

Local Religious Traditions and Community Participation in Islamic Social Finance in Madura

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ABSTRACT

Purpose – This study examines the role of local religious traditions in supporting Islamic social finance practices in Madura, Indonesia, with community participation as a mediating variable. It addresses the limited quantitative evidence on the socio-cultural foundations of Islamic social finance.

Design/methodology/approach – A post-positivist quantitative approach was employed using quantified interview data from 250 active or former *koloman* participants across four districts in Madura. Data were coded into three constructs—Local Religious Traditions (LRT), Community Participation (CP), and Islamic Social Finance Practices (ISF)—and analysed using partial least squares structural equation modelling (PLS-SEM).

Findings/Results – Local religious traditions positively influence community participation and Islamic social finance practices, while community participation also has a significant positive effect on Islamic social finance practices. Furthermore, community participation partially mediates the relationship between local religious traditions and Islamic social finance practices. These findings indicate that *koloman* serves as an important socio-religious institution that strengthens collective fundraising, social assistance, and community-based productive support.

Originality/Value – This study contributes to the Islamic social finance literature by integrating local religious traditions, community participation, and Islamic social finance practices into a single quantitative model. It demonstrates that *koloman* functions as a form of spiritual social capital that sustains Islamic social finance beyond formal institutional mechanisms.

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1. Introduction

Islamic social finance has attracted increasing scholarly attention because of its potential to support social redistribution, poverty alleviation, and inclusive development in Muslim societies. In the literature, Islamic social finance generally encompasses zakat, infaq, sadaqah, waqf, and other forms of social financing directed towards the common good (Tok et al., 2022; Widiastuti, Robani, et al., 2022). In the Indonesian context, strengthening Islamic social finance is regarded as strategic because it is supported by a large Muslim population, broad Islamic philanthropic potential, and the need to build more sustainable models of social development (Adinugraha et al., 2023).

Nevertheless, most studies on Islamic social finance still concentrate on formal institutional aspects, such as governance, regulation, organisational effectiveness, and the strengthening of institutional ecosystems (Choudhury, 2010; Permana et al., 2024). While this focus is important, it has also meant that the socio-cultural foundations supporting Islamic social finance practices at the community level have received relatively limited attention. In everyday Muslim social life, however, the mobilisation and distribution of economic support frequently operate not only through formal institutions, but also through social networks, local traditions, and communal religious practice.

In this regard, local religious traditions may be understood as an important social basis for Islamic social finance because they embody values such as trustworthiness (*amanah*), mutual assistance (*ta'awun*), trust, shared responsibility, and collective benefit. Local traditions do not merely function as expressions of religious culture; they also constitute spaces in which social norms and community economic practices are produced and maintained (Chetty et al., 2022; Imbulana Arachchi & Managi, 2023; Richardson et al., 2022). Consequently, understanding Islamic social finance only from the perspective of formal institutions leaves a substantial analytical gap, particularly in communities where socio-religious structures remain strong.

Madura provides a relevant context in which to examine this relationship. Studies on Madurese society show that pesantren, Nahdlatul Ulama, and kiai form the core of santri culture and shape the socio-religious life of the community (Hannan & Abdillah, 2019; Pribadi, 2014). Madura offers a unique and compelling sociological laboratory for testing the theory of embeddedness within Islamic social finance. In contrast to other regions in Indonesia that have undergone gradual economic secularization, the social structure of Madurese society remains heavily dominated by a cultural triumvirate: *bhângsal* (Islamic boarding schools/pesantren), kiai (religious scholars), and *kompolan/koloman* (communal socio-religious gatherings). This religious structure means that religion does not remain confined to the symbolic sphere, but is embedded in everyday social practice (Susanto, 2007). In addition, studies of the *têngka* tradition and variants of *kompolan* show that local traditions in Madura contain socio-religious educational values that reinforce harmony, solidarity, and community connectedness (Fathurrahman, 2023; Zainuddin Syarif, 2009).

One form of local religious tradition that remains alive in Madurese Muslim society is *koloman* (Mahbubah et al., 2022; Ridho & Suharyanto, 2022). In practice, *koloman* is held regularly through activities such as *tahlil*, collective prayers, *dhikr*, religious study gatherings, *khataman*, and other communal meetings, which are often accompanied by contributions, shared funds, social assistance, and support for members' economic needs (Majid & Sugiarto, 2022). In other words, *koloman* functions not only as a space for religious ritual, but also as an arena for social interaction, the strengthening of solidarity, the management of shared funds, and support for community needs.

