Potential for Islamic Banking in Macedonia: An Empirical Evidence
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The purpose of this research paper is to investigate the potential for introduction of Islamic banking services in Macedonia. Furthermore, it examines the level of knowledge and awareness on Islamic banking principles and instruments, and the demand and support for Islamic banking services among various banks’ stakeholders in Macedonia. The study adopted a combination of quantitative and qualitative methods. 500 respondents participated in the survey of questionnaires and 16 experts including regulators, bankers, religious scholars and academician were interviewed. Descriptive statistics was used to analyze the questionnaires. Hence, the interpretative method was used to analyze the interviews. The findings indicate solid level of knowledge and awareness on Islamic banking principles and instruments among various banks’ stakeholders. Also, there is a strong demand and support for Islamic banking services among various banks’ stakeholders. Considering the gap found in literature, the need to conduct a research to investigate the need for Islamic banking service in Macedonia is highlighted. In the case of Macedonia, the study could be beneficial for investors and regulators who might think of introducing Islamic banking services in the country.

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Islamic banking, Knowledge and awareness, Demand and support for Islamic banking services, Macedonia

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Macedonia has to explore the potential of introducing Islamic banking services based on the best practices in the World such as Malaysia, GCC or European countries. An Islamic banking system, like any other system, has to be seen as an evolving reality. The likelihood of introducing Islamic banking services in Macedonia will encourage Muslims to utilize the Shariah-compliant financial instruments, as they believe in religion concept that all financial transactions either as depositors or as users of fund has to be in line with the principles of Islamic commercial law. Perhaps, the study could add to the existing literatures on Islamic banking knowledge and awareness. Determinants of Profitability in Islamic Banks: Some Evidence from the Middle East. Islamic Economic Studies, 11(1), 121-132. Hussein, K., (2004). Development of Islamic Banking in Lebanon: Prospects and Future Challenges. Efficiency in Islamic Banking: An Empirical Analysis of Eighteen Banks. Islamic Economic Studies 12 (1), 1–19. 237. The paper also analyses empirical evidence comparing Islamic and conventional financial institutions with regard to their: (i) efficiency and profitability; and (ii) stability and resilience. Finally, the paper considers the conduct of monetary policy in an Islamic banking context. This is not uncomplicated given the fact that interest rates – normally a cornerstone of monetary policy – are prohibited under Islamic nance. Liquidity management issues are thus discussed here, with particular reference to the euro area.