

DEVELOPING AN ISLAMIC BOSNIAN DIASPORA MUTUAL FUND: ISLAMIC FINANCE, DIASPORA PHILANTHROPY AND THE ECONOMIC DEVELOPMENT OF BOSNIA AND HERZEGOVINA

Amela Trokic

Abstract — this paper analyzes the potential of Diaspora philanthropy in an Islamic economic context specific to the development of Bosnia and Herzegovina. The Bosnian War in the late 1990s created a large Bosnian Diaspora population that resulted in significant increases in the country's remittance inflows, which continue to account for a large percentage of Bosnia's GDP. While some financial remittances are invested, most are used towards consumption and contribute very little to the country's economic development, oftentimes leading to negative long-term effects including a significant youth brain drain. However, Islamic finance presents a potential revolution in the role remittances, as a form of Diaspora Philanthropy, play in economic development and poverty eradication within Bosnia. Namely through the creation of an Islamic Bosnian Diaspora Mutual Fund which pools remittances in the form of investments. The aim would be to primarily mobilize remittances, which individually have very little economic potential, and invest them in Shari'ah compliant instruments and endeavors in Bosnia. Return on investments could then be pooled into philanthropic funds which would be used towards supporting small and medium business growth and combat issues related to unemployment. Thus, this paper discusses the potential of Islamic finance in organizing and revolutionizing Diaspora efforts (financial remittances) in detail. It presents a case for Islamic finance and its role in effectively strengthening Diaspora philanthropy in order to contribute to the economic development of Bosnia and Herzegovina while presenting a potential model for the Mutual Fund.

Keywords - Islamic Mutual Fund, Remittances, Diaspora Philanthropy, Economic Development, Youth Brain Drain

I. INTRODUCTION

Philanthropy has a long presence and tradition in history with examples of its practice in all major civilizations. Its ideological presence in nearly all of the world's major religions as well as societies, not to mention the arguably innate human

tendency toward philanthropic activities, make philanthropy a key component in any system. Philanthropy looks to solve issues at their origin in order to alleviate them completely over time, as oppose to providing immediate solutions that do not last. It is considered that the most effective philanthropy is organized or institutionalized philanthropy as this form of giving tends to be more effective.

Diaspora Philanthropy, as a form of organized philanthropy, is playing an increasingly important role in global philanthropy as a whole. Its potential in providing aid particularly to developing countries is discussed in detail in this paper. Examples of foundations which have effectively taken advantage of Diaspora philanthropy include The Ireland Funds and Turkish Philanthropy Funds, who have successfully provided billions of dollars of aid to their home countries over the years by mobilizing their respective Diaspora worldwide. One of the key areas which Diaspora philanthropy and philanthropy in general, can affect is economic development. Since the projects which are funded by these foundations are always of a social or economic nature, they successfully provide outlets for economic development whether in the form of poverty alleviation, employment opportunities or similar. They are also not hindered by political factors as philanthropy in its nature should be free of any politics. This means that the external aid Diaspora philanthropy foundations offer could be more effective than any government aid the recipient country is currently receiving.

Bosnia and Herzegovina, as a nation with a significant Diaspora population, could very well take advantage of this form of Diaspora philanthropy. Already a high remittance receiving nation, Bosnian Diaspora could re-evaluate their current giving schemes in order to better answer the current economic issues. Not only could the creation of a Bosnia Diaspora philanthropy foundation reform the way remittances are used, therefore eliminating the already negative long-term

effects of their inflow in Bosnia and Herzegovina, but it could also directly work towards answering some of the greater socio-economic problems such as the youth brain drain and unemployment.

But the potential of a Bosnian Diaspora Philanthropy is heightened when considered from an Islamic economic context. Namely by establishing an Islamic Bosnian Diaspora Mutual Fund which pools remittances in the form of investments. The pooled funds would be invested in Islamic financing schemes concerned with eradicating poverty, increasing economic development and reducing the unemployment rate, and turning the youth brain drain into a brain gain. Primarily, the potential of schemes such as Takaful products, Mudarabah and Musharakah schemes and Qard Hasan are encouraged.

