

The Effects of Covid-19 Pandemic Towards the Performance of *Lembaga Perkreditan Desa*

I Nengah Suarmanayasa^{1*} Komang Krisna Heryanda¹ Ni Made Suci¹ Komang Endrawan Sumadi Putra¹

¹ Department of Management, Universitas Pendidikan Ganesha, Singaraja, Indonesia

*Corresponding Author. E-mail: nengah.suarmanayasa@undiksha.ac.id

ABSTRACT

Lembaga Perkreditan Desa (LPD) is a finance institution based on tradition that exists in Bali. These institutions were established in order to accelerate the villages' development. Prior to the Covid-19 pandemic, they performed really well and were able to support the economy of the villagers. They also played a role in social and cultural preservation of Bali. This research aimed to analyze and understand the effect that caused by the Covid-19 pandemic towards the performance of LPD. This research was conducted through descriptive qualitative approach. The result of the research showed that Covid-19 pandemic had bad effects towards the performance of LPD. The research found the LPD's performance indicators which were the amount of the assets, savings, deposits, the fund loans and profits encountered deflation. The performance's deflation was mostly perceived at the central tourism areas such as Badung regency, Gianyar and Denpasar city. LPDs that were located in farming and planting area (not tourism), showed stable relative performance and almost did not encounter performance deflation.

Keywords: Covid-19 pandemic, LPD's performance, Village development.

1. INTRODUCTION

By the end of 2019, the people of the world were shocked by the Coronavirus disease 2019 (Covid-19). Covid-19 had become an international problem as well as in Indonesia. Covid-19 pandemic hit the economy, social, and politic in almost all countries, including Indonesia [1]. The World Trade Organization (WTO) predicted the world's trading volume would globally decrease by 32% in 2020. The social distancing as a solution of the Covid-19 pandemic had created a significant economy's damage nationally [2]. The sectors that suffered during the pandemic were transportation, tourism, trade, health and home business [3]. At the same time according to [4] the sector which were hit significantly were tourism and transportation.

The economy's hit caused by Covid-19 pandemic was also suffered by UMKM sector. Based on the data of the ministry of union. It was known that 1,785 unions and 163,713 UMKM owners were suffered from the pandemic. Most of the unions that were suffered were in daily needs sector, while the most suffering in UMKM sector was the food and beverage business. The Ministry

of Unions and UMKM also stated that the unions that in the field of service and production were also suffered during this pandemic. The managers faced the decrease of the selling, lack of capital, and difficulties in distributing. At the same time, the UMKM sectors that also suffered during this pandemic were creative industry and farming.

Bali province as a tourism area was also suffered from this pandemic. In June 2020, the arrival of international tourists were only 32 visits. The amount had decreased - 11.11 compared to May 2020 (m-to-m) which had 36 visits. If it was compared to June 2019 (y-on-y) which had 549,516 international tourists, therefore the amount of the visit in June 2020 had decreased -99.99% [5].

Covid-19 pandemic also influenced the poverty in Bali province. The number of poor people in March 2020 had increased around 8.3 thousand people from September 2019. The number of poor people were 165.19 thousand in March 2020, while in September 2019, it was 156.91 thousand people. Statistically, poor people in Bali were 3.78 percent in March 2020. It showed that there

was 0.17 percent increase if it compared to the condition in September 2019 (3.16 percent) [6].

Generally, the Bali's economy suffered from the Covid-19 pandemic. It was seen from the negative economy development's number. Bali economy on term II-2020 was recorded growing negatively (shrinking or contracting) -7.22 percent, if it compared to the result of term I-2020 (q-to-q). Yet, if it compared to the result of the same term from the previous year (y-on-y), the term II-2020 of Bali's economy recorded a farther negative growing, at -10.98 percent. If it accumulated with the growing of term I, therefore throughout semester I-2020, Bali's economy had recorded a negative growing (shrinking or contracting) - 6.13 percent (c-toc) [7].

