

# The Contribution of Mosque-Based Sharia Cooperatives to Community Well-Being Amidst the COVID-19 Pandemic

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## Abstract

Mosque-based sharia cooperatives are Islamic microfinance institutions with two unseparated financial and social missions. They have unique characteristics that differ from other cooperatives and financial institutions and could become the ideal community institution, especially in the COVID-19 pandemic. However, researchers have currently neglected this phenomenon. Therefore, this study explores the contribution of mosque-based sharia cooperatives during the COVID-19 pandemic to the community's well-being. The researchers employed participant observation and semi-structured interviews to collect the study data and then interpreted them using an inductive approach. This study shows that mosque-based sharia cooperatives had several critical contributions to community well-being during the pandemic, including providing cheap financing with the *qardhul hasan* contract, refinancing and rescheduling loans, delivering basic food packages through zakat funds and cross-subsidies, and carrying out social services and health education. The findings affirm previous research indicating that mosque-based sharia cooperatives significantly improved community livelihood. In addition, this study contributes to the expanded understanding that sharia cooperatives integrated with mosques augment their contributions to community well-being during the pandemic.

**Keywords:** *Community well-being, COVID-19 pandemic, Islamic microfinance, sharia cooperatives, qardhul hasan.*



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## INTRODUCTION

The COVID-19 pandemic has deadened local, national, and international economies (Fernandes, 2020), both the macroeconomic (Guerrieri *et al.*, 2020; McKibbin & Fernando, 2020) and the microeconomic sectors (Bartik *et al.*, 2020). Data show that each extra month of crisis consumes 2.5-3% of global GDP on average (Fernandes, 2020). Few economic sectors experienced less impact from the pandemic, including medical devices, pharmaceuticals, and the food industry (Baker *et al.*, 2020). Indonesia's economic sectors were negatively impacted by the pandemic, including investment (Shiyammurti *et al.*, 2020), capital market (Junaedi & Salistia, 2020), tourism (Djausal *et al.*, 2020), export-import (Nasution *et al.*, 2020) and Micro, Small, and Medium Enterprises (MSMEs) (Thaha, 2020). Cumulatively, Central Statistics Agency (BPS) reports that Indonesia's Gross Domestic Product (GDP) decreased by -2.07% in 2020 (BPS RI, 2021).

The pandemic severely affects the poor to destitute people because they do not have jobs or stable incomes, or even their earned income usually lasts only a few days (Kurniasih, 2020; Setyadi & Indriyani, 2021; Tarigan *et al.*, 2020). In addition, the pandemic and government regulation of large-scale social restrictions (local lockdown) directly or indirectly limit income sources and the economy in generating income. If it is not handled immediately, thoughtfully, and systematically, the negative impact of the pandemic will widely increase (Nasruddin & Haq, 2020).

Besides the central government establishing several economic policies to overcome these problems, local people have developed creative ideas to relieve people's suffering, including the voluntary mobilization of more economically advantageous residents to share and help their relatives with problems (Nasution *et al.*, 2020). However, this kind of social movement was sporadic, unorganized, and difficult to manage when the Covid-19 pandemic impacted people staying away in distant places. Therefore, there is a need for a more systematic movement to result in more massive impacts.

By prioritizing social missions, Mosque-based Sharia Cooperatives (MbSC) would systematically facilitate this movement. MbSC was founded on the belief that mosques should not function merely as a place of worship but also perform other optimized functions, such as community economic empowerment that was previously practiced during the Prophet Muhammad's time (Dalmeri, 2014). Previous studies suggested that cooperatives played a crucial role in helping members access and control financial resources (Bharti,

2021). Several studies on sharia cooperatives also indicated that they had reduced the harmful practices of moneylenders (Faolina & Mutimatun, 2017; Salam, 2015) and significantly improved the community's understanding of sharia financial institutions (Abdul Rahman *et al.*, 2015; Khan & Phillips, 2010), even though it was not successfully eradicated poverty (Andriana, 2016; Fadlullah & Mahmud, 2017; Riwijanti, 2019).

