



The impact of good corporate governance on corporate sustainability on LPD in Bali on risk management as mediation

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ABSTRACT

Based on local knowledge, village credit institutions (LPD) are an essential part of making the village economy work and getting it moving. LPD management and low-risk mitigation have deteriorated LPD health. This study aims to identify good corporate governance for corporate sustainability in LPD in Bali with risk management as a mediation plan. Explanatory research with a quantitative approach is used. There are 100 LPDs included that are determined using proportional random sampling. The distribution of questionnaires and interviews was conducted with LPD leaders randomly. Data analysis was performed using SmartPLS 3.0. Ultimately, for corporate sustainability to be possible, the LPD component must improve good corporate governance by achieving positive and significant influence. Furthermore, risk management is directly influenced by good corporate governance, with significant positive results. Legalizing Pararem (local village rules) improves LPD risk management in Bali. The third result was a significant favorable influence between risk management and corporate sustainability. Indicators in risk management indirectly provide risk mitigation to improve LPD corporate sustainability. The impact of sound corporate governance on a company's capacity to maintain itself can be moderated by management. The impact of excellent corporate governance on LPD's corporate sustainability in Bali may be increased by implementing risk management, which comprises liquidity risk, credit risk, and operational risk management.

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INTRODUCTION

The Village Credit Institute (LPD) is the village economy's driving force in various Bali regions. The presence of LPD in various components of the village, including as a financial institution that has been recognized as one of the founders in various community activities and developing businesses in indigenous villages in Bali (Agastia, 2006), makes LPD continue to grow to activate the economy from the village to the regional level. Implementing activities in LPD is inseparable from joint

activities to achieve mutual welfare. Since its establishment, LPD is expected to be able to encourage the economic development of the community in the Bali area through targeted savings and effective capital distribution (Diatmika & Ramantha, 2021). LPD has contributed to the village community as a financial institution of Customary Village or Pakraman. However, many LPDs still have non-financial problems in their administration and governance.

The progress of an LPD can be seen in the governance and leaders who provide direction for its development. The good and bad parts of an LPD in a village are tied to the manager's shared responsibility, so the LPD's leadership must have a reasonable role in the governance and self-management of each part of the village. Agency Theory by Jensen & Meckling (2019) says that the LPD must account for what the traditional village has given it and act as an agent or implementing representative to carry out management tasks. Agents who will help with LPD management are chosen at regular village meetings that include fewer people than the number of village leaders. They have more access to LPDs (unbalanced information) and can act in their best interest. Separating ownership and the difference in interests between principals (traditional villages) and agents (LPD leaders) can cause agency problems. This conflict of interest at LPD can be solved by using the rules of good corporate governance to ensure that all interests are aligned and that LPD continues to be trusted.

The results of the preliminary study's identification show that at least 61% of LPDs in Bali have business continuity in ways that meet the requirements for LPD business sustainability. In comparison, 39% of LPDs are unhealthy, unhealthy, and not operating, which need to be considered predispositions hindering corporate sustainability at the LPD. Financial problems that cause the non-development of LPD properly due to the inability to manage LPD risk LPD risk management consists of liquidity, credit, and operational risk management. LPD regressed as a result of an imbalance in processes and risk management. Furthermore, applying the concept of corporate sustainability is considered necessary for every organization. According to Elkington (1998), the application of corporate sustainability must pay attention to profit, people, and the planet (3P). Aras & Crowther's (2008) studies indicate that effective corporate governance does not affect a company's long-term success. However, the research of Mahmood, Kouser, Ali, Ahmad, & Salman (2018), Indrayani & Nurkholis (2001), Riboldazzi (2016), and Irwondy & Hubeis (2016) found that good corporate governance has a significant positive effect on corporate sustainability. In line with Zubeltzu-Jaka, Álvarez-Etxeberria, & Ortas (2020), the relationship between good corporate governance and corporate sustainability Performance is positive, with the dimensions of social and environmental performance being more prominent than economic performance.