Therefore, this paper attempts to present the potential of Diaspora philanthropy in an Islamic financial context. It presents the argument for the benefits of establishing an Islamic Bosnian Diaspora Mutual Fund particularly in encouraging economic development in Bosnia. It will discuss how the creation of such a Fund would effectively promote economic development in the country by mobilizing remittances, which individually have very little economic potential, and investing them in Shari'ah compliant instruments and endeavors. It also presents a potential model for an Islamic Bosnian Diaspora Mutual Fund aimed at supporting small and medium business growth and combating issues related to unemployment, with specific consideration of the youth demographic.

II. BOSNIAN MIGRATION AND FORMATION OF BOSNIAN DIASPORA POPULATION

The migration of Balkan populations, including those of Bosnia and Herzegovina, have a long tradition. While migration flows can be traced back to pre-World War times, all migration prior to the Second World War will be considered insignificant to the contribution of this research. With that in mind, all recent migration flows from the region can be grouped into three categories representing the major reasons for why individuals migrate. These include; (i) voluntary migration; (ii) economically driven migration; and (iii) forced migration. The latter is not necessarily a recent phenomenon considering the numerous wars and violent unrests which characterize the Balkans. However, the Bosnian War of the early 1990s specifically contributed to this category [1]. In fact the Bosnian War period, including the pre-war and post-war periods, resulted in the most relevant migration flows for the purpose of this analysis since they contributed to the majority of the Bosnian Diaspora population which exists globally today. Therefore, these migration flows can be individually analyzed by breaking the migration flow into three major time periods:

- Pre-War Migration
- Migration During the War; and
- Post-War Migration

A. Pre-War Migration

Migration prior to the Bosnian War was mainly the emigration of the labor force in the 1960s and 1970s. At the time, the territory that constitutes Bosnia and Herzegovina today was under the rule of the Former Socialist Federal Republic of Yugoslavia (Yugoslavia). During the aforementioned period, Yugoslavia was experiencing slowdowns in economic development resulting in unemployment and an ultimate ease in emigration restrictions [2]. This is widely considered the first large migration flow of Bosnians from the country to various parts of the world including, but not limited to, Australia, the United States, Canada and countries in Western Europe such as Germany, Switzerland and Austria. The education level of emigrants of Bosnia during this period was characterized as low and medium-educated [3].

B. Migration During the War

The War in Bosnia and Herzegovina, which lasted between 1992 and 1995, saw the rise of a large migration population. Migration occurred due to the violent conflicts that arose during this period with voluntary migration occurring when people moved in order to seek asylum in safer areas or avoid potential danger, and forced migration occurring when territories were overtaken by the opposing side. This migration flow can be broken into two groups of migrants; those who were internally displaced and those who were externally displaced. Nearly 2 million people, or about half of the country's population at the time, forcefully migrated from their homes [1]. For the purpose of this paper, only those migrants who constitute the externally displaced population are of relevance to our research as they make up a portion of the current Bosnian Diaspora population.

The resulting externally displaced migrant population ranged from low to highly-educated Bosnians due to the nature of the situation. As individuals were forced to migrate, the incentive was purely one of safety and survival, therefore, producing a wide range of different types of migrants. The countries to which Bosnians migrated varied depending on where asylum was being offered at the time but generally constituted countries of the European Union, the United States, Canada and Australia [4].

C. Post-War Migration

The migration flows during the post war years to the present date are generally categorized as voluntary and driven by economic reasons. Bosnia and Herzegovina's economic situation is less than desirable, illustrated by its low activity rate (one half of the EU average), leading to people looking for labor opportunities elsewhere [1]. The countries to which Bosnian migrants mainly move to during this post-war period include neighboring countries such as Croatia, Serbia and Montenegro as well as EU countries within the vicinity, mainly Germany and Austria [3].

Migration today is not limited to the labor force as students are increasingly leaving Bosnia in pursuit of better educational prospects. According to data compiled by UNESCO, a large number of students from Bosnia and Herzegovina pursue their

studies outside of the country. According to this same data, 12,452 students from Bosnia studied abroad during the 2011/12 school year, an equivalent of 11.8 percent of all students enrolled in Bosnia at the time [3].