Bali is one of provinces in Indonesia that always achieved an economy growing above the national's average. The pandemic had caused the decrease of the economy in Bali. The Balinese people whom lived either in cities or villages had suffered from the pandemic. The effect of the pandemic had also been suffered by the business entities that located in villages like Lembaga Perkreditan Desa (LPD). LPD is one of the local virtues of Bali that is managed by, from, and for the people. Peraturan Daerah (Province Regulation) about LPD stated that LPD is a finance business unit owned by villages that conducted their business activity in the area of the villages and for the villagers [8]. The role and function of LPD are based on the first mission of the establishment which were to support each other and cooperate for the villagers [9]. To this day, the role is very helpful for the sake of the villagers' financial [10].

Based on the explaining background, this research was conducted to understand the effect of Covid-19 pandemic towards the performance of LPD in Bali province. The analysis of the result was hoped to give some usages as a recommendation for managers and internal supervisors of LPD. It was also hoped that this could become an input in sustaining and improving the performance during unexpected conditions.

2. METHOD

The location of the research was in the area of Bali province. The data that were used were quantitative and qualitative. The quantitative data were the number of LPDs, savings, deposits, assets and loan funds. The data were collected using observation, interview, and documentation techniques. The interviews were conducted with related officials, such as the head of LPLPD of provinces and regencies, the head of BKS LPD of provinces and regencies, *bendesa adat* (the head of the village's tradition) and the head of Ekbang Bali Province sector.

This research aimed to understand the effect of Covid-19 pandemic towards the performance of LPD in Bali province. For that purpose, this research used a

descriptive qualitative approach. Descriptive research aims to analyze and present facts therefore it is easier to be understood and concluded. The steps within this approach were 1) collecting data, 2) data reduction, 3) presenting data, and 4) concluding.

3. RESULTS & DISCUSSION

Not only known as a place of a thousand temples and the world tourism destination, Bali also is known as a place of a thousand LPD. It was because by the end of 2020, the number of LPD had reached 1,463. The amount would keep increasing as the villages managed to keep establishing LPD. Nowadays, there were 1,493 traditional villages in Bali province, it meant there were only 3.82 percent of those villages that had not owned LPD yet.

Covid-19 pandemic affected almost all sectors, like health, education, human acts and the economy's suffering had become the peak of the affects. Bali as one of many places that relied on tourism was very suffering from the emergence of Covid-19. The statistic news release by BPS explained that Bali economy faced recession. It was a rare thing to happen as Bali was a region that always having an economy growth surpassing the national average. The other economy's indicators like unemployment rate and poverty were always in the big two of the national ranking. Covid-19 pandemic had changed the face of Bali.

The pandemic also affected the performance of LPD. It could be seen from the main activities of LPD that being disturbed. The main services of LPD were obtaining the saving in form of savings and deposits, also distributing loan funds. Those services would later implicate the profit of LPD. If those services were not optimal then the performance of LPD were also not. This research would reveal the effect of Covid-19 pandemic towards those main services of LPD, including the entry of savings and deposits, also the distribution of loan funds. Moreover, it would also reveal the implications of them towards the gaining of assets and profits of LPD in Bali.

3.1 The effect towards receiving funds

One of the main services of LPD was funding which was receiving funds in a form of savings and deposits. Savings or in the term of Perda LPD was called *dhana sepelan* were savings in a form of voluntary savings and other forms from *krama*. Deposits or *dhana sesepelan* were futures fund from *krama* [8]. Badung regency was one of the areas that suffered the most from Covid-19 pandemic. Badung, mainly in its southern region was dominated by tourist destinations that became the region and the people main income. Recently, there were 122 units of LPD in Badung regency.

LPDs that were having the biggest amount of savings and deposits were in LPDs that were located in South Badung like LPD Pecatu, LPD Kuta, LPD Kedonganan, and LPD Bualu. That condition was not unexpected as those areas had the main tourist destinations therefore the people experienced the benefits. The Covid-19 pandemic caused that condition changed. Those areas suffered the most. The closure of tourism led to the closure of the main income. It directly influenced the condition of the surrounding LPD. LPD Kuta was one of LPDs that had great performance and big assets in Bali. LPD Kuta had been suffered by Covid-19 pandemic. The customers who had savings or deposits were withdrawing. The savings and deposits withdrawals that were done in the same time influenced the liquidity level. It made LPD Kuta became highlight and they were issued to have rush. That was the most real effect and became a highlight in Bali province. That case made the number of savings and deposits sharply decreasing if it compared to the prior time before Covid-19.