The problem is that most village credit institutions (LPD) in Bali have yet to realize corporate sustainability due to relatively low-risk management. Properly adhering to strong corporate governance standards is still required. Furthermore, the debate of Aras & Crowther (2008), this conclusion is crucial to include as a mediator in effective corporate governance's influence on corporate sustainability due to the underutilization of corporate sustainability. In the context of risk management, we look at risk governance, the risk management framework, risk management processes, the suitability of human resources and management information systems, and risk control systems. While three indicators, corporate economic performance, corporate environmental performance, and corporate social performance, are used in this study to measure corporate sustainability, the uniqueness of LPD is associated with the proportion of LPD's net profit allocation and its application in corporate sustainability. This study aimed to determine the significance of good corporate governance in terms of corporate sustainability in LPD in Bali, using risk management as a mitigation strategy. Hopefully, this research can improve the quality, quantity, and entity of LPD as a village financial institution.

RESEARCH METHOD

This study used a descriptive studies research design with a quantitative approach (Darwin et al., 2021). The study was conducted by distributing questionnaires about exogenous variables of good corporate governance and endogenous variables of risk management and corporate sustainability at Village Credit Institutions (LPD) in Bali Province. LPDs in the healthy and moderately healthy categories were included in this study, with a population of 883 LPDs. The 100 LPD were designated as a study sample determined using the Slovin equation with a precision of 9.5%. The number of samples for each district or city was determined using proportional random sampling (Adnyana, 2021).

The data collected included gender, age, education, length of work, and respondents' perceptions of the statements outlined in the questionnaire related to good corporate governance, risk management, and corporate sustainability at the LPD leadership meeting in Bali. The questionnaires distributed had a semantic differential scale of 1–5. The study's hypotheses include the following: (a) that good corporate governance positively affects corporate sustainability; (b) that good corporate governance favorably affects risk management; (c) that risk management positively affects corporate sustainability; and (d) that risk management significantly mediates the relationship between good corporate governance and corporate sustainability.

At the final stage, all data are analyzed descriptively and inferentially with SPSS version 25.0 and SmartPLS 3.0. The instrument validity test used 30 respondents with an expected validity of r values > 0.30 and a 95% confidence level, while the reliability test using the Cronbach alpha indicator was > 0.70 . When using Smart PLS to confirm the results, the testing of measurement models (outer model) and structural models (inner model) with the expected causality relationship is $p < 0.05$.

RESULTS AND DISCUSSIONS

Results

Characteristics of research respondents

In this study, data collection was carried out on the respondents (leaders) of Village Credit Institutions (LPD) who were included in this study, including gender (person), age (year), last education, and LPD health (unit), as presented in table 1. In table 1, the head of the Village Credit Institution (LPD) was dominated by male employees aged 41–60, the least educated group in Strata 1 with a healthy LPD health condition.

Table 1. Characteristics of research respondents

Characteristics of Respondents	Frekuensi	Percentage (%)
Gender (person)		
Men	98	98
Woman	2	2
Age (Years)		
< 30 Years	0	0
30 - 40 Years	7	7
41 - 50 Years	41	41
51 - 60 Years Old	41	41
> 60 Years	11	11
Education (people)		
SMA	19	19
Diploma	43	43
S1 (Strata 1)	38	38
LPD Healthy (unit)		
Healthy	72	72

Healthy Enough	10	10
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Confirmation of research variables and hypotheses

Testing the Validity and Reliability of instruments

The validity and reliability testing results on thirty respondents used as pilot studies stated that all questionnaire items were declared valid and reliable with a value of $r > 0.30$ and alpha cronbach > 0.70 .

Outer Model/Measurement Model Testing

The results of the convergent validity test showed that all indicators had an outer loading of more than 0.50 and were statistically significant. This means that all indicators were convergently valid. Furthermore, by reviewing the AVE root, the discriminant validity test obtained an AVE coefficient greater than 0.50; thus, the variables that make up the research model are valid (Table 2). Meanwhile, in the composite reliability and cronbach alpha tests, the value of each variable was more significant than 0.70, so all variables can be said to be reliable (Table 3).

