



**INTERNATIONAL JOURNAL OF LAW,
GOVERNMENT AND COMMUNICATION
(IJLGC)**
www.ijlgc.com



**RELIEF MEASURES OF ISLAMIC FINANCE IN COMBATING
ADVERSE IMPACTS OF COVID 19 IN MALAYSIA: AN
ANALYSIS**

Syuhaeda Aeni Mat Ali^{1*}, Azhani Arshad², Iriani Ibrahim³

¹ Faculty of Law, Universiti Teknologi MARA (UiTM) Shah Alam, Selangor, PhD (Law) of International Islamic University Malaysia

Email: syuha497@uitm.edu.my

² Faculty of Law, Universiti Teknologi MARA (UiTM) Shah Alam, Selangor, PhD (Law) of International Islamic University Malaysia

Email: azhani_arshad@uitm.edu.my

³ Faculty of Law, Universiti Teknologi MARA (UiTM) Shah Alam, Selangor, PhD (Law) of International Islamic University Malaysia

Email: irini@uitm.edu.my

* Corresponding Author

Article Info:

Article history:

Received date: 15.04.2021

Revised date: 15.05.2021

Accepted date: 31.05.2021

Published date: 15.06.2021

To cite this document:

Mat Ali, S. A., Arshad, A., & Ibrahim, I. (2021). Relief Measures of Islamic Finance Combating Adverse Impacts of Covid 19 in Malaysia: An Analysis. *International Journal of Law, Government and Communication*, 6 (24), 116-134.

DOI: 10.35631/IJLGC.624008.

This work is licensed under [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)



Abstract:

Coronavirus diseases or COVID-19 that initially started in Wuhan, China in 2019 had infected almost 80 million people around the globe. This outbreak has affected people in all aspects of life by forcing people to limit their normal daily life activities in order to combat the spread of the disease. Businesses are struggling to survive, unemployment arises but at the same time, people are obliged to pay expenses such as installments on their financings from financial institutions. Bank Negara Malaysia had introduced robust measures to soften the blow of the pandemic. During the Global Financial Crisis in 2008, Islamic finance has proven to be resilient and managed to survive the crisis without much substantial impact. However, the impact of COVID-19 is unprecedented and gives no exception to Islamic Finance. The purpose of this paper is to analyse the relief measures of Islamic finance in combating the adverse impacts of COVID-19 in Malaysia. The methodology adopted is doctrinal analysis. This is qualitative research. The research will be conducted to investigate the factual consequences and their effect on society. The significance of this study is to build greater resilience of Islamic Finance during this pandemic crisis, as well as in the post-COVID-19 environment. Findings disclose that Islamic finance faces liquidity issues, regulatory and digital challenges during this pandemic. Islamic finance must be value-driven and impact-focused to deliver Maqasid Shariah. Relief measures available include Financial technologies that enable Islamic Social finance instruments easily accessible during COVID-19 and Sukuk issuance to help micro-entrepreneurs and micro-businesses (SMEs).

Shariah Advisory of Bank Negara Malaysia rulings on practices of restructuring documentation shows the flexibility of the Islamic Finance to adapt to the impact of post-Covid-19. Islamic finance should develop new jurisprudence under the preamble of Maqasid Shariah as a solution to overcome the impacts caused by COVID-19.

Keywords:

COVID 19, Relief Measures, Islamic Finance, Malaysia

Introduction

The coronavirus COVID-19 was first reported on 31 December 2019 in Wuhan, China. The virus spread rapidly like wildfire to nearly every country in the world. As of 28 December 2020, COVID-19 pandemic had infected almost 80 million people around the globe.¹ The Malaysian government implemented Movement Control Order (MCO) on 18 March 2020 as a preventive measure against the COVID-19 pandemic. The MCO was regulated in the form of Conditional Movement Control Order (CMCO) on 4 May 2020, followed by Recovery Movement Control Order (RMCO) from 10 June to 31 August 2020 and further extended until 31.12.2020.

The COVID-19 pandemic and associated lockdown have adversely affected the global economic and financial activities. Recession becomes inevitable for all countries. The outbreak of the pandemic Covid-19 gives huge impacts towards all sectors in Malaysia especially the economic sector. The Small and Medium-Size Enterprise (SME) along with individuals with low income are the most affected parties. Similarly, the income of a person that is purely based on business is affected as they cannot run their business as usual. The increase in the rate of unemployment is unavoidable. Due to the uncertainties of this situation, Islamic banks are also affected as the buying power decreases, many people would not be able to afford to utilize the products provided by Islamic banks.

The governments have been focused on safeguarding economic resilience, managing risks to financial stability, and minimizing repercussions to society. The governments offer Moratorium to uplift the obligation to make the payments to the banks for a certain period to soften the impact of COVID-19 on the people particularly individuals and small enterprises by giving them the opportunity to pay the banks after the moratorium period.²

In Malaysia, the government announced a blanket 6-month moratorium for financing repayments from 1 April till 30 September 2020. After September 2020, a targeted moratorium or restructuring of financing facility were also offered by the banks to those whose income have been affected by the pandemic and applied for the assistance from the banks. This pandemic has brought paradigm shift not only in economic, finance, administration of the country but also created a “New Norm” in daily life for continuity.

¹ World Health Organization, Coronavirus diseases (COVID-19) pandemic (28 December 2020)

² *Policy Responses to COVID-19*, International Monetary Fund, <<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>> accessed 3 December 2020.
Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

Impacts of COVID-19 on Islamic Finance in Malaysia

Malaysia is heading towards periods of recovery while continuously managing the risk of virus resurgence. As this phase commences, Islamic finance has significant potential and a role to play. The moratorium period as had been implemented by the government raises various threats regarding liquidity risk, including the effect on banks' cash inflows of the delays in receipts due to restructuring or a moratorium on payments. It is pertinent to highlight that the impact of short-term liquidity risk might be immediate and solvency risk may appear at a later stage.

Therefore, various measures for liquidity support to the banking sector including lowering reserve requirements, lowering of the regulatory capital buffer, a bond/*Sukuk* buying programs, and availability of central bank credit lines (reverse repo) are taken into consideration in handling the impact of the COVID-19 crisis.³

The government of Malaysia has deployed sizeable stimulus packages and various assistance programs in alleviating its economic depression during the pandemic. This includes addressing demand and supply disruptions, maintaining cash flows, and keeping workers employed. As of September 2020, a total of 2.63 million workers and 321,000 employers had benefitted from the Wage Subsidy Programmed, involving an expenditure of RM10.4 billion.⁴ The financial industry, including Islamic financial institutions, also lent support to their borrowers and customers. In the first half of 2020, a total of RM120 billion was disbursed in lending/ financing to SMEs, with more accounts being approved in aggregate in 2020 compared to the same period in previous years.⁵

Bank Negara of Malaysia ("BNM") has reduced banks' capital buffers to finance rescheduling of loans or financings and to allow a temporary deferment of financing repayments of customers affected by the economic fallouts of the COVID-19. For instance, the statutory reserve requirement was cut from 3% to 2% to injecting over 30 billion ringgits of liquidity into the banking system. BNM is also allowing banks to draw down a 2.5% capital conservation buffer, run the liquidity coverage ratio below 100%, and utilize accumulated regulatory reserves.⁶ BNM has reduced the overnight policy rate intended to provide additional policy stimulus to accelerate the pace of economic recovery.

