

## Analysis of the Sukuk Market Development in the Countries of The World



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**ABSTRACT:** Islamic securities sukuk, introduced as a new instrument of the global financial system in the 21st century, have grown rapidly in recent years. Interest in it is growing, as it showed a growth trend even during the global financial and economic crisis and the COVID-19 pandemic. The article analyzes the development of sukuk in 2001-2020. Statistics from Malaysia and Turkey are analysed separately.

**KEYWORDS:** Sukuk, securities, Islamic finance, issue, Uzbekistan, stock market.

### INTRODUCTION

Although the Islamic financial system was first introduced by Muslim countries, it later expanded to all regions of the world as an alternative system. Today this system is effectively used even in advanced economies. Sukuk Islamic securities which introduced as a new instrument of the global financial system in the 21st century have grown rapidly in recent years. Interest in it is growing, as it showed a growth trend even during the global financial and economic crisis and the COVID-19 pandemic.

### LITERATURE REVIEW

Sukuk, which is a branch of Islamic finance, is widely studied by the international community and the level of research on this issue is constantly growing. In particular, Ibrahim and Minai conducted a study on the importance of sukuk for attracting investment in enterprises [1]. A study by Said and Grassa examined several factors influencing the sukuk market in 10 countries over the period 2003-2012. The are given factors that had a significant positive impact on the sukuk market [2]. F.Alahouel and N.Loukil focused on Islamic capital markets [3]. N.Basyariah, N.Kusuma analyzed the factors of development of the sukuk market in a joint study. The focus is on macroeconomic stability and institutional aspects [4].

Representatives of the CIS countries, such as V.Antropov [5], T.Gafurova [6], S.Mokina [7], O.Trofimova [8], I.A. Zaripov [9], I. Bekkin [10] studied issues related to Islamic securities and Islamic finance. Scientists in this area also conducted research in the field of Uzbek researchers Kh.Khasanov [11] [12], M.Sultanov [13] and O.Davlatiarov [11]. Our previous scientific work has also dealt with various aspects of sukuk.

### RESEARCH METHODOLOGY

The article uses methods of scientific abstraction, empirical study, descriptive statistics, expert assessment, grouping, dynamic analysis.

### ANALYSIS AND DISCUSSION OF THE RESULTS (MAIN PART)

According to the distribution of Islamic financial assets by country, in 2019 Iran owned 24.3% of all assets worth \$ 698 billion (Figure 1). These figures are in Saudi Arabia 629 billion (21.1%), in Malaysia - 570 billion dollars (19.8%), in the UAE 234 billion dollars (8.1%) and 144 billion dollars. USA (5.0%).

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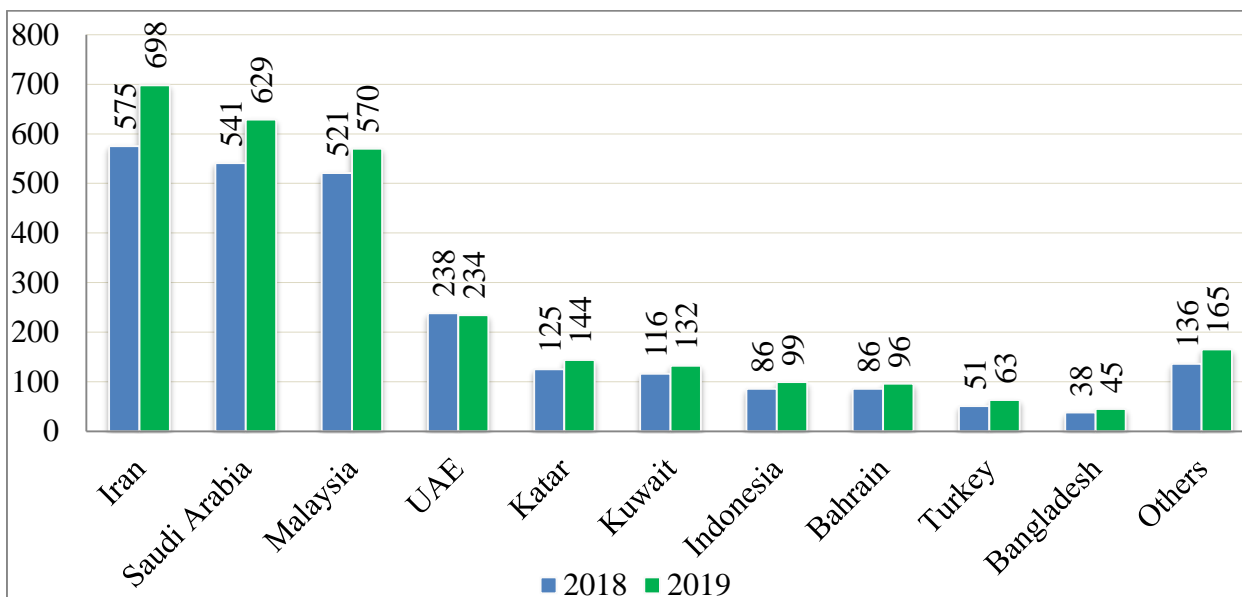


