THE ROLE OF ISLAMIC FINANCE IN BANKING OPERATIONS.

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ABSTRACT:

Acquiring and combining different banking practices and regulatory approaches across diverse financial systems has become an important mechanism for achieving inclusive and stable financial development. The present study aimed to examine the principles and challenges that influence the adoption of Islamic banking services in Central Asian countries, particularly Uzbekistan, by analyzing the institutional and socio-economic conditions under which commercial banks tend to engage in Sharia-compliant financial operations. Multiple researchers independently screened the available literature, extracted the core indicators, assessed the reliability and relevance of the included studies, and performed comparative and SWOT analyses. Based on the survey of Islamic finance awareness and banking preferences conducted among entrepreneurs and individual consumers, our analysis indicates a growing interest in non-interest-based banking products and services. The analysis reveals that despite regulatory constraints and limited public awareness, the potential benefits and structural resilience of the Islamic financial model remain prominent, indicating a viable and scalable structure. The synergy between faith-based financial ethics and economic modernization can promote the *outcome of sustainable financial inclusion. This research contributes to the discourse on financial diversification in emerging markets and offers a foundation for designing targeted reforms and banking innovations to advance Islamic financial integration. Our findings can help inform future policy initiatives as well as the implementation of Islamic finance mechanisms in inclusive financial system management.*

INTRODUCTION. Today, the Islamic banking system is recognized around the world as an alternative to the rapidly evolving traditional banking system and in the short term, it has become an integrated mechanism that can fully compete with conventional type of commercial banks. Unlike commercial banks, Islamic banks have attracted entrepreneurs and business people through a profit-loss system. This system, with its fairness and low level of financial crisis, attracted not only Muslims but also members of other religions.

[1,2,3] studied the development of Sharia-compliant banking systems among Muslim-majority regions and found that the development of Islamic banking services among emerging financial markets has a significant positive impact on financial inclusion, that is, a significant positive contribution to economic stability. The use of interest-free financial instruments has been found to be highly effective in supporting ethical finance and reducing income inequality, especially among entrepreneurs and faith-based consumers. A sustainable Islamic banking model is developed by considering a balanced combination of three elements: Sharia principles, modern financial mechanisms, and institutional frameworks.

However, they have not distinguished the different institutional modalities of Islamic banking operations, which highlights the need for identifying the relationship between different legal structures and adoption of Sharia-compliant services. It remains unclear whether Islamic windows in conventional banks can replace the comprehensive infrastructure or dedicated institutions of fully-fledged Islamic banks.

Although principles of Islamic finance have been retrieved from various classical texts, juridical interpretations and modern economic theories remain the most common due to the reliability and accessibility of these sources. Moreover, the current Islamic banking system has been shown to contain financial models that exhibit characteristics similar to conventional finance, but with reportedly superior ethical alignment and risk-sharing frameworks. Recent empirical studies are typically descriptive and based on limited national samples. Current studies have not classified the structural and behavioral impacts of Islamic finance on banking services and economic diversification from the perspective of Central Asian countries.

To the best of our knowledge, no research explicitly models the interaction between legal adaptation and the regional socio-economic readiness of different Central Asian regions. Unlike the methods used in prior doctrinal analyses, we adopt a comparative and SWOT-based methodology to construct and analyze the viability and operational challenges in this study.

To ensure successful adoption of Islamic banking interventions in inclusive finance management, a deeper understanding of what helps and hinders their usage is needed. Therefore, this study examined the institutional and behavioral enablers of Islamic finance in enhancing financial accessibility and ethical banking in a Muslim-majority context of Uzbekistan. Correspondingly, we performed a systematic review of regional and international studies on entrepreneurs' preferences, consumer beliefs, and banking officials' perceptions of Sharia-compliant finance and barriers to adoption of the use of Islamic financial services in the management of inclusive banking systems.

Meanwhile, we use the comparative literature analysis and the SWOT analysis method to study the opportunities and threats and the institutional strengths and weaknesses of the Islamic finance ecosystem in order to identify the key constraints and the potential accelerators of the development of Islamic banking in Uzbekistan. Structured reviews of Islamic banking and finance research enable collation and analysis of evidence from diverse settings and are increasingly used to inform the development and implementation of faith-based economic frameworks.

