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Role of Islamic Finance in Supporting Economic Recovery in Nigeria Post-Covid-19 Pandemic

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ABSTRACT

Since the deadly infection pandemic episode toward the end of 2019, more than 200 countries have been impacted. One of the most significant impacts of the pandemic that is undeniable is the increase in the intensity of poverty around the world. It is a health sector crisis, and the virus is also causing an economic meltdown. Various nations have fallen into recession, and more people are living beneath the poverty level. The pandemic is causing both health and economic crises. This study examines the potential of Islamic finance in supporting economic recovery in a post-Covid-19 pandemic. The method used is to review previous studies, including journal articles, research papers, policy documents and reports in related fields to support the study. Based on past studies, the study document that Islamic finance via Mudarabah, Sukuk, Musharakah, Qard al-Hasan, Sadaqat, waqf, and Islamic Microfinance has essential to support economic recovery in a post-Covid-19 pandemic in society. The study has implications for the financial institutions, policymakers, and government in terms of adopting Islamic finance products and principles to address the effect of the Covid-19 pandemic crisis on the economy, thereby improving the social well-being of the people and improving the global economy.

1. Introduction

The Covid-19 pandemic is different from other pandemics in history due to interconnection and globalisation among nations significantly impacting this situation. After all, the infection is spreading rapidly now (Mas-Coma *et al*., 2020). While globalisation favours employment and economic development, the unfavourable impact of countless affirmed Covid-19 pandemic cases could show its dark side during a pandemic infection (Farzanegan *et al*., 2020). Indeed, even developed nations have had issues providing medical care services during the deadly virus pandemic, and underdeveloped nations have been devastated by the present circumstances (Shrestha *et al*., 2020). Additionally, many nations are affected more significantly due to human interactions across nations (Zimmermann *et al*., 2020).

Marcu (2021) stated that the deadly virus pandemic had obstructed almost all nations, and the quick transmission of infection has strained the economic and Health system. The effect of this deadly virus pandemic is worse than the previous disaster. This disaster likewise provided opportunities for new services and improvement of existing ones in online services, online stores, platforms that provide online meetings, and courier services. Therefore, there was a boost in online services and the spread of digital technology (Karabag, 2020). Ventriglio *et al.* (2020) confirmed that social distancing by the government affected the whole society. Many people require social closeness to survive the difficulties caused by the pandemic. Likewise, the impact of the pandemic on individual Health is being measured by World Health Organization (WHO, 2020).

Wu *et al.* (2020) claimed that the world pandemic is portrayed as an infectious virus that spreads worldwide, and its occurrence could influence a critical proportion of the populace. However, despite the modern technology level in modern society, it failed to restore these economies as they rushed in for an antibody. Such a pandemic or disease is approximately perpetual, though not every pandemic reaches a worldwide pandemic level. Bedford *et al.* (2020) noticed that history is observed of various such pandemics, which brought about a tremendous loss of human souls. In Spanish 1918 to 1919, the Flu broke out, resulting in 40 to 50 million casualties. In Hong Kong, from 1960 to 1970, another flu broke out, which caused around 1.1 million deaths. Similarly, in Asia, from 1957 to 1958, another virus broke out, resulting in a 1.1 million death toll (Nakaduna *et al*., 2021). These resulted in an exponential loss of human lives and outrageously distraught the affected countries' economies (Nakaduna *et al*., 2021).

Since the deadly virus pandemic appeared, most important economic activities have been injured worldwide, including Nigeria. There was a lockdown in significant economies of the world. The consequence is that the rounded flow of income has been restricted since a sufficient proportion of the productive elements lie inactive. The government has ordered most firms to be closed, restricting the company's capacity to pay their tax to the government. There is likewise a massive decrease in international trade following the shutting down of the airport and seaport to abridge the spread of the Covid-19 pandemic. Ironically, government expenses have increased significantly, owing to the expenditure on palliatives by different governments worldwide to reduce the effect of movement restriction order (MRO) by the government on the citizens. Similarly, the impact of the pandemic lockdown on the economy negatively affects Nigeria's economic development (Inegbedion, 2021).

