Business Strengthening Strategy in Sharia Microfinance Institutions During the Covid-19 Pandemic in Indonesia Through Digital Literacy

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Abstract
The impact of the pandemic around the world has changed the existing order of life, including in Indonesia. The COVID-19 pandemic has also changed various important sectors in society, one of which is Islamic microfinance institutions. This study aims to identify the strategies adopted by Islamic microfinance institutions to strengthen their business during the pandemic. This study uses a qualitative research type with a phenomenological approach. The research participants were 15 people who directly experienced the impact of the COVID-19 pandemic. Determination of participants using purposive sampling. The data collection technique used a semi-structured interview guide instrument. The data analysis techniques include data organization, finding meaningful themes, analyzing data, and reporting systematically. The results of the study illustrate that the strategies adopted by Islamic microfinance institutions during the Covid-19 pandemic are (1) making online applications that are easy and accessible to customers; (2) socialization to members through whatsapp group and customer contact numbers; (3) providing training to employees in the use of applications; (4) creation of social media to establish communication with customers; (5) making a policy on relaxation of installment payments in the field of customer financing; (6) the obstacles encountered. The limitations of the research on the number of respondents and the type of research selected can be redeveloped with further, broader, and more in-depth research. Keywords: Business strengthening strategy, COVID-19, Islamic microfinance institutions, digital literacy, social media

INTRODUCTION
The COVID-19 pandemic that has hit the whole world in the last two years has greatly affected all aspects of life (Cosma et al., 2020). Almost all vital sectors in society such as health (Carmassi et al., 2020), education (Radino et al., 2021), and the economy are paralyzed

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This condition is a serious problem experienced by all elements of society. The government’s policy which then stipulates a lockdown and also limits the interaction of the community in any sector raises a big problem (Malik, Sana; Naeem, 2020). The economic aspect stagnated both in terms of production and marketing. The financial services sector, which is an important part of economic transactions, is also affected. Not only in the field of conventional financial services, but the Islamic finance business is also experiencing the same problem.

Transactions and economic growth in Indonesia if you look at its market potential, of course, cannot be separated from the role of micro, small and medium enterprises (MSMEs). This sector is the largest contributor to gross domestic product (GDP). Since the 2008 economic crisis in almost all countries, the microeconomic sector has become the savior of the economic crisis. Micro, small and medium enterprises have also proven to be resistant to all kinds of crises. Looking at Indonesia’s economic history, the role of micro, small and medium enterprises (MSMEs) is very vital in developing economic growth (Erlanitasari et al., 2020).

However, the conditions during the COVID-19 pandemic are slightly different, where government policies, both central and regional, that prohibit community activities directly greatly affect macro and microeconomic growth (Cifuentes-Faura & Di Francesco, 2021). Sharia microfinance institutions are no exception, which has been intermediary institutions for micro-enterprises, which also face complex problems. Microfinance institutions cannot carry out their functions in terms of financing and deposits to support normal economic transaction processes. All activities are carried out online or on mobile. This condition then requires Islamic microfinance institutions to be able to adjust to the situation during the pandemic.

Field data shows that during the early 2020 pandemic, internet usage reached 175.4 million people. This condition increases again in 2021 when internet usage reaches 202.6 million people, an increase of about 11 percent. This increase in internet use certainly cannot be separated from social distancing policies that direct all forms of activity to be carried out online (Wiederhold, 2020). A strategy is needed following the pandemic conditions, one of which is the use and strengthening of digital literacy in the economic field.

Research Problems
The existence of this prolonged situation and condition raises many problems that need to be resolved. Problems regarding the distribution of funds, the storage of funds, the potential for problematic financing, the use of information technology that changes the work system in financial institutions are some of the problems that
arise. Besides that, there is also another big problem, namely the readiness of human resources in this case the stakeholders in Islamic microfinance institutions in implementing digital operational systems in all work units. Islamic microfinance institutions need to create strategies that lead to strengthening the business to keep it running.

Research Question

The important question raised in this research is about how the strategy is carried out in strengthening business in Islamic microfinance institutions in Indonesia and what are the obstacles and obstacles it faces.

Research Focus

Judging from these problems and conditions, this research focuses more on the form of business strengthening strategies implemented in Islamic microfinance institutions during the pandemic through the digital field or online systems.

