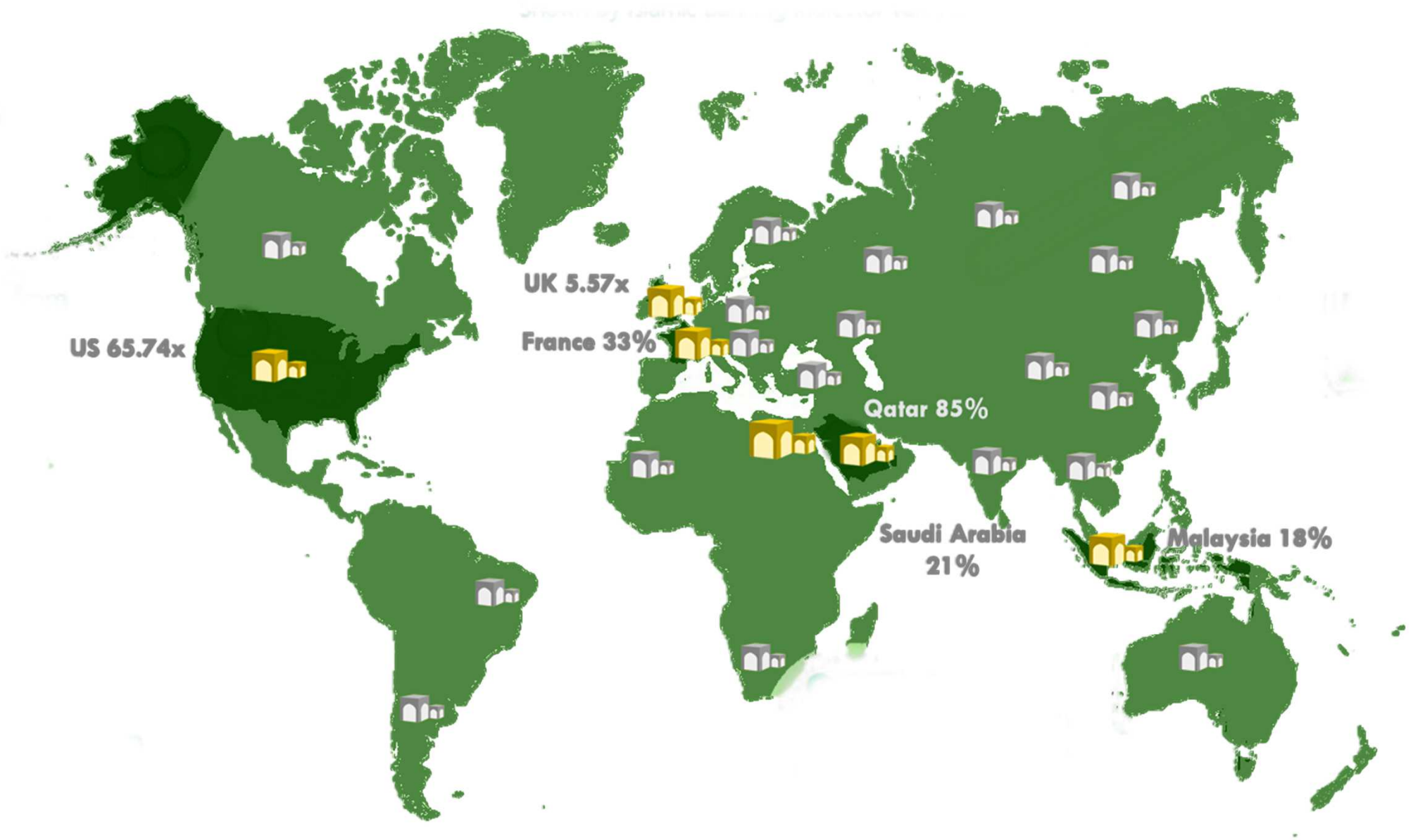


# Economic Development thro Islamic Financin

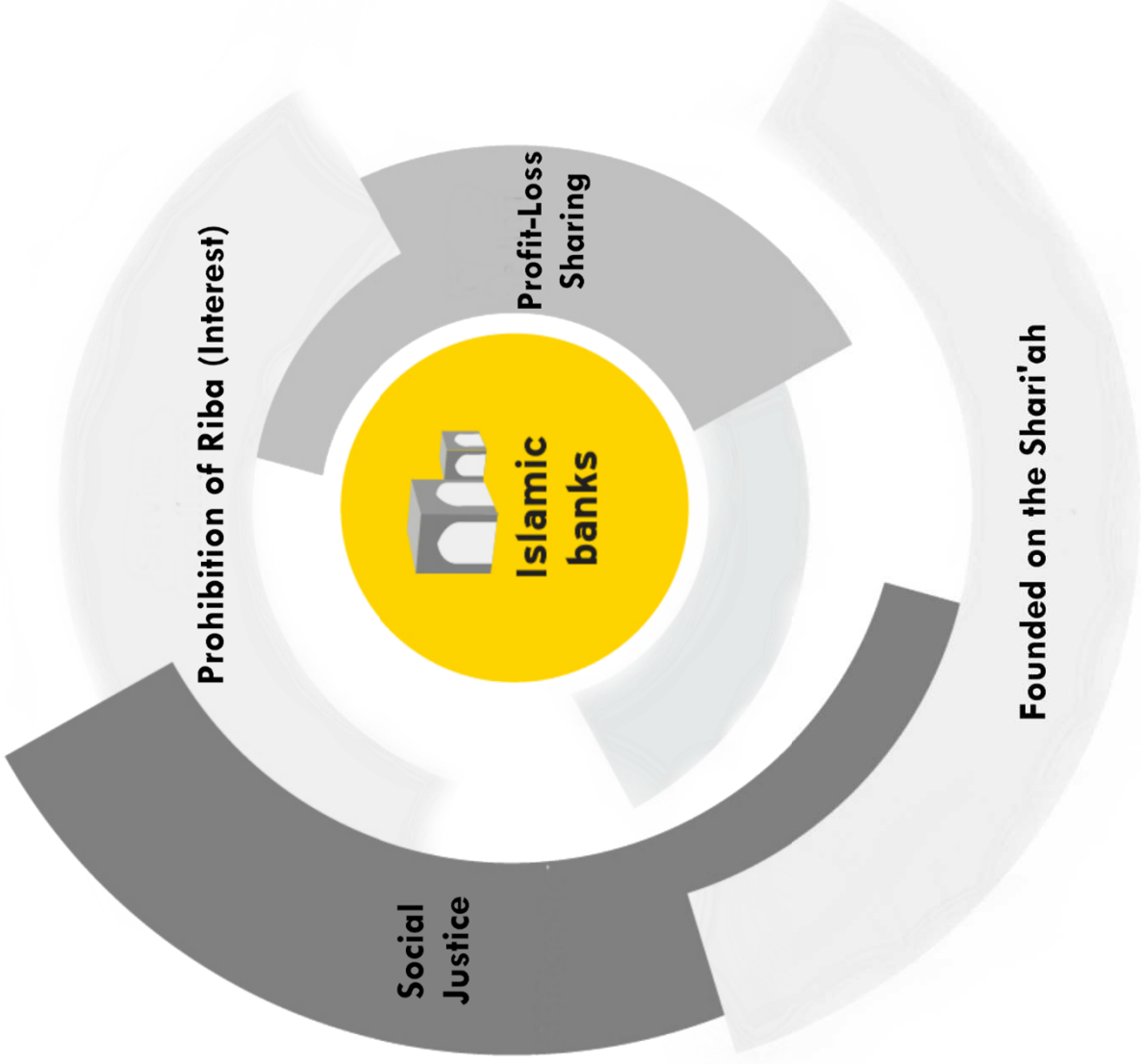


**AMELA T**

*MA Islamic Banking - MSc Strategic Project Management - MSc Mar*



**Islamic banking has become a global phenomena, with increased market share.**



# Most Common Models of Islamic Financing

- ❖ **Mudarabah (profit sharing)**
- ❖ **Musharakah (joint venture)**
- ❖ **Murabahah (cost-plus financing)**
- ❖ **Ijara (leasing)**
- ❖ **Qard Hasan (benevolent loan)**

