

# Implications of Macroeconomic Variables on Financing Performance and Profitability of Sharia Banking Before and During Covid-19 Pandemic

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## Abstract

*In the midst of the uncertainty of the COVID-19 pandemic, it has had a severe impact on the health side and has an impact on the world economy. Not a few companies in various sectors have started and survived, whether they are strong or not defending their companies. One of them is the Islamic banking sector. This study tries to examine how the implications of macroeconomic variables on the financing performance and profitability of Islamic banking are influential or not. Macroeconomic variables consisting of independent variables are X1 is inflation, X2 is interest rates, X3 is exchange rate, X4 is GDP, and the dependent variable is Y1 is financing performance and Y2 is Islamic banking profitability.*

## Keywords

Macroeconomic; performance; profitability



## I. Introduction

In 2020, right in March, the corona virus, known as Covid-19, hit Indonesia, is a virus that causes respiratory infections in humans. This virus originated from Wuhan, China, has spread and dominated the world by taking many human victims in an instant so that it managed to wreak havoc on access to life and the world economy. This disease outbreak has also caused the world financial crisis. This epidemic has been approved by the World Health Organization (WHO) is a deadly virus and paralyzes public health and even causes a country's economy to sink to the brink of poverty. The corona virus has made the Indonesian economy contract and have an impact on all sectors and its spread is getting faster both within the country and abroad. Where the World Bank projects that Indonesia's economic growth in 2020 will expand at the level of 2.1 percent. This crisis also caused many victims materially where many people lost their jobs, poverty, unemployment, decreased income, unstable tax revenues and a budget deficit. Why is that, due to reduce the number of high covid, this condition causes the government to apply the rules in silence at home (Stay at home), this appeal becomes an obligation on the awareness to limit the movement of people to work, school, traveling and running the business world.

To prevent the spread of covid 1 disease, the government enforces a large-scale social restriction (PSBB) regulation, namely: "Restriction of certain activities of residents in an area suspected of being infected with the disease and/or contaminated in such a way as to prevent the possibility of spreading disease or contamination. (Law 6/2018, Article 1 paragraph 11)

The legal basis for regulating PSBB is regulated in the legal basis for regulating PSBB, namely Law (UU) Number 6 of 2018 concerning Health Quarantine and PP Number 21 of 2020 concerning Large-Scale Social Restrictions, and Regulation of the Minister of Health

(Permenkes) number 9 2020 as a guideline for implementing PSBB (PP 21/2020, Article 2 paragraph (1))

The application of PSBB is carried out in the midst of community activities where there are restrictions on schools, offices, defense and security services, public order, food needs, fuel oil and gas, health care, economy, finance, industrial communications, export and import, distribution logistics and other needs all work activities are carried out at home. (Government regulations Health number 9/2020, Article 13 paragraph 3) covers the economic sector are: Commercial and private companies, Industrial companies and production activities, Logistics and transportation companies. The stages of implementing the PSBB since the beginning of the pandemic, the first stage from April 10 to April 23, 2020, only 11 sectors were allowed to continue operating, namely health, food, energy, strategic industries, basic services and public utilities, the private sector serving daily needs. The second phase is from May 24 to 22 2020. The third phase is from May 22 to June 4, 2020, PSBB Transition phase 1 on June 5 to July 2 2020. Extension of the transitional PSBB phase 1, namely July 2 to July 16, 2020. Extension PSBB Transition Phase two, July, 2020.

16-30The implementation of this PSBB directs all activities to be carried out from home with the term Work from Home. Of course it will reduce the quality of work and income. As is the case in the informal sector, traders of micro and medium enterprises (MSMEs) both in trade, services, small industries, agriculture, etc. In his business, not all informal sector work can be done from home, as a result many people become unemployed or lose their jobs. And this has an impact on the decline in people's income and affects the level of consumption and will contract on economic growth. The government as an important regulator in the economy sets policies to save the community's economy against economic problems as a result of the impact of the global Covid-19 pandemic.

