

ISLAMIC BANKING STRATEGY IN FACING THE NEW NORMAL ERA DURING THE COVID 19

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Abstract: Covid 19 has impact on the world economy without exception for Indonesia. Banks have the most important role in the economy and have also felt a huge impact with the corona virus that broke out at the end of 2019. This caused the economic sector, including banking, to think about how to survive the conditions of Covid 19 which were hitting. Islamic banking establishes new policies in order to continue to exist in this very worrying condition. This type of research is a library research with qualitative data analysis. The results showed that there was a decline in several aspects experienced by Islamic banking, including an increase in the NPF, decrease in customers applying for financing and decrease in demand for Islamic bank products. For this reason, Islamic banks decided to establish a new strategy in facing the new normal during the pandemic. Several strategies that must be carried out in order to survive in this new normal era include restructuring financing, spurring growth by selecting businesses that are still developing, digitizing banking services, providing assistance to UMKM players, and making innovations both in terms of services and products.

Keywords: *Islamic banking strategy, new normal era, covid 19.*

Introduction

Indonesia is not the only country affected by Covid 19, but the whole world has felt the great influence of Covid 19 in all aspects of life. The emergence of the corona virus has greatly affected economic conditions around the world. The world is currently in a new normal era with dire economic conditions. For that, every country must think about how to get out of this problem and improve economic conditions that are hit by the virus.

However, the economic conditions cannot last for now, but in this new normal phase we must strive to keep growing so that economic conditions tend to be stable. For this reason, researchers and experts must continue to work together so that economic problems can find applicable solutions so The Indonesian state can get out of this problem.

Sharia banking is an economic sector that cannot be separated from the influence of Covid 19. As we all know, Islamic banking will not be affected by inflation in the market. This is because Islamic banks do not use the principle of interest or usury. However, it is different from Covid 19. The existence of Covid 19 which has hit the State of Indonesia which has been almost one (1) year in fact has caused anxiety for the current existence of Islamic banking.

The effect of covid 19 is felt directly by Islamic banking with fewer transactions that occur every day. The increasing number of non-performing financing (NPF), which indicates that the increasing number of problematic financing in Islamic banking is one of the impacts directly felt by Islamic banking.

Even so, it is stated that the condition of Islamic banks is still fine, but if this is left unchecked it is possible that Islamic banks will face other major problems from the financial side. For this reason, Islamic banks must continue to innovate and be creative in the midst of the pandemic that has hit.

Apart from the increasing value of the NPF, there are still many problems facing Islamic banks in the midst of this pandemic. The many layers of society who feel the impact of Covid 19, starting from the bottom to the top, have reduced people's savings. Financing for the real sector is also getting weaker. This makes the Islamic banking sector strive to find solutions to get out of the problems that are currently being experienced.

For this reason, Islamic banking continues to innovate in terms of products and services to customers so that Islamic banking can survive in the new normal era in the midst of the Covid 19 pandemic that is hitting Indonesia. This is done in order to provide convenience to customers so that public interest in Islamic banks will not diminish in the midst of current conditions.

Literature Review

Islamic Banking

As with conventional banks, Islamic banks are financial institutions that function to collect, distribute and provide services to people whose operations are based on sharia (Isra Hayati, 2019). Islamic banks are financial institutions whose transactions are free from usury or interest practices. More than that, Islamic banks apply the principle of profit and loss sharing for every financial transaction (Uswah Hasanah, 2014).

Islamic Banking In The New Normal Era

Since the beginning of 2020, precisely in March, Indonesia has been shocked by one of the phenomena, namely the Covid-19 pandemic. As of August 2020, the total cases in Indonesia were 165,887 with 7,169 deaths in 34 provinces. The spread and increase in the number of Covid-19 cases occurring very quickly will have an impact on the decline in the Indonesian economy (Fatkhur Rohman Albanjari, 2020).

The corona virus is a pandemic that is easily spread contagiously. Therefore, many leaders have urged their citizens to carry out social distancing and isolation to prevent the transmission of this disease virus. In social networks, many things can spread contagious, including viruses. And the way to prevent wider spread is to play a role as an isolate in social networks (Nailul Mona, 2020).

