

Determine The Factors That Influence Profit Growth at Village Credit Institutions in Badung District

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ABSTRACT

Village Credit Institutions or VCIs, function similarly to banks. There are variations in performance measurement, though (health status). The VCIs employ the Bali Province Governor's operational regulations number. 44 of 2017, which accounts for this discrepancy. The VCIs of Bali Province's Badung Regency were one of the VCIs examined. Because Badung Regency VCIs have the highest assets when compared to other VCIs in Bali Province's districts and cities, the goal is to look at their profit growth. The likelihood that VCIs may fail owing to poor management and a lack of public transparency on their state of health does not disappear even with their substantial asset base. This study examines the effect of VCI health on profit growth empirically. The Capital, Asset, Management, Earnings, and Liquidity (CAMEL) examination on profit growth is part of this degree of soundness. Study observation period: 2016–2022. Using a quantitative research approach and secondary data from Empowerment Institutions of Village Credit Institutions (EIVCI) in the Badung Regency, the total population is 854 VCIs. A non-probability sampling strategy combined with a purposive sampling technique was used to determine the sample. This study's analysis method makes use of multiple linear regression. The study's findings indicate that operational expenses have a beneficial impact on profit growth when it comes to operating income, loan-to-deposit ratio, net profit margin, and return on assets. In the meantime, profit growth is negatively impacted by the caliber of producing assets. In the meanwhile, profit growth is unaffected by the capital adequacy ratio and current ratio. The research's practical application is to arm VCIs with knowledge so they can train VCI administrators to manage VCIs. In addition, the availability of profit growth analysis using CAMEL helps boost public trust in the use of VCIs.

Keywords: *Badung Regency, Profit Growth, Village Credit Institutions*

INTRODUCTION

Bali is home to a singular banking institution situated within the Pakraman village, a traditional settlement. The financial entity referred to as VCI is formally known as the Village Credit Institution. VCIs, as financial institutions, establish their presence and credibility through compliance with the Law of the Republic of Indonesia Number 1 of 2013 pertaining to Microfinance Institutions. More specifically, Article 39 of this law acknowledges the recognition of VCIs based on customary law, in addition to the Decree of the Governor of the Regional Head of Level I Bali No. 972 of 1984. The primary objective of the 2014 Bali Village Credit Institutions (VCI) Law is to enhance the sustainability of Pakraman village by promoting the preservation and progression of the esteemed ideals associated with Balinese customs and culture. Moreover, the Bali Province Regional Regulation Number 3 of 2017, which pertains to Village Credit Institutions (VCI), introduces novel restrictions pertaining to these financial entities. Moreover, the introduction of fresh rules may be observed in the form of the adoption of Bali Province Regional Regulation Number 3 of 2017, as substantiated by Bali Governor Regulation Number 44 of 2017.

The operational scope of VCIs extends beyond the socioeconomic domain, encompassing the preservation of cultural life and other dimensions of human connections, including those with God, the environment, and fellow people, as elucidated in the teachings of Tri Hita Karana (THK). Sudarma (2013) offered empirical evidence to substantiate the theoretical framework of the THK concept by illustrating the presence of indexicality in the Denpasar-Bali VCIs, which signifies the cultural values associated with THK. The VCIs allocate operational funding with the objective of fulfilling the aim of enhancing the welfare of the residents of Pakraman village. A fraction of VCI's income is allocated towards facilitating the achievement of these objectives. The financial contributions made by VCI to the Pakraman villages from its revenues have the potential to provide support and reinforcement to

THK cultural values. This, in turn, may contribute to the enhancement, preservation, and progression of Balinese national culture, serving as a representation of the nation's identity. In a similar vein, Pakraman villages have the ability to utilize profit distribution as a means to address their operational expenses and effectively carry out their fundamental role as a fundamental pillar of society. This role encompasses the provision of essential necessities to the community, the preservation of the natural environment, and the facilitation of religious ceremonies and rituals through the utilization of diverse ritual instruments. Therefore, it is vital to comprehend the factors that might potentially impact in growth or increase profits of VCI or PG. Profit growth can be measured by current profit minus previous profit, then the result divided by previous profit (Hung & Viriany, 2023; Nuzulla & Murtianingsih, 2022; Nikmah & Wahyuningrum, 2020).

