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ABSTRACT

The outbreak of Covid-19 pandemic in November 2019 in Wuhan, China and it's spread to the rest of the world became a great challenge for the governments and policymakers, made life unbearable under lockdowns, disrupted the socio-economic life all over the world, especially for those in poverty. This gave an opportunity to Islamic finance to prove its potential in removing the acute income inequality brought by ultra-capitalist exploitation, accumulation and financialization and exacerbated by Covid-19 and bringing in the urgently needed social justice for the world. In this context, the aim of the current study is to explore and analyze the challenges posed by Covid-19, and to critically evaluate the role played by micro credit, Islamic banking and financial institutions, waqfs and various other Islamic financial tools as a response with reference to the practices of various Islamic countries, the role played by the Islamic Development Bank (IsDB) and the Turkish Foundations' response to the Covid-19 pandemic. For this purpose, the literature on the basic principles of Islamic finance and financial tools is conceptually investigated. The study also identifies a 4-stage model summarizing the various Islamic financial services to be used at each stage of Covid 19. The findings of the study suggest that Islamic finance provides a new avenue for a more sustainable financial system in the post Covid-19 era. Islamic financial concepts will be of interest, particularly for the countries adopting the conventional capitalist financial system based solely on profit maximization. Thus, the article will be of use to develop hypotheses for future research, especially with regard to Islamic finance.

Keywords: Covid-19 Pandemic, Financialization, Micro Credit, Isdb, Islamic Finance, Turkey, Foundations

ÖZ

Covid-19 pandemisinin Kasım 2019'da Wuhan, Çin'de ortaya çıkması ve dünyanın geri kalanına sıçraması hükümetler ve politika yapıcılar için büyük bir meydan okumaya neden oldu, kapanma altında hayatı dayanılmaz kıldı, bütün dünyanın ve özellikle de yoksulluk içindeki insanların sosyo-ekonomik hayatlarını alt üst etti. Bu durum ultra-kapitalist sömürü, birikim ve finansallaşmanın getirdiği ve Covid-19'un daha da kötüleştirdiği had safhadaki gelir eşitsizliğinin ortadan kaldırılması ve dünyamız için acileyet arz eden sosyal adaletin sağlanmasındaki potansiyelini ispatlaması için İslami finansa bir fırsat sundu. Bu bağlamda, mevcut çalışmanın amacı Covid-19'un getirdiği büyük zorlukları araştırmak ve analiz etmek ve buna karşı koymak üzere mikro kredinin, İslami bankacılığın ve finansal kurumların, vakıfların ve diğer çeşitli İslami finansal araçların oynadığı rolü çeşitli İslam ülkelerinin pratiklerine, İslami Kalkınma Bankası'nın (IsDB) oynadığı role ve Türkiye'deki Vakıfların Covid-19'a karşı verdikleri mücadeleye referansla eleştirel bir şekilde değerlendirmektir. Buna yönelik olarak, İslami finans ve mali araçların temel ilkelerine dair literatür kavramsal düzeyde incelenmiştir. Çalışma aynı zamanda Covid-19'un her aşamasında kullanılacak olan çeşitli İslami mali hizmetleri özetleyen 4-aşamalı bir modelin ne olduğunu da ortaya koymaktadır. Çalışmanın sonuçları Covid-19 sonrası dönemde daha sürdürülebilir bir mali sistem için İslami finansın yeni bir yol önerdiğini ortaya koymaktadır. İslami mali kavramlar ilginizi çekecektir, özellikle de sadece azami kâra dayalı geleneksel kapitalist sistemi benimsemiş olan ülkelerin ilgisini. Böylece, makale gelecekte yapılacak olan araştırmalarda, özellikle de İslami finans bağlamında hipotez geliştirilmesi için faydalı olacaktır.

Anahtar Kelimeler: Covid-19 pandemisi, Finansallaşma, Mikro kredi, IsDB, İslami finans, Türkiye, Vakıflar

Introduction

The greedy capitalist exploitation, accumulation and financialization that based itself on profit maximization has created big financial crises in the world and the last one is seen in the mortgage crisis of 2008 whose impact continued till today. To cope with ultra-capitalist financialization various solutions are developed and one of them is micro credit. Micro credit emerged and developed as a solution but became a temporary relief, especially after the outbreak of Covid-19 pandemic in November 2019 in Wuhan, China. Spread of Covid-19 to the rest of the world

became a great challenge for the governments and policymakers, making life unbearable under lockdowns, disrupting the socio-economic life all over the world, especially for those in poverty. This gave an opportunity to Islamic finance to prove its potential in removing income inequality and bringing in social justice which the capitalist financialization could not provide. Besides the Islamic banks and financial organizations like the Islamic Development Bank (IsDB), Islamic foundations became active in helping the poor to overcome the pandemic. Turkey was a good example of how these and other regional and domestic foundations have helped the state in fighting with the pandemic. With its local and country-wide domestic foundations of Social Assistance and Solidarity Foundations (SASFs), Fidelity Social Assistance Groups (FSAGs) (Vefa Sosyal Destek Grupları) and Wastage Prevention Foundation of Turkey (TISVA) (Türkiye İsrafı Önleme Vakfı) Turkey was able to overcome the difficulties brought by the severe Covid-19 pandemic and these foundations were the true heroes in the fight against the Covid-19 pandemic.

