

# **Economic Situation During Pandemic Covid-19: The Development Strategies from Islamic Economic Perspective.**

**Mohd Shahid bin Mohd Noh**

## **Abstract**

Pandemic Covid-19 is the most discussed and debated topic since early year 2020 until today. The impacts that hit all level and layer of societies and countries is undescribed and inevitable. In simple words, if the developed country like America even affected economically, how about the symptoms in developing and third world countries whereas some of them were already struggling even before the pandemic. The histories and experiences supported by the guidance of Syari'ah should be always been referred and understood in order to overcome the issue and conflict that emerges in different natures and behaviors albeit identical in the concepts and philosophies. This paper attempts to address some of the development strategies suggested by scholars in developing and rebuilding economic situation aftermath of the crisis or pandemic in order to revive the momentum of positive progress in economy.

## **Introduction**

Indonesia in general experienced some impacts in several provinces and regions. In DKI Jakarta, West Java, East Java and South Sulawesi receive different impacts compared to other regions in the country. The most important thing is the mobility across many sectors of businesses such as retail, grocery and pharmacy shows significant differences between before and during the pandemic (R.E Ceraka et al., 2020). The change also indicates the decrement of income to the population where it simultaneously may affect to GDP, unemployment rate and economic development.

The current pandemic is expected to cause bankruptcy to many businesses since people are asked to stay at home (Tucker, 2020), while other businesses are thriving and

struggling in sustaining the demand for their products overwhelmed by restrictions (Donthu, N., Gustafsson, A., 2020). Some experts project that the impact of economic disruption brought by this pandemic more faster and potentially to be greater than previous crises for instance financial crisis 2008 or the Great Depression (Keer, 2020). In related situation, he also predicts that agriculture trade may be less affected since many governments tend to keep food supply chains keep on their wheel as a vigilance step during this crisis (Keer, 2020).

In China as the biggest economy power has experienced market panic among investors that could impact industries and individuals who directly deal with the stock market and eventually result to the decline of the market with the estimated market capitalization worth to more than USD 5 trillion (Liu, H, 2020).

Coronavirus has resulted in more stress and tensions in the international business environment. The stress has come from the changes needed to stay competitive while at the same time protecting individual health. Businesses have had to change their models to an online format in order to access customers. For many businesses based on traditional face to face interaction, this has required a change in current business practices. Some more entrepreneurial businesses have been able to transform more quickly than others as a result of environmental changes. The reason for this is the desire of the business leaders to stay in the marketplace while respecting required regulations. This has caused much tension among businesses due to the need to change quickly. Entrepreneurs by definition thrive from uncertainty; however, the covid-19 pandemic has resulted in a large amount of uncertainty from a variety of sources. This means there is still uncertainty about whether future changes are required or if the changes made are adequate. In the past, most entrepreneurship was based on market uncertainty but the current pandemic includes market, health, and social uncertainty. This combination requires strong leadership about the changes needed by business (Vanessa Ratten, 2020)

## **Strategies**

### **1. Maqasid al-Shari'ah**

By referring to maqasid priorities, the most important element to be preserved is life or *hifz al-nafs*. Hifz al-Nafs could be understood by granting the sustainability of human life that needs some sort of protection on their sustenance consisted of income, food and shelter. This pandemic does not similar to the other physical disasters such as earthquake, tsunami even riot or war that usually destroy the necessities and claim casualties in large number. It only disturbs the normality of human in practicing their daily life activities and shift them to the 'new normal'. Definitely, this 'new normal' might bring changes in human activities and behaviors that eventually lead to economic disruption.

Based on maqasid hierarchy, providing the stable income and demand for the business is the most important thing to execute now. As suggestion, we could learn something from Malaysia whereby the numbers of incentives, economic injections, subsidies and financial assistances has been introduced so far in order to cushion the risks that resulted from the pandemic.

### **2. Avoid Profit orientated – but social justice and distribution orientated**

Every business aims at profit and continuity of the business. In normal situation, business profit is favorable for the state where it could assist to the increment of tax collection. However, in today's situation, the profit-orientated business should consider the priorities instead of wealth motivation without encourages them in foregoing the profits but creating a balance between profit and needs of current situation.

