

# Potential for Sustainable Finance in Uzbekistan: Case of Waqf-Based Microfinance

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**Abstract:** This study explores the prospects for introducing a sustainable finance alternative in Uzbekistan through the example of waqf-based microfinance (WMF). Using survey data, the study employs a combination of Literature Review and Exploratory Data Analysis (EDA) to assess feasibility, demand, and supply patterns for WMF in the country. The findings indicate a strong potential demand for WMF, influenced by individual characteristics such as gender, marital status, type of residence, occupation, income, savings, and familiarity with the waqf concept. On the supply side, the availability of waqf funds is closely associated with public awareness, trust, and perceived transparency of waqf institutions. Overall, the results reveal significant untapped potential for the development of sustainable finance in Uzbekistan, particularly in the form of Islamic social finance instruments such as WMF. The study suggests that Uzbek society could benefit substantially from this model, provided that foundational measures, such as supportive legal frameworks, financial incentives, and enhanced public awareness, are effectively established.

**Keywords:** Sustainable finance, Demand and supply pattern, Exploratory Data Analysis, Waqf-based microfinance, Islamic social finance.

## 1. INTRODUCTION

Sustainable finance is the strategic mobilization of capital toward investments that drive long-term economic value while accelerating environmental resilience, social inclusion, and poverty reduction in developing countries. Uzbekistan is a developing country with a fast-growing population exceeding 37 million (Worldometer, 2025), that is emerging as a key driver of economic growth in Central Asia. Factors such as strong economic reforms, rising foreign and domestic investment, and an expanding services and manufacturing sector are strongly contributing to the country's growth, which is estimated to be 6.7% in 2025 and grow at 6.0% in 2026 (Usov, 2025).

In recent years, Uzbekistan has taken concrete steps to incorporate sustainable finance into its development strategy. A major milestone was the issuance of international green sovereign bonds in 2023, with proceeds directed toward water-saving technologies, transport infrastructure, and urban improvement projects (BioFin, 2023). Legislative amendments subsequently enabled the country's first green corporate bond issuance, further broadening market-based sustainable financing instruments (Daryo.uz, 2024). These initiatives demonstrate the government's commitment to aligning financial development with environmental and social priorities.

Nevertheless, the overall scale and diversity of ESG and sustainability-linked instruments remain limited relative to Uzbekistan's long-term investment needs. Deepening green, social, and sustainability-focused capital markets will therefore be essential. In this regard, microfinance is widely acknowledged as an effective mechanism for expanding financial inclusion and alleviating poverty, and more recently as a "resilience policy" supporting progress toward the United Nations Sustainable Development Goals (SDGs), particularly for vulnerable populations (Gatto & Sadik-Zada, 2022).

Historically, waqf (Islamic endowments) have played an important role in providing funding for public goods, including education, health, and social welfare. More recent research has highlighted the close theoretical relationship between waqf and the higher objectives of Shariah (*maqasid al-shari'ah*) and the SDGs. Abdullah (2018) argues that most SDGs (notably poverty, education, health, and inequality) can be implemented via effective waqf programs and therefore proposes a maqasid-oriented waqf-based development framework.

The empirical and theoretical evidence developed post-2020 supports this view. For example, Elmahgop *et al.* (2025) finds that waqf-investment fund performance in terms of social impact is significantly stronger than other forms of SDG-related output, which demonstrates the potential for waqf to contribute to socially inclusive development. When different waqf development frameworks are compared and contrasted, it is concluded that the integration of waqf

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and microfinance represents one of the most promising models for achieving the SDGs whilst remaining true to *maqasid al-shari'ah*.

Unfortunately, the high cost of private-sector financing is exerting significant pressure on households, contributing to a sustained increase in consumer indebtedness. According to a report by the Central Bank of Uzbekistan, 40 % of bank loans were extended to borrowers whose debt-service obligations exceeded 50 % of their monthly income (Tukhsinov, 2025). Conventional loans, characterized by elevated interest rates, often restrict access to affordable credit, particularly for low- and middle-income groups. These circumstances underscore the urgent need to diversify the country's financial system by developing alternative, more inclusive financing mechanisms. In this context, Islamic finance emerges as a promising solution, offering interest-free, asset-backed, and risk-sharing instruments that can alleviate household debt burdens while promoting broader access to ethical and sustainable financial products.

It is worth mentioning that the government of Uzbekistan has taken significant steps to develop Islamic finance in the country. For example, the adoption of the Law "On Non-Banking Credit Organizations and Microfinance Activities" on April 19, 2022, and the Central Bank of Uzbekistan's "Regulation on the Procedure for Providing Islamic Financing Services by Microfinance Organizations" (Resolution No. 3536) on July 26, 2024, established a regulatory framework for conducting Islamic microfinance operations. In addition, the lower chamber of Parliament recently adopted the Islamic Banking Law, which has been submitted to the upper chamber (Senate) for approval (Kommers.uz, 2025). Once enacted, this law will regulate the conduct of Islamic banking operations in Uzbekistan.

Furthermore, Islamic social finance instruments, such as *qard al-hasan*, *zakat*, *waqf*, and *sadaqah*-based financing, play a vital role in poverty alleviation and economic empowerment. In particular, *waqf*-based Islamic microfinance can significantly enhance financial inclusion for low-income populations by offering interest-free loans and promoting sustainable, equitable financing (Tursunov, 2023). This approach supports income-generating activities, fosters long-term community welfare, and ensures that vulnerable groups can participate fully in economic development while adhering to ethical investment principles.

There is a traditional conflict in microfinance between inclusive outreach and financial sustainability. The integration of *waqf* into the funding base of

microfinance (for example, as a cash *waqf* or a productive *waqf*) to form *waqf*-based microfinance (WMF) may help soften the conflict of interest. This is because it provides a source of long-term concessionary funds that do not need to generate market-rate returns. Obaidullah and Abdul Latif would have described this as a "successful marriage" between microfinance and Islamic finance, whereby microfinance enables financial inclusion, whilst *waqf* (as an Islamic finance instrument) embeds social solidarity and risk sharing (Obaidullah & Abdul Latif, 2008).

Overall, Islamic social finance instruments, such as WMF, offer significant potential in Uzbekistan as sustainable, Shariah-compliant mechanisms to meet the financial needs of marginalized communities. By integrating the redistributive function of *waqf* with microfinance's outreach capacity, WMF can foster inclusive growth, reduce poverty, and enhance social equity. Despite increasing interest in Islamic finance, however, no prior empirical study has comprehensively examined the feasibility of WMF in Uzbekistan from both demand and supply perspectives. Addressing this gap is essential to determine whether such a model can operate sustainably within the country's evolving financial and regulatory landscape.

This study responds to that need by combining a structured literature review with Exploratory Data Analysis (EDA) based on original survey data from 324 respondents. The literature review compares Uzbekistan with the broader experience of countries that have successfully implemented WMF, while also highlighting the relatively slow development of Islamic and sustainable finance domestically. The empirical analysis provides new country-specific evidence on both the potential demand for WMF and the availability of *waqf*-based funding, an approach that, to our knowledge, has not previously been undertaken in the Uzbek context.

