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ANALYSIS OF THE FINANCIAL PERFORMANCE OF ISLAMIC WINDOWS IN FOREIGN COUNTRIES

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Abstract
This study presents an empirical analysis of the financial indicators of countries with developed Islamic finance, where Islamic banks and Islamic windows operate, for the period 2014–2024. The results show that Islamic windows achieve high operational efficiency and profitability by utilizing existing infrastructure. These findings also help identify which model of Islamic banking is the most suitable priority choice under current conditions in Uzbekistan. Based on international experience, optimal benchmark indicators and strategic recommendations for introducing Islamic windows into the banking system of Uzbekistan have been developed.

Keywords: Islamic banking, Islamic window, full-fledged Islamic bank, operational efficiency, profitability, international experience, banking system of Uzbekistan, benchmarks.

This paper is based on the official Islamic Financial Services Board (IFSB) "Prudential and Structural Islamic Financial Indicators" (PSIFIs) database. It provides a comparative analysis of the financial indicators (cost efficiency, net profit margin, return on assets, and non-performing loans/financing, NPL) of countries with well-established Islamic finance and Islamic banking sectors. The

analysis covers Islamic banks and Islamic windows in Indonesia, Malaysia and Saudi Arabia, which have well-developed Islamic banking, as well as Kyrgyzstan and Oman, which introduced it more recently. On this basis, several conclusions and recommendations are formulated for Uzbekistan, which is taking its first steps in developing Islamic finance.

Sirojiddinov (2026), in his study "Types and Forms of Organizing Islamic Banking Services," offers a theoretical conclusion on the cost efficiency of Islamic windows. Based on data from the last ten years, the hypothesis he advanced, that Islamic windows benefit from sharing the infrastructure of the "parent bank," is supported empirically. Accordingly, an Islamic window incurs lower costs per unit of income than Islamic banks, as the statistics of each country show (Table 1).

Comparing the net profit margin of Islamic windows (IW) and Islamic banks (IB) across five countries, the profitability of IWs was found to exceed that of IBs in all countries. The highest efficiency was observed in Malaysia (IW: 62%), and the smallest gap in Saudi Arabia (1.6 percentage points). This pattern is explained by the operating-cost savings that Islamic windows obtain from using the infrastructure of conventional banks. In conclusion, for countries newly entering the Islamic finance market, opening an "Islamic window" within a conventional bank is the most economically efficient and least costly strategy at the initial stage.

The analysis of return on assets (ROA) shows that, in most of the countries studied, Islamic windows outperform full-fledged Islamic banks. In Indonesia, for instance, the ROA of IWs (2.20%) is clearly higher than that of IBs (1.49%). In Saudi Arabia, by contrast, standalone Islamic banks lead (2.25%). In Pakistan the two models perform almost identically. In general, access to the resources and

infrastructure of conventional banks allows Islamic windows to manage their assets efficiently at lower cost and achieve high profitability.

A comparison of the non-performing financing ratio (NPL) shows that, except in Saudi Arabia, the risk level in the IW segment is considerably lower in all countries. In Kyrgyzstan, the IB indicator is the highest (9.42%), while the IW indicator (4.98%) is almost half of it. In Pakistan, the IW figure (2.11%) is markedly better than that of IBs (4.77%). This is explained by the more mature risk-management and underwriting systems of Islamic windows within conventional banks and their broader diversification opportunities.

Table 1. Financial indicators of Islamic banks in selected foreign countries

Country	Cost efficiency IW	Cost efficiency IB	Net profit margin IW	Net profit margin IB	ROA IW	ROA IB	NPL IW	NPL IB
Malaysia	28.90%	39.80%	62.00%	39.10%	1.44%	1.04%	1.17%	1.41%
Saudi Arabia	38.90%	47.70%	53.30%	51.70%	2.18%	2.25%	1.47%	1.14%
Indonesia	65.10%	84.10%	35.50%	16.50%	2.20%	1.49%	2.83%	3.85%
Pakistan	51.50%	59.60%	46.10%	37.70%	2.19%	2.06%	2.11%	4.77%
Oman	45.90%	98.10%	35.70%	-14.00%	1.01%	1.41%	0.87%	1.06%
Kyrgyzstan	–	–	–	–	–	–	4.98%	9.42%

Source: Recalculated by the author based on IFSB data. IW – Islamic windows; IB – Islamic banks.



Conclusions and Recommendations

The empirical analysis of the countries studied confirmed the consistent advantage of Islamic windows over full-fledged Islamic banks in terms of operational efficiency, profitability and asset quality. The use of existing commercial bank infrastructure is the main factor behind this advantage. For Uzbekistan, introducing Islamic windows within commercial banks at the initial stage of developing Islamic banking is a strategically appropriate and economically more efficient solution.

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