Positive profit growth can serve as an indicator of the maturation and functionality of VCIs. The activities of the VCI have resemblance to those of People's Credit Bank in terms of functioning, since they encompass the collection of community savings money and their subsequent allocation to those in need within each village. Prasanjaya and Ramantha (2013) believe that VCIs facilitate the transfer of funds from affluent communities to economically disadvantaged ones, with a specific focus on rural regions. According to Artha (1999), it has been suggested that VCIs operate in a manner akin to financial institutions such as banks. The VCI possesses distinct characteristics or the potential for distinctiveness due to its foundation in the customs and village community of Pakraman. Furthermore, its mission encompasses not only cultural and religious aspects but also embraces economic subtleties. On the other hand, banking management techniques encompass the utilization of performance assessments as a means to evaluate the overall soundness of financial organizations. In order to attain goals and proficiently implement VCI aims, it is crucial to comprehend the numerous components that possess the capacity to impact the growth of profits. Based on the publication by the Bureau of Economics and Development of the Regional Secretariat of Bali Province (2012: 75), the guidelines pertaining to the execution of VCI management elucidate the utilization of the Capital, Assets, Management, Income Factors, Liquidity (CAMEL) framework for assessing the overall health condition of VCI. The present evaluation is grounded on the Decree of the BPD Bali Directors, No.0303.102.2004.2, which entails an examination of the viability of employing the CAMEL variable as a conceptual framework for appraising the impact on profit growth of VCI.

The CAMEL criteria included in this study are CAR, QPA, NPM, ROA, OEOI, CR, and LDR. This research uses NPM as a new variable because previously it only discussed Capital, Assets, Earnings and Liquidity (CAEL). This variable has not been previously investigated, however, it is a component of the CAMEL asset analysis. The use of agency theory is evident in this study. The individual fulfilling the role of VCI administrator, who assumes the responsibility of managing VCI in this particular case, exemplifies the agency theory. The Village VCI, which manages community funds contributed by each village, plays a crucial role in enhancing the welfare of both the village and its community. In order to ensure the sustainable growth of VCI earnings, administrators must prioritize strategies that lead to increased profitability. The proficient administration of this VCI is essential to guarantee that its overall condition aligns with the standards set by the regulatory framework created by the Governor of Bali Province. Furthermore, an integral element of the motivational theory postulated by Edwin Locke in 1978 is the Goal-setting Theory, which may be implemented by the management of VCI. The notion that the influence of a future-oriented entity is contingent upon its sensible decision-making is substantiated by Goal-setting Theory.

The relationship between these variables and the aforementioned theory elucidates the reasons for the decline of the VCI when management is unable of making contributions or lacks awareness to update the Human Resources (HR) functioning inside the VCI. Individuals will actively pursue financial institutions that offer streamlined solutions for their everyday requirements in the event that VCIs are no longer available. A recurring concern is to the persistence of traditional VCI operations in situations when human resources are incapable of operating the technology. There are indications that the presence of substandard human resources may heighten the likelihood of fraud or recording mistakes transpiring unbeknownst to the management of VCI. This issue may also lead to substandard financial reporting. The management's ability to ensure the well-being of the VCI is contingent upon the appropriateness of the financial reports. The assessment of VCI health can be facilitated by the utilization of the CAMEL analysis.

Furthermore, it is plausible that this hypothesis might potentially influence the manner in which organizations assess their overall effectiveness. Profit growth serves as a metric for evaluating the success of VCI in the realm of research. Profit growth reflects potential to produce and enhance earnings as well as the level of company efficiency obtained. Profit growth can be observed in the form of an annual increase or decrease in profits (Mayliza & Suryadi, 2023). The projected rise in earnings is expected to enable of VCI to consistently carry out its commercial activities and meet all regulatory requirements. Therefore, it is critical for each VCI to comply with and meet the CAMEL criteria in accordance with the relevant laws and regulations, as well as any additional considerations specific to the VCI. Even more so, it is mandatory for every VCI to incorporate the precautionary principle into all economic transactions that will be decided. The monitoring of the CAMEL ratio analysis is crucial for the VCI to maintain its normal and effective functioning.

According to the research conducted by Paramithari and Sujana (2022), it has been observed that the implementation of CAR has a considerable positive impact on the rise of profits. This is in contrast to the research conducted by Bimantoro and Ardiansah (2018) as well as Dewi and Puspaningsih (2020), whereby it was shown that the outcomes of CAR research had a noteworthy adverse effect on the increase of profits. Additionally, there exist variants in the aforementioned studies. According to many research conducted by Permatasari et al. (2016), Suryadi & Djuniar (2017), Sujana et al. (2018), Guicheldy & Sukartaatmadja (2021), and Syafaat (2021), it has been found that CAR does not have a discernable influence on profit growth.

