
Post-COVID 19 Financial Awakening and Opportunities for Accelerating Sustainability

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2. Introduction

The COVID-19 pandemic was not expected to be at this scale and its impact has been felt across all industries. According to WHO, as of 21 August 2020, there have been: 39,023,292 confirmed cases, 1, 009,586 deaths, Over 20 million people had recovered from the disease, 215 Countries effected by Covid-19. The outbreak has quickly evolved from being a public health issue to being a source of serious economic challenge.

The pandemic and economic lockdowns have severely affected the global economic activities. Many countries face multiple crises, the health crises, the financial crises, the collapse in the commodity prices, especially commodity exporters, and all of these interact in complex ways. According to the Asian Development Bank (ADB), the global economy could suffer between US\$5.8 trillion and US\$8.8 trillion in losses, equivalent to 6.4 percent to 9.7 percent of global Gross Domestic Product (GDP) as a result of COVID-19. The UN's work agency cautions that hundreds of millions of people could be left without work due to the impact of COVID-19. Thus, several government have softened rise in unemployment with generous wages subsidies. The statistics total debt levels, which include government, household, and corporate and bank debt, rose \$4.8 trillion to \$296 trillion at the end of June 2021, which is a new record high, after a slight decline in the first quarter, to stand \$36 trillion above pre-pandemic levels. Emre Tiftik, the IIF's director of sustainability research said : "If the borrowing continues at this pace, we expect global debt to exceed \$300 trillion" (Reuters, Sept 2021). It was clear that the there is correlation between different sectors and different segments of the society.

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The Call for Sustainable Maqasidi-Based Financing

Sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG). The call for sustainable development was motivated by several alarming factors, amongst them:

- 1% of the world's rich have acquired 80% of the new wealth, While the position of the world's poorest 50% has not improved. (exclusive growth).
- The average salary of a worker in the G7 countries increased between 2011-2017 to less than 3%, while the profits of the rich shareholders increased in the same period to 31%.
- CEO compensation has grown 940% since 1978 Typical worker compensation has risen only 12% during that time (1978-2019)
- About 80% of the profits were taken by the shareholders at the expense of the workers who made these profits for them.
- The climatic temperature rises to 2 degrees annually instead of 1.5./ Air emission...
- 15% of financial operations deal with real financing sectors and 85% of financial operations are for price speculation

This has created a call of new approach of addressing the issues of economic growth and prosperity. Especially the call for Sustainable Impactful Financing and Profit Making Investment. A genuine progress indicator (GPI) instead of gross domestic product (GDP). The GPI takes everything that GDP uses into account but adds other numbers that represent the cost of negative impacts associated with economic activity (such as the cost of crime, the cost of ozone depletion, and the cost of resource depletion among others). There was also a call of new approach of investment and financing such as socially responsible investment (SRI), sustainable investment, shared prosperity, value-based intermediation, positive screening...etc.

In the Islamic arena, the call for maqasidi- driven investment and financing though a fundamental building block of Islamic economic, however, it was not given its deserved position by the practitioners and financial industry players until the emergence of VBI, ESG and other calls for ethical consideration in investment and financing. Maqasid al-shariah as defined by the great Muslim scholars in its holistic approach aims at elevating humanity to the highest ranks by making them upright, spreading virtue among them, establishing public interest, fighting the promotion of harm, and ensuring

balanced relationships with the self, the community and the universe in which they live. Allal al-Fassi: elucidates this by his brilliant definition of maqasid when he said “The overall objective of the Shari’ah is to make the earth flourish [with civilization], to maintain the system of collective livelihood upon it, and to sustain its goodness by making good those who were placed upon it to carry out God’s will, so that they will accomplish the duty assigned to them of [establishing] justice and integrity, properly [developing and using] the intellect, improving the world, discovering and extracting its resources, and administering [all that] for the benefit of everyone.”

COVID-19 and the Opportunities for Sustainable Islamic Financing

There are a lot of opportunities to promote Sustainable Islamic financing driven by maqasid al-Shariah in this time of pandemic. Among these opportunities:

- Islamic finance can be part of the COVID-19 response through the alignment between the underlying principles of Islamic finance and sustainable and responsible investment (SRI).
- Enhancing the role of sustainable development instrument such as VBI, SRI, ESG can play a vital role in facing different socio-economic development issues including covid-19.
- Apart from sustainable development instrument, AWQAF, ZAKAT and SADAQAH can be used in the circumstances of pandemic such as COVID-19.
- Awqaf is considered as an important Islamic instrument and can directly be used for poverty alleviation and financing of education and healthcare sectors and SMEs.
- Issue SDG-aligned sukuk which can be an important source of long-term capital for governments and companies engaged in the COVID response and recovery. Similar to the issuance of The Islamic Development Bank (IsDB) raised US\$ 1.5 billion with its first-ever Sustainability Sukuk to tackle the aftermath of the COVID-19 pandemic in its Member Countries.
- Zakat agencies should adopt a structure approach to align SDGs and COVID-19.
- Similarly, waqf can be used to assist the under privileged to have access to healthcare at minimum costs. For instance, in Malaysia, Waqaf An-Nur Corporation has set up a network of hospitals and waqf clinics called the Klinik Waqaf An-Nur (KWAN).

The Call for Risk-Sharing Finance and Investment as a Mean to Sustainable Financing

The risk-sharing banking model provides the opportunity for Islamic banks to earn greater fee income and enhanced returns derived from real economy returns. «الْخَرَاجُ بِالِضْمَانِ» “[Entitlement to] gain goes with [assumption of] liability”. «الْعُرْمُ بِالْعُنْمِ» Liability accompanies gain. In contrast, risk transfer is diametrically opposed to risk sharing. Under these arrangements or contracts, parties do not equitably share in future risks, and returns are pre-established and set ex-ante (before the event). Under risk-transfer arrangements, a lender does not normally share in any upside and thus has an inherently lower level of concern over future efficiency and performance than the concern of a partner who shares in risks and rewards

This is completely different from the notion of Profit from Islamic perspective as Islam exhorts the believers to excel in this life no less than in the life hereafter. It urges them to engage in almost every material pursuit, especially trade and praises profit as God's bounty. It takes into account man's inordinate love for worldly gains. However, instructs people to observe moderation in the drive for profit. It urges them to behave in a prescribed way, and acquire only the legitimate, not the maximum. It advocates absolute honesty in business to the extent that one is enjoined not to falsely praise his merchandise, but to reveal to the customer any defects in it. In case of conflict between wealth and virtue one has to be content with whatever can be acquired rightfully even though it may be little.

Profit recognition and appreciation is based on different considerations:

- Time consideration (Short- Medium- Long) a profit that ends up in the long-run in loss and bankruptcy/ a free loan is in essence profitable.
- Individual consideration: exclusive profit for those with credit worthiness (that deprive a qualified brilliant investors from financing) profit that create a social chaos (personal financing).
- Sectoral: ESG and non-ESG consideration / hybrid (profitable with non profitable sectors)

The Islamic ideal of economic justice stands on the principle that says: what each factor ultimately gets is what it contributes to total output. Qur'an: "God created

the heaven and the earth for just ends, and in order that each soul may find the recompense of what it has earned" (45:22). The position of economic justice in the face of uncertainty of the outcome of the business operations. (Zubair Hassan)

Conclusion

In a nutshell, Islamic finance presents a huge opportunity for Islamic financial industry player to improve their delivery in products and procedure by promoting maqasidi fundamentals that aim at elevating humanity to the highest ranks by making them upright, spreading virtue among them, establishing public interest, fighting the promotion of harm. And all these should be reflected in the financial intermediation and product offerings.