A study conducted by Inegbedion (2021) revealed that the movement-controlled order by the government based on Covid-19 has significantly constrained the country's economic activities and the circular flow of income. Similarly, the perceived decrease in the circular flow of income in the wake of the deadly virus lockdown has negatively impacted the economic development in Nigeria. Umar and Danlami (2021) asserted that the Covid-19 contagion has badly harmed the socioeconomic improvement of Nigerians. Meanwhile, the nation is in a debt crisis, generally ascribed to the fall in crude oil revenue, Nigeria's primary income source utilised to finance the budget. This issue makes it hard to offer support for poverty mitigation in the country during the Covid-19 pandemic.

Hassan *et al.* (2021) stated that Islamic economics is considered ethical finance based on the principles and rules of Shariah. It is anticipated to play a critical role in recovering economies in a post-Covid-19 pandemic. Similarly, Hassan *et al.* (2020) asserted that Islamic finance has the most important instrument to fight against the financial outcomes of the pandemic. Islamic finance has various financial services such as Sukuk, waqf, Zakat, and Qardh Hasan, which are tailor-made for the pandemic and crises like the Covid-19 pandemic.

Therefore, this study aims to investigate different products of Islamic finance to support economic recovery in Nigeria post-covid-19 pandemic. The literature review provides different products crucial for reviving the economic recovery in a post-Covid-19 pandemic, especially waqf and Zakat, for sustainable poverty mitigation in the country. Additionally, the advantages of supporting Islamic finance instruments provided effective and efficient economic development and distribution of wealth among the citizens. Nigeria has a large population of Muslims. This fact creates an excellent opportunity to be a hub for Islamic finance in Africa, especially in the West African subcontinent. With a large Muslim population, Nigeria can become a centre for Islamic finance science. However, this can be achieved if the government takes Islamic finance as a way of life, comprising decisions in economics. Considering the potential of Islamic financial services and products in the world, the potential for Islamic finance in Nigeria is still massive, seeing the various opportunities that can be tapped. For this reason, the Nigerian government still needs to improve further awareness and understanding of Islamic finance in the country's products and services.

Shariah compliance-based financing in Nigeria seems to be developing. This development is apparent in the financial sector. We have recorded more than three full-fledged non-interest banks in the country. These institutions have millions of Naira in public funds by Shariah-compliant principles. These financial institutions operate strictly based on Shariah principles. The Shariah principles are very different from the principles adopted by conventional financial institutions. Trade and Shariah principles are; the prohibition of utilising interest in all types and transactions and doing trade and business activities based on lawful and fair profit. Prohibition of monopoly, working simultaneously to build community via trade and business activities that Shariah allows.

2. Literature Review

The economic effect of the deadly Covid-19 pandemic is highly uncertain, and it is challenging to devise a legitimate instrument to measure its exact impact on the economy. This challenge makes it hard for governments and policymakers to form a proper strategy and macroeconomic response to handle the economic consequence of infection (McKibben & Fernando, 2020). Hassan *et al.* (2020) investigated the post-Covid-19 pandemic economic effect and the role of Islamic finance. The researchers concluded that the Covid-19 pandemic stunned the whole world with its quick spread around the globe, causing a pause in the usual daily way of life. Economies are nearly crashing, financial institutions are confronting liquidity issues, and regulators do have the freedom to take time to come up with a way out. The effect of the pandemic is seen beyond the public health segment as it spreads and locks down to restrict the heightening of the pandemic. The deadly virus has several economic impacts on the real economy. The covid-19 pandemic made around 50% of the world's populace were ordered to remain indoors to forestall the spread of the infection. It would have significant major implications for global economies as the capital and customer demand deteriorated soon after a significant economic slowdown in 2019 (Abdal & Ferreira, 2021).

