ABSTRACT

Objectives: Village Credit Institutions (LPD) are unique financial institutions that exist only in Bali. In 2021, two LPDs in Denpasar, the provincial capital of Bali, experienced significant problems due to ineffective internal controls, resulting in the embezzlement of funds. This research focuses on internal control based on the Committee of Sponsoring Organization of The Treadway Commission (COSO) framework within LPDs, incorporating aspects of Balinese beliefs, specifically Karmaphala, to evaluate their influence on the sustainability of LPD businesses.

Methods: The research methodology follows several stages: identifying the issue, collecting relevant theories and hypotheses, observing the population and sample, collecting data, conducting tests, analyzing the data, and reporting the results. The study aims to test the interaction between COSO-based internal control and the business continuity of LPDs, particularly through the lens of karmaphala beliefs held by LPD supervisors.

Results: The testing phase indicates that the interaction of COSO-based internal control positively and significantly influences LPD business continuity. The belief in karmaphala among LPD supervisors strengthens the relationship between COSO-based internal control and the sustainability of LPD businesses, suggesting that supervisors who adhere to the law of karma contribute effectively to maintaining robust internal controls and ensuring business sustainability.

Conclusion: The study concludes that effective internal control based on the COSO framework, combined with the Balinese belief in karmaphala, significantly enhances the sustainability of LPD businesses. Supervisors who incorporate these beliefs into their oversight practices provide a stronger, more positive impact on the continuity and stability of LPD operations.

Keywords: Committee of Sponsoring Organization of the Treadway Commission (COSO), Internal Control, Karmaphala, LPD Sustainability.

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1 Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Bali, Indonesia. E-mail: sagungoka@unmas.ac.id Orcid: https://orcid.org/0000-0002-4800-0814
2 Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Bali, Indonesia. E-mail: putu.indah@unmas.ac.id Orcid: https://orcid.org/0000-0002-3874-9178
3 Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Bali, Indonesia. E-mail: indahkusumadewi@unmas.ac.id Orcid: https://orcid.org/0000-0002-3874-9178
4 Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Bali, Indonesia. E-mail: dian.apri@unmas.ac.id Orcid: https://orcid.org/0000-0002-8709-6523
5 Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Bali, Indonesia. E-mail: mitalestari@unmas.ac.id Orcid: https://orcid.org/0000-0002-8709-6523
RESUMO

Objetivos: As Village Credit Institutions (LPD) são instituições financeiras únicas que existem apenas em Bali. Em 2021, dois LPDs em Denpasar, a capital provincial de Bali, enfrentaram problemas significativos devido a controles internos ineficazes, resultando no desvio de fundos. Este estudo centra-se no controle interno baseado no quadro do Comitê de Organização Patrocinadora da Comissão Treadway (COSO) dentro de LPDs, incorporando aspectos de crenças balinesas, especificamente Karmaphala, para avaliar a sua influência na sustentabilidade das empresas LPD.

Métodos: A metodologia de pesquisa segue várias etapas: identificar o problema, coletar teorias e hipóteses relevantes, observar a população e a amostra, coletar dados, realizar testes, analisar os dados e relatar os resultados. O estudo tem como objetivo testar a interação entre o controle interno baseado em COSO e a continuidade dos negócios de LPDs, particularmente através da lente de crenças karmaphala mantidas por supervisores LPD.

Resultados: A fase de testes indica que a interação do controle interno baseado em COSO influencia de forma positiva e significativa a continuidade de negócios do LPD. A crença no karmaphala entre os supervisores do LPD fortalece a relação entre o controle interno baseado no COSO e a sustentabilidade dos negócios do LPD, sugerindo que os supervisores que aderem à lei do carma contribuam efetivamente para manter controles internos robustos e garantir a sustentabilidade dos negócios.

Conclusão: O estudo conclui que um controle interno eficaz baseado no quadro COSO, combinado com a crença balinesa no karmaphala, melhora significativamente a sustentabilidade das empresas LPD. Os supervisores que incorporam estas crenças nas suas práticas de supervisão proporcionam um impacto mais forte e positivo na continuidade e estabilidade das operações do LPD.

