

THE GLOBAL FINANCIAL CRISIS, COVID-19 AND THE RUSSIA-UKRAINE WAR: THE SAFE HAVEN POTENTIAL OF ISLAMIC ECONOMICS

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Abstract

Islamic economics is an innovative phenomenon in the modern world. In many developed and developing countries, Islamic financial systems successfully work in parallel with their conventional peers. It is unfortunate that at the time when the world is suffering from a pandemic like COVID-19, the world community has witnessed a war between Russia and Ukraine that has disrupted the global economy. This study evaluates the safe-haven potential of Islamic economics to hedge against a global financial crisis, COVID-19 pandemic, and the Russia-Ukraine conflict and examines how Islamic economics has responded to this major disruption in the digital era. The published literature is reviewed to investigate the impact of major disruptive events like the global financial crisis 2008-2009, COVID-19 and the recent Russia-Ukraine conflict on the global economy. The findings also show that the global financial crisis, Covid-19, and the Russia-Ukraine war are the major events that have disrupted the paradigms of the changing process. Along with this changing process, the advancement of information technology plays a vital role in accelerating financial innovation in the digital era. Moreover, despite the major episodes, it has grown rapidly compared to the traditional counterpart. As the fastest growing part of the global economic system, Islamic economics has shown appeal to diverse investors and issuers.

Keywords: *COVID-19, Global Financial Crisis, Islamic Economy, Russia-Ukraine War, and Safe-Haven Potential.*

I. INTRODUCTION

Globalisation is a multi-dimensional and dynamic process of moving and changing financial markets all over the world¹. It has transformed the business, financial and trade ties from domestic to regional and regional to international

¹ Buerhan Saiti, Obiyathulla Ismath Bacha, and Mansur Masih, "Testing the Conventional and Islamic Financial Market Contagion: Evidence from Wavelet Analysis," *Emerging Markets Finance and Trade* 52, no. 8 (2016), <https://doi.org/10.1080/1540496X.2015.1087784>; Atta Ullah et al., "Nexus of Regional Integration, Socioeconomic Determinants and Sustainable Development in Belt and Road Initiative Countries," *PLoS ONE* 16, no. 7 July (2021), <https://doi.org/10.1371/journal.pone.0254298>.

avenues.² In contrast, more globalised markets have shrunk pricing gaps, but have also made nations more susceptible to global financial blows.³ This phenomenon has shed light from the mid-1980s and reinforces the linkages between developed and emerging countries. Hence, the advancement of information technology, trade openness, and financial liberalisation have played a vital role in embracing globalisation through digitalisation.⁴

In the modern world, Islamic economics is not isolated, but rather closely related to mainstream economic systems. In many emerging, developed, and developing countries, Islamic financial systems work in parallel with conventional finance.⁵ Due to its distinct features, stability, and consistent development, Islamic economics attracts Muslims and non-Muslims alike.⁶ However, Islamic economics is fundamentally different from its conventional counterpart. *Riba* (interest and or usury), *gharar* (uncertainty, excessive risk) and *maysir* (games of chance) are strongly prohibited in Islamic economics. Moreover, it is compatible with the rules and principles of Shariah and prevents an unhealthy expansion in the overall volume of credit, excessive leverage, subprime debt, and living beyond one's means. (Chapra;⁷ Shamsuddin⁸) Shariah standards provide an ethical framework and boundaries for operating businesses. With respect to the Shariah standards, many organisations have never dealt with toxic and indecent exercises like alcohol, betting, and excessive debt. On the other hand, equity instruments are included in the Shariah compliant investment universe, which have been passed from the Shariah screening scrutiny.⁹ Thus, the different risk-return structures may cause a different pattern of portfolio

² Clayton Hazvinei Vhumbunu, "African Regional Economic Integration in the Era of Globalisation: Reflecting on the Trials, Tribulations, and Triumphs," *International Journal of African Renaissance Studies* 14, no. 1 (2019), <https://doi.org/10.1080/18186874.2019.1577145>.

³ Robert O. Keohane and Joseph S. Nye, "Globalization: What's New? What's Not? (And so What?)," *Foreign Policy*, no. 118 (2000), <https://doi.org/10.2307/1149673>.

⁴ OECD, 2018, https://www.oecd.org/iaos2018/programme/IAOS-OECD2018_Elkjaer-Damgaard.pdf.

⁵ Ahcene Lahsasna, M. Kabir Hassan, and Rubi Ahmad, *Forward Lease Sukuk in Islamic Capital Markets: Structure and Governing Rules*, *Forward Lease Sukuk in Islamic Capital Markets: Structure and Governing Rules*, 2018, <https://doi.org/10.1007/978-3-319-94262-9>.

⁶ Wan Marhaini Wan Ahmad, Mohamed Hisham Hanifa, and Kang Choong Hyo, "Are Non-Muslims Willing to Patronize Islamic Financial Services?," *Journal of Islamic Marketing* 10, no. 3 (2019), <https://doi.org/10.1108/JIMA-01-2017-0007>.

⁷ Muhammad Umer Chapra, "The Global Financial Crisis: Can Islamic Finance Help Minimise the Severity and Frequency of Such a Crisis in Future," *ICR Journal* 1, no. 2 (2009), <https://doi.org/10.52282/icr.v1i2.745>.

⁸ Abul Shamsuddin, "Are Dow Jones Islamic Equity Indices Exposed to Interest Rate Risk?," *Economic Modelling* 39 (2014), <https://doi.org/10.1016/j.econmod.2014.03.007>.

