

The transformation of Islamic windows in conventional banks into independent Islamic banks

Berarma Rima ¹, Hadidi Adem ², and Lamri Manel ³

¹ Laboratory for the Assessment of Algerian Capital in the Context of Globalization, University of Setif-1-Algeria, Lecturer Grade B, Email: Berarma.rima19@gmail.com

² Laboratory for the Quantitative Methods in Economic Sciences and Business Administration and Their Applications for Sustainable Development.”, University of Ziane Achour-El Djelfa, Algeria, Email: a.hadidi@univ-djelfa.dz

³ University of Ziane Achour El Djelfa, Algeria, Doctoral Student, Email: manellamri517@gmail.com

Abstract---This study aims to analyze the phenomenon of transforming Islamic windows in conventional banks into independent Islamic banks, focusing on the economic, regulatory, and Sharia-driven motivations behind this transformation. The research also explores the challenges facing this process, such as capital requirements, establishing an independent Sharia identity, and dealing with customers and regulatory authorities. The study adopts a descriptive and analytical approach based on a review of literature and practical experiences in several Islamic countries. The findings indicate that the shift toward independence enhances trust in Islamic banking, promotes financial inclusion, and reduces the overlap between conventional and Islamic activities within banking institutions.

Keywords---Islamic banks, Islamic windows, banking transformation, Islamic finance, institutional independence, financial inclusion.

JEL classification: G21, G23, G28, G20, E58

Introduction

In recent decades, the Islamic banking industry has witnessed remarkable growth across the globe and has become an integral part of the international financial system. This development stems from the growing demand for banking alternatives **compliant with Islamic Sharia principles**, which emphasize justice, risk-sharing, and ethical financial practices that support sustainable development. Within this context, many conventional commercial banks established **Islamic banking windows** as a

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means of providing Sharia-compliant products and services without establishing fully-fledged Islamic banks, thereby catering to a rapidly expanding customer base seeking Islamic financial solutions.

Although Islamic windows have played a significant role in expanding access to Islamic financial services and raising awareness about Islamic finance, they have faced numerous challenges. Chief among these are **limited institutional and financial independence**, operational overlap between conventional and Islamic activities, and difficulties ensuring full **Sharia compliance** due to shared governance and resource structures.

As a result of these challenges, several banking systems in the Islamic world have moved toward **transforming Islamic windows into independent Islamic banks**, which possess their own legal identity, governance structure, and regulatory framework. This transformation represents a strategic step to **enhance credibility, operational efficiency, and competitiveness** in both local and international financial markets. However, this process also involves **regulatory, financial, and operational challenges** that require careful study to draw lessons from existing experiences and identify key success factors.

- **Main Research Problem :** Based on the above, the central research problem can be formulated as follows:
- ✓ **To what extent does the transformation of Islamic banking windows into independent Islamic banks contribute to enhancing Sharia compliance and operational efficiency, and what are the main challenges and lessons learned from practical experiences in this field?**
 - ✓ **Sub-Questions :**
 1. What are the main reasons and motivations behind converting Islamic banking windows into independent Islamic banks?
 2. What regulatory, Sharia, and financial requirements are necessary to ensure a successful transformation process?
 3. What are the main challenges and obstacles that banks face during this transition ?
 4. What lessons can be drawn from international experiences that have implemented such transformations?
 5. How can a practical framework be designed to support and sustain the transformation process in the future?
 - ✓ **Research Objectives :** This study aims to :
 1. Analyze the current situation of Islamic banking windows within conventional banks and their role in developing Islamic financial services.
 2. Identify the motives and driving factors behind the move toward establishing independent Islamic banks.
 3. Examine the key regulatory, financial, and Sharia-related challenges facing the transformation process.
 4. Review successful international experiences and extract practical lessons from them.
 5. Propose a conceptual and practical framework to support effective and sustainable transformation in line with Sharia principles.
 - ✓ **Research Significance :** The importance of this research lies in addressing a **timely and strategic issue** in the evolution of Islamic banking. Its significance can be summarized as follows:
 1. **Scientific Importance:** The study contributes to filling a knowledge gap in the academic literature by analyzing the transformation from Islamic windows to independent banks—a topic that remains relatively underexplored.
 2. **Practical Importance:** Policymakers, regulators, and banking practitioners can benefit from the study's findings in designing effective policies and strategies for managing the transformation process.

