

## **Development Strategy of Village Credit Institution's CSR in the Efforts to Strengthen the Implementation of *Tri Hita Karana* Philosophy and Community Welfare**

I Ketut Selamet<sup>1</sup>, Anak Agung Sri Purnami<sup>2</sup>, Ni Ketut Sudarmini<sup>3</sup>  
<sup>1,2,3</sup>Faculty of Economics, Warmadewa University, Denpasar, Bali, Indonesia  
Corresponding Author: I Ketut Selamet

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**ABSTRACT:** The LPD or Village Credit Institution is one of the MFIs belonging to the Custom Village that provides financial services to the local community based on the philosophy of *Tri Hita Karana*. In its development, LPD assets continue to grow and become non-bank institutions whose assets are the largest in Bali Province, Indonesia. As a form of responsibility for the local social environment, the LPD's profits are also for social funds or Corporate Social Responsibility (CSR). Therefore this study describes the LPD CSR development strategy in an effort to strengthen the implementation of *Tri Hita Karana* and Community Welfare, with studies on LPD in Kintamani District. The purpose of this study is to find out: (1) the form of LPD CSR implementation; (2) internal and external factors of the LPD in the implementation of the LPD CSR for strengthening *Tri Hita Karana*; and (3) strategies for developing LPD CSR for strengthening *Tri Hita Karana* and community welfare in Kintamani District. The population of this study was all LPDs in Kintamani District, and the samples were selected by purposive sampling technique, so that there were 143 respondents. Data was collected through questionnaires, and then analyzed by SWOT analysis. The results of the research and discussion show that the profits obtained by the LPD are partly allocated to social funds or CSR. So far the utilization of LPD CSR funds in Kintamani District is still limited to ritual activities in the temple (*Parahyangan* element). The strategy that is currently suitable to be applied to LPDs in Kintamani District is a hold and maintain strategy. The implementation of this strategy is to penetrate the market and develop products.

**KEYWORDS:** Empowerment Strategy, Village Credit Institutions (LPD), *Tri Hita Karana* Philosophy Implementation, Corporate Social Responsibility (CSR), SWOT Analysis

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### **I. INTRODUCTION AND LITERATURE REVIEW**

Siu (2001) explained that the Micro Finance Institution in Indonesia called Microfinance Institutions (MFIs) is an institution that provides financial services to the poor and low-income families, enables them to better manage risks, achieve consistent consumption patterns, and develop bases the economy. Pantoro (2008) revealed that the background of the need for MFIs is; First, as one of the instruments to overcome poverty. The poor generally have micro-scale businesses. Second, MFIs are needed because they are one of the instruments for developing the microfinance market. Pragmatically, the microfinance market is a financial aspect of all economic processes in the micro segment which includes everything that relates to savings and business credit.

The development of non-bank financial institutions in the countryside also greatly helped rural communities to increase the growth of the village economy. Community financial services in villages are carried out by institutions, such as Rural Banks (BPR), Village Credit Institutions (LPD), cooperatives and pawnshops. From several nonbank financial institutions in Bali, the LPD is a non-bank institution whose assets are the largest in Bali.

LPD, is a type of MFI belonging to a custom village in Bali, whose existence was first based on Bali Level I Regulation No 06 of 1986. LPDs have several objectives (Mantra, 1986): (1) Encourage economic development of rural communities through savings directed and effective capital distribution; (2) Eradicating bonded labour, illegal pawns, etc. which can be equated with that in rural areas; (3) Creating equity and employment opportunities for rural residents; (4) Creating purchasing power and expediting payment and exchange traffic in the Village. The existence of the LPD is more attention as an MFI, seen from the Regional Regulation of Bali Province again issuing Regional Regulation (*Perda*) of Bali Province No. 8. Year 2002 accompanied by Governor's Decree governing establishment, business, capital, organization, work plan and budget, reporting and supervision and the development of LPDs.

As a financial institution, the LPD certainly gains profits which will then be reused as capital, and even set aside for social funds or Corporate Social Responsibility (CSR). Every institution with traditional nuances in custom village is always based on the philosophy of *Tri Hita Karana*. The philosophy emphasizes that in the

process of life towards a prosperous life, humans are emphasized to maintain harmony or harmony between humans and their creators, namely God Almighty (*parhyangan*), human beings with their nature/environment (*palemahan*), and humans with each other (*pawongan*) as a unified whole (Windia, 2006).

