

Is Social Capital Determinant in Developing Islamic Microfinance Institutions?

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Abstract

Research Originality: The discussion on the impact of social capital on Sharia microfinance institutions remains limited. This research, with its unique focus, promises to make a significant and intriguing contribution to the study of Sharia microfinance institutions.

Research Objectives: This comprehensive study aims to examine the impact of various social capital factors on BMT business as an IMFI. It covers various factors, including cultural values, religious traditions, people's worldviews, geographical characteristics, work ethic, institutions, and social networks.

Research Methods: This study uses a mixed method, explanatory with a qualitative method, to test the level of importance using the Analytic Process Hierarchy (AHP) for the best priority in social capital factors and the ideal IMFI based on expert opinions as facilitators.

Empirical Result: This result shows that the seven social capital factors at IMFI can be applied and considered applicable in developing business. The main priority factors are institutions and religious traditions. The IMFI that consistently applies social capital factors in developing IMFI business is BMT Bringhardjo (Yogyakarta), although it has yet to reach the maximum value. The determinants of social capital in the IMFI business are considerably used to determine the development of the IMFI business. It provides that the seven social capital factors at IMFI can be applied and considered applicable in developing business.

Implications: The main priority factors are institutions and religious traditions. Investigating one of the IMFI was Baitul mal wa Tanwil, which consistently applies social capital factors in developing IMFI business as a business that empowers social capital as a guarantee of feasibility and business feasibility from micro-communities that have so far been un-bankable.

Keywords:

Islamic Microfinance Institutions (IMFI), Bayt al-Mal wa Tamwil (BMT), Social Capital, Analytic Process Hierarchy (AHP).

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INTRODUCTION

This paper examines the impact of the factors of social capital as a resource that can be controlled. Social capital is a filter that must be passed through, where the flow of human resources and financial capital from parents and society to children results in a better level of education. If social capital is low, it will lead to conflicts of values and low trust. This condition means increasing participation in social relations in transitional countries or regions to produce human resources for better development. This paper explains the understanding of the profile of the social determinants of capital that humans must possess to develop their potential in interacting with society, the environment, and companies in the era of the rise of Islamism in Indonesia today as a country with the largest Muslim population in the world.

The successful performance of such Microfinance Institutions (MFI) is primarily associated with the utilization and function of poor clients' social networks, including trust (Martowijoyo, 2007; Ahamad et al., 2023). Islamic microfinance institutions offer interest-free loans to improve the quality of life and alleviate poverty (Sabiti & Effendi, 2017; Rafay et al., 2020).

Social capital is related to the development of Islamic microfinance institutions such as *Baitul maal wa Tanwil (BMT)*. Putnam (1993) terms social capital as features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions". At this point, the above discussion could be concluded that the value of social capital can be identified as the functioning of social relationships and networks in achieving the group's interest. Hence, the importance of interrelationships is emphasized further by defining *social capital* as a durable process of communication and interaction within the community that can establish and promote networks, trust, social obligation, and practices.

Social capital as an institution is a good relationship, quantity, and quality of the norms of interaction that allow someone to coordinate actions to achieve a desired goal. Many studies reveal that religion is important in strengthening social cohesion and work ethic. Religious values become the basis of individual and collective life in private and public spaces. Enjoying life optimistically and striving for the common good are the central teachings of religion. This study further examines how religious values (Islamic values) are essential in economic life. And its contribution to economic development and its role as social capital. In other words, we are studying religious values as the primary basis for social capital shaping the nature of economic life among members of Islamic microfinance companies.

