International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Transformation Of Whatsapp-Based Non-Formal Lending: A Social Capital Perspective In The Sukorejo Village Community

Dia Auliatur Rohmah[1], Riski Febri Eka Pradani[2]

[1,2] Department of Economics, Faculty of Social Sciences and Humanities Nurul Jadid University

Email: rohmahdia92@gmail.com[1], febri@unuja.ac.id[2]

Abstract

Limited access to formal financial institutions in rural communities has contributed to the emergence of non-formal lending practices, which have recently undergone a digital transformation through the use of WhatsApp. This study aims to examine the transformation of WhatsApp-based non-formal lending mechanisms and their implications for the sustainability of community businesses in Sukorejo Village. A qualitative descriptive approach was employed, with data collected through observations, in-depth interviews, and documentation. The findings reveal that non-formal lending practices have evolved from conventional face-to-face transactions into digital-based systems that are faster, more flexible, and more efficient. This transformation is primarily driven by the ease of access, rapid loan disbursement, urgent economic needs, and limited financial literacy among community members. In addition, the practice is strongly supported by social capital, particularly trust, social cohesion, and interpersonal networks. Although WhatsApp-based non-formal lending improves short-term access to business capital, it also poses long-term risks, including high interest rates and increasing dependence on debt. These findings suggest that the digital transformation of non-formal lending has not yet significantly enhanced the long-term welfare of the Sukorejo Village community.

Keywords: non-formal lending, WhatsApp, social capital, financial literacy, farmers

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

INTRODUCTION

Access to formal financial services remains a persistent challenge for rural communities. Limited financial literacy, relatively complex administrative procedures, and lengthy loan approval and disbursement processes discourage many rural residents from utilizing formal financial institutions. Consequently, many individuals seek alternative financing through non-formal lending, which is generally characterized by simpler requirements, greater flexibility, and faster access to funds than formal financial institutions (Cahyadi & Dewi, 2021).

This phenomenon remains prevalent in Sukorejo Village, Kotaanyar District, Probolinggo Regency, Indonesia, where agriculture constitutes the primary source of livelihood. Farmers frequently require immediate financial capital to support agricultural production, purchase farming inputs, and meet urgent household needs. However, limited access to formal financial institutions and inadequate understanding of formal credit mechanisms have encouraged many community members to rely on non-formal lending. Such lending arrangements provide rapid loan disbursement without collateral and involve relatively simple administrative procedures, although borrowers are often required to pay considerably higher interest rates (Suharwadi, 2021).

The rapid advancement of digital communication technologies has transformed the operational mechanisms of non-formal lending. Rather than relying solely on face-to-face interactions, lenders and borrowers increasingly use WhatsApp to communicate, negotiate loan terms, and coordinate repayments. This digital transformation has enhanced transaction efficiency, accelerated communication, and eliminated many geographical and temporal barriers, enabling financial interactions to occur more quickly and conveniently (Primarius et al., 2022). Consequently, non-formal lending has evolved from a conventional interpersonal practice into a digitally mediated financial activity.

Despite improving financial accessibility, WhatsApp-based non-formal lending also presents substantial socioeconomic risks. High interest rates may increase borrowers' financial burdens, contribute to persistent indebtedness, and reduce household welfare. Previous studies have reported that dependence on non-formal lending may exacerbate household debt, weaken long-term economic resilience, and generate various forms of social pressure (Trihantana & Anwar, 2022; Noka et al., 2023).

From the perspective of social capital, borrowing decisions are shaped not only by economic considerations but also by trust, social networks, reciprocity, and close interpersonal relationships within the community. These elements of social capital facilitate repeated financial transactions, reduce perceived lending risks, and strengthen

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

cooperation between lenders and borrowers, even in the absence of formal legal agreements. Consequently, non-formal lending is embedded within social relationships that influence both access to financial resources and the sustainability of lending practices (Yulianti, 2025).

Although previous studies have investigated non-formal lending, most have focused on conventional lending practices, financial inclusion, the socioeconomic impacts of moneylenders, or digital financial services separately. Limited attention has been devoted to understanding how WhatsApp-based non-formal lending has transformed traditional lending mechanisms and how this transformation is sustained through social capital in rural communities. Furthermore, empirical evidence regarding the implications of this digital transformation for the sustainability of community-based businesses, particularly within agricultural communities, remains limited.

Accordingly, the novelty of this study lies in integrating the perspective of social capital with the analysis of the digital transformation of WhatsApp-based non-formal lending. Rather than examining lending solely as an economic transaction, this study conceptualizes it as a socially embedded financial practice in which trust, interpersonal networks, and reciprocity shape borrowing behavior and influence business sustainability. By examining these interconnected dimensions, the study provides a more comprehensive understanding of how digital communication technologies reshape non-formal lending within rural communities.