3. **Economic and Developmental Importance:** The establishment of independent Islamic banks enhances financial inclusion, supports the real economy, and promotes financial stability in line with the objectives of Islamic finance.
4. **Sharia Importance:** The transformation ensures a clear separation between Islamic and conventional banking activities, thereby strengthening Sharia compliance and enhancing public confidence in the Islamic banking system.

I. Theoretical and Foundational Framework of Islamic Banking Windows:

1. Definition of Islamic Banking Windows :

- Islamic banking windows are units within conventional banks that offer financial services compliant with Islamic Sharia principles, with limited accounting and administrative separation from the parent bank (**Islamic Financial Services Board (IFSB), 2015, p. 52**).
- Their purpose is to provide Islamic financial solutions to customers without the need to establish a fully independent Islamic bank (**Iqbal, 2011, p. 18**).

2. Historical Emergence and Development :

- The concept of Islamic windows appeared in the 1970s as a response to the growing demand for Islamic finance, initially emerging in Gulf countries and Malaysia (**Dusuki, 2007, p. 142**). Over time, the idea expanded and spread across many Muslim-majority countries, remaining an important option in several markets (**Karim, 2010, p. 14**).

3. Core Operational Components of Islamic Windows :

- Separate accounting systems to ensure that Islamic funds are not mixed with conventional funds.
- Presence of a Sharia supervisory board within the bank to review compliance of products and services with Islamic jurisprudence.
- Adoption of a dual governance system regulating the relationship between the parent bank and the Islamic operations.

4. Objectives and Motivations

- To meet the increasing demand for Islamic financial products.
- To test the market before transitioning to a fully-fledged Islamic bank (**Khalid, 2010, p. 122**).
- To expand the customer base and diversify funding sources.

5. Benefits Achieved :

- Increasing financial inclusion for segments that avoid conventional banking due to interest prohibition.
- Raising awareness and understanding of Islamic finance systems.
- Driving legislation and regulatory frameworks to support Islamic financial systems.

6. Institutional Challenges :

- Weak financial and administrative independence of the windows within conventional banks.
- Difficulties in fully segregating Islamic and conventional financial operations.
- Limited authority of the Sharia supervisory board within the windows.
- Regulatory challenges due to differences in rules across countries.

7. Sharia and Legal Dimensions :

- Necessity of full compliance with Sharia principles, particularly the prohibition of interest (riba) and uncertainty (gharar).
- National legislation must support the operation of windows, such as Islamic banking laws in Malaysia.

8. Summary of the Section :

- Islamic banking windows represent an intermediary model between conventional and fully independent Islamic banks, contributing to the spread of Islamic finance but facing limitations in independence and governance.

- Transitioning to independent Islamic banks is a strategic option to ensure full Sharia compliance and enhance trust in the Islamic financial system.

II. Motivations and Reasons Behind the Transformation of Islamic Banking Windows into Independent Islamic Banks:

1. The Need for Operational and Financial Independence : Operational and financial independence is one of the primary drivers encouraging conventional banks to convert their Islamic windows into fully independent Islamic banks. Islamic windows, being part of conventional banking institutions, often face limitations in strategic decision-making due to their integration within shared administrative and financial frameworks. This limits their ability to innovate and manage risks in a manner fully compliant with Sharia principles (Beck, 2013, p. 447).

Studies have shown that Islamic windows suffer from constraints on the independence of financial and human resources, negatively impacting their ability to expand product offerings or improve service quality. In contrast, independent Islamic banks benefit from autonomous governance, which allows them to develop tailored financial strategies that enhance competitiveness and operational efficiency (Hassan, 2007, p. 87).