Figure 1. Distribution of Islamic financial assets by country (USD billion) [18]

According to a report on the development of Islamic finance published by Thomson Reuters, 74 countries of the world have implemented Islamic banks until 2021 [18], including the United Kingdom (4.4% of the population is Muslim), the United States (0.9%), Singapore (14%), Switzerland (5.2%), Canada (3.2%), Australia (2.6%), France (9%), Germany (5%), Russia (15%) and Spain (2.1%) [19].

Malaysia accounted for 56.2% of total global issues during the study period, or \$ 800 billion (Figure 2). Malaysia has released 7,800 times sukuk issues, which is 11 times more than Turkey, which has released 708 times. Malaysia issues mainly its own local currency. The second largest country is Saudi Arabia - \$ 174.4 billion or 12.3%, respectively, Indonesia issued sukuk \$125.0 billion (8.8%), the UAE - \$ 98.4 billion (6.9%) and Indonesia - \$ 66.9 billion (4.7%). These only 5 countries own 88.9% of the world's sukuk. Kazakhstan has also issued a \$ 77 million sukuk from Central Asian countries.

Research shows that Turkey's share of issues are growing rapidly, reaching 123 issues in 2020.

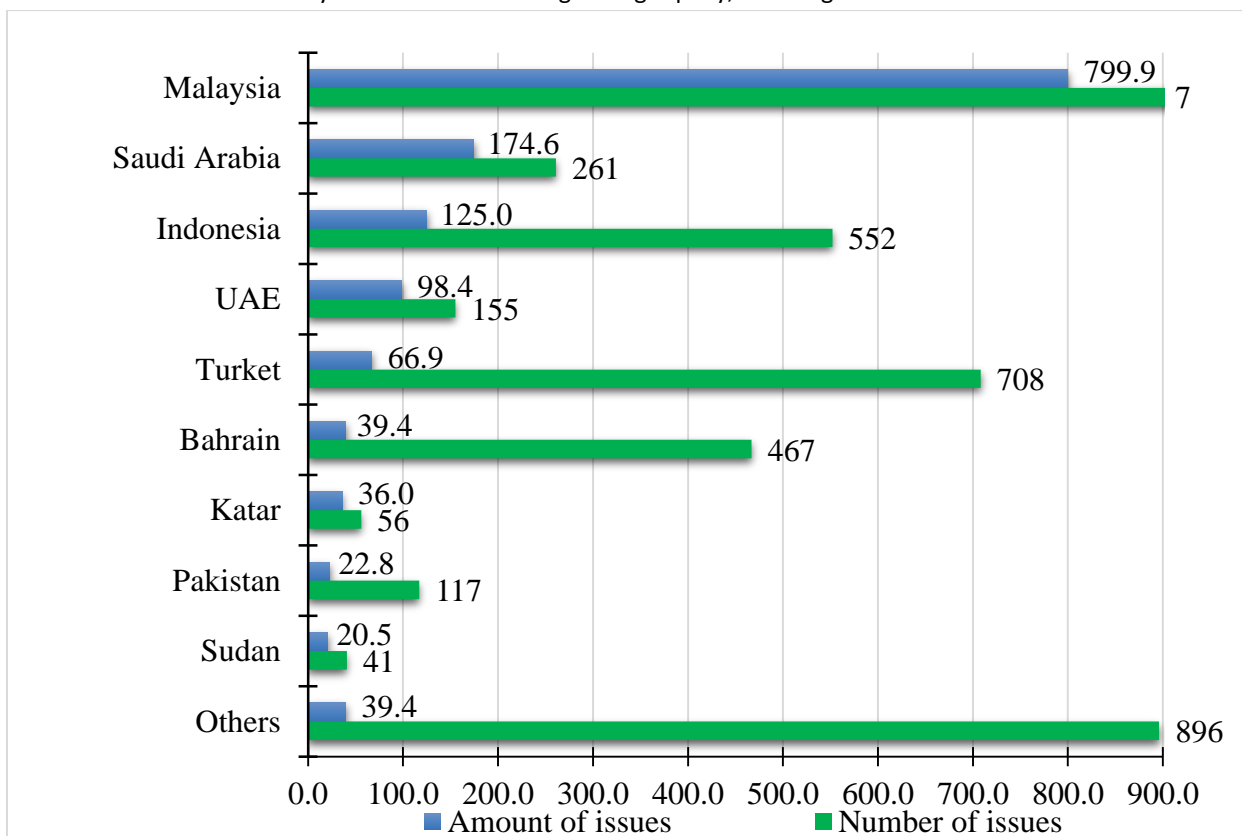


Figure 2. Sukuk emissions in some countries (2001-2020, USD billion) [20]

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A total of 36 countries worldwide issued sukuk (Figure 3), and when analyzed by region, Asia has the largest volume of sukuk at 98%. Until 2000, only Malaysia produced sukuk in the world, in 2010 the number of countries increased to 17, and by the end of 2018 to 35. In 2020, the number of issuing countries increased by one as a result of the issuance of sukuk by Egypt. However, the International Organization of Islamic Financial Markets (IIFM) did not list Iran as one of the sukuk issuing countries in its 2019 and subsequent reports. However, reports for 2018 and earlier contain data for that country. Given that attempts to exploit this security are also available in other countries, it can be predicted that the list of issuers will grow again.

