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**The Role of Islamic Microfinance in Socio-Economic Development in
Bosnia and Herzegovina**

Velid Efendic

*University of Sarajevo, Aschool of Economics and Business Sarajevo, Department of Finance,
velid.efendic@efsa.unsa.ba*

Eldina Karamustafic

Islamic Relief Bosnia, eldina@islamic-relief.ba

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ABSTRACT

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G21, G15, O43.

This paper aims to explore the role of Islamic microfinance in the socio-economic development of Bosnia and Herzegovina (B&H). Due to the significant growth of the microfinance sector in the last 20 years and its impact on the country's postwar reconstruction and development, B&H serves as a good case for this present research. The study relies on primary data collected from clients of Islamic and conventional microfinance institutions (MFI). Accordingly, the comparison between Islamic and conventional MFIs is possible. Our results reveal that, from the clients' perspective, there is no difference between Islamic and conventional MFI. In addition, religion plays a minor role in choice of MFI suggesting that being "Islamic" is of little relevance to the clients. The clients are more concerned with the quality of service they receive. Finally, we find positive but limited impact of MFIs on their clients' standard of living.

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Introduction

Microfinance in general has an important role in the socio-economic development of a country (Efendic and Hadzic, 2017). MFIs are identified and accepted as an important part of the poverty alleviation strategy and post-conflict revitalisation in many countries (AnneWelle-Strand, Kjøllesdal, & Sitter, 2010). Moreover, MFIs offer an alternative to conventional banking, providing opportunities and financing to people who have no collateral or who want to avoid interest based loans. Considering the socio-economic nature of Islamic finance, it is necessary to determine whether Islamic MFIs have a more significant impact on the socio-economic situation of their clients than their conventional counterparts.

The global microfinance industry has experienced significant growth worldwide (Ernst&Young, 2014). Due to the high demand identified, Islamic MFIs experienced rapid growth as well (Efendic and Hadzic, 2017). As a result, Islamic MFIs became an alternative to conventional MFIs, providing poor with financial products at low costs (Abdelkader and Salem, 2013). When it comes to B&H, microfinance was developed as a tool for poverty alleviation and country recovery after the War in the early nineties (AnneWelle-Strand, Kjøllesdal, & Sitter, 2010). Accordingly, MFIs played a significant role in the country's development as well as helping many people run family businesses in the fields of agriculture, animal husbandry, organic food production, crafts and similar (Ninkovic-Papic, 2012).

The motivation for the present research is as follows: Firstly, to inquire into the socio-economic role of MFIs in B&H as a post-war country in transition. Although there are several studies that explore the role of microfinance (Augsburg, De Haas, Harmgart & Meghir, 2010; Zeller, Sharma, Henry & Lapenu, 2002; Robinson, 2001), there is still a lack of studies that explore the socio-economic role of microfinance in one country. With the present research, we aim to contribute to the literature in this field by providing deeper insights into the socio-economic role of MFIs in B&H. In addition, this study focuses on Islamic MFI with the aim to explore whether "Islamic" is relevant to clients. By comparing Islamic and conventional MFIs, we shed light on the reasons for choosing an MFI and whether religion plays an important role in this process. Finally, this study explores whether MFIs in B&H fulfil their mission to help the people live better lives. It explores the possible differences between Islamic and conventional MFIs in B&H. Accordingly, we highlight microfinance and examine its importance for the socio-economic development in B&H.

The present study is organized as follows. Section 2 provides the literature review. Section 3 presents the B&H microfinance sector, and section

4 presents the methodology and data used. Section 4 also provides the empirical findings where the paper ends with conclusions.