2. Enhancing Sharia Compliance and Ensuring Effective Governance: Adherence to Islamic Sharia is fundamental to Islamic banking operations, emphasizing the importance of strong and independent Sharia supervisory boards. Islamic windows frequently encounter challenges in this regard due to overlaps with conventional banking activities, which can undermine the credibility of Sharia compliance (Siddiqi, 2006, p. 48).

The Islamic Financial Services Board guidelines note that transforming windows into independent Islamic banks enables the establishment of clearer and stricter Sharia governance frameworks, providing supervisory boards with greater authority and independence to perform their duties effectively. This, in turn, strengthens customer and investor confidence in the authenticity of Sharia compliance.

3. Competitiveness in Local and International Financial Markets : With the growing global demand for Islamic financial services, Islamic windows face increasing competition, particularly from independent Islamic banks that enjoy greater flexibility in attracting customers and developing innovative products (Khan, 2008, p. 51).

Research indicates that operational independence allows Islamic banks to adopt business models better suited to dynamic market environments, especially in emerging markets experiencing rapid economic change. Furthermore, independent Islamic banks provide a more attractive proposition for local and international investors due to transparent organizational structures and clearer Sharia compliance.

4. Improving Financial Transparency and Clarity : Islamic windows often struggle to maintain clear separation of Islamic assets and liabilities from conventional ones, which adversely affects financial transparency (Chapra, 2008).

Beck et al. (2013) emphasize that independent Islamic banks benefit from dedicated accounting and financial systems that improve the clarity of financial reporting. This transparency enhances trust among customers and regulators and facilitates capital attraction and business growth.

5. Supporting Regulatory and Financial Frameworks : Regulatory bodies in many countries are moving toward enhancing the independence of Islamic banking institutions through legislation that supports the establishment of standalone Islamic banks (Dusuki, Why do Malaysian customers patronise Islamic banks? , 2007, p. 160).

Malaysia provides a notable example, having introduced a comprehensive regulatory framework that supports independent Islamic banks with stringent requirements for Sharia governance and financial segregation (IFSB, 2015). This framework has contributed significantly to sector growth and improved competitiveness.

6. Expanding Customer Base and Enhancing Financial Inclusion : Independent Islamic banks contribute to greater financial inclusion by attracting new customer segments who prefer Sharia-compliant financial services for religious or cultural reasons (Farook, 2007, p. 61).

Hasan (2010) highlights that the autonomy of Islamic banks enables them to offer specialized products tailored to diverse client needs, including small and medium-sized enterprises and individuals seeking Sharia-compliant financing, thereby supporting broader economic and social development.

III. Regulatory, Shariah, and Financial Requirements for the Successful Transformation of Islamic Banking Windows into Independent Islamic Banks :

1. Regulatory Requirements : Regulatory requirements constitute the foundational pillar for the successful transformation from Islamic windows within conventional banks to independent Islamic banks. A clear and comprehensive legal framework must be established to govern the formation of these banks, stipulate strict separation between Islamic and conventional activities, including capital structure definitions, ensuring managerial independence, and mandating regular reporting and operational transparency.

The Islamic Financial Services Board (IFSB) emphasizes that stringent regulations help protect investors' and customers' rights and enhance the bank's ability to compete in both local and international financial markets. Furthermore, Rosly and Zainal (2009) stress that weak regulatory frameworks represent one of the biggest challenges facing transformation efforts in developing countries, leading to ambiguous roles between Shariah and regulatory departments and operational obstacles.

Adhering to regulatory systems also ensures compliance with anti-money laundering and counter-terrorism financing (AML/CFT) standards, which is critical for preserving the bank's reputation and sustainable operation in the international market.

Successful experiences, such as in Malaysia, demonstrate how integrated regulatory systems-including Islamic corporate laws and central bank regulations governing independent Islamic banks-contributed to sustainable sector growth.

2. Shariah Requirements: Strict adherence to Shariah principles forms the core of the transformation process. Independent Islamic banks must implement rigorous Shariah controls by establishing autonomous Shariah supervisory boards with full authority. These boards are responsible for reviewing all contracts and financial products to ensure compliance with Shariah, such as prohibition of interest (riba), avoidance of excessive uncertainty (gharar), and adherence to profit-and-loss sharing principles.

