

Islamic Banking Financing in the Covid-19 Era

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Abstract

The COVID-19 has the potential to be one of the severest challenges facing the financial services industry. In conventional financial system, central banks reacted quickly to the emerging signs of stress, applying lessons learned during the financial crisis. Islamic financial institutions are also trying to act to address this pandemic as Islamic finance has been an alternative that has proven its resilience, capacity for growth and maturity during the previous financial crisis. And this is due to its principles which are mainly the backing of real assets and the principle of profit and loss sharing, which have helped to introduce more stability in the financial system. In most countries where the Islamic banking (IB) sector is institutionally well developed, the banking sector is a source of capital to the economy and particularly to small businesses. The global performance of IB operations was retested with the pandemic that affected all sectors supporting the country's economy. This paper attempts to respond to the following question: What was the impact of the pandemic on IB financing? In order to develop situation-based assessments of the implications of COVID-19 for the IB sector, this research follows a qualitative approach. This method provides an opportunity to appreciate the value or pictorial representation of experts and practitioners in IB sector. While Islamic financial sectors are generally stable, it is necessary to more concentrate on the industry's social role and the relevant adoption of financial technology because COVID-19 remains the most critical global threat since 2008 and currently.

Keywords: COVID-19, Islamic Banking, Financing.