

## Synergy of Islamic Social Finance and SMEs in Economic Recovery Due to The Covid-19 Pandemic

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### Abstract

**Background:** The existence of MSMEs in Indonesia constitutes the most significant part of the national economy and indicates community participation in various sectors of economic activity. One of the solutions offered in facing the financial crisis is the Islamic social finance sector.

**Objectives:** The research aims to analyze concepts in dealing with the economic crisis caused by the Covid-19 pandemic in Indonesia.

**Novelty:** The novelty of the research contains ideas for SMEs in economic recovery after the Covid-19 pandemic using an Islamic philanthropic approach.

**Research Methodology / Design:** This research method is qualitative descriptive analysis with an inductive reasoning approach through content analysis and library research.

**Findings:** The results of this research show that efforts are needed to recover the economy due to the Covid-19 pandemic by synergizing the concept of philanthropy, namely Zakat, Infaq, Shadaqah, and Waqaf (ZISWAF) with MSMEs, namely optimizing the collection and distribution of ZISWAF funds by implementing GCG (Good Corporate Governance). Collecting digital-based ZISWAF funds, mapping the distribution of regional-based ZISWAF funds, and developing MSMEs by strengthening capital, developing potential businesses, strengthening technology-based MSMEs, and empowering MSMEs based on regional potential.

**Implication:** Based on the research, this research implications for SMEs in business recovery with various funding innovations and business development models.

**Keywords:**

**Social Finance, SMEs, Pandemic.**

**JEL Classifications:**

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## **A. Introduction**

At the beginning of 2020, the world was shocked by the outbreak of a new type of coronavirus (SARS-CoV-2), and the disease was called Coronavirus disease 2019 (COVID-19). It is known that this virus originated from Wuhan, China, which was discovered at the end of December 2019. The World Health Organization (WHO) began announcing the global pandemic status on 11 March 2020. To date, it has been confirmed that 216 countries have been infected with the coronavirus, one nation of them is Indonesia (WHO, 2020).

Among the forms of effort called for and carried out to reduce the spread of this epidemic are lockdown policies and social or physical distancing. However, unfortunately, this movement has the effect of decreasing overall economic activity and can even result in a financial crisis in a country. The impact of Covid-19 has dramatically affected the economies of countries throughout the world. Several credible research institutions in the world predict the negative effects of the spread of this outbreak on the global economy. JP Morgan predicts the world economy will be minus 1.1% in 2020, the EIU predicts minus 2.2%, Fitch predicts minus 1.9%, and the IMF predicts the world economy will be minus 3% in 2020 (Weder, 2020). The Minister of Finance of the Republic of Indonesia predicts that economic growth in the worst-case scenario will reach minus 0.4% in Indonesia (Azwar, 2020)

According to the World Bank, the economic impact of Covid-19 will stop the businesses of nearly 24 million people in Asia and the Pacific. Under its worst-case scenario, the World Bank also estimates that almost 35 million people remain impoverished. Even though some methods consider various poverty lines, it is estimated that the number of people living in extreme poverty will increase to 922 million worldwide. (Bank, 2020)

At the beginning of this outbreak, with physical distancing policies or tightening and limiting other community activities, this pandemic put pressure on the supply side of the economy, resulting in a decrease in production and a reduction in income. Then, with the atmosphere of staying at home, consumers will only buy essential goods provided that they can do it immediately so that it has an impact on the demand side (Galeotti, 2020). The pandemic also directly impacts the MSME sector and other business actors. Some of the sectors hardest hit are those that rely on crowds (tourism, events, exhibitions, malls) then supporting businesses (mass transportation, ticketing, hotels, seasonal/souvenir trade, etc.); businesses that cannot implement physical/social distancing (salons, barbershops, motorbike taxis, spas, children's games, and house cleaning services, etc.); tertiary product businesses (property, personal vehicles, personal care, hobbies, etc.) as well as supporting businesses such as leasing and financial institutions. Even though MSMEs are one of the sectors affected by this pandemic, there are still some MSME players who are still able to survive amidst the Covid-19 outbreak (Hadiwardoyo, 2020).

