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The Influence of Intellectual Capital and Corporate Governance on Financial Sustainability with Risk Management as a Mediator at LPD in Badung Regency

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Abstract

The Village Credit Institution (LPD) plays a significant role in the economic development of traditional village communities in Bali, where financial functions are closely tied to local customs. As a vital financial institution, LPDs contribute not only to the economy but also to the social, cultural, and religious life of the community. With the growing complexity of financial markets, ensuring the sustainability of LPDs has become increasingly important. Intellectual capital and corporate governance are essential factors influencing the financial sustainability and risk management practices of these institutions. This research aims to analyze and test the impact of intellectual capital and corporate governance on financial sustainability and risk management, both directly and indirectly. The study was conducted across 122 LPDs operating in Badung Regency, with a sample of 190 respondents. Using non-probability sampling (saturated samples), the research examined exogenous variables, including intellectual capital and corporate governance, and their effects on the endogenous variable, financial sustainability, with risk management acting as a mediating factor. Data was collected through questionnaires and documentation, and analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS). The results showed that both intellectual capital and corporate governance positively influence financial sustainability. Additionally, intellectual capital and corporate governance also have a positive effect on risk management, indicating that better management of knowledge and governance practices helps mitigate financial risks. Risk management was found to mediate the relationship between intellectual capital, corporate governance, and financial sustainability. These findings highlight the importance of strengthening intellectual capital and corporate governance in LPDs to ensure long-term financial sustainability and minimize operational risks. The results are expected to provide valuable insights for LPDs and policymakers, guiding future strategies to enhance the stability and effectiveness of LPDs in supporting the community.

Keywords: Corporate Governance, Financial Sustainability, Intellectual Capital, Risk Management

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1. Introduction

Bali is one of the provinces that relies most of its economic life on culture. The culture that still exists is distinctive and unique in the social order of the Balinese people is the existence of the customary village, which is based on the Bali Provincial Regulation Number 3 of 2001 concerning Customary Villages as amended by the Bali Provincial Regulation Number 3 of 2003 is no longer in accordance with current developments and legal

needs. Hence, it needs to be replaced by establishing the Bali Regional Regulation concerning Customary Villages in Bali.

The existence of Customary Villages as a unity of customary law communities with traditions and manners that are passed down from generation to generation, as regulated in the Bali Provincial Regulation Number 3 of 2001, has a central role in maintaining the sustainability of Hindu community life in Bali. This role is not only limited to the spiritual and social realms but also extends to the economic sector. In the context of increasingly dynamic economic development and the demand for adaptive and sustainable microfinance institutions, the Village Credit Institution (LPD) is present as an important instrument.

Village credit institutions (LPD) operating in the Customary Village area aim to support the people's economy and improve the welfare of the customary law community or krama desa adat. Thus, LPD becomes an integral part of the efforts of the Customary Village in realizing economic independence and improving the standard of living of its people, in line with the mandate of Bali Provincial Regulation Number 3 of 2017 and Bali Governor Regulation Number 44 of 2017 which emphasizes the importance of healthy, strong, productive, resilient, and highly competitive economic institutions. LPD, as an institution that carries out financial functions based on customary ties in Bali, plays a role in encouraging the economy of the customary village community and has provided benefits both economically, socially, culturally, traditionally and religiously to the krama desa adat, by providing real benefits to the krama desa (Widyani et al., 2020). Weak human resources (HR), bad loans, and administrators who borrow but do not repay the credit and use client funds for personal reasons all contribute to the unhealthy Village Credit Institution (LPD) (Praningsih et al., 2019). Village Credit Institutions (LPD) are also community-based microfinance institutions in Bali that have a strategic role in supporting the village economy (Ariasih & Suarmanayasa, 2024). To provide a clearer picture of the condition of the regional economy, the following data on regional income for regencies or cities in Bali are presented in Table 1.

