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The role of social capital in reducing the level of non-performing loans: A case study on the *Mawar Emas* Program of West Nusa Tenggara

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Abstract---In various studies, social capital is believed to be the answer to problems related to loan repayment problems. The purpose of this study was to find out the reasons for the successful financing of the *Mawar Emas* program in reducing NPF numbers in West Nusa Tenggara. The author interviewed MES secretaries, mosque administrators, beneficiaries, NTB Sharia Banks, and academics from several universities using a qualitative descriptive method. To support these data, the authors obtained a two-year payment document for the *Mawar Emas* program. This study found that *Mawar Emas* financing does not burden customers because of small dependents, the group leader is responsible for collecting and paying debts to the NTB Sharia Bank, NTB Sharia Bank and the Islamic Economic Community (MES) to train and assist mosques and fund recipients, MES and mosques collaborate to hold bazaars for debtor businesses to increase their profits.

Keywords---NPF, *Mawar Emas*, Social Capital, MES, NTB

Introduction

Future poverty-eradication efforts can concentrate more on developing productive economic assets for the poor. This can be accomplished by assisting poor people with small businesses who have a strong entrepreneurial spirit in order to help capital in the form of physical capital, human capital in the form of increasing business skills, and social capital in the form of increasing the role of social capital. According to data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM), the number of MSMEs reached 64.2 million in March 2021, with a contribution to GDP of 61.07 percent or Rp. 8,573.89 trillion.

According to [Yamin & Dartanto \(2016\)](#), one of the ways to reduce poverty is through social capital. However, if social capital is only defined as the development of a network of relationships (physical) between components of trust (trust), a network of working relations (net-work), and cooperation (cooperation), as many economists in developed countries have argued, This is regarded as relatively superficial, as it has not directly addressed the roots or core of social capital strengthening. Cultural values are at the heart of social capital. Building social capital must begin with enhancing local cultural values. In addition to cultural values, elements of social capital that are thought to be important to develop in empowering rural communities include human resource competence or human capital, strong social management and civil society organizations, unequal social structures, strong local leadership, a strong moral and legal system, and good governance.

[Gannon & Roberts \(2020\)](#) emphasizes the importance of social capital in the implementation of community (economic) empowerment in many countries, including Indonesia, stating that too much emphasis is placed on the role of natural capital and modern economic capital such as artificial capital goods. People, technology, and management are frequently overvalued, and the importance of social capital such as local institutions, local wisdom, local norms and habits is frequently overlooked [Syahyuti \(2016\)](#) emphasizes the importance of social capital, particularly in developing countries, in alleviating poverty. The understanding presented is based on the assumptions that (a) social capital is related to the economy, social, and politics, and social relations affect how the market and the state work, and vice versa, the market and the state shape how social capital in society; (b) stable relationships between actors can promote the effectiveness and efficiency of both collective and individual behavior; and (c) social capital in a society can be strengthened, but it requires the support of specific resources to do so; (d) community members must support good social and institutional relations in order to create them.

[Dowla \(2006\)](#) demonstrated that social capital can provide a lesson in the very rapid growth of microfinance in the case of Bangladesh (Grameen Bank). Through the credits they receive, trust, norms, and networks have fundamentally changed the lives of most poor women. They have social capital in addition to financial capital, and by utilizing this social capital, debt repayments to Grameen bank can reach 99 percent. Mutual trust or trust (trust), reciprocity (relationship),

individual behavior (attitudes), and the network (network) are all indicators of the presence of social capital.

Norms emerge from historical traditions that are built on a person's or a group's procedures and behavior, resulting in social capital that can regulate personal and group interests. These norms can be used to informally regulate the relationship between one individual and another individual or group in order to foster trust. An economic activity can take place productively, efficiently, and economically in terms of economic criteria based on trust.

In this study, there is one example of Islamic financing that requires social capital as a condition of financing. The *Mawar Emas* program was launched to help fund and assist mosque congregations in West Nusa Tenggara by utilizing a system of joint responsibility for financing. After approximately two years of operation, the overall NPF level appears to be zero percent. As a result, this demonstrates that social capital can reduce payment risk. Based on these findings, a research question is posed: how would social capital reduce the risk of non-performing loans in the case of *Mawar Emas* West Nusa Tenggara.

