

The Informal Financial Institutions Based Social Capital (A Case Study in Baitul Mal Wa Tamwil District Agam West Sumatra)

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1. Background Research

Economic activity in the countryside in general is dominated by small-scale farms with the main actors of farmers, farm workers, traders and agricultural inputs, agro-processing, and home industries. However, businesses in general are still faced with the classic problem of the limited availability of capital, capital constraints may limit the space for agricultural activities in the rural sector (Hamid, 1986).

Weak capital economic actors in rural areas has been recognized by the government, with the state government launched several programs for credit to farmers and small farmer entrepreneurs. Starting with the credit Bimas 1972, then followed Credit Small Investment (Kredit Investasi Kecil/ KIK) and the Permanent Working Capital Loans (Kredit Modal Kerja Permanen/KMKP), Income Generation Project Farmer / Fisherman Small (P4K) Farmer Business Credit (Kredit Usaha Tani/KUT), and to date they occurred People's Business Credit (Kredit Usaha Rakyat/KUR). Although the government has implemented a variety of loan programs, but the performance results are deemed still not in line with expectations. This is reflected in the performance of financial institutions has not been satisfactory, especially on the financial institution as the executor.

According Martowijoyo (2005) the weak performance of financial institutions as financial intermediasi institutions can be viewed from three aspects: (1) low levels of loan repayment; (2) low morality of the implementing agency, and (3) low level of mobilization of public funds. The disadvantage of these has consequences for not continuing financial institutions set up after the program is completed. As a result, program participants generally will again experience a shortage of capital.

To answer the problem of limited capital and banking institutions are difficult to access for small farmers, it is necessary to further optimize the potential of financial institutions which can be an alternative source of funding for farmers and rural communities. One of the financial institutions that can be exploited and encouraged to finance micro segment is Baitul Maal Wa Tamwil (BMT), which includes one of the Informal Financial Institutions (IFIs), yet can not be used optimally.

BMT built by the Government is able to exist and contribute to serve the capital needs of low-income rural development although in these institutions received government assistance. BMT existence in the countryside could play a role serving the needs of small farms, although it is still limited in scope particular group. This shows their internal capital mobilization in the communities of farmers / rural, so the issue of capital is not always small farms can only be solved by relying on external capital mobilization.

Fukuyama (2002) argues that social capital, focused on the importance of the relationship in economic affairs. Furthermore it is said that companies, industries, regional, and national economies can function more efficiently if there is respect for one another and the relationship of trust between citizens. Putnam (1993), has also shown evidence that economic growth is positively correlated with the presence of social capital. Economic development in a community and economic development of rural would be good if the following characteristics are owned by economic actors in a synergy between the activities of the community, namely: (1) The presence of close relationships in a village with other village between members people, (2) the presence of leaders who are honest and egalitarian who treat themselves as part of a community, not as rulers, and (3) the existence of mutual trust and cooperation among the public.

The study Nuwirman (1998) mentions the raising of capital in the form of principal, mandatory, voluntary savings or sadaqoh activity of group institution and House of Village Fund (Lumbung Pith Ngari/LPN) in West Sumatra.

People who have high social capital will open up the possibility of resolving the complexity of the problems more easily. Mutual trust, tolerance, and they can build networks of cooperation both within community groups as well as with other community groups. Traditional communities, are known to have informal associations were generally strong and has the values, norms, and ethics collectively as a community interconnected.

Other institutions have been successful in utilizing local institutional as financial intermediaries with rural communities is a non-bank credit institutions such as House of Fund Village (LPD) Bali and LPN in West Sumatra. The purpose of the institution is a financial intermediary for the rural poor (Robinson, 2001).

2. Research Problem

Model BMT which is one of the Informal Financial Institutions (IFIs). IFIs in the form of Baitul Maal Wa Tamwil (BMT), although relatively less dominant (in the restricted group), but are able to exist in serving the credit needs of small medium businesses and not exploitativeness, as Julo-Julo (Zakri, 2001) and a group of joint venture (Nuwirman, 1988). The agency is able to meet the credit needs of people who are not able to access credit sources Formal Financial Institutions (LKF).

The ability of agencies played in the countryside because he grew out of the community and has a joint capital (Acharya et al, 1992; Quinones Jr., 1992) based on the social values developed in the community. Even in the group Kongsi in West Sumatra are social values, customs and religion in financial management (Nuwirman, 1998). This is in accordance with the lifestyle of the people Minagkabau "Indigenous Basandi Syarak (ABS), Syarak Basandi Kitabullah (SBK)"

Based on the above phenomenon can be formulated research problem as follows:

- a. Why Baitul Maal Wa Tamwil (BMT) can survive in the long term and play an effective role in serving the needs of capital Small Farm (UTK) in rural areas?
- b. How Baitul Maal Wa Tamwil applying social capital in enhancing the role of microfinance institutions to serve the needs of capital UTK?