There have been several Government responses as an effort to overcome the financial crisis in a Pandemic condition by issuing regulations on state financial arrangements. There are two state financial regulations issued by the state to regulate financial financing for the public. The two regulations are Government Regulation in Lieu of Law (Perppu) Number 1 of 2020 and Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020. Perppu Number 1 of 2020 on 18 May 2020 has increased its legal status to Law Number 2 of 2020. These two rules have become the legal basis for implementing credit or financing restructuring for debtors affected by the Covid-19 Pandemic (Republic of Indonesia 2020; Service Authority Finance 2020).

The impact of covid on the Indonesian economy in general after it was known from some information after the covid pandemic there was a reduction in several sectors, namely the consumption, traveling and transportation sectors, increased transportation costs and trade. The crisis due to Covid-19 has begun to be felt, which has triggered an economic crisis that is getting worse, so there is a need for large-scale reforms to support the financing needs of the real sector. (Elena Carletti, Stijn Claessens, 2020)

Banks will experience pressure, large-scale bankruptcy among large companies. In fact, it shows a significant transformation in the financial services industry around the world. In particular, Islamic banking in the midst of the pandemic showed positive developments at 9.22 percent. (OJK Indonesia, 2020). Likewise, the financing disbursed by Islamic banking in the 2020 period amounted to Rp.377.525 trillion, this figure shows an increasing achievement from 2019 which was Rp.365.125 trillion. (OJK Indonesia, 2020)

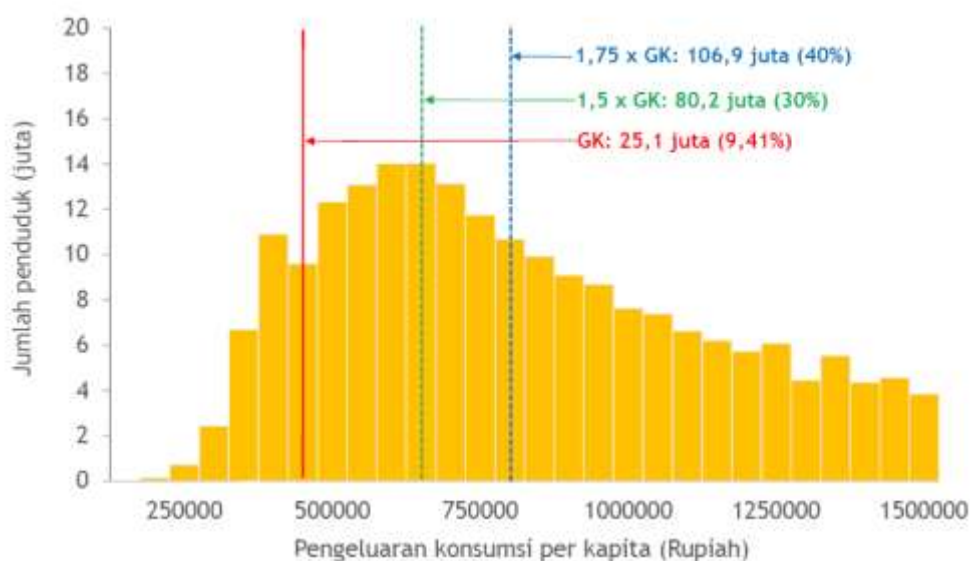
From the supply side, namely the decline in labor productivity, investment, funding activities, and disruption of global supply chains (OJK Indonesia, 2020).

In terms of consumption, people automatically change patterns, prioritizing consumption of basic necessities rather than traveling. However, the overall level of

consumption will tend to fall due to the increase in transportation costs which causes the price of goods to increase. From the production side, which has a significant impact on the Indonesian economy, namely the manufacturing sector, especially the processing industry, which contributes 19-20%, then the processing industry also provides a fairly high total export of above 70% which will decrease due to a decrease in the number of requests.

