

Binding Social Capital: A Study of Bahrul Ulum Barokah Sejahtera Micro Waqf Bank Customers

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Abstract

This study explores the social capital that connects the borrowers of the Bahrul Ulum Barokah Sejahtera Micro Waqf Bank (Bank Wakaf Mikro, BWM). The research was driven by the successful repayment performance of BWM clients, despite challenges during the COVID-19 pandemic. Delayed repayments were expected as the pandemic forced the closure of Islamic boarding schools (pesantren) and the return of Santri students—who form a significant customer base for small and medium business owners in the vicinity. Upon the students' return during the New Normal period, restrictions on the activities of small and micro-businesses near the pesantren heightened the risk of loan defaults. However, contrary to expectations, no significant defaults occurred, and 80% of previously defaulted loans were successfully recovered. This phenomenon prompted further investigation into the factors that contributed to this outcome. Using a sequential mixed-method approach, this study distributed 95 randomly sampled questionnaires and conducted interviews with seven purposively selected informants. Robert D. Putnam's theory of social capital was applied to examine the role of networks, norms, and trust among BWM borrowers. The findings reveal that bridging social capital was the most significant factor in ensuring clients met their repayment obligations. Geographical proximity, shared educational backgrounds, income levels, and religious ties emerged as critical binding social capital elements influencing loan repayment.

Keywords: *binding social capital; micro waqf bank; loan repayment.*

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Introduction

Improving the welfare of the financial sector is considered a strategic approach to eradicating poverty, even though many conventional financial services remain inaccessible to low-income families (Tamilarasu, 2014). Among these families, women are globally more vulnerable to poverty than men (World Bank, 2000; United Nations, 2015). Beyond gender inequality, women's poverty is exacerbated by disparities in income distribution, limited access to credit facilities, lack of control over property and earnings, and, significantly, religious and cultural barriers (Mahmood et al., 2014). According to BPS data, in March 2020, the poverty rate among women in Indonesia was 9.96% of the total population, 0.37% higher than that of men, which stood at 9.59% (BPS, 2020).

Since the establishment of Grameen Bank and Professor Muhammad Yunus's Nobel Prize recognition in 2006, microfinance has gained prominence as an effective tool for poverty reduction over the past three decades. The Grameen Bank model, founded in Bangladesh, has been widely adopted in various physical, cultural, and institutional contexts and is recognized as the most notable microfinance model (McGuire & Conroy, 2000). Microfinance provides access to microcredit for the poor, allowing financial inclusion for those previously excluded from conventional banking systems (Fadun, 2014). Notably, the majority of microfinance recipients are women, illustrating its success in empowering women toward greater self-sufficiency (Islam et al., 2021; Nissar & Ayedh, 2017).

Microfinance institutions have been established in Indonesia as part of efforts to eradicate poverty. One such initiative was the establishment of the Islamic boarding school-based Micro Waqf Bank (BWM) in 2017, with the primary goal of positioning Islamic boarding schools as driving forces in their surrounding communities' economies (Rahib et al., 2022). According to national statistics, by 2023 there were 62 BWMs, with cumulative disbursements totaling 102.9 billion, outstanding financing amounting to 13.1 billion, and a customer base of 63,000, of which 13,900 had outstanding loans (National et al., 2023). Notably, 90% of BWM customers are female (Viva, 2019).

In its operations, BWM provides collateral-free financing to impoverished communities surrounding Islamic boarding schools, employing a group approach with a joint responsibility system and offering regular support (Disemadi & Roisah, 2019; Soedrajat et al., 2018). BWM is the only Sharia microfinance institution in Indonesia that integrates a mentoring system for its customers, and it is primarily located within Islamic boarding schools. The key differences between BWM and other Sharia microfinance institutions lie in the selection of potential customers, training and mentoring through the Weekly Halaqah (Halmi) mechanism, and the joint liability financing model. The institution aims to help customers improve their business performance (Ramadhan & Sukmana, 2019).

