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Comparison of financial performance of LPD Pakraman Singapadu before and after COVID-19

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ABSTRACT

This study utilized a mixed-methods approach to evaluate the financial performance of LPD Pakraman Singapadu Village before and after the COVID-19 pandemic, specifically from July 2019 to July 2020. Quantitative data was gathered from financial documents, including income statements and balance sheets, to compare financial metrics across the two periods. Qualitative data was obtained through semi-structured interviews with key stakeholders, including LPD staff and local business owners, to gain insights into the impact of the pandemic on financial performance. Observational methods were also employed to understand the operational changes and challenges faced by the LPD during this period. Financial documents were reviewed to extract relevant financial indicators such as revenue, expenses, and profit figures, with the 2019 financial performance, which showed a profit of Rp. 477,422,463, serving as a baseline for comparison against the 2020 performance, which saw a decrease in profit to Rp. 303,884,859 due to the pandemic's onset in March 2020. Interviews were recorded and transcribed verbatim, followed by thematic analysis to identify key themes related to the pandemic's impact on financial performance and business operations. Observations provided additional context to the quantitative data, highlighting how the pandemic influenced operational dynamics and financial outcomes. All collected data was analyzed using appropriate statistical and thematic techniques to ensure the robustness and reliability of the findings, enabling a thorough examination of the changes in the financial performance of LPD Pakraman Singapadu Village in the context of the COVID-19 pandemic.

Keywords: Financial performance, financial performance measurement

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INTRODUCTION

In Bali, specifically, there is a unique financial institution owned by each Pakraman Village in Bali called the Village Credit Institution. The LPD is considered unique because it operates based on the local Awig-Awig of the

Pakraman Village as its legal foundation. Awig-Awig are regulations created by the Traditional Village or Banjar Adat that apply to the community members of the Traditional Village, Tamiu, and Tamin (Provincial Regulation of Bali Number 4 of 2019 concerning Traditional Villages, 2019). Each Traditional Village in Bali has its own Awig-Awig, so the application of LPD varies according to the regulations of the Awig-Awig in the village where the LPD is established. According to the Lembaga Pemberdayaan Lembaga Perkreditan Desa (LPL PD) of Bali Province in 2015, village credit institutions are one of the financial institutions that have implemented accounting information systems in their data processing and transactions. Based on Bali Regional Regulation Number 4 of 2012, LPD is one of the institutions of Pakraman Village that carries out the financial functions of Pakraman Village to manage the financial potential of the Pakraman Village.

Village Credit Institutions or LPDs significantly contribute to rural economies (Saskara et al., 2020). Economic progress can begin from the village level, and when economic conditions are equitable in every village, it automatically impacts the economic conditions in urban areas, leading to stability in all sectors (Dewi & Mustika, 2020). Village Credit Institutions can play a significant role in advancing village economies, as seen from the market opportunities for LPDs to enhance community economic development (Pramana et al., 2024). Therefore, every village should have its financial institution, including LPD, to gather funds. Financial institutions are bodies operating in the financial sector to provide services to customers or the public (Setiawati and Pusporini, 2021). Financial institutions primarily gather funds from customers or the public or disburse loan funds to customers or the public (Angraini, 2013).

As one of the rapidly growing Microfinance Institutions in Bali Province, especially in Gianyar Regency as the centre of informal sector businesses, LPD has been operating since 1988 based on Bali Provincial Regulation Number 2 of 1988 concerning Village Credit Institutions. LPD is one of the institutions at the Traditional Village level. Its existence has been proven and greatly beneficial to the community of the Traditional Village. The community, known as Krama, refers to a group of people residing in a Traditional Village. LPD not only benefits according to its functions but also creates job opportunities. Until now, LPDs throughout Bali Province have been established solely based on Bali Provincial Regulation Number 2 of 1988 concerning Village Credit Institutions and are under the supervision of the Provincial Government Bank of Bali Province as their developer. According to data from 2004 collected by Gema PKM (Joint Movement for Microfinance Development), a forum that serves as a platform for stakeholder consistency in microfinance development in Indonesia, LPD was not listed among the 9 existing Microfinance Institutions in Indonesia (Kurniasari, 2007).

Currently, LPD in Singapadu village is also affected by the COVID-19 pandemic as many community activities must be conducted at home, thereby hindering the local economy in Singapadu village. Due to COVID-19, the financial performance of LPD in Singapadu is also affected.

