



Financial Management based on *Catur Purusa Artha* in Microcredit Finance (LPD)

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Abstract. The Village Credit Institution (LPD) is a unique financial institution in Bali. LPD is managed by village residents (*banjar*). LPD has an important role in supporting the economic growth of the community on the island of Bali. Even though LPDs have a vital position in Bali, several LPDs have experienced bankruptcy due to poor financial management and fraud prevention. LPD in Bali strives to manage management based on local Balinese values to avoid bankruptcy. One of the local values applied is *Catur Purusa Artha*. *Catur Purusa Artha* are the four goals of human life. This research aims to analyze financial management and prevention of fraud based on the values of the *Catur Purusa Artha* philosophy in Village Credit Institutions (LPD). This research uses a qualitative approach with a case study method. Informants are informants at LPD X and other related informants. Data collection was carried out by interviews, non-participant observation, and documentation. The novelty in this research is that previous researchers only focused on those based on *Tri Hita Karana*. Researchers tried to explore different values, namely the *Catur Purusa Artha* value. The result found that LPD actualizes *Catur Purusa Artha* in managing finances in LPD. *Catur Purusa Artha* consists of four balanced and harmonious life goals, consisting of *Dharma* (virtue), *Artha* (prosperity), *Kama* (desire), and *Moksa* (liberation). LPD's actualization in interpreting *Catur Purusa Artha* in financial prevention and management is not only actualized for the community/personal interests of LPD, but also for nature or the environment.

Keywords: *Catur Purusa Artha*, Financial Management, Microcredit Finance

1 Introduction

Pakraman Village in Bali has a financial institution called the Village Credit Institution (LPD). The aim of establishing an LPD in a traditional village is to support the development and improvement of the economy of a village. In maintaining and developing strategies and productivity, LPD operational activities will be provided with guidance and supervision. Not only LPD administrators who play an important role in LPD activities also have an equally important role in the development of the LPD (Suputra and Agus, 2021). The Village Credit Institution (LPD) is a financial institution

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managed by traditional village communities in Bali. LPD operates in the savings and loan business which aims to increase economic development in *Pakraman* village. *Pakraman* village is a term for traditional villages in Bali based on the *Tri Hita Karana* concept, most of whose activities focus on religious and socio-cultural activities. According to Regional Regulation No. 2 of 1988 and No. 8 of 2002 concerning LPD, the aim of establishing LPD is to support rural economic development by increasing the savings habits of village communities and providing credit for small-scale businesses, to eliminate forms of exploitation in credit relations, to create equal opportunities for business activities at the village level, and to increase the level of monetization in rural areas (Sari and Mahyuni, 2020). The first LPD was established in 1985 as a village-owned organization that assisted local communities in obtaining money, whether used for the initial costs of opening a business or other needs. However, in recent years there have been many cases of fraud in the LPD caused by weak supervision from both internal and external parties. The issue of misappropriation of LPD funds or acts of corruption is also a problem that occurs quite often in LPD (Adnyani and Hutnaleontina, 2022).

Some LPDs present false financial reports by omitting or adding certain amounts to defraud the owner of the rights to the financial statements. This constitutes fraud. Fraud can take many forms, including credit cards, investments, and the stock market. Any number of people or even entire organizations are capable of committing abuse. In total, there are 1,433 LPDs in the Bali region. Data from the DPRD Village Credit Institution (LPD) Special Committee shows that fraud is the main cause of LPD failure. Around 158 LPDs in Bali have closed or gone bankrupt. Tabanan Regency has the highest number of bankrupt LPDs at 54, followed by Gianyar Regency with 31, Buleleng with 25, Karangasem with 24, Badung with 8, Bangli with 9, Klungkung with 4, and Jembrana with 1 microcredit finance (Dewi et al., 2024). This can be seen from document records which show that several LPDs experienced problems and even went bankrupt. LPD who are sick (not in good health) are caused by corrupt practices that are common today (Apriana et al., 2023).

This fraudulent act can be carried out by creating a fictitious credit process, manipulating savings information, or holding savings and loans that are not subject to LPD (Indrawati et al., 2023). Fraud means deceiving and harming individuals or groups for personal gain (Wati and Indraswarawati, 2021). This action is illegal behavior carried out intentionally to obtain something by cheating. Fraud is usually the result of an internal desire that arises from the existence of ample opportunity to take action, as well as the pressure to do so. Organizations whose role or scope of activities is in the financial sector have a higher level (vulnerability) to fraudulent activities such as money laundering or corruption (Octaviani et al., 2023). Based on efforts to prevent fraud, it is hoped that LPD can improve financial management and implement fraud prevention. Financial management should not only prioritize company stakeholders but also other stakeholders. This statement is in line with stakeholder theory. Companies fight not only for their interests but also for their stakeholders. It should be noted that there are two types of stakeholders in the survival of an entity. The first type is inside stakeholders who are part of the company, including shareholders, namely investors. The second type is stakeholders who stand outside the company, namely the

community, suppliers, and other individuals. Transparent financial management is certainly very necessary for stakeholders (Gavindawati, 2022).

