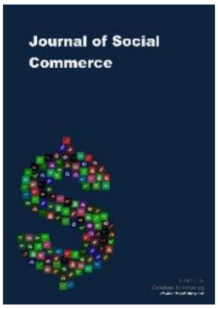

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Reimagining Community-Based Financial Participation through Collective Trust and Cooperative Value Systems

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Abstract

This study examines the interconnectedness of financial performance and social participation within the Pacingkreman Bali Contana Association, a community-based financial institution grounded in trust, reciprocity, and shared responsibility. Using a descriptive quantitative approach supported by qualitative insights, the research analyses four key indicators of financial performance including Third Party Funds, Loan to Deposit Ratio, Operating Expenses to Operating Income, and Return on Assets. The findings show that these financial ratios are not isolated measures of liquidity, efficiency, or profitability but expressions of deeper social relations. Deposits represent confidence and belonging, loans reflect ethical interdependence, operational costs signify the work of participation, and profitability denotes distributive stability rather than maximisation. The integration of financial data and member narratives reveals that institutional endurance stems from collective trust and moral coherence rather than from technical optimisation. The study concludes that financial sustainability in community-based systems is socially constituted, relying on the circulation of care, participation, and trust that transform economic exchange into shared resilience.

Introduction

The development of financial technology (fintech) in Indonesia has experienced rapid growth Community-based savings and loan institutions have historically functioned as more than mere financial intermediaries. They represent local economic ecosystems in which relational dynamics and shared norms shape member behaviour as much as formal rules do. In regions where formal financial markets are underdeveloped the capacity of such institutions to mobilise resources rests heavily on communal trust and reciprocal obligations (Afriyie, 2015; Fergusson, 2006; Gonzalez-Vega, 2003). This implies that when trust is strong among members the institution's performance is likely to improve because people are more willing to save contribute and lend within their network. Consequently these institutions serve dual roles: as financial facilitators and as embodiments of social capital.

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In recent years scholars have emphasised that social capital is not simply an add-on to economic performance but a core driver of inclusion and participation. For instance Pavón Cuéllar (2024) finds that informal network mechanisms significantly bolster credit access in diverse countries. In another study Lins (2017) shows that firms with higher levels of trust and social capital enjoy superior performance outcomes because relational norms reduce monitoring costs and encourage cooperation. These findings reinforce the proposition that financial institutions embedded in high- trust communities may achieve operational advantages beyond standard metrics. Moreover Six et al. (2015) argues that trust-based coordination mechanisms sustain collective action institutions by providing a normative matrix within which members commit and cooperate. According to Wilson (2012) community investment frameworks highlight that providing finance at fair rates to excluded groups generates substantial positive externalities by leveraging social networks and local agency. Taken together these works suggest that community-based financial institutions must be analysed through both financial and relational lenses.

However despite this growing awareness of relational dynamics many empirical studies still treat financial performance and social participation as separate domains. Some research explores how trust influences individual investment or market behaviour (Galluccio, 2018) while others evaluate microfinance or savings groups in purely quantitative terms. For example Behr & Jacob (2018) demonstrate how a social-capital intervention raised savings behaviour among women in Senegal but the focus remains narrowly on usage rather than institutional performance. Meanwhile Thomas et al. (2024) link social capital financial technology and financial inclusion among students in Indonesia yet remain confined to individual outcomes. This leaves a gap in the literature regarding how a community-based institution integrates member participation trust and collective value creation with traditional financial performance measures.

According to Suarmanayasa & Ariasih (2023), the Village Credit Institution (LPD) demonstrates not only financial success but also positive contributions to cultural preservation and community welfare, aligning with the values of *Tri Hita Karana*. The LPD thus serves as a key pillar of sustainable local economic development that integrates social and cultural dimensions. Trend analysis offers insights into the direction of change in efficiency and profitability of community-based financial institutions, Ariani (2024). According to Hongutomo & Dewi (2024), financial performance in cooperatives is strengthened through governance and transparency, which enhance member trust and institutional accountability. Suci (2023) emphasizes that social trust and collective participation are essential elements of social capital supporting the long-term sustainability of community financial institutions. The *Tri Hita Karana* philosophy encourages harmony between economic performance, social welfare, and spiritual values in the governance of LPDs (Adnyani & Sugiartha, 2021).

This study therefore seeks to fill that gap by examining a community-based savings and loan association through a hybrid lens that combines descriptive quantitative ratio analysis with interview-based qualitative insight. The quantitative component encompasses measures of Third Party Funds Loan to Deposit Ratio BOPO and Return on Assets over a six-year span. This allows us to assess liquidity efficiency cost management and profitability. The qualitative interviews provide contextual insight into how members interact how trust is built and how collective participation shapes institutional practices. By linking relational dynamics and financial metrics the study offers a holistic view of value creation in such institutions and contributes to literature on community finance participation and social capital (Subedi, 2024).

