

How islamic finance is resilient during the pandemic

JBB
12, 1

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1

ABSTRACT

During the pandemic, Islamic finance showed good resilience and contributed to the country's economy. However, few studies are trying to discover the underlying factors of Indonesia's Islamic finance resilience and the appropriate measures to achieve sustainability in Indonesia's Islamic finance. Therefore, the purpose is to find the underlying factors of Islamic finance's resilience in Indonesia during the pandemic and discover what makes Islamic finance in Indonesia sustainable. After analyzing the data using Straus' grounded theory coding, the findings indicate that the flexible structure of Islamic finance becomes the main factor contributing to the resilience and sustainability of Islamic finance in Indonesia during the pandemic. Other factors such as a variety of "akad" and government agenda also contribute to its resilience and sustainability during the COVID-19 pandemic. Further, Indonesia's government and Islamic financial institutions must develop quality human capital and adapt to technological changes. Lastly, it is hoped that this study could contribute to the development of Islamic finance in Indonesia.

ABSTRAK

Di masa pandemi, keuangan syariah menunjukkan ketahanan yang baik dan berkontribusi pada perekonomian negara. Saat ini, hanya sedikit penelitian yang mencoba menemukan faktor-faktor yang mendasari ketahanan keuangan syariah Indonesia dan langkah-langkah yang tepat untuk mencapai keberlanjutan dalam keuangan syariah Indonesia. Oleh karena itu, penelitian ini bertujuan untuk menemukan faktor-faktor yang mendasari ketahanan keuangan syariah di Indonesia selama pandemi dan menemukan apa yang membuat keuangan syariah di Indonesia berkelanjutan. Setelah menganalisis data menggunakan pengkodean grounded theory Straus, temuan menunjukkan bahwa struktur keuangan syariah yang fleksibel menjadi faktor utama yang berkontribusi terhadap ketahanan dan keberlanjutan keuangan syariah di Indonesia selama pandemi. Faktor lain seperti beragamnya akad dan agenda pemerintah juga turut andil dalam ketahanan dan keberlanjutannya di masa pandemi COVID-19. Selanjutnya, pemerintah Indonesia dan lembaga keuangan syariah harus mengembangkan sumber daya manusia yang berkualitas dan beradaptasi dengan perubahan teknologi. Terakhir, penelitian ini diharapkan dapat memberikan kontribusi bagi perkembangan keuangan syariah di Indonesia.

Keywords:

Islamic Finance, Resilience, Sustainability, Pandemic, Indonesia.

1. INTRODUCTION

Indonesia is a newly industrialized and emerging market in the world. As a country with the largest economy in Southeast Asia (Bank, 2021), Islamic finance can grow relatively and quickly in addition to its massive number of Muslim populations. Moreover, Indonesia has faced

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hijra (As'ad, 2019) or a shift of a Muslim towards a more religious life in the past few years. Thus, the growth of Islamic finance in the country increased following the trend of *hijra* as people seek a financial system that complies with sharia or Islamic law. Subsequently, the presences of Islamic finance in Indonesia accelerate the country's economic growth. A study revealed that Indonesia's relatively high number of Islamic banks contributes to 0.14 output growth across external dependent industries (Chazi et al., 2018). It means that the presence of Islamic banks hence Islamic finance can positively affect the economy's growth in Indonesia.

On the contrary, a disruption occurred in 2020: COVID-19 pandemic. The pandemic brought unprecedented efforts to various economic and financial sectors and put the world's capital market under pressure (Deloitte, 2020, Bradley and Stumpner, 2021, Bank, 2020, Lath et al., 2020, Hyun, 2020). Indonesia is also one of these countries. The country's economy in 2020 slowed down, and its gross domestic product (GDP) fell more than what was expected (Muhyiddin and Nugroho, 2021). Islamic economy notably experienced an 8% Muslim consumption contraction globally across its economic sectors last year. It includes recreation and some sectors (Deloitte, 2015) considered pillars of Digital Islamic Economy: food, travel, modest fashion, and media. Despite a 13% decline in the global Islamic economy, investors are still confident in its long-term growth and development. Remarkably, Indonesia raised the highest investment for the Islamic economy, which is 25% of the recorded total investment (OJK, 2020), and managed to grow its assets by 22.7% (YoY) from IDR1,468.07 trillion to IDR1,801.40 trillion. This shows that Islamic finance has good resilience during the pandemic and can contribute to Indonesia's economic growth. Therefore, the researcher felt the need to discover the factors underpinning the resilience and sustainability of Islamic finance in Indonesia during the pandemic. Furthermore, prior research studies generally focus on the comparative analysis of Islamic banking's financial performance in Indonesia before and during the COVID-19 pandemic, its resilience, and its impact on profitability (Candera and Indah, 2020, Salsabilla et al., 2021, Azimkulovich and Misdiyono, 2021).