Religion plays a vital role as a component of social capital in Sharia microfinance institutions, a feature not found in conventional microfinance institutions, according to Kamaluddin et al. (2014). This religious principle is particularly evident in BWM, which targets the Islamic boarding school community to expand financing and empower the local economy while fostering entrepreneurial motivation and financial inclusion in the surrounding communities (Kominfo, 2020).

Several factors contribute to Islamic boarding schools serving as managers of BWMs: (1) their proximity to impoverished but productive communities, (2) the school's leadership, which has expertise in Sharia finance, (3) the integrity, moral character, and financial reputation of potential administrators, and (4) the competence of administrators in developing microfinance and empowering communities (Chrisna & Nasution, 2021; Rosalinda & Nurhasnah, 2021). There are currently 62 BWMs located across 62 Islamic boarding schools throughout Indonesia, including BWM Bahrul Ulum Barokah Sejahtera in Jombang, which is affiliated with the Bahrul Ulum Tambak Beras Jombang Islamic Boarding School (OJK, 2019).

Initial data indicates that during the pandemic (from 2019 until the implementation of the New Normal in mid-2022), BWM customers faced difficulties in repaying funds. All customers of BWM Bahrul Ulum are women who operate small businesses such as

laundry services and snack stalls near the Islamic boarding school, and they are heavily reliant on these earnings. Consequently, during the pandemic, when government directives required most Islamic boarding school leaders to send students home and suspend classes, BWM customers struggled to repay the borrowed funds.

Since the onset of the New Normal, Islamic boarding schools have resumed teaching, albeit with policies limiting micro and small business activities around the schools, allowing only families to operate businesses. Despite the financial challenges posed by the pandemic, customers continue to attempt to repay their loans (interview with Dewi, 2022). In addition to BWM management's efforts to recover loan funds, researchers have identified another critical factor in loan repayment—the strong social bonds among customers, which were established before they became BWM borrowers and have persisted throughout the pandemic.

Several studies have demonstrated that the success of lending relationships between microfinance institutions and customers is strongly linked to social capital (Iqbal & Rao, 2022; Ma'ruf et al., 2016; Rodriguez et al., 2010). Social capital within microfinance institutions significantly influences the repayment rate of customer loans (Efendi & Utami, 2016; Sanrego & Antonio, 2013). Microcredit, used as a tool for poverty alleviation, has also shown positive developments by connecting credit with social capital within communities (Habib et al., 2020; Nugroho, 2018).

Social capital is a collective asset comprising norms, values, beliefs, networks, social relationships, and shared institutions that facilitate cooperation and collective action for mutual benefit (Bhandari & Yasunobo, 2009). Putnam (1993) defines social capital as features of social organization, such as networks, norms, and trust, that enable action and cooperation for mutual benefit. He categorizes social capital into three types based on the nature of social ties: bonding, bridging, and linking social capital.

Durkin (2001) posits that bonding, rather than bridging, fosters prosperity. Bonding among members of the same organization is particularly valuable because homogeneity is crucial in the subsequent formation of bridging and linking social capital. The

role of bonding social capital necessitates high levels of trust among group members (Veritia & Arifianto, 2020).

Research on BWMs in Indonesia has predominantly focused on how these institutions operate in poverty alleviation (Disemadi & Roisah, 2019; Balqis & Sartono, 2019; Nurhayati & Nurjamil, 2019; Aisyah, 2021) and their legal frameworks (Nugroho & Hilal, 2019; Sulistiani, Yunus, & Bayuni, 2019; Arinta et al.). However, no research has yet examined how bonding social capital functions among BWM borrowers and how it has helped them endure the pandemic. This study aims to explore the bonding role of social capital in the community surrounding the Bahrul Ulum Islamic boarding school, which supports the operation of BWM Bahrul Ulum Barokah Sejahtera in Jombang, with a focus on understanding the bonding social capital among its female customers.

