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## **Is Islamic Finance A Panacea for Global Economic Disruptions After COVID-19 Outbreak?**

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### **Abstract**

The coronavirus pandemic has led to unprecedented financial and economic disruptions worldwide. Academic interest in the topic of COVID-19 outbreak has led to a rapid influx of publications on the subject matter from both Islamic and conventional finance and economy perspectives. This paper analyses the contributions of Islamic finance and economy (IFE) literature to the global discussion through a bibliometric analysis and literature review of publications on IFE and COVID-19 using the dimensions database. The paper investigates the role IFE research has played in providing solutions capable of addressing global challenges in the wake of the pandemic. The paper reveals that IFE has made efforts during the pandemic to mitigate the effect of the crisis and strengthen economies. But unlike after the 2008 global financial crisis, IFE is not focusing on global solutions and is more confined to localized country-specific solutions for recovery and resilience. The paper recommends repositioning IFE's academic focus towards tackling issues and providing solutions at a global scale.

**Keywords:** Resilience, Islamic Finance and Economy, COVID-19, Economic Recovery

**JEL codes:** G00, G01, G20, G21, G50

# **Is Islamic Finance A Panacea for Global Economic Disruptions After COVID-19 Outbreak?**

## **1. INTRODUCTION**

Once the novel coronavirus was declared a pandemic, all countries began to apply preventive measures in a short space of time. The closure of businesses and suspension of all local and international transportation systems led to a quick increase in unemployment and pushed the world economy into a sharp recession (Zhang et al., 2020). Liquidity has become a severe challenge for many SMEs and corporates, leading them to fight for survival. The effect of the pandemic on the financial markets was also disruptive (Akkas & Al Samman, 2021). A high fluctuation in foreign exchange rates has been observed, and global volatility has increased significantly. (Kinateder et al., 2021).

After the 2008 global financial crisis, there was a clear increasing interest in Islamic finance and the economy. Researchers extolled the benefits of Islamic finance instruments and proffered them as solutions to mitigating the pandemic's impact and ensuring the future resilience of the global economy and financial system (Chapra MU, 2011; Ahmed, A., 2010; Rahman, 2009). Unlike the sub-prime crisis in 2008, both Islamic and conventional financial institutions have equally felt the impact of the crisis. The main reason for this is that the COVID-19 crisis started in the real economy and reached financial markets, unlike in 2008, where the reverse was the case. Hence, the acclaimed core competency of Islamic finance, being more resilient against financial instability, could not be maintained (Ahmed, 2010; Ashraf et al., 2020; Kayed & Hassan, 2011).

While the world anticipates the end of the pandemic, academia focuses on recovery strategies for the financial industry and world economy. Many papers have been published with this goal from both Islamic and conventional finance and economy perspectives. We attempt to analyze

the contributions of Islamic finance and economy (IFE) literature to the global discussion on the response to and recovery from the pandemic.

Bibliometric research and comprehensive literature reviews have increased in importance because these papers help researchers understand the direction of the literature. With this in mind, we conducted a bibliometric study and a literature review of academic articles related to COVID-19 in Islamic finance and economy. Similar approaches to the one used in this paper can be found in Al-Ansari, 2021; A F Aysan et al., 2021; Ahmet Faruk Aysan et al., 2021.

This paper contributes to the extant literature in IFE by critically reviewing and consolidating the literature on IFE and COVID-19 outbreak based on themes that authors in the field emphasized. Doing so provides current and future researchers with an overview of the gaps in the literature with a specific focus on the role that IFE could play in helping the world overcome the crisis and build resilience toward future crises. This paper has the potential to serve as a critical reference to researchers in developing and nurturing globally-focused solutions through Islamic finance and economy.

The main findings of our analysis are that although IFE fared better than conventional finance after the 2008 financial crisis, the same cannot be said for its performance post-COVID-19 as its exposure to the real economy made it difficult to remain insulated from the impact of the pandemic. In addition, the paper shows that Islamic finance and economy response to the pandemic has been confined to local solutions addressing local problems. The COVID-19 pandemic has highlighted the interconnectivity of our world today, and as such, overcoming the economic impact of the pandemic will require a global approach. Finally, despite its proffering solutions on a local scale, IFE, just like conventional finance, has immersed itself in providing contemporary solutions that are digitally transformative and sustainable.

The rest of the paper follows the given sequence. Section 2 will explain the data and methodology; Section 3 will conduct a brief bibliographic analysis. In contrast, Section 4 discusses the response of Islamic finance and economy to the pandemic as seen in the literature, Section 5 compares the reactions of Islamic and conventional systems to the pandemic, and Section 6 analyses recommendations for economic recovery and resilience after COVID-19. Lastly, Section 7 concludes the study.