Islamic finance products designed to comply with the principles of Shariah (Islamic law) are one of the most rapidly growing segments of the international finance industry (Shibu & Chachi, 2021). Islamic finance started in 1975 with Dubai Islamic Bank and operated in many countries such as Malaysia, Pakistan, Bahrain, Indonesia, Sudan, Saudi Arabia, Egypt, and others. The number of Islamic financial institutions (IFIs) worldwide presently surpasses more than 300, with activities in 75 countries (Wanjala, 2020). The asset of Islamic banking globally amounted to about $1.99 trillion out of the total Islamic finance assets of $2.88 trillion in 2019, and the total amount continues to increase (Ayub, 2020). Albeit Islamic finance is developing quickly all around the world, and the ideas connected with Islamic finance and banking are presently 30 years old (Balala, 2020), Islamic finance is still not well adopted in some countries. However, Islamic finance has been used for the country's economic development due to profit and loss sharing of the contracts. In principle, profits can only be earned if everyone involved in the contract takes a share of the risk (Lehner, 2017; Widia, 2021). Islamic finance gives instruments to help affected communities, such as waqf, Sukuk, and Zakat. These social instruments can be utilised to recuperate from the blow brought by the deadly Covid-19 pandemic effect on destitute and small and medium-sized enterprises (SMEs). The Covid-19 pandemic has hit a pause button on everyday life and adversely impacted businesses and poor communities. Islamic finance provided a solution to assist small businesses in recuperating and supporting an unstable economy (Hassan *et al*., 2021). Implementing Islamic finance instruments post Covid-19 pandemics such as waqf, social Sukuk, and Zakat will support economic recovery (Hassan *et al*., 2021).

2.1 Covid-19 pandemic in Nigeria

The Covid-19 pandemic has impacted the vast majority of nations on the plan*et, albeit fluctuating, as some nations have been more successful than others in limiting the spread of the virus and* stopping deaths. All around the world, unprecedented measures are being taken to battle the spread of infections while simultaneously looking to contain its impact on the labour market and economy (Barbieri *et al*., 2022). Nigeria has been negatively affected by the pandemic. The record instance of the Covid-19 pandemic began in Nigeria on 25 February 2020 when an Italian national working in Lagos flew into a commercial bus in the state from Milan and Italy (Ajibo, 2020). As of 13 April 2022, As of 7 July 2021, Nigeria had 255,606 confirmed cases of Covid-19 and 3,142 fatalities, out of an estimated population in 2020 of 206 million people (NCDC, 2022). Lagos, Nigeria's most populous state with an estimated 26 million residents in 2019 on 7 July, had 99,288 confirmed cases and 769 fatalities – more by far than any of Nigeria's other 35 states (NCDC, 2022). Appendix 1 indicates the number of cases by the states.

The Nigerian government has been putting a tremendous extraordinary effort into stopping the further spread of the Covid-19 pandemic within the country (Olurounbi & Bala-Gbogbo, 2020; Ewang, 2021). Such efforts incorporate the government's stay-at-home orders and a social gathering ban. Abuja, Lagos, and Ogun states are considered the focal point of the Covid-19 pandemic, where some states are closed. Other preventative methods such as an increase in screening at border entry points, social distance, self-isolation, washing of hands regularly, and utilisation of hand sanitiser of which have been emphasised and publicised through formal and informal media outlets (Adnan, 2020; Ajibo, 2020; Obiezu, 2020).