TABLE 1. Non-Performing Loans Table for the Period of July 2019 - July 2020 at LPD Village Pakraman Singapadu

Period	Non-Performing Loan Amount	Percentage Increase in Non-Performing Loans
July 2019	3,000,000	-2048.97%
July 2020	9,133,300	204.44%

The table above shows that non-performing loans experienced significant increases and decreases before and during the pandemic. This research is based on data from July 2019, where non-performing loans amounted to 3,000,000 with a percentage decrease of -2048.97% compared to the previous year. In 2020, there was a drastic increase in loans to 9,133,300, representing a 204.44% increase in non-performing loans. Based on this presentation, the researcher aims to identify the factors contributing to this phenomenon, focusing on the causes of non-performing loans at the LPD of Singapadu Village.

The SARS-CoV-2 virus was first detected in China at the end of 2019 and by June 2021, it had spread worldwide, causing over 178 million confirmed cases and 3.9 million deaths (WHO, 2023). Several early cases were associated with wet markets in the city of Wuhan, where the first cluster of COVID-19 infections was recorded. Over the past few months, scientists have reached a broad consensus that the virus spread as a result of "zoonotic spillover" or "jumping viruses" from infected animals to humans, before becoming highly transmissible from human to human. However, another theory suggests that the virus may have escaped from a major biological research facility, located relatively close to the market, namely the Wuhan Institute of Virology (WIV). There, scientists have been studying coronaviruses in bats for over a decade (Yip & Perasso, 2021).

This virus has caused extensive losses in various aspects of life, economics, and well-being due to the loss of life and material damage. The World Health Organization (WHO) declared the virus a pandemic. The COVID-19 pandemic has affected the economic cycles in every country (Volejnková & Kuba, 2021). COVID-19 was first discovered in Indonesia in March 2020, during which time Indonesian citizens made large purchases such as masks and hand sanitizers, leading to shortages in imported goods and rising prices, as well as a decrease in purchasing power, resulting in a drastic decrease in sales (Nugraha et al., 2024; Patiro et al., 2022).

In combating the impact of the COVID-19 pandemic, greater attention is needed because if this continues, it will pose a serious threat to the banking sector, especially the LPD Bank of Pakraman Singapadu Village. The people of Pakraman Singapadu Village have entrusted the LPD Bank to manage the funds provided, and this trust must be maintained as a form of Intermediary Institution. Based on the background described above, this research is titled "Comparison of financial performance of LPD Pakraman Singapadu before and after COVID-19".

LITERATURE REVIEWS

Definition of Financial Performance

According to Sawir (2005), financial performance is the situation or condition that reflects the financial state of a company based on standards, objectives, and criteria set. Furthermore, according to Mulyadi (2007), the definition of financial performance is the periodic determination of operational effectiveness in an organization and its employees based on predefined standards, objectives, and criteria. According to (Fahmi, 2011), financial performance is an analysis conducted to understand to what extent a company has implemented good and correct financial practices. The company's performance is a representation of its financial situation analyzed using financial analysis tools, allowing for an assessment of the company's financial condition during a specific period (Yuniawati and Farman, 2023). This is crucial to ensure optimal resource utilization in response to environmental changes. According to (Sutrisno, 2009), financial performance represents the achievements of a company during a specific period, reflecting the company's health status. According to Jumingan, 2006), financial performance is a depiction of a company's financial situation during a specific period, involving aspects of fund gathering or distribution, typically measured using indicators such as capital adequacy, profitability, and liquidity. According to Sundjaja (2003) and Myšková & Hájek (2017), financial performance indicates good prospects, growth, and potential development for a company. Information on financial performance is crucial for assessing potential changes in economic resources to predict production capacity from available resources. In general, financial performance is the effort made by every company to measure and evaluate every success achieved in generating profit, allowing the company to assess the prospects, growth, and potential development it has achieved.