Other researchers analyzed the financial performance comparison between Islamic and conventional banking before and during COVID-19 (Candera and Indah, 2020). On the same note, (Abbas and Frihatni, 2020) covered Islamic banks' social role during the pandemic in Indonesia. Nevertheless, Islamic finance is not limited to Islamic banking; it has other sectors, including the Islamic capital market, Islamic insurance, Islamic FinTech, and other financial sectors. Even so, prior studies on Islamic finance during the pandemic in Indonesia typically compare the Islamic financial system and conventional financial system (Bella, 2021) or review journals on the Islamic economy and finance to restore economic recession in Indonesia caused by the pandemic (Ismaulina, 2020). Additionally, (Akkas and Al Samman, 2021) showed that in the Gulf Council Cooperation (GCC) countries, Islamic financial institutions are less exposed to the COVID-19 aftermaths than their conventional counterpart. On the other hand,

(Jan et al., 2021) provided insights on sustainability indicators for Islamic banking aligned with Sustainable Development Goals (SDGs) to address the COVID-19 pandemic. Thus, considering the research and factors mentioned above, the study on *"How Islamic Finance is Resilient during The Pandemic"* filled the gap in previous research studies. It occurred also, especially, on the underlying factors of Islamic finance resilience and sustainability in Indonesia during the pandemic.

JBB
12, 1

3

2. THEORETICAL FRAMEWORK

The term 'resilience' has gained its peak discussion among economic and financial decision and policymakers since 2008. Generally, resilience is used along with systemic financial risk and is used to describe an economic condition. The conceptions of resilience that appear in various literature differ, although three main conceptions emerge around the definition of resilience. The first conception is steady-state or single equilibrium, meaning that a system can return to its original state following a shock. The second conception is multiple equilibria. It means that a system has various equilibriums that it can return to following a shock. The third conception of resilience is more on adapting, called complex adaptive system or evolutionary (Berry et al., 2015).

While these three conceptions can define resilience, a context they must consider as follows: the purpose of a system. In other words, resilience takes into account whether a system could fulfill its essential functions. A resilient system needs to be able to absorb shocks while retaining its functionality. Therefore, this research described economic resilience as "The capacity of an economic system to adapt in response to both short-term shocks and long-term changes in ecological, social, and economic conditions while supporting the community to thrive within fair ecological limits."

For this study, the researchers use the general definition of financial resilience and sustainable finance identified previously. Subsequently, the researcher develops a synthesis of research using distinct themes that emerge around the definition of financial resilience and sustainable finance.

Adaptability

Reeves and Deimler (2011) noted that adaptability could become the new competitive advantage in an era of risk and instability. Adaptability also applies to the financial landscape. In an ever-changing financial landscape, adaptability is a must-have trait for a resilient financial system. The ability to adapt can help a financial system efficiently absorb and overcome short-term and long-term shocks. Moreover, adaptability also coincides with the third concept of resilience: evolutionary. A lack of adaptability could fail internal systems and processes. It also makes the financial system vulnerable to crisis (Chris, 2017). The concept of adaptability relates to the unpredictable variable that occurred in 2020, COVID-19 pandemic, which affects the development of Indonesia's Islamic finance. To be more resilient and sustainable, the Islamic financial system in

Indonesia requires adapting to changes.