Methods

This study employs a mixed-method approach using a sequential strategy based on the concurrent triangulation strategies model. Quantitative data is collected and analyzed first, followed by qualitative data collection and analysis to supplement the quantitative findings (Cresswell, 2003). The population for this study consists of all customers of BWM Bahrul Ulum Barokah Sejahtera. According to BWM management data, there were 125 customers in 2022. The Slovin Formula was used to calculate a sample from this population with a margin of error of 5%. Based on the BWM customer population, a proportional sample size of 95 was determined using the Slovin Formula.

The sampling technique used in this study was simple random sampling, allowing all members of the population an equal chance of being included in the research sample, considering the population's homogeneity. In this study, homogeneity refers to the similarity of population members as BWM Bahrul Ulum Barokah Sejahtera customers.

Quantitative data was collected through questionnaires distributed during Halmi (Weekly Halaqah) sessions. In this study, quantitative data is classified as primary data. To measure social capital descriptively, researchers collected numerical data directly

from the research sample. The quantitative data was then analyzed using descriptive statistical techniques, including editing, coding, scoring, data tabulation, and interpretation (Weinstein, 2010).

Qualitative data was collected through interviews and observations with BWM Bahrul Ulum Barokah Sejahtera customers. Non-participant observation was conducted by attending Weekly Halaqah (Halmi) sessions with six randomly selected customers. The qualitative data obtained was analyzed through four stages: 1) data collection, 2) data reduction, 3) data presentation, and 4) conclusion drawing (Miles et al., 2014).

Results and Discussion

BWM Bahrul Ulum Barokah Sejahtera, also known as LKMS Bahrul Ulum Barokah Sejahtera, operates under Operational License KEP-20/KR.04/2018 and legal entity number 006970/BH/M. KUKM.2/I/2018. It is located in Tambakrejo, Kec. Jombang, Jombang Regency, East Java. From 2018 to 2019, BWM Bahrul Ulum Barokah Sejahtera gathered 300 customers who were members of 20 Community Business Groups Around Islamic Boarding Schools (KUMPI). However, due to the Covid pandemic, the number of customers decreased by more than 50%, and the customer base is now limited to 125 individuals.

According to Standard Operating Procedures (SOP), BWM Bahrul Ulum Barokah Sejahtera employs a joint responsibility system among its members. If customers fail to repay borrowed funds, other members of the same group are required to cover the installment (Balqis & Sartono, 2019). This joint responsibility system emphasizes values such as kinship, cooperation, openness, courage in expressing opinions, and the development of discipline, responsibility, self-confidence, and leadership among members (Saripudin, 2013).

A typical KUMPI consists of five members chosen based on administrative requirements and “reputation” (interview with D, 2022). Weekly Halaqah (HALMI) sessions are held once a week for 60 minutes and are divided into two parts: the first for capital disbursement or installment payments, and the second for group coaching efforts such as household economic management, religious teachings, and

business development (Arba'in et al., 2019).

The demographic profile of the research respondents shows a wide age range. As indicated in Table 1, the age group with the highest percentage, 34.7%, is between 47 and 53 years old, as Halmi was most attended by individuals in this age group. All 95 respondents, representing 100% of the sample, were female.

Table 1. Respondent Age (N = 95)

Age (year)	Frequency	Percentage (%)
26-32	4	4.2
33-39	16	16.8
40-46	20	21.1
47-53	33	34.7
54-60	11	11.6
61-67	9	9.5
68-74	1	1.1
75-81	1	1.1

Based on information collected from the 95 respondents who completed the questionnaire, the occupations of BWM customers vary. Most respondents, 56 (58.9%), were traders. The second most common occupation was self-employment, with 22 respondents (23.2%). These respondents typically operate laundry services for students. Meanwhile, 17.9% of respondents were housewives (see Table 2).

Tabel 2. Respondent Occupation (N = 95)

Occupation	Frequency	Percentage (%)
Small Trade	56	58.9
Self-employed	22	23.2
Housewife	17	17.9

The data also shows that 40% of the 95 participants had completed their education up to the high school or vocational school level (see Table 3).