It is also interesting to note that Bosnia has a large tertiary educated migrant population, the second largest out of all European and Central Asian Countries in the year 2000 at a staggering 23.9 percent of the total tertiary-educated population [4]. The number of educated physicians in Bosnia and Herzegovina that emigrate each year is also significant. Since the end of the war, the percentage of the medical brain drain has steadily been increasing and reached a high of 12.2 percent in 2004 (Table 1). That is an estimated 772 physicians out of a total 5,541 physicians in Bosnia and Herzegovina leaving the country, a significant loss to the system.

TABLE I. EMIGRATION OF PHYSICIANS FROM BiH

Year	Physician Brain Drain		
	# of Physician Emigrants	# of Physician in BiH	Medican Brain Drain (%)
1995	487	5,062	8.8%
1996	513	5,165	9.0%
1997	553	5,260	9.5%
1998	607	5,371	10.1%
1999	670	5,426	11.0%
2000	705	5,656	11.1%
2001	754	5,430	12.2%
2002	736	5,503	11.8%
2003	756	5,541	12.0%
2004	772	5,541	12.2%

Today, the World Bank estimates a total Bosnian Diaspora population of 1.461 million emigrants worldwide which only takes into consideration the foreign-born population [5]. The Ministry for Human Rights and Refugees of Bosnia and Herzegovina, on the other hand, has measured the stock of Diaspora at 1.669 million emigrants. Their estimate includes descendants of second and third generations so even those not born within Bosnia but who carry its citizenship/nationality. Either way, it can be concluded that Bosnia has a large Diaspora with a considerable potential if tapped into appropriately.

III. REMITTANCES IN BOSNIA AND HERZEGOVINA

As mentioned earlier, officially recorded remittance flows to developing countries were estimated at \$401 billion (USD) in 2012. Not only was this an increase from remittance flows in 2011, but the expected future growth is estimated to be an average of 8.8 percent annually in the period of 2013 to 2015 [6]. Generally in developing countries, remittances are used for consumption purposes and in such are considered to help alleviate poverty by positively impacting income distribution (diminishing economic inequality) and individual welfare [4].

Remittances can also affect the economy of a developing country as a whole by covering deficit while also promoting employment, productivity and overall growth [7].

TABLE II. REMITTANCES FROM BOSNIAN EMIGRANTS TO BiH

Year	Remittances (in million USD)
2001	1.521
2002	1.526
2003	1.749
2004	2.072
2005	2.043
2006	2.157
2007	2.700
2008	2.735
2009	2.167
2010	2.228

Bosnia and Herzegovina, with its impressive Diaspora population, has been one of the top remittance receiving countries in the world for the past decade. In 2004, Bosnia and Herzegovina had a remittance inflow of \$2.072 million (USD) making it the second highest receiver of remittances in Eastern Europe and the former Soviet Union that year [4]. By 2007, remittances accounted for 18 percent of Bosnia's Gross Domestic Product (GDP) and in 2010, despite the effects of the economic recession, remittances still accounted for an impressive 12 percent of the country's GDP [1]. That is a total inflow of \$2.228 million (USD) in remittances to Bosnia and Herzegovina (Table 2).

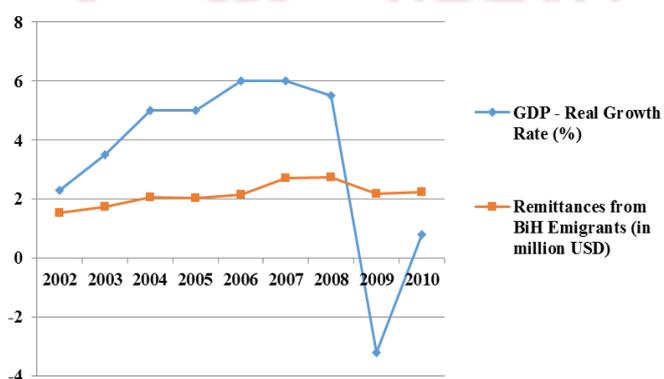


Figure 1. GDP and Remittances for Bosnia and Herzegovina [4]

Although there is minimal data on the exact use of remittances in Bosnia and Herzegovina, it is assumed that the primary use is towards consumption as with other developing economies know for significant remittance inflows. Also, seeing as both GDP and remittances show yearly increases, and consumption is a main component of GDP, it can be assumed that the remittances were in fact used mainly towards

consumption hence boosting the GDP (Figure 1). In a country where nearly 50 percent of the GDP is absorbed by government bureaucracy and the average monthly wage is only about \$450 USD, [8] remittances come as a much needed boost to household incomes, even if only used towards consumption. Therefore, remittances do have apparent advantages to the economic development of a nation, particularly one whose development was hindered and in many ways reversed due to years of violent conflict.

