

CASE STUDY

Social Relationships Based on Islamic Business -A Case Study of as-Siddeek Savings Cooperative Ltd. Network

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Abstract

This research aimed to examine the change of social relationships based on Islam business: A case study of As-siddeek Savings Cooperative Ltd. network by measuring the engagement in the aspect of survival from the use of credit in capitalism between the original credit resource and cooperative credit resource that it was consistent with the size of transaction costs in using the credit. The purposive samples comprised 60 people selecting from three branches. The results showed that the size of transaction costs did not affect the change of social ties but the change of engagement formed in terms of the survival being consistent with the economic behavior of the individual. Most conditions were needs in the use of credit commitments with no interest (Halal) and easy interpretation to use financial services. Measuring the change of social ties found that the cooperatives could change the social ties of the survival from 0 to 38 on entering into the credit service of the Cooperatives because using the credit could answer in the form of living in the economic behavior of private individual better.

Keywords: *Economic behavior, Social ties, Social relationships, Transaction costs.*

Introduction

The relationships in the market system were the nature of the capitalist economic system based on the relationships of conflict in the economic distribution based on effective private ownership. At the same time, it caused inequalities in the society, which was the widespread pattern and used in daily life of the people. However, the result of relationship development in the market system for many decades has been much criticized that it made the value-based relationship determine instead of the value, and it has the tendency to cause social inequalities even more.

The representatives of community sectors tried to seek many solutions to solve problems in different ways. The pattern that they explained would focus on the oppositional relationship in the market system in order to prevent market system to dominate, or proposed legal approach to be used in the proprietary format of the public which was the choice of social development that was fair. However, in the past decade the Islamic cooperative network in the Southern region has driven the concept for existence in the market system that wanted to change the relationships

in a concrete market system. The exploitation relationship was the relationship of power coordination in the aspects of financial activity, credit, and trade based on the religious engagement as the operating mechanism for finance and credit. It could cause local financial credit institutions and entered to use the financial system without interest. The transaction by using the principles of fundraising, principles of trade for the loan and the other based on the principles of religion as an agreement to settle the contract to pay the same amount in each period. Both members and the Cooperatives have strictly complied with.

Applying religious principles to use in building the brand of cooperatives, in this part it caused an image of the cooperative as a good overview to be the business reputation. It has expanded their membership base both Islamic people and the people who respect other religions. There has been no practical difference for the presentation and provide services of financial products. It made the cooperative have a membership base increasingly; it caused the value of goodwill of cooperative network. It

would be regarded as the current changing the social relationships of the current market system focused on ownership of the group, and it was responsible for the business generating the fair to its members and partners.

However, the study of changing relationships in the market has not been studied academically. In the past, it was the study of the influence of market relationship affecting the change in the lives of the people. If the knowledge can be created from the practices Islamic cooperative network in the Southern region, the change of social relationship will benefit greatly. It could be used as a social tool to create a society with justice on coordinating and driving financial activities of the Muslims to build a relationship that is the basis of the social economy. Leading

Literature Review

This work has been evaluated the value causing by a new alternative in Islamic financial business. As-siddeek Savings Cooperative Ltd., in the aspect of financial services in the form of corporate transaction costs by managing the cooperative organization being in the image as Islamic financial institutions from using the principles of trade according to Al-Quran (Islamic law) has said that "Allah had approved the trading business, and he banned several principles about the interests," [1] It said that the price of the contract has been determined by organization management using the principles of adding the profit from that product. It gives credit in the form of products, and the price of the contract will not change over the term of the credit. It will affect the process of credit transactions in the period of the procedure applied in the process of creating engagement and acquisition in credit.

The social bond means that economic behavior and institutions are under the influence: a) The relationship between abstract person, and b) Wider social structure [2] In the case of transactions on the business contract, interpersonal relationships, the meaning of the bond and exchange relationship are consistent. But the concept of social commitment is not just to describe the nature of the relationship between two people. But it is the analysis of the relationship network which used commitment exchange continually to resist general transaction exchange. The exchange relationships are multi-dimensional concepts in the new sociology and economy that there is no regulation in the aspect of the social scale. The

to sustainability and reducing social inequality on performing activities in the market system and develop the society as their host, and taking care of yourself on the foundations in taking the Islamic financial model to solve financial problems.

