LPD PERFORMANCE IN GIANYAR REGENCY: AN ANALYSIS OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION

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ABSTRACT
The LPD's performance reflects the LPD's ability to allocate and manage its resources. It is very important that an assessment of performance to ensuring the sustainability of the LPD. The implementation of good corporate governance as a concept of good governance is believed to be able to improve LPD performance. On the other hand, corporate social responsibility is a form of social responsibility undertaken by the LPD as an effort to obtain long-term benefits also to improve the performance of the LPD.

This research was conducted to test and obtain empirical evidence regarding the effect of the implementation of good corporate governance and CSR on LPD performance in Gianyar Regency. Gianyar Regency is a Province of Bali which has 270 LPDs spread across 7 Subdistricts. The technique of determining the sample using purposive sampling techniques and data analysis used is multiple linear regression analysis. The results of the study prove the positive influence of the good corporate governance and CSR implementation on the LPD performance in Gianyar Regency.

Keywords: good corporate governance, CSR, LPD performance, Gianyar regency

I. INTRODUCTION

Village credit institutions (LPD) are non-bank financial institutions managed by Desa Pakraman in Bali. LPD carry out the intermediation function, provide business opportunities for local villagers, accommodate workers in rural areas, expedite payment traffic and eliminate the presence of loan sharks. LPD has been playing a big role in encouraging the economic development of society through effective capital sharing and supporting the government's program in poverty eradication (Merawati and Putra, 2018).

The existence of LPD in Pakraman village communities has experienced a rapid increase for being able to increase the potential of Pakraman village communities. An assessment of LPD performance becoming very important because of performance reflects the LPD's ability to allocate and manage its resources. However, it is also faces some problems that can hamper efforts to improve the performance of LPD. Such as corruption through the manipulation of financial statements and the filing of fictitious credit at the Belaluan LPD committed by the former chairman of the Belaluan LPD, Gianyar Regency. The existence of these cases makes the village manners distrust the LPD management so that it requires the application of a good system, effective supervision, and the right decision making in improving the quality of work of an organization (Firna, 2017).

One factor that plays a big role in creating a good performance is through an implementation of good corporate governance (GCG). Corporate governance describes the structure of rights and responsibilities between parties who have interests in an organization. These implementation in LPD is important because it will directly provide clear direction for LPD
on making a responsible decision and increase the LPD's value. There are five principles needed to build a healthy business culture, namely transparency, accountability, responsibility, independency and fairness. Wati (2012) and Dewi (2014) proved that GCG has a positive effect on company performance.

The impact of surrounding environment where the company operates, affects the public awareness on the importance of carrying out a corporate social environmental responsibility practice (CSR) as a concept that is developing rapidly in the business world. At this time the company is not only seek for profits, but also should be pay attention to social responsibility in the community.

The most important thing from implementing CSR is to strengthen the sustainability of the company itself by building cooperation between stakeholders through its program. CSR is a form of responsibility undertaken by the company in repairing social inequalities and environmental damage that occur as a result of operational activities. The company's image will increase in line with the more forms of corporate responsibility that are carried out on the environment. It will gain the public trust and is expected to increase the level of profitability. If the company runs smoothly, it will have a good effect on the company's performance. Indrawan (2011), Mitha (2015), Pertwi (2016), Firna (2017), Aryani (2017) found that CSR had a positive and significant effect on company performance. Therefore, this study was conducted to reexamine the effect of the implementation of good corporate governance (GCG) and Corporate Social Responsibility (CSR) on performance in LPD of the Regency of Gianyar

II. LITERATURE REVIEW

Jensen and Meckling (1976) describes the agency relationship as a relationship between a company owner (principal) and agent where the principal delegates decision making authority to the agent. The assumption of this theory states that the separation between ownership and management of a company can cause legal problems/ agency problems.