Table 1. Regional Income from 2022-2024

NO	Regency's name	REGIONAL INCOME		
		2022	2023	2024
1	Jembrana	175,99 M	221,56 M	164,56 M
2	Tabanan	436,41 M	510,61 M	577,00 M
3	Badung	3.705,75 M	6.308,87 M	6.536,79 M
4	Gianyar	857,55 M	1.479,34 M	1.598,76 M
5	Klungkung	309,46 M	350,54 M	402,77 M
6	Bangli	144,01 M	220,32 M	154,16 M
7	Karangasem	301,33 M	381,24 M	408,40 M
8	Buleleng	410,56 M	460,50 M	544,58 M
9	Denpasar	888,05 M	1.198,37 M	1.689,84 M

Source: Directorate General of Fiscal Balance 2025

Based on Table 1. Badung Regency's regional income consistently recorded the highest income compared to other regencies/cities in Bali during the 2022-2024 period, with a value reaching 3,705.75 M in 2022, increasing to 6,308.87 M in 2023, and reaching 6,536.79 M in 2024. This stable and substantial income growth reflects a dynamic and mature economic environment, which is very relevant for research related to financial sustainability. The high economic activity in Badung Regency indicates the need for effective intellectual capital management and good corporate governance implementation, especially in the context of microfinance institutions such as LPDs. The complexity of financial transactions in this region also emphasizes the importance of effective risk management as a mediating factor in maintaining the financial sustainability of LPDs. However, in recent years, several LPDs have faced challenges in maintaining their financial sustainability, as evidenced by several cases of fraud that have occurred in village credit institutions in Badung Regency. Fraud cases have occurred in Badung Regency, namely, the first case occurred in 2021 at the LPD of Gulingan Traditional Village, which suffered losses of up to IDR 30.9 billion, and this corruption was carried out by the Chairperson and Treasurer (Rahman, 2021). The second case occurred at the LPD of Sangeh Traditional Village in 2022, where the LPD of Sangeh Traditional Village suffered a loss of IDR 130 billion due to a corruption crime committed by one of the LPD administrators (Suadyana, 2022).

Furthermore, the third case occurred in 2023 at the LPD of Ungasan Traditional Village, which was carried out by the LPD chairman and reached a loss of IDR 26.8 billion (Kompas.com, 2023). The last case occurred in

2024 at the LPD of Umahanyar Traditional Village, which the Chairperson and Treasurer carried out. LPD Umahanyar suffered a loss of IDR 2.8 billion (Balipost.com, 2024).
The phenomenon of embezzlement cases tends to be caused by less-than-optimal management. The decline in the health level and financial condition of LPD indicates that the continuity of LPD operations is challenged amidst its noble mission. Administrators, supervisors and all parties interested in the existence of LPD must think about and find a way out to maintain the continuity and sustainability of LPD because, with the decline in LPD performance, traditional villages will automatically be threatened because LPD is one of the supporters to maintain the existence of traditional villages (Mendra et al., 2024).

Goal setting theory is a theory of behavioural change based on the idea that when individuals or organizations have goals to achieve, then individuals or organizations will commit to the goals set, find and use better strategies to achieve those goals (Locke & Latham, 1991; Locke & Latham, 2002) In goal setting theory it is stated that an organization needs to set higher goals (Praningsih et al., 2019), based on this to maintain the existence of LPD, the goals that LPD wants to achieve in this case are sustainability, and one part of sustainability that wants to be achieved is financial sustainability. Elamer and Kato (2025) explore the relationship between corporate governance, human capital disclosure, and employee engagement within Japanese listed companies, offering valuable insights that can be applied to the study of Village Credit Institutions (LPDs) in Bali. Their research emphasizes that corporate governance, particularly the presence of independent and female board members, can enhance the level of human capital disclosure. Similarly, their findings reveal that greater transparency in human capital disclosure paradoxically leads to lower employee engagement, suggesting a complex interaction between governance practices and internal stakeholder dynamics. These insights are directly relevant to the LPD context, as effective governance and intellectual capital management are key factors influencing the financial sustainability and risk management of these institutions. Like the Japanese companies in Elamer and Kato's study, LPDs must navigate the delicate balance between transparency in their governance and human capital practices and the engagement of their internal stakeholders, including employees and village members. The findings underscore the importance of aligning governance practices with the local cultural and social context, ensuring that LPDs not only focus on financial disclosure but also cultivate strong internal engagement to mitigate risks and promote long-term sustainability. By applying these insights, LPDs can better understand how corporate governance and intellectual capital influence not only their financial sustainability but also their social and cultural responsibilities within the traditional village communities they serve.

