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The Significance of Cultural Capital in Enhancing the Efficiency and Long-Term Viability of Village Credit Institutions in Bali

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Abstract: The objective of this study was to examine the impact of cultural capital on financial performance, marketing performance, and financial sustainability. Additionally, it investigated the influence of financial performance and marketing performance on financial sustainability. The study focused on Village Credit Institutions in Bali, specifically those categorised as healthy or fairly healthy, totalling 1,145 units. Using the Slovin formula, a sample size of 100 units was determined. Stratified proportional random sampling, based on the number of units in each district/city in Bali, was employed to collect the sample. The analysis technique used was the Smart-PLS. The findings indicated that cultural capital had a favourable impact on financial performance, marketing performance, and financial sustainability. Moreover, both financial performance and marketing performance positively influenced financial sustainability. Additionally, financial performance mediated the influence of cultural capital on financial sustainability. The scientific novelty of this study lies in its comprehensive analysis of the interplay between cultural capital and various performance metrics within Village Credit Institutions, an area that has been underexplored in existing literature. The practical significance is evident in its implications for policymakers and managers within these institutions, suggesting that the enhancement of the cultural capital can lead to improved financial and marketing outcomes, ultimately supporting long-term financial sustainability. This study provided valuable insights for strategic planning and resource allocation in similar financial institutions globally. The findings underscored the critical role of cultural capital in driving institutional performance and sustainability. This combination of theoretical exploration and methodological rigor enhanced the scholarly contribution of the study, offering insights that can inform both academic research and practical strategies for sustainable development in microfinance institutions.

Keywords: Cultural capital, financial performance, marketing performance, financial sustainability.

Introduction

The complexity of culture significantly influences various facets of socio-economic structures, particularly in regions where traditional values and community dynamics play a pivotal role. In Bali, Village Credit Institutions (Lembaga Perkreditan Desa, or LPDs) serve as a critical component of the local financial ecosystem, fostering economic development and enhancing financial inclusivity. These institutions not only provide essential banking services to rural populations but also help sustaining the unique cultural heritage of the Balinese communities. The concept of cultural capital, encompassing the values, beliefs, norms, and social practices intrinsic to a community, emerges as a vital determinant in shaping the efficacy and resilience of these institutions (Dana et al., 2021). The intersection of cultural capital and financial performance in LPDs presents a compelling area of inquiry. Cultural capital impacts trust, social cohesion, and the collective identity of the community, thereby influencing the operational efficiency and sustainability of financial institutions. By leveraging cultural capital, LPDs can harness the collective strength of the community, fostering a supportive environment that promotes financial discipline, enhances repayment rates, and ultimately leads to improved financial outcomes (Fareed et al., 2016).

Village Credit Institution is a local wisdom-based microfinance institution in Bali until 2022, LPDs in Bali have disbursed loans of Rp15,758,678,139, – third party funds that have been collected amounting to Rp 19,041,115,717, consisting of savings of Rp 8,546,266,47,159, and deposits of Rp 10,494,849,238. Total credit customers were 383,883, deposit customers 177,270, and savings customers 2,064,078. The presence of Village Credit Institutions in Bali throughout the COVID-19 pandemic in 2020–2021 demonstrates the continued faith of the community in their existence. However, LPDs face strong competition from financial institutions that are active in Bali, such as Savings and Loan Cooperatives and Rural Banks. (BPR), and commercial banks channelling People's Business Credit to rural areas. Increased competition can reduce the bank stability from the capital perspective (Yudiaatmaja, 2022).

The competition faced makes Village Credit Institutions in Bali do various ways in order to ensure their long-term financial viability, organisations must take measures to maintain their financial sustainability (Dana et al., 2021). The financial sustainability refers to the capacity to create value for owners and ensure the long-term survival of operations by effectively utilising a balanced mix of investment and financing sources (Zabolotnyy & Wasilewski, 2019). Financial Sustainability Banking institutions are still an exciting and quite vital issue to be examined more deeply in order to assess the extent of efficiency in supporting their financial sustainability and predict early the possibility of phenomena that might occur, such as during the Covid-19 pandemic that has passed (Schönborn et al., 2019). Financial sustainability is an essential thing that the Village Credit Institution must achieve as a Microfinance Institution with local wisdom to maintain its business continuity (Srisathan et al., 2020).

Village Credit Institutions must have a competitive advantage, which can be obtained by managing resources appropriately according to the Resource View Theory (Barney, 1991). One of the intangible resources is culture (Gross-Gołacka et al., 2020). Bourdieu (2000) defines cultural capital as the collective knowledge, etiquette, and principles that have the power to unite and propel a social group. The distinctiveness of Village Credit Institutions in Bali is in its utilization of cultural capital, particularly evident in its governance structure. This structure incorporates customary regulations, including norms, social sanctions, and the active participation of Bendesa Adat, beginning with the identification of potential credit consumers (Hariyono & Narsa, 2024).

The relationship between culture capital proposed by Bourdieu (2000), the institutionalised culture of the Village Credit Institution, lies in the position of Bendesa Adat (customary leader) as symbolic capital, which is placed in a strategic position as chairman of the supervisory board (Jardon & Martínez-Cobas, 2019). The symbolic capital serves to maintain the vision, mission, and objectives of the establishment of the Village Credit Institution, as well as the collective culture that will colour the organisational culture in the organisation's life (Kamaluddin et al., 2016). The organisational culture of the Village Credit Institution, which is influenced by collective culture in this study, is used as part of the cultural capital owned by indigenous peoples in Bali (Mantra et al., 2023).

