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Guest Editorial

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Islamic social finance is a branch of Islamic finance. COVID-19 is a global crisis that expands beyond public health realms into economic structures worldwide. The imposing lockdown measures, interest rate adjustments, lowered business activity, and consumption activity has proven to affect individuals, firms, and markets in every country. During this unprecedented event, it is imperative to understand its effect on Islamic finance. This issue shares contemporary research that observes the pandemic effects on Islamic Finance Institutions concerning their conventional counterparts. Furthermore, it examines global economies that connect with Islamic Finance institutions and laws. Lastly, the authors provide recommendations for governments and institutions to drive current and future resilience.

Zubair Tanveer investigates the impact of such an unexpected outbreak on stocks in twenty highly infected countries (USA, Brazil, India, Russia, South Africa, Peru, Mexico, Chile, Spain, United Kingdom, Iran, Pakistan, Saudi Arabia, Italy, Turkey, Colombia, Bangladesh, Germany, France, and Argentina). Lockdown measures, border closures, oil price collapse, lower consumption rate, and other health interventions have exacerbated the uncertainty of the world's stock markets. The governments and stock exchange authorities should rationalize the financial policies and work together to contain such unprecedented events on stock markets because individual policy by each country may cause further challenging situations for the global financial market.

Mubarok and Al Arif study the impact of Covid-19 on the Islamic stock index. The forecasting revealed the tendency of all stock prices to decline. These are associated with the impacts of the Covid-19 pandemic on current and future economic performance. Therefore, investors need to assess the sector's fundamentals and the individual stocks in question that are potential winners with a propensity to recover and grow well once the market rebounds. They also need to continuously track the development of the pandemic in tandem with the economic sector and make the necessary adjustments at every step of the investment process.

Habibullah et al. examine the relationship between the loss of employment and lockdown measures undertaken by the Malaysian government during the Covid-19 pandemic. The results suggest long-run and short-run relationships between loss of employment and lockdown measures in Malaysia. Lockdown measures positively impact the number of workers who lost their jobs during the pandemic, and loss of jobs increases by 0.35% to 1.1% for every 1% increase in the lockdown measures.

Zainuddin et al. analyze the impact of the Covid-19 pandemic outbreak on the bilateral sectoral export for Malaysia. Interestingly, even with the strict lockdown controls by the Malaysian government, the severity of the Covid-19 outbreak in trading partners has positive impacts on the export for 13 sectors in Malaysia. However, the resultant net negative effect on the export performance further reiterates the need for government intervention policies to ensure domestic firms can withstand the current tide, minimizing the social and economic impacts and helps the economy to recover.

Nugroho and Pertiwi evaluate whether the company's operating cash flow moderates the company's financial condition and stock price reactions. Results showed that operating cash flow strengthens the relationship between cash and ROA to the stock price. Furthermore, the COVID-19 pandemic caused a significant stock price reaction compared to the time before and during the COVID-19 disaster in Indonesia. The current study is hoped to support the government in formulating policies to stimulate the currently slumping economy.

Ming and Jais examine the performance of the MA rules in the Malaysian stock market during the different stages of the MCO. More than 50% of the buy signals emitted by (5,60,0.01) were found linked with positive returns in the next trading day during the MCO and CMCO sub-period, respectively. Conversely, 41.28% and 34.78% of the sell signals emitted by (5,50,0.01) during the respective MCO and CMCO sub-period were linked with negative returns. In addition, MA rules (5,60,0.01) also generated positive returns during the out-of-sample period. Therefore, investors are recommended to take the signals emitted by MA rules as alternative references for their investments. Lastly, the relevant organizations should conduct more seminars to inform and enhance the analytical skill of their clients, particularly retail investors.

Baharudin, Waked, and Paimen analyze households' responses to Movement Control Orders (MCO) and assess MCO's impact on consumer confidence based on the potential disproportionate impact on various income groups in Malaysia. People report that current political developments are essential to influence the people's confidence in the economy in the long run. The consumer confidence index gives an overview of two policies that need to be emphasized by the government. First, based on the short-run status of food consumption, this study strongly recommends that the policymakers consider establishing a National Food Stockpile in light of the nation's food security and moving on to food-based agriculture that considers the targeted groups in the long run.

Oyelami and Saibu examine likely spillover effects of the COVID-19 pandemic in Nigeria based on shocks to strategic trade partners. This modeling approach provides an opportunity to analyze the international macroeconomic transmission of shocks and spillovers between different countries. Subsequently, simulations were performed to capture the economic reality of COVID-19 and policy reactions in COVID-19 infected partner countries. The study identified output and inflation shocks in the USA and China as important external shocks to the Nigerian economy; however, oil price shocks constitute the most significant external threat to the economy during and after the COVID-19 era.

Keh and Tan observe the Malaysian stock market under the coronavirus shock. The findings reveal that the responses are taken by the government (lockdown measures, industry closures, and debt relief) significantly affected both economic activity and stock market performance in the country. Based on the results, these responses appear to have significant policy implications, particularly in displaying that debt or contract relief for households negatively impacts economic activities but a positive impact on the stock market.

Azman and Kepili discuss how access to credit or financing, especially during the COVID-19 pandemic, is vital for micro-entrepreneurs to increase wealth and socioeconomic status. In Malaysia, most MEs can hardly access financing from formal financial institutions due to poor credit rating, income instability, loan capital, and high transaction costs. The results study a comparison between banking infrastructures and find that micro-entrepreneurs opt for the right path (expansion and investment) to achieve financial wellbeing. Government (regulators) enhance Islamic microfinancing as a tool towards financial wellbeing and deepen the scope of Schumpeter's theory by inculcating this theory with the Islamic finance scope of the study.

Ishak, Shahar, and Jiun explore the impact of COVID-19 on stock market reactions of cyclical and non-cyclical industries during the pandemic. The industries that experienced the most value destruction include tourism, airlines, hospitality, and transportation. The findings recognize implications in academia, industry, and investments; for years to come, the focus is to explain how unprecedented events such as COVID-19 can inflict economic damage.

I hope you will enjoy reading the articles in this special issue of JEM.

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