Therefore, the goal of this research was to find a change of engagement in using the credit of the cooperative with transaction cost measurement between the original credit source and cooperative credit source. The design and problem solving of the research by evaluating the transaction costs on using the original credit and credit source of the Cooperative and evaluating the change of engagement from original source and cooperative credit source in resolving social ties in the survival toward credit patterns that are beneficial to life in the society.

outstanding characteristics are special relationships [3]. The issues of the relationship that continues such as time period analysis, relationships of social activities and a model of classic transactions in a complete market [4] are the origin of social anthropology work. It is agreed that the role of ritual exchange [5]. The basis for the development of the responsibility and trust.

Coase has determined the transaction cost effect to the expenditure on each part of the economic activity that the activities and expenditure arise from the process of agreement; it means the cost effect to the coordination and collaboration of the economic host in the type of market economy. Coase called that the transaction cost of collaboration between buyers - sellers and the occurring market [6]. Jones and Hughes have determined the transaction cost as the cost in terms of agreement tracking and the agreement tracking which occurs the agreement access [7] Nicolson thought that the transaction cost arises from the clear and unclear expenditure when the clear expenditure is the type of expenses and services of middlemen. While the unclear expenditure is the expense of data search and information using. Aleksejev agreed that the transaction cost is trade agreements that cause the expense in transaction, representing the arising expense from the search for a buyer or seller, behavior of negotiations about the topic in the agreement including service fee payment for advice and other services [8]. Chueng [9] agreed that the exchange participation is more than two or up causing the transaction cost relatives more expenditure. In additional, the cost of production

Menar [10] understood that the transaction cost is the expense in function of the exchange system or accuracy in the type of market economy that is the usable value in market for the allocation of resources and transfer ownership, Menar thought the transaction cost as emergency expenditure because it caused by exchange. Therefore, research has identified the transaction cost of Savings Cooperative as the

Methodology

This research aimed to examine the change of engagement on using the credit of the Cooperative and the old credit source by the interpretation of the use of credits in accordance with the size of transaction costs. The tools used in the study were the interview to inquire about the biography of the social survival and the engagement source of the credit for the survival of its members on selecting to use the credit. The researcher has used purposive samples of 60 people, divided into members of Hatyai Branch, Nipat Songkraw Branch, and Nathawi Branch: 20 samples of members were selected from members who had at least one year of credit service.

Results

(1) Removing the credit from the living space of the members according the characteristics of credit use to the survival
The well-being of all members in the 3 branches showed that there were significant differences in

cost of infrastructure in operations to the membership due to the communication recognized the information thoroughly and the cost of behavior tracking its members to perform according to the agreement which results the value of cooperative because the value of cooperative includes various assets.

Because it can be interpreted by the engagement between the Cooperative and the measurement of engagement from the original financial sources by enquiring about the biography of the survival in the society on interpreting the use of credit, the size of transaction costs on entering to use credit, the regulations of the practice which were contrary to the way of life leading to engagement measurement. Create the audit criteria: 1. Evaluation of the size of transaction costs of original credit source and cooperative credit source, 2. Engagement measurement, 3. Measurement of satisfaction scores for further credit.

the numbers and professional details affecting the survival of members as economic behavior with options from different social characteristics.