Table 3. Respondent Education (N = 95)

Education Level	Frequency	Percentage (%)
Elementary school	22	23.2
Junior High School	32	33.7
Senior High School	38	40
Bachelor's Degree	3	3.2

*Social Capital of BWM Barokah Sejahtera Female Customers
The Network of BWM Borrowers*

Putnam stated that social capital is the primary requirement for social networks to function. Through this component, group members get to know one another and carry out coordination and communication, or interaction (Field, 2018). Without a social network, it is challenging to develop other components of social capital, such as trust and norms, making it difficult for social capital to work optimally, either individually or in groups.

Table 4. BWM Female Customer Network (N = 95)

Component	Answers	Frequency	Percentage (%)
Get to know other members	Yes	94	98.9
	No	1	1.1
Member closeness	No close	0	0
	Close	73	76.8
	Very close	22	23.2
Relationship with members	Acquaintance	2	2.1
	Neighbors	83	87.4
	Relatives	10	10.5
Time to get to know members	Four years (since BWM was established)	18	18.9
	More than four years (before BWM was founded)	77	81.1
Interaction outside BWM activities	Yes	93	97.9
	No	2	2.1
Intensity of interaction outside BWM activities	Not often	11	11.6
	Often enough	23	24.2
	Often	59	62.1
	Very often	1	2.1
Forms of interaction outside BWM	Social gatherings/other community activities	8	8.4
	Selling	8	8,4
	Both	79	83,2

According to field data, 98.9% of respondents are familiar with their group members and fellow customers, while only 1% are unfamiliar with all group members. Since BWM customer members must form a group before becoming customers and participate in KUMPI within that group, their knowledge of other group members significantly increases. Consequently, customer members are likely to be well-acquainted with other group members.

However, knowing fellow group members does not guarantee that the social network will function effectively. The closeness among group members is crucial for the proper functioning of these networks. In this study, 76.8% of the 95 participating customers reported being close to their group members, while 23.3% described their relationships as very close. This closeness among group members is essential to meet the core requirements of social capital.

What fosters such close or very close relationships among group members? The data reveal that 2.1% of these relationships originated from acquaintances, 87.4% from neighbors, and 10.5% from relatives. This indicates that most respondents knew each other long before they joined BWM. Since all BWM customers reside in the vicinity of the Bahrul Ulum Islamic boarding school, they have regular interactions with other group members. Additionally, 81.1% of these members have known one another for more than four years, while 18.9% have known each other for less than four years (since the inception of BWM). This suggests that their social networks have been developing for a long time, predating BWM's establishment.

If members only interacted during BWM activities, implementing the core work of Sharia microfinance institutions—offering collateral-free loans and a system of joint responsibility based on community empowerment around Islamic boarding schools—would be challenging. BWM members' social networks are not confined to BWM activities; they also extend to non-BWM activities. Outside of BWM activities, 97.9% of the 95 members reported interacting with fellow group members, with 11.6% doing so infrequently, 24.2% quite frequently, 62.1% frequently, and 2.1% very frequently. Only 2.1% of members reported no interactions outside of BWM activities.

Additionally, 8.4% of the 95 participants interacted with fellow members through social gatherings or other community activities. A further 8.4% interacted during trading activities, while 83.2% combined both social gatherings and trading activities with fellow members. According to interviews, BWM group members reside in the same PKK group area, where they engage in activities like making herbal drinks and displaying them at exhibitions (Interview with Mrs. A, 2022).

The interrelationships between group members, characterized by close ties and intense communication, form the social structure of the community. Individual relationships within each cluster are often marked by clear and frequent information flows. These clusters are typically formed among individuals with commonalities, such as shared personal interests, hobbies, religion, ethnicity, profession, income, or location (Burt, 2005).

Similar economic conditions, education levels, professions, social statuses, and locations create an in-group with strong social ties. The shared economic situation, educational background, and roles as business owners, traders, or housewives (as shown in Tables 2 and 3) indicate that BWM customers belong to the same social class. Observations further reveal that female BWM customers live close to the Bahrul Ulum Islamic boarding school, within 0–500 meters. This proximity increases the potential for developing social interactions, more so than for those who do not live near the school.