Mawar Emas Program

Melawan Rentenir Berbasis Masjid (Fighting Moneylenders with a Mosque) is the abbreviation for Mawar Emas (Supiandi, Azizurrohman, et al., 2022; Supiandi, Pramuja, et al., 2022). This program was initiated by the Regional Financial Access Acceleration Team (TPAKD), which included NTB Sharia Banks, universities, and the provincial government. In practice, the Islamic Economic Community (MES) institution will provide the mosque with full support. Initially, the NTB Government established the *Mawar Emas* Program in 2020 with the goal of discouraging people from borrowing money from moneylenders and preventing MSMEs and the dangers of usury (Muttalib & Siwi, 2021).

Tanggung Renteng (Joint Responsibility)

Faidah & Dewi (2014) defines joint responsibility as "a shared responsibility among group members in carrying out their obligations based on an openness and mutual trust attitude." If there is a deviation in a group, all members of the group must bear the consequences (Faidah, 2014). Other people's perspectives on the meaning of joint responsibility differ from Faidah's. According to Arifin (2008), joint responsibility is a risk management system in organizations that is realized by dividing responsibilities among groups (Arifin, 2008).

The term "joint responsibility" can also be spelled "joint accountability." The Civil Code does not define the terms "joint responsibility" or "responsibility" explicitly. According to Article 1278 of the Civil Code:

"an agreement of responsibility or joint responsibility occurs between several creditors, if in the agreement expressly each is given the right to demand the fulfillment of all debts, while the payment made to one of them releases the debtor, even though the words according to their nature can be divided and divided among the creditors."

Furthermore, Article 1280 of the Civil Code states:

"If there is an obligation to bear responsibility between the debtor parties, then they are obliged to carry out the same thing, so that one of them can be sued in its entirety, and the settlement made by one of the debtors can free the other debtor from the creditor."

Social Capital

Social capital has a wide and complex scope. According to the point of view and dimensions used as a reference to interpret social capital, experts provide a very diverse understanding of social capital. In contrast to human capital, which refers to individual dimensions such as an individual's power and expertise. Social capital focuses on the potential of individuals and groups, as well as the relationship between groups in a social network, norms, values, and beliefs shared by group members that become group norms.

The ability of a company to benefit from networking is demonstrated by its social capital (Gannon & Roberts, 2020). Access to knowledge, resources, technology, markets, and business opportunities are examples of these advantages. Social capital resources are created by network ties, such as those formed in supply contracts between two firms. As interactions within firm relationships improve, social capital improves, potentially increasing profits. A qualitative indicator of the relational dimension is the level of trust and rational dependence between firms in a specific relationship. Trust is created when one company trusts another, and how actively the company participates in the relationship increases trust even more (Gannon & Roberts, 2020).

According to Adhikari & Goldey (2010), social capital is a collection of resources required by individuals or groups in order to have a more durable network of institutional relationships in order to recognize and respect one another. According to Bourdieu (2018), power and conflict are important elements of social relations, and the volume of social capital held by agents is determined by the size of the network of relationships that can be effectively mobilized. Another popular definition of social capital connects social capital to educational outcomes and human capital (Adhikari & Goldey, 2010).

Claridge (2004) and Adhikari (2010) define social capital as "the characteristics of social organizations, such as networks, norms, and trust, that facilitate coordination and performance for mutual benefit." In contrast to its effect on collective economic and political performance, he sees social capital as a type of public good. He emphasized that people's involvement in associational life leads to more effective public institutions and better services.

According to the works of Fukuyama and Putnam, social capital, particularly trust, develops through norms and reciprocity, as well as successful cooperation in civic networks. Trust is critical to driving economic prosperity and making democracy work. Social capital is critical to prosperity, but the economic consequences may not be felt as strongly as in social and political life. Similarly, Fukuyama claims that social capital may be more important than physical or

human capital for political stability, government effectiveness, and even economic progress (Fukuyama, 1995; Putnam, 1995).

Social capital also includes subjective, cultural processes such as beliefs and reciprocity norms that facilitate social action. This distinction demonstrates the reciprocal relationship between social capital, social organization, and social networks. Social networks and community social organizations provide resources that can be used to help people get involved. Social capital, in turn, generates additional resources that contribute to the social organization and social network resources of society. In this case, the subjective aspects of social capital, namely norms and beliefs, are emphasized (Voydanoff, 2001).

In the case of social capital, which is based on trust and expectations, someone who is considered honest and has a good reputation will find it easier to get awards than individuals who lack credibility, such as when applying for credit. In traditional societies, economic transaction relationships that are always repeated and produce good results have higher long-term survival expectations than economic relationships that are rife with manipulation. This social capital, in the form of expectations and trust, can be converted into advantages in order to gain economic benefits (Yustika, 2010).