1. Literature review

There are numerous studies that shown the positive effects of microfinance on the lives of its clients (Islam 2016; Lavoori and Paramanik 2014; Paul 2014). For example, in Bangladesh the World Bank found that MFIs contribute to positive change, not only in the economic but also the social status of its clients (Lavoori and Paramanik, 2014). The positive results were largely triggered by the increased participation of women through self-employment (Lavoori and Paramanik, 2014). Since then, studies have continuously affirmed these results, consistently finding positive correlations between microfinance and increased employment, female empowerment and overall status both economic and social (Gangaiah et al. 2006; Kumar et al. 2008; Vachyah and Kamaiah, 2015; Rahman 2010). However, there are other studies that found the opposite relationship as well (Maitrot and Hulme 2014; Munir 2014; Mujkovic, 2010). By empowering the poor, MFIs are part of societal and economic development, which breaks the chain of dependency and increases self-confidence (Vachyah and Kamaiah, 2015). The Grammeen bank project founded by Mohammed Yunus in Bangladesh (Tazul 2016), is the first MFI founded with a main aim to provide the poor with financing and to help them improve their socio-economic status. But over the time, as these institutions became larger, their financial goals overshadowed their social goals (Maitrot and Hulme, 2014). Therefore, MFIs should struggle to be accountable when it comes to their clients as they are accountable for their financial (Ledema, 2015).

Multiple studies have found that religious beliefs play a positive role in the process of socio-economic development (TerHaar and Ellis, 2006; Kadt, 2009). Religious-affiliated MFIs base their performance indicators on social factors, rather than economic ones, which indicates their concern for social impact rather than earning a profit (Mersland, et al. 2013). In addition, this indicates that religious institutions can be combined with the financial sector in order to more effectively contribute to human development (Mirghani, et al., 2011).

Islamic microfinance has been a successful tool in the development of many countries with a significant impact on the borrower's household level and individual level (Ahamad, et al. 2016). On the other side, there are multiple critiques of their performance as well (Khaled, 2011b). The main issue is the price of administrative fees in Islamic MFIs which is almost the same as the interest rate at their conventional counterparts (Khaled, 2011b).

Accordingly, this is the reason why Islamic microfinance is often seen as a “re-branding” of conventional microfinance (Khan, 2013).

However, when it comes to B&H, several studies have been conducted on conventional microfinance. Generally speaking, the sector can be marked as dynamic and very successful (Berryman and Pytkowska, 2014). In addition, Europe can learn from B&H microfinance, especially when MFIs find themselves in a competitive environment (Berryman and Pytkowska, 2014). Also, experiences from B&H could be useful for Islamic MFIs as well (Efendic and Hadzic, 2017). Islamic MFIs showed be more efficient than conventional MFIs in B&H, and experiences from the MFI sector in B&H could be useful for Islamic MFI development in general (Efendic and Hadzic, 2017).

Finally, the present study examines the role of MFIs in the socio-economic development of B&H. In addition, by using B&H as a good case, this research explores the demand for Islamic MFIs and measures the impact on clients with comparison to their conventional counterparts in a secular country with a significant Muslim population. This is especially beneficial in a time where the Migrant crisis has led to mass migration from Muslim dominant countries to secular, European countries (Hunt-Ahmed, 2013). Thus, the results of this study can be replicated and relevant outside the context of this case study. Namely, it can be significant for the financial inclusion of refugees and migrants in their new homelands.

2. Microfinance in Bosnia and Herzegovina

After the war ended in 1995, poverty became the most significant problem plaguing citizens of B&H (Council of Ministers B&H, 2001). The war destroyed most of the infrastructure and devastated the economy so that industrial production fell to 10 percent of the pre-war level (Council of Ministers B&H, 2001). The reconstruction of the country started in 1996, and still continues to this day. The financial sector, which was destroyed in the war, has experienced significant changes and recovery over the last 20 years (Efendic and Hadzic, 2017). At the same time, the microfinance sector grew as the tool for economic and social development (AnneWelle-Strand, Kjøllesdal, & Sitter, 2010).

