

## **The Challenges of the Sharia Economy and Businesses In Facing the Coronavirus Endemic and Circular Economy In Indonesia**

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### **Abstract**

The outbreak of the coronavirus pandemic has had significant negative effects on various sectors, including the economy in Indonesia. These adverse impacts have also extended to the Sharia-based financial and business sectors. This study aims to identify and explore the challenges faced by the Islamic economy and industry in the aftermath of the coronavirus pandemic and its on going endemic nature. A qualitative research approach was used, drawing from various studies and prior research findings. The study reveals a decline in several Sharia products and challenges in Sharia production, largely due to a heavy dependence on imported raw materials. This issue continues to affect businesses within the Sharia-based economic and financial sector, ultimately limiting investment opportunities. Consequently, with government support, actors in the Sharia economy and business sector need to reassess growth targets and leverage digital technology to recover from the economic disruptions caused by the coronavirus endemic. Research Implications Sharia-based businesses should diversify supply chains to reduce dependence on imports and adopt digital technology to boost resilience and competitiveness. The government can support recovery by providing incentives and fostering innovation in Sharia-compliant products to ensure sustainable growth.

**Keyword:** Sharia Economics; Coronavirus Endemic and Challenges.

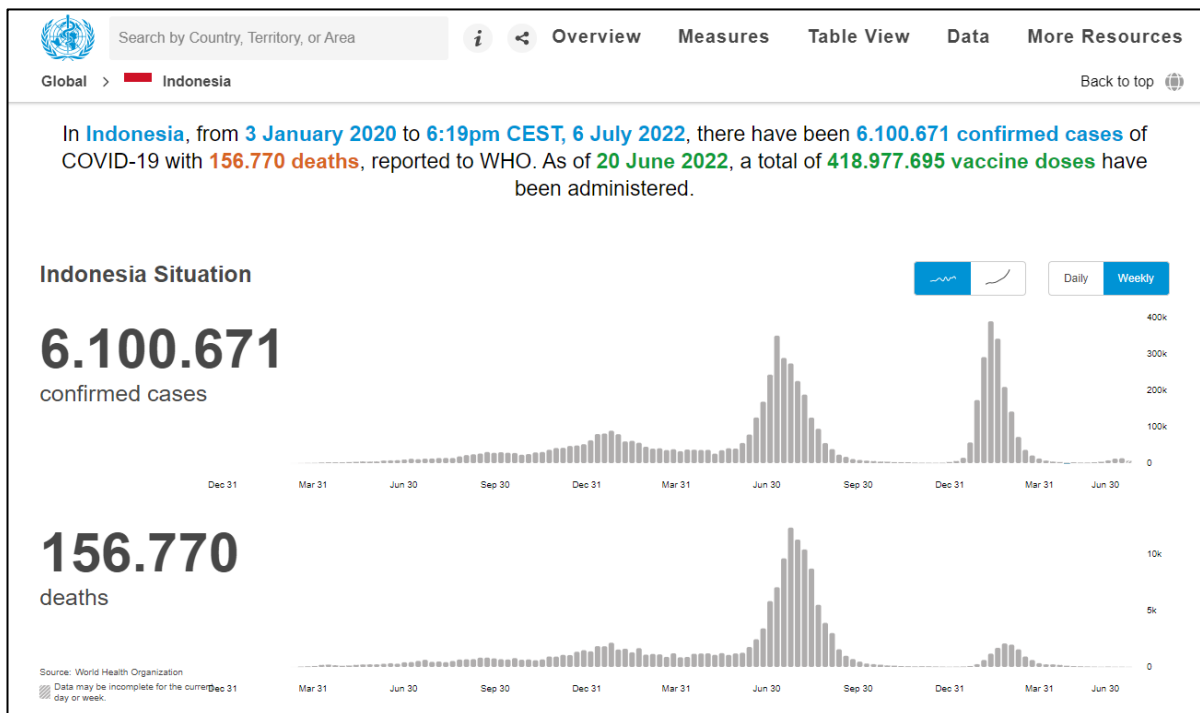
### **Abstrak**

Wabah pandemi virus corona telah memberikan dampak negatif dan signifikan terhadap berbagai sektor, termasuk perekonomian di Indonesia. Dampak buruk tersebut juga telah meluas ke sektor keuangan dan bisnis berbasis syariah. Penelitian ini bertujuan untuk mengidentifikasi dan mengeksplorasi tantangan yang dihadapi oleh ekonomi dan industri syariah pasca pandemi virus corona dan sifat endemiknya yang masih berlangsung. Pendekatan penelitian kualitatif digunakan, yang mengacu pada berbagai penelitian dan temuan penelitian sebelumnya. Penelitian ini mengungkap adanya penurunan pada beberapa produk syariah dan tantangan dalam produksi syariah, yang sebagian besar disebabkan oleh ketergantungan yang besar terhadap bahan baku impor. Masalah ini terus memengaruhi bisnis dalam sektor ekonomi dan keuangan berbasis syariah, yang pada akhirnya membatasi peluang investasi. Akibatnya, dengan dukungan pemerintah, para pelaku ekonomi dan sektor bisnis syariah perlu menilai kembali target pertumbuhan dan memanfaatkan teknologi digital untuk pulih dari