Research on the LPD reveals that the Empowerment of LPDs plays an important role in encouraging the extraction of funds and sharing them back to the community in the context of rural development in the broadest sense. To be able to play a role in the development and welfare of the community, the LPD certainly must be in a healthy or good condition. However, it is undeniable that there are still LPDs who are in unhealthy conditions. One of them is in Kintamani District, Bangli Regency.

Bali Provincial Regulation No. 8, 2002 concerning LPD requires LPDs to divide 20% of their profits for village development and 5% for social funds, so this study describes the LPD CSR development strategy in an effort to strengthen the implementation of Tri Hita Karana and Community Welfare, with studies in the LPD in Kintamani District.

## **1.2 Research Objectives**

The specific objectives to be achieved from this study are: (1) To find out the form of LPD's CSR implementation in Kintamani District; (2) To find out LPD's internal factors in implementing LPD's CSR in Kintamani District to strengthen Tri Hita Karana philosophy; (3) To find out the external factors of the LPD in the implementation of LPD's CSR in Kintamani District for strengthening Tri Hita Karana philosophy; (4) To find out the strategy for developing LPD's CSR in Kintamani District to strengthen Tri Hita Karana philosophy and community welfare in Kintamani District.

## **1.3 Literature Review**

### **1.3.1 Institutional LPD**

Definition of LPD according to Bali Province Regional Regulation No. 8, 2002 is a village-owned financial enterprise that conducts business activities in the village environment and for village manners. LPD is a financial institution owned by custom village that has developed and provides social, economic and cultural benefits to its members. As such, LPDs must be fostered and improved in order to improve and continue to grow to improve the standard of living in the village. LPD is also a place for the wealth of custom villages owned by indigenous people.

The LPD business field is to collect village court funds in the form of savings and deposits. In addition, it also distributes loans to village officials, receives loans from financial institutions of a maximum of 100% of the total capital, including reserves and retained earnings, and saves excess liquidity on the BPD in competitive interest rates and adequate services. The objectives of the LPD are (1) to encourage economic development of rural communities through effective savings and capital distribution, (2) to pay off bondage, illegal pawns, and the like, (3) to create equity and business opportunities for villagers and rural labour, (4) increase people's purchasing power and smoothen the payment and circulation of money in the village. To fulfill these objectives, the LPD should continue to improve its performance in order to remain a trusted village leader.

Bali Provincial Regulation No.8, 2002 concerning LPD article 22, paragraph 1 explains that the distribution of LPD net profit at the end of the accounting year is determined (a) capital reserves of 60%, (b) village development funds 20%, (c) production services 10%, (d) funds for guidance, supervision and protection of 5%, (e) 5% social funds. Deposits and use of the said benefits in accordance with the governor's decision. The role of the LPD in rural communities especially in Bali is how the LPD can implement the teachings of *Tri Hita Karana*, namely the balance between *parahyangan*, *pawongan*, and *palemahan*.

### **1.3.2 Tri Hita Karana Philosophy**

*Tri Hita Karana* (THK) is a philosophy of the Balinese Hindu community. THK philosophy emphasizes that in the process of life towards a prosperous life, humans are emphasized to maintain harmony or harmony between humans and their creators, namely God Almighty (*parhyangan*), human beings with their nature/environment (*palemahan*), and humans with each other (*pawongan*) as a unified whole (Dwirandra, 2011).

THK's philosophy is often said to be abstract so it cannot be measured. In fact, THK's philosophy has been applied in a social system that can basically be measured. According to several studies, THK's philosophy is basically a universal philosophy which in essence exists and is adhered to by other people even though it is not Hindu. This can only be applied consciously and manifestly by Balinese people. The philosophy is also very relevant to business activities (Dwirandra, 2011).

*Parhyangan* comes from the word Hyang which means HyangWidhi or God Almighty. *Parhyangan* is one of the dimensions of THK's philosophy which emphasizes that prosperity is achieved when the harmonious relationship between man and God is realized. Business activities are offerings that do not escape God's control

(Dwilandra, 2011). In the LPD, the program can be implemented in how much the LPD contributes to religious ritual activities, temple renovation, stakeholder welfare, assistance to the poor in carrying out religious rituals.

*Pawongan* comes from the word *wong* (person or resident) in the community. The implementation of THK's philosophy is through harmonious relations between human beings (Dwilandra 2011). In the business context in the form of relationships between employees and institutional relationships with the community. Implementation of *Pawongan* for LPDs is how many percent of LPD employees come from communities where the LPD is established, LPD participation in poverty reduction programs, and others.