Social networks are also unique sets of relationships formed among groups of people, and the characteristics of these relationships can help interpret the motives behind their social behaviors (Lenggono, 2004). Superman (1995) defines social networking as “the process of grouping several people (at least three) with distinct identities, who are connected through social relationships.” BWM customers, who share common identities and locations, have social relationships that predate BWM’s establishment and have developed bonds of friendship and kinship.

Face-to-face contact and casual conversations within the same group often lead to close relationships, known as closed networks (Burt, 2005). The content and substance of realizing or utilizing

social capital as a resource come from these social relationships and interactions. These range from immediate and extended family environments to circles of friends, acquaintances, and members within groups, communities, associations, networks, and organizations. Customers' interactions go beyond borrowing or returning BWM funds; they engage in daily interactions as neighbors or relatives. This creates the foundation for binding social capital.

The Norms Among BWM Female Borrowers

One of the essential conditions for social capital to function is the presence of norms, which serve as the foundation for building trust among female customers. Prescriptive norms, a key element of social capital in a collective, require individuals to set aside personal interests for the benefit of the group. These norms act as the preconditions that underpin the emergence of trust. As Putnam (2000) explains, values are embedded within social networks, and these values serve as the adhesive that binds relationships together, fostering cohesiveness.

Table 5. Norms for BWM Female Customers (N = 95)

Component	Criteria	Frequency	Percentage (%)
The rules are clear	No	1	1.1
	Yes	94	98.9
The borrowing and repayment mechanism is clear	No	3	3.2
	Yes	92	96.8
Compliance with mechanisms	No	3	3.2
	Yes	92	96.8
There are penalties for violators	No	22	23.2
	Yes	73	76.8

Component	Criteria	Frequency	Percentage (%)
Types of penalties for violators	Reprimanded	77	81.1
	Rumored	3	3.2
	Expelled	3	3.2
	Banned from being a customer	12	12.6
Commitment to improving the family economy	No	94	98.9
	Yes	1	1.1

In general, norms represent concrete values that guide individual behavior according to societal rules. To maintain the effectiveness of BWM's operational mechanism in empowering the community around the Islamic boarding school, violations of these mechanisms are met with binding penalties for all BWM customers. This enforcement reinforces trust among members and strengthens trust in BWM itself. Among the 95 respondents, 76.8% were aware of penalties for violations of BWM's mechanisms, while 23.2% were unaware of such consequences

Although 23.2% of members are unaware of penalties for violations, such as late payments, all members understand the types of punishments imposed on customers who fail to comply with BWM's mechanisms, especially in terms of fund repayment. This understanding is due to BWM's joint responsibility system, which applies to both capital and its repayment. The structural dimension of social capital, where rules arise from roles and regulations within social organizations and interpersonal relationships, is shaped by dynamic vertical and horizontal factors (Uphoff, 1999).

Sanctions for customers are both formal and informal. According to 81.1% of respondents, reprimands were the most common form of punishment. Additionally, 3.2% noted that gossip served as a form of punishment, 3.2% mentioned expulsion, and 12.6% reported that violators were permanently banned from becoming customers again. Most members prefer issuing a warning, the least severe punishment, in order to preserve relationships or social networks among BWM members, friends, acquaintances, or relatives.

Internal sanctions (such as feelings of guilt, shame, or fear of divine retribution) stemming from violations of norms governing cooperation and trustworthiness have limited impact for some individuals. However, the threat of social exclusion can inspire feelings of trust and reliability. Exclusion acts as a powerful motivator, especially when the cognitive dimension of social capital—based on norms, values, attitudes, and beliefs—promotes trust, solidarity, cooperation, and friendship within civil society (Uphoff, 1999).