Financial Performance Evaluation

Financial performance evaluation is one way to fulfill obligations to investors in achieving the goals and desires set by the company (Shayan et al., 2022; Ahmad et al., 2022). As business advances and its value increases, investors take notice and consider investing in the company, leading to an increase in stock prices. It can be said that stock prices are a function of the company's value. To evaluate a company's financial performance, ratios or indices can be used as benchmarks to assess and relate two financial data in the company's financial statements (Hasanah et al., 2021; Fitrianiingsih & Huda, 2021). Some comparisons found in financial ratio analysis include two forms: first, comparing ratios between one company and another of the same type, and second, comparing ratios in the past, present, or future for the same company (Barnes, 2006; Kliestik et al., 2020; Nawir et al., 2023). The above explanation illustrates how financial performance is crucial for every company. Companies require this performance to achieve their visions and missions in developing their businesses. Therefore, companies must conduct performance evaluations to meet their goals, allowing them to operate effectively. Certainly, in conducting evaluations, companies must also pay attention to accurate and precise bookkeeping (Shepherd and Gruber, 2020). Creating financial reports using accounting software enables users to record transactions and make business bookkeeping easier to manage finances effectively and address various demands and challenges within their businesses.

Financial Performance Measurement

The financial performance of a company is closely related to performance measurement and evaluation (Hada & Toedara, 2016; Purnama et al., 2020; Hartoyo et al., 2023). Performance measurement is the qualification of the efficiency and effectiveness of a company in operating its business during an accounting period. According to Srimindarti (2006), it involves determining operational effectiveness of the organization and its employees based on predefined goals, standards, and criteria periodically. Companies use performance measurement to improve their operational activities to compete with other companies. Financial performance analysis is a critical process involving the review, calculation, measurement, interpretation, and provision of solutions regarding the company's finances during a specific period.

Financial Performance Analysis

Financial performance can be assessed through various analytical tools, as outlined by Jumingan (2006). These include Comparative Financial Statement Analysis, which compares financial statements over different periods to highlight changes in absolute amounts or percentages. Trend Analysis reveals the direction of financial conditions, indicating whether they are increasing or decreasing. Component Percentage Analysis (common size) determines the percentage of investment in each asset relative to the total assets or liabilities. Analysis of Sources and Uses

of Working Capital examines fund allocation over time. Analysis of Sources and Uses of Cash assesses cash position and reasons for changes. Ratio Analysis reveals the relationship between items on financial statements. Gross Profit Analysis scrutinizes profit positions and reasons for changes, while Break Even Analysis identifies sales levels needed to avoid losses. Each method provides insights into a company's financial health and performance.

Previous Research

The framework of thought serves as a diagram outlining the general structure of the research. This study will delve into comparing the financial performance of LPD Desa Pakraman Singapadu before and after the COVID-19 pandemic from July 2019 to July 2020. The depicted framework of the research is as follows:

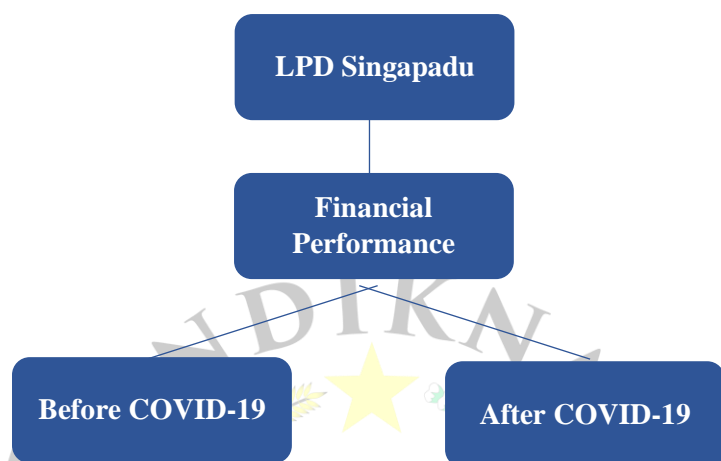


FIGURE 1. Conceptual Framework

METHODS

This study utilized a mixed-methods approach to evaluate the financial performance of LPD Pakraman Singapadu Village before and after the COVID-19 pandemic, specifically from July 2019 to July 2020. Quantitative data was gathered from financial documents, including income statements and balance sheets, to compare financial metrics across the two periods. Qualitative data was obtained through semi-structured interviews with key stakeholders, including LPD staff and local business owners, to gain insights into the impact of the pandemic on financial performance. Observational methods were also employed to understand the operational changes and challenges faced by the LPD during this period. Financial documents were reviewed to extract relevant financial indicators such as revenue, expenses, and profit figures, with the 2019 financial performance, which showed a profit of Rp. 477,422,463, serving as a baseline for comparison against the 2020 performance, which saw a decrease in profit to Rp. 303,884,859 due to the pandemic's onset in March 2020. Interviews were recorded and transcribed verbatim, followed by thematic analysis to identify key themes related to the pandemic's impact on financial performance and business operations. Observations provided additional context to the quantitative data, highlighting how the pandemic influenced operational dynamics and financial outcomes. All collected data was analyzed using appropriate statistical and thematic techniques to ensure the robustness and reliability of the findings, enabling a thorough examination of the changes in the financial performance of LPD Pakraman Singapadu Village in the context of the COVID-19 pandemic.

