

**THE INFLUENCE OF INDIVIDUAL CHARACTERISTICS, TECHNOLOGY USE, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PRACTICES ON FINANCIAL PERFORMANCE OF VILLAGE CREDIT INSTITUTIONS (LPD) IN ABIANSEMAL DISTRICT**

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**Abstract:**

This study aims to analyze the influence of individual characteristics, technology utilization, and Environmental, Social, and Governance (ESG) practices on the financial performance of Village Credit Institutions (Lembaga Perkreditan Desa/LPD) in Abiansemal District, Badung Regency, Bali Province. The research was conducted on all LPDs operating in Abiansemal District, with the object of study being the financial performance of LPDs as influenced by the three variables. The research population consisted of 34 active LPDs spread across 34 traditional villages. The sampling technique used was purposive sampling with specific criteria; therefore, each LPD was represented by three respondents, namely the chairperson, treasurer, and financial or accounting staff. Accordingly, the total sample size in this study was 102 respondents. Data were collected through questionnaires and analyzed using multiple linear regression analysis to examine the effect of each independent variable on financial performance. The results indicate that individual characteristics, technology utilization, and ESG practices have a significant influence on the financial performance of LPDs in Abiansemal District. These findings highlight the importance of human resource quality, the use of information technology, and the consistent implementation of ESG principles in supporting improved financial performance and the sustainability of LPDs. This study is expected to provide practical contributions for LPD management and serve as a reference for future research by incorporating additional variables and expanding the research scope.

**Keywords:** Individual Characteristics, Technology Utilization, Environmental, Social, Governance (ESG), Financial Performance, Village Credit Institutions (LPD).

**INTRODUCTION**

The era of globalization of big business has had an increasingly significant impact on various types of organizations, including customary-based microfinance institutions such as the Village Credit Institution (LPD). Developments in the business environment marked by technological advances, information transparency, and increasing public demands have led to increasingly fierce business competition. This condition requires every financial institution to be managed more professionally, transparently, and adaptively in order to survive and thrive amidst the dynamics of change. It is in this context that the Village Credit Institution (LPD) was established as a financial institution owned by traditional villages whose primary function is to collect community savings and redistribute them in the form of credit to support the economic activities of traditional village communities. The existence of LPD in Bali Province officially began in 1984 through the Decree of the Governor of Bali Number 972 of 1984, then strengthened through various regional regulations,



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up to Bali Provincial Regulation Number 12 of 2012, which affirms LPD as one of the institutional elements of the Pekraman Village that plays a role in managing the financial potential of traditional villages independently and sustainably.

Badung Regency, a region with rapidly growing economic activity, has six sub-districts: South Kuta, Kuta, North Kuta, Mengwi, Abiansema, and Petang. Abiansema is a key district in the development of North Badung, with the second-largest number of LPDs after Mengwi. According to data from the Bali Village Credit Institution Empowerment Agency (LPLPD), there are 34 active LPDs spread across traditional villages in Abiansema District. All LPDs generally utilize computer-based accounting information systems to support the management of financial data recording transactions. Through community fundraising and village credit distribution activities, LPDs in Abiansema District play a strategic role in promoting the economic independence of traditional villages, strengthening community business capital, and contributing to local economic growth and improving community welfare. However, despite this strategic role, several LPDs still face challenges in maintaining optimal financial stability.

Financial performance is a crucial indicator reflecting the LPD's ability to effectively and efficiently manage financial resources to achieve its objectives. LPD financial performance can be measured through various aspects, including profitability, liquidity management, and credit management quality. Good financial performance demonstrates that the institution is managed professionally and accountably, maintaining public trust as both owners and users of LPD services. Internal factors influencing LPD financial performance include the individual characteristics of the management, including education level, work experience, age, training, and managerial skills. Management with adequate competence, integrity, and experience is able to make sound financial decisions, manage risks effectively, and operate the institution more effectively. In addition to individual characteristics, the use of information technology plays a crucial role in increasing operational efficiency, accelerating data processing, enhancing financial reporting transparency, and improving the quality of public services. The implementation of an appropriate financial technology accounting information system enables LPDs to adapt to the increasingly complex developments in the digital era. Furthermore, the application of Environmental, Social, and Governance (ESG) principles is becoming increasingly relevant in supporting the sustainability of the institution. ESG practices encourage LPDs to conduct business activities in an environmentally responsible manner, contribute positively to society, and implement good governance, which is in line with the local wisdom values of Tri Hita Karana.

