

The Supply Chain Management in Financial Institution for Increasing the Productivity and Community Income in Pakraman Village, Bali

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Abstract- This study aims to determine and understand village financial institutions about community-owned loan businesses that are managed based on adat in the Pakraman village of Bali. The method used in the study is a qualitative method that is supported by quantitative methods. To complete and support the data, it is done by studying literature, interviewing, observing, documenting, and studying literature. The results showed that the existence of the Village Financial Institution in the development of the Pakraman village in Bali has been able to uncover the increase in operations in mobilizing community funds into productive funds to increase community income, support the physical development of the village (Balinese temple) and spiritual life in order to achieve peace in rural communities in Bali.

Keywords- Financial Institution, Productivity, Supply Chain Strategy, Community Income, Bali

1. Introduction

Rural community development is part of national development carried out and intensified to realize a just and prosperous society materially and spiritually which includes all levels of society. Finance supply chains and their role in physical and financial supply chain integration is crucial. Regional development is the sub-system of national development. Thus, the objective or the target of regional development is in conducting development, the government must work together with all community. In the economic development directed to the implementation of the independent and good national economy, it is important to put more attention on the business to guide and to protect the small businessmen especially in the village who run their business traditionally. A financial institution is every company in which it's a business field is in the financial field. It means that the activity done by the financial institution is always related to finance such as collecting fund, distributing fund or other financial services. The village head as the village leader must be able to implement the management function since planning, organizing, mobilizing, and supervising to manage his village so that it is more advanced [15].

Bali government makes a policy to form Village Financial Institution as the effort to use the potency as maximum as possible to save, deposit fun in

Village Financial Institution, try to guide and provide capital easiness for small businessmen in order to be able to help development activity in the village. Law Number 22 of 1999 regarding Local Governance, in Chapter I Article 1 part 0 mentions that: Village is a unity of a legal community that has any authority to manage and set the local community's interest, based on the background and the local customs, acknowledged in the National Governance System and it is in Regency level. The village community is the breadwinner of the nation's sustainability because the most community is in the village. Therefore, the logical consequence to achieve prosperously and welfare Indonesia as expected, and then the very fundamental thing is the village community economy. The legal base of Village Financial Institution establishment in Bali is set by the Decision of Bali Governor Number 972 of 1984 Dated November 1 of 1984, regarding Village Financial Institution in Bali. In Local Regulation of Bali Province Number 3 of 2001 regarding Pakraman Village Chapter I Article 1 subsection 4, what is meant by Pakraman village is the unity of customary law community in Bali province which has a unity of tradition and life socialization politeness of Hinduism believers in certain areas and wealth as well as has a right to manage its own affair [6]. Custom preservation is the attempt to preserve and keep cultural values of Balinese especially ethics, moral and civilization which are the customs and traditions of Balinese in order that its existence is still maintained and sustainable. good village governance and significant positive effect on the financial performance of Village Financial Institution [17].

Pakraman village is the traditional institution rooted in the rural community which is extremely respected and obeyed by community Pakraman. Pakraman village has both written and unwritten regulations (*awig-awig*) which are respected and are obeyed by its village community. Kinship and togetherness spirit among village communities are extremely harmonious and tight. Pakraman has significant obligation and responsibility if it is compared to the rights that it has. Although this Pakraman village plays important roles in supporting and succeeding the development implementation in Bali, however the development assistances which have been programmed by the government, both central government and the provincial government of Bali, until nowadays is still relatively less. By those

considerations above mentioned, the government of Bali province assumes that Pakraman village is considered being able to manage a financial business for its members. This business will be able to help the capital for its community so that their business activities can grow and eventually can improve their income meaning that their purchasing power and living standard will be improving as well. By this condition, then pakraman village which is the center of culture. It will be able to grow well as well as in development implementation. The presence of the Village Financial Institution in the village has enormous benefits for the economic life of the village community [20].