Then how about the monetary sector which is still waiting and see with a minimalist policy, namely maintaining exchange rate stability and maintaining relatively low interest rates. In addition, there was the purchase of SBN (State Securities) as well as easing related to credit cards and credit restructuring. Which has an impact on the financing and profitability of financial institutions. During the Covid-19 Pandemic, there was a chain economic downturn, causing shocks to real economic fundamentals, damaged market mechanisms between supply and demand. All of this is felt by all levels of society. Especially the lower middle class economic community, especially informal workers who earn daily income, will be a crucial group affected in the real sector. From the real sector, it will have an impact on the financial sector, there will be distress due to delays in payments because customers are experiencing difficulties in the real sector. As a country with the largest Muslim population in the world. Muslims can play the best role as a form or model of Islamic economics and finance (Anwar). this. In carrying out its operational activities, Islamic financial institutions cannot be separated from the influence of economic conditions (Miranda Gultom). Namely the influence of macroeconomic factors such as Gross National Product, Gross Domestic Product, economic growth rate, inflation rate, unemployment rate, interest rates, foreign exchange rates, and the money supply. Minister of Finance Sri Mulyani Indrawati explained: from a macroeconomic perspective, the Government provides policies in fiscal and financial aspects, namely the national economic recovery program with the aim of increasing the economic capacity of business actors from the real sector and the financial sector in carrying out their business during Covid-19.

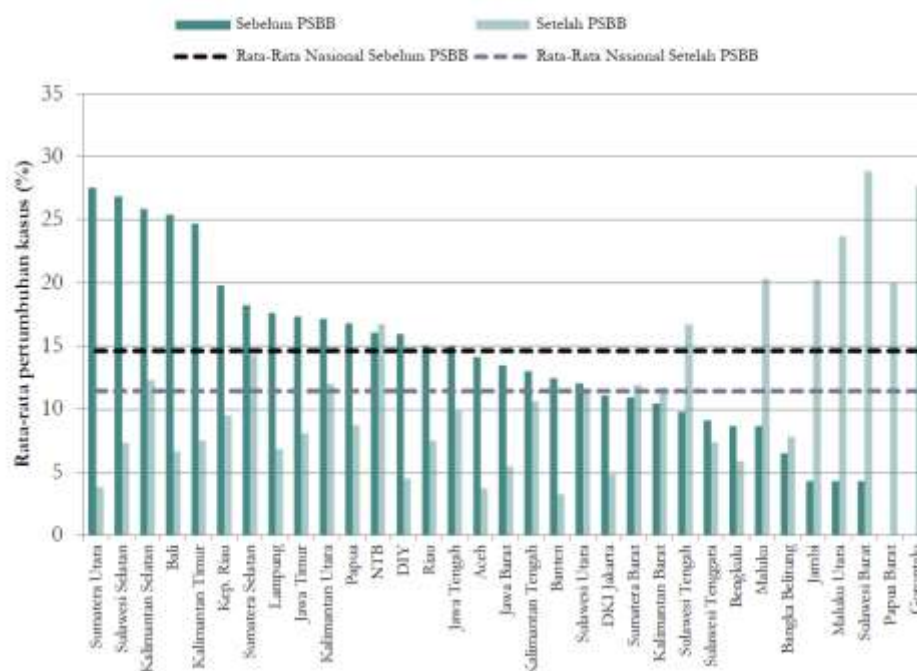
The business sector experienced a setback, some of which were even forced to terminate their employment (PHK). According to Ministry of Manpower data as of May 1, 2020, the COVID-19 pandemic caused 1,032,960 formal sector workers to be laid off, 375,165 formal sector workers laid off, and 314,833 informal sector workers affected (Ministry of Manpower 2020). From this data, the poverty population data increases.



**Figure 1.** Projection of the Vulnerable Poor Population

This pandemic is estimated to cause an increase in the number of poor people to reach 106.9 million people. In other words, there are around 82 million Indonesians or equivalent to 30 percent of the total Indonesian population who are vulnerable to becoming poor (TNP2K, 2020). Indonesia's economic growth is also estimated to only grow around 2.1 percent and may even slow down to -3.5 percent (World Bank 2020).

