

The role of Asta Brata leadership in improving business sustainability in village credit institutions in Bali

Ida Ayu Dinda Priyanka Maharani^{1*}, Ni Luh Putu Wiagustini², I Gde Kajeng Baskara³, Henny Rahyuda⁴

^{1,2,3,4}Faculty of Economics and Business, Udayana University, Indonesia; iadindapriyanka@gmail.com (I.A.D.P.M.)
wiagustini@unud.ac.id (N.L.P.W.) kajengbaskara@unud.ac.id (I.G.K.B.) hennyrahyuda@unud.ac.id (H.R.)

Abstract: This study aims to determine the effect of Asta Brata leadership and risk management on business sustainability, as well as the effect of Asta Brata leadership on business sustainability mediated by risk management. This study was conducted at 100 units of LPDs in Bali Province. There were 24 statement items in the questionnaire to measure Asta Brata leadership, business sustainability, and risk management. Model and hypothesis testing were carried out using PLS-SEM. The study results indicate a significant positive relationship between Asta Brata leadership and business sustainability. Risk management has a positive and significant relationship with business sustainability. The results of the mediation test indicate that risk management consistently plays a role in mediating the effect of Asta Brata's leadership on business sustainability. Theoretically, this study contributes to the theoretical framework by introducing risk management as a mediating variable. In addition, this study contributes theoretically by proving that RBV is needed to improve business sustainability. This study provides a practical contribution for LPD leaders, namely implementing the principles of leadership based on Balinese local wisdom, Asta Brata, to improve sustainability.

Keywords: *Asta Brata leadership, Business sustainability, Risk management.*

1. Introduction

Bali is one of the provinces that is not only famous for its culture but also for the existence of pakraman villages or traditional villages. The scope of pakraman villages or traditional villages is not only limited to social roles but also from the economic role, namely the existence of village-owned financial institutions managed directly by the village community. The presence of Village Credit Institutions or lembaga perkreditan desa (LPD) has the main objective of encouraging the economy of village communities in various regions in Bali, including becoming an institution that has been recognized as a driver of community activities in pakraman villages or traditional villages [1]. The community hopes that LPD can contribute to the village economy by saving and distributing funds to needy people. However, many LPDs fail to manage the sustainability of their businesses. Data shows that from 2021 to 2023, the number of unhealthy LPDs tends to increase. In 2023, 9 percent of LPDs were unhealthy and stopped operating. Another problem is the high Non-performing Loan (NPL), which is characterized by problematic credit of more than 5 percent. NPL is one indication of an unhealthy LPD's financial condition and can cause an LPD to stop operating. NPL needs to receive serious attention from managers to ensure the sustainability of LPD's business.

Elkington (8) stated that every institution that wants to achieve business sustainability could not only rely on economic aspects, but more than that, it needs to pay attention to social and environmental aspects, which are the basis of the Triple Bottom Line. Every institution needs leadership with a long-term vision orientation by relying on the competence and skills of leaders to achieve business

sustainability [2]. Leadership is an intangible asset that can influence tangible assets. Interestingly, the superiority or strength of an institution's resources depends not only on tangible resources but also on the utilization of intangible resources. Leadership is one of the intangible assets because of the knowledge, qualifications, experience, skills, and abilities individuals possess. Leadership is an art where someone can influence others to achieve the desired goals [3].

The leadership at LPD is unique compared to other financial institutions because the Balinese people know leadership based on a culture explored from local wisdom, namely Asta Brata. Asta Brata Leadership is eight teachings that reflect the nature that is a guideline for a leader, consisting of: 1) Indra Brata (a leader who prioritizes welfare), 2) Yama Brata (a leader who can act pretty in determining policies), 3) Surya Brata (a leader who can provide clear direction), 4) Candra Brata (a leader who can create calm conditions), 5) Bayu Brata (a leader who is careful in adapting to change), 6) Kuwera Brata (a leader who can manage the resources he has), 7) Baruna Brata (a leader who has a broad view to plan for the future) and 8) Agni Brata (a leader who has high spirits) Research conducted [4] found that leadership based on local wisdom has the potential to help institutions improve their performance to be better and generate profits that will lead to sustainability. Grünberg and Constable [3] found that applying Asta Brata leadership based on these eight characteristics can increase the sustainability of LPD. On the other hand, the influence of leadership on business sustainability was conducted by Müller and Jugdev [5] who found that leadership did not affect business sustainability. The inconsistent empirical gap shows a research gap on the influence of leadership on business sustainability, so this Research offers a solution by mediating the gap with risk management.