*Palemahan* comes from a weak word which means land, yard or residential area. In general, the THK philosophy, *palemahan* is a dimension that relates to the physical aspects of the environment around us or the company. In Bali the *palemahan* is related to the layout of the company and buildings which should be adjusted to the religious beliefs and culture where the company is located (Dwilandra 2011). In this study the social responsibility of LPD based on the *palemahan* philosophy is related to how much the LPD contributes to the physical aspects of the environment around the LPD.

### **1.3.3 Concept of Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) often called social responsibility disclosure is an explanation that describes corporate/institutional social responsibility towards society. CSR is the process of communicating the social and environmental impacts of an organization's economic activities on special interest groups and society as a whole (Hackston and Milne, 1996).

The theory that supports the Social and Environmental Accountability Report is SFAC No. 1 which explains the purpose of financial reporting is to account for the use of resources. Regarding social and environmental accountability reports, so far there have been no regulations that require reporting in Indonesia and some Asian countries, except in Europe (Basyit, 2005). Some other theories that support the delivery of social and environmental accountability reports are the legitimacy theory and stakeholder theory (Deegan, 2004) and the philosophy of *Tri Hita Karana*.

Legitimacy theory explains that organizations will continue to operate in accordance with the boundaries and values accepted by the community around the company in an effort to gain legitimacy. Company norms always change following changes from time to time so the company must follow its development. The company's effort to follow changes to gain legitimacy is a process that is carried out continuously.

The process of gaining legitimacy is related to social contracts between those made by companies and various parties in the community. Company performance is not only measured by profits generated by the company, but also other performance measures related to various parties concerned. To gain legitimacy, companies have incentives to carry out social activities that are expected by the community around the company's operations. Failure to meet community expectations will result in a loss of legitimacy and will then have an impact on the support provided by the community to the company.

Corporate disclosure through annual financial reports is a company effort to communicate the social activities that have been carried out by the company to gain legitimacy from the community so that the company's survival is guaranteed. The company will demonstrate its ability to fulfill social contracts with surrounding communities.

Stakeholder theory considers various groups (stakeholders) in the community and how the expectations of stakeholder groups have a greater (smaller) impact on the company's strategy. This theory has implications for management policies in managing stakeholder expectations. Corporate stakeholders basically have different expectations about how the company is operated. The company will strive to achieve the expectations of powerful stakeholders by delivering disclosures, including reporting on social and environmental activities.

Grayet *et al.* (1995) explained that CSR broadens social responsibility, beyond its traditional role in providing financial reports to capital owners. More broadly, it explains that companies have more responsibilities than just looking for profit. There are two significantly different approaches to conducting research on corporate social responsibility disclosure. First, disclosure of corporate social responsibility may be treated generally will regard the financial community as the main user of disclosure of corporate social responsibility and tends to limit perceptions about reported social responsibility. The second approach is by laying out corporate social responsibility disclosures in a test of the role of information in community and organizational relations.

According to Kiroyan (2006), disclosure of corporate CSR will gain social legitimacy and maximize its financial strength in the long run. Companies that disclose CSR information will increase the value of their company (Basamalah *et al.*, 2005). By carrying out CSR disclosures, it is expected that there will be a positive response from market participants. This provides an understanding that the disclosure of information is used in corporate valuation and corporate finance (Core, 2001).

Bali Provincial Regulation No.8, 2002 concerning LPD article 22, paragraph 1 explains that one of the LPD net profit sharing at the end of the accounting year is for village development funds of 20% and 5% for

social funds. This indicates that LPDs in Bali also have social responsibility in the community. Disclosure of social responsibility at the LPD in Bali shows how much the LPD contributes to indigenous village communities according to the teachings of *Tri Hita Karana*, which consists of *parahyangan*, *pawongan*, and *palemahan*.

#### 1.4 Framework

Based on the description above, the framework of this study can be drawn up as shown in Figure 1.

