



**Universitas Warmadewa**

**Editorial Office:** Program Studi Magister Manajemen | Program Pascasarjana | Universitas Warmadewa  
Jl. Terompong No.24, Sumerta Kelod, Kec. Denpasar Timur, Kota Denpasar, Bali 80239

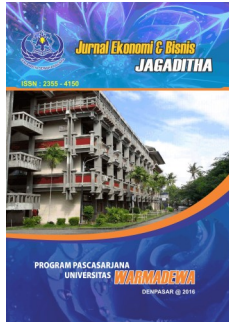
# Jurnal Ekonomi dan Bisnis Jagaditha

Volume 12, Number 2, 2025

ISSN: 2355-4150 (Print) | 2579-8162 (Online)

Publication details, Including author guidelines

visit URL: <https://www.ejournal.warmadewa.ac.id/index.php/jagaditha/authorguideline>



## Corporate Governance and Financial Performance of Village Credit Institution in Badung, Bali

Author Name(s): I Gusti Ngurah Bagus Gunadi<sup>1\*</sup> | I Gede Cahyadi Putra<sup>1</sup> | Ida Ayu Ratih Manuari<sup>1</sup> | Kadek Apriada<sup>1</sup>

1. Universitas Mahasaraswati Denpasar, Indonesia

### Article History

Received: April 17, 2025

Revised: September 27, 2025

Accepted: September 29, 2025

### How to cite this article (APA)

Gunadi, I. G. N. B., Putra, I. G. C., Manuari, I. A. R., & Apriada, K. (2025). Corporate Governance and Financial Performance of Village Credit Institution in Badung, Bali. *Jurnal Ekonomi dan Bisnis Jagaditha*. 12(2), 239-250. <https://doi.org/10.22225/jj.12.2.2025.239-250>

\*Correspondence regarding this article should be addressed to:

I Gusti Ngurah Bagus Gunadi

Email: [gunadi@unmas.ac.id](mailto:gunadi@unmas.ac.id)

Universitas Warmadewa (as publisher) makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications. However, we make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors and are not the views of or endorsed by Universitas Warmadewa. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Universitas Warmadewa shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to, or arising out of the use of the content.

Jurnal Ekonomi dan Bisnis Jagaditha is published by Universitas Warmadewa comply with [the Principles of Transparency and Best Practice in Scholarly Publishing](#) at all stages of the publication process. Jurnal Ekonomi dan Bisnis Jagaditha also may contain links to web sites operated by other parties. These links are provided purely for educational purpose.

This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](#).



# Corporate Governance and Financial Performance of Village Credit Institution in Badung, Bali

I Gusti Ngurah Bagus Gunadi<sup>1\*</sup> | I Gede Cahyadi Putra<sup>1</sup> | Ida Ayu Ratih Manuari<sup>1</sup> | Kadek Apriada<sup>1</sup>

1. Universitas Mahasaraswati Denpasar, Indonesia

---

**Abstract:** Financial performance is a crucial indicator of the development and sustainability of Village credit institutions and plays a significant role in building stakeholder trust. This study investigates the impact of Good Corporate Governance and the Tri Hita Karana culture on financial performance in Badung Regency. The research includes all 115 Village credit institutions in Badung, with Village Credit Institution heads as respondents selected through purposive sampling. Data were collected using questionnaires and analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach via SmartPLS. The findings reveal that Good Corporate Governance has a positive effect on financial performance, while the Tri Hita Karana culture strengthens this relationship. These results highlight the importance of implementing strong governance practices while integrating cultural values to enhance financial performance. Therefore, Village credit institutions management is encouraged to maintain good governance and uphold the principles of Tri Hita Karana in daily operations. This study contributes to understanding the role of corporate governance and cultural influences in financial performance. Future research should refine measurement instruments and consider additional variables, such as internal control and leadership style, to gain deeper insights into the determinants of financial performance.

**Keywords:** Good corporate governance; tri hita karana; culture; financial performance

---

## Introduction

The role of financial institutions is crucial in fostering regional economic development, particularly in areas with limited access to formal financial services. As community-based financial institutions, LPD not only facilitate financial intermediation through savings mobilization and credit distribution but also contribute to financial sustainability by integrating local cultural values into their operations (Wiagustini et al., 2024). In Bali, the Village credit institution has emerged as a significant entity in the region's financial sector. Founded by Desa Pakraman (traditional villages), village credit institution plays a crucial role in fostering economic empowerment within local communities, striving to enhance welfare and offer financial services specifically designed to meet the needs of its members (Apriantini, 2023).

According to Bali Provincial Regulation No. 3 of 2017, village credit institution's primary function includes accepting deposits and providing credit to members of the local community, thereby fulfilling a crucial role in regional financial inclusion. The financial services provided by Village credit institution support both the economic development of the community and the financial sustainability of the institution, as the profits generated are reinvested into the Desa Pakraman (I. G. A. P. Ariani et al., 2020; Widhiastuti et al., 2023).

