


THE CONSTRUCTION OF A MANAGEMENT CONTROL SYSTEM IN TRADITIONAL FINANCIAL INSTITUTION

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 15 May 2023</p> <p>Accepted 11 August 2023</p>	<p>Purpose: The Management Control System (MCS) has a crisis of meaning nowadays. Moreover, banking institutions with the highest risk level with liquid assets require a more comprehensive MCS. This research aims to develop an MCS concept that can be applied in traditional financial institutions as a more humane control system.</p>
<p>Keywords:</p> <p>Management Accounting; Management Control System; Postmodernism.</p>	<p>Theoretical framework: This study provides a critique of the legitimacy theory related to MCS. An institution exists to gain legitimacy, but with a flawed control system, organizations practice creative accounting to gain a trust.</p> <p>Design/Methodology/Approach: This is qualitative research with a case study in one of the traditional banking institutions in Bali called Village Credit Institutions (LPD). The research paradigm uses postmodernism by adopting Lyotard's views using the binary opposition synergy methodology.</p>
	<p>Findings: The study results found that the construction of MCS was more suitable for use in the traditional banking sector. Organizations must pay attention to a sense of family, open management, and communication to create a sustainable organization. Have a good harmonious relationship with God, humans, and the environment.</p> <p>Research, practical & social implications: The practical implication that can be contributed to this research is implementing a culture-based control system in traditional financial institutions. A control system formed from people's habits can create absolute goal congruence.</p> <p>Originality/Value: This research produces a form of construction of a new model in MCS that has never existed before to create harmony with humans, the environment, and God.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i8.2129</p>

A CONSTRUÇÃO DE UM SISTEMA DE CONTROLE DE GESTÃO EM INSTITUIÇÕES FINANCEIRAS TRADICIONAIS

RESUMO

Objetivo: O Sistema de Controle de Gestão (MCS) tem uma crise de significado nos dias de hoje. Além disso, as instituições bancárias com o nível de risco mais elevado em termos de ativos líquidos necessitam de SCC mais abrangentes. Esta pesquisa tem como objetivo desenvolver um conceito de MCS que possa ser aplicado em instituições financeiras tradicionais como um sistema de controle mais humano.

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Estrutura teórica: Este estudo fornece uma crítica da teoria da legitimidade relacionada à SMC. Uma instituição existe para ganhar legitimidade, mas com um sistema de controle falho, as organizações praticam contabilidade criativa para ganhar uma confiança.

Design/Methodologia/Abordagem: Esta é uma pesquisa qualitativa com um estudo de caso em uma das instituições bancárias tradicionais em Bali chamada Village Credit Institutions (LPD). O paradigma da pesquisa usa o pós-modernismo, adotando as opiniões de Lyotard usando a metodologia de sinergia de oposição binária.

Constatações: Os resultados do estudo revelaram que a construção de MCS era mais adequada para utilização no setor bancário tradicional. As organizações devem prestar atenção a um sentido de família, gestão aberta e comunicação para criar uma organização sustentável. Tenha um bom relacionamento harmonioso com Deus, com os seres humanos e com o meio ambiente.

Investigação, implicações práticas e sociais: A implicação prática que pode ser contribuída para esta investigação é a implementação de um sistema de controle baseado na cultura em instituições financeiras tradicionais. Um sistema de controle formado pelos hábitos das pessoas pode criar uma congruência absoluta de objetivos.

Originalidade/Valor: Esta pesquisa produz uma forma de construção de um novo modelo em MCS que nunca existiu antes para criar harmonia com os seres humanos, o ambiente e Deus.

Palavras-chave: Contabilidade de Gestão, Sistema de Controle de Gestão, Pós-modernismo

LA CONSTRUCCIÓN DE UN SISTEMA DE CONTROL DE GESTIÓN EN LA INSTITUCIÓN FINANCIERA TRADICIONAL

RESUMEN

Finalidad: El Sistema de Control de Gestión (SCM) tiene una crisis de sentido en la actualidad. Es más, las instituciones bancarias con el nivel de riesgo más alto con activos líquidos requieren un MCS más integral. Esta investigación tiene como objetivo desarrollar un concepto de MCS que pueda ser aplicado en instituciones financieras tradicionales como un sistema de control más humano.