The purpose of the Village Financial Institution (LDP) establishment is based on the religious-social aspect for Pakraman village interests namely making temple and other worshipping places better and conducting customary ceremony or other culture. In addition, local commodities are also the national asset to improve tourism with the purpose to enhance the nation's foreign exchange. Besides, it is also for social economy/for gaining profits. With this kind of situation, Village Financial Institution (LDP) is established besides as the tool to overcome capital owners in the village, it is also as the village institutions functioning as an operational unit as well as wealth saving place of the village in form of money and other marketable securities. These difficulties will severely hamper the achievement of official objectives and create further challenges in their efforts for development at the regional level [10]. The empowerment of Village Financial Institution (LDP) is projected to development business of life standard of the village community to support Pakraman village development. Lembaga Perkreditan Desa (LPD) has to run its management well to achieve the expected goals [1]. The traditional structure of Pakraman is the regulation system and resources. In one side, regulation functions to provide community behavior to act as in line with the regulation applied; besides, the community has an opportunity or freedom to act actively and interact creatively. To preserve and improve the independence and life of Pakraman village with its every aspect, some attempts are needed to strengthen the position of customary village finance as its supporting facility. Realizing that the abundant number of Village Financial Institution exists, more intensive and more professional attempts the management of Village Financial Institution and the guidance, as well as the supervision, are needed. Based on the success and the development of Village Financial Institution, Local Government of Bali province proposes to the Governor of Indonesia Bank in Jakarta dated February 1, 1999 No.583/2639/Bina Ek, In order that Village Financial Institution is not changed to be Rural Bank. Specifically, this research is intended to find out and understand village financial institutions about community-owned loan businesses that are managed based on *adat* in Pakraman village in Bali.

2. Literature Review

Starting from the seminar conducted by Department of Home Affairs in Semarang from February 20 to February 21, 1984, it is to look for the best system in order to develop village crediting pattern all over Indonesia to help small businessmen in village in Republic of Indonesia's constitution Number 10 of 1998 regarding the Amendment of Laws Number 7 of 1992 regarding Banking [21]. The bank is Business board which collects funds from the community in form of saving and distributes it to the community in form of credit or other forms in order to improve the community's life standard. To obtain capital loan from banks, both private banks and government banks existing in the village, is not easy because it needs several conditions that must be fulfilled by the creditors; besides the tight procedures and bureaucracy that must be fulfilled, it is also complicated and hard to get perceived by the community, so that the village community is ignorant to interact with the bank. based on dynamic system generalized method of moments estimations and demonstrate that a high-quality institutional environment is important in explaining financial development, specifically for the banking sector [9].

The Village Financial Institution is a loan business based on understanding each other and trusting each other in Pakraman village in Bali province area (BPD Bali, 1997: 1). The presence of Village Financial Institution is an authority to be able to reach the village community group in the attempt of accelerating the life standard improvement. The government has big attention towards a Village Financial Institution, in which in its development, Village Financial Institution has paid attention on its roles to improve business opportunities from village community by way of giving capital Loan. the presence of representatives of financial institutions in the village will affect the amount and type of funds borrowed [19]. In Local Regulation Number 8 of 2002 Chapter V Article 9 sub-section 2, the Capital of Village Financial Institution consists of : (a). Community contribution and or *krama* village contribution; (b). Governmental help or other resources which do not bond; (c). Retained earnings [14]. Therefore, the existence of Village Financial Institution in the middle of the community which has been acknowledging and accepted as the economy institution running in crediting business is owned by Pakraman village. village funds provide loans to those kinds of borrowers who tend to be customers of informal financial institutions and village funds help to reduce credit constraints [11]. the factor that can support Village Financial Institution supervision is the community because the community is the determining factor for the success of Village Financial Institution in the implementation of village financial supervision [15].

The definition of Loan or Credit according to the Republic of Indonesia' Constitution Number 10 of 1998 regarding to Amendment on Laws Number 7 of

1992 regarding Banking Article 1 sub-section 11 mentions that what is meant by Credit is the money or debt giving which can be equalized with that based on the agreement or contract of loan between bank and other parties which require creditor parties to pay their debt after certain time period by profit sharing. The Guidance Book of Village Financial Institution published by Economics Agency of Regional Secretariat of Bali mentions that what is meant by Credit is supplying or debts that can be equalized with that, based on the contract of loan between Village Financial Institution with other parties which require creditor to pay his debt after certain time period with a number of interest, repayment, or sharing profit. *Awig-awig* is the regulation or willingness of local customary law community made and legitimated through a consensus and written on the Palmyra palm leave or paper. Local Regulation of Bali Number 3 of 2001 Regarding Pakraman village in Chapter I Article 1 sub-section 11 mentions that the definition of *awig-awig* is: the regulation made by village *krama* of Pakraman and or *krama Banjar Pakraman* which is used as the guidance in the implementation of *Tri Hila Karana* in line with *mawacara* village and dharma agama (religion rules) in Pakraman village or Banjar Pakraman in Bali province.

