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# Adapting to Change: Financial Institutions Among Bosnian Muslims in the Austro-Hungarian Era (1878-1918)

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## Abstract

This article examines the establishment of modern financial institutions among Bosnian Muslims during the Austro-Hungarian occupation of Bosnia and Herzegovina (1878–1918). It explores how traditional Islamic financial practices were challenged and reshaped under the pressures of modern European administrative and economic systems introduced by the Austro-Hungarian authorities. Key areas of focus include the establishment of new banking institutions and the adaptation of local communities to emerging economic paradigms. By analyzing historical documents, economic policies, and cultural responses, the article sheds light on the intersection of faith, tradition, and modernity during a period of significant socio-economic transition. It argues that Bosnian Muslims navigated these changes through a combination of resistance, negotiation, and innovation, ultimately leaving a lasting imprint on the financial landscape of the country.

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## 1. Introduction

In the 19th century, the Ottoman Empire (OE) entered a turbulent period. *Tanzimat* (period of reform) brought many changes in the social landscape, but OE was still struggling financially. Although different strategies were implemented to prevent further deterioration, such as tax reform and changes in monetary policy, they did not succeed. Therefore, OE was compelled to ask for a loan from its allies in the Crimean War (the United Kingdom and France) in 1854. This practice was continued in the following decades until 1875, when bankruptcy was declared (Ozekicioglu & Ozekicioglu, 2010).

Parallel with the bankruptcy declaration, a serious political challenge for OE emerged in the Bosnian Vilayet in the summer of the same year. Namely, Christian peasants from southern parts of Bosnian Vilayet (Herzegovina) started an uprising called the Herzegovina Uprising. The main reason was the poor socio-economic conditions of peasants, whose situation was worsened by the heavy tax burden imposed by the government because of the empty treasury. This uprising had local character but international implications. Soon, it triggered several other uprisings and wars in the Balkan Peninsula, known as the Great Eastern Crisis. In our context, this event is significant since it had a decisive influence on later political developments. In June 1878, the Congress of Berlin was convened to improve the decisions of the Treaty of San Stefano (Buhin, 2012).

According to Article XXV of the Treaty of Berlin, Austria-Hungary (A-H) gained permission to occupy Bosnia and Herzegovina:

> "The provinces of Bosnia and Herzegovina shall be occupied and administered by Austria-Hungary. The government of Austria-Hungary, not desiring to undertake the administration of the Sanjak of Novi-Pazar, which extends between Serbia and Montenegro in a South-Easterly direction to the other side of Mitrovica, the Ottoman administration will continue to exercise its functions there. Nevertheless, to assure the maintenance of the new political situation and freedom and security of communications, Austria-Hungary reserves the right of keeping garrisons and having military and commercial roads in the whole of this part the ancient vilayet of Bosnia. To this end, the governments of Austria-Hungary and Turkey reserve to themselves to understand the details."

A-H had a strong argument for occupation, which was staunchly supported by the United Kingdom and Germany and later accepted by representatives of other countries. OE showed its incompetence in governance; the autonomy of Bosnia and Herzegovina was not feasible, and only a neutral and robust country as A-H could bring order and sustainable peace. Namely, A-H wanted to execute pacification and "civilization" missions in neighboring countries since there was a source of constant insurgencies that could disrupt the *status quo* between European powers. However, this "noble" mission of A-H was primarily directed by its geopolitical interests (Buhin, 2012).

## 2. Literature review

Article XXV of the Berlin Congress stipulated the occupation of Bosnia and Herzegovina. On the last day of Congress, OE and A-H were also obliged to reach a mutual agreement concerning occupation details. After exhausting negotiations, the Novi Pazar Convention was signed in 1879. The most important articles of this convention were: Sultan's sovereign rights over Bosnia and Herzegovina would not be violated; Ottoman money will remain in circulation; name of the Sultan will be mentioned in Friday prayers; use of the Ottoman flag at certain places and occasions will be allowed; freedom of religion will be granted; revenue generated in Bosnia and Herzegovina will be spent in Bosnia and Herzegovina (Imamović, 2007). A-H signed this convention only because of a previous agreement in Berlin. A-H violated nearly every article of this convention over time to reduce OE's influence.

Most importantly, the convention did not mention the provisional occupation agreed upon in Berlin. The article, which stipulated the Sultan's sovereign rights over Bosnia and Herzegovina, gave a trace of hope that one day Ottomans would regain control of „their temporary occupied territory." However, measures undertaken by A-H showed that its primary goal was not a temporary pacification mission but rather permanent occupation and annexation (Buhin, 2012).

Because of its specific legal status, the case of Bosnia and Herzegovina intrigued many jurists worldwide. Opposing viewpoints were presented regarding the question: To whom does sovereignty belong? No consensus was reached, but "authors agreed that the legal status of Bosnia and Herzegovina is undetermined and that even represents a legal anomaly" (Imamović, 2007, p. 21). The legal status of Bosnia and Herzegovina within the A-H posed a great challenge and a source of potential conflict between Austria and Hungary. The consensus was reached, and joint administration over Bosnia and Herzegovina was declared (Buhin, 2012).

A-H occupation was especially challenging for Bosnian Muslims, who were integrated into the Ottoman feudal system for several hundred years. In 1878, they had to face a new reality. They have become a minority, and their future was uncertain under new circumstances. No significant political-cultural initiative was recorded in that period by them. The movement for religious-educational autonomy (*Pokret za vakufsko-mearifsku autonomiju*) that emerged in 1899 was the first sign of political initiative (Imamović, 2007).

This movement transformed itself into a political party in 1906, namely the Muslim People's Organization (*Muslimanska narodna organizacija*). In 1908, the Muslim Progressive Party (*Muslimanska* *napredna stranka*) was established. It had similar goals to the Muslim People's Organization, but it employed a different strategy. Intellectuals from this party designated themselves as progressive Muslims, and they were against confrontation with A-H. They supported the revival of cultural, social, and economic aspects of Bosnian Muslims, ensuring their full participation in public life. In contrast to the Muslim People's Organization, which cooperated with the Serbian political factor, they promoted cooperation with Croats. The founder of the Muslim Progressive Party was Ademaga Mešić (Imamović, 2007).

A-H was apprehensive about potential national mobilization among its governed populations. It perceived strong financial institutions as potential sources of income for future separatist activities. Therefore, A-H prohibited the establishment of any bank whose name included adjectives like "Muslim," "Serb," or "Croat" until 1903. This restriction was lifted after introducing liberalization measures in 1903 (Nametak, 2018).

Marković (1938) argues that banking in Bosnia and Herzegovina during the A-H occupation had an economic and political background. Thus, the banking sector underwent a significant ebb and flow in a relatively short period of 40 years. According to Vujović (2015), banking in occupied Bosnia and Herzegovina represented precedence in Europe because of clear national attribution. More precisely, banking followed the same "tribal" path as establishing any other organization by local people at that time. The period from 1903-1914 was a period of an economic renaissance. During this period, 50 money offices were founded: Serbian, Muslim, Croat, and mixed (Kosier & Ristić, 1924). The following table provides an overview of domestic and foreign money offices in 1914:

***Table 1: Overview of foreign and domestic financial institutions in 1914***

| OWNERSHIP | NO. | SHARE CAPITAL | RESERVE | DEPOSIT | TOTAL |
|---|---|---|---|---|---|
| Serbian | 26 | 10,000,000 | 5,000,000 | 8,000,000 | 23,000,000 |
| Croatian | 10 | 3,000,000 | 600,000 | 3,000,000 | 6,600,000 |
| Muslim | 8 | 4,000,000 | 800,000 | 3,500,000 | 8,300,000 |
| Mixed | 6 | 1,500,000 | 500,000 | 3,200,000 | 5,200,000 |
| Domestic | 50 | 18,500,000 | 6,900,000 | 17,700,000 | 43,100,000 |
| Foreign | 4 | 20,000,000 | 8,000,000 | 60,000,000 | 88,000,000 |
| **Domestic+Foreign** | **54** | **38,500,000** | **14,900,000** | **77,700,000** | **131,100,000** |

***Source:*** Author's own representation based on Kosier & Ristić (1924, p. 12)

We can notice an apparent disproportion in the table above. Namely, only four banks from A-H had twice as much capital as 50 domestic money offices: 88,000,000 Kronen (K) compared to 43,100,000 K. So, foreign capital was dominant and played a crucial role in the country's development.

## 3. Methodology

We will use several methods to explain our research: case study, historical, and comparative methods, respectively. The case study method explores the specific subject from a particular research area. In this study, we will focus on one specific group of people- Bosnian Muslims- the exact time-turn of the 19th and 20th centuries, and the specific subject issue of establishing modern financial institutions.

Then, we will use the historical method. A historical method is a procedure that is based on various documents and evidence can find out exactly what happened in the past it happened and, if possible, how and why it happened (Zelenika, 2000).

A historical method, which consists of a systematic set of principles and rules, is designed to effectively aid in collecting original material from the past. It helps to critically evaluate and present this material as a synthesis, typically in written form, of the results obtained (Garraghan, 1946). Garraghan (1946) argues that a historical method consists of three operations:

- Search for the material and sources of information for research (heuristics);
- Evaluation of material and sources from the view of evidence-based value (criticism);
- Formally stating the results of heuristics and criticism. This operation involves compiling a set of historical data and presenting them (usually in writing) in the form of objective truth and value (synthesis: historical reasoning).