Furthermore, studies related to MbSC have dealt with the performance of management supported by transformational leadership and the use of IT through partnerships (Adriani *et al.*, 2019), factors affecting the tremendous residual income (SHU) (Yuliani *et al.*, 2017), the concept of internal control of the COSO model in the sharia cooperative (Suarsa & Mujiman, 2019), the influence of intellectual capital on the financial performance (Putri *et al.*, 2020), the role of sharia cooperative as a center for mosque congregation *muamalah* activities (Nurrachmi & Setiawan, 2020), the economic empowerment (Sulaiman *et al.*, 2019) and the function of strengthening Islamic social capital based on intermedia activities (Wediawati & Setiawati, 2016).

However, these studies are concentrated on MbSC organizations rather than their critical functions. Consequently, the MbSC contribution to the members and community was unexplored, particularly during the pandemic. Furthermore, MbSC is expected to demonstrate its support for needy people because of its social missions. Therefore, this study aims to unravel the contribution of MbSC in assisting members and communities to confront economic difficulties during the Covid-19 pandemic. In the beginning, this article discusses MbSC's development and primary characteristics. Then it presents and discusses the contributions to the members and the community's well-being.

## LITERATURE REVIEW

### Islamic Microfinance Institutions

Microfinance Institutions (MFIs), referring to Law No. 1 2013, is defined as financial institutions specifically established to provide business development services and community empowerment, either through loans or financing in micro-scale businesses to members and the public, to manage deposits, as well as to provide business development consulting services that are not solely for profit (UU No. 1 2013). Meanwhile, the World Bank and the Asian

Development Bank provide the term microfinance referring to financial services provided to small entrepreneurs or small businesses, which usually do not have access to banking due to the high transaction costs imposed by banking institutions (Ledgerwood, 1998).

The term microfinance institution refers to small-scale financial services, particularly credit and savings provided to people who are (1) working as farmers, fishers, or breeders to raise livestock; (2) having a small or micro-enterprise that produces, recycles, repairs, or sells goods; (3) offering services; (4) working for wages and commissions; (5) earning income from renting out land, vehicles, animals or machines, and equipment in small amounts; and (6) other groups and individuals at regional levels in developing countries, both rural and urban areas (Robinson, 2001).

Ladgerwood & White (2006) further explain that microfinance provides financial services (usually in savings and credit) to low-income customers, including small traders, street vendors, small farmers, and services providers (hairdressers or rickshaws pullers), and producers of a small business like blacksmiths and tailors. This definition shows that many of these customers have an established source of income and generally are not considered “the poorest of the poor.”

The concept of Islamic Microfinance Institution (IMFIs) aims to gain profit and achieve a social mission with more community development to ensure a fair economic distribution. Economic distribution justice will be inappropriate based on a profit-sharing system only (profit and loss sharing system). This system can build a pattern of cooperation and brotherhood between the owners of capital (*shahib al-mal*) and those who have skills (*mudharib*) so that there is a transfer of wealth and distribution of income (Amalia, 2016).

Conceptually, IMFIs have the same characteristics as other financial institutions, such as collecting funds from the public or members through deposits, savings, and deposits, then channeling them back to members in the form of financing or loans following sharia principles through mechanisms and procedures as usual in the banking world.

According to Masyita and Ascarya, IMFIs have an essential role as an Islamic financial instrument that alleviates poverty from the poor and the poorest, who have limited access to formal financial institutions such as conventional banking. Moreover, the presence of the Sharia Microfinance Institution (SMIs) can accommodate the needs of people who have the

potential for economic development but are hindered by the availability of capital (Ascarya *et al.*, 2018; Masyita & Ahmed, 2013).

Differences in operational principles between conventional and Islamic microfinance include 1) the application of profit-sharing contracts and other contracts under Sharia principles in every activity of raising and distributing funds, 2) the relationship between institutions and customers is not always a debtor-creditor relationship, but rather a partnership relationship, 3) the separation of third party funds with own capital funds, and 4) the existence of a sharia supervisory board that functions like IMFIs activities control for compliance with sharia principles (Buchori *et al.*, 2019).

