The role of Islamic Finance in unlocking the Potential of Micro-Small and Medium-sized enterprises and the role of Fintech

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Abstract - This paper aims to examine the role of Islamic finance and technology in unlocking the potential of MSMEs. In recent years Islamic finance has enjoyed rapid growth, but several challenges remain. Data show significant unmet demand for Shariah-compliant financial services, particularly among micro-small and medium-sized enterprises (MSMEs). To fill this financing gap, Shariah-compliant products offered to MSMEs are mostly leasing and asset resale arrangements, with very little application of profit and loss sharing contracts. This paper employs a qualitative research method to look at the role of Islamic finance in unlocking the potential of MSMEs. In addition, the emergence of Financial Technology (Fintech) has given the Islamic financial system an impetus to compete on an equal footing with the conventional system and prove itself. This study will examine the role of Islamic finance in recovery post-COVID-19 and how Fintech can be utilized to combat the economic repercussions that resulted from COVID-19. In addition to other existing articles, this paper suggests that combining the principles of Islamic finance, the advancements in technology, and Fintech represents an opportunity to significantly contribute to the enhancement of the entrepreneurial ecosystem in the Islamic world and the promotion of MSMEs segment development. This paper proposes using modern technology to unlock the potential of Islamic finance in contributing to entrepreneurship and MSME development. The findings of this study have significant implications for policymakers and governments, notably guidance on how to apply FinTech and effectively promote innovative Islamic financial services.

Keywords - Islamic finance; Entrepreneurship; MSEMEs; Social finance, COVID-19

I. Introduction

Islamic Finance entails observing the principles of Islam and those of Islamic finance in carrying out business and managing resources. Islamic finance originated about 50 years ago. Countries with a Muslim majority embraced it. Investments in Islamic finance assets are estimated to exceed US$3.69 trillion by 2024, and this investment amount will mark the industry's highest growth track ever recorded since 2008 [9]. The increasing popularity of Shariah financing among Muslim countries is mainly attributed to its ability to satisfy its thirst for capital and its ability to serve the unmet demand in the market. Islamic financing provides an opportunity for investors to access financing and economic development. This is by providing Shariah-compliant financial services to products, especially to micro-small and medium-sized enterprises (MSMEs). Shariah law upon which Islamic financing is adopted doesn’t allow financial institutions to charge interest to their clients [5]. Thus, there is a need to develop more innovative solutions to unlock the potential of Islamic finance, especially with MSMEs. There exists a huge potential for Islamic financing if the institutions advance their operations to entrepreneurship. Islamic banks can work together with financial technology (FinTech) firms to introduce innovative products. These products must be Shariah-compliant which increases the target customers for Islamic financing. Considering that Islamic finance is not exclusive to Muslims, introducing innovative solutions will help attract entrepreneurs. The conventional nature of Islamic financing is good for investors since it is not developed to make a profit but instead on returns from tangible income. This makes it more favorable to MSMEs, which thrive upon favorable conditions.

We find that to unlock Islamic finance, MSMEs must be aware of the microfinance modalities that can help their businesses. Investors who hail from nations such as Saudi Arabia, United Arab Emirates, and Malaysia have the advantage to understand Islamic banking compared to people from the United States or Canada. Thus, Islamic banking ought to be promoted for entrepreneurs to seek these services.

We argue that the Islamic financial systems are playing a crucial role in the recovery process. This is by providing sharia contracts to the MSMEs owners to allow them to recover from the economic impact of the pandemic [3]. Islamic finance should also create demand for their products by making providing an innovative solution. The paper investigated the role of technology in advancing the services provided by these banks, especially during this period when the world is recovering from COVID-19 [3].

This study adds to the sparse and divergent evidence on the role played by the Islamic financial system in helping MSMEs deal with the economic impact of COVID-19 across the globe. Besides, the study also explored the role of FinTech in

Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022

providing innovative solutions that align with Islamic banking requirements.