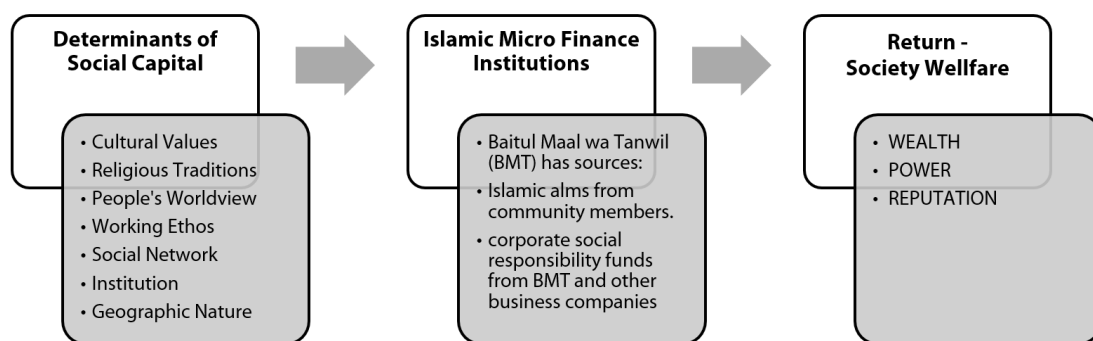
Most Muslim-majority countries are challenged to get a better standard of living as they are faced with poverty, lack of funds, poor business skills, and difficulties in accessing financial resources. The high number of poor people is the biggest obstacle in overcoming social welfare and welfare. Non-market institutions play a role in overcoming such informational and enforcement problems. Concerning the fulfillment of collateral, group lending methods such as interpersonal relations and cooperation

among group members can become 'social collateral' (social capital), substituting the absence of physical collateral for people experiencing poverty, such as The Grameen Bank. Economic income and education level are also low, consequently affecting social and political life. Enjoying life with optimism and striving for the common good are the main teachings of religion.

Microfinance programs typically using group-lending methodology are viewed to utilize existing social capital embodied in personal relationships and networks. Social capital is crucial for getting information about a prospective Microfinance Organization (MFO), and thus, it enhances the poor's access to microfinance. Social capital also substitutes for physical collateral to serve as a guarantee for small loans to poor households. As Van Bastelaer (1999) described, collective liability lending systems draw on personal relationships among borrowers to transfer from institutional lenders to groups the tasks of selecting borrowers, monitoring their loan use, and enforcing repayment. Microfinance also builds new social capital because it enhances group solidarity and trust among group members and builds horizontal and vertical networks of the microfinance group members. While researchers have investigated the success of microfinance in many aspects, with a few exceptions, they should have paid more attention to the social capital-building aspect of microfinance. The Islamic microfinance institutions have unique financing accessibility between PLS and non-PLS schemes (Fianto et al., 2019).

Figure 1 shows that the Conceptual framework has the stages of building the concept of social capital with the determining factors that have an impact on the business of Islamic financial institutions such as Baitul maal wa Tanwil (BMT), which provides easy access for the unbanked marginalized to obtain capital for their business with their guarantee as social capital that has value and can generate returns, wealth, power, and reputation.

Figure 1. Conceptual framework of Social Capital and IMFI –BMT



Source: Author's own (2022)

Bourdieu's idea on social capital (Bhandari, 2009) focuses on class conflict: there are personal assets in competition among individuals to improve their positions among others. In defining the social capital, he identifies three elements. First, social relationship

that enables an actor to access his/her partners' resources (i.e., the resources embedded within their social relationship). Second, the amount of resources resulted from the totality of the relationship between actors, not only the general quality of the group. Third, the quality of resources.

Structural social capital is associated with social networking patterns and other patterns of structure, including associations, clubs, cultural groups, and institutions equipped with rules, procedures, and precedents to regulate them. In the meantime, cognitive and social capital, in particular, consists of shared norms, values, behaviors, and beliefs such as trust, reciprocity, and teamwork among individuals. From the social cohesion perspective, new literature classifies social capital into three important categories: bonding, bridging, and linking social capital. The bonding social capital, for instance, shows the bonding between people who are very close and know each other, such as families, close friends, and close neighbors. The bridging social capital is more outward-oriented and socially involved, narrows the gap between different communities, and maintains an open membership. For this reason, organizing solidarity and pursuing common goals is vital. Lastly, bridging social capital is essential to solving problems in society by helping them to know each other, develop a relationship, share information, and mobilize social resources. This relational social capital can involve networks and linkage between specific communities and other nations or institutions.

Akdere (2005) classifies social capital into macro, meso, and micro levels as illustrated in the following points: (i) *Macro-level social capital* is a step where social capital is exploited in a broader range. At this level, social capital is under government organization, civil legal certainty enforcement, freedom of politics, state economic achievement, determination of government functions, and economic development in public sectors. (ii) *Meso Level Social Capital* is illustrated from a structural perspective, where the social capital network is structured and its resources flow along with the working network. (iii) *Micro-Level Social Capital*. This level emphasizes the ability of an individual to mobilize resources through local institutional networks, such as kinship-based social organizations.