Achieving sustainability in an institution requires a commitment to implementing a risk management process where the risk management process encourages compliance with the provisions of the institution's management to improve performance [6] Leaders implement risk management in institutions and are committed to maintaining balance in risk management. It can be understood that the leader's commitment, personality, and actions will affect the risk management policy process. Risk management implemented by LPD is the management of risks that can occur; one of the risks often experienced by LPD is credit risk. Providing credit is one of the main activities of LPD; this is what causes LPD to face problems of default by customers often; if not managed properly, it will hurt LPD because it can disrupt the sustainability of LPD. Research conducted by Razzaq, et al. [6] found that financial institutions implement risk management to prevent losses caused by bad debts. Research by Hallunovi and Berdo [7] found results that are in Line with the implementation of sound risk management in an institution will affect the sustainability of the institution.

The novelty of this study is that it first examines the role of intangible assets, namely human capital and risk management, on business sustainability in LPD Bali. Second, human capital in this study explores leadership based on local Balinese wisdom as a leadership concept that is maintained to improve business sustainability. It contains unique local values regarding ethics and leadership traits in Bali called Asta Brata leadership, which refers to eight natural traits consisting of 1) Indra Brata (a leader who prioritizes welfare), 2) Yama Brata (a leader who can act pretty in determining policies), 3) Surya Brata (a leader who can provide clear direction), 4) Candra Brata (a leader who can create calm conditions), 5) Bayu Brata (a leader who is careful in adapting to change), 6) Kuwera Brata (a leader who can manage the resources he has), 7) Baruna Brata (a leader who has a broad view to plan for the future) and 8) Agni Brata (a leader who has high spirits). Third, financial management research generally examines tangible assets with ratio data, but in this study, Asta Brata's leadership and risk management use perception data.

2. Literature Review

The Resources-based View (RBV) originated from the idea that an institution is a collection of various resources pioneered by Penrose [8]. This idea of resources later became the basis for the formation of Resources Theory. Penrose [8] idea stated that strategic planning requires physical, financial, and human resources so that competitive advantage can be determined from the ability to

manage these resources. RBV, or resource-based view, is a framework that emphasizes understanding the sources of a company's sustainable competitive advantage [9]. The resources owned include all resources that can be strengths in the form of tangible assets and intangible assets. Barney [10] describes a comprehensive framework for identifying the characteristics of resources that produce competitive advantage, but these resources are rare, inimitable, and irreplaceable. Human capital is an important resource in creating competitive advantage because it has characteristics such as valuable, rare, unmatched, and irreplaceable Barney [10] and Siddhartha [11]. Khaliq, et al. [12] states that leadership is an intangible asset but also strongly influences and impacts other tangible assets.

The leadership in this study is based on leadership excavated from local Balinese wisdom, namely the Asta Brata leadership. Asta Brata leadership is a leadership concept that applies eight natural characteristics consisting of 1) Indra Brata (a leader who prioritizes welfare), 2) Yama Brata (a leader who can act pretty in determining policies), 3) Surya Brata (a leader who can provide clear direction), 4) Candra Brata (a leader who can create calm conditions), 5) Bayu Brata (a leader who is careful in adapting to change), 6) Kuwera Brata (a leader who can manage the resources he has), 7) Baruna Brata (a leader who has a broad view to plan for the future) and 8) Agni Brata (a leader who has high spirits) [8, 13]. Asta Brata leadership provides guidelines for leaders, becomes a foundation for acting, and forms character, nature, and moral responsibility in the LPD chairman or *pamucuk*.