### **3. Authorities play significant roles**

In this pandemic, we could see the borderless assistances occurred in many places that show the spirit of humanity among human. As reported, International Monetary Fund (IMF) has committed USD 10 billion as interest-free loan to the low-income countries and the proactive steps taken by United Nation in supplying emergency aids for those effected countries.

In country perspective, for instance, Malaysian Central Bank imposed moratorium for six months for individual loans and financings as well SME in order to ease cash flow for households in Malaysia during and post pandemic period. Besides, government also launches Special Relief Facility (SRF) for any SME that effected during Movement Control Order (MCO) by providing them with collateral free funding up to RM 1 million for working capital purposes. As we know that 98.5 percent business across all sizes and sectors are consisted from SME. By reviving back this industry it is hoped to redevelop the sectors and households at the same time to regain the economic momentum and prosperity.

However, relying only on government initiatives and assistances in restore the economic health is not the best action to be taken in this widespread crisis whereby its impacts hit everyone in this world. NGOs and individuals should also play their roles with the limitation in giving alms to needy groups surrounded them.

Looking to the budget that had been allocated to the mega projects in particular country, the government may review the relevancy of the project in this pandemic within the spirit of helping needy groups without neglecting the continuation of the projects which also have their own liabilities and responsibilities.

#### **4. Zakat Roles**

As stated in Syari'ah, needy and poor people are among the main recipients of zakat looking to their insufficient of life sustenance and giving hopes for the better life and future. Understood from that, zakat also could play its own roles in reviving back the normality of needy group especially who are really effected from this pandemic by providing them job opportunities, assisting their small entrepreneurship, training and monitoring program, etc.

#### **5. Waqf flexibility**

Many studies show that *waqf* could bring significant impact in mitigating risk resulted from crises. *Waqf* can be understood -in this case- as cash waqf or specific item *waqf*. For cash *waqf*, we may categorize the usage of fund into two, short-term and long-term. For short term usage, it may provides assistance for accessing capital and credit and for long-term assistance, the fund can support for the welfare, provision of steady income and for training and development (Y. J. Amuda et al., 2016).

Human resource development is the main tasking to be focused and stressed where it could overcome the problem from the root besides developing the needy group in society. The development can be in many ways such as capital assistance (for those who used to involve in business) (Savas Alpay et al., 2015). Giving *qard al-hasan* also one of the alternatives that could be offered to the group in this sudden scenario for short term usage before the stability is restored.

#### **7. Creating demand on domestic products**

The wheel of economy is moved by the principle of demand and supply. As understood from the ideas and thought from previous Islamic economist like Ibn Khaldun and others, creating demand always comes after job is performed and the cycle of development run on the path of job performance and creation before demand and supply will be connected and functioned.

In today's scenario, demands of domestic product especially those produced locally by SME's must be supported and encouraged rigorously. Campaigns such as 'buy local products' should be spread widely and understood by people at every level of society in order to ensure the success in mitigating the economic impact of this pandemic.

## **8. Leveraging the technologies**

As reported during the lockdown, many businesses had been organized and operated online from the traditional methods in products delivery. Supporting by the elements of technologies such as big data, robots, cloud, additive manufacturing and Internet of Things (IoT), the business is expected to evolve technologically in order to overcome the constraints raised from the pandemic.

## **9. Understand the fragileness of Capitalist**

The nature of capitalist system that encourage debt to industries sectors, households and corporates had exposed the fragileness of the system. When imports and exports started to go deviant from the projected path, productions and other related process also being disrupted. Since debt had overwhelmed all business across all sectors, this pandemic really hits everyone who are living in debt regardless the entity, individual or company.

Therefore, the long-term plan for economic development could be suggested to experts, academicians and practitioners in mitigating the risk that imposed by capitalist system.

## **10. Lesson from Covid-19: Saving money is saving your life**

Job loss during pandemic is a common news and something that must be expected when the economy is plunged to economic depression and businesses show their low demand. The survey conducted in Malaysia last May participated by 5000 respondents shows that one from five persons experienced job loss during this time, so it is estimated -based on this survey conclusion- 2 million may loss their jobs. However, as today, July 2020,

unemployment rate increased to 5.3 percent on Mya 2020 compared to 3.3 percent last year.