The history of microfinance in B&H can be divided into two periods: before and after 2000. The period before 2000 presents the period of nonexistence of the proper legislations in this field (AnneWelle-Strand, Kjøllesdal, & Sitter, 2010). In the early post-war period, besides legislative issues, there were other challenges and trends in the financial sector like consolidation, privatization and finally the crisis in 2009 (Efendic and Hadzic, 2017). The occurrence of modern microfinance in B&H can relate to the LIP

- Local Initiatives Project (WB, 2005), established by the World Bank with the main aim to improve the reconstruction of the country and initiate economic recovery (WB, 2001). MFIs played a significant role in providing financial services to small entrepreneurs and contributed to improving their living conditions, subsequently creating employment opportunities and contributing to socio-economic development. Hence, MFIs from B&H were awarded among the best worldwide (Mix and AMFI 2009). As a result of the recent financial crisis, the microfinance sector experienced a significant decline. The loan portfolio fell from BAM 809 million to BAM 626.8 million and the number of MFIs began to decrease (Biety and Rutledge, 2012). In addition, efficiency of the MFIs is on low level (Efendic and Hadzic, 2017). However, Islamic MFI is found to have higher efficiency than conventional ones (Efendic and Hadzic, 2017).

Today, the microfinance sector continues to deal with the consequences of the global financial crisis (Efendic and Hadzic, 2017). However, the sector shows signs of recovery and development after the crisis (Efendic and Hadzic, 2017). Currently, in the Federation of B&H¹ there are 12 MFIs; 11 of them are registered as micro-credit foundations and one as a micro-credit company (FBA, 2016). When it comes to the second B&H entity, Republika Srpska, there are 8 MFIs, from which 5 are registered as for-profit institutions and 3 are registered as non-profit organizations (ABRS, 2016). At the moment only one MFI in B&H is trying to harmonize their work according to the principles of Islamic finance, all others are interest based (Efendic, and Hadzic, 2017).

The First Islamic Micro-credit foundation in B&H, provides small loans to poor and low-income people, while its main goal is to improve the living conditions of socially vulnerable groups of people such as orphans, returnees, single mothers and similar.²

3. Methodology and Data Collection

Due to the main aim of this research to explore the role of Islamic MFIs in the socio-economic development of B&H, the research questions are established to determine whether microfinance institutions have managed to fulfill their main role of providing social and economic development. In addition, we explored whether Islamic MFIs have a more significant and impactful effect on the socio-economic development of their clients than conventional MFIs. Accordingly, the present research is focused on the role

¹ B&H has two administrative entities: Federation of B&H and Republic of Srpska

² <http://mfi.ba/index.php/bs/pocetna/> (03.02.2017)

of MFIs in multiple aspects of socio-economic development including; poverty alleviation, empowerment of clients in terms of their role in decision making, clients' access to education, health services, reduction of unemployment and similar. However, we employ the mixed method research strategy which means it applies a combination of qualitative and quantitative research methods. The descriptive research design fits best for this study. Bearing in mind that there is only one MFI which tries to operate according to Islamic finance principles, and presents a unique case, this study uses a single case study approach.

The data collection methods used for the purpose of this research included both theoretical and empirical data collection. Theoretical data collection refers to the data collected for the purpose of developing the theoretical background and literature review. Considering the research paradigm, the nature of the research and the research question, the empirical study made use of quantitative data collection techniques.

The data collection instrument used for this purpose was a questionnaire (Appendix 2). The questionnaire included four sections:

The first section aimed to gather data on the respondent's demographic characteristics and financial situation.

The second section aimed to determine why respondents opted for an Islamic MFI.

The third section sought to gain insight on the respondents' perceptions of the Islamic MFI of which they are a beneficiary, namely with its impact on various aspects of their lives.

The fourth and final section of the questionnaire was structured in exactly the same way as the third section. However, this section was concerned with the respondents' perceptions of the conventional MFI of which they were also a beneficiary.

The sampling technique used to collect data during the course of this research was non-probability sampling. The purposive sampling was necessary for purpose of this study since the research required a sample of individuals who were both clients of an Islamic and a conventional MFI in B&H. This meant that any individual who was a client of one but not the other would not be able to adequately complete the questionnaire. This left a potential sample of 263 respondents in the target group. All 263 were contacted via telephone due to the fact that the respondents were located all over B&H, often in the rural areas not easily approachable with public transport. Those who agreed were orally administered the questionnaire, while the researcher inputted

responses into a pre-created online form. Accordingly, 84 valid responses were collected, rendering the usable response rate about 32 percent.