---

\*Correspondence regarding this article should be addressed to:

I Gusti Ngurah Bagus Gunadi, Universitas Mahasaraswati Denpasar, Indonesia  
Email: gunadi@unmas.ac.id

However, despite their significant contribution to local economies, Village credit institution face ongoing challenges related to financial mismanagement and the prevalence of non-performing loans (NPLs). These issues, coupled with cases of fraud and embezzlement by management, undermine the operational integrity of Village credit institution and result in substantial financial losses for both the institutions and their customers. A notorious case occurred in Badung Regency, where the former head of the village credit institution in Desa Adat Unggasan embezzled 26 billion rupiahs, manipulating loan data to create fictitious borrowers and diverting funds for personal gain. Such scandals highlight the pressing need for stronger governance frameworks within Village credit institution (Detikbali, 2022).

The financial instability within Village credit institution necessitates the implementation of robust governance practices to safeguard assets and improve organizational performance (Anwar et al., 2020; Praptika et al., 2024). One such practice is the adoption of Good Corporate Governance (GCG), a set of principles aimed at ensuring transparency, accountability, and ethical decision-making. According to the Forum Corporate Governance of Indonesia (Rokhim et al., 2023). GCG principles facilitate the balanced distribution of power among stakeholders and serve as a framework for guiding corporate actions (Putra & Sunarwijaya, 2020). While GCG has been shown to improve the performance of various financial institutions, including Village credit institution (Adnyani et al., 2021; Jayantari & Gorda, 2020; Lestari & F.Yudiatmaja, 2022), some studies, such as those by Utari and Suartana (2024), suggest that the direct impact of GCG on village credit institution performance may be limited without considering the broader socio-cultural context in which these institutions operate.

In Bali, the Tri Hita Karana cultural framework provides a distinctive local perspective that can support and strengthen the application of Good Corporate Governance (GCG). Rooted in the principles of harmony between humans and God (Parahyangan), humans and fellow humans (Pawongan), and humans and the environment (Palemahan), Tri Hita Karana promotes a comprehensive governance approach that incorporates spiritual, social, and environmental dimensions. The application of this cultural philosophy may provide deeper ethical guidance for decision-making within Village credit institution, reinforcing the principles of GCG and improving overall organizational performance (Wedana, 2023, Setini et al., 2020).

While several studies have explored the role of Tri Hita Karana in enhancing village credit institution performance (Adnyani et al., 2021; Jayantari & Gorda, 2020; Lestari & F.Yudiatmaja, 2022), there remains a gap in the literature regarding the intersection of Tri Hita Karana with GCG principles. The current body of research does not adequately address how these cultural values interact with corporate governance mechanisms to influence financial performance. This gap in understanding is significant, as it limits the ability of practitioners to leverage local wisdom in improving the governance and performance of financial institutions in Bali.

This study seeks to bridge this gap by exploring the combined impact of Tri Hita Karana and Good Corporate Governance on the financial performance of Village credit institution in Badung Regency. Specifically, it examines how integrating local cultural values can strengthen the effectiveness of GCG practices, fostering financial sustainability and ethical behavior within these institutions. By analyzing this relationship, the research aims to provide valuable insights into the role of local wisdom in shaping governance frameworks and enhancing the financial performance of community-based financial institutions.

The results of this study are anticipated to provide valuable contributions to both academic research and practical governance within the context of Village credit institution. This research will enhance the understanding of how cultural elements shape corporate governance in the financial sector while also offering practical recommendations for improving governance structures in Village credit institution. Furthermore, it will enrich the broader discussion on the influence of local culture in corporate governance and financial performance, particularly in emerging economies where cultural values significantly impact

business practices.

## Hypothesis Development

### The Impact of Good Corporate Governance on Financial Performance

The success of any organization, including financial institutions like Village credit institution, depends on the effective implementation of Good Corporate Governance (GCG). Proper application of GCG principles minimizes decision-making errors and prevents actions that prioritize individual interests over the organization's well-being. Consequently, this strengthens the institution's financial performance and enhances overall operational efficiency, influencing both financial and non-financial outcomes. Research conducted by Jayantari & Gorda (2020), Diatmika (2023), Suparsa (2024), Lestari (2023), and Adnyani & Julianto (2021) indicates that effective corporate governance positively influences the performance of Village credit institution. Therefore, it is proposed that good corporate governance has a favorable impact on the financial performance of Village credit institution in Badung Regency. Thus, the proposed hypothesis is as follows:

H1: Good Corporate Governance has a positive effect on Financial Performance.

### The Impact of Tri Hita Karana Culture on Financial Performance

The impact of Tri Hita Karana on financial performance can be substantial, as this Balinese philosophy highlights the importance of balanced relationships between humans, nature, and the divine. In a business context, adopting Tri Hita Karana promotes ethical decision-making, environmental sustainability, and social responsibility, all of which can contribute to the long-term success of an organization. By integrating these principles, businesses can build trust and credibility with stakeholders, enhancing customer loyalty, employee satisfaction, and market reputation. Research evidence also supports this perspective, studies have shown that organizations incorporating local cultural values such as Tri Hita Karana tend to achieve better performance, both financial and non-financial, through stronger community engagement, ethical practices, and sustainable operations (Lestari & Yudiatmaja, 2022; Purnama & Wirawati, 2024; Artini, 2023). Similarly, studies by Jayantari & Gorda (2020) and Diatmika (2023) suggest that businesses that consider both social and environmental factors in their operations tend to perform better financially. For Lembaga Perkreditan Desa (village credit institution) in Bali, embracing *Tri Hita Karana* can strengthen ties with the local community, fostering trust and loyalty, ultimately driving better financial performance and ensuring sustainability. Thus, businesses that align with *Tri Hita Karana* principles are more likely to achieve sustainable growth, attracting investors and maintaining a positive impact on both the environment and society. Thus, the proposed hypothesis is as follows:

H2: Tri Hita Karana's Culture has a positive effect on Financial Performance.