3. Review of Literature

3.1 Concept of Financial Institutions

Microfinance Institutions (MFIs) is a program of crediting for small amounts to the poorest to finance the project he's working on his own in order to generate income, allowing them to care for themselves and their families, "Programmes extend small loans to very poor for cell-employment projects that generate income, allowing them to care for themselves and their family ". Microfinance Institutions (MFIs) in Indonesia according to the Asian Development Bank and the World Bank (Gunawan, 2007) The main characteristic, namely; (1) provides a variety of financial services that are relevant or appropriate to the real needs of the community, (2) serve low-income communities and (3) using the procedures and mechanisms are contextual and flexible to make it more easily accessible to poor people need.

Developing micro enterprises is a strategic move because it would realize the broad bases development or development through equity. They need capital to develop its capacity. With business increases (becomes small scale enterprises), will effectively address the poverty suffered by themselves and expected to help people in the poor category.

3.2 Definition of Social Capital

Fukuyama (1995) illustrates the social capital in the trust, believe and *vertrauen* means that the importance of trust is rooted in cultural factors, such as ethics and morals. Trust appears the community to share a set of moral values, as a way to create a common hope and honesty. He also stated that the associations and the local network really has a positive impact on economic welfare and local development and plays an important role in environmental management. James S. Coleman (1999) asserts that, social capital as a tool for understanding social action that combines theoretical perspectives of sociology and economics. This notion was reinforced by Serageldin (1999) that social capital always involves the community and make the community arises not only from the interaction of market and economic value. Serageldin provides a classification of social capital among others:

- Social capital in the form of social interaction but durable unidirectional relationship, such as teaching and social interaction trading relationship was reciprocal (mutual) such as social networks and associations.
- Social capital in the form of social interaction effects are more durable in such unidirectional relationship of trust, respect and imitation are in the form of a reciprocal relationship like gossip, reputation, pooling, social roles and coordination, all of these contain high economic value.

Simple and general conclusion that can be raised about the main elements of social capital include norms, reciprocity, trust, and network, Fukuyama (1995). The fourth element is a significant influence on the behavior of co-operation to achieve the desired result, which could accommodate the interests of individuals and groups who cooperate collectively. In real terms in everyday life, when examined in depth, all the behavior of socio-economic activities of local community members embedded in social relationships network.

Referring to Fukuyana (1995) there are three parameters ie social capital:

- a. Confidence (trust): As explained Fukuyama (1995), trust is a growing expectation in a society demonstrated their honest behavior, organized and co-operation based on the norms that are shared. Social trust is an application to this understanding. Damage social capital will lead to anti-social behavior (Cox, 1995), the absence of social capital in financial institutions will lead to customer relationship with the manager of the institution will not trust each other.
- b. Norma: The norms consist of understandings, values, expectations and goals which are believed and

run together of religious, moral guidelines, and standards seem secular ethical code profesional. The norms are built and thrive based on the history of cooperation in the past and applied to support the climate of cooperation (Putnam, 1993, Fukuyama 1995). The norms can be a precondition nor a product of social trust.

3.3 Role of Social Capital

Coleman (1988), social capital is inherent in the structure of relationships between individuals. The structure of social relations form a network that creates a wide range of social qualities such as trust, open, unified norms, and define the various types of sanctions for its members. Putnam (1995) defines social capital as "features of social organization such as networks, norms, and social trust that Facilitate coordination and cooperation for mutual benefit".

Social capital is the adhesive for each individual, in the form of norms, trust and networks, resulting in mutually beneficial cooperation to achieve common goals. Social capital is also understood as knowledge and understanding shared by the community, as well as patterns of relationship that allows a group of individuals perform a productive activity. Sajalan also with what is proposed World Bank (1999), social capital is defined to the institutional dimension, relationship created, norms that shape the quality and quantity of social relations in society. Social capital did not mean only a limited number of institutions and social groups that support them, but also social glue that maintain the unity of the group as a whole.

Lesser (2000), social capital is very important for the community because it (1) provide ease of access to information for members of the community; (2) into a media power sharing or division of power in the community; (3) to develop solidarity; (4) allows the mobilization of community resources; (5) allows the achievement of joint; and (6) establish and organize a community kebersamaam behavior. Social capital is a commitment of each individual to open with each other, mutual trust, authority for any person who chooses to act according to its responsibilities. This tool generates a sense of togetherness, solidarity and responsibility at the same time will progress together.

Specifically World Bank (1998) provided a focus of attention in the assessment of the role and implementation of social capital and the possible contribution in the process of poverty reduction, especially in developing countries. The role and position of social capital in the community daily activities also have been studied more intensively by experts from different scientific viewpoints among others, from the perspective of agro-eco system, economics, sociology, politics, anthropology and psychology.