Islamic economics and its institutional development is a modern phenomenon. It is a modern movement that asserts that Islamic tradition of law and organizations provide more just and equitable model for economic growth than do the rival systems of Western capitalism and socialism (Hefner, 2006). One of the fundamental principles of Islamic economics is the Qur'an's prohibition of interest (Saeed, 2004). Kuran (2004) states that the use of interest embedded in capitalism makes people create the desire to accumulate wealth for its own sake. Therefore, Islamic financing institutions offer financial schemes that use profits or margins, thereby avoiding the payment of interest. A second strong reason is to avoid transactions involving excessive speculative risks (Saeed, 2004). In short, supporters of Islamic economics perceive the system as being able to distribute wealth in a more equitable and just manner which will result in establishing social justice.

Microfinance plays a crucial role in increasing the economic competence of poor people in some countries. This strategy is a key component in poverty alleviation strategies, as poor households often struggle to earn steady and substantial income to save for the future and are extremely vulnerable to economic, political, and physical downturns. Even a small drop in income or increase in expense can have a disastrous effect on their low standard of living. Berguiga et al. (2017) state that Islamic microfinance institutions experience higher financial performance than conventional ones, further highlighting the significance of our research on the impact of social capital on BMT business as an IMFI.

Most microfinance institutions (MFIs) are not different from interest-based financing. MFIs are supposed to set aside reserves to cover various risks arising due to the nature of their assets and liabilities. The term Bayt Al-Mal Wa Tamwil (BMT) was originally used by Prophet Muhammad. It served as the national treasury budget and maintained the stability of the money supply. In addition, it also worked as a payment center for the government in dealing with local and international agencies and individuals.

One of the Islamic Microfinance Institutions (IMFI) was Baitul mal wa Tanwil (BMT) which generally has a program using the group loan methodology which is seen as utilizing existing social capital, manifested in personal relationships and networks. However, research discussing the impact of social capital on sharia microfinance institutions is still limited. This is the novelty of our research and will make a significant contribution to the study of sharia microfinance institutions. Our study aims to examine the impact of social capital factors on BMT business as an IMFI, covering cultural values, religious traditions, people's world views, geographical characteristics, work ethic, institutions, and social networks.

METHODS

This study uses a research design with a mixed-method approach. The research method with the model process is Validating Quantitative Data Model, namely validating quantitative results with qualitative results to be interpreted quantitatively and then qualitatively. The research setting was carried out to adjust the research conducted with the research method used to gain a deeper understanding of the impact of social capital factors on the business of Islamic microfinance institutions in this study, namely BMT, for the welfare of the community. The primary data used in this research was gathered through direct observation of respondents. Observations were carried out by asking questionnaires in two forms: open and closed. Besides that, an audio recording (verbatim) was carried out at every interview. Respondents who were the primary data source consisted of experts, Ulama, and BMT industry players, including Inkopsyah, MUI, DSN, Academy, and BMT leaders, who were selected as the objects of this research as purposive sampling.

The first step was the discriminant analysis method, which was used to complete the first formulation regarding the determinants of social capital in developing IMFI

businesses. This method is a part of multivariate analysis aimed at separating several data groups that have been grouped by forming a discriminant function. Discriminant analysis is a tool in data analysis if the dependent variable is in terms of a category (nominal or ordinal numbers, qualitative). In contrast, the independent variable as a predictor is a metric (interval or ratio, quantitative).

As the measurement scale in discriminant analysis is used to determine the factors of social capital in the IMFIs business, this study chooses the Favorable and Unfavorable Likert scale format with the following categories: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA). In this scale, the score for each favorable statement ranges from 5 to 1, where Strongly Agree (SA) is rated 5, Agree (A) 4, Neutral (N) 3, Disagree (D) 2, and Strongly Disagree (SD) 1 respectively. In contrast, the score for each unfavorable statement goes from 1 to 5, with 1 for Strongly Agree (SA), 2 for Agree (A), 3 for Neutral (N), 4 for Disagree (D), and 5 for Strongly Disagree (SD) respectively. The discriminant analysis runs as the test method to determine the factors proposed as the social capital in the IMFIs business.

