

ANALYSIS OF THE ROLE OF SOCIAL CAPITAL IN BMT (BAITUL MAAL WA TAMWIL)

(Case Study BMT Incorporated with PUSKOPSYAH (Center for Sharia
Cooperative) Special District of Yogyakarta)

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ABSTRACT

Social Capital is the capital that represents the features of social organization, namely trust, social networks, and norms. Microfinance plays a vital role in creating social capital. Social capital is the important capital to increase the performance of microfinance. This study aims to analyze the social capital in the form of trust, social networks, and norms in Islamic Microfinance, with case study in several BMTs in Yogyakarta. In this study, sample of respondents are selected using purposive sampling. This study used a qualitative method with descriptive statistical analysis.

Based on the analysis, the result is BMT has succeeded a good record on doing the social capital and trust has the highest value compared to norms and social networks. Trust becomes the most social capital variables that is widely applied in BMT. While norms become the variable that have smallest value of social capital.

Keywords: Social Capital, Trust, Social Networks, Norms, Islamic Microfinance.

INTRODUCTION

The presence of sharia cooperatives or better known as BMT (Baitul Maal Waa Tanwil) exist in order to respond complicated problems faced by the community. BMT is an Islamic microfinance institutions that have direct contact with people in rural area, so the existence is to help people especially poor people in obtaining funds. People categorized unbankable currently can access the financial institution through BMT.

Baitul Maal wat tamwil consists of two terms, there are Baitul Maal and baitul tamwil. Baitul Maal more directed to efforts collection and distribution of non-profit funds, such as zakat, infaq and shodaqoh. Baitul tamwil as a collection of business and commercial distribution of funds. The effort has become an integral part of Baitul mall wattamwil as agency support economic activities of small communities on the basis of Sharia (Sholahuddin, 2006).

Development of Islamic Microfinance Institutions (LKMS) in Indonesia has increased significantly and has a very important role in the development of Indonesian economy. Islamic Financial Services Cooperatives (KJKS) in the form of Baitul Maal Waa Tanwil (BMT) developed very significant.

This is not separated from the development of performance BMT nationally in 2015 has reached Rp 4.7 trillion of assets and the amount of financing about Rp 3.6 trillion. And also in 10 years, there are 561 BMT with legal status cooperative, and has assets of Rp 11.9 trillion and has a membership of 2,694,013 people spread throughout Indonesia (Minister of Cooperatives and SMEs, 2015).

BMT grow rapidly because of the increase in performance throughout the year and also the system adopted very helpful in community. BMT become Islamic financial institutions with the most numbers rather than other Islamic financial institutions. (Ridwan, 2004).

In fact, efforts to increase the performance of BMT emphasized the presence of financial capital, human capital, natural capital, and technological innovation. These variables have important role in increasing the productivity of BMT. Focused of such factors as an input indicator to improve performance of BMT sometimes ignore the social capital variables as inputs are actually a very important role in the economy to increase business productivity and efficiency.

According to Putnam, Leonardi and Nanetti, social capital represents the 'features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions'. It generally refers to 'trust, concern for one's associates, a willingness to live by norms of one's community and to punish those who do not' (Bowles and Gintis, 2002).

According to Putnam (2002), trust is a form of willingness to take risks in relationships based on feeling confident that the others will do something as expected and will always act in a pattern of action of mutual support, at least the other will not act of self-harm and his group. In societies with widespread trust between people and against the institutions, it is easier to conduct transactions and implement changes. Because trust has a great influence on attitudes towards other human beings and facilitates interaction between people (World Bank, in Göransson and Östergren, 2010).

Social networks are patterns of social exchange and interaction that persist over time (Uphoff, in Postelnicu, 2012). The linkages (i.e. social ties) among members of a network are defined by the economic and sociological literature as those features that give the collectivity cohesiveness and facilitate the pursuit of collective goals.

“Social norms specify what actions are regarded by a set of persons as proper or correct, or improper and incorrect”. It seems that norms that exist independently of the formal institutional characteristics of society are a key source of trust and trustworthiness (Keefer and Knack, in Neilsen, 2012).

Reed (2009) found evidence that human capital supported by social capital will give a much larger multiplier effect, than if these two sources are independent. Or social capital become increasingly valuable when human capital are in close relation to environmental organizations. This is what gives another reason for the need of the assessment of human capital and social capital simultaneously.