What is the most important lesson from this is not about the number, but how the jobless person survives from this situation? In long term, hopefully the recovery of economy will be realized sooner and jobs creation will increase. For short term survival plan, the saving allocated monthly by individual or households might assist them in facing cash flow problem. Financial management of household is the main theme in this discussion whereas saving for precautionary event is crucial in today's economy condition. Albeit the pandemic had shown obviously the impacts, late is always better than never where the lesson must be learned and considered for the future where the economy sometimes goes and walks in its cycle, where inclination and declination always takes turn in economic wheel. Hence, awareness on household financial management and saving plan must be strengthened and executed progressively for the sustainability of human life.

For record, Malaysia Employees Provident Fund (EPF) or Kumpulan Simpanan Wang Pekerja (KWSP) allows employee to withdraw up to RM 500 monthly during MCO from account 2 in assisting employee's daily life especially who had lost their jobs. Other that, SME's employers also given choice to temporarily stop employee's compulsory monthly contribution and reduce it to certain percentage as an effort to supply cash flow among employees.

## **Conclusion**

This unprecedented pandemic within after Spanish influenza had taught us a very good lesson. For muslim, the spirit of ta'awun 'ala al-birr wa al-taqwa should be the theme during the pandemic at every level of society in minimizing the burden of others. Some governments had shown their efforts and also NGOs in providing job or sources of income to needy groups. Regardless of differences in religions and races, we as human are commanded to help and cooperate each other in particular during hard time and together built up the nation for our prosperity and well-being. As in our faith that every

test from God have its own wisdom, hoping that every hardness will be replaced soon by the easiness.

## **References**

Tucker, H. (2020). Coronavirus bankruptcy tracker: These major companies are failing amid the shutdown. Forbes <https://www.forbes.com/sites/hanktucker/2020/05/03/coronavirus-bankruptcy-tracker-these-major-companies-are-failing-amid-the-shutdown/#5649f95d3425>.

Donthu, N., Gustafsson, A., 2020. Effects of COVID-19 on business and research. *Journal of Business Research*.. doi:10.1016/j.jbusres.2020.06.008

**Kerr, W. A. (1993). Domestic firms and transnational corporations in liberalizing command economies — A dynamic approach. *Economic Systems*, 17(3), 195–211.**

Kerr, W.A., 2020. The COVID- 19 pandemic and agriculture: Short- and long- run implications for international trade relations. *Canadian Journal of Agricultural Economics/Revue canadienne d agroéconomie*.. doi:10.1111/cjag.12230

Savas Alpay and Mohamed Aslam Haneef. (2015). *Integration of Waqf and Islamic Microfinance for Poverty Reduction: Case Study of Malaysia, Indonesia and Bangladesh*. Kuala Lumpur: Sesric Publication IIUM Malaysia.

Y. J. Amuda, D. A. Razak, and A. A. Ahmed. (2016). Application of Cash Waqf in the Empowerment of Widows in Malaysia. *Journal of Advanced Management Science* Vol. 4, No. 3, May 2016.

Vanessa Ratten. (2020). Coronavirus and international business: An entrepreneurial ecosystem perspective. *Thunderbird Int. Bus. Rev.*.. 2020;1–6. <https://onlinelibrary.wiley.com/journal/15206874>

Moss K. Donor funding for the global novel coronavirus response. Available at: <https://www.kff.org/global-healthpolicy/issue-brief/donor-funding-for-the-global-novelcoronavirus-response/>. Accessed on March 24, 2020.



Liu, H., Wang, Y., He, D., Wang, C., 2020. Short term response of Chinese stock markets to the outbreak of COVID-19. *Applied Economics*..

doi:10.1080/00036846.2020.1776837.

R.E. Caraka; Y. Lee; R. Kurniawan; R. Herliansyah; P.A. Kaban; B.I. Nasution; P.U. Gio; R.C. Chen; T. Toharudin; B. Pardamean. (2020). Impact of COVID-19 large scale restriction on environment and economy in Indonesia

*Volume 6, Special Issue (Covid-19), 2020, , Pages 65-84*

<http://dx.doi.org/10.22034/GJESM.2019.06.SI.07>