


Chapter 5

Social Organizations and Islamic Moral Economy: A Case Study From Bosnia and Herzegovina

Nerma Saracevic

 <https://orcid.org/0009-0008-5772-1542>

Mozaik Foundation Sarajevo, Bosnia and Herzegovina

ABSTRACT

The transitional economy of Bosnia and Herzegovina (B&H), marked by political instability and demographic change, presents a unique context for the application of axioms of Islamic moral economy (IME). In a global environment where Islamic finance (IF) has experienced significant growth and evolution, Bosnia and Herzegovina provides a specific example of how local socio-economic and cultural factors influence the partial implementation and adaptation of Islamic financial principles. Specifically, as the banking sector was faced with significant challenges during the pandemic, it became clear that ethical forms of corporate financing would play an important role in decisions to start new businesses, a trend that has persisted into the post-pandemic period. This shift underscores a growing demand for financial strategies that prioritize not only economic viability but also moral and ethical principles, essential for sustainability in a recovering B&H economy.

INTRODUCTION

The transitional economy of Bosnia and Herzegovina (BiH), marked by political instability and demographic change, presents a unique context for applying the axioms of the Islamic moral economy (IME). In a global environment where

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Islamic finance (IF) has experienced significant growth and evolution, BiH offers a specific example of how local socioeconomic and cultural factors influence the partial implementation and adaptation of Islamic financial principles.

As the banking sector faced significant challenges during the pandemic, it became clear that ethical forms of corporate financing would play an important role in decisions to start new businesses, a trend that has continued into the post-pandemic period. This shift underscores a growing demand for financial strategies that prioritize not only economic viability but also moral and ethical principles, which are essential for sustainability in a recovering BiH economy. Social and non-profit organizations, in cooperation with international partners, are working to support the financing and sustainability of small and medium-sized companies in order to establish new businesses, retain the able-bodied and qualified population in BiH, and create new jobs. The forms of funding provided by these organizations closely resemble the basic principles of IF.

This study explores not only how social organizations are using the principles of IME to promote ethical business practices and social good, but also how these strategies are embedded within the broader social and cultural context of the country. Globally, IF is characterized by a growing portfolio of services aligned with *Shariah* law, emphasizing the prohibition of interest, speculation, and investment in activities deemed harmful to society. In the context of BiH—where the socioeconomic structure remains closely tied to post-conflict reconstruction and the pursuit of stabilization—the application of IME, along with the country’s only Islamic bank, offers an alternative approach. This approach supports sustainable development through transparent and morally responsible financial models.

This research examines how social organizations in BiH are integrating and adapting embedded Islamic financial principles to support their missions while promoting social cohesion and economic development. Drawing on specific case studies and empirical data, it aims to show how ethical financial models manifest and evolve in the Bosnian context, and what impact they have on broader social goals.

Objectives

The objectives of this research are:

- To analyze the embeddedness of IME principles in social organizations in BiH.
- To examine how these principles inform ethical decision-making and resource management within organizations.
- To assess the similarities between IME and social and non-profit organizations in terms of sustainability and financing efficiency.

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