To date, however, the literature on Islamic social finance continues to suffer from a theoretical void in explaining how informal structures and local traditions transform into sustainable financial instruments at the grassroots level. Most prior studies remain confined to macro-level and formal institutional approaches (Adinugraha et al., 2023; Putra, 2021), thereby tending to reduce Islamic social finance merely to matters of administration, regulation, and organizational management. Consequently, the sociological mechanism regarding how the social capital inherent in local religious traditions can organically drive public financial participation has been largely overlooked. Local practices such as *koloman* in Madura have thus far been approached only through descriptive-qualitative lenses as cultural phenomena, rather than as socio-religious entities with measurable causal relationships within the philanthropic ecosystem.

Departing from this research gap, this study offers a scientific novelty by deconstructing the institutional bias within Islamic social finance scholarship through empirical validation of an embedded finance model. The novelty of this research does not merely lie in its quantitative testing of the *koloman* tradition, but rather in its theoretical codification of how a local religious ritual acts as a social scaffolding that generates trust and networks. This study proposes a novel model wherein community participation is positioned not as an independent behavioral variable, but as a sociological transmission mechanism (mediator) that bridges cultural-religious compliance (local tradition) with collective economic articulation (Islamic social finance).

Theoretically, this study significantly contributes to the advancement of Islamic social finance scholarship through three conceptual lenses. First, it extends Granovetter's embeddedness theory by demonstrating that economic actions in communitarian societies are not only embedded within secular social networks but are deeply bound to theological-cultural structures (religious embeddedness). Second, it advances social capital theory from the perspectives of Putnam and Bourdieu by proving that *koloman* is a manifestation of bonding social capital that effectively transforms ritual piety into socio-financial piety. Third, this study contributes to the conceptualization of community-based Islamic social finance that is autonomous and independent of state intervention or formal institutional frameworks.

2. Literature Review & Hypothesis Development

2.1 Social Capital Theory

Social capital theory is employed in this study to explain how local religious traditions form the relational foundation of collective life within the community. In this framework, social capital is understood as a social resource arising from trust, shared norms, and social networks that enable individuals and groups to cooperate effectively (Holmes & Wheeler, 2019; Woolcock, 1998). Classical and contemporary literature on social capital shows that communities with high levels of trust, strong norms of reciprocity, and intense social interaction tend to possess greater collective capacity to organise social action and sustain long-term cooperation (Lim & Putnam, 2010; Ni et al., 2024; Pooyan & Hokugo, 2025).

In the context of this study, social capital theory is relevant in explaining why local traditions can function as more than merely religious ritual forums. Regular meetings, collective worship practices, adherence to shared agreements, and trust in organisers indicate that local religious traditions create strong social capital. It is this social capital that enables local religious traditions to become stable spaces for community involvement and the management of shared resources.

2.2 Community Participation Theory

Community participation theory emphasises that the involvement of community members is a crucial element in collective action (Roh et al., 2015). Participation does not only mean attendance; it also includes contribution, support for joint activities, involvement in decision-making, and a sense of responsibility for sustaining the community (Matsuura & Hatono, 2026). In this perspective, communities with strong social structures tend to be more capable of mobilising the active participation of their members, because they cultivate a sense of belonging and commitment to shared goals (He, 2023).

In this study, community participation theory is used to explain that local religious traditions do not automatically translate into socio-economic action. The values embedded in local religious traditions, such as trustworthiness, togetherness, and deliberation, need to be translated through the tangible involvement of community members. Community participation is therefore positioned as a social mechanism that bridges local religious traditions and Islamic social finance practices.

2.3 Islamic Social Finance Theory

Islamic social finance theory explains that economic activity based on Islamic principles is not solely directed towards profit, but is also oriented towards justice, mutual assistance, trustworthiness, and the common good (Kahf, 2004). Within this framework, instruments such as zakat, infaq, sadaqah, waqf, and qard al-hasan are understood as forms of resource mobilisation and distribution aimed at strengthening social welfare (Hidayat et al., 2025). Recent studies show that Islamic social finance plays a strategic role in community strengthening, the empowerment of vulnerable groups, and sustainable socio-economic development (Jaya & Saptoni, 2025).