The existence of MSMEs in Indonesia constitutes the most significant part of the national economy and indicates community participation in various sectors of economic activity. MSMEs have been placed in a strategic economic position, especially during the monetary and economic crisis in 1997/1998, through mechanisms for creating job opportunities and adding value. MSMEs can face the storm of crisis and can also recover more quickly compared to more significant

business units (Awaluddin, 2017). The Central Statistics Agency shows that after the 1998 crisis, the number of MSMEs in Indonesia has increased, even able to absorb more than 100 million workers (Bappenas, 2017). The MSME business contributes to the GDP of the Indonesian economy, reaching 61.41%, and absorbs 97% of the total national workforce (Koperasi, 2017)

Apart from that, one solution to the economic crisis is the Islamic social finance sector through Zakat, Infaq, Alms, and Waqf (ZISWAF). In particular, zakat is to increase the stimulants of mustahik consumption and production, which will produce demand and, in parallel, will make a demand (supply), gradually restoring economic balance in society (Septian, 2020). As the largest Muslim country in Indonesia, Indonesia can make Islamic social finance fundamental for economic recovery caused by the pandemic. Moreover, the potential for Islamic social finance in Indonesia is enormous. The results of the IPPZ (Zakat Potential Mapping Indicator) study show that the potential for zakat funds in Indonesia in 2019 reached 233.8 trillion (Baznas, 2019) and the Indonesian Waqf Board states that the potential for cash waqf reaches 180 trillion (Bwi, 2020). This potential should be an opportunity to overcome various economic problems in Indonesia.

Based on the explanation above, MSMEs have an essential role in facing the economic crisis and Islamic social finance, which is expected to be an alternative to economic problems. This research was carried out to explain several concepts, especially in strengthening the MSME sector and optimizing Islamic social finance through ZISWAF (Zakat, Infaq, Alms, and Waqf) as a solution to facing the economic crisis due to the Covid-19 pandemic in Indonesia.

## **B. Literature Review**

Islamic social finance is a process of adopting a mission to create and maintain social value by encouraging social change or meeting social needs; recognising and relentlessly pursuing new opportunities to carry out the mission; engaging in a continuous process of innovation, adaptation and learning; act boldly without being limited by existing resources; And demonstrate a sense of accountability towards the constituents served and for the results created (Hati & Idris, 2019). Social finance adopts a business approach to social problems, initiates social innovation, and creatively uses resources and networks to meet community needs that the state cannot provide (Hendratmi et al., 2019).

Islamic social finance is a basic framework in socio-economic development. Islamic social finance has shown its role as an alternative to eradicate existing poverty. Several countries have been able to show positive contributions in socio-economic empowerment (Isman & Putra, 2022). The philanthropic activity is essential, especially in improving the education system, religion and solve the economic crisis (Azganin et al., 2021).

The global economic crisis is when all sectors of the world market economy experience a collapse (a state of emergency) and affects other sectors worldwide. An economic crisis is when a country's economy experiences a decline caused by a financial crisis. In a financial crisis, when the economy, the demand for money exceeds the supply, this means that banks and non-bank financial institutions are running out of liquidity. If an economic crisis hits a country, the inevitable result is a decline in Gross Domestic Product (GDP), a drying up of liquidity, and prices rising (inflation)

or falling (deflation). An economic crisis can take the form of a recession or depression, which is also generally called a real financial crisis (Goncharenko, 2020).