In so doing the paper argues that not only do the numbers matter but so do the social relations that underlie them. When members are engaged when trust is reinforced and when the institution draws upon local wisdom it is more likely that financial performance will reflect the underlying social capital. At the same time the institutional practices must be understood not only as financial operations but as embedded activities of cooperation and value sharing (What Works Centre for Local Growth, 2024). The study thus aims to show that a community-based institution may operate as a form of collective economic network where finance and social reciprocity converge.

Literature Review

Community Finance and Social Capital

Community-based financial institutions serve not only as channels for capital mobilisation but also as social systems embedded in local networks of trust and reciprocity. In their seminal work Law & Ibrahim (2013) argue that "social capital", defined as the stock of trust and norms within a community, is a foundational element in financial development and institutional performance. They demonstrate that regions with higher levels of trust show deeper and more efficient financial markets. Building on this, Mladovsky & Mossialos (2008) finds that in health financing contexts, strong social capital in a region enhances the effectiveness of financial contributions and risk-sharing mechanisms. These studies support the notion that institutions which nurture mutual trust and collective norms may be better positioned to mobilise funds, safeguard deposits, and support lending behaviour based on relational assurances rather than purely contractual ones. Furthermore, Friesendorf & Blütener (2023) reviews community finance initiatives and emphasises that many community finance institutions (CFIs) operate not solely as credit providers but as vehicles of social inclusion and trust-driven engagement. This line of scholarship suggests that examining a community-based association only through quantitative financial ratios risks overlooking the underlying social dynamics that enable sustained participation and collective value creation.

Financial Performance Metrics as Social Indicators

While social capital provides the relational foundation, traditional financial performance metrics such as deposit growth, loan-to-deposit ratio, cost-income ratio (or BOPO), and return on assets (ROA) remain indispensable for assessing institutional viability. However, recent literature suggests that these metrics may carry additional meaning when viewed through the lens of member participation, trust and communal engagement. For example, Lins et al. (2017) show in a corporate context that firms with higher social capital, measured via Corporate Social Responsibility intensity, achieved notably stronger profitability and resilience during crisis periods. Although their setting is large corporations, the insight remains: relational capital influences hard financial outcomes. Dell et al. (2022) examine non-profits and find that organisations located in high social capital regions display superior financial performance, indicating that relational environments matter even in non-profit or community-oriented entities. Translating this insight into a community finance institution means that growth in member deposits may reflect member trust, a stable loan-to-deposit ratio may indicate active circulation of funds within the network, and favourable BOPO or ROA figures may signal efficient operations built upon engagement rather than external commercial pressure. In short, the "numbers" are not neutral they embed social behaviours and institutional routines.

Bridging Social and Financial Dimensions in Community Institutions

Despite the separate literatures on social capital and financial ratios, less work has explicitly integrated them in the context of grassroots community financial organisations. The rapid evidence review by What Works Centre for Local Growth (2024) on CFIs highlights that while community finance institutions are widely recognised as inclusive mechanisms, rigorous empirical work connecting relational participation, member behaviour and financial performance remains limited. A mixed-methods study by Ward et al. (2006) illustrates this gap: they used qualitative interviews and quantitative lending data in community development financial institutions, but found only weak statistical links between lending presence and mainstream credit outcomes. More recently Richter (2019) explores how social ties in rural regions facilitate access to capital and implementation of projects and observes that relational networks often act as catalysts for financial mobilisation and value creation. Taken together these works suggest that community-based financial institutions can be conceptualised as hybrid economic-social systems where trust, participation and collective agency matter. However, empirical studies rarely combine descriptive quantitative measures (e.g., deposit growth, profitability) with interview-based insights into member engagement, institutional trust mechanisms and participation routines. The present study therefore aims to bridge this gap by employing both quantitative ratio analysis and qualitative interview data to illuminate how relational and financial dimensions co-evolve in a community institution.

Summary of Conceptual Linkages

In sum, the literature suggests three key linkages relevant for the present study: first, that social capital and relational trust provide the foundation for community-driven financial mobilisation; second, that traditional performance metrics may carry embedded meaning about participation, trust and operational coherence; and third, that bridging these relational and quantitative dimensions remains under-explored in community finance research. By aligning member participation, institutional trust and value creation with measures such as Third Party Funds (DPK), Loan-to-Deposit Ratio (LDR), BOPO and ROA the study aims to situate a community financial institution not simply as a financial body but as a collective economic network. Moreover, by complementing quantitative analysis with interview-based context the research addresses the call for more holistic frameworks in the field of community finance (Ward et al., 2006). In doing so it contributes to theory and practice by showing how social relations translate into measurable institutional performance.