Marco teórico: Este estudio ofrece una crítica a la teoría de la legitimidad relacionada con la SQM. Una institución existe para ganar legitimidad, pero con un sistema de control defectuoso, las organizaciones practican una contabilidad creativa para ganar una confianza.

Diseño/Methodología/Enfoque: Se trata de una investigación cualitativa con un estudio de caso en una de las instituciones bancarias tradicionales de Bali llamada Village Credit Institutions (LPD). El paradigma de investigación utiliza el posmodernismo mediante la adopción de las opiniones de Lyotard utilizando la metodología de la sinergia de oposición binaria.

Hallazgos: Los resultados del estudio encontraron que la construcción de MCS era más adecuada para su uso en el sector bancario tradicional. Las organizaciones deben prestar atención a un sentido de familia, gestión abierta y comunicación para crear una organización sostenible. Tener una buena relación armoniosa con Dios, los seres humanos y el medio ambiente.

Investigación, implicaciones prácticas y sociales: La implicación práctica que se puede aportar a esta investigación es la implementación de un sistema de control basado en la cultura en las instituciones financieras tradicionales. Un sistema de control formado a partir de los hábitos de las personas puede crear una congruencia absoluta de objetivos.

Originalidad/Valor: Esta investigación produce una forma de construcción de un nuevo modelo en MCS que nunca ha existido antes para crear armonía con los seres humanos, el medio ambiente y Dios.

Palabras clave: Contabilidad de Gestión, Sistema de Control de Gestión, Posmodernismo.

INTRODUCTION

The existence of new tools and techniques developed allow accounting and management control to integrate with activities at the management level and business strategy (Barros & Ferreira, 2019). The MCS concept is very closely related to the question of how to effectively treatment for employees and managers who are human resources to minimize deviations from

aspects of behavior and performance results (Sujoko Efferin, 2019). Even though MCS exists in an organization, there are facts revealed in cases in Indonesia, from 1,700 informants, 60% of corruption cases are caused by human factors and not the system (Sujoko Efferin & Soeherman, 2002). The outcomes of the global financial crisis, which started in 2007, highlight the shortcomings of internal control systems (Malahim, 2023). Departing from the fact that there's a debate over the MCS function as a supervisory function or empowerment function in a company's competitive advantage. It is a topic that continues to be discussed academically through literature reviews and empirical evidence (Langfield, 2007, Tessier & Otley, 2012). Research conducted by Yimam (2016) at banking institutions in Ethiopia states that managing risk and returns in the banking industry is very difficult. The control mechanism under the full authority of top-level managers creates the potential for controlling fraudulent practices. Follow-up research was carried out on several commercial banks in the same country, whereas some banks in Ethiopia were until recently drunk from the traditional government management system. Banks' organizational structure that uses pyramid-shaped MCS has a detrimental impact on business development (Haileleul, 2021).

Commercial banks in Sweden state that there is still a lack of understanding and awareness of the positive aspects of integrating control systems Borgström (2021). This is due to the design of MCS being futile without integrating important things such as risk management. The crisis in banking institutions led to the importance of paying attention to the use of more interactive management controls in research conducted on comparing the two banking sectors in Iceland and Denmark (Rikhardsson *et al.*, 2021). The world is becoming a global village, seen from several things: the increase in financial instruments, the financial industry that continues to emerge, and market competition that is getting stronger. Thus, this evolution becomes challenging for the banking sector to control and minimize risks. It is important to pay more attention to MCS in the banking sector. The other research from Ullah and Ahmad (2019), which focuses on the banking sector in Pakistan, emerges that the world financial crisis results from bad and inadequate MCS which increases risks for the financial industry. As a result, the country's internal problems impacted the world through globalization in this decade. The importance of a management control system in the banking sector for macro stability was highlighted due to the global financial crisis (Hayali *et al.*, 2012). The banking world needs an information system and a logical structure provided by an established MCS. The large "supply" of banking services with the expansion of the market economy causes competitive pressures among commercial banks. Of course, the market expansion will also result in a higher level of

risk and requires suitable MCS to be implemented in a banking organization (Zéman *et al.*, 2013).