Palavras-chave: Comitê de Organização Patrocinadora da Comissão Treadway (COSO), Controle Interno, Karmaphala, LPD Sustentabilidade.
1 INTRODUCTION

Bali Province is one of the provinces that has a unique village known as a traditional village. Apart from that, in the economic sector, traditional villages in Bali have traditional financial institutions which play an important role in supporting economic progress. This institution is known as the Village Credit Institution (LPD). The special characteristic that differentiates LPD from other financial institutions is that the ownership of the financial institution belongs to the traditional village or pekraman village, namely consisting of village krama (people who are registered as members in the local traditional village) and LPD capital comes from the community itself or village funds. Bali uses Awig-awig or a product of customary law from traditional organizations in Bali which is generally made deliberately by all its members and functions as a code of ethics for members of the organization concerned (Sudantra, 2018). Customary law is used as a guideline in implementing organizations, both in regulating the behavior of indigenous peoples and the sanctions given to violators of customary rules (Diantari, 2019).

Traditional villages in Bali carry out accounting functions guided by the awig-awig and perarem agreed upon by all traditional leaders and customary manners (Diantari, 2019). The existence of LPD really helps the village economy. The funding function is like banking and the people's function which is different from banking is the main identity. Once the existence of an LPD is attached to a traditional village, it certainly raises the hope that every LPD must have good business continuity.

Sustainability is clearly related to the performance of a company (Aggarwal, 2013: 1). Business sustainability is defined as the stability of the condition of a business where the business continuity system includes growth, continuation and approaches to protect the sustainability of a business so that it can survive for a long time (Widayanti, 2017). In accounting, the sustainability of a company's business is the company's macro goal, profit and various other elements are the beginning that will lead to the success of a company surviving and having good sustainability. Even though the role of LPDs is very high, it cannot be denied
that there are several LPDs that experience problems in their management and even go bankrupt. The following is the number of LPDs in Denpasar City, Bali-Indonesia:

### Table 1

**the number of LPDs in Denpasar City, Bali-Indonesia**

<table>
<thead>
<tr>
<th>North Denpasar</th>
<th>West Denpasar</th>
<th>East Denpasar</th>
<th>South Denpasar</th>
</tr>
</thead>
<tbody>
<tr>
<td>LPD Cengkilung</td>
<td>LPD Denpasar</td>
<td>LPD Anggabaya</td>
<td>Intaran LPD</td>
</tr>
<tr>
<td>LPD Jenah</td>
<td>LPD Padang Sambian</td>
<td>LPD Bekul</td>
<td>LPD Kepaon</td>
</tr>
<tr>
<td>Second LPD</td>
<td></td>
<td>LPD Kesiman</td>
<td>LPD Panjer</td>
</tr>
<tr>
<td>LPD Oongan</td>
<td></td>
<td>LPD Lap-Lap</td>
<td>LPD Pedungan</td>
</tr>
<tr>
<td>LPD Peguyangan</td>
<td></td>
<td>LPD Pagan</td>
<td>Pemogan LPD</td>
</tr>
<tr>
<td>LPD Review</td>
<td></td>
<td>Coaching LPD</td>
<td>LPD Screening</td>
</tr>
<tr>
<td>LPD Peraapan</td>
<td></td>
<td>LPD Penatih Puri</td>
<td>LPD Renon</td>
</tr>
<tr>
<td>LPD Poh Gading</td>
<td></td>
<td>LPD Poh Manis</td>
<td>LPD Sanur</td>
</tr>
<tr>
<td>LPD Tonja</td>
<td></td>
<td>LPD Sumerta</td>
<td>LPD Attack</td>
</tr>
<tr>
<td>Ubung LPD</td>
<td></td>
<td>LPD Tanjung Bungkak</td>
<td>LPD Sesetan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LPD Tambawu</td>
<td>LPD Sidakarya</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LPD Yangbatu</td>
<td></td>
</tr>
</tbody>
</table>