Financial sustainability is a crucial aspect of LPD's sustainability in the long term. According to Zabolotnyy and Wasilewski (2019), financial sustainability is the ability of an organization to maintain its operational activities in the long term without threatening its ability to meet the needs of stakeholders in the future. Financial sustainability is very important for the growth of LPD, which is a type of financial institution owned by traditional villages located in traditional village areas. In order to achieve financial sustainability, the company must also have resources that can give the company a competitive advantage and be able to direct the company to have good long-term performance. One important asset that can provide this advantage is intellectual capital.

Intellectual capital is an intangible asset owned by the Company, and if it is managed properly, it will provide the benefits desired by the market (Agustia et al., 2021). Intellectual capital, which is an important factor for companies, has a positive effect on financial sustainability (Jordão & de Almeida, 2017; Farah et al., 2019; Sheikh & Wepukhulu, 2019; Munir et al., 2019; Muchran, 2020; Githaiga et al., 2023; Mendra et al., 2024). LPD must be able to create a competitive advantage over its competitors, which can be achieved by innovating and managing resources properly. Innovation in business is important for developing businesses and implementing business strategies to achieve financial sustainability. Intellectual capital in this study uses the dimensions of human capital, structural capital, and relational capital.

Corporate governance can also help achieve financial sustainability. Corporate governance is a concept that plays an important role in forming a culture of transparency, responsibility, and awareness in a company (Al-ahdal et al., 2020). Weak corporate governance will provide an opportunity for management to take actions that have the potential to enrich and benefit themselves. The existence of corporate governance will create adequate protection for stakeholders in a company, thereby providing confidence in the investment that has been invested (Fajri, 2022).

Several researchers state that corporate governance has a positive effect on financial sustainability (Castillo-Merino & Rodríguez-Pérez, 2021; Wahyuni et al., 2023; Mendra et al., 2024). The implementation of corporate governance uses the dimensions of transparency, accountability, responsibility, independence, and fairness,

which are expected to ensure the achievement of effective performance patterns that influence financial sustainability. Hashim et al. (2015) and Jamil et al. (2021) stated that corporate governance does not affect financial sustainability. Agustin et al. (2021) stated that intellectual capital does not have a significant effect on sustainability.

Based on the results of this study, there are indications of the research results so that risk management variables can be used to overcome this gap. Developing intellectual capital and managing corporate governance is not only about building involvement but also plays a crucial role in forming effective risk management. In other words, developing intellectual capital and managing effective corporate governance can increase the financial sustainability of village credit institutions.