We hypothesized that Islamic banking practices could either enhance financial inclusivity or remain marginal without legal and institutional reforms. Insights from a review of the regional literature were mixed with survey-based empirical data.

Literature review

Some of the problems associated with the establishment of Islamic windows in commercial banks and the conversion of commercial banks to Islamic banking have been studied to some extent in the scientific works by world economist scholars as [1-11]. In Uzbekistan Sheikh Muhammad Sodiq Muhammad Yusuf [10], one of the leading scholars of the country, provided information on Islamic banking services in his works "Market and related issues", "Loan and related issues" .

Islamic banking is a system of banking or banking activities that implements banking services in practice in accordance with the principles of Sharia (Islamic rules). The term "Islamic economy" was first used in the book "Islamic Economics" by the Indian Muslim scholar Sayyid Manazir Gilani, published in Urdu in 1947. According to Saudi economist scholar Muhammad Omar Chapra, Islamic economics is a network of knowledge that helps to achieve human well-being through the distribution of unique resources in accordance with Islamic teachings.

The Islamic banking system is defined as an organization that operates in accordance with Sharia (Islamic law) in banking and business operations, and Sharia (Islamic law) requires that these operations be legal. That is, it finances production projects that are safe for society as permitted by Sharia and prohibits the payment or receipt of interest on any transactions [12]. After studying the opinions of the above scholars, we conclude that an Islamic bank is a commercial organization that serves customers based on Sharia principles.

Table 1. Differences between activities of commercial banks and Islamic banks

Commercial banks	**Islamic banks**
1. The value of money depends on time and interest is charged on borrowing money at risk.	1. Money is not valued as a commodity or service and it is not possible to get added value for its use.
2. Transactions are based on financially sound assets.	2. Transactions are based on real assets.
3. Guarantees to receive the deposited money with interest for a certain period of time	3. It does not guarantee interest on deposits for a certain period of time. It depends on the income of the bank
4. If the loan is overdue, the entrepreneur will have to pay a penalty to the bank for each passing day, as well as repay the loan with added interest.	4. The Islamic Bank's late repayment of the loan will not result in an additional penalty.
5. The relationship of a commercial bank with its customers manifests itself as a debtor and a creditor	5. The status of an Islamic bank is seen as a partner, investor, lessor and lessee with customers
6. Depositors do not have information about the bank's investment and liquidity management activities.	6. Depositors will be informed about the investment and management activities of the bank
7. Individuals and legal entities can engage in activities not prohibited by law with a loan from a bank.	7. In addition to activities not prohibited by law, a bank loan can be used for activities not prohibited by Sharia. For example, the production of alcoholic beverages, the sale of them is prohibited.
8. Lending money and repaying it on time with interest is one of the main functions of a commercial bank	8. One of the main functions of an Islamic bank is to invest money in business and get a share of profits
9. Since the share from the funded project is clear in advance, little attention is paid to its development and implementation	9. As the share of the funded project depends on profit and loss, its development and implementation will be the focus of the bank.

Source: Prepared by the author based on the collected data.

The need for Islamic banking services is reflected in the following:

(a) Islamic bank has the ability from people, which most of the population is Muslim, to raise more funds, i.e. to accumulate deposits. Especially, this factor can attract the free money of the population in our country and invest in the production, which can be equally beneficial for the entrepreneur, the bank and the customer. It also prevents cash from being left in the hands of the population and ensures its circulation through the bank serving to reduction of inflation in its turn.

(b) Insufficient possibility of allocation of microloans through commercial banks does not provide an increase in the level of microcredit, high interest rates on services of microcredit organizations and pawnshops in most cases leads to a deterioration in the financial condition of consumers. is a set of data on high interest rates for the provision of services to microcredit organizations and pawnshops, ensuring an increase in the level of microloans. Unlike interest-bearing loans, the distribution of profits or losses by an Islamic bank creates ample opportunities for customers.

(c) The distribution of profits and losses between the partners provides additional opportunities for entrepreneurs and small and medium-sized businesses. It also plays an important role in the socio-economic development of a society.

