

Implementation of Corporate Social Responsibility (Case Study on Village Credit Institutions in Bali Province)

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Abstract

The existence of corporate social responsibility is no longer a relevant issue in the midst of globalization. In fact, corporate social responsibility is a top priority for business leaders in all countries in order to build synergies between the business world and the community in which the company carries out its business activities. This study aims to (1) analyze the concrete forms of implementing corporate social responsibility at village credit institutions in Bali Province, especially on the social life of its customers, (2) analyze the legal basis for implementing corporate social responsibility at village credit institutions in Bali Province, (3) the extent to which compliance with the application and sanctions of customary law in realizing corporate social responsibility at village credit institutions in the province of Bali. This research case study uses an Ethnographic Research/Sociological Research approach and a statutory approach in a qualitative research paradigm at the Village Credit Institution in Bali Province. Respondents were determined using the snowballing system technique for customers of village credit institutions and traditional leaders as well as the Hindu Religious Parisadha Council. Data analysis used qualitative analysis. The implementation of corporate social responsibility has generally been implemented in most of the Village Credit Institutions in Bali, but the orientation is more on increasing socio-religious culture. This obligation is prioritized over the existence of a traditional village/Pakeraman Village according to the embodiment of Tri Hita Karana, namely the harmony of life between others, the harmony of life with the Creator, and harmony with other creatures. This is a reflection of obedience to the implementation of religious law and local wisdom adopted as living law. This study recommends to legislators that the preparation of laws related to corporate social responsibility can adopt the local wisdom of the people of various ethnic groups in Indonesia. This local wisdom is reflected in community values that grow, live and develop in reality in society.

Keywords: Corporate Social Responsibility, Village Credit Institutions, Legal Development.

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INTRODUCTION

The amount of power and power that is centralized in business actors has the opportunity to increase profits as much as possible. On the other hand, there are demands for corporate responsibility for environmental sustainability and sustainable development. These contradictory phenomena meet at one pole, namely corporate social responsibility (Agoes, Sukrisno and I Cekin Ardana, 2009).

Howard R. Bowen in 1953 who first rolled out the concept of corporate social responsibility. This concept continues to roll until its development began in the 1960s until now. From activities that were originally philanthropic, to finally become a strategic issue to

improve the image and performance of the company. The existence of corporate social responsibility is no longer a relevant issue in the midst of globalization. In fact, corporate social responsibility is a top priority for business leaders in all countries in order to build synergy between the business world and the community in which the company carries out its business activities (Asyhadie Zaeni, 2006).

Thus, corporate social responsibility which later emerged in its development brought the issue that it was no longer centralized in economic activity solely in the form of increasing company profits so that it ultimately supported business continuity, but also social responsibility including the environment by taking into

account the economic, social and developmental impacts of environmental sustainability. It is precisely in the current era that this aspect is now an opportunity to increase competitiveness and as part of risk management, towards the sustainability of the company's business activities (Dianti and Mahuni, 2018).

However, in business practice it is inevitable that there are two contradictory opinions regarding the existence of corporate social responsibility. Some consider corporate social responsibility as an answer to business practices that want to get the maximum profit. On the other hand, some consider that the implementation of corporate social responsibility is considered a burden that only disturbs the concentration of the company because it has to spend a number of additional expenses from the profits that should be obtained by the company.

In Bali, there is one form of MFI, namely the Village Credit Institution (LPD). LPD is a financial institution owned by Pakraman Village. The formation of the LPD is based on the existence of a cultural heritage in the form of a Pakraman village which is a form/ container of a village-level government system consisting of kinship ties (Bali Provincial Government, 2002). LPD's business objectives include: encouraging economic development of rural communities through savings and deposit activities, eradicating illegal pawning and the like, creating equal distribution of business opportunities and expanding job opportunities for village manners, increasing purchasing power and facilitating payment traffic and money circulation in the village and eradicating Bondage, as it is known that bondage is an activity of buying and selling plants, fruit or seeds that are not ready to be harvested (Kompasiana, 2007).

According to Faried Wijaya (1991), bonded labor is a form of informal credit that develops in rural areas. Bonded transactions are not uniform and vary, but in general bondage is a form of cash credit that is paid back with the harvest. The practice of bondage by traders/middlemen of agricultural products has taken root and has become a tradition of trading agricultural products in rural areas. Therefore, LPD is one of the right solutions to reduce and even eradicate bonded practices (Bisnis Bali, 2007).