The data which were collected was organized based on the sections of the questionnaire whereby every respondents' individual answers could be seen for each question in each section.

Data was analysed using various techniques. Firstly, descriptive statistical analysis was used in order to determine the profile of the respondents, in terms of their demographic characteristics and financial situation (Zaidan et al., 2012). Descriptive statistics were also used to provide a summary of the Likert ratings, or to summarize the overall mark of clients about the impact of both Islamic and conventional microfinancing on the quality and standard of their lives.

4. Empirical Findings

After the successful research process, we analyse the study results and determine the respondents profile (Appendix 1). All of the respondents are clients of the Islamic MFI as well as a conventional MFI. The majority of respondents are aged between 21 and 40 years living in a society and culture which places significance on family and child bearing. Nearly all of the clients which participated in the questionnaire, except for one, claimed to follow the Islamic faith. In addition, 89.3 percent of them are main decision makers in their household. If we consider that nearly 55 percent of respondents are female, this is a surprising result. Considering the financial status of the respondent, nearly all of the respondents are without any savings. This is expected due to the fact that individuals seeking microfinance tend not to have a reserve of funds (Maitrot and Hulme 2014). However, considering that most respondents have a monthly income between 150 and 250 EUR, while the average consumer basket is nearly 900 EUR (Agency for Statistics of B&H, 2013), savings are not a probable option. Furthermore, it is likely that many of the respondents are receiving social aid amounting between 150 and 250 EUR. Due to the fact that nearly all the respondents received only 2,500 EUR in financing from the MFI, we can conclude that the profile of our respondents is the low income population that is financially excluded and is on the bottom of the social status in the country.

4.1. Beneficiary Choice of MFIs

Although all the respondents are clients of an Islamic MFI, they are clients of conventional MFIs as well. Our results reveal that the main reasons for choosing to take financing from an Islamic MFI were better services and more trust and confidence in the management and employees. However, as potential reasons in client's choice of Islamic MFI, we find that better

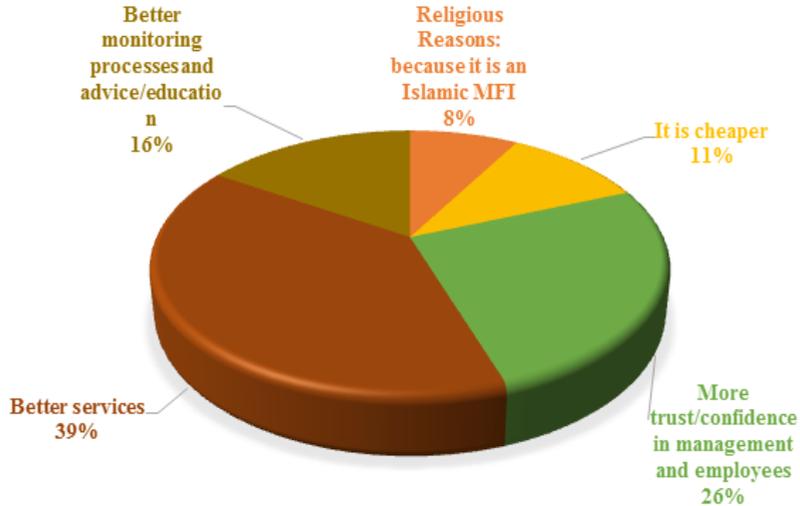
monitoring processes, advice and education show to be significant. Clients of the MFI expect more than just financial services. This result confirms that clients expect a broader service with advice and education. Due to the low level of financial literacy in general that is characteristic of MFI clients (Barua and Sane, 2014), this is an expected result. Hence, Islamic MFIs need to put more effort into providing full services to their clients since awareness of Islamic finance in B&H is low (Ergun and Djedovic, 2011). The role of Islamic MFIs with this issue is, therefore, even more important.