In Indonesia, social capital still not considered affect the development or the performance of BMT. But many studies have proved that social capital affects the performance of Islamic Micro Financial Institutions (LKMS) and very helpful social relationships among boards and customers.

As research conducted by Supardi (2015), social capital in the form of trust formed personal guarantee so that customers can access the financing in Pandawa Cooperative without material guarantee. Mutual trust between cooperative and members formed a social network that is mutually beneficial. The social network gives the trust to BMT, so BMT can continue to develop, and customers get easy

access to get financing in BMT as well. Social relations among them based on the norms prevailing in the surrounding community.

Social capital still unfamiliar in the society, and not many people, especially administrators of BMT know about the concept of social capital, how the role of the community as well as its benefits for them. If the research on social capital does not run, and BMT only oriented on the development of financial capital, human capital, and technological capital it will impact on the development of BMT tend to be same with existing financial institution. Based on the background described above, the writer interested in conducting research on "**ANALYSIS OF SOCIAL CAPITAL IN MICROFINANCE**".

METHOD

To avoid the uncertainty which would affect the calculation of bias research results, the questionnaire should be measured the validity and reliability of data so that these studies produce valid and reliable data.

Validity is a tool to measure something that is used in one research. A valid instrument show the tool that is used in order to obtain a valid data than can be used to measure the instrument. Reliability test is performed to determine whether the instrument in this case the questionnaire can be used more than once at least by the same respondents will produce consistent data (Basuki & Yuliadi, 2014).

This study used a qualitative method with descriptive statistical analysis, the research gives an overview about certain individuals or groups on the circumstances and symptoms that occur (Koentjaraningrat, in Fitriasari 2015). Qualitative research

is research that trying to understand the phenomenon of what is experienced by research subjects holistically and descriptions in the form of words and language, in a naturally specific context and by utilizing a variety of natural methods.

Objectives of this research are BMTs that incorporated in PUSKOPSYAH DIY. While data used in this study are primary data and secondary data. Primary data in this study obtained by spreading the questionnaire directly to BMT who acts as respondents in the study. Secondary data in this research is data from PUSKOPSYAH DIY which contained name and address of BMTs.

Tabel 1

List of Respondent

No	BMT	Category	No	BMT	Category
1	Beringharjo	Big	20	Insan Sadar Usaha	Medium
2	AgaweMakmur	Big	21	Mitra Loh Jinawi	Medium
3	BinaUmat Sejahtera	Big	22	Mitra Usaha Ummat	Medium
4	Bina Ummah	Big	23	Mubarook	Medium
5	Mitra Usaha Mulia	Big	24	Bina Sejahtera	Medium
6	Surya Amanah	Big	25	KyBarTani M	Small
7	Dana Insani	Big	26	MuliaMandiri	Small
8	Arafah Mandiri	Big	27	Elbumi 373	Small
9	Dana Sejahtera	Medium	28	Haniva	Small
10	Graha Artha Muamalat	Medium	29	BMT Kotagede	Small
11	Surya ParamaArtha	Medium	30	BMT Surya Umbilharjo	Small
12	Bangun Rakyat Sejahtera	Medium	31	BumiMizan Sejahtera	Small
13	HidayahUmat	Medium	32	MitraAgritama	Small
14	InsanMandiri	Medium	33	Umbul Sejahtera	Small
15	MitraReksaBakti	Medium	34	An Ni'mah	Small
16	Prima Artha	Medium	35	Armina	Small
17	ArthaBarokah	Medium	36	KAROMAH	Small

18	Dana Insani	Medium	37	Surya Handayani (SUHADA)	Small
19	Dana Syariah (Piyungan)	Medium			

RESULT AND DISCUSSION

A. Validity Test

This research use calculation of KMO value to measure the validity of each variable using SPSS 15. The instrument is valid if the KMO value is greater than 0,50 (Basuki and Yuliadi, 2014).

1. Trust Variable

TABLE 2

KMO and Bartlett's Test (Trust Variable)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0,726
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Sources: primary data, process by SPSS 15, 2015

TABLE 3

Anti-image Matrices Test (Trust Variable)

Anti-image Correlation	Trust	0,696(a)
	Honesty	0,695(a)
	Prospect	0,707(a)
	Safety	0,752(a)
	Product	0,783(a)

Sources: primary data, process by SPSS 15, 2015

Validity test results on the trust aspect above shows that the value of KMO is 0.726 states that the instrument in this research is valid. Anti-image correlation results in a fairly high correlation to each item, namely

0.696 (Trust), 0.695 (Honesty), 0.707 (Prospect), 0.752 (Safety), and 0.783 (Product). It can be stated that the five items that are used to measure the trust variable are valid.