Risk management is the foundation for financial institution practices that are carried out based on the principle of prudence. The implementation of risk management is one of the efforts to strengthen institutions and improve the reputation of financial institutions in accordance with the direction of the policies developed. The risk management framework is also used as a means to ensure that company goals can be achieved (COSO, 2004). From an agency theory perspective, risk management can help organizations achieve business goals, support the company's operational performance, assist in strategic decision-making, and ultimately maximize shareholder value (Nocco & Stulz, 2006). Risk management is also needed to protect LPDs from increasingly tight business competition practices and increasingly complex business activities, thereby increasing the potential risks faced by LPDs. Risk management and sustainability are very important (Illangakoon et al., 2021) which are the company's strategies to achieve sustainability, especially those that have an impact on financial sustainability (Aziz et al., 2016; Jain et al., 2020; Wilyadewi, 2023; Mendra et al., 2024). A large number of risks that can threaten the survival and success of LPDs are related to the implementation of risk management in financial institutions, according to Bali Governor Regulation Number 44 of 2017 concerning the Implementation Regulation of Bali Provincial Regulation Number 3 of 2017 concerning Village Credit Institutions in the eighth section of article 25 stating that LPDs must control the risks faced and have LPD risk rating assessment factors. Risk management in this study includes liquidity risk, credit risk, operational risk, legal risk, and owner and manager risk. Through the implementation of risk management in LPDs, it will later have an impact on achieving financial sustainability.

In achieving financial sustainability, especially related to the sustainability of LPD businesses, the distribution of profits in this study implements the Triple Bottom Line (TBL) theory, which will be seen from a local cultural perspective, namely the implementation of the Catur Purusa Artha philosophy in relation to Sarasamuccaya Sloka 262 which already existed and developed in Bali before the Triple Bottom Line theory was introduced. This study will reverse the adage Think Globally, Act Locally to Think Locally, Act Globally, because The Triple Bottom Line (3P) was developed by Elkington in 1997, while the distribution of LPD profits based on Artha for Artha, Artha for Dharma and Artha for Kama has been implemented since LPD was founded in 1984. Sarasamuscaya Sloka 262 states that the utilization of assets as a result of a person's or company's hard work should be divided into three. First, Artha is intended for Artha, which means that the assets obtained should be partially reused to obtain assets in the future. Second, Artha is intended to fulfil Kama, which means enjoying the lives of those involved in the business. Third, Artha for the benefit of Dharma, which means used for good deeds or social funds to the business environment; in order to obtain happiness and physical and spiritual well-being called Moksa, we need to allocate artha for artha, artha for dharma and artha for kama. (Suhardana, 2007).

The application of Catur Purusa Artha, as referred to in Sarasamuscaya 262, is implemented in the distribution of LPD profits as stated in Chapter XIII of Bali Provincial Regulation No. 3 of 2017 concerning Village Credit Institutions, Article 23 regulates "The distribution of LPD net profits at the end of the financial year is determined as follows: (1) Capital Reserves 60 per cent (2) Village Community Development and Empowerment Funds 20 percent (3) Production Services 10 percent (4) Empowerment Funds 5 percent or a maximum of IDR 300,000,000,- (5) Social Funds 5 percent." This allocation of net profit, when connected with the concept of Catur Purusa Artha, then the Capital Reserves of 60 per cent are Artha for Artha. For the Village Community Development and Empowerment Funds, 20 per cent are Artha for Dharma. And the Social Funds 5 percent are Artha for Kama. The concept of Catur Purusa Artha in the distribution of company profits is very much in line with the company's orientation towards Stakeholder Oriented towards the Sustainability Concept where in the long term, or for the sake of the sustainability of a company (Going Concerned), management should not only be oriented towards the interests of the company's owners (Shareholders) but must pay attention to the interests of all related parties (Stakeholders). Only in this way will the company be able to maintain the sustainability of its business in the long term.

LPDs in implementing Catur Purusa Artha must continue to strive to improve their profitability performance; in addition to a fixed percentage through the distribution of profits that have been regulated through Regional Regulation No. 3 of 2017, many LPDs in their operations incur costs intended for the welfare of managers, supervisors and employees which can also be grouped as kama as referred to in Catur Purusa Artha. In addition, LPDs also routinely allocate operational costs that are recorded as promotional costs for social purposes and traditional development, which can also be grouped as dharma, as referred to in Catur Purusa Artha.