gangguan ekonomi yang disebabkan oleh endemik virus corona. Implikasi penelitian bisnis berbasis syariah harus melakukan diversifikasi rantai pasokan untuk mengurangi ketergantungan pada impor dan mengadopsi teknologi digital untuk meningkatkan ketahanan dan daya saing. Pemerintah dapat mendukung pemulihan dengan memberikan insentif dan mendorong inovasi dalam produk yang sesuai dengan syariah untuk memastikan pertumbuhan yang berkelanjutan.

## INTRODUCTION

Coronavirus is a contagious disease caused by the Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). The virus was first detected in December 2019 in Wuhan, Hubei Province, China, and quickly spread worldwide, leading to a global pandemic known as the coronavirus pandemic of 2019-2020 (Acter et al., 2020) On January 30, 2020, the World Health Organization (WHO) declared the outbreak a Public Health Emergency of International Concern (PHEIC), and later, on March 11, 2020, it was officially recognized as a pandemic. Indonesia reported its first two confirmed cases of the coronavirus on March 2, 2020 (Lal et al., 2020). As of June 2022, Indonesia had recorded a total of 6,100,671 confirmed cases and 156,770 deaths due to the virus, reflecting the widespread and devastating impact of the pandemic on the nation.

**Picture 1. Data on Coronavirus in Indonesia**



Source: World Health Organization, COVID-19 Weekly Epidemiological 2022

Coronavirus has evolved into an endemic that cannot be ignored. Although its symptoms may initially resemble those of the flu, medical experts have determined that this virus is extremely dangerous and potentially fatal. In 2020, the virus spread rapidly, impacting countries across the globe, including Indonesia (Caduff, 2020). The primary mode of transmission is through

respiratory droplets and direct contact, which allows the virus to enter the body through exposed mucous membranes. Research has attempted to measure transmission rates by analyzing factors such as the incubation period, symptoms, and the time between symptom onset and patient isolation (Rasmussen & Popescu, 2021). Findings indicate that one infected person can spread the virus to approximately three others. Furthermore, transmission risk during the incubation phase lengthens the period of potential contact, increasing the chances of the virus spreading to others. In response, various regions in Indonesia have introduced measures to control the virus's spread (Krishnan, 2021). These measures include restrictions on outdoor activities, school operations, remote working, and even religious gatherings. The implementation of these policies was based on a thorough analysis of the situation by the government (Beck & Hensher, 2020)

