



Strategy of Islamic Rural Banks Improving Financial Performance During the Covid-19 Pandemic

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Abstract

This study aims to measure the pattern of Islamic Rural Banks strategic management in Central Java during the Covid-19 Pandemic. This study use SWOT Analysis by determining Internal Factor Analysis Summary (IFAS) and External Factor Analysis Summary (EFAS). The sources of this research data were collected through a Focus Group Discussion conducted with the Financial Services Authority, Islamic Rural Banks Practitioners and Academics. The results of the study show that the Islamic Rural Banks considers the Covid-19 pandemic as a challenge with several priority aspects of control. Strategy formulation and implementation are carried out through changes to the Bank's Business Plan. Bank limited the distribution of high-risk financing during the Covid-19 Pandemic. Islamic Rural Banks focuses on the health sector, cooperation and government projects.

Keywords: Covid-19; Islamic Rural Banks; Strategy Management

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1. Introduction

The economic crisis during the Covid-19 pandemic occurred in various countries. Indonesia is one of the countries that shows an economic growth rate that tends to decline during the pandemic. Data from the Central Statistics Agency stated that the Indonesian economy in the fourth quarter of 2019 was 4.96 percent and then decreased in the first quarter of 2020 by 2.97 percent. This shows that since the government first announced the Covid-19 case in March 2020, the Indonesian economy has fallen considerably. During the Covid-19 pandemic, Indonesia's economic level fell the most in the second Quarter of 2020 at negative 5.32 percent ([Central Bureau of Statistics, 2021](#)). This figure shows the magnitude of the impact of the Covid-19 pandemic on the Indonesian economy.

The declining Indonesian economy is influenced by the policies introduced by the government in controlling the spread of Covid-19. 5 M is one of the Recommendations for Health Protocols that provides major changes to the dynamics of people's social life ([Kementerian Kesehatan Republik Indonesia, 2020](#)). Limiting the distance between individuals, staying away from places that cause crowds, and reducing mobility are some of the policies carried out as an effort to limit social

interaction. These policies have a major impact, especially on the service industry sector such as the Banking Sector.

Islamic Banking is one of the Sharia Financial Services Institutions, whose main activity is to collect and distribute funds to the public in the form of financing. This is as stated in the Laws and Regulations No. 21 of 2008 which contains rules concerning the necessity of interaction between the Bank and the Community. The Islamic Rural Bank is part of Islamic or Islamic banking which specifically regulates its active role in the segmentation of Micro, Small and Medium Enterprises. Indonesia's mainstay economic sector ([Otoritas Jasa Keuangan, 2020a](#)). Covid-19 has negative impact on firm performance ([Shen et al., 2020](#)).

Islamic Rural Banks, based on Islamic Banking Statistics January 2021, totaled 163 Islamic Rural Banks geographically spread across various regions in Indonesia ([Otoritas Jasa Keuangan, 2021](#)). In addition, according to Islamic Banking Statistics, Java Island as the largest number of distributions, namely 89 Islamic Rural Banks. At the provincial level, Central Java is the region with the second largest total Islamic Rural Banks in Indonesia, followed by West Java and East Java.

Islamic Rural Banks in Central Java were chosen to be studied with consideration that this region has the largest number of Islamic Rural Banks institutionally. However, on the other hand, the Central Java region is included in the area with the most Covid-19 cases and is labelled as red zone region. The Financial Services Authority and the Government issued various policies to minimize the impact of the Covid-19 Pandemic which either directly or indirectly have an impact on the Bank's operational activities. Covid-19 is a challenge that requires special attention from the industrial sector, especially related to operational activities.

The uncertainty of the economy made the performance Islamic Rural Bank declined during the pandemic covid-19. Increase in non performing financing and declined the quality of bank assets. The Covid-19 pandemic has disrupted the Bank's operational activities. This is due to the emergence of self-protection policies that limit the Bank's interaction with the public. Large-Scale Social Distancing or PSBB is one of the policies in order to reduce community mobility. The OJK Press Release SP 26/DHMS/OJK/IV/2020 provides information on operational technicalities during the implementation of large-scale social restrictions in the Financial Services industry sector ([Otoritas Jasa Keuangan, 2020b](#)).