Table 1 . Response Categories on the Factors of Social Capital in the IMFIs business

Response Categories	Score (Favorable)	Score (Unfavorable)
SA	5	1
A	4	2
N	3	3
D	2	4
SD	1	5

Source: Data processed

The second step was the test in terms of the Analytical Hierarchy Process (AHP), which is used to select the IMFIs that consistently apply the factors of social capital in their activities by conducting a pairwise comparison between the selection criteria and the available options. The scale in making a decision is determined, referring to the opinion of experts at the National Sharia Council and the Sharia Supervisory Board, the Head of the Ministry of Cooperatives and Small and Medium-Sized Enterprises, and the Chairperson of the IMFIs Management.

This analysis process consists of 3 (three) stages. First, this analysis aims to select the IMFIs that apply social capital at the Meso Level. Second, the criteria of IMFIs with social capital include Cultural values, religious traditions, people’s worldview, geographic nature, working ethos, institution, and social networks. Third, the IMFIs/ BMT alternatives include BMT Amanah Raya, BMT Madani Medan, BMT Arta Barokah, BMT Bringhardjo, BMT Tamzis Wonosobo, BMT Mitra Marhamah, and BMT Bina Insan Kamil.

The existing information is then synthesized to determine the relative rank of the available alternatives. The criteria for the qualitative and quantitative approaches are compared through informed judgments to calculate the weights and priorities and the expert judgment to rank the criteria and make recommendations.

RESULT AND DISCUSSION

The study's results in Table 2 support the dominant role of determinant factors in the composition of social capital, which is used as a determinant in IMFIs' operational activities based on poverty alleviation (Bhandari, 2009). The validity test refers to the r table with a minimum standard of 0.3. For reliability testing using Cronbach alpha, it must be more than 0.6. According to Table 2, the validity test on social capital factors shows that the correlation between cultural values, religious traditions, institutions, and geographic nature variables is valid. On the contrary, the other three items, people's worldview, working ethos, and social networks, generate an r value of less than 0.3, which means they are invalid. This finding is different from the results of evidence on the determinants of social capital and microfinance developed by (Spence & Schmidpeter, 2003). Only four factors are shared with this study, whereas the other three are not the same. This condition is due to Indonesians' different nature and attitudes in responding to these religious-based microfinance institutions. This difference in nature and attitude will be studied in the following research.

Table 2. The Validity Test Result on the Factors of Social Capital in the IMFIs

The Factors of Social Capital In The IMFIs	Validity Score	Criteria
Cultural Values	0,573	Valid
Religious Traditions	0,481	Valid
People's Worldview	0,059	Invalid
Working Ethos	0,220	Invalid
Social Network	0,059	Invalid
Institution	0,320	Valid
Geographic Nature	1	Valid

Source: Data processed

Referring to Table 3, the reliability test result on the seven (7) social capital factors generates a Cronbach alpha value of 0.930, more significant than 0.6. This result indicates that the seven factors are reliable as the determinants of social capital in the IMFIs. Table 4 shows the cases analyzed in this study covering seven categories. Categories with an unfavorable value are given a value of zero, and this research shows that there are two weights with a value of zero (unfavorable). Meanwhile, the category that classifies factors as favorable is given a score of 1. The research results show a weight of 5, which is favorable. The highest average value for the Unfavorable decision (0) is 2.0000, while

for the Favorable decision (1) it is 3.8000. This result means that the average social capital factor at IMFI in the favorable score (1) is higher than the favorable score (0) as a determinant factor for IMFI business social capital.

Table 3. The Reliability Test Result on the Factors of Social Capital in the IMFIs

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.930	.933	7

Source: Data processed

Table 4. Group Membership

Group Statistics					
Social capital		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
Unfavourable	Culture value	1.5000	.70711	2	2.000
	Religious trad	2.0000	.00000	2	2.000
	worldviews	2.0000	.00000	2	2.000
	Ethos work	2.0000	.00000	2	2.000
	Social network	2.0000	.00000	2	2.000
	Institutional	2.0000	.00000	2	2.000
	Geografic Nat	1.5000	.70711	2	2.000
favourable	Culture value	3.6000	.54772	5	5.000
	Religious trad	3.8000	.83666	5	5.000
	worldviews	2.6000	.54772	5	5.000
	Ethos work	3.4000	.89443	5	5.000
	Social network	3.2000	1.09545	5	5.000
	Institutional	2.6000	.89443	5	5.000
	Geografic Nat	2.6000	.54772	5	5.000
Total	Culture value	3.0000	1.15470	7	7.000
	Religious trad	3.2857	1.11270	7	7.000
	worldviews	2.4286	.53452	7	7.000
	Ethos work	3.0000	1.00000	7	7.000
	Social network	2.8571	1.06904	7	7.000
	Institutional	2.4286	.78680	7	7.000
	Geografic Nat	2.2857	.75593	7	7.000