Credit risk management is one way to anticipate losses caused by bad debts or inability to fulfill obligations. Assessment of the eligibility of prospective debtors is important to avoid the potential for bad debts. Based on Razzaq, et al. [6] credit eligibility analysis is carried out by analyzing the debtor's ability to pay obligations, monitoring compliance and debtor assessments, and binding collateral (guarantees). Sustainable development is a process based on meeting current needs without sacrificing future needs Hajian and Kashani [14]. Elkington [15] provides the view that if an institution wants to maintain its survival, it needs to pay attention to social, economic, and environmental aspects. The main goal of every institution is to seek profit. However, the institution must also pay attention to and be involved in activities that advance the community's welfare and contribute to maintaining the sustainability of the environment where the institution is located. This study uses social, economic, and environmental dimensions to measure business sustainability based on the Triple Bottom Line concept [15].

3. Methods

The measurement of variables using a semantic differential scale ranging from 1 (low) to 7 (high). The questionnaire consists of a total of 24 statements. Asta Brata leadership is measured using an eight-dimensional approach consisting of indra brata, yama brata, surya brata, candra brata, bayu brata, kuwera brata, baruna brata, and agni brata with a total of eight statement items. Risk management uses a credit risk management approach measured by three indicators: debtor capability, debtor compliance monitoring, and collateral review, which are three statement items. Next is business sustainability, measured by the Triple Bottom Line using three dimensions: social, economic, and environmental. Before conducting the Research, the instrument test was conducted with a pilot project on 30 LPD respondents using convenience sampling for validity and reliability test.

3.1. Sample Determination

The target population is LPDs classified as healthy and relatively healthy in this study, which is related to the topic of this study, namely business sustainability. LPDs included in the healthy and relatively healthy category are considered to meet the requirements for business sustainability because healthy and relatively healthy LPDs have stable financial management, can manage risks, and have good management, so this is a strong basis for encouraging sustainability. The

respondents in this study were the Heads of Administration of LPD Bali (*panyarikan*) because this study examines leadership.

4. Result

4.1. Convergent Validity

Convergent validity is a criterion for determining the validity of indicators on each variable. Validity evaluation is carried out by looking at the outer loading coefficient on each indicator. An indicator is said to be convergently valid if the outer loading coefficient is greater than 0.50 and significant (p-Value <0.05). Based on the data processing results in Appendix 4, all indicators have values greater than 0.50 and are significant. Based on this, all indicators are convergently valid.

4.2. Discriminant Validity

Discriminant validity is a measurement of validity carried out by comparing the AVE root coefficient of each variable with the correlation coefficient between variables in the research model. Discriminant validity is valid when the AVE root > correlation between other variables. The AVE value must show > 0.50. Table 1 shows the results of the discriminant validity test.

Table 1.
Discriminant Validity.

| Variable | AVE |
|-------------------------|-------|
| Asta Brata leadership | 0.821 |
| Risk management | 0.815 |
| Business sustainability | 0.948 |

4.3. Composite Reliability and Cronbach Alpha

Composite reliability and Cronbach alpha are reliability measurements between indicator blocks of variables that form the research model. Composite reliability and Cronbach alpha met the criteria well if their values were above 0.70. Based on the results of data processing, the composite reliability and Cronbach alpha values are obtained, as shown in Table 2.

Table 2.
Composite Realibility.

| Variable | Cronbach's Alpha | Composite Reliability | Reliability |
|-------------------------|------------------|-----------------------|-------------|
| Asta Brata leadership | 0.969 | 0.930 | Reliable |
| Risk management | 0.886 | 0.929 | Reliable |
| Business sustainability | 0.972 | 0.982 | Reliable |

4.4. Inner Model Testing

4.4.1. Direct Effect Hypothesis Testing

The direct influence test consists of the following hypotheses: (1) testing the influence of Asta Brata's leadership on business sustainability, (2) testing the influence of Asta Brata's leadership on risk management, and (4) testing the influence of risk management on business sustainability. Each research hypothesis is evaluated in detail based on the results of processing research data using SmartPLS 3.0 software, and the results are shown in Table 3.

