

Covid-19 and Islamic banking: A short commentary from Indonesia and Nigeria

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Abstract

Covid-19 has brought a number of changes and impacts on banking system in Nigeria and Indonesia. Although Islamic Banking is not being operated to its optimal in the country, the Pandemic has had significant effect on both the general banking operations and the Islamic Banking sub-sector. The public, customers, have devised other means of financial dealings, hours spent on banking and rate of operations affected, the rate at which customers frequently move into banks reduced, more mobile banking users, and increased usage of a wide variety of banking services. This also resulted in more internet and mobile banking demands by customers, but less physical presence of customers at banking halls.

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The public relatively rarely discusses the development of Islamic banking since the COVID-19 pandemic due to the diversion of attention to emergencies. We are interested in obtaining comments from academics from two countries (Indonesia and Nigeria) to obtain their responses regarding the development of Islamic banking in each country. The first opinion is Dr. Mohammed, Ph.D. Political Science (UUM Sintok-Kedah) is a Chief Lecturer and the Head of the General Studies Department at the Federal Polytechnic, Bauchi – Nigeria. The second comment we got from Dr. Ade Nur Rohim, Lecturer from the Sharia banking program at the Universitas Pembangunan Nasional Veteran Jakarta, Indonesia.

The reality of Islamic banking performance in this country

Although it is yet to be operated to its fullest capacity, it is increasingly popular and gaining more patronage among Nigerians, including the non-Muslims individuals and states authorities with wide variety of services free of interest and other anti-Islamic policies and other tie and bind hooks [Isah Shehu Mohammed].

Indonesia's banking is entering a significant development stage following the merger of several state-owned Islamic banks. This step has become one of the drivers of accelerating the development of sharia banking services by cooperating with various relevant stakeholders, such as MSME players, business people, traders, producers, and customers. As an intermediary institution, sharia banking is required to be able to improve its services in order to provide a sense of security and comfort for its customers. With the dual functions inherent in Islamic banking, the development of the commercial and social Islamic finance industry will be able to go hand in hand (Fauzia, 2017), to be able to contribute to fostering a just development (Widodo, 2019) [Ade Nur Rohim].

Referring to the comments from the two sources, they have the same belief that Islamic banking from the two countries has experienced significant progress in the last decade. Particularly in Indonesia, Rohim emphasizes the inclusion of Islamic banking in the small business sector, which can significantly impact the national economy in general.

What lessons can we draw from this COVID-19 pandemic?

More things can be done without being physically present with others; banks can operate with less and less number of people in their banking halls, yet satisfactory services provided; people can move less but also do more things at the same time; people became thrown into fear and panic more than necessary [Isah Shehu Mohammed].

This pandemic has taught us all about changing behavior and lifestyle in a more positive direction by adapting to technology (Bhattacharya et al., 2021). Various community activities today have shifted towards digitalization. It starts from the education sector, retail trade, services, transportation, and payment transactions. These changes include donation activities with Islamic social and financial instruments developed by optimizing various digital platforms. This digital habit is the key to change related to people's lifestyles, prioritizing comfort, speed, and high flexibility in every activity (Rusydiana, 2020) [Ade Nur Rohim].

It is undeniable that the COVID-19 pandemic has caused various business sectors to experience dramatic changes. However, several lessons that can be drawn from the pandemic

are changes in business and service models. For example, banking is transforming by expanding digital platforms to make banking services easier. For example, when opening an account, video conferencing is applied, so that prospective customers do not need to come to the bank office in person. In Nigeria and Indonesia, such a transformation has taken place, making banking services more practical for customers.

What strategic policies are taken by the government to maintain the sustainability of Islamic banking in this country?

Although the enabling environment is there given by the Government, it is up to those interested, especially the Muslims with adequate financial facilities and others to make optimal use of the policies provisions and attain the goals [Isah Shehu Mohammed].

Regulatory support from the government to open access to the development of Islamic banking services needs to be increased. The government needs to open up as many opportunities as possible for the sharia microfinance industry such as BPRS, including sharia cooperatives as the vanguard that is closer to the people in rural and urban areas (Mukhlisin et al., 2020). This regulatory support is expected to increase Islamic financial inclusion for all levels of society [Ade Nur Rohim].

Both experts agree that increasing policy support in the Islamic banking sector is still needed. Particularly in Indonesia, for example, efforts to strengthen Islamic banking were carried out by merging several state-owned Islamic banks into one bank. Meanwhile, Nigeria is a little different, where Islamic banking, although it has experienced increased interest, has yet to develop as fast as in Indonesia.

Concluding remarks

Islamic banking in Nigeria has a good future because there are large number of Muslims, Muslims and the non-Muslims alike are increasingly understanding the concept and basis of Islamic banking system. Those who opt into Islamic banking including states authorities are already reaping the benefits of same such as the SUKUK, etc. and running away from the shackles of the Western capitalist based debt, capital markets ties, interests hooks [Isah Shehu Mohammed].

Islamic banking needs to make breakthroughs to improve customer services, supported by regulations that provide a door of convenience. The regulations are expected to be a starting point for developing Islamic banks in Indonesia. The Covid-19 pandemic has also brought people's behavior toward positive change, so this condition needs to be welcomed by the Islamic banking industry with various digitization innovations in its products and services. Thus, the contribution of Islamic banking to national development will increasingly have a positive impact on the progress of the nation [Ade Nur Rohim].

Finally, the two experts agree that the COVID-19 pandemic has had various negative consequences, but apart from that, it has also contributed to various positive changes. In Nigeria, the development of Islamic banking has started to occur because it is supported by the large Muslim community there. Various banking products, such as Sukuk, have also begun to be considered for public offerings. Meanwhile, in Indonesia, the COVID-19 pandemic has brought dramatic changes to services and people's behavior, where technological innovation and digitization of various services have become familiar to Indonesian society.

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