Unlike other microfinance institutions with *dual missions*, financial and social missions, Sharia Microfinance Institutions (SMIs) have a *threefold mission*, including a financial mission, social mission, and sharia mission (Wediawati *et al.*, 2018a). As a result, they can act as dakwah, economic, and social institutions. Under these conditions, IMFIs operational principles have several differences, including organizational completeness, funding sources, and financing distribution models. In addition, IMFIs were conceptually formed to maximize *benefits*, especially for members and low-income communities, with indicators of success including; 1) reducing the poverty level of members, 2) empowering the economically vulnerable community, 3) creating jobs, 4) helping the growth of small and medium enterprises, and 5) encouraging business development for its members (Subagyo *et al.*, 2020).

### **The Concept of Sharia Cooperative**

Soemitra (2018) defines a sharia cooperative as a microfinance institution operated based on a profit-sharing system to improve the economy and welfare of its members to elevate the dignity and worth and defend the members' interests of the needy and poor (Soemitra, 2018). Meanwhile, Baharudin defines a sharia cooperative as a cooperative with the implementation of sharia financial principles both from an organizational and operational perspective, as well as the principles of collecting, distributing, and distributing business results that comply with sharia provisions to improve the welfare of its members (Honesty *et al.*, 2021).

Meanwhile, according to Buchori *et al.* (2019), sharia cooperatives are economic enterprises that are well organized, democratic, autonomous, participatory, and social, whose operations use principles that carry moral ethics by taking into account the halal or haram law of a business run based on

Islamic values. According to the Regulation of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia [KEMENKOP] No 16/Per/M. KUKM/IX/2015 concerning the Implementation of Sharia Savings and Loans and Financing Business Activities by Cooperatives, a sharia cooperative is a business entity that consists of individuals or cooperative legal entities which are organized based on cooperative principles and sharia principles, as well as a people's or community's economic movement which are organized based on the principle of kinship as referred to in the cooperative legislation.

The philosophy of the sharia cooperative represents the realization of economic democracy with the spirit of kinship. All members have the same rights and obligations; the goal is to ensure the distribution of income occurs fairer so that there is no accumulation of the rich only on one individual or group (Barus *et al.*, 2021).

Cooperatives in the concept of Islamic economics are more like *syirkah ta'awuniyah* contracts which are collaborations between several people for the specific purpose of providing benefits to members and employment opportunities. The management is carried out democratically and transparently (open management), and it distributes profits or losses according to the applicable provisions known to all members. Thus, sharia cooperative seeks to create aspects of economic justice and avoid all elements of economic injustice. According to *jumhur* ulama's view, sharia cooperatives are partnerships that use a *mushārahah 'abdan* contract, a cooperation agreement between two or more people who jointly collaborate on a business with their respective expertise, with a profit-sharing system according to the contract. One of the conditions for a valid *mushārahah* is an annual profit with a certain percentage to the parties (Buchori *et al.*, 2019).

Implementing compliance with sharia principles requires every sharia cooperative have a sharia supervisory board, whose task is to ensure that all activities and operations of cooperatives from upstream to downstream are correct and under the sharia principles. The sharia supervisory board is one of the aspects that distinguishes sharia cooperatives from non-sharia cooperatives, so its existence is a must in the organizational structure of sharia cooperatives.

The purpose of cooperatives based on the law is to achieve the welfare of members, which is still a general goal. Therefore, each cooperative needs to describe it in a more operational vision and mission as a legal entity. In this

objective, it is explained that cooperatives promote the welfare of members and society in general, implying that improving members' welfare is the main program of cooperatives through business services. So, service to members is a priority compared to a non-member (Ascarya *et al.*, 2018).

Buchori *et al.* (2019) expanded the scope of the goals of the sharia cooperative, including (1) improving the economic state of its members according to Islamic teachings; (2) establishing brotherhood and creating justice for its members; (3) ensuring the even distribution of income and wealth to all members and is adjusted to the level of their contribution; (4) providing personal freedom in the social benefit; and (5) improving the welfare of its members in particular and the social welfare in general, and participating in building the nation's economic level based on sharia values.