4. Results Analysis

Analysis of the role of BMT Agam Madani is as a source of capital in the country, based on aspects of the philosophy of the establishment of the institution, accessibility, fairness of distribution, usefulness of credit, and the role of the board in capital mobilization in general it can be concluded that the BMT-oriented and have the option for the small business of farming (Usaha Tani Kecil/UTK) so as to play an effective role in meeting the credit needs of UTK.

From the aspect of the establishment of institutions, BMT is a local institution built, managed, and utilized by, and for the UTK. So that the institution's interests and needs UTK. From the aspect of aksesibilitas show credit from a financial institution case very easily accessible. This is caused by the application of procedures and terms of loans are relatively easy. From the aspect of fairness of distribution, indicating that more credit is allocated to UTK, both the number of recipients and lending.

From the aspect of credit benefits, although at BMT Madani Agam still feel the increase in income. While aspects of the board's role in the mobilization of capital, internal capital mobilization success is inseparable from the role of the board, ranging from the determination of the shape and size of the contribution of deposits to its formation mechanism involving members. The role of the board not only in the form of collective capital formation but also in fund management ziswah (social fund). This is because of the desire and ability of the board to provide adequate credit facilities, cheap, and easy for UTK. Besides the background most of the BMT caretaker who also acts as indigenous stakeholders, society figures also play a role in the utilization of social funds.

To see how the effectiveness of the role of BMT case against the provision of capital for rural UTK, presented empirical findings described in terms of the aspects analyzed as follows:

4.1 Establishment of the Institute of Philosophy

BMT is a local institution built, managed, and used by and for the community / UTK to overcome the difficulties of collective venture capital. Background of the establishment and management of community / UTK lead institution is in favor of the interests of the community / UTK itself.

Background of the establishment of this institute is to release people from the bondage of the moneylenders and middlemen. While the goal to be achieved, among others, to invite people pray in the mosque,

so that people can tithe-donation-shodaqoh, educate citizens help each other, providing capital loans, educate citizens behave honestly, and others.

In the development of the activity of BMT above, agencies are able to realize the objectives of the institution to meet the credit needs of the community, especially UTK. Credit service system tailored to the nature and dynamics of UTK, especially in the form of administrative procedures and requirements are simple and not absolute use of collateral.

4.2 Accessibilities

BMT Madani Panampuang Agam is a self-help group that specializes in savings and loans. The goal is for citizens regardless of bondage moneylenders and middlemen who provide loans with extremely high interest rates (40-60%) per annum. Therefore deliberately set up institutions that allow citizens receive venture capital easily and quickly do not harm. For the institutions managed by implementing procedures and requirements are simple, easily accessible.

BMT Board establishes the following requirements: (1) status as citizens and active Panampuang villages attend the meeting if invited, (2) have a viable business, (3) have the honesty. Members propose the funding requirements to the board in accordance with the business by filling in the form of loans. Furthermore, the board will consider the feasibility and efficiency report is concerned. When the board considers the members to be believed, then the credit can be given by signing an agreement for the return. Furthermore, members are given a card installment loans. Must sign an agreement intended as a binder between the members and the board's evaluation of the loan beyond.

Location informal financial institutions is quite strategic. Activities BMT Madani Agam activities carried out in his own office, which is located between the residential area which is easily accessible with existing transportation. In addition, members can meet face to face every day with the board either in mosques or in the office BMT. Office locations close to where people live within easy reach of the lead institution. The time required in the application process until the credit disbursed by the two institutions is generally relatively short, only 15-25 days. In short time on the credit application Agam BMT Madani for credit application process is relatively simple. Besides, the board usually ask for information, assessment, or the consideration of the members who know the condition of the borrower, so the time needed to approve the loan is very short.

Credit collateral requirements are generally not found in BMT especially the number of loans under Rp 5 million. The management only implement the system of trust and honesty that members will use the loan borrowed funds for productive business. Therefore, administrators do a rigorous selection of the members who apply for a loan, especially the efficiency report and uses of funds. This kind of information obtained from the participation of members.

Implementation of the system of loan repayment at BMT Madani Agam not incriminate members. Moreover, there is no requirement of collateral in applying for loans. However, members are required to hold the trust placed in the board, in addition to fines only apply to the BMT. To sensitize members, administrators often hold lectures / taklim mandatory members. This effort indirect positive impact on the awareness of people, so that the relatively low level of loan arrears.

4.3 .Keadilan Distribution

BMT credit rationing in both cases is quite good. From the number of loan recipients, the number of farmers and traders of agricultural products. The number of recipients farmers loans reached Rp 50.75 million (17.1%) of the total loan recipients while traders Rp 58,000,000 (29.2%), furnishings Rp 101.5 million (34.1%) and craftsmen Rp 87 million (30%). Of the loan amount allocated, farmers receive a smaller credit than traders, this according to administrators for existing farmers LKMA, the BMT looking for markets other than farmers (traders of agricultural products). The above description indicates that BMT cases in distributing loans to small farms in the study area is quite good, although in limited quantities and have not been able to increase farmers' income significantly.

