 788 billion compared to USD 260.03 billion. **Figure 6** further shows that in 2022, approximately USD 194 billion in *sukuk* were issued, compared to a total of USD 113 billion in 2012. Issuances from both international and domestic markets peaked in 2021, marking the highest level in a decade. Although *sukuk* issuances experienced a slight decline in 2022, their performance remained strong relative to global bond issuances, which saw a total decline of 12% in 2022.

Figure 06: Global Sukuk Issuance Trends from 2012 to 2022 (Unit: USD Billion)



Source : (ICD, 2023, p. 28)

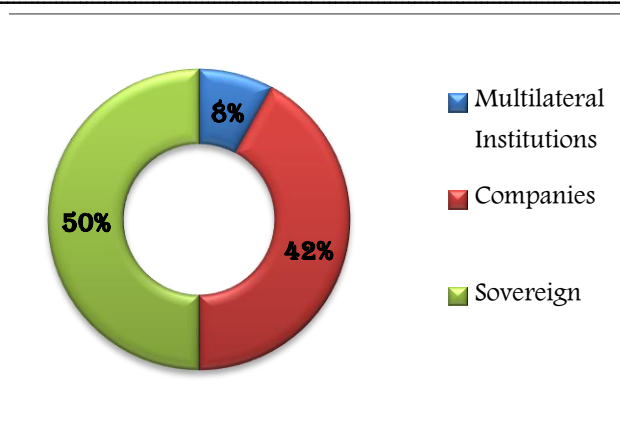
b. Distribution of Global Sukuk Issuances by Issuer Type

As shown in **Figure 7**, sovereign *sukuk* issuances accounted for 50% of total issuances in 2022. Sovereign issuers from all major markets utilized the *sukuk* market as a financing source, with some aiming to incorporate *sukuk* into their funding bases, refinance outstanding debt, or bolster foreign reserves.

Despite pressures from rising interest rates and tightening market liquidity, corporate issuances still represented 42% of total *sukuk* issuances in 2022. The relatively strong performance of the primary *sukuk* market in 2022 may indicate that it is becoming a viable funding channel for corporations—traditionally a challenging segment due to obstacles such as higher issuance costs and greater complexity compared to conventional bonds and bank loans.

This improvement in corporate issuances also reflects the efforts of regulators in Islamic finance jurisdictions to promote and implement enabling legal and regulatory frameworks for issuers and to ensure a level playing field.

Figure 07: Distribution of Global Sukuk Issuance by Issuer Type



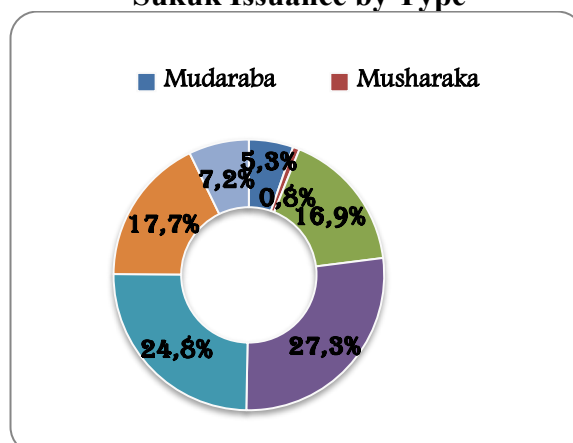
Source : (IFSB, 2023, p. 53)

c. Distribution of Global Sukuk Issuances by Contract Type

Figure 8 indicates that Islamic financial contracts continue to be predominantly debt-based rather than equity-based, with the latter accounting for only about 6% of total issuances. The use of profit-sharing contracts—such as *mudaraba* and *musharaka*—remains generally limited in comparison to fixed-return contracts.

Among the contract types, agency-based (*wakala*) structures ranked first, comprising over 27% of total issuances, followed closely by *murabaha*, which represented the second largest category at nearly 25%. The third and fourth largest categories were hybrid structures and *ijara* (leasing), respectively.