Islamic financial institutions and related associations have been actively educating and reaching out to affected borrowers about the financial assistance programs available in response to the pandemic. The takaful and insurance industry also facilitated affected certificate holders by offering temporary deferment of contribution and premium to promote continuity

³ *The Covid-19 Crisis And Islamic Finance*, Response Of The Islamic Development Bank Group (September 2020) <https://www.isdb.org/sites/default/files/media/documents/202010/1.%20IsDB%20Group%20Report%20on%20Covid-19%20and%20Islamic%20Finance__FINAL.pdf> accessed on 2 March 2021

⁴ Abdul Rasheed Ghaffour, "Maximising Islamic Finance for Inclusive Growth: From Crisis to Opportunity" Deputy Governor's Opening Remarks at the Launch of the World Bank Islamic Finance Reports, 07 Oct 2020 <https://www.bnm.gov.my/-/deputy-governor-s-opening-remarks-at-the-launch-of-the-world-bank-islamic-finance-reports> accessed on 2 March 2021

⁵ Ibid

⁶ Malaysian Takaful Association. 2020. Liberalization of Motor Tariff. [Online] Available from: <https://www.malaysiantakaful.com.my/general-takaful/phased-liberalisation/frequently-asked-questions-faqsliberalisation-motor-tariff>

of takaful protection coverage. More than 1.1 million certificate and policyholders have benefited from this relief measure.⁷

Thus, the purpose of this paper is to analyse the relief measures of Islamic finance in combating adverse impacts of COVID-19 in Malaysia.

Problem Statement

Islamic finance has proven to be resilient and managed to survive during 2008 Global Financial Crisis. This is due the nature of its products and instruments which offers a balanced solution to channel the funds to end-users without increasing the amount of debt. Changes in the pattern of the Islamic financial market are evident with the various innovation's products introduced in the market since that time. However, the impact of COVID-19 is unprecedented. Businesses are struggling to survive, unemployment arise but at the same time, people are obliged to pay expenses such as instalments on their financings from financial institutions. Similarly, SME Industries in Malaysia are severely challenged during this pandemic situation. If the assistance is not adequately provided, this can further cripple the economy and erode the employment. Islamic financial institutions and related associations have been reaching out to affected customers about the financial assistance programs available in response to the pandemic. Notwithstanding the fact that individuals and businesses were offered moratorium which gives six months deferment of instalment to manage with financial challenges during this difficult time. However, the implementation of moratorium however raises an issue on justification used by Islamic banks in imposing additional charges after the expiry of moratorium period. The Islamic Bank was alleged to be prioritizing profit over social responsibility. Islamic banks have been labelled similar with their conventional counterparts.

Issues and Challenges Of Islamic Finance During Covid 19 Pandemic

Islamic finances are facing number of unprecedented issues and challenges due to this recent virus outbreak (COVID-19) which can be summarised as follows: -

Maintaining Liquidity

Islamic financial institutions face liquidity constraints due to a mismatch between the demand and supply in the wake of the COVID-19 crisis. Further, the default rate is expected to rise significantly due to the strong lockdowns and uncertain health situations. Many jurisdictions are facing increased cash outflows from the corporate sector for liquidity, and following withdrawals from deposits maintained in accounts by various governments or government-related institutions to fund massive cash transfer programs.⁸ The banks turn to liquidity support from the central banks to meet excessive demand. Most governments including Malaysia introduced soft policy to uplift obligations of payment. This is a good policy to soften the impact of COVID-19 to individual or small enterprises. Nevertheless, this will eventually affect the banks that have limited reserve.

Thus, the banking sector, in general, is facing a liquidity deficiency due to various forbearance measures such as postponement of principal, interest and profit payments for the consumer and

⁷ Ibid.

⁸ The Covid-19 Crisis and Islamic Finance Report, Response Of The Islamic Development Bank Group (September 2020)

<https://www.isdb.org/sites/default/files/media/documents/202010/1.%20IsDB%20Group%20Report%20on%20Covid-19%20and%20Islamic%20Finance__FINAL.pdf> accessed on 2 March 2021

Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

industrial lending announced by the governments or central banks. The situation is such that banks' borrowers are not returning funds while the consumers and governments' withdrawals continue to support the economy, resulting in the erosion of the deposit base. The conventional banks defer loans but accumulate the interest payments.⁹

However, in the case of Islamic banks it becomes a *Shariah* issue as well if the bank wants to practice forbearance and simultaneously avoid substantial losses. The type of the financing agreement which are sales-based or rental-based or partnership-based and the stage of transaction matter in determining the ease of postponement or foregoing a part of the receivable.¹⁰

Another major concern that possibly restrains the ability of the banking sector in general and especially Islamic banking sector to raise capital from the capital markets is the deterioration in their credit ratings. The credit environment for the financial sector has declined substantially since the Covid-19 outbreak.

In addition, SME Bank is facing some challenges to fund the micro-businesses during this pandemic.¹¹ The vice president of SME Association of Malaysia, Chin Chee Seong, SME Bank pointed out that SME is currently not receiving sufficient funding from the government.¹² It is obvious that if the assistance is not adequately provided, it can affect the capability of SME industries to stay afloat during this challenging time. It can further cripple the economy in Malaysia.

Regulatory Intervention

Malaysia's Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 was enacted to provide various temporary relief to businesses and individuals who are unable to perform their contractual obligations due to COVID-19 including a moratorium on legal action.

The issue arise on how Islamic financial institutions should treat transactions in which there is a moratorium on repayment obligations that are imposed by the regulatory intervention. There are strict principles governing Islamic financial transactions against interest (*riba*). Some may question whether the remaining amount of deferred profit could still be claimed in the situation where a contractual repayment obligation period is extended. Further, whether a claim for an increase in profit due to the extension of the repayment period is permissible? This pandemic situation proves the need for clarity and solutions for Islamic finance transactions.

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has published a statement entitled "Accounting implications of the impact of COVID-19

⁹ Ibid

¹⁰ Ibid

¹¹ SME Bank is a financial institution that aims to provide financial assistance and development expertise to small and medium scale enterprises including micro-businesses. See SME Bank Official Website, <<https://smebank.com.my/en/>> accessed 30 November 2020.

¹² Justin, Lim, "25% of SMEs Face Closure Risk Amid New Wave of Covid-19" (The Edge Markets, 12 November 2020), <<https://www.theedgemarkets.com/article/25-smes-face-closure-risk-amid-new-wave-covid19>> accessed 10 December 2020.

pandemic” on 22 May 2020.¹³ According to AAOIFI, the contractual repayment period can be extended without an increase in profit or the remaining amount of deferred profit can be amortized over the extended period. However, if there is to be an increase in profit, it must be done not only by agreement of parties but also in accordance to *Sharia* compliance.¹⁴ In addition, the expected contractual period in respect of an Islamic finance transaction is considered to be extended only in two situations. Firstly, when there is a mandatory payment moratorium by the regulator, as and when such regulatory decision is enacted; or Secondly, if there is an optional payment moratorium by the regulator, as and when the counterparty submits its consent for application of payment moratorium in line with regulatory instructions.¹⁵

AOIFI has further classified the various payment moratorium legislation by the different jurisdictions into the following categories of impact on Islamic finance transactions, which are¹⁶:

- (i) extending the contractual period of the transaction, without increasing the profit/return on the Islamic finance transaction;
- (ii) suspending the payments for the time being, without increasing the contractual period of the transaction, and the total profit on the transaction remains the same; and
- (iii) modifying the contractual terms and conditions whereby the contractual period of the transaction is increased with increase in the profit/return (were acceptable in line with *Sharia* principles and rules).

