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THE ROLE OF LEADERSHIP AND COLLECTIVE CULTURAL CAPITAL IN IMPROVING FINANCIAL PERFORMANCE OF VILLAGE CREDIT INSTITUTIONS IN TABANAN REGENCY

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Abstract:

This study aims to examine the effect of leadership on financial performance and investigate the moderating role of collective cultural capital in the relationship between leadership and financial performance in Village Credit Institutions (Lembaga Perkreditan Desa/LPD) in Tabanan Regency. This research applies a quantitative approach using questionnaire-based data collection. The sample consisted of 40 LPDs selected through purposive sampling. Data were analyzed using Structural Equation Modeling (SEM) with a Partial Least Square (PLS) approach. The results indicate that leadership has a positive effect on LPD financial performance. Furthermore, collective cultural capital strengthens the relationship between leadership and financial performance. These findings highlight that LPD sustainability is influenced not only by managerial capabilities but also by social values, including trust, community ownership, and collective support from traditional village communities. This study suggests that strengthening leadership and collective cultural capital is essential for improving sustainable financial performance.

Keywords: Leadership; Collective Cultural Capital; Financial Performance; Village Credit Institution; Local Economic Growth

INTRODUCTION

The Village Credit Institution (Lembaga Perkreditan Desa/LPD) is a community-based financial institution in Bali that plays an important role in supporting local economic activities and improving the welfare of traditional village communities (krama desa). Unlike conventional financial institutions, LPDs have unique characteristics as autonomous institutions established based on regional regulations and customary village rules (awig-awig). LPDs are not directly supervised by national financial authorities such as the Financial Services Authority or Bank Indonesia but are guided by the Bali Provincial Government through the Village Credit Institution Empowerment Agency (LPLPD). This institutional characteristic makes internal management quality a crucial factor in maintaining LPD sustainability and financial performance.

Financial performance is a key aspect in ensuring the continuity of LPD operations because its activities involve collecting and distributing funds that directly affect the economic interests of village communities. In facing credit risks, increasing demands for accountability, and the need for sustainable financial management, LPDs require effective managerial capabilities, particularly through strong leadership. Leaders play an essential role in formulating strategies, making decisions, managing organizational resources, and maintaining public trust in LPDs.

Based on the Resource-Based View (RBV) theory, organizational performance is determined by the ability to manage valuable, rare, difficult-to-imitate, and irreplaceable internal resources. Leadership represents an important intangible resource because it reflects the knowledge, experience, decision-making capability, and managerial competence of leaders in optimizing



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organizational resources. Therefore, effective leadership is expected to contribute to improved financial performance through better organizational management.

However, previous studies have shown inconsistent findings regarding the relationship between leadership and financial performance. In the context of LPDs, leadership effectiveness may not directly translate into improved financial outcomes due to the unique characteristics of LPDs, which operate within the social and cultural structures of traditional villages. The success of leaders in implementing policies is strongly influenced by the support, trust, and involvement of krama desa as key stakeholders within the LPD ecosystem.

This condition highlights the importance of collective cultural capital as a factor that may strengthen the relationship between leadership and financial performance. Collective cultural capital, reflected through trust, shared values, a sense of ownership, and collective responsibility, represents a social resource that supports leadership effectiveness within LPDs. Strong community support can enhance public participation, strengthen compliance with financial obligations, and contribute to the sustainability of LPD operations.

Therefore, collective cultural capital is not merely a social characteristic of LPDs but also a strategic resource consistent with the RBV perspective, as it can strengthen leadership capabilities in improving financial performance. Based on the research gap regarding the relationship between leadership and financial performance, this study aims to examine the effect of leadership on LPD financial performance by incorporating collective cultural capital as a moderating variable.

METHODS

This study employs a quantitative approach to examine the effect of leadership on financial performance and to analyze the moderating role of collective cultural capital in the relationship between these variables. Data were collected through the distribution of research questionnaires to the selected respondents. The research sample consisted of Village Credit Institutions (Lembaga Perkreditan Desa/LPD) located in Tabanan Regency, with a total of 40 research samples.