Literature highlights the necessity of separating Shariah boards from the bank's executive management to guarantee independence and impartiality in decision-making. Overlapping administrative roles may lead to conflicts of interest and weaken the effectiveness of Shariah supervision.

Moreover, Siddiqi (2006) recommends forming multiple specialized Shariah committees to cover various financing fields (e.g., trade finance, real estate finance, sukuk issuance), requiring well-qualified and trained Shariah scholars.

Shariah requirements also involve adopting clear methodologies to resolve disputes or interpretive differences, including the establishment of mechanisms for fatwas and reliance on a central Shariah authority or recognized fatwa councils.

3. Financial Requirements: Independent Islamic banks face significant financial challenges necessitating adequate capital provision proportionate to operational size and the nature of Islamic banking risks. Capital must comply with Basel III requirements, which focus on enhancing banks' resilience to financial risks and ensuring banking stability.

Financial requirements also include implementing specialized accounting systems aligned with Islamic accounting principles, which differ from conventional accounting in how transactions, especially profit-sharing contracts (mudarabah, musharakah), cost-plus sales (murabaha), and manufacturing contracts (istisna), are recorded. These systems contribute to financial transparency, enabling investors and regulators to accurately assess the bank's performance and enhance trust.

Additionally, the transformation requires detailed financial feasibility studies, including liquidity assessment, funding needs, operational and credit risk analyses, alongside effective asset-liability management strategies that comply with Shariah.

4. The Importance of Corporate Governance and Transparency: Corporate governance frameworks play a crucial role in balancing the interests of shareholders, management, and Shariah supervisory bodies. Independent Islamic banks must adopt advanced governance structures that clearly define responsibilities, ensure the presence of specialized committees for internal control, Shariah compliance, and risk management.

Research shows that good corporate governance reduces the risk of financial or Shariah violations and supports long-term stability (Siddiqi, *Islamic Banking and Finance in Theory and Practice: A Survey of State of the Art.*, 2006, p. 48). Transparency in financial and Shariah performance reporting further strengthens customer and investor confidence, positively impacting the bank's ability to attract capital and expand its client base.

5. Challenges in Implementing the Requirements : Despite clear requirements, banks face numerous implementation challenges, including a shortage of specialized expertise in Shariah governance and finance, legal incompatibilities between national laws and Shariah standards, and resistance to institutional change.

Financial challenges include securing sufficient capital, managing transformation-related risks, and operational challenges such as staff training and upgrading technological and administrative systems (Rosly, 2009, p. 153).

Addressing these challenges demands comprehensive strategies involving cooperation among regulatory authorities, legal framework development, professional training investment, and leveraging successful international transformation experiences.

IV. Lessons Learned from International Experiences in Transforming Islamic Banking Windows into Independent Islamic Banks :

1. The Importance of Studying International Experiences: Studying international experiences in transforming Islamic banking windows into independent Islamic banks is essential to understand the critical factors that determine the success or failure of this transition. According to Khan and Ahmed (2001), transferring experiences between countries helps learn from previous successes and failures, enabling the design of more effective policies and strategies tailored to the local environment. Studies also highlight that differences in legal and economic frameworks across countries require careful adaptation when applying foreign experiences.

2. Malaysia's Experience: A Model to Follow

Malaysia is considered a leading example in the Muslim world regarding the transformation of Islamic windows into independent banks. The Malaysian government provided an integrated regulatory environment by establishing a central supervisory body, the Islamic Financial Services Board (IFSB), which independently regulates the Islamic banking sector, alongside the development of laws specifically for Islamic banks (Dusuki & Abdullah, 2007).

