

# Islamic Banking in Bosnia and Herzegovina: Relationship between Religion and Islamic Banking Adoption

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## ABSTRACT

The Islamic banking and finance is the segment of global financial system that has the fastest growth rate. Today, the center of Islamic finance is in the London. UK has the longest experience in Islamic banking, despite the fact that Muslims are not the biggest population there. So what is the situation in Bosnia and Herzegovina regarding the use of Islamic banking and its products? The study attempts to analyze the relationship between religion and Islamic banking service adoption in Bosnia and Herzegovina, as well as the level of awareness of BH citizens of Islamic banking. Bosnia and Herzegovina is a multiethnic country, in other words, people of different religious groups are represented there. So are the other religious teachings in accordance with the use of Islamic banking, what are their perceptions of it? The questionnaire is used to assess the opinions of BH citizens. It is distributed to a sample of 26 people, mainly to the students. The sample is selected randomly among the users and non-users of Islamic banking. After the data is gathered, it is analyzed in SPSS, using descriptive statistics (frequencies, Chi-Square test).

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The analysis results showed that the research included the members of other religious groups, it is not just focused on the majority of the population (Muslims), and the ratio of male and female respondents is almost the same. It is found that general knowledge of Islamic banking is low, especially among non-users. Findings showed that religion plays important role in selection process and cost benefit factor is also very important to the customers. More than half answered that they would switch to the participation bank if it offers better and more qualitative services. Findings also showed that respondents think that Bosnia and Herzegovina has suitable conditions for development of Islamic banking.