

Good Governance Based On Local Wisdom And Its Implications For The Quality Of Accounting Information Of Lpd In Bali (Case Study Of Canggu Traditional Village)

Putu Nuniek Hutnaleontina ^{1*}, I Wayan Sudiana ², Ni Made Wisni Arie Pramuki ³, Ni
Wayan Alit Erlina Wati ⁴, and Kadek Dewi Padnyawati⁵

¹ Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

² Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

³ Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

⁴ Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

⁵ Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

¹Email: putununiek89@unhi.ac.id

²Email: wayansudiana74@unhi.ac.id

³Email: wisniariepramuki@unhi.ac.id

⁴Email: aliterlina@unhi.ac.id

⁵Email: dewipadnyawati@gmail.com

ABSTRACT

The Village Credit Institution (Lembaga Perkreditan Desa or LPD) is a traditional community-based financial entity that plays a strategic role in empowering the Balinese economy. In terms of governance, the implementation of good governance principles aligned with local values is key to ensuring transparency, accountability, and the quality of financial reporting. This study aims to examine the practice of good governance based on local wisdom and its implications for the quality of accounting information in LPD, using a case study of the LPD of Desa Adat Canggu, which received an Unqualified Opinion (WTP) from the regional government auditor. The research adopts a qualitative descriptive method with an exploratory approach through in-depth interviews, participatory observation, and document analysis. The findings reveal that the implementation of good governance principles at the LPD of Desa Adat Canggu such as transparency, accountability, responsibility, independence, and fairness is internalized through traditional value systems and the *Tri Hita Karana* philosophy. This local wisdom-based governance has a positive impact on enhancing the quality of accounting information, particularly in terms of relevance, reliability, and readability of financial statements. Informal oversight mechanisms through village councils (*paruman desa*) and customary laws (*awig-awig*) further strengthen the integrity and social legitimacy of LPD financial management. However, this study is limited in scope, as external factors such as regional government policies and socio-economic dynamics of the community have not been explored in depth regarding their influence on governance and information quality.

Keywords: LPD, good governance, local wisdom, *Tri Hita Karana*, quality of accounting information.

*Corresponding Author:

putununiek89@unhi.ac.id (Putu Nuniek Hutnaleontina)

Faculty of Economics, Business, and Tourism, Universitas Hindu Indonesia, Denpasar, Indonesia

1. INTRODUCTION

The Balinese community is known for its strong adherence to traditional customs and cultural values that permeate all aspects of life. These values not only serve as ethical and moral guidelines but also shape the region's social and economic systems. One of the fundamental philosophies is *Tri Hita Karana*, emphasizing the harmony between humans and God (*parahyangan*), among humans (*pawongan*), and between humans and nature (*palemahan*). In addition, communal solidarity expressed through values like *sagilik saguluk* and *paras-paros sarpanaya* reinforces social tolerance and equality.

Inspired by these values, Prof. Dr. Ida Bagus Mantra pioneered the establishment of a culturally rooted financial institution aimed not only at economic gain but also at preserving culture and empowering customary communities. This vision materialized in 1984 with the founding of *Lembaga Perkreditan Desa* (LPD), a microfinance institution owned and operated by the *Desa Adat* (customary village) with the goal of managing financial resources independently, transparently, and sustainably.

Studies by (Winata et al., 2015) and (Suartana, 2020) identify internal challenges such as poor operational planning, weak managerial competence, and low risk management awareness. Moreover, the traditional governance model, which centers authority in the hands of the *Bendesa Adat* (customary leaders), risks creating conflicts of interest and lacks alignment with modern governance principles.

This study adopts a phenomenological approach to examine how governance based on local wisdom, particularly the

role of *Bendesa Adat*, influences the quality of accounting information in LPDs. The study focuses on LPD *Desa Adat* Canggu, a model institution awarded an unqualified opinion (WTP) by government auditors in 2024 for its transparent and accountable financial practices. This makes it a representative case for analyzing the impact of localized good governance on accounting information quality.