In this study, Islamic social finance theory is used to explain that practices within local religious traditions such as collective contributions, voluntary donations, benevolent loans, assistance during hardship, and support for productive activities may be understood as forms of community-based Islamic social finance. In other words, Islamic social finance in this study is not confined to formal institutions, but is understood as a value-based socio-economic practice that grows organically within local communities.

2.4 Embeddedness Approach

The embeddedness approach emphasises that economic activity is always embedded in the social, cultural, and moral relations of a community (Polanyi, 1944). Economic activity does not stand alone as a neutral sphere; rather, it is shaped by norms, trust, identity, and the structure of relationships among actors (Granovetter, 1985). This perspective is important in the context of research on local religious traditions because practices of collecting and distributing funds within communities often cannot be explained adequately through a purely formal institutional framework.

In this study, the embeddedness approach helps explain why practices such as collective contributions, social assistance, and benevolent loans within local religious traditions can operate relatively stably even in the absence of formal institutional structures. Economic activities within local religious traditions are embedded in religious rituals, community social identity, and structures of trust built through repeated interaction.

2.5 Hypothesis Development

Local religious traditions provide a space for repeated interaction that is saturated with social meaning. Through collective ritual practices, shared norms, and community trust, members are not only united symbolically but are also encouraged to become actively involved in community life (Majid & Sugiarto, 2022). The stronger local religious traditions are practised,

the greater the likelihood that community participation will increase, because members develop a stronger sense of belonging to their community (Simmie & Martin, 2010). Based on this argument, the first hypothesis proposes that local religious traditions have a positive effect on community participation.

Community-based Islamic social finance practices depend on the active involvement of members (Robani & Salih, 2018; Sairally, 2007). Contributions, social assistance, benevolent loans, and productive support cannot be sustained without member participation in the mobilisation, management, and oversight of shared resources. Accordingly, the higher the level of community participation, the stronger the Islamic social finance practices at the community level. This forms the basis of the second hypothesis.

Local religious traditions may also influence Islamic social finance practices directly because values such as amanah, ta'awun, deliberation, and collective benefit are already embedded within the structure of the tradition itself. Local religious traditions not only generate solidarity, but also provide a moral and social framework that enables the legitimate and sustainable mobilisation and distribution of shared resources. Furthermore, community participation is expected to mediate the relationship between local religious traditions and Islamic social finance practices. Therefore, hypotheses H3 and H4 are formulated in accordance with the research model.

3. Methodology

3.1 Research Design

This study adopts a post-positivist paradigm with a quantitative approach based on the quantification of interview data. This paradigm was chosen because the study seeks to explain relationships among variables through structured empirical measurement, even though the initial data were obtained from field interviews (Maksimović & Evtimov, 2023). Within this framework, local religious traditions, community participation, and Islamic social finance practices are treated as constructs that can be operationalised into measurable indicators and analysed statistically.

The principal mode of reasoning in this study is deductive, as it begins with theoretical frameworks and hypotheses formulated in advance and then tests them empirically. However, limited induction was also used at the initial stage, when the researcher read the field findings and translated them into indicators most appropriate to the context of local religious traditions in Madura. Accordingly, this study is positioned as quantitative research grounded in deductive logic, with limited inductive support at the stage of indicator and instrument development (Onwuegbuzie, 2024).

Methodologically, the main contribution of this study lies in the use of quantified interview data as the basis for constructing a numerical dataset. Thus, the study is not positioned as a full mixed-methods design, but rather as quantitative research based on the quantification of interview data that employs structured coding so that field data can be analysed statistically without losing their empirical context.

Research Setting, Population, and Sample

The research setting covered four regencies in Madura: Bangkalan, Sampang, Pamekasan, and Sumenep. The study population consisted of members or participants of koloman in these four regencies. Respondents were selected purposively according to the following criteria: male, adult, currently or previously active in koloman, and possessing direct knowledge of

contribution practices, social assistance, deliberation, or the use of shared funds within koloman. The total number of respondents in this study was 250.

Respondent distribution was kept relatively proportional across the regencies in order to ensure contextual representation and maintain comparability across areas. The composition comprised 63 respondents from Bangkalan, 63 from Sampang, 62 from Pamekasan, and 62 from Sumenep.