Sustainability

The concept of sustainability has some viewpoints, and it has no universally its fixed definition. For this study, the researcher uses the United Nations Bruntland Commission definition of sustainability. They define sustainability as “Meeting the needs of the present without compromising the ability of future generations to meet their own needs.” (United Nations, 1987). Sustainability consists of three dimensions, namely economic, social, and environmental. The integration of these three dimensions of sustainability is crucial in achieving sustainable development. Further, the concept of sustainability leads to the instigation of Sustainable Development Goals (SDGs) and sustainable approaches to other fields, including finance. Sustainable finance ensures the ability of a financial system to fulfill its essential functions without compromising social and environmental factors. For that reason, the sustainability concept relates to the study as the researcher aims to discover the factors of sustainability in Indonesian Islamic finance during the pandemic and whether it contributes to the resilience of the Islamic financial system in Indonesia.

Diversity

According to the New Economics Foundation, diversity could enhance the resilience of complex systems, including financial systems. A financial system that lacks diversity faces certain risks due to the similarity between its financial institutions (Berry et al., 2015). The risk includes the systemic risk that could endanger the internal and external processes of a financial system. Should the diversity in the financial system low, there is a possibility that the financial system might collapse. Moreover, similar financial institutions within a financial system pose a risk because similar institutions might suffer from the same problems. It means that a lack of diversity in a financial system might cause contagion effects. This concept relates to the research as diversity might impact the Islamic finance resilience in Indonesia during the pandemic.

Interconnectedness

Interconnectedness involves the ecosystem that encompasses the ecological, social, economic, and financial landscape. As the financial system interacts with other systems within this ecosystem, disruption in other systems might harm the processes of the financial system. Interconnectedness also applies to financial institutions within a financial system. In any mature financial system, interconnectedness is a natural development in which financing flows from savings to others that need funding. It ensures continuous cash flows in the financial system (Alonso and Stupariu, 2019). However, interconnectedness affects the transmission of shocks through the financial network and poses contagion risk across financial sectors (Berry et al., 2015). Similar to the lack of diversity, interconnectedness might cause systemic risk,

leading to considerable economic and financial losses (Poledna et al., 2013). Further, financial resilience involves the ability to absorb shocks, and interconnectedness affects the functionality of a financial system. Therefore, the concept of interconnectedness will help the researcher analyze the resilience of Islamic finance in Indonesia during the pandemic.

JBB
12, 1

5

Governance

The researcher defines governance as more of the government's political agenda, including a set of policies and relevant regulations used as the basis of the financial system in Indonesia. In this case, the policies and regulations are related to Islamic finance and its products and services provisions. Subsequently, governance encompasses strategies and initiatives to develop Islamic finance in Indonesia. The relation with this study is that the researcher attempts to analyze whether policies, regulations, strategies, and initiatives made by the government are still relevant to the pandemic and how it affects the resilience of Islamic finance in Indonesia during the pandemic.

3. RESEARCH METHOD

The study followed the qualitative research design and used the triangulation of method. The researcher employed in-depth structured interviews, field notes, and archival data as data collection methods in this study. Further, this study used Strauss' grounded theory. In grounded theory, data collection and data analysis processes are interrelated. Moreover, there are also specific data collection and analysis procedures in grounded theory, albeit limits are flexible (Corbin and Strauss, 1990). Thus, this study follows the procedures to collect and analyze data as laid out in grounded theory.

Subsequently, the researcher is the primary research instrument in qualitative research, and the distinct characteristic of qualitative research is inductive or interpretative. Therefore, the researcher's assumptions, beliefs, and biases can intrude into data analysis. The researcher's bias might come from the educational background, environment, ethnicity, culture, and religion; the participants' interpretation of the data can also influence the interpretation.

The researcher acknowledged that her background and experience could influence the interpretation of data. Thus, the researcher used the triangulation method to minimize any personal bias in the interpretation of data. The triangulation of the method served as this study's data collection method, which included an in-depth interview, field notes, and archival data. Lastly, interviews were transcribed and compared with the field notes to ensure data accuracy.

Meanwhile, the participants in this study were limited to 4 people to avoid data redundancy. The criteria for the participants were: (1) Indonesian; (2) Having expertise, knowledge, experience, and awareness of Indonesia's Islamic finance and its related fields. To keep confidentiality, the researcher will not disclose the participant's name. Instead, the researcher will refer to them as Participant 1, Participant 2, and so forth.