This study chooses the Village Credit Institution (LPD) as the object of research because of its uniqueness as a customary-based microfinance institution in Bali that has a vital role in village economic development. LPD has special characteristics that distinguish it from other financial institutions, namely its management based on local wisdom and customary law, as well as its ties to customary villages. The selection of risk management as a mediating variable is based on the phenomenon that intellectual capital and corporate governance require an effective risk management system to be able to provide optimal impact on LPD financial sustainability. Unlike previous studies that focused more on the direct influence of intellectual capital and corporate governance on financial sustainability, this study provides a new perspective by integrating risk management as a mediating variable. This is important, considering the characteristics of LPD in Badung Regency, which has high transaction complexity and diverse risk exposure. Hence, the effectiveness of intellectual capital management and corporate governance implementation needs to be mediated by good risk management to achieve long-term financial sustainability. Based on this, this study aims to develop a research model that connects intellectual capital and corporate governance on financial sustainability with risk management as a mediator.

2. Research methods

This study was conducted in all Village Credit Institutions (LPD) in Badung Regency, which is divided into six Districts: Petang District, Abiansemal District, Mengwi District, North Kuta District, Kuta District, and South Kuta District.

The exogenous variables in this study are intellectual capital and corporate governance. The endogenous variable in this study is financial sustainability. The mediating variable in this study is risk management. The population in this study was 122 LPDs in Badung Regency. The sampling technique used in this study was saturated sampling. Namely, samples were taken from all parts of the population. The sample in this study consisted of all LPDs in Badung Regency. In this study, those who filled out the questionnaire were the head and supervisors of LPDs in Badung Regency.

The data collection method in this study consisted of questionnaires and documentation. Based on the results of the validity test on the intellectual capital variable statement items. The results of the validity test show that the Pearson correlation (r) value is > 0.30, so it can be concluded that all statement items are valid and can be used in research. Based on the results of the validity test on the corporate governance variable statement items. The results of the validity test show that the Pearson correlation (r) value is > 0.30, so it can be concluded that all statement items are valid and can be used in research. Based on the results of the validity test on the risk management variable statement items. The results of the validity test show that the Pearson correlation (r) value is > 0.30, so it can be concluded that all statement items are valid and can be used in research. Based on the results of the reliability test on the intellectual capital, corporate governance, and risk management variables. The results of the reliability test show that Cronbach alpha is > 0.7, so it can be concluded that all statement items are reliable and research can be continued. The inferential analysis in this study uses the Structural Equation Modeling (SEM) analysis tool with the Partial Least Square (PLS) approach using SmartPLS 4.0.

3. Result And Discussion

Assessing the model with PLS starts by looking at the R-square for each dependent latent variable. An R-Square value of 0.75 is classified as strong, an R-Square value of 0.50 is classified as moderate, and an R-Square value of 0.25 is classified as weak (Hair et al., 2021). The coefficient of determination of risk management obtained an R-Square value of 0.961, meaning that risk management (M) can be explained by intellectual capital (X1) and corporate governance (X2), amounting to 96.1 per cent. In comparison, other variables outside those studied explain the remaining 3.9 per cent. The coefficient of determination of financial sustainability obtained an R-Square value of 0.886, meaning that financial sustainability (Y) can be explained by intellectual capital (X1), corporate governance (X2), and risk management (M) by 88.6 per cent. In comparison, other variables outside those studied explain the remaining 11.4 per cent.

Table 2. R-Square Model Suitability Test (R^2)

No	Variable		R- Square
1	Risk Management	(M)	0,961 (kuat)
2	Financial Sustainability	(Y)	0,886 (kuat)

Source: Processed data, 2025

Table 3. Effect Size Test (F-Square)

	F-Square
Intellectual Capital (X_1)	0,280
Corporate Governance (X_2)	0,240
Risk Management (M)	0,290

Source: Processed data, 2025

Based on the test results, the F-square value of the three predictor variables is in the range of 0.15> F-Square <0.35. It can be interpreted that the three predictor variables, Intellectual Capital, Corporate Governance, and Risk Management, have sufficient influence in explaining endogenous (financial sustainability). The calculation results show a Q2 value of 0.99> 0.35, which means that the structural model has predictive relevance and is classified as a strong model. A value of 0.99 means that the contribution of the intellectual capital, corporate governance, and risk management variables as a whole to the financial sustainability variable is 99 per cent. In comparison, the remaining 1 per cent is explained by other variables that are not taken into account in the research model.