Table 2. Testing for Discriminant Validity

Variable	AVE	GCG	MR	.CS
Good Corporate Governance	0,564	0,796		
Risk Management	0,603	0,740	0,776	
Corporate Sustainability	0,634	0,727	0,798	0,796

Table 3. Tests for composite reliability and Cronbach's alpha

Variable	Cronbach's Alpha	Composite Reliability	Information
Good Corporate Governance	0,944	0,951	Reliable
Risk Management	0,904	0,923	Reliable
Corporate Sustainability	0,713	0,838	Reliable

Furthermore, in testing the accuracy of the model obtained, the R-Square indicator for the risk management variable (Y_1) was 0.705, which means that 70.5% is influenced by good corporate governance and the rest is another factor, while the R-Square for the corporate sustainability variable (Y_2) was 0.709, which means that 70.9% of corporate sustainability is influenced by good corporate governance and risk management. In comparison, 29.1% are influenced by other factors. Based on these results, the value of R-Square in risk management and corporate sustainability variables is of moderate strength. The Q-Square Predictive Relevance (Q^2) test findings showed a relationship between the variables with a Q^2 value of 0.9141, or 91.41 percent, which the study model can convincingly explain. Other factors not considered in the research model account for the remaining 8.58 percent of the explanation. This shows that effective corporate governance and risk management can account for 91.41 percent of business sustainability. Finally, a value of > 0.41 was obtained in the goodness of fit (GoF) test, indicating that the study model has a high level of accuracy.

Inner Model/Structural Testing

Table 4 shows the results of direct influence testing on this research model, while table 5 shows the results of indirect influence testing.

Table 4. Direct influence on research models

Relationships Between Variables	path value	p-value	Information
Good Corporate Governance → Corporate Sustainability	0,275	0,000	Accepted
Good Corporate Governance → Risk Management	0,435	0,000	Accepted

→ Corporate Risk Management Sustainability	0,383	0,000	Accepted
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The first hypothesis' test results, shown in table 4, indicate that excellent corporate governance has a favorable and significant impact on company sustainability, as determined by six dimensions and 15 indicators. The result of the path value for the first hypothesis is 0.275 with a probability of 0.000 ($p < 0.05$), indicating that the hypothesis is accepted. In the second hypothesis, good corporate governance positively and significantly influences risk management. As a result, a path value of 0.435 with a probability of 0.000 ($p < 0.05$) was obtained, indicating an accepted hypothesis. Finally, in the third hypothesis, risk management (Y_1) did not affect corporate sustainability (Y_2) with a path value of 0.383 but obtained a p-value of 0.000 ($p < 0.05$), which indicated that risk management had a significant positive effect on corporate sustainability with the hypothesis proposed being accepted.

Table 5. Indirect influence on research models

Relationships between variables	Direct Effect	Indirect Effect	Total Effect	p-value	Information
Good Corporate Governance - Risk Management - Corporate Sustainability	0,275	0,167	0,442	0,005	Accepted

The research model's indirect impact test findings indicate that risk management (Y_1) mediates the relationship between effective corporate governance (X_1) and company sustainability (Y_2). This is demonstrated by the route value of 0.167 with a p-value of 0.005 ($p < 0.05$) from sound corporate governance to corporate sustainability through risk management. This is because risk management substantially directly impacts the viability of businesses. These findings show that risk management considerably moderates the link between sound corporate governance and company sustainability, even when fictitious choices are considered. The identification results demonstrate that the role of mediation is classified as partial mediation due to the strong impact of excellent corporate governance on risk management and company sustainability.