The research conducted by Noya et al. (2017), Atthariq and Suhayati (2022), and Dewi and Puspaningsih (2020) indicates that the investigation of QPA has a substantial impact on the enhancement of profit growth. The research findings present a contrasting perspective to the assertions put out by Paramithari and Sujana (2022) on the major hindrance of profit development by KAP. Moreover, the conclusions drawn by Permatasari et al. (2016) and Sujana et al. (2018) from their research, which suggested that QPA does not have a significant influence on profit growth, are not corroborated by the results of the present study.

This study also examined data indicating that the implementation of NPM has a substantial positive impact on the increase of profits, in addition to its effect on QPA. The research findings align with the studies conducted by Karim et al. (2023), Desda (2022), Firdaus (2022), Umar et al. (2021) and Habibah et al. (2021). On the other hand, a significant negative result was obtained by Tarizky & Handayani (2023). This stands in opposition to the results of research done by Rokayah (2022), which suggest that NPM does not have a significant influence on the increase of profits.

This study aims to examine the relationship between ROA and profit growth, while also considering factors such as capital, assets, and management. Furthermore, it will incorporate previous research findings pertaining to the influence of ROA on profit growth. The findings of several studies conducted by Karim et al. (2023), Mislinawati and Sari (2020), Paramithari and Sujana (2016), Ester et al. (2022), Hidayati and Marlina (2021), Dewi and Puspaningsih (2020), Bimantoro and Ardiansah (2018), Karelina et al. (2022), and Siswanto et al. (2022) together indicate that ROA has a statistically significant and beneficial impact on the rise of profits. The results of this investigation exhibit disparities when compared to the research conducted by Syafaat (2021), Habibah et al. (2021), Sujana et al. (2018), and other scholars who contend that ROA does not have a noticeable influence on the PG.

In addition, the findings of the OEOI study provide substantial support for the enhancement of profit growth, aligning with the conclusions drawn from previous research done by Mislinawati & Sari (2020) and Permatasari et al. (2016). The outcomes of this study exhibit disparities when compared to the research conducted by Guicheldy and Sukartaatmadja (2021). Additionally, Sujana et al. (2018) have reported that OEOI has a substantial negative impact on profit growth. Furthermore, the findings of Syafaat (2021) and Paramithari & Sujana (2016) indicate that the effects of OEOI on profit growth are not statistically significant.

The measurement of VCI liquidity may be conducted by researchers through the utilization of Current Ratio and Loan-to-Deposit Ratio. Current Ratio has a substantial and favorable impact on the growth of profits. This assertion aligns with the findings of Paramithari and Sujana's (2016) research, as well as the study conducted by Dewi and Puspaningsih (2020). According to Karelina et al. (2022), the findings of the study indicate that Current Ratio has a detrimental impact on Profit Growth. In contrast to the findings reported by Pratiwi (2018), Purnawan & Suwaidi (2021), Saraswati & Nurhayati

(2022), Sujana et al. (2018), and Rokayah (2022), who have demonstrated that the outcomes of their research indicate a lack of substantial impact of CR results on profit growth.

The findings of the research on Loan-to-Deposit Ratio demonstrate a noteworthy and favorable impact on the increase of profits, aligning with the outcomes of the study conducted by Geriadi and Astawa (2022). Alternative study findings indicate contrasting outcomes, including the findings of Paramithari and Sujana (2016) and Permatasari et al. (2016), which demonstrate a noteworthy adverse impact of the Loan-to-Deposit Ratio on the increase of profits. The research findings of Suryadi and Djuniar (2017), Sujana et al. (2018), and Habibah et al. (2021) indicate that there is no statistically significant impact of Loan-to-Deposit Ratio on the profit growth. This study paper determines the proposition of profit growth factors at VCI Badung Regency in Bali by examining the phenomena of conflicting empirical research results and highlighting the significance of the NPM ratio variable in offering more insights. The objective of this study is to ascertain the outcomes of the Profit Growth analysis conducted at the Village Credit Institute in Badung Regency, Bali.

Agency Theory

The theoretical foundation of agency theory is based on the interaction and dynamics between principals and agents, as explained by Jensen and Meckling in their influential publication in 1976. The idea of agency commonly asserts that conflicts of interest can emerge inside organizational structures, giving birth to a phenomenon referred to as an agency problem. The issue at hand is frequently linked to discrepancies in the preferences of different stakeholders inside the organization, with the existence of information asymmetry both within and outside the company. The use of agency theory is frequently noticed within the realm of financial institutions, encompassing village credit institutions as well. Village credit institutions, sometimes referred to as microfinance institutions, function inside the confines of villages or small communities, offering financial services to the local residents within their respective regions. The utilization of agency theory within the context of village credit institutions facilitates a thorough understanding of the complex dynamics that occur between the founders, managers, clients, and other pertinent stakeholders of the organization.