OJK asked financial service institutions to operate with a minimum number of employees and continue to apply health protocols in the workplace as an effort to prevent the spread of the Covid-19. Financial service institutions are required to comply with PSBB mechanisms such as physical distancing, reducing face-to-face services by maximizing the use of technology as an alternative. In the Press Release, it is also stated that the mechanism for regulating work from home is mandated by each Financial Services Industry.

2. Literature Review

A study measuring the impact of the Covid-19 pandemic on Bank management during the Covid-19 Pandemic Period in Romania was conducted by ([Mihaela Roxana MARCU, 2021](#)). This study aims to explore the implementation of strategies during the Covid-19 Pandemic. The results of this study indicate that the Covid-19 crisis has become a challenge in managerial practice in the banking industry through new ways of working. At the operational level, the Bank experienced difficulties in lending. The acceleration of the digitization process in the banking sector is needed. What is lacking in this research lies in the study of the literature where there is limited information in carrying out empirical studies.

([Elsiefy and Eljohani, 2016](#)) evaluated the impact of strategic management on Four Islamic Banks in Qatar, namely QIB, QIIB, Rayan and Barwa. Researchers identified awareness of the strategic management process by distributing questionnaires. The results of this study indicate that

the Awareness of Strategy Analysis, Implementation plans and evaluation plans with the highest percentage by Bank Rayan. However, this research does not provide details of the strategic management process carried out and only in the form of a percentage.

([Rahmayati, 2021](#)) conducted an assessment of marketing strategies in the Islamic banking industry during the Covid-19 Pandemic. The results show that the main priority during the pandemic is on digital technology in customer. ([Adeniran et al, 2020](#)) assessed the impact of banking strategy management in Iraq by focusing on information technology. Researchers identify the application of banking technology through interviews with bank customers. The results of this study indicate that information technology enhances value creation and provides a competitive advantage for banks.

([Shaharuddin, 2020](#)) identifies Malaysia's Islamic Banking strategy during the Covid-19 Pandemic. This study identifies a moratorium policy by the Malaysian Government on the Banking Sector through delayed payments of customer installments for six months. This research involves Maqashid Syariah in policy. ([Mashura et al, 2021](#)) focus on the public perception of comparative lockdown scenario analysis and how they may affect the sustainable development goals (SDGs) and the strategic management regime of covid-19 pandemic in Bangladesh. ([Talbot & Ponce, 2020](#)) conducted an analysis of Canada's banking strategy during the Covid-19 Pandemic. The results inform Banks in Canada using a CSR approach in helping customers during the Covid-19 Pandemic. This research identifies strategies that help its customers.

([Pinzaru & Zbucnea, 2020](#)) this study identifies problems that arise during the Covid-19 pandemic. The results of this study provide information that the problems that arise and affect the strategy are difficulties in team organization, ensuring healthy finances, disrupted supply chains, adaptation of customer-oriented products and services.

Therefore, this study aims to explore more in-depth information about the strategic management of Islamic Rural Banks in Central Java through intensive discussions with the Bank's authorities and practitioners in order to obtain a description of the condition of the Central Java Islamic Rural Banks at the managerial stage. The researcher uses the structure of the strategic management pattern developed by ([Wheelen and Hunger, 2012](#)), ([John Thomson and Frank Marten, 2012](#)), namely observing the internal and external environment, strategy formulation, strategy implementation, evaluation and control.

The SWOT analysis was carried out consisting of Strengths, Weaknesses, Opportunities, Threats. According to Ranguti, SWOT analysis identifies various factors systematically to formulate corporate strategy. The SWOT analysis compares the Internal Factors Analysis Summary (IFAS) which consists of strengths and weaknesses. And the External Factors Analysis Summary (EFAS) which consists of opportunities and threats.