The culture capital can maintain its existence and remain trusted by the community even during the COVID-19 pandemic from 2020 to 2021 (Bilan et al., 2020). This research rose the partial sustainability of Village Credit Institutions in Bali about their capital culture. The cultural capital, part of structural capital, significantly affects financial sustainability (Farah, 2020). The cultural capital, an indicator of structural capital, can help develop company organisational activities effectively and efficiently to facilitate the growth of small businesses in Nairobi, Kenya (Sheikh & Wepukhulu, 2019). Capital culture as an intangible resource owned by the organisation can provide a positive uniqueness for the organisation (Klimczuk, 2020), which can positively influence the company's financial performance as a measure of the efficiency and effectiveness of the company's activities Xu and Li, (2019) and Xu et al. (2019). Increased financial performance can further maintain the company's financial sustainability (Marwa & Aziakpono, 2015; Naz et al., 2019; Weber, 2017). The culture capital, which consists of collective culture and organisational culture, is an intangible resource according to the Resource View Theory (Das & Teng, 2000), It is expected to give a competitive advantage in improving productivity and sustaining a healthy future. Bendesa Adat as the chairman of the Supervisory Board.on the prospective credit recipients that is one of the advantage of Village Credit Institutions those to use of the traditional norms, sanctions, its resources,pressure group, etc. This advantage ultimately helps maintaining the financial sustainability of these institutions. The cultural capital of Village Credit Institutions in Bali is characterised by its management governance, which incorporates customary regulations such as norms, social sanctions, and the involvement of Bendesa Adat. This includes the selection process of prospective credit customers. The aim is to enhance the institution's ability to compete and increase its capacity to distribute credit, thereby maintaining a stable level of productivity. Chang and Hsieh (2011) found that culture positively affects marketing performance. Culture can strengthen marketing strategy (Song et al., 2018), and the corporate culture of Islamic banking that accommodates Islamic teachings affects marketing performance (Fathoni & Rudoni, 2018). Furthermore, Sheikh and Wepukhulu (2019) reveal customer satisfaction resulting from the marketing process can increase financial sustainability. Marketing performance can improve the financial sustainability of Microfinance Institutions (Badrinath & Venkatesh, 2018). Through a comprehensive analysis, this research will delve into the mechanisms by which cultural capital influences financial behavior, the challenges faced by LPDs in aligning traditional values with modern financial practices, and the strategies that can be employed to harmonize these aspects. Ultimately, this study will underscore the importance of cultural capital as a key asset in the sustainable development of rural financial institutions, contributing to the broader discourse on the integration of cultural and economic paradigms in the pursuit of sustainable development.

Problem Statement

While previous studies have established the significant role of cultural capital in maintaining financial sustainability (Farah, 2020; Klimczuk, 2020; Sheikh & Wepukhulu, 2019), there is limited research on how cultural capital, specifically within the context of Village Credit Institutions (LPDs) in Bali, affects their financial sustainability. This research gap exists because most studies have focused on different geographical areas or types of organisations. The literature has discussed the importance of cultural capital in organisational activities (Sheikh & Wepukhulu, 2019) and marketing performance (Chang & Hsieh, 2011; Song et al., 2018; Fathoni & Rudoni, 2018). However, there is a gap in research on the challenges faced by LPDs in aligning traditional values and norms with modern financial practices. This gap is crucial for understanding how traditional norms and modern financial practices can be harmonised to benefit financial institutions. While the existing studies have pointed out that cultural capital influences financial performance and sustainability (Marwa & Aziakpono, 2015; Naz et al., 2019; Weber, 2017; Xu & Li, 2019; Xu et al., 2019), the specific mechanisms through which cultural capital affects financial behavior in LPDs have not been comprehensively analyzed. This gap involves understanding the specific pathways and processes through which cultural capital impacts financial performance and sustainability. The unique governance structure of LPDs in Bali, which incorporates customary regulations such as norms and social sanctions (Bendesa Adat), has not been extensively studied in terms of its impact on financial sustainability. This represented a gap in the literature regarding how traditional governance structures influence modern financial operations and sustainability.

Given the identified research gaps, the research problem can be formulated as follows:

How does cultural capital influence the financial sustainability of Village Credit Institutions (LPDs) in Bali, particularly in the context of integrating traditional norms and modern financial practices, and what mechanisms and strategies can be employed to harmonize these aspects to enhance the institutions' competitive advantage and productivity?

Objectives:

1. To analyse the role of cultural capital in maintaining the financial sustainability of LPDs in Bali.

2. To examine the impact of cultural capital during crisis periods, such as the COVID-19 pandemic, on LPDs' sustainability.

3. To explore the challenges and strategies in aligning traditional values and norms with modern financial practices within LPDs.

4. To investigate the specific mechanisms through which cultural capital influences financial behaviour and performance in LPDs.

5. To assess the role of governance and customary regulations in the financial sustainability of LPDs.

Significance:

This study fell the existing research gaps by providing a comprehensive analysis of the influence of cultural capital on the financial sustainability of LPDs in Bali. It offered valuable insights into how traditional norms and modern financial practices can be integrated to enhance the performance and sustainability of rural financial institutions. Furthermore, the study will contribute to the broader discourse on the integration of cultural and economic paradigms in the pursuit of sustainable development, providing practical implications for policymakers and financial institution managers.

Research Aim and Research Questions

This research aimed to explore the role of cultural capital in enhancing the performance and financial sustainability of Village Credit Institutions in Bali. It examined how cultural values and social practices contributed to the success and stability of LPDs, and how these institutions could strategically integrate cultural elements to bolster their financial health. By understanding the symbiotic relationship between culture and finance, this study sought to provide actionable insights for policymakers, financial managers, and community leaders to optimise the operations of LPDs and ensure their long-term viability.