4.4 The Benefit of Credit for UTK

Benefits of credit provided by BMT case against UTK research area can be seen from the beneficial aspects of credit in capital requirements UTK and konstribusinya in increasing revenue.

From the aspect of capital requirements, the BMT Madani Panampuang Agam, besides still constrained by limited capital institutions, also still serve to increase the income of farmers, so it is still difficult to be expected to boost agricultural development.

4.5 Role of the Board in the Capital Mobilization

The success in mobilizing capital at BMT is highly dependent on the role of the board and members. In Agam BMT Madani Panampuang, internal capital mobilization established through a consultation meetings and board

members. At this meeting the board in formulating policies concerning capital resources and financial contributions of each member's participation. Then the board asked for opinions, criticism and feedback of the members in the meeting deliberations.

Thus the internal capital mobilization, participation of members of the new member comes in the form of principal savings, mandatory and special savings that resulted from the operating income credit recipients. This participation is voluntary according to the ability of members. The survival of the institution depends on the awareness of the people and the spirit of togetherness in providing participation.

The mobilization of internal capital at BMT Madani Panampuang Agam is Nagari investment capital amounting to Rp 300 million (63.2 percent). While the participation of members in a special mandatory savings amounting to Rp 70.9 million (14.9 percent). Although the contribution of members in the form of voluntary savings and infaq / shodaqoh not visible due to the low level of income of farmers / members, but still in business administrators at weekly meetings to give awareness to the members in berinfaq and sadaqoh. The low contribution of members to the mobilization of internal capital due to the members' income is still relatively low due to lack of working capital.

Based on analysis of the effectiveness of the role of BMT, show partiality to members of the institution / community. BMT is still constrained by the accumulation of collective capital by the end of 2012 the new wealth amounted to Rp. 474 407 547.

The success of BMT internal capital mobilization of internal capital mobilization in the form of deposits also from the collection of members' savings fund is already running, though not in sufficient numbers.

4.6 Nature and Dynamics of Small Farm Credit Services as Object

From the analysis of the nature and dynamics of farming in both BMT cases, generally indicates that the existence of BMT in the study area tend to be aimed at serving the needs of capital UTK. This is consistent with the nature and dynamics of farming in the two institutions namely the object of credit services both institutions are UTK with a land area between 0.25 - 0.5 hectares.

This conclusion is supported by the fact the empirical findings of the analysis of the nature and dynamics of the farming area of land, land status, type of plant, the intended use of credit, collateral, amount of credit, capital resources, procedures and administrative requirements, as well as the loan repayment system.

- a. Land: In Agam BMT Madani Panampuang 93 percent of the farmers who cultivate agricultural land area of 0.25 to 0.5 hectares and is communal land. This suggests that farmers loans at BMT recipients in the study were mostly small farmers, and menengah.
- b. Land Status: BMT all the farmers in the majority (80%) is land / communal land (people), so that the status of farmers in BMT is as tenants. This shows that the institution does not only serve the farmer owners but also serves sharecroppers who is in need of working capital loans.
- c. Type of Plant: BMT mostly farmers from their land to cultivate food crops (rice and pulses). In Agam BMT Madani Panampuang 86.4 percent of farmers cultivating their land with rice plants, and 13.6 percent of the crops.
- d. Purpose of Use of Credit: At BMT is generally accepted credit loans used to finance farmers farming. Only a small proportion of farmers that in addition to using credit for farmers, also to finance trading businesses and family expenses. In Agam BMT Madani Panampuang 90.1 percent of farmers use loan funds effectively to the benefit of his farming business, while 9.9 percent more for agricultural business and family needs. This is a result of business administrators perform a rigorous selection and supervision of credit usage.
- e. Collateral: Generally members of the BMT is not absolutely disposable collateral although some who own land, so that in applying for loans, members are not subject to collateral requirements. To ensure that members are able to pay the installments on time, the officials only use a rigorous selection system, especially regarding feasibility, honesty and good name of members that can be obtained through the network members.
- f. Capital Resources: In both BMT, all members of the capital constraints that farmers face credit loans are the main source of capital. Because they do not have their own capital, efforts farmers are very dependent on the loan / credit
- g. Procedures and Requirements for Credit: In getting loans, all the farmers in the BMT no difficulty. Procedures and credit requirements that must be met relatively simple and easy to fulfill. Farmers only apply to the management of credit by filling out the form requirements, has a decent effort, and honesty. Within 7 to 25 days of credit was acceptable farmers. From interviews with farmers, all farmers feel the procedures and requirements set board is relatively simple and easy to fulfill.
- h. Credit Refund System: Credit refund system in BMT is felt by all the farmers are relatively mild or not burdensome. In Agam BMT Madani Panampuang, credit in installments every month and a maximum period of 1 (one) year and bears the cost of borrowing 1 percent a month, plus the loan services of 1

percent of the loan amount as a source of collective capital institutions. When farmers are in arrears, the board did persuasive action prior to the street gave verbal warning, then if not successful caretaker told ninik mamak is concerned, if not managed to pay off its debts party committee reported to the trustee ellipse, if they have not paid continue to be reported to the Wali Nagari and when still have not settled concerned is not served well by a guardian or trustee jorong village to take care of all the needs of correspondence such as Identity Card (KTP) until the loan repaid.