3. Methodology

This study adopts a qualitative approach in order to provide an overview of a certain condition or situation. The qualitative approach in this study was carried out through a Focus Group Discussion (FGD). According to Sugarda, Focus Group Discussion or FGD is a method of collecting data by digging in-depth information about a particular topic through group discussions. The advantage of Focus Group Discussion is that it provides results in the form of an accurate comprehensive picture ([Sugarda, 2020](#)).

In this study, a Focus Group Discussion was conducted to explore in-depth information about Strategic Management at a Islamic Rural Banks in Central Java during the Covid-19 Pandemic situation. The Strategic Management Pattern in this study uses the Strategic Management Pattern applied by J. David Hunger and Thomas L. Wheelen which consists of five stages which are then summarized into three parts. First, environmental observation which consists of internal and external environment. Second, Strategy Formulation and Strategy Implementation. Third, Evaluation and Control ([Wheelen and Hunger, 2012](#)).

Strategic management is the art and science of formulating, implementing and evaluating organizational decisions that focus on the process of setting organizational goals, developing policies and planning to achieve goals, and allocating resources to implement policies and plans to achieve organizational goals (Catio, Sarwani and Ruknan, 2021). Strategic management is defined as the management of organizational resources to achieve its goals and objectives. Strategic management involves setting goals, analyzing the competitive environment, analyzing internal organizations, evaluating strategies and ensuring that management rolls out strategies throughout the organization (Supanto, 2019).

The Focus Group Discussion was attended by the Financial Services Authority, Islamic Rural Banks Practitioners and Academics in Finance and Islamic Banking. The following is the distribution of Focus Group Discussion participants.

Table 1. Focus Group Discussion Participants

Institution	Participants
Financial Services Authority Regional Office 3 of Central Java and DIY	Authority
Sukowati Sragen	Islamic Rural Banks Practitioners
Artha Surya Barokah	
Artha Leksana	
Dana Mulia	
Artha Mas Abadi	Academics
Islamic Banking and Finance Lecturer and Students	

The SWOT analysis was carried out consisting of Strengths, Weaknesses, Opportunities, Threats. According to Rangkuti, SWOT analysis identifies various factors systematically to formulate corporate strategy. The SWOT analysis compares the Internal Factors Analysis Summary (IFAS) which consists of strengths and weaknesses. And the External Factors Analysis Summary (EFAS) which consists of opportunities and threats. The Strategic Management Pattern applied in this study was developed by J. David Hunger and Thomas L. Wheelen which is divided into first, Observation of the internal and external environment. Second, Strategy Formulation and Strategy Implementation. Third, Evaluation and Control (Wheelen and Hunger, 2012)

4. Results And Discussion

The Covid-19 pandemic requires financial service institutions to prepare for change and adapt to a new working atmosphere. The right strategic management is able to bring the institution out of adversity due to the impact of the Covid-19 pandemic. The SWOT analysis compares the Internal Factors Analysis Summary (IFAS) and the External Factors Analysis Summary (EFAS).

SWOT Analysis of Islamic Rural Bank Strategy in Central Java

Aspects of strength, weakness, opportunity and threat to internal and external factors at Islamic Rural Banks in Central Java.

Table 2. Identify internal and external factors

No	Internal Factors		External Factors	
	Strength	Weakness	Opportunity	Threat
1	Financing products at Islamic Rural Banks are disbursed to Fix Income financing	Restrictions on Bank Operating Hours from normal conditions before the pandemic	Restructuring policy by the Financial Services Authority for the banking sector.	The pandemic caused an unstable economy, people chose to manage cash rather than invest
2	Islamic Rural Banks develops old products with more attractive schemes	Digital Apps are not available at Islamic Rural Banks	Establish financing cooperation in Regional Government programs.	Other Islamic banks have digital applications such as mobile banking, internet banking etc
3	Human Resources at the Islamic Rural Banks has vaccines 1 and 2	Limited number of human resources working in the office during a pandemic	Establish cooperation for funding funds with educational institutions	The financing target for the majority of MSMEs affected by the Covid-19 Pandemic
4	Human Resources at Islamic Rural Banks receive Health Supplements, Hand Sanitizers and Medical Masks for health protection	Restrictions on banking service operations through direct face-to-face interaction between the Bank and the Customer	Establish cooperation with Social Organizations	Government Policy on Restricting Community Activities.
5	Additional capital of Islamic Rural Banks by shareholders as a capital buffer	Islamic Rural Banks have difficulties in promoting products to the public directly	Margin Subsidy Policy for MSMEs financing by the Government	Massive withdrawal of Funds by funding customers
6	Promotion of Islamic Rural Banks products is carried out through social media			The High Problem of Financing