LITERATURE REVIEW

The urgency of Islamic microfinance institutions in Indonesia

Indonesia is mostly Muslim with a total population based on data from the Ministry of Home Affairs (Kemendagri), the total Muslim population in Indonesia is 237.53 million as of December 31, 2021. This number is equivalent to 86.9% of the country's population of 273.32 million people. This condition certainly illustrates the great potential in the economic sector (Achsien & Purnamasari, 2016). Most of the Indonesian population are community groups that contribute to small and micro businesses in the business sector. The two great potentials of the community as the majority of micro-business actors and also the majority are Muslim, open opportunities for Islamic microfinance institutions to become financial institutions that help empower microeconomics, especially in funding or business capital (Antonio, 2011).

This opportunity underlies the growth and development of Islamic microfinance institutions in Indonesia. beginning with the emergence of non-bank financial institutions in 1995, then rapidly developing Islamic microfinance institutions with cooperative legal entities. Sharia microfinance institutions in general are financial institutions whose main business is the provision of financing and other services whose operating systems adhere to sharia principles. Following this principle, sharia microfinance institutions focus more on the scope of smaller or micro-businesses. The type of sharia microfinance institution that is developing is represented by Baitul mal wa tamwil (BMT) which is a sharia cooperative legal entity (Hendratmi & Widayanti, 2017), and also other sharia cooperatives that are not in the form of BMT.
The position of BMT in its development has a strategic role where its existence can reach and serve all sectors of the lower-middle-class economy which administratively and guarantees are not included in the criteria at the bank (Wulandari & Pramesti, 2021). The target of this Islamic microfinance institution is to focus on empowering the micro and middle class. Several practices in the field have found that many community groups from small traders, farmers, and laborers are more comfortable and compatible with this Islamic microfinance institution (G. N. Yuniar, 2015). This is allegedly due to the emotional closeness and also the simple and easy practice. In addition, there are two main areas of work at BMT which focus on the social sector (baytul maal) and the business or business sector (baytul tamwil) (Maulana & Akbar, 2019). The placement of the social sector in the first aspect has the intention that Islamic microfinance institutions will provide productive capital assistance provided in the form of soft loans or qardul hasan (Wulandari, 2019). This is to encourage people to want to try first, but the stimulant funds provided are limited or not much (Wulandari et al., 2016). When the community has started running its business, then it is directed to a larger Tamwil business and already has its calculations in running its business.

The urgency of digital literacy for Islamic microfinance institutions

The development of information technology is growing rapidly at this time. Coupled with the Covid-19 disaster that hit the whole world. Technology greatly influences and is needed by society in every aspect of life (Goldschmidt, 2020). According to data from the Indonesian Ministry of Communication and Information, during the COVID-19 pandemic, the use of the internet as a digital basis showed a graph that increased by around 40 percent. Meanwhile, the suburbs also experienced an increase of 23 percent. One of the reasons for this increase is the government’s policy to continue working from home. Even in meeting other needs both in the economic and social sectors using internet applications.

The existence of the internet and all forms of its applications shows that people need communication and interaction with one another. Positive and negative benefits of course also appear as a form of logical consequences. The positive impact is that there is easy community interaction, access to information can also be obtained quickly (Seebruck, 2013). While negative access also appears hoax news, cases of fraud, and others (Borzucka-Sitkiewicz & Leksy, 2018). Although there are negative aspects that arise, the role and use of the internet are very vital.

The business sector also has an impact on the use of the internet as the main basis for transactions, both in the service sector and in real terms. Digital media provides solutions to people’s needs. Trade, buying, and selling of goods, and other businesses are carried out
online. The use of this technology creates opportunities for the development of empowerment efforts and the improvement of the technology-based populist economy (Takahashi & Barrett, 2014).

Digital literacy in practice is very necessary to build and improve the ability of all components of society to meet their needs, especially during a pandemic. In a creative and productive business environment, the role of information technology becomes an important part of its activities (A. M. Yuniar & Kasri, 2020). Digital literacy is needed to process information, disseminate knowledge and provide benefits in productive efforts in the field of business or business.

On the other hand, in the business sector, the existence of digital literacy skills is very necessary to maintain the existence of its business and also maintain the relationship between business institutions and their customers. Likewise, this condition also requires Islamic microfinance institutions to be able to adapt and use digital media to serve and meet the needs of their members or customers (Haris, 2020). Institutions can still run businesses and members can still use the services of Islamic microfinance institutions. This is what encourages Islamic microfinance institutions to improve their operational systems and also improve the capabilities of their employees. The process of paying installments, savings, or other needs can still be carried out.