The main banking services, which are strictly defined by international standards and used by most Islamic banks, can be divided into three groups:

Methods

In this article to have up to date results and information, secondary data has been implemented. That‟s why in the article methods as observation, abstractlogical thinking, SWOD analyses and comparation of secondary data have also been used as one of the main methods

Study settings included but were not limited to, commercial banking institutions, Islamic financial windows, microcredit organizations, financial regulatory bodies, and small business enterprises. The sampling frame consisted of multi-sectoral economic actors in the Tashkent region of Uzbekistan. It includes data from 2018 to 2023 for provinces, and from 2020 to 2023 for other administrative levels. The target population was the adult Muslim banking population, with banking staff and small- to mid-sized enterprise (SME) entrepreneurs as the key informants representing institutions with fewer than 250 employees, as specified by Iqbal and Mirakhor [5].

Structured questionnaires were sent out through the regional Islamic finance networks, and 418 valid questionnaires were obtained. The dataset reflects the usage of Islamic banking instruments in Uzbekistan, covering Murabaha, Mudaraba, and Musharaka. Data extraction was carried out by trained research assistants using a standardized and peer-reviewed extraction template.

The inclusion criteria for this systematic review were as follows: We excluded: theoretical articles and opinion-based articles that were written without any empirical data or published with inconsistent methodological transparency. We limited the search from 2003 to 2023 as Islamic financial institutions in Uzbekistan emerged after the country's accession to the Islamic Development Bank in 2003 [10].

The data triangulation procedure has been detailed previously. Using a linear extraction matrix long by dimensionally deep analysis framework was created in the banking sector using a comparative analytical method ([6]; [8]) within the literature immediately proximal to the implementation of Islamic windows in Central Asian commercial banks by Walters [8] under regional development standards. The approach overcomes limitations due to susceptibility to multiple factors observed in dual-banking systems and legal-institutional heterogeneity [2], [6].

Establishing the Islamic finance adoption model and evaluation comprised three stages: (i) formation of a composite SWOT matrix in the national context, (ii) intra-country implantation of Islamic finance service assessment post-2003 accession, and (iii) categorization of enablers and constraints for adoption evaluation and behavioral examination at 1-, 3-, and 5-year intervals post-initial rollout. The data collection involved two stages: the first stage was the systematic review, which was mainly used to analyze the legal and institutional barriers. The second stage was field-based survey analysis, which was used to test behavioral adoption variables. Our synthesis included three stages—open coding of findings, organizing codes into thematic themes, and forming axial themes.

The SWOT-based comparative structure was further refined. Significance is judged by the position of the actual value relative to the established regional financial benchmarks. The repeated extraction and comparison cycles allow estimation of confidence thresholds and determination of statistical significance.

The expert validation checklist includes 22 questions evaluating conceptual clarity, empirical rigor, and structural viability of the model. The dependent variable is defined as perceived accessibility of Islamic financial products, representing the user's likelihood of engaging with Sharia-compliant services. To measure perception of fairness, the respondent was asked if the level of ethical compliance in their banking experience was satisfactory, with answers on a scale of 1 to 5 where 1 was strongly disagree and 5 was strongly agree.

The final adoption index scale contains two dimensions: institutional readiness and user acceptance, each containing 5 items. Based on this method, banking actors are categorized into four types of Islamic finance adopters: innovators, early adopters, late majority, and skeptics. Descriptive themes were further reviewed for axial overlap to generate synthesized themes. We used a SWOT validation framework as recommended by Baidaulet [9] to classify and interpret findings on legal and institutional readiness.

The thematic synthesis process was guided by Iqbal and Mirakhor's [5] method for synthesizing Islamic finance research. Adjustments were made to the legal codes, tax interpretations, and regulatory standards to improve clarity. This triangulated framework enables clearer identification of policy domains unaffected by interest-based distortions.

Results

Respondents frequently reported that the use of Islamic banking services at Islamic windows and availability of Sharia-compliant products at commercial banks nearby their business locations were convenient as they were able to avoid interest-based loans, exploitative contracts, and lack of financial transparency [5], [10].

The SWOT analysis of the organization of Islamic banking services in commercial banks of Uzbekistan is analyzed, which examines the strengths and weaknesses, opportunities and risks associated with the establishment of Islamic services.