### **Social Welfare Theories**

Social welfare refers to the capacity to meet citizens' material, spiritual and social needs to live appropriately and develop themselves to carry out their social functions. Meanwhile, the implementation of social welfare is a directed, integrated, and sustainable effort carried out by the government, regional government, and the community in the form of social services to meet the basic needs of every citizen, which include social rehabilitation, social security, social empowerment, and social protection (UU No. 11, 2009).

Conventional thinking about welfare is dominantly aimed at fulfilling one's needs in terms of material, and spiritual welfare seems to get a smaller portion of attention than spiritual welfare. However, the National Bureau of Statistics (2020) states that several indicators can be used to measure the level of household welfare, including the family income, the composition of household expenditure by comparing spending on food and non-food, the family education level, the family health level, and the housing conditions and facilities owned in the household.

Meanwhile, Fleurbaey and Maniquet (2011) define welfare as an organized system of social services and institutions that aim to achieve satisfactory standards of living and health, as well as individual and social relationships that enable them to develop all their abilities and improve their well-being in harmony with the needs of the family and society.

The concept of well-being usually covers food, education, and health which often expands to other social protection such as the opportunity for work, protection of elders, and freedom from poverty. Indicators used for

measuring well-being include age, the number of liabilities, income, family consumption or expenditure, circumstances and facilities in the living place, family member health, service health, child education, and convenience of facilities (Fleurbaey & Salles, 2021).

### **The Concept of Islamic Welfare**

The system of social well-being in Islam is rooted in the concept of Al-Ghazali's thoughts on socio-economics. He identifies social problems, including the shape of *masalih* (satisfaction, benefit) and *mafasid* (dissatisfaction, damage) in repairing social well-being. He also explains in more detail that the purpose of shariah is to improve the well-being of whole people by protecting faith (*ad-din*), soul (*an-nafs*), intellectual (*al-aql*), heredity (*an-nasl*), and wealth (*al-maal*). Well-being is essential in the sharia framework, which is not always realized with a centering effort to maximize riches and consumption. Here people are obliged to fulfill materially and spiritually intertwined with close, fight for a balance among individual and social interests, and realize *maqāshid shari'ah* (Asutay & Yilmaz, 2021).

In Islam, happiness or well-being is given by Allah to anyone (men and women) who want to do a good deed together with faith in God. In addition, well-being in Islam cannot merely be measured with materialistic indicators such as income, population, health, education, employment, consumption, housing, and social culture. However, it is also essential to use immaterial elements because achieving objective indicators will not necessarily lead to true welfare. For example, many people who already have a luxury house, vehicle, deposit, and other properties still feel unrest, scared, or even want to commit suicide. This fact suggests that something is missing in measuring welfare.

Well-being in the sharia economy aims to reach comprehensive well-being: material well-being, spiritual well-being, and morals. The shariah economic well-being is based not only on economic achievement but also on spiritual and moral values. The conception of well-being and happiness (*falah*) should refer to Islamic law, keeping five principles in *maqāshid shari'ah*, *hifdzu ad-din*, *hifdzu an-nafs*, *hifdzu al-aql*, *hifdzu an-nasl* and *hifdzu al-mal* (Suartini & Syafrizal, 2021).

Furthermore, the goals of Islamic economics can be explained as follows: 1) economic well-being economy covers individual, community, and country well-being; 2) sufficient human basic needs: eat, drink, dress,

place living, health, education, country security and system that guarantees implementation of the adequate and fair meeting of basic needs; 3) the optimal, efficient, effective, and cooperative empowerment and no redundancy; 4) distribution of property, wealth, income and development results fairly and evenly; 5) assurance of the individual freedom; 6) equal right and opportunities; 7) cooperation and justice for all. Thus, the meaning of well-being in Islam is holistic to fulfill all human aspects, material and spiritual life based on *maqāshid shari'ah* (Hidayati & Tohirin, 2019).