Methods

This study adopts a descriptive quantitative approach supported by qualitative inquiry to capture both the numerical and relational dimensions of institutional performance. The research design is anchored in the understanding that community-based financial systems cannot be fully explained through financial ratios alone because their sustainability is intertwined with social trust, participation, and collective engagement (Six, 2015). Hence, while the analysis of financial ratios provides measurable indicators of institutional stability, the complementary interview data illuminate the social processes through which these financial outcomes are produced. Such a dual design has been advocated in studies of community finance and cooperative institutions where economic data are intertwined with social participation (Behr & Jacob, 2018).

The research was conducted within the Pacingkreman Bali Contana Association, a community-based financial institution operating within the customary governance structure of Balinese society. The association functions on principles of kinship, mutual assistance, and shared responsibility, which reflect the Balinese concept of *gotong royong* and *menyama braya*. These values underpin its savings and loan activities and provide an ideal context for exploring the relationship between social participation and financial performance. The institution's unique cultural foundation allows for the investigation of how social capital influences liquidity, efficiency, and profitability within a traditional yet evolving financial system (Lestari & Astuti, 2022; Subedi et al., 2022).

Research Design

The study follows a convergent parallel design, where quantitative and qualitative data are collected and analysed independently and then interpreted together. The quantitative strand involves the analysis of the association's financial performance from 2019 to 2024 through four major financial ratios, namely Third Party Funds (DPK), Loan to Deposit Ratio (LDR), Operating Expenses to Operating Income (BOPO), and Return on Assets (ROA). These ratios were selected because they provide comprehensive coverage of liquidity, efficiency, and profitability dimensions which are critical indicators of institutional health (Cahyono, 2023; Lins et al., 2017). The qualitative strand complements this numerical analysis through in-depth interviews with key organisational members, focusing on their perceptions of trust, participation, and collective engagement in financial activities. This approach allows quantitative outcomes to be contextualised within the lived realities and social logics that shape financial behaviour.

Data Sources and Collection Procedures

Two primary data sources were utilised: (1) financial reports and (2) semi-structured interviews. The financial data were obtained from the annual reports of the association for the period 2019–2024. These reports contained audited balance sheets, income statements, and detailed notes on operational expenses and lending performance. The data were verified through cross-checking with managerial records to ensure accuracy and consistency, following recommended procedures in financial performance research (Putra & Wirasasmita, 2020; Pratiwi & Wulandari, 2024). The interview data were collected from key participants representing various roles in the institution, including administrators, treasurers, and active members. Each interview lasted approximately forty-five to sixty minutes and was conducted in a conversational format to encourage reflective and contextual responses. The participants were asked about their experiences with saving and borrowing, perceptions of institutional transparency, and the role of communal trust in sustaining participation. Ethical considerations were strictly observed, ensuring voluntary participation, anonymity, and the right to withdraw at any time.

Data Analysis

The quantitative analysis employed a descriptive statistical approach to identify trends and fluctuations in the institution's financial performance over time. Financial ratios were calculated and analysed in a time-series format, following analytical frameworks commonly used in financial ratio analysis. The emphasis was placed on identifying patterns of growth, stability, and efficiency while interpreting them within the broader context of community participation and collective trust. For instance, the growth of Third Party Funds was interpreted not only as an indicator of institutional liquidity but also as a reflection of member confidence and social cohesion. Similarly, the Loan to Deposit Ratio was examined in relation to the association's capacity to circulate resources within its network, thereby linking financial and social interdependence.

The qualitative data were analysed through a thematic process, following Braun & Clarke's (2006) framework of iterative coding, categorisation, and interpretation. Thematic analysis was chosen because it allows the researcher to derive meaning from participants' accounts while linking them to theoretical constructs such as trust, participation, and collective agency (Six, 2015). Emerging themes were compared with quantitative results to identify convergences and divergences, thereby ensuring methodological triangulation and interpretive depth. The integration of both data types occurred during the interpretation phase, where numerical indicators and narrative accounts were brought together to reveal how social processes and financial outcomes mutually shape each other.