Based on these objectives, the problem formulations in this research were:

How does the cultural capital affect financial sustainability and financial performance?

How does financial performance and marketing performance affect financial sustainability?

How does the culture capital affect marketing performance?

Literature Review

Wernerfelt (1984) first suggested the resource-based view theory (RBV), and gradually the theory has become recognised widely in the strategic management literature. It states that all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc., are claimed as resources that one way or another are under the control of firm (thereby) the Resource-Based View (RBV) focuses on the firm resources. These resources enable the firm to comprehend and execute strategies aimed at enhancing the firm's efficiency and effectiveness. RBV theory posits that companies possessing assets that are both valuable and rare have a competitive edge. According to Barney et al. (2001), companies that can achieve higher returns and have assets that are difficult to copy would consistently perform better financially (Grant, 1996). The Resource View Theory posits that a company's competitive advantage is contingent upon the utilisation of both tangible and intangible resources (Das & Teng, 2000) in order to ensure its financial stability.

Sustainability refers to the company's capacity to consistently and progressively enhance its revenue (Adams et al., 2012). Sustainability assesses an organisation's capacity to effectively accomplish its objective and cater to the needs of stakeholders in the long run. Adopting a strategy of strong sustainability will enable organisations to attain profitability that is higher than the norm and enhance the wealth of their shareholders (Adams et al., 2012). Financial sustainability refers to the capacity to create value for owners and ensure the long-term survival of operations by utilising an optimal blend of investment and financing resources (Zabolotnyy & Wasilewski, 2019). Memon et al. (2022) assert that the sustainability of financial institutions may be assessed by two factors: operating self-sufficiency (OSS) and financial self-sufficiency (FSS). Operational self-sufficiency (OSS) is a measure of the proportion of operating income derived from operations and financial expenses, such as loan loss provisions. A OSS ratio of 100 per cent indicates that the financial institution can fully cover its expenses through its operations and does not rely on donor contributions or subsidies. Simultaneously, Full Service Support (FSS) refers to the capacity to encompass all expenses, so demonstrating the institution's capability to function without any form of financial assistance. Financial sustainability in banks refers to the bank's capacity to assess and balance all expenses, including financial costs, interest payments on loans, and operational expenditures such as personnel salaries and equipment, against the revenue generated from its activities (Putra et al., 2021).

The cultural capital refers to an intangible and distinctive asset that is crucial for maintaining a company's competitive edge and long-term viability (Yusliza et al., 2020). Cultural capital refers to the amalgamation of intangible resources and activities that enable an organisation to convert a set of material, financial, and human resources into a series of systems with the aim of generating value for stakeholders (Agyabeng-Mensah & Tang, 2021; Alvino et al., 2021; Nirino et al., 2022). This combination promotes the establishment of a managerial framework to identify the strategic resources that the organisation might employ to attain long-term competitive advantage. Ultimately, the cultural assets possessed by the company can contribute to its distinctiveness and enhance its reputation in a good manner (Klimczuk, 2020). The presence of cultural capital can manifest in the organizational structure established inside a company. The organisational structure is a methodical system of governance comprising many tasks and is a contributing factor to employee performance (Amri et al., 2023). This implies that the formation of the organizational structure is not restricted to a traditional framework, but rather takes into account the cultural aspects that exist within the organisational setting.

The cultural capital of Village Credit Institutions in Bali is a unique and intangible asset, which is demonstrated by its governance methods that include customary regulations, including norms, social sanctions, and the involvement of Bendesa Adat as the head of the Supervisory Board. The possession of this cultural capital is very advantageous in improving the financial viability of the institution, as highlighted in this study. Research suggests that the presence of cultural capital, which is a form of structural capital, has a significant and positive effect on financial sustainability (Farah, 2020). The cultural capital, as a form of structural capital, can improve the efficacy and efficiency of corporate organizational activities, hence fostering the growth of small firms in Nairobi, Kenya (Sheikh & Wepukhulu, 2019). The hypotheses established in this study are based on the facts presented in this description.

H1: The culture capital has a positive effect on Financial sustainability

The culture_capital is a unique and intangible resource institutionalised in Village Credit Institutions in Bali, placing the position of Bendesa Adat as symbolic capital serves to maintain the vision, mission, and purpose of the establishment of Village Credit Institutions, as well as a collective culture that will colour the organisational culture in the organisational life of the Village Credit Institutions can improve Financial performance (Hac et al., 2021; Hutahayan, 2020; Ullah et al., 2022). Financial performance is a measure of a company's success in carrying out operations and is the primary goal of business activity. Financial performance is the result of all management decisions made continuously. Financial performance refers to the systematic evaluation of a company's efficiency and effectiveness in carrying out its continuous activities throughout a specific time period (Brigham & Daves, 2019). Financial success can be assessed by using financial measures, such as Return on Assets (Brigham & Daves, 2019). Cultural capital is an intangible and unique resource that is embedded in the Village Credit Institution. It is manifested through the position of Bendesa Adat, which serves as symbolic capital. This symbolic capital plays a crucial role in upholding the vision, mission, and objectives of the Village Credit Institution. Additionally, it contributes to the collective culture that shapes the organisational culture within the institution. This, in turn, has the potential to enhance the financial performance of the institution, serving as a measure of its efficiency and effectiveness (Ali et al., 2022a; Vena et al., 2020; Wang & Juo, 2021). According to the research conducted by Xu and Li (2019) and Xu et al. (2019), culture, which is a sort of structural capital, has the ability to impact the financial performance of a company. The structural capital of a firm, known as culture, has a favourable impact on the company's financial performance, as indicated by Sheikh and Wepukhulu (2019).