Goal Setting Theory

According to the findings of Edwin Locke (1978), the Goal-setting theory emerged as an extension of motivation theory, designed to enhance an individual's performance by fostering motivation. The implementation of the VCI has the potential to enhance profit growth due to its ability to ensure the presence of sufficient human resource quality. If effective management is implemented for VCI, it is quite likely that the company's profitability will see sustained growth in the long run. Hence, it is imperative for VCI Badung Regency to ensure that its profit development aligns with the organization's overarching goal and objective.

Effect of Capital Adequacy Ratio (CAR) on Profit Growth

According to agency theory, it is imperative for VCI management to effectively preserve the capital under their ownership. Due to its status as a beneficiary of public funding, VCI is obligated to exercise vigilance and refrain from prioritizing personal interests over collective requirements. The capital component possessed by VCI is contingent upon the minimum capital stipulation. The Capital Adequacy Ratio is a metric that assesses the relationship between Own Capital and the Risk Weighted Capital Assets ratio (Rahadian & Permana, 2021). The premise presented in this statement is substantiated by the findings of Paramithari and Sujana's (2016) research, which demonstrates a notable and favorable impact of CAR on the rise of profits. Drawing upon prior scholarly investigations and the theoretical framework of agency theory, the present study posits the following hypothesis:

H₁: PG is positively influenced by CAR

Effect of Quality of Productive Assets (QPA) on Profit Growth

The stability of VCI must always be considered by management prioritizing monitoring and maintaining asset quality. The idea of goal setting is based on empirical data stating the acceptance of future goals and desired states by VCI management. This receipt is critical for VCI to effectively maintain the stability of its assets. Asset quality assessment relates to assessing the quality of assets owned by VCI. QPA is measured through an assessment of Total Productive Assets which includes

productive assets classified as such (Hala, 2020). Paramithari and Sujana (2022) have conducted previous research which provides evidence for the statement that QPA results have a statistically significant negative impact on profit growth. Based on the explanation above, a hypothesis can be formulated:

H₂: PG is negatively influenced by QPA

Effect of Net Profit Margin (NPM) on Profit Growth

Effective management of VCI is crucial to mitigate the occurrence of abnormalities and minimize their adverse impact on the organization. In the context of agency theory, it is imperative for VCI management to provide financial reports to facilitate informed decision-making pertaining to long-term objectives. The management features of Net Profit and Operating Profit are predicted through the utilization of Net Profit Margin by means of division. According to the findings of prior studies conducted by Habibah et al. (2021), Karim et al. (2023), and Desda (2022), Umar et al. (2021), Habibah et al. (2021) and Firdaus (2022) it has been established that the implementation of New Public Management (NPM) has a noteworthy and favorable impact on the rise of profits. Based on the above explanation, the aforementioned statement can be considered as a hypothesis:

H₃: PG is positively influenced by NPM

Effect of Return on Assets (ROA) on Profit Growth

The management of VCI is required to implement measures in response to a decrease in earnings that results in a negative financial outcome. The association with agency theory lies in the fact that VCI administrators are required to effectively oversee both the money allocated to VCI and those that pertain to the community. Return on assets is commonly represented as the ratio of profit to total assets (Mardianto, 2022; Rahadian & Permana, 2021). Previous studies have demonstrated a positive and significant relationship between Return on Assets and profit growth. This finding aligns with the findings of Karim et al. (2023), Paramithari and Sujana (2016), Bimantoro and Ardiansah (2018), Dewi and Puspaningsih (2020), Mislinawati and Sari (2020), Karelina et al. (2022), Hidayati and Marlina (2021), Ester et al. (2022) and Siswanto et al. (2022). Based on the above explanation, the aforementioned statement can be considered a hypothesis:

H₄: PG is positively influenced by ROA

Effect of Operating Expenses to Operating Income (OEOI) on Profit Growth

The OEOI ratio is employed as a metric to assess the net profit performance of VCI. In accordance with the Goal-setting theory, it is imperative for Village Credit to possess the capability to sustain profit stability, hence ensuring the survival of VCIs. The measurement of operating costs and operating income is utilized to assess the financial performance of an organization by comparing the operational expenses and operating income (Paramithari and Sujana, 2022). The findings of the OEOI research demonstrate a noteworthy and favorable impact on the rise of profits, aligning with the outcomes of previous studies conducted by Permatasari et al. (2016) and Mislinawati & Sari (2020). Based on the above explanation, the aforementioned statement can be considered a hypothesis:

H₅: PG is positively influenced by OEOI

Effect of Current Ratio (CR) on Profit Growth

The VCIs should prioritize monitoring the existing debt to prevent it from imposing operational costs on VCI. Assuming that the subject matter pertains to the VCI agency theory. In this scenario, it becomes imperative to make a clear distinction between the individuals responsible for managing loan beneficiaries and those in charge of overseeing current assets, such as cash and bank accounts. The computation of CR may be performed by dividing the value of Current Assets by the value of Current Liabilities (Zarkasyi et al. 2021). The study findings on Current Ratio demonstrate a notable and favorable impact on the increase of profits. This assertion aligns with the findings of Paramithari and Sujana (2022) as well as Dewi and Puspaningsih (2020) in their respective studies. Based on the above explanation, the aforementioned hypothesis can be formulated as follows:

H₆: PG is positively influenced by CR

Effect of Loan-to-Deposit Ratio (LDR) on Profit Growth

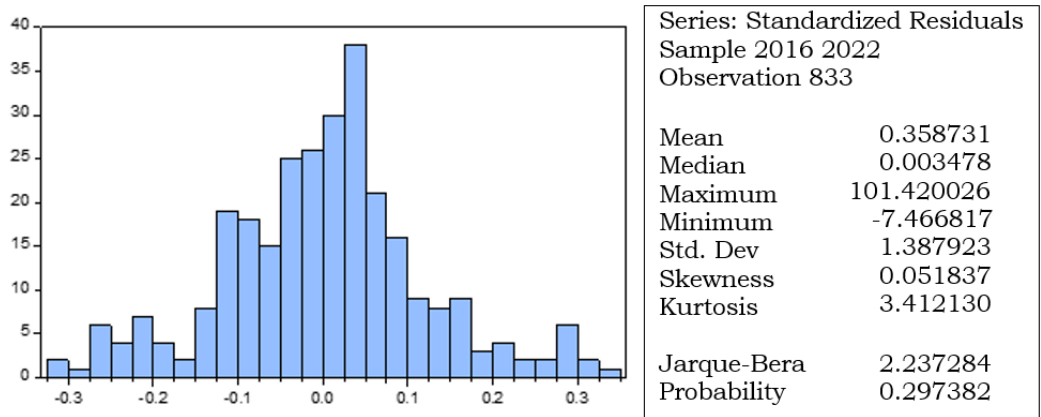
The funds acquired by VCI encompass various financial instruments such as current accounts, savings accounts, deposits, and other related sources. In the context of agency theory, it is necessary for VCI administrators to categorize clients in order to mitigate the risk of fictional customers. The Loan-to-Deposit Ratio is determined by the calculation of the ratio between the amount of credits given and the funds received (Rahadian & Permana, 2021). According to Arfamaini (2023), there exists a positive correlation between credit distribution and corporate profitability, indicating that as credit distribution increases, so do the associated earnings. The findings of the research on long-distance relationships (LDR) demonstrate a noteworthy and favorable impact on the increase of profits, aligning with the outcomes of the study conducted by Geriadi and Astawa (2022). Based on the above explanation, the aforementioned statement can be considered as a hypothesis:

H₇: PG is positively influenced by LDR

METHOD

The study population consisted of the Village Credit Institution (VCI) of Badung Regency, located in Bali Province, during the year 2022. The observation period spanned seven years, from 2016 to 2022, and included a total of 122 VCI values. Therefore, the overall population size was determined to be 854. The participants for this study were selected by a nonprobability selection approach, specifically employing a purposive sampling strategy. The research necessitates two specific requirements: (1) the inclusion of VCIs that exhibit persistence within Badung Regency over the whole observation period spanning from 2016 to 2022; and (2) the inclusion of VCIs that have submitted financial reports for the years 2016 to 2022. Three LPDs were excluded from the sample due to the absence of financial records, resulting in a final sample size of 119 LPDs and a total of 833 panel data samples. The present study used the Eviews12 software to conduct a multiple linear regression analysis on panel data. This study aims to examine the impact of CAR, QPA, NPM, ROA, OEOI, CR, and LDR on the growth of profits in VCI Badung Regency, Bali Province, over the period of 2016 to 2022.