MCS is considered a barrier and detrimental to innovation. Traditionally, control is seen as a constraint on freedom, creativity, experimentation, and flexibility (Davila *et al.*, 2009) (Christner & Strömsten, 2015). Poor organizational communication made it harder for the senior management team to agree (Prayudi *et al.*, 2023). Instead of motivating managers and encouraging them to contribute to achieving company goals, MCS can also lead to unethical behavior, namely the creation of budgetary slack and data manipulation, both of which are unethical behaviors mostly found in organizations (Langevin, 2013). Excerpts from research conducted (Sugianto & Soeherman, 2019), Merchant and Stede (1998) say that not all MCS suit all companies. For this reason, an MCS is needed that is by the contents of the business entity or organization so that it is more effective in achieving its goals. Research (Sugianto & Soeherman, 2019) examining MCS in microfinance institutions in Indonesia, namely cooperatives, reveals problems due to MCS that don't work well that often occur in cooperatives, including compensation that is not commensurate, no opportunity to grow, no opportunity career development and feel trapped due to lack of support from the business entity itself which is called the employee problem. Several cases in Indonesia reflected a control system not implemented properly by Bapepam and Financial Institutions (Sawitri Ningrum *et al.*, 2017).

One way to enhance Indonesia's economic growth and reduce income disparity is through balanced and high-quality financial sector intermediation (Agustina *et al.*, 2023). From developments regarding MCS and several previous literature reviews, MCS is emphasized in countries with advanced economies in the West, namely England, the United States, Italy, Finland and Sweden and Japan for Eastern countries (Gooneratne & Hoque, 2013). The problem of business literature, especially MCS, is also dominated by theories and philosophies from developed countries, where these theories and philosophies are built based on the surrounding environmental context (Efferin & Soeherman, 2002). It is still a question of how MCS is implemented in developing countries and whether management control practices are different between developed and developing countries. It is not certain that what works well in developed countries will be valid in developing countries like Indonesia.

This research is a case study that focuses on one of the traditional financial institutions in Indonesia, namely the Village Credit Institution (LPD) with indications of conventional MCS being unable to accommodate all community aspirations based on local customary beliefs.

Hindu teachings believe that humans begin their lives as managers of social conditions within themselves. The process of managing life includes how the guidance process is obtained, carried out, and finally applied in society. According to the *Veda*, this guidance is a process of stages of an idea or goal whose boundaries have been regulated in Hindu Philosophy (Putra, 2017). More specifically, Hidayat (2020) states that *Dharma* is the main basic element of the LPD in carrying out its business activities. The business activities carried out by the LPD must always be based on *Dharma*, namely goodness. *Dharma* or virtue that has been done in carrying out its business activities, will get abundant blessings from God Almighty.

Furthermore, the relationship between MCS, research sites and theory. First, the LPD, which is an empowerment institution (Ramantha *et al.*, 2018; Ardyani & Suarmanayasa, 2021; Kurniasari, 2022) has a function that is in line with the MCS, one of its functions is also an empowerment tool (Hasyim *et al.*, 2021; Efferin, 2021). MCS in LPD includes performance-based budgeting, performance appraisal systems and Standard Operating Procedures (SOP) (Astariyani, 2016). Second, MCS is related to the institutional theory, which states that to survive, an organization must convince the public or society that the organization is a legitimate entity and deserves to be supported (Ramadhan & Arza, 2021). Third, modern MCS is built from the assumption that humans are rational, like agency theory. Agency theory considers that humans act based on personal interests, are opportunistic, risk-averse, reasonable, and always want maximum results with minimum effort. Such practices encourage the emergence of creative accounting (Soeherman, 2017). LPDs are managed separately from villagers/village residents, thus allowing agency conflicts to occur (Giriama *et al.*, 2015). This theory sometimes raises a problem caused by actors who have different interests.

At the level of practical contribution, researchers hoped that this research could provide a way that the LPD is a noble organization for the welfare of members and the environment of the Traditional Village. Not only giving freedom to some parties but also all related parties. Meanwhile, in terms of theoretical contributions, this paper is expected to create a new theory, namely the Dharma-based Management Control System (SPM) concept, and become a source of material for developing an accounting curriculum. To achieve the expected contribution, this research wants to dig deeper into the aspect of *Dharma* that can be adopted in MCS at LPD therefore, the researcher raises a research question how is the construction of *Dharma*-based MCS? Construction is expected to be able to form MCS that is more humane and can be applied to traditional financial institutions.