Figure 08: Distribution of Global Islamic Sukuk Issuance by Type



Source : (IFSB, 2023, p. 60)

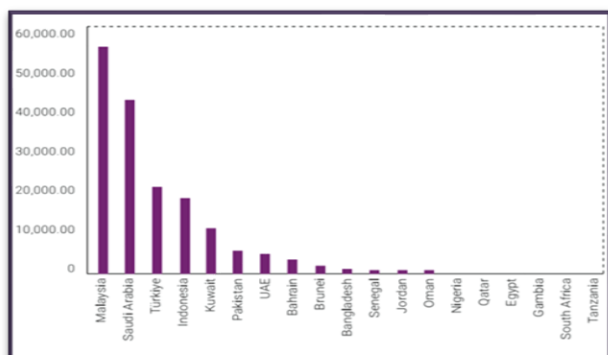
3.4. Distribution of Global Sukuk Issuances by Region

As shown in **Figure 9**, Malaysia held the leading position in terms of issuance volume

in 2022. Saudi Arabia remained a major issuer, accounting for the second-largest share of total issuances that year. Turkey replaced Indonesia as the third-largest issuer, with a significant increase in issuance volume.

At the regional level, Southeast Asia was the largest issuing region in 2022, accounting for 41% of total global *sukuk* issuances. It was followed by the Gulf Cooperation Council (GCC) region, which had been the top issuing region in 2021. Together, these two regions accounted for 74% of global issuances in 2022—a decline in relative share compared to previous years. This shift reflects an increase in issuances from other regions, indicating a gradual improvement in the regional and global diversification of *sukuk* issuers.

Figure 09: Distribution of Global Islamic Sukuk Issuance by Region (Unit: Billion USD)



Source: (IFSB, 2023, p. 54)

4. The State of Islamic Banking in the United Arab Emirates

4.1 Emergence of the Islamic Finance Industry in the UAE

Islamic finance in the United Arab Emirates began approximately 50 years ago with the establishment of the world's first Islamic commercial bank in 1975. Four years later, the country launched its first *takaful* (Islamic insurance) company.

(CENTRAL BANK OF THE UAE, 2023, p. 9)

Since then, the UAE has witnessed a number of Islamic financial issuances. In recent years, there has been a notable focus on

sustainable Islamic finance initiatives, along with greater emphasis on efforts related to the harmonization and standardization of Shariah requirements. These initiatives aim to enhance the stability and growth of the Islamic finance sector and foster an enabling environment for the development of innovative products and services.

Currently, the assets of Islamic banks and Islamic windows within conventional banks represent 23% of the UAE's total banking assets, following a 16% growth over the past five years. The *sukuk* market in the country is also expanding, with the federal government having recently issued Islamic Treasury *sukuk* denominated in UAE dirhams—an initiative that may encourage other entities to issue Islamic *sukuk* as well. (CENTRAL BANK OF THE UAE, 2023, p. 02)

4.2 Structure of the Islamic Finance Sector in the UAE

As shown in **Table 1**, the total value of Islamic financial assets in the UAE reached AED 1,066 billion during 2022 and through the first half of 2023. These assets are primarily concentrated in Islamic banking services, which accounted for approximately 79% of total Islamic finance assets in the UAE in 2022. These services are provided by over 24 Islamic banking institutions, including Islamic windows in conventional banks.

Sukuk ranked second, representing 20% of the sector's total assets, with around 17 *sukuk* issued during the first half of 2023. *Takaful* insurance came in third, with approximately AED 4 billion in total gross contributions written in 2022.

It is also worth noting that, as discussed in the previous section, the UAE ranks fourth among the world's largest Islamic finance markets.