## METHODS

The purpose of the study was to explore the possible contributions of mosque-based sharia cooperatives toward the community's well-being during the Covid-19 pandemic. This study employs a qualitative design with an exploratory approach to meet this objective. This study used two data collection methods: participant observation and semi-structured interviews (Creswell, 2018). Al-Arif and Baitul Muttaqin MbSC, located in Bandung City, West Java, Indonesia, were selected purposefully for the current study as they are among the earliest founded and more advanced than others. As participant observant, the researchers monitored the daily activities of these MbSC and recorded relevant information to the research objective. The direct observation was made possible as one of the researchers is an active board director.

Informants of the interviews were four administrators (all men) and four members (2 men; 2 women) of these MbSC, selected purposefully to solicit their views on MbSC characteristics and how contributions are made in response to the pandemic crisis. The informants were assumed to have sufficient information related to the current study. Semi-structured direct interviews (David & Sutton, 2004) in an informal mechanism (Gray, 2018) were conducted following the general practice of a qualitative study using the interview method (Seidman, 2019). We generated a brief interview guide to focus on interviews containing global questions about how MbSC has contributed to the community during the pandemic.

The data analysis uses qualitative descriptive techniques, including transcribing interview data, reducing data by classifying data according to types, displaying data, and drawing conclusions (Miles *et al.*, 2019).

## RESULTS AND DISCUSSION

### MbSC Development

MbSC was first initiated in 2007 by the Bandung City Council of Indonesian Ulama (MUI), primarily for worship. In Islam, all activities intentionally conducted for Allah SWT are considered worship to get the heavenly rewards. The initiators believed that Islam is a complete religion whose teachings cover all aspects of life, including economics. In addition, Islamic teachings have rules that instruct Muslims to carry out activities and actions on Islamic economic transactions. Furthermore, establishing MbSC is intended to help the community around the mosque congregation free from rent-seeking practices mushrooming in the community and violating the teachings of Islamic economics (Wediawati *et al.*, 2018b).

After approximately 20 years, around 200 MbSCs are currently spread across Bandung. However, most of them are still considered pre-cooperatives because they do not have cooperative legal entities from local cooperatives. Only 52 sharia cooperatives have the legal identification per December 2021 (Diskopumkm Bandung, 2021). Nevertheless, Baitul Muttaqin and Al-Arif MbSC developed better than others, including the legality, total assets, number of members, routine of holding annual members meetings, and length of operation.

As regulated through law, sharia cooperatives are part of microfinance institutions with two primary missions, financial and social (Abdul Rahman & Dean, 2013). The economic mission includes collecting and distributing funds to obtain profits with transaction limits subject to sharia principles. The social mission is implemented by collecting social funds such as zakat, infaq, and sadaqah, before distributing them to eligible groups based on Islamic teachings. These missions enable MbSC to support poor and destitute communities who cannot access financial institutions such as banks (Wediawati & Setiawati, 2016). Furthermore, since Indonesia has more than 740,000 mosques and prayer rooms spread throughout its territory (Kemenag RI, 2021), MbSC empowerment to the community's economy is heightened (Dogarawa, 2010) when implemented in every Indonesian Mosque.

However, many sharia cooperatives in Indonesia are more focused on pursuing profit and putting aside their social mission, which results in a negative perception of society by assuming there is no difference between sharia and non-sharia financial institutions (Buchori, 2010; Fauziah & Yudho J., 2013). The indication of neglecting social mission includes rejecting

cooperative principles (especially kinship and togetherness) and sharia economic principles such as brotherhood (*ukhuwah*) and mutual assistance (*ta'awun*) (Budiono, 2017; Choudhury, 2019). For this reason, labeling them sharia cooperatives is hardly appropriate as they must adhere to sharia economics features. Thus, the sharia economy has always been identified as a just economy that upholds the common good, manifested by the distribution of wealth through zakat, infaq, and sadaqah (Kholis & Mugiyati, 2021; Syarifudin & Kholis, 2021).

Sharia cooperatives are a combination of general cooperatives and sharia economics. They have common characteristics, principles, and goals, such as helping, togetherness, bondage, and public benefit. Such commonality is logical because the cooperatives in Indonesia were born from Mohammad Hatta's thoughts, strongly influenced by religious values (Efendi & Bakhri, 2018). Therefore, the collaboration of sharia cooperatives with mosques would create a stronger foundation for the community's economic empowerment (Hasim, 2017).