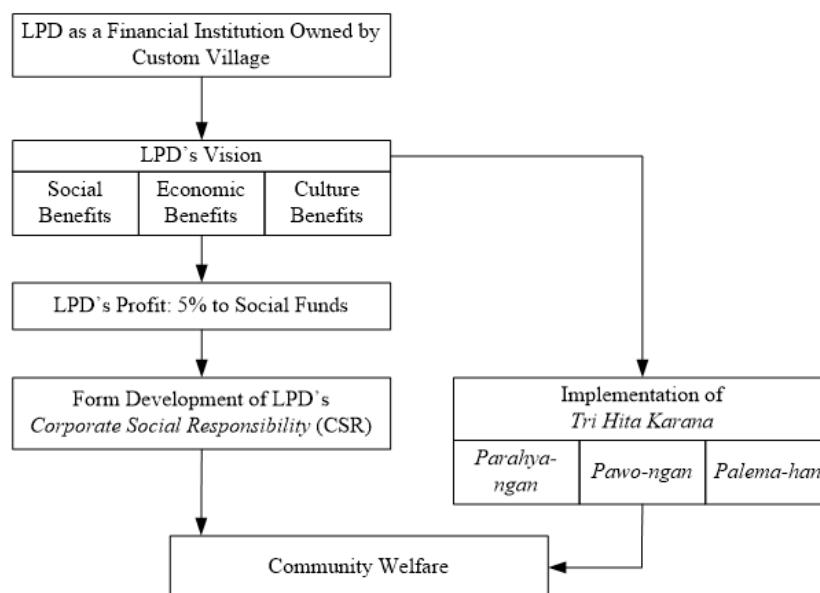


Figure 1.: Research Framework

#### 1.5 Research Methodology and Data Analysis

##### 1.5.1 Research Type and Respondents

This research is a type of quantitative descriptive research, namely research whose data is obtained from population samples and analysed according to the statistical method used then interpreted.

This research was conducted in Kintamani District, Bangli Regency. With the consideration that in Kintamani District there are still LPDs that are not in good condition. In addition, the people in Kintamani District still uphold local customs, so it is very important to develop LPD CSR for the welfare of the community. This area is also a tourist area, with diverse and attractive tourism potential. Be it natural tourism, cultural tourism, even spiritual tourism. So that for the sustainability of tourism it is necessary to maintain the implementation of *Tri Hita Karana*.

This study uses a type of primary data, by collecting data from respondents through research questionnaire instruments arranged in accordance with the research variables.

The population in this study were all LPDs in custom village in Kintamani District, which totaled 37 units. Furthermore, the sample is determined by purposive sampling technique, which means that the sample is determined by certain considerations aimed at making the data obtained later biased more representative (Sugiyono, 2010). In detail, the sample can be described in the study as follows. Based on these calculations, the number of samples was 143 respondents.

Table 1.: Distribution of Research Samples

No	Type of Respondent	Sum (person)
1.	LPD's Officer (1 person in each LPD)	37
2.	Officer of Custom Village (1 person per Custom Village)	37
3.	Community elements as recipients of LPD services	37
4.	Local socialite figure (Head of District, Head of Village, etc.)	32
	Sum	143

##### 1.5.2 Research Variables Definition

Basically, a variable in the research is everything that has been determined by the researcher, the results obtained are then studied to obtain information which can then be drawn conclusions according to the things obtained. Whereas according to Nazir (2005) the operational definition is a definition given to a variable or construct by giving meaning, or specifying activities, or providing an operation needed to measure the

construct or variable. Operational definitions that can be made can take the form of measured operational definitions, or experimental operational definitions.

The variables in this study are SWOT analysis on LPD CSR implementation. More clearly, the variable of this study can be defined as follows:

**Table 2.:Operational Definition of Research Variables**

Variable	Definition of Variable	Sub-Variable	Indicator
SWOT Analysis (IFAS and EFAS)	SWOT as a tool to analyze the company's situation through strategic factors of the company (strengths, weaknesses, opportunities and threats) in the current conditions	Internal Factors: Strengths and Weaknesses	1) Amount of LPD loans; 2) Amount of third party funds (savings and deposits) in the LPD; 3) LPD credit interest rate; 4) LPD credit distribution policy; 5) Quality of LPD services; 6) LPD promotion support; 7) Quality of human resources managing LPD; 8) LPD human resource competencies; 9) Loyalty of LPD management human resources; 10) LPD organizational culture; 11) Commitment and competence of LPD administrators; 12) LPD administrative and communication equipment support; 13) LPD accounting control system; 14) LPD Benefits; 15) Allocation of LPD CSR.
		External Factors: Opportunities and Threats	1) Support of Custom Village; 2) Support awig-awig; 3) The intensity of traditional and religious activities of the surrounding community; 4) Educational level of the sectarian community; 5) The financial condition of the surrounding community; 6) Bali's economic growth rate; 7) Capital support from the government; 8) Inflation; 9) Community attitudes; 10) Culture/customs of the local community; 11) Development of the number of financial institutions; 12) Local government policies; 13) Development of information technology.