RESULTS AND DISCUSSION

Results

In general, financial performance represents the efforts undertaken by every company to measure and assess the success achieved in generating profits, enabling them to evaluate prospects, growth, and development potential attained within the organization. Specifically, the financial performance of LPD Desa Pakraman Singapadu experienced a decline from 2019 to 2020, attributed to the COVID-19 pandemic that swept across the globe. Consequently, the economy of the community dwindled, particularly in Desa Singapadu, Gianyar Regency, Bali, where a majority of the population is employed in the tourism sector. The following are the outcomes of interviews conducted by the researcher with LPD Desa Pakraman Singapadu supervisors, LPD Desa Pakraman Singapadu chairperson, and LPD Desa Pakraman Singapadu credit department head.

Interview Results 1

Based on the interviews conducted by the researcher on April 5, 2022, with Mrs. Ni Nyoman Sri Natari, S.E.Ak., the head of LPD Desa Pakraman Singapadu, and Mr. Drs. I Dewa Putu Yadnya, M.Si., the head of LPD Desa Parkaman Singapadu Supervisory Board regarding the decline in financial performance at LPD Desa Pakraman Singapadu, it was stated that:

"The decline in financial performance is due to the COVID-19 pandemic, which has caused a global crisis and disrupted the economy, especially in Bali, which relies on the tourism sector. With the pandemic, many residents lost their livelihoods, resulting in payment problems for loans. As a result, many loans became non-performing, categorized as non-performing loans if they have not been paid for more than 6 months, which has caused the financial performance to decline."

In line with the statement from Mrs. Ni Nyoman Sri Natari, S.E.Ak., the head of LPD Desa Pakraman Singapadu, Mr. Drs. I Dewa Putu Yadnya, M.Si., the head of LPD Desa Parkaman Singapadu Supervisory Board, stated:

"The decline in financial performance is assessed from several aspects, one of which is the current COVID-19 pandemic, which is the main factor causing the decline in financial performance at LPD Desa Pakraman Singapadu. This is felt to be an impact because credit profits from the community have decreased due to the occurrence of non-performing loans, before the COVID-19 pandemic, people could pay off their loans smoothly, but during the pandemic, people lost their jobs, causing them not to repay their loans to LPD Singapadu as before the pandemic, this is what is categorized as non-performing loans caused by external factors, namely debtors experiencing disasters."

Based on the above interviews, it can be concluded that the cause of the decline in financial performance at LPD Desa Pakraman Singapadu is the COVID-19 pandemic, which has caused residents or debtors who have loans at LPD Desa Pakraman Singapadu to be unable to repay their loans smoothly. Good financial performance is assessed from several aspects, one of which is in the profit and loss statement where if the profit in the current year decreases from the previous year, it can be said that the financial performance of a company has declined.

The process of analyzing a company's financial performance typically involves five key stages. Firstly, the process begins with reviewing the financial statement data that has been prepared. This initial stage is essential for ensuring that the financial statements adhere to relevant accounting standards and are accurately accounted for. Next, calculations are conducted based on the specific conditions and problems being investigated. These calculations yield results that form the basis for drawing conclusions aligned with the desired analysis. Following the calculations, the results are compared with those of other companies to evaluate the financial performance relative to competitors or similar entities. This comparative analysis provides valuable insights into the company's standing within its industry. Once the comparisons are made, the identified problems and challenges are interpreted to gain a comprehensive understanding of the company's financial situation. This stage involves delving deeper into the root causes of any discrepancies or issues uncovered during the analysis. Finally, solutions are devised to address the identified problems and challenges. These solutions are aimed at overcoming obstacles that may impede the company's financial performance, with the ultimate goal of providing actionable insights to support informed decision-making and strategic planning.