RESULTS



Source: Processed data

Figure 1
Results of Normality Test

Figure 1 demonstrates that the Jarque-Bera value is 2,237284, accompanied with a probability value of 0,297382. Based on this information, it can be inferred that the entirety of the data may be deemed normally distributed.

Table 1
Result of R²

Result Test	Model Research	Values
Adjusted R ²	Model 1 Profit Growth (PG)	0,3853

Source: Processed data

The data processing procedure yielded an Adjusted R-squared value of 0,3853, indicating that 38.53% of the variance in the data can be explained by the model. The value of 38,53% indicates that the independent variables in the model have a significant impact on the dependent variable. However, it is important to note that there are additional variables not included in the model that account for the remaining 61,47% of the variability in the dependent variable.

Table 2
Result of Prob. (F-Statistic)

Simultant Test	Model 1	Probability	Hypothesis
Probability F-Statistic	Model 1 Profit Growth (PG)	0,0000	Supported

Source: Processed data

The Prob value test (F-Statistic) indicates a value of 0,0000, which is less than the significance level of 0,050. This suggests that the alternative hypothesis (Ha) is accepted. The test findings suggest that there is a simultaneous impact of the independent variable on the dependent variable. Therefore, it is imperative to continue this research.

Table 3
Result of Analysis

Independent Variables	C	Probability	Probability (One-T)	Hypothesis
C	-0,6481	0,0000	0,0000	
CAR	-0,0316	0,8491	0,3216	(R)Rejected by H ₁
QPA	-0,1149	0,0737	0,0464	(S)Supported by H ₂
NPM	0,5143	0,0423	0,0262	(S)Supported by H ₃
ROA	11,8798	0,0191	0,0071	(S)Supported by H ₄
OEOI	0,2193	0,0157	0,0398	(S)Supported by H ₅
CR	0,0244	0,5531	0,6786	(R)Rejected by H ₆
LDR	0,1476	0,0216	0,0087	(S)Supported by H ₇

Source: Processed data

The formula in this research:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} - \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} + e_{it}$$

$$Y_{it} = -0,6481 - 0,0316X_{1it} - 0,1149X_{2it} + 0,5143X_{3it} + 11,8798X_{4it} + 0,2193X_{5it} + 0,0244X_{6it} + 0,1467X_{7it} + e_{it}$$

According to the data presented in Table 3, the variable CAR exhibits a probability value (one-tailed) of 0,3216, which is more than the significance level of 0,050. Additionally, the coefficient value for this variable is -0.0316. The findings of the initial hypothesis indicate that there is no significant impact of the Capital Adequacy Ratio on Profit Growth (H1 Rejected). The QPA variable has a statistically significant relationship with the outcome variable, as indicated by the probability value (one-tailed) of 0,0464, which is less than the significance level of 0,050. Furthermore, the coefficient value for the QPA variable is -0,1149. The findings pertaining to the second hypothesis indicate that there exists a statistically significant negative relationship between Productive Asset Quality and Profit Growth, hence providing support for the second Hypothesis. The variable NPM is assigned a value of Prob. (One-Tailed) that is less than 0,050, namely 0,0262. Additionally, the coefficient value for NPM is 0,5143. The findings pertaining to the third hypothesis indicate a statistically significant and positive relationship between Net Profit Margin and Profit Growth, hence providing support for the third Hypothesis.

The variable ROA has a statistically significant relationship with a probability value (one-tailed) of 0,0071, which is less than the conventional significance level of 0,050. The coefficient associated with this variable is estimated to be 11,8798. The findings pertaining to the fourth hypothesis indicate that there exists a statistically significant positive relationship between Return on Assets and Profit Growth, hence providing support for the fourth Hypothesis. The OEOI variable has a statistically significant relationship with the dependent variable, as indicated by the probability (one-tailed) value of 0,0398, which is less than the significance level of 0,050. Furthermore, the coefficient value for the OEOI variable is estimated to be 0.2903. The findings of the fifth hypothesis indicate that there is a statistically significant positive relationship between Operating Expenses and Operating Income, which

in turn has a substantial impact on Profit Growth. Therefore, we may conclude that fifth Hypothesis is supported. The CR variable exhibits a probability value (one-tailed) of 0,6786, which is more than the significance level of 0,050. Additionally, the coefficient value for the CR variable is 0.0244. The findings pertaining to the sixth hypothesis indicate that there is no significant impact of the Current Ratio on Profit Growth (H6 Rejected). The LDR variable has a statistically significant relationship with the dependent variable, as indicated by the probability value (one-tailed) of 0,0087, which is less than the conventional significance level of 0,050. Furthermore, the coefficient value for the LDR variable is 0,1476. The findings of the seventh hypothesis indicate that there is a statistically significant positive relationship between the Loan-to-Deposit Ratio and Profit Growth, providing support for the seventh Hypothesis.