That's why the role of Islamic financial institutions, especially Islamic financial institutions, especially banking, is very important to be involved in the Covid-19 pandemic. 19 at the moment. The condition of the community in the midst of the Covid-19 pandemic continues to decline and causes people to be no longer able to meet their basic needs without a loan. This is where the role of Islamic microfinance institutions becomes a facilitator to help the community. However, this role cannot be separated from the influence of the global macroeconomic role affecting the Indonesian economy.



**Figure 2.** Comparison of Average Case Growth Rates for Each Province

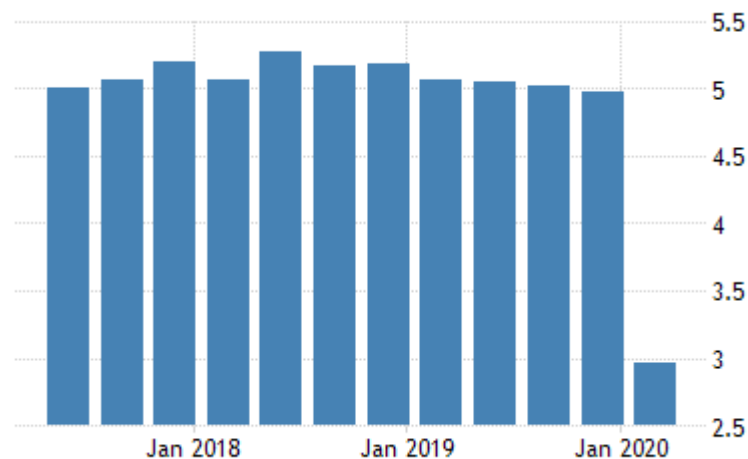
Based on the graph above, the comparison of the average growth in the number of cases before and after the PSBB was implemented shows a decline of around 3.18 percent nationally. The epicenter area also showed lower case growth.

Islamic Banking is a sharia financial institution that has a positive response to the complex needs of society. The role of Islamic banking is expected to be able to overcome operational constraints among the middle and lower ability communities, especially providing capital and business financing.

The main role of Islamic banking in a country is also one of the agents of development in providing capital and developing the productive sector. In these uncertain times, Islamic banks are the locomotive of the Indonesian economy in accelerating development progress. Along with this role, it must be balanced with the capacity of the community in the obligation to finance both productive and consumptive financing. One form of financing that is productive and aimed at micro, small and medium entrepreneurs is musharaka financing. As the objectives of Islamic banking in financial and investment activities are:

- Improving the quality of socio-economic life of the poor, minimizing socio-economic disparities, improving quality and business activities. ( Ikhwanudin Harahap)
- Increasing public participation in the development process, especially in economic and financial life.