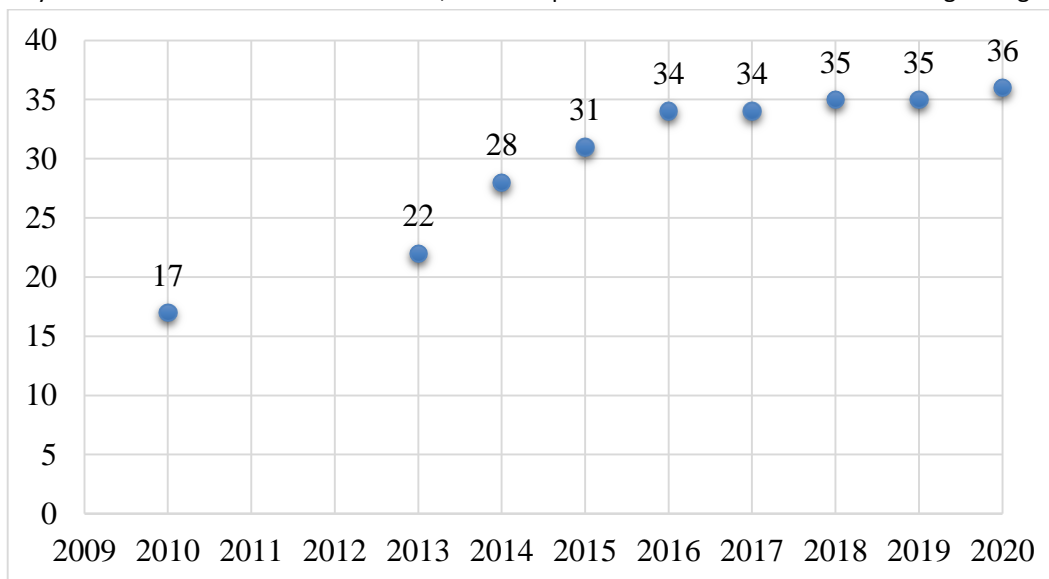


Figure 3. Growth trend in the number of countries issuing sukuk [21]

The fact that the 36 countries issuing sukuk include developed countries such as the US, UK, Luxembourg, Germany, Japan and France [20] clearly shows that Islamic securities can also be traded in traditional financial markets.

In recent years, the Islamic finance sector in the UK, in particular the Islamic securities sector, has grown rapidly. In 2013-2020, sukuk emissions exceeded the annual average by 35%. The fact that today one of the few Islamic finance hub in the world has been established in London. The other two hubs are owned by Malaysia and the UAE.