One of the areas that located in North Badung was Petang district. Currently, there were 27 units LPD in Petang district. The LPD also suffered from Covid-19 pandemic. There effect was there was a decreasing of the savings. By the data of July 2020, the number of savings that successfully collected by all LPDs in Petang district was Rp 59 billion, while by July 2021, it decreased into Rp 57.3 billion. For deposits, it was the other way around. In 2020, the successfully collected deposits was Rp 38.9 billion, and by July 2021, it increased up to 20 percent to become Rp 40.9 billion. That condition happened because Petang was a region that was supported by farming and plantation.

3.2 The effect towards fund loans

Fund loans is a main service of finance organization like LPD. The definition of fund loans according to the banking law was a providing fund or claim that could be equated with that, based on lending agreements between banks and other parties that obliged the lending party to pay off their debts after some certain amount of time with interests. Fund loans or lending was the income source of LPD. The distribution of fund loans would produce income from interests for LPD. Each LPD would try to keep increasing the amount distributed fund loans. Eventually, the profit of LPD would level up.

Covid-19 pandemic also affected the distribution of fund loans service. The stagnating of the service was because a lot of people lost their jobs that later influenced the ability to pay off their debts to LPD. The LPD in Petang experienced that effect. By July 2020, the amount of distributed fund loans was Rp 86.5 billion. In July 2021, the amount of the distributed fund loans decreased 10 percent into Rp 85.9 billion.

3.3 The effects towards assets

Assets was one of indicators of LPD's performance. The increasing of the amount of assets would implicate on the increasing of performance in forms of profits and benefits level. If the assets' amount were decreasing so then the performance of LPD. The asset was also one of the indicators of the level of LPD's stability. Based on the report of LPLPD of Bali province, it was known that until the end of 2020, LPD Bali faced an asset decreasing up until 3 percent. That condition was very seldom to happen. Looking back to the previous years, the amount of assets of LPD Bali were always increasing. It made the assets of LPD were more than the assets of BPR in Bali. The performance of LPD that got better and better throughout the years also made the assets of LPD almost equalized the amount of Bank Pembangunan Daerah (BPD) Bali's assets. The decreasing of the assets caused by the pandemic.

If it only seen from the 3 percent decreasing, it indicated the effect of the pandemic was not really big towards the performance of LPD. The argument was based on the fact that a number of businesses in Bali had closed permanently (bankrupt). Recently, there were more and more hotels and restaurants being sold, many shops also had to close because they could not afford the operational expenses as the result of the regulation of PPKM and so on. The pandemic actually did not affect all the LPDs.

According to the data of LPLPD Bali, from 1,308 active LPDs, only 41.7 percent that encountered assets declining. The LPDs that faced the decline were located in main tourism areas. For instance, the LPDs that were located in Badung regency, Gianyar, and Denpasar city. In July 2021, the data showed that there were 122 LPDs in Badung. The pandemic caused the assets declining up to 4.1 percent. The assets in July 2021 was Rp 6.9 trillion and in July 2020, it was Rp 7.3 trillion. The assets of LPD in Gianyar regency also encountered declining. In 2020, the total assets of 257 LPDs in Gianyar was 5.3 trillion, whereas in July 2021, it was Rp 5.1 trillion.

In the other hand, the other LPDs faced assets increasing up to 58.3 percent. The increase of the assets occurred in LPDs that were located in village farming and plantation area (not tourism) like Klungkung, Bangli, Buleleng, Jembrana, Karangasem, and Tabanan. That statistic showed that not all LPDs were affected by the pandemic.

LPD was a finance institution owned by traditional villages that served the financial needs of the surrounding people. Since the economy crisis in 1998, LPD was one of the business entities that was not affected directly. At that time, the assets of LPD did not decline, but increased. The data showed that since the period of 1995 until 2001, the increasing of the assets of LPD was more than 500 percent. The assets growth at that time was very different

than other businesses because it was when the monetary and economy crisis happening. It proved that LPD as a tradition-based finance institution had resistance and stamina to survive as well as to give real contributions for Balinese people [11].