The difference between a recession and a depression only lies in the period or length of the crisis. A country is said to be experiencing an economic recession if its GDP decline lasts for six consecutive months. It is characterized by high unemployment (low job opportunities), stagnant wage levels, and a fall in retail sales. Economic recessions usually last no more than one year, and their effects are milder than depression. An economic depression is the lowest point in an economic cycle, characterized by: 1. It decreased government spending ability (G), 2. Significant unemployment (more than 50 percent of the workforce), 3. Reduced consumption (c), 4. Prices rise at a lower rate than the standard rate, 5. Wages decrease or a smaller percentage than the average rate, 6. loss of people's hopes for the future (Tambunan, 2011)

Stiglitz, a former Nobel Prize winner in Economics in 2001, stated that the economic crisis was caused by errors originating from inappropriate monetary policy-making or, in the architect's language, it could be called 'system failure.' According to Stiglitz, system failures have emerged since Paul Volcker's replacement. Then, the view of the need to take a policy in various situations in the financial market was expressed by Alan Greenspan as Chief of the Fed. Decision-making on other policies is also the cause of the crisis, one of which can be seen from the policies that have emerged on Wall Street, which appear to tend to provide more protection to the US banking world in speculation and derivative activities in financial products, as well as policies and previous turmoil over several scandals, for example, those that have occurred in the Enron and Worldcom cases (World Bank, 2023).

In Indonesia itself, there was an economic crisis in 1997-1998, which also showed us a significant incident of market failure that hurt the country's economy and then demanded the activeness of the government at that time to overcome the impact of the crisis by providing stimulus in the form of funding which had no other purpose than to give an effect. Positive for the national economy. Likewise, 2007 to 2008 was a significant period in influencing the world economy. The fuel and food crises that hit the world caused a financial crisis that was felt, and the impact will probably be felt to this day. The financial crisis came from the United States (US), which is said to be the impact of the problem that occurred so significantly at that time that it may even be felt today (Burhanuddin et al., 2020).

In 2020, it is also predicted that the pandemic outbreak will cause an economic crisis. As one of the countries that is also experiencing the spread of the epidemic, Indonesia will feel the weakening of the national economy caused by policies that limit economic activity. This condition could threaten a financial crisis..

In general, the strategies that are widely implemented in Asia in dealing with crises, especially economic programs (Sabirin, 2016) are based on 4 (four) aspects, namely:

1. In the monetary sector, monetary policy is pursued to reduce excessive decline or depreciation in the value of the local currency, namely strict monetary policy.
2. In the Fiscal sector, a fiscal policy is being pursued that focuses on efforts to reallocate expenditure on unproductive activities to activities expected to reduce the "social costs" incurred due to the current economic crisis.

3. In business management (corporate governance), policies are adopted to improve management capabilities in both the public and private sectors.
4. In the banking sector, policies are being adopted that will improve the weaknesses of the banking system in the form of banking restructuring, which aims to achieve two things, namely overcoming the impact of the crisis and avoiding future problems.

The economic recovery program in Indonesia is based on the same thing. One of the points explained above is managing the business world or developing the Micro, Small, and Medium Enterprises sector. MSMEs are in a strategic economic position, especially during monetary and financial crises. Through mechanisms for creating job opportunities and added value, MSMEs can face the storm of crisis and recover more quickly compared to more significant business units. As for MSMEs according to Law of the Republic of Indonesia No.20 of 2008 concerning MSMEs. Article 1 of the Law states that micro-businesses are productive businesses owned by individuals and individual business entities with the criteria for micro-businesses as regulated in the Law. In general, the goal or target to be achieved is the realization of strong and independent Micro, Small, and Medium Enterprises (MSMEs) that have high competitiveness and play a significant role in the production and distribution of basic needs, raw materials, as well as capital to face free competition (Isman & Aeni, 2021).

MSMEs are independent, productive business units carried out by individuals or business entities in all economic sectors. In principle, the differences between Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB) are generally based on the initial asset value (excluding land and buildings), average annual turnover, or the number of permanent workers. However, the definition of MSMEs based on these three measuring tools varies by country. Therefore, it isn't easy to compare the importance or role of MSMEs between countries. (Tambunan, 2012). The role of MSMEs in the Indonesian economy can at least be seen from their position as the leading players in economic activities in various sectors, providing the most significant employment opportunities, important players in developing local economic activities and empowering communities, creating new markets and sources of innovation (Setyawati, 2009).