Source: Denpasar City LPLPD (2022)

The data above are 35 LPDs recorded at the Denpasar City LPLPD (LPD supervisory agency). In 2022, two LPDs were found to be declared unhealthy and problematic. The first case involved the South Denpasar Attack LPD where funds were misappropriated by unscrupulous LPD employees. The embezzlement of funds was carried out by creating fictitious credit and inappropriate cash records, the total loss of LPD reached three billion rupiah (www.detik.com). The second case involved LPD Intaran South Denpasar on suspicion of misappropriation of funds which resulted in difficulties for customers in making fund withdrawals, until December 2022 this LPD was still under investigation (www.baliexpress.jawapost.com).

The reality above shows that the sustainability of the LPD business, which is the only financial institution in Bali currently, can be influenced by external and internal factors. External can include business competition where various bank and non-bank financial institutions are currently competing to provide technology-based facilities that follow the industrial revolution 4.0 while LPDs are still conventional-based. Internally, the two cases involving the Attack LPD and the Intaran LPD could be a fact that the LPD’s internal supervision must be improved. The governance system must be controlled effectively, especially during the pandemic. The challenge for LPDs to be able to survive amidst changing situations must start from a good internal system so that LPDs, which are the hallmark of financial institutions in Bali, will not be replaced by other financial institutions that are currently based on application.
It is very clear that LPD management cannot be separated from internal control or can be referred to as an internal control system to control and ensure that LPD is managed and runs well because even though LPD is considered a business that has a business reach only in traditional villages, it must be remembered that good governance both will provide better profits for a business organization. This control is the use of company resources as a whole to be able to improve, direct, control and supervise various goal-based activities so that the company's targets can be achieved. Implementing internal control based on the Committee of Sponsoring Organization of The Treadway Commission (COSO) could be the right choice. The COSO component consists of five control components, namely control environment, risk assessment, control activities, information and communication and monitoring. The better the LPD's internal control, the risk of fraud such as the Intaran LPD phenomenon and the LPD Attack in Denpasar City can be minimized.

Over time LPD developed into a traditional financial institution that was able to adapt but still adhered to local cultural values in its operations (Sadiartha, 2017). There are many noble values in local wisdom in Bali that influence an LPD, especially since the majority of LPD managers are Hindu villagers. One of the noble value beliefs that is firmly held is the law of Karmaphala or cause and effect. In Hindu religious teachings it is explained about Karmaphala which is one of the community's guidelines in carrying out every aspect of life.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>South Denpasar</th>
<th>East Denpasar</th>
<th>North Denpasar</th>
<th>West Denpasar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hindu</td>
<td>78.5%</td>
<td>80.2%</td>
<td>76.9%</td>
<td>70.4%</td>
</tr>
<tr>
<td>Islam</td>
<td>14.2%</td>
<td>13.9%</td>
<td>16.2%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Christian</td>
<td>3.7%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Buddha</td>
<td>1.6%</td>
<td>0.8%</td>
<td>2.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Catholic</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Confucian</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: bali.kemenag.go.id (2022)

The data in table 2 clearly shows that Hindus are the majority in Bali, which means that belief in the law of karma is one of the pillars in the life of the Balinese people. Karma literally means the actions, work or deeds we do, the life we live now will determine how our life will be in the future and the good and bad things we do now will have a similar effect and will come back to us. When someone has confidence in karma, then someone can control themselves over every action they take, whether in their personal life or in an organization. Apart from that, the law of karma not only teaches us to be able to control our actions but also our thoughts and
emotions (Suhardana, 2010:21). Karmaphala is related to various life activities including when individuals carry out work. When someone personally believes in karma then literally someone will not commit a violation intentionally. Control carried out internally uses a COSO-based approach carried out by LPD supervisors who also believe that karmaphala can support the sustainability of the LPD business which is the identity of Bali's financial institutions. So researchers use belief in karmaphala as a moderating factor to answer the causality of COSO-based internal control and LPD business sustainability.