Results and Discussion

The results of this study are presented through an integrated analysis of quantitative financial indicators and qualitative insights from member experiences. This section aims to interpret the financial performance of the Pacingkreman Bali Contana Association not only through numerical evidence but also through the social meaning embedded in collective participation, trust, and shared responsibility. The descriptive quantitative analysis covers the period from 2019 to 2024 and examines four core indicators of institutional performance, namely Third-Party Funds, Loan to Deposit Ratio, Operating Expenses to Operating Income, and Return on Assets. These indicators provide a structured view of liquidity, efficiency, and profitability, yet within a community-based financial institution, they also mirror patterns of trust and engagement among members. To enrich this understanding, the results are discussed alongside interview findings that capture members' reflections on transparency, collaboration, and confidence in the association's operations.

Results and Discussion of Third-Party Funds (TPF)

Third-Party Funds (TPF) are the primary source of funding for financial institutions, originating from mandatory contributions, principal contributions, investment contributions, voluntary contributions, and siraya contributions. The size of TPF reflects the level of public or member trust in the institution. TPF can be calculated by adding together all mandatory contributions, principal contributions, investment contributions, voluntary contributions, and siraya contributions.

Table 1. Results of Third-Party Fund Analysis (Processed Data)

Year	Data	Improvement
2019	3,132,301,630	0%
2020	4,930,906,737	57%
2021	4,647,380,562	-6%
2022	4,570,599,149	-2%
2023	4,764,427,616	4%
2024	5,115,915,570	7%

The analysis of Third Party Funds (TPF) from 2019 to 2024 indicates that the flow of savings and member contributions in the Pacingkreman Bali Contana Association has followed a fluctuating yet fundamentally resilient trajectory. Total deposits grew from approximately 3.13 billion rupiah in 2019 to 5.11 billion rupiah in 2024, reflecting an overall upward movement despite periods of contraction during the pandemic years. This numerical trend, while revealing liquidity patterns, also conveys something more profound about the collective trust that sustains this institution. In community-based financial systems, fund accumulation cannot be understood as an individual act of saving but rather as a moral and relational performance. Each deposit reflects a member's belief in the integrity of the institution and in the mutual care that binds its participants. When funds grow, what expands is not only capital but also the sphere of social confidence that anchors the community's economic life.

Third-party funds (DPK) play a crucial role in supporting loan distribution and enhancing financial performance in cooperative-based financial institutions. The greater the amount of funds collected, the higher the institution's responsibility to manage them productively. As stated by Wiriya et al. (2022), when third-party funds remain idle, they may decrease profitability due to the burden of interest payments on deposits. Conversely, when these funds are effectively channeled into loans, they generate interest income that strengthens the institution's profitability. Therefore, an increase in DPK motivates institutions to optimize loan distribution in order to finance operations and improve financial performance.

Several members articulated that their continued contributions were motivated by the sense of belonging and transparency they perceived in the association's governance. One member explained that depositing funds in Pacingkreman felt different from banking with formal institutions because, in their words, *"we save not only to gain but to keep the circle of trust alive."* Another noted that during periods of economic strain, they still chose to maintain minimal deposits because *"if we stop, the rhythm of our togetherness will stop too."* These reflections reveal that the decision to deposit funds was sustained by emotional and ethical considerations that transcend transactional rationality. The data's modest recovery after 2022 coincides with narratives of renewed optimism and communal solidarity that emerged as members re-engaged with the association's meetings and social rituals. This alignment between numeric resurgence and social reactivation illustrates how liquidity in such institutions is an echo of relational vitality.

The temporary decline of TPF in 2021 and 2022 can also be read through the lens of disrupted social proximity. During those years, members described reduced face-to-face gatherings and limited community events, conditions that eroded the interpersonal reinforcement of trust. One treasurer remarked that *"when we do not meet, we start to imagine uncertainty."* This observation demonstrates that financial participation is not simply a matter of income stability but of relational reassurance. The contraction of deposits thus reflects a temporary weakening in the communicative and affective networks that normally support saving behaviour. The subsequent rebound in 2023 and 2024, when both savings and member interaction increased, confirms that trust is a regenerative force. Once communicative life resumes, confidence revives, and the financial ecosystem restores itself.

This relationship between TPF and communal trust reveals that financial performance in community-based institutions cannot be separated from the ecology of relationships that sustain it. The growth of deposits is both a measure of financial confidence and an embodiment of collective commitment. It suggests that the institution's success arises from a shared sense of moral economy, in which members perceive saving not merely as self-benefit but as participation in a common life. The institution's stability therefore depends less on competitive interest rates than on the reproduction of social confidence through participation, dialogue, and shared responsibility. The data thus point to a deeper structure of value, one that measures not only economic accumulation but also the endurance of solidarity as a financial principle.