Table 4. Calculation of Goodness of Fit (GoF) Value

Variables	AVE	R^2
Intellectual Capital	0,593	
Corporate Governance	0,583	
Risk Management	0,583	0,916
Financial Sustainability	0,628	0,886
Average	0,597	0,901
GoF = $\sqrt{AVE} \times R^2 = \sqrt{0,597} \times 0,901 = 0,316$		

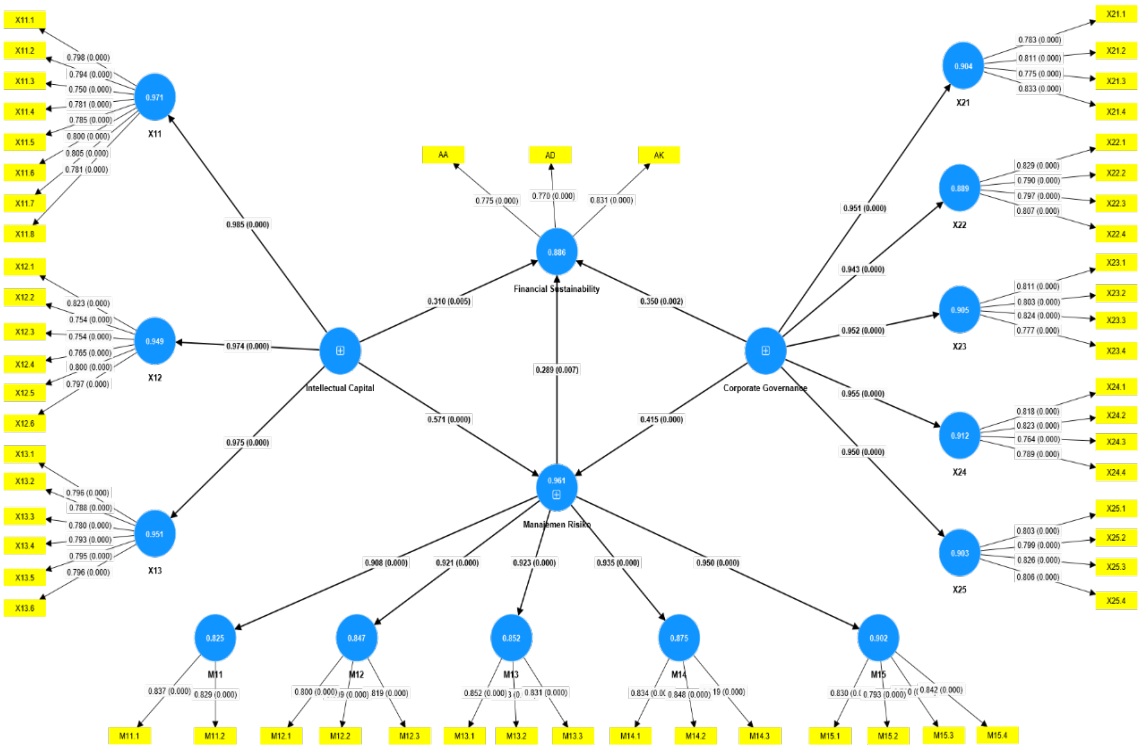
Source: Processed data, 2025

Table 4 above shows that the goodness of fit (GoF) score is 0.316. This means that the GoF value is included in the medium category, and thus, the structural model formed is in good condition.