### The Influence of Tri Hita Karana Culture on the Relationship Between Good Corporate Governance and Financial Performance.

Tri Hita Karana, a cultural principle rooted in Balinese philosophy, highlights the significance of harmony in three essential relationships: between humans and God (Parahyangan), between individuals (Pawongan), and between humans and the environment (Palemahan). This culture promotes ethical conduct by encouraging individuals to consider the social, environmental, and spiritual consequences of their actions. In the context of Village credit institution, Tri Hita Karana can support the implementation of Good Corporate Governance by promoting ethical decision-making (Sugita et al., 2021), which, in turn, enhances the financial performance of the institution. By incorporating these values, Village credit institution is more likely to adopt governance practices that ensure long-term success.

Research by Adnyani & Julianto (2021), Lestari & Yudiaatmaja (2022), and Pramesti et al. (2023) supports the notion that Tri Hita Karana culture has a positive impact on the connection between Good Corporate Governance and the performance of Village credit institution. It implies that Tri Hita Karana not only reinforces the implementation of GCG but also contributes to improved financial results for Village credit institution.

H3: Tri Hita Karana Culture in Enhancing the Link Between Good Corporate Governance and Financial Performance

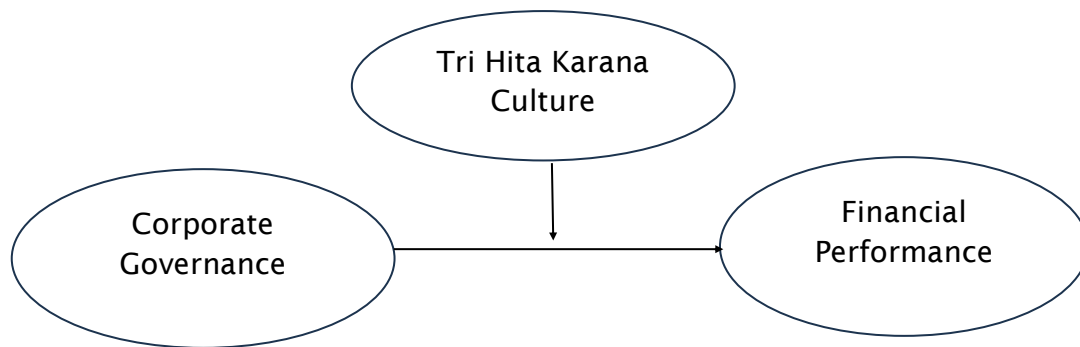


Figure 1. Framework of Research

## Method

This study focuses on the 115 active Village credit institution in Badung Regency, selecting the heads of these institutions as respondents, resulting in a sample size of 115 individuals. The sample was chosen using purposive sampling, targeting only Village credit institution that are currently operational in the region. For each village credit institution, one respondent—the head of the institution—was selected to participate, leading to a total of 115 respondents. The sample includes all active Village credit institution in Badung Regency, with the village credit institution Chairman chosen from each institution based on their involvement in management.

Badung Regency, Bali, was chosen as the research site due to its notable economic growth and the essential role that Village credit institution play in meeting the financial needs of traditional villages (*desa adat*). As one of the most developed regencies in Bali, Badung boasts a robust financial ecosystem, with Village credit institution being integral to the region's economic sustainability. Moreover, Badung holds the highest total assets among Village credit institution in Bali, making it an ideal location for studying governance practices and financial performance within these institutions.

This study examines three variables: financial performance, Good Corporate Governance (GCG), and Tri Hita Karana's Culture. Financial performance refers to the assessment of an organization's ability to manage its financial resources effectively over a designated period. It measures how efficiently a company uses its financial assets to reach its objectives, increase profitability, and ensure long-term growth (Brigham & Ehrhardt, 2013, pp.97-98). This performance can be observed through various measures, such as cost efficiency, the timeliness of financial reporting, and social responsibility initiatives (Garrison et al., 2018). The ability to align financial strategies with long-term goals and uphold transparency in financial reporting is essential for preserving trust and ensuring sustained organizational success (Mulyadi, 2015, p. 5).

Good Corporate Governance (GCG) in micro financial institution is assessed based on five core principles: transparency, accountability, responsibility, independence, and fairness. Transparency refers to the clear, accurate, and accessible sharing of information with stakeholders, with indicators such as the adoption of widely accepted accounting standards and the use of information technology (Srivastava et al., 2022). Accountability requires village credit institution management to be responsible for its performance in a transparent and fair

manner, measured through internal supervision and key performance indicators. Responsibility relates to compliance with regulations and obligations towards the *krama desa pakraman*, with indicators such as village credit institution budgeting and the implementation of professional ethical standards. Independence ensures that village credit institution management can make decisions without interference from other parties, measured through the presence of experts and independent operational execution. Meanwhile, fairness emphasizes justice in fulfilling the rights and interests of stakeholders, measured through an understanding of village credit institution vision and mission as well as conflict resolution.