⁹ M. Kabir Hassan, Sirajo Aliyu, and Mumtaz Hussain, "A Contemporary Review of Islamic Finance and Accounting Literature," *Singapore Economic Review* 67, no. 1 (2022), <https://doi.org/10.1142/S0217590819420013>.

benefits and the extent of dynamic co-movements between the Shariah and non-Shariah compliant markets.¹⁰

Muslims practise Islam as their way of life, since they believe it as a comprehensive, integrated, and holistic religion, which governs all aspects of human life to strike a balance between the worldly life and the hereafter. As a comprehensive religion, Islam has its particular exclusive system of economic affairs.¹¹ Due to the unique basic principles and qualities, Islamic economic and financial systems differ from other economic systems.¹² Specifically, the goal of Islamic financial systems includes numerous features encompassing Islamic values and morals such as ethics, individual freedom, fairness, equitable distribution of assets, social justice, and human wellbeing. Conventional financial systems on the other hand emphasises the principles of time value of money.¹³ The Qur'an declares: "This day I have perfected for you your religion, completed my favour upon you, and have approved for you Islam as your religion" (Al-Qur'an, 5:3).

Given that Islam is a complete code of life that embraces all aspects of human life from *aqidah* (the Islamic creed) to *mu'amalat* (Islamic rulings governing commercial transactions including political, economic and social activities), there is no way to separate business activities from Islam. Even the root of an ethical, equitable and justiciable economic system comes from Islam. Of course, there are certain boundaries and guidelines of the Islamic economic system that distinguishes it from that of conventional systems. Therefore, the Islamic economic system is bound to ensure social justice and equitable distribution of wealth, which is governed by the laws and regulations stipulated by Shariah.¹⁴ Allah permits trade, but *riba* (interest/usury) is forbidden (Al-Qur'an, 2: 257). The Prophet Muhammad (pbuh) apart from his engagement in business with his elders during his younger days was active in trading and business activities with his wife Khadijah, a wealthy lady in then Arabia. However, this divine trading system was consistent with the mode of *mudarabah* or profit sharing, an instrument used as a mode of investment by the modern Islamic Finance (IF) practitioners. It shows that Prophet Muhammad

¹⁰ Saiti, Bacha, and Masih, "Testing the Conventional and Islamic Financial Market Contagion: Evidence from Wavelet Analysis.", (2016).

¹¹ M. U. Chapra, "Masa Depan Ilmu Ekonomi: Sebuah Tinjauan Islam," *Gema Insani* 4, no. 0 (2001).

¹² M. Umer Chapra, "Is It Necessary to Have Islamic Economics?," *Journal of Socio-Economics* 29, no. 1 (2000), [https://doi.org/10.1016/S1053-5357\(00\)00051-2](https://doi.org/10.1016/S1053-5357(00)00051-2).

¹³ Muhammad Ali, "Bank Profitability and Its Determinants in Pakistan: A Panel Data Analysis after Financial Crisis," *Journal of Finance & Economic Research* 1, no. 1 (2015): 3–16, <https://doi.org/10.20547/jfer1601102>.

¹⁴ Necati Aydin, "Islamic Economics: 'New Paradigm' or 'Old Capitalism?'," in *Islamic Finance, Risk-Sharing and Macroeconomic Stability*, 2019, https://doi.org/10.1007/978-3-030-05225-6_2.

(pbuh) participated in all activities, which involved the expansion of Islamic economic system.¹⁵

The GFC and COVID-19 were major turbulent episodes in the global economy. Despite these two major crises, several sub-crises arose such as the Eurozone crisis in 2010-2012 and the Middle Eastern crisis in 2014-2016; these catastrophes caused uncertainty in the financial markets. Furthermore, current geopolitical tension like the Ukraine and Russia conflict has triggered volatility in global commodity and equity markets.¹⁶ Therefore, investors, finance managers, and policymakers are seeking a safe haven during the unstable financial periods.¹⁷ It is worthy of note that the Indonesian Government encourages the implementation of laws and regulations of Shari'ah in the economy in parallel with its conventional counterparts. For example, the three state-owned banks PT. Bank Syariah Mandiri, PT. Bank Negara Indonesia Syariah, and PT. Bank Rakyat Indonesia Syariah has merged into a PT. Bank Syariah Indonesia (BSI) in 2021.¹⁸ This spiritual and faith-based initiative has proven that the stakeholders and policymakers are committed to boost the growth of Islamic economy in Indonesia. In recent years, Indonesia raised 3.25 billion US dollar funds by issuing Sukuk.¹⁹

Delle Foglie & Panetta²⁰ examined the different safe haven properties of the Islamic and conventional economic systems using a systematic literature analysis from 2009 to 2019. They did not find any consensus on the findings regarding the safe-haven potential between the Islamic and traditional

¹⁵ Mohammad Ashraf Mobin and Abu Umar Faruq Ahmad, "Achieving Sustainable Economic Development through Islamic Microfinance and the Potential of a Proposed Two-Tier Mudarabah Waqf Business Model," in *Handbook of Empirical Research on Islam and Economic Life*, 2017, <https://doi.org/10.4337/9781784710736.00016>.

¹⁶ Muneer Shaik et al., "Impact of Geo-Political Risk on Stocks, Oil, and Gold Returns during GFC, COVID-19, and Russian-Ukraine War," *Cogent Economics and Finance* 11, no. 1 (2023), <https://doi.org/10.1080/23322039.2023.2190213>.