Discussion

The Impact of Good Corporate Governance on Corporate Longevity

The findings demonstrate that excellent corporate governance has a favorable and considerable impact on the sustainability of businesses. This suggests that LPD's good corporate governance, as measured by the better dimensions of the participant, responsibility, independence, fairness, accountability, and transparency (*PRIFAT*), will enhance the organization's ability to achieve sustainability, as demonstrated by economic performance, environmental performance, and social performance. On the other hand, if LPD's good corporate governance is weakened, it will reduce the ability to realize LPD sustainability. The findings of this study support the belief that good corporate governance contributes to creating a favorable environment, with the value of *Pararem* as an indicator of accountability having the highest loading coefficient. Which contains rules that have become an agreement in traditional villages and become the principal rule for all customary village officials, including LPD managers, to ensure a conducive environment between various parties; both indigenous villages are always principals, and LPD managers are agents to create efficient and sustainable growth in the company (Indrayani & Nurkholis, 2001). Cihon, Schuett, & Baum (2021) and Boeva, Zhivkova, & Stoychev (2017) mentioned that one of the elements enabling achieving business sustainability over the long term is the implementation of effective corporate governance.

In line with the concept of agency theory, in addition to following the rules of the government and LPD and village *awig-awig* and *pararem*, LPD also makes its regulations (self-

regulatory). Self-Regulatory Organization The LPD, in collaboration with the *Pakraman* Village Main Assembly (*MUDP*), regulates the accuracy and seriousness in drafting LPD rules, which are based on *awig-awig* in the form of *Pararem*, which will affect the sensitivity of LPD anticipating changes during such an open and dynamic environment (Suartana, 2009). Furthermore, Suartana said *pararem* could overcome the risk of interest gaps between indigenous villages and LPD leaders. Incidental *pararem* is an additional rule used as an additional regulation in LPD governance.

The research findings that better governance can ensure the sustainability of LPD are getting better, supporting the research findings of Crovini, Santoro, & Ossola (2021), who state that governance is the key to business sustainability and (Naciti 2019), who found that corporate governance through diversity and independence shows business sustainability, especially in social and environmental areas. Bae, Masud, & Kim (2018) state that the elements of corporate governance strongly influence the sustainability of the company's business. Mahmood et al. (2018) stated that the results of their research concluded that the elements of governance significantly affect business sustainability. Gerged, Albitar, & Al-Haddad (2021) recommend in their research the importance of developing integrated governance and environmental regulations to ensure business sustainability. The results of her research on several financial companies in Nigeria, Musa et al. (2022) discovered a strong positive association between business sustainability and corporate governance.

The findings of this study demonstrate that one of the *PRIFAT* aspects, accountability, is more crucial than other dimensions. This means that in LPD management, LPD leaders need to be accountable for LPD governance in a way that is correct, measurable, and in line with the rules. *Pararem*, an accountability indicator, has the most considerable role among other indicators. This particular paradigm for LPD is expected to be an umbrella for legal certainty and protection to build LPD sustainability. The significance of *pararem*, so that each LPD has rules as a fortress and guidelines for more efficiently and successfully implementing LPD operational policies (Mita Kristyan, 2021). *Pararem* and several other indicators of good corporate governance, such as accountability, play a role in minimizing the risks that occur to support the sustainability of LPD's business.

Pararem can be the basis for LPD governance. Several research results found that accountability is the key to the success of business sustainability (Pasko, Chen, Oriekhova, Brychko, & Shalyhina, 2021). In addition to accountability, participation, fairness, and responsibility play an important role in achieving corporate sustainability through good corporate governance LPD. Another dimension contributing to LPD governance is participant fairness and responsibility (Abdul Razak, Ibrahim, & Ng, 2020; Shahriar & Garg, 2017; Shihadeh, Naradda Gamage, & Hannon, 2019). Participants, as measured by four indicators, namely capability, culture as a corporate value, reward system, and societal and government control, reveal that culture as a corporate value plays the most important role among the other indicators.

This implies that, in terms of improving LPD governance through the participant, cultural indicators as a corporate value that must be considered; the culture of the Balinese people imbued with local wisdom values is indeed very instrumental in LPD, such as the culture of *tat twam asi* (I am you, you are him), which contains the meaning of mutual respect and trust in *Karma Phala* (the law of cause and effect), which prevents managers from self-interest and deviating from the rule Russell, Haigh, & Griffiths (2007) stated that participants are an essential component of good corporate governance, which forms corporate sustainability. Engert & Baumgartner's (2016) research found that participants are one aspect of good corporate governance that determines the success of organizations in realizing corporate sustainability. Vildåsen & Havenvid (2018) mentioned that participation in interaction within an organization is essential to realizing corporate sustainability. Village credit institutions (LPD) in Bali must thus be able to implement the principles of good corporate governance in order to achieve business sustainability.