The findings make several important contributions to the literature on sustainable finance and Islamic social finance. First, they reveal exceptionally strong demand for WMF, with 96.6 percent of respondents expressing willingness to use such services, and nearly half indicating unconditional demand regardless of cost, and only a small minority rejecting the concept outright. Demand is influenced by socio-economic characteristics, including income, savings, and awareness of *waqf*, offering nuanced insights into potential market segmentation. Second, the study uncovers a substantial untapped supply of *waqf* funds. Around 80 percent of respondents are willing to donate, and over 90 percent express interest in acquiring *waqf* certificates, with trust, transparency, and awareness of

the Waqf Foundation playing decisive roles. These results not only confirm the feasibility of WMF in Uzbekistan but also extend existing research, largely focused on other regions, providing integrated evidence of simultaneous demand and funding capacity in a Central Asian context.

Based on these findings, the study proposes targeted policy recommendations, including developing a supportive legal framework to enable noncommercial waqf institutions to provide microfinance services, enhancing transparency and governance standards to strengthen public trust, introducing financial and regulatory incentives, and expanding public awareness and capacity-building initiatives. By linking empirical evidence with actionable reforms, the paper advances the discourse on how Islamic social finance can complement sustainable finance strategies in emerging economies such as Uzbekistan.

The rest of the paper is structured as follows. Section 2 describes the methods and data used in our analysis of demand for WMF and the supply of waqf funds in Uzbekistan. Section 3 provides a brief review of the literature on WMF in general and the current state of Islamic and social finance in Uzbekistan, in particular. Section 4 presents the results of the Exploratory Data Analysis of demand for WMF and the supply of waqf funds in the country. Finally, Section 5 concludes with a summary of the key findings, offers policy recommendations, outlines the study's limitations, and suggests avenues for future research.

## 2. DATA AND METHODS

Aiming to achieve the main objective of the study related to analyzing the feasibility, demand, and supply patterns, challenges, and benefits of establishing *waqf*-based microfinance (WMF) initiatives in Uzbekistan, a combination of Literature Review and Exploratory Data Analysis (EDA) is employed. As for the literature review, we examine literature on Muslim-majority countries and conduct a feasibility assessment of establishing a WMF in Uzbekistan. Additionally, EDA is utilizing the data obtained from the conducted survey of relevant stakeholders to assess the demand for WMF in Uzbekistan and the supply of waqf funds impacted by people's satisfaction with the current waqf system in the country.

### 2.1. Literature Review Analysis

The literature review begins with a comparative analysis of the literature on WMF, focusing on its recent development. For that purpose, the experiences of both countries with developed waqf infrastructure and those just establishing waqf institutions were taken into account. We proceed to a review of the literature

on the development of Islamic finance and sustainable microfinance in Uzbekistan. It is then contrasted with the situation in comparative Muslim and neighboring countries. The deduction of those analyses provides a solid background for assessing the demand and supply patterns of WMF in the country.

### 2.2. Descriptive and Qualitative Examination of Survey Data

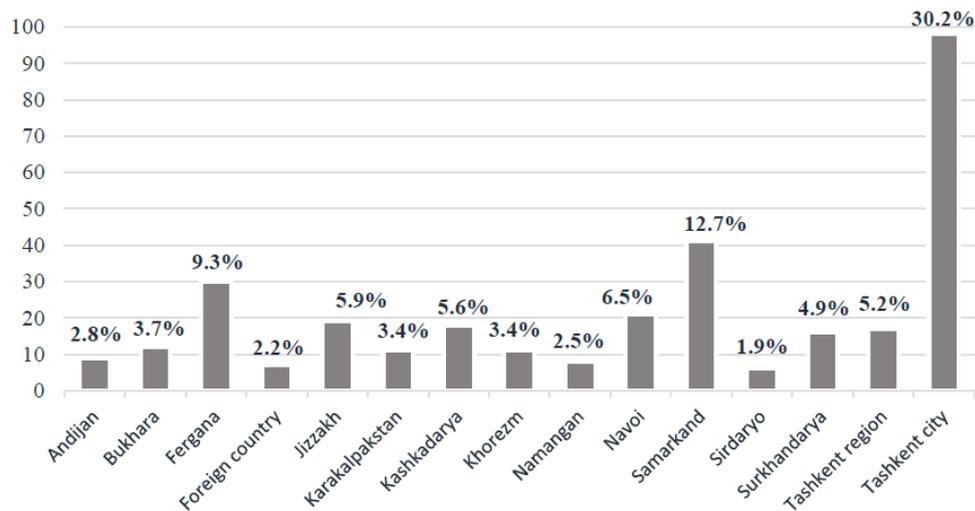
On the other hand, Exploratory Data Analysis (EDA) is applied to the survey data to examine the potential demand for WMF in Uzbekistan and to explore how the supply of waqf funds may be influenced by public satisfaction with the existing waqf system. Although the collected data allows for more advanced quantitative techniques, this study intentionally confines the analysis to an exploratory and qualitative assessment. The primary objective is to identify preliminary patterns, perceptions, and associations, particularly those related to trust, satisfaction, and willingness to support WMF, rather than to test causal relationships or develop predictive models.

EDA and visual analysis are therefore employed to generate initial insights into demand- and supply-related trends among the population of Uzbekistan. The choice of EDA as the primary analytical approach is justified by the exploratory nature of the research and the limited scope of the study. Since WMF remains a relatively underexplored topic in the context of Uzbekistan, the first step is to understand general tendencies, distributional characteristics, and observable relationships within the data. EDA enables the identification of meaningful patterns while maintaining analytical flexibility, which is particularly important when dealing with perception-based survey responses. At the same time, this approach acknowledges its limitations: given potential sampling constraints and possible unintended errors in data collection or interpretation, the findings are interpreted as indicative rather than conclusive.

### 2.3. Data Description

Intending to study the demand and supply sides of WMF and to assess public satisfaction with the current waqf system in Uzbekistan, we conducted a survey comprising a questionnaire with several questions to identify respondents' personal, employment, residential, and financial characteristics. Furthermore, information about their knowledge of *the waqf concept*, *willingness to use WMF*, and *willingness to donate to the current waqf system* was also obtained.

The survey was administered over two months, from March to May 2023, and yielded 346 responses. To ensure balanced representation across key



**Figure 1:** Place of residency of respondents (in percentages of the total).

demographic and regional groups, the study applied a method of stratified random sampling. The questionnaire was disseminated electronically through direct email, social media platforms, and messaging applications, specifically Telegram and WhatsApp groups, in order to reach a broad and diverse audience. After conducting a rigorous screening and data-cleaning procedure, 324 responses were deemed valid and included in the final analysis. The geographical distribution of respondents is presented in Figure 1.

The research covered various regions of Uzbekistan where waqf-based initiatives and Islamic finance institutions may potentially expand their services. Both urban and rural communities were incorporated to accurately reflect areas with substantial microfinance needs. The selection of these regions was intentional, considering Uzbekistan's growing engagement with Islamic finance, and aimed at examining demand and supply sides to assess the possibility of the effective implementation of WMF programs.