Internal and External Environmental Analysis

At the stage of analyzing the internal and external environment, information was explored about how the Islamic Rural Bank Manager views the Covid-19 Pandemic from the internal and external point of view of the institution. Analysis of the external and internal environment will later provide information that is very useful for managers in formulating options and alternative strategies that enable the company to achieve above-average profitability and sustainable competitive advantage (Hajar, 2019).

Table 3. Internal Factors Analysis Summary (IFAS) on Islamic Rural Banks

No.	Internal Factors	Weight	Rating	Score
	Strength			
1	Financing products at Islamic Rural Banks are disbursed to Fix Income financing	0,10	4,00	0,40
2	Islamic Rural Banks develops old products with more attractive schemes	0,08	3,80	0,30
3	Human Resources at the Islamic Rural Banks has vaccines 1 and 2	0,09	3,40	0,31
4	Human Resources at Islamic Rural Banks receive Health Supplements, Hand Sanitizers and Medical Masks for health protection	0,10	4,00	0,40
5	Additional capital of Islamic Rural Banks by shareholders as a capital buffer	0,10	3,40	0,34
6	Promotion of Islamic Rural Banks products is carried out through social media	0,09	3,20	0,29
	Total	0,56		2,04
	Weakness			
1	Restrictions on Bank Operating Hours from normal conditions before the pandemic	0,08	3,80	0,30
2	Digital Apps are not available at Islamic Rural Banks	0,10	4,00	0,40
3	Limited number of human resources working in the office during a pandemic	0,08	3,60	0,29
4	Restrictions on banking service operations through direct face-to-face interaction between the Bank and the Customer	0,09	3,20	0,29
5	Islamic Rural Banks have difficulties in promoting products to the public directly	0,09	3,40	0,31
	Total	0,44		1,59
	Overall Total	1,00		3,63

Table 4. External Factors Analysis Summary (EFAS) on Islamic Rural Banks

No.	External Factors	Weight	Rating	Score
Opportunity				
1	Restructuring policy by the Financial Services Authority for the banking sector.	0,10	4,00	0,40
2	Establish financing cooperation in Regional Government programs.	0,10	3,80	0,38
3	Establish cooperation for funding funds with educational institutions	0,08	3,80	0,30
4	Establish cooperation with Social Organizations	0,08	3,00	0,24
5	Margin Subsidy Policy for MSMEs financing by the Government	0,08	3,80	0,30
Total		0,44		1,63
Threat				
1	The pandemic caused an unstable economy, people chose to manage cash rather than invest	0,08	3,40	0,27
2	Other Islamic banks have digital applications such as mobile banking, internet banking etc	0,10	3,80	0,38
3	The financing target for the majority of MSMEs affected by the Covid-19 Pandemic	0,10	3,20	0,32
4	Government Policy on Restricting Community Activities.	0,10	3,80	0,38
5	Massive withdrawal of Funds by funding customers	0,10	3,40	0,34
6	The High Problem of Financing	0,08	3,40	0,27
Total		0,56		1,96
Overall Total		1,00		3,59

The results of weight and rating recapitulation of Internal Factors Analysis Summary (IFAS) and External Factors Analysis Summary (EFAS) show that a total strength score of 2.04 is greater than a weakness value of 1.59. However, the threat value of 1.96 is greater than the opportunity value of 1.63. These results show that Islamic Rural Banks are facing threat challenges during the Covid-19 pandemic. However, there are various strategies that can strengthen Islamic Rural Banks to improve their performance during the Covid-19 pandemic. Environmental scanning refers to the process of collecting, monitoring, and providing information for strategic purposes that helps in analyzing internal and external factors that affect the organization ([Supanto, 2019](#)).