The government's financing policy is only limited to villages, while the village of Pakraman also requires no small amount of money. Therefore, Pakraman villages are required to have independent economic management, so in 1984 the Balinese government initiated the establishment of village credit institutions in all Pakraman villages in Bali. In 1984 with the Decree (SK) Governor No. 972 of 1984 concerning the Establishment of Village Credit Institutions in the Province of Bali. The LPD

establishment project has begun and the existence of LPDs is regulated under a Regional Regulation (PERDA), namely the Bali Provincial Regulation Number 8 of 2002 concerning Village Credit Institutions (LPD), which has now been replaced by the Bali Provincial Regulation Number 3 of 2007. Regarding the requirements for establishing an LPD. LPD as an institution that was established specifically for the benefit of the welfare of the Pakraman village community, in its activities only serves the Pakraman village community, the LPD does not serve the community outside the Pakraman village area where the LPD operates. Therefore, LPD is said to be a financial institution that has special characteristics.

The existence of LPDs in the Pakraman village community has experienced a rapid increase. The LPD financial institution is able to increase the potential of the Pakraman village community, and help the Pakraman village community in their lives in the Pakraman village community. As an example of how the LPD can ease the burden on the Pakraman village community, we can look at the Kedonganan Pakraman Village. For example, the Ngaben tradition which is considered a personal obligation for Hindus requires a large amount of money. If this obligation is not fulfilled, it can develop into a community problem, no longer a personal problem for Hindus. This is where the existence of LPD as a community financial institution plays a major role by organizing free mass cremations.

METHOD OF RESEARCH

This research relies on the sociological jurisprudence method, which is a school of legal philosophy that pays equal attention to society and law, as the two main elements of law in the creation and enforcement of law. That is what causes a sharp difference between normative legal thinkers and sociological legal thinkers. Because sociological legal thinkers base law on a theory about the relationship between legal rules and the reality of society.

Sociological jurisprudence emphasizes issues of legal evaluation (good legal qualifications), written and unwritten legal positions, the function of law as a means of social engineering by way of forming good laws (which are in accordance with the laws that live in society), and ways of applying the law. With these characteristics, this research is an empirical legal research (Peter Mahmud Marzuki. 2007).

DISCUSSION

Corporate social responsibility is closely related to "sustainable development" (Wiranata, 2019). The argument that a company in carrying out its activities must base its decisions not only on financial factors, such as profits or dividends but also on social and environmental consequences for the time being and for the long term (Etty Murwaningsih, 2009).

This responsibility also boils down to efforts to build corporate building and concern for the company to respect employees, the community, the government, as well as the environment by adopting local wisdom in business strategies to achieve a corporate culture without ignoring the company's business prospects. Concrete efforts must be pursued through concrete actions that start from the company's ethical considerations, leading to increasing the company's professionalism, and finally having an impact on improving the quality of life of consumers and finally the surrounding community.

Pros and cons arise against the obligation for a company to implement corporate social responsibility. For those who do not agree with implementing social responsibility, based on arguments, among others (Ernawan, 2007):

- a) The main goal of a business is to maximize profits. The mission of an established company is to make a profit. Profits will be obtained, if the implementation of the company's performance is efficient;
- b) The concentration of the company becomes unfocused. This reason is rational, because the company must make efforts that focus on the company's main target. For a number of large companies, such as exports, which are pursued with a tight schedule, it is feared that other activities carried out will cause the company's targets not to be achieved;
- c) The emergence of additional costs beyond the cost of production. Other activities outside the company's performance will obviously incur other costs, which in turn will lead to units of production and incur additional costs;
- d) Limited human resources. Not every company has appropriate and reliable resources with models of social activities that will be carried out to realize corporate social responsibility.

For those who agree with the alternative implementation of corporate social responsibility, they argue that corporate social responsibility has implications for several things as follows (Fajar, 2010):

- a) Continuity of company and product activity. This aspect provides an opportunity that concern in the form of corporate social responsibility will open the veil of service products and goods produced by the company. By opening up, a company will get input on what rational needs people want.
- b) Continuity of company and product activity. This aspect provides an opportunity that concern in the form of corporate social responsibility will open the veil of service products and goods produced by the company. By opening up, a company will get input on what rational needs people want.
- c) Creating a better social environment. Social responsibility embodied in the construction of public facilities and other social facilities can create social environmental conditions. A better social

environment, for example by providing skills and improving living standards.