Contracts formalize norms, but their complexity can sometimes become a hindrance due to the high transaction costs involved. In contrast, trusting relationships founded on informal norms and personal connections can eliminate the need for costly legal arrangements and complex contracts. In BWM, norms are now more commonly observed, as the joint responsibility system encourages customers to conform to social norms rather than violate them.

“Niku riyen nggeh sempet gara-gara nggeh sakit terus wonten usia, lek metu karepe dewe boten wonten, anggota e alhamdulillah sae-sae meriki. Munggo ngoten mboten wonten seng nunggak-nunggak ulanan nggeh mboten wonten (In the past, some people left due to illness or age, but no one left voluntarily from BWM. Thank God, all the members here are doing well. No one has delayed payments for months.) (Interview with Bu E, 2023)

“kalau nasabah nakal adalah mba itu pasti kami tegur tapi selama ini ya ndak ada i mba, kadang ada yang telat satu jam dua jam gitu kalau sampai berhari-hari nggak ada” (If there are any troublesome customers, we would certainly reprimand them, but so far there haven’t been any. Occasionally, someone might be an hour or two late, but we’ve never had anyone absent for days.) (Interview with Bu L, 2023)

Grootaert (1999) found that participation in collective action was more common among members of homogeneous rather than heterogeneous associations, particularly in rural Indonesia, where kinship and religion are key group dimensions. Among BWM customers, factors such as gender, geographic location,

socioeconomic status, religion, and education contribute to forming a homogeneous group of women committed to improving their family economies through collective action supported by BWM. In this study, 98.9% of respondents expressed a commitment to improving their family economies through microbusinesses, with only 1% showing no such commitment. This high level of dedication has become a norm among BWM customers and is a key reason why both BWM and its members have persevered through challenges, including the COVID-19 pandemic.

The Trust Among BWM Female Borrowers

According to Putnam, trust in social capital can only emerge after forming a social network and is strengthened by norms that support trust and trustworthiness. Trust involves taking a risk based on confidence that the other party will consistently act in a way that benefits, rather than harms, the individual or group (Field, 2018).

Tabel 5. Trust Among BWM Borrowers (N = 95)

Component	Criteria	Frequency	Percentage (%)
Length of time joining BWM	<1 year	3	3.2
	2 - 3 year	34	35.8
	≥ 4 year	58	61.1
Criteria for becoming a member	Economic condition	4	4.2
	Personal relationship	5	5.3
	Trust	86	90.5
Ask members for help when needed	No	7	7.4
	Yes	88	92.6
Ensure members assist when needed	No	5	5.3
	Yes	90	94.7
Forms of assistance	Advice	8	8.4
	Lending money	84	88.4
	Giving money	3	3.2

Component	Criteria	Frequency	Percentage (%)
Intensity of group members to help	Not often	70	73.2
	Often enough	12	12.6
	Often	13	13.7

Since joining BWM, members have become familiar with its capital mechanisms and how BWM assists KUMPI in improving the productive economy. Of the 95 respondents, 61.1% had been members for more than four years, 35.8% for two to three years, and only 3.2% for less than one year.

BWM members prioritize trust over personal relationships and economic conditions when enforcing systems and mechanisms. Data from the field shows that 90.5% of respondents believe trust is essential for group membership, while 4.2% prioritize economic conditions and 5.3% value personal relationships. Trust, as mutual confidence between two or more individuals during interactions, is a key factor.

One of the most frequently studied sources of trust in social capital is reputational considerations. Group members are expected to uphold their commitment to the rules within the BWM (Bank Wakaf Mikro) system, especially since the funding does not involve collateral. Glaeser et al. (2000) found that the duration of participants' relationships with their partners influenced their willingness to repay the money. Since BWM members spend considerable time getting to know one another before becoming BWM customers, trust is built upon pre-existing social networks.

Trust in fellow members becomes particularly evident when individuals face difficult circumstances. For instance, 92.6% of members, who are neighbors, acquaintances, or relatives, seek assistance from the group during financial difficulties. However, 72.4% prefer not to ask for help from other group members when encountering problems. Despite this, other members confirm their willingness to help in problematic situations 94.7% of the time. This mutual assistance fosters a beneficial relationship based on trust, highlighting the importance of social capital among BWM customers.