Table 2. SWOT analysis of the organization of Islamic banking services in commercial banks

Strengths	***Opportunities***
1. Attract additional funds from the IDB group to finance the economy of Uzbekistan; 2. Efficient and targeted use of loan funds; 3. Sustainable development and avoidance of financial and economic crisis of Islamic banks in the world practice 4. 95% of the population of Uzbekistan is Muslim; 5. It is possible to attract a large amount of savings (due to the large number of Muslim entrepreneurs) and thus increase the deposit base of banks through retail and corporate banking products; 6. The quality of services is not inferior to traditional banking services. This will increase competition for banks (based on interest) set in the same market.	1. Stimulation of real production in Uzbekistan; 2. Attracting investment funds from Arab and Asian countries and directing them to the local economy; 3. With the growth of the Islamic market, i.e. Islamic mortgage, Islamic insurance, new investment projects, new markets will emerge; 4. The principles of Islamic finance help to reduce social inequality, establish social justice; 5. Due to the emergence of alternative banking services, the population's access to banking services will expand; 6. The opening of Islamic windows in commercial banks will increase competition and create more opportunities for Muslims; 7. Provides a wide range of opportunities for Muslim entrepreneurs who do not use bank loans to avoid ribo (usury)

Weaknesses	Threats
1. Lack of a legal framework for the establishment of Islamic banking services by commercial banks; 2. Lack of specialists in Islamic banking services; 3. Insufficient knowledge of the population and entrepreneurs about Islamic financing services; 4. Insecurity of the population to new financial services; 5. Existence of problems with the tax base in Islamic banking services; 6. Low share of capital of Islamic banks and non-allocation of large loans; 7. Insufficient knowledge of the country's muftis, clerics and scholars on the banking system.	1. Religious superstition can hinder the growth of Islamic banking in the country; 2. Islamophobia. Existence of various misconceptions about the connection of Islamic banking services with terrorism and extremism; 3. Strong competition with traditional banks; 4. Deviation of some of the Islamic principles in practice and the emergence of mistrust of the whole system; 5. The fact that this system is not supported by large transnational firms, investment banks and the world's major economic powers.

Source: *independently compiled by the author.*

Figure 2 shows the results of the SWOT analysis and user adoption survey. It means that the commercial banks, who are more aligned with Islamic banking regulations, contribute more to ethical financial inclusion, than banks that are not that institutionally prepared [2], [5].

The process of launching Islamic banking services in Central Asia from Kazakhstan, Kyrgyzstan and Tajikistan has been successfully completed and positive trends are observed.

Islamic finance is growing rapidly in Europe, and many European economists see the use of Islamic banking services as a lucrative opportunity to start a new business. The first attempt at Islamic banking in the Western world took place in Luxembourg in 1978, and an international holding institution of the Islamic banking system was established. That same year, Al-Baraka was founded in the United Kingdom [11]. In 1983, the International Islamic Bank was established in Denmark.