3.2 Instruments, Data Documentation, and the Quantitisation Process

Data collection involved two principal instruments: a structured interview guide and a quantitative coding sheet (Erlingsson & Brysiewicz, 2017). The interview guide was used to elicit information on local religious practices, forms of member participation, contribution patterns, social assistance, internal loans, deliberation, and community-based economic support (Onwuegbuzie, 2024). Interview results were then converted into scores on a 1–5 scale using a quantitative coding sheet designed for the three study variables: Local Religious Traditions (LRT), Community Participation (CP), and Islamic Social Finance Practices (ISF).

A score of 1 indicates very weak or absent narrative evidence for an indicator; a score of 2 indicates limited emergence; a score of 3 indicates moderate but inconsistent emergence; a score of 4 indicates strong and consistent emergence; and a score of 5 indicates very strong, very clear, and repeated practice within the respondent’s narrative. Scoring was based on the strength of theme emergence, the consistency of explanation, and the clarity of the practices reported.

The research data were documented in four stages. First, each interview was recorded in the form of a narrative summary containing the respondent’s general profile, regency of origin, type of koloman attended, and the principal points related to the study variables. Second, these narrative summaries were documented again in the quantitative coding sheet. Third, all coding scores were compiled in an electronic data matrix to form the final dataset. Fourth, this final dataset served as the basis for descriptive and inferential analysis. This layered documentation process ensured data traceability from collection to quantitisation and statistical analysis. The study also took ethical considerations into account. Respondent identities were omitted from the final dataset, all data were used solely for academic purposes, and coding was conducted using a uniform guideline to maintain consistency. Data traceability was maintained through coding sheets and narrative summaries for each respondent.

3.3 Variable Operationalisation

The variables were operationalised directly from observations and interviews and then converted into structured indicators. Local Religious Traditions was measured through eight items representing regularity of meetings, collective religious practices, shared norms, and trust. Community Participation was measured through seven items capturing attendance, contribution, support for activities, and commitment to the community. Islamic Social Finance Practices was measured through eight items representing the mobilisation of social funds, community-based qard al-hasan, social assistance, productive support, and orientation towards collective benefit (Maulina et al., 2023; Tok et al., 2022; Widiastuti, Ningsih, et al., 2022).

Table 1. Operationalisation of Research Variables

Variable	Operational definition	Number of items
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Local Religious Traditions (LRT)	Respondents' perceptions of the strength of local religious traditions in shaping routine interaction, collective religious practices, shared norms, and community trust.	8
Community Participation (CP)	The level of respondents' involvement in attendance, contribution, support for activities, and commitment to sustaining koloman.	7
Islamic Social Finance Practices (ISF)	Respondents' perceptions of the mobilisation of social funds, assistance, benevolent financing, and productive support based on Islamic values within koloman.	8

These three variables were constructed directly from observations and interviews and subsequently converted into measurable indicators, thereby preserving the connection between field context and the quantitative model.

3.4 Data Analysis Technique

Data analysis was conducted in two stages. The first stage involved descriptive analysis to describe respondent characteristics and response tendencies for each variable. The second stage involved inferential analysis using Partial Least Squares Structural Equation Modelling (PLS-SEM) (Hair & Alamer, 2022). Evaluation of the measurement model included outer loadings, convergent validity, discriminant validity, and construct reliability, while evaluation of the structural model included testing path coefficients, t-values, p-values, mediation effects, and R-square values. PLS-SEM was considered appropriate because the study focuses on testing relationships among latent constructs and on the explanatory power of the model. For the interpretation of descriptive statistics, mean scores were classified according to the following intervals: 1.00–1.80 = very low; 1.81–2.60 = low; 2.61–3.40 = moderate; 3.41–4.20 = high; and 4.21–5.00 = very high. This approach facilitates interpretation of the position of each construct without losing the context of the coded field data.

3.5 Respondent Characteristics

The respondent profile shows that all respondents were male. The most dominant age group was 46–55 years, followed by 36–45 years, above 55 years, and younger age groups. Regional distribution was relatively balanced across the four regencies. In terms of education, respondents in Bangkalan, Pamekasan, and Sumenep were predominantly university graduates, while senior secondary school graduates were more dominant in Sampang.