Furthermore, BNM has announced for the implementation of moratorium for financing and loans that provides six-month deferment of instalment for Islamic financing and its counterparts automatically. The moratorium package were offered to all customers regardless whether they were in financial difficulty or not. . However, this moratorium has raised two main issues namely; (i) customers’ consent to participate in the moratorium and (ii) the change of instalment after the deferment period.¹⁷ It was argued that the Hire Purchase (HP) 1967 Act requires the bank to obtain customers’ consent before any change of instalment or deferment period could be made.¹⁸ Furthermore, *Shariah* Advisory Council (SAC) of BNM’s ruling states that the Islamic financial institutions shall obtain an explicit consent from customer on the additional amount to be imposed. In the event where the customer disagrees with additional amount, the customer can decide not to accept the moratorium package and shall resume the payment financing in accordance with the original payment schedule.¹⁹

¹³ AAOIFI is a leading international body responsible for the development and issuance of standards for the global Islamic finance industry. The objective of the statement is to provide clarifications to Islamic financial institutions for the application of AAOIFI financial accounting standards (FASs) and the AAOIFI’s Conceptual Framework considering certain pertinent issues arising due to economic factors and regulatory interventions in the wake of the COVID-19 pandemic.

¹⁴ Zhulkarnain A.R., *Impact of The COVID-19 Moratorium Laws on Islamic Finance*, (JD Supra, 12 June 2020) <<https://www.jdsupra.com/legalnews/impact-of-the-covid-19-moratorium-laws-76199/>> accessed on 10 December 2020.

¹⁵ *ibid.*

¹⁶ *ibid.*

¹⁷ Amir Shaharuddin *Do Islamic Banks Act ‘Islamic’ During COVID-19 pandemic?* The Journal of Muamalat and Islamic Finance Research Vol. 17, Special Issues 2020, Pp. 3-12

¹⁸ *ibid.*

¹⁹ *Shariah* Advisory Council. (2020). Ruling on operationalization of moratorium for Islamic financing. Bank Negara Malaysia.

The second issue is relating to the additional amount charged to cover part of the modification losses incurred by Islamic banks. The increase in monthly instalment triggered public criticism over the moratorium package. According to the critics, Islamic banks were supposed to assist the majority of public who were affected by the Covid-19 pandemic without charging any extra instalment. Nonetheless, the Malaysian Minister of Finance has declared that the banks must maintain the instalments amounts of all their customers.²⁰ The announcement and directive from the government has satisfied the public. However, according to Islamic banks, the increase in customer's instalment is necessary to cover the modification loss required in the new International Financial Reporting Standard (IFRS 9) guidelines.²¹ Thus, the issue arises on how the Islamic banks cope with the modification losses?

Digital Challenges

Digitalisation of Islamic banking through technology is essential to promote financial inclusion amidst pandemic COVID-19 in Malaysia. Lockdown measures during COVID-19 Pandemic have demonstrated the capacity of Islamic finance markets to adapt in response to this crisis. Even prior to the COVID-19 outbreak, Islamic banks have been trying to catch up with conventional banking counterparts by stepping up investment in digitalization to reduce operating expenses, boost revenue, and automate internal processes.²² During the pandemic, consumers and businesses alike have increased their use of mobile and digital platforms. It is evident that Malaysia has a wide take up of mobile banking technology representing a nearly 60% penetration rate to the total adult population as of July 2020.²³

With increasing awareness of e-commerce amongst Malaysians, businesses have shifted their platforms or increased their presence on online market places and utilisation of e-payments. Several financial institutions have also even enhanced their internet and mobile banking channels to help market SME businesses amongst their customers.

Takaful operators and insurance companies have also increased digitalisation of their operations such as claims processing and customer service to minimise face-to-face interaction during the movement control order period.

Nonetheless there are also challenges faced by the Islamic Fintech industry in Malaysia. Islamic Fintech is different from its conventional counterpart as it is transparent, beneficial for the two parties and *Shariah* compliant²⁴. Fintech creates opportunities for Islamic Finance. On the consumer side, Fintech innovation provides choices which are more aligned to individual needs. Latest technology embraced by Fintech leveraging on internet, mobile devices and social media integrations make financial transaction more automated, user friendly and more

²⁰ Amir Shaharuddin *Do Islamic Banks Act 'Islamic' During COVID-19 pandemic?*

²¹ IFRS 9 is an International Financial Reporting Standard (IFRS) published by the International Accounting Standards Board (IASB) <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/#:~:text=News-,About,or%20sell%20non%2Dfinancial%20items> accessed on 10 March 2021

²² Stuart Brown, 'How COVID-19 Will Reshape Islamic Finance Markets', (The Jakarta Post, 5 June 2020), <<https://www.thejakartapost.com/academia/2020/06/05/how-covid-19-will-reshape-islamic-finance-markets.html>> accessed on 5 December 2020.

²³ Islamic Development Bank to Support Pioneering Ideas in the Fight Against COVID-19 via 500m TransformFund (2020, April 1st). <<https://www.isdb.org/news/islamic-development-bank-to-support-pioneering-ideas-in-the-fight-against-coronavirus-via-500m-transform-fund>> accessed on 2 March 2021

²⁴ Egi Arvian Firmansyah, Mokhammad Anwar, *Islamic Financial Technology (Fintech): Its Challenges and Prospect*, Advances in Social Science, Education and Humanities Research (ASSEHR), volume 216, Achieving and Sustaining SDGs 2018 Conference: Harnessing the Power of Frontier Technology to Achieve the Sustainable Development Goals (ASSDG 2018), Bandung

convenient thus resulting in superior customer experience. Crowdfunding and peer-to-peer (P2P) financing options provided by Fintech create hopes for individuals or SMEs that require financing but do not qualify to obtain financing from traditional Islamic financial institution. Investors are entitled to higher potential returns by investing directly into the business ventures that they finance via online financing marketplace.²⁵ Digital transformation technologies such as Cloud, Internet-of-Things (IoT), Blockchain (BC), Artificial Intelligence (AI), and Machine Learning (ML), constitute a bulk of the of what is being adopted by organizations and/or company as part of their transformation effort.

In August 2020, BNM collaborated with the Malaysian Digital Economy Corporation (MDEC) to launch the Fintech Booster program.²⁶ Fintech companies and their partners will gain access to tools and business development support such as business model, legal and compliance advisory to develop meaningful solutions. This program is expected to spur a more dynamic fintech ecosystem that can contribute to a thriving digital economy in Malaysia.²⁷ Efforts to accelerate digital financial innovation can transform the way finance is delivered to society and expand its reach beyond traditional frontiers.²⁸

Analysis on Relief Measures Of Islamic Finance In Combating Adverse Impacts of Covid- 19

The COVID 19 pandemic has been a test of resilience for nations around the world. *Shariah* advocates for balance between wealth creation and wealth circulation. This in turn promotes fairness and *ihsan* in promoting the attainment of benefits as well as preventing harm. This crisis has indeed created many opportunities for Islamic finance to respond and contribute meaningfully towards sustainable and inclusive growth.

Islamic Finance Must Be Value-Driven and Impact-Focused to Deliver *Maqasid Shariah*

Islamic finance must be value-driven and impact-focused to deliver *Maqasid Shariah* (the objectives of *Shariah*).²⁹ Islamic finance should ensure that its practices, conduct and offerings are in line with *Maqasid Shariah* during this pandemic.