Conflicts between agents and principals or often referred to as agency problems can be minimized by an oversight mechanism that can align these interests, by implementing GCG. Corporate governance which is a concept that is based on the concept of agency theory. Corporate governance is concerned with how customary village krama are confident that LPD management will benefit them. Convinced that LPD managers will not steal or invest in unnecessary projects. In other words good corporate governance is expected to reduce agency costs (Firna, 2017)

Good Corporate Governance (GCG) as an administrative mechanism that regulates relations between company management, commissioners, directors, shareholders, and other stakeholder groups. Based on this definition, good corporate governance can be interpreted briefly as a set of systems that regulate and control companies to create value added for stakeholders and are used as a tool to achieve goals and monitor performance. The application of good corporate governance principles is expected to be able to maintain or improve the performance of Village Credit Institutions (LPD).

Wati (2012) and Dewi (2014) proved that Good Corporate Governance (GCG) has a positive effect on company performance. The same thing was also found by Atmadja (2014) which stated that the implementation of Good Corporate Governance (GCG) and awig-awig protection had a positive effect on LPD performance. Based on the description above, the hypotheses developed in this study are as follows:

H1: Good Corporate Governance (GCG) has a positive effect on the performance of Village Credit Institutions (LPD)

Legitimacy theory is based on social contracts that occur between companies and the communities in which they operate and use economic resources. Legitimacy is important for the organization, its boundaries emphasized by social norms and values and reactions to these constraints encourage the importance of analyzing organizational behavior with regard to the environment (Ghozali and Chairiri, 2007; 411).

Legitimacy is a psychological state of people and a group of people who are very sensitive to the symptoms of the surrounding environment both physical and non-physical. O'Donovan (2001) argues that organizational legitimacy can be seen as something that companies want or look for
in society. Thus, legitimacy is a potential benefit or resource for a company to survive (going concern) (Hadi, 2014). Corporate social responsibility is based on the theory of social contracts that occur between company owners and the environment in which they operate. It is expected to serve as a tool to provide confidence to customary village that the existence of the LPD does not have a detrimental impact on the village's environment, as well as with more social responsibility compared to seeking profits can improve the LPD's relationship with village manners.

Corporate Social Responsibility (CSR) is the company commitment or business world to contribute the sustainable economic development by paying attention to corporate social responsibility and focuses on the balance between attention to economic, social, and environmental aspects (Hadi, 2014). Companies will be more responsible rather than just making a profit. The most important thing in implementing CSR is being able to maintain and improve the company's image, making a good relationship with the community, supporting the company's operations, obtain raw materials and tools for company production and also reduce public disruption to the company's operations.

Indrawan (2011), Mitha (2015), Pertiwi (2016), Firda (2017), Aryani (2017) found that Corporate Social Responsibility (CSR) had a positive and significant effect on company performance. Based on the description above, the hypotheses developed in this study are as follows:

**H2**: Corporate Social Responsibility (CSR) has a positive effect on the performance of Village Credit Institutions (LPD).

### III. RESEARCH METHOD

This research was conducted at the Village Credit Institution (LPD) which is located in Gianyar Regency, amounting to 7 Districts, namely Gianyar District, Blahbatuh District, Ubud District, Sukawati District, Tegalalang District, Payangan District and Tampaksiring District.

Good Corporate Governance (GCG) can be interpreted as a set of systems that regulate and control companies to create value added for stakeholders. Good Corporate Governance (GCG) measured using indicators of transparency, accountability, responsible, independence and fairness. Each indicators consist of two items, using an instrument developed from Dewi (2014), with a 5-point Likert scale.

Corporate Social Responsibility (CSR) is a continuing commitment to behave ethically and contribute to economic development, improving the quality of employee's life and their families in the local community and also wider community. The indicators of Corporate Social Responsibility (CSR) are business profit (Profit), welfare of people (People) and environment (Planet). Each indicators consist of two items using an instrument developed from Firda (2017), with a 5-point Likert scale.

Performance is success in achieving company goals. Performance indicators measured from financial and non-financial items, each consisting of four items, using instruments developed from Firda (2017) with a 5-point Likert scale.

Respondents in this study are the core part of those who work in LPD of Gianyar Regency, manager of either the Chairperson of the LPD or the finance / treasurer section. To determine the number of samples used non-probability sampling with purposive sampling, which is a sampling technique with certain considerations (Sugiyono, 2010; 120). Based on the consideration that the LPD studied should be active and in a good health, there were 174 LPD selected as sample. The data collection method in this study is a survey method by distributing questionnaires to LPD in Gianyar Regency.

