

## Editorial Note

### Turkish Journal of Islamic Economics (TUJISE) Special Issue (Islamic Social Finance and Pandemic Crisis)

It is known that the Covid-19 is a new pandemic that has given traumatic impacts to everyone worldwide. Since its first outbreak in March 2020, the Covid-19 is still haunting and affecting every aspect of life, not just on health but also on other aspects like the economy as well as the way of life and people's socialization. Despite the presence of vaccines to curb the pandemic, transmission is still at a high level around the world due to the slow vaccination process, especially in developing countries that rely on the availability of the vaccine being vaccine recipient countries.

Called by this bewildering pandemic crisis, this Special Issue of the Turkish Journal of Islamic Economics (TUJISE) themed "Islamic Social Finance and Pandemic Crisis", attempts to explore what Islamic Social Finance (ISF) can do to curb the effects of a pandemic on humanity, be it health, economy, poverty, or even human civilization. This is in line with the objective of Islamic finance itself which aims to improve social justice through wealth redistribution and fair financial dealings by focusing on achieving common good. The Islamic social finance sector includes Islamic institutions based on philanthropy, such as *zakat* (obligatory charity), *sadaqah* (voluntary charity) and *waqf* (endowment) cooperation, like *qard* (loan) and *takaful* (insurance). It also includes social investments through *sukuk* (bonds), and non-profit Islamic microfinance organisations that aim to reduce poverty by giving out *qard hassan* (interest-free loans). This special issue thus hopes to detail what ISF can do in curbing and repairing the human well-being that has been severely affected by this pandemic.

There are 15 articles in this Special Issue of the TUJISE starting with the topic on *waqf*, microfinance and financial inclusion. Then it is followed by charity, philanthropic, crowd donating and investing, financial planning and livelihood of Muslim entrepreneurs due to the pandemic. Next is the discussion on *takaful* and pandemic and followed by the role of banks in the pandemic era and finally, *sukuk* as a solution to the pandemic crisis.

The first paper titled "*Developing Cash Waqf Model as an Alternative Financing for Social Enterprises to Support Decent Work and Economic Growth in Indonesia*", discusses financial issues as challenges facing the sustainability of social enterprises in Indonesia due to the awkward reconciliation of their social missions, a characteristic of their businesses, with less attractive returns for their investors. Aiming to achieve the several objectives, this article documents that financing remains the most signif-

icant challenge for most social enterprise businesses, thus introducing an innovative integrated business model of social enterprise and cash *waqf* known as the ICWSE-B model to solve many social enterprises' financial issues. The proposed ICWSE-B model is considered most suitable for social enterprise as it supports decent work and economic growth of the SDGs

The following article, "*Impact of using Islamic Microfinance Products on Mauritanian Microentrepreneurs' Income: Evidence from PROCAPEC- Nouakchott*", examines the impact of using Islamic microfinance products on the Mauritanian microentrepreneurs' income level. The study recorded that the use of Islamic microfinance products has increased the beneficiaries' income; however, gender has no moderator effect on the relationship between the usage of Islamic microfinance products and income level. This study is among the pioneer in the field of Islamic microfinance in Mauritania due to the scarcity of studies in the geographical context.

The next article "*Exploring Potentials of Philanthropic Islamic Financial Instruments in Providing Healthcare Services for Underprivileged*" elucidates the potentials of selected modern financial philanthropic instruments that deal with the healthcare sector. The healthcare sector is highlighted as the focus of this study due to its relevance to the present challenge of the Covid-19 pandemic. The findings elaborate on three important models of philanthropic instruments, namely social impact bonds (SIB), development impact bonds (DIB), and takaful-waqf models. It was also found that these philanthropic instruments have varied strengths and weaknesses that require rectification in the future.

This then followed by an article titled "*Integrating Crowd-donating and Islamic Crowd-investing to Achieve SDG#2 towards a Zero Hunger Society in the Post-crisis of the COVID-19 Pandemic*" which integrates the potentials of crowd-donating and Islamic crowd-investing in realising a hunger-free society, develops the concept of a "one-stop-centre staple food solution" for supporting food sustainability. With the concept of providing staple food for food-insecure families through crowd-donating, and provides a plan for "onestop-centre staple food solution" through Islamic crowd-investing to supply staple food and enable cheap transactions for people who are prone to hunger, this study may provide input as the basis for policy makers to create a hunger-free society, particularly for handling such a crisis during the current pandemic.