¹⁷ Mohammad Sahabuddin et al., "Dynamic Conditional Correlation and Volatility Spillover between Conventional and Islamic Stock Markets: Evidence from Developed and Emerging Countries," *Journal of Risk and Financial Management* 16, no. 2 (2023), <https://doi.org/10.3390/jrfm16020111>.

¹⁸ Mahfud Sholihin and Dian Andari, "Islamic Banking and Islamic Accounting in Indonesia: History and Recent Development," in *Banking and Accounting Issues*, 2022, <https://doi.org/10.5772/intechopen.103654>.

¹⁹ "Indonesia Raises \$3.25 Bln in Its Biggest Global Sukuk Sale | Reuters," accessed August 27, 2023, <https://www.reuters.com/markets/rates-bonds/indonesia-raises-325-bln-its-biggest-global-sukuk-sale-2022-05-25/>.

²⁰ Andrea Delle Foglie and Ida Claudia Panetta, "Islamic Stock Market versus Conventional: Are Islamic Investing a 'Safe Haven' for Investors? A Systematic Literature Review," *Pacific Basin Finance Journal*, 2020, <https://doi.org/10.1016/j.pacfin.2020.101435>.

investors. However, Hasan et al.²¹ suggested that Islamic stocks demonstrated safe haven properties during the both GFC and the COVID-19 pandemic and Arif et al.,²² explored how Islamic stocks captured a robust safe-haven potential during the pandemic period.

II. METHODOLOGY

This study evaluates the safe-haven potential of Islamic economics to hedge against global financial crisis, COVID-19 pandemic and Russia-Ukraine conflict and finds how Islamic economics responded to this major disruption in the digital era. The nature of this study is descriptive. We describe prior published empirical, conceptual, and theoretical studies in line with the essence of safe haven potential during the crises between the Islamic and traditional economic frameworks. Hence, Islamic economics is an innovative phenomenon of the world market-based economy. It employs several tools and distinct features that can combat during adverse economic situations and new world order. The present study uses a qualitative approach, relying on previous literature like empirical research papers, books, book chapters, reports and relevant websites.

III. ANALYSIS AND DISCUSSION

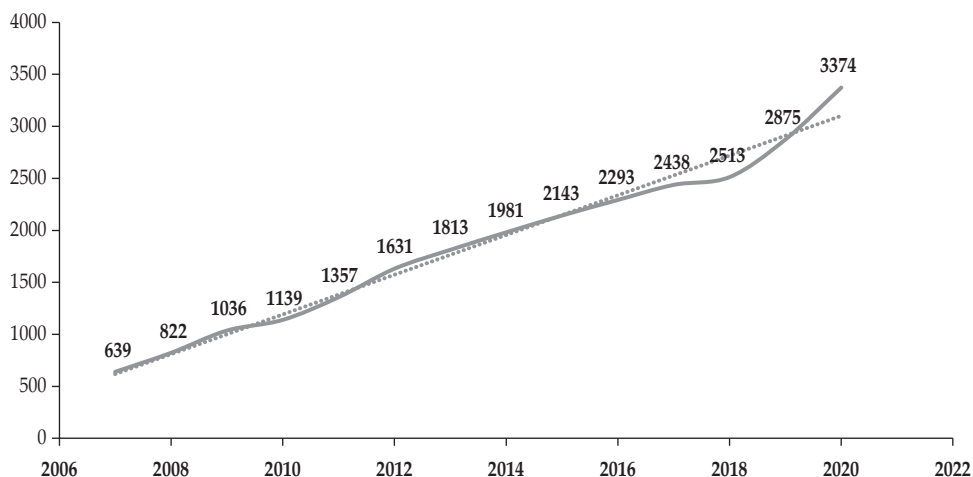
Islamic economics is innovative in the market-based world economy. Despite the great shock of the COVID-19 pandemic, it has grown rapidly compared with its traditionalist conventional counterpart. As the fastest growing part of the global economic system, Islamic economics has shown positive movement with a great appeal to diverse investors and issuers. According to the Islamic Finance Outlook and Refinitiv and ICD Reports 2020, IF assets stood at US\$2.88 trillion in 2020 and are expected to grow to US\$3.69 trillion by 2024. Moreover, current studies and policy reports have shown that the IF industry has consistently increased in size. Accordingly, the size of the IF industry grew to \$3374 billion in 2020, as illustrated in Figure 1 below.²³ The following figure depicts how market capitalisation of Shariah based financial markets

²¹ Md Bokhtiar Hasan et al., "Are Safe Haven Assets Really Safe during the 2008 Global Financial Crisis and COVID-19 Pandemic?," *Global Finance Journal* 50 (2021), <https://doi.org/10.1016/j.gfj.2021.100668>.

²² Muhammad Arif et al., "Pandemic Crisis versus Global Financial Crisis: Are Islamic Stocks a Safe-Haven for G7 Markets?," *Economic Research-Ekonomska Istraživanja* 35, no. 1 (2022), <https://doi.org/10.1080/1331677X.2021.1910532>.

²³ Islamic finance development report, "Islamic Finance Development Report 2021: Advancing Economics," *Refinitiv: An LSEG Business*, 2021, 78, https://www.refinitiv.com/content/dam/marketing/en_us/documents/gated/reports/report-2021-all-color2.pdf.

have gradually increased during the last 10 years. The evidence shows that Shariah based financial markets have been in a better position compared to the non-Shariah based financial markets.