The findings obtained from the examination of the first hypothesis indicate that there is no significant impact of the Capital Adequacy Ratio on Profit Growth. Consequently, the hypothesis is deemed to be unsupported and rejected. The empirical data presented suggests that there is no consistent relationship between VCI's capital and the risks it assumes, and the subsequent impact on Profit Growth. The usage of funds by VCI may imply non-compliance with local laws, although VCI has the potential to directly mitigate calculated risks. The findings of this study demonstrate that the administration of Village Credit Institutions (VCIs) is not marred by agency conflicts or personal interests among village leaders and village communities. Consequently, this absence of conflicts and personal interests contributes to a decrease in financial risks for VCIs. The findings of this study align with the principles of the Goal-setting Theory, which posits that prior assumptions are necessary for effective decision-making and action-taking when utilizing capital with a deliberate consideration of risk. The findings of this study are corroborated by previous research conducted by Suryadi and Djuniar (2017), Guicheldy and Sukartaatmadja (2021), Sujana et al. (2018), Permatasari et al. (2016), and Syafaat (2021), all of whom have also reported data indicating that the Capital Adequacy Ratio (CAR) does not have a substantial influence on Profit Growth. The impact of the Capital Adequacy Ratio on Profit Growth is negligible. In essence, the findings of this study might serve as a foundation for the principal executive of VCI to deliberate on the allocation of their money, taking into account the risk associated with the acquired assets.

The findings from the analysis of the second hypothesis indicate a statistically significant inverse relationship between the Quality of Productive Assets and Profit Growth. Consequently, the hypothesis is supported. This empirical research provides an explanation for the positive relationship between a drop in QPA and a rise in profit growth. The topic of discussion is the classification of productive assets within the context of the Village Credit Institution (VCI). The Badung Regency, while facing economic challenges, managed to sustain itself. The Badung Regency Village Government maintains ongoing surveillance of the Village Credit Institution (VCI) to alleviate any concerns among the general population. The findings of this study are corroborated by Paramithari and Sujana (2022), who assert that QPA has a noteworthy adverse impact on the rise of profits. Put simply, the findings of this study can serve as a foundation for the VCI Chair to deliberate on the feasibility of extending loans to clientele. If the process of credit returns is seamless, it enables the redistribution of credit to the community, consequently resulting in an augmentation of profit growth.

The findings of this study indicate that the third hypothesis, which posits a positive relationship between Net Profit Margin and Profit Growth, is supported by the data. This empirical data provides an explanation for the positive correlation between the NPM value and the operational efficiency of VCI. If the Village Credit Institution (VCI) can optimize its operational efficiency, it has the potential to enhance its profitability and foster development in its financial returns. When considering the framework of agency theory, the management of Badung Regency VCI can utilize financial data as a means to evaluate and make informed decisions that aim to enhance operational efficiency in the long run. According to the findings of prior studies conducted by Habibah et al. (2021), Karim et al. (2023), Desda (2022), Umar et al. (2021), Habibah et al. (2021) and Firdaus (2022) it has been shown that the implementation of Net Profit Margin (NPM) is associated with a notable and favorable impact on the increase of profits. In essence, the outcomes of this study can serve as a foundation for the governing authority of VCI to examine net profit and operational profit with the aim of enhancing Profit Growth.

The findings of the fourth hypothesis test conducted in this study indicate that there is a statistically significant and positive relationship between Return on Assets and Profit Growth. Therefore, the hypothesis is supported. A rise in the Return on Assets (ROA) value is expected to

enhance the efficiency of the Village Credit Institution Badung Regency in utilizing VCI assets, hence potentially leading to an increase in Profit Growth. The findings of this study are consistent with the findings of Paramithari and Sujana (2022), Bimantoro and Ardiansah (2018), Dewi and Puspaningsih (2020), Mislinawati and Sari (2020), Hidayati and Marlina (2021), Ester et al. (2022), Karelina et al. (2022), Siswanto et al. (2022), and Karim et al. (2023). In essence, the findings of this study can serve as a foundation for the office manager of VCI to strategically utilize resources. This approach aims to mitigate the potential negative consequences on Profit Growth in the future, particularly in relation to loan funds offered by VCI, when faced with challenging conditions. The findings of this study are consistent with the Goal-setting theory, a theoretical framework grounded in empirical data that posits the primacy of establishing future objectives and desired outcomes.