The historical method has several specific characteristics: evidence used in this method is mostly indirect; this evidence must be interpreted; the researcher needs to reconstruct the past, which can be difficult as the current knowledge of the researcher affects the form of a notion of the past; researchers are expected to discover the actual mechanism (usually causal) that will help him to give meaning to the mass of evidence (Karčić, 2013).

Research of past events focuses on historical phenomena, being inherently retrospective. We will gather information chronologically to examine the origins, causes, and effects of events from various sources.

## 4. Financial institutions

### 4.1. First Muslim Credit Cooperative

A group of self-designated progressive Muslims gathered around Ademaga Mešić established the First Muslim Credit Cooperative on 02.05.1906 in Tešanj with a founding capital of 500,000 K (Juzbašić, 2002). The Director of the First Muslim Credit Cooperative was Ademaga Mešić; Ibrahim Kučukalić was president, and Zija-beg Đonlagić was vice president. The Board of Directors consisted of prominent members of the Muslim community from Tešanj and other cities in Bosnia and Herzegovina. The executive council is comprised of five people, including one non-Muslim. At the very beginning of its operations, the First Muslim Credit Cooperative had 64 shareholders who owned 2,412 shares, respectively. At the end of the financial year 1906, the number of shareholders was reduced to 33. In 1908, there were changes in the management structure, and Zija-beg Đonlagić became the president (Galijašević, 1999). This was a logical step since Zija-beg Đonlagić went to Vienna in 1908, where he completed a banking course in the German language (Narodna uzdanica, 1939).

Interestingly, almost two years before its establishment, the intention for the foundation of such an institution was proclaimed. The proclamation is presented as glad tidings to Muslims in Bosnia and Herzegovina. It is argued that the existence of credit cooperatives is of the utmost importance. Namely, old-fashioned trade was not feasible since money could not be kept in cash anymore. One share cost 200 K, and 1 K was a weekly contribution, so even the poorest community members could become members in 4 years in the worst-case scenario. It is important to mention that the agitation for establishing a Muslim bank was continuously present in the newspapers. One such is published in *Musavat* in early 1908:

> For a long time, there has been talk of us Muslims establishing our own bank, and many claim that efforts are underway to bring this vision to life as soon as possible. However, so far, these discus-sions have amounted to little more than empty words and well-meaning wishes. We still do not see our community taking this matter seriously, nor do we believe it will gain widespread acceptance anytime soon.

> Those who are most capable of leading this initiative, particularly the wealthiest among us, have shown little interest or urgency. Seemingly indifferent to the future of their children or the well-being of the community, they remain passive while their brothers are compelled to turn to external financial institutions. These institutions, often run by outsiders, exploit our people, trapping them in their financial webs and draining their resources.
>
> It is unreasonable to expect these foreign institutions, operated by non-Muslims and often by foreigners, to show the same respect, compassion, or understanding for our people that we would show for each other. Such institutions have no stake in developing or uplifting our trades and crafts. Muslim merchants and artisans can rarely secure the amount of credit they rightfully deserve based on their work and assets. Instead, foreign lenders only provide loans that align with their in-terests, leaving our entrepreneurs at a disadvantage.
>
> This imbalance allows foreign businesses to outcompete ours with ease. Armed with greater access to credit and resources, they dominate markets, overshadowing and marginalizing our traders. Consequently, our people are left to depend on those who do not have their best interests at heart, while significant Muslim-owned capital lies idle, serving no purpose.
>
> Consider the wealth held in the form of gold, pearls, and various valuables, often owned by women. This capital sits unused and, according to Sharia, incurs a 2.5% zakat obligation annually. If this wealth were actively invested—for instance, by converting it into shares of a Muslim bank—it would not only generate significant profits for the investors but also benefit the broader community. An active bank would fuel growth in Muslim commerce and industry, leading to higher wages and increased charitable contributions, far exceeding the obligatory 2.5% zakat.
>
> Jewelry and ornaments do not enhance a woman's intelligence or beauty, but if their value were mobilized into productive investments, they could transform our economic prospects. By establishing a bank, this dormant wealth could be turned into a powerful tool for community development.
>
> We urge our Executive Committee to take immediate action and lead this initiative. If they commit to establishing a Muslim bank, they can and will succeed. The time to act is now—when it is most urgently needed. As the saying goes, *iron must be forged while it is hot*.

In an article titled "*Our economic revival*", an in-depth analysis of the challenging situation of Muslims was explained. The "conspiracy" of foreign capital was cited as a significant threat. The idea of a credit co-operative was thoroughly presented. One month before its establishment, several reasons for creating the First Muslim Credit Cooperative were outlined. Initially, it was emphasized that the institution secured all necessary licenses for a successful launch of its operations.

Additionally, the financial aspects of participation were explained. The strategic plan to relocate the headquarters to Sarajevo was also presented, with high hopes that the Muslim community would support this initiative. The founders aimed to provide a common benefit to both Muslim individuals and the wider Muslim community, as this would prevent usurers from carrying out their harmful practices. In the middle of April 1906, an appeal was sent to fellow Muslims in Bosnia and Herzegovina to support this institution.

Dear brothers and friends!

> All progressive nations strive and work to improve their economic conditions by their means, free themselves from foreign influence, and strengthen their financial and moral position. Unfortunately, our dear homeland, proud Bosnia and Herzegovina does not yet have a single Muslim money office. All existing financial institutions are in the hands of foreigners. Muslim merchants, *bays, aghas*, artisans and peasants are forced to

knock on their doors. Our famous proverb pronounces: "A stepmother can never be like a mother." Many Muslim *bays, aghas*, and peasants went bankrupt because we did not have a Muslim money office; their houses and lands were sold at a fair price. If Muslim money offices were established, there would be far less harm. We, Muslims of Tešanj, have decided to establish the first Muslim money office headquartered in Tešanj. For the time being, we set out to establish this institution as a credit cooperative that requires small, if not negligent contributions, so that even the poor can easily become members of the cooperative. The initial plan is to move headquarter to Sarajevo with the branches in Tešanj and other places if support is provided by our fellow Muslims. One share will cost 200 K, and it will be paid in the following way: by paying 20 K initially including 1 K of processing fee; the rest of 180 K will be paid in weekly installments (1 K every week) if it is not possible to pay all at once. Undersigned interim committee pleads every fellow Muslim and friend of Islamic progress to become a member of our credit cooperative. Even before this appeal went public, prominent Muslims and non-Muslims bought a significant number of shares, which assures us that the future of this cooperative is secured. We again plead to your patriotism, hoping that you will pay attention to this noble movement and join these patriotic sentiments in the interest of Islam and Islamic progress. Receive brotherly and friendly greetings (*salam*)!

**Founders of the First Muslim Credit Cooperative**

Ademaga Mešić Zija-beg Đonlagić

Hasan-aga Turalić Ahmed-aga Galijašević Hamza-aga Mešić

Under the advertisement section in the *Sarajevski list*, a brief explanation of the credit cooperative's operational work and planned business activities was stated.

No. 5643

At the District Court in Banja Luka, "First Muslim Credit Cooperative with the limited liability" or "*Erste islamitische Credit-Genossenschaft mit beschränkter Haftung*" headquartered in Tešanj, has been listed in the register of the commercial companies. This credit cooperative has been established according to regulations presented in the first constitutive assembly on 02.05.1906, approved by the Joint Ministry of Finance decree on 12.06.1906., no. 6337/Bosnia and Herzegovina, to Provincial government of Bosnia and Herzegovina on 27.06.1906., no.106.721/II-V.

This credit cooperative has a task of improving the financial position of its members by offering favorable loans to them as well as cultivating the habit of saving; it will accept saving deposits from everyone; it will base its business activities on conclusions of the general assembly (§5.), and it will engage primarily in the following business activities:

a. offering different types of credits;
b. agency services in purchase/sale to third parties;
c. deposit with a favorable interest rate;
d. receiving regular weekly savings from its members. (§18.)

Members of the cooperative guarantee for liabilities of the cooperative only to the amount to which they subscribed (§255. of Commercial law).

Public statements of the cooperative will be published in the magazine Behar in Sarajevo and other magazines in the country.

