



# Financial Accountability Practices in Community-Based Organizations: Evidence from a Village Credit Institution in Bali

Sang Ayu Putu Arie Indraswarawati\*, I Wayan Sudiana, I Putu Fery Karyada, Putu Nuniek Hutnaleontina, I Putu Dedy Samtika Putra, I Gede Yusa Nugraha

Department of Accounting, Universitas Hindu Indonesia

Received: 26/02/2026 Accepted: 16/04/2026 Published: 30/06/2026

\*Corresponding Author E-mail: -

## ABSTRACT

*Financial accountability plays a crucial role in sustaining trust and legitimacy within community-based organizations. Unlike formal institutions, these organizations often rely on social values, collective norms, and informal governance mechanisms in managing financial practices. Understanding how accountability is practiced in such contexts is essential for strengthening governance and organizational sustainability. This study aims to examine financial accountability practices in community-based organizations based on empirical evidence. Using a qualitative approach, this study draws on insights from field-based research, including interviews, observations, and documentation. The research is conducted in a Village Credit Institution (LPD) in Bali, Indonesia, using a phenomenological approach to capture the lived experiences of accountability practices. The findings reveal that financial accountability is not solely based on formal reporting mechanisms but is deeply embedded in social interactions, trust, and shared values. Accountability is practiced through both formal and informal processes, including collective discussions, transparency in decision-making, and community participation.*

**Keywords:** *Community-Based Organizations, Financial Accountability, LPD, Phenomenology, Social Values*

## I. INTRODUCTION

Community-based organizations play a significant role in supporting social and economic activities, particularly in local communities. One example is the Village Credit Institution (LPD) in Bali, which operates based on local values, collective norms, and strong social relationships.

Conventional perspectives often define accountability in terms of formal reporting systems, transparency, and compliance with administrative procedures (Bovens, 2007; Roberts, 2009). However, accountability in community-based organizations extends beyond formal mechanisms and is embedded in social interactions, cultural values, and participatory processes.

Previous studies have predominantly emphasized formal accountability systems, often neglecting the role of informal mechanisms and social dimensions (Goddard, 2020). Therefore, this study aims to examine financial accountability practices in a community-based organization.

Community-based organizations play a significant role in supporting social and economic activities, particularly in local communities. One example is the Village Credit Institution (Lembaga Perkreditan Desa/LPD) in Bali, which operates based on local values, collective norms, and strong social relationships. In such contexts, financial accountability becomes a crucial element in maintaining trust, legitimacy, and organizational sustainability.

Conventional perspectives often define accountability in terms of formal reporting systems, transparency, and compliance with administrative procedures (Bovens, 2007; Roberts, 2009). However, accountability in community-based organizations extends beyond formal mechanisms and is embedded in social interactions, cultural values, and participatory processes.

Previous studies have predominantly emphasized formal accountability systems, often neglecting the role of informal mechanisms and social dimensions (Goddard, 2020). This limitation creates an incomplete understanding of how accountability is actually practiced in community-based settings, where social values and collective norms play a central role.

This study contributes to the literature by examining how financial accountability is constructed and practiced within a community-based organization context. By focusing on both formal and informal dimensions, this study

provides a more comprehensive understanding of accountability as a socially embedded practice rather than merely an administrative requirement.

## II. LITERATURE REVIEW

Financial accountability refers to the obligation to provide explanations regarding the use of financial resources (Bovens, 2007). Traditional perspectives emphasize formal reporting, transparency, and compliance (Roberts, 2009).

Recent literature suggests that accountability is not solely formal but also includes informal elements such as trust and shared norms (Sinclair, 1995; Goddard, 2020). In community-based organizations, accountability is shaped by collective responsibility and trust (Hernandez, 2012), making informal mechanisms essential complements to formal systems.

Financial accountability refers to the obligation of individuals or organizations to provide explanations regarding the use of financial resources (Bovens, 2007). Traditional perspectives conceptualize accountability as a formal mechanism emphasizing reporting systems, transparency, and compliance with established procedures (Roberts, 2009). Within this view, accountability is primarily understood as an administrative and technical process.

However, recent literature argues that accountability is not solely formal but also socially constructed. It encompasses informal dimensions such as trust, shared norms, and social interactions (Sinclair, 1995; Goddard, 2020). These informal elements shape how accountability is interpreted and practiced in different organizational contexts.

In community-based organizations, accountability is strongly influenced by collective responsibility and trust among members (Hernandez, 2012). Informal mechanisms such as participation, mutual monitoring, and social control play a significant role in ensuring accountability. These mechanisms do not replace formal systems but rather complement them, creating a more adaptive and contextually grounded form of accountability.