3.4 The effect towards profits

Incomes or profits of finance institutions like LPD came from interests (spread based) and other profits. Spread based was the difference between savings interests with loans interests that was charged to the borrowers (debtors). While the other profits (fee-based income) came from other services like phone payment, electricity, water, taxes, and so on. Those were extra incomes.

Karangasem was a region located in the eastern part of Bali Island. It did not make tourism as the priority sector. The Covid-19 pandemic also affected that area specifically LPD. Until 2021, the number of LPD in Karangasem regency were 199 units. However, not all were operating, there were 19 LPDs did not normally operate due to internal problems. In July 2020, LPDs in Karangasem regency were able to generate incomes up to Rp 34 billion, that number was decreasing if it compared to the previous year.

4. CONCLUSION

Covid-19 pandemic affected the economy of all countries including Indonesia and Bali. Bali was a world tourists' destination. The halt of the tourism activities created bad influences on the performance of LPD. Mainly, the LPDs that were located in tourism areas such as Badung regency, Gianyar, and Denpasar city. The bad influence could be overseen from the decline of the amount of savings, deposits, assets, and incomes. The LPDs that were located in farming and plantation basis areas (not tourism) had stable relative performances. It proved that LPD was a business entity that had full supports from the surrounding people.

REFERENCES

- [1] A. K. Pakpahan, "Covid-19 Dan Implikasi Bagi Usaha Mikro, Kecil, Dan Menengah (Covid-19 and its Implication on Micro, Small, and Middle Businesses).," *J. Ilm. Hub. Internasional*, pp. 59–64, 2020.
- [2] W. Hardiwardoyo, "Kerugian Ekonomi Nasional Akibat Pandemi Covid-19 (The Disadvantage of National Economy Caused by Covid-19 Pandemic).," *Baskara J. Bus. Entrep.*, vol. 2, no. 2, pp. 83–92, 2020.
- [3] D. Sugiri, "Menyelamatkan Usaha Mikro, Kecil dan Menengah dari Dampak Pandemi Covid-19 (Saving the Micro, Small, and Middle Businesses from the Effect of Covid-19 Pandemic).," *Fokus Bisnis Media Pengkaj. Manaj. dan Akunt.*, vol. 19, no. 1, pp. 76–86, 2020.
- [4] S. Hanoatubun, "Dampak Covid-19 terhadap Prekonomian Indonesia (The Effects of Covid-19 towards Indonesian Economy).," *EduPsyCouns J. Educ. Psychol. Couns.*, vol. 2, no. 1, pp. 146–153, 2020.
- [5] Badan Pusat Statistik, "Berita Resmi Statistik tentang Perkembangan Pariwisata Provinsi Bali Juni 2020 (An Official Statistic News about the Development of Tourism in Bali Province June 2020)," Bali, 2020.
- [6] Badan Pusat Statistik, "Berita Resmi Statistik tentang Profil Kemiskinan di Bali Maret 2020 (An Official Statistic News about the Profile of Poverty in Bali March 2020)," Bali, 2020.
- [7] Badan Pusat Statistik, "Berita Resmi Statistik tentang Pertumbuhan Ekonomi Bali Semester I-2020 (An Official Statistic News about the Growth of Bali Economy Semester I-2020)," Bali, 2020.
- [8] Pemerintah Provinsi Bali, *Peraturan Daerah Nomor 3 tahun 2017 tentang Lembaga Perkreditan Desa (The Regional Rules Number 3, 2017 about Lembaga Perkreditan Desa)*. Indonesia, 2017.
- [9] N. N. Murniasih, "Peranan Lembaga Perkreditan Desa Dalam Meningkatkan Perekonomian Masyarakat Bali (The Roles of Lembaga Perkreditan Desa in Improving the Balinese Economy).," *Soc. Stud.*, vol. 4, no. 2, pp. 30–40, 2016.
- [10] I. N. Suarmanayasa and N. M. P. Pendit, "Peran Lembaga Perkreditan Desa Dalam Penanggulangan Kemiskinan Di Provinsi Bali (The Role of Lembaga Perkreditan Desa in Solving the Poverty in Bali Province).," in *Seminar Nasional Riset Inovatif*, 2016.
- [11] Suartana, *Arsitektur Pengelolaan Risiko Pada LPD (Risk Managing Architecture on LPD)*. Denpasar: Udayana University Press, 2009.