The country was at that point confronting critical shrinkage of its fiscal space preceding the pandemic. Although Nigeria has a diversified economy, the government depends excessively on the oil sector for its revenue. Nigeria's strong dependence on oil has made it vulnerable to the vagaries of international oil prices. A fall in worldwide oil prices and poor macroeconomic management drove the country into a recession in 2016, from which it simply began to recuperate in the second quarter of 2017 (Ozili, 2021, Wheeler *et al*., 2020). Even after the economic meltdown, economic development has been slow, with economic development remaining at less than the population development rate. The collapse in oil prices in the first quarter of 2020 further debilitated the Nigerian economy, shrinking its financial space and capacity to manage amid the pandemic (Ejiogu *et al*., 2020). With the deadly virus pandemic episode, Nigeria faces Health and economic crises to which it has responded with a raft of policy interventions. It is essential to comprehend the budgetary responses, their financial implications, and implications of the country's social inequality, socio-political stability, and financial sustainability (Ebuka *et al*., 2022; Ozili, 2021).

2.2 Covid-19 Pandemic and Nigeria's 2020 Budget

Nigeria is the most populous country in Africa, with an estimated population of 205 million and a GDP of $448.12 billion (145.64 trillion Nairas) in 2019 (Ebuka *et al*., 2022). It is additionally the biggest oil marketer in Africa, holding 29% of Africa's demonstrated oil reserve, and was the world's 4th largest exporter of liquified petroleum gas in 2015 (Ejiogu *et al*., 2019). Oil and gas revenue represents about 10% of the country's GDP. Nevertheless, it represents around half of the government revenue and more than 50% of export earnings (Asagunla *et al*., 2018). Regardless of its oil wealth, in early 2018, Nigeria surpassed India as the 'poverty capital of the world, representing 15% of the world's poor with an estimated 102 million individuals in extreme poverty (Arimoro, 2019; Kharas *et al*., 2018; Ebuka *et al*., 2022). Nonetheless, not like India, where poverty is reduced, extreme poverty is increasing in Nigeria at an estimated six people every minute, and Nigeria is projected to represent 30% of the world's population poor by 2030 without considering the effects of the Covid-19 pandemic (Kharas *et al*., 2018; 2020; Ebuka *et al*., 2022).

Preceding the Covid-19 pandemic, Nigeria's 2020 budget projected for revenue of 8.42 trillion Naira and expenditure of 10.6 trillion Naira (of which 2.45 trillion Naira related to debt servicing) (Onwunyi & Ostar, 2020). The shortage of 2.18 trillion Naira ($5.65 billion) was to be financed by extra borrowing. Projections for the debt service to revenue ratio and the shortage to revenue ratio were 29% and 26%, respectively. However, the pandemic changed (Wheeler *et al*., 2020). The lockdown and economic closing worldwide led to a fall in the need for oil and a collapse in oil prices. Given Nigeria's heavy dependence on oil revenue, this has had a significant impact on budgeted income. While income was crushed, there was growing pressure on the government to intervene to prevent the pandemic's spread and reduce its economic and social effects (Ejiogu *et al*., 2020; Onwunyi & Ostar, 2020).

2.3 The Economic Impact of Covid-19 Pandemic

The lockdown time frame drastically changed how consumers behaved worldwide and forced them to incline toward online shopping (Pinzaru *et al*., 2020). Online business continued to develop while companies engaged in the supply chain looked for better ways to satisfy their demand. A new method to support the supply chain appears because of technological improvement. Besides, the poverty rate increased, and low-income workers increased (Palomino *et al*., 2020). Simultaneously, we should remember that the slowdown in the process of production and the adoption of preventative behaviour by customers will fundamentally affect ventures overall. There is expected to be a more noteworthy increase in social inequalities and poverty worldwide (Palomino *et al*., 2020).

This Covid-19 pandemic affected the world economy, similar to the global banking crisis, which caused uncertainty, poverty increment, and breakdown of most businesses. Financial crises are generally associated with short, however huge decreases in economic development and prosperity. It is essential to note that there is a significant decrease in economic development in the year after a financial crisis and the long-term negative impact on the economy. Previous finance crises likewise leave severe economic repercussions in the present (Marcu, 2021; Kenny *et al*., 2020). The economic effects of the deadly virus pandemic in Nigeria, a lower average income nation, have been critical, with plunging oil costs, especially in Nigeria's firmly oil-subordinate economy (WHO, 2020). It was estimated by International Monetary Fund (IMF) that Nigeria's GDP shrunk by 3.2% in 2020, a stark difference from the 2% economic development anticipated preceding the Covid-19 pandemic (Anyanwu & Salami, 2021; Alozie *et al*., 2020).