In addition, the price of financing is not among the most important reasons for choosing the Islamic MFI. Only 11 percent of clients are concerned with the price which suggests that clients prefer to get proper treatment and good services that make them feel more confident. Hence, the clients are willing to pay more for this kind of treatment. When we observe this result in the context of the previous one, we can conclude that clients of MFIs have broad expectations outside the scope of classical financial services. Clients expect closer relationships, more akin to partnership or friendly relationships. Or, clients want to get “value for their money”. Since MFI loans are often extremely expensive with high interest rates (Mujkovic, 2010), clients will pay that price but they expect more for their money. Accordingly, Islamic MFIs must take into consideration that with high costs of financing comes great responsibility which reflects the high expectations of the MFI clients.

Finally, the study results reveal that religion plays a minor role in choosing an Islamic MFI. It appears to be the least insignificant factor when choosing an Islamic MFI. Only 8 percent of clients claimed it affected their choice. The given result suggests that being “Islamic” is of little relevance to the clients, or they choose Islamic MFIs because of other reasons. Clients expect to find it with an Islamic MFI. Finally, our results suggest that any MFI (conventional or Islamic) must be excellent in their business operations, and this should be their priority. They must have good service and a good reputation, while “Islamic” is not the “selling point” for their potential clients. Due to the fact that it cannot be expected that these clients know much about Islamic finance, they do not know what the benefits are. Accordingly, increasing the awareness for Islamic finance and principles of Islamic finance would contribute to the choice of Islamic MFI. Despite the fact that the ultimate difference between Islamic and conventional MFIs is religion (Sugema et al., 2010), it is an unexpected result that religion does not play a more important role for clients when choosing an MFI. This is especially surprising considering nearly all of the respondents claimed to be of the Islamic faith. Based on these results, it can be concluded that for this sample,

religion is not important when choosing an Islamic MFI, despite claiming to be followers of the Islamic faith (Abdelkader and Salem, 2013).

Figure 1: Reasons for Choosing an Islamic MFI



The results also indicate that clients are more concerned with how they are treated by the MFI rather than the quality of the product. The second most cited reason for choice of Islamic MFI was that clients had more trust and confidence in the Islamic MFI's management and employees. Accordingly, the service they are concerned with is the one they receive directly from the employees. In that respect, the study results indicate that clients are most concerned with the quality of the service they receive and from whom they receive it. Therefore, MFIs need to make clients feel respected and welcome. Hence, the focus needs to be placed on the face-to-face service employees provide clients as well as building a strong reputation for the institution (Mersland et al., 2013). Price of microfinancing and the quality of the monitoring, advice and education provided to clients play a secondary role when considering their choice of MFI. Religion is almost irrelevant for most of the clients when opting for an MFI. The "Islamic" label does not make a difference in the client's decision making process, what is suggested with other studies as well (Khaled, 2011b; Khan, 2013).

4.2. Impact of Islamic Microfinancing on Standard of Living

Our study explores the perception of the impact that Islamic MFIs have on the living standard of their clients. Accordingly, they were offered to choose between eight factors which impact standard of living. Results are ranked

based on the level of agreement with each of the factors, so the highest ranked factor has the largest frequency (Table 2).

