

Karma Phala as a Basis of Belief in Maintaining Sustainability Financial Institutions: A Study at Village Credit Institution (LPD)

Ni Kadek Mita Lestari¹, Sagung Oka Pradnyawati², Ni Luh Putu Widhiastuti³,
Kadek Indah Kusuma Dewi⁴, Ni Kadek Irdian Apri Ani⁵

Universitas Mahasaraswati Denpasar^{1,2,3,4,5}

Jl. Kamboja No.11A, Denpasar Bali, 80233, Indonesia

Corresponding Author: sagungoka@unmas.ac.id

ORCID ID: 0000-0002-4800-0814

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Sustainability is a primary goal for many institutions. In businesses, financial and non-financial factors can influence sustainability. Hindu teachings include the concept of *karma phala* (cause and effect), which emphasizes that every action has consequences. This belief can help individuals make responsible choices. This study examines how the belief in karma phala influences the sustainability of a unique financial institution in Bali: Village Credit Institution (LPD), a traditional village-managed institution. The research employed qualitative methods, utilizing observation and unstructured interviews to gather data. Qualitative methods are descriptive in nature, focusing on interpreting human behavior. Data processing involved stages of reduction, presentation, and conclusion-drawing. The findings reveal that LPD supervisors hold strong beliefs in karma phala. However, the study suggests a need for increased awareness among supervisors regarding their role in LPD's long-term sustainability and professional conduct. These results highlight the potential significance of karmic beliefs in promoting ethical behavior within professions, extending beyond the specific context of LPD business continuity.

Keywords: Financial Institution; Karma Phala; Karmic Belief; Sustainability; Village Credit Institution

INTRODUCTION

The equal distribution of economic prosperity in Indonesia is intricately linked to the role of financial institutions. These institutions play a vital role in collecting and distributing funds within communities. In Bali, a unique non-bank financial institution exists in almost every traditional village: Village Credit Institution (LPD). LPDs are managed transparently, adhering to both legal regulations and the customary rules of the villages they serve (Sumantri et al., 2022). Unlike banks, LPDs focus on collecting and distributing wealth specifically within the traditional village that owns the institution. They accumulate community wealth through savings programs and channel it back in the form of capital, aiming to create job and business opportunities (Budiasni & Darma, 2016). The significance of LPDs is recognized by various stakeholders, including the Bali Provincial Government and Regional Owned Enterprises, particularly BPD Bali. These entities provide various forms of support, including guidance and outreach programs related to human resources, risk management, effective capital management, operational activities, and strategies to remain competitive in the face of technological advancements adopted by other financial institutions.

Regarding financial institutions, it is evident that LPDs are currently facing intense competition as other financial institutions increasingly enter rural areas, which can pose significant challenges to LPDs in maintaining their sustainability (Kepramareni & Pradnyawati, 2021). Additionally, incidents within LPDs further threaten their sustainability. For instance, a corruption case in Denpasar at the Serangan LPD resulted in substantial financial losses for both the state and the Serangan Traditional Village LPD, amounting to IDR 3,749,118,000 (three billion seven hundred forty-nine million one hundred and eighteen thousand rupiah). The perpetrator misused the funds from the Serangan Traditional Village LPD in ways that did not align with the work plan and budget. The suspect allegedly failed to record interest payments or receivables in the cash book and fabricated a business profit accountability report. Moreover, the suspect created 17 fictitious credits and manipulated cash book records, benefiting personally from these actions. This case exacerbates concerns about the sustainability of LPDs.

Not only is LPD struggling to improve internal conditions, but LPD sustainability is also faced with various issues such as digitalization and the products and services offered. Confidence in the continuity of an institution will certainly influence the performance it produces (Aggarwal, 2013). According to Lako (2017), one effort in maintaining the sustainability of a company is an institution's ability to balance various business, social, and ecological goals as a whole. Stakeholder theory explains that not only is the financial side an important factor in sustainability, but it can also be shaped by sustainable activities and performance that produce long-term impacts for the company, such as fulfilling corporate social responsibilities, participating in protecting the environment, and always maintaining the company's reputation (Clarkson et al., 2008). Even though implementing social responsibility, environmental responsibility, and establishing a good reputation in the eyes of society seems simple, it requires a large allocation of resources. Therefore, not all institutions can implement these practices, but this is different for LPDs. The existence of each LPD not only acts as a financial institution but also has social value for traditional villages. Almost every LPD plays a role in community social activities, such as participating in ceremonies held by traditional villages (Kepramareni et al., 2022).