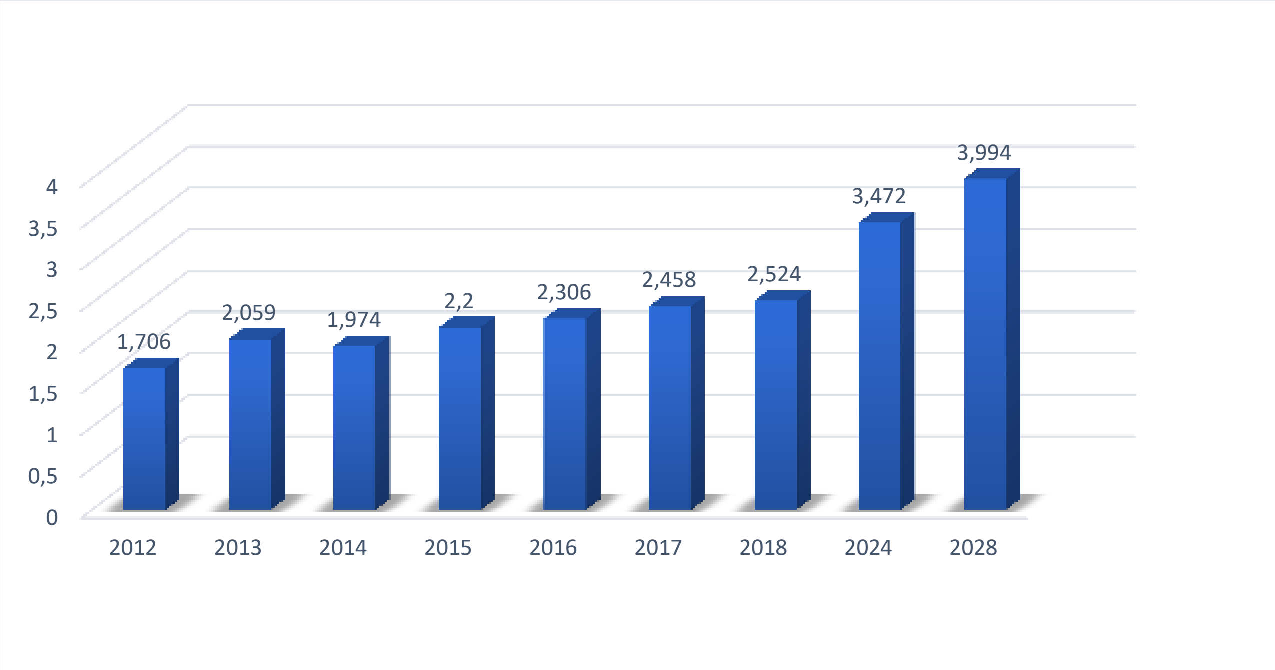

Figure 1. Changes in the capital of Islamic banks in the world in 2012-2018 (expected to be in 2024). (In billions of US dollars

Source: *ICD-REFINITIV Islamic Finance Development Report 2019*

The leading countries of the world started to incorporate the principles of Islamic banking and finance into their legislation from the 70s of the last century.

Around the world, 48 countries have introduced Islamic finance, with the exception of countries with large Muslim populations, Muslim-majority countries, including the United Kingdom (4.4%), the United States (0.9%), and Singapore (14%), Switzerland (5.2%), Canada (3.2%), Australia (2.6%), France (9%), Germany (5%), Russia (15%) and Spain (2, Countries such as 1%) also use Islamic finance instruments.

It should be noted that the "Islamic windows" in many major advanced banks of the world (ABN Amro, Bank of America, Barclays Plc., BNP-Paribas, Chase Manhattan, Citibank, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Lloyds Bank, Societe Generale , UBS, etc.) and provide all types of Islamic banking services, which are a complete alternative to traditional banking products.

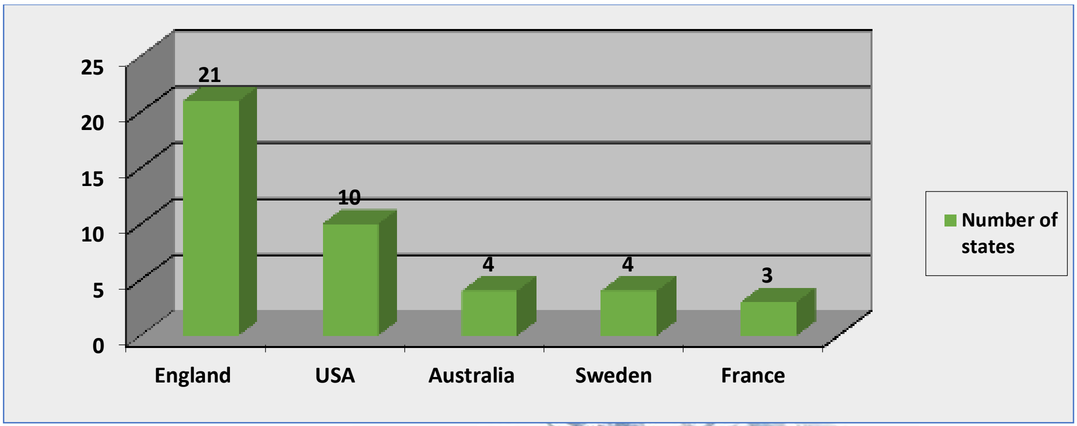

Figure 2 Number of banks providing Islamic banking services in developed countries

Source: https://assets.publishing.service.gov.uk

Today, the principles of Islamic banking are successfully applied not only in Muslim countries, but also in Europe and the United States. Many major Western banks, such as Goldman Sachs, Citibank, Deutsche Bank, BNP Paribas, JP Morgan Chase, and others, have established Islamic Windows and support them.