For the data analysis, the researchers implemented coding following Strauss' constructivism approach to grounded theory (Howard-Payne, 2016). Although this study's paradigm is interpretivism, Strauss' coding in qualitative data analysis is still relevant. It is because constructivism and interpretivism stem from the same philosophy: hermeneutics. Both paradigms intend to understand people's experiences and believe that reality is socially constructed. Constructivism and interpretivism also recognize the impacts of cultural, educational, and other backgrounds on the research (Mackenzie and Knipe, 2006, Cohen and Manion, 1994, Mertens, 2005).

Subsequently, Strauss' coding includes open, axial, and selective coding. In open coding, the researcher developed a set of codes that can describe the data. Then in axial coding, the researcher attempted to make connections and understand the relationship between the categories developed in open coding. Finally, the researcher developed a core concept in selective coding.

4. DATA ANALYSIS AND DISCUSSION

The researchers found that more than fifty codes emerged in the initial analysis or open coding. The researcher drew connections between these codes and connected them into ten categories in the next stage of data analysis, axial coding. The researcher referred to a category as a theme in axial coding, and ten themes were drawn from the interview results. Further, field notes and archival data are used to enrich the results (The process of axial coding is in the Appendix). Table 1 includes all the themes in axial coding:

Table 1. The themes emerged in axial coding

Number	Themes
1	Experience in Islamic Finance
2	COVID-19 Impact on Islamic Finance
3	The environment in Indonesian Islamic Finance
4	Opportunity Amidst the Pandemic
5	Islamic Finance Resilience
6	Future Development
7	Dealing with The Pandemic
8	Lack of Support
9	Pioneer in Sustainability
10	The Role of Government

Theme 1: Experience in Islamic Finance

Most participants work in Islamic finance or related fields and share their valuable insights for this study. Each participant's experience in Islamic finance served as the context or the intervening conditions in axial coding. It means that participants' experiences in Islamic finance influence their viewpoint and thus their answers to the research questions. Different views or perspectives can enrich this study's data, albeit it might also lead to data redundancy.

Theme 2: COVID-19 Impact on Islamic Finance

The COVID-19 pandemic disturbed the ecological ecosystem, and the shocks resonate to the innermost layer of this ecosystem: the financial system. Consequently, all industries or sectors in the financial system are affected, including Islamic finance. The impact of the COVID-19 pandemic is so visible that the behavior of people changes. The changes in behavior include how educational, government, financial, and other institutions gradually shift to working from home to prevent the spread of the pandemic. However, it does not severely impact Islamic finance in Indonesia.

JBB
12, 1

7

Theme 3: Environment in Indonesian Islamic Finance

The infrastructure of Islamic finance in Indonesia is quite feeble, attributable to its policy that is still growing and has yet to be established. In addition, there is still a gap between Islamic finance and conventional finance, especially technology. Nevertheless, players in Islamic finance are encouraged to move forward, innovate, and adapt to the advancement of technology to lower this gap. Further, the market share of Islamic finance in Indonesia is lower than in conventional finance. However, it has an obvious advantage: the business model. Islamic finance has various business models that are all fair since it is based on sharia. These business models lead to different products and services that satisfy consumers and make Indonesian Islamic finance's environment more diverse.

Theme 4: Opportunity Amidst the Pandemic

The COVID-19 pandemic sent various signals for opportunities such as digitization and support from the government. Moreover, the pandemic encouraged people to *hijra* while at the same time encouraging them to be involved in Islamic finance as its system is fair and lenient, a characteristic that is especially favored in the pandemic. As people look favorably to Islamic finance and gradually shift to Islamic finance, the growth of Islamic finance in Indonesia is constantly increasing.

Theme 5: Islamic Finance Resilience

New Economics Foundation (2015) defined financial system resilience as *"The capacity of the financial system to adapt in response to both short-term shocks and long-term changes in economic, social, and ecological conditions while continuing to fulfill its functions in serving the real economy."* (Berry et al., 2015). In this study, the participants reacted positively when asked about Indonesian Islamic finance resilience during the pandemic. They shared the same idea that Islamic finance in Indonesia was resilient during the pandemic. The resilience of Islamic finance in Indonesia is primarily due to its highly flexible structure.