Table 5. Hypothesis Test Results

No	Effects	Path Coef.	Stdev	t-stat	p	Information
1	X1 → Y	0,310	0,120	2,585	0,005	H_1 Accepted
2	X2 → Y	0,350	0,121	2,898	0,002	H_2 Accepted
3	X1 → M	0,571	0,070	8,151	0,000	H_3 Accepted
4	X2 → M	0,415	0,071	5,857	0,000	H_4 Accepted
5	M → Y	0,289	0,118	2,452	0,007	H_5 Accepted
6	X1 → M → Y	0,165	0,067	2,450	0,007	H_6 Accepted
7	X2 → M → Y	0,120	0,057	2,121	0,017	H_7 Accepted

Source: Processed data, 2025



Gambar 1 Partial Least Square using Bootstraping Model

Description:

1) X_1: Intellectual Capital
2) X_2: Corporate Governance
3) M: Risk Management

4) Y: Financial Sustainability

The influence of intellectual capital on financial sustainability shows a path coefficient of 0.310 with a t-statistic value of 2.585 and a significance value of 0.005. These results indicate that the t-statistic value is greater than the t table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that intellectual capital has a positive effect on financial sustainability. These results indicate that H1 is accepted. This study is in line with the results of research by Munir et al., 2019 Muchran, 2020 Putra et al., 2021 Putra, 2022 Githaiga et al., 2023 and Mendra et al., 2024 which states that intellectual capital has a positive effect on financial sustainability.

The influence of corporate governance on financial sustainability shows a path coefficient of 0.350 with a t-statistic value of 2.898 and a significance value of 0.002. The results show that the t-statistic value is greater than the t-table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that corporate governance has a positive effect on financial sustainability. These results indicate that H2 is accepted. This study is in line with the results of research by Rodríguez-Pérez, 2021 (Wahyuni et al., 2023) and Mendra et al., 2024, which state that corporate governance has a positive effect on financial sustainability.

The influence of intellectual capital on risk management shows a path coefficient of 0.571 with a t-statistic value of 8.151 and a significance value of 0.000. These results show that the t-statistic value is greater than the t-table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that intellectual capital has a positive effect on risk management. These results indicate that H3 is accepted. When rural credit institutions utilize intellectual capital effectively, they can better identify and analyze risks. This is due to the ability of skilled employees to understand market dynamics and customer behaviour, which in turn results in more appropriate risk mitigation strategies. Thus, the integration of intellectual capital in risk management not only increases the resilience of institutions to challenges but also supports the achievement of long-term goals and the sustainability of village credit institutions' operations.

The effect of corporate governance on risk management shows a path coefficient of 0.415 with a t-statistic value of 5.857 and a significance value of 0.000. These results indicate that the t-statistic value is greater than the t table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that corporate governance has a positive effect on risk management. These results indicate that H4 is accepted. Research conducted by Kumar et al. (2020) on microfinance institutions found that the application of corporate governance principles has a positive effect on the quality of risk management. This study is in line with the results of research by Musa et al. 2022; Kalia & Gill, 2023; and Darmansyah et al., 2024, which state that corporate governance has a positive effect on risk management.