Sukowati Sragen divides the analysis of the internal environment into three aspects, Human Resources, Operations and Managerial. In the aspect of Human Resources, Sukowati Sragen prepares its employees to face the Covid-19 pandemic condition through physical and mental health preparation programs. In the managerial aspect, Islamic Rural Bank provides a blueform for analyzing

the condition of employees which is filled out once a week. Changes in financing distribution policies are directed at sectors that are not affected.

The analysis of the external environment, during the Covid-19 pandemic, Sukowati Sragen identified three conditions, namely, first, the target market for the Sukowati Sragen, where the majority of SMEs were the sectors affected by the Covid-19 pandemic. Changes in the priority of low-cost funds financing policies. Third, the policy of the government and the Financial Services Authority through a request for financing restructuring that is adjusted to the condition of the Bank.

Artha Surya Barokah also divides the analysis of the internal environment into three aspects, namely human resources, operational and managerial. In the aspect of Human Resources, Artha Surya Barokah strengthens its employees through the supply of basic food ingredients and health vitamin supplements. In the managerial aspect, a stop landing policy was implemented in order to strengthen the Bank's liquidity. There was also a policy change by reducing financing in the MSME sector and gradually shifting it to fixed income financing.

The analysis of external environmental conditions during the Covid-19 Pandemic, Artha Surya Barokah identified two conditions. First, the target market for the Artha Surya Barokah, where the majority of SMEs were the sectors affected by the Covid-19 pandemic. Funding customers, especially large depositors, expressed concern about their funds in the Bank due to the Covid-19 Pandemic.

Artha Leksana in its internal analysis emphasizes the operational aspects. Artha Leksana implements a work system regulation, namely the 50% Work From Home (WFH) and 50% Work From Office (WFO) policies

In the analysis of the External environment during the Covid-19 Pandemic Period, the Artha Leksana identified two conditions, namely, first, the financing restructuring policy issued by the OJK in minimizing the impact of the Covid-19 pandemic on bank income and financial statement performance. Second, the government's policy regarding the regulation of market operating hours in Banyumas Regency affects the condition of bills at Artha Leksana.

Three aspects were identified in the internal environmental analysis of the Dana Mulia, namely Human Resources, Operations, and Managerial. In the aspect of Human Resources, Dana Mulia increases employee resilience through vaccines, swab/PCR tests and administration of vitamins. In the operational aspect, first, Dana Mulia during the Covid-19 Pandemic applies a work system of 50 percent Work From Home (WFH) and 50 percent Work From Office (WFO). In the managerial aspect, limiting the financing ceiling. Several financing schemes were discontinued, such as the hajj and umrah financing schemes. The external environment analysis during the Covid-19 pandemic, Dana Mulia identified three conditions including government policies in terms of Work From Home (WFH), Lockdown in several areas, financing restructuring policies issued by OJK in minimizing the impact of the Covid-19 pandemic.

Meanwhile, the analysis of the internal environment of Artha Mas Abadi identified three aspects, namely Human Resources, Operational and Managerial. In the aspect of Human Resources, Artha Mas Abadi provides a supply of vitamins to increase the immune system of the employees. In the operational aspect, firstly, the work system of Artha Mas Abadi during the Covid-19 Pandemic did not implement the Work From Home (WFH) system. However, WFH for three days is enforced for employees showing indications of suffering from Covid-19.

