Unlike the mainstream economic systems which are based on the mundane philosophy. Islamic economy surrounded all its activity, production, consumption, distribution and the financial system, by the spiritual norms of Islam. Therefore, Islamic finance is firmly rooted in Islamic economic thought which is based on the holy Quran, the Sunnah of the Prophet (PBUH) and the interpretations of those sources of revelation by Islamic jurisprudences. Thus, Islamic finance dose not simply mean interest free banking. But, it means indeed to finance taking Islamic values into account on its objective and operation. So, Islamic finance goes beyond just finance with interest free characteristic. In addition to avoidance of interests, Islamic finance also avoids Gharar activities, focuses on Halal activities, quest for justice and other religious goals. Islamic financial system is a real economic activity based financial system. It is a part of the broader Islamic economic system that deals with the questions of allocation of resources, production and exchange of goods and services and the distribution of wealth in fair, equitable and socially beneficial ways. Therefore, financing itself is not allowed to be an income generating activity unless it is combined with some real economic activity and involves taking the requisite risks associated with it.

Financial markets are an important component of the financial system for raising funds for long-term investment. They provide opportunities for diversification of risk through cross-sectional risk sharing. The long-term investments are facilitated through a series of short-term contracts in the form of tradable securities enabling the investors an
opportunity to exit or enter through trade. Thus they provide an element of liquidity to the otherwise illiquid assets. The secondary market also provides pricing and valuation of assets on a continued basis thus eliminating arbitrage and inefficiencies.

Islamic financial markets are an integral part of Islamic financial system for efficient mobilization of resources and their optimal allocation. The markets facilitate investors to know the fair value of their investments, smooth out the risks through diversification and be able to liquidate their positions in real assets. Moreover the markets complement the investment role of the Islamic banking sector. Thus the markets are indispensable. Although, some may consider that Islamic financial markets are more relevant in an Islamic economy than Islamic banking because prohibition of interest entails a greater reliance on equity and asset-based finance. However the phenomenon of Islamic financial markets is considered very recent experience. Islamic financial markets are made up of two components, stock markets and bond markets. In particular it is sukuk that have become the accepted Islamic alternative to conventional bills, bonds, and notes. Tradable financial instruments using Islamic structures were introduced in Pakistan in 1980, and Malaysia in 1990. In fact, the first attempt to develop Shariah-compliant debt instruments involved securitizing traditional Islamic financing instruments, as with the Mudarabah certificates issued in Pakistan from 1980, the first sukuk instrument was issued by the Shell oil company’s Sarawak subsidiary in 1990. This debt trading, known as bai al-dayn, is permitted by the Malaysian interpretation of the Shafii School of Islamic jurisprudence which prevails in Malaysia and Indonesia, but is not permitted in Saudi Arabia or the Gulf. However most of development of Islamic financial markets started in the
decade of 2000. Despite controversies over the structuring and characteristics of sukuk still remain; they have become an established asset class of interest to conventional as well as Islamic financial institutions.

This study would try to depict the performance of these fast growing Islamic financial markets and describe structures of Islamic financial products which prevalent trade in these markets. The entire study has been divided into seven chapters in order to have a synoptic and comprehensive view of Islamic financial market. First chapter would provide introductory background to the study. It also deals with the extensive review of literature on the subject matter, scope of the study, objectives, the hypothesis and the research methodology adopted for the research study. The second chapter would present a detailed discussion on the history and given general view of financial market and its instruments. The chapter also deals with Islamic economic thought, source of Islamic law and the feature prohibition of Islamic law toward financial matter. The chapter ends with history of Islamic finance. The third chapter would attempt to provide overview of global Islamic finance industry. The study examines the industry by dividing into several regions namely South East Asia, central Asia, South Asia, Middle East, Africa, Europe, North America, and elsewhere. The fourth chapter would mostly deal with Islamic financial instrument and infrastructure institutions supporting Islamic financial markets. The chapter provides a detailed discussion on various kinds of Islamic financial instruments, its rule and structure. The chapter also discusses on the role of International organization which tries to facilitate Islamic financial industry. The fifth chapter would go deeply into the details of the main component of Islamic financial markets called Sukuk. The chapter discusses in detail the
nature of Sukuk. Describe the structure of Sukuk upon Islamic financial principle that it is built on. The chapter also attempts to provide overview of Sukuk markets, its market performance both international Sukuk as well as domestic Sukuk. The sixth chapter would discuss about other component of Islamic financial market named Shariah-Compliant Equity, Islamic Funds and Derivative Products. Finally, the seventh chapter is the conclusion chapter of this study. This chapter would provide the summary of the main findings of the study and draw conclusion.