## **2. DATA & METHODOLOGY**

This study uses a quantitative and qualitative research approach involving a bibliometric analysis and literature review of articles published related to Islamic Finance and Economy and COVID-19, respectively. The search terms used to retrieve the documents from the Dimensions database were ((Islamic AND (Economy OR finance OR development OR banking OR bank)) AND (COVID OR COVID-19 OR COVID 19 OR coronavirus)). The search results were then refined to include only Articles, proceedings, and chapters published in English.

The second screening step entailed reviewing all documents to ensure relevance to the chosen theme and eliminating irrelevant documents. We ended up with 82 relevant papers. Table 1 describes the main characteristics of the data set for IFE and COVID-19 related publications and compares it to publications in general finance and Economy (GFE)<sup>1</sup>. In the period under analysis, we retrieve 82 publications for Islamic finance while GFE has 1063 publications. More importantly, IFE papers in the data set have an average citation of less than 0.5 and have been referenced by other publications 1287; GFE papers have an average citation of more than two and have garnered 27,607 references. This shows a significant difference in the level of interest in the two fields. The ratio between the two references is 4.6%. Comparing this to the market sizes of the two areas, 11.1% (\$2.2T Islamic market versus \$22.5T conventional market

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<sup>1</sup> “General finance and economy” include all finance and economy paper. This may also include Islamic finance papers as the search did not filter Islamic finance papers.

size) (Reuters, 2021 & Globenewswire, 2021), we can conclude that the Islamic finance and economy literature is performing weaker than its industry (The Business Research Company, 2020). It is pertinent to question if the perceived difference comes from the thematic relevance of IFE articles to the period, quality of the papers and journals, and/or the difference between the sizes of the two sectors.

Table 1: Descriptive Statistics: Main Information About Data

Description	Islamic Finance & Economy	General finance & Economy
MAIN INFORMATION ABOUT DATA		
Timespan	2020:2021	2020:2022
Sources (Journals, Books, etc.)	64	1063
Documents	82	1916
Average years from publication	0.402	0.494
Average citations per document	0.4024	2.454
Average citations per year per doc	0.3049	1.333
References	1287	27607
AUTHORS		
Authors	191	4536
Author Appearances	199	4930
Authors of single-authored documents	22	491

Authors of multi-authored documents	169	4045
<b>AUTHORS COLLABORATION</b>		
Single-authored documents	22	525
Documents per Author	0.429	0.422
Authors per Document	2.33	2.37
Co-Authors per Documents	2.43	2.57
Collaboration Index	2.91	2.97

*Note.* The table contains the authors' work using bibliographic data from the dimensions database and Bibliometrix R package for analysis.

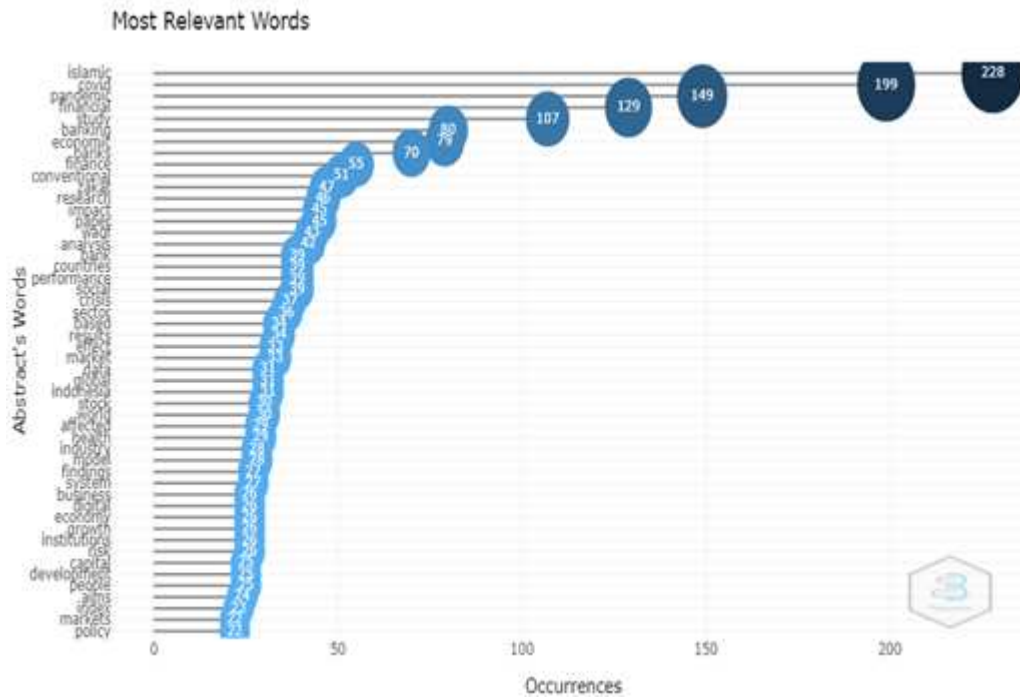
### **Occurrence of Keywords in Abstract**