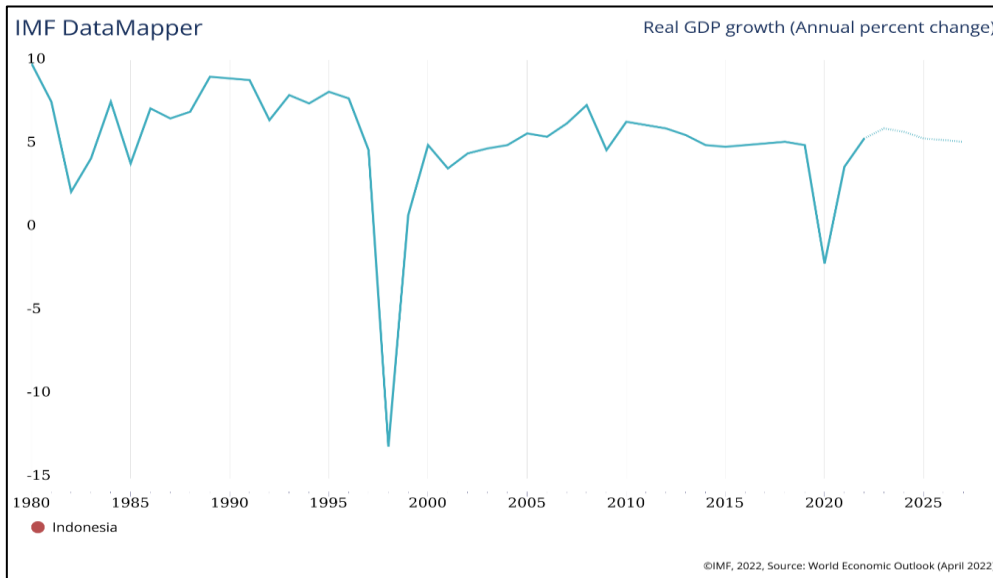
Indonesia is among the countries that implemented an international travel ban to mitigate the spread of the Coronavirus. This led to numerous flight cancellations, despite many flights having empty seats, to uphold passengers' rights. The ongoing pandemic has caused many consumers to delay their vacation plans, further straining the travel industry. Consequently, the government has been forced to introduce measures to address these challenges, with the tourism sector being one of the most affected by the pandemic.

The impact of the tourism industry's downturn extends to other sectors such as hotels, restaurants, and retail businesses. A 40% decline in hotel occupancy presents a significant threat to the sustainability of the hotel industry (Uğur & Akbıyık, 2020). Restaurants, particularly those dependent on tourists, have also been adversely affected. Similarly, the retail sector has seen a decline due to the reduced number of tourists. Regions like Manado, Bali, Riau Islands, Bangka Belitung, Medan, and Jakarta have been hit hardest by the downturn in retail (Uğur & Akbıyık, 2020). Furthermore, the decrease in tourism has negatively impacted the investment, trade, and micro, small, and medium-sized enterprise (MSME) sectors, as tourists typically purchase souvenirs during their visits. With fewer tourists, small businesses have seen a drop in revenue (Surya et al., 2022).

Bank Indonesia data reveals that the MSME sector represented the majority of business units in Indonesia in 2016, providing significant employment. The country's commerce, investment, and tourism sectors are influenced by government policies (Maksum et al., 2020). Despite being the second-largest contributor to tax revenue, the trade sector has experienced a

decline in tax income. According to the IMF, Indonesia’s GDP growth contracted by 4.5% in 2020 compared to 2019 (Sparrow et al., 2020). A closer look at Indonesia’s economic performance reveals that GDP growth sharply dropped during the 1998 financial crisis, then stabilized, with growth reaching only 0.5% in 2020.

**Picture 2. Data on Annual Real GDP Growth in Indonesia**



Source: Central Statistics

According to data from the Central Statistics Agency, the total workforce in February 2022 was 135.611 million people, marking an increase of 4.547 million compared to February 2021. However, despite the growth in the workforce, the Labor Force Participation Rate (TPAK) decreased by 0.15 percentage points. In contrast, the unemployment rate rose by 60,000 individuals, while the Open Unemployment Rate (TPT) decreased to 4.99% compared to the previous year. Among various educational levels, the TPT for Vocational High School (SMK) graduates remains the highest, at 8.49%.