BNM formulates a set of guidelines relating to “Value-based intermediation” (VBI) for the domestic Islamic banking industry. VBI is based on *Maqasid Shariah* which can give social impact and not just profit maximization. The Islamic banks in Malaysia have risen to the call to generate more positive impact through the VBI agenda. Its core focus is to ensure that the money is optimally used for the community and at the same time preserving the people’s welfare and environment.³⁰ As at 2019, there are 12 VBI Community of Practitioners (COP)

²⁵ Islamic Finance in The Digital Age: Fintech Revolution; Global Islamic Finance Report 2017<http://www.gifr.net/gifr2017/ch_17.pdf> accessed on 2 March 2021

²⁶ MDEC and Bank Negara launch Fintech Booster programme to support fintech, NST Business (August 4, 2020 <https://www.nst.com.my/business/2020/08/613946/mdec-and-bank-negara-launch-fintech-booster-programme-support-fintech> accessed on 2 March 2021

²⁷ Ibid

²⁸ Ibid

²⁹ Al-Shatibi summed up the *Maqasid Shariah* into five components namely to preserve the religion, human life, the faculty of human reason, progeny, and material wealth. See Ahmad Al-Raysuni, *Imam Al-Shatibi’s Theory of the Higher Objectives and Intents of Islamic Law* (The International Institute of Islamic Thought & Islamic Book Trust 2006) p.137.

³⁰ Bank Negara Malaysia, *Value-Based Intermediation: Strengthening the Roles and Impact and Impact of Islamic Finance* (12 March 2018)

<<https://www.bnm.gov.my/documents/20124/761682/Strategy+Paper+on+VBI.pdf/b299fc38-0728-eca6-40ee->

Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

namely AgroBank, Alliance Islamic Bank Berhad, AmBank Islamic Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, Maybank Islamic Berhad, OCBC Al-Amin Bank Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad and Standard Chartered Saadiq Berhad.³¹

It is obvious that VBI encourage Islamic banks to become the leading institutions which create values and make impactful contributions to the community.

Islamic Finance Alternative Through Sukuk

*Sukuk*³² is structured in a way to generate returns to the investors while simultaneously allowing the investees to lessen their financial burdens. Besides, *Sukuk* is a form of financial aid that is infused to help micro-entrepreneurs and micro-businesses (SMEs) that have no established form of capital as macro businesses. Hence, *Sukuk* issuance has been sought by many nations to curb the financial burdens that have been occurring due to the pandemic.

The Prime Minister of Malaysia, Tan Sri Muhyiddin Yassin has make an announcement for the issuance of RM500 million of '*Sukuk* Prihatin' as a way to rebuild the economy.³³ This 'People's *Sukuk*- from people to people' is funded and utilized for the use of many, viz-a-viz to fund micro enterprises (SME), development for schools in rural areas as well as to fund research grants for infectious disease. As highlighted by the Prime Minister, it is one of the adjunct alternatives used in supporting the government's post-recovery measures of the pandemic.³⁴

Bank Negara Malaysia governor, Datuk Nor Shamsiah Mohd Yunus said that the pandemic has provided an impetus for a reset and reprioritise resources to reconstruct the country's economy and financial systems to be more sustainable and inclusive.³⁵ She opined that Malaysia continues to be the forefront of green *Sukuk*, which caters to the needs of investors who prefer investments with a positive environmental impact, mainly those that go towards funding activities or technology that support a low-carbon and climate-resilient society.³⁶

Therefore, it could be said that the issuance of *Sukuk* is an alternative that can be used in reducing the burdens of micro-entrepreneurs and micro-businesses (SMEs) during the time of the pandemic. Alternatively, the government may be able to raise profit through the rate obtained from issuing the *Sukuks* and thus enhance the economical state of the nation. Simultaneously, micro-entrepreneurs and micro-businesses (SMEs) can reduce their financial burdens when this capital is being infused into their business capital.

023fc584265e?t=1581907679482> accessed 25 December 2020.

³¹See <<https://aibim.com/value-based-intermediation>> accessed 1 March 2021.

³² According to Securities Commission Malaysia (SC), *Sukuk* refers to "certificates of equal value which evidence undivided ownership or investment in the assets using Sharia principles and concepts endorsed by the Sharia Advisory Council Malaysia (SAC) Retrieved from <http://www.mifc.com/index.php?ch=39&pg=97&ac=312&bb=attachpdf>

³³ RM500mil Prihatin *Sukuk* for Malaysians to help rebuild economy, NST Business - June 7, 2020 <<https://www.nst.com.my/business/2020/06/598686/rm500mil-prihatin-sukuk-malaysians-help-rebuild-economy>> accessed 25 December 2020

³⁴ The emergence of COVID-19 Mitigation *Sukuk* - Malaysia Set to Join IsDB. Retrieved from <https://www.bernama.com/en/thoughts/news.php?id=1854830>

³⁵ Asila Jalil, Islamic finance to lessen Covid-19 impact <<https://themalaysianreserve.com/2020/10/07/islamic-finance-to-,-lessen-covid-19-impact/>> Accessed on 25 December 2020]

³⁶ Ibid

Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

Restructuring Islamic Financing Agreement

Due to the outbreak of Covid-19, the *Shariah* Advisory Council (SAC) of BNM had issued further ruling on practices of restructuring of Islamic financing. This ruling concerns on the restructuring of an Islamic financing facility based on original *Shariah* contracts, restructuring the facility into a conventional loan, and compounding profit on restructuring.³⁷

Pursuant to the ruling, an Islamic financing facility may be restructured based on original *Shariah* contracts using a supplementary agreement that is cross-referred to the terms and conditions of the original agreement. No new agreement is required. This is intended to reduce the cost and challenges to customers, and operational burden on Islamic financial institutions. However, a new agreement is required if the restructuring involves the application of a different *Shariah* contract, for example, a house financing that is originally based on *Musharakah Mutanaqisah* (diminishing partnership) is being restructured using *ijarah* or a combination of multiple financing based on various *Shariah* contracts into a new single *Shariah* contract as part of a debt rationalisation exercise.³⁸

Meanwhile, the SAC of BNM had ruled that while Islamic Financial Institutions (IFIs) may restructure a conventional loan into an Islamic financing. However, they are not allowed to do the opposite. In cases where the customer chooses to restructure his existing Islamic financing facility to a conventional loan, it is the customer's prerogative and choice to do so.³⁹

As for compounding profit on restructuring, it was ruled that IFIs were not allowed to include and account for any accrued profit on an original financing as the new principal amount for the restructured facility. Such practice aims to avoid multiplying of profits charges on debts (compounded profits). Therefore, in implementing a restructuring, the new principal amount for the restructured facility is equivalent to the outstanding principal amount of the original facility, provided there is no additional financing, and IFIs are allowed to charge a new profit rate on the new principal amount. BNM also added that the amount of accrued profit and late payment charges (where applicable) on the existing financing can be carried forward and added to the total debt obligation, but it said this amount cannot be capitalised in the calculation of new profit.⁴⁰

Notwithstanding the new ruling specifies that 'no new agreement is required' in a restructured facility, yet upon going through the details of the new ruling, it would appear that if a new *aqad* (contract for a *Shariah* transaction) is required due to variation of the original sale price pursuant to the restructuring, then such new *aqad* may be documented in the supplemental agreement. For example, if parties enter into a new *tawarruq* transaction pursuant to the restructured facility and a fresh commodity sale transaction is executed by the financier and

³⁷ Bank Negara Malaysia (2020). The *Shariah* Advisory Council of Bank Negara Malaysia (the SAC) 30th Special meeting (revised on 16 October 2020). Retrieved from <https://www.bnm.gov.my/-/sac-30th-special-meeting> [Accessed on 25 December 2020]