When it comes to secondary sources, the currently available literature in the relevant areas is utilized for the literature review. Furthermore, secondary statistical data were obtained from various national and international sources, including national statistical bureaus, the Islamic Development Bank, the IMF, the World Bank, and other databases.

### 3. INTERNATIONAL PRACTICE OF WAQF-BASED MICROFINANCE AND CURRENT ISLAMIC AND SOCIAL FINANCE LANDSCAPE IN UZBEKISTAN

Microfinance plays a significant role in advancing sustainable development by expanding access to financial services for low-income individuals,

micro-entrepreneurs, and underserved communities. As traditional banking systems often exclude people without collateral or formal credit histories, microfinance institutions (MFIs) provide small loans, savings products, and other financial services that enable people to participate more fully in economic activity. This financial inclusion is widely recognized as a key driver of sustainable and inclusive growth (Yunus & Jolis, 2008). Islamic microfinance has grown as a Shariah-compliant alternative to conventional microfinance, offering interest-free and ethical financing to support financial inclusion and poverty reduction (Obaidullah & Khan, 2008).

*Waqf* (plural: *awqaf*) has historically played a vital socio-economic role in Muslim societies by supporting public welfare and addressing the needs of vulnerable groups. Its developmental potential remains substantial in the contemporary economy. Studies indicate that many of the United Nations Sustainable Development Goals (SDGs) are closely aligned with the higher objectives of Shariah (*maqasid al-shariah*), creating strong prospects for integrating waqf-based development strategies within the SDG framework (Abdullah, 2018). With considerable financial capacity, global *awqaf* are well-positioned to assist Muslim-majority countries in achieving priority, *maqasid*-oriented development goals. Empirical evidence from Saudi Arabia further demonstrates that waqf investment funds positively influence socio-economic outcomes by enhancing personal income through increased purchasing power, improving healthcare systems, particularly in chronic disease treatment, supporting student housing and educational access, and strengthening financial sustainability through greater financial security (Elmahgop *et al.*, 2025). Although challenges related to investment diversification, governance effectiveness,

and entrepreneurial support persist, waqf investment funds function not only as instruments of social welfare but also as strategic vehicles for sustainable development, consistent with Saudi Vision 2030 and the SDGs.

At the same time, a growing body of literature has examined the potential of waqf-based microfinance (WMF) for poverty alleviation. Researchers argue that WMF can deliver Shariah-compliant, interest-free financing to underserved populations, thereby reducing reliance on conventional credit and reinforcing community welfare mechanisms (Rana *et al.*, 2020). Integrating *cash waqf* into Islamic microfinance institutions (IMFs) is proposed as a viable way to fund microenterprises through financing modes such as *mudabah*, *murabahah*, *musharakah*, and *qard al-hasan* (Alamoudi & Othman, 2021). Theoretically, scholars have also suggested combining waqf with *zakat* and *qard al-hasan* in three-pillar microfinance models to enhance both sustainability and social impact (Hassanain, 2015). Nevertheless, several studies highlight potential challenges, including credit risks and governance issues, which must be effectively managed to ensure the full effectiveness of waqf-based microfinance (Diniyya, 2019).

WMF offers practical solutions to three major challenges affecting the sustainability of microenterprise financing. First, it mitigates credit risk by adopting the group-based lending and social collateral mechanisms commonly used in conventional MFIs, while aligning operations with Islamic principles, thereby reducing default through peer monitoring and structured repayments. Second, it addresses moral hazard concerns through Shariah-compliant financing modes such as *murabahah*, *bai-muajjal*, and *ijarah*, which are asset-backed and transaction-based; by providing goods or services instead of cash, these instruments limit fund diversion and enhance repayment performance. Third, WMF strengthens economic viability, as a significant portion of its capital can be sourced from waqf endowments rather than profit-oriented sources, substantially lowering financing costs and improving institutional sustainability (Ahmed, 2007).

Moreover, the distinctive features of cash waqf, permanence, irrevocability, and perpetuity, require that waqf-based Islamic microfinance operate on a sustainable and well-governed basis. Since donors do not seek financial returns, waqf funds enable the provision of low-cost, collateral-free capital to micro-entrepreneurs, while preserving the principal and utilizing only generated returns for financing activities. This philanthropic structure not only broadens public participation, allowing individuals to contribute

according to their means, but also reinforces the long-term sustainability of Islamic microfinance institutions. In practice, these conceptual foundations have informed the design of diverse WMF models across different contexts.

Several models of WMF have been developed and empirically tested in various Muslim-majority countries, including Bangladesh, Indonesia, Malaysia, Nigeria, and Turkey, among others:

- Micro Waqf Banks (Indonesia): Andayani *et al.* (2025) found micro-waqf bank financing is able to achieve both social goals and reasonable financial sustainability;. However, many micro-waqf banks operate at thin margins; waqf funding enables them to reach low-income clients while simultaneously improving operational efficiency.
- Productive Waqf for MSMEs: Studies show that productive waqf programs increase the income of Micro, Small, and Medium Enterprises (MSMEs) by approximately 12% per year for two years; thus, enabling waqf to become a tool for local inclusive and sustainable development (Intan & Nurhayati, 2025).
- Women's Empowerment and Social Goals: Muhammad & Al-Shaghdari (2025) documented that waqf-microfinance programs in Northern Nigeria empower women economically, thereby providing an alternative, sustainable funding option that could reduce the burden on government finances.
- Islamic Microfinance and SDGs: Evidence across three countries, Bangladesh, Malaysia, and Turkey, has shown that Islamic microfinance programs contribute positively to the achievement of SDG goals related to poverty reduction, employment opportunities, and reducing inequalities (Saad *et al.*, 2025).

An analysis of waqf development in Central Asia reveals a rich historical legacy, characterized by centuries of endowments dedicated to religious, educational, and charitable purposes (Ismatova, 2020). Currently, waqf affairs in Uzbekistan are conducted under the supervision of the Waqf Foundation of Uzbekistan, an institution created to manage waqf properties, facilitate charitable initiatives, and support the development of sustainable waqf-based projects. Although registered as a non-profit, the Waqf Foundation of Uzbekistan functions largely as a state-managed entity, with its board of trustees appointed by government decree and including several officials. It collects donations such as *zakat*, waqf, and charity contributions, and uses these funds to support

activities mandated by the decree, including providing material and moral assistance to socially vulnerable groups, such as persons with disabilities.

The Waqf Foundation is organized into three main departments: the Charity Department, the Waqf Department, and the Department of Zakat, Ushr, Fitr, and Fidya. Each department maintains a separate bank account to ensure that funds are used according to their designated purposes. For instance, contributions intended as *zakat* are deposited into the *zakat* account, while donations to the Waqf Department are recorded in the “waqf property” account and used to acquire property that is subsequently converted into waqf assets.

According to the Waqf Foundation, between January 2024 and October 2025, donations totaled 55.5 billion Uzbek Soms (approximately USD 4.6 million), with 16.5 billion Soms (30%) specifically allocated for *zakat*, *fitr*, and *ushr*. Since its establishment in April 2018, the majority of contributions have been directed toward supporting religious institutions and charitable activities, amounting to nearly 75 billion Uzbek Soms (around USD 7 million) by November 2021 (Waqf Foundation, 2021).