In an effort to maintain LPD sustainability, it is not enough to just look at the financial perspective, consumer perspective, and growth perspective; social aspects in the form of social responsibility must also be considered [Option 1 for comma splice]. However, considering that the LPD has many unique features, one of which is that it is strong in

elements of local wisdom, the sustainability of the LPD can be maintained by believing in the teachings of *karma phala* as one of the beliefs of the Hindu religion, the majority religion in Bali. Karma phala comes from two words, namely karma and phala, where karma means action or deed and phala means fruit or result. So, karma phala means the fruit of actions, both those that have been done and those that will be done. In Hindu religious beliefs, the law of karma phala gives optimism to every human being and even all living creatures, promoting the belief that performing good actions (good karma) will lead to positive results, which can contribute to the long-term sustainability of the LPD.

Ethical behavior can be seen from a karma phala perspective because by following karma phala principles, LPD staff can be assured they are making the best decisions for themselves and the LPD. With karma phala as a guiding principle for decision-making, both leaders, managers, and other staff can find it easier to navigate ethical dilemmas and reduce their occurrence. This is because their focus is on the consequences of their actions. Therefore, karma phala teachings can help prevent everyone in the LPD from engaging in unethical behavior, thereby minimizing any negative impacts resulting from such actions. It can be said that LPDs not only play a role in helping the economy of the Balinese people but also participate in preserving culture and art (local wisdom) in Bali (Ani et al., 2022). Adapting operational systems to local Balinese wisdom will naturally cause LPD work programs to be aligned with the karma phala concept. This alignment aims to ensure that LPDs in Bali receive support from the surrounding environment and contribute to their long-term sustainability.

The motivation for this research stems from the continued emergence of cases that raise doubts about the sustainability of LPDs. A solution is needed to address these problems. The proposed solution is to reintroduce the teachings of the Hindu religion, a long-held belief system in Bali. Based on the above, researchers are interested in conducting further research with the following question: Can karma phala be used as a foundation for maintaining the sustainability of LPDs in Denpasar, Bali? The aim of this research is to determine the role of karma phala in LPD sustainability. It is hoped that this research will not only provide deeper insights into the importance of LPD sustainability but also explore the extent to which karma phala teachings can contribute to achieving this goal.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory explains the interdependent relationship between a company's survival and its stakeholders. Stakeholders have significant influence over a company's operations, as their presence both shapes and is shaped by the company's actions. Not only is a company obliged to ensure the welfare of its owner, but it also needs to prioritize the well-being of various parties such as the community, the environment, and the government. Hörisch et al. (2020) stated that stakeholders provide support for the sustainability of a company due to their ability to control the resources that are essential for the company's operations, such as workers, suppliers, and customers. Additionally, stakeholders can exert significant influence on the company through decisions or regulations implemented. Therefore, a company must be able to maintain positive relationships with stakeholders in order to achieve its goals. In this research, stakeholder theory underlies the understanding that the sustainability of LPDs is highly dependent on its stakeholders, which include LPD managers and traditional village communities.

Legitimacy Theory

Legitimacy theory describes how organizations, especially businesses, operate by considering the interests of various stakeholders, including government, communities, and individuals. The government can play a role in strengthening an organization's

legitimacy at local and national levels. Legitimacy is also linked to prevailing social norms, ethical conduct, and practices that shape an organization's reputation. Carroll et al. (2017) argue that an organization's focus on stakeholders, including the government, significantly influences its reputation and ultimately its survival. Therefore, this research applies legitimacy theory to explore how LPDs, as organizations, can enhance their legitimacy for a positive reputation and, consequently, contribute to their long-term sustainability.