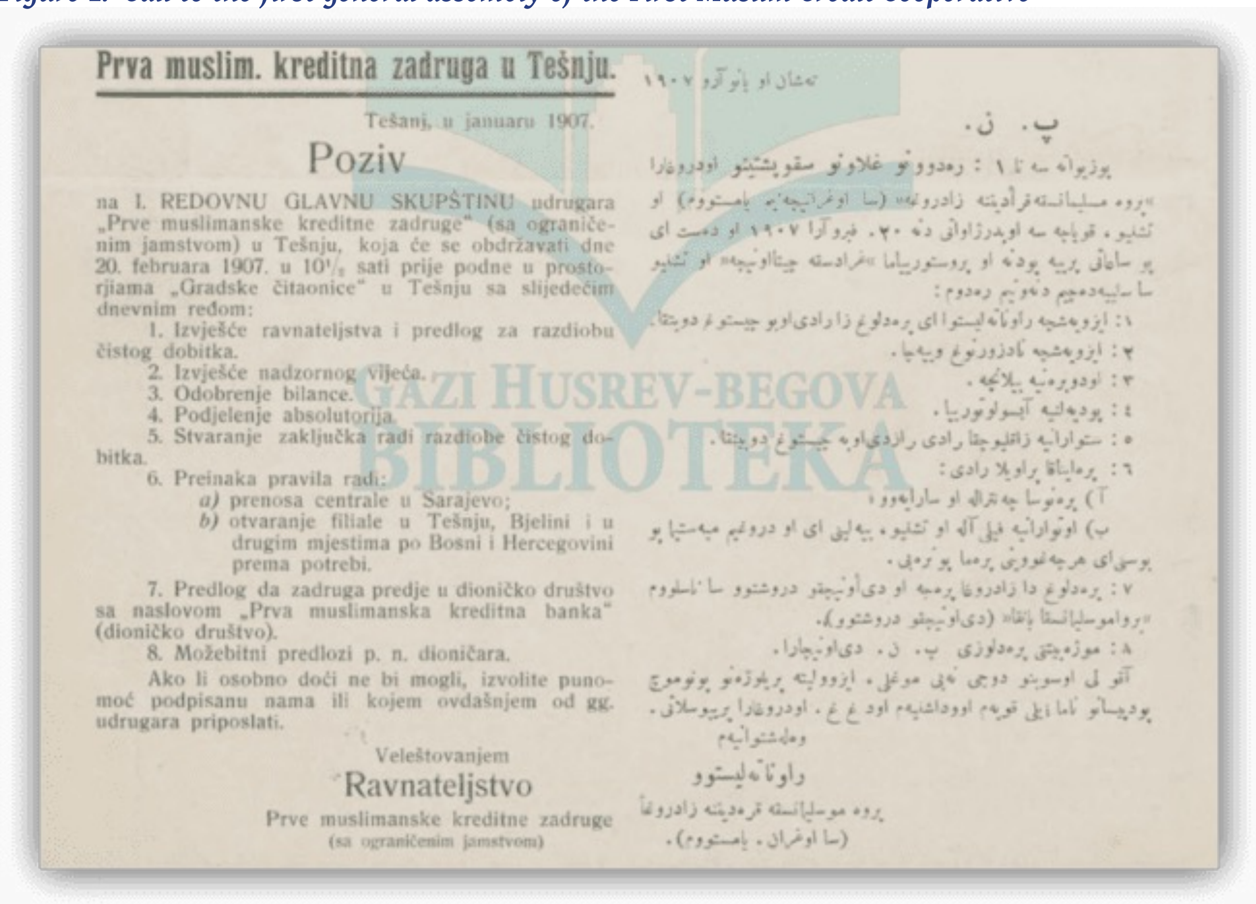
District Court

Banja Luka, 14.12.1906.

A call for participation in the first general assembly was published in *Behar* in February 1907. Assembly was held in the premises of the city reading room in Tešanj with the following agenda:

1. Management report and proposal for net profit distribution.
2. Supervisory Board report.
3. Balance sheet approval.
4. *Absolutorium* division.
5. Agreement on net profit distribution.
6. Modification of the rules:
   a. Relocation of headquarters from Tešanj to Sarajevo.
   b. Opening of branches in Tešanj, Bijeljina and other places in Bosnia and Herzegovina according to the needs.
7. A proposal that the cooperative changes its legal form to a joint-stock company as "First Muslim Credit Bank" (*Prva muslimanska kreditna banka*).
8. Any other business (AOB).

***Figure 1: Call to the first general assembly of the First Muslim Credit Cooperative***



**Prva muslim. kreditna zadruga u Tešnju.**

Tešanj, u januaru 1907.

Poziv

na I. REDOVNU GLAVNU SKUPŠTINU udrugara „Prve muslimanske kreditne zadruge" (sa ograničenim jamstvom) u Tešnju, koja će se obdržavati dne 20. februara 1907. u 10½ sati prije podne u prostorjiama „Gradske čitaonice" u Tešnju sa slijedećim dnevnim redom:

1. Izvješće ravnateljstva i predlog za razdiobu čistog dobitka.
2. Izvješće nadzornog vijeća.
3. Odobrenje bilance.
4. Podjelenje absolutorija.
5. Stvaranje zaključka radi razdiobe čistog dobitka.
6. Preinaka pravila radi:
   *a)* prenosa centrale u Sarajevo;
   *b)* otvaranje filiale u Tešnju, Bjelini i u drugim mjestima po Bosni i Hercegovini prema potrebi.
7. Predlog da zadruga predje u dioničko društvo sa naslovom „Prva muslimanska kreditna banka" (dioničko društvo).
8. Možebitni predlozi p. n. dioničara.

Ako li osobno doći ne bi mogli, izvolite punomoć podpisanu nama ili kojem ovdašnjem od gg. udrugara priposlati.

Veleštovanjem

Ravnateljstvo

Prve muslimanske kreditne zadruge
(sa ograničenim jamstvom)



***Source:*** Behar (1907, no.19, p. 228)

It is interesting to note that a call for the assembly was written in *arebica* (the Bosnian language with Arabic alphabets) beside Latin script. In July 1907, the First Muslim Credit Cooperative advertised the vacant position of an accountant who would also become branch manager in Bijeljina.

Requirements for the position were:

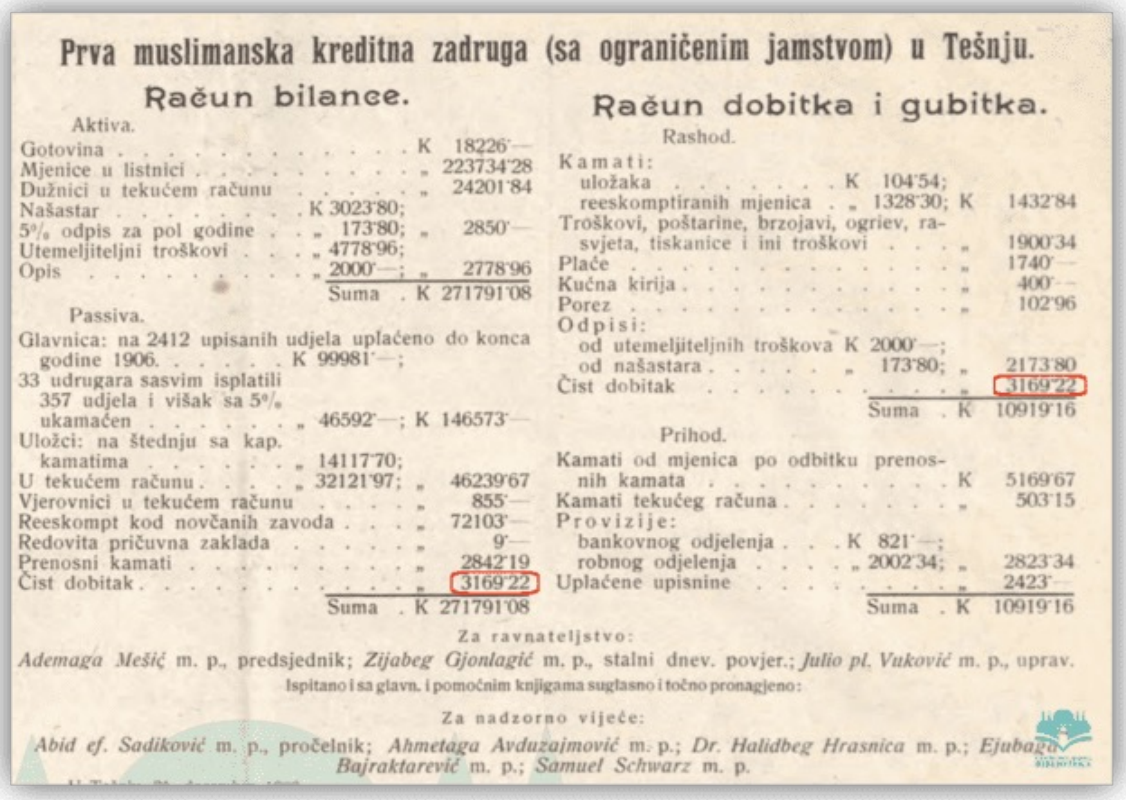
- Knowledge of double-entry bookkeeping.
- Expertise in writing balance sheet statements.
- Proficiency in the German language.
- Knowledge of banking operations.

Also, it is emphasized that First Muslim Credit Cooperative wants to fill this position as soon as possible and that salary is subject to negotiations, but in any case, it will be determined according to the applicant's expertise.

One year later, a call for participation in the second general assembly was published in the *Sarajevski list*. The place of the meeting was the same as the previous year, but the agenda was slightly different:

1. Management report and proposal for net profit distribution.
2. Supervisory Board report.
3. Balance sheet approval.
4. Absolutorium division.
5. Agreement on net profit distribution.
6. Election of Management and Supervisory Board.
7. Modification of the rules because of headquarters relocation to Sarajevo.
8. Discussion on the branch in Bijeljina.
9. A proposal that the cooperative changes its legal form to a joint-stock company as "First Muslim Credit Bank" (*Prva muslimanska kreditna banka*).