This study aims to examine the application of good governance principles rooted in local wisdom in the management of LPDs in Bali, with a specific focus on LPD *Desa Adat* Canggu. It explores how traditional values such as *Tri Hita Karana*, *awig-awig*, and the role of *Bendesa Adat* contribute to transparent, accountable, and community centered governance, and how these factors affect the quality of accounting information produced by the institution. The findings are expected to provide policy recommendations for enhancing LPD governance through the integration of cultural values and modern governance principles. Academically, the research enriches literature on culturally embedded financial governance and the quality of community based financial reporting. Practically, it aims to strengthen public trust and community participation in LPD oversight, ensuring more sustainable and credible financial management within traditional Balinese villages.

Previous studies on good governance based on local wisdom and its impact on accounting information quality highlight important factors influencing the performance of accounting information systems in village credit institutions (LPD). For instance, (Puspayanti, 2023) found that organizational size and user training positively affect system

performance, while the supervisory board's presence did not show a significant effect, possibly due to traditional oversight not fully integrated with information systems. Additionally, research by Astawa et al. (2015), Pancadana and Parwata (2013), and Sujana et al. (2015) emphasize the integral role of Balinese cultural values such as *Tri Hita Karana* and Catur Purusa Artha in shaping the ethical, social, and ecological accountability of LPDs. Unlike

2. METHODS

This study focuses on the implementation of good governance principles based on local wisdom and their impact on the quality of accounting information in Village Credit Institutions LPD in Bali. The main objective is to understand how Balinese cultural values, as reflected in the *Tri Hita Karana* principles and customary institutional systems (such as *awig-awig*), are applied in the governance of LPDs. Through this approach, the study aims to evaluate the extent to which the principles of transparency, accountability, participation, and consensus deliberation play a role in regulating financial management and accounting reporting within LPDs.

This research also explores the impact of implementing these principles on the quality of LPD financial reports, with a focus on the accuracy, relevance, and transparency of information presented to stakeholders, especially the customary community. To achieve these objectives, a qualitative descriptive approach is employed, using data collection techniques such as in-depth interviews, participatory observation, and document studies related to the governance structure of LPDs. The results of this study are expected to

prior studies focusing mainly on cultural values as ethical foundations, this research specifically examines how good governance practices rooted in local wisdom within the *Desa Adat* structure influence the quality and accountability of accounting information produced by LPD, aiming to fill a gap on the effect of local culture on governance effectiveness and financial reporting quality.

provide clearer insights into the relationship between local values and good governance practices, as well as how these affect the quality of financial reporting in the context of village based financial institutions.

The research was conducted at the Village Credit Institution (LPD) of *Desa Adat* Canggu, which has achieved outstanding recognition by receiving an Unqualified Opinion (WTP) from an audit conducted by the Badung Regency Government audit team. This award was presented directly by the Regent of Badung, I Nyoman Giri Prasta, S.Sos., as an appreciation for the institution's performance demonstrating high levels of transparency and accountability throughout 2024. This recognition is particularly notable given that *Desa Adat* Canggu's LPD is one of 30 LPDs audited in Badung Regency and is regarded as having the best financial management.

To deeply explore the practices of good governance based on local wisdom and their implications on the quality of accounting information in LPDs in Bali, specifically at the LPD of *Desa Adat* Canggu, this study employs a qualitative descriptive approach with an exploratory operational strategy. The data collection techniques used include:

1. In Depth Interviews

This technique was conducted with key informants consisting of LPD officials (*prajuru*), the *Bendesa Adat* (customary village head), and local customary community members. The purpose was to explore perceptions, values, and governance practices within the context of local culture, including the implementation of the principles of transparency, accountability, responsibility, independence, and fairness in managing the LPD.

2. Participatory Observation

The researcher engaged in direct and active observation of various village activities, such as customary village meetings, LPD economic operations, and the financial reporting process. This observation aimed to capture social interactions, decision making mechanisms, and tangible manifestations of local wisdom-based governance principles as they unfold in the field.

3. Document Study

Documents examined included *awig-awig* (customary regulations), LPD financial reports, and relevant customary village regulations. This study aimed to systematically analyze the normative, legal, and formal frameworks underpinning governance practices and financial reporting at the LPD, as well as the extent to which local wisdom is integrated into the accounting information system.

4. Thematic Analysis

As the primary analytical technique, thematic analysis was employed to identify patterns of meaning, dominant narratives, and relationships among themes within the collected data. This process enabled the researcher to build a contextual understanding of how local

values influence the quality of accounting information produced by the LPD. By employing these techniques, the study is expected to provide a holistic and in-depth depiction of how governance based on local wisdom affects the quality of accounting information in community based financial institutions such as LPDs in Bali.