Nigerian government revenues likewise fell by more than 3% of GDP or USD15 billion, according to one estimate at a time when the government urgently required assets to address the well-being effect of the deadly Covid-19 pandemic, promote the economy, and protect livelihoods (WHO, 2020). The government of Nigeria's revenue and spending is -8 and 12% of GDP, respectively, in the year 2019- were already among the lowest income on the planet when contrasted with the size of its economy (Ewang, 2021). Similarly, Fagbemi (2021) stated that the economic effect of the deadly Covid-19 pandemic had worsened the level of poverty in the country, which, even preceding the Covid-19 pandemic, hosted more than 10% of the world's extreme poor, as characterised by the World Bank (W.B.) as individuals living on under $1.90 each day. In another study by Ewang (2021), the W.B. expressed the crisis will drive an additional 10.9 million Nigerians into poverty, with the number of individuals underneath the national poverty line -characterised an individual living on under #137,430 equivalent to $334 each year, or less than $1 each day expected to reach more than 100 million by 2020 (World Bank, 2020).

Similar to the case in many regions of the planet, Nigerian women were excessively harmed by the economic effect of the Covid-19 pandemic (Salami *et al*., 2021). Across the country survey conducted by NBS on the socioeconomic effects of the Covid-19 pandemic the study had shown that among individuals surveyed in September 2020 who were working before the pandemic, women were two times as prone to have become economically inactive than men (13% versus 7%) (Ewang, 2021). The Nigerian federal government has gotten billions of dollars from international financial institutions (IFIs) and the private sector to assist it in responding to the pandemic, as well as the deadly virus pandemic that affects poverty levels in the country. For instance, in April 2020, the IMF provided the Nigerian government with a $3.4 billion loan for emergency assistance (Alozia *et al*., 2021). The IMF expressed the objective of this assistance was to "shield jobs and businesses from the shock of the COVID-19 crisis". At the same time, the Nigerian government asked for expedited approval of the loan, citing the importance of the funds to "sustain our fight against poverty" (Ewang, 2021, P., 23). IMF guidance has emphasised the requirement for government assistance to reach informal workers. Nigeria's $288.5 million loans from the African Development Bank (ADB), granted in

June 2020, also aimed to "ease the [pandemic's] impact on workers and businesses and strengthen the social protection system" (Okeke, 2021).

3 Research Method

The study is based on conceptual framework works. It explores empirical and theoretical studies conducted on the concepts of Islamic finance such as Mudarabah, Sukuk, Musharakah, Qard al-Hasan, Sadaqat, waqf, Salaam, Istisna, and Tawarruq as instruments to support economic recovery in post-Covid-19 pandemic on the people and the economy generally. The method utilised is the review of previous extant literature to comprehend or acquire knowledge on the role of Islamic finance in supporting economic recovery in the post-Covid-19 pandemic. Based on an understanding emerging from the findings of past literature, the study deduces its suggestion and conclusion.

4 Result

Albeit contemporary scholars and researchers have provided various insights into the consistency of pandemics in economics and Health, less attention has been paid to the solution of the pandemic through Islamic finance in Nigeria. From the literature reviewed above, we can observe that the economic and Health sectors face different impediments caused by the Covid-19 pandemic. From government positions, particularly those connected with business people. Some countries have responded to the pandemic's economic development and health crisis conditions by issuing various policies, including Nigeria (Ejiogu *et al.*, 2020). The central bank of Nigeria (CBN) provided incentives in the economic sector, including bringing down the interest rate benchmark for industries affected by the Covid-19 pandemic, giving credit facilities, particularly for industries in the health segment, devaluing the currency, and giving financial facilities for industries. The previous studies did not consider Islamic finance as crucial to supporting economic recovery in Nigeria's post-covid-19 pandemic (Widia, 2021).