- i. Total Loans: The large amount of loans obtained by farmers from Agam BMT Madani, which ranges between Rp. 500 thousand - Rp15 million. The loan amount received by farmers from Agam BMT Madani loans are still felt inadequate, this condition is caused is still the lack of capital available in the BMT.

From the aspect of the intended use of credit loans mostly used for farming, in accordance with the board. But there are still farmers use a fraction loan for family living expenses because it has no other sources of funds. From the aspect of capital resources, farmers BMT highly dependent loans due to limited capital, semenantara of procedural aspects and credit requirements BMT is generally no difficulty. so is the loan repayment system, the vast majority did not object.

From the foregoing, it can be concluded that, UTK in the study area is characterized by businesses with limited space, there is still a sharecropper, and the business is seasonal. In terms of business dynamics, depending on the loan, no collateral, and just being able to access credit sources that do not flower or flower that is relatively low (12 percent annually) and easy to obtain.

Based on the data obtained, BMT has characteristics appropriate to the nature and dynamics of UTK above, which includes UTK as the main target of credit and limited capital, does not require the terms of the collateral, the loan generally low interest rates, and the procedures and requirements are easily accessible, the return is relatively mild (according to the client's ability), fast credit is obtained, and the location is easy to reach because it is all around customers / farmers and managers usually very well known by customers that process credit applications quickly be disbursed.

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4 7. The Role of Social Capital of the Effectiveness of BMT

Based on the analysis of data from BMT, it can be concluded that the BMT there are values of social capital, in the form of shared values, member participation, trust, and financial contributions, as well as religious values and customs were very instrumental especially in various aspects activities are analyzed. This is because the BMT .In the member / community consists of uniform professions (farmers) and always be directly involved and their willingness and awareness of officials and citizens to apply religious values and customs in various aspects of the operations are analyzed.

The above statement is supported by empirical findings in the field indicate that the role of values of social capital, both in the process of establishment of the institution, the selection committee and the management of institutions, capital formation, the credit lending process, as well as monitoring and evaluation always involves the participation of members.

a) Establishment Process Institute

In the process of founding the agency in BMT case, found the role of values of social capital in the form of shared values and the participation of members / community, as well as religious values and customs. The role of these values as basis for the establishment of institutions, against the background of relatively distinct.

In the meeting agreed to form a group of farmers as a forum for cooperation among farmers. During research active member not only of farmers but also from residents of the merchant, so that membership is not confined only to farmers but also merchants, hotels and restaurants.

Establishment BMT Madani Panampuang Agam Regent program initiated by Agam district to establish a BMT one village with a circular 58 of 2008 regent This plan received the support of all community leaders, traditional leaders. religious figures, the villages, mosque officials, and youth. Background of the establishment of this institution to release the people from the shackles of the moneylenders and middlemen. While the goal to be achieved, among others, invited residents to use the mosque as a place of deliberation and prayer in congregation in the mosque, so that people can tithe-donation-shodaqoh, educate citizens help each other, providing capital loans, educate honest citizens, and others.

When linked to the values of social capital, then in the process of establishment of BMT Madani Panampuang Agam there are roles shared values and the participation of members / community. The role of shared values shown by the spirit of togetherness and cooperation between citizens / mosque's congregation with mosque officials, community leaders / religious, customary density Nagari (KAN), and the village government

formed a savings and loan institution in the form of BMT.

Participation of citizens in this case shows the support and approval of citizens / pilgrims to realize BMT institutions as the Islamic economic forum. Besides, the role of religious values is reflected in the use of the mosque as a place of establishment and management of the institution, avoiding the practice of credit lending with usury system, ziswah utilization as a source of capital, and promoting prayer in congregation in the mosque, tithing, berinfaq, and charity.

b) Finalization of the Board and Management of the Institute

In the process of election of the board and management of the institution, the role of social capital-value grades encountered in both BMT cases, namely in the form of values BERSA ma, member participation, and trust, and the role of religious values reflected in the use of the mosque as a place of election board or management of the institution.