Results and Discussion of Loan to Deposit Ratio

Table 2. Results of Loan to Deposit Ratio Analysis (Processed Data)

Year	Data	Improvement
2019	2,714,202,800	0%
2020	3,580,935,650	32%
2021	3,983,880,850	11%
2022	3,858,622,950	-3%
2023	4,449,076,400	15%
2024	4,410,779,850	-1%

The analysis of the Loan to Deposit Ratio (LDR) from 2019 to 2024 reveals that the Pacingkreman Bali Contana Association maintained a relatively stable balance between funds collected and funds distributed as loans. While fluctuations occurred across the period, the data show an enduring capacity to circulate capital within the community without destabilising liquidity. Numerically, LDR trends remained moderate, with neither extreme overextension nor stagnation. This balance suggests that members and administrators alike exercised a collective sense of prudence rooted in mutual accountability rather than external regulation. In a conventional banking framework, LDR is treated as an efficiency measure of how effectively deposits are transformed into income-generating assets. Within Pacingkreman, however, this ratio carries a different meaning. It represents the rhythm of trust and reciprocity that governs how members lend to one another through the institution's shared fund.

The interviews with administrators and members illuminate how this circulation of credit is embedded in moral and relational expectations. One committee member described lending decisions as *"a matter of understanding each other's seasons,"* referring to how the group collectively senses when it is appropriate to extend or restrict loans. Another explained that members prefer to lend within the group because they *"know the faces behind the numbers,"* suggesting that familiarity substitutes for formal collateral. These reflections clarify that credit distribution is not purely transactional but is mediated by an ethical sense of obligation to maintain collective equilibrium. When deposits increase, members feel an implicit duty to allow those funds to move toward others who need them. When loans expand, they understand that repayment is not only a financial duty but a reaffirmation of trust. The LDR, therefore, becomes an index of relational balance: it captures how well the community maintains both the generosity and restraint required to sustain a shared pool of resources.

Periods of slight contraction in loan distribution correspond to moments of heightened uncertainty, particularly during 2022 when members described adopting a more cautious lending attitude. One borrower recalled that *"we trusted each other, but the times made us careful,"* indicating that prudence was not a loss of confidence but an adaptive expression of responsibility. This adaptive restraint ensured that the institution did not overextend itself and that collective risk was distributed with awareness of the group's changing capacity. The moderation visible in the LDR figures thus mirrors an ethical calibration within the community rather than a managerial correction imposed from above. The data show that balance was maintained through a shared understanding of mutual vulnerability and care, a mechanism that differentiates Pacingkreman from purely profit-oriented institutions.

Broadly speaking, the LDR embodies the moral economy of circulation that characterises traditional Balinese cooperation. The lending process functions as a social bridge where liquidity is not simply capital flow but a materialisation of trust. It symbolises a cycle of giving and returning that sustains both financial and social cohesion. The community's ability to maintain an equilibrium between saving and lending over the six-year period indicates that trust operates as a structural force of financial discipline. The members' self-regulating behaviour, guided by shared values, replaces the need for rigid external controls. Hence, the stability of LDR demonstrates that sustainable liquidity in a community-based financial system is not a matter of mechanistic balance sheets but of lived ethics and mutual care that continuously recalibrate to preserve harmony between individual needs and collective endurance.

BOPO Results and Discussion

Table 3. Results of Operational Cost Analysis of Operational Income (Processed Data)

Year	Income (Rp)	Operating Expenses (Rp)	BOPO (%)	Change (%)
2019	469.173.648	353.438.980	75,33	–
2020	691.603.662	570.791.400	82,53	9,56%

2021	757.868.553	627.462.700	82,79	0,32%
2022	855.451.384	720.188.400	84,19	1,68%
2023	764.733.159	633.062.352	82,78	(1,67%)
2024	718.381.253	583.749.724	81,26	(1,84%)

The analysis of Operating Expenses to Operating Income (BOPO) from 2019 to 2024 shows that the efficiency of the Pacingkreman Bali Contana Association remained within a moderate range, averaging slightly above eighty percent. Although the ratio fluctuated, with an observable rise in the early pandemic years and a gradual decline thereafter, the data suggest a persistent effort to stabilise operations under conditions of collective governance. In conventional financial institutions, a high BOPO value often indicates inefficiency, but in community-based systems such as Pacingkreman, this interpretation must be approached with nuance. The ratio not only measures cost management but also embodies the structure of participation that sustains the organisation's daily functions. Many of the operational costs arise not from administrative excess but from the socially distributed practices that keep the institution's participatory character intact.