LITERATURE REVIEW

Binary Legitimacy and Opposition

An institution was born to gain legitimacy in the eyes of society. Management Control Systems in an institution as a basis for gaining legitimacy related to institutional theory, which in recent years the institutional theory has had a major impact on research in various fields in the social sciences, including economics, sociology, political science, organizational theory, public administration, as well as accounting (Scapens & Varoutsas, 2010). The thinking that underlies this theory is the idea that to survive. An organization must convince the public or society that the organization is legitimate and deserves support (Ridha & Basuki, 2012). The Institutional Theory put forward by Scott (2012) explains that this theory defines actions and decision-making in public organizations.

Various things can be seen from several perspectives to answer an existing reality. Each word will only be meaningful because other words have the opposite meaning (Dwifatma, 2018). In simple terms, binary opposition can be interpreted as a system that seeks to divide the world into two structurally related classifications. Furthermore, binary opposition is a concept regarding patterns of human recognition of symbols and the meaning of words. This concept explains that something that always has an opponent will form its true value and meaning (Ruisah, 2018). In the binary system, there are only two signs or words that have meaning when each is in opposition to the other. The non-existence of the other determines their existence. However, binary opposition is a product of culture, meaning this situation is a social construction (Susilastri, 2019). Triyuwono (2023), in a study of accounting philosophy, mentions a philosophy of pairs which means awareness and a profound way of thinking that the law of pairs makes the universe sustainable, and growing.

Lyotard's View of the Grand Narratives

Lyotard's view explains that the development of information technology at the end of the 20th century had a major impact on knowledge, education and has led society into postmodern conditions (Umanailo, 2018). In his work, *The postmodern condition: A report on knowledge*, Lyotard has the view that as modern society is moving towards the post-industrial and postmodern era, society changes knowledge and culture depending on the level of technological development of the country, such transformations greatly affect science (Henry, 2013). Kamayanti (2016) states that according to Lyotard, knowledge eventually becomes grand narratives or meta-narratives.

Scientific knowledge cannot represent the whole of knowledge. There is always a habit to deal with competition and conflict, which Lyotard simplifies as "narrative" (Lyotard *et al.*, 1984). Lyotard's view rejects the domination of large narratives on small subjects. This is because positive science dominates, and cannot be separated from language games in its delivery (Sylvia, 2014). Lyotard's thinking supports the existence of binary oppositional synergy. For him, nothing is the core, nothing is a limit. Of course, this is a follow-up of a radical structuralist view. Thus, the organization should only sometimes aim to avoid small things but strive to improve.

Management Control Systems as the Big Narrative

The evolution of MCS in the West began in 1965 when Robert Anthony from Harvard University published his book "Planning and Control Systems: a Framework for Analysis". This marked the beginning of using management control systems in Western organizations (Murhaban & Adnan, 2020). MCS according to Anthony is widely used in management accounting. However, many criticisms have been received. This is because MCS in Anthony's frame of mind places too much emphasis on the use of financial and accounting methods as a means to assist management control.

The same definition of MCS was also conveyed by Simons (1987), who said that MCS is a formal procedure and system that uses the information to achieve or change various patterns in organizational activity. Simon created the MCS concept within the Lever of Control (LoC) framework proposed by Simons (1987; 1990; 1994a), a form of dynamic capability that can be utilized to realize competitive advantage. Definitively LoC is an MCS concept oriented towards using management accounting information (Simons, 1994; Simons, 2000). In simple terms, the design and use of MCS depend on the organisation's context. Still, the application of contingency theory in MCS primarily uses a static reductionist approach, thereby limiting organizational understanding of the dynamic nature and control within different organizations (Martin, 2020).

Dharma as Insignificant Narrative

The goal of life is how to uphold the *Dharma*. Every action must be based on the truth. There is no *Dharma* higher than the truth. The Bhagavad-gita states that *Dharma* and truth are the breath of life. Krishna in his discourse with Arjuna, said that where there is *Dharma*, there

is virtue and purity, and where obligations and truth are obeyed there is victory (Khotimah, 2013). *Dharma* practice means re-acquainting and obeying this law (Sivananda, 1993).