Therefore, accountability should be understood as a multidimensional construct that integrates both formal and informal elements. This perspective is particularly relevant in community-based settings, where social values and relationships are central to organizational governance.

## III. RESEARCH METHOD

This study employs a qualitative research approach with a phenomenological perspective to explore financial accountability practices as experienced and interpreted by individuals within the organization (Creswell & Poth, 2018). The phenomenological approach is considered appropriate as it allows the researcher to capture the lived experiences and meanings of accountability beyond formal procedures.

The research was conducted in a Village Credit Institution (Lembaga Perkreditasi Desa/LPD) in Bali, Indonesia, which represents a community-based financial institution grounded in local cultural values and social relationships. Data were collected through in-depth interviews, participant observations, and documentation. Informants were selected purposively based on their involvement in financial management and decision-making processes, ensuring that the data reflect actual accountability practices within the organization.

Data analysis was conducted using thematic analysis. The process involved identifying key patterns, categorizing themes, and interpreting meanings related to both formal and informal dimensions of accountability. This approach enables a comprehensive understanding of accountability as a socially embedded practice.

## IV. RESULTS AND DISCUSSION

The findings indicate that financial accountability within the organization is practiced through an interplay of formal and informal mechanisms. Formal accountability is reflected in financial reporting, documentation, and administrative procedures that ensure transparency and compliance with external requirements. However, these formal mechanisms do not operate in isolation.

Informal accountability emerges as a dominant and complementary dimension, rooted in trust, social relationships, and shared values among members. Participation, open discussions, and collective decision-making processes function as social control mechanisms that reinforce accountability practices beyond formal reporting structures.

These findings suggest that accountability in community-based organizations is not merely an administrative obligation but a socially embedded practice shaped by interactions and collective norms. This supports the argument that accountability is context-dependent and constructed through social processes (Sinclair, 1995; Goddard, 2020).

Furthermore, the integration of formal and informal mechanisms creates a more adaptive and resilient governance structure. Rather than replacing informal practices, formal accountability systems are absorbed into existing social frameworks, allowing organizations to maintain legitimacy while responding to external demands.

This study highlights that effective accountability in community-based organizations relies on the alignment between formal systems and social values. Without this alignment, formal accountability mechanisms alone may not be sufficient to sustain trust and organizational legitimacy.

## V. CONCLUSION

The findings demonstrate that informal accountability plays a significant role in reinforcing formal systems, creating a more adaptive and contextually relevant governance structure. Accountability, therefore, should be viewed as a socially embedded practice rather than merely an administrative requirement.

These insights highlight the importance of integrating social and cultural dimensions into accountability frameworks, particularly in community-based organizations. Such integration not only strengthens transparency but also sustains trust and organizational legitimacy.

## REFERENCES

- Ahrens, T., & Chapman, C. S. (2007). Management accounting as practice. *Accounting, Organizations and Society*, 32(1–2), 1–27. <https://doi.org/10.1016/j.aos.2006.09.013>
- Bovens, M. (2007). Analysing and assessing accountability: A conceptual framework. *European Law Journal*, 13(4), 447–468. <https://doi.org/10.1111/j.1468-0386.2007.00378.x>
- Creswell, J. W., & Poth, C. N. (2018). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). Sage Publications.
- Goddard, A. (2004). Budgetary practices and accountability habitus: A grounded theory. *Accounting, Auditing & Accountability Journal*, 17(4), 543–577. <https://doi.org/10.1108/09513570410554551>
- Goddard, A. (2020). Accounting and hybrid accountability: Insights from public sector and community governance. *Financial Accountability & Management*, 36(3), 225–245. <https://doi.org/10.1111/faam.12231>
- Hernandez, M. (2012). Toward an understanding of the psychology of stewardship. *Academy of Management Review*, 37(2), 172–193. <https://doi.org/10.5465/amr.2010.0363>
- Mulgan, R. (2000). ‘Accountability’: An ever-expanding concept? *Public Administration*, 78(3), 555–573. <https://doi.org/10.1111/1467-9299.00218>
- Roberts, J. (2009). No one is perfect: The limits of transparency and an ethic for “intelligent” accountability. *Accounting, Organizations and Society*, 34(8), 957–970. <https://doi.org/10.1016/j.aos.2009.04.005>
- Sinclair, A. (1995). The chameleon of accountability: Forms and discourses. *Accounting, Organizations and Society*, 20(2–3), 219–237. [https://doi.org/10.1016/0361-3682\(93\)E0003-Y](https://doi.org/10.1016/0361-3682(93)E0003-Y)