The most relevant keywords graphs (Figure 1 and Figure 2) rank words that appear in the abstracts of the publications in the data sets in order of frequency of occurrence. The ranking helps identify the main discussions in the literature. Figure 1 represents abstract word ranking for IFE, and Figure 2 represents abstract word ranking for GFE. We observe that "conventional" is ranked high in IFE, indicating comparative studies between Islamic and conventional systems, a common theme in IFE literature even before the pandemic.

The development concept is ranked much lower in IFE literature than in GFE literature. At the same time, sustainability is not featured at all in the top 50 most relevant words in IFE but is featured in GFE. "Sustainability" and "development" or put together "sustainable development" are essential to the global discussion on the future of our economies after COVID 19 and are highlighted significantly in all relevant discourse addressing the post COVID recovery. The absence of these concepts from the most relevant keywords could be because

authors take for granted that IFE principles are naturally built on the premise of sustainability, or could it be that authors in the field are not concerned with the concept.

Figure 1: Most relevant Abstract words in Islamic finance and Economy COVID-19 literature



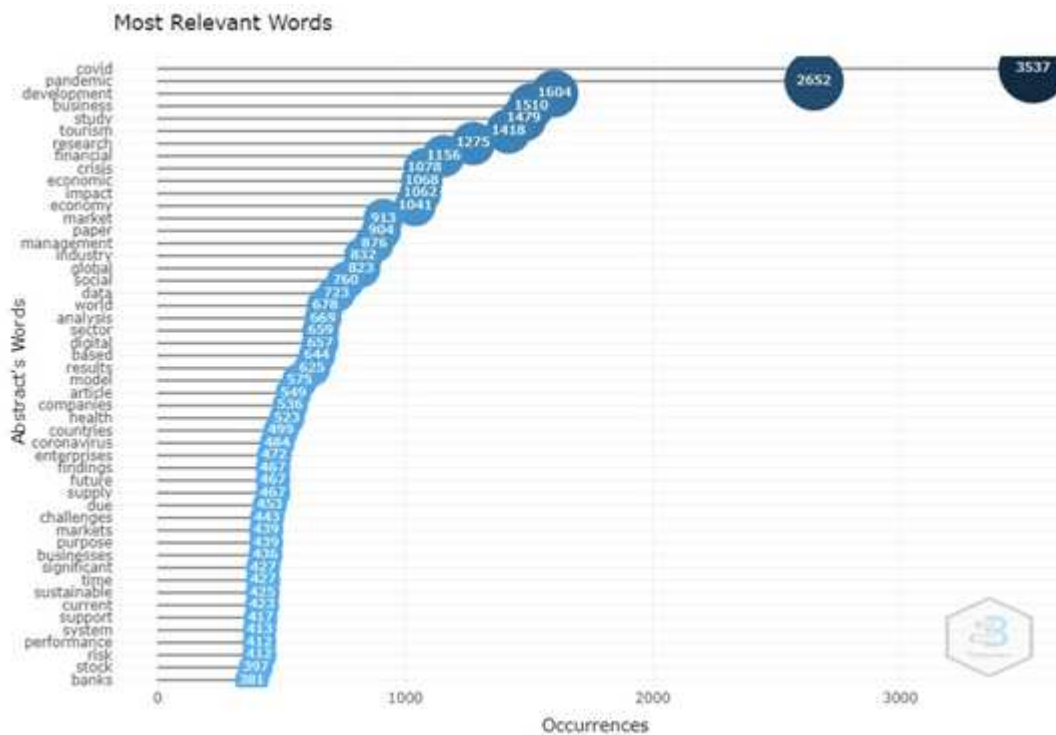
*Note.* The table contains a top 50 ranking of keywords found in abstracts of articles in the IFE data set—authors' work using bibliographic data from dimensions database and Bibliometrix R package for analysis.