Although LPDs (Lembaga Pembangunan Daerah/LPD) have significant potential to support the economy of traditional villages, several cases of declining financial performance due to suboptimal governance issues in some LPDs are still found. This condition indicates that LPDs still face various challenges in maintaining the institution's sustainable performance. Therefore, research that simultaneously examines the influence of individual characteristics, technology utilization, and Environmental, Social, and Governance (ESG) practices on LPD financial performance in Abiansema District is important. This research is expected to fill the existing research gap and provide a more comprehensive basis for formulating strategies to improve LPD's sustainable financial performance in the future.

## METHODS

This research was conducted by the Village Credit Institution (LPD) operating in Abiansema District, Badung Regency, Bali Province. The object of the research is the financial performance of LPDs, which is influenced by individual characteristics, technology utilization, and Environmental,



Social, and Governance (ESG) practices. The research population includes all active LPDs in Abianseml District, namely 34 LPDs spread across 34 traditional villages based on LPLPD Badung Regency data in 2024. The sampling technique used was purposive sampling with certain criteria, so that each LPD is represented by three respondents, namely the chairman, treasurer, finance or accounting staff. Thus, the total research sample was 102 respondents. This study uses two types of variables, namely independent variables and dependent variables. The independent variables consist of individual characteristics (X1), technology utilization (X2), and ESG practices (X3), while the dependent variable is financial performance (Y). Individual characteristics include education level, work experience, motivation, attitude, and decision-making ability. Technology utilization includes the use of financial technology accounting information systems to support work efficiency and effectiveness. ESG practices reflect the application of sustainability principles across environmental, social, and governance aspects. Financial performance is measured through indicators of profit growth, asset efficiency, liquidity, asset stability, and performance sustainability. The data used are quantitative data sourced from primary sources. Data were collected through questionnaires distributed to respondents using a five-level Likert scale. Data analysis techniques included descriptive statistical analysis, research instrument testing (validity and reliability testing), and classical assumption testing, including normality, multicollinearity, and heteroscedasticity testing. Hypothesis testing was conducted using multiple linear regression analysis to determine the effect of independent variables on financial performance, accompanied by a coefficient of determination ( $R^2$ ) test and a simultaneous significance test (F test).

## RESULTS AND DISCUSSION

**Table 1.** Descriptive Statistical Test

No	Research Variables	Number of Indicators	Average Score	Category
1	Individual Characteristics	5 indicator	4,11	Agree
2	Utilization of Technology	5 indicator	4,12	Agree
3	Environmental, Social, and Governance (ESG) Practices	5 indicator	4,12	Agree
4	Financial performance	5 indicator	4,16	Agree

Based on the results of the descriptive analysis of all research variables, respondents generally gave a positive assessment of individual characteristics, technology utilization, ESG practices, and the financial performance of Village Credit Institutions (LPD) in Abianseml District. The results of the individual characteristics variable showed an average score of 4.11, which is included in the Agree category. The average indicator value ranged from 4.05 to 4.22, indicating that LPD management and employees have a good level of education, work experience, motivation, work attitude, and decision-making skills to support the implementation of institutional management tasks. The technology utilization variable obtained an average score of 4.12 with the Agree category. The average indicator value ranged between 4.03 and 4.15, indicating that respondents have been able to use digital technology accounting information systems effectively. Technology was considered appropriate to job needs, easily accessible, and able to increase work efficiency and effectiveness at LPD.

Furthermore, the Environmental, Social, and Governance (ESG) practice variable also obtained an average score of 4.12 with the Agree category. This score reflects that the LPD has implemented



environmentally friendly practices, actively engaged in social activities, implemented transparent and accountable governance, and considered the principles of sustainability in organizational decision-making. Meanwhile, the financial performance variable showed the highest average score of 4.16, which falls into the Agree category. The profit growth indicator for sustainable financial performance was categorized as Strongly Agree, while the asset efficiency, liquidity, and asset growth indicators were categorized as Agree. It indicates that the LPD in Abiansemal District has good and relatively stable financial performance.

**Classical Assumption Test.** Based on the results of the classical assumption test, the normality test showed that the Asymp. Sig. (2-tailed) The value obtained was greater than 0.05. This result indicates that the residual data in the regression model is normally distributed, thus fulfilling one of the important requirements in linear regression analysis. With the normality assumption met, the regression model can be used for further testing.

Furthermore, the results of the multicollinearity test showed that all independent variables had tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values less than 10. It indicates that there is no strong linear relationship between the independent variables in the model. Thus, it can be concluded that the regression model is free from multicollinearity problems, allowing each independent variable to explain the dependent variable optimally. Furthermore, the heteroscedasticity test showed that the significance value of each independent variable was greater than 0.05. These results indicate that there are no symptoms of heteroscedasticity in the regression model, meaning that the residual variance is constant. Thus, the regression model used meets all classical assumptions and is suitable for further regression analysis and research conclusions.