Source: Data processed

The results of this research prove that respondents consisting of experts rely on social capital factors, such as cultural values, religious traditions, world views, ethical work, social networks, and institutional and national geography, which are determining factors in the development of Islamic financial institutions such as BMT (results this supports Akdere, 2005). Table 5 explains the μ value of 0.05. After processing the F test, the results showed that all predictor variables were determinants of social capital, which had a positive and significant effect. However, in the t-test, the results showed that the variables of cultural values and religious traditions had a significant influence as determinant factors of social capital. On the other hand, community views, work ethic, social networks, institutions, and geographical characteristics show insufficient evidence as determinants of social capital in IMFI business. In short, the Equality of Group Means analysis results on Wilks' lambda are close to 0. In the difference test, the research results show that one IMFI social capital factor tends to be different from other IMFI social capital factors. This result means that each determinant of social capital has a different assessment weight as a determining factor. So that the research results of each determining factor of social capital have different values and influences on the Development of BMT as part of IMFI.

Table 5. Equality of Group Means

	Tests of Equality of Group Means				
	Wilks' Lambda	F	df1	df2	Sig.
Culture value	.213	18.529	1	5	.008
Religious trad	.377	8.265	1	5	.035
Worldviews	.700	2.143	1	5	.203
Ethos work	.533	4.375	1	5	.091
Socia lnetwork	.700	2.143	1	5	.203
Institutional	.862	.804	1	5	.411
Geografic Nat	.496	5.084	1	5	.074

Source: Data processed

Table 6 illustrates the variance value for the discriminant function of favorable and unfavorable groups towards social capital. The Eigenvalues, equal to 16.14%, show the variance of the two groups (favorable and unfavorable) on the determinants of social capital. Because only two groups are formed, only one discriminant function is available, with an eigenvalue of 16.143, which includes 100% of the explained variance. In the meantime, the canonical correlation is 0.970, and the coefficient of determination (R^2) is generated by raising the canonical correlation value to the power of 2, which is $(0.970)^2 = 0.940$. This figure shows that the model can explain 94% of the variance in the dependent variables in this study.

Table 6. Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	16.143a	100.0	100.0	.970

a. First 1 canonical discriminant functions were used in the analysis.

Source: Data processed

As seen in table 7, the Wilks' Lambda value is transformed into a chi-square value of 7.104 and degrees of freedom of 5. This result means that the Wilks' Lambda value associates $0.058 < 1$ with the discriminant function, ultimately concluding that the determinants of social capital in IMFI can differentiate the determinants of social capital for BMT. This result means that the determinants of social capital can be relied upon for sharia microfinance institutions by having different concepts for each determinant factor. So that the determining factors of social capital can be used as a measure in determining the direction of decisions in developing sharia microfinance institutions.

Tabel 7. Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.058	7.104	5	.213

Source: Data processed

After the determinants of social capital in the IMFIs are confirmed, the following analysis tests the decisions made by the IMFI leaders regarding the determinants. The AHP method is used to observe the social capital in developing Islamic Micro Finance Enterprises (IMFIs). Here, the AHP Goal is called "IMFIs Social Capital." The criteria analyzed in this study are as follows: (1) Cultural values; (2) Religious traditions; (3) People's Worldview; (4) Working Ethos; (5) Social networks; (6) Institution; (7) Geographic Nature. As a result of discriminant analysis, the social capital of determinants in Islamic microfinance institutions is used to determine the best decisions for experts in choosing objectives, criteria, and alternatives to make policy choices.

The IMFIs/BMT alternatives that apply the Social Capital include: (i) BMT Bringhardjo; (ii) BMT Tamzis; (iii) BMT Marhamah; (iv) BMT Barokah; (v) BMT Amanah; (vi) BMT Insan Kamil; (vii) BMT Madani Medan. Islamic microfinance institutions, which were the object of this study, were selected based on purposive sampling, assuming that they represented the region's character and the culture of their respective regions. This Islamic microfinance institution was chosen because it has been running for > 3 years with high operational transactions every day, is registered, and has complete licenses

Regarding the research subjects, they are experts who represent their respective institutions, such as Inkopsyah, Indonesian Council of Ulama, National Sharia Council, and Academics (Syarif Hidayatullah State Islamic University, Jakarta). Experts who become

respondents are directly or indirectly involved in the operation and growth of the Islamic microfinance institution industry. They are considering the position of experts among practitioners, judiciaries, and academics.