Interview Results 2

Based on the interviews conducted by the researcher on April 5, 2022, with Ms. Ni Nyoman Sri Natari, S.E.Ak., the head of LPD Desa Pakraman Singapadu, and Mr. A.A Gede Wira Saputra, SE., the head of the Credit Department of LPD Desa Pakraman Singapadu, regarding the causes of the decrease in financial performance at LPD Desa Pakraman Singapadu, it is stated that:

"The main cause is the occurrence of non-performing loans (NPL) due to the COVID-19 pandemic. Non-performing loans refer to customers who fail to pay their loan installments for six consecutive months. With non-performing loans, the income of LPD from loan interest decreases, while the expenses for paying deposits and savings interest to customers continue. To reduce the number of non-performing loans, efforts are made to contact customers regularly via phone and mail. The final step taken by our institution to address non-performing loans is to negotiate to take over the collateral, either by selling it together or by confiscating it according to the customary village regulations."

In line with the statement from Ms. Ni Nyoman Sri Natari, S.E.Ak., the head of LPD Desa Pakraman Singapadu, regarding the causes of the decrease in financial performance at LPD Desa Pakraman Singapadu, the statement from Mr. A.A Gede Wira Saputra, SE., the head of the Credit Department of LPD Desa Pakraman Singapadu, is

as follows:

"The decline in financial performance cannot be separated from the role of income from LPD itself, as when a company's income decreases, its profits will also decrease. This indirectly affects the financial performance of the company, especially LPD Desa Pakraman Singapadu. The income of LPD comes from loan interest borrowed by the community. In terms of the years 2019 and 2020, the profits of LPD decreased. This was caused by LPD debtors who could not pay their obligations in the form of loans. Hence, non-performing loans occurred. These non-performing loans are the reason why profits in the following year, 2020, decreased. This is because loans, which were originally considered the main source of income, became non-performing due to the conditions of the COVID-19 pandemic. Many of our community members are engaged in businesses in the tourism sector, such as carvers, painters, and others. Especially now, the tourism sector in Bali is not running smoothly, and it is even almost empty of visitors."

Based on the interviews, it can be concluded that the main cause of the decline in financial performance at LPD Desa Pakraman Singapadu is due to the COVID-19 pandemic, which has impacted the ability of debtors to repay their loans. This has led to the occurrence of non-performing loans, resulting in a decrease in financial performance at LPD Desa Pakraman Singapadu. Additionally, most debtors at LPD Desa Pakraman Singapadu are artists who depend on tourists visiting Bali. However, during the COVID-19 pandemic, there has been a significant decrease in tourists visiting Bali, affecting the income of individuals dependent on tourism.

Interview Results 3

Based on the interview conducted by the researcher on April 5, 2022, with Ms. Ni Nyoman Sri Natari, S.E.Ak., the head of LPD Desa Pakraman Singapadu, regarding the cascade of financial performance decline that occurred at LPD Desa Pakraman Singapadu, it is stated that:

"The initial phase of the financial performance decline at LPD Pakraman Singapadu was triggered by the COVID-19 pandemic, with its impact felt from March 2020 onwards. Many of LPD's customers lost their jobs as they were mostly involved in the tourism sector, such as hotel employees, restaurant staff, art shop employees, performers (dancers, kecak, and musicians), guides, drivers, Bali Zoo employees, etc. Due to job losses, their income decreased, and they were unable to make loan payments to LPD. This caused LPD's revenue to decrease. As LPD's revenue declined, it also affected the financial performance of LPD, automatically leading to a decrease in profits in the income statement. The income statement also impacts the Return on Assets (ROA) of LPD itself because LPD's highest income comes from loans to these customers. This can be seen from the income statement in 2019 and 2020. The decrease in profit is caused by debtors experiencing adversity, namely the hindrance of debtors' businesses due to the current COVID-19 pandemic situation."

Based on the interview above, it can be concluded that the cascade of financial performance decline at LPD Desa Pakraman Singapadu occurs as follows: the financial performance at LPD is assessed from the income statement over two recording periods. If the profit is lower than the previous year, it is necessary to re-examine the causes of this decline. This also affects the ROA at LPD Desa Pakraman Singapadu, where Return on Assets (ROA) measures the company's ability to utilize its assets to generate profits. This ratio compares the return on investment made by the company using all of its funds (assets). In the case of the decline in financial performance at LPD Desa Pakraman Singapadu, it was found that the COVID-19 pandemic was a factor causing debtors to have non-performing loans, which in turn contributed to the decline in financial performance at LPD Desa Pakraman Singapadu.