**Table 2.** Results of Multiple Regression Analysis

Model	Coefficients <sup>a</sup>			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	.392	1.072		.366	.715
Individual Characteristics (X1)	.528	.083	.523	6.400	.000
Utilization of Technology (X2)	.218	.096	.201	2.278	.025
ESG Practices (X3)	.248	.099	.228	2.513	.014

a. Dependent Variable: Financial performance

Based on the multiple linear regression in Table 2, the regression equation is as follows:

$$Y = 0.392 + 0.528X_1 + 0.218X_2 + 0.248X_3$$

The constant value of 0.392 indicates that if individual characteristics, technology utilization, and ESG practices are considered constant or zero, then LPD's financial performance is at 0.392. This value serves as the basis for financial performance without the influence of the three independent variables. The individual characteristics variable ( $X_1$ ) has a regression coefficient of 0.528 with a significance value of 0.000 ( $<0.05$ ). It indicates that individual characteristics have a significant positive effect on LPD's financial performance. It means that the better the individual's level of education, experience, motivation, and work attitude, the higher the LPD's financial performance will be. This variable also has the largest beta coefficient value (0.523), making it the most dominant variable influencing financial performance. The technology utilization variable ( $X_2$ ) has a regression

coefficient of 0.218 with a significance value of 0.025 ( $<0.05$ ). These results indicate that technology utilization has a significant positive effect on LPD financial performance. The more optimal the use of LPD's operational digital technology information system, the more work efficiency and effectiveness will increase, which ultimately impacts financial performance.

Furthermore, the ESG practice variable ( $X_3$ ) has a regression coefficient of 0.248 with a significance value of 0.014 ( $<0.05$ ). It indicates that Environmental, Social, and Governance (ESG) practices have a significant positive effect on LPD's financial performance. The application of environmentally friendly principles, social involvement, and good governance can increase public trust in the sustainability of LPD businesses, thereby supporting better financial performance. Overall, the regression results show that individual characteristics, technology utilization, and ESG practices partially have a significant positive effect on the financial performance of Village Credit Institutions (LPDs). It indicates that improving the quality of human resources, optimizing technology, and implementing consistent ESG practices are important factors in improving LPD financial performance in Abiansemal District.

The t-test was used to determine each independent variable of the purchasing decision separately. The social media variable had a positive coefficient of 0.380 with a significance level of 0.000, meaning it has a significant positive effect on the purchasing decision. It indicates that the more actively the promotional content is used through social media, the greater the consumer's interest in purchasing. Social media helps increase the shop's visibility, expand the reach of promotions, and build trusting interactions with customers. The product quality variable also had a positive coefficient of 0.314 with a significance level of 0.010, meaning it has a significant positive effect on the purchasing decision. It indicates that products with good taste, attractive appearance, maintained cleanliness, and good taste consistency will increase customer satisfaction and encourage repeat purchasing decisions. In other words, the higher the product quality offered, the greater the consumer's tendency to make a purchase.

Meanwhile, the location variable had a positive coefficient of 0.354 with a significance level of 0.003, so it also had a significant positive effect on the purchasing decision. It means that a shop's strategic location, easy to find, and convenient location with adequate facilities will make it easier for consumers to visit and make purchases. Accessible location is a crucial factor in determining consumer decisions. Based on this t-test, it was concluded that all three independent variables had a significant positive partial effect on purchasing decisions, meaning all hypotheses in this study were accepted.

The F-test showed that simultaneously, the variables social media, product quality, and location significantly positively influenced consumer purchasing decisions. It means that these three variables, when combined, are able to explain changes in purchasing decisions. It illustrates that a good marketing strategy does not rely solely on a single factor, but rather on a combination of effective promotion, quality products, and strategic business locations.

The coefficient of determination (Adjusted  $R^2$ ) of 0.825 indicates that the regression model used has excellent explanatory power. It means that 82.5% of the variation in purchasing decisions is explained by the three independent variables in this study, while the remaining 17.5% is accounted for by other factors not included in the model, such as price, service, or competitor promotions. The high Adjusted  $R^2$  indicates that the combination of social media, product quality, and location contributes to strong consumer purchasing decisions. Therefore, the regression model used in this study is considered appropriate for describing the relationship between the variables.