However, if effectively managed, contributions to the Waqf Foundation could be leveraged more efficiently to address poverty in Uzbekistan. Currently, the government of Uzbekistan is implementing a wide range of programs and policies aimed at alleviating poverty and promoting socioeconomic development throughout the country. Under the Development Strategy for New Uzbekistan, adopted by a special Presidential Decree, the government has set an ambitious goal of cutting poverty levels in half by 2026 (Republic of Uzbekistan, 2022).

We argue that creating a robust legal and institutional framework to channel waqf and *zakat* contributions into microfinance activities could play a crucial role in alleviating poverty in Uzbekistan. One approach to boosting income and creating job opportunities is to use waqf funds to support the entrepreneurial efforts of individuals living in poverty. The advancement of entrepreneurial activities through WMF is expected to contribute to poverty reduction. Rana *et al.* (2020) findings suggest that micro-entrepreneurs may be structured using profit-sharing (*mudarabah*) or cost-plus (*murabahah*) contracts. Under these arrangements, repayments from micro-entrepreneurs can be channeled back into the cash waqf fund, thereby replenishing the pool and enabling it to finance subsequent micro-entrepreneurs.

Despite the presence of favorable conditions, the development of Islamic finance in Uzbekistan

progressed very slowly until recently. The emergence of conversations about developing an Islamic finance industry occurred after 2016, when a new government led by President Mirziyoyev came to power. It was only during this period that initiatives were launched to draft a legal and regulatory framework for the operation of Islamic financial institutions.

The Law “On Non-Banking Credit Organizations and Microfinance Activities” of April 19, 2022, represents one of the initial legal acts containing provisions aimed at regulating Islamic financial institutions. Under this law, microfinance organizations are permitted to provide Islamic finance services. Article 4 of the law defines Islamic finance services as financial services delivered in accordance with procedures developed by the Central Bank of Uzbekistan (CBU) and aligned with the standards set by international organizations responsible for regulating Islamic finance (The Republic of Uzbekistan, 2022). On 26 July 2024, the Central Bank of Uzbekistan (CBU) adopted the “Regulation on the Procedure for Providing Islamic Financing Services by Microfinance Organizations” (Resolution No. 3536), which defines the permissible instruments, formal requirements, and operational procedures for microfinance entities offering Islamic finance, establishing it as the principal regulatory act for Islamic-finance services in the microfinance sector.

At present, noncommercial microcredit and microfinance services are absent in Uzbekistan, as current legislation does not permit noncommercial organizations to conduct microfinance activities. Allowing such operations for noncommercial entities, including public funds, could help address this gap. Accordingly, Article 5 of the Law on Non-Bank Credit Organizations should be amended to grant “*noncommercial organizations established as public funds the right to conduct microfinance activities upon registration in the official microfinance registry.*” These revisions would enable noncommercial entities, including the Waqf Foundation, to participate in the provision of microfinance services.

A 2025 report by the IMF and World Bank notes that the Uzbek government continues to intervene in its financial sector through directed and preferential lending, mainly supporting state-owned enterprises and priority or socially oriented sectors such as MSMEs to enhance financial inclusion. Although the share of such lending has declined to about 30 percent of total bank credit in 2018 to roughly half that level by the end of 2024, existing programs still create market distortions through subsidies, interest rate caps, and mandated targets (IMF - World Bank, 2025). The report recommends shifting toward market-based instruments,

such as partial credit guarantees and credit lines, which reduce lenders’ risk while allowing flexible interest rate setting and broader institutional participation. At the same time, social objectives are better addressed through targeted fiscal grants outside the banking system. In this context, WMF can help bridge financing gaps by offering sustainable, low-cost, and Shariah-compliant funding to low-income families and micro-entrepreneurs without distorting market pricing mechanisms. By relying on philanthropic and endowment-based capital, WMF provides an inclusive and financially viable complement to conventional MSME support programs.

In Uzbekistan, policymakers often cite low financial literacy and limited public awareness as key reasons for the slow introduction of Islamic finance (Kun.uz, 2021). While improving awareness is indeed important for broader acceptance of Shariah-compliant products, experience from neighboring countries suggests that limited literacy alone should not be viewed as a decisive barrier. For example, Kazakhstan established a legislative framework for Islamic finance, yet industry growth remained moderate due to structural and market-related factors (Arzayeva & Dochshanova, 2016). Evidence indicates that demand for Islamic finance can exist beyond purely religious motivations, with cost-effectiveness and competitiveness playing a central role in consumer choice (Nagimova, 2023). Therefore, alongside awareness-raising efforts, ensuring accessible, affordable, and well-designed products, such as WMF, may be more critical for successful implementation and sustainable expansion.

Nevertheless, despite the progress made by conventional and private Islamic microfinance initiatives in reaching underserved groups, their impact on financial exclusion remains limited in scope. A more comprehensive and systemic approach is required, one that integrates poverty alleviation into the broader financial architecture and ensures that all segments of society can access appropriate, affordable, transparent,

and secure financial services from mainstream institutions. Such an approach must carefully balance both demand-side factors, including awareness and preferences, and supply-side considerations, such as institutional capacity and sustainable funding structures (Obaidullah, 2008).

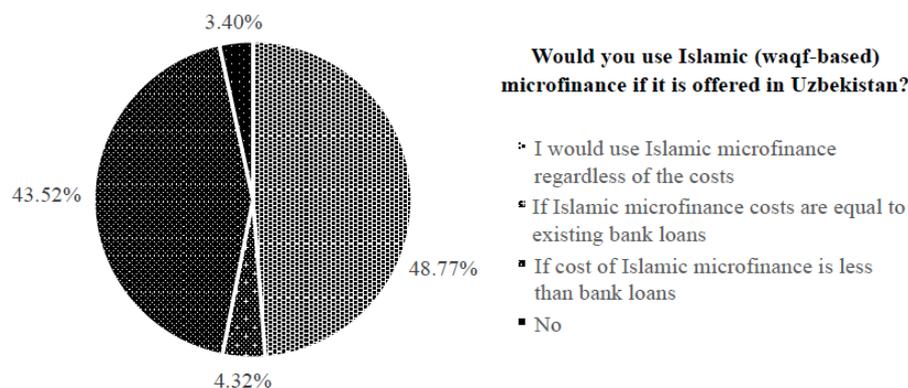
Although prior studies have explored the general demand for Islamic finance products in Uzbekistan (Imamnazarov, 2020) and specific segments such as Islamic capital markets (Asadov, 2024), no research has comprehensively examined both the demand and supply dynamics of Islamic microfinance in the country. In particular, there is a lack of empirical evidence on the potential for waqf-based microfinance (WMF). Accordingly, the next section investigates whether sufficient market demand and funding capacity exist to support the development of Islamic microfinance, and especially WMF, in Uzbekistan, so that policy recommendations can be grounded in country-specific realities.