Method

This research is included in the descriptive-qualitative category, which includes research that aims to describe specifically the situation, scenario, or social relationship that occurs in the research topic area (van Dijk, 2019). In this context, the description is intended to explain specifically and thoroughly about the role of social capital in encouraging people to pay bills for the *Mawar Emas* program.

The research locations are spread out with a focus on the macro scope, in this case West Nusa Tenggara. Sources of data in this study consisted of primary data sources (interviews and observations) and secondary data sources (documentation). Researchers interviewed directly the mosque, beneficiaries, lecturers, financial service institution, and the secretary of the *Mawar Emas* program.

Table 1. Details of Respondents

No	Respondent	Role
1	Respondent 1	Secretary of Sharia Economic Community (MES)
2	Respondent 2	Mosque Administrator (Takmir)
3	Respondent 3	Beneficiary
4	Respondent 4	Beneficiary
5	Respondent 5	Beneficiary
6	Respondent 6	Group Leader
7	Respondent 7	Sharia NTB Bank Staff
8	Respondent 8	Lecturer at Nahdlatul Ulama University, West Nusa Tenggara
9	Respondent 9	Lecturer at Universitas Hamzanwadi, West Nusa Tenggara

During the interview, the authors used a list of questions and a recording device to ensure that the information obtained was properly recorded. Secondary data is gathered from report books and other sources. Data analysis was performed by systematically compiling data from interviews, field notes, and documentation, organizing and describing them into units, confirm the statement, and drawing simple conclusions (Dicks et al., 2011).

Prior to the interview, the authors obtained each respondent's permission to be recorded and used as informants in this study. Respondents have the option of not answering or stopping the interview if they do not wish to continue. The average interview lasted about 20 minutes and took place at the respondent's home and workplace.

Results and Discussion

Mawar Emas

Based on information from the Secretary of the *Mawar Emas* program, the *Mawar Emas* program is designed to provide financial assistance for those who are not touched by banking. In addition, he added that this program comes from the culture of the people of Lombok (Sasak Tribe), namely *Betulung*. In Indonesian, *Betulung* means gotong royong (Mutual Cooperation). In other words, this program cannot be done individually but as a group.

"The Mawar Emas program is a program designed to raise awareness of fellow Muslims, with the program aimed at lower-middle-class pilgrims who do not have access to banking in general" (unbankable). To ensure the program's long-term viability, a system is being developed based on a social capital approach that has grown and developed in the Sasak community. The Sasak tribe lives on the Indonesian island of Lombok. It is known as the "Betung" lifestyle or, in Indonesian, mutual assistance or mutual cooperation among the Sasak people. The application for financing for the Mawar Emas program cannot be done individually, but must be done in groups of 20 people each. If someone is unable to pay the installments after receiving financing, it will be borne by all group members; this term is also known as joint responsibility." (Respondent 1)

"Loan lenders thrive in the midst of society because there is no access to formal financial institutions; they are able to respond to community needs without using collateral; and surveys are conducted on a regular basis with direct disbursement." However, because of the relatively high interest rates, this has trapped people in never-ending debt traps, and morning and afternoon loans must be returned. Consider the following scenario: the business's profit is depleted in order to pay interest. In my opinion, the presence of the golden rose with a social and religious approach is a solution for people who have become trapped in the loan shark system. The reduction in loan sharks in the villages where Mawar Emas is located demonstrates the program's success, and the customers' businesses are experiencing encouraging developments." (Respondent 9)

The *Mawar Emas* program has served as a model for other regions. This is due to the success of disbursing funds to refunds carried out over a two-year period.

"This program can serve as a model for access to finance for the unbankable; this can occur because the financing institution does not trust the prospective customers who apply for financing; this is reasonable because there are concerns about the ability to repay." However, the Mawar Emas program has demonstrated that the application of social capital that lives in the midst of the Sasak community is capable of making the unbankable bankable, reducing the likelihood of defaults and ultimately increasing the financial literacy of the Sasak community (Respondent 7)

The Role of Religious Leaders

Religious leaders play an important role in this Golden Rose program; in West Nusa Tenggara, religious leaders serve as life role models for the majority of the population. Religious leaders will encourage the public to participate in the *Mawar Emas* program and remind them of the importance of repaying the debts that have been assigned to them at every opportunity. This is supported by the mosque administrator's statement, which stated:

"Religious leaders play an important role in the lives of the Sasak people, and they serve as role models." Religious leaders' (Tuan Guru) speeches will serve as a guide in daily life, including economic life. This Mawar Emas involves religious leaders; at each recitation, religious leaders provide advice and directions to people who participate in the Rose Gold program and are diligent in paying dues, because the funds received are debts that must be returned. Every week, recitations are held (usually Friday). As the administrator of the mosque, I am responsible for directing the congregation so that they routinely pay their obligations every week, and based on my experience thus far, the congregation is very obedient to the mutually agreed-upon rules." (Respondent No. 2)

Beneficiaries Perspective

According to the beneficiaries, the *Mawar Emas* program does not impose a burden on them as MSME actors. The debtors admit that the dependents who must be paid every week are not so numerous as to be a burden.