Table 1: Structure of the Islamic Finance Sector in the United Arab Emirates

Islamic Banking	Finance Companies	Takaful Insurance	Sukuk (Islamic Bonds)
24		10	17

Number of Islamic Banking Institutions (Including Islamic Windows) in 2022	9 Number of Islamic Finance Companies	Number of Takaful (Islamic Insurance) Companies in 2022	Number of Sukuk Issued in the First Half of 2023
AED 845 Billion Total Value of Islamic Banking Assets in 2022		AED 4 Billion Total Contributions of Underwritten Premiums in 2022	AED 217 Billion Outstanding Sukuk Value as of the End of the First Half of 2023

Source: (CENTRAL BANK OF THE UAE, 2023, p. 09)

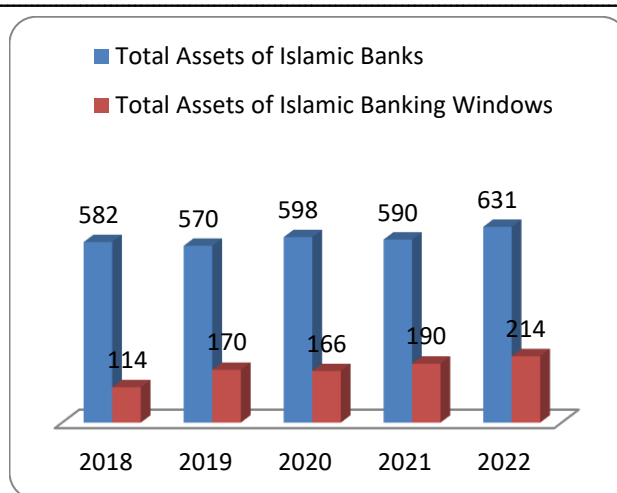
4.3 Development of Islamic Finance in the United Arab Emirates

a. Growth of Islamic Banking Assets in the UAE

The United Arab Emirates represents the fourth-largest Islamic banking market in the world. This position is supported by a dual banking system that includes both fully Shariah-compliant Islamic banks and Islamic windows within conventional banks.

As shown in **Table 1**, there were a total of 24 Islamic banking institutions in the UAE in 2022, including Islamic windows of conventional banks. In **Figure 9**, we examine the development of Islamic banking assets in the UAE over the period 2018–2022.

Figure 10: Evolution of Islamic Bank Assets in the United Arab Emirates (Unit: Billion AED)



Source: (CENTRAL BANK OF THE UAE, 2023, p. 25)

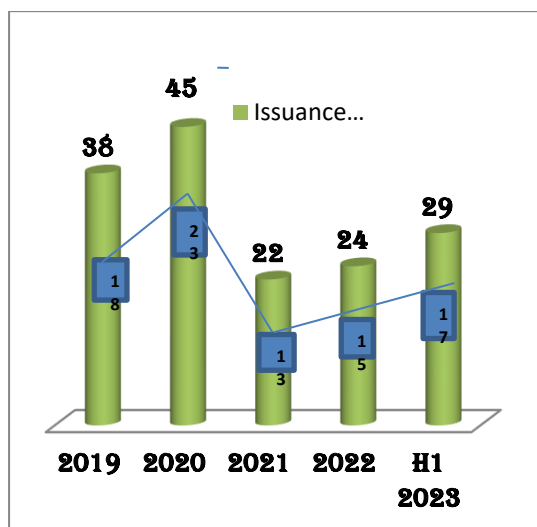
As illustrated in **Figure 10**, Islamic banking assets in the UAE have shown consistent growth over the past five years, with the exception of 2019 and 2020, which witnessed slight declines in the assets of Islamic banks and Islamic windows, respectively.