3. RESULT AND DISCUSSION

Based on field observations and an examination of the institution's internal documents, the LPD of Desa Adat Cangu actively fulfills its function of providing financial services to the customary village community (*krama desa adat*). Beyond its economic role, the institution also participates in supporting social, religious, and customary ceremonial activities, including providing *punia* funds for the implementation of customary rituals and religious ceremonies regularly held by the customary village.

3.1 Implementation of Good Governance Based on Local Wisdom

This study reveals that the LPD of Desa Adat Cangu has made efforts to internalize the principles of Good Governance as formulated by the National Governance Policy Committee (Komite Nasional Kebijakan Governance, KNKG, 2006), namely transparency, accountability, responsibility, independence, and fairness. The application of these principles not only follows formal guidelines but is also integrated with local values such as *Tri Hita Karana*, *awig-awig*, and the *paruman desa* system. Although the implementation is not yet fully ideal due to structural and cultural barriers, the commitment to

uphold good governance remains strong and consistent.

3.2 Independence and Fairness

Independence remains a significant challenge in the management of LPD. Although the institution has established independent systems and regulations, social and cultural pressures particularly feelings of deference toward community leaders or influential families create informal soft pressures that can affect operational decisions. The principle of fairness requires equal treatment for all stakeholders, especially regarding access to services and benefit distribution. LPD *Desa Adat* Canggü strives to provide equitable services to all customary community members regardless of social status or familial ties. Challenges arise when requests or interventions come from influential figures, placing LPD staff in a dilemma between maintaining integrity and preserving social harmony. In this context, fairness is not only a formal legal principle but also deeply cultural, reflecting the Balinese ethical value of *tat twam asi*, which views others as extensions of oneself. Thus, fairness in LPD embodies both spiritual and communal orientations, positioning the institution as not merely an economic entity but also an instrument of social solidarity.

3.3 Integration of Local Wisdom in Governance

Through the existence of *awig-awig*, social control operates via informal mechanisms grounded in collective awareness and social sanctions, such as shame and moral responsibility to the community often proving more effective than formal regulations in customary settings. The *desa adat*, through institutions like the *bendesa* and *prajuru*, functions as a non-formal

supervisory authority bridging modern systems and traditional values. Strategic decisions of the LPD must be approved in the *paruman desa*, the highest deliberative forum at the customary village level, reinforcing accountability and participation. This active involvement ensures that LPD governance aligns with local values and aspirations. The integration of Hindu values and customary institutional structures in the governance of LPD *Desa Adat* Canggü forms a unique hybrid governance model merging global principles of good governance with local legitimacy rooted in social and spiritual wisdom. This model not only sustains institutional performance but also serves as a reference for community based financial governance in other regions.

3.4 Implications for the Quality of Accounting Information

The governance practices implemented at LPD *Desa Adat* Canggü have shown a positive influence on the improvement of accounting information quality. The integration of good governance principles with local wisdom such as *Tri Hita Karana* and customary social practices like *paruman* and *awig-awig* has resulted in a reporting system that not only complies with formal standards but is also responsive to the information needs of the customary community. The quality of accounting information, as reflected in its relevance, reliability, and comprehensibility, has significantly improved as a direct outcome of this holistic and participatory governance approach. Relevance is enhanced through the preparation of financial reports that adhere not only to national accounting standards but are also tailored to the social and cultural context of the customary community. Reports are structured to meet

the information needs of krama desa (customary community members), particularly in decision-making processes at the village level. By presenting data in a comprehensible format and aligning it with community agendas such as funding traditional ceremonies, temple construction, or social support accounting information becomes more meaningful to the local population. This approach aligns with the relevance characteristic emphasized in the IASB's Conceptual Framework for Financial Reporting, which highlights the capacity of information to influence users' economic decisions. Reliability has also improved, supported by internal control mechanisms rooted in cultural and spiritual norms. Validation and oversight are conducted through paruman desa and supervision by customary authorities, who possess strong moral legitimacy within the community. While these oversight systems are informal in institutional structure, they exert binding influence through collective awareness and social responsibility. A key strength of this approach is the emergence of public trust in the information disclosed by the LPD.