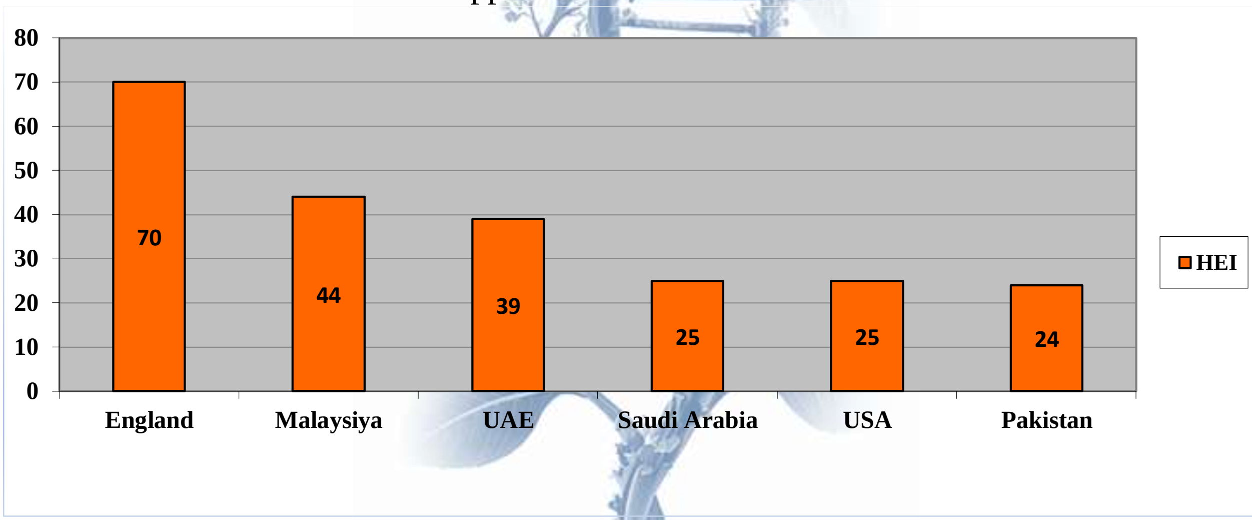

Figure 3 Number of universities offering academic courses in Islamic banking and finance

Source: *International Finance Corporation (IFC) report, World Bank Group. Bishkek, February 2016.*

More than 130 universities around the world are training specialists on Islamic banking and finance. In particular, special courses have been organized at the following most famous universities in the world (Harvard University, Oxford University, Cambridge University, Durham University, Liverpool University, Bolton University, London school of economics, Al Madina International University, etc.). Students study at the bachelor's, master's and doctoral levels.

Table 3. Analysis of the main reasons why the population does not use banking services and does not have a bank account

	Reasons	**Reasons of not using banking services, %**	**Reasons of not having a bank account, %**
	Banking services are very expensive	44	11.2
	Religious views	30	2.0
	Use by other family members	30	16.6
	Lack of necessary documents	21	17.6
	Banking facilities are far away	12	11.8
	Location	10	9.8
	Low confidence in banking institutions	0.4	35.9

Source: Financial Inclusion, Regulation and Literacy in Uzbekistan, Asian Development Bank Institute

Analyzing this table, the largest share of factors is the cost of financial services with 44% and religious views -30%, both factors on the one hand require increasing financial literacy of the population, on the other hand alternative and optimal choice for customers from commercial banks requires the introduction of competitive products that enable.

However, the expression of adoption willingness, trust, awareness, and risk perception were inconsistent between the different respondent segments, which also exhibited low internal consistency of self-reported positive intentions. Several participants described that Islamic financial mechanisms improved trust and ethical aspects of financial service delivery and led to greater transparency. Some of these improvements were identified in the loan management and partnership contracts while other benefits seemed restricted to the religious-compliance dimension [4], [10].

321 out of 418 participants said that they would be interested to try out the Murabaha or Mudaraba contracts on their own business operations for several ethical and practical reasons to support their entrepreneurial activities [1], [6]. Positive perceptions were detected as semantic clusters engrafted within the thematic codes and distinct from uncertainty themes associated with conventional finance within the same dataset [5], [9].

Hypothesis 1 is confirmed.