Interview Results 4

Based on the interview conducted by the researcher on April 5, 2022, with Mrs. Ni Nyoman Sri Natari, S.E.Ak., as the head of LPD Desa Pakraman Singapadu regarding the decline in financial performance as observed from the income statement and balance sheet of LPD Desa Pakraman Singapadu, it is stated that:

"As we can see, in 2019, the Income Statement showed a figure of Rp. 477,422,463. This figure occurred because in 2019 there was still no COVID-19 pandemic, and it was considered good and satisfactory in the financial performance of LPD Desa Pakraman Singapadu. However, in the following year, 2020, the COVID-19 pandemic started in March. It is important to note that the income statement and balance sheet are recorded every July of each year. It can be seen that at the end of the accounting period, which is in July 2020, the profit decreased to Rp. 303,884,859. This indicates that the decline in financial performance of LPD Desa Pakraman Singapadu was indirectly influenced by the COVID-19 pandemic that occurred in March 2020."

In line with Mrs. Ni Nyoman Sri Natari, S.E.Ak., as the head of LPD Desa Pakraman Singapadu regarding the

decline in financial performance as observed from the income statement and balance sheet of LPD Desa Pakraman Singapadu, Mr. I Dewa Putu Yadnya, M.Si., as the Head of the Supervisory Board of LPD Desa Pakraman Singapadu, stated that:

"Financial performance is generally assessed based on the profit generated by LPD Desa Pakraman Singapadu. Therefore, if the profit is perceived to decrease, then automatically the financial performance of LPD also declines. Therefore, LPD Desa Pakraman Singapadu seeks to find the causes of how the decline in financial performance could occur. In 2020, I think we all know it's because of the COVID-19 pandemic. Some customers or debtors couldn't pay their loans, resulting in these loans becoming non-performing, which caused the decrease in profit in the income statement and balance sheet, and consequently, the financial performance of LPD Desa Pakraman Singapadu also declined. That's more or less it."

Based on the above interviews, it can be concluded that the decline in financial performance as observed from the income statement and balance sheet provides a general overview for assessing financial performance. The income statement and balance sheet serve as the starting point for companies to see whether financial performance has declined or improved, which can be seen from the profit/loss in both reports.

Interview Results 5

Based on the interview conducted by the researcher on April 5, 2022, with Mrs. Ni Nyoman Sri Natari, S.E.Ak., as the head of LPD Desa Pakraman Singapadu, and Mr. I Dewa Putu Yadnya, M.Si., as the Head of the Supervisory Board of LPD Desa Pakraman Singapadu regarding the methods to address the decline in financial performance at LPD Desa Pakraman Singapadu, it is stated that:

"We continuously strive to reduce the number of non-performing loans by approaching loan customers to remind them to always pay their obligations on time. We provide relief by waiving fines for any delays. We restructure loans after reaching an agreement with loan customers. 1. Call loan customers to make payments. 2. Send SP 1 if the call is not answered. 3. Send SP 2 if SP 1 is not answered. 4. Send SP 3 if SP 2 is not answered. 5. Summon customers to come to the LPD office if SP 1, 2, 3 are not responded to. By creating a declaration letter of willingness to pay and agreeing that collateral will be taken over by the LPD if the loan is not repaid. Restructure loans if customers agree. In addition to focusing on handling non-performing loans, we also focus on maintaining financial liquidity and cash flow to ensure their existence. We vigorously seek new, more potential customers that we trust, so that the LPD's funds are not idle and there are other sources of income for the LPD, not solely focusing on non-performing loans."

Meanwhile, Mr. I Dewa Putu Yadnya, M.Si., as the Head of the Supervisory Board of LPD Desa Pakraman Singapadu, regarding the methods to address the decline in financial performance at LPD Desa Pakraman Singapadu, stated that:

"The first step is always to provide support and identify the causes of the decline in financial performance and help to resolve it. Next, we will assess the amount of non-performing loans and who the debtors are. The supervisors and LPD management will jointly visit the delinquent customers, attempt to collect payments to prevent the accumulation of non-performing loans. This approach is aimed at addressing the decline in problematic loans, which ultimately leads to a decline in the financial performance of LPD Desa Pakraman Singapadu itself. As the head of the supervisory board, I will also directly visit debtors, indirectly through various approaches, to understand the reasons why customers cannot repay their loans at LPD. For LPD employees, we will always cover any issues that arise within LPD Desa Pakraman Singapadu."