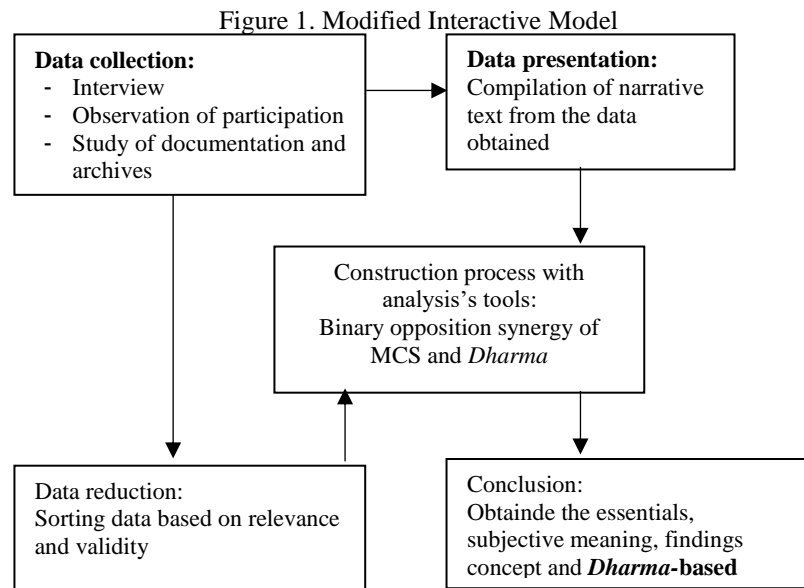
Dharma, virtue or obligation forms the basis of human action (Sudarsana, 2019). Thinking good, saying good, and doing good are the implementation of *Dharma* in living this life. So, the *Dharma* plays a role well according to its role in life. The word *Dharma* comes from Sanskrit, which may be in Indonesian the closest equivalent is virtue or obligation (Suadnyana, 2019). However, if the power of *Dharma* is defeated by *Adharma*, the world and its contents will experience an imbalance, leading to physical and mental suffering (Sudarsana, 2019).

Virtue is a fundamental reality in this life. Actions determine the outcome. Therefore, one should fix one's mind on the *Dharma*. Throw away narrow thoughts and broaden your horizons (Yupardi, 2004). *Dharma* is interpreted as worship in a broader form in this study. Namely all human actions that refer to things that God Almighty rules. Especially human activities related to the obligation to work and comply with company rules. Humans, as the highest creatures created by God, should have realized the *Dharma* to seek fortune. When life has been intended for worship or devotion to God, a fortune in the form of *Artha* (material) and *Kama* (physical and mental well-being) will surely follow (Darmayasa & Aneswari, 2019). If someone has extensive knowledge, then whatever challenges this life obstacle will be able to pass correctly. With expertise, a person will avoid *Awidya* and clearly distinguish between good and bad actions (Santiawan, 2021). Under these conditions, a person can always cultivate and practice the *Dharma*. As the sentence by the world genius figure Albert Einstein "Science without religion is blind, religion without science is lame."

MATERIAL AND METHODOLOGY

Triyuwono's view (2013) states that research has a worldview. The existence of a point of view makes the research run in line with what the researcher believes. This study uses a qualitative research methodology. First, the researcher will assess a point of view that objectively empirically criticizes the "social upheaval" that occurred with the existing MSS. Then, the binary opposition synergy method is used to synergize MCS and the concept of *Dharma*, identical to the postmodernism view. The existence of an element of reality recognized in the anti-mainstream view explains that the methodology used to construct science can be designed freely. Even postmodernists argue that in the construction of science, postmodernism does not have formal methods and procedural rules that must be confirmed.

There is only the anti-rule, or anything goes (Rosenau, 1992). Figure 1 below is an interactive model that is modified to form an MCS construct



Source: Miles and Huberman, (1992:20) & Prepared by Author (2023).

In qualitative research, the researcher is the key instrument. A researcher must provide theory and insight related to the social context under study. This insight is in the form of values, culture, beliefs, laws, and customs that occur and develop in a particular social context. Based on theory and insight, researchers can ask, analyze, and construct objects scientifically (Purwanti *et al.*, 2015). This study uses interactive data analysis techniques proposed by Miles and Huberman (1992: p.20) with several modifications to produce an MCS construction work.