This also signals that the recovery in both areas focuses on financial performance only, not sustainable development. Further review of the literature will give better insight. The global discussion on the revival of our economies and the mobilization of resources for a post-COVID-19 recovery emphasizes building human capital and creating mass jobs to boost incomes and stimulate growth. There is much focus on creating inclusive growth models, especially in developing countries. Growth is present in IFE keywords, but "human capital," "jobs," and "inclusive" are not evident from the most frequent words used by authors in the field.



The COVID-19 pandemic has propelled digitalization and has led to significant growth in the digital economy (Nanaeva et al., 2021). As a result, it has amplified research and innovation in the digital economy across all sectors, as evident in the most relevant words in both fields.

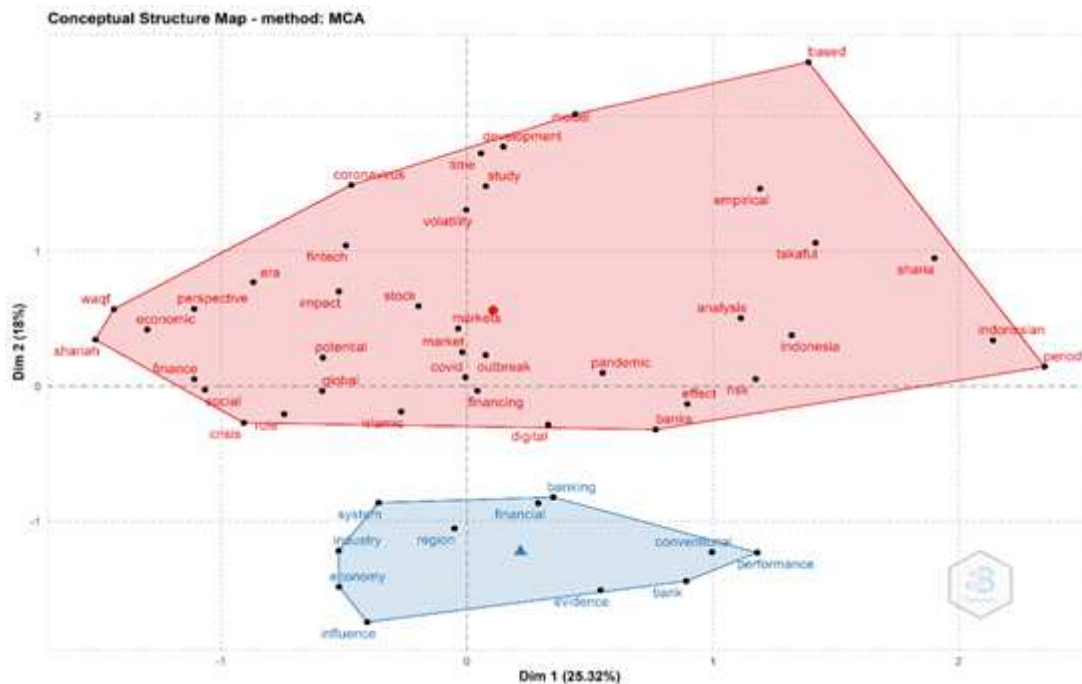
Figure 2: Most relevant Abstract words in Islamic finance and Economy COVID-19 literature



*Note.* The Figure contains a top 50 ranking of keywords found in abstracts of articles in the general finance data set—authors' work using bibliographic data from dimensions database and Bibliometrix R package for analysis.

The conceptual structure map shows core topics discussed by researchers, given the co-occurrence of words and their relevance in the dataset. The words are clustered in a two-dimensional map according to the commonality of the theme. Each dimension represents words that express a similar concept. The closer the words are on the map, the closer their relationship is. In the blue cluster (Dim 1), we see a close appearance of "conventional," "bank," and "performance," reinforcing our earlier assumption of a string of literature in the data set focused on the performance of conventional banks as compared to Islamic banks.

Figure 3: Conceptual Structure Map of IFE publications



Note: The Figure shows the conceptual structure of articles in the IFE data set using Multi Correspondence Analysis—authors' work using bibliographic data from dimensions database and Bibliometrix R package for analysis.

In the red cluster (Dim 2), we can see the close appearance of the words "digital" and "financing" and "covid" confirming the connection between digital financial services and the pandemic. We also see a cluster of "social," "finance," "crises," and "role," indicating a string of literature discussing the role of social finance in the crises. The map also indicates discussions on COVID-19 and the stock market, evident in the clustered appearance of "stock," "market," "markets," covid," and "outbreak."

### 3. Islamic Finance & Economy Response to the pandemic

The emergence of Covid-19 has had a critical impact on the daily lives of human beings across the globe. The World Health Organization (WHO) declared it a pandemic as early as January 2020, and since then, it has affected almost every aspect of human life. The health crisis has

morphed into a socio-economic crisis affecting people's lives and livelihoods and causing a disruption to the global economy.