A. FinTech are important in Financial Growth and a strong enabler of innovation

Financial technology (FinTech) is the next financial and banking sector revolution. Artificial intelligence, robotics, blockchains, and other cutting-edge technologies have gradually found space in the banking world. The Islamic banking sector has been affected by these revolutions [10]. For instance, FinTech has introduced advanced capabilities for Islamic finance that enhance the ability to serve MSMEs. These capabilities can be adapted to unlock and attract small businesses by providing MSMEs services that align with shariah requirements.

Islamic financing must promote their services to their client customers for them to understand the advantages of working with Islamic microfinance. Providing innovative solutions to customers will only be effective if they are aware of the advantages of working with Islamic banking over another method of financing. MSMEs will likely consider financial institutions that are less friendly to their business because they need to gain more knowledge of Islamic finance. Thus, the first approach is to make the target MSMEs aware of the nature of services provided by Islamic banking. This will make it possible to convince them of the concept of profit sharing and fixed payment rates which are more advantageous compared to what is offered by investment banking. Also, shariah law limits the area in which Islamic finance can be invested, and it is appropriate to advise entrepreneurs to adhere to the law strictly. For instance, the funds cannot be invested in businesses that deal with drugs or gambling. Hence, the use of financial technology will provide new opportunities for investment that are aligned with shariah. For instance, capital markets and the use of digital payment systems are new investment approaches. These are investment opportunities for entrepreneurs that are allowed by shariah law.

To penetrate new regions, it is important to introduce banking packages that attract MSMEs since they are the backbone of most economies. This can be achieved by creating awareness and educating investment groups on why it is more advantageous to use Islamic banking for their businesses. Importantly, there is a need to stipulate that Islamic finance does not apply to Muslims alone, but investors are welcome regardless of their religion or beliefs. The incorporation of FinTech into Islamic banking will help investors and the institution realize impeccable results. This is by adopting technologies that allow both the investors and the banks to interact. Digital disruption is an important consideration while unlocking the potential of Islamic finance. The advancement in technology will enable MSMEs to manage funds digitally using real-time technologies. Based on the nature of Islamic finance, this new technology provides a great opportunity for collaboration between the institution and the MSMEs.

The COVID-19 pandemic has disrupted MSMEs. Islamic banking can play an active role during the recovery process. FinTech allows the Islamic financial system a level ground to provide financial services to MSMEs. Therefore, FinTech can be used to work with small businesses that are recovering from the economic impact of COVID-19. The pandemic has created an opportunity for Islamic finance to work with MSMEs and create a sustainable financial system [6] Currently, small and micro businesses have turned to innovation as they seek to attain a place in the world. The collaboration between Islamic finance and MSMEs will create an imperative opportunity where FinTech can be applied to ensure that innovative businesses are being supported. For the innovative solution to reach the target market, the investor requires financial support from institutions providing favourable terms. Compared to other finance providers, Islamic finance is more favourable to support innovative solutions to its strict adherence to shariah law that is not centred on making a profit. However, awareness is important, especially among investors who are not exposed to Islamic banking or are guided by misconceptions or stereotypes.

The purpose of this study is to contribute to the literature regarding the potential role of Islamic finance in the growth of the MSMEs sector. This paper also explores the Impact of Islamic finance on society and how the sector has managed the COVID-19 pandemic.

II. Literature Review

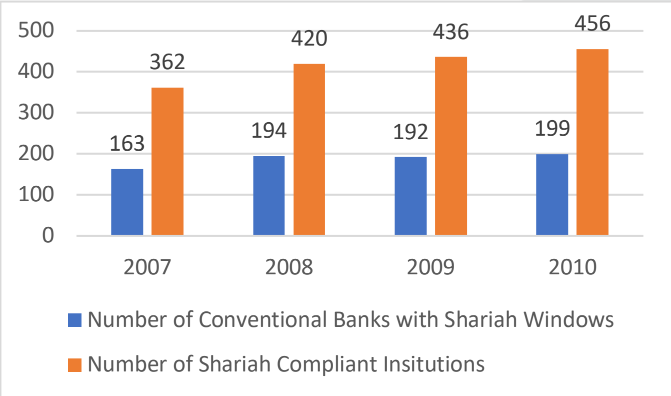
A. Islamic finance have evolved over the years