Table 8 summarizes the determinants of social capital in the IMFIs business by priority with pairwise comparisons at the expected inconsistency level of less than 0.10. Table 8 indicates that the determinants of social capital in the IMFIs business refer to the responses of facilitators or respondents, which generate an inconsistency value of <0.10. This result means that the seven factors, including cultural values, religious traditions, people's worldview, working ethos, social networks, institutions, and geographic nature, can support and be considered as decision-makers in developing the IMFIs business. The figure below is an overview of the hierarchy of selecting criteria and alternatives to determine social capital goals. The use of AHP on the factors of social capital based on the opinion of experts shows that the determinants of social capital have a relationship and influence on Islamic microfinance institutions, respectively proving consistent results. That is, experts agree on the factors of social capital in Islamic microfinance institutions. So that these results support the findings of Wilson (2007), Shirazi et al. (2014), Antonio (2011), and Mahmood et al., (2015).

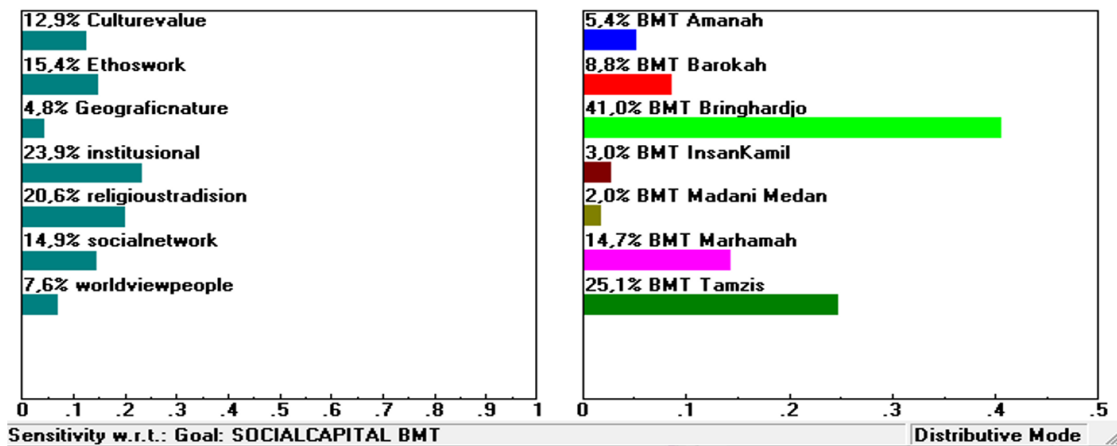
Table 8. The Factors of Social Capital in the IMFIs Business

Factors of Social Capital	Pairwise Comparison Inconsistence < 10%
Cultural Values	0,09 < 0,10
Religious Traditions	0,07 < 0,10
People's Worldview	0,09 < 0,10
Working Ethos	0,09 < 0,10
Social Network	0,09 < 0,10
Institution	0,09 < 0,10
Geographic Nature	0,08 < 0,10

Source: Data processed

This result is seen from the seven BMT institutions as the research objects. Figure 2 shows the dominant bar is an institution (the highest bar compared to the others). Figure 2 illustrates social capital factors by percentage and the implementation of IMFIs. The result suggests that the experts and scholars regard institutions as the first choice 23.9% to develop the IMFIs business. The second and the third choices go to religious traditions and working ethos, with 20.6% and 15.4%, respectively. They are followed by social networks with 14.9%, cultural values with 12.9%, people's worldview with 7.6%, and geographic nature with 4.8%, respectively. Such order of priority results in selecting the ideal IMFIs/BMT to develop its business based on social capital factors. BMT Bringharjo ranks in first place with 41.0%, and BMT Tamzis takes second place with 25.1%. BMT Marhamah follows them at 14.7%, BMT Barokah at 8.8%, BMT Amanah at 5.4%, BMT Insan Kamil at 3.0%, and BMT Madani at 2.0% in order.