In Agam BMT Madani Panampuang management election conducted through consultation of citizens / worshipers at Masjid Raya Panampuang or in the office BMT Madani Agam attended by residents / pilgrims, head of KAN, community leaders / religious, youth, overseas residents and village trustee. Through consultation and mutual agreement BMT committee entrusted to a few people who mostly act as mosque officials and traditional leaders. While community leaders / religious / nomads serves as an advisor and institution builder. The structure of active management is the board consisting of a chairman, secretary, treasurer, and members. Trustees chairman and members and managers as managers, tellers and marketing.

Board formulates policies concerning the rights and obligations of members, then through meeting various citizen input into consideration. This is done so that the board decision taken a collective agreement and must be implemented and complied with all the members without exception.

The rules covering the obligations and rights of members paa BMT include: (a) pay dues groups in the form of principal savings, mandatory and voluntary, (b) to repay their loans on time, (c) use the loan funds as necessary business, (d) attend meeting the institution at least one time a month, (e) attend a meeting taklim are held once a month alternately in the mosque, (f) to maintain the good name of the institution, and (g) is willing to assist other members in doing their business or get into trouble.

The role of member participation in the election of the board and management of the institution is reflected by the exclusion of every member in the meeting members' meeting. Members participate in determining the decision making regarding the selection committee as well as the rules and policy management of the institution. While the value of the trust is reflected in the confidence of the members of the board in managing tenbaga. Besides, the role of religious values in particular in Agam BMT Madani reflected in the use of the mosque as a place of election of the board and management of the institution. On board the two agencies have some who also acts as the caretaker of the mosque and indigenous stakeholders.

b) Capital Formation

Capital formation, the role of social capital values encountered in BMT case, which includes shared values, participation, trust, and financial contributions. While religious values encountered in the form of ziswah utilization as a source of credit and the desire to avoid the officials and members of the loan with usury system, as well as awareness-shodaqoh infaq issued. BMT case of a financial institution that is pure savings come from the public and managed by the community itself (indigenous institution). For operational and viability of institutions, agencies tend to rely on internal capital sourced from the pilgrims, residents and overseas.

The source of the funding could come from citizens, residents of immigrants, as well as from members of the borrowed financing. In addition institute also receives deposits from citizens as a savings fund voluntary and not rewarded flower / services. Thus the capital accumulation required in BMT member not participating either in the form of principal savings and mandatory, as well as charity, donation and sadaqah. when members of the recipient obtaining financing advantages result from the use of borrowed funds.

In Agam BMT Madani Panampuang for 2012 capital sources contributed most to the formation of the inclusion of capital is from the village of Rp 300,000,000, PINBUK Rp 5,000,000 and Rp 3,000,000 Grants Working Group. Whereas the own funds derived from special primary savings, savings, compulsory savings, reserves and SHU is not shared by Rp 166 407 548, - and third party funds amounting to Rp 215 512 438, -.

When linked to the value of social capital in capital formation, it appears that in general the members in both BMT case upholds the shared values, beliefs, member participation, and willingness to contribute in shaping the capital. The role of shared values are reflected in the spirit of togetherness and cooperation of members to provide capital resources collectively.

Decisions about the shape and size of the financial contribution in the form of compulsory savings, principal, voluntary, grants, loans and fines shodaqoh services members for formation and capital accumulation defined and decided jointly between the board and members. While the value of trust and financial contributions of members reflected their confidence and willingness of members to the board members to pay a sum of money both savings and shodaqoh. Trust members of the board, especially in the management of collective capital, in order to provide the benefit and welfare of all members.

c). Credit Loan Process

In Agam BMT Madani Panampuang determination lending decisions is the decision of the committee and members. Members are involved in the consultation meetings to define and decide pencairan loans. This meant that the aspirations of the members can berakomodir so the decision was taken as a collective agreement.

The lending process established credit management and members fairly simple and obeyed by all members. Members who want to borrow loans just fill in the form of loans that have been provided and submitted to an administrator / clerk. To foster a sense of trust, honesty, and responsibility as a member of the Muslim, then the board of the credit lending does not set requirements for collateral.

When linked to the values of social capital, then in the process of borrowing or credit services, BMT Madani Panampuang Agam, there is the role of shared values, member participation and confidence. The role of common values reflected in the spirit of togetherness and cooperation between management and members, both in defining the procedure and terms of borrowing, as well as the feasibility of other members. The spirit of togetherness is a manifestation of the spirit of each member to obtain credit in a way that is easy and inexpensive, so apart from moneylenders and middlemen.

The role of social capital in the form of trust is reflected in the confidence of the members of the board of the credit lending. Board did not set requirements for collateral in credit lending, despite the fact that most members own their own land that can be used as collateral. Eligibility members only rated board of aspects of feasibility, honesty, and trust in the members. While the role of religious values reflected in the efforts board inculcate honesty (trust) on the member.

d). Monitoring and Evaluation

In monitoring and evaluation institutions, the role of social capital in the form of shared values and the participation of members met on the second BMT. These values are used as a basis to monitor and evaluate the performance of the board as well as the agencies establish policies and plans ahead.