³⁸ Bank Negara Malaysia (2020). The *Shariah* Advisory Council of Bank Negara Malaysia (the SAC) 30th Special meeting (revised on 16 October 2020). Retrieved from <https://www.bnm.gov.my/-/sac-30th-special-meeting> [Accessed on 25 December 2020]

³⁹ *ibid*

⁴⁰ *ibid*

the customer, then a new *aqad* evidencing such fresh commodity sale transaction may be documented in the supplemental agreement in line with the new ruling.⁴¹

Meanwhile, if both the original and the restructured facility utilise the *tawarruq* structure, then the IFIs needs to ensure that the agency arrangement between the IFIs and the customer (such agency being an essential feature of the *tawarruq* transaction) would subsist for the *tawarruq* transaction under the restructured facility. Typically, such agency arrangement would usually end upon completing the *tawarruq* transaction under the original facility, if so, then a fresh agency appointment would need to be made as well for the restructured facility.⁴²

Following a restructuring of an Islamic facility based on the new ruling, existing security documents may need to be amended or substituted with new security documents, depending on the circumstances. In addition, the parties also need to consider the implications of any amended or new security documents on any security under the original facility that were previously lodged and registered with the relevant authorities, such as the land office and the Companies Commission of Malaysia (SSM). Undoubtedly, should the particulars of any security previously lodged with the land office and SSM are to be changed, then such changes should be made by applying to court for an order to amend the particulars in question. The implications of such a court order should be taken into account in determining whether security documents should be amended or substituted afresh.⁴³

It is evident that the changes in the facilities documentation show the flexibility of the Islamic Finance in Malaysia to adapt with the impact of post Covid-19. The rulings made by SAC is very important as a guideline to ensure the process of restructuring of the Islamic finance is always in line with *Shariah* requirements in order to ensure the legitimacy of Islamic financial products and services. It also to ensure the uniformity of the practises between IFIs in Malaysia.

Digital Services

The COVID-19 pandemic has proved beyond doubt the value of digital services that minimize or eliminate direct human contact. It has forced those who initially resisted digitalisation to adopt it. The rapid adoption of digital financial services provides new opportunities for more financial inclusion, which will also improve the efficiency and inclusiveness of financial services used by lower income groups and their families. The Islamic financial technology industry itself has gone beyond digital payments and e-wallets to offer peer-to-peer (P2P) financing, crowdfunding, remittances, personal finance, wealth management and takaful (insurance).

Digital Banking Licenses by Bank Negara Malaysia

Malaysia's promotion of a digital economy has come at the right time. BNM set to issue digital banking licenses. Digital banks, also known as virtual banks, primarily deliver banking services through digital channels such as the internet with minimal brick-and-mortar presence. Usually operated by a mix of e-commerce firms, technology and telecommunications companies, Fintech and financial institutions, digital banks typically target 'unbanked' or 'underserved'

⁴¹ Megat Hizaini Hassan, Sharmeen Dahlia (21 August 2020). Recent *Shariah* Advisory Council Ruling on Restructuring of Islamic Financing Facilities. Retrieved from <https://www.lh-ag.com/wp-content/uploads/2020/08/Recent-Shariah-Advisory-Council-Ruling-on-Restructuring-of-Islamic-Financing-Facilities-LHAG-update-20200821.pdf> [Accessed on 25 December 2020]

⁴² *ibid*

⁴³ *ibid*

customer segments such as low-income individuals, early income millennials, start-ups and small SMEs.

On 31 December 2020, BNM issued Policy Document on the Licensing Framework for Digital Banks (Policy Document).⁴⁴ Companies which are interested in launching or offering digital banking services, be it conventional or Islamic, must submit their applications to BNM by 30 June 2021.

Digital banks will be required to comply with the requirements under the Financial Services Act 2013 or Islamic Financial Services Act 2013, including relevant requirements that comprise, amongst others, standards on prudential, business conduct and consumer protection, as well as on anti-money laundering and terrorism financing. BNM has proposed to adopt a phased approach for the regulation of licensed digital banks. It is apparent that the pandemic has acted as a catalyst to turn individuals and enterprises in Malaysia to digital avenues for purchases, productivity, and content. These are trends that the coming wave of digital banks is set to leverage.⁴⁵

Undeniably, the interruption caused by COVID-19 has had both positive and negative effects on the Fintech service providers vying for the licenses. Hence, Islamic financial institutions in Malaysia should take advantage of the golden opportunity on this digital banking revolution. Banks that are reluctant or slow to change to a more digital approach will be left behind.

Full Utilization of Islamic Social Finance (ISF) Instruments

Islamic finance also being a socially responsible tools during this period would be of a great help in empowering the community. The infusion of social finance (ISF) in Islamic financial services offers significant potential for Islamic finance to more effectively mobilise capital towards building social resilience. ISF is defined as a sector comprising of traditional Islamic institutions based on philanthropy which includes *Zakat*, *ṣadaqah* and *Waqf*.⁴⁶ Among others, the objectives of ISF include to meet the needs of the poor and to make a dent in their ever-rising levels of poverty and the promotion of inclusive participation and shared prosperity.

Roles of Zakat in Facing the COVID 19 Challenges

Zakat comprises small parts of any asset given to eight categories of receivers including the needy, the poor and people trapped in debt, and the conditions in line with Islamic teachings. It is one of the key pillars of Islam and is ordained to mobilize funds for the welfare of the poor. Its collection was enforced by governments in early Islamic history. Zakat is a mandatory requirement for all Muslims that meet a minimum level of wealth and are required to donate 2.5% of their accumulated wealth annually.

⁴⁴ Bank Negara Malaysia has issued the Policy Document on Licensing Framework for Digital Banks <<https://www.trowers.com/insights/2021/february/bank-negara-malaysia-has-issued-the-policy-document-on-licensing-framework-for-digital-banks>> Accessed on 3 March 2021

⁴⁵ Joe Devanesan, *Malaysia is gearing up for a digital banking revolution* <https://techwireasia.com/2020/06/malaysia-is-gearing-up-for-a-digital-banking-revolution/> accessed on 15 March 2021

⁴⁶ Syed Marwan Mujahid Syed Azman, E. R. (2019) *Islamic Social Finance and the imperative for social impact measurement.*, Shajarah Journal Of Islamic Thought And Civilization Of The International Islamic University Malaysia (Iium) Special Issue: Islamic Banking And Finance 43-68.

Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

Emergency Relief

One of the main impacts of the COVID-19 pandemic at the socio-economic level is the loss of income faced by individuals and businesses. Currently, one of the most affected industry in the world is the aviation industry. In Malaysia, we have witnessed in reported news where some pilots are forced to find other sources of income, one of them being by venturing into the food and beverage business. This is the time where *Zakat* can be utilised to offer help or a new hope to those who have lost their job. Those who are within the categories that are specified in the Quran are no doubt entitled to receive *Zakat*. Therefore, those who are financially affected due to retrenchment may seek temporary relief from *Zakat* for the time being before they can find anew job.

This emergency relief is offered by Majlis Agama Islam Wilayah Persekutuan (MAIWP) where they announced that their *Zakat* funds will be utilized to provide RM500.00 for eligible applicants, especially those who have lost their jobs due to the COVID-19 pandemic⁴⁷.

Loan Assistance

Zakat funds may also be used to provide loans to new entrepreneurs to start their business. In current circumstances, *Zakat* funds can also be utilized to extend capital assistance to those who have lost their sources of income.