**4. EXPLORATORY ANALYSIS OF DEMAND FOR WAQF-BASED MICROFINANCE AND SUPPLY OF WAQF FUNDS IN UZBEKISTAN**

In this section, we first provide a descriptive analysis of demand for waqf-based microfinance in Uzbekistan and examine the underlying factors driving this demand. We then examine the Uzbek population’s level of satisfaction with current waqf institutions and assess how this satisfaction influences the supply of funds for waqf-based initiatives. The analysis is based on primary data collected through a survey conducted by the authors between March and April 2023, resulting in 324 valid observations after screening and verification.

**4.1. Analysis of Demand for Waqf-based Microfinance in Uzbekistan**

The survey aimed to assess the demand for waqf-based microfinance (WMF) products and



**Figure 2:** Respondents' intention to use Islamic (waqf-based) microfinance.

evaluate how public satisfaction with the existing waqf system affects the supply of funds to the institution in Uzbekistan. The questionnaire included items designed to capture respondents' personal, employment, residential, and financial characteristics. Additionally, information regarding their understanding of the waqf concept, willingness to use WMF, satisfaction with current waqf institutions, and willingness to donate was collected. A summary of the main characteristics of the respondents, along with their distribution according to their intention to use waqf-based microfinance, is presented in Figure 2 and Table 1 below.

Respondents' intention to use waqf-based microfinance (WMF), if offered in Uzbekistan, was categorized into four groups. The first category includes those who would use WMF regardless of its cost. The next two categories reflect conditional intentions: respondents who would use WMF only if its cost were equal to that of a conventional bank loan, and those who would use it only if it were cheaper than a conventional loan. The final category consists of

respondents who indicated no intention to use WMF. As shown in Figure 2 and the second column of Table 1, the largest share of respondents (48.77%) expressed an unconditional intention to use WMF, followed closely by those who would use it only if it were less costly than a conventional loan (43.52%) (the fourth column of Table 1). In contrast, only 4.32% of participants would consider WMF if its cost matched that of conventional loans, while 3.40% reported no interest in WMF. These results demonstrate a substantial potential demand for Islamic microfinance products in Uzbekistan, with 96.6% of the sample expressing either conditional or unconditional willingness to use WMF.

Several demographic and personal characteristics appear to influence respondents' intention to use WMF if it were introduced in Uzbekistan. Gender plays a notable role, with women showing slightly greater sensitivity to cost than men. This outcome may reflect men's more dominant role in financial decision-making within Uzbek society. Marital status also matters: married respondents are generally more concerned

**Table 1: Distribution of survey respondents according to their intention to use waqf-based microfinance**

Characteristics of respondents	Would you use Islamic (waqf-based) microfinance if it is offered in Uzbekistan?				
	Yes, regardless of the costs	Yes, if the cost is equal to bank loan	Yes, if cost is less than bank loan	No	Total number (% of grand total)
<b>Gender</b>					
Female	44.7%	4.3%	44.7%	6.4%	<b>47 (14.5%)</b>
Male	49.5%	4.3%	43.3%	2.9%	<b>277 (85.5%)</b>
<b>Married</b>					
Yes	48.2%	3.1%	44.1%	4.3%	<b>249 (76.9%)</b>
No	50.7%	8.0%	41.3%	0.0%	<b>75 (23.1%)</b>
<b>Type of residency</b>					
City	50.9%	4.2%	40.6%	4.2%	<b>212 (65.4%)</b>
Village	44.6%	4.5%	49.1%	1.8%	<b>112 (34.6%)</b>
<b>Field of work</b>					
Banking and finance	41.5%	7.4%	48.9%	2.1%	<b>94 (29.0%)</b>
Government office	36.4%	4.5%	59.1%	0.0%	<b>66 (20.4%)</b>
Education	42.6%	1.9%	46.3%	9.3%	<b>54 (16.7%)</b>
Retail and services	72.7%	0.0%	18.2%	9.1%	<b>33 (10.2%)</b>
Production and construction	48.3%	3.4%	44.8%	3.4%	<b>29 (9.0%)</b>
Other	70.8%	4.2%	25.0%	0.0%	<b>48 (14.8%)</b>
<b>Total number (as percentage)</b>	<b>158 (48.77%)</b>	<b>14 (4.32%)</b>	<b>141 (43.52%)</b>	<b>11 (3.40%)</b>	<b>324 (100.0%)</b>

Note: In total figures, the number of respondents related to each characteristic is provided in regular font, and the percentage of respondents with respect to the grand total is provided inside parentheses in italic font (%). The figures within the table represent the percentage of the row totals.

**Table 2: Impact of waqf knowledge on intent to use waqf-based microfinance (WMF)**

Intention to use WMF	Having knowledge of waqf		Total number (as percentage)
	No	Yes	
I would use Islamic microfinance regardless of the costs	40.88%	54.55%	<b>158 (48.77%)</b>
If the cost of Islamic microfinance is less than that of bank loans	7.30%	2.14%	<b>14 (4.32%)</b>
If Islamic microfinance costs are equal to existing bank loans	49.64%	39.04%	<b>141 (43.52%)</b>
No	2.19%	4.28%	<b>11 (3.40%)</b>
<b>Total number (as percentage)</b>	<b>137 (42.3%)</b>	<b>187 (57.7%)</b>	<b>324 (100.0%)</b>

Note: In total figures, the number of respondents related to each characteristic is provided in regular font, and the percentage of respondents with respect to the grand total is provided inside parentheses in italic font (%). The figures within the table represent the percentage of the row totals.

about the cost of WMF or less inclined to participate, whereas unmarried individuals, possibly due to more pressing financial needs, demonstrate a higher willingness to use Islamic microfinance and exhibit less concern about cost.

In addition, urban residents tend to be less sensitive to WMF pricing compared to rural respondents, although a higher proportion of city dwellers also expressed no intention to use WMF at all. Occupational differences further shape demand patterns: individuals working in the retail and services sectors are most likely to use WMF regardless of cost, while those employed in government or in the banking and finance sectors tend to prefer WMF only if it is cheaper than conventional alternatives. These patterns may be explained by comparatively higher levels of religious commitment in the former group and possibly lower income levels or weaker familiarity with waqf mechanisms in the latter.

To further examine how respondents' knowledge of the waqf concept, income levels, and saving habits influence their perceived demand for WMF, Tables 2–4 below present a detailed breakdown of these relationships. As shown in Table 2, an individual's knowledge of the waqf concept has a positive effect on their demand for WMF. Respondents who are familiar

with waqf are approximately 15% more likely to express unconditional demand for WMF compared to those who lack such knowledge. In contrast, individuals who are unfamiliar with the concept are about 15% more likely to consider using WMF only conditionally—namely, if its cost is equal to or lower than that of a conventional loan.

Income also appears to influence unconditional demand for WMF. As indicated in the second column of Table 3, individuals in the highest income bracket are 17% more likely to use WMF regardless of its cost compared to those in the lowest income category. At the same time, higher-income respondents are 13% less likely to use WMF at all compared to low-income individuals (see column 5 of Table 3).