Prior research has demonstrated that improved financial performance has a favourable impact on the financial sustainability of financial institutions (Marwa & Aziakpono, 2015; Weber, 2017). Therefore, increasing financial performance can ultimately enhance the company's financial sustainability. In addition, Naz et al. (2019) conducted a study on the financial sustainability of Microfinance Institutions in Pakistan. The study revealed that there is a positive correlation between financial performance and financial sustainability. According to the study conducted by Putra et al. (2021), there is a favourable correlation between the performance of financial strategies and the financial sustainability of Village Credit Banks in Bali, Indonesia. The hypotheses established in this study are derived from the information provided in this description.

H2: The culture capital has a positive effect on Financial performance

H3: Financial performance positively affects Financial sustainability

Marketing performance is an effort to measure the level of performance of strategies implemented with sales volume, sales growth and the level of company profits. Marketing performance can be measured through sales volume and growth (Darden & Bagozzi, 1981). The sales growth is a metric used to assess the market performance of a product. Sales increase contributes to the expansion of market share (Ahmad et al., 2023; Liu et al., 2021; Phan et al., 2020). The sales growth is a measure commonly used by academics to assess market success. The criteria for evaluating marketing performance from a financial perspective are sales, sales/revenue growth, cash flow, and return on investment (Chang et al., 2012). Culture, which is structural capital, positively influences marketing performance in information technology companies in Taiwan (Chang & Hsieh, 2011). Culture positively affects sales growth as a measure of marketing performance (Song et al., 2018).

Marketing performance is a strategic approach aimed at boosting sales volume, sales growth, and corporate profits, with the ultimate goal of enhancing financial sustainability. Sheikh and Wepukhulu (2019) examined how the efficiency of intellectual capital affects the financial sustainability of Savings and Credit Cooperative Societies (SACCOs) in Nairobi, Kenya. Their research showed that customer happiness, when used as a criterion to assess marketing success, has a beneficial impact on financial sustainability. In addition, they forged a durable correlation between client capital and financial viability. The study conducted by Badrinath and Venkatesh (2018) discovered that the financial sustainability of microfinance institutions in Pakistan can be enhanced through improved marketing performance. The hypotheses established in this study are derived from the information provided in this description.

H4: The culture capital has a positive effect on Marketing Performance

H5: Marketing performance has a positive effect on Financial sustainability.

Materials and Methods

Sample and Participants

The population of this study consisted of the village credit institutions (LPDs) in Bali, totaling 1,145 units, which were classified as healthy or relatively healthy. The sample size was determined using the Slovin formula, resulting in a sample size of 92 LPDs. This study used a sample of 100 units. According to Sekaran and Bougie (2016), samples larger than 30 and less than 500 were adequate for research purposes. In general, a sample size of 100 is considered adequate. The number of research samples in each district/city was taken by proportional random sampling.

Instruments and Procedures

The data for this study was collected using a questionnaire prepared with a semantic differential approach, ranging from 1 to 5, relating to statements about research variables. The study examined financial sustainability (FS) by assessing two variables: operating self-sufficiency (OSS) and financial self-sufficiency (FSS) (Putra et al., 2021).

The culture Capital (C) was a latent variable consisting of collective and organisational culture (Mantra et al., 2023). Collective culture focuses on the needs and goals of the community group as a whole over the individual, with indicators such as pride when Indigenous villagers benefit from the organisation (C11), use of knowledge and information available in the organisation (C12), importance of the welfare of Indigenous villagers (C13), and willingness to spend time for the benefit of Indigenous villages (C14). Organisational culture refered to a set of enduring principles or standards widely adopted by organization members, evidenced by the comprehension of the organisation's vision, mission, and goals by both management and personnel (C21), understanding of functions and duties (C22), and a high commitment to typical organisational practices (C23).

Marketing performance (MP) is measured by the growth in the volume of loans disbursed (Putra et al., 2021). Financial performance (FP) is evaluated by the ability to earn income from business operations and measures management effectiveness (Mantra et al., 2023).

Data Analysis

Data was analysed using Partial Least Square (PLS) analysis with the Smart PLS Program. This method is suitable for the study's complex model and small sample size. It allowed for the assessment of the relationships between latent variables and their indicators, providing a comprehensive analysis of the collected data.

Results

Before the analysis was carried out with the Smart-PLS, The questionnaire was initially assessed for its validity and reliability as a measuring instrument. The purpose of the validity test was to ascertain the appropriateness of the instrument employed for measuring the object under consideration. The purpose of the reliability test was to assess the consistency of the measuring instrument when used to measure the same object, in order to establish its dependability. Prior to data collection, the instrument underwent testing to assess its validity and reliability. The test results indicated that the instrument met the requirements as it demonstrated validity (r> 0.30) and reliability (Cronbach alpha value> 0.60). Moreover, the accuracy and consistency of the model in evaluating the measurement model (outer model) and structural model (inner model) are as stated below.