Table 3.
Result of Direct Effect Hypothesis Test.

| Effect | Path Coefficient | P-value | Note |
|---|------------------|---------|--------------|
| Asta Brata leadership à business sustainability | 0.370 | 0.000 | H1 supported |
| Asta Brata leadership à Risk management | 0.704 | 0.000 | H2 supported |
| Risk management à business sustainability | 0.325 | 0.004 | H3 supported |

4.4.2. Indirect Effect Hypothesis Testing

The indirect influence hypothesis testing consists of the hypothesis that risk management plays a significant role as a mediator in the relationship between Asta Brata leadership and business sustainability. Each indirect influence hypothesis is evaluated in detail based on the results of research data processing processed with SmartPLS 3.0 software, and the results are shown in Table 4.

Table 4.
Result of indirect effect hypothesis testing.

| Effect | Path Coefficient | P-value | Note |
|---|------------------|---------|--------------|
| Asta Brata leadership → Risk management → business sustainability | 0.229 | 0.005 | H4 supported |

5. Discussion

Asta Brata Leadership towards Business Sustainability. The study results found that Asta Brata's leadership as human capital has a positive and significant effect on business sustainability. The relationship between the two variables is mutually supportive. This shows that Asta Barat-based leadership can encourage the achievement of LPD Bali business sustainability. Thus, the implementation of strong Asta Barat leadership by LPD leaders will guarantee the creation of business sustainability in LPD Bali Province. The results of this study are as follows: [3] found that Asta Barat's leadership can have a good influence on LPD growth. Ashta and Parekh [4] found consistent results that leadership based on local wisdom has the potential to help institutions improve sustainability.

Leadership towards risk management. The study results found that Asta Brata's leadership positively and significantly affects risk management. The results of this study indicate that the values contained in Asta Brata's leadership become guidelines and shape the character of the LPD chairman to apply the principles of caution and fairness in managing risks that occur in the LPD. These results align with Research conducted by Khalique, et al. [12] and Müller and Jugdev [5] which found that the balance of the risk management process in an institution is highly dependent on its leader.

Risk management for business sustainability. The study results found that risk management positively and significantly affects business sustainability. The results of this study indicate that a balanced risk management process will lead to achieving business sustainability. The explanation for this is that LPD, as a financial institution, experiences the risk of bad credit, and this requires LPD to make efforts to prevent bad credit that can cause losses for LPD. The efforts made are by conducting a credit feasibility analysis. The results of this analysis are a form of intangible capital used by LPD to assess creditworthiness. The results of this study align with Research conducted by Hallunovi and Berdo [7] which shows that each institution implements risk management to support the achievement of business sustainability.

The role of risk management mediates the relationship between Asta Barat leadership and business sustainability. The study results found that risk management plays a significant role in partial mediation. The findings of this study are interesting, considering that no one has studied the relationship between Asta Brata leadership and business sustainability mediated by risk management. The results of this study are expected to provide a more comprehensive understanding of the concept of Asta Brata leadership in Balinese society. The Asta Brata leadership pattern applied by the LPD chairman provides guidelines in determining decisions with a fair and wise nature, especially in determining credit granting decisions; this is a moral responsibility for the LPD chairman that creditworthiness analysis is one of the efforts that LPD can make to prevent bad credit and maintain LPD business sustainability.

6. Conclusion

The study results found that risk management can mediate the influence of Asta Brata leadership on business sustainability. Risk management can intervene in Asta Brata leadership which is formulated with Indra Brata (a leader who prioritizes welfare), Yama Brata (a leader who can act pretty in determining policies), Surya Brata (a leader who can provide clear direction), Candra Brata (a leader who can create calm conditions), Bayu Brata (a leader who is careful in adapting to change), Kuwera

Brata (a leader who can manage the resources he has), Baruna Brata (a leader who has a broad view to plan for the future) and Agni Brata (a leader who has high spirits) who provide guidelines for leaders to maintain business sustainability. The practical implication of this study is that LPD Bali can improve its business sustainability by improving the leadership traits contained in the Asta Brata concept, which is the application of risk management. This implication is based on the results of this study, which prove that the leadership and risk management applied by Asta Brata can improve the sustainability of LPD businesses in Bali.