Therefore, this study aims to analyze the transformation of WhatsApp-based non-formal lending from a social capital perspective and to examine its implications for the sustainability of community businesses in Sukorejo Village.

RESEARCH METHOD

This study employed a qualitative research design with a descriptive approach to examine the transformation of WhatsApp-based non-formal lending and its implications for the sustainability of community businesses in Sukorejo Village. A qualitative approach is appropriate for understanding social phenomena in their natural settings and exploring participants' experiences in depth (Sugiyono, 2022). The research was conducted in Sukorejo Village, Kotaanyar District, Probolinggo Regency, Indonesia, over a one-month period from 25 May to 25 June 2026.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

The participants were selected using purposive sampling based on their direct involvement in WhatsApp-based non-formal lending practices (Sugiyono, 2022). A total of four informants participated in this study, consisting of representatives of a non-formal financial institution and farmers engaged in corn, rice, and tobacco cultivation.

Data were collected through observation, semi-structured interviews, and documentation. Observation was conducted to examine the implementation of WhatsApp-based non-formal lending within the community. Semi-structured interviews were used to obtain in-depth information regarding participants' experiences, perceptions, and motivations, while documentation served to support and verify the collected data.

The data were analyzed using an inductive qualitative approach, emphasizing the identification of recurring themes, patterns, and meanings emerging from the data. The analysis focused on understanding the transformation of WhatsApp-based non-formal lending and its implications for the sustainability of community businesses rather than producing statistical generalizations.

To ensure the trustworthiness of the findings, source triangulation and method triangulation were employed. Source triangulation was conducted by comparing information obtained from different informants, while method triangulation involved cross-checking findings from observations, interviews, and documentation to enhance the credibility and consistency of the research findings.

RESULTS AND DISCUSSION

The findings indicate a significant transformation in non-formal lending practices, shifting from conventional face-to-face transactions to digitally mediated mechanisms through the WhatsApp application. Previously, interactions between lenders, represented by non-formal financial institutions (moneylenders), and borrowers were conducted directly using a door-to-door approach. Currently, these transactions have become more practical and efficient through online communication. Prospective borrowers simply contact lenders via WhatsApp, provide basic personal information, including their name, address, and national identity card, and specify the desired loan amount. This transformation demonstrates that digital technology has become an important instrument in accelerating financial transactions, even within the non-formal financial sector, consistent with previous findings regarding the role of digital communication technologies in improving transaction efficiency (Primarius et al., 2022). Nevertheless, this

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

transformation has not been accompanied by adequate regulatory frameworks or legal protection, thereby increasing potential risks for borrowers.

The increasing reliance on non-formal lending in Sukorejo Village is influenced by several interrelated factors. The most prominent factors are the ease of access and the rapid loan disbursement process offered by non-formal financial institutions. Unlike formal financial institutions, which generally require relatively complex administrative procedures and collateral, non-formal lending provides greater flexibility with minimal administrative requirements (Suharwadi, 2021). In addition, the socioeconomic characteristics of the community contribute significantly to this phenomenon. Most residents work as corn, rice, and tobacco farmers and frequently require immediate capital to finance agricultural production. Limited access to formal financial institutions, combined with relatively low levels of financial literacy, encourages borrowers to prioritize practical and immediate financial solutions rather than considering long-term financial risks. These findings support previous studies demonstrating that accessibility, rapid loan disbursement, and urgent economic needs are the primary reasons why rural communities prefer non-formal lending over formal financial institutions (Cahyadi & Dewi, 2021; Suharwadi, 2021).

The findings further reveal that social capital plays a fundamental role in sustaining WhatsApp-based non-formal lending practices. Relationships between lenders and borrowers are not established solely on economic considerations but are also built upon trust, social proximity, and interpersonal networks that have developed through long-standing community interactions. These dimensions of social capital facilitate lending transactions without requiring complicated administrative procedures or formal collateral. Trust functions as a mechanism for reducing perceived transaction risks while strengthening reciprocal relationships between both parties. This finding is consistent with the argument that trust and social networks constitute essential components of social capital that influence financial behavior within rural communities (Yulianti, 2025). However, strong social capital may also generate unintended consequences by reinforcing borrowers' dependence on non-formal financial institutions, thereby reducing their willingness to transition toward formal financial services.

The transformation of WhatsApp-based non-formal lending has produced both positive and negative implications for the sustainability of community businesses, particularly among farmers in Sukorejo Village. On the one hand, easier access to credit enables farmers to obtain working capital quickly for purchasing agricultural inputs such as seeds and fertilizers, thereby supporting business continuity. On the other hand, the long-term consequences are considerably more problematic. High interest rates and

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

inflexible repayment systems frequently impose substantial financial burdens on borrowers, resulting in declining household income, increased risks of loan default, and persistent debt dependency. These findings are consistent with previous studies reporting that dependence on non-formal lending may reduce household welfare and intensify long-term financial vulnerability (Trihantana & Anwar, 2022; Noka et al., 2023).