2 LITERATURE REVIEW

2.1 THEORY OF PLANNED BEHAVIOR

This theory has its foundation in the capable belief perspective influencing someone to carry out a specific behavior. Planned behavior theory explains that attitudes towards behavior are an important point that can predict an action, however it is necessary to consider a person's attitude in testing subjective norms and measuring the person's perceived behavioral control. If there is a positive attitude, support from people around them and a perception of ease because there are no obstacles to behaving then a person's intention to behave will be higher (Ajzen, 2005). A person who believes in karmaphala as well as the environment around them will form attitudes and traits that are in accordance with what they believe. So when someone believes in karma, every decision made at work will especially take into account the good and bad that will result in the future. The higher an LPD supervisor's belief in karma can have an impact on the sustainability of the LPD's business.

2.2 BUSINESS SUSTAINABILITY

Business sustainability leads to the success of a business in surviving in dynamic competition, seen from how well the business meets the needs of its stakeholders (Hengky, 2013). Business continuity is also one of the assumptions contained in accounting which states that a business will continue in the long term and will not be liquidated in the short term. Business sustainability is an ongoing commitment by businesses to behave ethically and contribute to economic development and improve the quality of life of the workforce, their families, local and global communities and future generations (Srivastava, et al., 2013).
Business sustainability can be measured by the achievement of all goals and strategies to improve and maintain business continuity.

2.3 COSO BASED INTERNAL CONTROL

Internal control is an important aspect of the organization and the ability to manage risk. Internal control ensures organizational achievements, creates, enhances and protects stakeholder value (IFAC, 2012). According to Winarno (2006, 11.6) the aim of the internal control system is to protect company assets; Increase the accuracy of information produced by the information system run by the company; Increasing the efficiency of company performance; Improve compliance with management policies. The effectiveness of the Internal Control System is always related to the relationship between the expected results and the results actually achieved. In other words, effectiveness shows the extent to which results are achieved in accordance with the stated goals.

The most widely accepted internal control framework in the United States is issued by the Committee of Sponsoring Organizations (COSO). COSO is a private sector initiative formed in 1985, with the aim of identifying the factors that cause embezzlement of financial statements and making recommendations to reduce such incidents. COSO establishes a common definition for internal controls, standards, and criteria that companies can use to assess their control systems. According to COSO, there are five internal control components that are interrelated and cannot be separated. In the 2013 framework, COSO explains five components in 17 principles that are requirements for effective control in companies, namely:

1) Control Environment

The control environment is the foundation for all other internal control elements that form discipline and structure in the organization. Without a good control environment, even a very good internal control system cannot run well. The effectiveness of control in an organization lies in management's attitude. Several components that influence the control environment, namely:

a. Commitment to integrity and ethical values
b. Independence of directors from management in carrying out their duties
c. Create structure, reporting lines, authorization and accountability
d. Commitment to competence
e. Develop accountability

2) Risk Assessment
Risk is an event or event that may occur and influence the achievement of goals. Every company has risks inherent in its business characteristics. Risk assessment involves a dynamic, iterative process to identify and assess risks to the achievement of objectives. Thus risk assessment forms the basis for determining how risks will be managed. Several components influence risk assessment, namely:

a. Set goals clearly
b. Identify and analyze risks that affect goal achievement
c. Assess potential fraud risks
d. Identify and analyze significant changes

3) Information and communication

Information is required by the entity to carry out internal control responsibilities that support the achievement of objectives. The information that management needs is relevant and quality information. Information is obtained or produced through a communication process between internal and external parties which is carried out continuously, repeatedly and shared. Several components that influence information and communication, namely:

a. Obtain, produce and use quality and relevant information
b. Communicate internally
c. Communicate externally

4) Control activities

Control activities are various processes and efforts carried out by company management to enforce supervision or control of company operations (Winarno, 2006: 11.8). Control activities are carried out at all levels of the entity at various stages in the business process and over the technological environment. Several components that influence control activities, namely:

a. Establish and develop control activities
b. Establish and develop general control activities over technology
c. Implement controls through policies and procedures

5) Monitoring

Monitoring is a process of assessing the quality of the performance of the internal control structure over time, involving the assessment of the planning and implementation of control operations by appropriate people for each specified period of time, to determine that the SPI is running as desired and that modifications are necessary due to changes. changes to conditions have been made. Several components that influence monitoring, namely:

a. Carry out periodic and continuous evaluations
b. Evaluate and communicate definitional weaknesses.