Coronavirus Disease 2019 or known as Covid19 is an infectious disease that causes serious lung disease. The Covid-19 case was first discovered in China in November 2019. Covid-19 is known to be an infectious disease caused by a new virus with a very fast spreading rate. As reported by the World Health Organization (WHO), the total number of confirmed Covid-19 cases worldwide is 3,116,398 cases with 217,153 deaths (29 April 2020). Indonesia is the

country with the largest number of deaths due to Covid-19 among other ASEAN countries, followed by the Philippines and Malaysia in second and third positions (Mardhiyaturrositaningsih, 2020).

The corona virus has a significant influence on various aspects of life, be it social or economic. What is most felt by the outbreak of this virus is the deteriorating economic system in Indonesia. From a social point of view, human relations must be maintained by the existence of government policies to prevent the spread of the corona virus from reducing.

Currently, Indonesia is in the era of a new normal, even though it is still in a pandemic period, the community is required to carry out activities as necessary by adhering to health protocols, such as maintaining distance, avoiding crowds, wearing masks, washing hands and always carrying hand sanitizers when carrying out activities at home. outside the house.

This is done considering that the economy has been weakening for several months due to the fact that many sectors of the real economy have stalled due to the emergence of this virus. So, to regrow economic conditions in the midst of a pandemic, the government issued a policy allowing people to carry out activities outside the home in compliance with health protocols.

Sharia Bank Financing And Profitability

Banking is the foundation of the economy and must be able to maintain its existence in all conditions, including the current corona virus pandemic. Likewise with Islamic banking which participates in economic development in the State of Indonesia. Although not all sectors in Islamic banking have been negatively affected by the presence of Covid 19, there are several sectors that make Islamic banking not be careless with current conditions. As with financing problems, this sector experienced an increase which was greatly felt by its impact on the financial management of Islamic banking.

The main function of Islamic banking is to collect funds from the public and channel public funds. However, in its participation in providing development financing, the Islamic banking sector must pay attention to the principles of prudence, including feasibility studies, viability, and profitability based on repayment capacity. The goal is to support the implementation of national development in order to increase equity, economic growth and national stability towards improving people's welfare (Rahmayati, 2018).

One of the measuring tools for the success of a company is the level of profitability achieved in one accounting period. If profitability is allowed to continue to decline, it will have a negative impact on the image of the community, and it will cause problems in raising funds from the community (Riyan Pradesyah, 2020).

In addition to seeing the amount of financing channeled and the total TPF obtained by the bank, profitability is also important so that banks are said to be successful in facing current conditions.

Profit in the company's operational activities is an important element to ensure the survival of the company in the future. The company's success can be seen from the company's ability to compete in the market. Every company expects maximum profit.

Profit is the main measure of a company's success. Profitability is the end result of a number of policies and decisions made by the company. According to Sutrisno (2009: 16) "profitability is the company's ability to generate profits with all the working capital in it. Profitability according to Kasmir (2012: 304) is "Describing the company's ability to earn profits

through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of company branches, and so on". Meanwhile, according to Brigham and Houston (2009: 109) "Profitability is the final result of a number of policies and decisions made by the company".

Based on the opinions of the experts above, it can be concluded that the company's ability to generate profits by using existing resources within the company itself.

Meanwhile, financing is an amount of funds channeled by banks to third parties, in this case the people who need it. In terms of lending, there are many things that must be considered by Islamic banks in order to avoid the risk of default by customers. Before channeling funds in the form of financing, Islamic banks must first identify them by conducting a 5C analysis, namely character, capacity, capital, collateral and conditions (Riyan Pradesyah, 2017).

This 5C analysis is conducted to maintain the bank's Non Performing Financing ratio. Because the higher the NPF ratio, the higher the amount of non-performing financing at the bank.

Method

This writing is a type of empirical article, which is a situation based on real events or events that have been experienced and obtained through research and observation (Nurul Fitri Habibah, 2020).

Result And Discussion

Sharia Bank Strategies in Facing the New Normal Era

When the new corona virus began to hit Indonesia, the impact was not yet felt by the banking sector, especially Islamic banks. However, at the end of 2020 Islamic banking began to experience a decline which resulted in Islamic banks having to continue to innovate in providing services to customers. In this new normal period, Islamic banks have the opportunity to carry out several strategies that must be carried out so that Islamic banks do not fall into this very concerning condition of Covid 19. Some of the strategies that banks can implement in the new normal period include:

First, mitigate risk. Mitigation is minimizing the potential impact of a threat or warning. Risk mitigation is the process of identifying and giving parties to take responsibility for every risk response. The purpose of mitigation is to explore risk strategies for something that is risky, both in qualitative and quantitative risk analysis (Nur Rianto). To examine the mitigation strategies used and how to manage risks effectively. There are three steps to consider, namely:

1. What do you want to achieve and what are the tolerable risks? Set the level of risk that the leadership and management of the company are willing to take.
2. Create a priority or ranking, each risk for probability and importance. By increasing risk, management is better able to determine which strategy will be most effective.
3. Determine the appropriate risk mitigation strategy. There are 4 mitigation strategies are avoiding, receiving, moving and exercising control. (Siti Zulaikha, 2018).