Sustainability

Business sustainability goes beyond just profit. It recognizes the importance of social and environmental aspects alongside economic considerations (Kee et al., 2020). This holistic approach acknowledges the interconnectedness between a company's success and the well-being of the communities it operates within and the environment it impacts.

In Indonesia, there's been a surge in companies embracing sustainable practices. This shift reflects a growing awareness of the limitations of traditional profit-driven models. Consumers are increasingly making purchasing decisions based on a company's social and environmental responsibility. Additionally, regulations and investor preferences are evolving to favor sustainable practices.

The core of business sustainability lies in aligning a company's values and behavior with societal expectations. This means integrating social responsibility initiatives, such as fair labor practices and community engagement, into core business operations. It also involves adopting environmentally friendly practices to minimize resource consumption, waste generation, and pollution.

By embracing sustainability, companies can reap significant benefits. A strong reputation built on ethical conduct attracts and retains talent, fosters customer loyalty, and builds trust with stakeholders. Sustainable practices can also lead to cost savings through resource efficiency and reduced waste. Additionally, companies that position themselves as sustainability leaders can gain a competitive advantage in the marketplace. Ultimately, business sustainability is not just a trend, but a necessary shift towards a more responsible and resilient future. By prioritizing all aspects of their impact – economic, social, and environmental – companies in Indonesia and around the world can ensure their long-term success while contributing to a healthier planet and a more just society.

Karma Phala

The Hindu religion, adhered to by the majority in Bali, incorporates the teaching of karma phala. Philosophically, karma is defined as an action or deed. Phala refers to the consequence or result of those actions. Belief in karma phala encourages individuals to consider the potential outcomes before acting, as good deeds produce good results (phala), while bad deeds have negative consequences. Karma phala can also be understood as the law of causality or cause and effect. Implementing the principles of karma phala within an organization's behavior can also have a significant impact on the organization itself.

RESEARCH METHOD

This research follows a sequential process, encompassing planning, research design, defining the research question, time allocation, data collection and analysis, and finally, presentation of the results. A qualitative approach, focusing on the description and interpretation of human behavior or the people observed, was chosen for this study. This approach is well-suited for understanding the diverse characteristics of individuals, which

is crucial in this research. Data was collected through direct interaction and conversations with LPD employees.

This research was conducted at LPDs throughout Denpasar City, the capital of Bali province. Denpasar City has a number of LPDs facing challenges, such as the Attack LPD where a corruption scandal involving LPD management employees unfolded in 2022. This incident highlights the importance of ethical conduct within LPDs, which is where the concept of Karma Phala teachings comes into play. The researcher was directly involved in data collection through face-to-face communication with LPD supervisors.

This research utilized various data collection techniques such as observation and interviews. A participatory observation technique was employed, where the researcher actively participated in the activities of the people being studied. Unstructured interviews were conducted to gather in-depth information from informants about their perspectives on karma phala teachings. Data collection techniques were not limited to just observation and interviews. The researcher also conducted document studies to collect data relevant to the research objectives, such as historical records or existing policies related to LPD operations.

Data analysis in qualitative research involves systematically organizing data in a logical manner. This process begins when the researcher enters the field and continues throughout the research, including the data collection phase (Ghony et al., 2014). This research employed the iterative data analysis approach outlined by Miles et al. (2014), where analysis happens concurrently with data collection from the 30 LPD supervisors involved in the study across Denpasar City LPDs.

RESULTS

Business sustainability is achieved not only through economic aspects but also through social, environmental, and various moral and behavioral aspects of the business itself. At LPD financial institutions, the authors conducted unstructured interviews with LPD supervisors to obtain data regarding their perspectives regarding LPD sustainability and the legal basis of karma phala in their role. Made explained as follows.

"The sustainability of the LPD that he has supervised so far has survived not only because of the profits obtained, but because the social role of LPD is very large in society so that people have trust and confidence to always utilize LPD in their activities"

This is also supported by Agus' statement as follows.

"LPD survives amidst various technological advances because the presence of LPD prioritizes the rules (*awig-awig*) in traditional villages that apply so that these things run in harmony with the life of the Balinese people, I believe that the sustainability of the LPD is also played by the managers, including supervisors like me, where I must have good confidence that what I do for the LPD will also provide good benefits for me as an individual".