The Impact of Effective Corporate Governance on Risk Management

We found a considerable positive correlation between effective corporate governance and risk management in the second hypothesis. In this situation, for example, effective corporate governance implementation can enhance risk management implementation and vice versa. The theory of the resource base (Barney, 1991) claims that a company's capacity to manage strategic resources in this example effectively, risk management is what determines whether it can maintain a competitive edge. This study backs up the findings of Shahriar & Garg (2017), who researched Saudi financial institutions and found a close relationship between governance and risk management. Furthermore, Hidayah, Faizah, Sukirman, Suryandari, & Zahid (2021) stated that Good Corporate Governance significantly positively affects Risk Management implementation. Ugoani (2021) urges complicated firms to establish exceptional risk management practices to have a robust corporate governance system. This recommendation aligns with Rehman Khan & Yu's (2021) research, which discovered that risk management is significantly improved by sound company governance. The results of research conducted on financial institutions in Saudi Arabia by Bourakba & Zerargui (2015) discovered a strong correlation between risk management at these institutions and the characteristics of excellent corporate governance.

Permatasari (2020) states that the impact of establishing excellent corporate governance on risk management is required, according to studies, so that banks can see issues before they become serious, follow through on temporary solutions, and be more crisis-resistant. Suartana & Jati (2017) conveyed the presence of LPD *Pararem* as the basis for culture-based risk management. In this study, *Pararem* is part of accountability in LPD governance to realize the subsequent good corporate governance based on Agency Theory (Jensen & Meckling, 2019), which states that the company's goal is to maximize the prosperity of owners. In LPD, good corporate governance supports good risk management so that indigenous villages, as LPD owners, can increase their profit. Palermo (2014) mentioned a connection between good corporate governance and risk management: the more accountable the management of an organization, the smaller the risk will be, which indicates better risk management.

In support of the research of Spira & Page (2003), Internal auditing fits along with the use of risk management as a component of accountability. Helgesson & Morth (2013) mention that risk management is closely related to accountability. In this case, the application of accountability as part of good corporate governance in LPD, either as an internal audit or *Pararem* indicator, in order to maintain its continuity, needs to carry out risk management functions on an ongoing basis. Concerning the separation of interests according to Agency Theory, even though it is owned by indigenous villages and managed by the LPD Leadership, LPD is still seen as a straightforward economic business by considering efficiency, productivity, and risk management analysis.

Liquidity risk management, credit risk management, and operational risk management are the three aspects in which risk management is evaluated in this study. Of these three dimensions, credit risk management occupies the highest role, meaning that concerning sustainability, LPD prioritizes the health of LPD according to its business rules for disbursing credit to customers in terms of analyzing the debtor's ability to pay their obligations, monitoring loan use, including debtor payment compliance, and reviewing, assessing, and binding collateral, which first begins with credit analysis. Binding credit agreements in scale accompany the uniqueness of collateral binding in several LPDs by bringing upakara (offerings) and praying with managers and debtors regulated in *Perarem* as part of good corporate governance. The uniqueness of this LPD makes it less likely that fraud will occur from the management side (agency problem), or this uniqueness can be considered an intangible resource that the LPD has. Bendesa adat supervises LPD based on risk by implementing mitigation procedures to reduce risks in LPD (Ardianti & Suartana, 2017; Suartana & Jati, 2017). The implications of credit risk management are related to the health and good cash flow of LPD. Hence, to achieve this, LPD requires strategies for managing risk management.

Risk management's impact on corporate sustainability

According to the third hypothesis, risk management has a favorable and considerable impact on company sustainability. The results show that the corporate sustainability of LPD increases with LPD risk management quality. In this study, risk management is divided into three (three) dimensions: liquidity risk, credit risk, and operational risk, each containing several indicators (Dikova & Veselova, 2021; Forcadell, Aracil, & Ubeda, 2020; Ullah, Wang, Mohsin, Jiang, & Abbas, 2022). This study was conducted on LPD in the healthy and moderately healthy categories, which indicates good risk management. Siyanbola & Adebayo (2021) mentioned that applying credit risk management affects microfinance institutions in Nigeria. Dibartolomeo (2010) said that good credit risk management could impact better business sustainability.