Micro Credit

Micro credit is one of the effective tools to cope with poverty. The leading figure in developing the micro credit system was Prof. Dr. Muhammed Yunus who had received the Nobel Peace Prize in 2006 with his efforts to facilitate economic and social development. He was the head of the economics department in a university in Bangladesh. He began his works in the villages to find a solution to poverty when hunger became a widespread phenomenon in 1974. One of the first subjects he interviewed was a poor woman named Safiye Begüm who was selling stools made of bamboo. She did not have any money to buy the bamboo to make the stools. So, she was borrowing the materials from the middleman, had to sell them that day to replace back the materials and could only earn 2 cents from this. Yunus calculated that the poor woman needed just 22 cents to buy her own materials and there were 42 persons like her in that village. The finance needed was just 27 dollars. Upon this he personally began to finance it and then established the Grameen Bank in 1976 which grew to give credit to more than 6.1 million people. In 1997 the Grameen Foundation emerged from the Grameen Bank. It has 52 partners in 22 countries and helps more than 11 million people in Asia, Africa, America and the Middle East (Yanık et al., 2016:439). Today its headquarters is in Washington, DC in the US and has worldwide offices in India, Ghana, Kenya, Philippines, Uganda and Colombia. Its wide network includes financial service providers like fintech and microfinance institutions, private extension providers and value chain companies, government agencies and social enterprises. Its mission is “to empower the poor, especially women, to create a world without poverty and hunger”. Today with its involvement 29 initiatives are in progress on 16 solutions with 20 funders and 63 partners in 16 countries (<https://grameenfoundation.org>).

Besides its poverty alleviation works Grameen Foundation is fighting with Covid-19 through emergency cash relief and technology. Its community agents are distributing unconditional cash to women whose families are badly hit by the pandemic. For instance, through its Covid-19 Emergency Relief program in Philippines they have worked with local partners to find the needy and provide cash payments to the most vulnerable people, 96 per cent of whom are women. Again, in India they have provided emergency cash to hundreds of desperate families whose informal day workers have no government safety nets or health insurance and they

set a goal to reach 6,000 more. Besides these it has a variety of other programs (<https://grameenfoundation.org/solving-poverty/covid-19>).

Development of Islamic Social Finance, Waqf Institutions and Islamic Crowd Funding as a Response to Covid-19 Pandemic

The conventional capitalist financial system normally supports and serves manufacturing. But when applied as capital accumulation and control of industry and manufacturing as an aim, it diverts the resources to wealth transfer through speculative means and plants the seeds of economic depression. Thus, the ultra-financialization of the capitalist economies has created a big virtual assets investment and a fictitious capital. The global financial mortgage crisis of 2008 that began in the US has led to a global economic crisis. But it also gave an opportunity to Islamic finance to prove its potential in “removing income inequality and bringing social justice” (Raza Rabbani et al., 2021:3), especially in times of severe economic depression and global pandemics like Covid-19 which increased poverty dramatically.

With the Covid-19 outbreak Islamic equity investments are seen as safe heaven assets by the investors because of the very strict screening applied and the hedging benefits it gives to the investors (Hassan et al., 2021:56). Islamic finance is faith-based, and the strong faith is seen in the principles of having faith and hope only in Allah Taa’la and limiting the source of reference in Islamic financial matters only based on Al-quran and Sunnah of Prophet Muhammed sallallahu’alaihi Wassallam. Therefore, Islamic finance theory rejects all kinds of economic teachings that are not based on them. Thus, the theory of Islamic finance is based on the principles and practices of sharia that consists of prohibiting usury, basing itself only on real investment and economy, prohibition of maysir (speculation or gambling) and gharar (uncertainty, hazard, chance or risk) and in general risk taking (Agustin et al., 2021:208). With these features Islamic finance has a considerable market share in industries such as small and medium enterprises, microfinance and retailing lending (Hassan et al., 2020:93).

When Covid-19 spread to the rest of the world it was declared as a pandemic by the World Health Organization (Raza Rabbani et al., 2021:3). Because of compulsory lockdowns unemployment decreased and most of the companies restricted their production considerably for months. Covid 19 has led to a very serious economic disruption all over the world. Millions of people have become unemployed, and millions of businesses have either closed down or have come to the verge of collapse. Minimizing the economic impact of Covid 19 has become a great challenge for the governments and policymakers.