This study adopts a causal research design aimed at examining the cause-and-effect relationships among the research variables. To test these relationships, inferential statistical analysis was applied using Structural Equation Modeling (SEM) based on the Partial Least Square (PLS) approach. This method was utilized to evaluate the relationships among latent constructs and to examine both direct effects and the moderating effect between variables.

RESULT AND DISCUSSION

The Effect of Leadership on Financial Performance in LPDs of Tabanan Regency

Leadership plays an essential role in determining the effectiveness of Village Credit Institution (Lembaga Perkreditan Desa/LPD) management. As a financial institution embedded within the Balinese traditional village system, LPDs in Tabanan Regency have distinctive characteristics compared to conventional financial institutions, as their sustainability is strongly influenced by the trust and participation of krama desa. Therefore, the ability of LPD leaders to manage organizational resources becomes a critical factor in achieving sustainable financial performance. LPD leaders are responsible for formulating strategic policies, managing organizational resources, improving service quality, and maintaining harmonious relationships with krama desa as both owners and users of LPD services. Effective leadership is reflected in the leader's ability to make appropriate decisions, provide direction to employees, demonstrate integrity in managing the institution, and establish effective communication with the traditional village community. Effective leadership also



contributes to financial management practices within LPDs, including maintaining capital adequacy, improving asset quality through effective credit management, enhancing profitability, and maintaining liquidity stability. In the context of LPDs in Tabanan Regency, the leader's ability to build trust with krama desa is particularly important because community support influences the institution's capacity to collect funds and distribute credit effectively. Furthermore, LPD leaders must understand the social characteristics of traditional village communities, which are strongly influenced by collective values and social relationships. Leadership within LPDs is not solely focused on achieving organizational objectives but also on maintaining social connections and strengthening community ownership toward the institution. Strong relationships between leaders and krama desa can enhance public support, thereby contributing to the sustainability and financial performance of LPDs. Therefore, more effective leadership practices among LPD managers in Tabanan Regency are expected to enhance the ability of LPDs to achieve optimal financial performance.

The Moderating Role of Collective Cultural Capital in the Relationship between Leadership and Financial Performance

Based on the Resource-Based View (RBV) theory, organizational success depends on the ability to utilize valuable, rare, and difficult-to-imitate internal resources. In LPDs, these resources include not only financial assets but also intangible resources such as trust, social relationships, cultural values, and collective capital.

Collective cultural capital represents an important strategic resource because LPD sustainability is closely connected with the relationship between the institution and krama desa. Values such as trust, solidarity, shared responsibility, and community ownership strengthen support for LPD operations. Although effective leadership contributes to better financial performance through improved decision-making, risk management, and resource utilization, its impact becomes stronger when supported by strong collective cultural capital. Community trust encourages participation in saving and lending activities, improves compliance with financial obligations, and supports LPD sustainability. Therefore, collective cultural capital functions as a moderating factor that strengthens the influence of leadership on financial performance. From the RBV perspective, collective cultural capital represents a valuable organizational resource that enhances leadership effectiveness and supports sustainable financial performance of LPDs in Tabanan Regency.

CONCLUSION

Based on the results of the analysis and discussion, two main conclusions can be drawn.

Leadership has a positive effect on the financial performance of LPDs in Tabanan Regency. The findings indicate that leaders' ability to manage resources, make strategic decisions, direct operational activities, and maintain relationships with krama desa contributes significantly to improving LPD financial performance. Effective leadership strengthens institutional management and supports the sustainability and achievement of better financial outcomes.

Collective cultural capital strengthens the relationship between leadership and financial performance of LPDs in Tabanan Regency. Trust, a sense of ownership, solidarity, and community support represent strategic resources that enhance leadership effectiveness in managing LPDs. Strong collective cultural capital enables LPD leaders to gain greater community support in fund mobilization, credit distribution, and maintaining sustainable financial performance.



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