Based on the above interviews, it can be concluded that LPD Desa Pakraman Singapadu addresses the decline in financial performance by identifying the sources of the decline in LPD revenue, namely debtors with non-performing loans. This is done by using approaches that are considered solutions to reduce the number of non-performing loans at LPD Desa Pakraman Singapadu. Non-performing loans are the cause of decreased revenue, resulting in decreased profit and financial performance of LPD.

Discussion

The financial performance evaluation of LPD Desa Pakraman Singapadu serves as a critical gauge of its operational health, with the profit and loss statement being a key indicator. In 2019, the institution demonstrated robust financial performance, boasting a substantial profit of Rp. 477,422,463. However, the onset of the COVID-19 pandemic in 2020 precipitated a notable downturn, with profitability plummeting to Rp. 303,884,859. This stark decline in financial performance can be predominantly attributed to a surge in non-performing loans (NPLs),

which are loans where borrowers fail to meet repayment obligations as per the agreed terms. The escalation of NPLs emerged as a direct consequence of the economic upheaval triggered by the pandemic, which disrupted livelihoods and economic activities on a global scale.

The impact of the pandemic on financial institutions, including LPDs like Desa Pakraman Singapadu, has been the subject of extensive research. For instance, a study conducted by Raden Wulan Saporinda (2021) scrutinized the effects of COVID-19 on the financial performance of Bank BNI. The findings underscored a discernible strain on the bank's financial health, notably characterized by a surge in non-performing loans. This surge in NPLs typifies a common repercussion of economic downturns, as borrowers grapple with financial instability amidst prevailing uncertainties. Additionally, the pandemic precipitated an influx of Third Party Funds (DPK), indicating a prevailing trend wherein individuals and businesses sought refuge in bank deposits to safeguard their finances amid economic turbulence. This surge in deposits was further bolstered by governmental initiatives aimed at channeling financial aid through banking channels, thereby accentuating the pivotal role of financial institutions in times of crisis.

In essence, the decline in financial performance witnessed by LPD Desa Pakraman Singapadu in 2020 mirrors the broader economic challenges engendered by the COVID-19 pandemic. The notable increase in NPLs underscores the acute strain confronting financial institutions, necessitating the implementation of effective risk mitigation strategies and concerted efforts to support economic recovery endeavors. This underscores the imperative for financial institutions to adapt resiliently to evolving economic landscapes and to proactively navigate challenges in order to sustain their operational viability and contribute to broader economic resilience.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the research findings and discussions, it can be concluded that the financial performance of LPD Desa Pakraman Singapadu has experienced a decline. This decline in financial performance can be attributed to a decrease in revenue, leading to a decrease in profit in 2020. The profit reported in the profit and loss statement for 2019 amounted to Rp. 477,422,463, whereas in 2020, it decreased to Rp. 303,884,859. This trend is evident from the profit and loss statements and balance sheets for the years 2019 and 2020. The decline in financial performance is primarily caused by non-performing loans (NPLs) in LPD Desa Pakraman Singapadu. These non-performing loans result from debtors' inability to meet their obligations smoothly, largely due to the impact of the COVID-19 pandemic. Indirectly, the pandemic has led to a decrease in revenue and consequently affected the repayment of debtor obligations, resulting in non-performing loans. This, in turn, has impacted the revenue of LPD Desa Pakraman Singapadu, leading to a decline in financial performance from 2019 to 2020. To address the decline in financial performance, LPD Desa Pakraman Singapadu has taken measures to engage with non-performing loan debtors, such as issuing warnings (SP1, SP2, SP3). However, if no resolution is reached, LPD representatives visit the debtors in question to provide solutions for resolving the non-performing loans held by LPD Desa Pakraman Singapadu. This approach aims to reduce the number of non-performing loans impacting the profit obtained by LPD Desa Pakraman Singapadu and directly mitigate the decline in financial performance of LPD Desa Singapadu.

Suggestion

Based on the conclusions drawn from this research, the researcher offers the following recommendations to the management of LPD Desa Pakraman Singapadu: Firstly, the decline in financial performance observed in LPD Desa Pakraman Singapadu should serve as an evaluation for the LPD management. This evaluation is crucial for improving financial management practices in the future. Secondly, efforts should be made to address the issue of non-performing loans more effectively. Implementing better approaches to resolve non-performing loans can help mitigate the negative impact on the financial performance of LPD Desa Pakraman Singapadu.

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