### **MbSC Financing Scheme**

MbSC is conceptually and operationally similar to BMT with two primary programs: collecting and distributing funds. Fundraising from members consists of principal, mandatory, voluntary, and other savings tailored to the needs of its members. The fund distribution channels supply their members using various financing schemes, including *qardhul hasan* and *murabahah*.

**Table 1 Comparisons of Sharia Microfinance Institutions (SMIs) and MbSC**

<b>Aspects</b>	<b>SMIs</b>	<b>MbSC</b>
<b>Place</b>	Business areas, such as markets, offices, or open public areas	Mosques or prayer rooms with smaller communities
<b>Membership</b>	Open and inclusive	Rather exclusive for worshipers and residents around the mosque
<b>Capital</b>	Primarily obtained from equity participation from larger financial institutions, e.g., banks	100% from member deposits and savings, and there is no capital participation from outsiders

<b>Goal</b>	Profit-oriented to make a profit and minimize losses	Non-profit oriented, more social-oriented to help members' financial needs
<b>Contract</b>	Commercial contracts mostly use <i>murabahah</i> and multi-service <i>ijarah</i> with a fixed profit margin	Financing contracts mostly use <i>qardhul hasan</i> without charging any profit

The study shows that Baitul Muttaqin MbSC and Al-Arif MbSC commonly use *qardhul hasan* contracts for more than 90% of the financial offering. This practice fundamentally differs from Islamic cooperatives and other Islamic financial institutions, which use the *commercial* contract mechanism (Afkar, 2017; Fianto *et al.*, 2018). Other fundamental differences between MbSC and the Islamic microfinance institutions are summarized in Table 1. The management and members viewed any loan with burdened excess other than the principal return as overcharging. Therefore, these MbSC have consistently implemented financing without any advantages of margin fees or interest to their members. In this case, MbSC will receive a refund of the same amount of the lent, despite a lengthy period of the lending contract. However, this scheme raised the question of where MbSC earns its income? The study data indicate that MbSC income comes only from administrative costs and voluntary and sincere *infāq* or *sadaqah* from members attached to monthly installments.

The *qardhul hasan* contract implementation in MbSC can be considered one of the most Islamic financing mechanisms due to not charging excess over the principal and not obliging guarantees for fund distribution in addition to simplified terms. However, members must meet three simple conditions to access this financing: being a member for at least three months, having savings of half (Al-Arif) or one-third (Baitul Muttaqin) of the funding nominal, and approving the financing contract. These conveniences of requirements accompanied by a typical familial approach resulted in an excellent impression among members and the community towards sharia cooperatives (Machfudz & Kamila, 2019), making members loyal and having a high sense of belonging (Hamzah & Rahayu, 2021), aligning with the cooperative's motto: "from and for members."

A loan with a *qardhul hasan* contract proved effective in fortifying members from the temptation of moneylenders whose loans had a double interest. Thus, most cooperative members who have received financing

facilities from MbSC gradually leave and no longer desire to borrow from moneylenders (Musari, 2019). This finding is interesting as, to date, no financial institutions other than MbSC can implement loans solely with the *qardhul hasan* model to its customers or members.

These two MbSC also apply *murabahah* contract, defined as a financing product based on buying and selling in installments with the acquisition of a profit margin (Otoritas Jasa Keuangan, 2016) for transactions in their supermarket units. Generally, this unit sells essential items members need, such as food products, electronic appliances, and vehicles. Using this contract, Baitul Muttaqin MbSC charges a profit margin of between 20-25% of the price of the goods, where payment can be made in installments or tempo to relieve members. Similarly, Al-Arif MbSC charges a profit margin between 15-20% depending on the specifications and good values, where the payments can be made in cash or credit according to the member's financial capabilities. In addition, the two MbSC have several other social programs, such as the distribution of zakat, compensation to orphans, and death compensation to members whose family has died.