The analysis of the external environment of the Artha Mas Abadi. First, the target market, which is mostly rural communities, sometimes ignores the existence of Covid-19 so that there is no significant impact from the pandemic on Artha Mas Abadi. Financing customers, whose majority are in the agricultural sector, which is 30-40 percent. The financing restructuring policy is implemented with prudence, especially for applications made by new financing customers or the realization is less than one month.

Strategy Formulation and Implementation

This stage tries to answer the question of whether there are new business strategies that have been introduced in each Islamic Rural Banks as an impact to mitigate the risks that arise due to the Covid-19 pandemic.

Wheelen and Hunger interpret strategy implementation as part of the process by which strategies and policies are brought into action through the development of programs, budgets, and procedures. This process requires changes in the culture, structure, and management system of the entire organization or company ([Wheelen and Hunger, 2012](#)).

Sukowati Sragen during the Covid-19 Pandemic developed old products with a new strategy, namely through distribution in housing sector financing. The Result of this study confirm previous research ([Le et al., 2022](#)) The Islamic banking system during the pandemic needs to pay attention to new business models such as investment-based income and other fee-based income or even new types of income, as long as they do not violate sharia compliance. On the other hand, financing products, as the results of this research show, are banks using funds to issue more real estate loans during the pandemic ([Neef and Schandlbauer, 2022](#)).

Artha Surya Barokah in the Covid-19 pandemic was to strengthen bank liquidity and increase institutional trust. The strategy for strengthening the capital at the Artha Surya Barokah is carried out through the addition of capital from the owners and the addition of new shareholders. The Result of this study confirm previous research ([Colak and Oztekin, 2021](#)) the good financial condition of banks is an important determinant of bank loans during the pandemic. Adequate capital is required as a bank reserve. During the pandemic, Islamic Rural Banks were more careful in managing their assets, kept sufficient reserve funds to help overcome problems ([Mardhiyaturositaningsih, 2022](#)).

Artha Leksana during the first Covid-19 pandemic was to arrange for 50% of the financing portfolio to be in the hands of a local government. A special product for financing from local government projects, both Regency and Province. The Result of this study confirm previous research ([Beck and Keil, 2022](#)) Banks are relying more on government guaranteed loans which seem to be replacing regular loans in the covid times.

Dana Mulia focus on the orientation of raising funds more to institutions from government institutions, companies and schools. Dana Mulia reduce syndicated financing. The Result of this study confirm previous research ([Beck and Keil, 2022](#)) Decrease in the average number of syndicated loans by Banks affected by the pandemic.

Artha Mas Abadi in the Covid-19 pandemic is to prioritize the distribution of funds to financing products that are safer or have little risk. The Result of this study confirm previous research such as ([Stroie et al., 2023](#)) ([Tavares et al., 2023](#)) The industry during a pandemic focuses on managing liquidity and risk. An effective risk analysis model integrates business reorganization capabilities that can enhance competitiveness. Banking protection against excessive risk, especially in the context of the pandemic caused by Covid-19, is needed, especially by exposing it to credit risk, which can contribute to a decrease in portfolio quality ([Dinu and Bunea, 2022](#)).

Another strategy developed by Artha Mas Abadi is IT development. The strategy for monitoring customers who are restructuring financing due to Covid-19 is also carried out at Artha Mas Abadi. the importance of digitization was also expressed by ([Theiri and Alareeni \(2023\)](#)) the need for digitalization as a strategic plan to be implemented both in the short and long term. It is considered as innovation and continuous development. It helps identify key aspects of business processes and how digitalization is used to survive and thrive during crises.

The Result of this study confirm previous research such as ([Miklaszewska, Kil and Idzik, 2021](#)) and ([Dwivedi, Alabdooli and Dwivedi, 2021](#)) The pandemic has increased digitalization challenges and forced banks to accelerate digital transformation. The majority of banks implement a digitalization strategy. digital focus can help banks to overcome problems. affected bank loans. In the

literature digital transformation in the banking sector is a continuous process that influences the external and internal environment by redesigning existing internal processes and methods ([Kitsios, Giatsidis and Kamariotou, 2021](#)). Financial business through ICT advances, which enable more efficient service delivery and better performance ([Yan et al., 2021](#)).