3.5 Integration of Stewardship Theory in the Governance of Traditional Village-Based LPD

The governance of LPD in *Desa Adat Cangu* reflects an integration of formal Good Corporate Governance (GCG) principles with the cultural and spiritual values of the Balinese customary community, aligning with Stewardship Theory, which views managers as intrinsically motivated stewards acting in the collective interest rather than for personal gain. Unlike Agency Theory, which assumes relationships based on distrust, stewardship emphasizes trust, moral responsibility, and long term

commitment. In this context, LPD managers, including *prajuru adat* and *bendesa*, see their role not merely as financial administrators but as servants of the community, guided by a deep sense of duty to uphold the honor and sustainability of the traditional village. This sense of collective identity and prosocial behavior is rooted in Hindu values, particularly the *Tri Hita Karana* philosophy, which integrates ethical relationships among people (*Pawongan*), with God (*Parahyangan*), and with nature (*Palemahan*). The result is a governance model that harmonizes managerial effectiveness with cultural meaning, positioning LPD as a community-based financial institution with strong social and spiritual legitimacy.

4. CONCLUSIONS

The findings of this qualitative study, based on observations, document analysis, and in-depth interviews in *Desa Adat Cangu*, reveal that the governance of the Village Credit Institution (LPD) is deeply integrated with local wisdom through the active role of customary structures and *awig-awig*, creating a governance system that is transparent, accountable, responsible, independent, and fair within the Balinese cultural context. Hindu values, particularly *Tri Hita Karana*, serve as the ethical and spiritual foundation of decision-making, ensuring that governance prioritizes not only economic efficiency but also social and spiritual harmony. Informal oversight by traditional institutions through *paruman* and community mechanisms has proven effective in fostering ethical and sustainable behavior, driven more by social trust and collective dedication than formal

control. This model aligns with Stewardship Theory, where LPD managers act not as opportunistic agents but as stewards committed to the well being of the community. The integration of local values into governance has significantly improved the quality of accounting information making it more relevant, reliable, and understandable through participatory validation and communication in accessible language. This has led to increased community understanding and trust, demonstrating the successful synthesis of modern accounting systems with local approaches. As such, the LPD governance model in Canggu presents a replicable example for other community based financial institutions in Bali, emphasizing the importance of cultural alignment and active community involvement.

REFERENCE

- Anríquez, G. & López, R. (2007). *Agricultural growth and poverty in an archetypical middle income country: Chile 1987–2003*. *Agricultural Economics*, 36: 191–202.
- Bezu, S., & Barrett, C. (2012). *Employment dynamics in the rural non-farm sector in Ethiopia: Do the poor have time on their side?* *The Journal of Development Studies*, 48 (9). pp 1223-1240.
- Adnyani, K. S., & Setiawan, A. (2016). *Praktik Tata Kelola dalam Perspektif Nilai Budaya Lokal pada Lembaga Perkreditan Desa (LPD)*. 4(1), 64–75.
- Anggiriawan, P. B., & Kawisana, P. gede W. P. (2020). *Pengaruh Prinsip-Prinsip Good Corporate Governance Terhadap Kinerja Keuangan Lembaga Perkreditan Desa (LPD) Di Kecamatan Abiansema Kabupaten Badung*. *Jurnal KRISNA: Kumpulan Riset Akuntansi*, 12(1), 190–196. <https://ejournal.warmadewa.ac.id/index.php/krisna>.
- Astuti, N. W. Y., & Aprianti, A. (2021). *Implementasi Ajaran Catur Purusa Artha Dalam Membentuk Karakter Peserta Didik*. *Vidya Darśan*, 3(1), 63–73.
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). *Toward a Stewardship Theory of Management*. *Academy of Management Review*, 22(1), 20–47. *Academy of Management Review*, 22(1).
- Desiani. (2022). *Enam-persen LPD di Bali bermasalah. Anggota DPR RI, Rai Wirajaya Minta seluruh-LPD Diawasi ketat*. <https://bali.tribunnews.com/2022/06/26/enam-persen-lpd-di-bali-bermasalah-anggota-dpr-ri-rai-wirajaya-minta-seluruh-lpd-diawasi-ketat>.
- Fajar, N. (2022). *Pengaturan Kewenangan Pengawasan Lembaga Perkreditan Desa (Lpd) Pekraman Desa Adat Di Bali*. *Jurnal Yustitia*, 16(1), 45–53. <https://ojs.unr.ac.id/index.php/yustitia/article/view/899%0Ahttps://ojs.unr.ac.id/index.php/yustitia/article/download/899/778>.
- Hadiati, M., Julianti, L., Syailendra, M. R., Marfugah, L., & Gunawan, A. S. (2021). *Peran Desa Adat Dalam Tata Kelola Lembaga Perkreditan (Lpd) Di Bali*. *Jurnal Muara Ilmu Sosial, Humaniora, Dan Seni*, 5(2), 580. <https://doi.org/10.24912/jmishumsen.v5i2.10080.2021>.
- Hernandez, M. (2012). *Toward an understanding of the psychology of stewardship*. *Academy of Management Review*, 37(2). <https://doi.org/10.5465/amr.2010.0363>.
- 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>.