Village Financial Institution establishment is Pakraman village with these following considerations: (a). Pakraman village in Bali has pointed participation in the national development more in spiritual mental aspect; (b). That in Pakraman village, it has a responsibility to make welfare outwardly and inwardly, then the social economy must be more improved, so that financial aspect is one of the aspects in its role development; (c). That in Pakraman with its *awig-awig* which is respected obeyed, and maintained by its community so that obedience and discipline in the management of Village Financial Institution will be more guaranteed in which it is the main factor in the development of Village financial Institution; (d). Pakraman village in preserving culture can bring the community to be prosperous and just. village tourism conservation model based on local wisdom with citizen participation so that it can be implemented for the development of rural tourism in the future [23].

The Supply Chain Management in finance has proven its role in enhancing business opportunities for village community by way of giving loan capital especially for a low- level class community such as farmers, small businessmen, small craftsmen or home industry and other businessmen who are willing to improve their business. The presence of Village Financial Institution in the middle of the community has been accepted as the economy institution running in crediting aspect; Pakraman village as the owner is really helped in way of supplying funds for improving economic development and life standard of village community generally and Pakraman village community especially. This development is thereby the addition of finished goods, agriculture (especially coffee and vanilla) and handicrafts. village development requires

cooperation between the government and village communities in fulfilling capital [24]. The condition of the local economy is highly helped by the development of tourism and other similar businesses. The interesting characteristics of Bali are mostly the workers are very innovative and artistic and living in the village.

By seeing the tight demands of capital for the village community, the local government especially the Government of Bali province starts to develop Village Financial Institution in the village community environment known as Village Financial Institution. Village Financial Institution in a village community in its operation supports the development of community economy through directed saving, deposits, and effective capital distribution by giving credit to the productive activities in the agriculture sector, handicraft industry, trade and other businesses considered important. improved resource use efficiency, local self-governance, access to assure basic amenities and responsible individual and community behavior to build happy society [18]. Credit distribution, Village Financial Institution provides interest in every payment delay of installment. For further development of Village Financial Institution, planning is needed and if followed, it will make a good plan. What is meant by planning is the process related to target, policy, procedure, and program needed to achieve what is willing to achieve in the next future. To plan trust of *krama* of Pakraman village as the owner of Village Financial Institution and to the next development in Chapter VII Article 16 in Local Regulation of Bali province Number 8 of 2002 mentions that in financial responsibilities. Global perspectives in providing services for development indicate that is of great concern and needs improvement order to enhance effectiveness [12].

Financial institutions can grow well in villages if they are based on local customs and culture. the size of the financial institution determines the systemic risk exposure that occurs [16]. Increasing individual income will increase the happiness of the community around the village [3]. The activities conducted by Village Financial Institution can be classified to be bank financial institution activity and non-bank financial institution activity. The activities of bank financial institution are: (a) the acceptance of saving and deposit, and (b) loan giving. Besides, the activities of the Village Financial Institution in the aspect of non-bank financial institution are in the form of capital giving on other businesses. The legal status of Village Financial Institution in Bali seems clear and strict because it is based on the laws prevailing so that it has harmony and operation both related to its establishment base, objective, and the attempt performed. The main formal legal base concerning the establishment of Village Financial Institution is the Governor's Decree of Level One Head of Bali I Number 972 of 1984 which was later strengthened by Bali's Level I Regulation Number 2 of 1988 regarding Village Financial Institution. paradigmatic societal transformations and spatial development, and the

significant role that planning development can play in the transition to growth [27]. Through *awig-awig* of Pakraman village, Village Financial Institution conducts its activities or businesses smoothly. social imitation that is remarkably similar between formal loans, informal loans, and microfinance [26].