Theme 6: Future Development

Many Muslims in Indonesia ensure that more players in Islamic finance will be in the next few years. These new players would be the pillar that bolsters the development of Islamic finance in Indonesia in the future. Furthermore, the sustainability of Islamic finance could also

support the future development of Indonesian Islamic finance. One way to support Islamic finance sustainability and support its future development is to increase the literacy on sustainability. Another way is to build an optimistic image around Islamic finance in Indonesia so that the position of Indonesian Islamic finance is more robust than before. Keeping up with the advances in technology and building a robust infrastructure could also boost the development of Islamic finance in Indonesia.

Theme 7: Dealing with the Pandemic

Most people in Indonesia follow the government's health protocol and other regulations. In terms of the players of Islamic finance, there is not much difference in dealing with the COVID-19 pandemic, following the health protocol, social distancing, and working from home. During the pandemic, people shifted from face-to-face meetings to virtual meetings, and they tended to use their gadgets more. The changes in behavior during the pandemic they need to anticipate to deal with the COVID-19 pandemic. On the contrary, Islamic financial institutions in Indonesia could do a merger to increase the market share significantly since the *hijra* is rising during the pandemic. Consequently, people think that Islamic finance is not only a system, but it is a "*way of life*."

Theme 8: Lack of Support

The government has sufficiently supported the development of Islamic finance in Indonesia by providing platforms, making regulations, and launching various initiatives. Albeit the low literacy of Islamic finance and sustainability in Indonesia, the government could work together with Islamic financial institutions to increase awareness and literacy on Islamic finance sustainability by creating content on social media or using other means such as through events or conferences.

Theme 9: Pioneer in Sustainability

An intriguing idea came up during the data collection process. It is the idea that Islam taught sustainability way before the term 'sustainability' was widely developed and used in modern times. In Islam – thus Islamic finance – economic or monetary value is not the primary purpose. The primary goal is to achieve *maslahah* or usefulness, meaning that Islamic finance aims to benefit people without harming society and the environment. Thus, it indicates that Islamic finance had employed sustainability principles long before modern sustainability itself did.

Theme 10: The Role of Government

The government plays a vital role in developing Islamic finance in Indonesia. They enact various regulations concerning Islamic finance, provide support through different platforms and numerous initiatives, and set a benchmark for Islamic financial institutions in Indonesia. Moreover, the government and Islamic financial institutions are also trying to increase the literacy of Islamic finance in Indonesia to encourage *hijra* and therefore increase the market share of Islamic finance in Indonesia.

A core concept was developed from the themes elaborated above and represented this study's central phenomena. The core concept of this study is *Islamic Finance to Deal with The Pandemic*. The concept explained how Islamic finance could be an alternative financial system to deal with the aftermath of the pandemic. The unique structure and characteristics of Islamic finance elaborated in the ten themes previously prove that Islamic finance is resilient and sustainable during the pandemic. Thus, it could serve as a catalyst to recover from the pandemic.

On the other hand, the researcher developed a research synthesis to discuss the topic further. The synthesis consisted of five concepts: adaptability, sustainability, diversity, interconnectedness, and governance.

Adaptability

Adaptability refers to the ability to adapt and respond to circumstances. In an uncertain environment such as the pandemic, adaptability could become the new competitive advantage (Reeves and Deimler, 2011). The participants of this study perceived that adaptability is the key to a resilient financial system. Islamic finance has a unique structure and business models that could adapt to any situation. The structure of Islamic finance allows it to respond to changes quickly, and its business models are numerous that it could satisfy people according to their needs. This shows that Islamic finance is highly adaptable.

Sustainability

Islam taught sustainability long before its modern concept was even developed. From the perspective of Islam, sustainability is based on the Alquran, and sustainability should fulfill *al-falah* or happiness in the world and the afterlife. Further, sustainability in Islamic finance has three fundamental concepts: *Tauhid*, *Khalifah*, and *Adl*. *Tauhid* means that Muslims should only worship Allah. *Khalifah* means leader; Allah gave *Khalifah* a duty to preserve the earth, as Allah says in Surah Al-Baqarah verse 30. Surah Al-Baqarah verse 30 reflects how Islam taught about protecting the environment, one of the dimensions in the modern sustainability concept. Subsequently, the concept of *Adl* emphasizes fairness, which is reflected in Surah Al-Baqarah verse 60. Based on the *tafsir* or interpretation of Surah Al-Baqarah verse 60 by Jalalayn, the verse conveyed how fairness is symbolic of the social dimension in the modern sustainability concept, which creates a social balance so that social inequality does not occur. Additionally, the verse reminds people not to destroy or damage the environment, which resonates with the environmental dimension of the modern sustainability concept (Mubarok, 2018, Wiranto, 2018).