- d) Balance of responsibility and power. Implementation of corporate responsibility with the obligation to build a social environment can prevent the company from becoming a business giant with a number of dominant powers.
- e) Businesses have useful resources. A company that is full of human resources, generally has proven its ability to solve problems within the company. These skills can also be used as reliability to roll out managerial abilities in overcoming social problems;
- f) Long term profit. Many studies have proven that a company and its macroeconomic performance cannot be separated from various other social factors, such as culture, politics, law, ideology, and so on.

The existence of the LPD in Bali is actually a process of a shared awareness and will from the Balinese indigenous peoples that have existed and developed long before Indonesia's independence, before the Republic of Indonesia was founded. This shared awareness and will is embodied through area-based community organizations, namely the Traditional Village (now Pakraman Village), Customary Banjar (now Banjar Pakraman). In addition, various community organizations have also grown on the basis of community socio-economic activities, namely SEKAA. The Sekaa-sekaa include Sekaa Manyi (a group for harvesting agricultural products in the fields), Sekaa Gong (a musician group), Sekaa Semal (a squirrel repellent group) and others common welfare.

One of the activities carried out is the activity of collecting and borrowing funds among SEKAA members. There are fund-raising activities in the form of pepeson or pecingkreman, both in the form of money and goods, which are carried out every month. The collected money is then redistributed to members through meetings. The member who gets the opportunity to borrow the money is determined by the meeting, including the interest charged to the person concerned. In the end, all SEKAA members will get the opportunity to utilize the SEKAA funds in an effort to develop economic activities that lead to an increase in mutual welfare (Ibrahim, 2004).

The dynamics of the Balinese community-based economy inspired the Governor of Bali, Prof. Dr. Ida Bagus Mantra. In 1983, the head of the Bali Provincial Government formulated the idea to form an adat-based financial institution by adopting and developing the concept of sekaa, banjar and adat village which had grown up in the midst of Balinese society. To strengthen his idea, Governor Mantra held a comparative study in Padang. There already stands Pith Nagari Barn (LPN). LPN is a savings and loan institution for the indigenous people of Padang which is quite successful. LPN already existed in Minang, long

before Japan colonized Indonesia. LPN initially recognized the basic principles of arisan which was used for traditional purposes such as engagement ceremonies, weddings, appointment of granddaughters and others. However, over time money management is used for productive activities such as business capital.

At the same time, the Central Government also launched a program to establish credit institutions in rural areas to encourage economic development and improve the welfare of rural communities. Several months later a seminar was held on Village Financial Institutions (LKD) or Village Credit Boards (BKD) in Semarang which was held by the Ministry of Home Affairs in February 1984. One of the conclusions of the seminar was that "it is necessary to find forms of credit in rural areas that are able to help small entrepreneurs in rural areas. Which at that time had not been touched by existing financial institutions such as banks".

A number of provinces in Indonesia actually already have Rural Credit Institutions that thrived in the 1980s. This institution is generally called the Rural Fund and Credit Institution (LDKP). However, in each region the name is different, such as in Aceh it is called the District Credit Institution (LKC), in West Java it is called the District Credit Institution (LPK), in Central Java it is called the District Credit Agency (BKK).

Bali tries to translate the results of the seminar's decision in Semarang by adopting the concept of *sekaa* that has grown in Balinese society. Finally, the Village Credit Institution (LPD) was formed in Bali with the aim of helping traditional villages. The profits of the LPD are planned to build religious life along with ceremonial activities such as *piodalan*, so that its citizens do not have to pay mandatory fees. First, a pilot project for one LPD was created in each district. At that time, the legal basis for the formation of the LPD was only the Decree (SK) of the Governor of Bali No. 972 of 1984, dated November 19, 1984. As the implementation of the Bali Level I Regional Government Policy mentioned above, the LPD officially operated from March 1, 1985, where in each Regency 1 LPD was established.