Interviews with administrators reveal that operational activities, including member meetings, ritual gatherings, and local consultations, require both time and shared resources. One treasurer explained that "*the cost of our meetings is not a burden but a way to keep everyone's trust alive.*" Another administrator noted that *"if we cut too much cost, we risk cutting the relationships that hold the institution together."* These reflections reveal that expenditures in such a community financial setting often carry symbolic and social value beyond their financial magnitude. The slightly elevated BOPO ratio thus signifies an investment in social cohesion rather than mere inefficiency. Each rupiah spent on participatory activities strengthens transparency, reinforces emotional bonds, and fosters the mutual accountability that underlies responsible financial behaviour. Sinarwati & Wirawan (2023) emphasize that the BOPO ratio serves as an indicator of both operational efficiency and the extent of active member involvement in maintaining cooperative sustainability.

Members who participate in decision-making processes also interpret cost-sharing as a sign of fairness. One member stated that *"when we all see where the money goes, it feels lighter to contribute again."* This observation underscores that openness in operational management produces affective returns: trust, belonging, and moral satisfaction. In such contexts, efficiency cannot be measured by numerical reduction alone. A purely cost-minimising strategy might indeed lower BOPO figures but would also risk eroding the participatory fabric that ensures the long-term legitimacy of the association. The association's gradual reduction of the BOPO ratio after 2022 indicates that it managed to enhance operational focus without undermining inclusivity. The balance achieved between cost control and participation reflects a form of adaptive efficiency grounded in moral rationality rather than managerial austerity.

The BOPO trend demonstrates that community financial efficiency operates through collective rhythm rather than individual optimisation. The institution's capacity to sustain operations with stable costs while maintaining active member involvement reveals a hybrid model of efficiency that blends financial prudence with social reciprocity. This form of efficiency aligns with what social economists describe as embedded rationality, where financial choices are nested within moral commitments and cultural expectations. Within Pacingkreman, cost efficiency becomes not a reduction of human presence but its refinement. The measured decline in BOPO in the later years indicates that the institution has learned to translate solidarity into disciplined management, achieving financial stability without commodifying the communal bonds that make such stability possible. Thus, the institution's efficiency rests not on technical austerity but on the collective maturity of its members, who understand that sustainability emerges when social investment and financial prudence coexist in harmony.

ROA Results and Discussion

Table 4. Results of Return on Assets Analysis (Processed Data)

Year	Profit (Rp)	Total Assets (Rp)	ROA (%)
2019	115,734,668	3,309,715,000	3,50
2020	120,812,262	4,180,068,000	2,89
2021	130,405,853	4,889,790,000	2,67
2022	135,262,984	4,889,833,000	2,77
2023	131,670,807	5,092,471,000	2,59
2024	134,631,529	5,499,302,000	2,45

The analysis of Return on Assets (ROA) from 2019 to 2024 reveals a gradual decline in profitability, decreasing from 3.5 percent in 2019 to 2.45 percent in 2024. At first glance, this downward trend might suggest diminished efficiency in asset utilisation. However, within the context of a community-based financial institution, this decline cannot be reduced to a sign of weakness. Instead, it reflects a deliberate orientation toward stability and inclusiveness rather than toward the maximisation of surplus. The institution's asset growth over the same period, coupled with stable lending practices and increasing member participation, indicates that Pacingkreman has prioritised equitable access and collective security over aggressive profit-seeking. This mode of operation demonstrates a distinctive rationality in which profitability is interpreted as sufficiency, as the maintenance of balance rather than as the accumulation of excess.

Interviews with administrators and members confirm that the meaning of "profit" in this context extends beyond financial margins. One administrator explained that *"our profit is not just in numbers but in how we can help members stay afloat together."* Another member reflected that *"if the institution stands strong and everyone feels safe, that is already our gain."* These statements capture a communal philosophy of value, where the strength of the institution is measured by the continuity of relationships and the trust that circulates within them. In this sense, the decline in ROA mirrors a redistribution of benefit, where resources are more widely shared to support members' resilience rather than concentrated to expand institutional surplus. The data thus reveal an economic system guided by ethical moderation, in which the pursuit of collective security takes precedence over the logic of maximisation.

The persistence of modest profitability despite asset expansion also underscores the institution's internal equilibrium. Several committee members observed that maintaining accessible interest rates and flexible repayment arrangements was crucial for preserving member trust. One commented that *"we cannot raise the interest too high, because the institution lives from togetherness, not from competition."* Such statements illustrate that the association treats its assets not as instruments for profit extraction but as social instruments for sustaining participation. By aligning asset use with the values of care and reciprocity, the community converts financial capital into social capital, reinforcing trust even as numerical profitability moderates. This trade-off exemplifies what can be called socialised efficiency: an operational logic in which financial outcomes are judged by their contribution to collective welfare rather than by their return on investment alone.