Hassan et al., (2021) analyze the impact of the pandemic on the tourism, health, public sectors, and the entire economy of the MENA region. They find the effect of the pandemic to vary across the region, with some countries faring better than others. They conclude that the health crisis is felt more in the GCC countries, but the African part of the region has more economic impact.

In Indonesia's dual economic system (Islamic & Conventional), a statically significant positive effect was observed between COVID-19 and performance in its real sectors attributed to an increase in government subsidies during the pandemic (Yunita, 2021). Despite the positive performance of the real sector, the consumer confidence index for Islamic finance products was negatively affected by the pandemic, possibly due to Islamic finance customers' attempt to avoid speculation (gharar) during the pandemic (Yunita, 2021).

Generally, consumer and household behavior have changed in Muslim countries during the pandemic. Survey findings from 8 Muslim countries show a negative impact (on sales and intention to purchase) on fast-moving consumer goods (due to reduced future earnings). In addition, there's an anticipated increase in food inflation in 5 of the 8 Muslim countries studied, which they conclude will ultimately spill over to the other sectors of the Economy (Mukit et al., 2021).

In this context, Islamic social finance responded as a catalyst for combatting the effect of the crisis for those worst affected by providing access to much-needed funds to help them cope with the adverse impact of the pandemic. This is confirmed by the result of this paper's bibliometric analysis that shows the thematic relevance of the role of Islamic social finance during the crisis.

In response to the worsening health and economic crisis across the globe, scholarly efforts in Islamic social finance focus on Islamic philanthropy tools such as Zakat, Awqaf, Sadaqa, and Qard Hassan and their role in battling the effects of the pandemic. Authors in the field highlight the importance of using zakat to distribute wealth through the economy in light of the socio-economic impact of the pandemic (Hambari et al., 2020; Yudha et al., 2020). Yudha et al., (2020) study how to maximize the potential of zakat as a tool for poverty reduction in the pandemic and highlight the alignment of this intervention with the SDG goals for poverty reduction and decent work and employment. Moreover, zakat should be used to revive businesses closed during the pandemic (Hambari et al., 2020).

The role of zakat in aiding micro-entrepreneurs during the pandemic has been studied extensively (AbdulKareem et al., 2021; Azman et al., 2021; Shirazi et al., 2021). Moreover, an empirical study finds that zakat was necessary for stabilizing income for microentrepreneurs at the height of the pandemic (Azman et al., 2021).

The pandemic has accelerated digital transformation globally, and the Islamic social finance sector has not been excluded. In a qualitative study using an ethnographic research technique, Hudaefi & Beik (2020) observed the outcome of the digital zakat campaign during Ramadan in the first year of the pandemic. The author finds a positive connection between inclusive digital marketing and improved zakat collection. Inclusive digital marketing can campaign for zakat to be seen as a religious responsibility, thereby enhancing its capacity as a socio-economic tool (Hudaefi & Beik 2020).

A case study in Nigeria finds that the awareness and knowledge of ISF tools are essential in increasing their potential as socio-economic tools. The study reports a potentially significant positive effect between awareness of ISF tools and poverty reduction on all ISF tools except for zakat (Umar et al., 2021). Waqf, considered a vital tool in ISF, is positively associated with

the lessening of the effect of the COVID-19 pandemic on communities (AbdulKareem et al., 2021). In Nigeria, waqf is used to empower the poor by funding small and medium-sized business ventures during the pandemic, which helped strengthen the local economy.

In addition to the traditional ISF tools, Sulaeman (2020) conceptualizes a framework for Islamic crowdfunding to raise funds for Indonesia's MSMEs during the pandemic and help them recover from the effect of COVID-19. The paper posits that the model can streamline financing programs for MSMEs amid the COVID-19 pandemic situation (Sulaeman, 2020).

Aside from social finance tools, insurance plays a crucial role in mitigating the adverse effect of the pandemic on individuals and businesses. There are contradictions in the study of takaful industries' performance. The Malaysian takaful industry is said to have suffered a "moderately harsh" impact due to the pandemic (Eldaia et al., 2021). On the contrary, the findings of Eldaia et al. (2021) and Khairi et al. (2020) find that the Takaful market in Malaysia is exhibiting consistent development and is glaringly surpassing traditional insurance regardless of the effect of the pandemic on the global Islamic finance industry. The study shows an increase in premium for Takaful compared to conventional insurance. Family and general Takaful charges rose by 29.6 percent and 16.4 percent at the beginning of 2019, while life and general insurance rose by 12.2 and 1.3 percent, respectively (Khairi et al., 2020).