Over the years, the popularity of Islamic banking has been growing significantly, but statistics indicate that there remains a huge potential to be exploited. There is a huge demand for Islamic financing products, majorly among MSMEs. If the product sold by the business is shariah-compliant, it is more beneficial to seek Islamic finance. The profit-loss-sharing contract benefits small businesses due to its favorable terms. Public awareness remains a significant hindrance to Islamic financing because people who are not Muslims or from Islamic countries are not aware that their investments are shariah compliant [1]. The gap in knowledge makes the MSMEs seek expensive investments, whereas they can access funding that comes in favourable contracts. It is more beneficial to Islamic banks to use profit and loss-sharing contracts to categorize MSMEs based on their debt repayment capabilities. Unlocking Islamic finance will help correct information that allows guides on the various investment that meets the criteria for funding.

The acceleration of digitalization after the COVID-19 pandemic has enabled MSMEs to leverage online platforms offered by Islamic banks. According to a study by OECD, MSMEs engaged in online banking platforms following the pandemic have seen an increase in sales and revenues. Thanks to Islamic banks, MSMEs are having easier access to funding and a speedy recovery from the pandemic repercussions [15].

Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022

Figure 1: Institutions Registered for Shariah-Compliant Products



Source: ICD report

The figures above indicate the continuous growth of Islamic banking between 2007 and 2010. MSMEs realize various contracts that are more favorable to their businesses [1]. These contracts allow them to obtain funding that is cheaper compared to what they would have gotten from commercial banks. This has attracted new entrants into Islamic finance while other conventional banks are introducing shariah-compliant services. The growth in the number of institutions offering Islamic financing indicates the potential growth for banks and MSMEs seeking their services. Data also indicates that Islamic finance is gaining prominence in previously unexploited regions. The concentration of Islamic banks spreads to areas not predominantly occupied by Muslims. This geographical expansion indicates how investors accept favorable contracts, thus helping grow the assets of Islamic banks.

Table 1: Shariah Compliant Assets ($m) by Country

Rank	Country	Shariah Compliant assets ($m)	Rank	Country	Shariah Compliant assets ($m)
1	Iran	314,897.40	14	Pakistan	6,203.10
2	Saudi Arabia	138,238.50	15	Syria	5,527.70
3	Malaysia	102,639.40	16	Jordan	5,042.40
4	United Arab	85,622.60	17	Brunei	3,314.70
5	Kuwait	69,088.80	18	Yemen	2,338.70
6	Bahrain	44,858.30	19	Thailand	1,360.80
7	Qatar	34,676.00	20	Algeria	1,015.10
8	Turkey	22,561.30	21	Mauritius	992.20
9	United Kingd	18,949.00	22	Switzerland	935.50
10	Bangladesh	9,365.50	23	Tunisia	770.10
11	Sudan	9,259.80	24	Singapore	725.00
12	Egypt	7,227.70	25	Palestine	612.50
13	Indonesia	7,222.30			

Source: ICD Report

The table above indicates the top 25 countries in Islamic banking. The recognition of Islamic banking as an alternative to conventional banking is continuously growing and indicates a huge potential for the industry in the future. To explore this niche, the business must constantly come up with innovative solutions that meet the MSMEs' needs [1]. This growth was observed after the 2008 economic recession. Similarly, there is room for growth as MSMEs are recovering from the economic impact of COVID-19 that have affected and are looking for an innovative solution to their financial woes.

According to a recent report from Refinitiv, Islamic finance has proved resilient to current global economic troubles and is projected to grow at an average annual rate of 8 percent until 2025 [21].

It is worth noting the factors that have contributed to the growth of this industry. Firstly, since the principles of Islamic finance are based on the values of social justice and the improvement of humanity. Second, its growing use for financing MSMEs maintains a net positive social impact in the industry [11]. Furthermore, some countries like Saudi Arabia have Islamic finance on their top agenda. Saudi Arabia is one of the most knowledgeable countries in the world when it comes to Islamic finance and has an impressive record of Shariah-compliant infrastructure targeted toward MSMEs [11].