In addition to GCG, the Tri Hita Karana culture plays a crucial role in village credit institution management, emphasizing the balance of relationships between humans and God (Parahyangan), humans and other humans (Pawongan), and humans and the environment (Palemahan). This cultural principle fosters harmony in village credit institution operations. Moreover, financial performance in Village credit institution is evaluated based on how effectively financial resources are managed over a specific period.

Key indicators of financial performance include cost efficiency, meeting profit targets, timely financial reporting, and the allocation of budgets for community social activities (Arfila & Dewi, 2023). Good Corporate Governance (GCG) was measured based on five principles: transparency, accountability, responsibility, independence, and fairness (Utari & Suartana, 2024). Tri Hita Karana culture was assessed through three dimensions: Parahyangan, Pawongan, and Palemahan (Lestari & Yudiaatmaja, 2022). All variables in this study were measured using a five-point Likert scale, adapted from previous research. All variables in this study are measured using a five-point Likert scale, as adapted from previous research. For data analysis, Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) method was applied. This approach, supported by SmartPLS software, was used to examine the relationships between the variables and test the hypotheses proposed in the study.

## Result and Discussion

Validity test is the similarity of data reported by researchers with data obtained directly that occurs in research subjects (Sugiyono, 2020:175). Validity test is used to measure the validity of a questionnaire and research instrument. An instrument is said to be valid if the correlation between the factor score and the total is positive and the value is more than 0.30 ( $r > 0.3$ ). So based on the results of the validity test, the data in this study passed the validity test.

**Table 1.** Validity's Test Result

Variable	Indicator	Significant	Correlation Coefficient	Result
Good Corporate Governance (GCG)	GCG.1	0.001	0.668	Valid
	GCG.2	0.002	0.532	Valid
	GCG.3	0.002	0.541	Valid
	GCG.4	0.002	0.532	Valid
	GCG.5	0.001	0.743	Valid
	GCG.6	0.002	0.308	Valid
	GCG.7	0.002	0.541	Valid
	GCG.8	0.001	0.614	Valid
	GCG.9	0.001	0.900	Valid
	GCG.10	0.001	0.937	Valid

Financial Performance	village credit institution.1	0.001	0.770	Valid
	village credit institution.2	0.001	0.841	Valid
	village credit institution.3	0.001	0.883	Valid
	village credit institution.4	0.002	0.541	Valid
	village credit institution.5	0.001	0.799	Valid
Budaya Tri Hita Karana (THK)	THK.1	0.002	0.543	Valid
	THK.2	0.001	0.562	Valid
	THK.3	0.001	0.882	Valid
	THK.4	0.002	0.543	Valid
	THK.5	0.001	0.608	Valid
	THK.6	0.001	0.599	Valid
	THK.7	0.002	0.481	Valid
	THK.8	0.001	0.690	Valid
	THK.9	0.001	0.690	Valid
	THK.10	0.001	0.815	Valid
	THK.11	0.001	0.882	Valid

This study was carried out on Lembaga Perkreditan Desa (village credit institution) in Badung Regency. Data for the research was collected through questionnaires distributed by the researcher to respondents, ensuring accuracy and simplifying data analysis. The questionnaires were distributed to a population of 115 Village credit institution in Badung Regency, with 115 respondents from these institutions. A total of 90 questionnaires were returned, while 25 were not.

**Tabel 2.** Respondent's Characteristics

Criteria	Information	Respondent's Total	Percentage (%)
Position	Chairman of village credit institution	90	100%
Gender	Male	80	89%
	Female	10	11%
Age	< 50 Years	40	44,44%
	> 50 Years	50	55,55%
Length of Work	< 10 Years	22	24,44%
	> 10 Years	68	75,55%
Last Education	Elementary School	1	1,10%
	High School/Vocational School	42	46,60%
	Diploma	6	6,66%
	Bachelor	38	42,20%
	Magister	3	3,33%

The respondent profile in this study reflects the leadership and demographic characteristics of village credit institution management in Badung Regency. With 78.26% of respondents holding positions as village credit institution Chairpersons, the study captures the perspectives of key decision-makers within these institutions. The predominance of male respondents (89%) suggests that leadership roles in Village credit institution are primarily occupied by men, pointing to possible gender imbalances in financial institution management. The age distribution indicates that 55.55% of respondents are over 50 years old, suggesting that village credit institution leadership is largely composed of experienced individuals, which may contribute to stable decision-making, but could also signal limited generational turnover. The work experience data supports this, with 75.55% of respondents having over 10 years of experience, implying a workforce with deep institutional knowledge, though potentially less adaptable to change. Regarding education, most respondents hold at least a high school diploma (46.6% SMA/SMK graduates) or higher (42.2% hold a bachelor's

degree, and 3.33% have a master's degree). The relatively small proportion of respondents with higher education may raise concerns about access to advanced financial management knowledge, which could influence the effectiveness of governance and financial decision-making in Village credit institution.