In the Hindu religious teachings adhered to by supervisors, they recognize the law of cause and effect (karma phala) so that every action is believed to have consequences that they will obtain directly or over a different period of time and this can be applied in their role as supervisors. Supervisors' understanding of LPD sustainability from the

perspective of karma phala beliefs can be based on sloka Sārasamuccaya (16) as follows.

*Yathādityah samudyan
vai tamah sarwam vyapohati
evam kalvanamatistam
sarvapāpam vyapohati.
Kadi krama sang hyang Āditya, an
wijil, humilangkên pêtêngning rāt
mangkana tikang wwang
mulahakêning djrma, an hilangkên
salwiring pāpa.*

"Like the behavior of the rising sun eliminating the darkness of the world, so do people who practice dharma, destroying all kinds of sins" (Kajeng, 2003, Sārasamuccaya:16).

Karma phala, the principle of cause and effect, is a core teaching that promotes self-control and ethical behavior in social life. Understanding the essence of karma phala discourages humans from committing disgraceful actions that violate religious teachings and cause harm or destruction to others. In Hinduism, performing good deeds (*subha karma*) is believed to be a way to escape the cycle of rebirth (*samsara* or *punarbhawa*). By accumulating good karma throughout one's life, the quality of their next life is said to improve. Conversely, accumulating bad deeds (*papakarma*) can lead to a lower quality of rebirth, potentially even as an animal or plant (Munidewi, 2017). In the context of business, it is important to recognize that business people are ultimately human beings, God's creations. Just like other human beings, such as workers or employees, they are subject to the same principles. Therefore, business people must strive for harmony with others, both internally within the company and externally with the surrounding community. Conflict can disrupt and potentially halt business activities (Windia & Dewi, 2006).

An understanding of karma phala teachings can be obtained from various sources and learning activities. One of the LPD supervisors in Denpasar City, Putu, stated as follows.

"I know what is meant by karma phala through studying Hinduism when I was at school and I felt for myself what karma phala is directly when I once returned someone's wallet that had fallen to its owner some time ago. Then I also experienced the same accident where my wallet fell on the road and someone returned it to me."

Belief in karma phala can be developed through learning, such as in school or by reading books. However, gaining knowledge alone does not necessarily lead to conviction. Belief is truly formed through personal experiences that provide a complete understanding of karma phala.

Kadek, an LPD supervisor, believes that momentary pleasures are fleeting and that performing good deeds brings long-term happiness. He explains that actions taken for immediate personal gain will ultimately result in bad karma, even if not experienced directly. This is known as *Kriyamana Karma Phala*, a reward for actions that cannot be enjoyed in the lifetime they are performed. The consequences of such actions are believed to be experienced in the next life, after death and rebirth (Etika, 2017). Therefore, decision-makers should prioritize long-term consequences. This aligns with the following sloka.

*Dharma evaplavo nanyah
svargam samabhivāñchatam,
sa ca naurpvañijasstatam
jaladheh pāramicchatah.
Ilang dharma ngarannya,
hênuning mara ring swarga ika
kadi gatining perahu, an
henuning banyaga nêntasing tasik.*

“What is called dharma, is the way to go to heaven; like a boat, it is actually a tool for merchants to sail the seas” (Kajeng, 2003, Sārasamuccaya:14).

Ketut, a supervisor, believes evil deeds cannot be hidden. Even attempts to cover them with good deeds won't erase the consequences. Doing good deeds by applying dharma teachings, such as accumulating good karma to suppress bad behavior, is like the rising sun eliminating the darkness of the world.

DISCUSSION

The interviews revealed that the supervisors unanimously believe in the law of cause and effect, as reflected in the teachings of karma phala. They agree that what people experience today is a result of the past actions. This belief system profoundly influences their approach to their roles and responsibilities within the institution. In the context of LPD sustainability, this translates to the idea that past adherence to regulations fosters public trust in the institution, ultimately contributing to its long-term viability.