A. Negative Long-term Effects of Remittances

Despite contributing heavily to GDP and providing an initial boost to the war-traumatized economy, remittances have had negative long term effects on the economic development of Bosnia and Herzegovina. Although remittances are meant to alleviate poverty and economic inequality, in the case of Bosnia they tend to have the opposite effect. With regards to poverty alleviation, remittance inflows have not been pro-poor but instead it has been shown that a larger number of non-poor households receive remittances than poor ones in Bosnia [9]. The average amount of these remittances has also been nearly twice the amount of those received by the poor households. As far as economic inequality is concerned, remittances seem to attribute to widening the economic gap as oppose to minimizing it since the average amount of remittances received steadily increases from the poorest to the richest deciles [4].

Furthermore, seeing as remittances are primarily used for consumption the multiplier effects are not as effective as they would be if these funds were saved or better yet invested. Sadly, only between 4 and 6 percent of remittances are invested in businesses and/or entrepreneurial ventures [1]. Consumption in itself poses a greater threat seeing as remittance inflows are steadily decreasing, so people accustomed to higher spending habits will suddenly be faced with the reality that they cannot maintain these habits within their diminishing financial means. A financially-dependent population relying on outside funding left to fend for themselves in a country with high unemployment and very few opportunities is a dangerous threat. It is also one of the reasons why a large number of youth are leaving Bosnia and Herzegovina and remittances may just be helping the process along.

B. Youth Brain Drain

The term brain drain refers to the permanent emigration or outflow of highly trained or qualified people from their home country. Bosnia and Herzegovina is a country which is definitely experiencing a brain drain, but particularly one pertaining to their youth population. There are many factors which contribute to the youth brain drain occurring in Bosnia today. Employment among the youth aged between 15 and 29 is staggeringly low with an unemployment rate of 57 percent, the largest in the region as can be seen in Figure 2 [6]. Considering this demographic group makes up nearly one quarter of the country's total population, Bosnia and Herzegovina maintains one of the highest youth unemployment rates in all of Europe [6].

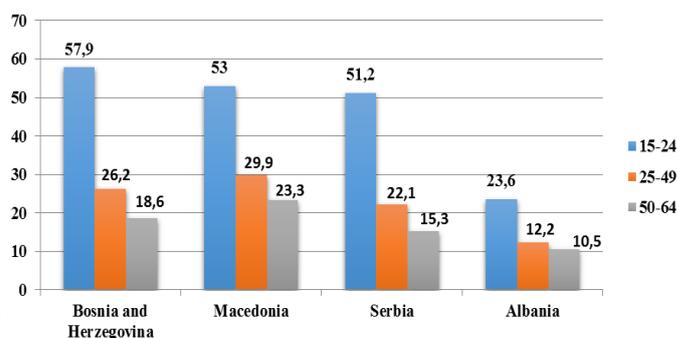


Figure 2. Unemployment Rates by Age Group. (LFS Data)

Remittances also promote the youth drain in the sense that they offer the financial means to leave Bosnia and Herzegovina. Seeing as education is highly subsidized in Bosnia, youth can complete their education in the country and use the remittances they receive from family abroad to leave. With family members living outside of Bosnia setting the example, why wouldn't youth want to leave and join them, after all they too could help their family in Bosnia by inevitably sending remittances back as well. However, this may spur a chain reaction where remittance inflows become the main financier of the youth brain drain.

In light of recent protests erupting in many cities around Bosnia and Herzegovina over unemployment and government corruption, it is clear that the population is becoming more restless. The first riots began in Tuzla early February 2014, and quickly spread to other major cities in Bosnia including the capital of Sarajevo. Several of the demonstrators were youth who call for change to the entire system, in some cities getting quite violent [10]. What is already being referred to as the Bosnian Spring is proof enough that change is necessary and the last thing a country in this state of revolution and transformation needs is for its youth to leave since it is they who will best bring about the desired change. Remittances can provide the means to help spur the appropriate development that Bosnia is looking for, that is turn the brain drain into a brain gain, but reforms are necessary.