- Kawiana, I. G. P. (2019). Pelatihan Servqual Lembaga Perkreditandesa (LPD). *Jurnal Sewaka Bhakti Lembaga Penelitian Dan Pengabdian Kepada Masyarakat Universitas Hindu Indonesia Denpasar*, 2(1), 1–7.
- Moleong J Lexy. (2017). *Metodologi Penelitian Kualitatif*. PT. Remaja Rosda karya Bandung Ntongho, R. A. (2016). "Culture and corporate governance convergence." *International Journal of Law and Management*, 58(5), 523–544.
- Ramantha. (2022). Berkontribusi Besar, Aset LPD di Bali Tembus Rp 23,5 Triliun. *Baliviralnews*.
<https://www.baliviralnews.com/berkontribusi-besar-aset-lpd-di-bali-tembus-rp-235-triliun/>.
- Suwendra, I. W., Suwena, K. R., & Roseyamita, N. W. Y. G. (2019). Kompleksitas Tugas dan Locus of Control Penentu Kinerja Panureksa pada LPD. *Jurnal Pendidikan Ekonomi ...*, 11(2), 397–405. <https://ejournal.undiksha.ac.id/index.php/JJPE/article/view/21512>.
- TimNewsyess. (2024). Prestasi membanggakan LPD Desa Adat Cangu raih predikat WTP: Apresiasi dari Pemkab Badung dan harapan untuk masa depan. *Bali Update News*.
<https://www.baliupdatenews.com/berita/12133/prestasi-membanggunakan-lpd-desadadat-cangu-raih-predikat-wtp-apresiasi-dari-pemkab-badung-dan-harapan-untuk-masa-depan>.
- Wigunawati. (2022). Tabanan Pimpin Jumlah LPD Bangkrut di Bali. *Bali Politika*.
<https://www.balipolitika.com/2021/08/17/tabanan-pimpin-jumlah-lpd-bangkrut-di-bali/>.
- Winata, I. G. K. A., Windia, W., & Suartana, I. W. (2015). Membangun Strategi Operasi melalui Budaya Organisasi Berbasis Tri Hita Karana untuk Mencapai Keunggulan Bersaing Berkelanjutan : Kasus pada Lembaga Perkreditan Desa di Kabupaten Buleleng Absrtact Pendahuluan Kajian Pustaka. *Jurnal Manajemen Agribisnis*, 3(2), 81–92.
- Puspayanti, N. K. (2023). *Analisis Faktor-Faktor yang Mempengaruhi Kinerja Sistem Informasi Akuntansi (SIA) pada Lembaga Perkreditan Desa (LPD) di Kecamatan Mengwi*. Universitas Mahasaraswati Denpasar.
- Suartana, I. W. (2020). *Pelaporan Akuntansi Lembaga Perkreditan Desa (LPD)*. CV. Sastra Utama.
- Winata, I. A., Windia, W., & Suartana, I. W. (2015). Membangun Strategi Operasi melalui Budaya Organisasi Berbasis Tri Hita Karana untuk Mencapai Keunggulan Bersaing Berkelanjutan: Kasus pada Lembaga Perkreditan Desa di Kabupaten Buleleng. *Jurnal Manajemen Agribisnis*, 3(2), 81–92.
<https://ojs.unud.ac.id/index.php/agribisnis/article/view/17096>