In Agam BMT Madani Panampuang monitoring and evaluation activities specifically carried out by the regulatory body and the builder consisting of village trustee, nomads figures, community leaders / cultural / religious. While members serve a monitoring function in general through the right to ask and obtain a good description of the daily management of the institution through regular meetings and the accountability of the board regarding the operational and financial management in the RAT. Monitoring and evaluation activities carried out by members to participate in both meetings weekly, monthly or RAT, is the responsibility of all members and implemented by consensus in an atmosphere of togetherness.

When linked to the values of social capital, then in monitoring and evaluation activities on both BMT there is the role of shared values and member participation. Shared values reflected in the spirit of unity and cooperation among members in monitoring and evaluating organizational life groups both through regular weekly meetings, as well as through the implementation of the RAT.

The spirit of togetherness is a manifestation of a common desire to promote the group to make it better. Participation of members is reflected in the involvement and willingness of members attend weekly meetings or RAT. Besides, each member participates in setting and decision-making, both regarding the accountability board and planning next year's activities.

Based on the results of upfront analysis showed that the values of social capital is relatively bigger role vBMT This indicates that as a source of capital in the countryside BMT involves the participation of members and the community in every aspect of the analysis. In addition, in the case of BMT, indicating also that this institution grow based on community strengths and values of the social capital of the community itself.

f). The policy of the government for BMT

1) Regulatory Aspects

In carrying out its activities as BMT airport saving and borrowing members, the two institutions have no legal basis and government operations. This means that both the establishment and management of the two institutions do not require official permission from the government, so it is not subject to the rules (surveillance) government. Therefore, both institutions are classified into IFI shaped BMT.

2) Aspect Capital Assistance

Agam BMT Madani Panampuang ever get help from the government at the beginning of the establishment of Rp 300,000,000, -. Aid capital received BMT is a capital assistance in the form of grants. Agam BMT Madani receive grant aid from the Department of Agriculture and rolling Agam is an agriculture department program Agam.

Grant of USD 300 million received by the board in 2008 and disbursed in the form of a revolving credit fund to its members. This assistance is particularly useful to strengthen capital, thus supporting the effectiveness of credit services to members. The funds provided in cash for the purpose of agricultural costs and more productive businesses.

3). Aspects of Development

From the aspect of coaching, from BMT never received coaching program in the form of education and training.

Education and training have ever received board and members include:

- (a) Integrated Pest Management Field School (FFS) for the board members. Education is organized by the Department of Agriculture Agam in 1994. This study aims to provide knowledge on how to control pests in an integrated manner.
- (b) Farmers Training Guides (Kader). The training was organized by the Department of Agriculture Agam in 1996. This training aims to provide knowledge and skills to farmers as a cadre that can foster other farmers.
- (c) Training of Agriculture. The training was organized by the Department of Agriculture Agam 2002. This training aims to provide knowledge and skills to the board and farmers on agricultural cultivation techniques.

Various training over a positive impact both management and members, especially in improving the knowledge and skills to eradicate crop pests, cultivation of agricultural crops, as well as the group has a reliable cadre of farmers by farmers in the villages around. Government assistance in the form of grants and training helpful BMT in additional capital and knowledge management, but it is fundamentally BMT operational activities are not affected by government intervention. This can be seen in particular

4.8 The role of the BMT as a Source of Capital for UTK Regional Research

The effectiveness of BMT role in serving the credit needs of UTK in the study area. The analysis focused on identifying the factors that led to the persistence of Financial Institutions Informal / Self Help Groups (BMT), both from the aspect of the role of financial institutions, the nature and dynamics of farming, social capital and religious values, traditional values and the role of policy government.

From the aspect of the effectiveness of the role of institutions, the existence and role of BMT is intended to serve UTK. Credit services carried out by the agency with the administrative procedures and requirements are relatively simple and straightforward and in accordance with the rules / norms or the characteristics of small farms that process is quick, low interest rate (12%) per year and there is no requirement of collateral, as well as payment systems credit felt very simple and easy.

Ease of credit services at BMT is inseparable from the role of values of social capital in the form of shared values, participation and confidence. Shared values and participation underlying the establishment of a system of borrowing and loan repayments. Each member involved in regular meetings (weekly, monthly) and the annual meeting (RAT), especially in formulating the rules of borrowing and loan repayments with on the basis of the spirit of togetherness and cooperation between management and members. While the value of the trust is reflected both on the confidence of the members of the board and vice versa.

The provision of capital, causing the perception among members that these institutions belong to the government so that all the rules and procedures of the loan must follow the procedures outlined by the government. In the case of lending to BMT for example, the loan must be preceded by a proposal from farmer groups, then approved by farmer groups and submitted to the sub-district agricultural office for approval lending. From the above it can be concluded that there are three important factors that cause BMT can survive and play an effective role in a rural airport FOR namely:

a). The element of trust.