**Picture 3. Data on Indonesia’s Employment Rate and Number**

Employment and Unemployment	Number and Percentage of Employment and Unemployment								
	Employment						Unemp		
	2021			2022			2021		
	February	August	Yearly	February	August	Yearly	February	August	Yearly
Percentage (%)	93,74	93,51	-	94,17	-	-	6,26	6,49	-
Number of (Thousand of person)	131 064,31	131 050,52	-	135 611,90	-	-	8 746,01	9 102,05	-

Year 2011-2013 was result of backcasting weighted by the 2010-2035 population projection Since 2014 the estimate was weighted by the 2010-2035 population projection Y weighted by the 2015-2045 population projection (SUPAS 2015) Year 2020 the estimate was weighted by the 2015-2045 population projection (SUPAS 2015)

Source: Indonesia's Employment Rate and Number 2022

The termination of employment, its effects on unemployment, the challenges of finding new jobs, and the widening of poverty are becoming increasingly frequent in Indonesia. Predictions indicate a rise in the number of people living in poverty due to these factors. The emergence of the coronavirus further exacerbated the situation, causing significant disruptions across various industries (Suryahadi et al., n.d.) Among the hardest-hit sectors was the economy, which felt the impact most intensely. This situation has prompted the author to explore the economic challenges posed by the coronavirus outbreak in Indonesia, as it is a highly relevant and timely topic (El-Gohary, 2020).

In light of the economic consequences of the coronavirus outbreak, the government must take effective measures to stabilize Indonesia's economy. This situation presents both opportunities and challenges for economic actors, especially those in the sharia economy, to contribute to the country's economic recovery. The sharia business sector has been growing steadily and could play a key role in this process (Rasheed et al., 2070)

This study aims to examine the impact of the coronavirus pandemic, now transitioning into an endemic, on the issues of sharia economics and business in Indonesia. Given the current challenges faced by the Indonesian people due to the pandemic, the country's economy, including sectors such as sharia banking and business, has been significantly affected.

To highlight the research gap, the existing literature has primarily focused on the general economic impacts of the coronavirus pandemic, especially in sectors like tourism, MSMEs, and the broader labor market. However, limited attention has been given to the specific role and potential of the sharia economy in Indonesia during this period of economic recovery. While studies have explored the resilience of various industries, there is a noticeable absence of research investigating how the sharia business sector has been impacted and its capacity to contribute to Indonesia's economic stabilization and growth post-pandemic. This study seeks to fill this gap by providing an in-depth analysis of the economic challenges faced by sharia businesses in Indonesia during the pandemic and their role in the country's recovery process.

## RESEARCH METHODS

To enhance the research methodology, this study will incorporate a systematic literature review model. The review will begin by clearly defining the research questions, which will focus on identifying the key challenges faced by the Islamic economy in Indonesia due to the coronavirus endemic and its potential role in the country's recovery process. A set of inclusion and exclusion criteria will be established to select relevant studies, such as research articles, reports, and publications that address the economic effects of the pandemic on the Islamic economy, sharia business, and recovery efforts. A systematic search will then be conducted across academic databases like Google Scholar, JSTOR, and Scopus to gather pertinent studies, ensuring a comprehensive representation of the literature. From the selected studies, key themes and findings will be extracted, with a focus on the economic challenges faced by the sharia economy during the pandemic, its resilience, and its role in post-pandemic recovery.

The results will be synthesized to identify common trends, gaps, and insights, forming the theoretical foundation for the research. Additionally, the quality of the included studies will be critically appraised to ensure their reliability and relevance. By using this structured approach, the systematic literature review will provide a comprehensive overview of existing research, highlight gaps in the current literature, and identify areas that require further exploration regarding the economic effects of the coronavirus endemic on Islamic economics in Indonesia.