On the other hand, the economic dimension of sustainability is represented by *maqashid asy-syariah* in Islamic finance. Etymologically, *maqashid asy-syariah* comes from the word *maqashid*, the plural form of *maqshad*, meaning purpose, whereas *asy-syariah* means Islamic rules and principles. Therefore, *maqashid asy-syariah* implies the purpose of

sharia (Shidiq, 2022). In this case, the purpose of sharia is to benefit mankind or *mashalih al-'ibad* in the world and the afterlife (Herdianto, 2019). The economic goal in Islamic finance is not only measured by monetary value; it is measured by how the business, product, or service could bring *maslahah* or usefulness to the society in both the world and the afterlife. Moreover, the means to achieve *maslahah* should not violate the sharia.

Thus, the idea of Islamic finance employing sustainability way before the modern concept of sustainability has been developed is proven to be true. Furthermore, the concept of sustainability in Islamic finance does not overlap with the dimensions of the modern sustainability concept, despite the slight difference in which sustainability in Islamic finance follows sharia.

Diversity

New Economics Foundation (2015) explained that diversity could enhance the resilience of a financial system (Berry et al., 2015). A financial system with a high diversity could avoid systemic risk and prevent contagion effects. Hence, diversity could directly influence the resilience of a financial system. Islamic finance has a highly flexible structure and has lots of *akad*, or in business lexicon, it is called business models. The flexibility of its structure and numerous business models in Islamic finance means that there are a lot of products and services, increasing the diversity of Islamic finance. During the pandemic, the diversity of Islamic finance does not change. On the contrary, the pandemic signals many opportunities to develop Indonesian Islamic finance, especially in creating new products or services to respond to the demand during the pandemic.

Moreover, the variety of business models in Islamic finance led to the innovation of products and services that would constantly emerge, especially considering the rapid development of technology. In addition to the investments in Islamic finance in Indonesia that are still growing, the need for sharia financing, hijra movement, and increased awareness of Islamic finance might make Islamic finance more diverse in its product and service provision in the future.

Interconnectedness

Interconnectedness refers to the overall ecosystem encompassing the ecological, social, economic, and financial landscape. As the ecosystem's innermost landscape, the financial system is prone to exogenous disruptions such as the COVID-19 pandemic. Just like diversity, interconnectedness also influences the resilience of Islamic finance. The infrastructure of Indonesian Islamic finance is quite robust, though not as much as the Islamic finance infrastructure in Malaysia and the United Kingdom. However, Islamic finance in Indonesia could still withstand and absorb the shocks caused by the COVID-19 pandemic. It is primarily due to its highly flexible structure. The high flexibility of Islamic finance works well against the threats brought by interconnectedness: systemic and contagion risk. Although interconnectedness could pose systemic and contagion risks to Islamic

finance when there is a disruption such as the pandemic or other disruptions, its flexible structure serves as a cushion to prevent the financial system's collapse. Moreover, the flexibility of the Islamic finance structure allows Islamic finance to adapt quickly and respond to any change during the pandemic. It means that Islamic finance could further minimize the risks possessed by interconnectedness.

JBB
12, 1

11

Governance

The researcher defined *governance* as more of the government's political agenda, including a set of policies and relevant regulations used as the basis of the financial system in Indonesia. In this study, governance includes initiatives and strategies launched by the government and other Islamic financial institutions in Indonesia. The government plays a crucial role in Islamic finance by developing a roadmap for Indonesian Islamic finance development. The roadmap outlines several initiatives and strategies divided into three separate roadmaps for Islamic banking, Islamic non-bank financial industry, and Islamic capital market (OJK, 2015).

Subsequently, the governance of Islamic finance in Indonesia is still relevant during the pandemic. Although, there might be slight changes to fit the situation during the COVID-19 pandemic better. Moreover, as Islamic finance is based on sharia, it will always be relevant in any condition, especially since the Islamic rules and principles are timeless. Nevertheless, changes are bound to adapt to a specific situation better. However, the changes are still required to be within the scope of sharia compliance.