Apart from MSMEs being a solution to economic problems, Islam, as a religion regulating all aspects, including the economy, also has a conceptual framework and economic and social finance system. The social concept framework is zakat, infaq, waqf, and alms (ZISWAF). The most important Islamic social finance is zakat, which is also an obligation for every Muslim. Zakat is defined as a certain amount of property that Allah requires to be given to people entitled to it and to spend a certain amount (Al-qardawi, 2004). The definition of zakat was that initially, zakat was only a mahdah worship, but over time, the aspect of zakat expanded to become a muamalah worship. Apart from the nuances of obedience, zakat also has a significant social impact as a distribution of wealth and an actualization of the socio-economic justice concept in Islamic teachings. Zakat is a worship of Al-Muliyah Al-ijtimaiyyah (Community Financial Economics), which has a strategic position in terms of Islamic teachings and the development of the economic welfare of the people (Qardawi, 1993).

Meanwhile, waqf, based on Law No. 41 of 2004, is the legal act of the wakif (the party making the waqf) to separate and hand over part of his property to be used

forever or for a certain period by his interests for worship and the general welfare by sharia. In simple terms, waqf can be used as an instrument for the welfare of the people through the transfer of ownership rights to assets owned. The Western world has recognized the waqf system itself as a socio-economic solution. Waqf is an economic and social system framework that can provide change (Mohammad, 2017).

### **C. Research Method**

This research is a qualitative descriptive analysis research with an inductive reasoning approach (Bendassolli, 2013) through the process of content analysis and library research. Descriptive analysis research is a method that systematically describes the facts and characteristics of the object or subject being studied (Sukardi, 2008). The data sources used to build the concept are secondary data from previous studies discussing the economic crisis and conducting in-depth analyses of these data to produce a model and conclusions.

The inductive steps that the author uses in this research use a specific to general research thinking approach (Heit, 2007) in the order referred to by (Bendassolli, 2013) as the "Generic Analytic Cycle." First, the author makes contact with the data material in general reading, followed by careful reading of any information, in this case, from previous research on the economic crisis. Second, as a result of the first step, the author tries to form a pattern by making deductive conclusions from each article by narrowing the general conclusions into specific conclusions in a direction related to the economic crisis. Third, from each of these conclusions, the author builds a conceptual system of Islamic social finance that is appropriate for facing the economic crisis caused by the pandemic.

According to (Mantere, 2010), the reasoning strategy with the author's pattern is a strategy with an idealization approach where, in general, the flow of this research is inductive. However, there is also a deductive process from each material, and the results are in the form of generalizations of concepts or models to be built.

### **D. Result & Discussion**

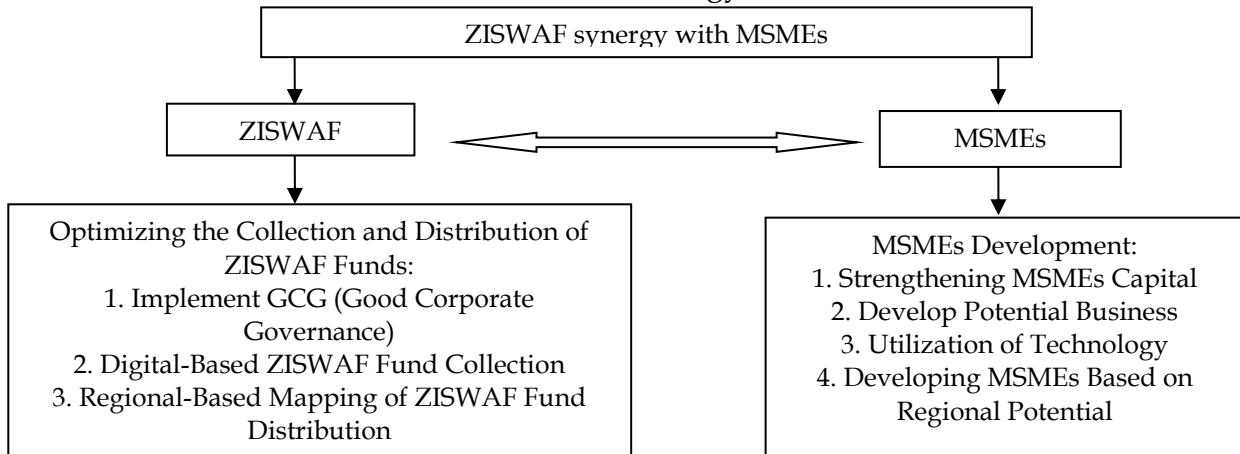
#### **D.1 Synergy of Islamic Social Finance with MSMEs**