**METHOD**

**Research Design**

This research uses a qualitative research type with a phenomenological type. The aim is to find out the phenomenon based on the experience experienced by the participants and also to describe the meaning behind the experience. In connection with this research, the aim is to describe the strengthening strategy carried out by Islamic microfinance institutions during the Covid-19 pandemic. In other words, this research will look for the meaning of the practices carried out by micro sharia financial institutions regarding the forms of strengthening that are carried out as well as about the obstacles they face.

**Samples and Data Collection**

Determination of respondents in this study using purposive sampling technique, where the respondents in the study have determined the criteria, namely the leaders and employees of three Islamic microfinance institutions in the Kendari area, Southeast Sulawesi, and also in Yogyakarta. research subjects amounted to 15 people. The characteristics of the respondents involved in this study are employees who have experienced the impact of the COVID-19
pandemic and must carry out work online. Collecting data in this study through in-depth online interviews. Researchers obtained information on employees who do work online and also the form of institutional policies in implementing their strengthening strategies. The instrument used in this study was an interview protocol using open-ended questions. Although there is an interview protocol that has been made, in practice and the interview process is adjusted to the conditions of the research respondents.

Data Analysis

The type of data in this study is primary data from employees and leaders of Islamic microfinance institutions in Indonesia. Primary data sources are the results of in-depth interviews with respondents. The data analysis techniques include data organization, finding meaningful themes, analyzing data, and reporting systematically. Specifically, data analysis uses data reduction as an important step in finding conclusions. Researchers also validated data triangulation data based on expert sources by using notes that had been made during interviews to reconfirm the questions and results that had been obtained. Meanwhile, for the reliability of the data, the researcher rechecked the information obtained through different respondents.

RESULTS

The results of the study illustrate that the strategies adopted by Islamic microfinance institutions during the Covid-19 pandemic are (1) making online applications that are easy and accessible to customers; (2) socialization to members through whatapps group and customer contact numbers; (3) providing training to employees in the use of applications; (4) creation of social media to establish communication with customers; (5) making a policy on relaxation of installment payments in the field of customer financing; (6) obstacles faced.

Table 1 strategies for strengthening Islamic microfinance institutions during the COVID-19 pandemic

<table>
<thead>
<tr>
<th>No</th>
<th>Classification</th>
<th>Code participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Creating an online application that is easy and accessible to customers</td>
<td>RF, IM, WW</td>
</tr>
<tr>
<td>2</td>
<td>Socialization to members via whatapps group and customer contact numbers</td>
<td>DN, IN, TR</td>
</tr>
<tr>
<td>3</td>
<td>Providing training to employees in the use of applications</td>
<td>RD, AY</td>
</tr>
<tr>
<td>4</td>
<td>Making social media to establish communication with customers</td>
<td>RW, FH</td>
</tr>
<tr>
<td></td>
<td>Making policies for relaxation of installment payments in the field of customer financing.</td>
<td>MK, EL</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>6</td>
<td>Obstacles encountered</td>
<td>RF, MK</td>
</tr>
</tbody>
</table>

According to respondent one, the first strategy adopted by Islamic microfinance institutions was to create simple applications or programs to facilitate customer needs. The need for this simple program is to provide a solution to keep transactions running. Making online program applications is needed to help institutions facilitate customer needs (RF).

The second respondent, who is a leader in one of the Islamic microfinance institutions, gave his experience about the programs needed in financial transactions at his institution. Before the COVID-19 outbreak, several associations of Islamic microfinance institutions had planned to create a BMT application. Well .. the application is increasingly needed. The association of Islamic microfinance institutions then agreed to use this joint application (IM).

Support from vendors who have been collaborating with Islamic microfinance institutions is very helpful in procuring and making this application. We are greatly assisted by vendors from specialized Information technology (IT) institutions that have been working together. They have developed an application that can be downloaded directly on the customer’s cellphone (WW).

In a pandemic condition, any application or program that has been made also needs to be socialized. This is to provide information to customers that during the pandemic, Islamic microfinance institutions are still operational, although with strict and limited health standards and protocols. One of the marketing employees who are usually in the field explains.

The COVID-19 pandemic has made it a bit difficult for us officers in the field because we can’t take customer installments right away. Changes in the work system that uses online then make us also have to intensively socialize with customers (DN).