Evaluation and Control

This stage tries to answer the question of whether there are obstacles or problems that arise in the implementation of the strategy. Was an evaluation carried out and what control measures are taken to overcome these problems.

The strategy carried out by an organization needs to be evaluated periodically to see the level of effectiveness of the work plan achievements and measure the organization's ability to anticipate changes to the internal and external environment. The evaluation process itself is closely related to efforts to control ongoing activities. Evaluation is an ongoing activity in strategic control, which is a systematic effort on the part of management to achieve goals by comparing performance with the initial plan which is continued by taking corrective steps ([Maulida et al., 2021](#)).

Sukowati Sragen conducts evaluation and control efforts which are divided into two aspects, namely health and risk management. The evaluation and control carried out by Sukowati Sragen is by appointing a special division tasked with monitoring the health of the Bank. In order to support its programs, Sukowati Sragen conducts a collaboration with related parties.

Artha Surya Barokah conducts evaluation and control efforts by changing business plan. Artha Surya Barokah made efforts to strengthen liquidity by building partnerships. Another control effort carried out is on the marketing side by utilizing social media.

Artha Leksana conducts evaluation and control efforts which are divided into two, namely evaluating the performance of Human Resources and evaluating the performance of financial statements. Evaluation and control efforts through the performance of financial reports are carried out by Artha Leksana. Evaluation and control efforts are also carried out on Human Resources by implementing health protocols.

The Financial Services Authority through POJK Number 48/POJK.03/2020 amended POJK Number 11/POJK.03/2020 concerning National Economic Stimulus as a countercyclical policy impacting the spread of the 2019 corona virus disease. Policies that encourage optimization of banking performance and maintain financial system stability.

Dana Mulia conducts evaluation and control efforts. In controlling the management aspect, the Dana Mulia implements policies on Asset Liability Management. Artha Mas Abadi carried out evaluation and control efforts, Virtual Account (VA) and Electronic Banking Permit for each AO. Constraints on the MSME financing side are also experienced by the Artha Mas Abadi.

5. Conclusion

Islamic Rural Banks based on SWOT analysis of Internal Factors Analysis Summary (IFAS) and External Factors Analysis Summary (EFAS) show that Islamic Rural Banks are facing threat challenges during the Covid-19 pandemic. However, there are various strategies that can strengthen Islamic Rural Banks to improve their performance during the Covid-19 pandemic.

In the analysis of the internal and external environment, the leaders of the Islamic Rural Bank view the Covid-19 pandemic as a challenge that must be faced. In the internal aspect, human resources, operations, and managerial are the main concerns. In the analysis of the external environment, the leaders of the Islamic Rural Banks pay attention to government policies and the Financial Services Authority, Macroeconomics, Funding and Financing Customer Behavior

The formulation and implementation of the strategy, the leaders of the Islamic Rural Bank during the Covid-19 pandemic made changes to the bank's business plan. First, the development of

old products with the addition of new strategic innovations. Second, a strategy that encourages the strengthening of the main indicators of bank sustainability. Third, changes in the main target of bank funding and financing. Prioritized from government institutions and educational institutions, and fifth, the use of digital technology.

In evaluation and control, bank leaders monitor financial statements by paying attention to bank financial movements, regulate risk management and control through collaboration with other parties during the Covid-19 pandemic.

The government and the Financial Services Authority can support Islamic Rural Banks in dealing with the Covid-19 Pandemic through policies that assist in operational matters and are able to mitigate the impacts caused by the Covid-19 Pandemic, such as the provision of margin subsidies and extension of financing restructuring, provision of subsidies and facilities to Islamic Rural Banks.

This research is limited to five Islamic Rural Banks in Central Java. Further research can be carried out on other different institutions and regions.

Author contribution statement

Islamic Rural Banks need to carry out appropriate strategic management during the Covid-19 pandemic. Strategies that can improve the performance of Islamic Rural Banks and minimize risks.

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