The LPD is strengthened by the Bali provincial regulation No. 2/1988 to the regional regulation of the province of Bali No.8/2002 and the related regulations. In addition to the requirement to have written customary village regulations, the establishment of an LPD also relies on the provincial government's annual budget to provide start-up capital and prepare management implementers. The simultaneous establishment of LPDs in all Pakraman villages in Bali has begun to produce results in improving the economy of Pakraman villages. Problems in LPDs began to emerge since the enactment of Law Number 7 of 1992 concerning Banking, the existence of LPDs began to be questioned by Bank Indonesia (BI). BI is of the opinion

that LPDs carry out activities like banks and must comply with banking regulations. To emphasize this, BI also uses Law no. 7 of 1992 concerning Banking, which granted LPD status as a Rural Bank. In fact, the argument about LPD conducting banking activities is indeed true, but judging from the background LPD is not a bank and cannot be equated with a bank.

In addition to saving in *bungbung*, Balinese people also save through *sekaa* organizations (groups) according to their seasonal similarities in profession. For example, there are *sekaa manyi* (rice harvesting group), *sekaa ngulah semal* (squirrel repellent group), *sekaa ngalap nyuh* (coconut pickers group), *sekaa mamula* (rice planting group), *sekaa majukut* and others. Wages received from his work, not all taken home. Some of them are stored in the *sekaa* in the form of *pacingkrem*. At certain times, the *pacingkrem* money can be taken. Usually, during the Galungan holiday, the *sekaa* will be *mapatung* whose funds are taken from the *sekaa* treasury. They can also borrow from *sekaa* (Ibrahim, 2009).

The *pacingkreman* tradition also grows in Balinese social organizations, namely the *banjar*. Every time a *sangkep* (meeting), *krama* will hand over *pacingkreman* funds, the amount of which is adjusted to the ability of *krama*. The *pacingkreman* fund is managed by the *banjar* to meet the needs of all *banjar* activities, such as the construction of a *banjar*, a *piodalan* ceremony (commemoration of the day the temple was founded) or a condolence fund when someone dies or holds a celebration. Balinese people also have a unique way of saving, namely by maintaining *bench* (female pig), *wild boar* (male pig) or *cow*. Therefore, in the past, almost every Balinese had a *boar*, *wild boar* or *cow* as a pet. When they grow up, the pets are sold in the market. The proceeds from the sale are used to buy clothes or other daily necessities.

It was this *pacingkreman* tradition that inspired the birth of the LPD in Bali. Governor of Bali, Prof. DR. Ida Bagus Mantra and his team adopted the *pacingkreman* tradition into an indigenous community-based microfinance institution and a rural credit institution system that was introduced by the New Order government at that time. However, the form of LPD is very distinctive, unique and authentic, different from the form of rural credit institutions in other areas. The reason is that the roots of LPD culture are Balinese customs which already have a strong foundation of the *pacingkreman* tradition. In the shadow of Governor Mantra, LPD is a community financial institution that supports Balinese customs and culture. That is why, the purpose of the LPD is not only to achieve the welfare of customary village manners, but also to support the continuity of Hindu customs, culture and religion based on the teachings of Hinduism. LPD is a non-profit organization. The profits obtained are fully returned for the benefit of development in traditional villages to

ensure the preservation of Balinese customs, culture and religion.

In line with the change in the provisions of the customary village to become a Pakraman village, the potential for the Pakraman and wawengkon villages to be used as locations for the establishment of LPDs is caused by:

- a) Pakraman Village is a traditional institution that has been rooted in and respected by rural communities, especially by Kramanya;
- b) Pakraman Village already has written and unwritten rules;
- c) Pakraman Village is a traditional institution and is a group based on customary geography, where there are social interactions that occur daily, resulting in the growth of a sense of unity and natural cooperation as a manifestation of mutual cooperation.;
- d) Pakraman Village has a fairly large obligation and burden of responsibility when compared to the rights it has. Forms of corporate social responsibility given by the LPD to Pakraman village through the Pangempon/Bendesa Pakraman Village, among others:
 - a) Scholarship
Scholarships are awarded to elementary, middle and high school students at the end of the school year;
 - b) Temple-keeping clothes
Pangempon temples or holders of Tri Kahyangan temples, namely Puseh Temple, Desa Temple, and Dalem Temple;
 - c) Making Ogoh-ogoh
The day before the Caka New Year or Nyepi Day there is a parade around the village by parading the ogoh-ogoh statue;
 - d) Punia
Gifts or donations for assistance in community social activities;
 - e) Mass Ngaben
The cremation ceremony, which in Bali is called Ngaben, is quite expensive. Not every death is finally carried out by the Ngaben ceremony. At a certain period and facing the Tawur Agung ceremony at Besakih Temple, there is a stipulation that the bodies of residents who have not been cremated can be cremated en masse.
 - f) Garbage Bank
Assistance in the development of waste bank facilities for the Pakraman Village community
 - g) Ceremonial Service
Certain ceremonial assistance is provided by LPD such as temple repairs and other religious ceremonies.