## RESULT AND DISCUSSION

Coronavirus Disease 2019 (COVID-19) was first identified in Wuhan, China, at the end of December 2019. It is believed to have originated from the mutation of the virus in bats, transferring from animals to humans and vice versa. Early symptoms of coronavirus infection include fever, cough, and shortness of breath. Those infected may experience severe breathing difficulties, chest pain, headache, body stiffness, difficulty moving, and a bluish tint to the face, which can be fatal (Chauhan, 2020). The prevalence of coronavirus has rapidly increased in many countries, including Indonesia. The World Health Organization has declared COVID-19 a global pandemic, and the Indonesian

government has classified it as a national emergency. To prevent its spread, the government has recommended frequent handwashing with antiseptic soap and water or hand sanitizer, wearing masks, practicing social distancing, self-isolation, working and studying from home, and implementing Large-Scale Social Restrictions (PSBB) in areas with high transmission risks (Asyary & Veruswati, 2020).

The spread of the coronavirus in Indonesia is believed to have begun on March 2, 2020, when an Indonesian individual came into direct contact with a Japanese national. This was confirmed by President Jokowi. Since then, the number of cases has surged significantly (Linh Dang, 2021). The island of Java has been the hardest hit, where public awareness and response to the pandemic have been lacking. Many people continue to neglect safety measures, such as wearing masks and practicing social distancing, leading to large gatherings. It is essential to increase public awareness to help the government prevent or slow the spread of the virus. Together, we must take action to end the pandemic quickly and restore normalcy to our lives.

The coronavirus has recently become a significant issue in Indonesia, continuing to cause a range of problems. Its effects have led to substantial losses, particularly impacting the country's economy. Economic development aims to enhance the well-being of citizens through rapid growth and equitable distribution of income (Alam et al., 2022). This contrasts with the situation in Indonesia during the 1997/1998 crisis, which began as a currency devaluation and escalated into a financial crisis. This, in turn, triggered social and political turmoil with severe consequences for the nation. The high inflation during that period eroded people's purchasing power, especially among lower-income groups. Fluctuations in the money supply influenced interest rates and consumption patterns, and when several banks in Indonesia collapsed, the changes in the money supply led to shifts in overall demand (Asyary & Veruswati, 2020). In the current situation, the sector most directly impacted by the coronavirus pandemic is the small and medium-sized enterprise (SME) sector, due to a significant decline in purchasing power, particularly among lower-income populations (Asyary & Veruswati, 2020).

### **1. The Impact of the Spread of Coronavirus on Various Economic and Business Activities in Indonesia**

China has had a profound influence on Indonesia's economy, with the two nations being highly interconnected. Since 2011, China has been the largest market for Indonesian exports. In fact, data from the Central Statistics Agency reveals that Indonesia's non-oil and gas exports to China reached a value of 25.7

billion US dollars in 2017. This figure is significantly higher than Indonesia's non-oil and gas exports to the United States and Japan, which rank second and third, respectively (Salman et al., 2019). Moreover, China is Indonesia's largest source of imports. In 2019, Indonesia imported goods worth 44.5 billion US dollars from China, a sum approximately three and a half times greater than Indonesia's imports from Japan and the United States combined. China is also a major contributor to foreign direct investment in Indonesia, accounting for about 12.5% of the total foreign tourist arrivals in the country. This economic relationship has made Indonesia highly dependent on China for both trade and investment, increasing the vulnerability of Indonesia's economy to any disruptions in China's economy.

In addition to China's direct impact, other countries affected by the Coronavirus epidemic have also influenced Indonesia's economy. The economic consequences from the European Union, the United States, South Korea, and Australia, though less substantial than China's, are still significant. These countries affect Indonesia through trade volumes, foreign investment, and international tourism, all of which have seen downturns due to the pandemic. Moreover, the broader global economic instability has been further exacerbated by events such as the US-China trade war, Brexit, and other geopolitical tensions. The spread of the Coronavirus to 176 countries has created widespread economic instability, contributing to additional challenges for Indonesia.

Locally, the spread of the Coronavirus in Indonesia has had a profound economic impact. Initially underestimated, the effects have grown much larger as the pandemic continues to spread. As the number of reported cases rises, it has become clear that the local impact will be far more severe than originally anticipated. This has led to revisions in Indonesia's economic growth projections. In March 2020, the Organization for Economic Cooperation and Development (OECD) revised its growth forecast for Indonesia from 5.0% to 4.8%. Similarly, Moody's lowered its GDP growth prediction from 4.9% to 4.8%, and Bank Indonesia adjusted its economic growth estimate from 5.0-5.4% to 4.2-4.6% (de la Fuente-Mella et al., 2021).