Table 1

The Result of Average Variance Extracted (AVE)

Variable	*AVE*	Akar *AVE*
Culture capital (C)	0,779	0,883
Financial performance (FP)	1,000	1,000
Marketing performance (MP)	1,000	1,000
Financial sustainability (FS)	0,997	0,998

The measuring model test evaluates the reflective model by assessing its reliability and validity. The analysis using Smart-PLS (Table 1) reveals that the average variance extracted (AVE) value of the Culture capital (C), Financial Performance (FP), Marketing Performance (MP), and Financial Sustainability (FS) variables is greater than 0.50, indicating their statistical significance. The study conducted by Hair et al. (2020) found that an AVE value more than 0.50 (> 0.50) indicates sufficient convergent validity. If the AVE value is more than 0.50, it indicates that the model has satisfied the conditions for convergent validity.

Table 2

Outer Loading Indicator

	Collective _Culture	Organization Culture
C11	0,913	
C12	0,827	
C13	0,904	
C14	0,893	
C21		0,907

C22	0,854
C23	0,878

The convergent Validity is assessed by examining the outer loading coefficient of the latent variable Culture capital, which encompasses indications of Collective culture and Organisation culture. According to the data in Table 2, all Culture capital indicators have an outer loading value more than 0.7. Therefore, all indicators are included in the research model, and the model meets the convergent conditions.

Table 3

Composite Reliability & Cronbach's Alpha

	Composite Reliability	Cronbach's Alpha
Culture capital	0,906	0,953
Financial performance	0,856	1,000
Marketing performance	0,927	1,000
Financial sustainability	0,799	0,996

Table 3 displays the composite dependability value for each variable. The composite reliability rating is commonly read in conjunction with the Cronbach Alpha value. If the composite reliability value exceeds 0.70, the model can be deemed to have satisfied the composite reliability requirements. The study results in Table 3 indicate that the composite reliability value falls within the range of 0.894 - 0.962, therefore satisfying the composite reliability criteria for the model. The results of the validity and reliability testing indicate that all criteria have met the eligibility requirements, confirming that the model is valid and reliable for interpretation.

Figure 1

Output SEM-PLS

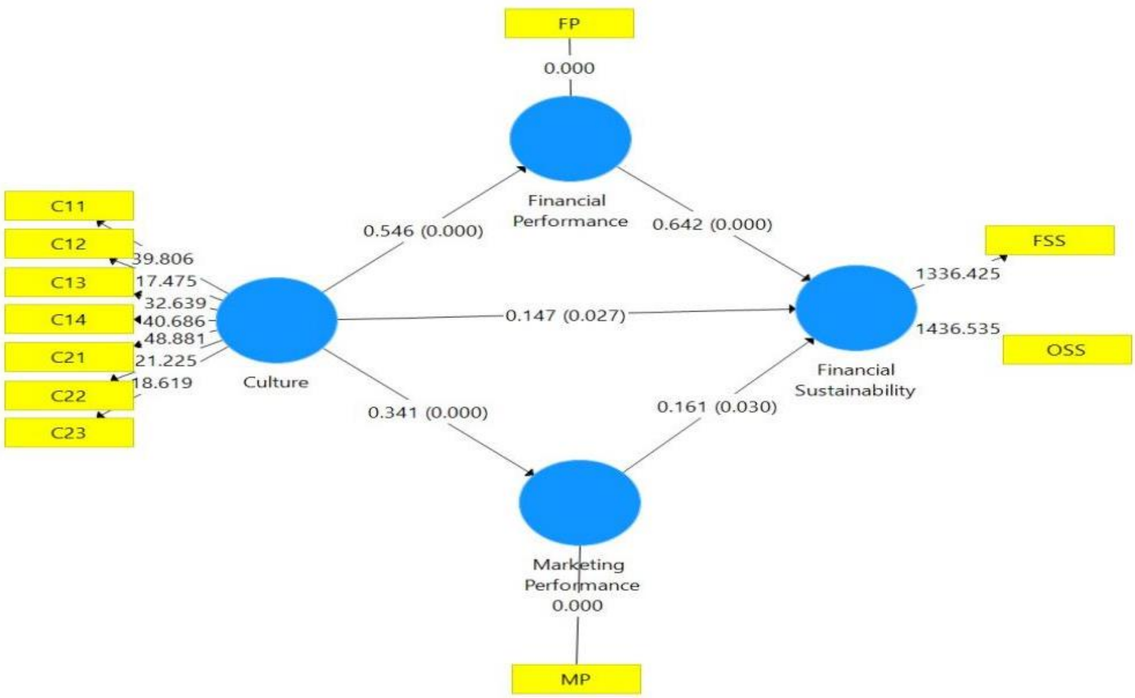

Table 4

Statistical Test Results of Direct Relationship Between Variables

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Culture capital -> Financial sustainability	0,147	0,144	0,067	2,211	0,027
Culture capital -> Financial _performance	0,546	0,547	0,076	7,199	0,000
Financial _performance -> Financial sustainability	0,642	0,642	0,092	6,948	0,000
Culture capital -> Marketing_ performance	0,341	0,343	0,089	3,841	0,000
Marketing_ performance -> Financial sustainability	0,161	0,170	0,074	2,179	0,030

Table 5

Statistical Test Results of Indirect Relationships Between Variables

	Specific Indirect Effects	P Value
Culture-capital-> Marketing_ performance -> Financial_sustainability	0,055	0,081
Culture_capital -> Financial _performance -> Financial_sustainability	0,350	0,000