IV. DIASPORA PHILANTHROPY AND THE CASE OF BOSNIA AND HERZEGOVINA

A. The Significance of Diaspora Philanthropy

In the changing face of global philanthropy, where new techniques and strategies are being sought out in order to increase the impact of philanthropy, Diaspora philanthropy can be a significant player. Considering the increasing number of international migrants, a value that today stands at approximately 214 million people versus 150 million in 2010 [11], there is a strong potential for significant impact. Diaspora offers a unique opportunity for their homelands, not only are they as a group not constrained to the language and cultural barriers of their homelands but they have the ability to utilize foreign approaches and technology, which they better understand, in their homeland [12]. They are the link between their current country of residence and their country of origin,

transferring knowledge and creating new opportunities. As such, their contributions can take on a significant philanthropic potential.

Specifically, remittances can be the basis of effective philanthropy in developing countries and/or economies. The term remittance is often used in varying contexts to represent different economic transactions. With regards to the research presented in this paper, remittances refer to the transfer of money from foreign-born individuals living abroad (outside of their country of origin) to family left behind in their homeland. The World Bank estimated that officially recorded remittance flows to developing countries reached approximately \$401 billion USD in 2012 [6]. Keeping in mind that this figure represents formal remittance flows only, that is remittances that were recorded, and does not take into consideration all informal flows which include hand-to-hand delivery, the exact value and potential of remittances can be considered far greater.

In order to take advantage of Diaspora potential, it is necessary to mobilize the contributions into philanthropic activities. Currently Diaspora contributions, pertaining to remittance flows, are mainly used towards consumption which does not necessarily create a significant, desired economic (or social) impact [4]. Mobilizing these contributions into a philanthropic fund could procure more desirable results for the developing country and its economy. Consider the impact organizations such as The Ireland Funds has had on the economic development of Ireland, having raised over \$370 USD million for worthy causes in Ireland to date [11]. Keeping in mind that such organizations transfer not only funds but human and social capital, whose value can represent a significant aspect in the way financial markets are measured, the possibilities are endless and deserve further consideration. With remittance flows expected to steadily increase every year, despite the current unfavorable economic situation, reaching an estimated \$534 billion USD in 2015, action should be taken immediately [11].

B. Diaspora Philanthropy in Other Countries

As mentioned earlier, global philanthropic funds are emerging as the new face of global philanthropy. Their potential lies in the large number of Diaspora looking to help their homelands and Bosnia can take advantage of this as well. When considering successful examples of such Diaspora philanthropy funds, the Worldwide Ireland Funds are definitely worth mentioning as they are a leader in this phenomenon. The Irelands Funds are a philanthropic network whose main activities include supporting causes they deem worthy in Ireland and around the World. They support a wide range of programs in various fields in an attempt to be the largest network of friends of Ireland [13]. It is widely agreed that their efforts over the past 40 years have contributed to boosting Ireland's economy specifically by helping develop Ireland's local businesses and by creating new options for the country's economic recovery [11].

Similarly, the Turkish Philanthropy Funds (TPF) seeks to maximize the impact of philanthropy or giving, in this way attempting to ensure the effectiveness of philanthropy to

Turkey and other countries. They work towards analyzing which projects will provide the greatest, most measurable impacts in order to deduce where donations are best invested. TPF understands that individual giving can be most effective when pooled and invested in causes that promise potential change [13]. Thus, in this way they can ensure that donations are maximized and that they are contributing to projects that will provide real reform to the country and its people.

C. Developing Bosnia's Diaspora Philanthropy

That Diaspora efforts and philanthropic aid to Bosnia and Herzegovina exists cannot be denied, the impressive value of remittances being sent every year is proof of this. However, the effectiveness of these Diaspora efforts have fallen short in recent years, even creating negative long term effects as was discussed earlier. Remittances can still be effective and provide appropriate aid if certain reforms are taken in the way Bosnian remittances are collected and used. It is important to remember that remittances are personal and those who receive them decide how they are used. So the key is to convince those who send remittances that the potential of their donations is far greater once pooled into funds. If Diaspora mobilizes together and pools remittances into funds run by a global Bosnian Diaspora philanthropy foundation comprised of responsible and skilled individuals, this could have a significantly greater effect on the state of Bosnia, economically and socially, today.