**Table 3.** Results of Hypothesis-Testing

Hypothesis	Relationship	Original sample (O)	T statistics	P values	Conclusion
H <sub>1</sub>	Good Corporate Governance -> Financial Performance	0,707	10,097	0,000	Supported
H <sub>2</sub>	Tri Hita Karana -> Financial Performance	0,190	2,158	0,031	Supported
H <sub>3</sub>	Tri Hita Karana x Good Corporate Governance -> Financial Performance	0,165	2,129	0,033	Supported

Based on the results of the first hypothesis test (H<sub>1</sub>), it is found that Good Corporate Governance (GCG) has a positive effect on financial performance. This indicates that the more effectively GCG is implemented within a company or institution, the better its financial performance tends to be. GCG serves as a crucial framework for ensuring that organizational management operates transparently, accountably, and responsibly, thus enhancing the company's ability to achieve its goals and meet stakeholders' expectations. For Lembaga Perkreditan Desa (village credit institution), which plays a vital role in the economic welfare of local communities in Bali, GCG is particularly important. It acts as the bedrock for ensuring the sustainability and credibility of these financial institutions. A strong implementation of GCG not only improves operational efficiency but also strengthens the trust of the indigenous community, who are both the owners and users of village credit institution services.

The findings in this study align with the conclusions of several other scholars. Research by Lestari & Yudiaatmaja (2022) underscores that GCG positively influences the performance of Village credit institution, further supporting the assertion that good governance is a driving force behind organizational success. Studies by Jayantari & Gorda (2020), Diatmika (2023), Suparsa & Sri Wrastuti (2024), Lestari (2023), and Adnyani & Julianto (2021) also found similar results, reinforcing the view that GCG contributes significantly to the improvement of village credit institution performance in both financial and non-financial aspects. These studies emphasize the importance of adopting GCG principles to foster organizational growth, transparency, and accountability within the village credit institution sector. However, it is worth noting that this finding contradicts the research by Ariani et al. (2020), who concluded that GCG principles do not have a significant impact on village credit institution performance. This discrepancy could be attributed to differences in the sample studied, the context of the research, or the methodology employed. Despite this, the majority of studies support the notion that GCG plays a pivotal role in enhancing the performance of Village credit institution, making it an essential element for the growth and success of these institutions in Bali. Therefore, further research is needed to explore the underlying factors that might explain these differing outcomes and to refine our understanding of the relationship between GCG and village credit institution performance.

Based on the results of the second hypothesis test (H<sub>2</sub>), it can be concluded that *Tri Hita Karana* has a positive effect on financial performance. This indicates that the better the implementation of *Tri Hita Karana* principles within a company or institution, the higher its financial performance is likely to be. The concept of *Tri Hita Karana*, which emphasizes the harmonious relationship between humans, nature, and the divine, has proven to be a strong foundation in guiding organizations toward sustainability, social responsibility, and long-term success. By implementing these principles, organizations not only improve operational



efficiency but also build better relationships with stakeholders, which in turn enhances financial performance.

Research by Lestari & Yudiaatmaja (2022) also supports this finding, stating that companies applying local cultural values such as *Tri Hita Karana* tend to experience improved performance, both financially and non-financially. Similarly, studies by Jayantari & Gorda (2020) and Diatmika (2023) found that organizations that consider social and environmental factors in their operations show better overall performance. However, other studies, such as Sujana, et al., (2022), reported contrasting results, suggesting that *Tri Hita Karana* may have a negative effect on the relationship between GCG and LPD performance.

The practical interpretation of this finding is that organizations and institutions seeking to improve their financial performance should consider implementing *Tri Hita Karana* principles in all aspects of their operations. This not only strengthens relationships with stakeholders but also creates greater value for the company in the long term. For Village credit institution in Bali, adopting the values of *Tri Hita Karana* can strengthen ties with the indigenous communities they serve, thereby increasing customer loyalty and enhancing the institution's sustainability. Thus, the implementation of these principles not only provides social and environmental benefits but can also directly improve the institution's financial performance, providing a stronger foundation for its growth and sustainability in the future.

Based on the results of the third hypothesis test ( $H_3$ ), it was found that the *Tri Hita Karana* culture strengthens the relationship between Good Corporate Governance (GCG) and financial performance. This means that the better the implementation of GCG principles, supported by *Tri Hita Karana* culture as a moderator, the higher the performance achieved by village credit institution. The *Tri Hita Karana* culture, which emphasizes harmonious relationships between humans, nature, and God, aligns with the principles of GCG that are based on transparency, accountability, and social responsibility. Implementing this culture within the organization not only enriches the application of GCG but also strengthens integrity and good governance, creating a stronger connection between effective management and improved organizational performance. The *Tri Hita Karana* culture provides a solid foundation for organizations to create a balance between economic and social goals, which is essential for community-based financial institutions such as village credit institution. By integrating the values of *Tri Hita Karana*, village credit institution can improve operational efficiency, strengthen relationships with stakeholders, and enhance public trust. This increased trust, in turn, has the potential to attract more customers and strengthen their loyalty, positively impacting financial performance. Furthermore, with the principle of harmony in *Tri Hita Karana*, village credit institution can create a more stable and sustainable environment for conducting its business, contributing to the growth and long-term sustainability of the institution.