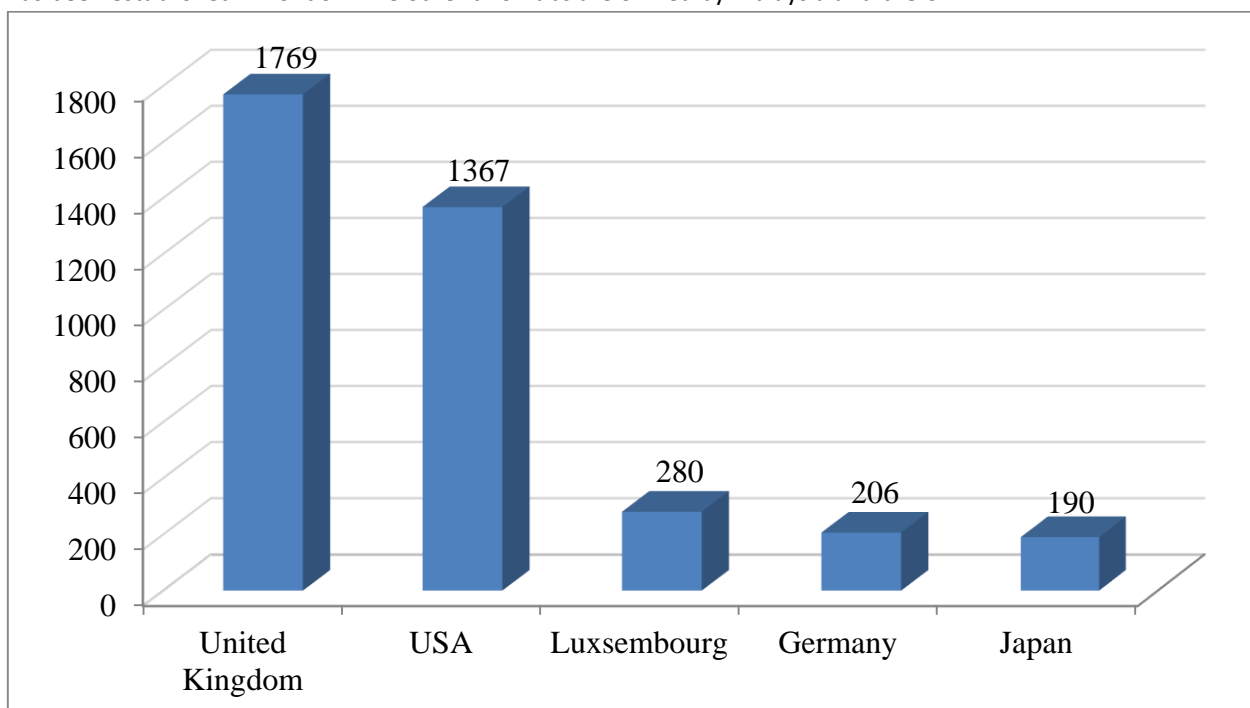
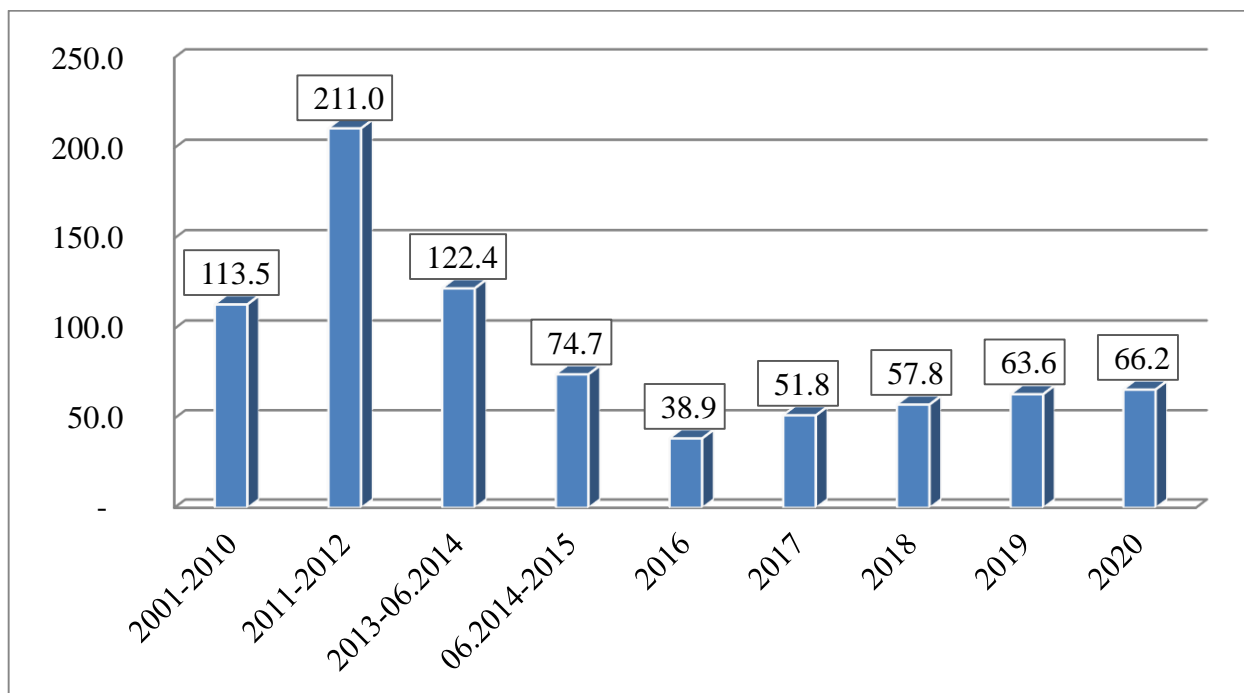


Figure 4. Sukuk issuance in some developed economies of the world (mln. USD) [20]

Research shows that Malaysia has the largest share and experience of sukuk in the world. It is worth studying the experience of Malaysia and Turkey, which are the second largest number of issues in the world.