Suyatna (2021) investigates to what extent the stimulus policies issued by the Financial Services Authority in Indonesia and Risk-Based Capital Levels (RBC) uniquely/simultaneously affect the solvency of the Takaful industry in the country during the pandemic. The study establishes a significant and positive relationship between both stimulus policies and RBC with the solvency of the studied Takaful company and a positive relationship between the simultaneous effect of the two variables with the solvency of the Takaful company.

Furthermore, Aisyah et al. (2020) discuss the solvency of financial institutions from a risk management point of view. They argue that practicing risk management in Islamic microfinance institutions improves their sustainability in the pandemic. The authors show that active risk management practices by BMT Maslaha, a bank in Indonesia, made it possible to reduce liquidity and default risk caused by the pandemic. The bank employed an active communication strategy to mitigate rumors with adverse financial implications, financial relaxation by changing the funding structure for debtors, and a customer cooperation strategy that allows restructuring of loan accounts during the crises.

The literature shows that Islamic finance and economy response to the pandemic has been confined to solutions addressing local problems. We observe regional studies mostly focused on the MENA region in a few cases. A global outlook on the impact of the pandemic and subsequent global responses by the Islamic economy is not apparent.

#### **4. Comparison between Islamic and Conventional systems**

Comparing Islamic and conventional financial systems during and after the COVID-19 pandemic requires a supportive analysis of both systems during the sub-prime crisis. As the crisis in 2008 cracked the financial system, the effect on Islamic finance was weaker (Ahmed, 2010; Ashraf et al., 2020; Kayed & Hassan, 2011). This difference is because Islamic financial tools are dependent on real economic activities more than conventional tools. Hence, a crisis in the financial system would be more substantial in a finance-dependent system, where more on-paper losses will be observed (Meera & Wirdayanti, 2020).

However, the Islamic and conventional finance reactions were similar in the COVID-19 pandemic. This is because the COVID-19 outbreak has directly affected the real economy by reducing consumption in several industries, suspension of flights, and closure businesses around the globe (Zhang et al., 2020; Abdelsalam et al., 2021). This increased global

unemployment slowed down the economy and disrupted financial markets. Therefore, regardless of the strategy, it has affected all financial institutions (Kinateder et al., 2021).

Indicating how Islamic finance has performed against conventional finance during the COVID-19 crisis is essential for comparing the two systems. The analysis of both systems' major asset performances and stock prices have been conducted by Hassan et al. (2020). They have compared sovereign bonds, gold, silver, and other assets in both financial markets and found that the sovereign bonds provide the safest hedge in both subprime and COVID-19 crises for Islamic financial markets. Other assets, including gold and silver, have performed better during the subprime crisis, but they were less stable during the COVID-19 pandemic. From the conventional side, financial assets performed worse during the 2008 crisis. Overall, several studies have concluded that the effects of the COVID-19 pandemic on Islamic finance were stronger than conventional finance (Ashraf et al. 2020; Hassan et al., 2021; Gherbi and Alsedrah 2021; Ryandono et al. 2021; Nurdany et al. 2021). As a result, the performance of Islamic financial institutions was superior in 2008, unlike the COVID-19.

The negative picture of Islamic finance should be perceived as new opportunities for the industry. Firstly, the SME financing tools in Islamic finance were affected deeply during the crisis and caused a slowdown in performance. Therefore, one of the main engines for Islamic financial recovery would be strengthening SME financing (Akkas & Al Samman, 2021). Moreover, the transformation of the industry dynamics would open new horizons for Islamic finance by focusing more on socially responsible investments and sustainability (Brown, 2020). Islam's principal doctrines support SDGs and other sustainable investment tools such as impact investing or SRI (Mahomed, Unal & Mohamad, 2021). This similarity could be used to reprogram the direction of Islamic finance under the sustainability facility.