This paper is arranged based on the results of research that aim to be able to know and understand the Village Financial Institution, which is savings and loan business belonging to the Pakraman village community in Bali. Lately, the Village Financial Institution as a place for village wealth in the form of money and securities shows a very significant development. The questions are: what is the existence of the Village Financial Institution in the construction of Pakraman village in Bali?; how is the effort of the Regional Government of Bali to develop the Village Financial Institution.

3. Research Method

This study uses qualitative methods supported by quantitative methods. Normative legal research or normative juridical research is based on library research to obtain secondary data in the field of law. Data obtained through the study of literature, previous research findings, literature studies, document studies, interviews, observations, documentation. Sampling is done by using a purposive technique to select only the parties involved. There were 10 speakers involved in the study which included: (a). Director of the Bali Provincial Development Bank; (b). Head of the Bali Province Economic and Development Bureau; (c). Bali Provincial Regional Planning Agency.

4. Result and Discussion

4.1 The Existence of Village Financial

Supply chain managers take a comprehensive perspective of relevant actions and seek to improve achievement by coordinating their activities to satisfy customers. As the integration of SC increases the performance of an enterprise improves. The Village Financial Institution is established to assist the development of the Pakraman village in Bali. Rural area development is an integral part of national development, to create a just and prosperous society based on Pancasila (*Five Principles*) and the 1945 Constitution. the Village Financial Institution is not only an institution engaged in the field of effort to raise funds and provide funds but also it motivates and encourages innovation in various branches of economic activity in the. Village Financial Institutions are village savings and loan businesses. As a saving and loan business entity belonging to the Pakraman Village community in the Province of Bali, the Village Financial Institution is also an economic tool for rural people. The purpose of establishing a Village Financial Institution is in accordance with the Local Regulation of Bali Province Number: 8 of 2002 regarding Village Financial Institution. In increasing the life

independence of Pakraman Village with all its aspects and efforts to preserve Pakraman Village, it is deemed necessary to make efforts to strengthen the position of village finance as a supporting tool. Because Pakraman Village is a unit of customary law community that has a unified tradition and manners of community life in generations in *Kahyangan*. It is what underlies the establishment of Village Financial Institution as businesses owned by the Village of Pakraman that have several functions.

The capital owned by the Village Financial Institution comes from all aspects as contained in Article 9 of the Local Regulation of Bali Province Number: 8 of 2002 regarding Village Financial Institution which states that Village Financial Institution capital consists of: (a). community self-help and or descendants of village *krama*; (b). Government assistance or other non-binding sources; (c). retained earnings. The existence of the Village Financial Institution has been perceived by the residents of Pakraman village as a tool to improve economic life in Pakraman village in Bali in accordance with the purpose of providing Village Financial Institution to Pakraman village by the Government of Bali Province to develop and maintain its sustainability. The Village Financial Institution has recognized its benefits and has also been perceived as its own and integrated into their daily lives in Pakraman village so that there is an assumption that the Village Financial Institution has been synonymous with Pakraman village. As an institution formed by Pakraman village, besides having a Village Financial Institution business function it also has a social function to advance the economy of the Pakraman village and all its manners [2].

The successful implementation of the Pakraman Village Financial Institution is supported by social situation factors and the attitude of the management of the Village Financial Institution. The strength of the prevailing norms influences the smooth running of the Village Financial Institution. Provisions that are in accordance with living values are adhered to by the community members so that it can enable the implementation of the Village Financial Institution to run smoothly. Meanwhile, another factor that determines the success of Village Financial Institution is the trust of the people of Pakraman village to the ability, honesty of attitudes, attitudes and formal education gained because the community considers the higher education obtained by the management that is expected to be more capable of implementing Village Financial Institution.