This research is supported by previous studies, which show consistency with these findings. Jayantari & Gorda (2020), Lestari & Yudiaatmaja (2022), and Adnyani & Julianto (2021) found that the *Tri Hita Karana* culture strengthens the relationship between GCG and village credit institution performance. These findings reinforce the idea that local cultures that support principles of harmony and balance can enrich the application of GCG and improve organizational performance. On the other hand, research by Sujana et al. (2022) found different results, stating that the *Tri Hita Karana* culture has a negative effect on the relationship between GCG and village credit institution performance. This discrepancy may be due to other variables not considered in that study, differences in methodology, or even the characteristics of the institutions being studied. Therefore, further analysis is needed to better understand the factors that contribute to these conflicting results. The practical interpretation of these findings is that Village credit institution seeking to improve their financial performance and operational sustainability should combine the implementation of GCG principles with relevant local cultural values, such as *Tri Hita Karana*. The application of this culture not only helps Village credit institution manage their resources more effectively but also strengthens their relationship with the community, which is a key stakeholder. By adopting and integrating the values of *Tri Hita Karana*, village credit institution can create

more effective governance, increase competitiveness, and ensure the institution's long-term sustainability. Therefore, for Village credit institution in Bali and similar institutions, it is important to leverage this local culture as part of their governance strategy to achieve optimal and sustainable performance.

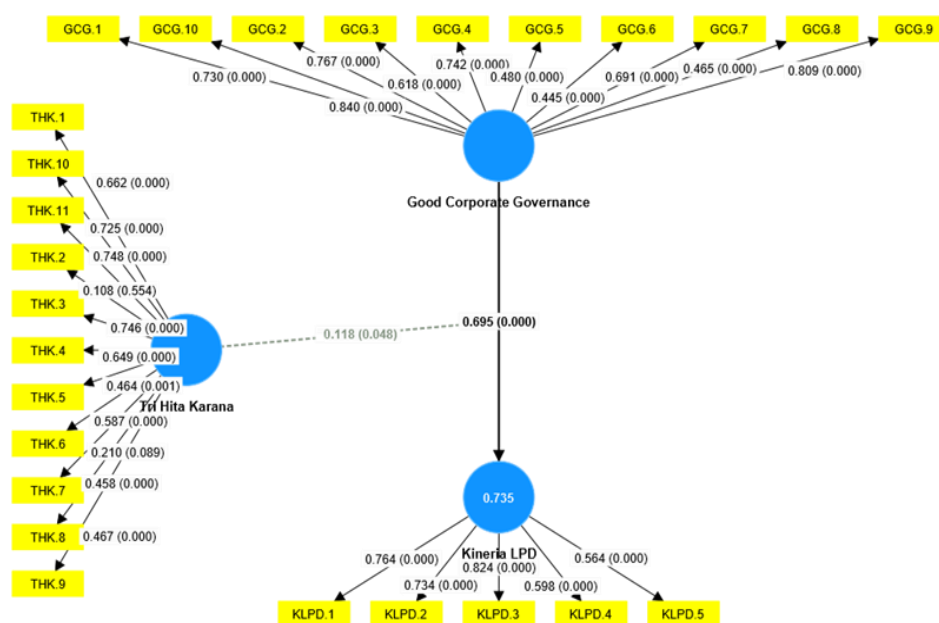
**Table 4.** R-Square Test's Result

	R-square	R-square adjusted
Financial Performance	0,737	0,728

The R-Square value of 0.737 in this study indicates that the combined influence of Good Corporate Governance (GCG) and Tri Hita Karana Culture explains 73.7% of the variation in Financial Performance. This suggests that the two variables in question significantly shape the financial outcomes of Lembaga Perkreditan Desa (village credit institution). The relatively high R-Square value underscores the robustness of the model in capturing the relationship between GCG, Tri Hita Karana, and financial performance. It shows that these factors contribute meaningfully to the performance metrics being assessed.

However, the remaining 26.3% of variation in financial performance, which cannot be explained by the model, signals that other factors—potentially both internal and external—may also influence village credit institution financial outcomes. These could include variables such as market conditions, competition, economic factors, leadership styles, or even socio-political elements that were not included or measured in this study. The unexplained variance reflects the complexity of financial performance, where multiple interrelated factors contribute to the overall result.

This does not imply that the model is flawed; rather, it highlights the inherent limitations of any research framework. While GCG and Tri Hita Karana are important variables, the presence of unexplained variance calls for further exploration of additional variables that could influence financial performance. This might involve looking at factors like internal control systems, technological adoption, or organizational culture, which could provide a more comprehensive understanding of the dynamics affecting Village credit institution. In essence, the study provides valuable insights but also opens avenues for future research that could incorporate more variables or adopt different methodologies, such as longitudinal studies, to better capture the multifaceted nature of financial performance in these institutions.



**Figure 2.** Output PLS Algorithm's Result

The PLS analysis results indicate that Good Corporate Governance has a positive and significant effect on village credit institution's performance, with a coefficient of 0.695 (p-value 0.000), meaning that better corporate governance leads to higher financial performance of Village credit institution. Tri Hita Karana acts as a moderating variable with a coefficient of 0.118 (p-value 0.048), strengthening this relationship, although with a relatively small effect. The highest contributing indicators for each variable are GCG.3 (0.840), THK.4 (0.746), and K. village credit institution.3 (0.824), demonstrating good construct validity. In conclusion, implementing good governance, supported by the Tri Hita Karana culture, can enhance village credit institution financial performance more optimally.