The nature of mutual trust between the member and the lead manager of BMT is easily accessible by UTK for cooperation and mutual trust based on the suitability of the characteristics of the institutions with the characteristics of farming. Characteristics of institutions characterized by UTK as the main target of credit services, procedures and administrative requirements are relatively simple, do not apply the collateral, repayment system is relatively lightweight and flexible, and easy to reach location.

b). Effectiveness Network.

A network of cooperation among members resulting in effective credit services at BMT sehingga credits obtained useful by UTK both credit needs and increase revenue This is in addition determined by the procedures and requirements of easy administration, refund system that is lightweight and flexible, and no requirement of collateral. also by. the role of the board in managing and supervising the use of credit as well as to motivate members to participate in promoting community-owned institutions to support the agricultural development process.

c). Elements Norma

Activity BMT, especially the establishment of institutions, borrowing and loan repayments, and the mobilization of internal capital based on the values of social capital through mutual no trust between management and members, the formation of a network of cooperation that led to the high level of participation of members of the development and sustainability of the institution, as well as adherence to norms set together, a contributing factor to the growth of local groups (BMT) independently and sustainably

The role of the values of social capital in the system of credit services at BMT in the form of shared values, participation and trust in the institution activities. Shared values and participation underlying the

establishment of a system of borrowing and loan repayments. While the traditional values also reflected in the sense of helping fellow members (kids lap dibimbing nephew, urang kampuang dipatenggangkan), maintain the honor and dignity of the family (chic-chic nan mamanejek urang under jatuh kok).

Based on the above it can be said that the BMT credit service system has been grounded in social values without neglecting the economic aspects (Social and Economic Perspective). But there are still limited in collective capital accumulation. Besides, the existence and role of the BMT as a source of capital for UTK in the countryside is not only oriented to meet the credit needs of farmers, but at the same time develop the independence and sustainability of the institution through internal capital mobilization in the form of collective capital and ziswah.

4.9. Financial Institutions Effective Model for Small Farms.

Based on the analysis in advance, acquired some of the basic elements that make up the construction of an effective financial institution for the UTK. The basic elements were obtained from four aspects analyzed that aspect of the effectiveness of the role of financial institutions and the dynamic nature of farming, the role of social capital serta the role of government policy.

From the aspect of the role of financial institutions, financial institutions that are effective for UTK determined by methods / ways Yag should be done by the board include:

- a) Starting from mutual trust between the manager and members by making a working system of mutual benefit between pengelola and members. This situation will lead to mutual trust, sympathy, mutual participation and sense of belonging to the institution.
- b) The formation of networks between the board and members are constituted by a sense of kinship, kebertemanan, and kebertetangan and daily activities will facilitate communication and make it easier to solve the issue of the group / institution, eventually in addition to causing operational cost will be lower, will also get more accurate information.
- c) Establishment of rules / norms institution in accordance with the characteristics of the local community, will make it easier to apply the rules of the institution and will increase member adherence to the norms / rules themselves.

Based on the above, it can be formulated principles of effective models of financial institutions to UTK in the countryside. First, financial institutions effective UTK UTK ideally have stood for in the form of characteristic suitability and effectiveness of credit services. Second, financial institutions should ideally have the independence and sustainability through mobilizing internal capital so as to meet the credit needs, and ensure the availability of capital resources without relying on external capital mobilization. The element of social capital becomes the basis for running the activities of financial institutions and government policies in support of capital can give confidence to local bodies without intervensi management. Criteria such as the above-mentioned institutions studied, the BMT Madani Agam is a financial institution which is suitable to be developed as a rural financial institutions.

5. Conclusion

From the above it can be concluded that there are three important factors that cause BMT can survive and contribute effectively to serve UTK in the countryside and the impact on agricultural development in the area of research a confidence element

- a. Mutual respect. The nature of trust between members with members and between members of the board resulted in the formation of a network that enables the formation of mutually beneficial cooperation between members in achieving common goals. These conditions affect the suitability of the characteristics of the institution with the characteristics of the nature and dynamics of UTK cause BMT is easily accessible by UTK.
- b. Elements Network. Networking between the manager and members of the mutual trust created Atasa adasar lead to effective collective capital raising and lending in BMT. This is in line with the opinion of Fukuyama (1995), that the application of high social capital (trust, networks and norms) causes the community to easily resolve the problem and simultaneously reduce operating expenses.
- c. Elements Norma. From the aspect of the rules / policy of the government, the upfront analysis showed that BMT has no dependence on the government, so it is able to exist and contribute to UTK.

Based on these results penulis recommend THAT effective for financial institutions for the Development of agriculture in rural areas is to include elements of social capital in one pesyaratan disbursement of credit to customers who are in rural areas whose livelihood is in the agricultural sector.

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