While the measurement scale used to measure each indicator is Likert Scale with four criteria, namely: value 1 for choice strongly disagrees; value 2 for choice disagrees; value 3 for choice agrees; and the value 4 for the choice strongly agrees.

### 1.5.3 Technique of Data Analysis

The collection method is done by questionnaire and data analysis techniques are carried out with SWOT analysis. SWOT analysis is carried out by analysing internal factors (strengths and weaknesses) as well as external factors (opportunities and threats) of LPDs as financial institutions, especially in the development of LPD CSR.

The SWOT analysis of LPD in Kintamani District consists of several stages, namely as follows:

- 1) Identify strategic factors. This is the first step taken in the SWOT analysis, namely by identifying LPD strategic factors both internal and external;
- 2) Give weight to strategic factors. Weighting is given based on the importance of the influence of strategic factors on LPD success. The total weighting values for all components of each strategic factor are 1.00 for both internal and external environments;
- 3) Assessment of strategic factors. After weighting, the assessment of each strategic indicator is then given using Likert scale. Value is given on each indicator of strategic factors by choosing one of four tiered scales, namely: very good (value 4); good (value 3); less (value 2); less frightening (value 1).
- 4) Determine the range of values/intervals. This value range is needed to position the external environment on opportunities and threats and the internal environment on strengths and weaknesses.
- 5) Position the values obtained in internal and external matrix diagrams (IE). The results of the scores of each factor were included in the internal and external matrices to determine the position of Microfinance

Institutions in Kintamani District, after which the empowerment strategy can be determined which is appropriate to the environmental conditions.

## 1.6 Findings and Interpretation

### 1.6.1 Identification of LPD Internal Factors in LPD CSR Implementation

Identification of strategic factors that determine the implementation of LPD CSR in Kintamani District is distinguished by internal factors and external facts. Internal factors are factors that originate within the LPD itself. The data regarding identification of these factors is obtained through questionnaires for competent or understanding parties about LPD management and direct contact with LPD activities, such as Village Heads (Perbekel), custom village communities, Bendesa (Head of Custom Village), LPD administrators, LPD supervisors, with a total overall 143 people. This amount is considered representative, because the phenomenon of LPD is relatively homogeneous and these parties are very understanding about the existence of LPD, both now and in the future.

Internal strategic factors are also often called internal environmental factors that will be the strength or weakness of a company/institution concerned. If the internal environment factors have a positive effect it will be a strength, and if a negative effect will be a weakness.

The analysis of the LPD internal environment in Kintamani District was carried out by multiplying the weights by rating the values obtained based on the questionnaire. Table 5.4 shows the LPD internal factor analysis (IFAS) in Kintamani District. The weighted average value is categorized as strength if it is  $2.50 < N \leq 4.00$  and categorized as weakness if it is  $1.00 < N \leq 2.50$ .

**Table 3.:** LPD Internal Factor Analysis Summary (IFAS) in Kintamani District

No	Internal Variable Indicator	Weight (%)	Rating	Weighted Value
1	2	3	4	$5 = 3 \times 4$
1.	Amount of credit by LPD	0.06	2.27	0.14
2.	Amount of third party funds (savings and deposits) on LPD	0.07	2.57	0.18
3.	LPD credit interest rate	0.06	2.29	0.14
4.	LPD credit distribution policy	0.08	2.70	0.22
5.	Service quality of LPD	0.06	2.06	0.12
6.	Promotion to support LPD	0.06	2.14	0.13
7.	Quality of human resources managing LPD	0.07	2.61	0.18
8.	Human resource competencies LPD	0.06	2.10	0.13
9	Loyalty of human resources managing LPD	0.06	2.25	0.14
10	Organizational culture of LPD	0.07	2.56	0.18
11	Commitment and competence of the LPD management	0.06	2.15	0.13
12	Support for administrative and communication equipment LPD	0.07	2.48	0.17
13	Accounting control system LPD	0.07	2.58	0.18
14	LPD's profit	0.07	2.31	0.16
15	Allocation of LPD's CSR	0.08	2.69	0.21
	Sum	1.00	2.38	2.40

Based on the IFAS weighted average value in Table 3., it is presented that strategic internal factors, LPD in Kintamani District is currently worth 2.40, which means it is still under 2.5 and is a weakness of the LPD. All internal strategic factors have values ranging from 0.12 to 0.22. LPD service quality factors have the lowest value (0.12). This condition explains that these factors are rated lowest among other factors in optimizing LPD CSR. The quality of LPD services needs special attention and is increased so that it is able to optimize LPD activities.