Table 1: Analyzing the lives of members in each area

Branch	Private business	Housewives	Employees	Total
Hatyai	15	1	4	20
Nipat Songkraw	10	1	9	20
Nathawi	18	-	2	20
Total	43	2	15	60

Nipat Songkraw Branch was modern in the urban city at high level because it is the region's economic area directly. It made the members like to use financial sources from financial institutions mainly. Nathawi Branch members were completely different because Nathawi Branch was a natural economic condition of society. Most people were professional rubber made using the financial resources to survive until being the network of relatives more than dependence on financial institutions. At the same time, members of Hatyai Branch looks mixing between the 2 aspects: Both of the economic condition focusing on financial institutions, and relying on relationships from relatives as well. It showed the diversity of the profession to survive. The financial resources that the members have ever used the services can be divided into 2 categories:

According to the terms of access to credit, if the people think that the use of their own credit was the use of credit in the interest system, it will provide a sense of discomfort because they considered themselves as God's debt. There is no need to be a little more credit or less credit and/or think that there is no need to use a lot of credit in the amount of credit available. They will choose to use the credit of relatives, business networks, or savings cooperative of villages that have a choice not to interfere with the interest system. On the other side of the need for profession to survive, they use the credit of financial institutions because they think that there is no choice but to survive in life, so they use the credit of financial institutions (Banks, finance companies).At the same time, the limitations to use life, there have been an option

of using credit as a means of survival in the free credit of the Cooperative image as follows:

Table 2: Image of accessing to cooperative credit from the conditions of membership

	Image of financial institutions (Number of people)				Total
	Institute of Halal	Institutions are easy to use	Institute of Halal and easy to use	Other	
Number of people	32	16	4	8	60
Percentage	53.33	26.67	6.67	13.33	100

From the constraints of access to credit of the former financial resources reflected that the demand for credits from cooperative image view reflecting the image of accessing to credit in the market principles of the cooperative by the religious principles of Islam, which has been reflected as follows: The image in the aspect of financial institutions at Halal was 53.33% of all interviewers. As financial institutions that was easy to use the service accounted for 26.67 % of all interviewers, both of financial institutions at Hala and they were easy to use the service accounted for 6.67 % of the entire interviewers. While the interviewers viewed the other image that had similarities with other cooperatives: Being loan institutions, being financial institution for the community, etc., accounted for 13.33 % of all interviewers. Therefore, It said that those who saw the image from all of

marketing principles accounted for 86.67 % of all interviewers.

(2) A comparison of the size of the average transaction costs on using credit, using the formula, the total cost of the transaction cost on accessing to the original credit source

$$Tpr = Tpr_1 + Tpr_2 + Tpr_3$$

Tpr = Total cost of transactions in accessing to the original credit source, Tpr0 = Enquiries/request submission, Tpr1 = Guarantee, Tpr2 = Making a contract, Tpr3 = Other transactions

The equation can be expressed as the sum of transaction costs in form of average / person accessing to credit presenting as a matrix of the average number of times accessing to the following credit sources.

Table 3: The average in the sum of the credit accessing to the original financial resources of members

	Average transaction costs (Times)			
	1 -2 times	2 -3 times	4 -5 times	6 - 7 times
Original financial sources	Thai commercial bank (Credit card), Government Savings Bank (Life insurance), Kiatnakin company, gold shops, Pattani cooperative, outside the business network, relatives and business network, and Islamic Bank, school cooperatives (Military camp)	AEON Thana Sinsap Company, Krungsri Car 4 Cash	Community savings groups	Krung Thai Bank, Bank for agriculture and agricultural cooperatives
Cooperati	Emergency contract	Ordinary contract, Special	-	-

The comparison of the average number of times on accessing to credit of financial resources, and accessing to credit of the Cooperative was found that the size of the transaction costs was no significant difference. When compared to the economic model, the network and the capitalism

in the consideration by the number of times with the access to credit. The credit usage of the Cooperative in the emergency category was the nature of his own money in the stock account. While the loan contract in the category of ordinary money and special ordinary loan were

the characteristics of the use of credits of the profit from the products that the cooperative paid as the credit in accordance with the principles of Islamic law. It is determined to use the principles of trading in credit system and profit from the price of the product. That is the credit because the nature as to provide credit in the form of things in contrast to provide credit of the original financial source. It was found that 98.33% of all

interviewers were providing credit in the system with the money not to use things that were different in 2 types. The first type was providing credit by non-interest credit sources such as relatives, business network, and the school welfare. The second type is to provide interest credit, which was the financial source other than the first.(3) Analysis of the relationship changes