In this severe situation, Islamic financial instruments began to be part of a COVID-19 response in the short-, medium- and long-term periods. In the last several decades Islamic banking and finance was growing considerably due to its certain principles of caring for the poor, labeling interest as immoral, basing itself on the real side of the economy and not acting based on profit maximization. Against the suffering from lack of realism, balance, and moral screening due to financialization, it has the “potential, certainty, and quality in uplifting economic development and growth of the human being, aptitude in poverty reduction, and socioeconomics welfare” (Nour Aldeen, 2021:48). Since the Islamic financial system has the

principles of risk-sharing and morality. Besides, it bans unethical practices like betting, pornography and trading in alcohol and believes in wealth distribution (Raza Rabbani et al., 2021:3-4). This risk-sharing principle of Islamic financial institutions creates an opportunity for micro-equity financing which is like venture capital and is an alternative option for microenterprise development. Through this mechanism poor entrepreneurs can cope with risky investments in starting and/or continuing their operations which could be too risky if financed through borrowed capital (IsDB, 2020:10).

In their research on the potential role of Islamic social finance in the time of Covid-19 pandemic Faturohman et al. (2021) investigated the potential and the application of the waqf organizations in the IsDB and in the countries like Indonesia, Malaysia, Kuwait, and Egypt. They have found out that waqf can improve the economic activity considerably using their assets for purposes like education and infrastructure building and development. They have also found out that online waqf applications can facilitate optimization of waqf potential in the aftermath of Covid-19 and in the era of contactless economy.

In a case study of Waqf institutions in Kano State, in Nigeria, Gwadabe (2020) analyzed the role of Islamic finance in mitigating the economic impact of Covid-19 towards attaining the aims of shariah and facilitating youth employment in the entrepreneurship and human capital development, accessibility to basic health care. An exploratory study was carried out through the telephone based on structured interview approach. Six selected participants from different kinds of business activities in the state, stakeholders of Kano State Waqf Board and others affected from the pandemic took part in the study. Merriam ideals for qualitative data analysis which involves uniting, reducing and interpreting the subjects' statements and utterances is used in the study. Waqf based health care services and economic and social welfare to those affected by Covid-19 was the main achievement. The waqf institutions and the wealthy people provided health care facilities to minimize the spread of Covid-19 by creating isolation centers, vehicles like ambulances to transport the patients and other means to facilitate the use of medical personnel and movement of medical equipment. Also, financial assistance was given to the needy people to take care of their families. Through the waqf's funds capital was also provided to the needy to re-start their businesses that have collapsed because of the lockdowns (Gwadabe, 2020:59, 64, 67).

Islamic crowdfunding (ICF) is another important tool and is a possible Islamic financial solution for the pandemic crisis. To examine the customers' perceptions regarding ICF Razak et al. (2021) have used several factors such as the concept of ICF, fairness, justice and acceptance of ICF. They have collected a total of 322 responses through questionnaires to analyze the validity of their proposed model. The questionnaire is developed based on shariah principles, prepared in the form of a Goolesheet and was divided into three parts: the concept of ICF, Justice and Fairness, and Acceptance. The respondents were asked to answer on a Likert scale of 1 to 5 (1 being Strongly disagreed and 5 being Strongly agreed) regarding the variables. The data is collected between 4-12 June 2020. The respondents were selected based on gender, background, nationality, and employment using convenience sampling. Using correlation, reliability, and multiple regression the research has analyzed the data with the Statistical Package for Social Scientists

(SPSS). The results they obtained indicated that the concept of ICF, fairness and justice have significantly influenced the acceptance of ICF. Thus, ICF is seen to be a viable solution to the pandemic Covid-19 crisis (Razak et al., 2021:92, 100).

Principles and Usage of Islamic Finance Tools in Response to Covid-19

Principles of sharia ban interest paid to the lender, and transactions leading to Gharar (highly uncertain transactions that may result in deception or fraud) are not allowed. Thus, forward contracts, futures and options, transactions such as conventional loans and bonds, getting extra money for late payments of deferred transactions that are not tied to assets are prohibited (Raza Rabbani et al., 2021:5).

In the short terms Zakat, Sadaqah and Infaq are used to give support during the pandemic to the people in poverty for their immediate food needs, covering their medical expenses, health care and other needs. In the medium-term equipment, vehicles and other trade and livelihood finance resources are supported through the Islamic banks and financial institutions. In the long-term it helps for recovery and resilience by supplying sukuk (bond equivalents) in the long term. Also, waqf endowments act as contributors to finance a new hospital or fixed assets in a hospital (Nour aldeen, 2021:51).

In their study Raza Rabbani et al. (2021) have proposed Islamic finance as a potential tool to take the economies out of the economic crises created by the Covid pandemic. Authors identified a four-stage Covid model and proposed ten innovative Islamic financial services to cope with each stage of the pandemic. These stages in order are: business and economic damage, financial contagion, bottom formation and post-Covid effects. Authors have summarized the various Islamic financial services to be used at each stage of Covid 19 in Table 1 below as follows:

Type of Service	Stage	Type of Usage
Musharaka	4	Used to finance Small and Medium Enterprises (SMEs) as a post-Covid-19 measure
Mudaraba	3 and 4	Rich and resourceful people of the society provide a Mudaraba contract to the Muslims unemployed due to Covid-19
Murabaha	3 and 4	Used to finance the fixed assets of SMEs and persons badly affected from Covid-19
Ijarah	All stages	Provide houses and other assets at affordable prices to Covid-19 affected persons and organizations

Salam	2 and 3	If farmers are to face liquidity problems in later stages, it can be applied at stage 4.
Istisna	3 and 4	Like Salam it helps small producers like a baker to survive and get finance
Qardh-Al-hasan	1 and 2	Utilized to provide cash and food to workers of different kinds.
Zakat	All stages	Cash benefit of Zakat can be utilized for all Covid-19 affected persons at all stages.
Waqf	3 and 4	Provides long-term solutions to poverty arising from Covid-19
Sadaqa	1 and 2	Like Qardh-Al-Hasan, helps through cash and food to workers of all kinds.