If classified according to the range of values as in Table 4.3, the internal factors which are the strength of the LPD in Kintamani District are: (1) LPD credit distribution policy; (2) LPD CSR allocation; (3) quality of LPD management human resources; (4) the LPD accounting control system; (5) the amount of third party funds (savings and deposits) in the LPD; and (6) LPD organizational culture.

Whereas internal factors which are the weaknesses of LPD in Kintamani District include: (1) LPD human resource competencies; (2) LPD promotion support; (3) commitment and competence of LPD management; (4) loyalty of LPD management human resources; (5) the amount of credit disbursed by LPD; (6) LPD credit interest rates; (7) LPD profits; and (8) LPD administrative and communication equipment support.

### 1.6.2 Identification of LPD External Factors in LPD CSR Implementation

As explained earlier, that in addition to internal strategic factors, there are also external strategic factors that influence the implementation of LPD CSR. External strategic factors also called external environmental

factors are opportunities or threats for companies/institutions. If these factors have a positive effect it will be an opportunity, and if a negative effect will be a threat.

Analysis of the external environment of LPD in Kintamani District was carried out by multiplying the weight by rating the values obtained based on the questionnaire. Table 5.5 shows the LPD external factor analysis (EFAS) in Kintamani District. The weighted average value is categorized as strength if it is  $2.50 < N \leq 4.00$  and categorized as weakness if it is  $1.00 < N \leq 2.50$ .

**Table 4.:** LPD External Factor Analysis Summary (EFAS) in Kintamani District

No	External Variable Indicator	Weight (%)	Rating	Weighted Value
1	2	3	4	$5 = 3 \times 4$
1.	Support from Custom Village	0.09	2.80	0.25
2.	Awig-awig/local law support	0.07	2.15	0.15
3.	The intensity of traditional and religious activities of the surrounding community	0.07	2.17	0.15
4.	Financial conditions of the surrounding community	0.07	2.09	0.15
5.	The level of education of the surrounding community	0.09	2.85	0.26
6.	Bali's economic growth rate	0.07	2.31	0.16
7.	Capital support from the Government	0.08	2.56	0.20
8.	Inflation	0.07	2.27	0.16
9.	Community attitude	0.09	2.80	0.25
10.	Culture/customs of the local community	0.09	2.85	0.26
11.	Development of the number of financial institutions	0.07	2.04	0.14
12.	Local government policies	0.08	2.35	0.19
13.	Development of information technology	0.06	2.00	0.12
	Sum	1.00	2.40	2.44

Based on the EFAS weighted average values in Table 5.5, it is presented that the strategic external factors of LPD in Kintamani District are currently worth 2.44, which means they are still under 2.5 and are a threat to LPDs. All external strategic factors have values ranging from 0.12 to 0.26. The factor of information technology development is the lowest rated factor (0.12). This shows that information technology factors have not optimally contributed to the implementation of LPD CSR in Kintamani District.

If classified according to the range of values as in Table 4.3, then the external factors that constitute the opportunities of the LPD in Kintamani District are: (1) the level of education of the surrounding community; (2) the culture/customs of the local community; (3) support from Pakraman village; (4) community attitudes; and (5) capital support from the government.

Whereas external factors which constitute the threat of LPD in Kintamani District include: (1) information technology development; (2) development of the number of financial institutions; (3) the financial condition of the surrounding community; (4) awig-awig support; (5) the intensity of the traditional and religious activities of the surrounding community; (6) inflation; (7) the rate of economic growth in Bali; and (8) local government policies.

### 1.6.3 LPD CSR Development Strategy in Kintamani District

The formulation of LPD CSR development strategies in Kintamani District was first analysed by the internal and external environmental conditions of the LPD based on the questionnaire distributed to respondents. The collected data is then analyzed by SWOT analysis as discussed earlier.