In 2020, the total assets held by the Islamic banking sector in the UAE reached AED 845 billion—the highest value recorded since 2018—after achieving a compound annual growth rate (CAGR) of 3% over the previous five years. Islamic banks accounted for AED 631 billion of these assets, while Islamic windows held AED 214 billion. This reflects an increase of 8% and 49%, respectively, compared to 2018, highlighting the rapid growth of Islamic windows due to the significant advantages they offer. Currently, Islamic windows represent 25% of total Islamic banking assets in the UAE.

b. Growth of Islamic Sukuk Assets in the UAE

The United Arab Emirates is the fourth-largest market globally in terms of Islamic *sukuk* issuance. As previously shown in **Table 1**, *sukuk* issuances in the UAE experienced strong growth during the first half of 2023. To explore this further, we will analyze the evolution of the volume and number of Islamic *sukuk* issuances in the UAE in the following figure.

Figure 11: Evolution of Islamic Sukuk Issuance and Volume in the United Arab Emirates (Unit: Billion AED)



Source : (CENTRAL BANK OF THE UAE, 2023, p.

34)

As shown in **Figure 11**, the United Arab Emirates witnessed more active *sukuk* issuance in the first half of 2023 compared to both 2021 and 2022. Issuance reached AED 28.7 billion in the first half of 2023, compared to AED 24.6 billion for the entirety of 2022. In addition, outstanding Islamic *sukuk* grew by 15%, rising from AED 187 billion in 2022 to AED 215 billion in the first half of 2023.

5. Conclusion

Islamic banking has become a central pillar in global finance, offering a distinct economic philosophy that possesses all the elements necessary to mitigate financial crises. This has contributed to its rapid growth at both the global and regional levels, with its total assets surpassing USD 4.5 trillion in 2022 and recording an impressive growth rate of 11%. It is projected that the Islamic finance industry will grow to USD 6.7 trillion by 2027.

Islamic finance assets are primarily concentrated in Islamic banking, which accounted for approximately 72% of total industry assets in 2022. This is followed by Islamic *sukuk*, representing around 17% of the total. *Sukuk* have emerged as powerful instruments for economic development and are increasingly viewed as a promising future channel for attracting investor capital.

5.1 Study Findings (Results):

- Based on our study, it became evident that the United Arab Emirates is among the leading countries in the field of Islamic banking. Since the establishment of the world's first Islamic commercial bank in the UAE in 1975—aimed at providing the Emirati community with financial solutions in compliance with Sharia law—Islamic banking has continued to grow at an accelerated pace, making the UAE today the fourth largest global market in terms of Islamic banking issuances.

- Moreover, the UAE has demonstrated that modern financial institutions that place Sharia compliance as a core objective are capable of offering innovative financial products and services that align with Islamic principles.

- Today, the UAE is considered one of the most developed countries in Islamic finance, with a vibrant banking sector that in 2022 included 24 Islamic banking institutions (including Islamic windows), 9 Islamic finance companies, and 10 Takaful (Islamic insurance) companies. Additionally, 17 Sukuk were issued in the first half of 2023 alone.

- Islamic banks and Islamic windows in conventional banks currently account for 23% of the total banking assets in the UAE, having achieved a 16% growth rate over the past five years.

5.2 Key Findings of the Study

- This study has shown that the United Arab Emirates is among the leading countries in Islamic banking. Since the establishment of the world's first Islamic commercial bank in the UAE in 1975—designed to offer Shariah-compliant financial solutions to the Emirati community—Islamic banking has maintained strong growth, making the UAE the fourth-largest Islamic banking market globally in terms of issuances.

- The UAE has also demonstrated that modern financial institutions, when guided by a commitment to Shariah compliance, are capable of offering innovative financial

products and services in accordance with Islamic principles.

- Today, the UAE is one of the most advanced countries in the field of Islamic finance, with a rich and diverse sector that, as of 2022, consisted of 24 Islamic banking institutions (including Islamic windows), 9 Islamic finance companies, and 10 *takaful* (Islamic insurance) companies. Additionally, 17 Islamic *sukuk* were issued in the first half of 2023 alone.

- Currently, the assets of Islamic banks and Islamic windows in conventional banks constitute 23% of total banking assets in the UAE, having grown by 16% over the past five years

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