In line with Dwi, Maharani, Nur, Phalada, & Holiawati (2020), they stated that risk management positively affects the company's sustainability performance. In order to secure corporate sustainability, risk management lowers the negative impacts of market circumstances and behavior on the company's operations and performance (Hamza, 2017; Mohsin, Kamran, Atif Nawaz, Sajjad Hussain, & Dahri, 2021). The risk management and risk management capabilities implemented are excellent, which will support improving LPD sustainability. This aligns with the Resources Base Theory (Barney, 1991), which states that companies can build a sustainable competitive advantage through intangible resources, such as risk management for business sustainability in LPD.

Liquidity risk management ensures smooth liquidity, as reflected in LPD cash flow, to fulfill LPD obligations. Other liquidity risk management activities can be done by maintaining LPD liquidity, such as adding 20% of LPD's net profit distribution, which should be distributed to indigenous villages to return as LPD capital. LPD operational risk management can be accomplished by managing the human resources of LPD managers by providing training related to LPD management activities and reminding them of their responsibilities following the values outlined in *Pararem* as LPD intangible resources. In operational management, management can also be applied using a system to monitor LPD activities systematically to provide equal access to parties who need it as an asymmetrical information solution to avoid the possibility of fraud due to self-interest in LPD.

The analysis indicator of the debtor's ability to pay its obligations occupies the highest position in the credit risk management dimension, which means that providing credit to LPD in conjunction with the debtor's ability to repay loans will reduce the occurrence of high NPL risk and the risk of bad debts. The average NPL recommended by LPLPD is 5% to avoid LPLPD's overuse of receivables write-off reserves. Lozano (2013) explained that applying the 5C analysis (capacity, capital, collateral, and condition of the economy) in lending is significant in maintaining the sustainability of financial institutions, with an emphasis on the character of prospective debtors. LPD supervisory activities follow a risk-based approach and sound risk management (Suartana & Jati, 2017). Credit risk management has the highest loading factor, indicating that LPD leaders are most concerned with achieving LPD sustainability, liquidity risk management, and operational risk. Credit Risk Management is related to the ability to manage credit risk in the credit provision mechanism, policies to avoid default risks, and improving the quality of agreements in providing LPD credit, thereby affecting the control of NPL value in LPD.

The uniqueness of LPD in credit risk management, which is applied to the indicator of the debtor's ability to pay its obligations in addition to being analyzed with 5C, is that it also applies hereditary responsibility to credit repayment obligations, meaning that if a debtor is unable to pay obligations due to financial problems or dies, all obligations must be repaid by his descendants or family, so that even if there is a reserve of doubtful receivables for delinquent credit as well as bad debt, their use will be so small that it will reduce the profit of LPD. Customer compliance is linked administratively and *niskala* (spiritually) by praying to the *Tri Kahyangan* (three temples within the LPD traditional village area), specifically *Puseh* Temple, *Desa*, and *Dalem* Temple (Dharmawan &

Yudiantara, 2020). The hope is that this spiritual binding is a form of the debtor's spiritual responsibility for the credit received. In RTB theory (Barney, 1991), this intangible resource, LPD, shows the competitiveness of LPD as a financial institution owned by indigenous villages for improving LPD performance and sustainability. Thus, the ability to manage the credit risk of LPD leaders significantly affects the sustainability of LPD through supervision and control.

Risk Management's Mediating Effect on Good Corporate Governance's Impact on Corporate Sustainability

The results of testing the fourth hypothesis suggest that risk management has the potential to mitigate the effect of sound corporate governance on company sustainability. In agency theory, ownership is entirely in the hands of the principal and manager (agent), who are obliged to maximize profitability. Good corporate governance assists managers in maximizing return on investment through risk management (Hamdani, 2016). Company management by agents is carried out by maximizing resources through risk management following resource-based theory (Barney, 1991) to reduce costs due to possible risks and maximize principal profits. This study backs up Bastomi, Salim, & Aisjah (2017)'s claim that corporate governance impacts the management of credit risk, liquidity risk, and operational risk on company performance.