✓ Key lessons from the Malaysian experience include:

- **Clear regulatory framework:** Laws clearly defined the criteria for establishing Islamic banks, capital requirements, and financial supervision mechanisms, providing a stable environment to attract investments (Rosly & Zainal, 2009).
- **Independence of Sharia supervisory boards:** Independent Sharia boards were given full authority over Sharia compliance oversight, enhancing customer and investor confidence in the integrity of banking operations (Siddiqi, 2006).
- **Human capital development:** Malaysia focused on building Sharia and technical expertise through specialized education and training programs, reducing the knowledge gap (Dusuki & Abdullah, 2007).
- **Coordination among regulatory bodies:** Success was achieved through close collaboration between the central bank, the Islamic Financial Services Board, and Sharia authorities to ensure compliance with international standards (IFSB, 2015).

3. United Arab Emirates' Experience: Rapid Growth Amid Regulatory Challenges

The UAE witnessed rapid growth in its Islamic banking sector, where many conventional banks started by operating Islamic windows before transitioning to independent Islamic banks. The UAE adopted flexible regulatory frameworks that allowed quick adaptation to rapid market changes while emphasizing Sharia compliance (Wilson, 2012).

Lessons from the UAE experience include:

- Regulatory flexibility combined with Sharia governance: Flexible laws attracted both local and international investments while strict supervisory authorities ensured Sharia compliance (Khan & Bhatti, 2008).
- Strengthening Sharia supervisory boards: The UAE made Sharia boards fully independent from executive management, contributing to operational integrity and reducing conflicts of interest (Siddiqi, 2006).
- Investment in technological infrastructure: The deployment of fintech enhanced operational efficiency, accelerated banking services, and expanded customer outreach (Wilson, 2012).

4. Saudi Arabia's Experience: Centralized Government Support

Saudi Arabia's experience is characterized by direct government support for transforming Islamic windows into independent banks through issuing unified financial legislation, providing financial facilities for Islamic banks, and developing nationwide unified Sharia standards (Alharbi, 2015).

Key lessons from Saudi Arabia include:

- Active government role: Financial and legal support played a major role in facilitating the transformation process, especially in capital provision and encouraging investment (Hassan & Lewis, 2007).
- Unification of Sharia fatwas: Efforts to unify and codify Sharia rulings helped reduce discrepancies among Islamic banks, increasing confidence in the sector (El-Gamal, 2006).
- Development of an Islamic banking culture: Saudi Arabia adopted awareness programs to enhance public understanding of Islamic banks and their importance, leading to increased demand for Islamic financial products (Alharbi, 2015).

5. Common Success Factors in International Experiences: Comparing different experiences reveals several key factors contributing to successful transformation:

- Comprehensive regulatory and legal framework: Clearly defining standards for establishing Islamic banks and supervision requirements enhances financial stability (Iqbal & Mirakhor, 2011).
- Independence of Sharia supervisory boards: The presence of independent Sharia boards with full authority over product and service compliance (Siddiqi, 2006).
- Sufficient capital availability: Supporting expansion and adherence to financial and regulatory standards (Beck et al., 2013).
- Human capital development: Training and qualifying specialized personnel in Sharia and Islamic finance (Dusuki & Abdullah, 2007).
- Transparent corporate governance: Implementing effective internal controls and clear responsibilities (Khan & Bhatti, 2008).
- Innovation in financial products: Developing products that meet market needs while maintaining Sharia compliance (Chapra, 2008).

6. Common Challenges and Their Remedies

Countries attempting to transform Islamic windows into independent banks face several challenges:

- Lack of specialized expertise: Necessitating intensive training programs (Karim, 2010).
- Differences in Sharia interpretations: Causing variation in standards application (El-Gamal, 2006).

- Financial and regulatory challenges: Especially in capital provision and risk management (Rosly & Zainal, 2009).
 - Resistance to change within institutions: Requiring effective change management (Khan & Ahmed, 2001).
- International experiences show that addressing these challenges involves:
- Enhancing collaboration among regulators, Shariah authorities, and bank management.
 - Investing in education and professional training.
 - Adopting modern technology to improve operational efficiency.
 - Establishing clear policies for financial and Shariah risk management.