2.4 KARMAPHALA

Karmaphala comes from two words, namely karma and phala. Karma means deed or action and phala means fruit or result. So, Karmaphala means the fruit of actions, both those that will be done and those that will be done. Whatever we do, that is the result we will receive. Karmaphala was chosen in this research because Karmaphala teachings are embedded in the life of Hindus in Bali. Karmaphala teachings are the basis for the inner attitude of Hindus, where Hindus believe that every activity in this life is good in thought and planning, words and implementation if accompanied by the inner attitude of Adharma (not good) even though it is still in the planning stage, the person concerned is certain will bring bad consequences, whether asked for or not, sooner or later and felt or not, it will appear by itself. Karmaphala as the basic teaching of self-control is the main teaching for improving human morals and ethics in social life. By understanding the essence of Karmaphala, it will not be possible for humans to commit disgraceful acts that are clearly out of religious teachings and cause harm and destruction to other people. According to Wikana (2011: 159), in terms of the time when the results of actions arise, there are three types of karma, namely 1) Prarabdha karma is karma or someone's actions which give rise to immediate consequences, 2) Kryaman karma is actions whose consequences only appear later after some time in life a person, 3) Sanchita karma is an action whose consequences are borne in future lives. Although the types of karma are classified, in reality it is very difficult to identify every karma that we receive today. Regarding when we will receive the results of our actions is a secret from God Almighty. However, it is important for us to know the types of karma to increase devotion to God Almighty. A good way to start creating good karma is to rid ourselves of negative thoughts, words and actions, although this requires persistence and ongoing personal commitment.

3 RESEARCH METHODS

The sustainability of LPD is currently an important thing to pay attention to. LPD as a financial institution which is the identity of Bali Province is required to be able to adapt to all changes without changing its identity. Efforts to maintain the sustainability of LPD are through a combination of two things, namely the application of COSO for internal control aspects and also the Karmaphala concept as part of the beliefs in Hinduism. This research uses a quantitative
approach in associative form. Associative research is research that aims to determine the causal influence of the variables to be studied (Sugiyono, 2013: 5). In this research, the variables studied are the COSO approach (X) as the independent variable, LPD sustainability (Y) as the dependent variable and belief in Karmaphala (M) as the moderating variable.

**Figure 1**

*Framework*

![Framework Diagram]

Source: Results of researchers’ thoughts (2022)

This research was conducted on all LPDs in Denpasar City. The research time used is 2022. The operational definition for the variables in this research is: LPD sustainability is measured using the Linkert scale on 3 indicators, including: economic business sustainability, social business sustainability, environmental business sustainability (Supriadi, 2018). Measuring the effectiveness of the internal control system using the COSO approach is carried out by distributing questionnaires to each LPD. The system questionnaire was adopted from the COSO (2013) approach which consists of 17 principles in 5 components. Each question consists of two answers, namely "YES" or "NO". If the answer is "YES" then it is given a value of (1) and for the answer "NO" it is given a value of 0 (zero). Belief in the law of karma was carried out using a questionnaire adapted from research by Chadha, et al (2013). This questionnaire consists of 7 questions consisting of experiential, intellectual and consequence dimensions.