## Conclusion

This study demonstrates that the effective implementation of Good Corporate Governance (GCG) can significantly enhance the financial performance of Village Credit Institutions (LPDs) in Bali. Principles such as transparency, accountability, and responsibility have been shown to improve operational efficiency, build stakeholder trust, and ensure long-term sustainability. In addition, the integration of Tri Hita Karana, a local cultural philosophy that emphasizes harmony between humans, nature, and the divine, strengthens organizational performance and fosters stronger relationships with the community. The synergy between GCG and Tri Hita Karana not only enhances financial outcomes but also reinforces institutional resilience in an increasingly competitive financial environment. Although this research was focused on active LPDs in Badung Regency, the findings provide valuable insights for the development of LPDs in other regions as well as for other community-based financial institutions more broadly. Thus, the results remain relevant as a reference for both practical applications and future academic studies.

From a practical perspective, LPDs are encouraged to continuously strengthen the implementation of GCG principles transparency, accountability, responsibility, independence, and fairness to enhance financial performance and build greater stakeholder trust. At the same time, a deeper integration of Tri Hita Karana values is necessary to align governance practices with community expectations, thereby improving organizational performance and contributing to broader social value. For future research, it is recommended to expand the scope by involving LPDs from other regencies in Bali or even from different regions of Indonesia to examine the generalizability of the findings. A longitudinal research design would also be valuable to capture the long-term effects of GCG practices and Tri Hita Karana culture on institutional performance. Furthermore, involving multiple respondents from each LPD, including managers, employees, and community representatives, would provide a more comprehensive understanding of the relationship between governance practices and financial performance.

## Reference

- Adnyani, K. W., Julianto, I. P., & Yasa, I. N. P. (2021). Pengaruh Sistem Pengendalian Internal, GCG, dan Keberadaan Awig-Awig Terhadap Kinerja Lembaga Perkreditan Desa Dengan Tri Hita Karana Sebagai Variabel Moderasi. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi)*, 12(02), 413–424.
- Anwar, M., Nidar, S. R., Komara, R., & Layyinaturrobaniah, L. (2020). Rural bank efficiency and loans for micro and small businesses: evidence from West Java Indonesia. *International Journal of Emerging Markets*, 15(3), 587–610.
- Apriantini, N. K. N. (2023). *Pengaruh Sistem Pengendalian Intern, Budaya Organisasi, Gaya Kepemimpinan, Fungsi Badan Pengawas, Dan Motivasi Kerja Terhadap Kinerja Lembaga Perkreditan Desa (LPD) Di Kecamatan Mengwi*. Universitas Mahasaraswati Denpasar.
- Arfila, U. D., & Dewi, I. K. (2023). The influence of profitability and liquidity ratios on financial performance. *Indonesian Journal of Islamic Economics and Finance*, 5(1). <https://doi.org/10.37680/ijief.v5i1.6983>
- Ariani, I. G. A. P., Endina, I. D. M., Arizona, I. P. E., & Kusuma, I. G. E. A. (2020). Pengaruh Prinsip-Prinsip Good Corporate Governance dan Filosofi Tri Hita Karana Terhadap Kinerja Lembaga