The Village Credit Institution according to the Bali Provincial Regulation Number 4 of 2012 is one of the institutional elements of Pakraman Village that carries out the financial function of Pakraman Village in

an effort to manage the financial potential of Pakraman Village (Kartini, 2013). Most of the businesses run by the Village Credit Institution (LPD) are in the form of savings and loan businesses that are run by collecting funds from the local village community to be further redistributed in the form of credit. The main purpose of the existence of the Village Credit Institution is to maintain the stability of the village's potential and participate in advancing the rural economy. The Village Credit Institution in its development is able to provide an increase in the economy of Pakraman Village (Novi Budiasni, 2016).

The Village Credit Institution is a financial institution with a very unique nature because it only serves the community where the LPD operates. The Village Credit Institution in Bali is actually a support for the development of traditional villages and traditional villages in Bali as a strategy and a force for safeguarding local customs and culture and becomes a strategy for the funding needs of community members in the village. Pakraman village as a unit of customary law that is found throughout the province of Bali has a unity of traditions and manners of social life of the Hindu community from generation to generation in the ties of Kahyangan Tiga or Kahyangan Desa which then has a certain area and its own assets and has the right to take care of its own household. Wiranata, 2019). Village communities in Bali, especially people in Pakraman village at any time have the opportunity to take part in social, cultural and religious activities that are commemorated and carried out on every major religious day, the funds needed for these activities are not small (Purwati, 2013).

Seeing this, LPD has a contribution to improve the empowerment and welfare of rural communities. Although not a large percentage of the benefits provided by the Village Credit Institution, this is very meaningful for the community. To realize this, community support is needed in increasing the profits of the Village Credit Institution (LPD). When viewed from the need for funds to support religious activities, social activities and cultural activities, the community can save or borrow data to support these activities. From this, in addition to the community being able to borrow funds from the LPD, the community can also realize development in the Traditional Village. Third Party Funds are the most important source of funds in the operational activities of a financial institution and are a measure of the success of a bank if it is able to finance its operations from this source of funds.

The Bali Provincial Regulation Number 4 of 2012 which contains the functions and objectives of the LPD are as follows:

- a) Encouraging village community development through activities to collect savings and deposits from village karma

- b) Eradicating bondage, dark pawns and others that can be equated with it
- c) Creating even distribution of business opportunities and expanding job opportunities for village karma.
- d) Increasing purchasing power and facilitating payment traffic and money circulation in the village.

To achieve its objectives, LPD carries out its business as follows:

- a) Receive/collect funds from village karma in the form of savings and deposits;
- b) Giving loans only to village karma. Receive loans from financial institutions with a maximum of 100% of the total capital including additional profit reserves, except for other assistance in the amount of loans or village support/assistance;
- c) Saving excess liquidity at BPD (Bali Regional Credit Bank) in return for competitive interest and adequate shipping.

Article 23 of the Regional Regulation of the Province of Bali Number 3 of 2017 states that the distribution of net profits for LPD is determined as follows:

- a) Capital Reserves 60% (sixty percent);
- b) Village community development and empowerment Fund 20% (twenty percent);
- c) Production Services 10% (ten percent);
- d) Empowerment Fund 5% (five percent) or a maximum of Rp. 300,000,000 (three hundred million rupiah);
- e) Social Fund 5% (five percent).

LPD Soldiers are required to deposit the Empowerment Fund as referred to in Paragraph (1) letter d to the LPLPD. Further provisions regarding the deposit and use of Empowerment Funds as referred to in Paragraph (1) letter d are regulated in a Governor Regulation. Matters that are more technical in nature, regulations regarding corporate social responsibility are then regulated and set forth in the form of *perarem/awig-awig* in the *Pakeraman* traditional village.