The population and sample in this research is LPD in Denpasar City and the sample was determined using non-probability sampling so that it was found that there were 35 LPDs in Denpasar City. Respondents who filled out the questionnaire were the internal supervisory bodies and administrators of each LPD. The random sampling technique is a technique for taking samples from a population randomly without paying attention to the strata in the population (Sugiyono, 2013: 118).
Instrument tests in this research include validity tests and reliability tests. The data analysis technique used in this research uses simple linear regression analysis and Moderated Regression Analysis (MRA). Regression analysis is an analysis used to measure the influence of the independent variable on the dependent variable. Before using regression analysis techniques, the classic assumption test must be applied to the model to be used.

4 RESULTS AND DISCUSSION

The population and sample in this study were 33 LPDs in Denpasar City. Questionnaires were distributed to 68 respondents who were Supervisory Bodies in each LPD.

Table 2

<table>
<thead>
<tr>
<th>Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed questionnaires</td>
<td>68</td>
</tr>
<tr>
<td>Returned questionnaire</td>
<td>68</td>
</tr>
<tr>
<td>Questionnaire return rate</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

The total number of questionnaires distributed to respondents was 68 sheets and the number of questionnaires received back by researchers was 68 sheets with a return rate of 100%.

Grouping based on gender, namely male Supervisory Board and female students. Grouping into two groups can be seen in the following table.

Table 3

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man</td>
<td>60</td>
<td>88%</td>
</tr>
<tr>
<td>Woman</td>
<td>8</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

Based on the table above, it is known that male respondents were 60 people or 88% of the total respondents, while female respondents were 8 people or 12%.
4.1 VALIDITY TEST AND RELIABILITY TEST RESULTS

There were 94 questions addressed to the LPD Supervisory Board in Denpasar City and the SPSS test results showed that the correlation between each indicator and the total construct score showed significant results. So it can be concluded that each question indicator is valid.

**Table 4**

*Reliability Test Results*

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>r&lt;sub&gt;critical&lt;/sub&gt;</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.957</td>
<td>0.60</td>
<td>r&lt;sub&gt;count&lt;/sub&gt; &gt; r&lt;sub&gt;critical&lt;/sub&gt;, reliable</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

From the table above, the alpha coefficient value is 0.957. Based on these results, it is known that the items used to measure it can be concluded to be reliable. This means that the data obtained can be used for further analysis.

4.2 CLASSIC ASSUMPTION TEST RESULTS

Hypothesis testing is carried out by carrying out classic assumption tests consisting of normality tests, multicollinearity tests, and heteroscedasticity tests. The test results are presented in Table 5.

**Table 5**

*Classic Assumption Test Results*

<table>
<thead>
<tr>
<th>Note.</th>
<th>Normality test</th>
<th>Multicollinearity Test</th>
<th>Heteroscedasticity Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kolmogorov-Smirnov</td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>Internal Control (PI)</td>
<td>0.183</td>
<td>0.078</td>
<td>0.460</td>
</tr>
<tr>
<td>Belief in the Law of Karmaphala (KHK)</td>
<td></td>
<td></td>
<td>0.442</td>
</tr>
<tr>
<td>LPD Sustainability (K_LPD)</td>
<td></td>
<td></td>
<td>0.870</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

The normality test is used to test variables so that they are normally distributed (Ghozali, 2011). Normality testing uses the Kolmogorov-Smirnov test. If the significant value is > 0.05,
then the data can be said to be normally distributed. Based on Table 5, the normality test results show a value of 0.078 > 0.05. This shows that the data is normally distributed.

The correlation between independent variables in the regression model is determined using the multicollinearity test. To find out this, it can be seen from the Tolerance value > 0.10 and VIF < 10 (Ghozali, 2011). Thus, according to Table 5, the Tolerance value of the variables used is greater than 0.10 and the VIF value is smaller than 10. Thus it can be concluded that there are no multicollinear symptoms so it is suitable to be used for prediction.

The test results based on Table 5 show that the significance value of all variables is above 0.05 and it can be concluded that heteroscedasticity does not occur. The heteroscedasticity test itself is used to test whether in the regression model there is inequality of variance from the residuals of one study to another. If the significant probability is above the 5 percent confidence level, it can be concluded that the regression model does not lead to heteroscedasticity (Ghozali, 2011).