5. CONCLUSION, IMPLICATION, SUGGESTIONS, AND LIMITATIONS

In conclusion, the crucial factor underpinning the resilience and sustainability of Islamic finance in Indonesia during the COVID-19 pandemic is primarily attributed to the structure of Islamic finance that is highly flexible. Other factors that contribute to Islamic finance resilience and sustainability in Indonesia during the pandemic include a variety of *akad* or business models in Islamic finance, the government agenda (policies, regulations, initiatives, and strategies), and emerging opportunities amidst the pandemic. To summarize, combining high-quality human capital and advances in technology could help the development of Islamic finance in Indonesia by leaps and bounds. Furthermore, human capital and technology could be powerful engines for innovation.

The findings of this study have implications for the government, Islamic financial institutions, and fellow researchers in Islamic finance. The government may already have made policies and regulations concerning Islamic finance. Furthermore, the *Sustainable Finance Roadmap* and the roadmap for Islamic finance may have contributed a lot to Islamic finance development in Indonesia. Along with Islamic financial institutions in Indonesia, the government should consider other factors such as human capital and technology.

The researcher suggestion that Islamic finance practitioners in Indone-

sia invest in themselves through continuous learning. Thus, continuous learning could help Islamic finance practitioners develop their skills, later developing Islamic finance in Indonesia. Subsequently, the government and the Islamic financial institutions in Indonesia could promote Islamic finance awareness through social media to increase literacy and spread awareness of Islamic finance. Since Indonesia would have a demographic bonus in the next few years, the country's population would be dominated by youth. Therefore, the government and Islamic financial institutions should consider youth's behavior to effectively increase literacy and spread awareness of Islamic finance.

Therefore, the researcher proposed future research on developing an index or indicator that could measure the *maslahah* or usefulness of Islamic finance based on the sentimental value. The indicator should be derived from Islamic principles and does not violate sharia.

The main limitations of this study is lack of field observation on the field notes may influence the findings, and future studies to enhance the findings are highly welcomed and appreciated. The other limitation is self-reporting. Due to the nature of qualitative research study, self-reported data can rarely be verified independently as researchers often have to take what the participants say at face value. Finally, the researcher could not control every factor that might affect the results of this study.

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12, 1

APPENDICES

Axial Coding

Open Code	Axial Code
Supervising PhD students	Experience in Islamic Finance
Supervising in Islamic finance	
A veteran player in financial industry	
An ex banker	
A higher-up	
Move to Islamic finance business	
Incubator	
Provide sharia financing and consulting	
Islamic finance player	
Previously also in finance industry	
Provide sentimental value not monetary value	
Miscommunication often happen	
Currently Islamic finance player	
Affect all industries	COVID-19 Impact
Pandemic affects the whole world and its economy	
Pandemic affects demand and supply	
Beware of the third wave of pandemic	
Pandemic makes Islamic finance more lucrative	
Changes in human behavior	
Pandemic reverberates to all sectors	
Not sharing profit during the pandemic	
No significant impact due to its resilience	
Low purchasing power	
Islamic finance becomes a lifestyle	
Policy hasn't been established	Environment in Indonesian Islamic Finance
Islamic finance is still growing	
Islamic finance has a high growth	
Ideal for financing	
Aggressively promoting Islamic finance	
A lot of different contracts	
Technological gap	
Quite feeble infrastructure	
Always ready to bear loss	
Profit sharing	
Extraordinary development	Opportunity
Flexible to adjust to the pandemic	
Improve policy quality	
A large number of Islamic finance players	
Start to understand the advantage of Islamic finance	
Islamic finance is more lenient and fairer	
Interest on Islamic finance	
Islamic finance finds opportunities amidst the pandemic	