Although income has a positive effect on unconditional demand for WMF, savings appear to have the opposite influence. As shown in Table 4, individuals with higher levels of monthly savings (5–10 million Uzbek soms) are approximately 3% less likely to use WMF unconditionally compared to those with lower savings levels (up to 1 million Uzbek soms). This higher-savings group is also about 3% less likely to use WMF at all. This pattern may be attributed to the financial buffer that greater savings provide, reducing individuals' need for microfinance services and, in

**Table 3: Impact of income on intent to use waqf-based microfinance (WMF)**

Would you use Islamic (waqf-based) microfinance if it is offered in Uzbekistan?					
Monthly income (in Uzbek Soms)	Yes, regardless of the costs	Yes, if cost is equal to a bank loan	Yes, if cost is less than a bank loan	No	Total number (as percentage)
<b>1- 5 million</b>	42.0%	4.0%	52.3%	1.7%	<b>176 (54.32%)</b>
<b>5-10 million</b>	56.4%	3.8%	37.2%	2.6%	<b>78 (24.07%)</b>
<b>10-15 million</b>	53.8%	7.7%	30.8%	7.7%	<b>26 (8.02%)</b>
<b>15-20 million</b>	58.8%	11.8%	29.4%	0.0%	<b>17 (5.25%)</b>
<b>Above 20 million</b>	59.3%	0.0%	25.9%	14.8%	<b>27 (8.33%)</b>
<b>Total number (as percentage)</b>	<b>158 (48.77%)</b>	<b>14 (4.32%)</b>	<b>141 (43.52%)</b>	<b>11 (3.40%)</b>	<b>324 (100.0%)</b>

**Table 4: Impact of savings on intent to use *waqf*-based microfinance (WMF)**

Would you use Islamic ( <i>waqf</i> -based) microfinance if it is offered in Uzbekistan?					
Monthly savings (in Uzbek Soms)	Yes, regardless of the costs	Yes, if cost is equal to a bank loan	Yes, if cost is less than a bank loan	No	Total number (as percentage)
0 (zero)	48.7%	4.5%	44.2%	2.6%	156 (48.15%)
Up to 1 million	51.4%	5.4%	40.5%	2.7%	37 (11.42%)
1-2 million	48.8%	0.0%	46.3%	4.9%	41 (12.65%)
2-5 million	47.4%	5.3%	43.9%	3.5%	57 (17.59%)
5-10 million	48.5%	6.1%	39.4%	6.1%	33 (10.19%)
Total number (as percentage)	158 (48.77%)	14 (4.32%)	141 (43.52%)	11 (3.40%)	324 (100.0%)

some cases, diminishing their willingness to engage with such products.

#### 4.2. People's Perception of the *Waqf* Institution and the Supply of *Waqf* Donations in Uzbekistan

Having examined the demand for WMF in Uzbekistan, it is equally important to consider the supply side, specifically, whether public perceptions of existing *waqf* institutions influence the willingness to provide donations for *waqf*-related purposes. To investigate this, the survey included five targeted questions. Respondents were asked whether they had heard of the *Vaqf* Foundation, currently the only *waqf* institution operating in Uzbekistan, and whether they believed the foundation uses donations appropriately. They were also asked if they considered the foundation's announcements regarding the receipt and use of funds to be sufficiently transparent. In addition, respondents were questioned about their willingness to donate and the amount they would provide. Finally, the survey asked how many *waqf* shares (certificates) valued at 5,000 Uzbek soms each they would be willing to purchase, if any. The latter two questions were intended to measure the potential supply of funds for *waqf* purposes, while the former three assessed public awareness and trust in the *Vaqf* Foundation.

Tables 5 and 6 present the relationship between awareness of and trust in the *Vaqf* Foundation and respondents' willingness to donate or purchase *waqf* shares, while Tables 7 and 8 show the effects of perceived transparency on these outcomes. The results indicate that, although a majority of respondents (57.7%) are aware of the *Vaqf* Foundation, a substantial minority (42.3%) remains unfamiliar with it. Similarly, while nearly 68% of respondents expressed trust in the foundation's proper handling of donated funds, roughly one-third did not share this confidence. Awareness of transparency was particularly low: 71% of respondents were unaware of any announcements made by the foundation. Among the 29% who were aware, 15.4% considered the announcements transparent, 13% viewed them as non-transparent, and a small minority (0.6%) regarded them as only somewhat transparent. Additionally, a summary of all tables shows that approximately 80% of respondents indicated their willingness to donate, and over 90% expressed interest in acquiring *waqf* shares.

Table 5 further demonstrates that both awareness of and trust in the *Vaqf* Foundation have strong positive associations with respondents' willingness to donate.

**Table 5: Impact of awareness of and trust in the *Vaqf* Foundation on *waqf* donations**

How much would you donate to the <i>Vaqf</i> Foundation?	Do you know about the <i>Vaqf</i> Foundation?		Do you believe the <i>Vaqf</i> Foundation uses funds properly?		Total number (as percentage)
	No	Yes	No	Yes	
(in Uzbek Soms)					
0 (zero)	26.3%	15.5%	35.6%	12.7%	65 (20.1%)
1,000 to 10,000	25.5%	25.7%	19.2%	28.6%	83 (25.6%)
11,000 to 20,000	11.7%	12.3%	10.6%	12.7%	39 (12.0%)
21,000 to 30,000	12.4%	8.0%	5.8%	11.8%	32 (9.9%)
31,000 to 50,000	22.6%	34.2%	26.0%	30.9%	95 (29.3%)
Above 50,000	1.5%	4.3%	2.9%	3.2%	10 (3.1%)
Total number (as percentage)	137 (42.3%)	187 (57.7%)	104 (32.1%)	220 (67.9%)	324 (100%)

**Table 6: Impact of awareness of and trust in the Vaqf Foundation on waqf share purchases**

How many Vaqf foundation shares will you buy?	Do you know about the Vaqf Foundation?		Do you believe the Vaqf Foundation uses funds properly?		Total number (as percentage)
	(No. of 5,000 Som shares)	No	Yes	No	
<b>0 (zero)</b>	11.7%	6.4%	19.2%	3.6%	<b>28 (8.6%)</b>
<b>1 to 10</b>	36.5%	25.7%	23.1%	33.6%	<b>98 (30.2%)</b>
<b>11 to 50</b>	21.2%	18.2%	19.2%	19.5%	<b>63 (19.4%)</b>
<b>51 to 100</b>	19.0%	24.1%	20.2%	22.7%	<b>71 (21.9%)</b>
<b>101 to 1000</b>	5.1%	17.6%	11.5%	12.7%	<b>40 (12.3%)</b>
<b>Over 1000</b>	6.6%	8.0%	6.7%	7.7%	<b>24 (7.4%)</b>
<b>Total number (as percentage)</b>	<b>137 (42.3%)</b>	<b>187 (57.7%)</b>	<b>104 (32.1%)</b>	<b>220 (67.9%)</b>	<b>324 (100%)</b>

Individuals who are aware of the foundation's activities are more than 10% more likely to donate and tend to contribute larger amounts compared to those unaware of its existence. Likewise, respondents who trust the foundation to use donated funds properly are approximately 23% more likely to donate and are also inclined to donate higher amounts than those who lack such trust.