# Islamic Banking in B&H

## Development of Islamic Banking



- First signs of interest-free banking during Ottoman rule in form of cash registers for the poor
- Some failed attempts at establishing Islamic banks as early as the 90s
- Establishment of Bosnia Bank International in 2000

## Bosnia Bank International (BBI Bank)

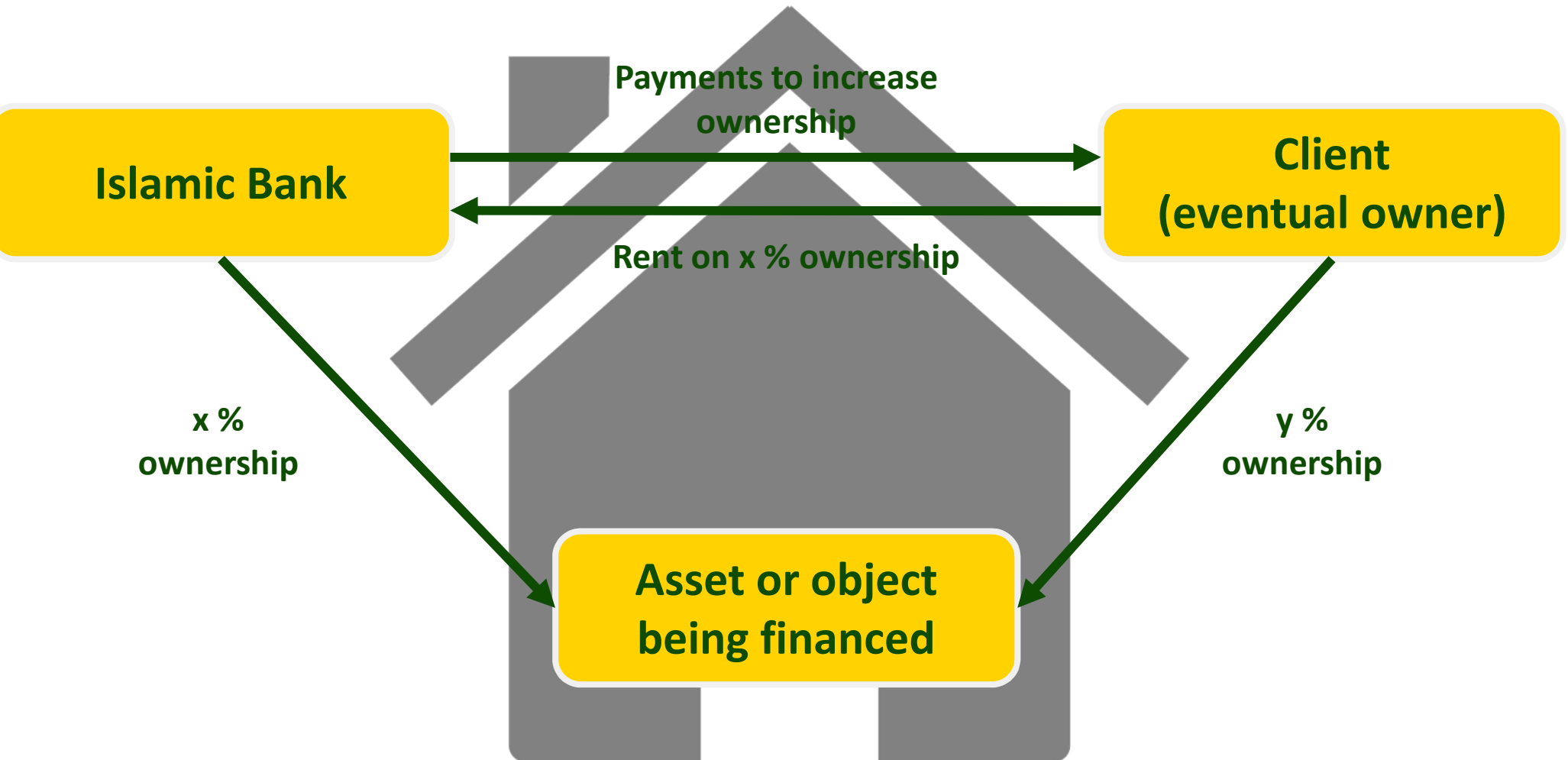


- Established by IDB, Dubai Islamic Bank and Abu Dhabi Islamic Bank
- Maintains just under 3% of the market
- Promotes Islamic banking education (IB Masters program at UNSA-EFS with Bolton University & BBI Academy)
- Current legal framework makes it difficult to fully implement IB

# Economic Development

- ❖ 0% financing, where profit margin is subsidized by Turkish Ziraat Bank in Turkey.
- ❖ 50 million EUR in the fund over 10 years
- ❖ Based on diminishing Musharakah, i.e. on the principles of Islamic economics which encourage social and economic development
- ❖ Purpose is to enhance and stimulate economic development by providing financing to individuals and SME beneficiaries
- ❖ Consider the criteria to receive financing from the line:
  - ❖ **Diminishing inequality:** SMEs financed through line often required to hire returnees of minority ethnic groups; Emphasis placed on sustainable return of minorities to B&H, who were displaced during the Bosnian War – Provide employment.
  - ❖ **Increase employment:** projects financed (retail or corporate) must contribute to new employment, by offering new job opportunities through increased production or business capacities
  - ❖ **Sustainability:** Feasible, economically viable with indication of future growth.
  - ❖ **Green:** Ecologically friendly.
- ❖ Late fees exist, but go into a charity fund which is later used in Qard Hasan financing

# Diminishing Musharakah



# Implementation

- As of 30 June 2017: **4,472 financing applications approved**
- Implemented in largest municipalities of B&H. Leading municipalities in terms of # of approved financing applications are **Brčko District** and **Mostar**.

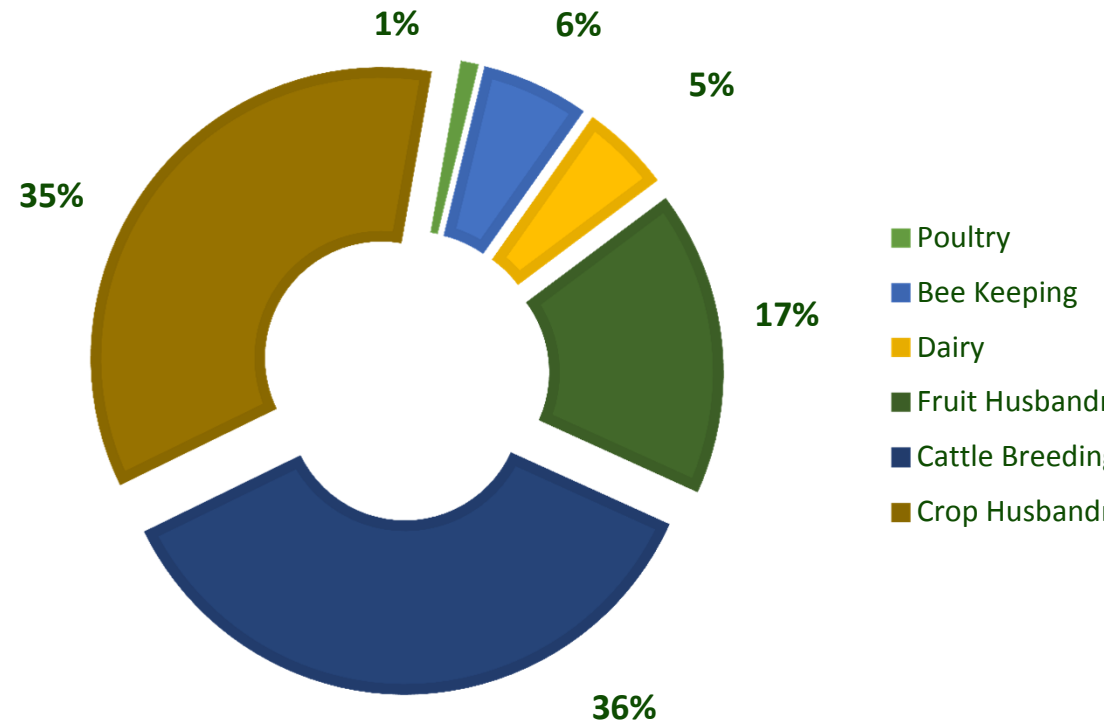
Status of application	RETAIL		CORPORATE		TOTAL in EUR ('000)
	#	Amount in EUR ('000)	#	Amount in EUR ('000)	
Disbursed	3.555	24.536,39	159	25.263,44	49.799,83
Disbursed and closed	557	3.024,80	201	29.819,57	32.844,37
<b>TOTAL DISPURSED</b>	<b>4112</b>	<b>27.561,19</b>	<b>360</b>	<b>55.083,01</b>	<b>82.644,20</b>