Discussion

The Impact of Cultural Capital on Financial Sustainability

This study provided strong evidence that cultural capital had a favourable impact on the financial viability of Village Credit Institutions (LPDs) in Bali. The research employed the Smart PLS analysis and discovered a route coefficient of 0.147 along with a P-Value of 0.027. The statistical findings validated that cultural capital, which included both collective culture and organisational culture, greatly improved the financial sustainability of LPDs. Cultural capital functions as a distinctive and intangible resource for these institutions. LPDs exhibit cultural capital through their governance structures, which are firmly established in customary laws. These restrictions encompass specified standards, societal penalties, and the participation of Bendesa Adat (traditional village leaders) in overseeing positions. Cultural foundations guarantee strict supervision, particularly in crucial procedures like the evaluation of potential loan clients. The careful and precise management, guided by cultural standards, enhances the overall financial stability and long-term viability of LPDs. The results of this study are consistent with the Resource-Based View (RBV) Theory, which suggests that an organization's competitive advantage comes from its tangible and intangible resources (Das & Teng, 2000). The cultural capital, a non-physical resource, plays a crucial role in preserving the competitive advantage and long-term viability of LPDs. The emphasis on RBV theory highlights the significance of utilising distinctive cultural features to promote organisational resilience and achieve long-term success. Moreover, the finding supports previous research that emphasises the crucial influence of cultural capital on financial stability. Farah (2020) established that cultural capital, which is a part of structural capital, has a significant and favourable impact on financial sustainability. Sheikh and Wepukhulu (2019) shown that cultural capital improves the efficiency and efficacy of organizational activities, hence promoting the growth of small enterprises in Nairobi, Kenya. Essentially, cultural capital in the LPDs of Bali enhances governance processes and fosters trust and community cohesion (Cillo et al., 2022; Jyoti & Khanna, 2021; Yong et al., 2023). By aligning with the culture, these financial institutions are able to achieve greater compliance with financial standards and increase the desire of community people to support and engage with them. Consequently, the LPDs can attain long-term financial stability, which strengthens the overall idea that incorporating cultural aspects into organisational structures is crucial for long-lasting success and sustainability.

The Influence of Culture Capital on Financial Performance

Financial performance refers to the systematic evaluation conducted by a corporation to assess the productivity and efficacy of its ongoing operations within a designated time frame. The study discovered that the cultural capital had a notable and beneficial impact on the financial performance of Village Credit Institutions (LPDs) in Bali. The Smart PLS analysis revealed that the path coefficient was 0.546 and the P-Value is 0.000. This indicates that cultural capital, encompassing both collective culture and organisational culture, has a significant positive impact on the financial performance of these institutions. Cultural capital is a distinct and intangible asset in the LPDs. It is ingrained in multiple facets of the organisation's governance and operations. The significance of Bendesa Adat, the traditional village leaders, as symbolic capital is paramount (Alghababsheh & Gallear, 2021; Malik et al., 2020; Salvioni & Almici, 2020). These leaders maintain and promote the vision, mission, and objectives of the LPDs, fostering a shared culture that influences the overall company culture. The cultural framework promotes a united environment that improves the efficiency and efficacy of the LPDs' activities, leading to better financial performance. The results of this study are consistent with the Resource-Based View (RBV) Theory put forth by Das and Teng (2000). RBV theory posits that an organisation's competitive advantage stems from its tangible and intangible resources. Cultural capital, being an intangible asset, plays a crucial role in preserving the competitive advantage and long-term viability of LPDs. This study emphasises the significance of utilising cultural aspects to strengthen organisational resilience and financial well-being. Furthermore, the study corroborates the findings of prior research conducted by Xu and Li (2019) and Xu et al. (2019), which demonstrated that culture, as a type of structural capital, has a favorable impact on financial performance. Sheikh and Wepukhulu (2019) showed that cultural capital improves firm performance, as indicated by financial indicators. These findings emphasise the crucial importance of cultural capital in promoting financial success and long-term viability.

To summarise, cultural capital in the LPDs of Bali not only enhances governance processes but also fosters trust and community cohesiveness. The cultural congruence fosters greater adherence to financial regulations and increases the community members' inclination to support and engage with these financial institutions. Consequently, the LPDs can attain long-term financial stability, so strengthening the overall argument that incorporating cultural aspects into organisational structures is crucial for long-lasting success and sustainability (Cherian et al., 2021; Chowdhury & Quaddus, 2021; Pantouvakis & Vlachos, 2020).

The Impact of Financial Performance on the Long-Term Viability of an Organization's Finances

Financial performance is the result of the collective management decisions made consistently over a period of time. The study discovered that the financial performance of Village Credit Institutions (LPDs) in Bali had a notable and favourable impact on their financial sustainability. The Smart PLS analysis revealed that the path coefficient was 0.642 and the P-Value is 0.000. This suggests that the financial success of LPDs, as assessed by Return on Assets (ROA), is essential for preserving their financial sustainability. The financial performance of a company, which reflects its operational efficiency and effectiveness, has a direct impact on its long-term financial sustainability. The conclusions of this study align with earlier research, emphasising the significance of robust financial performance in guaranteeing financial sustainability. Marwa and Aziakpono (2015) conducted a study on savings and loan cooperatives in Tanzania and discovered that there is a positive relationship between financial performance and financial sustainability. In a similar vein, Weber (2017) examined the banking sector in China and established that there is a positive correlation between financial performance and sustainability performance. In addition to these findings, Naz et al. (2019) did a study on the financial sustainability of Microfinance Institutions in Pakistan. The research revealed that strong financial performance has a beneficial impact on financial sustainability. In their study, Putra et al. (2021) examined Village Credit Banks in Bali, Indonesia, and discovered that financial performance plays a crucial role in ensuring financial sustainability. Enhancing the financial sustainability of LPDs can be achieved by improving financial performance through efficient management and smart decision-making. The significance of monitoring and optimising financial indicators, such as Return on Assets (ROA), in order to guarantee the long-term sustainability of these organizations is emphasized by this relationship. By consistently making well-informed and efficient management choices, Local Public Departments (LPDs) in Bali can attain and sustain financial stability, guaranteeing their ability to serve the community in the long run.