For instance, MAIWP introduced Asnaf entrepreneurs which represent micro entrepreneurs who depend on zakat funds. They benefitted from the funds and getting support from the zakat institutions, Consequently, Asnaf entrepreneurs become less dependent on the support and become zakat payer.⁴⁸ Asnaf entrepreneurs have also been supported by other facilities, which was not only limited to capital, but also permitted exposure to important facilities such as training, marketing, and financial management for their business.⁴⁹

Furthermore, MAIWP, in partnership with BIMB and SME Corp. has launched a specific program to help the B40 segment in generating sustainable income and achieving financial resilience (iTEKAD) starting in May 2020⁵⁰. For example; Bank Islam Malaysia Berhad offers BangKIT Microfinance which is designed to assist selected unbanked or underbank micro entrepreneurs to obtain capital start up or expand their business.⁵¹ Customers will be provided with structured entrepreneurship training to ensure business sustainability.

⁴⁷ Bernama. (14 November, 2020). *PKPB: MAIWP sedia RM9.5 juta untuk Bantuan Zakat Kecemasan*. BERNAMA.COM <: https://www.bernama.com/bm/am/news_covid-19.php?id=1901198> accessed on 2 March 2021

⁴⁸

Noormariana Mohd Din, Mohd Zulkifli Muhammad, Mohammad Ismail & Nadzirah Mohd Said *the Impact of Asnaf Entrepreneur's Intention Towards Decision and the Movement of Zakat Collection*. Research in World Economy Vol. 11, No. 6; 2020 <<http://rwe.sciedupress.com>> accessed Mar 17 2021.

⁴⁹ Hazlina Abdul, Said, J., & Yusuf, S. N. S. (2012). Individual characteristics of the successful asnaf entrepreneurs: Opportunities and solutions for zakat organization in Malaysia. *International Business and Management*, 4(2), 41-49

⁵⁰ World Bank Group, *Malaysia Islamic Finance and Financial Inclusion (October 2020)* <<https://openknowledge.worldbank.org/bitstream/handle/10986/34519/Malaysia-Islamic-Finance-and-Financial-Inclusion.pdf?sequence=1&isAllowed=y>> accessed 28 December 2020.

⁵¹ See < <https://www.bankislam.com/corporate-info/social-finance-bank-islam/pembiayaan-mikro-bangkit/>> accessed on 10 March 2021

Education Scholarship/Assistance

Lembaga Zakat Selangor (LZS) has commenced a notable initiative to combat the adverse effects of the COVID-19 pandemic in relation to the provision of education. LZS provides *Zakat* assistance or scholarship to students who come from families listed as *Zakat* beneficiaries. The *Zakat* assistance offered by LZS includes provisions of funds to those qualified, including students from primary schools up to university students. However, it is worth noting that only students falling under the categories of those eligible to receive *Zakat* funds would benefit under this initiative.

Therefore, not all students are eligible to receive the *Zakat* funds. It is believed that this initiative should also be extended to students whose families have lost their sources of income as a result of the COVID-19 pandemic, especially so in the current situation where most, if not all, of the education sector has moved the teachings and classes to online platforms. Students who come from families who have lost their sources of income may find it difficult to transition from physical in-person learning to online learning as many facilities need to be in place to enable them to participate in online classes, such as personal computers, laptops or tablets, as well as a stable internet access. Thus, assistance derived from the provision of *Zakat* funds should also extend to students facing the abovementioned circumstances.

Role Of Sadaqah (Donation) In Facing The COVID 19 Challenges

Sadaqah (donation) is intended to redeem the rights of the less privileged in society. *Sadaqat* is the plural of the term *sadaqah*, a derivative of the root meaning truthfulness and sincerity.

Emergency Relief and As Supporting Funds to Zakat

The utilization of *Sadaqah* funds to help those in need is viewed as a quick and readily accessible process is because, unlike *Zakat* funds which can only be used to provide aid to the eight categories of persons eligible to receive zakat, *Sadaqah* can be given at any time without any limitation to the recipient. The funds collected from the practice of *Sadaqah* can be immediately used to provide financial aid to those affected by the COVID-19 pandemic, namely those who have lost their employment and/or source of income. For instance; Bank Islam Malaysia Berhad set up Sadaqa House since 2018 as a charity crowdfunding platform. Sadaqa House latest product, BangKIT microfinance facility launched in November 2020 to empower community through entrepreneurship.

Roles of Waqf as ISF Tools Benefited Society During COVID 19 Pandemic

Waqf is a trust established when the contributor endows the stream of income accruing to a property for a charitable purpose in perpetuity. In addition, *Waqf* or endowments may be established for any charitable purpose. *Waqf* have traditionally been in the form of real estate, with land and buildings used for charitable purposes such as education, feeding the poor, or providing religious services. *Waqf* can, however, also be used for more direct methods of financial inclusion such as making cash payments to needy individuals from the proceeds of the endowment or providing means of livelihood such as land, livestock, or equipment through which beneficiaries may participate in the financial economy. *Waqf* as a tool of social finance could mitigate the impact and effect of the pandemic.

The Association of Islamic Banking and Financial Institution Malaysia (AIBIM) has formed a platform called myWakaf to integrate *Waqf*'s role into the Islamic banking framework.⁵²

⁵² <<https://www.mywakaf.com.my/about-us/#1519010498327-0a54b067-e890>> Accessed on 3 March 2021
Copyright © GLOBAL ACADEMIC EXCELLENCE (M) SDN BHD - All rights reserved

myWakaf comprises participation from six Islamic banks, namely Affin Islamic Bank Berhad, BIMB, Bank Rakyat, BMMB, MIB and RHB Islamic Bank Berhad.⁵³ Under this arrangement, Islamic banks collaborate with State Islamic Religious Council in developing the potential of *Waqf* with the aim of economically empowering the people of Malaysia.

It is pertinent to highlight that myWakaf portal, offer various channels of collection across the country. Donors may choose to subscribe through JomPAY⁵⁴ or use the internet to transfer funds to their project of choice located in several states.⁵⁵

Other Islamic Financial Instrument as Part of ISF In Dealing with The Pandemic Covid-19

Qard Al-Hasan

Qard al-hasan, a loan mentioned in the Qur'an as "beautiful" (*hasan*), is a voluntary loan, without any expectation by the creditor of any return on the principal. *Qard al-Hassan* is a charitable loan with no interest, or zero-interest bearing loan, with low expectations of return of capital. *Qard al- Hassan* would be an effective means of economic development and poverty alleviation especially after the post COVID-19.

The Qur'an encourages Muslims to provide *Qard hassan*, benevolent loans, to "those who need them": "Who is he that will give Allah *Qard Hasan*? For Allah will increase it manifold to his credit." (Al- Qur'an 57:11)

Qard-al-hassan is a viable option to reduce financial exclusion by extending financing to poor especially those who do not have access to any commercial microfinance lending either due to lack of collateral or lack of affordability owing to high cost of funding or no credit history. As corporations and individuals grapple with the impact of COVID-19 on their revenue, *qard al-Hassan* from banks could provide breathing space until the environment stabilizes. For example, the central banks of some GCC countries opened liquidity lines for financial institutions at no cost to provide subsidized lending to their corporate and SME clients⁵⁶.

In addition, the Islamic finance experts are of the view that Islamic financial institutions should take the opportunity to think about what is good for society and not focus on the profit maximisation objective alone and get to the idea of sharing of prosperity. The Islamic financial institutions should think of utilising *qard hasan* in the financial system.