The fifth article analyses the "*Issues and Challenges of Financial Inclusion Among Low-Income Earners In Rural Areas of Malaysia*", specifically from the Financial Institutions (FIs) in Kuala Rompin, Pahang, and from the B40 group of customers in the rural areas of Pekan, Pahang, Malaysia. In this study, the authors analyzed the issues and challenges facing these two groups in pursuing the exclusive of FI. Based on the

findings, barriers facing the supply side of the FIs include 1) high risk of cost and security, 2) barriers in communication and lack of financial education, and 3) lack of proof documents. The other challenges are 1) competition with the conventional institutions, 2) default risk due to non-payment, and 3) internet connection problem. On the demand side, the issues and challenges found include 1) lack of confidence, 2) lack of proof documents, 3) misuse of capital, and 4) lack of financial literacy. Henceforth, the findings have significant implications for the Islamic banking and finance industry in exploring the current barriers faced in delivering financial inclusion to the lower segment of the society in Malaysia.

*“Determinants of Financial Sustainability for Microfinance Institutions: Lessons for Islamic Microfinance Banks in Nigeria”* is the next article presented in this Special Issue. This paper reviews the determinants of financial sustainability of microfinance institutions with a view to drawing lessons for Islamic microfinance in Nigeria. This study revealed that the major determinants of financial sustainability of microfinance institutions are the capital structure, asset size, and financial innovation as well as good risk management and corporate governance frameworks. The paper thus recommended that Islamic microfinance institutions in Nigeria should maintain a robust capital structure that relies more on equity, a lean but diversified board, and utilize more technology-based services. Most importantly, they should emphasize profit and loss sharing principles in their operations.

The following article *“Charity Behavior During COVID-19 Pandemic: Explaining the Peculiarity”* analyses charity behavior during Covid-19 pandemic and aims to elaborate its significant determinants. Although the economy is badly affected by pandemic situation, people are still eagerly giving charity as to implement Islamic value of brotherhood and helping each other, especially during this difficult period. Income, shopping habit during pandemic, investment habit during pandemic, religiosity and subjective norm are found to have significant effects on charity giving during the pandemic. Suitable and effective efforts to assist the poor during and post-Covid period can be strategized based on the factors identified in this study. Government and practitioners are encouraged to keep on going in establishing programs to help societies living during pandemic.

With the title *“A Study on the Sustainability of Microfinance Institutions in Serving the Low-Income Group in Malaysia”* this study explores the attractiveness of the products offered by microfinance institutions, discusses the measures and actions taken by microfinance institutions in serving the low-income group in Malaysia. Employing a qualitative method this study paves the way to an indistinct understanding of how Islamic microfinance institutions sustain their operations since its inception in 1987.

*“Islamic Financial Planning: Towards Sustaining the Financial Wellbeing of Muslim Families in Malaysia Post Covid-19”* documents that prior to the pandemic, over 60% of the people in Malaysia only have enough savings to last them for less than 6 months in the event of loss of income. Only 10.8% of urban Malaysian households have enough savings to withstand ‘financial shocks’ resulting from events such as job loss, economic crisis, physical impairment and death. The current Covid-19 pandemic had proven in stronger term that financial preparation is crucial for unpredictable situations such as the financial problems arising from the economic slowdown caused by movement control orders and lockdowns. Breadwinners were being laid-off by their employers, or had their salaries cut-off and asked to take unpaid leave thus are in difficult financial situation. Only those with minimal debt obligations, steady income stream and enough financial buffers to pay for expenditures for the coming months are not in urgent need of any government assistance. Hence, it is high time to inculcate the knowledge of Islamic financial planning among Muslim families to ensure their future wellbeing.

In Malaysia, it was reported in 2018 that 60.2% of entrepreneurs are housewives. However, it is believed that many women are working at and from home with high cost of living, especially in urban areas. They become home-based entrepreneurs, especially during this unprecedented pandemic, and restricted by the Movement Control Order (MCO). Hence, *“Financial Literacy and the Impact of Movement Control Order (MCO) Among the Muslim Mompreneurs: A Qualitative Study”* investigates how the mompreneurs manage their businesses during the Covid-19 lockdown and how the pandemic affects their family. Mompreneurs operating their businesses from home were interviewed to understand how the pandemic and the lockdown have affected their lives. This paper also examines their coping mechanism to the pandemic and financial income during this crisis. The findings are suitable to be used as a benchmark for an extensive quantitative study in the future to further understand the behaviour of the mompreneurs, especially in Malaysia.