4.1 Role of Islamic Finance and Opportunities

Islamic finance is the steady financing approach that can encourage financial steadiness, development, and inclusion and generate long-term employment. It blocks unfair and unethical practices such as excessive speculation, maisry, ghara, and riba (AbdulKareem *et al.*, 2020). Islamic finance plays a significant role in improving the agenda of Nigeria due to its importance in the country's general development and economy (Adzimatinur & Manalu, 2021). AbdulKareem *et al.* (2020) assert that the potential development of Islamic finance is hard to achieve in Nigeria due to the misconception about Islamic finance in the country. Suppose Islamic finance wants to develop and provide an alternative to conventional finance. In that case, this misconception must be resolved, and it needs to provide financial services according to the demand and needs of the customers in the country (Umar *et al.*, 2021).

Hassan *et al.* (2021) standard and poor report in June 2020 shows that the Covid-19 pandemic offers a fantastic opportunity for Islamic finance, which is more cohesive, consistent, and transformative. However, the Islamic finance industry developed at an overwhelming 11.4% in 2019, but the development is expected to be beyond that. With proper coordination among its stakeholders, Islamic finance can become a new opportunity for the customer, investors, and government. This opportunity can also provide a sustainable financial avenue for different stakeholders (Sun *et al.*, 2020). Based on insight from the previous literature, the current study concludes that Islamic finance is the best source of financial inclusion for interest-sensitive people due to divine instructions. Islamic finance contributed to economic development. The prior study recommended that the policy interventions open the potential of Islamic finance for economic development and growth in a country where people's interests are complex. The multi-range strategy of Islamic finance provides an innovative way to assist policymakers and governments in managing the crisis post-Covid-19 pandemic.

4.2 Islamic finance Solution to the Economic Meltdown and Health Crises

The Covid-19 pandemic, essentially a health crisis, has disturbed all walks of the communities' social, political and economic life at all levels. Notably, poor people, daily income employees, and insignificant and vulnerable segments of society, including small and micro enterprises, were affected (Hassan *et al*., 2021). Sharif *et al*. (2020) postulated that the economic harm caused by the deadly virus is immense and will require a long time to recover and heal.

Islam is the complete way of life and has an answer for each challenge presented by society if the principles of Al-Quran and the Sunnah of the prophet are applied in the right direction and spirit (Hassan *et al*., 2021). Islamic finance should be approached in post-pandemic recovery. The Covid-19 pandemic has negatively affected the economy and Health. In this case, the policymaker, government, and Islamic finance have to play a leading role in recovery post-pandemic.

The past study affirmed that the objective of Islamic finance is the eradication of social injustice and income inequalities. This study cannot be accomplished without a positive contribution to all aspects of the financial system. One way to accomplish this ideal is to bring ethical significance into society, including economic, political, and social justice in all aspects of human life. In addition to the solid system which can be depended on to contribute to an equitable society and create justice, fair income distribution is also promoted by the Islamic financial system. Although recently endorsed and still developing, Islamic financials experienced stable, consistent development after the international financial catastrophe in the last decade. Indeed, even during the Covid-19 pandemic crisis, Islamic finance has laid down an excellent sustainable financial system to survive the test of the pandemic and remain profitable (Ashraf, 2021).

4.3 Islamic finance instruments during and post COVID-19

The covid-19 pandemic has caused countless destruction to the real economy, and it is the primary cause of the slowdown in the core economic sectors and increasing unemployment. Islamic finance has an extensive range of instruments that can assist and serve the general public during pandemics and post-pandemic. Moreover, these instruments can be beneficial in assisting economies affected by Covid-19 and vulnerable to society (Rabbani *et al*., 2021). Islamic finance plays an essential role in the strategy of responding to the pandemic as its instruments can fit nicely into each stage of the deadly virus. Islamic finance can immediately take care of the necessities of poor and needy people.