Additionally, Islamic finance is committed to promoting greater financial inclusion, particularly for large, underserved Muslim populations. As the Muslim population grows, the need for Islamic funding grows, which accounts for the rise of Islamic finance in Muslim countries [12]. Islamic finance has some characteristics that give it the potential to effectively support medium and small business financing, economic growth, and development [13]. Islamic finance has certain features which give it the potential to support MSMEs' financing and development effectively. For example, In the Gulf Co-operation Council (GCC) countries, SMEs represent more than 22% of the country's GDP. This tendency extends to employment, with SMEs being the only ones to participate, around 40% of jobs. [13]. Countries like Saudi have been continuously supporting MSMEs growth and development.

B. *Role Of MSMEs In In The Development Of Islamic Financial Institutions*

Over the years, investors have been using Islamic finance to acquire financing for their investments. Investors who hail from both Islamic nations and non-Islamic regions use these finances to develop and grow their businesses. These are largely MSMEs that have invested in companies that are compliant with shariah law which is the Islamic law used to regulate Islamic financing. Unlocking entrepreneurship is therefore possible if the business adopts this asset-based approach. The majority of the financial providers focus on interest which affects small businesses which are trying to compete with big firms. According to research, it is more sustainable to work with Islamic banking because they are controlled by shariah law which is asset-based rather than profit. The majority of MSMEs have been adversely affected by the COVID-19 pandemic and are unable to meet requirements set by financial institutions. Thus, financial instruction offering favorable terms for accessing finance is much welcome. It is important to educate entrepreneurs on various microfinance modalities provided by Islamic financing. Based on the nature of the investment, the MSMEs will be able to adopt a contract that is best suited for their business. For

DOI: 10.13135/2421-2172/6585- Published by the University of Turin
https://www.ojs.unito.it/index.php/EJIF/index

Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022

instance, a profit and loss sharing contract in Islamic banking allows the investor and the bank to split the profit or loss made by the investment based on a predetermined ratio. This can be based either on mudaraba or musharaka contractual terms that the bank and investors agree to share the profit or loss of the venture. If the party adopts mudaraba contractual terms, Islamic finance will act as the financier of the investment while the investor is the management and executor. On the other hand, musharaka both parties agree on the revenue-sharing formula before the investment is initiated. Islamic law contains various contracts that allow small and medium enterprises to access funds packaged for their investment. For businesses that require funds for a specific project, it is possible to acquire an interest-free loan from the bank to meet its financing requirements. However, the biggest challenge remains access to information on the available microfinance modalities provided by Islamic banks. To unlock Islamic finance, MSMEs must be aware of the microfinance modalities that can help their businesses. Investors who hail from nations such as Saudi Arabia, United Arab Emirates, and Malaysia have the advantage to understand Islamic banking compared to people from the United States or Canada. Thus, Islamic banking ought to be promoted for entrepreneurs to seek these services

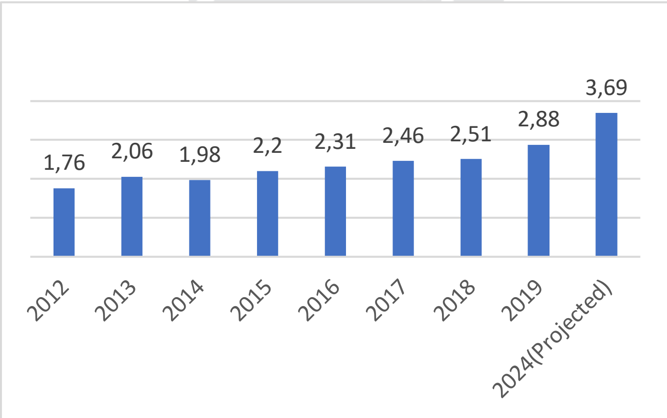
C. *Impact of Islamic finance on society*