Islamic social finance is an instrument that can positively impact socio-economic development, as well as MSMEs, which are pillars of a country's economic growth. So that the synergy between the two will strengthen the wheels of the country's economy in a positive direction and can avoid the storm of the economic crisis. The existence of social and financial assistance in the form of ZISWAF will automatically increase people's income. In general, the distribution of ZISWAF funds is both consumptive and productive. If it is distributed consumptively, people's income will increase, so consumption will increase, impacting the significant demand for goods and services in the business sector. This is very profitable for the MSME sector.

If distribution is carried out productively, it will increase the amount of capital so that the production of a business will also increase. Industries will also feel this positive impact. If the capital of the MSME sector increases, the goods and services needed will also increase the demand for that industry. So, it is essential to involve Islamic social finance with MSMEs to stimulate people's purchasing power and the economic activity of every business and industry.

However, essential efforts should be made to optimize the collection and distribution of ZISWAF funds and develop the MSME sector. This research offers a strategy and concept for strengthening the fundamentals of ZISWAF and MSMEs so that synergy between the two can be realized, producing solutions to economic problems, especially during and after a pandemic. The concept of ZISWAF and MSME synergy strategy is as follows.:

Tabel. 1. ZISWAF strategy with MSMEs



## D.2 Optimizing the Collection and Distribution of ZISWAF Funds

Collecting zakat funds is a basic thing that needs to be considered. If the amount of ZISWAF funds increases each year, it will also increase the amount of funds that will be distributed. The greater the funds distributed, the greater the stimulation of economic activity. In 2019, based on the BAZNAS financial report, the number of ZIS collected in Indonesia reached Rp. 289.891.424.196.00 (Baznas, 2020). However, if you look at the existing potential, it is still very far compared to the funds that have been collected. The IPPZ (Zakat Potential Mapping Indicator) study results show that the potential for zakat funds in Indonesia in 2019 reached 233.8 trillion (Baznas, 2019).

Likewise, waqf has the potential for cash waqf in Indonesia of IDR. 180 trillion. Of this amount, as much as 400 billion has been realized. Meanwhile, in 2019, BWI targets the realization of cash waqf to reach Rp. 800 billion. Potential cash waqf assets reach more than 300 trillion. However, the Waqf Institution of the Indonesian Ulema Council (MUI) noted that only around 500 billion was realized annually. The deputy chair of the Indonesian Ulema Council (MUI) believes that the lack of realization of waqf assets is because, currently, many waqf assets are managed by nazir, who need more knowledge about productive and modern waqf management techniques (Satrio, 2019).

The description above emphasizes the need to optimize ZISWAF fund collection. The collection of zakat and waqf funds greatly influences the distribution and utilization of these funds. So, this research offers several strategies to optimize the collection and distribution of ZISWAF funds.

### 1. Implementing GCG (Good Corporate Governance)

Good Corporate Governance or good corporate governance is an essential issue in the performance of zakat and waqf institutions because zakat and waqf institutions are non-profit public organizations trusted by the public. In Indonesia, the great potential for securing ZISWAF funds by zakat institutions currently needs to be maximized due to a lack of public trust. So, the ZISWAF institution needs to implement Good Corporate Governance based on transparency, accountability, responsibility, independence, and justice principles (Amalia, 2019).

As a public organization, the performance of the ZISWAF institution is crucial for public sensitivity and awareness in distributing its assets. So Good Corporate Governance (GCG) based on Sharia governance is needed to improve the performance of the ZISWAF institution, namely, the need to develop standardization of Sharia governance for zakat and waqf institutions, need to design guidelines and standardize reporting systems, Sharia monitoring systems, and financial audit systems sharia, and the need to maintain human resource competency standards in ZISWAF management (Amalia, 2018).