From a stock market perspective, Yarovaya et al. (2021) have observed that although there is a significant negative impact of the pandemic on both Islamic and conventional stocks, a positive spillover from conventional to Islamic stock markets during the COVID-19 pandemic is substantial. It is also worth mentioning that one of the results of this study is that COVID-19 has no significant effect on the Sukuk and Bond markets. Moreover, Sukuk could be a safe portfolio diversifier and act as a hedging tool and haven during the COVID-19 sub-period (Yarovaya et al., 2021)

Lastly, Fintech, cryptocurrencies and other blockchain-based technologies such as NFTs and DeFi have significantly increased during the crisis due to the intense digitalization process. Both Islamic and conventional finance worlds reacted similarly to the adaptation process of digitalization (A. Aysan & Unal, 2021). Therefore, they focused on creating fintech-based solutions for overcoming the challenges coming with the pandemic. The competition between fintech firms and financial institutions is also getting more intense recently because fintech firms perform actions like financial institutions, such as lending or financing (Hassan et al., 2020). This competition makes it more challenging to stay in the game for financial institutions and leads them to increase their risk appetite for higher returns, thus destabilizing them further. As mentioned before, conventional institutions are less real-economy dependent and less robust against unstable events. Therefore, it could be concluded that increasing competition between fintech firms and financial institutions affects Islamic finance less than its conventional counterparts, which is another opportunity for Islamic finance for post-COVID-19 recovery.

## **5. Recommendations for Economic Recovery and Resilience after COVID-19**

The magnitude of economic disruption caused by the pandemic has made global leaders look to the future with economic recovery at the forefront of their agendas and ensuring that our economies are resilient to future crises. Since the beginning of the crisis, international



organizations, governments, and academia have focused immensely on devising policies and action plans that will shape the world economy towards a more resilient growth-friendly future that supports the new normal created by the pandemic.

The future of jobs, education, health care, finance, trade, and much more are expected to drastically change in a novel way inspired by the impact of the pandemic. As such, plans for economic recovery must align with the changing world. There are discussions on appropriate strategies to be adopted by countries to facilitate a quick recovery. Governments may adopt locally-oriented strategies that boost their capacity to be pro-consumers at a domestic level or globally-oriented plans that position the country to take advantage of opportunities at global and regional levels while strengthening the global economy. Any economic recovery and resilience strategy will depend on building human capital, creating jobs by funding sectors essential to driving growth, and ensuring inclusive, equitable, and sustainable societies that create opportunities for all.

From the beginning of the pandemic, governments, agencies, academia, and industry have been defining and redefining their roles to properly position themselves to exploit the opportunities presented by COVID-19 and contribute to rebuilding the global economy. In the IFE scholarly field, the discourse regarding recovery and resilience explores the role of Islamic Finance / Islamic Social Finance in mitigating the effect of the crisis on our economies and ensuring that economic systems (local or global, Islamic or conventional) are immune from future shocks. Rabbani et al. (2021) propose using Zakat and Sadaqa to boost the income of affected communities and stimulate consumption and Murabaha and Musharaka financing to aid start-ups and SMEs. In agreement, Abdul-Rahman & Gholami (2020) argue that Murabaha and Musharaka contracts distribute the risk among the market players and help achieve a balanced recovery during a crisis. Nour Aldeen (2021) also agrees that Islamic finance can mitigate the

impact of the COVID-19 pandemic on economies and ensure immunity from future disruptions by offering ethical financial instruments. The paper recommends that the Islamic finance sector use fully Islamic products to ensure resilience and avoid future economic crises.

A majority of the papers exploring the role of IFE in economic recovery and resilience after COVID-19 focus on country-specific issues and solutions. Ainol-Basirah, and Siti-Nabiha (2020) analyze the latest trends in waqf ventures in Malaysia to determine their ability to support society post-COVID-19 crisis. The paper finds that the current waqf model, particularly the cash waqf initiative, needs to be improved to implement a comprehensive economic survival plan through waqf instruments. Abdullah (2020) also explores the potential of cash waqf but in the Indonesian context for the construction of health infrastructure and provision of medical supplies to ease the management of the pandemic. In an even more localized context, waqf is studied in a state in Nigeria based on its ability to enhance youth empowerment and human capital development by solving socio-economic issues in the state.

On the topic of development (Nuhanovic, 2020; Ahmet Faruk Aysan & Bergigui, 2021; Jan et al., 2021) present the virtues of Islamic finance in solving global development challenges by establishing a link between IFE and sustainable development goals. The first two emphasizes adapting IF instruments to modern trends such as Fintech, cryptocurrencies, and blockchain technology to accelerate sustainable growth. In contrast, the last highlights the need for the UN SDGs to provide Islamic-based policy guidelines for sustainable development. Both papers agree that IF has enormous potential in addressing the adverse impact of the pandemic and aiding the achievement of the SDGs for "People, Planet, and Prosperity."