On the other hand, the core objective of these instruments is to assist the needy and poor in times of crisis and need. Islamic finance and its instruments can assist financial institutions, corporations, banks, and the economy to sustain and pass this pandemic. As portrayed by (Hassan et al. 2021), some of these instruments could be utilised during and after the post-Covid-19 pandemic.

Islamic Microfinance: Previous literature documents that Islamic microfinance stimulates and boosts employment and entrepreneurship, decrease poverty, and assists society's poor and vulnerable people (Khan *et al*., 2021a; Zauro *et al*., 2020). In the post of the

Covud-19 pandemic, Islamic microfinance can assist the vulnerable and the poor. The fundamental element of Islamic microfinance is to provide financial assistance to those who do not have access to the conventional banking system and collateral. The needy and poor people are the most negatively affected by the pandemic, and Islamic microfinance can be used to assist them.

Qard al-Hasan: It is an interest-free loan given by one party to another party based on compassion. The customers pay the capital to the banks on the due date without adding any markup or addition. Qard al-Hasan is one of the potential Islamic finance instruments to help people affected by the Covid-19 pandemic (Khan *et al*., 2021b).

Sadaqat: is an Arabic word derived from (صدق) which indicates righteousness or truth. Sadaqat is a voluntary donation by Muslims to the needy and poor, and the amount of Sadaqat is purely at the donor's will (Hassan *et al*., 2021). From an Islamic perspective, all righteous actions are considered benevolence, even removing a dangerous object from the walkway. Sadaqat relate to the spending from one belonging and capabilities in the way of Almighty Allah to assist orphan, needy, destitute, and poor in seeking Almighty Allah's mercy and pleasure. Sadaqat can potentially be utilised to assist people affected by the pandemic by cash giving and other non-cash items (Hydara, 2020).

Musharakah: is a profit and loss shariah among the parties and the most authentic form of Islamic finance product. It is a joint partnership contract where two or more provide capital to finance and own real estate or projects on a permanent or diminishing basis. Partners in a contract of musharakah have an option to take part in contract management; they have to bear the risk associated with the projects, and they have the potential to earn the reward accrues from the projects. Profits are distributed based on the pre-agreed ratio of 40/60 or 30/70, or 50/50. The losses are shared based on the capital contributed.

Mudarabah: is also a profit-sharing and loss-bearing contract among the parties. One party provided capital called robul mall, and another party managed the project intending to generate profit called mudarib. The profit is shared as determined by mutual agreement but losses by the capital provider unless there is misconduct, negligence, or breach of contract terms by the manager. In this case, the manager will bear the loss. Mudarabah is a resting partnership because the manager runs the projects, and the capital provider cannot interfere in management. However, conditions might be specified to guarantee better capital management. Islamic banks majorly make utilisation of mudarabah to raise funds. Mudarabah contracts are additionally utilised for the management of mutual funds.

Sukuk: it is financial products that are structured following the Shariah principle (Islamic law). It can be described as an investment certificate representing the holder's ownership interest in an underlying asset or pool of assets. In a Sukuk structure, the issuer sells the certificate of ownership to the Sukuk buyer. The Sukuk buyer rents it back to the issuer based on a pre-determined rental fee. The Sukuk issuer is obliged to buy back the underlying asset of Sukuk, the contractual instrument, at a future date at par value (AbdulKareem & Mahmud, 2019). Sukuk can have an assortment of underlying assets from which income streams derive. Sukuk can be employed to recover from an economic crisis and help the vulnerable and poor because of the Covid-19 pandemic.