Various efforts are being designed and implemented to increase the collection of zakat and waqf funds every year. If the number of collections increases, all institutions will also increase their distribution through various programs that can support the needs of mustahik or the community in general and support socio-economic empowerment. All of this will be achieved if zakat institutions and waqf institutions have good performance, community sensitivity in distributing their assets, and the collection of zakat funds from various institutions is maximally and innovatively.

### 2. Digitally Based ZISWAF Fund Collection

One of the innovative steps that needs to be taken is collecting digital-based ZISWAF funds. Along with advances in technology, the world of philanthropy is also experiencing development. Digital technology has been used in collecting and distributing funds management and as a means of educating ZISWAF. As an institution that manages public funds, this technology helps OPZ increase efficiency, transparency, and accountability. Many zakat and waqf institutions have made various digitalization efforts in all management aspects, including collecting, managing, and distributing funds ZISWAF management must develop itself from modern asset management and a digitalized reporting system to realize the potential of zakat and waqf assets (Baznas, 2019).

The importance of digitalization in collecting ZISWAF funds because there are five advantages: First, complete information regarding ZISWAF. We do not need to ask about the details of zakat, infaq, waqf, and alms as if zakat payments were made conventionally. All the information we need in paying zakat is on other trusted BWI, Baznas, and LAZ sites. For example, zakat guide



information, zakat calculator, types of zakat we pay, and so on. We can easily find digital zakat literacy. We can study detailed zakat and waqf information before paying ZISWAF via digital services.

Second, it is easy and fast to do. Digital-based ZISWAF payments are straightforward to do. Just make payments via smartphone while busy at work. For example, when making zakat payments using Jenius Pay, we can do it with the Jenius Pay payment option in Kitabisa. We can get notification of payment requests from us in the Jenius application and make payment authorization by entering the Jenius password.

Third, be safe. Digital-based ZISWAF payments made through Baznas or LAZ recommended by Baznas are safe because Baznas or LAZ is supervised by the Ministry of Religion, meaning it is not an institution with an unclear reputation. Fourth, transparent. Regarding ZISWAF payments made by muzakki, there is a report made by Amil Zakat. The report can be seen on the Amil Zakat website, or we can receive it via electronic mail. Trusted BWI, Baznas, or LAZ also prepare financial reports. This shows that the collection is carried out transparently. We can know where the funds we pay go.

Fifth, many payment options. There are many digital payment options for ZISWAF funds to accommodate the needs and preferences of muzakki. For example, zakat payments we entrust to Baznas can be made via Internet banking, SMS banking, and financial technology applications such as Gopay, Ovo, etc. Kitabisa fundraising site, to e-commerce such as Tokopedia, Elevenia, etc. In short, digital payments are increasingly reaching the wider community (Isman & Putra, 2022).

Even though it has been implemented, it is still necessary to involve several parties in the digitalization system for collecting zakat funds, namely ensuring that platforms that are widely used by the public can be used as a forum for channeling ZISWAF funds, increasing outreach through social media, collaborating with sharia economic activists and communities and influencers in collecting ZISWAF funds. The presence of zakat and waqf institutions in Indonesia has become an advantage. So, if ZISWAF funds can be collected optimally, the funds will also continue to increase. The increase in the amount of funds greatly influences consumptive and productive budget allocation. The greater the Islamic social finance funds, the greater the support for the business world and stimulating economic activity.

### 3. Regional-Based Mapping of ZISWAF Fund Distribution

Indonesia is a vast country with many regions, up to 34 provinces. Many regions in Indonesia are vulnerable to inequality between one region and another. So, in allocating the distribution of ZISWAF funds, we must also pay attention to fairness and equal distribution. Even though each region has its own zakat and waqf institutions, the amount of funds collected differs. So, if there is a shortage in other areas, support from the center is needed for distribution to the regions.