2. Social Networks Variable

TABLE 4
KMO and Bartlett's Test (Social Networks Variable)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0,753
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Sources: primary data, 2015

TABLE 5
Anti-image Matrices Test (Social Networks Variable)

Anti-image Correlation	INFORMATION	0,744(a)
	PROMOTION	0,811(a)
	PROGRAM	0,749(a)
	FAMILIES	0,717(a)
	COOPERATION	0,766(a)

Sources: primary data, 2015

Validity test results on the social network aspect above shows that the value of KMO is 0.753 states that the instrument in this study is valid. Anti-image correlation resulted in a fairly high correlation to each item, namely 0.744 (Information), 0.811 (Promotion), 0.749 (Program), 0.717 (Families), and 0.766 (Cooperation). It can be stated that the five items were used to measure the social network variables are valid.

3. Norms Variable

TABLE 6
KMO and Bartlett's Test (Norms Variable)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0,753
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Sources: primary data, 2015

TABLE 7
Anti-image Matrices Test (Norms Variable)

Anti-image Correlation	Condition	0,551(a)
	Islamic_Value	0,611(a)
	Religion_Value	0,630(a)
	Culture_Value	0,711(a)
	Polite	0,705(a)

Sources: primary data, 2015

Validity test results on the norms variables above shows that the value of KMO is 0.632 states that the instrument in this research is valid. Anti-image correlation results in a fairly high correlation to each item, namely 0.551 (Condition), 0.611 (Islamic Value), 0.630 (Religion Value), 0.711 (Culture Value), and 0.705 (Polite). It can be stated that the five items used to measure norms variables are valid.

B. Reliability Test

Calculation of Cronbach Alpha value of each variables using SPSS 15. The variable are valid if the value of Cronbach's $\alpha < \alpha$ (Basuki, 2015).

- If $\alpha > 0,90$ means perfect reliability
- If α between 0,70 – 0,90 means high reliability
- If α between 0,50 – 0,70 means moderate reliability

- If $\alpha < 0,50$ means low reliability

1. Trust Variable

TABLE 8
Reliability Statistics Test (Trust Variable)

Cronbach's Alpha	N of Items
0,753	5

Sources: primary data, 2015

TABLE 9
Item-Total Statistics Test (Trust Variable)

	Cronbach's Alpha if Item Deleted
Trust	0,704
Honesty	0,675
Prospect	0,754
Safety	0,739
Product	0,661

Sources: primary data, 2015

Reliability test results on the trust aspect above shows that coefficient value of Cronbach's Alpha is 0.753 states that instrument in this research is reliable. Cronbach's Alpha value of each item are 0.704 (Trust), 0.675 (honesty), 0.754 (Prospect), 0.739 (Safety), and 0.661 (Product). It can be stated that the five items that are used to measure the trust variable are reliable.

2. Networks Variable

TABLE 10
Reliability Statistics Test (Social Networks Variable)

Cronbach's Alpha	N of Items
0,794	5

Sources: primary data, 2015

TABLE 5 11
Item-Total Statistics Test (Social Networks Variable)

	Cronbach's Alpha if Item Deleted
INFORMATION	0,733
PROMOTION	0,786
PROGRAM	0,711
FAMILIES	0,774
COOPERATION	0,766

Sources: primary data, 2015

Reliability test results on the social network variables above shows that the Cronbach's Alpha value is 0.794 states that instrument in this research is reliable. Cronbach's Alpha value of each item are 0.733 (Information), 0.786 (Promotion), 0.711 (Program), 0.714 (Families), and 0.766 (Cooperation). It can be stated that the five items were used to measure the social network variables are reliable.