Other instruments that can be used under Islamic finance include Salaam, Istisna, and Tawarruq financing. Salam is specifically appropriate to agriculture. Here, Islamic banks finance farming by providing farming types of equipment and tools, fertiliser, and other cultivation materials. Farmers must pay back when harvesting farm products (AbdulGaniyy *et al*., 2021). Istisna is used for manufactured items. A bank customer requests for an item to be produced to specification by a manufacturer. The bank pays the manufacturer for the item produced while the customers pay back to the bank at a future date on an instalment basis. Tawarruq involves a bank customer who buys a product through the bank on a deferred payment basis. The customer then sells such products on a cash basis to a third party. Tawarruq is used to manage liquidity and working capital.

5 Conclusion

The present global Covid-19 pandemic provided another opportunity for Islamic finance globally to demonstrate its flexibility. The greatest challenge after the Covid-19 pandemic is the need for financing sources for tools, machines, and equipment. Islamic finance products can play an essential role in financing these facilities for the deadly virus pandemic affected institutions and people and support their recovery. Most Islamic finance instruments are used for raising capital. Different instruments that are Shariah compliant can based on Mudaraba, Murabaha, Sukuk and Musharaka. The Covid-19 pandemic shed light on the significance of Islamic finance in providing more assistance to the vulnerable and poor segment of the general public affected by the Covid-19 pandemic. Moreover, the government and policymakers must maintain economic development and stability by increasing investment and controlling inflation. Simultaneously, applying a better treatment of the pandemic is pivotal so that it does not seriously influence the Nigerian economy and people.

The study recommended that financial institutions should be aggressive in encouraging the use of Islamic finance instruments to firms, small businesses, manufacturing companies, and governments to recover from the negative impact of a post-Covid-19 pandemic on the economy. Islamic finance is an option to raise funds for public works, support the private sector access to finance, energise small businesses, and fund public infrastructure, improving bail Nigeria out of economic crisis due to the pandemic. In conclusion, the study assessed the importance of Islamic finance instruments in the Covid-19 pandemic as it affects various sectors of the economy in the country.

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Appendix: number of affected cases by the states

States Affected	No. of Cases (Lab Confirmed)	No. of Cases (on admission)	No. Discharged	No. of Deaths
Lagos	99,288	457	98,062	769
FCT	28,637	89	28,300	248
Rivers	16,656	53	16,449	154
Kaduna	11,258	7	11,163	88
Plateau	10,252	1	10,176	75
Oyo	10,219	77	9,940	202
Edo	7,694	0	7,373	321
Ogun	5,810	11	5,717	82
Delta	5,372	91	5,170	111
Ondo	5,173	315	4,749	109
Kano	4,985	7	4,851	127
Akwa Ibom	4,657	27	4,586	44
Kwara	4,630	391	4,175	64
Osun	3,311	36	3,183	92
Gombe	3,307	83	3,158	66
Enugu	2,952	13	2,910	29
Anambra	2,825	46	2,760	19
Nasarawa	2,720	336	2,345	39
Imo	2,560	22	2,480	58
Katsina	2,418	0	2,381	37
Abia	2,176	8	2,134	34
Benue	2,129	340	1,764	25
Ebonyi	2,064	28	2,004	32
Ekiti	2,004	50	1,926	28
Bauchi	1,957	18	1,915	24
Borno	1,629	5	1,580	44

States Affected	No. of Cases (Lab Confirmed)	No. of Cases (on admission)	No. Discharged	No. of Deaths
Taraba	1,473	62	1,377	34
Bayelsa	1,315	5	1,282	28
Adamawa	1,203	68	1,103	32
Niger	1,148	130	998	20
Cross River	829	7	797	25
Sokoto	817	0	789	28
Jigawa	669	2	649	18
Yobe	609	0	600	9
Kebbi	480	10	454	16
Zamfara	375	0	366	9
Kogi	5	0	3	2

Nigeria Centre for Disease Control (NCDC).