Table 6 presents a similar pattern regarding the influence of awareness of and trust in the Vaqf Foundation on individuals' willingness to purchase waqf shares. Respondents who are aware of the foundation's activities are approximately 5% more likely to purchase waqf shares, while those who trust the foundation's handling of donated funds are over 15% more likely to do so compared to individuals who lack such trust. In addition, respondents who both recognize and trust the foundation consistently indicate a willingness to purchase a greater number of waqf shares than those who are unaware or distrustful. These findings highlight the critical importance of improving public awareness of the foundation and

strengthening confidence in its management of donated funds.

The impact of public perceptions of the transparency of Vaqf Foundation announcements on individuals' willingness to donate is presented in Table 7. Similar to the effects of awareness and trust, a positive perception of the transparency of Vaqf announcements increases individuals' willingness to donate by approximately 5% (Table 7). However, no significant relationship was observed between perceived transparency and the amount of donations.

Likewise, respondents who view the Vaqf announcements as transparent are about 9% more willing to purchase waqf shares compared to those with negative perceptions (Table 8). Again, no association was found between transparency perception and the number of waqf shares respondents were willing to purchase. Overall, these results suggest that positive perceptions of the transparency of Vaqf announcements enhance individuals' willingness to donate and to acquire waqf shares, though they do not affect the size or quantity of contributions.

**Table 7: Impact of transparency of the Vaqf Foundation on waqf donations**

How much would you donate to the Vaqf foundation?	How transparent is the Vaqf Foundation about receipt and usage of funds in its announcements?				Total number (as percentage)
	(in Uzbek Soms)	I have no idea	Not transparent	Somewhat transparent	
<b>0 (zero)</b>	19.1%	24.0%	50.0%	19.0%	<b>65 (20.1%)</b>
<b>1,000 to 10,000</b>	24.3%	20.0%	0.0%	40.5%	<b>83 (25.6%)</b>
<b>11,000 to 20,000</b>	12.6%	10.0%	0.0%	11.9%	<b>39 (12.0%)</b>
<b>21,000 to 30,000</b>	10.9%	6.0%	0.0%	9.5%	<b>32 (9.9%)</b>
<b>31,000 to 50,000</b>	30.0%	36.0%	0.0%	19.0%	<b>95 (29.3%)</b>
<b>Above 50,000</b>	3.0%	4.0%	50.0%	0.0%	<b>10 (3.1%)</b>
<b>Total number (as percentage)</b>	<b>230 (71.0%)</b>	<b>50 (15.4%)</b>	<b>2 (0.6%)</b>	<b>42 (13.0%)</b>	<b>324 (100%)</b>

**Table 8: Impact of Transparency of the Vaqf Foundation on waqf Share Purchases**

How many Vaqf foundation shares will you buy?	How transparent is the Vaqf Foundation about receipt and usage of funds in its announcements?				Total number (as percentage)
	I have no idea	Not transparent	Somewhat transparent	Transparent	
(No. of 5,000 Som shares)					
<b>0 (zero)</b>	7.0%	16.0%	50.0%	7.1%	<b>28 (8.6%)</b>
<b>1 to 10</b>	32.2%	18.0%	0.0%	35.7%	<b>98 (30.2%)</b>
<b>11 to 50</b>	20.4%	18.0%	0.0%	16.7%	<b>63 (19.4%)</b>
<b>51 to 100</b>	22.6%	22.0%	0.0%	19.0%	<b>71 (21.9%)</b>
<b>101 to 1000</b>	13.5%	10.0%	50.0%	7.1%	<b>40 (12.3%)</b>
<b>Over 1000</b>	4.3%	16.0%	0.0%	14.3%	<b>24 (7.4%)</b>
<b>Total number (as percentage)</b>	<b>230 (71.0%)</b>	<b>50 (15.4%)</b>	<b>2 (0.6%)</b>	<b>42 (13.0%)</b>	<b>324 (100%)</b>

### 4.3. Practical Implications from the Data Analysis

The empirical findings provide strong evidence that both demand- and supply-side conditions for waqf-based microfinance (WMF) are present in Uzbekistan, but their realization depends on institutional design and policy coordination. The exceptionally high overall willingness to use WMF (96.6%) confirms arguments in the international literature that Islamic microfinance can extend financial inclusion beyond purely religious motivations, particularly when products are perceived as fair, asset-backed, and socially oriented (Obaidullah & Khan, 2008; Rana *et al.*, 2020). At the same time, the large share of respondents who would use WMF only if it is cheaper than conventional loans indicates that cost-competitiveness remains critical. This finding aligns with regional evidence that demand for Islamic finance is shaped not only by faith-based preferences but also by pricing and accessibility considerations (Nagimova, 2023). For regulators and financial policymakers, this implies that WMF should not be treated solely as a charitable add-on, but rather as a structured component of the financial inclusion strategy, designed to operate efficiently and complement market-based instruments without creating distortions.

From a demand-side perspective, the influence of income, savings, occupation, and knowledge of waqf carries important segmentation implications. Higher income and stronger awareness of waqf are associated with unconditional demand, while individuals with higher savings demonstrate less urgency to use WMF. This suggests that WMF is likely to be most impactful among lower- and middle-income households with limited liquidity buffers, precisely the groups targeted under Uzbekistan's poverty reduction agenda. For policymakers, this reinforces the case for integrating WMF into broader MSME and household resilience programs, particularly in rural and semi-urban areas.

Awareness also emerges as a decisive variable: respondents familiar with the waqf concept are significantly more likely to demand WMF unconditionally. In line with the literature emphasizing the role of financial literacy in Islamic finance adoption, regulators and waqf institutions should therefore invest in structured public education campaigns, standardized Shariah governance frameworks, and clear product disclosure to reduce informational barriers and strengthen informed participation.

On the supply side, the analysis reveals that trust, awareness, and perceived transparency of the Vaqf Foundation are strongly associated with willingness to donate and purchase waqf shares. This is consistent with international evidence that governance quality is central to the sustainability of waqf-based institutions (Diniyya, 2019). Although approximately 80% of respondents are willing to donate and over 90% are willing to acquire waqf certificates, nearly one-third lack trust in the proper use of funds, and a majority are unaware of transparency disclosures. For waqf institutions, this highlights a clear institutional priority: strengthening reporting standards, publishing audited financial statements, introducing digital disclosure platforms, and clarifying the allocation of funds across *zakat*, waqf, and charitable accounts. Enhancing governance mechanisms would not only expand the supply of philanthropic capital but also reduce reputational risk and increase the long-term sustainability of WMF operations.

For financial policymakers, the coexistence of strong demand and substantial untapped philanthropic supply suggests the need for regulatory reform that enables noncommercial waqf entities to participate in microfinance provision under appropriate supervision. Current legislation limits such activities, thereby constraining the operationalization of WMF. Amending the legal framework to allow registered

public funds and waqf institutions to provide Shariah-compliant microfinance, subject to prudential and transparency requirements, would help mobilize dormant social capital without increasing fiscal pressure or distorting credit markets. In line with recommendations from international financial institutions advocating a shift from direct subsidized lending toward risk-sharing and market-based tools, WMF can function as a complementary mechanism that addresses social objectives through endowment-based capital rather than interest rate controls or credit mandates.