V. Designing a Practical Framework to Support and Sustain the Transformation from Islamic Windows to Independent Islamic Banks :

1. Preliminary Remarks: Designing a comprehensive and balanced practical framework is a pivotal step to ensure the success and sustainability of the process of transforming Islamic windows within conventional banks into independent Islamic banking institutions. This framework must address regulatory, Shariah, financial, and operational aspects, benefiting from global experiences while considering local environmental. Components of the Practical Framework.

2.1 Regulatory and Legal Framework: It is necessary to establish a clear and integrated legal framework governing the establishment and operation of independent Islamic banks. This includes defining capital requirements, financial and accounting oversight mechanisms, and Shariah governance to ensure full compliance with regulatory and Shariah standards. The framework should also regulate the relationship between the central bank and Shariah boards to ensure effective coordination and transparency.

2.2 Shariah Governance: Shariah governance is the cornerstone of the framework and must include independent Shariah boards with full authority to review and supervise all banking products and services to ensure their compliance with Islamic principles. Additionally, mechanisms should be in place for regularly updating Shariah rulings to keep pace with financial innovations.

2.3 Financial and Shariah Risk Management :

Effective systems should be developed for managing financial risks (such as market, credit, and liquidity risks) and Shariah risks related to non-compliance with Islamic law. Internal controls, auditing systems, and modern technologies can be used to enhance transparency and operational efficiency.

2.4 Capacity Building and Human Resources :

Training and qualifying specialized human resources in Shariah and Islamic finance fields is a fundamental pillar of the framework. This requires continuous educational and training programs to develop skills and capabilities, along with fostering an institutional culture that supports innovation and adherence to Islamic values (Dusuki, *Why do Malaysian customers patronise Islamic banks?* , 2007, p. 160).

2.5 Innovation in Islamic Financial Products and Services : Independent Islamic banks seek to develop innovative financial products that meet the changing needs of customers while complying with Shariah principles. The framework should include mechanisms for the continuous evaluation and review of these products to ensure their Shariah and financial compliance .

2.6 Technology and Infrastructure: Financial technology (FinTech) offers great opportunities to improve operational efficiency and expand the reach of Islamic financial services. The framework should adopt advanced technological systems that facilitate real-time monitoring and efficient management of financial and Shariah data.

2.7 Institutional Coordination and Cooperation : Enhancing cooperation and coordination among the central bank, Shariah boards, Islamic banks, and relevant governmental bodies is essential for the success of the transformation. This includes information sharing, policy coordination, and joint efforts to address challenges.

Implementation and Follow-up Mechanisms :

- Developing a clear timeline that includes implementation stages and key performance indicators to measure progress.
- Forming multidisciplinary teams comprising experts in finance, Shariah, and law to ensure integrated implementation.
- Adopting periodic evaluation mechanisms that include performance reviews and compliance assessments, with the flexibility to adjust policies and procedures as needed.

VI. Evaluation of the Outcomes and Impacts of Transforming Islamic Windows into Independent Islamic Banks :

This section aims to evaluate the economic, financial, Shariah, and social outcomes and impacts resulting from the transformation of Islamic windows within conventional banks into independent Islamic banking institutions. It analyzes the effects on banking performance, customer satisfaction, and adherence to Islamic Shariah principles. This also includes studying how this transformation influences the development of the Islamic financial sector and enhances confidence in Islamic products and services.

1. Financial and Economic Outcomes :

1.1 Enhancing Financial Independence and Competitiveness : Research indicates that establishing independent Islamic banks grants them greater financial decision-making autonomy, which improves operational efficiency and profitability compared to Islamic windows within conventional banks (Beck et al., 2013). This independence allows better resource allocation and development of specialized products tailored to the needs of Islamic market segments.

1.2 Increasing Islamic Assets and Deposits : It has been observed that independent Islamic banks experience faster growth in assets and deposits compared to Islamic windows, driven by customer trust and clear Shariah compliance. This growth expands the customer base and promotes the trend toward Islamic financing in the broader economy.

1.3 Reducing Operational and Financial Risks : Due to the clear separation between Islamic and conventional activities, conflicts of interest and Shariah compliance risks decrease, enhancing financial stability and reducing systemic risk potential.