Based on the above objectives, it is clear that the role of Islamic banking is to improve the welfare of the community. Namely by optimizing the existence of Islamic banks as a source of public funding. Thus, the better the function and operational implementation of Islamic banking in a country, the greater its contribution to the country's economic growth. ( Brotherhood Harahap). A financial institution will be judged to have good business performance if it can be assessed from an assessment of its profit ratio. Ratio is a tool that is expressed in relative or absolute terms to explain certain relationships between one factor and another from a financial report. To measure the ability of a business institution or company in obtaining overall profits and the level of business efficiency, both from operational and non-operational activities, the Profitability factor is used. To determine the profitability ratio obtained by Islamic banks is to use the Return of Assets (ROA), which includes sales, investment and expenditure. In this case, profitability is obtained from the murabahah margin, profit sharing, and ijarah income. If the profitability of Islamic banks is increasing, the capital is strong and healthy, it will be able to increase financing to debtors. (Yayat Suyatna (2008). The operational activities of Islamic banks cannot be separated from influencing macroeconomic factors such as national income, economic growth, inflation rates, unemployment rates, foreign exchange rates, money supply and interest rates. In the first variable the interest rate is one of the public's considerations for making loans, although theoretically Islamic financial institutions are independent institutions that do not depend on interest rates, but interest rates still affect Islamic financial institutions. Due to competition from conventional financial institutions that offer high interest rates, customers have the potential to move to conventional banks. The second macroeconomic variable is the inflation rate marked by an increase in the price of raw materials, if the price of raw materials increases, the amount of money that will be spent on business will increase. This means that the percentage change in the price level is an opportunity cost for the community to have financial assets. The third macroeconomic variable is the foreign exchange rate, namely the comparison of the exchange rate of a country's currency with foreign currencies or the comparison of exchange rates between countries (Hasibuan, 2005:14). The foreign exchange rate will affect the export market, especially during the covid pandemic, even though there is no high growth in foreign currency credit. The fourth variable is purely 2006 economic growth, a condition of the development of Gross Domestic Product (GDP) which reflects the growth of per capita output and the increase of people's living standards. Or there is a growth in the value of goods and services produced or produced by a country in a certain period by adding up all the outputs of the citizens concerned plus foreign nationals working in the country concerned (Putong, 2002:162).



**Figure 3.** *Economic Growth Per January 2018-2020*

From Figure 5, it can be seen that in January the first quarter of economic growth fell to 3%.

From the description of the background above, the writer will analyze the problem formulation consisting of several question elements, namely:

1. What are the implications of macroeconomic variables on the financing performance and profitability of Islamic banking before the Covid-19 pandemic?
2. How are the implications of macroeconomic variables on the financing performance and profitability of Islamic banking during the Covid-19 Pandemic?

## **II. Review of Literature**

### **2.1. The definition of Sharia Bank**

Islamic as ad-din teaching contains comprehensive and perfect teachings. Islam regulates all aspects of human life, not only aspects of worship but also aspects of muamalah, especially Islamic economics. (Andrianto, SE., M.Ak., Dr.M. Anang Firmansyah) Religion with God is true surrender to God. Which brings salvation and happiness to human life

Islam has the view that human life in this world is only a small part of the journey of human life. Because after life in this world there is still another afterlife which is very dependent on what is done in this world. This is where Islam as an intermediary for guidelines and instructions for human life in the world. This view has the consequence that Islam is not only limited to personal relationships between individuals and their creators, but also humans and other creatures, including nature and the environment. Where among the teachings of Islam is to regulate human life is the economic sector. One form of economic and financial activity that is currently developing is banking.

Sharia Bank is a banking institution that is run with sharia principles. In every business activity, Islamic banks always use Islamic laws as stated in the Qur'an and Hadith. Which contains the teachings of Aqidah, morality and sharia. Aqidah is related to one's faith and morals is related to ethical actions and fiqh is the science that studies the laws of syara' (Islam), both those that regulate human relations with other humans, as well as about the harmonization of humans with their God (Allah Swt). Based on this understanding, fiqh is divided into two major parts, namely the fiqh of worship and the fiqh of muamalah. Some scholars state that there is only one fiqh, namely the fiqh of worship, because human amaliyah activities in this world are forms, forms, and evidence of human servitude to Allah, which is called worship. Meanwhile, muamalah fiqh is an Islamic shari'a (teachings) that

regulates the procedures for establishing human relationships and collaboration with other humans in order to meet external needs which are carried out based on the principles of *din al-Islam*.

Sharia banking is one of the financial institutions that has the function of balancing, coordinating and coordinating various sectors of the economy. The strategic role in the development is to improve the quality of livelihoods of citizens as a whole through national stability and economic growth. Meanwhile, the bank is "Department of store, which is a body or organization that provides services / services for various financial services where the vital activities are receiving payments, savings, current deposits and deposits, which is used to be able to make credit / money loans aimed at every community needs, and banks are places used in exchanging money. (Ichsan, R. et al. 2021)

## **2.2 Definition of Financing**

The definition of financing here is funding made by financial institutions such as Islamic banks to customers. In a broad sense, it means financing or financing that is injected to support the planned investment, whether it is done by yourself or by someone else.