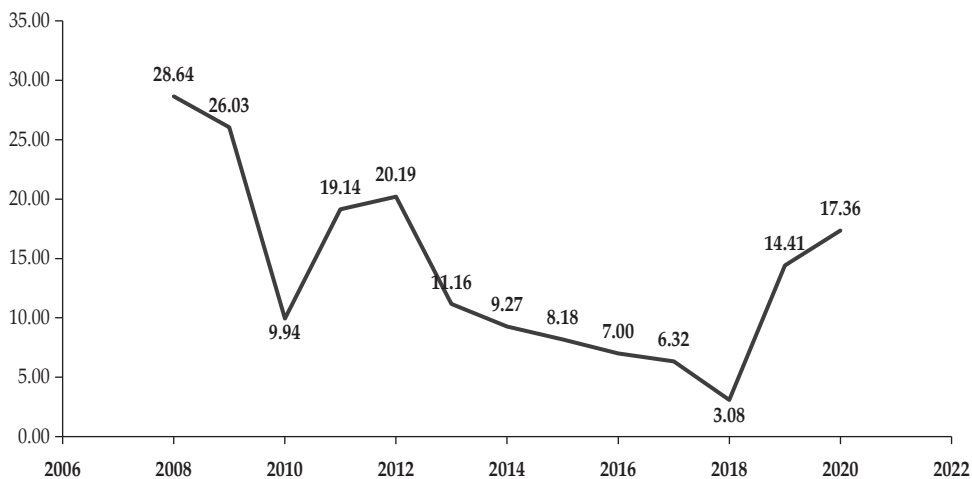
Sources: Global Islamic Finance Report 2017²⁵ and Islamic Finance Development Indicator 2021.²⁶

Figure 1. Market Capitalization of Islamic finance

The rapid growth in IF has drawn extra attention to the global investors for Shariah complaints-based products and services. Simultaneously, the demand for Shariah complaints-based products and services have increased due to growing and stable rates in both developing and developed countries. Apparently, since early 2006, IF has continued a stable and sustainable growth rate and now it has taken a leading position in the world financial marketplace as shown in Figure 1. Though the annual growth rate of IF assets has fluctuated year to year, the signal is positive, and it is significant to the world market players, gradually maintaining a double-digit growth rate as indicated in Figure 2.

²⁴ Thomson Reuters, “Outpacing the Mainstream, State of the Global Islamic Economy Report 2017/18,” 2017.

²⁵ “Islamic Finance Development Report 2021 | Refinitiv | Refinitiv,” accessed August 28, 2023, <https://www.refinitiv.com/en/resources/special-report/islamic-finance-development-report>.



Sources: Global Islamic Finance Report 2017²⁷ and Islamic Finance Development Indicator 2021.²⁸

Figure 2. Annual Growth of Islamic Finance Assets in percentage.

Furthermore, IF market share captured by Islamic Banking (IB) system industry has steadily increased. According to an IFSB,²⁸ report, the IB sector maintains a 69% market share of the global IF industry solely. Figure 3 clearly depicts that *Sukuk* and Islamic funds jointly hold 24%, *Takaful* records only 2% market shares and the rest of the 69% market shares belong to the IB sector. In recent years, the IF industry has moved to its wider area from banking-based industries to market-oriented industry (IFDI;²⁹ Lin & Su³⁰).

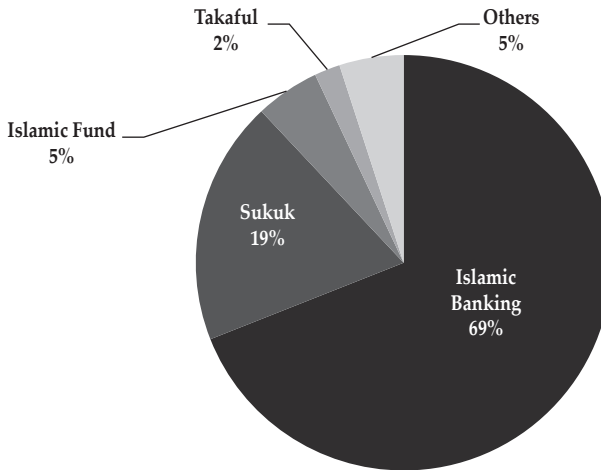
²⁶ Thomson Reuters, "Outpacing the Mainstream, State of the Global Islamic Economy Report 2017/18."

²⁷ Islamic finance development report, "Islamic Finance Development Report 2021: Advancing Economies."

²⁸ Technical and Research Division of the IFSB and Secretariat, *Islamic Financial Service Industry Stability Report 2017*, 2017.

²⁹ Islamic finance development report, "Islamic Finance Development Report 2021: Advancing Economies."

³⁰ Boqiang Lin and Tong Su, "The Linkages between Oil Market Uncertainty and Islamic Stock Markets: Evidence from Quantile-on-Quantile Approach," *Energy Economics* 88 (2020), <https://doi.org/10.1016/j.eneco.2020.104759>.



Source: IFDI (2021).

Figure 3. Islamic Finance Industry: Sector Wise Breakdown

However, despite the dual-shocks of the oil price drop due to geopolitical risks and the COVID-19 pandemic, most of the IF countries expected a modest recovery in 2021-2022. In this context, technology and three major disruptive events such as the global financial crisis (GFC), COVID-19, and Russia-Ukraine conflict have played a vital role in accelerating the growth of Islamic economy.