2. Impact on Shariah Compliance and Governance :

2.1 Improving Transparency and Shariah Governance : Independent banks benefit from fully empowered Shariah boards that enhance the level of Shariah supervision and reduce overlaps between Islamic and conventional banking activities (Siddiqi, 2006). This fosters greater trust among clients and investors in the bank's adherence to Islamic principles.

2.2 Developing Unified Shariah Rulings :

Establishing independent institutions facilitates the unification of Shariah policies and the development of consistent fatwas (Islamic legal opinions), which helps mitigate jurisprudential differences and improve the customer experience.

4. Social and Developmental Impact :

4.1 Supporting Islamic Financial Inclusion : The transformation contributes to expanding access to Islamic financial services, thus enhancing financial inclusion and providing broader financing opportunities aligned with Islamic values.

4.2 Promoting Sustainable Economic Development :

Research shows that independent Islamic banks tend to support developmental projects that promote social and economic justice, aligning with the objectives of Islamic finance to achieve sustainable development.

5. Challenges and Risks Associated with Transformation Outcomes :

5.1 Regulatory and Legal Risks : Despite the benefits, independent Islamic banks face challenges adapting to varied and sometimes complex regulatory frameworks across different jurisdictions.

5.2 Market and Operational Risks : Independent Islamic banks remain exposed to market fluctuations and operational risks linked to innovation and expansion into new products.

6. Examples and Case Studies : Comparative studies across countries such as Malaysia, the United Arab Emirates, and Saudi Arabia have shown positive results regarding increased efficiency and Shariah compliance after converting Islamic windows into independent banks. For instance, Malaysia's Islamic banking sector, led by fully-fledged Islamic banks, has demonstrated robust growth, improved governance structures, and greater customer confidence. Similarly, the UAE's transformation efforts have resulted in enhanced product diversity and stronger regulatory oversight.

VII. Conclusion :

This study has shown that transforming Islamic windows within conventional banks into independent Islamic banks represents a strategic step in the development of the Islamic financial sector. This transformation has enhanced the ability to fully comply with Islamic Shariah principles, improved operational efficiency, and strengthened competitiveness in both local and international financial markets.

Key Findings

✓ **Enhanced Independence and Transparency:** Granting independence to Islamic banks enabled a clear separation between Islamic and conventional activities, which improved transparency and Shariah governance, leading to increased trust among customers and investors.

1. Improved Financial Performance: Independent Islamic banks demonstrated faster growth in assets and deposits, along with reduced operational and financial risks compared to Islamic windows.
2. Development of Shariah Governance: Independent Shariah boards contributed to unifying fatwas and Shariah policies, reducing overlaps and jurisprudential differences, thereby increasing the credibility of the Islamic banking system.
3. Expansion of Financial Inclusion and Sustainable Development: The transformation helped broaden access to Islamic financial services and supported development projects that achieve social and economic justice goals.
4. Ongoing Challenges: Despite the benefits, independent Islamic banks face regulatory, operational, and legal challenges that require integrated solutions to ensure the sustainability of this transformation.

✓ **Recommendations**

1. Strengthen Regulatory Frameworks: Regulators should develop clear and flexible legal frameworks that support the independence of Islamic banks while ensuring alignment with market and Shariah requirements.
2. Enhance Shariah Governance: It is essential to strengthen independent Shariah boards and equip them with the necessary expertise to ensure the quality and continuity of Shariah supervision.
3. Training and Capacity Building: Invest in training Islamic banking professionals on technical and Shariah challenges to enhance institutional performance.
4. Awareness and Education: Increase efforts to raise awareness among clients and the public about the benefits of independent Islamic products and services to promote financial inclusion.
5. International Cooperation: Facilitate the exchange of experiences and best practices among countries that have successfully implemented this transformation to improve effectiveness and achieve integration in the Islamic banking sector.

In conclusion, the transformation of Islamic windows into independent banks is a necessary path for the advancement of the Islamic financial sector; however, it requires careful planning, effective management, and continuous collaboration among all stakeholders to achieve the desired Shariah, developmental, and economic objectives.

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