Figure 1. Sustainability from Karma Phala Perspective

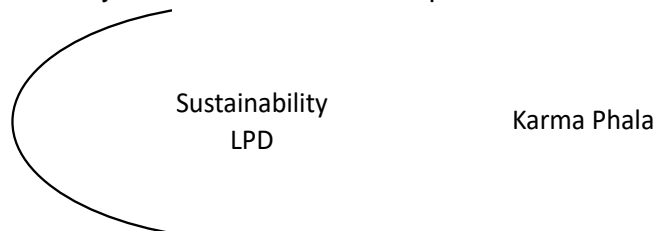


Figure 1 illustrates that the concept of karma phala, which includes *sancita* (accumulation), *prarabha* (fruition), and *kriyaman* (current) karma phala, can be pivotal in achieving institutional sustainability. When individuals within an institution embrace these principles, they are likely to conduct activities with utmost diligence and integrity to avoid bad karma.

Supervisors who embrace the principles of karma phala are more likely to perform their duties with a high degree of integrity and accountability. They understand that ethical behavior and compliance with regulations not only align with their personal beliefs but also create a positive ripple effect that enhances the reputation and credibility of the LPD. This perspective encourages a proactive stance in maintaining transparency, fairness, and responsibility in all aspects of the institution's operations.

Furthermore, this adherence to the law of cause and effect underscores the importance of consistent and ethical decision-making. Supervisors are likely to be diligent in their oversight, ensuring that all actions taken by the LPD are in the best interest of the community and stakeholders. By fostering a culture of trust and reliability, the LPD can build a strong foundation for enduring success and stability.

The belief in karma phala also serves as a motivational factor for supervisors to continuously improve their performance. Knowing that their current actions will shape the future outcomes for the institution, they are incentivized to implement best practices, innovate, and address any issues promptly and effectively. This forward-thinking approach not only safeguards the LPD's present operations but also sets the stage for sustained growth and development.

The belief in the law of karma has indeed permeated the supervisory aspect of maintaining LPD sustainability. This belief can guide supervisors in their roles, ensuring the institution not only complies with regulations but also sustains its business operations over the long term. When supervisors integrate the principles of cause and effect into their duties, it can enhance public trust and ensure the accuracy and relevance of reports.

In summary, the integration of karma phala teachings into the supervisory practices at LPD is a powerful mechanism for ensuring the institution's sustainability. By aligning their professional conduct with these principles, supervisors contribute to a culture of trust, accountability, and continuous improvement, which are essential for the long-term viability of the LPD. This holistic approach not only preserves the institution's integrity but also reinforces the community's confidence in its operations, thereby securing its future. To further support the teachings of karma phala, these principles should be incorporated into LPD supervision standards. This incorporation can help minimize instances of power abuse in LPD management, such as corruption or the creation of irrelevant financial reports, which ultimately impact the sustainability of LPD operations.

CONCLUSION

Based on the presentation of the research results regarding the role of karma phala teachings in maintaining the sustainability of LPD in Denpasar City, it can be concluded that the staff or employees who work at LPD understand and believe in the existence of karma phala teachings. They recognize that whatever happens today is the result of actions taken in the past, so to receive good karma, one must perform good deeds, and vice versa. Therefore, in carrying out activities at the LPD, staff and employees are likely to perform their duties and obligations ethically because they are mindful of future consequences. By adhering to ethical behavior, all activities within the LPD will run smoothly, ensuring that no party feels disadvantaged or that their rights are compromised, whether internally within the LPD or externally as users of LPD services, thus maintaining the sustainability of the LPD.

Through this article, LPD staff or employees can reinforce the values of local wisdom, specifically karma phala. By understanding and believing in these teachings, the sustainability of the LPD can be preserved. Additionally, this approach helps in preserving long-held beliefs. LPD managers should continue to adapt to current developments to ensure that LPDs remain relevant and are not rendered obsolete by changing times.

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DECLARATION OF CONFLICTING INTERESTS

The author only used research locations in the Denpasar area with interview subjects of one supervisor at each LPD so this cannot be generalized to different areas and the perspective of each respondent's opinion is different.

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