III.A. The Global Financial Crisis

The GFC of 2007-2008 was the most turbulent economic event before the COVID-19 pandemic. Compared to other crises, the GFC was different in that it propagated systematic risk, which consequently led to another crisis, namely the Eurozone crisis, the Middle East crisis and the US-China trade war. These events have triggered a new uncertainty in global financial markets (Constancio;³¹ Kenourgios³²). It is quite natural that fund managers, investors, and policymakers tend to understand the reaction to a crisis in financial markets and at the same time, they keep searching for safe haven markets to save their potential losses during the crisis period. A safe haven market is generally defined as a place where investors can protect their investments from sharp losses. Besides, from an international finance perspective, safe haven markets offer a set of assets that are negative, weak, or uncorrelated compared

³¹ V Constancio, "Contagion and the European Debt Crisis," *Financial Stability Review*, no. 16 (2012).

³² Dimitris Kenourgios, Nader Naifar, and Dimitrios Dimitriou, "Islamic Financial Markets and Global Crises: Contagion or Decoupling?," *Economic Modelling* 57 (2016), <https://doi.org/10.1016/j.econmod.2016.04.014>.

with other assets or sets of assets in a particular period such as the crisis or pandemic times³³. However, every crisis brings blessings along with dark sides. The GFC is over, but this event is considered a game-changer for Islamic economics. It has provided an important catalyst to shed light on Islamic financial products and services compared to the conventional counterpart.³⁴ The development of IF is an important innovation in the modern world. The products and services of IF are more popular not only with Muslim investors but are appealing and highly desirable to non-Muslim investors due to the unique features of Shariah compliance³⁵.

III.B. The COVID-19 Pandemic

As the COVID-19 pandemic has forever altered how organisations around the world influenced the choices made now by the world community and will have severe and far-reaching consequences. Reliance on more of the same is untenable and ignores the scale of human suffering unleashed by the pandemic. Figure 3 shows the significant impact of total deaths and new infected cases of COVID-19 pandemic.

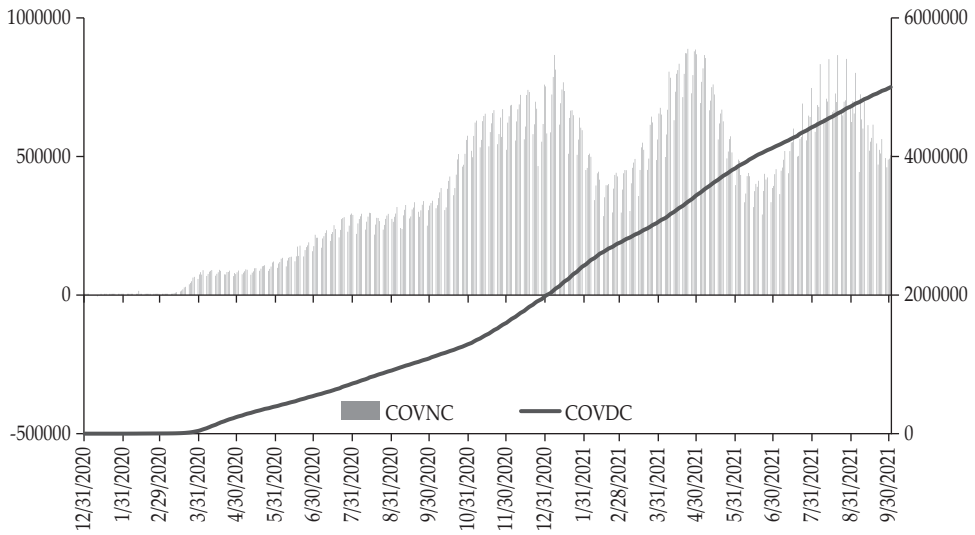
The World Health Organization (WHO) reported that the coronavirus quickly spread across more than 195 countries and confirmed 5,049,497 infected and 367,230 death cases worldwide³⁶.

³³ Arif et al., "Pandemic Crisis versus Global Financial Crisis: Are Islamic Stocks a Safe-Haven for G7 Markets?"; Qiang Ji, Dayong Zhang, and Yuqian Zhao, "Searching for Safe-Haven Assets during the COVID-19 Pandemic," *International Review of Financial Analysis* 71 (2020), <https://doi.org/10.1016/j.irfa.2020.101526>; Dirk G. Baur and Brian M. Lucey, "Is Gold a Hedge or a Safe Haven? An Analysis of Stocks, Bonds and Gold," *Financial Review* 45, no. 2 (2010), <https://doi.org/10.1111/j.1540-6288.2010.00244.x>; Dirk G. Baur and Thomas K. McDermott, "Is Gold a Safe Haven? International Evidence," *Journal of Banking and Finance* 34, no. 8 (2010), <https://doi.org/10.1016/j.jbankfin.2009.12.008>.

³⁴ Sahabuddin et al., "Dynamic Conditional Correlation and Volatility Spillover between Conventional and Islamic Stock Markets: Evidence from Developed and Emerging Countries."

³⁵ Hassan, Aliyu, and Hussain, "A Contemporary Review of Islamic Finance and Accounting Literature."; Mansur Masih, Nazrol K.M. Kamil, and Obiyathulla I. Bacha, "Issues in Islamic Equities: A Literature Survey," *Emerging Markets Finance and Trade*, 2018, <https://doi.org/10.1080/1540496X.2016.1234370>.

³⁶ World Health Organization, "WHO Director-General's Opening Remarks at the Media Briefing on COVID-19 - 11 March 2020," 2020, <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>; Niels Joachim Gormsen and Ralph S.J. Koijen, "Coronavirus: Impact on Stock Prices and Growth Expectations," *Review of Asset Pricing Studies* 10, no. 4 (2020), <https://doi.org/10.1093/rapstu/raaa013>; Lekhraj Rampal and Liew Boon Seng, "Coronavirus Disease (COVID-19) Pandemic," *Medical Journal of Malaysia*, 2020, <https://doi.org/10.1201/9781003161066-1>; A. Peters et al., "Understanding the Emerging Coronavirus: What It Means for Health Security and Infection Prevention," *Journal of Hospital Infection*, 2020, <https://doi.org/10.1016/j.jhin.2020.02.023>.