The importance of justice or equal distribution between regions aims at none other than achieving the goal of zakat, which has the potential to improve the welfare of society with sharia law, and paying attention to management

principles, especially the distribution of zakat, which improves the welfare of mustahik based on the principles of fairness, equity, integrity, accountability, and based on regional elements (Saad et al., 2020).

ZISWAF has an essential role in situations like this by distributing existing funds. With the existing scheme, the distribution of zakat funds can help the government tackle Covid-19 to help Indonesia's economy. In terms of waqf, these funds can be used to buy medical equipment, which needs improvement for medical personnel on the front line. ZISWAF's role is essential, not only helping the community but also helping to drive the economy in Indonesia. The ZISWAF funds can be distributed in every region in Indonesia, so there is no overlap between regions. Therefore, it is essential to distribute ZISWAF funds evenly to improve the community's welfare.

### **D.3 Recovery of the MSME Sector Post Covid-19 Pandemic**

As previously explained, MSMEs can be an alternative when the economy is experiencing a crisis. However, not all MSMEs can contribute during a pandemic like this, and some even experience significant losses. However, MSMEs can still be a solution and provide economic change in a more positive direction. However, everything needs to be done by taking the proper steps and paying attention to several aspects.

#### **1. Strengthening MSMEs Capital**

In the crisis, quite a few business sectors or MSMEs are struggling to continue to exist. This business is often complicated to survive due to limited capital. Capital is the main thing in developing MSMEs. Providing capital to businesses is used to reduce the impact of the crisis. Providing this capital can be done with several alternatives, such as providing stimulation to relax Sharia banking and restructuring or deferring Sharia financing payments for the next few months. Business capital can also be done using qardhulhasan or good loans.

An Islamic social and financial system through zakat and waqf is also essential to boost capital movements for MSMEs. The related ZISWAF assistance funds are distributed productively to support the development of MSMEs. To be more assertive, capital provision from philanthropic institutions needs to be supported and strengthened with assistance so that it can be accounted for (R. Masrifah & Rahman, 2022).

Apart from productive financial assistance, waqf has unique features regarding its waqf land. Indonesia's waqf land reaches 161,579 hectares, with waqf assets spread over 366,595 locations (Agama, 2020). Waqf land, spread in almost every region of Indonesia, is ideal for use as business land. The waqf land can be optimized as initial capital for managing MSMEs. So far, many businesses are still constrained by location. So with this waqf land, it can be an alternative for MSMEs.

#### **2. Targeting Potential MSMEs**

When this pandemic occurred, many MSME sectors were negatively impacted. However, there are still MSME sectors that can develop rapidly. So, players must carefully look at potential opportunities for MSMEs during the pandemic. The

foresight of MSME players will significantly impact the wheels of economic movement. During a pandemic like this, people will continue to try to get their needs. So, MSME players need to pay attention to business aspects that are and will still be needed during a pandemic and even an economic crisis (Isman, 2023).

Some sectors that have the potential to be developed are the logistics services business in the form of business support services and home delivery services in line with restrictions on physical interaction, the telecommunications and electronics sector as a place for work and study activities from home as well as a new source of entertainment without leaving the house, food business and whatever drinks are by the primary needs of the community, businesses in the chemical, pharmaceutical and medical equipment sectors in the form of primary needs for dealing with Covid-19 and improving body hygiene and health, in the textile and textile product sector in the form of diversification of emergency needs products, personal protective equipment and masks (Mohamed & Abro, 2021).

Business people need to look for potential gaps to develop to improve the business they are pursuing and contribute to economic revival during a crisis. If potential businesses during this pandemic are carried out optimally and innovatively, it will benefit the MSMEs and contribute to the country's economic growth.

### 3. Technology-Based MSME Development

Technology is a very appropriate and necessary platform during a pandemic. The many obstacles that disrupt economic activity require innovation in production and product marketing. Technology plays a vital role in the development of MSMEs. MSME players must take advantage of the vital role of technology. The presence of technology will speed up the production process and smooth the distribution process. In sales or marketing, MSME players need to utilize technology. During a pandemic like this, with a policy of limiting activities and staying at home more, sales or marketing through digital media will be very helpful. Likewise, social media is very appropriate as a marketing tool for MSMEs (Kresnawati & Kusuma, 2020).