The existence of a Village Financial Institution in Pakraman village in Bali Province is to avoid citizens from the high-interest interest of capital giver or illegal money release, and at the same time, Village Financial Institution is the foundation of Pakraman village to overcome capital problems in increasing productive business in rural. With the existence of Village Financial Institution in the village of Pakraman, the reach of indigenous people to establish relationships with financial institutions is very

close, such as borrowing for personal interests and saving money. The presence of this financial institution is highly expected and needed by all levels of the Pakraman village to obtain business capital loans and develop their income [8]. With the existence of the Village Financial Institution, the community of Pakraman Village gets credit facilities that can serve the needs of credit. Community members who previously have difficulty obtaining credit assistance can relate in an easy way, Village Financial Institution is not only flexible in service but also can help that whose businesses are small-scale, productive and it is really in need of credit. The entire Pakraman village community adheres to the prevailing customary rules. With the existence of customary villages and the enactment of customary law rules, they will support the smooth implementation of Village Financial Institution in the villages concerned. Therefore the operational basis of the Village Financial Institution depends on customary law. Hence, the position of the Village Financial Institution in the community is strong and sustainable.

Based on observations in the field, it can be seen that Village Financial Institution in supporting the development and economy of rural communities as a whole have been able to increase the number of funds collected in the form of savings and deposits. It shows that public trust is increasing towards the existence of the Village Financial Institution and this is an opportunity for managers of Village Financial Institution to improve their performance so that public trust can continue to be maintained and improved which in turn spurs a rural economy that has a positive impact for opening employment and automatically increasing the income of rural people. The existence of Village Financial Institution in the development of Pakraman village in Bali mostly provides positive responses and the fact that Village Financial Institution is very beneficial for Pakraman village community and can cause smoothness in the cost of traditional ceremonies prepared by the Village Financial Institution which is taken from the profits in its operation. Storage of money in the Village Financial Institution is guaranteed safe and secure. Besides, good service, high patience, and a sense of kinship from the employees who come to the homes of the customers have received sympathy from the community of Pakraman village. It is proven by the increase in savings and time deposits that go into the Village Financial Institution in Pakraman Pecatu village where this condition raises the attitude, view, and trust of the community towards Village Financial Institution which is very positive.

The existence of the Village Financial Institution in Pakraman Sempidi village is extremely necessary because it can provide the peace of *Pakraman* villagers because the Sempidi Village Financial Institution has been able to help repair temples and *piodalan* fees in village temples and *kayangan* temple. Lower happiness is systematically associated with lower productivity. These different

forms of evidence, with complementary strengths and weaknesses, are consistent with the existence of a causal link between human well-being and human performance [13]. In pakraman village in Gianyar shows that: the study of Pakraman Ked village is in charge of managing the wealth of Pakraman village in the Village Financial Institution for the welfare of the community. The management of the wealth of *Pakraman* village is conducted by the *Prajuru Pakraman Village* based on the *Awig-Awig* village of Pakraman in question. The way to use the wealth of Pakraman village is based on the decision of the village of Pakraman. Particularly in the lending of Village Financial Institution to the applicants, *Prajuru Pakraman* village provides recommendations to the credit applicant. If the application has been recommended (signed) by the master of Pakraman village, the Chairperson of the new Village Financial Institution can sign the applicants' credit application and issue the funds. In the event of non-performing loans, then the governing body of Village Financial Institution have recourse to *prajuru Pakraman*, then it functions on its duties and authorities in accordance with *awig-awig* of Pakraman.

The strength of Village Financial Institution in Pakraman village and village *krama* to get credit loans to improve and to develop the rural economy. Besides the Village Financial Institution has a strong position, it also motivates village *krama* to learn business by using loan funds in the form of loans provided by Village Financial Institution. A strong customary law attitude affects the position of Pakraman village financial institutions and is supported by the Pakraman community. The island of Bali is a unique area with a typical village life that does not follow political structures but rather follows local culture and traditions emphasizing togetherness, mutual cooperation, and guaranteeing high moral attitudes, protection of the reputation of the village and pride in the development of the village, conditions like this helps to give and returning loans.

4.2 Supply Chain Management in Building Village Financial Institutions

A development in supply chain integration generates advantages for SC members throughout the chain improving their competitiveness. Recognizing the increasing number of Village Financial Institution that already exists, the government considers it necessary to make more intensive and professional efforts in the management of the Village Financial Institution. The serious attention from supervision is needed in order that all activities in developing Village Financial Institution can run smoothly so that it can help the development of Pakraman village. The government seems to be starting to educate existing Village Financial Institution management personnel. It is intended so that the village credit staff or employees are able to manage the Village Financial Institution properly and correctly. In recruiting prospective Village Financial Institution employees, the selection is

conducted tightly in the sense that the prospective employee must have the ability in addition to a high dedication to serve the progress of the Village Financial Institution and the community of Pakraman village [25].