TABLE III. THE DATA ON THE NUMBER OF EMIGRANTS FROM BIH

Host Country	Number of Migrants from BiH
USA	350,000
Germany	240,000
Croatia	300,000
Serbia	150,000
Austria	150,000
Slovenia	150,000
Sweden	80,000
Switzerland	60,000
Australia	60,000
Canada	50,000
Italy	40,000
Denmark	23,000
Norway	16,000
Total	1.669,000

Not only does Bosnia have a significant Diaspora population to mobilize in the first place, but the dispersion of Bosnian Diaspora is an essential factor as well (Table 3). The number of Bosnian emigrants living in North America for example, which includes the United States and Canada, is approximately 400,000. Compared to approximately 120,000 emigrants in the Northern (Scandinavian) European countries,

these two geographical locations could in themselves provide great support to a Global Bosnian Diaspora philanthropy foundation and constitute the two main areas of mobilization for the foundation. Not to mention the fact that the countries within these geographical areas, specifically Canada and Sweden, are considered very social nations who offer significant welfare. The further assistance and support that could be harnessed from the opportunities offered in these countries could also be directed towards the effective development of a Global Bosnian Diaspora philanthropy foundation.

Looking to the philanthropy funds established by other Diaspora groups, like the Irish and Turkish funds mentioned earlier, Bosnian Diaspora can learn a lot. The most important step would be to mobilize skilled individuals with the expertise to establish and run a Diaspora foundation, with branches in key geographic areas such as North America and Scandinavia. The foundation would then research and prioritize core areas which are in need of particular assistance in Bosnia and Herzegovina. Focus areas will most likely include, but are not limited to, alleviating unemployment (and therefore poverty) by creating more job opportunities, funding the education and health sectors, improving the quality and standard of living and similar. Funds would then be established to finance projects which attempt to provide solutions to the problems within these aforementioned areas. The basic mode of financing these funds could well be the remittances that are being sent today.

V. THE ROLE OF ISLAMIC FINANCE IN DEVELOPING A GLOBAL BOSNIAN DIASPORA FUND

Extending from the concept of a Global Bosnian Diaspora Fund, Islamic finance plays a crucial role in making this idea more effective. While the Bosnian Diaspora Fund itself is the foundation, representing the group of potential investors, Islamic finance can ensure the very essence of the Fund is maintained, that being to contribute to the economic development of Bosnia and Herzegovina. In that respect, the Global Bosnian Diaspora Fund can be designed as an Islamic mutual fund. Examples of Diaspora Mutual Funds already exist, such as The Rwanda Diaspora Mutual Fund (RDMF), but none which incorporate aspects of Islamic finance as well. Therefore the potential of an Islamic Bosnian Diaspora Mutual Fund are significant. Aside from the arguments already presented earlier about the size and potential of Bosnia's Diaspora and remittance giving, it is important to note that the majority of Bosnian migrants living abroad identify with the Islamic faith.

The model for an Islamic Bosnian Diaspora Mutual Fund could then be created, with Bosnian Diaspora from around the world representing the investors and remittances constituting the investment capital, as can be seen in Figure 3.

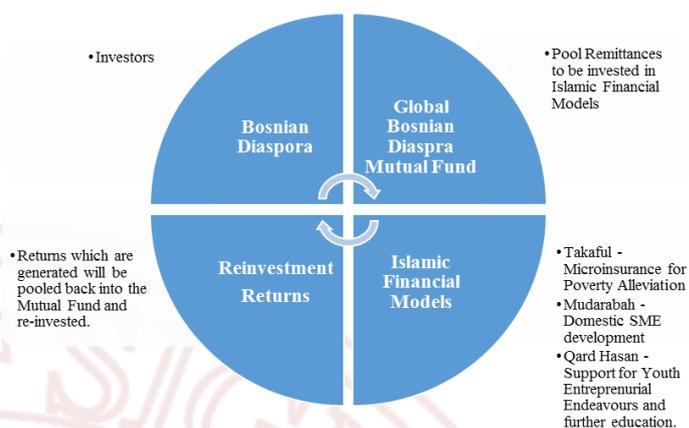


Figure 3. Islamic Bosnian Diaspora Mutual Fund

The Fund would invest in Islamic financial models aimed at contributing to the economic development of the country. This would be organized in three main models:

- Takaful – Investments in micro-insurance policies for low-income individuals, primarily in rural parts of Bosnia and Herzegovina, with the intent to contribute to poverty alleviation.
- Mudarabah and Musharakah Contracts – Contracts specifically aimed at domestic Small and Medium Enterprises intended towards their growth and development. In special cases, Mudarabah contracts can also be allocated to entrepreneurs in order to provide them with seed capital to encourage the initiation of more start-ups in Bosnia.
- Qard Hasan – Support for youth in Bosnia with entrepreneurial endeavors to help reduce youth unemployment. Also, scholarships for further education abroad with the condition that the youth return to Bosnia and implement their foreign education in the country to its benefit. This will help combat the increasing youth brain drain.

A. Takaful and its Poverty Alleviation Potential in Bosnia and Herzegovina

In terms of insurance, it has increasingly become recognized for its potential and contribution to poverty alleviation. Studies have shown that individuals living in poverty have a desire to save and safeguard themselves against possible future risk but often lack the opportunity or support to do so. Insurance can provide the poor with coverage, reducing their vulnerability in terms of disease, theft, disability and other threats [14]. Yet, providing insurance to the poor is a difficult feat particularly due to the unfavorable circumstances associated with it such as high costs, corruption, and low collateral, uncertain profitability and similar. Not to mention the high start-up costs and need for an economically and politically stable environment [14]. Consequently, the responsibility of providing insurance to the poor has been left to the informal sector with minimal success.

The cooperative insurance structure is perhaps the best option for providing insurance to the poor. A cooperative is an autonomous association of individuals who voluntarily cooperate in order to achieve mutual benefit whether of a social, economic or cultural nature [14]. Takaful is very similar to the cooperative and mutual insurance schemes and can, therefore, be effective in contributing to poverty alleviation [15]. This can primarily be conducted through the creation of micro-Takaful products as a part of a larger poverty alleviation strategy, as Takaful alone cannot solve the poverty problem. Therefore, as a product in which the Islamic Bosnian Diaspora Mutual Fund invests in, Takaful can be a very effective tool in helping Bosnia's economic development as part of the Fund's overall aim.

Its potential in Bosnia is also significant. There are many insurance companies currently working within Bosnia, however, none of them are offering Takaful products. In that sense, the market potential is large because any organization to start offering Takaful would be the first. Other factors which create a favorable market for Takaful in Bosnia include the large Muslim population of nearly 2 million and a stable insurance market growth in the last few years. This eradicates some of the risk associated with Takaful products.

B. *Mudarabah and Musharakah Contracts for SME Development*

Bosnia and Herzegovina suffers from limited SME support services making them heavily dependent upon donor support. Similarly, while the country has a relatively well-established and developed network of start-up business incubators, about 13 in operation around Bosnia, their legal status is questionable [16]. This puts into question their ability to assist aspiring entrepreneurs and the extent to which their assistance can go. The need for more assistance and support is therefore quite clear. Not only because it is lacking but because Bosnia requires strengthened entrepreneurship in order to create potential growth in the private sector, especially with regards to the development of SMEs. The banking sector, however, does little to encourage this growth as very little is invested in start-ups since they are considered high-risk [17].

An Islamic Bosnian Diaspora Mutual Fund could fill the gap the government has left and provide further assistance to SME development as well as for individual entrepreneurs, particularly those which fall into the youth demographic. Investing in SMEs is crucial for Bosnia's economic development because it will contribute to enhancing the country's overall productivity by creating new jobs that reduce unemployment. In turn this will help reduce poverty and spur future innovations [18], particularly if youth-led ventures are sponsored. The issue of high-risk which other banks fear in Bosnia would not be an issue for Mudarabah and Musharakah which allow Islamic banks to lend over a longer period of time to projects with higher risk profiles [19]. Therefore, not only would the Fund help solve financing problems faced by SMEs in Bosnia, but it would again contribute to the fulfillment of their main aim which is to contribute to the economic development of Bosnia