Interview techniques are needed to collect information from this data source. The primary purpose of interviews is to present present-day constructs in the context of persons, events, activities, organizations, feelings, motivations, and involvement. Informant data on this research can be seen in Table 1

Table 1. Codification of Informants

No	Code of informant	Position	Educational Background
1.	Mr. A	Supervisor of LPD	- Head of LPD Desa Adat Mengwi - Head division of credit LPD <i>Desa Adat Mengwi</i>
2.	Mr. S	Head of Division	- Supervisor of the LPLPD <i>Desa Adat Mengwi</i> - Observer of the LPD in Bali
3.	Mr. C	Controller of LPD	- Was a Head of the Bureau for the Economy and Development, Was a Head of the Community Empowerment and Village Administration Agency and was a Head of the Bali Provincial Bappeda.

Source: Prepared by Author (2023).

RESULTS AND DISCUSSION

LPD as an Objective Reality in the Growth of Traditional Villages

The cause of LPD's success also comes from a community-based management pattern based on family values and cooperation within Balinese customs and cultural framework. The community in *Pakraman Village* is the owner and manager of the LPD, who carries out their duties and functions in a bond of commitment to achieve shared prosperity and progress. The values embodied in the principle of living in *nyama braya* have become the Balinese people's hereditary social capital, which is still well preserved to this day. The code of living in *nyama braya* is the concept of "university", which is understood consciously by how a person views other people as his siblings and no longer as someone else. Understanding social capital that grows and develops is considered a form of inter-individual dialogue strong enough for traditional village communities. That is also considered one of the standard values of civilization and a unifying rope for villagers. LPD and villagers in the form of *nyama braya* in the Mengwi Traditional Village environment, understand and view a person as no longer another person, manifested in the following expression:

At LPD Mengwi, we use a family approach for our customers, so many current LPD Mengwi customers feel that our service is good, so they are optimal for using LPD services. For example, we use a familial approach if there is a credit problem.

The following statement reveals that Mr. A, as the head of the LPD committed an act that paid attention to village manners not only as a customer of the LPD, but also as part of the LPD who is entitled to good treatment. This statement is also supported by a statement from Mr. S the head of the LPD credit section, as follows:

So far, the settlement of our problem loans is amicable. In this case, credit cannot be outside the village. Yes, it must be in the town, different from other banks. We at the LPD have a system of kinship first.

They are not only concerned for the village community, which is an external part of the LPD, but the LPD also applies the habit of *menyama braya* as a form of *Dharma* to its members. This can be seen from the following statement from Mr. S:

Every time there is a meeting for maintenance, we still have to embrace the employees. With this system, we also get customer trust.

Employees are also involved when the LPD holds regular meetings to keep LPD activities going. This has led to increased public trust in LPDs that LPDs are jointly owned,

with shared responsibilities. In the kindness theory by Thomason (2022), there is a statement that kindness must be considered. This is closely related to the role of a leader as someone who cares for or cares for his subordinates. This kindness places the needs of others above one's own. It is the same with the LPD, which pays attention to the prosperity of its leaders and its members as an essential part of the LPD. With *Dharma* implemented in daily life within the scope of traditional villages, it can realize and preserve Balinese culture, which is called *menyama braya*.

In addition to proper welfare for the livelihood of manners as LPD employees, the LPD management also provides attention and fairness in the form of openness, which is implemented satisfactorily in making LPD work plans and work reports. Not only management participates, but employees also contribute to the welfare of the LPD. It can be seen from what Mr. C's talk as follows:

So, there's already an organizational structure. We have only a few employees, which is just 20 people. There's a credit section that we called our 'kitchen'. Everyone can give their opinion for this organization

The two-way communication between managers and employees to prepare programs at the LPD allows employees to express their aspirations. Not only focusing on the wishes of the LPD, but also the ability of employees to carry out the assigned mission. The vision and mission of the LPD as an institution must align with the villager's vision and mission individually. Furthermore, it is explained from Mr. A's quote as follows:

We mix them into each section. When we get the numbers, we bring them together in the forum later, the community will agree or not