Based on various cases of less-than-optimal financial management and fraud that occurred in LPDs, it is necessary to increase morality to prevent fraud. LPD in Bali is closely related to local Balinese cultural values. One of them is *Catur Purusa Artha*. The *Catur Purusa Artha* value is a touch of the value of local genius applied by LPD, regarding the life goals of the Balinese people which consist of *Dharma*, *Artha*, *Kama*, and *Moksa*. *Dharma* is an absolute truth that directs humans to have a noble character following religious teachings. *Artha* is wealth in the form of material or worldly objects which support human life. *Kama* is the desire to obtain pleasure (*wisaya*). *Moksa* means release, freedom, or independence (*kadyatmikan* or Nirvana) (Trisnawati et al., 2019). This research is the latest in that it reflects the value of *Catur Purusa Artha* in financial management implemented in LPD. LPDs that implement local wisdom values in practice are an interesting thing to research.

2 Methodology

Qualitative research is research carried out to analyze the condition of natural objects. Researchers are key instruments (Sugiyono, 2019). This research was carried out using a qualitative approach by interviewing informants related to LPD in Mas, Ubud, data validation was carried out by triangulating sources, and the results of qualitative research were more general. According to Moleong (2018), qualitative research is research that has the aim of providing an understanding of an event felt by the research subject, such as perception, action, motivation, etc. holistically. Qualitative research is explained through descriptions of words and language, with special natural contexts and using natural methods. The research was carried out from April 2024 to June 2024 at Village Credit Institution (LPD) X. Several informants were interviewed in depth. This was carried out to understand the role and participation of informants in interpreting *Catur Purusa Artha*'s reflections on financial management at Village Credit Institutions (LPD).

Field observations, documentation, and in-depth interviews were carried out to obtain accurate data. Based on the informant's consent, recording was carried out using a voice recorder with an average time of 50 minutes during the interview process. The data obtained was then made into an interview transcript, then carried out, divided into coding, and adapted to the theme of this research. Data collection, data reduction, data presentation, and drawing/presenting conclusions are the data analysis steps carried out in this research. Credibility testing, member checking, data evaluation, and data objectivity are data validity tests carried out so that the data obtained is valid for use (Sugiyono, 2019). Informants are specially coded so that the principle of anonymity is met. Chairman of the Village Credit Institution (LPD) with code Ke, LPD employee with code Pe, *Bendesa Adat* (Village Leader) with code BA, LPD supervisor with code Pen, and LPD customers or surrounding communities with code MN.

3 Result and Discussion

In the midst of increasingly fierce business competition and changing economic dynamics, effective and efficient financial management will be the key to the success and sustainability of Village Credit Institutions (LPD). LPDs are required to be able to implement efficient financial strategies that are rooted in strong fundamental values based on local wisdom. One approach that is interesting and relevant in this context is the application of the teachings of *Catur Purusa Artha*, which is one of the local wisdom in Bali. *Catur Purusa Artha* consists of four balanced and harmonious life goals, consisting of *Dharma* (virtue), *Artha* (prosperity), *Kama* (desire), and *Moksa* (liberation). In the context of LPD financial management, this teaching can provide a holistic and sustainable framework, leading to not only pursuing financial profits but also ensuring social sustainability and business ethics.

The application of *Catur Purusa Artha* in LPD financial management includes *Dharma* (Ethics and Religious Values). *Dharma* is the most fundamental part of the teachings of *Catur Purusa Artha*. *Dharma* can be said to be the main foundation for ethics, morality, and spirituality in every Hindu's life. This teaching is very relevant as a reference in various areas of people's lives, including managing finances. In the context of financial management, *Dharma* emphasizes ethics and high moral responsibility based on religious values. Applying *Dharma* in financial strategy means ensuring that every financial action is carried out with honesty, integrity, and deep responsibility, both at scale (visible things) or at a glance (things that are abstractly related to religion/God). *Dharma* can be said to be the foundation and reference in compiling internal business processes. The following are several strategies implemented to ensure financial management following *Dharma* principles are transparency and follow the rules.