This explanation was also reinforced by other field employees who explained the difficulties in dealing with the Covid-19 condition. Many customers have not been able to use the applications that have been launched. Some customers still ask to come to the business location despite strict health protocols.

Conditions in the field are very difficult during the pandemic, although we have conducted socialization with customers, many of them also
do not have adequate cellphones to access the provided applications (IN).
Also added by other marketing about transactions in the field.
Some of our customers, because they are small traders who do not have access to digital services, finally asked some of us to keep taking their installments (TR).
Another strategy undertaken by financial institutions during the pandemic is to provide training to employees to improve their digital competence. This aims to make it easier for employees to understand the workflow with the new system.
Training also needs to be given to our employees, especially those in the field in using new applications (RD).
Training is provided to employees to strengthen digital competencies and capabilities in implementing the new system.
Employees are given training starting from downloading applications, installing applications, and using existing features. We do training also online (AY).
The fourth strengthening strategy is to create social media that function as information channels for customers. Many Islamic microfinance institutions then create special media for socialization to customers through Facebook and Instagram that are easily accessible.
Some customers have deep access capabilities on social media. This is what underlies us to also specifically create social media that are familiar to the public, namely Facebook and Instagram. This is quite helpful for us in providing the latest information for customers (RW).
Added by one of the managers at Islamic microfinance institutions about the importance of this social media.
During the pandemic, many of our customers are confused about finding information about agency services, so we took the initiative to provide information through existing social media. The community is quite helped by this social media (FH).
Almost all existing businesses stagnate, making policies in all sectors also change. In the financial services sector itself, this condition has also led to a relaxation policy, especially for customers who do financing. Many financial institutions provide a variety of payment models such as in installments first, or some have a policy for customers to pay in installments according to their abilities. This is indeed due to the collapsing economic conditions during the COVID-19 pandemic.
All financial institutions have a dilemma condition with the Covid-19 pandemic. On the one hand, the economy is in a slump, on the other hand, institutions must continue to operate. So, during Covid-19, we
also implemented a relaxation strategy, especially in the field of financing to customers (MK).

The relaxation strategy was given because the government's policies also demanded it. People who cannot run their business again need to be given facilities first.

The relaxation policy is given to customers because the government has also instructed them to do so. The conditions that occur have not made it possible to carry out an operational system like before the COVID-19 pandemic (EL).

The implementation of the new system certainly raises various obstacles faced by both stakeholders of Islamic microfinance institutions and also the community as users of financial services. One of the leaders at the sharia microfinance institution explained the obstacles faced by the institution.

The implementation of the new system greatly affects all business elements. We as financial services business actors in general have to adapt. We also do not have the competence in the world of the internet (RF).

Not only in the financial institutions themselves, but customers of Islamic microfinance institutions also face obstacles. Communities as users of our financial services, during a pandemic when changing their operational systems, require adaptation. Moreover, our market is a small and medium sector originating from small traders. Those who do not have adequate mobile phone facilities also cannot access it. This group usually receives information from merchant friends who can access the internet (MK).

**DISCUSSION**

Islamic microfinance institutions implement their operational activities to support government policies to break the chain of the spread of COVID-19. A changing operational system requires special adaptation and socialization. With the operational system that is run in the business world, various strategies are implemented. First, a business strengthening model needs to be implemented to keep the institution's business running. Second, the existence of new systems and policies implemented by Islamic microfinance institutions during the COVID-19 pandemic created obstacles and obstacles faced.

The first strategy is to create an online application that is easy and accessible to customers. Not all financial institutions can make their applications to meet the demands of the new system. This condition is understood because not all Islamic microfinance institutions are operating well. However, this condition is helped by the collaboration with the application provider vendors who have been collaborating so
far. The results also show that the ease of access for customers makes customers trust and loyal (Asiyah et al., 2014). Loyalty is one of the drivers in the growth of a sharia microfinance institution (Mirzaalian & Halpenny, 2021). Loyal customers will help the institution in achieving its targets. They tend to follow a given existing system. Even in a pandemic, they can adapt to the new system.

The second strategy is to socialize with members through whatapps groups and customer contact numbers. Socialization is very necessary for the face of changes in the operating system that is applied. The existence of socialization will assist customers in finding information about the institution. Socialization is also another way for institutions to show their existence as well as existing services. Continuous socialization will form a positive perception of the community (Shahr et al., 2019). Socialization can also be an important aspect in shaping public trust, especially in Islamic financial institutions (Ferreira & Serpa, 2019).