# Retail Clients

Most financing goes to retail clients, 4112

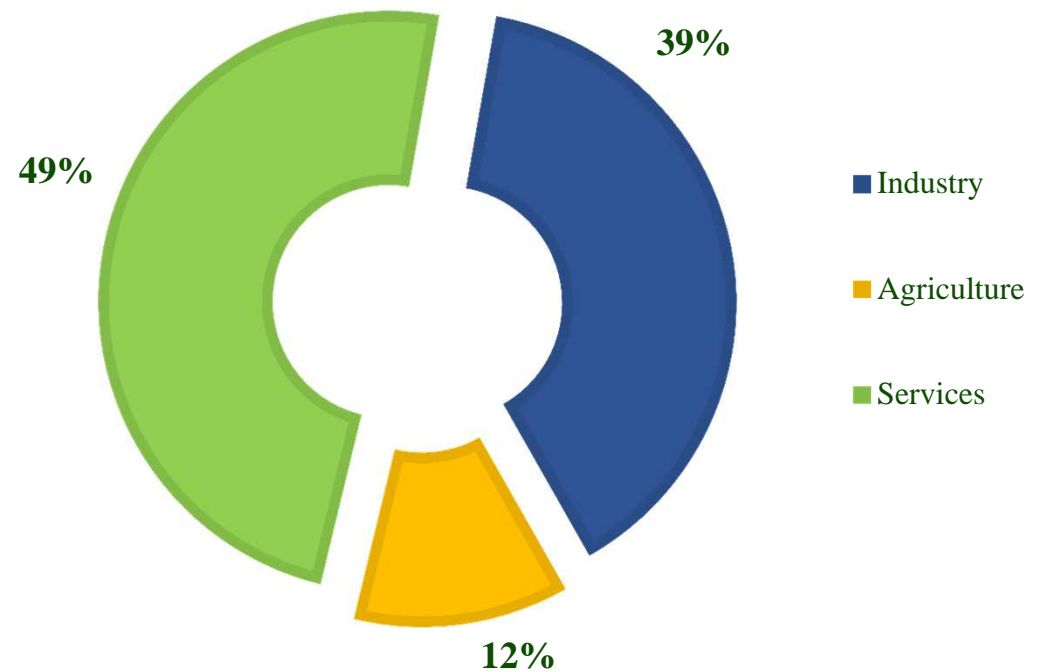
About 70% of projects financed are in agriculture production.



# Corporate Clients

360 approved applications, 55.083 mil EUR

ed to 2,000 permanent employment positions for minority returnees, and the engagement of 1050 subcontractors.



# Economic Development thro Islamic Financin



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