The Islamic Social Finance should be combined with commercial financing to bring a lot of benefit to the commercial site as well. The charitable fund provides some kind of hedging or coverage for the potential loss. The investors have the option either to get the capital back by putting the money in the *qard hasan* fund or to give charity in the charitable fund. The combination of two funds can be utilised in various project, for example *Waqf* hospital where

⁵³ Ibid

⁵⁴ JomPAY is a national bill payment scheme that allows customers to pay bills conveniently and securely via the internet and mobile banking.

⁵⁵ The projects include a hemodialysis service at the Tunku Fauziah Hospital in Perlis, a boat waqf project in Perak, the Islamic school in Negeri Sembilan, and the Al-Bait waqf fund in Sarawak. It is easier, more effective, and tax-exempt contributions (myWakaf, 2019; AIBIM, 2019).

⁵⁶ <http://imfn.org/islamic-finance-may-play-key-role-in-post-covid-19>

the charitable fund will be utilised for the needy patient⁵⁷. Research also has been done and it was said that the *qard hasan* is doable specifically in crowd financing⁵⁸.

Role of Islamic Social Finance Via Digital Technology

The advanced Internet banking facilities along with greater numbers of young generations who are IT literate and greater access to online facilities serve as a mechanism that can promote online fundraising.

The use of Fintech has enabled a resurgence of Islamic social finance and institutions are at the vanguard of using technology to enhance zakat collections. The available technology, especially blockchain, enhances transparency and reduces information asymmetry. Consequently, Muslims have greater confidence in making donations either in the form of zakat, *Waqf* or *sadaqah* using the Fintech platform or application.

Notwithstanding Malaysia's gains in the application of Fintech towards financial inclusion, several issues remain to be addressed:

i) Bridging the technology gap between generations⁵⁹ - to enable senior citizens and lower income segments access to the full benefits of the digital economy. The income gap between urban and rural areas, and the disparity in education standards will compound the problem. Therefore, a concentrated effort in improving financial literacy and education to reduce these gaps needs to be initiated by the government.

ii) iSME readiness - transferring the automation of SMEs into digitization⁶⁰ such that there are tangible gains in their processes. Policies should be put in place to enable the transfer of expertise and technology from SMEs in more digitally advanced economies. An improvement in digitizing SME processes will enable greater scale ups, increase exports and create a more resilient sector and economy.

iii) Developing the halal economy - requires the evolution of digital platforms to automate processes beyond payments and financing systems. Greater innovation is required on the part of Islamic Fintech companies and collaborations between Department of Islamic Development Malaysia (JAKIM) and Malaysian Technology Development Corporation (MTDC) to achieve this goal⁶¹. There is also a need to better integrate Islamic financing, halal economy, sustainability and resource mobilization within the Islamic finance ecosystem.

⁵⁷ Umar Munshi 'CORONOMICS WEBINAR #2 : Raise Fund through Digital Platform During COVID19 - Make or Break SME' < <https://www.youtube.com/watch?v=g4G7mJMiDBA>> accessed 25 December 2020

⁵⁸ Abdulmajeed M.R. Aderemi 'Crowdfunding as an Alternative Mode of Financing Micro and Small Enterprises: A Proposed Qard-al-Hasan Contract' (2020) International Journal of Islamic Economics and Finance (IJIEF) Vol. 3(2), , Special Issue: Islamic Social Finance and Ethics, 95-118

⁵⁹ David C. E. Tneh, "We have to accept good and bad of digital economy," New Straits Times, January 20 (2020), <https://www.nst.com.my/opinion/letters/2020/01/557988/we-have-accept-good-and-bad-digital-economy>.

⁶⁰ SME Corp and Huawei, Accelerating Malaysian Digital SMEs: Escaping the Computerisation Trap," <https://www.huawei.com/minisite/accelerating-malaysia-digital-smes/img/sme-corp-malaysia-huawei.pdf>.

⁶¹ Mohd. Kamal bin Abdullah, "Here's Why Malaysia's Halal Export Stumbled Lately," December 24, 2019, <http://malaysiansmustknowthetruth.blogspot.com/2019/12/heres-why-malaysias-halal-export.html>.

Conclusion and Recommendation

Islamic finance plays vital role in combating the adverse impact of the Covid-19 pandemic on the vulnerable populations. COVID-19 has not only presented a threat to the health and life but it also affected the livelihood of the people. Islamic finance offers strategic solutions where Islamic social finance (ISF) is a part of its tool in response to the COVID-19 pandemic provides for a sustainable economic as well as socio-economic development. Besides, financial technologies has make ISF possible to be deployed during COVID-19. For instance, innovation in technology made online monetary donation during COVID-19 possible. Thus, Islamic finance should accelerate digital innovation by collaborating with the fintech community. Furthermore, opportunity should be taken by Islamic banks to come with innovative Islamic financial products during this pandemic. Islamic finance should further develop new jurisprudence under the preamble of *Maqasid Shariah* as a solution to overcome the impacts caused by COVID-19. However, all methods and new ruling in overcoming the impact of COVID-19 must be *Shariah* compliance. It must be free from the elements of *riba*, *gharar*, *maysir* and other prohibited matters. This new jurisprudence should take into consideration of everyone's welfare such as depositors, funds users, banks, regulators and community. However, there were several issues on its implementation which require prompt action. Creating a new jurisprudence requires meticulous research and time consuming as there is no actual guideline for it. Furthermore, the type of assets that are subject to zakah needs expansion. Zakah must be enforced by law, and not be left to voluntary compliance. Similarly, the institution of *Waqf* need to be made more effective. While *Qard al-Hassan* should be included as an obligatory instrument or Corporate Social responsibility (CSR) initiative offered by Islamic financial institutions to a specific group. Further, the Islamic social banking instruments also need to be expanded globally as they have the potential to build a strong and sustainable financial architecture in the future. This is a great opportunity for Islamic financial institutions to prove that Islam is the perfect way of life including in economy and finance as compared to their conventional counterparts.

References

- Abdul Rasheed Ghaffour (2020, October, 7), "Maximising Islamic Finance for Inclusive Growth: From Crisis to Opportunity" Deputy Governor's Opening Remarks at the Launch of the World Bank Islamic Finance Reports. <https://www.bnm.gov.my/-/deputy-governor-s-opening-remarks-at-the-launch-of-the-world-bank-islamic-finance-reports>
- Ahmad Al-Raysuni (2006) *Imam Al-Shatibi's Theory of the Higher Objectives and Intents of Islamic Law* (The International Institute of Islamic Thought & Islamic Book Trust) 137.
- Abdulmajeed M.R. Aderemi (2020) 'Crowdfunding as an Alternative Mode of Financing Micro and Small Enterprises: A Proposed Qard-al-Hasan Contract' *International Journal of Islamic Economics and Finance (IJIEF)* 3(2), , Special Issue: Islamic Social Finance and Ethics, 95-118
- Amir Shaharuddin *Do Islamic Banks Act 'Islamic' During COVID-19 pandemic?* *The Journal of Muamalat and Islamic Finance Research* Vol. 17, Special Issues 2020, Pp. 3-12
- Asila Jalil, (2020, October, 7) Islamic finance to lessen Covid-19 impact <https://themalaysianreserve.com/2020/10/07/islamic-finance-to,-lessen-covid-19-impact/>
- Bank Negara Malaysia, (2018) *Value-Based Intermediation: Strengthening the Roles and Impact and Impact of Islamic Finance* <<https://www.bnm.gov.my/documents/20124/761682/Strategy+Paper+on+VBI.pdf/b299fc38-0728-eca6-40ee-023fc584265e?t=1581907679482>