Unlike the global financial crisis of 2008, when Islamic banking faced significant challenges, the Islamic economy, centered around Islamic banking, has proven notably resilient in the face of the Coronavirus pandemic. While the pandemic severely impacted the global public health system and various economic sectors, the Islamic banking sector demonstrated an impressive ability



to recover. The pandemic presented unique challenges for all sectors, including Islamic economics, but it also underscored the strength and resilience of Islamic financial institutions in navigating such crises.

### **The Challenges of Islamic Economics in the Spread of the Coronavirus Pandemic**

The Coronavirus pandemic has had several significant impacts on Islamic businesses. The first impact is the decline in demand for sharia-compliant products. The sharp drop in both foreign and domestic tourism severely affected industries such as hospitality and travel, with hotel occupancy rates in Indonesia, including sharia-compliant hotels, falling to between 10-50%. Additionally, the sale of travel packages, including those for sharia tourism, faced major setbacks, especially Umrah travel agencies, which suffered substantial losses due to the suspension of Umrah trips to Mecca, Saudi Arabia (Anaza & Hallmon, 2020). The demand for non-essential products such as halal food and beverages, halal cosmetics, and Muslim fashion also decreased. This trend is expected to worsen if the pandemic persists (Anaza & Hallmon, 2020).

The second issue concerns the increase in production costs, which have been driven by disruptions in the supply chain and changes in employment practices. Indonesia's heavy reliance on imported raw materials and capital goods, particularly for halal product manufacturing, has exacerbated these supply chain challenges. Moreover, restrictions on outdoor activities in key areas of the country further disrupted operations. Employment changes, such as a shift to remote work, reduced working hours, or temporary suspensions, coupled with declining worker health, have also negatively impacted sharia businesses.

A third major consequence of the pandemic has been the delay in investment realization. The uncertainty caused by the pandemic has led many investors to postpone or cancel planned investments, including those in sharia businesses. For example, investment projects for developing halal industrial zones, which were in the planning stages prior to the pandemic, have been put on hold and are unlikely to move forward until after the crisis subsides (Jia & Chaozhi, 2021).

The fourth issue is the increased risk faced by Islamic financial institutions. These risks affect various types of Islamic financial entities, such as Islamic commercial banks, Islamic people's financing banks, Islamic finance companies, and Islamic microfinance institutions. The key risks include operational, financing, market, and liquidity risks. Islamic financial institutions

are expected to see a slowdown in asset growth until the end of the Coronavirus crisis. Islamic microfinance institutions, which have strong ties to the real sector, are particularly vulnerable and may face the greatest challenges (Hassan et al., 2020). Furthermore, service business units like BPRS, KSPPS, and BMT, which rely on daily transactions, have seen their liquidity directly impacted by the widespread shift to remote work and a decline in outside activities.

These challenges are crucial as they directly affect the sustainability and growth of the Islamic economy in Indonesia, aligning with previous findings that highlight the significant disruptions caused by the pandemic. The decline in demand for sharia-compliant products, increased production costs, and disruptions in the supply chain echo the economic struggles observed in sectors like tourism, hospitality, and retail, which were severely impacted by the pandemic (Anaza & Hallmon, 2020; Uğur & Akbıyık, 2020). Moreover, the delay in investments and the increased risks for Islamic financial institutions, as noted in earlier studies, further threaten economic stability and growth. Addressing these issues is essential for strengthening the resilience of the Islamic economy and ensuring its contribution to Indonesia's post-pandemic recovery.