### **MbSC Contributions**

The current pandemic has made people aware of the importance of social solidarity, such as helping others, particularly the poor around us. It is no longer important how much money or property we have; but how the wealth benefits more people, especially those in urgent need. MbSC continuously attempts to help the poor relieve their suffering, particularly during the pandemic. However, the targeted people are still limited to their members and the surrounding mosque. Below are some essential contributions of MbSC toward the community members.

First, MbSC uses *qardhul hasan* is a form of contribution of MbSC to the community as it can be used to fulfill consumptive and productive needs. More importantly, it does not charge anything additional than direct financing. This mechanism is very different from other MFIs/SMIs where most contracts use commercial contracts such as *murabahah*, *ijarah*, and *musyarakah*. Thus, it is the best choice for the poor, who almost did not have a source of income during the pandemic due to restricted social interactions. Other financial institutions may implement the *qardhul hasan* contract, but the percentage is less significant than the MbSC. In addition, only MbSC seems to have a will and can implement the *qardhul hasan* contract consistently and sustainably.

In this sense, MbSC is unique compared to similar institutions such as *Baitul Maal wa Tamwil* (BMT), found in Indonesia in large numbers. Conventional and sharia cooperatives engage more in the financial sector to pursue profit (Telaga & Ahmed, 2013). On the contrary, MbSC prioritizes social purposes by providing social safety nets to people with a bottom economic level (Wediawati *et al.*, 2018b). Furthermore, almost 90% of the financing distribution by MbSC uses a *qardhul hasan* (Wediawati & Setiawati, 2016) contract, which only requires the financing beneficiary to return the principal without burdening them with extra money.

Second, MbSC provides easy repayment of financing. Even though the *qardhul hasan* financing is already helpful, the MbSC administrators provide additional policies easing members who have debts. Meanwhile, in the case of MFIs/SMIs, a delay in payment incurs a fine, resulting in more burdensome members. For example, Al-Arif MbSC applies the postponement of payback for 3-6 months. Furthermore, the cooperative management may consider removing the remaining receivables from members who have financial problems due to the pandemic, but they must apply for it. At Baitul Muttaqin MbSC, members need to request an extension of the installment period so that the repayment amount becomes less than it should be. MbSC seems to have practiced the commonly applied mechanism of handling debt by some companies or financial institutions: rescheduling (Aksoy & Dilek, 2020) and refinancing (Amromin *et al.*, 2020). In addition, while light credit assistance or credit payment delay offered by the local government depends on the urgency, they are the standard practice in MbSC.

Third, MbSC carries out social services. For example, during the pandemic, MbSC distributed free masks, hand washing, and hand sanitizer facilities freely to members and the surrounding community placed in strategic locations and public facilities such as mosques/prayer rooms, village offices, security posts, entrance gates, and corners alleys of housing complexes that are noticeable by traversing people. This practice is different from the MFIs/SMIs, which mostly ignore the social aspect because it will impact the liquidity and profitability. Meanwhile, MbSC is a flagship program that continues to be carried out long before the pandemic occurs by carrying out various social activities that help the surrounding community solve their social and economic problems. In organizing these activities, MbSC collaborates with various parties, such as neighborhood organizations, mosques, and village governments. These activities align with the government's effort to maintain cleanliness and health to decrease coronavirus transmission. This kind of

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social service activity is also common for MbSC because they have a social fund post in their balance sheet that can be used any time and for any activity without disturbing the cooperative's financial and operational conditions.

Fourth, MbSC provides direct assistance to members and the community in urgent need, such as food packages and other household necessities. The implementation of this activity differs in the two MbSC. Al-Arif MbSC distributed aid packages including rice, oil, sugar, and soap for three months or until the beneficiaries no longer need them to members and the community around the mosque with the fund taken from zakat and social funds. The Islamic social financing system includes collecting and distributing zakat to the eligibles (Purwanto *et al.*, 2021).

Meanwhile, at Baitul Muttaqin MbSC, assistance is distributed to all members with different goods according to members' needs. The consideration was to avoid social jealousy between members. This approach was applied using the cross-subsidy mechanism, where the funds used were from those available before the pandemic. An experience suggests that direct assistance amidst the pandemic effectively maintained the community's economic welfare (Sufiawan & Iryani, 2021).