The ROA trajectory reveals that sustainability in community finance lies not in relentless growth but in adaptive equilibrium. The institution's profitability remains sufficient to support operations and to maintain reserves, while its modest decline indicates a conscious balancing of financial and moral obligations. The findings affirm that within collective systems, asset performance depends less on market expansion than on the depth of social cohesion. Trust operates as a hidden multiplier: even when profits narrow, solidarity sustains confidence, ensuring continuity. Thus, the institution’s capacity to maintain positive returns despite socio-economic disruptions demonstrates that profitability in such a setting is not an end in itself but a manifestation of disciplined solidarity. In this light, ROA becomes an ethical indicator, revealing how communities translate shared care into enduring institutional life.

Relational Dynamics in Community Financial Performance

The synthesis of findings from this study demonstrates that the financial performance of the Pacingkreman Bali Contana Association cannot be divorced from the social life that animates it. The numerical ratios of deposits, loans, efficiency, and profitability are inseparable from the textures of participation and trust through which they are produced. This interpretation aligns with the view of Vigliarolo (2022) that financial development is grounded in social capital, where interpersonal trust determines not only the flow of funds but the moral legitimacy of exchange. Within Pacingkreman, this trust is renewed through ritual, dialogue, and transparency, forming what Putnam (2000) called the “civic infrastructure” that enables collective cooperation. When Third Party Funds rose, it reflected the enlargement of this trust network. When they contracted, it mirrored not merely economic strain but the attenuation of interpersonal presence that sustains confidence, echoing Emmons & Noeth (2013) findings on the fragility of financial participation in the absence of communal contact.

These empirical patterns reveal that liquidity in community-based institutions is not a neutral measure of financial health but a reflection of what Coleman (1990) described as the relational capital embedded in social structure. Increases in member deposits arise from moral assurance, not from the pursuit of yield alone. This is supported by the work of Moret et al. (2021), who found that mutual familiarity and social identity within savings groups significantly predict sustained contributions. The notion of relational embeddedness proposed by Granovetter (1985) also illuminates this process. Financial exchange is enmeshed in networks of meaning, obligation, and recognition, which ensure that members perceive the act of saving as a gesture of belonging. The modest recovery of TPF in 2023–2024 is therefore a recovery of both liquidity and social vitality, an observation consistent with Islam & Walkerden (2014) argument that financial recovery in rural networks often follows the restoration of interpersonal ties rather than macroeconomic improvement.

The stability of the Loan to Deposit Ratio (LDR) further illustrates how financial circulation in a communal institution is governed by ethical interdependence rather than impersonal calculation. The association’s balanced LDR, maintained over fluctuating conditions, corresponds to what Six et al. (2015) described as trust-based coordination, where collective action is achieved through normative agreement rather than formal enforcement. This resonates with the ethnographic findings of Laurin (2015), who observed that loan performance in Cambodian self-help groups is sustained by reciprocity norms and reputational accountability. The participants’ testimonies in this study echo those insights. Members described lending as an act of “understanding each other’s seasons,” which closely parallels the relational sensitivity documented by Behr and Jacob (2018) in community finance experiments. This understanding underscores the moral economy of circulation articulated by Wolfson & Kotz (2010), wherein economic transactions are embedded within social obligations that both enable and limit accumulation. Operational efficiency, represented by the BOPO ratio, emerges as an even more nuanced indicator of institutional learning. The relatively high operational cost during pandemic years can be interpreted not as inefficiency but as the institutional cost of maintaining social cohesion under constrained conditions. This interpretation finds resonance in the study by Carstensen et al. (2021), which reported that the endurance of village savings groups during crisis periods depended on communication and mutual support rather than cost minimisation. Similarly, the qualitative insights from this study reveal that Pacingkreman administrators deliberately preserved communal gatherings and member consultations despite rising expenses, viewing them as necessary investments in trust maintenance. Such findings parallel Lins et al. (2017) evidence that firms with high social capital maintained stronger performance during crises precisely because they invested in relationships rather than retracting them. In community finance, the trade-off between cost and participation becomes the moral equation of sustainability, reflecting Ostrom's (1990) principle that self-governing institutions succeed when they invest in communication and collective monitoring.