In preparing the program, not only LPD management was involved but also members and even the community through pesantren. So this clearly states that decision-making is not only determined by the LPD management, but the finalization of the work plan and budget decisions from the LPD is through forum. The program preparation always involves employees determining the next work plan. If the targets set by the leadership are likely impossible and cannot be achieved by employees, a middle way will be given along with clear reasons. With this openness, the work plan made by the LPD can run as expected. Even with jobs that are not overloaded, LPD members work sincerely. The quote also implies that the LPD get more relevant results than they want by working without any burden. Even though a

pandemic hit it, the LPD can stand up straight and can always be permitted to support its members.

Sense of Family

Talking about a company with many individuals can not be separated from the problems encountered. A religion-based MCS seeks to resolve issues within the organization in a family way to find a middle ground that can be pursued. Rural communities are more concerned with social non-economic institutions, such as family relations, religion, and patronage, based on ethical norms (Diab, 2021). Family principles are always used to guarantee loan repayments and strengthen community bonds and prosperity resulting from empowerment (Adhariani, 2022). The credit problems in the LPD are more complex, involving the supervisors up to the adat clans if the management and members cannot be resolved. This approach was carried out long ago, so it became a habit. People have an immediate sense of kinship. They don't bring problems in the realm of law.

Open Management

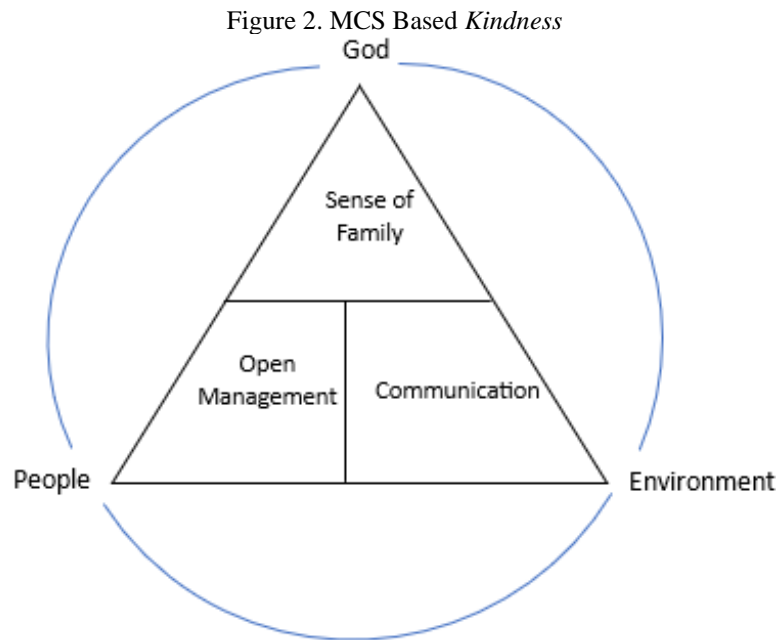
Employee involvement when doing things essential to sustain LPD activities is also the main focus of LPD. This has led to increased public trust in LPDs with the transparency of the programs being implemented. LPDs are jointly owned, with shared responsibilities. One measure of openness is a global index that compares transparency, public participation, and budget oversight, for example, the Open Budget Survey (Aghaei *et al.*, 2022). An open management style exists as a reflection of modern management methods that are compatible with changes and developments in the business environment because of its ability to meet the needs of improvement and development as a rationale for turning workers in the organization into real partners and working with an ownership mentality (Taher & Lafta, 2021). Being open relates to the traditional philosophy of not exposing internal problems to outsiders, sharing resources and knowledge, and having a stand (Oliveira *et al.*, 2021). The LPD also pays attention and justice in the form of openness, which is implemented positively, not only internally with LPD members but is open with village residents in making work plans and work reports.