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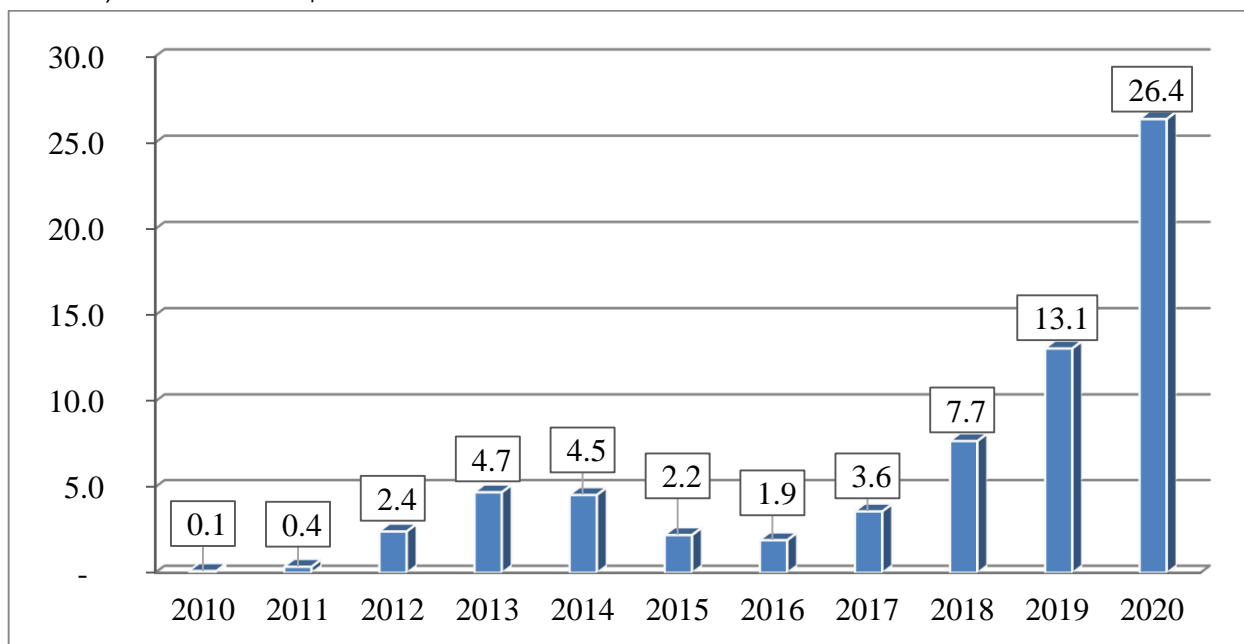


**Figure 5. Malaysian sukuk issuance (billion US dollars) [21]**

Sukuk has been issued annually in Malaysia since 2001 (Figure 5). Due to the high proportion of sukuk issued by Malaysia globally, changes in that country also have a direct impact on the global trend. If there was an upward trend before 2015, then this year there was a sharp decline due to a change in the policy of the Central Bank of Malaysia regarding short-term certificates. The main part of issuance are from non-state sukuk and long-term state-owned sukuk.

According to the report of the Securities Commission of Malaysia on the results of 2020, the Islamic capital market accounts for 65.8% of the total capital market of the country [22].

Sukuk issuance in Turkey began in 2010 (Figure 6). There was one issue (\$ 350 million) in 2011 and two issues (\$ 2405 million) in 2012. Since then, the number of issues has grown exponentially, reaching 708 by the end of 2020, totaling \$ 66.9 billion. Of these, 123 issues worth \$ 26.4 billion were contributions in 2020.



**Figure 6. Turkey sukuk issuance (billion US dollars) [21]**

In Turkey, public-private partnerships have been effectively established through the ijara sukuk. By the end of 2018, the bulk of the sukuk had been issued by the government, accounting for 52.3% of the total issuance. The remaining 47.7% is

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accounted for by the non-state sector. In addition, sukuk issued to local investors is larger than international sukuk, accounting for 75% and 25% respectively.

### CONCLUSION

Sukuk, which is the object of our research, does not exist in Uzbekistan. The analysis shows that the range of financial instruments in the stock market of Uzbekistan is limited, government participation is large, and the trading volume remains low. In order to improve the convenience of the country's capital market for all categories of investors, the implementing of sukuk, which is an Islamic value, will contribute to the development of the industry.

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