The analysis of Return on Assets (ROA) presents another dimension of this relational economy. The gradual decline in profitability over the six-year period appears, at first glance, as an indicator of inefficiency. Yet, when situated within the ethical and participatory framework of community finance, it reveals a conscious redistribution of value. Profitability here functions as what Sen (1999) calls a capability rather than an outcome: the capability to sustain members, to absorb shocks, and to preserve inclusion. This interpretation aligns with findings by Pavón Cuéllar (2024), who argued that the most resilient financial institutions are those that prioritise inclusivity over short-term return. Likewise, studies on microfinance institutions by Armendariz and Morduch (2010) show that moderated profits often indicate a commitment to social mission rather than financial weakness. Within Pacingkreman, members articulated this ethic explicitly, saying that "profit means the institution stands strong for all." This redefinition of profitability as collective resilience reflects Bourdieu's (1986) notion that capital, in all its forms, reproduces social structures of meaning and belonging.

When these findings are viewed in totality, the institution emerges as a hybrid system of financial rationality and moral reciprocity. The relational matrix sustains economic operations, and the economic outcomes in turn reproduce social trust. Such mutual constitution parallels the argument by Hart & Zingales (2011) that social capital reduces institutional risk by embedding expectations of fairness into financial practices. It also resonates with research by Igalla et al. (2020), who found that social capital mediates the relationship between managerial capability and financial performance in community-oriented organisations. In our data, this mediation is visible: efficiency, liquidity, and profitability move not in isolation but in dialogue with relational coherence. When trust tightens, deposits and repayments rise; when participation weakens, cost and return fluctuate. The institution's sustainability therefore depends less on external capital adequacy than on the recursive reproduction of trust, confirming Fukuyama's (1995) claim that trust is the invisible infrastructure of economic systems.

The institution's trajectory between 2019 and 2024 also reveals the adaptive nature of community finance under environmental strain. The pandemic period tested not only liquidity but also the collective capacity for moral recalibration. The association responded by sustaining its social rituals and adjusting its operations through participatory decisions, illustrating what Scott termed "everyday forms of resilience" in local institutions. This is consistent with empirical evidence from the What Works Centre for Local Growth (2024), which reported that community finance organisations that preserved relational transparency and local governance were better able to recover from economic shocks. In this case, relational continuity translated directly into financial recovery. As the association learned to manage its costs without eroding participation, it achieved what Fleurbaey et al. (2025) described as embedded efficiency, the capacity to be financially stable while remaining socially dense.

Beyond the empirical findings, this synthesis invites a broader theoretical reconsideration of what constitutes financial performance in community contexts. The ratios commonly used in banking analysis like TPF, LDR, BOPO, and ROA can be reinterpreted as relational diagnostics. Deposits become measures of confidence; loans, indicators of mutual dependence; operational costs, expressions of participatory investment; and profits, reflections of distributive ethics. This interpretive turn aligns with the conceptual proposition advanced by Woolcock and Narayan (2000) that development outcomes depend not merely on economic input but on the quality of relationships within social networks. It also extends the insights of North (1990), who argued that institutional performance arises from informal norms as much as formal structures. Pacingkreman exemplifies this duality: it operates through bookkeeping and through belief, through accounting and through affiliation. From a policy perspective, these findings suggest that the long-term stability of community-based financial institutions depends on their ability to institutionalise participation as both practice and value. The association's recovery trajectory demonstrates that social capital is not an intangible cultural residue but a quantifiable factor of financial resilience, as confirmed in empirical studies by Thomas et al. (2024). If we understand financial ratios as proxies of relational health, then strengthening community trust becomes a form of economic policy. In this sense, the association not only manages funds but also cultivates what Putnam (2000) called "the habits of cooperation" that sustain public goods. The synthesis therefore reveals that the boundaries between social and financial domains are porous, each perpetually constructing the other.

Conclusion

The findings of this study reveal that financial stability within a community-based institution is not simply the outcome of sound fiscal management but the manifestation of deeply embedded social processes that give meaning to economic behaviour. The ratios of deposits, loans, costs, and returns do not stand as neutral indicators; they trace the moral geometry of participation and the collective labour of sustaining trust. The analysis demonstrates that liquidity grows when members perceive saving as a moral commitment, efficiency improves when participation is treated as an investment, and profitability endures when inclusivity rather than maximisation becomes the institutional ethic. Yet this synthesis also exposes a tension often overlooked in financial discourse: the constant negotiation between relational obligation and fiscal discipline. The Pacingkreman Bali Contana Association exemplifies how communities navigate this tension not through technical optimisation but through moral reasoning, social memory, and the continuous reproduction of shared values. Its experience reminds us that financial systems grounded in social capital can be stable precisely because they are human, responsive, imperfect, adaptive, and capable of transforming collective care into measurable endurance.

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