Overall, the digitalization of non-formal lending through WhatsApp reflects the adaptation of informal financial practices to technological developments. However, this transformation has not been accompanied by effective regulatory oversight or adequate consumer protection. Consequently, digital technology not only facilitates financial transactions but also has the potential to expand the reach of non-formal lending and strengthen community dependence on informal sources of finance (Primarius et al., 2022; Yulianti, 2025). Therefore, stronger collaboration between government institutions and formal financial service providers is required to develop more inclusive, accessible, and legally protected financing alternatives. Such efforts are essential for reducing long-term dependence on high-risk non-formal lending while promoting sustainable economic development within rural communities.

CONCLUSION

This study concludes that the transformation of WhatsApp-based non-formal lending in Sukorejo Village has shifted lending practices from conventional face-to-face transactions to a more accessible, faster, and flexible digital system, particularly benefiting farmers who require immediate financial capital. However, this transformation has not been accompanied by adequate regulatory oversight or legal protection, thereby increasing the potential financial risks faced by borrowers. The findings also demonstrate that borrowing decisions are influenced not only by urgent financial needs, simple lending procedures, and limited financial literacy but also by social capital, particularly trust and social proximity, which strengthen the relationship between lenders and borrowers. Although WhatsApp-based non-formal lending contributes to the short-term sustainability of community businesses by providing rapid access to working capital, it also creates long-term challenges, including high interest burdens and persistent debt dependency. These findings highlight the need for strengthening financial literacy among rural communities and enhancing the role of government and formal financial institutions in providing inclusive, accessible, and legally protected financing alternatives. Such efforts are essential to reduce long-term dependence on non-formal lending while promoting sustainable rural economic development.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

REFERENCES

Alawiyah, I. T. (2020). Praktik rentenirisasi perspektif ekonomi syariah dan sosiologi (Studi di Kecamatan Punggur, Lampung Tengah). *I-Economics: A Research Journal on Islamic Economics, 6*(1), 85–105. https://doi.org/10.19109/ieconomics.v6i1.5309

Cahyadi, M. A., & Dewi, I. P. G. D. (2021). Pengaruh kualitas layanan, prosedur kredit, dan promosi terhadap keputusan UMKM melakukan pinjaman kredit pada lembaga keuangan bukan bank (LKBB) di Kecamatan Buleleng. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi), 12*(3), 895–905. https://doi.org/10.23887/jimat.v12i3.35159

Noka, I. A., Qodir, I., & Fitri, D. H. (2023). Analisis dampak masyarakat melakukan pinjaman pada rentenir terhadap ekonomi keluarga di Desa Lelumu, Kecamatan Pegasing, Kabupaten Aceh Tengah. *El-Wasathy: Journal of Islamic Studies, 1*(2), 173–185. https://doi.org/10.61693/elwasathy.vol1.2.2023.173-185

Primarius, F., Koten, N., Jufriansah, A., & Hikmatiar, H. (2022). Analisis penggunaan aplikasi WhatsApp sebagai media informasi dalam pembelajaran: A literature review. *Jurnal Ilmu Pendidikan (JIP), 14*(1), 72–84. https://doi.org/10.37640/jip.v14i1.1409

Saheb, S., Slamet, Y., & Zuber, A. (2018). Peranan modal sosial bagi petani miskin untuk mempertahankan kelangsungan hidup rumah tangga di pedesaan Ngawi (studi kasus di Desa Randusongo Kecamatan Gerih Kabupaten Ngawi Provinsi Jawa Timur). *Jurnal Analisa Sosiologi*, 2(1).

Sugiyono. (2022). *Metode penelitian kuantitatif, kualitatif, dan R&D* (2nd ed.). Alfabeta.

Suharwadi. (2021). *Hukum ekonomi Islam*. Sinar Grafika.

Trihantana, R., & Anwar, M. (2022). Analisis dampak praktik rentenir terhadap dinamika ekonomi masyarakat Kecamatan Pamijahan, Kabupaten Bogor. *Sahid Banking Journal, 2*(1), 129–140. https://doi.org/10.56406/sahidbankingjournal.v2i01.73

Yulianti, L. (2025). *Preferensi masyarakat dalam memilih rentenir dibandingkan lembaga keuangan di Kecamatan Kikim Barat Desa Babat Baru* (Undergraduate thesis, Institut Agama Islam Negeri Curup).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.