Development of financial technology, including, in this case, the development of a marketplace to gather 60 million MSMEs to match demand and supply during this pandemic with limited activities outside the home. Technological developments in the financial sector have developed in recent years and have impacted changes in people's behavior in financial transactions. This can be a solution to the financial technology problems faced by MSMEs.

### 4. Development of MSMEs Based on Regional Potential

As a country with a large territory, Indonesia certainly has many business sectors that can be developed. Differences in culture and nature and the natural wealth that is owned also influence the business sector that will be managed. For example, in the West Nusa Tenggara area, which is well known for its onions, the management of MSMEs sourced from onions can be processed into a fried onion business. With its agricultural advantages, South Sulawesi is developing

products sourced from these agricultural products, along with other areas with unique features.

Having ZISWAF funds distributed productively will stimulate MSME actors in the region. These funds are then used as capital to produce products according to the right business potential to be developed. So, the importance of synergy between ZISWAF and MSMEs. ZISWAF funds can support the management of MSMEs. Therefore, each region is encouraged to develop superior sectors in their respective regions.

During this pandemic, these MSMEs are also required to innovate, both product innovation and marketing. If MSMEs are supported through ZISWAF funds to produce quality products and use appropriate marketing strategies, then these MSMEs will continue to develop and contribute significantly to the country's economy. The involvement of various parties should also be addressed in developing MSMEs in areas with the support of Islamic social finance. Business people or the MSME community must establish communication and cooperation with zakat institutions and waqf institutions. Apart from that, it is also necessary to approach the government regarding the MSME sector which will be developed (R. Masrifah & Rahman, 2022).

Islamic social finance is a basic framework for socio-economic development. Islamic social finance has shown its role as an alternative to erode existing poverty. Several countries have shown positive contributions in empowering people experiencing poverty, changing livelihoods, helping people escape from the cocoon of poverty, and encouraging income distribution (Hamdan et al., 2020). In general, ZISWAF is a form of worship with high social value. ZISWAF has a variety of positive socio-economic goals. In general, charity to further strengthen the social security system is the first step that must be adequately addressed so that the economic system can move smoothly towards a more perfect direction (Sahaluddin & Mokhtar, 2019).

The advantages of Islamic teachings are visible. Islam does not always teach religious rituals but also covers worldly socio-economic aspects. The concept of Islam seems increasingly perfect because it closely connects the worldly pillars and the spiritual pillars. A Muslim is not only required to be righteous spiritually but also to be righteous socially. Islam is the only religion in the world that emphasizes the importance of engaging in economic activities that meet the needs of society as a whole. Many restrictions are imposed on entrepreneurs to condemn activities that can harm society. (Ashraf, 2019). Several Islamic values in social finance which operate based on Islamic teachings or known as sharia principles such as 'adala (social justice), ihsan (virtue), amanah (trustworthiness), ikhlas (sincerity) and rahmah (compassion) are believed to be deeply embedded in Islamic social entrepreneurship (Kamaruddin & Auzair, 2019).

## E. Conclusions & Policy Recommendation

This research show that efforts are needed to recover the economy due to the Covid-19 pandemic by synergizing the concept of philanthropy, namely Zakat, Infaq, Shadaqah, and Waqaf (ZISWAF) with MSMEs, namely optimizing the collection and distribution of ZISWAF funds by implementing GCG (Good Corporate Governance). Collecting digital-based ZISWAF funds, mapping the distribution of regional-based ZISWAF funds, and developing MSMEs by strengthening capital, developing potential businesses, strengthening technology-based MSMEs, and empowering MSMEs based on regional potential. Islamic social finance in the form of ZISWAF is an instrument that can positively impact socio-economic development, as well as MSMEs, which are pillars of a country's economic growth. The synergy between the two will strengthen the wheels of the country's economy in a positive direction and can avoid the storm of the economic crisis. This research implications for SMEs in business recovery with various funding innovations and business development models.

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