## **2. Sharia Economic Strategy in Facing the Challenges of the Impact of the Spread of the Coronavirus Pandemic**

The first strategy to address the economic challenges caused by the Coronavirus outbreak is to emphasize the role of sharia businesses as essential contributors to efforts aimed at mitigating the pandemic's impact. Sharia economic and business actors should demonstrate empathy and solidarity with all stakeholders. This can be achieved by offering concessions to employees working remotely, maintaining customer service within feasible limits, and supporting government measures to reduce virus transmission (Israhadi, n.d.). Embracing technology will be crucial for maintaining business operations, including utilizing financial aid, leveraging social media for marketing, and automating accounting tasks. These steps will enable small and medium-sized enterprises (SMEs) to develop strategies that ensure both current and future business continuity (Horvath et al., 2018).

For fund disbursement, various steps can be taken: (1) Sharia microfinance institutions can provide financing to nanoscale businesses using funds from multiple sources, including the public, private enterprises, and state-owned enterprises (BUMN/BUMD); (2) Private companies and BUMN/BUMD can

offer interest-free loans for business or personal purposes, including to employees or partners like online motorcycle taxi drivers, utilizing Corporate Social Responsibility (CSR) programs; and (3) CSR funds can be used, as seen in the example of a halal cosmetics company donating billions in medical equipment to hospitals treating COVID-19 patients. The second strategy is for sharia businesses to prepare for the worst while crafting a recovery roadmap. By learning from countries that have already felt the full impact of the pandemic, sharia economic actors should not underestimate the virus's effect. Although the pandemic will eventually subside, having a clear recovery roadmap will be vital. This plan can range from simple to complex depending on the scale of each business.

Sharia economic and business actors should focus on three key actions for surviving and thriving post-crisis: First, aligning the strategic team. During crises, corporate leaders may panic, but close collaborators may possess the necessary skills to help the company navigate challenges. Second, businesses should develop a continuity plan that ensures the stability of current revenue, identifies new opportunities, and optimizes costs. Third, companies should establish a dedicated team to execute these plans efficiently and effectively, with a crisis management office overseeing urgent actions and facilitating key partnerships (Dunning, 2020). The third strategy involves fully utilizing the government's stimulus package designed to alleviate the effects of the Coronavirus. This package includes fiscal, non-fiscal, and financial sector stimulus measures. While not ideal, these packages offer relief to Islamic businesses during the crisis. The Indonesian government has allocated IDR 75 trillion for the health sector, IDR 110 trillion for social safety nets, and IDR 70.1 trillion for industrial support, including tax relief, import duty cuts, and people's business credit (KUR). Furthermore, IDR 150 trillion is set aside for economic recovery programs aimed at supporting national recovery, including for ultra-micro businesses. The stimulus is intended to alleviate pressure on key sectors like tourism, transportation, trade, manufacturing, and hospitality (Mensah & Boakye, 2023)

Although government measures are helpful, they are not sufficient to fully support the real sector, especially microeconomics, which plays a pivotal role in the sharia business ecosystem. Microeconomic industries, known for their adaptability, should focus on producing high-demand goods, particularly health-related products during the crisis. Lastly, businesses should leverage technology to maintain high volumes of commercial transactions despite the pandemic. Remote work and digital technologies must be embraced to reduce

in-person interactions and mitigate risks while ensuring business continuity (Priyono et al., 2020). In the medium term, the pandemic presents an opportunity to advance the development of the sharia economy. This moment should be seized to promote the transformation of Indonesia's Islamic economy and finance, focusing on an ecosystem approach to foster long-term growth and stability.

The strategies outlined above are essential for ensuring the resilience and long-term growth of sharia businesses in the face of the Coronavirus pandemic. By demonstrating empathy, embracing technology, and utilizing available government stimulus packages, Islamic economic actors can mitigate the immediate challenges posed by the crisis. Additionally, preparing a clear recovery roadmap, aligning strategic teams, and focusing on business continuity will help sharia businesses navigate through the uncertainty. These efforts are crucial not only for the survival of individual businesses but also for the broader recovery of Indonesia's Islamic economy, fostering stability and growth in the post-pandemic era.