Table 1: Impact of Islamic MFIs on Beneficiary Standard of Living

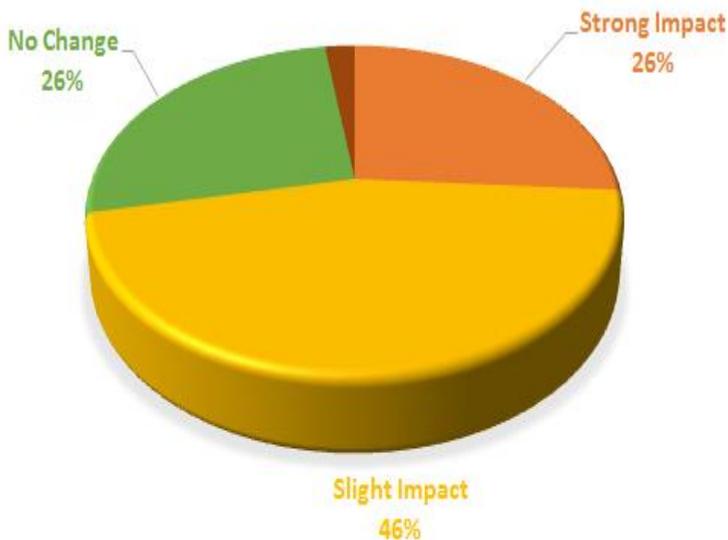
Standard of living factors	Strongly Disagree (%)	Disagree (%)	Neither Agree nor Disagree (%)	Agree (%)	Strongly Agree (%)	Weighted Average (%)
My role in decision making has increased	1.2	0.0	23.8	57.1	17.9	3.90
Living standard of me and my family improved	0.0	0.0	27.4	60.7	11.9	3.85
My overall material situation improved	0.0	20.2	40.5	36.9	2.4	3.21
I have better access to education	21.4	13.1	17.9	42.9	4.8	2.96
My income has increased	15.5	21.4	32.1	28.6	2.4	2.81
More employment opportunities	26.2	21.4	26.2	23.8	2.4	2.55
I have better access to healthcare	10.7	46.4	25.0	15.5	2.4	2.52
My savings have increased	66.7	29.8	3.6	0.0	0.0	1.37

Our results reveal that out of the eight factors representing standard and quality of living, nearly all of them, except for one, appeared to have a positive impact. The only factor which we find not to have an impact is savings, meaning microfinancing does not necessarily help beneficiaries save more. More than 96 percent of clients did not have an increase in saving because of the microfinancing they received from the MFI. In addition to this, microfinancing does not appear to have a positive and significant effect on healthcare and employment opportunities either. This finding confirms that, although there are some positive impacts on the development on an individual level, it is limited to just a few factors. However, healthcare, education and savings appear not to be significantly influenced by microfinancing. This leads us to the conclusion that the effect on development is rather limited. This may be related to the fact that microloans have a small or limited capacity in the

amounts provided to the clients (Ali and Alam, 2010). Small amounts are used according to the priority in one household. Following Maslow's theory of hierarchy of needs (Maslow, 1954), clients start from fundamental needs like physical needs (food, accommodation, transportation, tools for work and life) and then, in later development stages they pass to the higher stages of needs starting from the self-actualization. Accordingly, the factors which clients found to be most impacted by Islamic MFIs are: their role in decision making within their household, the overall standard of living for them and their families, and their overall material situation. Hence, we can conclude that development is limited to these factors. Our results show that MFI's financing improved clients' overall wealth. This holds true while employment opportunities and healthcare, were not particularly improved. This finding is in line with other studies which indicate that Islamic microfinance has shown evidence of increasing clients' overall economic and social status (Obaidullah 2008; Rahman 2010). Islamic finance encourages the fair distribution of wealth and discourages the concept of severe poverty (Hadzic, 2014). Therefore, Islamic MFIs aim to improve clients' status in society both on a social and economic level (Mersland et al., 2013). The results indicate that the Islamic MFI is abiding by these principles and is implementing the concept of Islamic finance appropriately.

Finally, the factor which is most impacted by microfinancing is the role in decision making. Our results reveal that the role in the decision-making process within the household improved significantly for most MFI clients.

Figure 2: Impact of Microfinancing on Role in Decision Making (Females)



When we observe female clients only (55 percent of the sample), 85 percent were found to be the main decision makers in their household. In addition, over 72 percent had improved their role in the household since receiving microfinancing. These results are in line with the positive role Islamic finance plays in contributing to female involvement in society (Dar, 2013). Microfinance especially encourages female employment and even provides women with the resources to increase their role in society, both in decision-making within their households, financial literacy, as well as allowing them to participate in economic activities (Aseanty and Hassan 2013). The study results even indicate the same and show the significance of Islamic MFIs in female empowerment, in both dimensions, social and economic.

4.3. Impact of Conventional Microfinancing on Standard of Living

Since all the respondents are clients of both Islamic and conventional microfinancing, we sought to explore the impact of conventional MFIs on the clients' living standards as well. Using the same factors and research design as in the previous analysis, we explored how clients perceive conventional MFIs in terms of impact on their standard of living.