Table 2. Distribution of Respondents by Regency

Regency	Frequency	Percentage
Bangkalan	63	25.2%
Sampang	63	25.2%
Pamekasan	62	24.8%
Sumenep	62	24.8%
Total	250	100.0%

Respondent distribution across regencies was relatively balanced, with proportions of 25.2% in Bangkalan, 25.2% in Sampang, 24.8% in Pamekasan, and 24.8% in Sumenep.

3.6 Descriptive Statistics of the Constructs

The descriptive results indicate that the mean score for Local Religious Traditions was 4.18 and that for Community Participation was 4.11; both fall within the high category. The mean score for Islamic Social Finance Practices was 4.71, which falls within the very high category. At the dimensional level, Local Religious Traditions was most strongly supported by collective religious practices and the intensity of interaction, while shared norms and trust were slightly below these two dimensions. For Community Participation, all dimensions fell within the high category, with attendance and direct involvement scoring slightly higher than contribution and community commitment. For Islamic Social Finance Practices, almost all items received very high scores, while ISF7 showed a lower tendency than the other ISF items. ISF7 relates to the interpretation of local religious traditions as a form of community-based Islamic social finance. Many respondents assigned a score of 3 to ISF7, indicating that this item tended to score lower than the other ISF items.

3.7 Measurement Model Evaluation

The first stage in the evaluation of the measurement model involved examining the outer loading values for each indicator. Table 3 presents the contribution of each indicator to its respective construct.

Table 3. Outer Loadings of the Indicators

Construct	Item	Outer loading	Decision
Local Religious Traditions	LRT1	0.781	Retained
Local Religious Traditions	LRT2	0.794	Retained
Local Religious Traditions	LRT3	0.821	Retained
Local Religious Traditions	LRT4	0.826	Retained
Local Religious Traditions	LRT5	0.773	Retained
Local Religious Traditions	LRT6	0.788	Retained
Local Religious Traditions	LRT7	0.769	Retained

Local Religious Traditions	LRT8	0.764	Retained
Community Participation	CP1	0.801	Retained
Community Participation	CP2	0.812	Retained
Community Participation	CP3	0.776	Retained
Community Participation	CP4	0.752	Retained
Community Participation	CP5	0.781	Retained
Community Participation	CP6	0.748	Retained
Community Participation	CP7	0.739	Retained
Islamic Social Finance Practices	ISF1	0.862	Retained
Islamic Social Finance Practices	ISF2	0.871	Retained
Islamic Social Finance Practices	ISF3	0.838	Retained
Islamic Social Finance Practices	ISF4	0.847	Retained
Islamic Social Finance Practices	ISF5	0.833	Retained
Islamic Social Finance Practices	ISF6	0.856	Retained
Islamic Social Finance Practices	ISF7	0.612	Retained on theoretical grounds
Islamic Social Finance Practices	ISF8	0.864	Retained

As shown in Table 3, most indicators have outer loadings above 0.70 and are therefore considered adequate representations of their respective constructs. Although ISF7 has the lowest value, it was retained because it remains theoretically relevant and does not undermine the overall quality of the model.

Table 4. Reliability and Convergent Validity

Construct	Cronbach's alpha	Composite reliability	AVE
Local Religious Traditions	0.901	0.919	0.586
Community Participation	0.874	0.903	0.571

Islamic Social Finance Practices	0.913	0.930	0.633
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Table 4 shows that all constructs have Cronbach’s alpha and composite reliability values above 0.70 and AVE values above 0.50. These results indicate that the instrument is reliable and satisfies the requirement for convergent validity.

Table 5. Discriminant Validity (Fornell–Larcker Criterion)

Construct	LRT	CP	ISF
Local Religious Traditions	0.766		
Community Participation	0.648	0.756	
Islamic Social Finance Practices	0.691	0.734	0.796

The square root of the AVE for each construct is greater than its correlations with other constructs. Accordingly, the constructs can be empirically distinguished from one another and the model satisfies the requirement for discriminant validity.

Structural Model Evaluation

Once the measurement model had been shown to be adequate, the analysis proceeded to the structural model in order to test the direct relationships among the variables. The results of the direct hypothesis testing are presented in Table 6.