“*Dharma* is reflected in our transparency which is held in meetings (*paruman*) in the village regarding the profits obtained and their realization” Ke3

“*Dharma*, for example, in terms of goodness, we are transparent, how much we get we convey to the community” Pe5

“*Dharma* also obeys existing regulations, for example where there are *awig awig*” BA6

“Our *Dharma* obeys existing regulations, both in LPLPD regulations and other regulations” Ke8

Artha, can be wealth or property owned in various forms, for example, money, objects, tools, and so on. In managing LPD finances, they must pay attention to the principles that property/wealth is not only for the LPD's benefit but also for the common and spiritual good. The form of implementation is: 1) Managing finances for charity means various assets/wealth in the form of donations, whether in the form of money, goods, or services, to those in need. Giving alms or donations is a way to cleanse wealth of attachment and selfishness and is a noble act that helps achieve social and spiritual balance. “In financial management in terms of assets, LPD also thinks about various things such as donations (*punia*), for example, ngaben donations and

education scholarships for customers who have children at school” PE12. “We provide scholarships and *punia* to the environment and *ngaben* donations for the community.” KE15; 2) From the observation, found that LPD provides bonuses to employees as a form of appreciation for their performance and as a moral responsibility of the LPD in improving employee welfare; 3) From the observation, also found that in financial management LPD also has a budget for religious rituals/support for social and religious activities. This means that startup entrepreneurs can allocate special funds to support religious ritual activities, whether at the individual, family, or company level.

Kama is one of the goals of human life to obtain prosperity which can be realized with virtue, ethics, and moral values as the basis of life (*Dharma*), so as to obtain wealth as a means of supporting life (*Artha*) and true happiness (*Moksa*) (Ningsih et al., 2022). *Kama* in the context of *Catur Purusa Artha* can be interpreted as desire and satisfaction achieved through legal and ethical means according to *Dharma* teachings. In financial terms, especially in LPD, *Kama* can be interpreted as a spirit to innovate, compete healthily and be creative in achieving success and increasing income.

“In terms of *Kama* which is interpreted as desire, if from the positive thing we use is the desire to innovate in terms of products, trying to provide the best for the community such as term deposits with attractive prizes given at the end of the year” BA20

“In terms of *Kama* which is related to the desire to innovate, we strive to innovate in terms of service to provide excellent service and various types of savings that are diverse” Ke25

Moksa. The highest goal of Hindus is to achieve *moksartham jagadhitaya ca iti dharma*. *Moksa* means the highest freedom, namely the union of the human spirit/soul with God Almighty (happiness after death), while *Jagadhita* is prosperous in the world by living and practicing the teachings of *Dharma*. *Jagadhita* does not only refer to physical or material well-being but also spiritual and emotional well-being. This concept states that through the practice of *Dharma* (religious obligations and values), a person can achieve *Moksa* and bring prosperity to the world. In the context of LPD, the goal to be achieved is *Jagadhita*, namely gaining happiness and prosperity during life by carrying out LPD based on *Dharma*. Good financial management can help a person achieve a balance between material and spiritual life, which ultimately supports the achievement of *Moksa* and *Jagadhita*. The following are several financial management principles that can be applied to achieve this goal: Wisdom in managing finances This means that when managing finances or making financial decisions you must be smart and sustainable. Employees can understand that property is a deposit and not eternal property, so it must be used in a way that is good and beneficial for themselves and others.

“*Moksa* means our goal in Hinduism, in terms of implementation, how we are wise as administrators in managing these finances because there is responsibility for customer money” BA30

“*Moksa* means uniting with God, if as an administrator, one way is to behave well, wisely and of course be responsible for the trust that has been given”
Ke35

The social activities carried out by LPD also teach people to always give charity (application of the concept of *Artha* based on *Catur Purusa Artha*), teach people about controlling their desires so that they always do well in social life (application of the concept of *Dharma* and controlling *Kama* based on the teachings of *Catur Purusa Artha*). *Moksa* as the ultimate goal based on the teachings of *Catur Purusa Artha* will be achieved if humans can apply religious teachings perfectly.

4 Conclusion

LPD actualizes *Catur Purusa Artha* in managing finances in LPD. *Catur Purusa Artha* consists of four balanced and harmonious life goals, consisting of *Dharma* (virtue), *Artha* (prosperity), *Kama* (desire), and *Moksa* (liberation). LPD's actualization in interpreting *Catur Purusa Artha* in financial prevention and management is not only actualized for the community/personal interests of LPD, but also for nature or the environment. *Dharma* is demonstrated by obedience to regulations and transparency, *Artha* is demonstrated by financial management that not only considers LPD administrators but also implements it for the surrounding region and community, *Kama* is demonstrated by wanting to continue to innovate to carry out the best and *Moksa* is demonstrated by being wise in financial management.

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