Typically, when a group member requests assistance, 88.4% of members lend money, 3.2% give money, and 8.4% offer advice or solutions. Lending money is a common practice among customers, as they trust it will be repaid within the agreed timeframe. This faith in one another enhances collaborative efforts. Trust involves a readiness to accept risks in social relationships, with the expectation that others will meet expectations and act in a mutually beneficial manner (Yunus, 2020).

Despite the willingness to help, only 13.7% of members frequently seek assistance from fellow BWM customers. Specifically, 12.6% request help often, while 73.2% do not regularly seek assistance. The low frequency of help-seeking can be attributed to the economic challenges faced by BWM customers, especially during the pandemic, which made it normatively difficult to ask for aid from those who also need economic support (interview with Mrs. D, 2023). With mutual trust, there is less need for monitoring others' behavior to ensure it aligns with our expectations (Yunus, 2020).

Trust is also influenced by homogeneity, population composition, and diversity. Areas with a racially and culturally homogeneous population and low diversity generally exhibit higher levels of trust. The homogeneity of BWM customers is evident in their location, education level, and socio-economic status (see Tables 2 and 3). Collective action based on mutual trust can enhance community participation and collective progress (Yunus, 2020), fostering cooperation among BWM customers in fulfilling their responsibilities.

Trust and trustworthiness frequently emerge in informal institutional environments; in this study, they are associated with neighborhood social relations. A person expects another to be trustworthy while displaying confidence in their trustworthiness. In social relationships where trust has developed, an individual typically contributes voluntarily to fulfill societal obligations and refrains from cheating. Even when confronted with profit-loss relationships in economic contexts, this belief usually persists.

Putnam (1993) contends that voluntary associations, in particular, “instill in their members habits of cooperation, solidarity, and community spirit” that positively impact trust and cooperative behavior in the broader social sphere. There are three reasons for this conclusion. First, shared membership can reflect and promote common interests. Second, increased and intense contact with others can enhance the value of social exclusion as a punishment for untrustworthy behavior, thereby affecting reputation. Finally, close contact can increase the flow of information and trust in the reliability of others.

Grootaert (1999) found that participation in collective action by members of homogeneous, rather than heterogeneous, associations occurs more frequently among rural residents in Indonesia, with kinship and religious groups playing a significant role. Income inequality reduces trust, while ethnic and linguistic homogeneity increases it. As fellow Muslims with a typical Javanese culture of kinship and neighborliness, living in the same geographical area and experiencing similar economic conditions, BWM customers are homogeneous. Trust fosters collective action, which is evident in activities outside of BWM operations, such as PKK or recitals, activities designed to instill trust among BWM customers.

Conclusion

The social capital binding customers is critical to the success of BWM's operational mechanism as a microfinance institution, which aims to improve the economic conditions of small and micro business owners around Islamic boarding schools. The strength of this social capital is especially notable when customer homogeneity is established. Shared geographic locations, similar educational levels, the same religion, common language, and similar economic conditions form the basis of binding social capital among BWM customers.

This binding social capital functions within BWM to form groups (KUMPI) that require social credibility and joint responsibility in the lending and repayment system. Before becoming BWM customers, individuals formed social relationships as community resources, facilitating their collective functions and actions. Both

individuals and small groups possess social capital due to the norms, networks, and trust established before and after becoming BWM customers. This relationship allows BWM's operations, particularly fund recovery, to continue without negating the efforts of BWM management to engage customers in returning funds, even when disruptions occurred during the COVID-19 pandemic.

This study focuses on the social capital that binds BWM customers to understand how they can persist and successfully return borrowed funds. Future research could explore other aspects of social relations, such as customer interactions with BWM administrators and the Islamic boarding school itself, to further elucidate how microfinance operates through bridging and linking social capital.

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