***Figure 2: Balance sheet & income statement of the First Muslim Credit Cooperative (1906)***



**Prva muslimanska kreditna zadruga (sa ograničenim jamstvom) u Tešnju.**

**Račun bilance.**

Aktiva.

| | | |
|---|---|---|
| Gotovina | | K 18226'— |
| Mjenice u listnici | | „ 223734'28 |
| Dužnici u tekućem računu | | „ 24201'84 |
| Našastar | K 3023'80; | |
| 5% odpis za pol godine | „ 173'80; | „ 2850'— |
| Utemeljiteljni troškovi | „ 4778'96; | |
| Opis | „ 2000'—; | „ 2778'96 |
| | Suma | K 271791'08 |

Passiva.

| | | |
|---|---|---|
| Glavnica: na 2412 upisanih udjela uplaćeno do konca godine 1906. | K 99981'—; | |
| 33 udrugara sasvim isplatili 357 udjela i višak sa 5% ukamaćen | „ 46592'—; | K 146573'— |
| Uložci: na štednju sa kap. kamatima | „ 14117'70; | |
| U tekućem računu | „ 32121'97; | „ 46239'67 |
| Vjerovnici u tekućem računu | | „ 855'— |
| Reeskompt kod novčanih zavoda | | „ 72103'— |
| Redovita pričuvna zaklada | | „ 9'— |
| Prenosni kamati | | „ 2842'19 |
| Čist dobitak | | „ 3169'22 |
| | Suma | K 271791'08 |

**Račun dobitka i gubitka.**

Rashod.

| | | |
|---|---|---|
| Kamati: | | |
| uložaka | K 104'54; | |
| reeskomptiranih mjenica | „ 1328'30; | K 1432'84 |
| Troškovi, poštarine, brzojavi, ogriev, rasvjeta, tiskanice i ini troškovi | | „ 1900'34 |
| Plaće | | „ 1740'— |
| Kućna kirija | | „ 400'— |
| Porez | | „ 102'96 |
| Odpisi: | | |
| od utemeljiteljnih troškova | K 2000'—; | |
| od našastara | „ 173'80; | „ 2173'80 |
| Čist dobitak | | „ 3169'22 |
| | Suma | K 10919'16 |

Prihod.

| | | |
|---|---|---|
| Kamati od mjenica po odbitku prenosnih kamata | | K 5169'67 |
| Kamati tekućeg računa | | „ 503'15 |
| Provizije: | | |
| bankovnog odjelenja | K 821'—; | |
| robnog odjelenja | „ 2002'34; | „ 2823'34 |
| Uplaćene upisnine | | „ 2423'— |
| | Suma | K 10919'16 |

Za ravnateljstvo:

*Ademaga Mešić* m. p., predsjednik; *Zijabeg Gjonlagić* m. p., stalni dnev. povjer.; *Julio pl. Vuković* m. p., uprav.

Ispitano i sa glavn. i pomoćnim knjigama suglasno i točno pronagjeno:

Za nadzorno vijeće:

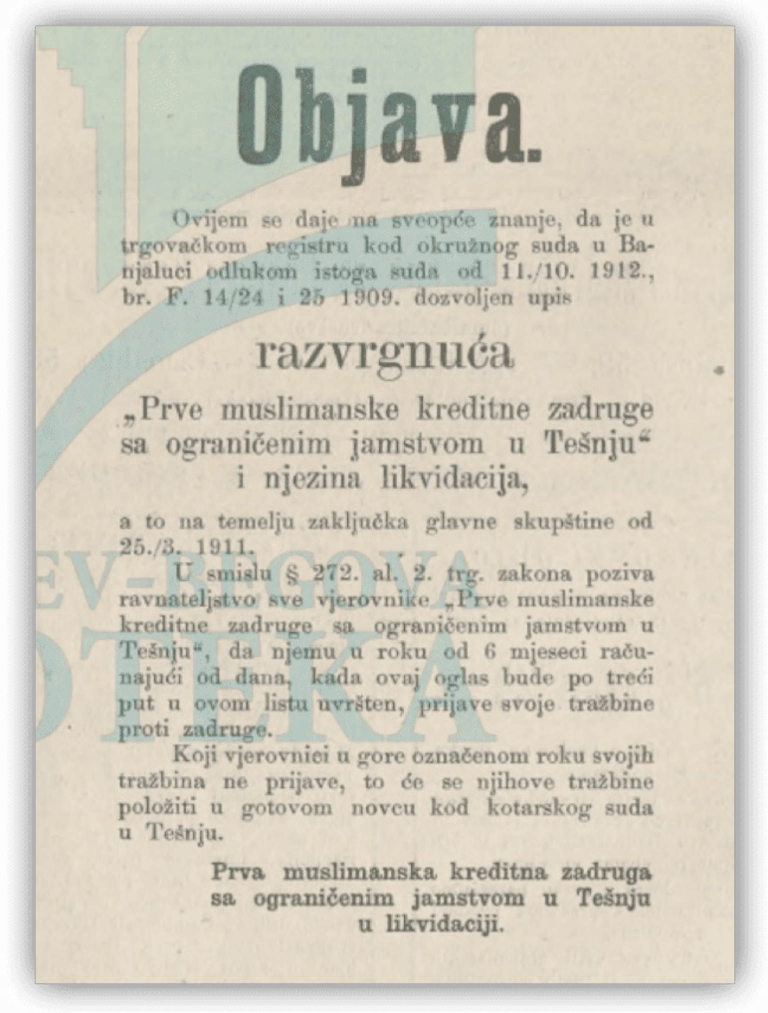
*Abid ef. Sadiković* m. p., pročelnik; *Ahmetaga Avduzajmović* m. p.; *Dr. Halidbeg Hrasnica* m. p.; *Ejubaga Bajraktarević* m. p.; *Samuel Schwarz* m. p.

***Source:*** Bošnjak (1907, no.8, p.4)

According to Commercial law from 1883, credit cooperatives, banks and other financial institutions are registered as commercial companies. Therefore, they have a right to perform various business activities and banking operations. First Muslim Credit Cooperative utilized this opportunity provided by law. We can notice in one advertisement in 1911 that the First Muslim Credit Cooperative had its commodity department (*robno odjeljenje*), which dealt with the import and export of various goods. It is also evident that the cooperative accepts deposits and pays back 5% of interest. According to the balance sheet and income statement at the end of the fiscal year 1906, First Muslim Credit Cooperative had a net profit of 3,169 K.

At the end of the fiscal year 1907, First Muslim Credit Cooperative had a net profit of 12,248 K, which almost quadrupled compared to the previous year. On 31.12.1908, First Muslim Credit Cooperative generated 26,177 K of net profit, thus confirming that the trust in its operational work gained momentum.

***Figure 3: Liquidation announcement of the First Muslim Credit Cooperative***



**Objava.**

Ovijem se daje na sveopće znanje, da je u trgovačkom registru kod okružnog suda u Banjaluci odlukom istoga suda od 11./10. 1912., br. F. 14/24 i 25 1909. dozvoljen upis

**razvrgnuća**

„Prve muslimanske kreditne zadruge sa ograničenim jamstvom u Tešnju“ i njezina likvidacija,

a to na temelju zaključka glavne skupštine od 25./3. 1911.

U smislu § 272. al. 2. trg. zakona poziva ravnateljstvo sve vjerovnike „Prve muslimanske kreditne zadruge sa ograničenim jamstvom u Tešnju“, da njemu u roku od 6 mjeseci računajući od dana, kada ovaj oglas bude po treći put u ovom listu uvršten, prijave svoje tražbine proti zadruge.

Koji vjerovnici u gore označenom roku svojih tražbina ne prijave, to će se njihove tražbine položiti u gotovom novcu kod kotarskog suda u Tešnju.

**Prva muslimanska kreditna zadruga sa ograničenim jamstvom u Tešnju u likvidaciji.**

***Source:*** Sarajevski list (1912, no.261, p.7)

However, in March 1911, the general assembly decided to liquidate the First Muslim Credit Cooperative, and the District Court in Banja Luka confirmed this decision in October 1912. The reason for liquidation was not poor performance, because we saw an increase in profit in 3 consecutive years. Namely, one of the goals set in the first general assembly anticipated the gradual transformation of this credit cooperative into a bank. Thus, after six years of operations, the abovementioned credit cooperative transformed itself into a Muslim Merchant and Agricultural Bank (Imamović, 2007). According to the final balance sheet in 1912, the First Muslim Credit Cooperative deposited 322,528 K in the Muslim Merchant and Agricultural Bank.

## 4.2. Muslim Merchant and Agricultural Bank

As we already noted, the Muslim Merchant and Agricultural Bank (*Muslimanska trgovačka i poljodjelska banka*) resulted from transforming the First Muslim Credit Cooperative in 1912 (Imamović, 2007). The bank did not change only its name but also its legal form (from limited liability company to joint-stock company). Founding capital was 500,000 K. Founders decided to retain 80% of the shares, so only 20% of shares were available to the public (Galijašević, 1999). In the first year of operation, interest revenue was 47,592 K, and net profit was 45,072 K.

*Figure 4: Income statement of Muslim Merchant and Agricultural Bank (1912)*

Račun gubitka i dobitka za 31. decembra 1912.

| Gubitak | K | h | K | h | Dobitak. | K | h | K | h |
|---|---|---|---|---|---|---|---|---|---|
| Za trošak, porez, plaće, otpise i t. d. . . . | | | 9.509 | 42 | Prihod kamata . . . . | | | 47 592 | 48 |
| Za čisti dobitak . . . | | | 45.072 | 55 | Providba . . . . . . | | | 6.989 | 49 |
| | | | 54.581 | 97 | | | | 54,581 | 97 |

***Source:*** Sarajevski list (1913, no.5, p.7)

A call for participation in the first general assembly was published in *Sarajevski list*. The assembly was scheduled for 25.01.1913 at 10 a.m. with the following agenda:

1. Management report and proposal for net profit distribution.
2. Supervisory Board report.
3. Absolutorium division.
4. Agreement on net profit distribution.
5. Change of statute §§ 6., 37., 45. and 46. AOB;

In 1915, net profit was only 47 266 K, probably because of the World War I (WWI). In 1920, the bank wanted to increase its capital to 1,000,000 K, so the call to shareholders and the public was issued. In 1936, a loss was recorded, but the Kingdom of Yugoslavia did not provide a bailout. The liquidation date remains unknown.