Research indicates that MSMEs play a crucial role in society, especially in poverty eradication and the promotion of the domestic economy. Countries that promote MSMEs tend to achieve economic growth that enables them to achieve Sustainable Development Goals (SDGs) [5]. This is possible when small and medium businesses are able to access financing. Funding from Islamic finance has increased the ability of these MSMEs to increase their sales, meet customer demands and employ workers [16]. Access to funding also enables MSMEs to become more profitable and increase their competitive advantage. This is made possible by the favorable terms associated with Islamic banking that allows businesses to become more productive. However, Islamic finance must create demand for their products by making providing an innovative solution. Research indicates that more countries are developing interests in Islamic finance. Still, it is the responsibility of the stakeholders to educate the MSMEs on various sharia contracts that are good for their business [1]. Awareness is needed if small businesses adopt a new source of financing. Although Islamic financing provides better arrangements, the MSMEs must be aware of these contractual terms for them to place their investment. Unlocking Islamic financing entails empowering MSMEs to grow and adopt new technologies. The previous program that has worked can be used for benchmarking for the investors.

D. *Islamic FinTech in managing impact of COVID-19 on MSMEs*

COVID-19 has disrupted most businesses, with MSMEs being the most affected. The Islamic financial systems are playing a crucial role in the recovery process. This is by providing sharia contracts to the MSMEs owners to allow them to recover from the economic impact of the pandemic [3]. The 2008 economic recession provided the Islamic financial system with a blueprint for working with small and medium businesses during the recovery process. This can be reciprocated to help MSMEs that are recovering from the economic aftershocks of the pandemic. Islamic finance entails corporate social responsibility that allows the institution to support businesses in society [1]. According to a study, the COVID-19 pandemic created an opportunity for people to be creative and create innovative solutions. There are multiple startups that are rising and require support for them to flourish. Islamic finance promotes asset financing, which is significant in the achievement of SDGs. The construct of Islamic financing is designed to promote risk sharing and avoid speculations. While other conventional banking systems are linked to gambling and other ambiguous investments that expose investors to multiple risks, Islamic finance does not support business activities that are prohibited. Therefore, Islamic finance allows easier and safer access to funding. When it comes to technology, Islamic banking innovative solutions such as the use of digital currency, MSMEs can acquire finance without taking excessive risks.

Figure 2: Global Islamic Finance Assets Growth (US$ Trillions)



Source: ICD Report

The figure above shows global Islamic finance assets from 2012 to 2020. Over the year, Islamic financing has been gaining prominence across the globe. This can be attributed to the fact that it is not limited to Muslims only but also non-Muslims, thus gaining attraction due to favorable contractual terms. Also, the sharia laws allow the parties in the contract to negotiate equal rights without one party feeling exploited. Unlike conventional banking, Islamic finance allows equitable sharing of collected revenue.

III. Methodology

The study employs a qualitative research approach to understand the role of Islamic Finance and entrepreneurship in unlocking the potential of MSMEs. In the analysis process, qualitative content analysis is applied, which is then supplemented by exploratory research to assess and evaluate the potential of Islamic finance among the MSMEs in dealing

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with the impact of COVID-19. This study also uses secondary data. The first source is the annual reports of selected Islamic financial institutions on their respective websites. To minimize selection bias, several electronic databases were used to gather data. Only full-text studies from databases providing full access to several full-text journals were considered. Keywords included were Islamic Financial System, FinTech, Islamic Finance, MSMEs, the impact of Covid-19 on small and medium enterprises, entrepreneurship, social finance, and innovative solution in Islamic banking. Once relevant articles were identified, the authors analysed their content to obtain relevant information on unlocking the potential of Islamic finance and entrepreneurship using innovative solutions [1]. To ensure the relevance of the current research,

the selected articles were objectively and quantitatively analyzed through content analysis to obtain data and information to proceed with the research paper. This approach analyzes secondary data to understand the relevance of Islamic finance in supporting MSMEs, especially post-COVID-19.