The Impact of Cultural Capital on Marketing Performance

The findings of this study indicated that the cultural capital had a considerable positive impact on the marketing performance of Village Credit Institutions (LPDs) in Bali. The study using Smart PLS showed that the path coefficient was 0.341, with a P-Value of 0.000. This indicated that cultural capital, which included both collective culture and organisational culture, had a positive influence on marketing success. The expansion of loan volume funneled by LPDs clearly demonstrated this favourable effect. The cultural capital refers to the collective set of values, beliefs, norms, and practices that exist inside both a business and the community it serves. Within the realm of LPDs, collective culture encompasses the shared ideals and social unity that are fundamental to Balinese society, whereas organisational culture specifically relates to the internal procedures and standards of the LPDs. These cultural aspects work together to create a supportive environment that boosts the effectiveness of marketing efforts, resulting in higher credit volume and greater marketing success. This study's findings support the Resource-Based View (RBV) Theory put forth by Das and Teng (2000). RBV theory posits that an organization's competitive advantage stems from its tangible and intangible resources. Cultural capital, being an intangible asset, has a vital function in preserving and strengthening the competitive edge of LPDs, therefore enhancing their marketing performance. By utilising cultural capital, local public departments (LPDs) can establish more robust relationships with their community, foster trust, and efficiently market their financial products and services (Ali et al., 2022b). The outcomes of this study align with prior research that has shown the favourable influence of culture on marketing performance. In their study, Chang and Hsieh (2011) discovered a considerable correlation between organizational culture and marketing success. This implies that having a solid cultural framework can greatly improve marketing endeavors. Furthermore, Song et al. (2018) emphasized that culture can enhance marketing strategy, resulting in improved market outcomes. Fathoni and Rudoni (2018) demonstrated that the incorporation of Islamic principles into the corporate culture of Islamic banking has a favorable impact on marketing performance. The presence of cultural capital within LPDs in Bali not only enhances internal organisational processes, but also corresponds with the wider community's values and conventions. This alignment optimizes the efficacy of marketing tactics, resulting in higher credit quantities and enhanced marketing success. The incorporation of cultural capital into marketing endeavors highlights the significance of intangible assets in attaining and maintaining a competitive edge.

The Impact of Marketing Performance on Financial Sustainability

Marketing performance is a measure of how well an organisation's marketing operations meet its market goals, such as increasing revenue, expanding the market, and gaining a larger market share. The findings of this study indicated that the marketing performance of Village Credit Institutions (LPDs) in

Bali had a notable and beneficial impact on their financial viability. The SEM-PLS analysis revealed a path coefficient of 0.161, indicating a significant relationship between enhanced marketing performance and financial sustainability. The P-value of 0.030 further supports this finding. Within the realm of LPDs, marketing performance is expressed through the expansion of loans disbursed. Efficient marketing methods aid in the attraction of a larger customer base for LPDs, resulting in a rise in the number of loans approved. The increase in loan disbursement leads to greater revenue and improved financial well-being, hence strengthening the financial sustainability of the institutions. Financial sustainability is essential for LPDs as it guarantees their long-term existence and capacity to sustain delivering financial services to the community. The study highlighted the crucial role of LPDs in effectively implementing their marketing strategies as a determining factor for their overall success as microfinance institutions rooted in local knowledge (Martínez-Ferrero et al., 2021). These institutions utilise their extensive knowledge of local cultures and community requirements to develop marketing strategies that effectively connect with their intended audience. In order to ensure their long-term viability in a competitive environment, LPDs must efficiently engage with and cater to their target market, hence maintaining a steady and efficient lending process. The results of this study are consistent with the research conducted by Mansoor et al. (2021). According to Sheikh and Wepukhulu (2019), successful marketing initiatives can greatly enhance financial sustainability by increasing consumer happiness. Contented clients are more inclined to maintain their loyalty, promptly repay their debts, and recommend others to the institution, all of which help to the financial stability and expansion. In a similar vein, Badrinath and Venkatesh (2018) showed that enhanced marketing performance directly contributes to enhanced financial sustainability for microfinance institutions in Pakistan. Their research emphasised that successful marketing efforts not only draw in a larger consumer base, but also enhance the financial performance of these organizations by boosting their income and assuring a consistent flow of funds. The significance of strategic marketing initiatives in LPDs in Bali lies in the favorable influence they have on financial sustainability. By efficiently marketing their services and expanding their customer base, LPDs can optimise their revenue streams and secure their long-term financial stability. The relationship emphasises the crucial importance of marketing in the overall achievement and long-term viability of microfinance institutions, particularly those operating in culturally diverse and community-oriented settings.

The Impact of Cultural Capital on Financial Sustainability is Seen in Both Marketing and Financial Performance

The study also discovered that the influence of cultural capital on financial sustainability through financial performance was not significant. This conclusion is based on the Smart-PLS analysis, which yielded a Specific Indirect Effects value of 0.055 and a P Value of 0.081. The impact of cultural capital on financial sustainability, namely through financial performance, was substantial. This was evident from the Specific Indirect Effects value of 0.350 and a P Value of 0.000. This implied that cultural capital not only directly impacted financial sustainability, but also that financial performance could mediate the influence of cultural capital on financial sustainability. This discovery demonstrated that the financial performance had the ability to act as a mediator in the connection between cultural capital and financial sustainability, whereas marketing performance did not possess this capability. The relationship between financial success and cultural capital on financial sustainability was somewhat mediated. The limited mediation effect observed in marketing performance emphasised that although marketing efforts were crucial for growth and customer acquisition, they did not have a significant impact on financial sustainability when viewed as a mediator (Bag & Gupta, 2020; Dalwai & Salehi, 2021; Secundo et al., 2020). This discovery implied that the direct channels via which cultural capital improved financial performance were more crucial for the long-term viability of LPDs. For policymakers and managers in LPDs, this suggests that they should emphasise initiatives that improve financial performance when trying to utilise cultural capital. Enhancing financial management procedures and optimising financial indicators can efficiently direct the advantages of cultural capital towards achieving financial stability.