The Government of Bali Province actively encourages Pakraman village to be more active in the field of economic development of the community through formal institutionalization in a rural economic forum called the Village Financial Institution. Even its existence is outlined in the form of Bali Level I Regional Government Regulation Number 2 of 1988. In quantity, the number of Village Financial Institution continues to increase from year to year. It shows that the Village Financial Institution has developed well and is perceived to be able to play a positive role in rural economic development.

To complete a loan that cannot be repaid by the customer, the Village Financial Institution will visit the customer's home to notify him that his credit has become congested and gives an understanding that the credit taker repays the debt and then the second and the third reprimand until the last warning not heeded, it will be delegated to the *prajuru* of Pakraman village to complete. Before the *prajuru of paruman* village is held, Pakraman village would approach it first before a *paruman* event would be held which would result in moral pressure on the loan creditors. In Pakraman Sempidi, the results of Paruman are the embodiment of despair consensus and communal principles which may be an extension of time to pay off all its debts in the Village Financial Institution, or in the form of the opportunity provided by Pakraman Sempidi to decision-credits to sell his property which is used as collateral in the Village Financial Institution, besides, the decision in the *paruman* is bound by sanctions in the form of fines to be paid by negligent credit takers. This is given to avoid traditional witnesses in the form of *kerampang* or *kanorayang* which will be dropped more quickly. Besides, the results of the *paruman* aim to maintain integrity in the community so that no residents of the Pakraman village are ostracized by other Pakraman village community. The types of customary sanctions given to negligent credit takers are: (a). Fines or *danda* is a sum of money charged to someone who violates a provision or *awig-awig* of Pakraman village in Banjar or in the village. This sanction is most often given to negligent credit takers; (b). This *Karampang* happens if a village *krama* or *karama banjar* who have debts on Banjar or until village which cannot pay multiply, then all his property is taken or sold by Banjar or village to pay the debt. However, these witnesses are rarely given to village *krama* who did not pay off their debts; (c). *Kanoroyang kasepekan* is similar to, but if *kasepekan* it was not consulted by the *manners* Banjar or village in an unspecified time, while the *kanorayang* was not consulted by the *krama* banjar or village for a short while only. This sanction is also given to village *krama* who do not pay off their debts.

Based on observations in the field, it appears that the Village Financial Institution in Bali has been optimally maintaining a harmonious relationship between the Village Financial Institution and the *prajuru* of Pakraman village, as well as al customers as village pakraman. It can be seen from the contribution of Village Financial Institution in rural economic development, increasing employment opportunities and helping the development of Pakraman village. Residents seem to be able to feel spiritual calm because the Village Financial Institution could help the development of Pakraman village in the field of buildings that has cultural and religious values.

4.3 Government efforts to maintain Village Financial Institution in Bali

Problems faced by the Provincial Government of Bali in maintaining Village Financial Institution are: (a). Human Resources Problems. The existing human resources both in quantity and quality have not or do not meet the requirements as criteria set out in the provisions of the Rural Bank; (b). Technical problem, the limited facilities and infrastructure meet the requirements so that it can hamper the operation of the Community's Village Financial Institution in providing services to the community; (c). A legal problem, Signs need to be arranged so that Village Financial Institution can operate on a senate basis, concerning capital, quality, management, profitability, and liquidity; (d). Socialization problem, Conflict between the community and Pakraman village occurred with regard to the status of the Village Financial Institution to become a Rural Bank because the Village Financial Institution had strong roots in Pakraman village; (e). The political problem, there will be an assumption that the philosophy of the establishment of Village Financial Institution, which emphasizes more on social religion, is directed towards social economics. The Village Financial Institution and the government form a systemic risk authority endowed with the power of special resolutions to avoid risk [5].