The findings from the fifth hypothesis test indicate that there is a statistically significant positive relationship between OEOI and Profit Growth. Therefore, we accept the hypothesis. The OEOI coefficient exhibits a positive value, indicating its potential to enhance VCI Profit Growth for Badung Regency. This is attributed to the fact that the average income generated by VCI surpasses the operating expenses made by the organization. The findings of this study elucidate that a decrease in the OEOI ratio is associated with a higher level of operational efficiency in the allocation and utilization of VCI funds by the VCI. The findings of this study are consistent with the findings of previous studies conducted by Permatasari et al. (2016) and Mislinawati & Sari (2020). The findings of this research can serve as a foundation for the executive in charge of VCI to enhance Profit Growth through the augmentation of operational efficiency at VCI.

The findings from the sixth hypothesis test indicate that there is no significant impact of the Current Ratio on Profit Growth, leading to the rejection of the hypothesis. There is no significant impact of the CR ratio on Profit Growth. The utilization of current assets in VCI operations may not always be consistent, hence limiting their influence on Profit Growth. Similarly, current debt does not necessarily contribute to operational efficiency in VCI, as its utilization may be contingent upon specific circumstances. The findings of this study align with the research conducted by Pratiwi (2018), Purnawan & Suwaidi (2021), Saraswati & Nurhayati (2022), Sujana et al. (2018), and Rokayah (2022), all of which indicate that there is no significant impact of Current Ratio (CR) outcomes on profit growth. Put simply, it is advisable for the presiding officer of VCI to abstain from contemplating the use of existing assets for the purpose of settling immediate obligations.

According to the latest findings, the Loan-to-Deposit Ratio demonstrates a notable positive impact on Profit Growth, therefore confirming the acceptance of the concept. The findings suggest that a higher Loan-to-Deposit Ratio (LDR) is associated with a favorable effect on the growth of profits. In this particular scenario, the Village Credit Institution (VCI) demonstrates an effective distribution of credit, aligning with the principles of agency theory. The VCI fulfills its responsibility to the village by overseeing and controlling the credit allocation process, so ensuring the health and stability of the institution. The findings of the research on Loan-to-Deposit Ratio (LDR) demonstrate a noteworthy and favorable impact on the increase of profits, aligning with the outcomes of the study conducted by Geriadi and Astawa (2022). The research findings offer a foundation for the presiding officer of VCI to deliberate upon the timing of credit allocation adjustments to village communities, in adherence to village regulations. Disregarding these regulations would result in a violation of the agency principle.

CONCLUSION

The purpose of this study was to provide updated information on the CAMEL analysis on VCI Badung Regency. In the context of hypothesis testing, it is observed that not all of the CAMEL indicators may be regarded as influential variables affecting Profit Growth. The findings derived from the outcomes of this hypothesis test are as follows: The impact of the Capital Adequacy Ratio on Profit Growth is not statistically significant. The interpretation of the findings suggests that there is no discernible impact on Profit Growth in VCI Badung Regency based on the variation in the CAR ratio. Additionally, it is seen that Productive Asset Quality has a considerable negative influence on Profit Growth. A low QPA ratio has the potential to enhance Profit Growth. Additionally, Net Profit Margin exhibits a noteworthy beneficial impact on Profit Growth. A high net profit margin (NPM) ratio is indicative of VCI's operational efficiency and has the potential to enhance profit growth. Additionally, the presence of a substantial positive relationship between return on assets and profit growth is seen. A high return on assets (ROA) ratio may suggest that VCI has the capability to enhance its profit growth.

Additionally, the relationship between operating expenses and operating income exhibits a notable beneficial impact on profit growth. This implies that a larger Profit Growth value is achieved by VCI when the operating expenditures are relatively lower compared to the income gained. Additionally, it is seen that the Current Ratio does not have any impact on Profit Growth. This implies that the relative levels of current assets and current liabilities do not have any influence on the growth of profits. Additionally, it is found that the Loan-to-Deposit Ratio has a notable and positive impact on Profit Growth. This implies that there is a positive correlation between the LDR value and the Profit Growth value, indicating that when the LDR value increases, the Profit Growth value also increases. Previous studies exclusively employed CAEL analysis, but the present research included CAMEL analysis. However, it is important to note that this study is subject to several constraints, namely pertaining to its geographical reach within Badung Regency. In subsequent studies, scholars want to employ a more comprehensive scope in the Village Credit Institution pertaining to the Bali Province.

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