IV. RESULTS

According to search engine findings, the impact of the COVID-19 pandemic has greatly evolved from health crises to economic crises, with MSMEs being the most affected. Most entrepreneurs are already struggling to keep their businesses afloat due to lockdowns and loss of employment imposed once during the country lockdown [3]. Once the lockdown was lifted, economic activities failed to resume immediately, and some businesses could not sustain themselves due to a lack of funds. COVID-19 also created new opportunities for innovators to provide solutions by providing products and services [17]. The pandemic rendered millions of people jobless, and people had to develop creative ways to make a living, leading to various businesses. Firms trying to recover from the impact of the pandemic are dealing with various challenges, such as a need for more funds to sustain themselves. Also, there needed to be more cash flow since most target customers lost their jobs during the pandemic. Many working hours were lost during the lockdown affecting the cash flow among the working populates. With the cash flow, small and medium businesses can sustain and survive the impact of COVID-19 on the economy. This creates extreme uncertainty for the MSMEs who depend on the availability of cash flow when the working hours are utilized optimally.

For MSMEs to survive the impact of COVID-19, there is a need to shift from the conventional financial system that does not provide favorable contracts to already struggling establishments. The existing financial systems are more focused on making profits and less interested in supporting the MSMEs [5]. This makes Islamic financing the best-suited approach to unlock MSMEs' potential and access funds easily. Islamic finance offers non-exploitive services that allow the business to develop [5]. Through various contracts, it is possible for small businesses to access finance and benefit from favorable contracts compared to the ones offered by conventional financial institutions.

Islamic finance provides various service that attracts MSMEs. These financial services are more favorable through Islamic financing compared to conventional banks, which are exploitative to their customers. The Islamic banks provide services that are not interest-oriented, thus making them ideal for MSMEs dealing with the impact of COVID-19. However, the investor needs to acquire information on the nature of investment supported by these banks. In as much as Islamic financing promotes small businesses, they refrain from an investment that is against sharia law. Activities such as gambling and speculation are prohibited, and investors will not receive funding for such businesses. Additionally, Islamic financial institutions are a good platform for increasing access to financial inclusion, including access to finance for MSMEs, thereby supporting growth and economic development [19].

Furthermore, a lack of awareness and knowledge about Islamic banking products also affects MSMEs [19]. Therefore, Information is important in promoting Islamic financing, especially in non-Muslim nations. Recently, several countries have embraced Islamic financing, including nations where Islam is not the populous religion [2]. Based on content analysis, people from such countries need to be more conversant with the strict requirement of shariah law. These are investors who are attracted to the favorable contractual terms of Islamic banking, but they need to be made aware of the segments that they must meet to acquire funding [2]. With the outbreak of COVID-19, the majority of MSMEs have been affected and are seeking investment from an organization that is less exploitative. However, these businesses may be locked out of acquiring funding from Islamic banking because their companies do not conform to the law. In this paper, we presented several Islamic financial products like mudarabah and musharakah that MSMEs and entrepreneurs can adopt to meet their financial needs [18] (See table below). Besides, The Islamic social finance tools stipulate various obligations that must be met before providing funds to businesses. The information role of Islamic banks must be addressed, especially for nations that are not predominantly Islamic. Content analysis indicated that countries globally are exploring Islamic banking [2]. For instance, western countries have greatly embraced this form of financing that offers better terms than conventional banks that are exploitative. However, the majority of the resident of these countries are not Muslims, thus unaware of shariah laws that regulate Islamic banking. Information is, therefore, necessary for investors on the nature of services and products so that they can seek support from the government.

Table 2: Contracts and their definitions

Contracts	Definition
Profit and loss sharing	is a contract between two parties; one provides the capital and the other provides the labor to form a partnership to share the profits by certain agreed proportions.
Joint venture (Musharaka)	is a financial contract between two or many parties to establish a commercial enterprise based on

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Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022

	capital and labor. The profit and loss are shared at an agreed proportion according to the amount of contribution.
Cost plus (Murabaha)	refers to a sale of a good or property with an agreed profit against a deferred or a lump sum payment. There are two contracts in Murabahah: the first contract is between the client and the bank, whereas the second contract is between the bank and supplier. The client (purchaser) orders a certain commodity through the bank, the bank then buys the commodity from the supplier and sells it to the client with specified profit whereby the client can make a lump sum or a deferred payment to the bank.