Figure 2. Sensitivity Goal for the Social Capital in the IMFIs



Source: Owns Author (2022)

This study found that BMT Bringharjo was the most effective and consistent IMFI in applying social capital factors in its operations and transactions. Religious and local culture also contributed to the development of IMFIs. It means that the level of religiosity and culture proves the significant factor in developing IMFIs business. Therefore, the philosophical basis of BMT is to share prosperity among members rather than merely gain profit and business growth. From the seven leading social capital factors in microfinance institutions, in the case study in Indonesia, only 4 have valid values, namely cultural values, religious traditions, institutions, and geographic nature. This character is by Wagner's (2014) study, which adds to previous studies on the determinants of social capital, which tend to construct measures of cultural values, religious traditions, institutions, and geographic nature into bonding and bridging dimensions with an emphasis on kinship, neighborhood, demographic and socio-economic status, and deep connection. Salem & Abdelkader (2023) show that IMFIs have a lower breadth of outreach because of their income diversification.

Meanwhile, the results of the determinants of social capital need to be revised, in contrast to Dufhues et al. (2012) and Dinh et al. (2012), whose studies emphasize people's worldview, working ethos, and social networks as integrated indices. Based on a new philosophy. This result means that IMFIs in Indonesia, as social capital institutions, run their business with only four determining factors which form the basis of IMFIs' operations, such as cultural values being the main factor in IMFIs because of the various types of cultural values in Indonesia so that each IMFIs runs its operational business referring to the cultural values of each region. as local wisdom. On other primary factors, namely, religious traditions IMFIs as an institution under the sovereignty of the Indonesian state, the principle of nationality becomes the way of life of IMFIs, belief in the almighty god, so religious traditions are very embedded in its operational business. This result is in line with Kim & Hudayana (2022), who state that IMFIs are not only attributed to Sharia compliance but also contain a wide range of religious tendencies and practices. Islamic microfinance practices may contribute to serving many critical aspects of maqashid al-sharia (Alkhan & Hassan, 2021).

Regarding the main institutional factors, generally, IMFIs have become organized entities because they have rules, procedures, norms, and individual or group relationships. The final main factor is geographic nature, where IMFIs already have characteristics that are related to the physical environment of a particular region or location, such as climate, topography, vegetation, hydrology, flora, fauna, and other geological features that influence environmental conditions and life in a place. The results of the reliability test show that the determinants of social capital consist of 7 factors, namely cultural value, religious tradition, worldviews, ethos work, social network, institutional, and geographic nature, supporting Bhandari's (2009) study. The seven factors are reliable if used to determine social capital in institutions other than IMFIs, such as banking, insurance, and other financial industries, which are larger than IMFIs.

Fersi & Moujelbene (2016) show that organizational performance positively impacted the sustainability of IMFIs. The management of micro-finance institutions must give attention to asset-liability management to ensure better financial performance (Abebe, 2022). IMFI is the solution for financial inclusion in the community (Alaro & Alalubosa, 2019; Ali, 2017; Shinkafi et al., 2019). IMFI provides capacity building for financing to customers who receive financing as part of the risk management aspect (Wulandari & Kassim, 2016). Al-Awlaqi & Aamer (2019) suggest that IMFI should operate in rural areas to increase their productivity.

CONCLUSION

The determinants of social capital in the IMFI business, consisting of cultural values, religious traditions, people's worldview, geographic nature, working ethos, institution, and social networks, are considerably used to determine the IMFI business development. According to the test result, each social capital factor has a robust value and is applicable to developing the concept of social capital in the IMFIs and other financial institution businesses. The factors of social capital that have been implemented in many IMFI businesses and have supported their development by priority are institution, religious traditions, working ethos, social networks, cultural values, people's worldview, and geographic nature. According to expert and scholarly opinion, the priority choices in the determinants of social capital to develop the IMFI business are institution and religious traditions.

This result means the facilitators or respondents suggest that the institution must comply with the Sharia as a religious tradition. Working ethos and social networks aimed at strengthening the business and developing it through marketing and market reach are also essential. In the same way, cultural values are considered a priority as the IMFIs business develops in line with the cultural values and local wisdom of the surrounding community. The community perspective, which is increasingly familiar with the existence of the IMFI business, also needs to be considered as people's worldview. Lastly, the IMFI business development depends on the geographic nature or surroundings of the business.

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