3. Norms Variable

TABLE 12
Reliability Statistics Test (Norms Variable)

Cronbach's Alpha	N of Items
0,739	5

Sources: primary data, 2015

TABLE 13
Item-Total Statistics Test

	Cronbach's Alpha if Item Deleted
Condition	0,736
Islamic_Value	0,658
Religion_Value	0,599
Culture_Value	0,729
Polite	0,728

Sources: primary data, 2015

Reliability test results on norms variable above shows that the value of Cronbach's Alpha is 0.739 states that instrument in this research is reliable. Cronbach's Alpha value of each item are 0.736 (Condition), 0.658 (Islamic Value), 0.599 (Religion Value), 0,729 (Culture Value), and 0.728 (Polite). It can be stated that the five items were used to measure the norms variable are reliable.

C. Result and Discussion

Descriptive analysis is used to describe the phenomena, behaviors, or other certain object that aims to describe the state of the social phenomenon, without seeing the relationships that exist. Descriptive data analysis aims to explain the data about the characteristics of respondents. Here are the results of the descriptive analysis of social capital with 37 BMT in DIY as respondents.

TABLE 14
Statistics Test Result of Social Capital Aspect

Indicator	Mean	Variance	Std. Deviation	Min	Max
Trust	22,92	3,354	1,831	19	25
Social Networks	22.41	4.192	2.047	16	25
Norms	22.11	4.155	2,038	18	25
Total Social Capital	67.44	11.701	5.916	53	75

Sources: primary data, 2015

From the result above, the mean value has approached to the maximum value. It be concluded that BMT has succeed a good record on doing the social capital. It means the BMT officials have done the social capital in BMT. Kanak and Iiguni (2007) also state that microfinance organizations play a vital role in creating social capital.

1. Trust Aspect

TABLE 15
Statistics Test of Trust Variable

	Trust	Honesty	Prospect	Security	Product
N Valid	37	37	37	37	37
Missing	0	0	0	0	0
Mean	4,65	4,68	4,73	4,43	4,43
Median	5,00	5,00	5,00	4,00	4,00
Mode	5	5	5	4	4

Sources: primary data, 2015

Based on statistical test, the most number found in mode value of trust variable are 5. Means respondents replied strongly agree in the statement in questionnaire. It can be conclude that boards BMT have done social capital aspect of trust in BMT.

“Officials not only have a good mutual trust to officials, but they also have good mutual trust to their members. Because of the trust, the members can access financing without material guarantee. The amount of maximum financing is Rp 5 million” (Agus Susanto, head of BMT Mitra Lohjinawi, December 23, 2015).

“Members can access financing without material guarantee. Because of trust is more important than material guarantee. The amount of maximum financing is Rp 1 million” (Dedi Heri Sutendi, head of BMT Elbumi 373, December 28, 2015).

Social capital on trust aspect becomes the most social capital variables that are widely applied by BMT. Members can apply financing to BMT without material guarantee but using trust/personal guarantee.

In accordance with Supardi (2015) also prove that social capital on trust aspect, give benefit to the member. They can access financing without material guarantee, but only used personal guarantee (trust). According to Susilo, Triandaru, and Santoso (2000), the main basic of banking activities is confidence (trust), both in terms of raising funds and distributed funds.

According to Dowla (2006), the success of Grameen bank rests mainly on the creation of social capital (horizontal and vertical networks) establishes a new level of social trust to solve the collective action problems of poor people’s access to capital which is important for sustainability of these institutions. Another research also found that trust formed between lender and

borrower plays a very important role to make microfinance programme viable (Basargekar, 2010).

According to Putnam (2002), trust is a form of willingness to take risks in relationships based on feeling confident that the others will do something as expected and will always act in a pattern of action of mutual support, at least the other will not act of self-harm and his group. That's the reason BMT provide financing without material guarantee. The main based is confident and believes that members will not act something that can harm themselves, their group, and BMT.

2. Social Networks Variable

TABLE 16
Statistics Test of Social Networks Variable

		Information	Promotion	Program	Families	Cooperation
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Mean		4,41	4,51	4,38	4,51	4,59
Median		4,00	5,00	4,00	5,00	5,00
Mode		4	5	4	5	5

Sources: primary data, 2015

Based on statistical test, the most number found in mode value of social networks variable are 5. Means respondents replied strongly agree in the statement in questionnaire. It can be conclude that boards BMT have done social capital aspect of social networks in BMT.

“Yes we give easy access for member to get information. Most of members always ask about assets growth, SHU growth, and financial

conditions. Officials always answer all the question, so members can feel free to ask everything related to BMT Kompak” (Nurmaslah, head of BMT Kompak, December 22, 2015).