Table 1: Islamic Financial Services at each stage of Covid-19

Source: Rabbani, M. R., Ali, M. A. M. Rahiman, H.U., Atif, M., Zulfikar, Z., & Naseem, Y. (2021). The Response of Islamic Financial Service to the COVID-19 Pandemic: The Open Social Innovation of the Financial System”, *J. Open Innov. Technol. Mark. Complex.* 2021, 7(1), 85. <https://doi.org/10.3390/joitmc7010085>, pp. 7-8.

The above-mentioned Islamic financial services have briefly the following meanings:

Musharaka: The most popular Islamic financial services used to finance persons and companies. It refers to two or more people joining their financial resources to provide capital for their business where they share profits and losses according to the agreed conditions and terms. Here capital is raised by the partners through joint ownership and the partners' responsibilities and rights are defined in the partnership.

Mudarabah: In this form capital contributor is known as Rabb-UI-Maal and the other party managing the business is known as Mudarib. There is a master-agent relationship between the parties. The difference here is that the loss can only be assumed by the Rabb-UI-Mall. The capital of Mudaraba contract can be in kind or cash. Its most famous form is the saving and current deposit accounts with the Islamic banks. The bank is the Mudarib and the depositor is the Rabb-UI-Mall.

Murabaha is the contract of sale in Islamic finance and the transaction is conducted on a cost-plus basis. This excludes derivatives like futures and options.

Ijarah means to give a person the right to use a property for a fee, rent or fare. It is the Islamic version of lease in conventional finance. But capital lease is not allowed in sharia.

Salam is a sale where the seller agrees to sell a certain commodity at a certain date in the future but gets the payment in full at the time of the agreement. This contract is allowed only for specific agricultural commodities like wheat, date and rice. The Holy Prophet Muhammed allowed Salam to help the needy farmers after Riba was prohibited.

Istisna is sales contract for goods that require manufacturing. It is an order from a buyer for the production of a good for him. Its payment can be deferred or spotted. Goods' specifications are described to avoid excessive risk, uncertainty and deception.

Qardh-Al-Hasan is a kind of interest-free loan given as a favor to provide short-term liquidity to the borrower, mainly the SME's.

Zakat is one of the five pillars of Islam. It is compulsory that 2.5% of a person's income and wealth over and above the minimum amount known as Nisab to be paid /given to eligible Muslims once a year.

Awqaf is a charitable endowment operated through a trust under Islamic law. Lands, buildings and other assets are donated to be used for community needs such as education and health disaster relief.

Sadaka is a voluntary offering, and its amount is at the will of the benefactor. According to the Holy Qura'an sadaka is given to eight categories of people which are needy, poor, official appointed by government to receive, newly converted Muslim, people in debt trap, to free slaves from non-Muslims, travelers who may not have any money to spend and the preachers to spread the deen of Allah (Raza Rabbani et al., 2021:8-12).

Covid-19 And Islamic (Micro)Finance Practices in Various Islamic Countries

Covid-19 had a significant negative impact on the Middle East and North Africa (MENA) region. Since 69 per cent of the world's crude oil supply comes from this region, the countries in the region faced dual shocks of Covid-19 due to negative supply and negative demand shock (Hassan et al., 2021:51). Islamic finance and banking emerged as the stimulator of growth in this region and there is clear evidence for this (Nicola et al., 2020:185–193) and is expected to play a big role in the recovery of the economies of the region in post-Covid-19 period. Qard Al Hasan and Zakat are implemented as an Islamic finance tool together with the financial technology FinTech as a solution to overcome the negative outcome of the Covid-19 on the population (Hassan et al., 2021:53). FinTech is a new technical financial services tool provided to broad type of users and is defined as "the fusion of Information Technology and Finance for providing the financial services at an affordable cost with a seamless user-friendly experience" (Rabbani et al., 2020 cited in Hassan et al., 2020:95). Fintech from the Islamic finance point of view is the delivery of Islamic finance products with the use of technology with the aim of financial inclusion, removal of income inequality and bringing social justice. In

simpler terms “it is the digital delivery of Islamic finance” (Hassan et al., 2020:95). In this context a model is developed by Mohammad et al. (2020) to supply flexible loans by using artificial intelligence and natural language processing (NLP). The model is composed of three elements: 1) collecting data to help in decision making process, 2) to recommend a potential list of lenders interested in the process, and 3) uphold the information recorded and deliver it for the required communication. Also, a web-based platform of this model can be realized by using data analytics, NLP and artificial intelligence which results in efficiency and transparency. Fintech will provide the necessary tools for Islamic finance in applying the model (Hassan et al., 2021:56).