According to Muhammad (2002: 16-17) financing is always related to business activities. For this reason, before discussing the definition of financing, it is necessary to know that business itself is an activity that leads to increased added value through the process of providing services, trading or processing goods (production). In other words, business is an activity in the form of developing economic activities in the fields of services, trade and industry in order to maximize the value of profits. Financing or financing, the financing provided by one party to the other to support the planned investment, either by themselves or run by an institution. In other words, financing is funding issued to support planned investments.

## **2.3 Profitability**

Profitability is an operating activity that generates profits from a business and has a level of efficiency resulting from wealth or capital obtained within a certain period (Fadillah Mursid). Banks that have good profitability, the survival of the bank will be guaranteed. (Fadillah Mursid).

According to Brigham and Houston (2009:109) "Profitability is the end result of a number of policies and decisions made by the company". Based on the opinions of the experts above, it can be concluded that the company's ability to generate profits is by using existing resources within the company itself.

GDP or Gross Domestic Product is the value of goods and services produced in the country of origin for a certain period of time. Where it includes the output of goods and services in an economy produced by companies owned by the citizens of the country concerned and owned by foreign nationals who are domiciled in the country of origin. (Erni Umi Hasanah and Danang Suryanto)

Goods that become GDP income are gross capital or dirty. Calculation of national income has the benefit of knowing the economic development of a country. The other benefits are (Bivisyani Questibrilia)

1. As a measure to determine the level of prosperity of a country
2. Evaluating economic performance on a certain scale
3. Measure changes in the economy over time
4. Comparing economic performance between sectors
5. As an indicator of a country's quality of life
6. As an indicator of the comparison of economic performance between countries

7. As an indicator of the comparison of the standard of living of one country with another
8. As a measure and comparison of economic growth over time
9. As a measure and comparison of economic growth and wealth between countries

## **2.4. Inflation**

In general, an increase in the money supply will encourage an increase in inflation and vice versa and in the long term will be able to encourage an increase in national production. (DR Imamudin yuliadi). When transactions interact more often with financial institutions such as credit applications, loan payments, money transfers, it will encourage inflation. Inflation can be classified into 4 groups, namely mild, moderate and high inflation and hyperinflation. Mild inflation is around 10% a year, moderate inflation is around 30% a year, moderate inflation is around 30%-100% per year and hyperinflation is around 100% per year. According to Milton Friedman of the monetarists, the main factor causing inflation is the large amount circulating in the community.

## **2.5. Exchange**

Rate is the exchange rate of currency against current or future payments, between the two currencies of each country or region. The exchange rate is also referred to as a value comparison, meaning that when there is an exchange between two different currencies, it will produce a comparison of the value or price of the two foreign currencies. The exchange rate plays an important role in the foreign money market or what is known as Forex. In the foreign currency market, currency exchange occurs at an exchange rate agreed by several parties. (Virtina Thionita)

## **2.6. Interest rate**

is dependent on a loan of money which is usually expressed as a percentage of the money lent. (Muhammad) According to Sunariyah (2013:80) interest rate is the price of the loan expressed as a percentage of principal per unit of time. Interest is a measure of the price of the loan used by the debtor to be paid to the creditor.

Interest rate determination is carried out by Bank Indonesia in accordance with Law No. 23 of 1999 concerning Bank Indonesia. (Sawaldjo Puspoprano)

Interest rate functions according to Sunariyah (2013: 81) are:

1. As an attraction for savers who have more funds to invest
2. Interest rates can be used as a monetary tool in order to control the supply and demand for money circulating in an economy
3. The government can use interest rates to control the money supply. This means that the rate of change in interest rates is influenced by monetary policy in the BI Rate approach. Indicates the intensity of Bank Indonesia towards rising inflation rates.