To solve the above problems, the Regional Government of Bali Province delegates oversight of Village Financial Institution in Bali Province to the Regional Development Bank of Bali Province as a technical advisor based on the Bali Governor Decree Number 95/01-C/HK/2003 [7]. the importance of statistical testing and systemic risk control measures to reduce existing risks [4]. Based on the success and development of the Village Financial Institution, the Regional Government of Bali Province proposes to the Governor of Bank of Indonesia in Jakarta on February 1, 1999 Number 583/2639/Bina Ek that the Village Financial Institution does not change into Rural Bank (BPR). Referring to several considerations based on article 58 of Act Number 7 of 1992, among others, it is stated that the village bank, village barn, bank market, Bank Employees, *Lumbung Pitih Nagari* (LPN), Village Financial Institution, Village Credit Board (BKD), District Credit Body, Small People's Business Credit, District Credit Institutions, Village Production Banks and or other Institutions that are equalized are

given the status of a Rural Bank by fulfilling the requirements for procedures stipulated by government regulations.

In-Law Number 7 of 1992 regarding Banking which includes article 21 paragraph 2 which states that the Legal Form of a Rural Bank (BPR) can be one of: (a). Regional Company; (b). Cooperatives; (c). Limited liability company; (d). Other forms stipulated by Government Regulations [22]. Based on these banking provisions, if associated with the existence of a Village Financial Institution in Bali, there seems to be no match whether in the form of Cooperatives, Regional Companies, and Limited Liability Companies. Based on the aforementioned matters, the Regional Government of Bali Province still intends to maintain the status of Village Financial Institution, namely as financial institutions owned by Pakraman village while conducting functions such as *lembang* banking, namely receiving savings and deposits from Pakraman village community. It is based on the consideration that the presence of Village Financial Institution in the area of Bali in addition to developing economic development in the village, it also conducts social and religious missions in the village of Pakraman. Therefore, the Governor of Bali Province proposes to the Governor of Bank of Indonesia in Jakarta on February 1, 1999 Number 583/2639/Bina. Ek so that the Village Financial Institution would not turn into a Rural Bank.

To anticipate the problems faced in the operation of Village Financial Institution, the Regional Development Bank as a technical advisor proposes to the Governor of Bali Province that the establishment of new Village Financial Institution meet more stringent requirements.

5. Conclusions

The results of data analysis show that higher supply chain integration has an increasing performance impact for the financial institutes. Based on the method above, it can be concluded that the existence or the presence of Village Financial Institution in an effort to help the development of Pakraman village in Bali has been able to show significant progress in the operational mobilization of public funds to be productive funds, in order to increase income to support good development in the field of economy and development in the field of spiritual or culture. From the contribution of 20% of Village Financial Institution profits at the end of the year, many places of worship,

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Balinese *kulkul* and *wantilan* can be improved which give inner peace in living life in Pakraman village. The efforts of the Regional Government of Bali Province in developing Village Financial Institution are: Delegating the supervision authority of Village Financial Institution in Bali Province to the Bali Regional Development Bank from the Governor of Bali with Decree Number 95/01-C/HK/2002 technical advisors regarding aspects of banking; This institution is technically responsible to Regional Development Bank of Bali and administratively to the provincial and district Village Financial Institution advisory teams. The effort of the Regional Government of Bali Province to maintain the Village Financial Institution is by proposing to the Governor of Bank of Indonesia in Jakarta on February 1, 1999 Number 583/2639/Bina Ek. so that Village Financial Institution does not change into Rural Bank because Village Financial Institution is financial institution owned by Pakraman village by continuing conducting functions such as banking institutions namely receiving savings and deposits from Pakraman village community based on the consideration that the presence of Village Financial Institution in the area of Bali in addition to developing economic development in the village, also conducting social and religious missions in Pakraman village.

Based on the above conclusions, it can be suggested that guidance, supervision, and control must be conducted to ensure the success of the Village Financial Institution operation. The improvement of Village Financial Institution human resources, both administrators and *prajuru* of the Pakraman village need to be continuously conducted through continuous and intensive education and training. The use of village development funds from Village Financial Institution net profits is really used for the benefit of the community in improving development which is conducted transparently and responsibly to increase public confidence in continuing to put money in the Village Financial Institution.

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