4.3 RESULTS OF DESCRIPTIVE STATISTICAL ANALYSIS

Descriptive analysis is used to provide an overview or description related to research variables. The measurements used in this research consist of minimum value, maximum value, average value and standard deviation, as follows.

Table 6
Results of Descriptive Statistical Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of Samples</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control (PI)</td>
<td>68</td>
<td>45.00</td>
<td>82.00</td>
<td>79.66</td>
<td>5.72</td>
</tr>
<tr>
<td>Belief in the Law of Karmaphala (KHK)</td>
<td>68</td>
<td>7.00</td>
<td>35.00</td>
<td>28.88</td>
<td>7.38</td>
</tr>
<tr>
<td>LPD Sustainability (K_LPD)</td>
<td>68</td>
<td>5.00</td>
<td>25.00</td>
<td>20.56</td>
<td>5.25</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

Internal control as an independent variable in this study obtained 45.00 as the minimum value and 82.00 as the maximum value, while 79.66 was obtained as the average value and 5.72 for the standard deviation.

Belief in the Karmaphala law as a moderating variable in this study obtained 7.00 as the minimum value and 35.00 as the maximum value, while 28.88 was obtained as the average value and 7.38 for the standard deviation.
LPD sustainability as the dependent variable in this study received 5.00 as the minimum value and 25.00 as the maximum value, while 20.56 was obtained as the average value and 5.25 as the standard deviation.

4.4 REGRESSION ANALYSIS RESULTS

The results of simple linear regression analysis for equation 1 can be presented as follows.

Table 7
Results of Regression Analysis Equation 1

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta Coefficient</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.604</td>
<td>0.000</td>
</tr>
<tr>
<td>PI</td>
<td>0.477</td>
<td>0.000</td>
</tr>
<tr>
<td>R2</td>
<td>0.541</td>
<td></td>
</tr>
</tbody>
</table>

Based on the regression equation above, the following can be explained:

1) The constant value (α) of 0.604 shows that the constant value is positive, which means that if the internal control variable is COSO based (0), then the sustainability of the LPD is 0.604 or will increase.

2) The regression coefficient β1 on the COSO-based internal control variable is 0.477. The positive regression coefficient indicates that if COSO-based internal control increases, it can increase the sustainability of LPD.

3) The constant value (α) is 0.604 with a significance of 0.000 <0.05, indicating that the constant value influences the sustainability of the LPD. This shows that Hypothesis 1 is accepted.

These results are in line with research conducted by Saputra and Kurniawan (2017) which states that one of the supports for the principles of good corporate governance in LPD so that it runs according to its concept is the functioning of the internal control system. According to Suartana (2009), the role of the internal supervisory body is to actively supervise accounting and financial reporting policies, operations and practices and act as a liaison between management and external auditors when necessary. The role of the internal supervisory body...
as an internal supervisor is very strategic, in addition to being an internal auditor and also as a partner who works together to advance the LPD. Considering the important role of the internal supervisory body, it must have clarity in the existing organizational structure, technical expertise, and mindset that makes it capable of carrying out governance, guidance, and responsibility (Wedayani and Jati, 2013). Apart from that, environmental conditions also greatly influence the internal control processes carried out by a company (LAsghari, et al. 2015)

The function of the Supervisory Body in each LPD must have a good internal control system, standard operational procedures for providing adequate credit, and in its operations there is a program to prevent fraud and abuse of authority by certain parties which can be detrimental to the LPD itself. Internal control is one of the stages that cannot be separated from the planning that has been prepared by the LPD. If internal control is implemented properly, the sustainability of the LPD’s business will be better. This is in line with agency theory which states that by implementing good internal control in running an LPD business, information asymmetry can be minimized because the owner can have confidence that management will carry out its work well and not harm the owner.