## **III. Research Methods**

This research focuses on matters relating to the title of the study, namely the Implications of Macroeconomic Variables on Financing and Profitability of Islamic Banking in Indonesia. This study uses a quantitative approach to test the hypotheses of the related variables.

The study was conducted to determine the extent to which the independent variables, namely inflation, exchange rate, BI interest rates, GDP affect the dependent variable, namely financing and profitability of Islamic banks. Based on the years 2018-2021

## IV. Results and Discussion

### 4.1. Results and Discussion

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.589554	71.56274	-0.120028	0.9068
D18	0.072664	0.864839	0.084020	0.9347
X1	-0.002527	0.003538	-0.714186	0.4914
X2	-44.90106	29.18464	-1.538517	0.1549
X3	-2.294739	4.973158	-0.461425	0.6544
X4	3.371163	4.198807	0.802886	0.4407
R-squared	0.696940	Mean dependent var		16.53093
Adjusted R-squared	0.545410	S.D. dependent var		0.722911
S.E. of regression	0.487411	Akaike info criterion		1.680576
Sum squared resid	2.375690	Schwarz criterion		1.970297
Log likelihood	-7.444611	Hannan-Quinn criter.		1.695412
F-statistic	4.599352	Durbin-Watson stat		0.974316
Prob(F-statistic)	0.019402			

Method: Data Panel Least Squares  
Date: 10/18/21 Time: 23:09

Based on the results of testing macroeconomic variables on financing performance and profitability, it was found that inflation, interest rates, exchange rates and GDP had no significant effect on financing and had a significant effect on profitability.

### 4.2. Effect of Macro Variables on Financing Performance

This study analyzes the intervention of macro variables on the financing performance and profitability of Islamic banking by analyzing financial statements, namely the ratio. This research Return on Assets (ROA) is quantitative in nature with a descriptive approach taken quarterly data from 2018-2021 using data processing views 10. From the results of data processing on the overall impact of covid which began to show symptoms on March 2, 2020. From the test results, it can be seen that the ROA ratio. The results of this study are supported by the results of Ilham and Husni's research in the Journal of Tabarru': Islamic Banking and Finance Volume 4 Number 1, May 2021 where the results of the research from data processing that the impact of covid 19 showed insignificant results on the financial performance of Islamic banking.

The indicators of macroeconomic variables are inflation, interest rates, exchange rates and GDP. From the results of the research, inflation has no significant effect on financing performance. This has become a phenomenon in the economy during the Covid-19 pandemic, due to a decrease in the value of the monetary calculation of goods. The economic downturn that occurred throughout 2020 is said to be the low purchasing power of the people and the decrease in the number of requests for an item, inflation also fell to the lowest figure of 1.68% (BPS information). The big one. Many people delay buying and waiting for lower prices, there is no way to sell and attract buyers. Due to the pandemic conditions it is not possible to carry out activities perfectly. With the decline in people's purchasing power, it will have an impact on decreasing public demand for murabaha financing in the Islamic banking sector. So that the murabahah margin of Islamic banks also decreases.

From the results of the study, the second variable is interest rates which have no significant effect on the performance of Islamic banking financing. This is due to the decrease in loan interest rates carried out by the government, the aim is to protect the public

C -8.589554 71.56274 -0.120028

so they can survive the Covid-19 pandemic while at the same time boosting credit growth. Interest rates will rise and fall without affecting financing performance because with social distancing restrictions it will reduce people's income levels, and of course people tend to prioritize meeting their daily needs and buying vitamins rather than saving and applying for business loans. On the other hand, considering the amount of bank operational costs that must be charged, not all banks agree with the interest rate cut proposed by BI. There are banks who feel optimistic that they are careful to expand to customers in paying off their obligations in installments.