Since the debt-based Islamic microfinance products are not suitable to the B20 communities due to the debt burden it creates equity-based financial models are used. Islamic microfinance model is the one that best suits the bottom of the wealth pyramid (B20) section of the society in Malaysia. The findings of the study conducted by Nawai (2020) indicate that the equity-based financing through musharakah mutanaqisah are among the innovative Islamic microfinance model that suits the B20 communities in comparison to debt-based financing. This model is based on a diminishing partnership (musharakah mutanaqisah) where the capital is not permanent and when the entrepreneur pays a portion of the capital this will diminish the total capital ratio for the capital provider. On the other hand, it increases the total capital ratio for the entrepreneur until s/he becomes the sole owner of the business. In the agreement the repayment period depends on the pre-agreed period. In this model the risk is shared by the two sides of the transaction and the parties have to adhere to all the Islamic restrictions and rules. This model serves the needs of business that needs additional capital to expand the business. Many academic researchers and scholars such as Zuhaira and Ab Mumin (2015) and Norma and Dzuljastri (2013) see this as an innovative model of Islamic microfinance (Nawai, 2020:1077, 1085).

Islamic microfinance is a relatively new sector in Islamic finance, but it has a big potential to grow because it is estimated that around 72 per cent of the people living in mainly the Muslim countries do not use financial services since they do not follow the precepts of Islam (Nawai, 2020:1079). Gherbi & Alsedrah (2021) have investigated the short and long-term impact of Covid-19 period and the biggest Islamic stock market development in terms of size and turnover on the financial crises indicator by using observations of 34 months from 2018M1 to 2020M10 Islamic stock market of Kingdom of Saudi Arabia. They have found that the FC indicator had significantly and positively affected by the COVID-19 pandemic. But the long-run model result showed that market size indicator led to a major FC, while market trade value indicator had a negative impact on FC indicator in Saudi Arabia's Tadawul market.

In their study on the pandemic crises versus global financial crises Muhammad Arif et al. (2021:1, 7-8) investigated to see whether the Islamic stocks were a safe haven for G7 markets. They have utilized a cross-quantilogram framework of Han et al. (2016) that considers the non-linearity in the relationship and arrives at the correlation between the Islamic and G7 stock markets in different quantiles that reflect different market conditions. Their data set consisted of Dow Jones Islamic world market (DJIM) index, MSCI (formerly Morgan Stanley Capital

International) G7 group, and individual country indices to proxy for Islamic and conventional equity investments where the DJIM index represents the Islamic equity investments all throughout the world with 2752 constituents. Their sample analysis indicated that Islamic stocks do not show safe-haven properties for G7 stock markets. However, they emerged as a robust safe-haven asset for the G7 stock markets during the Covid-19 pandemic crises. Thus, it gives significant insights for regulators of G7 and other countries and equity investors to implement their hedging/diversification strategies to include Islamic stocks to protect their equity investments and the overall financial system during the financial downturns.

The use of Islamic microfinance shows positive and important effects on the socio-economic development, and this seen in the case of Nigeria. To understand the role of Islamic microfinance in eradicating the impact of Covid-19 in Nigeria Maikabara et al. (2020) used a questionnaire to get their data from the beneficiaries of microfinance in Ilorin, the capital city of the Kwara state in Nigeria. They used a sample size of 100 selected through random sampling and the questionnaire was delivered to the microfinance clients between the ages of 18 to 61. Authors analyzed their data by using the SPSS with a statistical analysis method composed of frequency, percentages, mean and standard deviation. The findings of the research indicated that the charity-based model was viable in relieving people's social wellbeing. (Maikabara et al., 2020:114, 116).

Salwana et al. (2013) offered the use of Islamic microfinance for Islamic banking in Malaysia which complies with shariah. The authors proposed the use of Mudharabah, Ijarah, Murabahah and Musharakah Mutanaqisah financing (Nawai, 2020:1082). Using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method Azman et al. (2021:125,130) have analyzed the significance of Islamic social finance in stabilizing micro-entrepreneurs' income during the Covid-19 pandemic. They administered 200 questionnaires to micro-entrepreneurs in three states of Kedah, Kelantan and Terengganu in Malaysia between June and August 2020 and found that Islamic Social Finance (ISF) played a crucial role in stabilizing the income among the micro-entrepreneurs during the Covid-19 pandemic. These states were chosen because these states have most Muslim micro-entrepreneurs who had been affected during the Covid-19 pandemic where Zakat is an important medium for poor Muslims to obtain money. It helps to redistribute wealth all throughout the society and to prevent poverty. In the study it was seen that zakat had the most robust and positive relationship with financial stability. Authors concluded that this finding was in line with Biancone and Radwan's (2008) study, where it was found that zakat could be a source to support entrepreneurship, especially during crises situation. Again Ab Rahman, Alias & Omar (2012) support this finding and state that giving zakat to the needy people is a tool to minimize the negative impact of recession in the economy.