Table 4: Engagement matrices between members of the old credit source and the credit of cooperative

Engagement metrics	Less	No change
Original credit source	10	40
Credit of the Cooperative	0	22

From the table of matrix engagement (2X3) of the original sources of credit and the credit of Cooperative given in the form of equation model

$$AT = -L + (0) C + IN$$

AT = Number of engagement level (people), L = Less engagement (people), C = Engagement does not change (people), IN = more ties (people)

Defining the following coefficients:

Less engagement = -1, Engagement does not change = 0, More engagement = +1

This will make the equation value of the original credit system when replacing the values will have the following values:

$$\text{Engagement in the original credit system} = (10 \cdot -1) + (40 \cdot 0) + (10 \cdot 1) = 0$$

$$\text{Engagement in the credit system of the Cooperative} = (0 \cdot -1) + (22 \cdot 0) + (38 \cdot 1) = 38$$

The results of the calculation is said to measure the relationship of credit from old financial sources and cooperative credit sources. It can be seen that cooperatives can change social relations from the old financial source from 0 to 38 from removing an engagement by determining coefficients. (4) The comparison of the relationship between the cooperative and the original credit source.

Table 5: The comparison of the relationship between the cooperative and the original credit source

Topics	Old Financial resources better than	Not able to compare	Cooperative better	Total
1.The position of the brand and accessing to the service.	10	7	43	60
2.The credit system is compatible with the style of life.	12	4	44	60
3.Criteria in determining credit	14	6	40	60
4.Fast access to credit.	21	0	39	60
5.Compliance with the regulations of the credit system	8	5	47	60
6.Credit level is reliable.	7	6	47	60
7.The degree of relationship after using the credit and institutions	7	5	48	60
8.Satisfaction with creating benefits in living	6	5	49	60
Total	85	38	357	480

The comparison of financial resources was providing the score on indicators reflecting the life and survival of all members to access to credit. The position of the brand was in the credit when it compared to the old credit sources. The credit system was in accordance with the lifestyle of the members. The criteria for considering the credit to access to the regulations the rules and regulations of credit during the use of credit, the trust level in the aspect of lending

institutions, relationship with God, and satisfaction with the benefits of living. It found that the overall score from the total points score 480 points that score 85 points or 17.71 percent of the total score. Think that the old financial source was better. While 7.29 percent said that it could not compared, and another 357 points or 74.38 percent believed that the cooperative was better response in advantage in living for access to credit, both before, during and after the use

of credits. The use of credit of the cooperative

was better.

Discussion

The study found that As-siddeek Savings Cooperative Ltd. network is the institution for coordination of microeconomic of the consumer based on the which is based on the principle of religious engagement and forecasts as a result cause a reliability as a composition in the special mechanism leading to the decision on the market system in terms of the complete information in accordance with the technical documents. The importance is any economic system host economies have realized that decisions in the marketplace about its own transaction and the predicted factors [11]. Apply to decision selection in places that cannot be defined, and there are risks when handling ability to pay debt and demanded an honest partner [12]. The reliability in the economy based on a criterion that minimizes the risk of a host of economic valuation. The relationship with the behavior of economic partnership makes the reliability be one of the tools that are unexpected constraints of economic host. It is not uncommon that academics interpret that

the credibility is a strategy that reduces the complexity and the tools to fix the lack of information on the situation that requires decision to select. The reliability is the great expectation that arose under the control of eliminating the reliability. On the relationship of the lack of information about the partnership, the reliability is credibility of the economic host to external factors. The system which is proposed is the same solidarity between the values of the host side, and Institute of technology and other resources. As-siddeek Savings Cooperative Ltd. network could use social engagement in the aspect of religious beliefs to change the social relationships in the type of partnerships. It resulted accessing to resources and reduce transaction costs on the principle of trust in Halal together. The study indicated that the conditions for the use of credits was accessing to credit because it required the interest free, or Halal in the credit system due to the ease of using credit, and it was good for generating the guarantee for ourselves in the future.

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