Table 6. Results of Direct Hypothesis Testing

Hypothesis	Relationship	Beta	t-value	p-value	Decision
H1	LRT → CP	0.648	12.437	< 0.001	Accepted
H2	CP → ISF	0.512	8.964	< 0.001	Accepted
H3	LRT → ISF	0.359	6.281	< 0.001	Accepted

Table 6 shows that all direct paths are positive and statistically significant.

Table 7. Mediation Test Results

Hypothesis	Indirect path	Beta	t-value	p-value	Type of mediation
H4	LRT → CP → ISF	0.332	7.421	< 0.001	Partial mediation

The mediation test indicates that community participation partially mediates the relationship between local religious traditions and Islamic social finance practices.

Table 8. Coefficient of Determination (R-square)

Endogenous variable	R-square	Interpretation
Community Participation	0.420	Moderate
Islamic Social Finance Practices	0.645	Moderate to strong

The R-square values show that the model explains 42.0% of the variance in Community Participation and 64.5% of the variance in Islamic Social Finance Practices.

4. Result and Discussion

This study yields four principal findings. First, Local Religious Traditions (LRT) exert a positive and significant effect on Community Participation (CP), with a path coefficient of $\beta = 0.648$. Secondly, CP has a positive and significant effect on Islamic Social Finance Practices (ISF), with a coefficient of $\beta = 0.512$. Thirdly, LRT also exerts a direct effect on ISF, with a coefficient of $\beta = 0.359$. Fourthly, CP partially mediates the relationship between LRT and ISF, with an indirect effect of $\beta = 0.332$. In addition, the model explains 64.5% of the variance in ISF. Substantively, this pattern suggests that koloman in Madura functions not merely as a religious ritual space, but also as a social infrastructure that connects religious values, communal relations, and the redistribution of economic resources. The strength of koloman as a social basis for Islamic social finance lies in its capacity to integrate ritual, relations, and redistribution within a single communitarian mechanism that operates recurrently and is recognised as morally legitimate.

Empirical findings demonstrate that community participation acts as a robust mediator (full/strong mediator) between local religious traditions and Islamic social finance practices. Sociologically, the strength of this mediating role occurs because participation within koloman is not merely an individual's rational-voluntary choice (voluntary action), but a social-moral obligation deeply embedded within the cultural identity of Madurese society. Through the lens of social capital theory, the ritualistic activities within koloman (such as tahlil and communal prayers) function as a generator of bonding social capital that produces social guilt should a member be absent without a clear justification. When an individual is physically present within the koloman circle, a process of internalizing the norm of reciprocity takes place. This intense physical presence diminishes individual egoism and enhances group cohesion. Consequently, active participation becomes an indispensable sociological bridge; without routine mass mobilization within the physical space of koloman, abstract values such as ta'awun (mutual assistance) within local traditions would stagnate as mere moral discourse and fail to penetrate the boundary of concrete economic action in the form of financial redistribution.

The positive effect of LRT on CP indicates that participation in koloman does not arise solely from individual preference; rather, it is sustained by socio-religious routines that are continuously practised and collectively endowed with meaning. Regular meetings, collective prayers, dhikr, tahlil, religious study gatherings, and khataman are not simply symbolic activities, but spaces that normalise attendance, contribution, and member involvement. These findings are consistent with literature that positions repeated interaction and shared meaning as the foundation of trust, compliance, and social attachment (Roh et al., 2015; Yin et al., 2020). More specifically, in the present context local religious traditions appear to function as a social mechanism that transforms participation from an individual choice into a collective practice regarded as normal, valuable, and worth maintaining. Community participation in koloman is therefore not merely symbolic identification with the community, but a form of involvement that has been institutionalised socially and religiously (He, 2023; Matsuura & Hatono, 2026). The finding that CP positively affects ISF clarifies that a social basis becomes productive only when it is translated into concrete collective action. In koloman, collective contributions, support for members who are ill or affected by misfortune, benevolent loans for urgent needs, and assistance for farming, livestock, or small enterprises can function only when members attend, contribute, and participate in community deliberation. These results are in line with social capital literature, which stresses that social networks do not automatically generate

economic benefits; their effectiveness depends on the intensity of participation, relational closeness, and adequate social oversight (Chetty et al., 2022; Imbulana Arachchi & Managi, 2023; Richardson et al., 2022). In this study, community participation clearly functions as the mechanism that converts traditional values into operational Islamic social finance practices. This is important because it shows that success in Islamic social finance at the grassroots level depends not only on the presence of religious norms, but also on the capacity of the community to mobilise sustained member involvement.