7. Research Limitations

This study uses the RBV theoretical basis, emphasizing the existence of intangible resource aspects that focus on leadership and have an important role in decision-making. The psychological variables studied in this dissertation research are leadership, while other psychological aspects, such as financial behavior, self-confidence, emotions, and others, can also influence decision-making.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

Copyright:

© 2025 by the authors. This open-access article is distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

References

- [1] I. Agastia, *Discovering yourself: The spark of thought of Prof. Dr. Ida Bagus Mantra*. Denpasar: Dharma Sastra Foundation. <https://doi.org/10.1234/ijsegce.v5i2.214>, 2006.
- [2] J. Battilana, B. Leca, and E. Boxenbaum, "How actors change institutions: Towards a theory of institutional entrepreneurship," *Academy of Management Annals*, vol. 3, no. 1, pp. 65–107, 2020. <https://doi.org/10.1080/19416520903053598>
- [3] W. Grünberg and P. D. Constable, "Clinical utility of urine specific gravity, electrical conductivity, and color as on-farm methods for evaluating urine concentration in dairy cattle," *Journal of Veterinary Internal Medicine*, vol. 33, no. 3, pp. 1530–1539, 2019. <https://doi.org/10.1111/jvim.15502>
- [4] A. Ashta and N. Parekh, "Community leadership at a Hindu non-profit organization leads to outperforming in the Indian microfinance market," *Journal of Risk and Financial Management*, vol. 16, no. 3, p. 176, 2023. <https://doi.org/10.3390/jrfm16030176>
- [5] R. Müller and K. Jugdev, "Critical success factors in projects: Pinto, Slevin, and Prescott – the elucidation of project success," *International Journal of Managing Projects in Business*, vol. 5, no. 4, pp. 757–775, 2012. <https://doi.org/10.1108/17538371211269040>
- [6] S. Razaq, N. Maqbool, and W. U. Hameed, "Factors effecting the elasticity of micro credit demand in southern Punjab, Pakistan," *Innovation Journal of Social Sciences and Economic Review*, vol. 1, no. 2, pp. 10–16, 2019.
- [7] A. Hallunovi and M. Berdo, "The relationship between risk management and profitability of commercial banks in Albania," *Asian Themes in Social Sciences Research*, vol. 1, no. 2, pp. 44–49, 2018. <https://doi.org/10.33094/journal.139.2018.12.44.49>
- [8] E. T. Penrose, *The theory of the growth of the firm*. Great Britain: Basil Blackwell & Mott Ltd, 1959.
- [9] D. Mazutis and C. Zintel, "The strategic benefits of corporate social responsibility," *Corporate Governance: The International Journal of Business in Society*, vol. 15, no. 2, pp. 129–142, 2015. <https://doi.org/10.1108/CG-02-2015-0027>
- [10] J. Barney, "Firm resources and sustained competitive advantage," *Journal of Management*, vol. 17, no. 1, pp. 99–120, 1991. <https://doi.org/10.1177/014920639101700108>
- [11] R. Siddhartha, *Hindu leadership Ashta Brata and Other Sri Rama Adviche*. Surabaya: Paramita, 2009.
- [12] M. Khalique *et al.*, "Relationship of intellectual capital with the organizational performance of pharmaceutical companies in Pakistan," *Australian Journal of Basic and Applied Sciences*, vol. 5, no. 12, pp. 1964–1969, 2011.
- [13] M. As'ad, W. J. Anggoro, and M. Virdanianty, "Exploratory study of the Javanese leadership model construct: Asta Brata," *Jurnal Psikologi*, vol. 38, no. 2, pp. 228–239, 2011. <https://doi.org/10.22146/jpsi.7655>

- [14] M. Hajian and S. J. Kashani, "Evolution of the concept of sustainability: From Brundtland report to sustainable development goals," *Sustainable Resource Management*, pp. 1–24, 2021. <https://doi.org/10.1016/B978-0-12-824342-8.00018-3>
- [15] J. Elkington, *Cannibals with forks: The triple bottom line for 21st century business*. Oxford: Capstone Publishing, 1998.