## 4.3. Muslim Central Bank

### *4.3.1. Political dimension of establishment*

The establishment of the Muslim Central Bank (*Muslimanska centralna banka*) cannot be understood without considering the dynamics of the Muslim political sphere. Banking in Bosnia and Herzegovina had a political background, so it was not a "pure" economic issue. Before we describe the bank and its operations, we will give a brief overview of the political circumstances that shaped the foundation of the Muslim Central Bank. Muslim People's Organization (MPO) and Muslim Progressive Party (MPP) were Bosnian Muslims political parties in the A-H rule over Bosnia and Herzegovina. However, these two parties had divergent opinions on all important questions concerning Bosnian Muslims. Since MPO led the movement for religious-educational autonomy, it enjoyed support from the Muslim masses. In 1908, the MPO refused to recognize the annexation of Bosnia and Herzegovina by A-H, while the MPP supported this act. The MPP tried to fill the political vacuum that arose due to the MPO isolation and, thus, position itself as a leading party of Bosnian Muslims.

Moreover, only a few months before the first elections for the Diet of Bosnia and Herzegovina in 1910, the MPP renounced its pro-Croatian policy and even changed its name to Muslim Independent Party (MIP - *Muslimanska samostalna stranka*). Intrigued by this act and faced with the fact that it would not participate in upcoming elections if A-H sovereignty over Bosnia and Herzegovina was not accepted, the MPO recognized annexation in February 1910 (Imamović, 2007).

It is important to note that a joint coalition of these two parties was considered but failed, as in many cases before. The MPO won elections convincingly and took all places in Diet ensured for Muslims. Esad Kulović from the MIP won one mandate, but he relinquished it later because he did not want to confront 23 Muslim representatives from the MPO in Diet alone. In this period, Esad Kulović positioned himself as a *de facto* leader of progressive Muslims. He asked the MPP to renounce its pro-Croatian policy in return for his election to party organs. Ademaga Mešić was against it, but he had to comply with Esad's conditions. Esad Kulović was a mayor of Sarajevo, and his party support was paramount (Imamović, 2007).

Disagreement between Ademaga Mešić and Esad Kulović got a new dimension only a few months later. In April 1910, the assembly of the MIP decided to establish the Muslim Central Bank. Esad Kulović was elected as the president of the bank committee, while Ademaga Mešić became its member. However, this committee had many challenges, primarily because of disagreements between Ademaga Mešić and Esad Kulović. Namely, Esad Kulović wanted MIP to establish its bank, but Ademaga Mešić endorsed a joint Muslim bank. This disagreement about the bank's vision and mission should be understood in the context of political negotiations about the unification of MPO and MIP into a single party, which took place at the same time. Esad Kulović staunchly opposed the union, while Ademaga Mešić supported it. In a decisive party meeting in June 1911, Ademaga expressed his view on a joint Muslim bank:

> If a joint bank is established to represent the entire Islamic community, regardless of political differences, it will garner moral and material support from Muslims in this country. However, if it is created as a partisan institution, it will fail to provide the benefits a unified institution could offer. There is an urgent need for such a bank to be established as soon as possible. In the economic realm—arguably the most critical aspect of our existence—we face threats from adversaries surrounding us on all sides. Moreover, it is evident that the government is not favorably inclined towards us, as it does not protect our interests as it should, in accordance with its rights and obligations. Trade and craftsmanship are slipping from our hands daily, and we are falling behind in every sphere of life. This alone underscores the necessity of creating a significant Islamic financial institution. All progressive and developed nations establish their financial institutions to advance economically, and such institutions have proven to be vital for political, social, and cultural progress. Today, every advanced nation has its own financial institutions, and those without them cannot hope to progress in any area of life. A striking example is the Turkish Empire, which, just a year ago, sought a loan from France. In exchange, the French demanded concessions in railway construction, industrial development, and control over customs as collateral. Turkey would have faced such humiliation had it not been for loans extended by Germany and our monarchy. If Turkey had its own financial institutions, it would not have needed to rely on the French, Germans, or Austrians. While Turkey does have the Ottoman Bank, it is not a domestic institution in essence. Despite its local name, it was founded with foreign capital—mainly French and British. Similarly, in Bosnia, we also have major financial institutions, but they, too, operate on foreign capital rather than our own Muslim resources. Therefore, I reiterate the urgent necessity of establishing a domestic Islamic financial institution. It is vital that we set aside political divisions and refrain from involving party politics in economic endeavors. Instead, we must unite and work collectively to achieve this goal.

The speech of Ademaga Mešić was greeted by all members of the meeting, except Šaćir Pandža, who supported the initiative of Esad Kulović. On 02.07.1911, a group led by Ademaga Mešić unanimously condemned the initiative of Esad Kulović, who enjoyed the support of Halid-beg Hrasnica. Namely, both worked on the project of a small money office with a founding capital of 600,000 K. In their proclamation, Ademaga's group vehemently attacked them:

> If there is no other benefit of our unification negotiations other than establishing the joint bank, that outcome would be enough because our economic independence would help us gain strength. It is not harsh to say that it is a crime to stand against this bank by undermining negotiations or establishing "mini party's banks," which will become nothing other than prey to foreign parasites that have taken away our economic strength until now. What to say then for those who oppose the foundation of joint Muslim bank, because that step would contribute to the political unity of Muslims in Bosnia and Herzegovina. What cynicism they show! One who does not possess enough moral strength and patriotic Islamic sentiment to subordinate his petty ambitions and personal gains for the cause of the progress of Muslims should be stigmatized by people and deprived of their support in public life. What else could it be other than petty ambitions and personal benefits, which stand in the way of unity of brothers of the same religion who find themselves in a difficult situation? Muslims in Bosnia and Herzegovina can only benefit if political unity is achieved and a joint bank is established; they have nothing to lose.

One month later, political unity was achieved. MPO and MIP merged into United Muslim Organization (*Ujedinjena muslimanska organizacija*). Halid-beg Hrasnica was against it, and he offered his resignation (STAV, 2017).

So, after more than one year of intra-party fights on political unity and the purpose of the Muslim bank, Ademaga Mešić won the argument, thereby facilitating the groundwork for establishing this institution.

### *4.3.2. Statute*

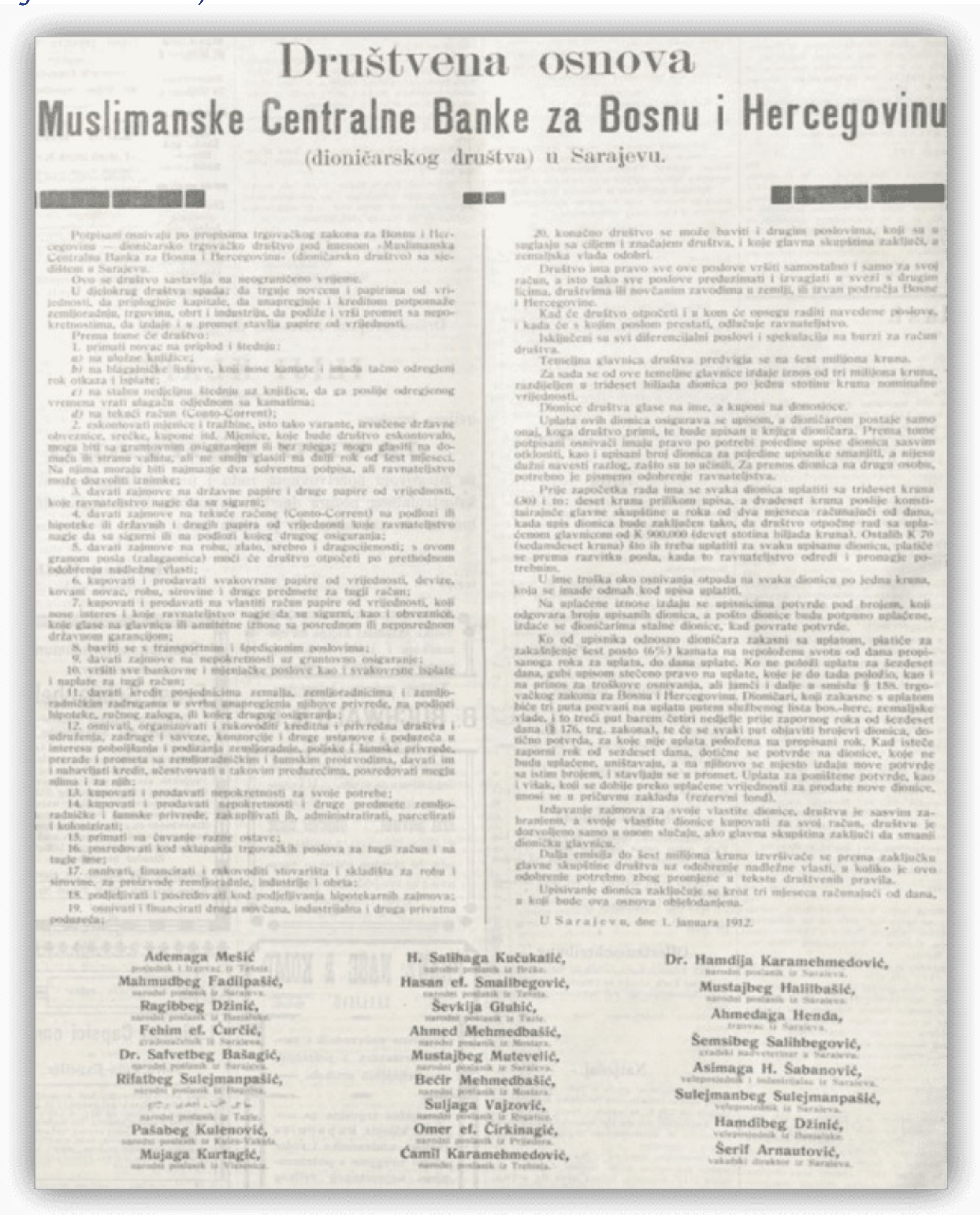
On the very first day of 1912, the statute of the future Muslim Central Bank and the names of founders were published in the *Sarajevski list* as depicted in figure 5:

It is essential to mention that a discussion on the statute emerged in the bank committee meeting in April 1910. Namely, Esad Kulović and Halid Hrasnica were assigned to look into statutes of leading banks in Bosnia and Herzegovina in order to prepare one for the Muslim Central Bank. At the meeting in May 1911, Esad Kulović introduced a bank statute, but according to his preferences (600,000 K of founding capital, 6 000 shares).

In the statute (Fig. 5), all relevant details related to the operations of the future bank are given. In the very beginning, it is emphasized that this statute is created according to rules prescribed by Commercial law. In 20 articles, the primary business operations of the bank are explained. Further, the founding capital of 3,000,000 K is approved by issuing 30,000 shares, each costing 100 K. Price of the share could be paid in installments (10 K immediately, 20 K latest by two months after constitutive assembly, 70 K in the future according to the instruction of the management). The plan was for the bank to start its operations after 900,000 K is collected.

Below the statute is the list of founders. The list consists of 25 people, most of them being Muslim members of the Diet (*sabornici*). We also find a few landowners and merchants on the list. The Mayor of Sarajevo is also undersigned together with the director of *waqf* (endowment) and veterinarian.

***Figure 5: Statute of Muslim Central Bank***



Društvena osnova
Muslimanske Centralne Banke za Bosnu i Hercegovinu
(dioničarskog društva) u Sarajevu.

U Sarajevu, dne 1. januara 1912.

Ademaga Mešić, H. Salihaga Kučukalić, Dr. Hamdija Karamehmedović, Mahmudbeg Fadilpašić, Hasan ef. Smailbegović, Mustajbeg Halilbašić, Ragibbeg Džinić, Ševkija Gluhić, Ahmedaga Henda, Fehim ef. Ćurčić, Ahmed Mehmedbašić, Šemsibeg Salihbegović, Dr. Safvetbeg Bašagić, Mustajbeg Mutevelić, Asimaga H. Šabanović, Rifatbeg Sulejmanpašić, Bećir Mehmedbašić, Sulejmanbeg Sulejmanpašić, Šuljaga Vajzović, Hamdibeg Džinić, Pašabeg Kulenović, Omer ef. Ćirkinagić, Šerif Arnautović, Mujaga Kurtagić, Ćamil Karamehmedović.

***Source:*** Sarajevski list (1912, no.11, p.6)

### *4.3.3. Subscription of shares and official establishment*

The call for the subscription of shares was open for three months until 31.03.1912. However, this call was extended since Ademaga traveled abroad during this period. Thus, we can see that Ademaga played a crucial role in the nascent phase of this institution.

Ademaga sold 1,000 shares (total 30,000) on the very first day of a call. The most extensive support came from the middle and lower-middle-class in Sarajevo and Krajina. That is unsurprising because even before the bank was founded, Ademaga vowed to travel all around Bosnia and Herzegovina to convince Muslims to buy the Muslim Central Bank shares.

So, the first six months of 1912 were used to promote the bank and subscriptions of shares. According to Ademaga's statement from March 1912, "*almost all shares are sold, and the bank will start its operations as soon as possible.*"

A general constitutive assembly was held on 07.07.1912. According to the Joint Ministry of Finance decree on 31.07.1912, the name (Muslim Central Bank) and the legal form (joint-stock company) were approved.

The bank officially launched its operations on 02.09.1912. Mahmud-beg Fadilpašić was chosen as president, while Ademaga Mešić and Rifat-beg Sulejmanpašić were chosen as vice presidents.

Opening the bank was considered a milestone for the Muslim community in Bosnia and Herzegovina, while the negative role of usurers and small money offices was emphasized. Further, Muslims were called to provide support for a bank by either buying shares of this bank or taking loans.

In one article, an analysis of bank operations and its mission is discussed. It is argued that the bank gained trust in a relatively short time despite the financial crisis. Namely, only three months after its establishment, the Muslim Central Bank loaned more than 500,000 K. The Muslim Central Bank was the youngest bank compared to its counterparts (Serbian and Croatian banks). Thus, from an economic point of view, Muslims have been latecomers, too. Taking this into account, the bank's primary mission was to *"attract Muslim capital and use it for the benefit of Muslims because it is well-known that Muslims are the most backward when it comes to economic matters."*

The opportunity for growth was seen in cooperation with the Provincial government, which granted a concession to sell and export coal to all "national" banks. However, an enormous opportunity was seen in money coming from the optional ransoming of serfs since Muslims were mainly landowners. Consequently, the Muslim Central Bank aimed to play a crucial role as a protector of Muslim economic interests, particularly for those who were inexperienced, as their lack of knowledge could result in losing money and land if their funds were not deposited in the bank.

According to the decree of the Provincial government on 22.02.1913, no. 20594/III-3, the Muslim Central Bank was accredited as an institution for the deposit of orphan money (money of minors).

#### *4.3.4. Assemblies*

A call to participate in the first general assembly was published in the Sarajevski list. The assembly was held on the premises of the bank on 10.05.1914. Business results of 1913 were analyzed, and subsequent election of 4 members to Management and Board of Directors.

The second general assembly was held on 09.05.1915. It was emphasized that the outbreak of WWI did not have a significant effect on the bank's operations.

The third general assembly meeting was conducted on 29.04.1916. Once again, it was emphasized that war circumstances did not substantially influence the bank's activities. Also, the director of the Croat Central Bank was elected in Management, so we can understand this step in the context of strategic political cooperation between Croats and Muslims, which A-H supported. A dividend of 5% was distributed to shareholders in contrast to 4%, which was the case in previous years. Interestingly, Ademaga Mešić showed up in the lieutenant uniform at the assembly, where he called Muslims to express loyalty to A-H through a subscription of war bonds. The fourth general assembly was convened on 12.05.1917. During this assembly, the establishment of pension funds for bank employees was discussed. At the fifth general assembly held on 04.05.1918, it was agreed to increase the bank's share capital from 3,000,000 K to 5,000,000 K.

*Figure 6: Call to the first general assembly of the Muslim Central Bank*

Muslimanska Centralna banka za Bosnu i Hercegovinu d. d. Sarajevo.

Prva redovita glavna skupština

dioničara

Muslimanske Centralne banke za Bosnu i Hercegovinu d. d. u Sarajevu

obdržavaće se u Sarajevu u prostorijama banke 10. maja 1914. u 10 sati prije podne.

DNEVNI RED:

1. Izvještaj ravnateljstva za poslovnu godinu 1913.
2. Izvještaj nadzornog vijeća, stvaranje zaključka o podjeli čistog dobitka i podjeljenje apsolutorija.
3. Naknadni izbor za četiri ižrebanih članova ravnateljstva i izbor nadzornog vijeća.

**§ 29. društvenih pravila glasi:** U glavnoj skupštini mogu prisustvovati svi dioničari, koji polože svoje dionice ili na blagajni društva ili na drugim mjestima, koje ravnateljstvo u pozivu označi, barem 8 dana prije sastanka glavne skupštine i to uz datiranu potvrdu, koja služi kao legitimacija kod glavnih skupština.

Pravo glasa imaju svi dioničari, koji posjeduju barem jednu dionicu.

Svaki dioničar ima toliko glasova, koliko je dionica 8 dana pred sastanak glavne skupštine na naznačenim mjestima položio.

Dionice odnosno potvrde za treću uplatu mogu se položiti osim na blagajni „Muslimanske Centralne banke“ i kod c. k. priv. Austr. Länderbanke u Beču.

Sarajevo, dne 20. aprila 1914.

Muslimanska Centralna banka za Bosnu i Hercegovinu
dioničarsko društvo.

P/125 1—1

***Source:*** Sarajevski list (1914, no.79, p.8)

### *4.3.5. Government support*

As we have already mentioned, the government intended to keep the *status quo* regarding political and economic situation in Bosnia and Herzegovina. Since Muslims lagged behind their countrymen in economic development, there was a fear that the existing balance could be disrupted. Therefore, the existence of the Muslim bank and its successful operations were of the utmost importance to A-H.