Source: Our dataset

Figure 4. The Total COVID-19 and Death Cases

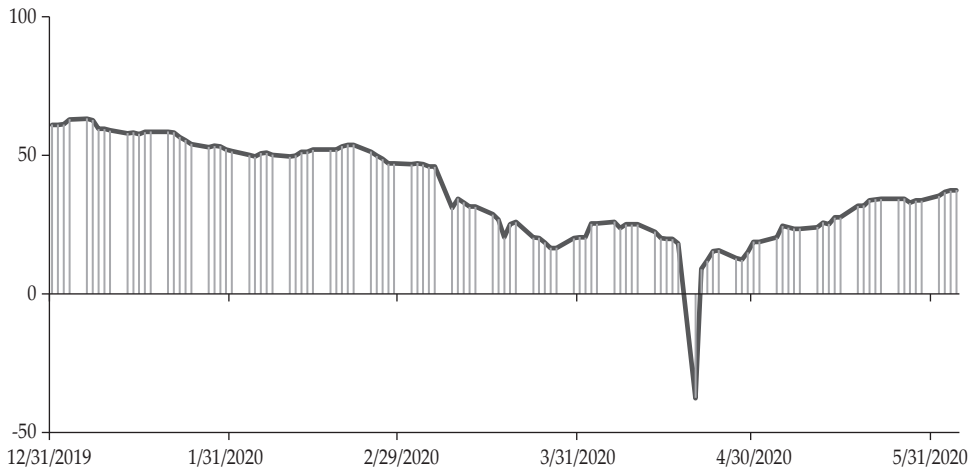


Figure 5. S&P 500 Shariah and composite stock prices movement during the COVID-19 pandemic

Therefore, the authority of the WHO declared the health crisis a global pandemic on 11 March 2020.³⁷ However, total deaths and new infected cases; particularly sped the panic globally. It increased uncertainty in the global economy and triggered a sharp fall in every sector of the financial markets.

³⁷ Domenico Cucinotta and Maurizio Vanelli, “WHO Declares COVID-19 a Pandemic,” *Acta Biomedica*, 2020, <https://doi.org/10.23750/abm.v91i1.9397>.

Particularly, the S&P 500 stock index had recorded a 16% decline in 16 trading days. Consequently, the rapid deterioration of business significantly destabilised the foreign exchange rate and other commodity prices outlook worldwide. Figure 4 depicts both S&P 500 Shariah and composite indexes daily closing prices. Both stock indexes' price has shown a similar trend of movement and experienced catastrophic losses in March 2020.

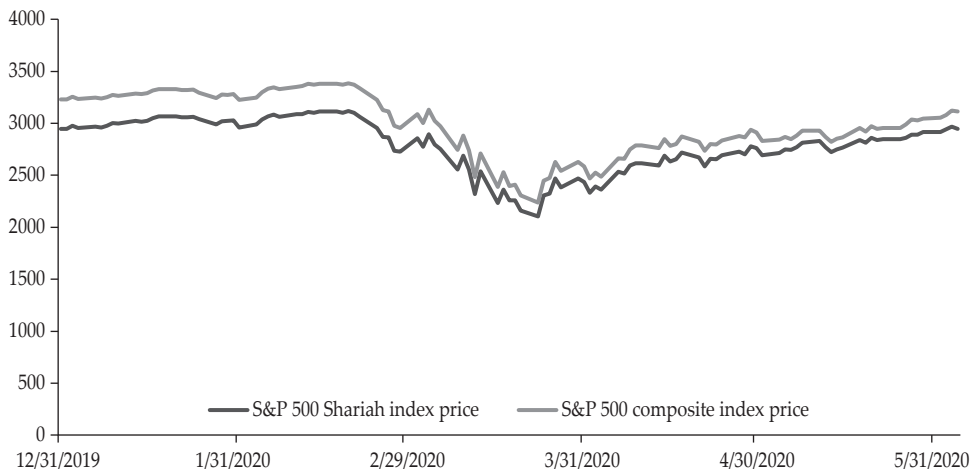


Figure 6. Crude oil (West Texas Intermediate-WTI) price movement during the COVID-19 pandemic

Crude oil prices plunged to below \$20 per barrel, a historic low since the start of the new century. More astonishingly, Figure 5 shows that as of April 20, 2020, crude oil futures for the West Texas Intermediate (WTI), the US oil benchmark, closed at -\$37.63 per barrel, an unprecedented event that has had a profound impact on practitioners and policymakers.³⁸

III.C. The Russia-Ukraine War

Russia's invasion of the Ukraine has significantly increased world economic uncertainty when the global economy is still struggling to recover modestly from the COVID-19. Russia invaded Ukraine on 24 February 2022 and the Western-led high-income countries have imposed economic sanctions on Russia. Uncertainty caused due to the recent pandemic has already created rumpus in the global financial markets. In addition, a number of geopolitical tensions have sparked wild fluctuations in crude oil prices, gold, and equity markets in recent years. As a result, geopolitical risk (GPR) has overtaken

³⁸ Ji, Zhang, and Zhao, "Searching for Safe-Haven Assets during the COVID-19 Pandemic."

economic risk to become the most important factor driving worldwide financial health. Figure 6 presents GPR movement, which indicates that after February the GPR was gradually increasing due to the ongoing conflict between Russian and Ukraine. This trend continued up until April 2022.