Communications

It is only helpful if the openness of all activity plans is accompanied by good communication. Oral and written communication skills are of the utmost importance in running an organization (Report of the AAA Bedford Committee, 1986; AICPA, 2000; Christensen & Rees, 2002; de Bruyn, 2022; Ellington, 2017; Roberts *et al.*, 2022). Returning to accounting terminology is a language, being convinced of the importance of communication within an organization. Management accounting can bring effective results in practice only if it combines four aspects of the human world: facts, values, logic, and communication (Huang & Nemoto, 2022). The formation of good communication between organizations and supervisors who are involved with their employees will indirectly encourage social gratitude and trust (Blau, 2017; Emerson, 1976; Ruck & Welch, 2012; Alrefai *et al.*, 2022). Two-way communication between managers and employees for preparing programs at the LPD allows employees to express their aspirations. The budgeting process leads to contact between managers and other organizational members (Abernethy *et al.*, 2010; Faure, *et al.*, 2010; Faure & Rouleau, 2011; Daff & Parker, 2021). Planning and control systems stimulate communication through more significant informal and interpersonal contact between organizational members (Abernethy *et al.*, 2010, p. 5) as a result, not only focusing on the wishes of the LPD, but more focusing on the employee's ability to carry out the mission that has been set. The vision and mission of the LPD as an institution must align with the people's vision and mission individually.

MCS Based Kindness

There are essential elements formed in the *Dharma*-based Management Control System. In plain view, *Dharma*-based MCS is in the form of a pesantren. The control carried out in the LPD is in the forum, which is a joint agreement to solve various problems. Forum was born from the customs of people in traditional villages. All actions related to traditional villages are resolved by way of a forum. However, the forum is still based on the rules that apply in traditional villages, namely the regulations on LPD that descend from the principle of traditional villages. Figure 2 is a *Dharma*-based MCS construction built by researchers.



Source: Prepared by Author (2023).

Researchers found several things formed in *Dharma*-based MCS. First, in measuring employee performance based on *Dharma* MCS, manifested as a forum that does not discriminate against and discriminates between employees, the measure of employee performance is not in the form of levels as usual because it has an equal workload and pay distribution. This is done to maintain a sense of belonging among employees, minimize the possibility of fraud due to someone's excessive desires, and to avoid work stress. Measuring achievement based on material elements will only create false happiness (Sujoko Efferin, 2019). MCS in *Dharma*-based LPD adjusts on what basis the LPD is formed. LPD stands not for one side's happiness, but for the happiness of all parties, in this case manners. Employees are part of village people entitled to receive awards for services rendered to other people. The award is not only in material form but also a form of protection and attention to work without competing with other colleagues. There is no pressure to achieve the highest achievements. So the measurement of achievement in *Dharma*-based MCS is not an individual achievement but institutional achievement obtained from people through the forum so that it results in becoming LPDs in the healthy category with sufficient levels of liquidity.

The second is the preparation of a program known as preparing a work plan using a forum route. Previously, in the organizational structure of the LPD, there was no term "leader" of the LPD. The term used for LPD leaders is LPD "administrators". The work plan, which is the provision for the LPD to carry out its business activities, is designed by the management to be then discussed again with each section, namely the savings, credit, and deposit sections.

If the strategic plan has reached a mutual agreement between LPD members, it will return to the message for approval. Members, administrators, supervisors, and people there are representatives summarize, discuss and finally approve the LPD work plan. After the enactment of the strategic plan has been set, accountability is held every three months. The accountability report contains all LPD achievements in the current month and year, such as total assets, soundness percentage, profit, and financial ratios. From the explanation that has been described, it can be concluded that the *Dharma*-based MCS in the preparation of the strategic plan is implemented transparently.

CONCLUSIONS AND RECOMMENDATIONS

Human actions to be good and bad are related to the nature of humans as multidimensional beings who have the freedom to carry out social movements actively and creatively to realize various interests, the dominant ideology, namely market ideology, and various desires, namely the desire for power, lustful and carnal. All of this is inseparable from the cognitive structure or ideational structure, including the science of accounting, which is practiced on an ongoing basis to form a habitus (Atmadja, 2020)

Second, when the MCS and *Dharma* values are synergized in forming a control system, the LPD can run well. It can be seen from the research site, namely the Mengwi Traditional Village, which is running its social capital to the fullest. The slight narrative is that *Dharma* is unknowingly used as a guide in carrying out LPD activities where the ultimate goal is not only to profit and profit but how the LPD can make all parties happy. The happiness that is obtained will create a balance in the form of a human relationship with God, fellow humans, and the environment to create a sustainable company.

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