In risk mitigation, the bank will restructure its financing. Then perform a debtor mapping to find which debtors are worthy of restructuring and which are not yet feasible. So that the implementation of risk mitigation is carried out precisely.

Second, focus on industries that have good prospects during a pandemic. For this second strategy, the bank must cut down the financing customers. This means that Islamic banks must choose which industries that are not affected by Covid 19 to be provided with financing. Examples of channeling financing to the agribusiness sector, e-commerce and pharmaceutical retail, cleaning products and medical devices.

This is done because Islamic banks still have to return the funds to their depositors. That's when the bank has to keep growing. Islamic banks must be able to choose a business sector that can exist and develop in current conditions. One of the uniqueness of Islamic banks is that they can carry out gold pawning. There are several Islamic banks doing that, with a fairly high figure value.

Third, Digital Banking and Online Banking. Government policies that urge to avoid crowds, then the bank's operating hours are increasingly limited, making customers also have limited time to come and conduct transactions in Islamic banking. For that, in order for customers to have convenience, Islamic banks provide online services to customers so that customers can make transactions wherever they are. This innovation is one of the best innovations provided by Islamic banks to customers, especially in the condition of the corona virus that is still hitting our country.

Fourth, assistance to UMKM. It cannot be denied that UMKM have a very large influence on economic growth. Thus, one of the potential customers of Islamic banking is UMKM players (Riyan Pradesyah, 2019). Banks must provide assistance to UMKM so that UMKM can maintain their business. The Large-Scale Social Restriction Policy (PSBB), which was implemented by the government at the peak of the spread of the corona virus, caused many sectors of the goods industry to suffer losses, including UMKM players. For this reason, in the new normal era, Islamic banks are required to continue to assist UMKM players both in terms of product innovation and marketing of products produced by UMKM.

UMKM customers whose business is disrupted due to Covid-19 receive business assistance and consultations by bank staff, namely relationship managers (RM) spread across Indonesia. The role of this RM is to provide assistance as well as consultant if the customer's loan is restructured until the restructuring process runs smoothly (Nurul Fitri Habibah, 2020).

Fifth, digital marketing. Like it or not, Islamic banking has to do digital marketing. Pandemic conditions force all meetings to be held virtually. It must be used as a place to sell. Basically, digital marketing or digital marketing is a marketing or promotional effort carried out through electronic devices or the internet. To do this type of marketing, a business can use a search engine (Google), social media, email, or a website to reach its customers.

Realizing that the Covid-19 pandemic is not yet known when it will end, many businesses are using digital marketing strategies to survive this difficult time. Here are some reasons why you need a digital marketing strategy during a pandemic.

The reasons for the importance of digital marketing during a pandemic include:

1. People spend more time online
2. Digital marketing is more cost effective
3. The decrease in consumer visits to offline shops.

Conclusion

Seeing the phenomenon of the current outbreak of the corona virus which has a very concerning impact, especially on the Indonesian economy which seems to be a domino effect, Islamic banks in this case are also very careful in conducting transactions. Banks are the main pillars of the economy also feeling the impact of this virus. To continue to maintain their existence, Islamic banks must be able to adapt to current conditions. Some of the things that Islamic banks can do to adapt to this new normal era include:

1. Perform risk mitigation. It is expected that by mitigating risk, debtor customers can carry out their obligations to Islamic banks.
2. Islamic banks must focus on industries that tend to have good prospects during a pandemic.
3. Digital banking, it is hoped that the existence of digital banking can make it easier for customers to make transactions wherever they are different.
4. Provide assistance to MSME actors. This form of assistance can be in the form of innovation and creativity towards products produced by MSMEs to the right marketing processes in this new normal period. This will greatly help MSME players to return loan capital provided by Islamic banks.
5. Digital marketing. With the crowd using virtual communication, Islamic banks can take advantage of digital marketing to sell.

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