Balinese customary law communities are adherents of Hinduism and are regulated in their daily lives based on Balinese customary law. Balinese customary law is a law that grows within the Balinese customary law community which is based on religious teachings (Hinduism) and grows following the habits and sense of propriety in the Balinese customary law community itself. Therefore, in the Balinese customary law community, customs and religion cannot be separated. This is because the custom itself comes from religious teachings, where in the teachings of Hinduism as embraced by the Balinese customary law community, the implementation of religion can be carried out through ethics, morals, and ceremonies. These three things are used as norms that regulate life together in society (Wirananata, 2018).

Ethics, morals, and ceremonies reflected in their daily lives reflect a sense of propriety and balance (harmony) in social life. Therefore, the legal principles surrounding Balinese customary law are propriety and balance. The existence of the principle of propriety and balance is a guideline to be able to measure whether the actions and actions are in accordance with applicable norms or whether there has been a violation. In a case like this, it must be able to distinguish between what is called 'appropriate' and what is called 'permissible'.

Everything that can be done, is not necessarily an act that should be done. For example, every woman can get pregnant in principle, but only women who should be pregnant are women who have husbands. The same goes for other actions. While on the principle of balance (harmony), basically all human actions are expected not to disturb the balance in community life (Sri Purnami, 2019). In actions or conditions that disturb the balance, it is necessary to restore the balance in the form of actions that reflect restoring the balance that occurs by the act or condition. In the event of a balance disturbance that is not known or cannot be held accountable for the incident, then it is the responsibility of the alliance (customary law community unit) to be responsible for restoring the balance that must be carried out.

In Bali, there are still four types of customary offenses, namely customary offenses concerning decency; customary offenses concerning property; Offenses that violate personal interests; and customary violations. Due to negligence or not carrying out obligations. These customary offenses in the view of the Balinese indigenous people cause an unholy condition (*Cuntaka*). *Cuntaka* is an unholy condition that stems from the opinion of a heart that is truly supernatural and difficult to measure. A holy state is a condition that can cause calm, harmony, so as to create an atmosphere of life that is balanced both physically and mentally.

Penelitian mengenai implementasi corporate social responsibility by LPD Bali did not find any application of sharing customary offenses. Everything is carried out by deliberation and consensus between the LPD leadership/management and *Pakeraman* Village officers. Even the implementation of corporate social responsibility is not too rigid. Not infrequently the proposed fee exceeds the provisions regulated by regional regulations or those that have been agreed upon at *awig-awig* or *perarem*. Budget submissions are submitted in writing and as long as the reasons are rational, the LPD generally accepts the submitted CSR requests.

CONCLUSION

The form of implementation of corporate social responsibility carried out by LPD Bali is generally related to life activities in general and socio-

religious in the scope of the area/wawengkon Pekraman Village where the LPD is located/domiciled. The amount of the cost for the implementation of corporate social responsibility carried out by the Bali LPD is in accordance with the provisions of the awig-awig of Pekraman Village which has been regulated in the Perarem of Pekraman Village. This provision was mutually agreed upon between the LPD management and the Pakeraman Village apparatus. The agreement has been carried out routinely and there has never been a violation by the LPD management.

The implementation of corporate social responsibility at the Village Credit Institutions (LPD) in Bali is carried out based on the Tri Hita Karana philosophy. Tri Hita Karana's philosophy emphasizes that in the process of living towards a prosperous life, humans are emphasized to maintain harmony between humans and their creator, namely God Almighty (Parhyangan), humans and each other (Pawongan), and humans and the environment (Palemahan) as one unified whole. The implementation of the CSR program based on local wisdom (Tri Hita Karana) at the Village Credit Institution is exemplary and needs to be emphasized and used as a model for all other companies in Indonesia. In addition to its relation to the Balinese cultural values of Tri Hita Karana, companies or institutions that pay attention to harmony with God, fellow human beings, and the environment mean that in the company there has been harmonization between the company and the community around the company. If there is harmony and togetherness, it is highly believed that the business enterprise can continue, benefiting all parties, and finally a process of harmony of togetherness occurs.

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