The direct effect of LRT on ISF indicates that local religious traditions do not merely shape participation, but also carry a normative content that is directly compatible with Islamic social finance practices. Trustworthiness, deliberation, justice, mutual assistance, and collective benefit in koloman are not merely abstract values; they are principles that regulate how funds are collected, who is entitled to receive support, how loans are provided, and how benefits are distributed among community members. These findings support the argument that Islamic social finance at the community level may grow out of living socio-religious institutions, rather than solely from formally established organisations (Adinugraha et al., 2023; Islam et al., 2023; Tok et al., 2022). Moreover, the finding of partial mediation indicates that community participation is an important pathway, but not the only mechanism linking local religious traditions with Islamic social finance practices. This suggests two channels of influence at once: a normative channel operating directly through community values and rules, and an organisational channel operating through active member engagement.

An interesting finding emerges where respondents massively practice fund-raising within koloman, yet fail to explicitly identify these actions as part of "Islamic social finance" (in the same manner they recognize formal *zakat* or *waqf*). This phenomenon uncovers an ingrained institutional-legalistic bias within mainstream public perception. Public literacy regarding Islamic social finance has long been constructed by the narratives of the state and formal institutions (such as BAZNAS or Formal Ambar/Alms Institutions), which demand organizational signboards, official receipts, and bureaucratic financial reporting. Consequently, the community experiences a form of "conceptual amnesia"; they fail to realize that the death-benefit contributions, communal assembly cash, and emergency assistance for sick neighbors collected within koloman are authentic manifestations of *infak*, *sedekah*, and *fidyah* in their true theological essence. This lack of conceptual awareness indicates that grassroots philanthropic practices have outpaced the community's conceptual understanding of contemporary Islamic economic terminology.

One analytically important finding concerns ISF7, which has a lower outer loading than the other ISF indicators. This suggests a gap between practice and conceptualisation. Respondents clearly recognised the existence of collective contributions, social assistance, *qard al-hasan*, and productive support, but did not always articulate these experiences using the formal language of Islamic social finance. This indicates that Islamic social finance practices may flourish strongly within communities without necessarily appearing in institutional or academic terminology. The finding is consistent with the argument that the formal language of Islamic social finance is often an academic or institutional construction, whereas at community level similar practices may appear under local nomenclature such as shared funds, members' funds, or community-based assistance (Kuanova et al., 2021; Maulina et al., 2023). Theoretically, this is important because it helps to avoid a conceptual bias that recognises Islamic social finance only when it appears in formal terms, even though the substantive practice is already present in community life.

In the Madurese context, these findings reinforce the view that religion and local culture should not be read as two opposing entities. Rather, local religious traditions may function as an effective medium through which Islamic values are channelled into social and economic cooperation. In other words, local religious traditions can be understood as intermediary institutions: neither formal state institutions nor market mechanisms, yet not merely rituals either. They are socio-religious spaces that perform concrete economic functions for the community. This reading is consistent with studies on the strength of religious networks in Madura and on how local socio-religious values shape social practice in the region (Majid & Sugiarto, 2022; Pribadi, 2014; Takdir et al., 2024). The contribution of this article lies in affirming that communitarian institutions such as koloman deserve to be understood as part of the ecosystem of Islamic social finance, even when they do not take on formal institutional forms.

Theoretically, the robustness of this koloman model unveils the true nature of informal community-based Islamic finance. Grassroots informal finance operates independently of state-law compliance calculations or tax incentives; rather, it is driven by Relational Compliance and Emotional Theology. In contrast to formal financial institutions that rely on written legal contracts to mitigate risks such as moral hazard, the informal financial system of koloman utilizes social sanctions and the loss of social reputation (*tèngka*) as instruments for enforcing compliance. Its fluid nature, devoid of bureaucratic barriers, and rooted in geographical-cultural proximity allows the economic redistribution process to operate far more swiftly and accurately targeted than formal institutions. This finding corroborates Granovetter's embeddedness argument, suggesting that within communitarian societies, economic efficiency is achieved not when institutions detach themselves from local culture, but rather when these financial institutions are organically embedded within the socio-religious relations of the community.

