

The Effect Of The Implementation Of Corporate Social Responsibility Good Corporate Governance And Tri Hita Karana On The Financial Performance Of Village Credit Institutions (Lpd) Throughout Tabanan District

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Abstract:

The Village Credit Institution (LPD), a financial institution that carries out community fund collection and distribution activities, operates in an administrative area of The Customary Village based on the kinship between villagers in Bali. Bali Provincial Regulation Number 8, 2002 concerning LPD, which requires LPD to divide its profit 20% for village development and 5% for social funds, reflects the social obligations that must be applied by LPD, which in accounting is known as Corporate Social Responsibility (CSR), in addition, LPD uses loans from Regional Development Banks. Therefore, the principles of good corporate governance must be applied by LPD to reduce conflicts of interest between LPD managers as agents and owners, namely villages and between LPD managers and creditors, namely the Bali Regional Development Bank and maintain good relations and ensure the fullness of the rights of parties interested in the functions and objectives of the LPD itself. Tri Hita Karana culture is a local Balinese wisdom used as an individual foundation in every activity, especially in indigenous village communities with lpd owners.

Keywords: Corporate Social Responsibility, Good Corporate Governance, Tri Hita Karana, Financial Performance and Village Credit Institutions

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INTRODUCTION

The Village Credit Institution (LPD), a financial institution that carries out community fund collection and distribution activities, operates in an administrative area of Indigenous Villages based on the kinship between villagers. By relying on the number of villagers and close family ties in lpd village continues to develop its institutions. It shows that LPD has a role in improving the welfare of the people of Pakraman Village. To realize this welfare, one thing lpd does is carry out social responsibility to the community. Corporate/institutional social responsibility is often called Corporate Social Responsibility (CSR). According to The World Business Council for Sustainable Development, it is a commitment and cooperation between employees, local communities, and the community to contribute to sustainable economic development (Asih, 2019). Although, in general, LPD can be said to be successful in carrying out their functions and goals, this success is not felt by all existing LPDs. In Tabanan Subdistrict, of the ten existing LPDs, not all have health predicates in a healthy position. According to data from lplpd (village credit institution empowerment institution) of Tabanan Regency as of December 31, 2020, two LPDs are included in the unhealthy category, namely the land of Bedha Traditional Village and the LPD of Sesandan Traditional Village, while 8 (eight) LPDs are categorized as healthy. In addition, the phenomenon related to CSR from LPD in

Tabanan District is that determining CSR does not involve the community, so public knowledge of the importance of CSR is uneven. The phenomenon related to GCG is lpd in Tabanan district, still not transparent or open regarding its financial performance. The phenomenon related to Tri Hita Karana is that not all LPD employees in Tabanan District want to cooperate with colleagues (relationships with humans) because there is a competition to show individual performance.

Stakeholders theory is that support from stakeholders for all company activities is vital to implement the company's operational activities to obtain profits successfully. Therefore, companies need to establish good relations with stakeholders. Corporate social responsibility activities are one of the activities that can improve the company's image to stakeholders. Increasing cooperation with stakeholders is in line with the theory of legitimacy, where the company cooperates with the community, which is one of the essential stakeholder parties. Good cooperation with the community aims to minimize conflicts that can reduce the company's operational activities, which leads to a decrease in profits. In addition, cooperation with stakeholders, the community and capital owners must also be followed by cooperation with the environment. Based on the triple bottom line theory, the three elements are interrelated and must be balanced and run by the company to maintain the company's business continuity. One of the efforts that can be made to maintain relations with the environment is to use the company's corporate social responsibility program.

METHODS

This research was carried out at the Village Credit Institute (LPD) in Tabanan District, which consisted of 10 (ten) Village Credit Institutions (LPD). The population is a generalization area consisting of objects/subjects with specific qualities and characteristics set by the researcher to be studied, and then conclusions are drawn (Sugiyono, 2016). Thus the population is the subject of both quantity and specific characteristics that the researcher decides to study and then draws other conclusions. The population in this study is a staff who often make financial reports (treasurer, administration and accounting) in LPD in Tabanan District; namely, there are 10 LPDs.

RESULT AND DISCUSSION

The Effect of CSR (X_1) on Financial Performance (Y) in LPD in Tabanan District. The hypothesis test results showed that the CSR variable (X_1) positively affected the financial performance variable (Y). It means that the better the condition of CSR, the better the financial performance condition in LPDs throughout Tabanan District. This positive result is due to the business commitment (CSR) to support economic development, collaborating with employees and their families, local communities and the wider community to improve their quality of life in various ways that are profitable for business and development. One of the expected advantages for the business is the emergence of a positive influence on financial performance due to CSR commitments. The results of this study are in line with research from Evans (2017) and Pramana (2016), showing that the level of CSR in the annual report affects financial performance, so the hypothesis in the study states that Corporate Social Responsibility (CSR) has a positive effect on the financial performance of LPDs in Tabanan District can be accepted.

Effect of GCG (X_2) on Financial Performance (Y) in LPD in Tabanan District. The results of the hypothesis test show that the GCG variable (X_2) has a positive effect on the variable performance of the GCG (Y). It means that the better the GCG condition, the better the financial performance in LPDs throughout Tabanan District. This positive result is because implementing GCG principles in lpd management is very important. After all, it will directly provide clear direction for LPD to allow responsible decision-making and better management of LPD to improve LPD performance. The

results of this study are in line with research from Yuliantari (2020) and Mahaendrayasa (2017), which states that GCG principles have a positive effect on financial performance, so the hypothesis in the study that states that Good Corporate Governance (GCG) has a positive effect on the financial performance of LPD in Tabanan District can be accepted.

Tri Hita Karana (X₃) Effect Financial Performance (Y) in LPD in Tabanan District. The hypothesis test results showed that the Tri Hita Karana variable (X₃) had a positive effect on the financial performance variable (Y). It means that the better the implementation of Tri Hita Karana, the better the financial performance condition in LPDs throughout Tabanan District. This positive result is due to the THK culture, which is used as a foundation in every business activity carried out by employees. It is hoped that the performance of the LPD can reach the maximum level, which will later benefit all parties, both agents, who in this case are supervisors and employees and principals who are all customers and indigenous village communities. The results of this study are in line with research from Yandani (2019), showing that partially the Tri Hita Karana culture has a significant positive effect on the Managerial performance of the Pakraman Padangsemblian Village Credit Institution (LPD), so the hypothesis in the study that states that Tri Hita Karana has a positive effect on the financial performance of LPD in Tabanan District is acceptable.

CONCLUSION

Based on the data analysis and discussion results, this study concludes that CSR positively affects financial performance in LPDs throughout Tabanan District. It means that the better the CSR condition, the better the financial performance condition in LPD in Tabanan District. GCG positively affects the financial performance of LPDs throughout the Tabanan District. It means that the better the GCG condition, the better the financial performance in LPDs throughout Tabanan District. Tri Hita Karana positively affects financial performance in LPD in Tabanan District. It means that the better the implementation of Tri Hita Karana, the better the financial performance condition in LPDs throughout Tabanan District.

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