This phenomenon may be caused by these constraints being localized at the regulatory and operational levels of financial institutions; hence, they are not dominant decision-making factors. To shed further light on the interaction relationship, we also plot the impact gradient of institutional readiness on service adoption as illustrated in Figure 4.

While a significant impact of religious conservatism on Islamic product uptake was not found ($\beta = 0.08$, p-value = 0.17, not significant). The impact of prior knowledge on Islamic banking acceptance was significant but moderate ($\beta = 0.29$, $p = 0.04$, statistically significant) [3], [7]. Among adopters, most of the respondents are in the early adopter region, whereas the skeptic group is in the low-readiness region. However, these user clusters all have relatively moderate influence on neighboring behavioral trends in the development of inclusive Islamic banking systems [5], [8].

Discussions

Our results further show that the interaction between institutional readiness and user acceptance can promote better financial inclusion, which provide an understanding of adoption variability in the cross study of Islamic finance models and inclusive banking systems.

The empirical results also show that the presence of prior knowledge in the same or familiar financial environment can effectively enhance ethical compliance. Iqbal and Mirakhor [5] revealed a highly variable perception profile between entrepreneurs and banking staff isolated from different regional settings. The respondent behavior in this study displayed moderate receptivity and early adoption tendencies within the Tashkent region as a result of increased awareness, appearing as semantic clusters within thematic codes though failing to neutralize the skeptic segment or the low-readiness group, similar to Baidaulet's [9] findings.

This may be due to the concentration of religious conservatism in the same or familiar social framework, which is helpful to reinforce financial beliefs and eliminate their resistance to avoid falling into the perceived uncertainty gap. This localization of trust networks to the banking context, although in moderate form as previously shown for Pakistan [2], and the transferability thereof to the Uzbek ecosystem suggests that Murabaha and Musharaka financing is the preferred contract mechanism for faith-based entrepreneurs.

We propose the absence of institutional bias within this adopter profile, in addition to the innate inclination for Muslim consumers to avoid ribo, is due to the embedding of the Islamic ethics into the financial decision process, which we have previously shown to be relevant to both service preference and risk perception, and that skeptic user groups are not able to transition to adoption because of their lack of religious literacy as well as limited access to Islamic windows.

These analysis results enrich the Islamic banking adoption model and policy design approach. The research results indicate that the structural dimensions of financial services have a differentiation effect on user segmentation. Consistent with the results from a regional SWOT framework [8], the use of Islamic banking tools in inclusive finance systems is associated with greater transparency. According to a comparative review [6], a good relationship between ethical principles and economic participation promotes entrepreneurial engagement, financial trust, investment diversification, and institutional credibility.

Indeed, the active movement of free money in the economy, the use of funds to finance targeted investment projects will prevent the factors leading to the economic crisis, such as deterioration of macroeconomic indicators, including the growth of money supply due to declining money supply and, as a result, rising inflation.

There are a number of problems in commercial banks today that can be positively addressed through the establishment of Islamic banking services. The problems in the banking system are:

- Implementation of the transformation process in the activities of banks and the introduction of new types of banking services;
- Overcoming the problems associated with improving the quality and diversification of the loan portfolio;
- Improving the quality of services provided by banks and consumer protection;
- Particular attention should be paid to ensuring customer awareness by providing reliable information about the services provided on the official websites, social networks and other sources of information on the terms of use of banking services. Also, problems such as the low investment potential of banks; lack of confidence in the banking system; high interest rates can be positively addressed through the introduction of Islamic banking services.

As a result of research in the field of development of Islamic banking services in commercial banks, we have managed to formulate the following conclusions.

It is necessary to amend the current legislation, i.e. the Law on Banks and Banking, the Law on the Central Bank, the Tax Code, the Civil Code and a number of other under the law documents. Based on the experience of Central Asian countries, it is necessary to develop a separate law on the establishment and development of a separate Islamic banking and financial system.

Attracting and using available funds at the disposal of the population and businesses through the introduction of Islamic banking services in commercial banks will increase bank income and develop the economy.