Overall, the data analysis indicates that Uzbekistan possesses the foundational social capital, latent demand, and institutional basis necessary for WMF implementation. However, successful operationalization will require a coordinated approach: regulators must refine the legal framework; waqf institutions must prioritize governance and transparency; and financial policymakers must embed WMF within the national sustainable finance architecture. By doing so, WMF can evolve from a concept with high public support into a practical instrument for poverty alleviation, MSME development, and inclusive growth, consistent with both the maqasid al-shariah framework and the country's broader sustainable development strategy.

## 5. CONCLUSION AND POLICY RECOMMENDATIONS

### 5.1. Summary of the Paper's Findings

In this work, we analyze the potential of introducing waqf-based microfinance (WMF) in Uzbekistan by using a combination of Literature Review and Exploratory Data Analysis (EDA). Survey data comprising 324 observations were utilized to assess demand for WMF and supply of waqf funds in the country. Findings from our literature review show the successful implementation of WMF in different countries and the slow evolution of the Islamic finance and sustainable finance industry in Uzbekistan, preparing the foundation for the introduction of the given Islamic social finance product in the country. Furthermore, international experience shows that WMF promotes income generation among poor people, which is consistent with the poverty reduction strategy of the Uzbek government.

We have also discovered some interesting findings from the EDA analysis. Firstly, almost half of the respondents (48.8%) demonstrate intent to use WMF irrespective of its cost. Furthermore, almost a similar portion (47.8%) indicates their willingness to use WMF if its cost is equal to or less than that of conventional financing. Only a small fraction (3.4%) indicated that

they do not intend to use WMF. Individual characteristics such as gender, marital status, residence, occupation, income, savings, and knowledge of the waqf concept influence both the likelihood of using WMF and whether demand is conditional or unconditional. Overall, awareness of waqf and higher income are associated with stronger unconditional demand, while higher savings may reduce the urgency to use such services.

Moreover, while analyzing the supply of waqf funds, we found that public awareness and trust in the Vaqf Foundation significantly increase both individuals' willingness to donate and the amounts they contribute. Additionally, the public perceptions of transparency also positively influence willingness to donate, although they do not affect the specific amounts contributed. The general findings indicate a strong potential supply of waqf funds, with approximately 80% of respondents expressing willingness to donate and over 90% showing interest in acquiring waqf shares (certificates). Overall, our examination suggests the existence of a significant level of demand for WMF and a large, untapped supply of funds for waqf.

### 5.2. Practical Implications and Policy Recommendations

The findings of this study carry broader implications for the development of sustainable finance in Uzbekistan. The coexistence of strong demand for waqf-based microfinance (WMF) and substantial untapped philanthropic supply indicates that Islamic social finance can serve as a practical pillar within the country's emerging sustainable finance architecture. Rather than operating at the margins of the financial system, WMF can complement green bonds, MSME support programs, and financial inclusion strategies by channeling endowment-based capital toward socially productive activities. In this sense, WMF should be positioned not merely as a religious or charitable initiative, but as a structured, sustainable finance instrument aligned with long-term socio-economic resilience and inclusive growth objectives.

A primary policy priority concerns the legal framework. Although the Law "On Non-Banking Credit Organizations and Microfinance Activities" (2022) and the 2024 Central Bank regulation on Islamic financing services provide an initial basis for Shariah-compliant microfinance, current legislation does not explicitly allow noncommercial waqf institutions to conduct microfinance activities. To operationalize WMF, the regulatory framework should be revised to permit registered public funds and waqf institutions to provide Islamic microfinance under clearly defined licensing, supervision, and reporting requirements. Such reform would reduce reliance on direct subsidized lending and

instead mobilize philanthropic capital in a rules-based, market-compatible manner. Embedding WMF within prudential oversight structures would also mitigate operational and credit risks, ensuring financial stability while promoting innovation.

Equally important are governance mechanisms. The empirical analysis demonstrates that awareness, trust, and perceived integrity of the Waqf Foundation significantly influence individuals' willingness to donate and purchase waqf shares. Strengthening governance is therefore not optional; it is foundational. Waqf institutions should adopt internationally recognized standards of financial management, including independent Shariah supervisory boards, external audits, clear segregation of *zakat*, *sadaqat*, and waqf accounts, and professional risk management frameworks. Transparent performance indicators, such as repayment rates, outreach to vulnerable groups, and social impact metrics, should be regularly disclosed. Strong governance structures would enhance credibility, attract sustained contributions, and ensure that WMF operates on a financially and ethically sound basis.

Transparency and public trust must be treated as strategic assets. Survey evidence shows that a significant portion of respondents lack information about the Waqf Foundation's activities or are uncertain about the transparency of its announcements. To address this gap, waqf institutions should implement digital reporting platforms, publish periodic impact and financial reports, and clearly communicate how funds are allocated and preserved. Open disclosure not only strengthens accountability but also encourages recurring donations and long-term engagement. Public education campaigns, delivered in local communities, government and academic institutions, and can further improve financial literacy related to Islamic social finance, thereby converting latent goodwill into structured participation.

Finally, WMF aligns closely with ESG principles and long-term socio-economic sustainability. From a social (S) perspective, WMF promotes financial inclusion, poverty reduction, and MSME development by offering asset-backed, risk-sharing financing to underserved groups. From a governance (G) standpoint, its effectiveness depends on strong institutional oversight, fiduciary responsibility, and transparent reporting practices. While WMF is primarily social in orientation, it can also indirectly support environmental (E) objectives by financing small-scale sustainable agriculture, resource-efficient microenterprises, and community-based green initiatives. By preserving waqf capital in perpetuity and recycling returns to support successive beneficiaries, WMF embodies an intergenerational sustainability model consistent with

both maqasid al-shariah and the broader goals of sustainable development.

In sum, the successful implementation of WMF in Uzbekistan requires coordinated legal reform, strengthened governance structures, enhanced transparency, and systematic public engagement. If these foundations are established, WMF can evolve into a credible component of the national sustainable finance ecosystem, mobilizing social capital for long-term inclusive growth while reinforcing public trust in financial and charitable institutions.

### 5.3. Limitations and Avenues for Future Research

Regardless of its important discoveries, our study is not without limitations. To begin with, due to the limited scope of our study, we primarily focused on descriptive and visual analyses of demand for WMF and the supply of waqf funds. Hence, no regression analysis of the survey data was conducted. Performing a thorough empirical analysis could provide additional insights and strengthen the understanding of the factors influencing demand and supply.

Additionally, we conducted a cross-sectional survey with the identities of participants kept anonymous. However, future research may consider conducting a longitudinal survey that follows the same group of participants over an extended period, collecting data multiple times to track changes. Doing so may reveal the true economic benefits of WMF, and some of its shortcomings could also be clearly identified.

Finally, other forms of sustainable finance and Islamic social financing, such as *zakat*, *sadaqat*, and *qard al-hasan*, remain underexplored in Uzbekistan. Future studies in these fields could notably contribute to the widespread implementation of Islamic social and sustainable finance in the country.

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