- Bank Negara Malaysia (2020). The *Shariah* Advisory Council of Bank Negara Malaysia (the SAC) 30th Special meeting (revised on 16 October 2020). <https://www.bnm.gov.my/-/sac-30th-special-meeting>
- Bank Negara Malaysia, *Shariah* Advisory Council of Bank Negara Malaysia (2020). Ruling on operationalization of moratorium for Islamic financing.
- Bank Negara Malaysia (2020). The *Shariah* Advisory Council of Bank Negara Malaysia (the SAC) 30th Special meeting (revised on 16 October 2020). <https://www.bnm.gov.my/-/sac-30th-special-meeting>
- Bernama (2020). PKPB: MAIWP sedia RM9.5 juta untuk Bantuan Zakat Kecemasan. https://www.bernama.com/bm/am/news_covid-19.php?id=1901198
- David C. E. Tneh, (2020, January, 20) "We have to accept good and bad of digital economy," *New Straits Times*, <https://www.nst.com.my/opinion/letters/2020/01/557988/we-have-accept-good-and-bad-digital-economy>.
- Egi Arvian Firmansyah, Mokhamad Anwar (2019), *Islamic Financial Technology (Fintech): Its Challenges and Prospect*, *Advances in Social Science, Education and Humanities Research (ASSEHR)*, 216,
- Global Islamic Finance Report (2017) *Islamic Finance in The Digital Age: Fintech Revolution*. http://www.gifr.net/gifr2017/ch_17.pdf
- Hazlina Abdul, Said, J., & Yusuf, S. N. S. (2012). Individual characteristics of the successful asnaf entrepreneurs: Opportunities and solutions for zakat organization in Malaysia. *International Business and Management*, 4(2), 41-49
- IMNF (2020, June, 20). *Islamic Finance May Play Key Role in Post Covid 19*. <http://imfn.org/islamic-finance-may-play-key-role-in-post-covid-19>
- International Monetary Fund (2021). *Policy Responses to COVID-19*, International Monetary Fund, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>
- ISDB (2020, April, 1) *Islamic Development Bank to Support Pioneering Ideas in the Fight Against COVID-19 via 500m Transform Fund*. <https://www.isdb.org/news/islamic-development-bank-to-support-pioneering-ideas-in-the-fight-against-coronavirus-via-500m-transform-fund>
- ISDB (2020) *The Covid-19 Crisis And Islamic Finance, Response Of The Islamic Development Bank Group*. <https://www.isdb.org/pub/reports/2020/the-covid-19-crisis-and-islamic-finance-response-of-the-islamic-development-bank-group>
- Joe Devanesan, *Malaysia is gearing up for a digital banking revolution* <https://techwireasia.com/2020/06/malaysia-is-gearing-up-for-a-digital-banking-revolution/> accessed on 15 March 2021
- Malaysian Takaful Association. (2020). *Liberalization of Motor Tariff*. <https://www.malaysiantakaful.com.my/general-takaful/phased-liberalisation/frequently-asked-questions-faqsliberalisation-motor-tariff>
- Megat Hizaini Hassan, Sharmeen Dahlia (2020, August, 21). *Recent Shariah Advisory Council Ruling on Restructuring of Islamic Financing Facilities*. Retrieved from <https://www.lh-ag.com/wp-content/uploads/2020/08/Recent-Shariah-Advisory-Council-Ruling-on-Restructuring-of-Islamic-Financing-Facilities-LHAG-update-20200821.pdf> [
- Mohd. Kamal bin Abdullah (2019, December, 29), "*Here's Why Malaysia's Halal Export Stumbled Lately*," <http://malaysiansmustknowthetruth.blogspot.com/2019/12/heres-why-malysias-halal-export.html>.

- My Wakaf (2021) *About Us*. <https://www.mywakaf.com.my/about-us/#1519010498327-0a54b067-e890>
- Noormariana Mohd Din, Mohd Zulkifli Muhammad, Mohammad Ismail1 & Nadzirah Mohd Said *The Impact of Asnaf Entrepreneur's Intention Towards Decision and the Movement of Zakat Collection*. *Research in World Economy* Vol. 11, No. 6; 2020 <<http://rwe.sciedupress.com>> accessed Mar 17 2021.
- NST Business (2020, August 4). MDEC and Bank Negara launch Fintech Booster programme to support fintech , <https://www.nst.com.my/business/2020/08/613946/mdec-and-bank-negara-launch-fintech-booster-programme-support-fintech>
- NST Business (2020, June 7) RM500mil Prihatin *Sukuk* for Malaysians to help rebuild economy. <https://www.nst.com.my/business/2020/06/598686/rm500mil-prihatin-Sukuk-malaysians-help-rebuild-economy>
- Parker, Mushtak (2020, June, 29) The emergence of COVID-19 Mitigation *Sukuk* - Malaysia Set to Join IsDB. Retrieved from <https://www.bernama.com/en/thoughts/news.php?id=1854830>
- Shariah Advisory Council (2010, July, 14) *The Shariah Advisory Council of Bank Negara Malaysia (SAC) Ruling on Restructuring of Islamic Financing Facility during COVID-19 Crisis*. <https://www.bnm.gov.my/-/the-shariah-advisory-council-of-bank-negara-malaysia-the-sac-30th-special-meeting>
- SME Bank Official Website (2020), <https://smebank.com.my/en/>
- Stuart Brown (2020, June, 5, 'How COVID-19 Will Reshape Islamic Finance Markets', The Jakarta Post, <https://www.thejakartapost.com/academia/2020/06/05/how-covid-19-will-reshape-islamic-finance-markets.html>
- SME Corp and Huawei (2018), *Accelerating Malaysian Digital SMEs: Escaping the Computerisation Trap*," <https://www.huawei.com/minisite/accelerating-malaysia-digital-smes/img/sme-corp-malaysia-huawei.pdf>.
- Syed Marwan Mujahid Syed Azman, E. R. (2019) Islamic Social Finance and the imperative for social impact measurement, *Shajarah Journal Of Islamic Thought And Civilization Of The International Islamic University Malaysia (Iium) Special Issue: Islamic Banking And Finance* 43-68.
- Trowers & Hamllins (2021, February 26) Bank Negara Malaysia has issued the Policy Document on Licensing Framework for Digital Banks <https://www.trowers.com/insights/2021/february/bank-negara-malaysia-has-issued-the-policy-document-on-licensing-framework-for-digital-banks>
- World Bank Group (2020, October), *Malaysia Islamic Finance and Financial Inclusion* <https://openknowledge.worldbank.org/bitstream/handle/10986/34519/Malaysia-Islamic-Finance-and-Financial-Inclusion.pdf?sequence=1&isAllowed=y>
- World Health Organization (2020, December, 28), *Coronavirus diseases (COVID-19) pandemic*. <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>.
- Umar Munshi (2020, June 12) 'Coronomics Webinar: Raise Fund through Digital Platform During COVID19 - Make or Break SME' (Video) <https://www.youtube.com/watch?v=g4G7mJMIDBA>
- Zeti, Akhtar Aziz (2010, May 3). *Thoughts and visions on Islamic Finance*. <https://www.bis.org/review/r100505a.pdf>
- Zhulkarnain A.R., (2020, June, 12) *Impact of The COVID-19 Moratorium Laws on Islamic Finance*, *JD Supra*. <https://www.jdsupra.com/legalnews/impact-of-the-covid-19-moratorium-laws-76199/>