Table 2: Impact of Conventional MFIs on Beneficiary Standard of Living

Standard of living factors	Strongly Disagree (%)	Disagree (%)	Neither Agree nor Disagree (%)	Agree (%)	Strongly Agree (%)	Weighted Average (%)
My role in decision making has increased	0.0	3.6	40.5	45.2	10,7	3.63
Living standard of me and my family improved	0.0	6.0	50.0	42.9	1,2	3.39
My overall material situation improved	6.0	32.1	39.3	22.6	0.0	2.79
I have better access to education	26.2	17.9	23.8	32.1	0.0	2.62
My income has increased	21.4	35.7	23.8	19.0	0.0	2.40
More employment opportunities	33.3	22.6	28.6	15.5	0.0	2.26
I have better access to healthcare	23.8	45.2	23.8	7.1	0.0	2.14
My savings have increased	86.9	13.1	0.0	0.0	0.0	1.13

Our results reveal that clients of both conventional and Islamic MFIs perceive their financing products virtually the same. High level of correlation is found for all of the marks for all of the factors. The ranking of the eight factors are similar for conventional and Islamic MFIs. Overall, clients perceive microfinancing from the conventional MFI, much like from the Islamic MFI, to positively impact their standard of living. Like clients' perception of Islamic microfinancing and its impact on their standard of living, the factor which clients felt was least impacted by the financing was an increase in savings. The results for other factors show to be similar. While the impact ranking of these factors is the same, it appears that clients are slightly less satisfied with conventional than they are with Islamic MFI. The weighted averages of the factors are all slightly less for conventional than they are for Islamic MFIs (Table 2 and 3). Hence, standard of living, and the factors which influence the standard of living, is slightly less positively affected after clients received financing from a Conventional MFI than from an Islamic MFI.

Overall, microfinancing from both an Islamic and conventional MFI appears to have a positive impact on the standard of living of their clients, particularly regarding the role in decision-making and overall standard and material situation of their household. Both require work where increased employment opportunities and access to healthcare are concerned, where their area of focus should be on providing education and training to their clients to assist in this matter. Both Islamic and conventional MFIs should also look to provide more than one round of microfinancing if they wish to create more impact, rather than just assist their clients in meeting some fundamental needs which equate to consumption.

Conclusion

Over the last few decades, microfinance grew rapidly and played a significant role in poverty alleviation and financial inclusion of the poor. Islamic microfinance has also been growing remarkably, but only a few studies analysed the role of Islamic micro-financing in the socio-economic development in one country. To the best of our knowledge, there were no previous studies that compared Islamic and conventional MFIs in this manner. Accordingly, the main aim of this research is to explore whether MFIs positively affect the lives of their clients. The study results reveal that MFIs have an overall positive impact on the standard of living of their clients. In addition, clients of the MFIs are generally satisfied and feel that their lives are improved in terms of material position and general standard. However, this study provides a comparative analysis of conventional and Islamic microfinance. The results showed that there is no difference from the perspective of clients, which means that religion plays little role when

choosing an MFI. Actually, clients are more concerned with the quality of service they receive.

Therefore, the research has both theoretical and practical implications allowing it to be of use to both academia and operational MFIs. Namely, it provides insight into the role of MFIs in developing economies which are characterised by large Muslim populations but are culturally, legally and socially secular. It also provides a dual perspective, since it is concerned with clients of both Islamic and conventional microfinancing.

The implication of this research is that MFIs should increase their education and training offering to help clients make the best of the situation and context at hand. Therefore both conventional and Islamic MFIs, need to focus on providing good customer service to their clients, building a strong relationship with clients which fosters trust and confidence, as well as building a strong reputation on the market, without necessarily focusing on niche markets. Islamic MFIs need to put even more effort than conventional MFIs. However, Islamic MFIs do not need to focus on the “Islamic” brand, but rather on the service quality and relationships with the clients.

Future research can look at a larger sample size by considering other countries, with similar profiles which could be grouped with Bosnia and Herzegovina. This will allow for a larger sample size and stronger results with greater statistical significance.