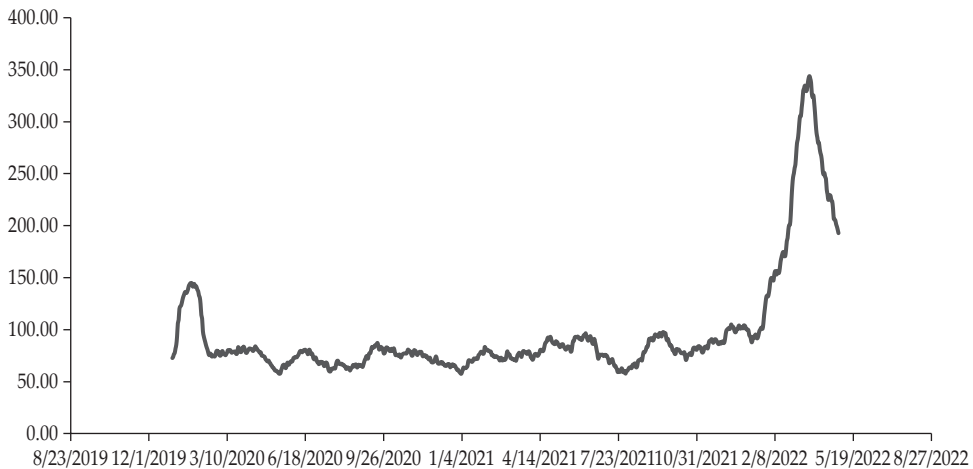


Figure 7. Geopolitical Risk Movement

Nevertheless, the implications of this invasion and sanctions are massive for the global economy³⁹. Despite the financial vulnerability, the possible impact of Russia's invasion of Ukraine added fuel to the economic shock. It moved through multiple channels such as commodities, supply chains and logistics, foreign direct investment, tourism, and the world has started paying heavy prices for this conflict.⁴⁰ The GPR and oil price movement are positively correlated. The shocks of Russia's invasion of Ukraine, the GPR and oil price both have increased. The ballooning price of oil is causing a rise in commodity prices and leading to inflationary pressure all over the world. It will not only increase the inequality of incomes and deteriorate living conditions, but the world will witness another series of disruptions of social unrest and political instability.

³⁹ Nolsoe and Pop, "Russia Sanctions List: What the West Imposed over the Ukraine Invasion | Financial Times," accessed August 27, 2023, <https://www.ft.com/content/6f3ce193-ab7d-4449-ac1b-751d49b1aaf8>; J Politi et al., "US and UK Ban Russian Oil and Gas Imports in Drive to Punish Putin," 2022, <https://www.ft.com/content/2e0b1d84-e595-4c5a-be4e928417b9c7cc>.

⁴⁰ "OECD Economic Outlook," <https://www.oecd.org/economic-outlook/june-2023/>, accessed on 27 February 2023.

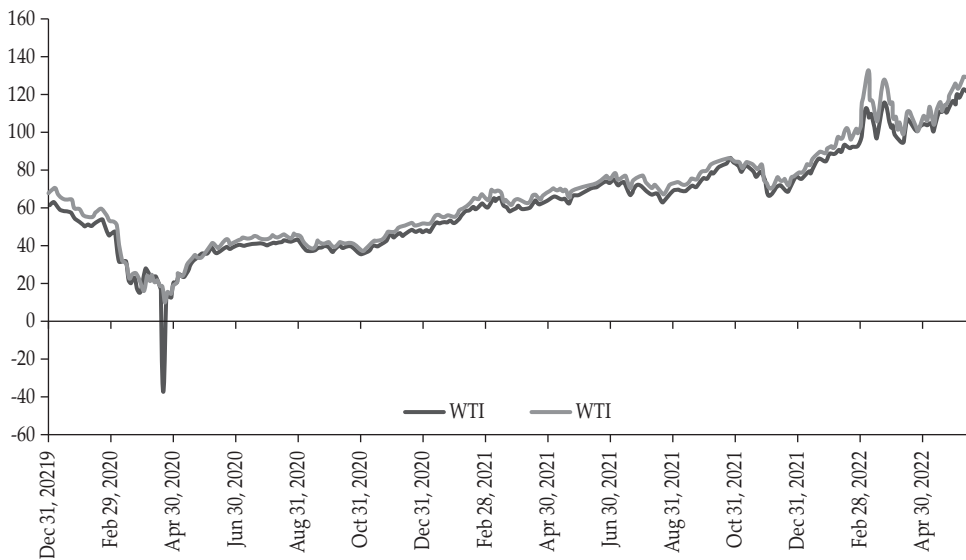


Figure 8. Crude Oil Price Movement

Yet, the conflict between Russia and Ukraine may bring some benefits for the Gulf state oil exporters. The WTI and Brent Crude both oil prices increased (Figure 7) and this trend is a blessing for the demand of Saudi Arabian and United Arab Emirati oil. They are trying to increase their market share in Europe and Asia. Additionally, fiscal policy efforts can pay attention to controlling inflation by avoiding shock notices, facilitating communication, and firming up commitments to a trustworthy monetary policy. Despite the disruption of traditional energy markets such as gas, oil, and coal, measures to surge energy efficiency and decrease further dependency on fossil fuels have become even more persistent.⁴¹