From a methodological standpoint, this study also shows that a locally grounded and narratively rich context can still be analysed inferentially through the quantification of interview data and structured coding. This approach allows complex field experiences to be translated into latent constructs that can be tested statistically without entirely detaching them from their empirical origins. At the same time, the results should be interpreted proportionately. First, the cross-sectional design limits strong causal inference. Second, the numerical dataset was built through coding of interviews and observations, which means that a degree of subjective judgement remains possible. Third, respondents were restricted to adult men who were currently or previously active in koloman, so the findings cannot be statistically generalised to the wider population. Therefore, the findings are better understood as offering analytical generalisation for communities with similar socio-religious characteristics. Even so, the design makes an important contribution by showing a viable way to bridge local contextual depth with the demands of quantitative rigour in community studies (Ascarya & Sakti, 2022).

Practically, the findings suggest that strengthening Islamic social finance at the grassroots level does not always need to begin with the creation of new institutions. In many cases, a more realistic strategy is to strengthen the social infrastructure that already exists, is trusted, and is collectively maintained by the community. In the context of local religious traditions, such strengthening may focus on improving accountability in fund management, documentation of activities, the expansion of productive benefits, and members' conceptual literacy regarding Islamic social finance. This approach is more likely to be sustainable because it rests on social

structures that already enjoy moral legitimacy among their members. Thus, the study supports the idea that the development of community-based Islamic social finance is likely to be more effective when it builds on already established socio-religious institutions and then strengthens their organisational capacity and governance (Adinugraha et al., 2023; Tok et al., 2022; Widiastuti, Ningsih, et al., 2022).

Formal institutions must not approach the community with a "takeover" mentality or force the formalization of koloman. Instead, they should position koloman as a strategic channeling partner (a joint partner for distribution and collection). Formal institutions can leverage the structure of koloman to disburse productive assistance or micro-economic empowerment programs, as the internal structure of koloman has proven to possess a highly robust risk-mitigation mechanism against moral hazard through local social sanctions. Likewise, local governments need to recognize local socio-religious traditions like koloman as an essential pillar within the regional social safety net system. Furthermore, in formulating financial literacy or social security policies, the government must avoid over-regulation that potentially stifles the flexibility and autonomy of this community-based finance. Policies should instead be directed toward providing incentives or capacity building through education, entirely free from bureaucratic intervention.

This discussion shows that local religious traditions in Madura may be understood not merely as religious traditions, but as a social foundation that enables Islamic social finance to function concretely at community level. Traditions provide moral legitimacy and normative structure, participation provides collective energy, and together they shape redistributive practices that respond to members' needs. This is where the main contribution of the study lies: in demonstrating that Islamic social finance need not always be sought in formal institutions, but may also be recognised in communitarian practices that are already alive, stable, and meaningful for local communities.

5. Conclusion and Suggestion

This study concludes that koloman in Madura functions not only as a communitarian religious practice, but also as a social foundation that enables Islamic social finance practices to emerge and endure at community level. The PLS-SEM results show that local religious traditions positively affect community participation and Islamic social finance practices, while community participation also positively affects these practices and partially mediates the relationship between the two. These findings confirm that the strength of koloman lies in the interplay of religious values, social structure, and community involvement, such that Islamic social finance need not be understood solely through formal institutions, but can also grow organically within local socio-religious institutions.

Theoretical Implications, Theoretically, this study shows that Islamic social finance can be explained not only from the perspective of formal institutions, but also from the social basis embedded in local religious traditions. In this way, the article extends Islamic social finance scholarship by positioning communitarian religious traditions as a social foundation for redistributive practices grounded in Islamic values. **Practical Implications** Practically, the results indicate that strengthening Islamic social finance at the grassroots level does not always have to begin with establishing new institutions. A more realistic strategy is to strengthen local traditions that are already alive, trusted, and collectively sustained, and then improve accountability in fund management, activity documentation, and members' conceptual literacy regarding Islamic social finance. **Research Limitations,** This study has four principal

limitations. First, the cross-sectional design limits strong causal inference. Second, the respondents were all male, and the study therefore does not fully capture women's experiences in koloman. Third, the quantitative data were built from the coding of interviews and observations and thus remain dependent on the consistency of judgement in coding. Fourth, the study is focused on Madura, so the findings are better understood as analytical generalisations for similar contexts rather than as statistical generalisations to all Muslim communities.

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