The Influence of Individual Characteristics on Financial Performance. The results of the study indicate that individual characteristics have a significant positive effect on the financial performance

of Village Credit Institutions (LPD). This finding indicates that the quality of human resources is one of the key factors that determines the success of LPDs in achieving optimal financial performance. Individuals who have adequate levels of education, knowledge, relevant work experience, high work motivation, and positive work attitudes tend to be able to carry out their responsibilities more effectively, efficiently, and professionally (Heykal et al., 2024). In LPD operational activities, such as community management, recording financial transaction reports, and financial decision-making, the role of individuals is very dominant because most of these processes still depend heavily on the competence and integrity of administrators and employees. Employees who are disciplined, responsible, honest, and able to adapt to changes in the work environment and technological developments will be more careful in managing the institution's finances, thereby minimizing administrative errors, reducing the risk of loss, and increasing public trust in the LPD. Thus, the better the individual characteristics of LPD administrators and employees, the greater their contribution to improving the institution's financial performance in a sustainable manner.

**The Impact of Technology Utilization on Financial Performance.** The analysis shows that technology utilization has a significant positive impact on the financial performance of Village Credit Institutions (LPDs). This finding indicates that the use of information technology plays a crucial role in supporting the improvement of LPDs' efficiency and effectiveness. The use of technology enables the process of recording transactions, processing financial data, and preparing financial reports to be carried out more quickly, accurately, and systematically compared to manual methods. With an accounting information system and various supporting digital tools, LPDs can minimize recording errors, reduce reporting delays, and improve the quality of the resulting financial information. In addition, technology makes it easier for LPD management to monitor the institution's financial condition in real time, allowing for more precise, responsive decision-making processes based on accurate and reliable data. Optimal use of technology also encourages increased transparency and accountability in financial management, which ultimately strengthens public trust and has a positive impact on sustainably improving LPD's financial performance.

**The Impact of Environmental, Social, and Governance (ESG) Practices on Financial Performance.** Environmental, Social, and Governance (ESG) practices have been shown to have a significant positive impact on the financial performance of Village Credit Institutions (LPDs). This finding indicates that the implementation of sustainability principles not only positively impacts the social and environmental aspects but also provides tangible benefits in improving the financial stability of the institution. LPDs that consistently implement environmentally friendly practices, such as efficient use of waste management resources, actively contributing to social activities, and implementing good governance through the principles of transparency, accountability, and regulatory compliance, tend to gain a higher level of public trust. Public trust is an important asset for LPDs because it directly influences the increase in the number of customers, the growth of deposits, and the sustainability of the institution's operations. In addition, the implementation of good governance helps LPDs manage their finances in a more orderly, responsible, and controlled manner, thereby minimizing the potential for operational risk deviations. By consistently and sustainably implementing ESG principles, LPDs are able not only to improve their reputation in the eyes of the public but also to create stronger long-term financial performance stability.

## CONCLUSION

This research was conducted by a Village Credit Institution (LPD) in Abiansemal District. Therefore, the findings are strongly influenced by the geographic, social, and cultural conditions, as well as the characteristics of LPD management in that area. Therefore, the results of this study cannot



necessarily be directly generalized to LPDs in other districts or microfinance institutions in other regions with different organizational structures, levels of economic development, and human resource characteristics. Furthermore, this study only focused on analyzing three main variables: individual characteristics, technology utilization, and Environmental, Social, and Governance (ESG) practices, as factors influencing LPD financial performance. Meanwhile, various other factors that have the potential to significantly influence LPD's financial performance, such as internal control systems, governance quality, marketing strategies, local economic conditions, and capital capacity, were not analyzed in this study. Therefore, these limitations open up opportunities for further research to develop a more comprehensive research model by adding other variables and expanding the scope of the research area.

**Research Limitations.** This study has several limitations that require consideration. First, the research focused solely on Village Credit Institutions (LPDs) in Abiansemal District, so the results may not necessarily reflect the conditions of LPDs in other regions, which have different organizational characteristics, human resources, and operational environments. Second, this study only used three independent variables: individual characteristics, technology utilization, and Environmental, Social, and Governance (ESG) practices. Other factors potentially influencing LPD's financial performance, such as internal control systems, capital capacity, marketing strategies, and local economic conditions, were not examined in this study. Third, the data used were obtained from questionnaires, thus relying heavily on respondents' perceptions, potentially leading to subjectivity in responses. Therefore, the results of this study are expected to inform further research with broader coverage, variables, and methods.

**Recommendations.** LPD management is advised to improve the quality of its human resources, maximize the use of information technology, and consistently implement ESG practices to support sustainable financial performance. Future research is recommended to add other variables, expand the research area, and use a wider range of analytical techniques to ensure more comprehensive and generalizable results.

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