Fifth, MbSC performs socialization activities based on the importance of maintaining cleanliness and health in the community. In this case, MbSC cooperates with nearby health facilities, such as the community health center (Puskesmas) or the Integrated service post (Posyandu), by producing education brochures, pamphlets, and banners displayed at several points to provide information related to the handling of COVID-19 following local government recommendations. The aims were to give warnings and education to the public to raise awareness and vigilance for all community members regarding the importance of being self-sufficient and exposure to the coronavirus in the surrounding environment. This activity is critical for mosques as worship places that involve many people (Cardiah *et al.*, 2021).

The last three of five activities are newly performed by MbSC to contribute substantially to members and the surrounding community. All these contributions and activities resulted in positive impacts, confirmed by the responses from members and the community. The findings show that members who receive the repayment relief facility and other aid recipients feel very helpful and grateful because some have not received assistance from the central or regional government. Although not wholly solve their economic

problems, MbSC aids at least ease their ever-heavier life burden, especially during the pandemic.

It was proven that MbSC prioritizes social missions over financial and commercial missions (Wediawati *et al.*, 2018b). The current study results may not be compared with other previous studies because it was conducted to determine the contribution of MbSC during the COVID-19 pandemic, which has never been done previously. However, this study generally strengthens several research results related to integrating the roles and functions of mosques and sharia cooperatives for empowering the surrounding community (Riwajanti, 2019; Riwajanti *et al.*, 2018). The mosque's strategy for poverty alleviation will be more optimal if it is accompanied by the establishment of cooperatives or other microfinance institutions (Dalmeri, 2014; Fadlullah & Mahmud, 2017; Zulfa, 2015).

Apart from helping members and the public obtain cheap financing, MbSC can potentially increase the growth of MSMEs (Efiyanti *et al.*, 2021) and effectively eliminate the presence of moneylenders in the community (Nur & Zubair, 2020; Triana & Naqiyah, 2020). Nevertheless, MbSC needs more energetic human resources (Rusydziana & Devi, 2018) to perform even better, which is currently lacking where nearly 85% of MbSC staff are from the 50s and 60s generations (Adriani *et al.*, 2019). Therefore, this issue requires further attention from MbSC management.

## **CONCLUSION**

The Covid-19 pandemic significantly impacts all countries' economic inflation, especially countries with lower per capita income levels, such as Indonesia. Furthermore, people dependent on the informal sectors for their economy are the most severely impacted, so they need economic assistance either directly or indirectly. Sharia cooperatives as sharia microfinance institutions have made a real contribution to members and the surrounding community. The most obvious contribution is the shift in people's preferences in meeting financial integrity, from the previous loan sharks or moneylenders to mosque cooperatives.

Especially during the Covid-19 pandemic, MbSC has made substantial contributions to the community. It provides a cheap financing system with *qardhul hasan* contracts, offers a policy of delaying payment of receivables for those affected by the pandemic, performs social services by distributing masks and hand sanitizers for free, provides direct assistance in the form

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of basic daily needs, and conducts socialization of the importance of maintaining health and hygiene. This study suggests that the cooperatives integrated with mosques would accelerate their functions in helping members and the community in need. Further study involving more samples and locations will better understand the importance of establishing sharia cooperatives in mosques.

## **LIMITATION**

There are several limitations to this study. *First*, the scope used in the study only covers two sharia cooperative units whose range is not too extensive; thus, the study results cannot be generalized to a broader population. *Second*, the determination of the unit of analysis in this study was chosen based on reasonably strict classifications. Therefore, limiting access to the majority of mosque-based sharia cooperatives that do not meet the category or are still in pre-cooperative status should be determined initially, even though it could be considered an ideal MbSC. Those who do not have the legality are greater in making a much more significant contribution to members and the surrounding community during the Covid-19 pandemic. *Third*, this study cannot be separated from the determination of research methods, especially with the interview method in data collection, which allows for a reasonably significant bias from respondents.

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