Data was analysis with multiple regression including the instrument test of the validity and reliability. The classic assumption test include normality, heteroscedasticity and multicollinearity. The multiple linear regression analysis equation as follows:

\[
\text{Performance} = \alpha + \beta_1 \text{GCG} + \beta_2 \text{CSR} + e\quad\quad(1)
\]

The assessment of the feasibility of the model can be measured by its goodness of fit. Statistically it can be measured from the value of the coefficient of determination (R²), the statistical test F, and the statistical test t.
IV. RESEARCH RESULT

Respondents used in this study were chairman or treasurer of 174 LPD spread across 7 districts of Gianyar district. The response rate is 98.8% where as only 172 questionnaire being used, since two was incomplete.

Instrument Testing was conducted to check the validity and reliability of the questionnaire. The result of the value of Pearson Correlation> 0.3 and the value of Cronbach Alpha> 0.7 indicating that the instruments used are valid and reliable. While the result of classical assumption testing as follow:

1) Normality Test
   Results One sample test for normality using the Kolmogorov-Smirnov based Asymp.Sig shows values of 0.682> 0.05. This means that the data is normally distributed.

2) Heteroscedasticity Test
   Heteroscedasticity test results showed the significance value of the GCG variable was 0.057 and the CSR variable was 0.909 whose value was> 0.05. This means there is no heteroscedasticity

3) Multicollinearity Test
   The tolerance value greater than 10 percent or VIF less than 10, it can be concluded that there is no multicollinearity between variables in the regression model

Adjusted R2 determination coefficient value in Table 1 indicates a value of 0.326. This means that the LPD Performance variable can be explained by GCG and CSR variables by 32.6% while the remaining 67.4% is explained by other variables not included in the model.

The statistical test value F in Table 1 shows a value of 42.290 with a significance of 0.000 <0.05 which means that the independent variables affect simultaneously on the dependent variable. It can be concluded that the regression model is fit /feasible for further interpretation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>P - Value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCG(X1)</td>
<td>0.392</td>
<td>0.466</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>CSR (X2)</td>
<td>0.274</td>
<td>0.190</td>
<td>0.008</td>
<td>Significant</td>
</tr>
</tbody>
</table>

The statistical t test results basically indicate how far the influence of an explanatory or independent variable (X) individually in explaining the variation of the dependent variable (Y). The results of the analysis show the significance value of the GCG variable t test of 0.000 <0.05 with a positive marked regression coefficient of 0.392, meaning that the GCG variable has a positive effect on LPD performance in Gianyar Regency. It can be concluded that H1 is accepted, the application of the principles of good corporate governance can improve the performance of Village Credit Institutions (LPD). The results of this study support the findings of Wati (2012) and Dewi (2014) which prove that Good Corporate Governance (GCG) has a positive effect on company performance. The same thing was also found by Atmadja (2014)
which stated that the implementation of Good Corporate Governance (GCG) and awig-awig protection had a positive effect on LPD performance.

The results of the analysis show the significance value of the CSR variable t test of 0.008 <0.05 with a positive sign regression coefficient of 0.274 means that the CSR variable has a positive effect on LPD performance in Gianyar Regency. It can be concluded that H1 is accepted. Corporate Social Responsibility (CSR) is a commitment of the company or the business world to contribute to sustainable economic development by paying attention to corporate social responsibility and focuses on the balance between attention to economic, social, and environmental aspects (Hadi, 2014). The results of this study support Indrawan (2011), Mitha (2015), Pertiwi (2016), Firma (2017), Aryani (2017) which founds that Corporate Social Responsibility (CSR) has a positive and significant effect on company performance.

V. CONCLUSIONS AND SUGGESTIONS

This research was conducted at LPD in Gianyar regency and succeeded in proving the positive influence of GCG and CSR on LPD performance. However, this study also faces limitations, in addition to the vast demographics of Gianyar district which caused difficulties in collecting data in a relatively short time due to the location of the LPD, some LPD were also unwilling to fill out / contact in taking the questionnaire. Therefore, further research is recommended to consider the time of distributing the questionnaire so data research would be optimally collected. Future studies should also consider other factors that can also improve LPD performance such as culture organization, motivation, etc.

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