“BMT officials will give information to members if it necessary” (Abdul Latief, head of BMT Prima Artha, December 28, 2015).

Because of frequents interaction between BMT boards and members, it developed and build a social networks among them. According to Postelnicu (2012), the research conclude that the connections (or ties) among individuals allow them to collect the soft information available in their network in order to circumvent information asymmetries. Larance (1998) has stated that Grameen Bank enabled women to invest in community life through regular and frequent interactions and develop networking skills by building new network reaching beyond their familial networks.

3. Norms Variable

TABLE 17
Statistics Test of Norms Variable

	Condition	Islamic Value	Religion Value	Culture Value	Polite
N Valid	37	37	37	37	37
Missing	0	0	0	0	0
Mean	4,35	4,59	4,49	4,05	4,62
Median	4,00	5,00	5,00	4,00	5,00
Mode	4	5	5	4	5

Sources: *primary data, 2015*

Based on statistical test, the most number found in mode value of norms variable are 5. Means respondents replied strongly agree in the

statement in questionnaire. It can be conclude that boards BMT have done social capital aspect of norms in BMT.

To prove as an Islamic Financial Institution, BMT always apply the religion and Islamic value. According to BMT officials, the initial goal of establishment BMT is to eliminate the “loan shark”. Because the loan shark always used interest in every transaction and interest is prohibited in Islam.

“As an Islamic financial institution, we applied Islamic value as our based on transaction. The aim of establishment BMT is to eliminate the loan shark from the market. So there is no usury or interest, but we used profit and loss sharing” (Agus Susanto, head of BMT Mitra Lohjinawi, December 23, 2015).

“The Islamic value that must applied in BMT is change the usury system to profit and loss sharing system” (Dedi Heri Sutendi, head of BMT Elbumi 373, December 28, 2015).

According to research conduct by Dowla (2006), the result is the creation of social capital (horizontal and vertical networks) establishes a new norms to solve the collective action problems of poor people’s access to capital. That would be important for sustainability of these institutions.

Civil social capital includes shared values and norms, membership in informal networks and associations that make individuals to cooperate with a view to achieving their common goals. And norms determine the quality and quantity of a society's social connections (Knack (1999) in Tundui C, and H Tundui (2013).

A social norm is a rule of behavior that the members of a community follow and if everyone acts in accordance with the norm then it must be in everyone else's interest to also act according to the norm ((Dasgupta, in Göransson and Östergren, 2010). In accordance with Dasgupta, social capital on norms aspect that applied by BMT aims to follow the norms that applied in society, so the requirements that set by BMT can be accepted by society. Also as an Islamic financial institution, BMT should follow the Islamic value and religion value. So every activity in BMT is based on Islamic value and religion value. Politeness also indicator of norms, so either BMT officials or members should keep their politeness.

CONCLUSION

A. Conclusion

This study starts by descriptive statistics analysis. According to the analysis and the explanation in the previous chapters, there are several conclusions such as:

1. BMT has succeed a good record on doing the social capital. Social capital in this research consist of 3 aspects, i.e. trust, social networks and norms. Each variables cannot be separated from one to another. Because each variables influence each other. Trust is the basis of the establishment in social network of BMT. Sustainability of social capital aspect on social network that is conducted by BMT should be based on the norms that prevail in society.

2. The existence of social capital aspect of trust give positive impact to the BMT and members as well. Because BMT has been trusted by the members, BMT can continue to develop and because of the trust, members can apply financing without material guarantee. Trust becomes the most social capital variables that are widely applied by BMT.
3. The existence of social capital aspect of social networks give benefits and positive influences to the BMT and members. Social network establishes good cooperation between BMT and members. Furthermore, because the locations of BMT are mostly located in one area, and have the same visions and missions.
4. The existence of social capital aspect of norms give benefits and positive impact to BMT and members. Islamic value and religion value change the perspective of its members. Before joining BMT, they always applied financing to “loan shark” that used interest system. Now, they join BMT and applied the financing using the profit-loss sharing system. BMT can also eliminate the number of loan shark.

B. Suggestion

1. BMT should try to increase the value of social networks aspect and norms aspects. So both of the aspect can have the high value like trust aspect.

2. For the further researchers need to use different variables which are relevant to social capital in another BMT along with adding the time research period, and use different methodology.

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