From the research on the third variable, namely the exchange rate, the result in this study is that it has an insignificant effect on the Islamic banking financing variable. This happens because it is influenced by other factors and the conditions of the Covid-19 pandemic. When the exchange rate fluctuates. Due to social distancing restrictions, it causes a decrease in production costs for exports, imports and has an impact on the decrease in income earned. If people's income is low, it will affect the banking financing sector. The shocks that occurred in global financial markets also caused pressure and uncertainty related to the economy going forward. So this situation made investors take a lot of consideration in making investment decisions, such as diverting more financial assets to safer places and avoiding risky and vulnerable assets. fluctuations occur like stocks. In the business sector, not only banking, in any financial sector, experiencing heavy and panic due to a decrease in production, demand, purchasing power, income, operating costs are getting heavier, things like this will trigger an economic crisis and cause the Indonesian currency to depreciate against the currency. developed country's strong money.

In the fourth variable, namely the Gross Domestic Product (GDP) variable, GDP has an insignificant impact on Islamic banking financing. GDP is an important indicator to determine future economic developments. And one of the factors that support the private sector or companies to do business.

**Table 3.** Average GDP growth before and during covid

Year	Average Growth PDB (%)	Periode
1967 – 1997	6.85	Orde Baru Suharto
1998 – 1999	-6.65	Asian Financial Crisis
2000 – 2004	4.60	Recovery from the Asian Financial Crisis
2005 – 2011	5.80	2000s Commodity Boom
2011 – 2015	5.53	Slowing Economic Growth
2015 – 2019	5.03	Simple Acceleration of Economic Growth
2020 – 2021		COVID-19 Crisis

GDP developments in the second quarter of 2019, constant prices of Rp. 2.735.2 trillion in 2020 at a constant price of 2.589.82 trillion, in the second quarter of 2021 GDP at a constant price of Rp. 2,772.83 trillion. Indicating the Indonesian economy grew by 7.07%. However, the GDP variable in this study shows that it has no significant effect on the Islamic banking financing variable. This means that even though there is an increase or decrease in GDP, the public only focuses on paying attention to safety and health, not to build a business or apply for financing in Islamic banking.

From the results of this study, overall macro variables such as inflation, interest rates, exchange rates and GDP did not significantly affect the Islamic banking financing variable. Because it is influenced by external factors, namely the covid-19 pandemic. The financing

performance variable has a negative and significant effect on the profitability of Islamic banking. The coefficient of financing performance is -0.00649 with a probability value of 0.00000 more than 0.05. These results indicate that financing has a negative and significant effect on the level of profitability of Islamic banking. . This means that in the management of Islamic banking financing that has been distributed to customers, they do not get loan repayments in accordance with the initial agreement. This is due to the decline in the community's economy, the decline in community economic activity due to the impact of restrictive policies during the Covid-19 pandemic. This will lead to a decrease in the level of profitability of Islamic banking. Not all of the bank's customer service products and services that have turned into digital banking services can be replaced by digital banking. One way to increase banking profitability is to provide services when bank customers whose businesses are affected by the Covid-19 pandemic, they will receive business assistance and consultation from bank marketers. (Habibah, 2020).

Based on the results of data processing, it can be analyzed that during Covid the macro variables did not have a direct impact on the financial performance of Islamic banking in Indonesia, seen from the results of the ROA table test test. The ROA ratio is not significant due to differences in financial performance. This is the same as the research conducted by (Ilhami1 & Husni Thamrin 2021), entitled Analysis of the Impact of Covid-19 on the financial performance of Islamic banking in Indonesia. This means that Islamic banking is still surviving in the midst of the COVID-19 pandemic.

## V. Conclusion

So from the data that has been processed from this study, we conclude that:

From the results of the dummy regression test before and during the Covid pandemic, it turns out that macro variables do not show a significant influence on Islamic banking financing and profits because time and situation are not the main obstacles. Sharia banking is actually the main sector that can help the community's MSMEs whenever and wherever they are and under any conditions. Which has a positive performance so that funding is channeled to the community.

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