The effect of risk management on financial sustainability shows a path coefficient of 0.289 with a t-statistic value of 2.452 and a significance value of 0.007. These results indicate that the t-statistic value is greater than the t table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that risk management has a positive effect on financial sustainability. These results indicate that H5 is accepted. Risk management and sustainability are very important things in the company's strategy to achieve sustainability, especially financial sustainability (Illangakoon et al., 2021; Wilyadewi, 2023). This study is in line with the results of research by Aziz et al., 2016 and Jain et al., 2020 which state that risk management has a positive effect on financial sustainability. The effect of intellectual capital on financial sustainability with risk management as a mediator shows a path coefficient of 0.165 with a t-statistic value of 2.450 and a significance value of 0.007. The results show that the t-statistic value is greater than the t table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that intellectual capital has a positive effect on financial sustainability through risk management. These results indicate that H6 is accepted. The nature of risk management mediation in mediating the influence of intellectual capital on financial sustainability is carried out by comparing the significance and coefficient of direct and indirect influences. Based on the test results, the significance of the direct influence is 0.005, and the significance of the indirect influence is 0.007, with a direct influence coefficient of 0.310 and an indirect influence coefficient of 0.165; these results indicate that the nature of the mediation is partial mediation which means intellectual capital is able to directly influence financial sustainability or indirectly through risk management. The influence of corporate governance on financial sustainability with risk management as a mediator shows a path coefficient of 0.120 with a t-statistic value of 2.121 and a significance value of 0.017. The results show that the t-statistic value is greater than the t table (t-stat> 1.645), and the significance value is less than 0.05. Thus, it can be stated that corporate governance has a positive effect on financial sustainability through risk management. These results indicate that H7 is accepted. The nature of risk management mediation in mediating the influence of corporate governance on financial sustainability is carried out by comparing the significance and coefficient of direct influence and indirect influence. Based on the test results, the significance of direct influence is 0.002, and the significance of indirect influence is 0.017, with a direct influence coefficient

of 0.350 and an indirect influence coefficient of 0.120; these results indicate that the nature of mediation is partial mediation which means corporate governance is able to directly influence financial sustainability or indirectly through risk management.

4. Conclusion and Suggestion

Based on the results of data analysis and discussion, it can be concluded that intellectual capital has a positive effect on financial sustainability. This result states that the higher the intellectual capital owned, the higher the financial sustainability. Corporate governance has a positive effect on financial sustainability. This result states that the higher the implementation of corporate governance, the higher the financial sustainability. Intellectual capital has a positive effect on risk management. This result states that the higher the intellectual capital owned, the more effective the implementation of risk management. Corporate governance has a positive effect on financial sustainability. This result states that the higher the implementation of corporate governance, the more effective the implementation of risk management will be. Risk management has a positive effect on financial sustainability. This result states that the more effective the implementation of risk management, the higher the financial sustainability. Risk management mediates the effect of intellectual capital on financial sustainability. Mediation testing shows that risk management plays a role as a partial mediation of the effect of intellectual capital on financial sustainability. This result states that intellectual capital has a direct effect on financial sustainability and has an indirect effect on financial sustainability through risk management. Risk management mediates the effect of corporate governance on financial sustainability. Mediation testing shows that risk management plays a role as a partial mediation of the effect of corporate governance on financial sustainability. These results indicate that corporate governance has a direct effect on financial sustainability and an indirect effect on financial sustainability through risk management.

Further researchers are advised to combine quantitative and qualitative approaches through in-depth interviews with LPD administrators to gain a more comprehensive understanding. It is recommended that LPDs hold regular meetings and discussion forums or utilize digital platforms. Then, optimizing the use of information technology is key to utilizing government digital platforms and providing training to LPD administrators. Also, increasing transparency and accountability in LPD management will increase government trust. LPDs are advised to invest in developing HR competencies through training, certification, and continuing education to strengthen LPD's internal capacity. In situations where specialized expertise is needed, utilizing external experts or consulting can be an effective solution. LPDs must strengthen collateral review, assessment, and binding procedures. This can be done by preparing clear and measurable Standard Operating Procedures (SOPs) and providing training to staff responsible for collateral management. Second, regarding governance, LPDs need to clarify the boundaries of authority between administrators and supervisors. Supervisors must focus on the supervisory function and not interfere in daily operational activities. In addition, LPD needs to apply the principles of transparency and accountability in financial and operational management. Future research could explore the impact of local cultural factors on the relationship between corporate governance and financial sustainability in LPDs, particularly in regions with diverse social structures. Additionally, investigating how different governance models affect risk management practices in similar financial institutions could provide deeper insights into optimizing operational strategies. Finally, exploring the role of technology and digital transformation in enhancing human capital disclosure and stakeholder engagement within LPDs could offer valuable directions for improving financial and social outcomes.

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