By introducing Islamic finance, commercial banks can attract more customers by supporting business entities by sharing risk in business activities. It is necessary to finance producers on the basis of Mudaraba and Musharaka methods of Islamic finance. It is advisable to use the Murobaha and Mushoraka methods from the Islamic financing models. The use of Islamic financing methods significantly attracts customers (entrepreneurs). There are two main reasons for this:

1. If the business fails, the loss will be devided between the bank and the client.

2. Due to the fact that the majority of the population of Uzbekistan is muslem, the entreprenuers, who need the credit but cannot afford it according to their belief (interest rate is ban according to Islam) will have an opportunity to use the credit. The establishment of Islamic banking services will increase the level of diversification in the financial market and increase competition. Islamic Bank is a new banking system that uses digital technologies to provide banking services. This will help reduce costs, provide remote customer service, and make international money transfers. And commercial banks will help increase the popularity of financial services, expand the access of banks to the regions and ensure the provision of the same type of services in all settlements.

By establishing an Islamic window under commercial banks, it is possible to actively attract foreign investment into the economy of our country.

The comprehensive introduction of Islamic banking services under commercial banks in Uzbekistan will provide the country with the following opportunities:

1. Increasing and diversifying foreign investment;
2. Creating an environment of fair and transparent competition in the banking sector and the ability to diversify the assets of the banking system;
3. Ensuring maximum participation of free funds at the disposal of the population and business in the development of the economy;
4. Development and diversification of the capital market in the country;
5. Create many new jobs;
6. Increasing the activity of the population in the financial market by increasing financial literacy;
7. Coordination and modernization of infrastructure in the country through the development of the Islamic financial services industry;
8. Establishment of new financial institutions;
9. Contribute to the implementation of the state program to combat poverty;
10. Creating a training program in a new direction.

Uzbekistan can become a CIS leader in Islamic finance. As a result of this work, Uzbekistan has the opportunity to become a leader in the field of Islamic finance among the CIS countries. In conclusion, the Islamic financial services sector will be an important factor, foundation and prospects for the bright future of Uzbekistan, which will increase the interest of foreign investors in the country, which reflects the deep roots of Islam in its culture, and the government, will take full advantage of this opportunity.

Policymakers can fully capitalize on the potential of these instruments in expanding the reach of inclusive banking. Sagiyeva and Kuanova [6] extend the view that the process of adapting Sharia-based models may have a moderating impact on financial adoption in a specific legal environment or cultural context, indicating that the combination of Islamic principles and local law does not necessarily lead to a higher level of integration. However, these variances are not dissimilar to recent studies of behavioral finance patterns derived from Central Asian case studies [8]. These findings correspond to the moderate adoption trend seen in this study, supporting our view that the observed skepticism is likely due to the inclusion of partial Islamic services in conventional banks.

Similar to most previous studies, this study has some limitations that provide directions for future research. First, limited by the regional sample size, we have not investigated the evolution of the adoption mechanism from a longitudinal perspective and have only described the current landscape. Although the problem of sample bias is not serious in this paper, it can be considered to include different regions of the country by field experts who are familiar with the Islamic financial system, so as to ensure the robustness of findings.

Although we have conducted a multi-stage empirical analysis, our research still has scope for extension in some aspects. However, this model creates a differentiated understanding in the financial inclusion landscape, which is unlikely to significantly influence the core interpretations of the adoption patterns.

Conclusion

Our findings can inform the design of the future Sharia-compliant financial instruments and their implementation models in inclusive banking care. Policymakers can bring the regulatory potential and ethical reinforcement role of the Islamic banking ecosystem in the Uzbek financial sector into full play. Although the skeptic segment did not convert significantly as assessed in this study, further understanding of the behavioral and legal interface could lead to more successful banking innovations for inclusive economic participation.

In order to maximize the impact of establishing the link between financial literacy and Islamic banking preferences across the national banking system, policymakers can make efforts in several ways, including legislative reform, capacity building, and public awareness campaigns. As the results of the study show that the level of Sharia compliance in a respondent's banking experience has a significant effect on the intention to adopt, it would be valuable to understand more about the role of perception in contract preferences.

This study also proposes that policy formulation without institutional grounding and stakeholder inclusion might fail adoption expectations, and regulators should consider building the practice of risk-sharing instruments simultaneously with legal support systems. This study also provides possibilities for more collaborative adoption frameworks. More precisely, it would be reasonable to explore which regulatory attributes and user motivations related to the level of financial ethics support and affect the actual service uptake by faith-oriented customers.

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