Although marketing continues to be significant, its function as an indirect means to achieve financial stability may require reassessment. In order to enhance the long-term sustainability of the institution, it is crucial to align marketing tactics with larger financial performance objectives.

Limitations of the Study and Their Impact on Generalizability

Limitations

This study focused solely on Village Credit Institutions (LPDs) in Bali. The unique cultural and social dynamics of Bali, including the strong influence of traditional norms and the role of Bendesa Adat, may not be representative of other regions in Indonesia or elsewhere. Although the sample size of 100 units was adequate according to Sekaran and Bougie (2016), it represented a small fraction of the total number of LPDs in Bali. This relatively small sample size might limit the robustness and precision of the findings, particularly when trying to generalise the results to the entire population of LPDs in Bali or other similar institutions. The study used a cross-sectional design, collecting data at a single point in time. This approach did not account for changes over time and might miss longitudinal trends and causality in the relationships between cultural capital, financial performance, marketing performance, and financial sustainability. The cultural capital was measured through a questionnaire using a semantic differential approach. While this method captured perceptions and attitudes, it might not fully encompass all dimensions of cultural capital, such as deeper cultural practices or unobservable aspects that could influence financial performance and sustainability. The study relied on self-reported data from LPD managers and employees, which might be subject to biases, such as social desirability bias or recall bias. This could affect the accuracy and reliability of the data, potentially skewing the results. The study did not account for external factors such as economic conditions, regulatory changes, or competitive pressures that could impact the financial sustainability and performance of LPDs. These factors could confound the observed relationships between cultural capital and financial outcomes.

Impact on Generalisability

The findings are highly specific to the cultural and social context of Bali. Generalising these results to other regions or countries with different cultural settings may be inappropriate. Other regions may not have the same traditional structures or cultural norms, affecting the applicability of the results. The relatively small sample size and its limitation to LPDs in Bali may not provide a comprehensive view of all such institutions. Consequently, the findings may not be fully representative of all LPDs, limiting the generalisability to other microfinance institutions or financial entities with different organizational structures. The cross-sectional nature of the study means that it captures only a snapshot in time. Longitudinal studies are essential to ascertain the temporal dynamics through which cultural capital influences financial sustainability across varying economic cycles. This limits the ability to generalize findings to different time periods. The subjective and potentially incomplete measurement of cultural capital might not fully capture its multifaceted impact. Therefore, the results related to the impact of cultural capital on financial and marketing performance should be interpreted with caution when generalising to other contexts. Biases in self-reported data could affect the generalizability of the findings. Other studies using more objective measures or triangulating data from multiple sources might arrive at different conclusions, affecting the generalisability of these results to broader populations or different types of organizations. By not accounting for external factors, the study may overestimate the impact of cultural capital on financial sustainability. In different contexts where external economic or regulatory conditions play a more significant role, the generalisability of these findings could be limited.

Conclusions

The culture capital includes culture capital, which consists of collective culture and organisational culture. The collective culture is a relationship that emphasises the needs and goals of the community over the needs and desires of each individual in the organisation. Organisational culture is a set of values or norms that have been relatively long in force, shared by organisation members as a norm of behaviour in solving problems. Culture capital is a culture of local wisdom that plays an increasingly important role in the foundation of business in Bali. How organisations harness hereditary culture as a unique resource in creating value is an issue that is still open for debate. Barney (1991) revealed the Resource View (RBV) Theory, which is the internal ability of the company as an essential factor in managing the unique resources owned by the company so that the company can gain a competitive advantage so that it can ultimately maintain its sustainability, which in this study is Financial Sustainability. This study informed that culture capital, which includes cultural capital consisting of collective culture, has an essential impact on improving marketing and financial performance, which can improve financial sustainability. Marketing and financial performance have a substantial impact on improving financial sustainability. Financial performance can intervene in the relationship between Culture capital on Financial Sustainability. This research provided a vital role in managing culture as a unique resource that can help organisations improve marketing performance and financial performance in improving financial sustainability. In addition, organisations must develop a more thorough understanding of the hereditary culture to be better managed and increase capacity and competitiveness. This research is limited in scope as it focused solely on Village Credit Institutions functioning as Microfinance Institutions guided by local wisdom. Future studies should investigate how cultural capital contributes to enhancing marketing performance, financial performance, and financial sustainability in informally interacting financial institutions.

Suggestions for Future Research

To perform comparative research in various regions or increase the sample size beyond Village Credit Institutions in Bali in order to determine if the results remain consistent in different settings or with a bigger and more heterogeneous sample. To examine the impact of cultural capital on the financial and marketing performance of various financial institutions, such as commercial banks and microfinance organisations, in order to determine if these effects differ based on organisational structures and scales. To analyse the policy ramifications of the findings and explore practical ways to enhance the effectiveness and sustainability of Village Credit Institutions and related organisations.

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Conflict of Interest

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