### **3. The Role of Sharia Economics and Business in Overcoming the Impact of the Coronavirus Pandemic Crisis**

The Coronavirus pandemic has emerged as a global crisis, affecting many countries, including those with large Muslim populations. Even in countries where the Muslim community is small, they should contribute to addressing societal challenges. In Indonesia, where Muslims are the majority, their role in mitigating the pandemic's effects is especially significant. To make a meaningful contribution to those impacted by COVID-19, several economic actions can be taken. Murniati Mukhlisin and the Tazkia Islamic Institute team propose seven economic strategies in their "Seven Islamic Economics and Finance Packages to Overcome the Impact of the Coronavirus Crisis." These strategies aim to support the Islamic economy and businesses in addressing the economic shocks caused by the pandemic.

These measures also highlight the importance of achieving Sharia objectives (maqashid sharia) during the recovery process, allowing the entire community to actively participate in overcoming the crisis. The main strategies include: 1) direct cash assistance (BLT), 2) mutual support (Berta'awun) and protection (Bertakaful), recognizing that recovery costs will be high and cannot rely solely on state funds, 3) harmonizing taxes and zakat, 4) providing business capital assistance during the crisis, 5) offering Qardhul Hasan loans and Corporate Social Responsibility (CSR) programs, 6) enhancing economic

literacy and knowledge of Islamic finance, and 7) developing Sharia-compliant financial technology to increase liquidity among online market participants, while also emphasizing social finance (ZISWAF) and commercial finance (Dunning, 2020).

In addition, research by Azwar Iskandar and colleagues suggests that solutions within the framework of Islamic Economics and Social Finance can help address the pandemic's effects. These solutions include: 1. Distributing direct cash assistance from zakat, infaq, and alms, 2. Strengthening waqf in various forms such as cash waqf, productive waqf, and waqf for infrastructure, 3. Providing business capital assistance to micro, small, and medium-sized enterprises (MSMEs), 4. Offering Qardhul Hasan loans, 5. Enhancing knowledge of Islamic economics and finance, and advancing Islamic financial technologies (Kuanova et al., 2021). These Islamic financial tools offer viable solutions for coping with the pandemic, but their success depends on proper implementation.

The role of the Sharia economy and businesses in alleviating the economic impact of COVID-19 can be strengthened through the following actions: Increasing the collection, distribution, and utilization of zakat, infaq, alms, and waqf funds, coordinated by authorized institutions like BAZNAS; Enhancing the use of productive waqf, ensuring effective management to generate sustainable benefits for the community; Distributing assistance through Qardhul Hasan contracts, which can provide vital support to MSMEs, helping them recover and revive their businesses; Promoting Sharia financial literacy and innovating to develop businesses by utilizing the latest technologies to adapt to the evolving economic landscape.

By implementing these strategies, the Sharia economy and business sector can play a crucial role in supporting communities as they recover from the economic devastation caused by COVID-19.

## CONCLUSION

The COVID-19 pandemic poses significant challenges to the economic and business sectors, including the sharia economic sector, which is a vital part of Indonesian society. Based on research findings, several main challenges faced by the sharia business sector in dealing with the impact of this pandemic include the economic downturn, decreased demand, and pressure on liquidity and competitiveness. In facing these conditions, sharia businesses must be able to formulate effective strategies to mitigate the impact of the crisis and maintain operational continuity. Strategies that can be implemented include first, the application of digital transaction technology which allows sharia businesses to continue carrying out their operations efficiently, even in social environmental conditions. This has proven to be very useful in facilitating transactions that are easy to do from home (WFH). Second, Islamic financial institutions, such as Islamic banks, need to re-evaluate their growth targets and adopt a flexible and adaptive approach to ensure long-term resilience. Third, sharia businesses need to strengthen empathy and solidarity with all stakeholders, as well as take advantage of government stimulus programs as an opportunity for sustainable growth in facing these difficult times.

Through implementing these strategies, the sharia economic and business sector can make a meaningful contribution to society, especially for those affected by the pandemic. By prioritizing achieving sharia goals (maqashid sharia), sharia businesses can provide effective solutions to deal with economic shocks, while ensuring that the recovery process remains in line with Islamic values and goals. This approach will not only help reduce the economic impact of the pandemic, but also ensure that the recovery takes place with principles in line with Islamic teachings.

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