Provincial governor Oskar Potiorek and Joint Minister of Finance Leon Bilinski played a significant role in supporting this nascent institution of Bosnian Muslims. First, they mapped out strategic cooperation between the Muslim Central Bank and the Austrian Länderbank. They were also working on establishing a specific mortgage office for Muslim landowners with the financial support of the above-mentioned Austrian bank since the Muslim Central Bank did not have its own mortgage office. However, this initiative failed (Juzbašić, 2002). In return, the Muslim Central Bank agitated for the A-H government among Bosnian Muslims. This is best exemplified in the case of war loans. Namely, the Muslim Central Bank requested Bosnian Muslims to show their loyalty and economic patriotism to A-H. From 1914 to 1917, the Muslim Central Bank sold over 10,000,000 K government war bonds.

### *4.3.6. Operations of the Bank*

The following table gives an overview of the bank's operations in 5 years. As we can see from the table above, net profit and deposits increased every year in this period. The net profit/share capital ratio also experienced a steady increase. The share capital was constant for four years (c. 1,500,000 K). This was probably due to war.

*Table 2: Net profit, share capital and deposit of Muslim Central Bank (1913-1917)*

| YEAR | NET PROFIT | SHARE CAPITAL | NET PROFIT/SHARE CAPITAL | DEPOSIT |
|---|---|---|---|---|
| 1913 | 36,060 K | 515,143 K | 7% | 1,400,000 K |
| 1914 | 126,245 K | 1,485,235 K | 8.5% | 1,500,000 K |
| 1915 | 219,866 K | 1,516,317 K | 14.5% | 3,088,465 K |
| 1916 | 257,484 K | 1,497,000 K | 17.2% | 5,261,133 K |
| 1917 | 262,133 K | 1,497,902 K | 17.5% | 7,403,316 K |

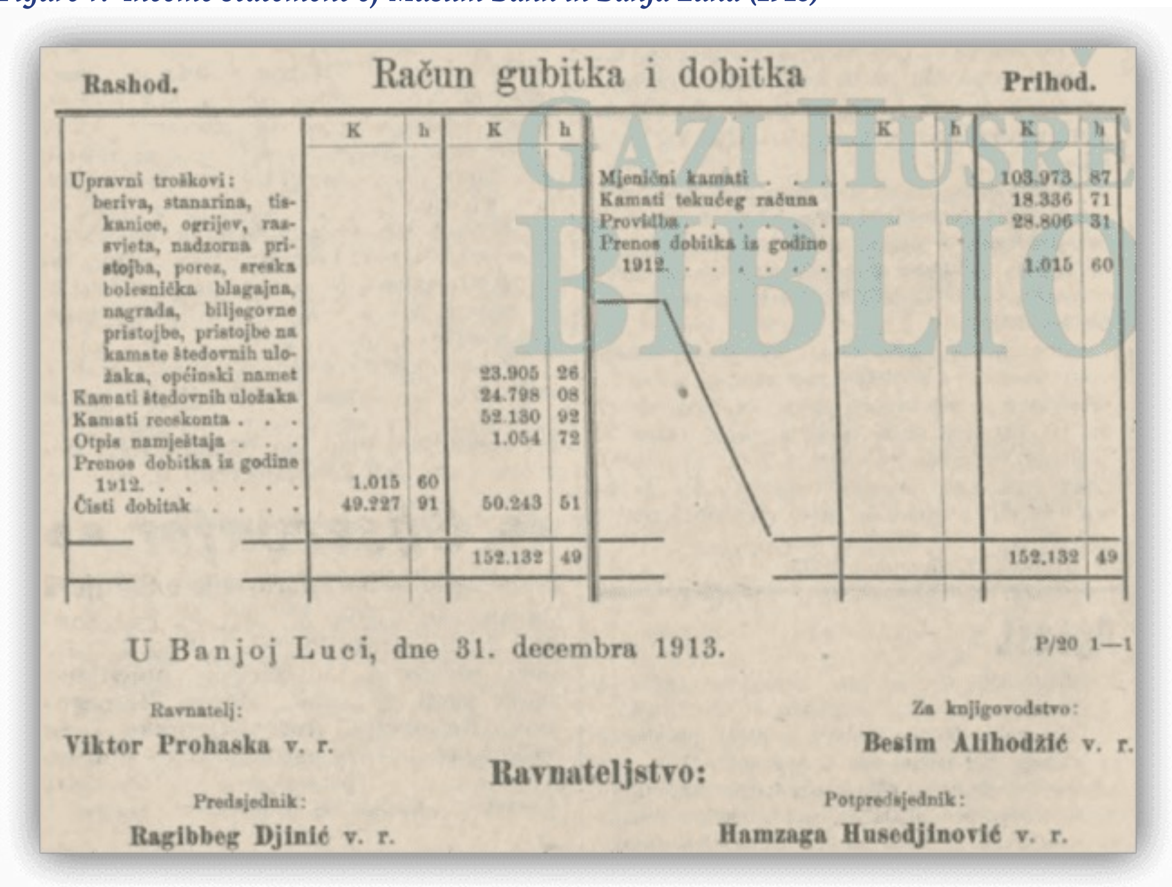
***Source:*** Author's own representation based on Biser (1918, no.11 & 12, pp. 189-190)

Usually, profits were distributed according to the following pattern: 10% for reserve requirements, 10% to Management, and the rest according to conclusions of assembly, e.g., dividends, board of directors, pension fund, and humanitarian causes (Galijašević, 1999).

However, 1918 brought a strategic change. In the context of expansion strategy, the District Court in Sarajevo approved establishing the branch office in Tuzla on 23.02.1918. The plan to increase share capital to 5,000,00 K was announced in the context of post-war expectations since the bank wanted to strengthen its financial position to play a vital role in reconstruction and development. A call to the subscription of an additional 20,000 shares (each worth 100 K) was published on 28.09.1918. There was no option for installment payments.

Also, existing shareholders had priority in buying new shares. The subscription period lasted from 1.10.1918 to 15.12.1918. The share capital of 2,000,000 K was collected in this period, so the bank entered 1919 with 5,000,000 K. In 1920, deposits were more than 11,000,000 K. In 1923, the Muslim Central Bank merged with the Croat Savings Bank into Union Bank (Imamović, 2007).

*Figure 7: Income statement of Muslim Bank in Banja Luka (1913)*



Rashod. **Račun gubitka i dobitka** Prihod.

| Rashod | K | h | K | h | Prihod | K | h | K | h |
|---|---|---|---|---|---|---|---|---|---|
| Upravni troškovi: beriva, stanarina, tiskanice, ogrijev, rasvjeta, nadzorna pristojba, porez, sreska bolesnička blagajna, nagrada, biljegovne pristojbe, pristojbe na kamate štedovnih uložaka, općinski namet | | | 23.905 | 26 | Mjenični kamati | | | 103.973 | 87 |
| Kamati štedovnih uložaka | | | 24.798 | 08 | Kamati tekućeg računa | | | 18.336 | 71 |
| Kamati reeskonta | | | 52.130 | 92 | Providba | | | 28.806 | 31 |
| Otpis namještaja | | | 1.054 | 72 | Prenos dobitka iz godine 1912. | | | 1.015 | 60 |
| Prenos dobitka iz godine 1912. | 1.015 | 60 | | | | | | | |
| Čisti dobitak | 49.227 | 91 | 50.243 | 51 | | | | | |
| | | | 152.132 | 49 | | | | 152.132 | 49 |

U Banjoj Luci, dne 31. decembra 1913. P/20 1—1

Ravnatelj:
Viktor Prohaska v. r.

Za knjigovodstvo:
Besim Alihodžić v. r.

Ravnateljstvo:

Predsjednik:
Ragibbeg Djinić v. r.

Potpredsjednik:
Hamzaga Husedjinović v. r.

***Source:*** Sarajevski list (1914, no.11, p.8)

### 4.4. Muslim Bank in Banja Luka

This institution started its operations on 15.11.1911. In total, 2,000 shares were issued (each worth 100 K), so that share capital was 200,000 K. The bank's director was Ragib-beg Džinić, who was also a member of the Diet and one of the founders of the Muslim Central Bank. Viktor Prochaska was appointed as managing director. By decree of the District Court in Banja Luka on 10.01.1913, the opening of the bank's branch office in Prijedor was approved.

The net profit of the Muslim Bank in Banja Luka was 49,227 K at the end of 1913 (***Figure 8***). During the first year of the war (1914), the total share capital of 200,000 K was successfully collected.

***Figure 8: Income statement of Muslim Bank in Banja Luka (1914)***

**Račun dobitka i gubitka.**

**Rashod.**

| | K | h | K | h |
|---|---|---|---|---|
| Upravni troškovi: beriva, poštarine i brzojavi, biljezi, telefon, stanarina, rasvjeta, ogriev, novine i oglasi, podvornička odijela, osiguranja, milodari, nadzorna pristojba, porez, nagrade, općinski namet, poslovne knjige, tiskanice i pisaći pribor, putni troškovi i dnevnice, sreska bolesnička blagajna, biljegovne pristojbe, pristojbe na kamate štedovnih uložaka, popravci na nekretninama i namještaju, razno | | | 32,472 | 40 |
| Kamati na štedovne uloške | | | 31.320 | 45 |
| Kamati reeskonta | | | 63.671 | 81 |
| Otpisi: od nekretnina | 1.220 | 39 | | |
| " od namještaja | 1.081 | 70 | 2.302 | 09 |
| Prenos dobitka iz godine 1913. | 2.380 | 04 | | |
| Čisti dobitak | 51.259 | 36 | 53.639 | 40 |
| | | | 183.406 | 15 |

**Prihod.**

| | K | h | K | h |
|---|---|---|---|---|
| Prenos dobitka iz godine 1913. | | | 2.380 | 04 |
| Mjenični kamati | | | 122.065 | 26 |
| Kamati tekućeg računa | | | 21.330 | 39 |
| Kamati od vrijednosnih papira | | | 120 | — |
| Providba | | | 37.510 | 46 |
| | | | 183.406 | 15 |

U Banjoj Luci, dne 31. decembra 1914.