<p>Enough resilience</p> <p>The role of Islamic finance’s structure</p> <p>Flexible structure</p> <p>Able to absorb the shocks of pandemic</p> <p>Structure allows to withstand the pandemic</p> <p>The structure of Islamic finance gives a lot of flexibility</p> <p>Islamic finance is quite resilient</p> <p>Islamic finance took the pandemic well</p> <p>Islamic finance adapt quickly to the pandemic</p> <p>Islamic finance is resilient because it boosts more buying and investment opportunity</p> <p>Islamic finance absorbs the shocks from the masses during the pandemic</p> <p>Provides more liquidity</p> <p>Helps businesses to survive in the pandemic</p> <p>Islamic finance is tough and stable even during the pandemic</p> <p>A solution for any situation</p>	<p>Resilience</p>	<p>JBB</p> <p>12, 1</p>	<p>17</p>
<p>More players in the future</p> <p>Build a positive perspective of Islamic finance</p> <p>Prepare more experts</p> <p>Importance of Islamic finance experts</p> <p>Must adapt in terms of technology</p>	<p>Future Development</p>		
<p>Adjust product flow to fit the pandemic</p> <p>Merge to increase market share</p>	<p>Dealing with The Pandemic</p>		
<p>Low literacy of sustainability</p>	<p>Lack of Support/Initiative</p>		
<p>Islamic taught about sustainability way earlier</p> <p>No interest</p> <p>Treating people and environment well</p>	<p>Pioneer in Sustainability</p>		
<p>Government is committed to support Islamic finance</p> <p>Mass education and increase awareness of Islamic finance</p>	<p>Role of The Government</p>		

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Table of Contents

Front Matter Journal of Business and Banking Vol 12 No 1

Articles

How islamic finance is resilient during the pandemic

Shafitri Arindya Ramadhanty, Liliana Inggrit Wijaya, Putu Anom Mahadwartha
[10.14414/jbb.v12i1.2934](#)

 PDF
 1-17

Financial factors contribution to SMEs' profitability in Malang city

Esy Nur Aisyah, Ana Khabibatul Umami
[10.14414/jbb.v12i1.2956](#)

 PDF
 18-34

Pengaruh herding, overconfidence, dan endowment bias pada keputusan investasi investor pasar modal

Thea Diva Theresa, Rohmad Fuad Armansyah
[10.14414/jbb.v12i1.2989](#)

 PDF
 35-51

Analisis reaksi pasar modal terhadap berbagai pengumuman kasus Covid-19 pada fase awal

Eka Yulianti, Ifan Wicaksana Siregar, Novi Susyani
[10.14414/jbb.v12i1.2951](#)

 PDF
 52-70

Pengaruh literasi keuangan, tingkat pendapatan dan gaya hidup pada kesejahteraan keuangan wanita karir dengan self control sebagai mediasi

Rizki Ayu Arilia, Wiwik Lestari
[10.14414/jbb.v12i1.2984](#)

 PDF
 71-87

Factors affecting purchase decision by applying green marketing campaign: a lesson from aqua returnable glass bottle products

Ida Ayu Iswari Pidada, Desak Made Febri Purnama Sari, Ni Putu Sinta Febiola Indah Parwati
[10.14414/jbb.v12i1.3128](#)

In press

Pengaruh komite audit terhadap sustainability disclosure

Yunike Lendengtariang, Irenius Dwinanto Bimo
[10.14414/jbb.v12i1.3199](#)

 PDF
 103-114

Pengaruh good corporate governance, pengendalian internal, dan whistleblowing system terhadap fraud

Sri Wahyuni, Nur Hayati
[10.14414/jbb.v12i1.3260](#)

 PDF
 115-132

Perilaku belanja online dan niat beli pada generasi "Z" di Indonesia

Soni Harsono, Nathan Tidiend Haripraditya, Much Aji Rochman Soleh
[10.14414/jbb.v12i1.3111](#)

In press

Pengaruh kepemilikan keluarga terhadap kinerja perusahaan dengan biaya keagenan sebagai variabel moderasi

Bayu Swastika Sanutra, Muazaroh Muazaroh, Suhartono Suhartono

In press

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2021 [DOI: 10.14414/jbb.v11i1.2505](#) [Accred : Sinta 3](#)

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STIE Perbanas Surabaya [Journal of Business & Banking Vol 11, No 1 \(2021\): Mei - Oktober 2021:49-71](#)

2021 [DOI: 10.14414/jbb.v11i1.2572](#) [Accred : Sinta 3](#)

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STIE Perbanas Surabaya [Journal of Business & Banking Vol 11, No 1 \(2021\): Mei - Oktober 2021:129-149](#)

2021 [DOI: 10.14414/jbb.v11i1.2591](#) [Accred : Sinta 3](#)

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