Most of the micro-credit entrepreneurs in Malaysia can hardly get financing from the mainstream financial institutions because of their poor credit rating, having very little collateral to show as a guarantee to get loans, having income instability, the amounts they want to get being too small and the high transaction costs. Thus, they approach to the Islamic microfinance institutions as a solution to their urgent financial needs. To understand the positive impact of utilizing Islamic microfinancing in enhancing their quality of life the researchers have devised one

hundred seven (107) questionnaires, administered them and analyzed their results via the Structural Equation Modelling (SEM) AMOS using IBM® SPSS and found that both investment and expansion factors played key roles in affecting the financial wellbeing of the micro-entrepreneurs. Authors have concluded that the government and regulators can develop the ability of Islamic microfinance as an effective tool of creating financial wellbeing and theoretically that this study deepens the scope of Schumpeter's theory where financially supported entrepreneurs will create new investment opportunities and will offer many products and services and will increase the business (expansion). So, in the case of Malaysia Islamic microfinance has the potentiality to positively affect the financial wellbeing during the Covid-19 pandemic (Azman, 2021:135, 138, 144).

One of the Islamic countries considerably affected by Covid-19 is Indonesia. In this country there are many community organizations with big assets such as the *amil*, *zakat*, *infaq* and *shadaqah* Muhammadiyah institution (LAZISMU) which played a crucial role in different forms by giving scholarships, helping the orphanages, distributing basic food and sanitary needs and distributing marks in handling the impact of Covid-19. The authors used a qualitative approach in their in-depth analysis regarding the participation and contribution of Lazismu. The data used in the study was obtained from the management of the *amil zakat* institution, *infaq* and *shadaqah* Muhammadiyah Payakumbuh and the purposive selection of the people who are affected from the pandemic. Also, data is obtained from informants by observation, documentation and semi-structured interview. The *zakat* funds were allocated for education costs for the poor in the form of integrated scholarships or specially for educational institutions. Educational scholarships were distributed to elementary, junior high and high school students including caretakers. *Zakat* funds are given in distribution and empowerment forms; distribution in the form of consumptive assistance and empowerment in the form of assistance to be used for development and support for the sustainability of an institution. Most of the funds were used to provide 117 basic food packages (Mursal et al., 2021:1-5).

In another study the spread of Islamic finance before and after the Covid-19 pandemic is investigated in Kazakhstan where Islamic finance is the most promoted one in the region. Due to lack of official and centralized information the research has been conducted through an internet-based survey. Researchers have used a stratified sample of 1252 respondents above the age of 18 from urban and rural areas of Kazakhstan before and after the Covid-19 emergency was declared in the country. SPSS and survey-based indicators are applied in the data analysis. The depth of awareness on Islamic finance and the understanding of the main principles of *Zakat* and *Sadaqah* are revealed out in the study. It was found that respondents' ages were positively impacting the periodicity and amount of the donations. It was also found that the absence of a centralized system of charity in the country distrust to the intermediaries inhibited the development of Islamic finance instruments leading to donations to be directly made to the needy people. For instance, the study found that 71.3 per cent of the respondents do charity directly to the needy people, while 26.2 per cent done through the mosques. The other finding was that 44.1 per cent know about Islamic social finance tools like *Zakat*, *Sadaqah* and *Waqf* from family and friends, 34.3 per cent from social media and internet, just 5 per cent studied on courses and training and 8 per cent participated in forums and conferences on Islamic

finance. Underdevelopment of Islamic finance as a value-based financial system was the major constraint impeding its development (Shirazi et al., 2021:106, 109-110).

To highlight the potential of digital banking to handle Covid-19 pandemic crises Alex Fahrur Riza (2021:1) utilized the unified theory of acceptance and use technology (UTAUT) in the case of Islamic financial technology and investigated the factors that should be improved based on customer perspectives. By using 845 respondents from different cities in Indonesia he devised a self-administered survey, used open and closed question design to obtain complementary data and empirically tested his model by the addition of trust and satisfaction variables to it. The data were analyzed using SEM-PLS 7.0 and SPSS 23. The findings of the study indicated that people have trust, acceptance, and satisfaction on the digital banking service of Islamic banking technology. It is also found out that there are 20 factors as the underlying reasons of customers to use the digital banking service of Islamic banking technology and 32 factors that needed improvement based on the customers' perspective.

IsDB and Covid-19

IsDB also played an important role in the fight against Covid 19 pandemic. Currently the bank has 57 members including Turkey. The leading members of the bank, their cumulative capital subscription in US dollars and their percentages of total capital are: Kingdom of Saudi Arabia, 11.9 bn, 23.5 per cent; State of Libya, 4.8 billion, 9.43 per cent, and; Islamic Republic of Iran, 4.2 billion, 8.25 per cent. Turkey is the 9th largest capital provider with 3.3 billion subscription, 6,45 per cent share (<https://www.isdb.org/isdb-member-countries>).

