

Cost Efficiency and Risk Analysis in Bosnia and Herzegovina Banking compared to other countries after and during the Economic Crisis

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Abstract: *This research aims to give better insight in efficiency and risk analysis in the banking sector of Bosnia and Herzegovina. The type of struggles the banking sector faces during an economic recession is introduced. Relations between risk and business models are analyzed for periods of financial crisis, which are the 2007-2008 years. Business models are an important part of an organization, it is the way an organizations creates, delivers and captures value. In the banking sector this might not be the case. We will discuss if the business model of a bank has a huge impact on cost efficiency and risk. The primary aim is to provide proof that BM has non-linear effect on banks with higher risk. Comparison and contrasts between Ziraat Bank in Bosnia and Herzegovina and Ziraat Bank in Turkey is stated in the study. For the purposes of this study, author takes in account statistical information and annual reports of both banks as well as BM of each bank. Financial statements of the recession years help analyze which bank was detected with more struggles during these crisis years and whose business model had effect (if any) on helping overcome these struggles. Comparison of deposits to loans figures is done in several structural aspects. It provides an answer whether "Do business models matter?" The proof that institutions with higher risk exposure have less capital, larger size, greater reliance on short-term market funding, and aggressive credit growth is interpreted in the study. Using the model - regression analysis, which is a statistical process for estimating the relationships among variables shows that the impact of business models is highly non-linear. The level of risk the bank faces is more dependent to loan growth, customer deposits and market funding than to BM. A stronger customer deposit base is more effective in reducing danger for the riskier banks compared to the less risky banks.*

Keywords: *efficiency, risk analysis, economic recession, regression analysis, business models (BM).*