The results of internal and external analysis (IFAS and EFAS) are then included in the internal-external matrix or often called the IE matrix. In the IE matrix there are nine cells (Figure 5.1), with the implementation of the strategy as follows: (1) growth and build strategies are applied if the position of the company/institution is in cells I, II, and IV; (2) a hold and maintain strategy is applied if the position of the company/institution is in cells III, V, and VII; and (3) harvest and diverst strategies are applied if companies/institutions are in cells VI, VIII, and IX.

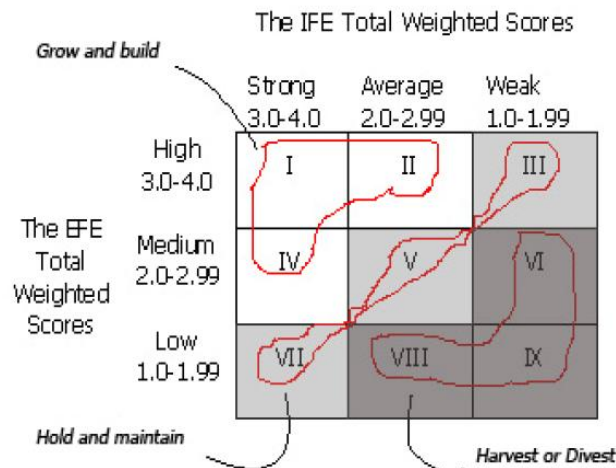


Figure 2.:IFAS - EFAS matrix (IE Matrix)

Source: David (2004)

Based on internal and external analysis, it is known that the weighted average IFAS LPD in Kintamani District is 2.40 (average) and the weighted average value of LPAS EFAS in Kintamani District is 2.44 (medium), so that its position in the IE matrix is on cell V, which means that LPD in Kintamani District currently has the competitiveness and attractiveness of the medium category.

The strategy that is currently suitable to be applied to LPDs in Kintamani District is a hold and maintain strategy. The implementation of this strategy is to penetrate the market and develop products. Market penetration is meant by trying to increase the number of LPD customers in Kintamani District, which can be done by offering more innovative products so that people are interested in LPD products.

Many LPDs in Bali have made product innovations, so as to attract the interest of the community. For example, the Bedulu LPD, Gianyar Regency, which innovates with the Samuan Tiga program (Deposits for Comfort and Family Protection) wherein the deposit/savings is Rp.300,000 per person once in a lifetime, so if the person dies, the heirs will receive compensation of Rp.7,000,000. Such programs certainly appeal to Balinese people who are predominantly Hindu, so they feel helped when carrying out the Ngaben(cremation) ceremony.

Another strategy that can be applied is that LPDs in Kintamani District can distribute loans in the form of products needed by the local community. So that the credit given to the community is more productive. Regarding CSR, if the profits obtained by LPDs increase, it will certainly have an impact on increasing the portion of LPD CSR for custom villages. The form of CSR has been limited to ritual activities in the temple (*parahyangan* element), in the future CSR is also expected to be useful for environmental preservation and providing assistance to the poor as a form of implementation of the concept of *pawongan* and *palemahan*.

## II. CONCLUSION

Based on the results of research and discussion, it can be concluded that profits obtained by LPDs are partly allocated to social funds or CSR. So far the utilization of LPD CSR funds in Kintamani District is still limited to ritual activities in the temple (*parahyangan* element). Some internal factors which are the strength of LPD in Kintamani District i.e.: (1) the amount of third party funds; (2) LPD credit distribution policy; and (3) the quality of LPD management human resources. While several internal factors identified as LPD weaknesses in Kintamani District are: (1) quality of LPD services; (2) LPD promotion support. LPD human resource competencies; and (4) commitment and competence of LPD administrators. Some external factors that constitute opportunities for LPD in Kintamani District i.e.: (1) culture/customs of the local community; (2) education level of the surrounding community; (3) community attitudes; and (4) support from custom village. While some external factors identified as LPD threats are: (1) information technology development; and (2) the development of the number of financial institutions. The strategy currently suitable to be applied to LPDs in Kintamani District is a hold and maintain strategy. The implementation of this strategy is to penetrate the market and develop products.

There are several things that can be suggested as a follow up to the results of the research. First for local governments, it is possible to promote LPD service product innovations so that LPDs can compete with other financial institutions. For LPLPD as LPD advisors, to routinely provide guidance and evaluation for LPD managers whose competencies have not met competency standards. For LPD managers and custom villages, in the future CSR is also expected to be beneficial for environmental preservation and providing assistance to the poor as a form of implementation of the concept of *pawongan* and *palemahan*.



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