Most of the IsDB Member Countries (MCs) are middle- or lower-income countries extremely vulnerable to the pandemic. They have weak health-care systems and low ratio of health-care workers to cope with the repercussions of the Covid 19 pandemic. They also rely on tourism, commodities, foreign investment, SMEs and capital inflows for their growth and hence are open to the negative impacts of global economic and health crises. At this point IsDB bank came as a rescuer and committed around USD 2.3 billion of funding package for its MCs in their fight against Covid 19 pandemic and to cope with its negative economic impacts. This aid was not only for the solution of their health care problems. It consisted of a Respond, Restore & Restart (3R) program, partnership development and economic empowerment. At the Respond stage immediate and quick disbursing actions are proposed to help the MCs to respond to and to mitigate the negative impact of Covid-19 pandemic. Medium-term actions are taken at the Restore stage to strengthen the healthcare and economic systems of the MCs to overcome the pandemic's peak. In the last stage of Restart long-term actions are supported to jump-start the economy on a solid basis and by catalyzing the private investment. IsDB helped in the preparation and development of response planning/capability for the Emerging Infectious Diseases (EIDs), to bolster the infrastructure for healthcare to prevent reoccurrence of pandemic outbreak in other regions, to give support to medical research and innovation, to strengthen supply chain logistics to guarantee continued provision when quarantines and lockdowns are enforced, to support the private sector in MCs in scaling up of the production and supply of critical medical supplies, equipment and vaccines. In this context IsDB aims to develop closer relations with

the Organization of Islamic Cooperation (OIC) to pave the way for the operationalization of trade agreements between MCs and preferential trade for medical equipment and supplies and goods (IsDB, 2020:36-38). Thus, IsDB emerged as a saver of the poor and managed to significantly help the poor through the aids it fueled, and the interest-free cash supplied to these people through its members.

Turkish Foundations' Response to Covid-19 Pandemic

Although we do not have exact figures regarding poverty during the pandemic period, the World Bank has made simulations on the situation of poverty to be faced because of the Covid-19 pandemic. It has envisaged that the number of poor persons in Turkey would increase by 40 per cent compared to the situation before the pandemic and that with the precautions taken by the government this would be taken down to 13 per cent. Aydın and Öztürk (2021:151) also stated that the cost of these precautions would reach 55,4 billion Turkish lira. 51,2 billion of this would be short time working allowance and the rest would be social assistance. The report also stated that with tax cuts and postponement of state revenues the total support to be given would be 2,5 per cent of the national income. This put Turkey among the least assisting countries category during the pandemic. Finally, with the compounded precautions Turkey has economically improved in the third quarter of 2020 and would be among the few countries to grow.

Fighting with poverty has become an important duty of states in the global age where individualism and self-interest has become a norm threatening the pillars of the social public, especially after the Covid-19 pandemic. To cope with poverty and to overcome the capitalist individualistic life-styles various pious foundations are established in Turkey. SASF in various cities and provinces are the most important ones of these and they are important organization in alleviating the negative impact of the Covid-19 pandemic. With the aim of controlling and minimizing poverty the public organization of General Directorate of Social Assistance (GDSA) was established within the Ministry of Family Work and Social Services in Turkey (<https://www.aile.gov.tr/sygm>). GDSA carries out most of its social assistance activities through the SASFs in 1003 city and province under the direction of governors in the cities, and the district governors in the provinces. There are 1003 SASF in Turkey. Since the work done by the poor were generally daily waged work, when lockdown was applied this section of the population was in a bad economic situation. In the first stage the state delivered a total of 2.1. billion Turkish lira and gave 1.000 Turkish lira to each household. SASFs were the agents of the distribution of this in a quick and efficient manner. In the second and the third stages of assistance the government got active support of the SASFs which made detailed evaluations of who would get assistance. The other pandemic social support application was done through e-state. The successful candidates screened by this system were directed to the related SASF for further check and approval. FSAGs also played an important role during the pandemic. With the emergence of the pandemic on 11 March 2020 in Turkey, FSAGs were rapidly formed and began to deal with the negative impacts of the pandemic. In the first instance these groups assisted the elderly over the age of 65, those having chronic diseases and those who became covid. They tried to meet all the needs of these people including shopping, health, banking, transportation, and their urgent needs. Within the FSAGs there were gendarmerie

personnel, police, teachers, imams and other public personnel together with SAFS. The SAFS have their own databank and demands coming to the call centers are immediately evaluated by the SASF within minutes and the required intervention is made accordingly. Besides, their offices and buildings are used as assistance and control centers. Food and medicine were supplied without charge to these poor people when their situation is approved. Aid in kind and fuel allowance and coal supply for the needy is increased taking into consideration that during the pandemic people would stay in-doors more. For those who are not economically in a dire situation their shopping needs are met at cost basis and their transportation needs are met without charge. The number of services provided to the citizens by the FSAG at the end of 2020 reached 19 million (Aydın and Öztürk, 2021:142, 152, 156-157).