III.D Islamic Economy in the Digital Era

Despite the disruptive events, the GFC, COVID-19 and Russia-Ukraine conflict serve as a wake-up call for the stakeholders of the IF industry, if they can start reassessing its fundamental value proposition. Of course, this has emerged as the novel pandemic, being SARS-CoV-2 was the first novel coronavirus caused a pandemic in the last century. The underlying dimensions, nature, causes and effects of ongoing crises are different from other events. Nevertheless, this crisis has explicitly conveyed the message for everyone:

⁴¹ Justin-Damien Guénette et al., "Implications of the War in Ukraine for the Global Economy Equitable Growth, Finance, and Institutions Policy Note Implications of the War in Ukraine for the Global Economy," n.d.

if everything is possible, nothing is impossible in terms of challenges and opportunities. Particularly, the stakeholders in the IF industry must realise the quantum, situations, and proportion. They should open the windows (like health and *halal* tourism) to grab the opportunities by creating demand and fulfilling the supply of Shariah compliant products and services in a possible way. A reassessment is essential for the expansion and exploration of the IF industry as a development-oriented financial intermediation model rather than a purely technical phenomenon-based model on Shariah. This is also perhaps the timeliest notice for the IF industry to start taking technology seriously. In this context, following COVID-19 crisis, perhaps the changes in technology overtime are the only winners. In the era of post COVID-19, the fourth industrial revolution (4IR), mostly fintech may play a bigger role in IF. Moreover, it can streamline processes, standardisation, ensure transparency, and reduce cost, making IF instruments more competitive than its conventional counterpart⁴².

Advanced technologies including RegTech, FinTech, Blockchain, Artificial Intelligence (AI), Internet of Things (IoT's), Crowdfunding and robotics have matured to create disruption in both conventional and IF industry. Fintech is a short form of two words finance and technology, which covers the multi-dimensional disciplines such as economics, computational, mathematics and statistics.⁴³ The application of Fintech to the IF industry is wide-ranging; it would not only provide easy access and better connectivity but enhance productivity and stability in the industry. Digital *Sukuk*, digital *Takaful*, Islamic crowdfunding, Islamic microfinance, and Islamic robot advisors are the best products and services of the IF industry in the digital era.⁴⁴

IV. CONCLUDING REMARKS

The result of this study reveals that safe haven potential between the Islamic and traditional properties is still inconclusive. Prior studies from Delle Foglie & Panetta,⁴⁵ have not found any consensus on the findings regarding safe-

⁴² Mohammad Sahabuddin, Abu Umar Faruq Ahmad, and Md. Aminul Islam, "Emergence of Islamic Finance in the Fourth Industrial Revolution and COVID-19 Post-Pandemic Era," 2023, https://doi.org/10.1007/978-3-031-13302-2_6; "GIFA," accessed August 28, 2023, https://gifaawards.com/gifa_2020.

⁴³ Basheer Hussein Motawe Altarturi, Hamza H.M. Altarturi, and Anwar Hasan Abdullah Othman, "Applications of Financial Technology in Islamic Finance: A Systematic Bibliometric Review," in *Artificial Intelligence and Islamic Finance*, 2021, <https://doi.org/10.4324/9781003171638-10>.

⁴⁴ Hassnain Ali, Rose Abdullah, and Muhd Zaki Zaini, "Fintech and Its Potential Impact on Islamic Banking and Finance Industry: A Case Study of Brunei Darussalam and Malaysia," *International Journal of Islamic Economics and Finance (IJIEF)* 2, no. 1 (2019), <https://doi.org/10.18196/ijief.2116>.

⁴⁵ Delle Foglie and Panetta, "Islamic Stock Market versus Conventional: Are Islamic Investing a 'Safe Haven' for Investors? A Systematic Literature Review."

haven potential between the Islamic and traditional investors. However, Hasan et al.,⁴⁶ suggested that Islamic stocks are hold the safe-haven properties during the both GFC and COVID-19 pandemic and Arif et al.,⁴⁷ explored why the Islamic stocks capture a robust safe-haven potential during the pandemic period.

To sum up, from the above-mentioned discussions, we can conclude the GFC, Covid-19 and Russia-Ukraine war are major events that have started to lead a disruption in the paradigms of changing process. Along with this changing process, the advancement of information technology plays a vital role for accelerating financial innovation in the digital era. However, these innovations have brought revolutionary changes not only to the way our daily life is handled by common people and businesses; but the era of digitalization has significantly transformed the social and political systems as well. Since technology has no faith and boundaries, there is potential to enhance the mechanisms used in Islamic economics, it is also imperative to conduct comprehensive research to find out the impact of major disruptions like GFC, COVID-19 and Russia-Ukraine invasion on the IF industry. We observe that GPR has a strong relationship with Russia and Ukraine invasion compared to the GFC and COVID-19 pandemic. Consequently, a similar movement has been observed between GPR and crude oil (WTI and Brent Crude). However, the development of Islamic economics is an important innovation in the modern world. The products and services of Islamic economy are more popular not only in the Muslim investors but are appealing and highly desirable to non-Muslim investors due to its unique features of Shariah compliance. The major disruptive event GFC is no more for over two decades; nevertheless, this event is considered the turning point of the Islamic economics. It has provided an important catalyst to shed light on the Islamic products and services compared to its conventional counterpart. The findings of this study suggest a fresh insight for policymakers, market players into adopting digital technology and better investment decisions during turmoil periods or major disruptive events.

⁴⁶ Hasan et al., "Are Safe Haven Assets Really Safe during the 2008 Global Financial Crisis and COVID-19 Pandemic?"

⁴⁷ Arif et al., "Pandemic Crisis versus Global Financial Crisis: Are Islamic Stocks a Safe-Haven for G7 Markets?"

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