Another article describes the *“Pandemic Crisis: Malaysian Takāful Market”* throughout the Covid-19 crisis as well as its response to alleviate the burden facing policyholders of life insurance and family *takaful* plans from the economic and Shariah point of views. By understanding the precarious scenario of the Malaysian *takaful* and insurance market during the pandemic, we can enhance the support to the regulator who has taken the initiative to direct the insurance and *takaful* industry further in order to initiate adequate response to facilitate policyholders during the outbreaks and decide what the best way forward would be as aligned with *Maqāṣid al-Shariah*. This will ensure its positive impact in the *takaful* market, not only to nurture sustainability in our ecosystem, stabilize the socio-economic but to safeguard policyholders accordingly so they could withstand pre, present and post pernicious outbreaks and pandemics.

An important and significant feature of *takaful* model is the proper administration and effective management of risk fund and the *takaful* surplus distribution. “*Takaful Risk Fund and Surplus Management: Analytics for Social Equity?*” hence critically reviews the current *takaful* surplus management of selected *takaful* operator’s model based on Shariah principles, rulings, and requirements; and the regulatory guidelines and policy documents. It will highlight the issues of social equity among the shareholders, *takaful* operators, and policyholders and present the analytics of *takaful* surplus based on the different *takaful* operating models as specified by the Takaful Operating Framework. The study also examines the consequences of *takaful* surplus management reporting practices and the implications of the adoption of relevant international financial reporting standards and articulate the analytics for social equity in *takaful*.

This Special Issue continues with an examination on the impact of Shariah Board (SB) characteristics on the financial and social performance of Islamic banks (IBs) from the perspectives of Agency Theory (AT), Stewardship Theory (ST) and the Resource Dependence Theory (RDT). “*The Impact of Shariah Board on the Performance of Islamic Banks and the Relevance of Shariah Committee (BNM) New Ruling on the Restructuring of Islamic Financing Facility during the Pandemic Crisis*” examines a panel data of 15 IBs in Malaysia from 2010 to 2018 covering the pre and post implementation of IFSA 2013 with three performance measurements; ROA and ROE (financial performance) and Zakat over Asset (social performance). SB education, SB reputation, and SB expertise are positively related to IBs performance; while SB remuneration and SB cross membership are negatively related to performance. SB size is found to be insignificant. The study therefore concludes SB is relevant to the performance of IBs. The study also discusses the response of SB at the central bank (BNM) via its new ruling on financing restructuring in alleviating the hardship of IBs’ customers during the pandemic crisis.

Turkey has a long history in Islamic civilization. The legacy of strong Islamic law, the majority Muslim population, and the strategic location of the country have failed to serve as a catalyst to boost the market share of participatory banking in the country. “*Participatory Banking (PB) Taking Measures Against Covid-19 in Turkey: Issues and Proposed Strategies*” thus aims to explore problems, solutions, and strategies for developing participatory banks in Turkey. The preliminary finding shows that the problems of banks in Turkey stem from both internal and external factors. Lack of understanding and skills, and lack of good Shariah governance practices are the main internal factors. Lack of regulatory support, lack of public literacy, lack of academic research and educational institutions, and a regulatory system are the primary external factors. The study suggests two main solutions, namely internal and external solutions, as well as strategies to address the problems.

Finally, the last article in this Special Issue is an exploratory study. “*Social Synergy Sukuk (Double-S Sukuk): A Solution for Pandemic Crisis*” proposes an innovative Social Synergy sukuk (Double-S sukuk) to alleviate the alarming upsurge in extreme poverty triggered by the pandemic in the face of limited resources. The Double-S sukuk is designed with Multilateral Development Banks (MDBs); such as Islamic Development Bank subscribing to the sukuk at a discounted profit rate, issued by a country facing the pains of the pandemic. The profit will be paid by a charitable Non-Governmental Organization; such as Bill & Melinda Gates Foundation as an incentive to the crises country contingent upon judicious utilization of the funds for the pre-agreed social targets achieved within timely milestones that trickle down to uplift the citizens from the pandemic pains of extreme poverty. The country will only pay the principal component. Furthermore, a suitable MDB; such as Multilateral Investment Guarantee Agency (MIGA) will issue a charitable guarantee to enhance the sukuk rating and cut issuance costs. This enhancement makes the sukuk an attractive BASEL III High-quality-liquid-asset (HQLA). Instead of begging the public for charity, the Double-S sukuk will be open to the public to invest alongside MDBs for a discounted profit rate to crowd-in the social/ethical conscious private sector to raise cheaper and larger funds for a suitable synergistic crisis alleviation.

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### **Guest Editors**

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