Furthermore, Hasbullah et al. (2018) discovered a considerable impact of risk management on the viability and performance of businesses. Based on this, risk management may be seen as mitigating the impact of sound corporate governance on the sustainability of businesses. The existence of Pakraman village *Pararem* is more guaranteed to be sustainable if followed by implementing better risk management. Our findings show that good corporate governance in the accountability dimension occupies the highest value related to risk control in LPD, based on audit rules and *Pararem* as indicators to monitor LPD activities. Suartana & Jati (2017) explained that LPD supervision is based on risk control as a strategy for the ability of LPD supervisors who are still diverse. Internal supervision activities that care about risk are carried out, from the risk assessment process to supervisory reporting, by focusing on essential activities with a risk of irregularities and fraud. Good corporate governance in LPD, which is integrated with the cultural values of the Balinese people contained in *Pararem*, helps economic problems in LPD be resolved in customary Saruman with the krama banjar system (an indigenous people's group) through deliberation and consensus as a tool to strengthen LPD risk management.

LPD risk control with *Perarem* in good corporate governance contains the implementation of risk management with cultural values and risk-aware values such as believing in the Law of *Karma Phala* (the law of deeds), doing good to get good results, and doing evil to get bad results so that in the implementation of credit risk management by credit managers they will be more careful because they believe in the spiritual law so that LPD business activities must always be based on Dharma (goodness) or good governance. The uniqueness of LPD Risk Management is consistent with Resources Based Theory, which states that LPD has intangible resources for risk management, which is an advantage of LPD. Furthermore, the loading factor analysis obtains the highest-value credit risk management dimensions, which indicate the credit risk management that is most concerning to LPD leaders in order to realize LPD sustainability.

Debtor analysis is conducted for credit applications made by customers to monitor the use of loans, including debtor compliance to fulfill their obligations. Most of these applications are used by customers to increase their business capital in the small industrial sector. Some are used for financing religious ceremonies so that supervision of the ability to pay from entrepreneurial customers is seen from the cash flow of its business, as we can see from the cash flow of its business. In order to help LPD achieve profitability, enhance community welfare, and demonstrate LPD's concern for the environment, the draft LPD credit agreement also includes spiritual points that confirm that the manager responsible for LPD's activities and debtors are spiritually responsible for the credit.

In order to prevent asymmetric information and conflicts of interest in LPDs, risk management based on appropriate systems and procedures, along with ease of access to information for interested parties and regulated in *Pararem*, is necessary. LPD managers have access to LPD activity and financial information compared to non-LPD managers, whose percentage is much more significant in indigenous villages. According to the description, the risk management techniques employed for LPD as part of LPD resources following resource base theory can moderate the link between solid corporate governance and LPD corporate sustainability.

CONCLUSION

Based on local knowledge, village credit institutions (LPD) are an essential part of making the village economy work and getting it moving. Good LPD management will result in LPD health that is generally good and continues to improve year after year. This study's first findings discovered that to achieve corporate sustainability, and the LPD component must improve good corporate governance with positive and significant influence achievements. Furthermore, the second finding shows that risk management is directly influenced by good corporate governance in a significantly positive way. Improving the legality aspect of *Pararem* (local village rules) improves LPD risk management in Bali. Furthermore, the third finding shows a significant favorable influence between risk management and corporate sustainability. Indicators in risk management indirectly provide risk mitigation to improve LPD corporate sustainability. The impact of sound corporate governance on a company's capacity to maintain itself can be moderated by management. The impact of excellent corporate governance on LPD's corporate sustainability in Bali may be increased by implementing risk management, which comprises liquidity risk, credit risk, and operational risk management. In the future, further research is needed on aspects that hinder the development of LPD in Bali regarding its health in each region.

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