During the pandemic educational life continued through online education and SASFs played an important role here too. Since the poor lacked technological equipment school administrations got support of the SASFs during the process of distribution of tablets by the Ministry of Education. Also, the poverty situation of the students deemed eligible by the school administrations are cross-checked by the local SAFs. For the poor students who could not obtain tablets through the schools their parents and guardians are given cash support by the SAFs (Aydın and Öztürk, 2021:157).

Under Grameen Microfinance Program of Turkey carried out within TISVA since 2003 micro credit activities are organized to decrease the financial distress and help the poor in Turkey to have access to little capital. President of the Board of Trustees of TISVA Prof. Aziz Akgül has also stated that during the pandemic micro credit is given by the banks in addition to the current credits SMEs and individual take from the banks. It is especially given to the women in economic need whose businesses has deteriorated or who could not do any business at all due to the Covid 19 pandemic. Akgül has also stated that the capital needed to employ one person is 928 thousand liras for the investment to be made by foreign capital, 385 thousand lira by the domestic capital investor and that the amount needed by the poor people to engage in an income generating activity and to be a micro entrepreneur is only one thousand lira if micro credit means is used. Within the scope of the program 1,750 needy women badly affected from the pandemic are given a total of 1 million 250 thousand lira financial support within the scope of micro credit activity carried out by TISVA. This support served as a vehicle for the needy women to obtain the cleaning products at affordable costs and to sell them with at least 60 per cent profit, obtain additional cash for their family budgets and contribute to the Turkish economy. Akgül stated that besides this within the context of Grameen Microfinance Program of Turkey they have supported a total of 250 employees working in the branches of the foundation in 61 cities and 94 branches. He stated that for the TISVA employees they applied a special program. No one was given a vacation without pay, no partial work support policy was applied, and they did not even apply to the state-sponsored aid packages. Their model was to have their employees work for four days instead of five days. This even increased their productivity by 30 per cent decreasing the costs of the foundation by 20 per cent. Their motto with this program was ‘Happy Person... Happy Turkey...’ and this also created an opportunity for their employees to spend more time with their families (Mutlu, 2020).

Conclusions

As a conclusion it should be stated that greedy capitalist accumulation and financialization that based itself solely on profit maximization has created a big financial crisis as seen in the mortgage crises of 2008. While the world was trying to cope with this crisis the Covid-19 pandemic outbreak in November 2019 made things much worse, especially for the people living in poverty all over the world. Emergence and development of micro credit was a temporary relief for the poor during the pandemic, especially for the women who were trapped in the financialized and greedy capitalist economic relations. The true help came from the Islamic banking and finance which acted according to the principle of the Holy Quran and the teachings of the Prophet Mohammed. While interest is forbidden in the Islamic principles, helping the poor through various Islamic principles such as Zakat, Sadaqah and Infaq during the pandemic, sharing the risks with the SMEs and caring the community put it in a morally high ground. What makes Islamic financing superior to the western capitalist financing is that “its financing is based on the real economy, and it avoids the interest-based transactions and investment in toxic assets like financial derivatives” (Hassan et al., 2021:73).

The use of Fintech as a technical tool in the customer-friendly use and development of Islamic (micro)finance created new opportunities and markets. ICF is the other means exacerbating the development of Islamic (micro) finance and its deepening in the unsaturated markets, especially during and after the Covid-19 pandemic. In addition to crowd-funding development of Grameen Foundation played an important role in alleviating poverty through its emergency cash relief and technology provision to that end.

IsDB emerged as a saver of the poor and managed to significantly help the poor through the aids it fueled, and the interest-free cash supplied to these people through its members. Besides the Islamic banks and financial organizations like IsDB Islamic foundations became active in helping the poor to overcome the pandemic. Turkey was a good example of how these and other regional and domestic foundations in the country have helped the state in fighting with the pandemic. With its local and country-wide domestic foundations of SASFs, FSAGs and TISVA Turkey was able to overcome the difficulties brought by the severe Covid-19 pandemic and these foundations were the true heroes in the fight against the Covid-19 pandemic.

In the area of banking IsDB became another Islamic saver of the poor through its interest-free cash supplies and aids it fueled to the poor and the needy. Being a member of IsDB Turkey is a good example as a success story on how the funds supplied by IsDB and other Islamic financial (micro) institutions were used to help the needy during and after the Covid-19 pandemic, especially through the official and civil society organizations that spread all throughout the country.

The study also presents a critical analysis of Islamic financial tools and suggests that Islamic finance provides a new avenue for a more sustainable financial system in the post Covid-19 era. Islamic financial concepts will be of interest, particularly for the countries adopting the conventional capitalist financial system based solely on profit maximization. The article will be of use to develop hypotheses for future research, especially regarding Islamic finance.

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Çatışma beyanı

Makalenin yazarı, bu çalışma ile ilgili taraf olabilecek herhangi bir kişi ya da finansal ilişkisi bulunmadığını dolayısıyla herhangi bir çıkar çatışmasının olmadığını beyan eder.

Destek ve teşekkür

Çalışmada herhangi bir kurum ya da kuruluştan destek alınmamıştır.