C. *Qard Hasan and the Youth Brain Drain*

As mentioned, Bosnia faces a significant youth brain drain problem mainly as a result of its poor economic situation. Youth look for any opportunity to leave the country which significantly diminishes Bosnia's major and arguably most valuable resource, its human capital. Action needs to be taken to limit the further migration of youth by encouraging them to stay. Creating more employment opportunities for youth is one major step and it can be done by providing support for youth entrepreneurial ventures. While this was discussed as a possibility with Mudarabah and Musharakah financing scheme, Qard Hasan is another option which may be more attractive to less experienced but ambitious youth. Similarly, since many Bosnian youth are limited in their education as a result of poorer access to modern resources and learning opportunities, Qard Hasan can be used to provide scholarships to support foreign education of Bosnian youth. While at first this may seem contradictory since it would mean that more youth leave the country, the scholarships would carry conditions that require the individual return and work in Bosnia. The Fund could not only invest in these scholarships which would be an investment in the human capital itself, but could also help employ the youth who return upon completing their education, most likely in the companies and endeavors they financial support through their other investment schemes.

What's more, a heightened Diaspora involvement in providing sustainable aid could not only slow down the brain drain, but it could also contribute to a brain gain. As oppose to simply sending money in the form of remittances that have no specific purpose, an Islamic Bosnian Diaspora Fund would make use of the Diaspora human capital. This means that the knowledge and skills that Diaspora has would be exploited for the benefit of Bosnia and Herzegovina – networking, bridge building, information exchange and connecting global markets are a few examples of the advantages a mobilized Diaspora force could provide through philanthropic engagement

CONCLUSION

It is very important that the Diaspora potential be understood and targeted in Bosnia and Herzegovina. The increasing success of other countries in mobilizing their Diaspora through philanthropic activities presents a perfect example for Bosnia. Also, the role of Diaspora philanthropy in Global philanthropy is growing as researchers, institutions and even governments are beginning to take notice. Philanthropy has always played a significant role in social development and its role in economic development continues to increase. In a time of economic unrest and insecurity, it is important to turn to philanthropy in order to not only ensure economic success but to provide economic equality for all. For Bosnia and Herzegovina, years of war and conflict have made growth difficult and now, 20 years later, the process is still very slow. Yet, with protests raging over the political corruption and mass unemployment, perhaps now is the best time to consider the alternatives. Diaspora philanthropy could well be the new approach this nation has been looking for to boost economic (and therefore social) development free from political ties.

The creation of a Bosnian Diaspora fund could significantly contribute to the nation's economic development. By mobilizing Bosnia's significant Diaspora population, particularly in North America and Scandinavia, their potential could be exploited in order to meet the needs of Bosnia's developing economy. Diaspora offers many benefits including networking, bridge building, information exchange and connecting global markets, all of which could greatly benefit Bosnia. Furthermore, the current power of Diaspora giving, mainly in the form of remittances could be re-evaluated.

The potential for Islamic finance is important at this point. At present, Bosnia receives high levels of remittance inflows which initially provided a much needed boost to the war-torn economy but which have more recently had negative effects in the long run. By pooling these remittances into a fund which would be run by an Islamic Bosnian Diaspora Mutual Fund, their effect would be notably more effective. Also, seeing as how individually remittances are low and mainly used towards consumption, by pooling them not only would they have a greater financial affect but they would provide wide-spread national aid as oppose to the individual aid the currently provide to incomes. Islamic financial schemes would be ideal for the Fund to invest in because they would contribute most to Bosnia's economic development. Considering the role Takaful plays in poverty alleviation, and its current market potential in Bosnia, it present the first possible investment scheme for the Mutual Fund. The second scheme would be Mudarabah and Musharakah based as they have a great potential in supporting SME growth while also avoiding one of the main issues with SME financing in Bosnia today, which is high-risk. Finally, Qard Hasan could be of particular importance for youth and encouraging entrepreneurial growth as well as supporting further education.

Considering Bosnia's brain drain, particularly the youth brain drain, the Fund could reverse the effects by turning this into a brain gain. The mobilized potential could directly target youth and provide them with greater opportunities in Bosnia and Herzegovina giving them less incentives to leave. Furthermore, by combining the knowledge which Diaspora will provide with the youth potential currently residing in Bosnia, the exchange and resulting effect could be promising for the nation's economic development. In this way, unemployment would also decrease both among youth and other demographic groups seeing as the fund could help establish new jobs and provide the youth it supports with positions in the projects it supports.

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