- Perkreditan Desa (LPD) Se- Kota Denpasar. *Jurnal Kharisma*, 2(3), 88–104.
- Ariani, L. O., Mendra, N. P. Y., & Bhegawati, D. A. S. (2020). Kualitas Kredit Sebagai Pemoderasi Pengaruh Tingkat Penyaluran Kredit Dan Bopo Terhadap Profitabilitas Lembaga Perkreditan Desa (LPD) Se Kecamatan Kediri Tahun 2016-2018. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*, 2(2).
- Artini, N. R. (2023). The effect of Tri Hita Karana culture on financial performance in Village Credit Institutions (LPD) in Badung District. *International Journal of Humanities, Social Sciences and Religious Studies*, 3(1), 45–56. <https://ojs.uhnsugriwa.ac.id/index.php/IJHSRS/article/view/2135>
- Brigham, E. F., & Ehrhardt, M. C. (2013). *Financial Management: Theory & Practice*. Cengage Learning.
- Detikbali. (2022). *LPD Ungasan Rugi Rp 26 Miliar, Eks Ketua Jadi Tersangka Korupsi*. Detik.Com. <https://www.detik.com/bali/berita/d-6226728/village-credit-institution-ungasan-rugi-rp-26-miliar-eks-ketua-jadi-tersangka-korupsi>
- Diatmika, I. B. W. (2023). Pengaruh Good Corporate Governance Dan Pengendalian Internal Pada Kinerja Lembaga Perkreditan Desa Di Kabupaten Badung. *Prosiding Seminar Sosial Politik, Bisnis, Akuntansi Dan Teknik*, 5, 39. <https://doi.org/10.32897/sobat.2023.5.0.3080>
- Dwi Lestari, N. K. D., & Andayani, R. D. (2023). Pengaruh Penerapan Good Corporate Governance, Sistem Pengendalian Internal dan Kompetensi Terhadap Kinerja Lembaga Perkreditan Desa (LPD) Se-Kota Denpasar. *Hita Akuntansi Dan Keuangan*, 4(4), 211–219. <https://doi.org/10.32795/hak.v4i4.4462>
- Garrison, R. H., Noreen, E. W., & Brewer, P. C. (2018). *Managerial Accounting, 16th Edition*. Mc Graw-Hill.
- Jayantari, P. R., & Gorda, A. A. N. E. S. (2020). Pengaruh Penerapan Good Corporate Governance dan Keberadaan Awig-Awig terhadap Kinerja Keuangan Lembaga Perkreditan Desa dengan Budaya Tri Hita Karana sebagai Variabel Moderasi. *Jurnal Penelitian Dan Pengembangan Sains Dan Humaniora*, 4(1), 60. <https://doi.org/10.23887/jppsh.v4i1.24465>
- Lestari, N. K. N., & Yudiaatmaja. (2022). Pengaruh Good Corporate Governance dan Tri Hita Karana terhadap Kinerja LPD di Masa Pandemi Covid-19 pada (LPD) di Kecamatan Mendoyo Jembrana. *Vokasi: Jurnal Riset Akuntansi*, 11(02), 170–179. <https://doi.org/10.23887/vjra.v11i02.48630>
- Mulyadi. (2015). *Sistem Akuntansi*. Salemba Empat.
- Pramesti, I. G. A. A., Endiana, I. D. M., & Dewi, N. K. A. S. (2023). Intellectual Capital, Partisipasi Anggaran, Pengawasan Internal, Komitmen Organisasi, dan Budaya Tri Hita Karana Terhadap Kinerja (LPD). *Jurnal Bakti Saraswati*, 12(01), 1–9.
- Praptika, I. P. G. E., Yusuf, M., & Heslinga, J. H. (2024). How can communities better prepare for future disasters? Learning from the tourism community resilience model from Bali, Indonesia. *Journal of Tourism Futures*, 10(3), 504–523. <https://doi.org/10.1108/JTF-04-2023-0092>
- Purnama, N. P. E. T., & Wirawati, N. G. P. (2024). Prinsip-prinsip Good Corporate Governance, budaya Tri Hita Karana, dan kinerja keuangan LPD. *E-Jurnal Akuntansi*, 34(6), 1540–1555. <https://doi.org/10.24843/EJA.2024.v34.i06.p15>
- Putra, I. G. C., & Sunarwijaya, I. K. (2020). Corporate Governance dan Kinerja Lembaga Perkreditan Desa Di Kecamatan Blahbatuh, Gianyar. *Jurnal Riset Akuntansi (JUARA)*, 10(1). <https://doi.org/10.36733/juara.v10i1.754>
- Rokhim, R., Lubis, A. W., Faradynawati, I. A. A., Perdana, W. A., & Deni Yonathan, A. (2023). Examining the role of microfinance: a creating shared value perspective. *International Journal of Ethics and Systems*, 39(2), 379–401. <https://doi.org/10.1108/IJOES-09-2021-0168>
- Srivastava, S., Mendiratta, A., Pankaj, P., Misra, R., & Mendiratta, R. (2022). Happiness at work through spiritual leadership: a self-determination perspective. *Employee Relations: The International Journal*, 44(4), 972–992. <https://doi.org/10.1108/ER-08-2021-0342>
- Sujana, I. K., Suardikha, I. M. S., & Vinensya, N. L. P. P. (2022). Budaya Tri Hita Karana Sebagai Pemoderasi Pengaruh Good Corporate Governance Pada Kinerja Lembaga Perkreditan Desa Kabupaten Badung. *Buletin Studi Ekonomi*, 19. <https://doi.org/10.24843/BSE.2022.v27.i01.p03>
- Sugita, I. W., Setini, M., & Anshori, Y. (2021). Counter hegemony of cultural art innovation against art in digital media. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 147.
- Setini, M., Yasa, N. N. K., Supartha, I. W. G., Giantari, I. G. A. K., & Rajiani, I. (2020). The passway of women entrepreneurship: Starting from social capital with open innovation, through to

- knowledge sharing and innovative performance. *Journal of Open Innovation: Technology, Market, and Complexity*, 6(2), 25.
- Suparsa, I. (2024). *Catur Purusa Artha Memoderasi Pengaruh Good Corporate Governance dan Komitmen Organisasi terhadap Kinerja Lembaga Perkreditan Desa*.
- Utari, N. N. N., & Suartana, I. W. (2024). Pengaruh penerapan prinsip GCG, komitmen organisasi, dan budaya Tri Hita Karana terhadap kinerja keuangan LPD seluruh Karangasem Regency. *E-Jurnal Akuntansi*, 34(8), 2113–2125. <https://doi.org/10.24843/EJA.2024.v34.i08.p15>
- Wiagustini, L. P., Adnyani, I. D., Paramita, M. D., & Paramartha, P. A. (2024). *Financial Sustainability Berbasis Budaya (Studi pada Lembaga Perkreditan Desa di Bali)*. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 13(1), 1–20. <https://ojs.unud.ac.id/index.php/EEB/article/view/112252>