Za knjigovodstvo:

Viktor Prohaska v. r. upravljajući ravnatelj. — Stjepan Horvat v. r. nadknjigovođa.

**Ravnateljstvo:**

Predsjednik: Ragibbeg Djinić v. r. — Podpredsjednik: Hamzaga Husedjinović v. r.

***Source:*** Sarajevski list (1915, no.66, p.5)

In 1914, the net profit was 51,259 K, as shown in ***Figure 9***. This was an incremental increase in profits in comparison to 1913.

At the same time, although the war and post-war period were highly challenging, the bank's share capital quadrupled until 1920. Moreover, at the extraordinary general assembly convened on 31.03.1920, it was decided to increase share capital from 800 000 K to 2,000,000 K by issuing 12,000 shares (each worth 100 K).

### 4.5. First Muslim Bank in Brčko

The First Muslim Bank in Brčko (Prva muslimanska banka u Brčkom) was the very first bank established by Bosnian Muslims. Share capital amounted to 200,000 K. Abdaga Kučukalić became president, while Mujaga Pašalić was appointed as director. The bank officially launched its operations in 1908. However, the bank's promotion started one year earlier. In February 1907, an appeal was published in the magazine Bošnjak. Initially, it was argued that non-Muslims had already taken all necessary steps to establish similar institutions. Also, the impact of these institutions on economic progress and society was emphasized. Further, the rationale behind the establishment of Muslim banks was explained. Ultimately, Muslims were asked to support their future bank by buying shares. It was decided to issue 2,500 shares (each worth 100 K), so that total share capital amounted to 250,000 K. Meanwhile, the net profit in 1916 was 42,014 K.

***Figure 9: Income statement of the First Muslim Bank in Brčko (1916)***

**Račun dobitka i gubitka**

na dan 31. decembra 1916.

| Gubitci | K | h | K | h |
|---|---|---|---|---|
| Kamati: Prenosni, povraćeni, na šted. uloške i tekući račun | | | 75.372 | 43 |
| Troškovi: | | | | |
| Plaće, dnevnice, tiskanice i razno | | | 17.958 | 05 |
| Porez | | | 9.783 | 21 |
| Razne pristojbe | | | 2.097 | 73 |
| Otpisi: | | | | |
| od nekretnina | 1.000 | — | | |
| od namještaja | 1.000 | — | 2.000 | — |
| Čisti dobitak | | | 42.014 | 61 |
| | | | 149.226 | 03 |

| Dobitci | K | h | K | h |
|---|---|---|---|---|
| Prenos dobitka od god. 1915. | | | 9.091 | 37 |
| Kamati i razna provizija | | | 134.784 | 66 |
| Kamati vrijed. papira | | | 4.150 | — |
| Prihod od nekretnina | | | 1.200 | — |
| | | | 149.226 | 03 |

***Source:*** Sarajevski list (1917, no.27, p.4)

### 4.6. First Muslim Merchant Bank in Bijeljina

The First Muslim Merchant Bank in Bijeljina (*Prva muslimanska trgovačka banka u Bijeljini*) was founded in 1910. The share capital was 200,000 K and the net profit in 1913 was 25,809 K, as shown in ***Figure 10***.

### 4.7. Muslim Credit Bank in Foča

The Muslim Credit Bank in Foča (*Muslimanska kreditna banka u Foči*) was founded in 1911. The share capital also amounted to 200,000 K.

Constitutive assembly was held on 19.05.1911. The Joint Ministry of Finance adopted its statute on 18.07.1911 by decree no. 10.605. Based on that, the District Court in Sarajevo approved the registration of the bank in the commercial register on 12.09.1911. In total, 4,000 shares were issued (each worth 50 K). In October 1911, the Muslim Credit Bank in Foča advertised vacant branch manager and trainee positions in Goražde.

***Figure 10: Income statement of the First Muslim Merchant Bank in Bijeljina (1913)***

**Račun gubitka i dobitka**
**na 31. decembra 1913.**

**Gubitci.**

| | K | h | K | h |
|---|---|---|---|---|
| Kamati: | | | | |
| na štedovne uloške | 5.139 | 57 | | |
| na reeskont | 21.595 | 07 | | |
| na tekuće račune | 827 | 92 | 27.562 | 56 |
| Troškovi: | | | | |
| Plaće, najamnina, pores, tiskanice, pristojbe i razni troškovi | | | 12.966 | 61 |
| Otpisi: | | | | |
| od utemeljujućih troškova | 450 | — | | |
| od namještaja | 718 | 26 | 1.168 | 26 |
| Čisti dobitak | | | 25.809 | 27 |
| | | | 67.506 | 70 |

**Dobitci.**

| | K | h | K | h |
|---|---|---|---|---|
| Prenos dobitka iz god. 1912. | | | 201 | 76 |
| Kamati na mjenice i tekuće račune | | | 51.346 | 65 |
| Provizija | | | 15.271 | 42 |
| Razni prihodi | | | 686 | 87 |
| | | | 67.506 | 70 |

***Source:*** Sarajevski list (1914, no.46, p.7)

## 4.8. Muslim Savings Banks

### *4.8.1. Muslim Savings Bank in Banja Luka*

It was founded in 1911. The share capital was 200,000 K. Hamdi-beg Džinić was elected as president.

### *4.8.2. Musim Savings Bank in Bijeljina*

It was founded in 1911. The share capital was 100,000 K. Alibeg Pašić was elected as president.

### *4.8.3. Muslim Savings Bank in Stolac*

It was founded in 1911. The share capital was 100,000 K. Hasan Šehić was president, and the managing director was Ivo P. Tedeschi. Interestingly, Hasan Šehić was a Muslim cleric (*efendija, imam*).

### *4.8.4. Muslim Savings Bank in Zenica*

It was founded in 1909. The share capital was 60,000 K. The President was Osmanaga Mehmedić, while the managing director was Kosta Petrović. In 1916, this saving office was liquidated.

### *4.8.5. Muslim Savings Bank in Foča*

In one ad published in the magazine *Bošnjak*, we see that this saving office had operated already in 1907. It offered 5% interest on deposits. However, we also noticed that this savings office started its liquidation process in January 1913. A deadline of 6 months was given to creditors of the Muslim Savings Office in Foča to claim their receivables.

## 4.9. Muslim Credit Cooperatives

The First Muslim Peasant Cooperative (*Prva muslimanska seljačka zadruga*) was founded in Šije near Tešanj in 1910. The Constitutional assembly was held on 15.04.1910. Its president was Suljo Kruško.

The Cooperative had over 100 members. It also charged interest on loans and paid interest on deposits (Galijašević, 1999).

It is also noteworthy to mention the following credit cooperatives: Muslim Peasant Credit Cooperative in Ćurevo near Foča (1911), Muslim Savings Credit Cooperative in Kula Fazlagića near Gacko (1911), and Islamic Credit Cooperative for Craft, Commerce and Industry in Čajniče (1912).

## 5. Conclusion

This research investigated the establishment of modern financial institutions during the A-H rule. To provide a genuine report of the period in which this process happened, a short overview of circumstances in the late Ottoman Bosnia and Herzegovina was presented. With the A-H occupation, a new epoch for Bosnian Muslims has started. A cultural and political revival followed the initial disorientation of Muslims at the beginning of the 20th century. The rivalry between Muslim political factors and the general backwardness of Muslims had a tremendous effect on the economic revival. The personality of Ademaga Mešić, the leader of so-called progressive Muslims, takes the greatest credit for establishing modern financial institutions. As an experienced merchant, he understood the importance of credit as a catalyst for economic development. The establishment and evolution of financial institutions like the First Muslim Credit Cooperative, the Muslim Merchant and Agricultural Bank, and the Muslim Central Bank in Bosnia and Herzegovina reflect the aspirations of the Muslim community to enhance their economic independence amidst challenging social, political, and economic circumstances in the late 19th and early 20th centuries. A-H also played a constructive role in developing these institutions after liberalization measures took place in 1903.

The emergence of Islamic modernism coincided with the establishment of modern financial institutions in Bosnia and Herzegovina. Arguments used for the adoption of interest-based banking were to move forward, to progress, to not lag behind the civilized world, to be children of the time, to save land and capital, to fight against foreign capital, and to step into a secure future. Consequently, the whole process of establishing modern financial institutions was a rather reactive and defensive step. Ultimately, these institutions symbolized a significant step toward economic empowerment and resilience for the Bosnian Muslims in Bosnia and Herzegovina. They embodied the broader struggle for financial independence, social upliftment, and cultural solidarity during a transformative era in the country's history. Their establishment laid a foundation for future financial endeavors and demonstrated the potential of collective action in overcoming systemic economic challenges.

### *Declarations*

The authors have no relevant financial or non-financial interests to disclose.

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