"The Mawar Emas program is extremely beneficial to us as MSME players because the system implemented is not burdensome. We borrowed Rp. 1,000,000. for the initial stage, with the intention of repaying Rp. 25,000. per week until it was paid off, plus sincere infaq-shodaqoh. There is no requirement for everyone to participate in Infaq-sodaqoh. The average infaq per congregation ranges between IDR 2,000 and IDR 5,000. Even if a group member is unable to pay the dues, the other members will bear the obligation; for example, if one person is unable to pay, the other 19 group members will contribute IDR 1,300 per person." (Respondent 3)

In terms of payment, the *Mawar Emas* program is not overly burdensome. Whereas, as respondent 3 stated, if one member is unable to pay, the burden will be shared by all members. This is consistent with the principle of shared responsibility. Another intriguing feature is the presence of a group leader, the

chairman, who will be responsible for the group's members and will make withdrawals and deposits to the bank.

"The group leader is tasked with collecting mandatory deposits and infaq-sodaqoh of group members, each month it will be submitted to Bank NTB Syariah officers to be deposited into their respective accounts. The head of the group together with the mosque takmir routinely provides assistance to members".

Aside from that, there are other reasons for the *Mawar Emas* program's low number of bad loans (see table 2). Communities that receive financial assistance will receive business management training and assistance. As a result, it will have an indirect effect on increasing ability and income. Providers of financial assistance are also responsible for providing training to mosque managers so as to reduce the risk of NPF.

Table 2. Mawar Emas Report

No.	Financial Institutions	Services	Number of Mosques	Debtor	NPF
1	Sharia NTB Bank		28	116	0%
2	PNM Mekaar		1	20	0%
3	BPRS Dinar Ashri		3	60	0%
Total			32	196	0%

Source: MES' Document

"The mosque management also provides assistance to beneficiaries on a regular basis; there are financial management training programs, business management, training to improve product quality, packaging training, and business digitization training." Finally, all of these activities helped group members get to know one another better." (Respondent 4)

"Our duties as a financing provider consist of; being a resource for mosque management training, selecting files that have been recommended by MES, disbursing financing and monthly billing to group leaders and mosque administrators". Thank God, because this program is designed with a good scheme (Tanggung renteng), there are no customers who experience late payments, until the first phase of the program is completed, the customer's NPF is 0%." (respondent 7)

To increase the income of the fund recipients, the West Nusa Tenggara Syariah Economic Community (MES) and the mosque management held a bazaar for the products owned by the fund recipients.

"MES and mosques also work together to organize MSME bazaar activities in mosques. Mosques that were once only places of worship are now functioning as places of economic activity, which increases the community's social trust in mosques because they can meet the community's economic needs ". (Respondent 5)

With these activities, the mosque is no longer just a place of worship, but also a place for economic activity. This is similar to what happened during the Prophet Muhammad SAW's time, when the mosque served as a political, social, judicial, military, and economic center (Wahyudiana, 2014).

Conclusion

The purpose of this research is to discover the reasons for the successful financing of the *Mawar Emas* program in West Nusa Tenggara. The authors interviewed MES secretaries, mosque managers, beneficiaries, NTB Syariah Bank, and academics from several universities using a qualitative descriptive method. To back up the data, the author obtained a two-year payment document for the *Mawar Emas* program.

The *Mawar Emas* financial aid program comes from the culture of the Lombok people (Sasak Tribe) named Betulung. In Indonesian, *Betulung* means gotong royong (mutual cooperation). In other words, this program cannot be done individually but as a group.

This study discovered that, first, the *Mawar Emas* financing did not burden the customer because the fee to be paid every week was 25 thousand rupiah and if they were unable to pay, other group members would assist them. Second, the group leader will be responsible for collecting and paying debts owed to NTB Syariah Bank on behalf of its members. Third, as a step toward improving business capabilities, the NTB Syariah Bank and the Islamic Economic Community (MES) train and assist mosques and recipients of funds. Fourth, the *Mawar Emas* program and the mosque collaborate to hold a bazaar for debtors' businesses in order to increase their profits.

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