Still focussing on sustainability, Rabbani et al. (2021) pose that the Islamic sustainability concept will enhance inclusion, future resilience of economies, and sustainability. Rabbani et al. (2021) and Mohammad Mahbubi Ali (2020) assert that innovation should be at the forefront

of the agenda if IFE is to play a role in combating the economic disruptions caused by the pandemic. Moreover, Islamic social and open innovation in the financial services (Islamic Fintech) sector has enhanced efficiency in service delivery and provided an opportunity to solve sustainable development challenges (Rabbani et al., 2021). These innovations, especially fusing digital finance and social finance, present Islamic finance with a unique opportunity to reinforce its commitment to socially responsible finance and investments with blended returns that facilitate community development and entrepreneurship.

The pandemic and its subsequent impact are global challenges, and as the saying goes, "global challenges require global solutions." So the question remains if IFE research has tackled the pandemic with an approach that delivers practical global solutions that cut across sectors and geographical borders. A review of the literature in this data set shows that IFE researchers have attempted to address global topics such as the SDGs and digitalization in the financial sector. This is also seen in A F Aysan et al.'s (2021) analysis of the research trends in Islamic social finance. Nevertheless, our analysis of the topics researched in the field shows that researchers have approached these topics from a country-specific perspective proffering solutions that fit the local context.

The literature recommends adopting economies and financial systems (both local and global) based on sustainability, social justice, ethical, and participatory financing principles to stimulate economic activity and growth and ensure immunity from future economic disruptions. Still, there is a shortage of practical frameworks for implementing a successful IFE system within a conventional system or converting the latter to the former.

## **6. Conclusions and Recommendations**

Is Islamic finance a panacea for global economic disruptions after the COVID-19 outbreak? The coronavirus pandemic has led to unprecedented financial and economic disruptions

worldwide. Global leaders, industry experts, and academia navigate the post-pandemic world in search of solutions to minimize the impact of the pandemic and strengthen global systems against future crises. Unlike the sub-prime crisis in 2008, both Islamic and conventional financial institutions have equally felt the effects of the current crisis due to its nature. Like the post-2008 global financial crisis, there is an influx of publications on the pandemic in relation to the global economy and financial systems.

This paper analyses the contributions of IFE literature to the global discussion on the post-COVID-19 recovery by conducting a bibliometric study and a literature review of articles related to COVID-19 and IFE. The paper finds less interest in Islamic finance and economy papers than general finance. Additionally, IFE papers focus on country-specific issues and solutions to the pandemic-induced economic disruption.

We find a common interest in the digitalization theme and the concept of development. But also find that IFE literature does not amplify the discussion on mass job creation, inclusive growth, and building human capital, which is vital to the global discourse on the post-pandemic economic revival. The literature shows that IFE has responded to the pandemic through Islamic social finance tools such as Zakat Waqf and Qard Hassan. And further recommendations are made on how to fully utilize the benefits of these tools in response to the pandemic, albeit mainly in a localized context.

With regards to the performance of the IFE industry during the pandemic, the literature shows a more substantial effect of the crisis on Islamic finance than conventional finance. And even though stocks of both industries suffer the pandemic, there is a positive spillover from conventional to Islamic stock markets.

In general, the papers present recommendations for economic recovery and resilience. IFE papers offer solutions ranging from using Islamic social finance tools to solve development

challenges to exploring the role of technology and innovation in accelerating sustainable growth and development. The literature confirms our bibliometric findings that IFE literature has not emphasized how the Islamic Economy will play a leading role in building human capital and creating jobs for the future.

After the 2008 global financial crisis and the proposition that Islamic Finance may have the solutions, the current pandemic may not have raised the same global rhetoric. Unlike in the past, IFE does not focus on global issues and is more confined to localized country-specific problems. Global problems require cohesive global solutions, and as such, to make a global impact, IFE has to position itself to address the crises from a global standpoint.

Global Islamic Finance and Economy institutions such as IFSB and ISDB are not as active as organizations like the BIS, OECD, IMF and World Bank in the global discussion on post-pandemic recovery and resilience. The bibliometric analysis shows that the most relevant authors in general finance are from developed countries, indicating their influence on the discourse. IFE needs stronger platforms, think tanks, and academic journals to steer academic discussions and more institutional support from international Islamic organizations to become a panacea for global challenges.

A few Muslim countries like Indonesia – leading the presidency of G-20 in 2022 –Turkey, and the Kingdom of Saudi Arabia are represented at the G-20 meeting. G-20 meetings could be used as an avenue to make the Muslims offer their IFE perspectives on global issues. But for this to take place, policymakers, academics, and even the business society in the Muslim world need to engage in a constructive dialogue on global issues. Indeed, the Muslim world can only give shape to all the global issues within their remits. However, academics and practitioners in the Muslim world need to be intellectually more prepared to address the global issues to fulfil

the universal meaning of Islam rather than exclusively focusing on their local and or, at best regional issues.

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