

* Development of Interest-free banking in Bosnia and Herzegovina - Historical aspects -

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- * In last 500 years, B-H has been under two empires: Ottomans from 15th until late 18th century and under Austro-Hungarian after Ottomans until 19th century.
- * Each of these empires had huge impact on the development of society.

* Introduction

- * The main aim of this research is: *to find roots or first examples of interest-free banking in Bosnia and Herzegovina*;
- * We examined available historical data/facts about banking in Bosnia and Herzegovina.
- * Interviews were used with persons that have specific experience and knowledge about recent banking history
- * The main source of data and information were archives of Gazi Husrefbeg Library as well as archives of some banks, libraries and e-databases

* Introduction

- * First examples of lending and deposit activities in Bosnia we have in early 15th century
- * That was interest based financing
- * It was actual until Ottomans period 1463.
- * Characterised by „sarafs“ or exchange officers
- * They have been treated as very usefull persons for the development of sociaty
- * From these activities first banks have been developed

* **First phase**

- * First kind of loans were trade and commodity loans
- * These kind of loans were based on unconditional trust
- * In 16th century, we have first „waqf“ institutions
- * From these institutions we have first kind of interest free loans
- * The best example would be „Gazi Husrefbeg's waqf“
- * Muslims tried to escape the interest based financing

* Second Phase

- * Some debtors in that period used to sell their houses to the waqf for the amount of his debt and then he would pay the rent for the using of the house.
- * This would be the example of the Ijara/leasing financing
- * From the Ottomans period we have and so called „Manafi“ treasuries or the treasuries for the poor people.
- * These institutions were founded by the donations.
- * They provided loans with wary low interest for cowering some costs and could be used just for public good (buildings...)

* Second Phase

- * Austro-Hungarian also supported „Manafi“ treasuries
- * In 1883 Union bank from Vienna were opened its branch in Bosnia,
- * This was the beginning of the commercial banking
- * Accordingly, following the examples of the new banks, during the time, „Manafi“ treasuries were changed into the commercial institutions.

* Second Phase

- * As a result of good cooperation between Ex Yugoslavia and Republic of Iran, in 1990 we had first initiative for establishment of Islamic bank in Bosnia and Herzegovina
- * Bank were planed to be established in Sarajevo
- * This initiative failed because of dissolution of Yugoslavia and beginning of the aggression on Bosnia

* **Third Phase**

- * Second example was the establishment of the Vakufska bank Sarajevo in 1992
- * In the establishment documentation of this bank, it was stated that they will work and according to sharia principles.
- * The regulator accepted this kind of bank in the system
- * But, in practice, this bank worked with interest as any other conventional bank

*Third Phase

- * In 1996 were established Orient bank d.d. Sarajevo as a first interest-free bank
- * This bank provided interest-free loans for companies and small businesses
- * Because of new capital requirements in Bosnia, this bank couldn't fulfill minimal census
- * It has been acquired by conventional bank in 2000 (ABS bank dd Sarajevo).

*Third Phase

- * But in 2000. three islamic banks: Islamic Development Bank, Dubai Islamic Bank, and Abu Dhabi Islamic Bank, established new Islamic bank, Bosna Bank International
- * This bank trying to work according to the Islamic finance principles and to implement Islamic finance models in Bosnia
- * Succesfull project

*Third Phase

- * *First phase: from 1411 until 1463 - Ottomans Empire.*
- * *Second phase: during the Ottomans (1463-1878) and Austro-Hungarian (1878-1918).*
- * *Third phase: modern banking history with several projects and initiatives for establishment of interest-free banks.*

* Conclusion

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