The third strategy, providing training to employees in the use of applications. One of the successes in a business is the compensation owed by all stakeholders of the institution. In this strengthening strategy, mastery of digital applications is necessary (Haris, 2020). The ability of this aspect is very supportive of employees in carrying out their activities. The training provided by Islamic microfinance institutions will indirectly improve employee performance. The final impact is an increase in the achievement of the business targets that have been implemented. Besides that, the mastery of applications owned by employees can assist and also socialization to the customers they support. The next effect is that the customer’s condition is monitored and can run his business smoothly.

The fourth strategy is the creation of social media to establish communication with customers. During a pandemic, one way that can be done to monitor customer conditions is through online communication (Vlachopoulos & Makri, 2019). To meet the needs and desires of customers and institutions, the creation of online social media is very much needed. Online media is very influential in disseminating institutional products, both services or real products in the form of people’s daily needs (Mirzaalian & Halpenny, 2021).

The fifth strategy is to create a policy for the relaxation of installment payments in the customer financing sector. Field findings show that almost all sectors and community activities are paralyzed. People cannot carry out their business normally. This has an impact on the results obtained. Fulfillment of basic needs which include food needs, children’s schools, and others are basic needs that need to be prioritized. The impact is that business actors are unable to carry out their installment obligations from the financing that has been carried out at Islamic microfinance institutions. Seeing this condition, one of
the policies carried out by financial institutions is to create a relaxation program or leniency in paying obligations to financial institutions (Yasid et al., 2020). Relaxation programs may differ from the policies of each institution.

This is also in line with the basic concept of Islamic microfinance institutions which are profit motive institutions that are also social motives (Siraj et al., 2021). Its activities are more empowering without compromising as a financial intermediary institution which of course applies sharia principles in its operations (Wahyuni, 2008).

The sixth condition, which is the effect of the COVID-19 pandemic in the business sector, is the obstacle faced in implementing institutional strategies and policies. As with other fields that have experienced the impact of the COVID-19 pandemic, the obstacles faced in the financial institution sector are the same. The affected community or customers in the early days were unable to access and transact directly due to the imposition of restrictions on social interaction. Furthermore, after the new system changes from sharia microfinance institutions they also have to adapt and follow procedures such as conducting online transactions. In the case of financing applications that have been done offline, this is also the case. This then becomes the main obstacle for customers of Islamic microfinance institutions.

Many customers are not familiar with digital applications. They must prepare devices, especially mobile phones that can access the internet. Besides that, the online system is still new and is considered a hassle for them. Some customers who cannot access then also ask financial institutions to be able to carry out transactions offline even with health protocol procedures.

The next obstacle is that customers who are mostly small traders are not accustomed to using online payments through applications. Many customers have funds in cash. This also makes it difficult for them to make online payment transactions. Besides that, in general, their knowledge of the internet is limited.

CONCLUSION

The Covid pandemic has changed the thinking and practice of activities in the field of financial institutions in the online form. This situation is very much different from transactions carried out offline, where this interaction makes it easier for Islamic microfinance institutions and their customers. In a pandemic situation, customers and financial institutions must adapt to various limitations such as limited activity intensity, restricted business locations, and interactions between business actors. Islamic microfinance institutions made several strategic adjustments to strengthen their institutions during the pandemic. Both in the form of strengthening that is practical and
strengthening in the form of competence of all elements of financial institutions such as providing application facilities for financial institution products and services that are easily accessible to customers. Also strengthening in the form of socialization and loading of social media-based information media.

Recommendations
The findings of this study should encourage Islamic microfinance institutions to be able to develop standard systems and procedures in serving their customers. Thus, sharia microfinance institutions continue to run their business and customers can also continue to run their business and carry out their business obligations at sharia microfinance institutions. This study provides recommendations to future researchers to conduct research and development in the form of an online application system for Islamic microfinance institutions that can assist financial institutions and customers in carrying out their business activities more easily. This product is expected to facilitate and further facilitate the needs of customers or financial institutions themselves.

Limitations
This research still has limitations, namely, it only involves respondents from three Islamic microfinance institutions in the Kendari and Yogyakarta areas. Thus, the results of the study may not be able to reach more respondents in Indonesia. Besides that, this research still has limitations in the use of this type of research, namely qualitatively, the respondents are still limited.

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Bibliography