**Table 8**

*Results of Regression Analysis Equation 2*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta Coefficient</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>4.010</td>
<td>0.000</td>
</tr>
<tr>
<td>PI</td>
<td>0.168</td>
<td>0.000</td>
</tr>
<tr>
<td>KHK</td>
<td>0.106</td>
<td>0.021</td>
</tr>
<tr>
<td>PI*KHK</td>
<td>0.003</td>
<td>0.000</td>
</tr>
<tr>
<td>R2</td>
<td>0.882</td>
<td></td>
</tr>
</tbody>
</table>

K_LPD = LPD Sustainability; PI = COSO Based Internal Control; KHK = Belief in the Law of Karmaphala; \( \varepsilon \) = error

The regression coefficient value of the COSO-based internal control variable, belief in the Karmaphala law and the interaction variable between COSO-based internal control and belief in the Karmaphala law has a significance value of less than 0.05. This shows that the COSO-based internal control variable, belief in the Karmaphala law and the interaction variable between COSO-based internal control and belief in the Karmaphala law have a significant influence on the sustainability of the LPD.

Based on the results of the analysis of the influence of COSO-based internal control on LPD sustainability with confidence in the Karmaphala law as a moderating variable, a regression coefficient value of 0.003 was obtained with a significance value of the interaction
variable between COSO-based internal control and belief in the Karmaphala law of 0.000. The results of the moderated regression analysis show that the value of the COSO-based internal control variable is significantly positive and the interaction variable of COSO-based internal control with belief in the Karmaphala law is also significantly positive, indicating that there is a unidirectional relationship so it can be concluded that the variable of belief in the Karmaphala law is a moderating variable that strengthens the influence. COSO-based internal control on LPD sustainability.

One of the beliefs that can support the sustainability of the LPD is belief in the existence of the Karmaphala law. The Karmaphala Law is one of the beliefs that is strongly believed by Hindus in Bali. Belief in Karmaphala makes a person think about something first before acting because if he does something bad then he will get bad results. This is in line with the results of research by Parwata, et al (2020) which states that the Karmaphala law can be an element of credit control to reduce the number of problem loans in one of the cooperatives in Singaraja Regency. Therefore, belief in Karmaphala can moderate or strengthen the relationship of COSO-based internal control to LPD business sustainability. This is in line with the Theory of Planned Behavior which states that beliefs can influence a person to carry out specific behavior. So if someone implements internal control well, supported by their belief in Karmaphala, business sustainability will be better.

5 CONCLUSION

This research examines confidence in the Karmaphala law with COSO-based internal control in the sustainability of Village Credit Institutions (LPD) during the pandemic. The research results found that COSO-based internal control was able to influence the sustainability of LPD. Other results were also obtained, namely that COSO-based control and belief in the Karmaphala law were able to influence the sustainability of the LPD. The better COSO-based internal control is applied to the LPD, the better the LPD's sustainability will be. The research results also found that belief in the Karmaphala law strengthens the influence of COSO-based internal control on LPD business sustainability. This means that good COSO-based internal control and supported by belief in the Karmaphala law means that the sustainability of the LPD will also increase.
5.1 SUGGESTION

Based on the results of this research, it is suggested that internal control and trust in the Karmaphala law are important factors that can maintain the sustainability of LPD. It is hoped that the results of this research can contribute to the sustainability of LPD so that financial institutions based on Balinese traditions remain sustainable and help the economy of the people of Bali. Future research can combine Balinese cultural variables with current developments, for example the use of technology in LPD, considering that currently all activities utilize technology. In order for LPDs to be able to maintain the continuity of their business, they must also be able to adapt to current developments so that they can also compete with other similar financial institutions.

REFERENCES


LPLPD Denpasar City

Bali Province Regional Regulation Number 3 of 2001 concerning Pakraman Village

Bali Province Regional Regulation Number 3 of 2007 concerning Amendments to Bali Province Regional Regulation Number 8 of 2002 concerning Village Credit Institutions

Bali Province Regional Regulation Number 4 of 2012 concerning the Second Amendment to Bali Province Regional Regulation Number 8 of 2002 concerning Village Credit Institutions