Source: Characteristics of GCC Islamic Banks Investment in Malaysia, Ali Abusalah Elmabrok Mohammed

V. Discussions of the Potential and challenges for Islamic Decision support systems

The research focuses on unlocking the potential of Islamic finance among MSMEs in dealing with the impact of COVID-19. Through the application of Islamic financial systems and strictly adhering to the shariah laws on which they are built, entrepreneurs can access funding for their investments and survive the economic repercussion of the COVID-19 pandemic. The use of digital currency and smart contracts provide a lucrative opportunity for Islamic finance to penetrate the larger market. Using FinTech, it is possible to solve economic challenges facing the majority of MSMEs. Analyzing activities based on whether they adhere to shariah guidelines and then proceeding to seek financial services can help many struggling MSMEs. Enterprises have huge potential, but they need to receive favorable financial services from conventional bank that favors their economic situation. FinTech can be used to collaborate with firms dealing in Blockchain financial technology, which has become more prominent post-COVID-19. Blockchain aligns with shariah requirements because it reduces the risks of cheating or hacking and thus does not affect financial integrity. FinTech in Blockchain is viable in helping Islamic Finance provide an innovative solution to its clients. The financial bank can access information contained in Blockchain digital ledger, thus ensuring accuracy. This also allows the bank to determine if a digital currency is making a profit or loss.

The world is almost concurring COVID-19 with new variants promptly managed without the need to lock down the economy. With the ongoing vaccination, the focus is now on economic recovery. Multiple opportunities have arisen, especially in FinTech dealing with digital assets and Non-fungible Tokens (NFT). As a result of the technological innovations described in Rabbani's study, fintech has been able to disrupt our everyday lives with innovation in finance. We are now receiving financial services through artificial intelligence systems, and It is possible to apply shariah principles in financial transactions [5].

Cryptocurrency is a categorized currency; thus, it is halal for Islamic Finance to fund. Considering that currency are properties that do not attract interest, MSMEs dealing with digital currencies can acquire funding with much ease. The aspect of Islamic financing is to create value while conducting business in an ethical manner that does not expose the institution or the clientele to risks.

All in all, the use of FinTech in Islamic banking is gaining attention globally, and its potential in financial services is immeasurable. Thus, the adoption of FinTech by MSMEs requires the support of Islamic finance sector to help overcome the lack of funding.

The recovery process against COVID-19 entails both short- and long-term financial strategies. Short-term strategies entail MSMEs seeking financial support not exceeding one year. This is mostly emergency financial needs that provide financial assistance to investments. Islamic finance is used to fund MSMEs for projects that meet Zakat, sadaqah, or Qaradh-Al-Hasan stipulations. It is important that client is introduced to various financial services provided by Islamic banking based on their needs. In regions where Islamic banking is not popular, MSMEs owners require more information on how they operate, and their advantage compared to conventional banking. Bridging the knowledge gap is important in determining whether the investor needs short-term emergency support, or they need long-term support. Social instruments under Islamic finance, such as Qardh-AlHasan, Zakat, Social Sukuk, and Waqf are viable options to be used by the Islamic banks during and after COVID to help the affected individuals, MSMEs, and corporations by providing direct cash transfers and giving access to the health care and education facilities [7]. Islamic finance is based on the principle of social justice and equitable distribution of income and these two characteristics make it as the suitable path under crisis [8]. For instance, Zakat financial support is rendered to a certain group of customers who are financially deprived, according to sharia. This can benefit poor people in a society whose enterprises have been affected by COVID-19.

To penetrate the financial markets, Islamic Finance must engage MSMEs that are recovering from the impact of the COVID-19 pandemic. As the business recover from the impact of COVID-19, it will start focusing on its growth and sustainability. Thus, MSMEs can opt for medium-term or long-term recovery loans, which have a longer duration than short-term recoveries. Through FinTech, it is possible to work with organizations to ensure they remain active and not get overwhelmed as they try to recover. A business that achieves long-run resilience is able to sustain itself and advance in other areas. This creates an opportunity for Islamic finance and FinTech to work on innovative financial solutions. The disruption caused by coronavirus is likely to be felt for a long period, especially with the constant emergence of new variants. Therefore, MSMEs require partnerships with favorable financial services that will be in existence in the long run. Also, incorporating digital currencies will help businesses and

Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022

financiers evolve with technology. With Fintech, the banking world has changed, and Fintech, artificial intelligence, and blockchain will re-engineer Islamic banking to boost and enhance MSMEs access to funds and growth [20].