The research can also be extended by additionally considering the impact of qualitative factors of microfinancing on beneficiary standard of living. This can take the form of a longitudinal study which observes the lives of clients prior to receiving financing and after receiving it.

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Appendix 1: Demographic Profile and Financial Status of the Respondents

Demographic Profile	%
Age	
21-40 years of age	28.6%
41-60 years of age	48.8%
61 or older	22.6%
Gender	
Male	45.2%
Female	54.8%
Religion	
Islam	98.8%
Other	1.2%
Marital Status	
Single	7.1%
Married	61.9%
Divorced	8.3%
Widowed	22.6%
Level of Education	
Primary School	8.3%
Secondary School	61.9%
Undergraduate	28.6%
Postgraduate	1.2%
Number of members in the household	
Less than 2 members in the household	11.9%
2 to 5 members in the household	84.5%
More than 5 members in the household	3.6%
Are you the head/main decision maker of your household?	
Yes	89.3%
No	10.7%
Financial Status	%

Monthly Income	
None	1.2%
Less than 300 BAM	6.0%
301 – 500 BAM	53.6%
More than 500 BAM	39.3%
Savings	
Yes	1.2%
No	98.8%
Value of financing obtained from the Islamic MFI	
Less than 5,000 BAM	95.2%
5,000 – 10,000 BAM	4.8%
More than 10,000 BAM	0%

Appendix 2: Questionnaire Administered To Beneficiaries of Microfinancing

PART 1: DEMOGRAPHICS	
Age	
<input type="checkbox"/> 20 or younger	<input type="checkbox"/> 41-60
<input type="checkbox"/> 21-40	<input type="checkbox"/> 60 or older
Gender	
<input type="checkbox"/> Male	<input type="checkbox"/> Female
Religion	
<input type="checkbox"/> Muslim	<input type="checkbox"/> Non-Muslim
Educational Level	
<input type="checkbox"/> None	<input type="checkbox"/> Undergraduate Degree
<input type="checkbox"/> Primary School	<input type="checkbox"/> Graduate Degree (Master, PhD)
<input type="checkbox"/> High School	<input type="checkbox"/> Other: _____
Marital Status	
<input type="checkbox"/> Single	<input type="checkbox"/> Divorced
<input type="checkbox"/> Married	<input type="checkbox"/> Widowed
Number of members in your household	
<input type="checkbox"/> Less than 2 members	<input type="checkbox"/> More than 5 members

2 – 5 members

Are you the head of your household (main decision maker)?

Yes

No

Monthly Income (BAM)

Without income

301 – 500

Less than 300

More than 500

Do you have personal savings?

Yes

No

What is the amount of the loan/financing you received from the MFI? (BAM)

Less than 5000

Between 10,000 – 30,000

Between 5000 – 10,000

More than 30,000

PART 2: CHOOSING AN ISLAMIC MFI

Why did you choose to take a loan from an Islamic MFI? (choose all that apply)

Religious reasons: because it is an Islamic microfinance institution

Islamic MFI is cheaper than conventional MFI

More confidence in Islamic MFI management and staff than in conventional MFI

Better service (friendlier staff, adequate working hours, quality of advice, etc.) than conventional MFI

Monitoring and counselling is better than in conventional MFI

PART 3: IMPACT OF ISLAMIC MFI

Rank your level of agreement for each, after having received a loan/financing from an Islamic microfinance institution.

1	2	3	4	5
Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

1	I have better access to education
2	I have better access to healthcare and medical treatments
3	My employment opportunities have increased
4	My overall financial situation has increased
5	My families standard of living is better
6	My savings have increased
7	My income has increased
8	My role in decision making has increased

PART 4: IMPACT OF CONVENTIONAL MFI

Rank your level of agreement for each, after having received a loan/financing from a conventional microfinance institution.

1	2	3	4	5
Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

1	I have better access to education
2	I have better access to healthcare and medical treatments
3	My employment opportunities have increased
4	My overall financial situation has increased
5	My families standard of living is better
6	My savings have increased
7	My income has increased
8	My role in decision making has increased