VI. Conclusion

Based on the content analysis that has been carried out, the result of the study shows that utilizing Islamic finance to promote entrepreneurship and the MSMEs sector when dealing with the impact of COVID-19 offer a conducive growing environment. Working together with FinTech, Islamic finance institutions will be able to introduce innovative products that meet customer needs. FinTech has introduced advanced capabilities that allow the partnership between MSMEs and Islamic finance. This advance aligns with shariah requirements, thus allowing the use of digital currency in transactions. The use of digital payment, like financial transactions, is easily controlled and does not entail gambling or speculations. Countries such as Malaysia, United Arabs Emirates, and Saudi Arabia have advanced levels of Islamic banking. However, there is underlying potential across the globe, but Islamic finance must prepare detailed packages that target MSMEs. Besides educating the groups, it is important to include FinTech in Islamic banking. Digital disruption cannot be avoided, and it is viable in managing funds using real-time technologies.

The COVID-19 pandemic disrupted the economy, with the most affected MSMEs. The economy is recovering with the ongoing vaccination and relaxation of the containment measures. FinTech can be used by Islamic finance to offer innovative solutions to MSMEs that have been significantly affected. This can be through collaboration between the two entities to create a sustainable financial system. Small and micro-businesses are trying to find their place in the economy, competing with big corporations with access to financing. Thus, corporation between these two entities provides an imperative opportunity where FinTech can be applied to provide financial support. Islamic finance is more favorable to MSMEs than conventional banks, whose main aim is to profit. According to research, MSMEs that have invested in a business adherent to sharia law have been using Islamic finance to develop and grow their business. This has made it possible to unlock great investment opportunities for MSMEs. Islamic finance does not focus on interest but is asset-based, unlike other financial providers. Also, they provide various contractual terms that are more favorable compared to conventional financial organizations.

Many innovative solutions remain unexplored that could unlock the potential of Islamic financing and MSMEs. Many sharia-compliant businesses offer a conducive growing environment for entrepreneurs and MSMEs. The COVID-19 pandemic caused an economic recession affecting many organizations, especially small and medium enterprises. The lockdown and strict restrictions by the department of health affected the business's cash flow. Therefore, the majority of MSMEs are struggling, and they need a favorable financial plan for them to be sustainable. Islamic finance can be used to provide much-needed funding during the recovery process. There is a huge demand for Islamic financing products, especially among MSMEs. For investors in shariah-compliant services, it is more beneficial to seek Islamic finance over the conventional funding provided by other financial service providers. The role played by MSMEs in society can be enhanced through financial support from organizations that provide investment funding. To eradicate poverty and achieve SDGs, developed and developing nations must work with MSMEs. Favorable investment terms must be supported by economic and technological solutions. The experience and confidence in Islamic finance will play a crucial role in helping MSMEs reach their full potential and overcome the repercussion of the pandemic. The rise of innovative technology, such as Islamic Fintech, provides an equal ground for Islamic finance to compete and thrive better.

Our study had some limitations. Firstly, limited Access to Information since the topic is an emerging issue. Second, carrying out this research with much larger data on countries using Islamic finance to support MSMEs would provide the researcher with sufficient data and insights needed to draw more robust conclusions. In the future, looking at information regarding the percentage of SMEs compared to large companies in countries where Islamic finance is most developed would lead to a more in-depth analysis.

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DOI: 10.13135/2421-2172/6585- Published by the University of Turin
https://www.ojs.unito.it/index.php/EJIF/index

Received: 22/02/2022 - Accepted for publication: 23/12/2022 - Published: 29/12/2022