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Organization Behavior, Intellectual Capital, and Performance: A Case Study of Microfinance Institutions in Indonesia

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Abstract

This study aims to identify the role of organizational behavior and intellectual capital on risk management implementation and Village Credit Institutions (called LPD) performance. The LPD population is 1,256 units spread across nine districts/cities in Bali. This research was conducted at the LPD as the only microfinance institution based on local wisdom in traditional villages in Bali Province, Indonesia. Based on sampling using the Slovin method, there were 139 LPD as sampled in this study. The respondent in this study was the Head of the LPD. LPD performance measurement is using the balanced scorecard method that combines financial and non-financial aspects. This study also investigates risk management's role as a mediator in the relationship between organizational behavior and intellectual capital on the LPD performance. Methods of data collection using a survey. The questionnaire was given to 139 LPD chairman who was respondents in this survey. The data analysis technique used SEM-PLS. This study succeeded in confirming Resource-Based View Theory that organizational behavior and intellectual capital affect risk management and organization performance. These results also prove risk management's role as a mediation for the relationship between organizational behavior and intellectual capital on organizational performance.

Keywords: Balance Scorecard, Village Credit Institutions, Intangible Asset

JEL Classification Code: G210, G230, G32

1. Introduction

Microfinance institutions are one of the economic support institutions for a country, especially in developing countries like Indonesia. Although a valid law protects

this institution, there are no laws and regulations that specifically regulate this institution's existence. Therefore, it is necessary to conduct an organizational performance assessment to ensure the sustainability of the microfinance institution (Hartarska & Nadolnyak, 2007). This study uses a balanced scorecard as a comprehensive assessment of organizational performance based on financial and non-financial perspectives. The balanced scorecard is currently one of the tools with high accuracy (Atkinson & Epstein, 2000; Frigo & Krumwiede, 2000).

Village Credit Institutions (LPD) are a form of local wisdom-based microfinance institutions widely available in Bali Province, Indonesia. Although this institution has developed quite rapidly, not all LPDs are in good financial health. There are 158 LPDs (11.03 percent) that had gone bankrupt (BaliBisnis.com, 2017). LPD as a financial institution has several risks. The management is obliged to implement risk management (Astawa et al., 2020). Risk management is needed to protect an organization from the intense business competition and business complexity (Harelimana, 2017; Tan et al., 2017).

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One of the efforts that can be made to minimize LPD management's risk is to prioritize the management of intangible assets, namely intellectual capital and organizational behavior. Several academics have recognized the role of intellectual capital in creating value and increasing organizational competitiveness (Cabrita et al., 2017; Januskaite & Uziene, 2018), including LPD performance. Also, the implementation of risk management is determined by organizational behavior elements (Susatyo et al., 2011). Good organizational behavior reflected in a healthy risk culture will ensure that business processes follow the right risk management principles (Hammond, 2002).

Based on this phenomenon, three conditions motivate researchers to research this topic. First, currently, a financial institution's performance appraisal has only used financial reports audited by an independent public accountant. Financial ratios (as a performance appraisal) are only short-term (Chen & Shimerda, 1981; Linares-Mustarós et al., 2018). It was challenging to use for long-term decision-making. Therefore, a balanced scorecard is a comprehensive measurement. This method is based not only on a financial perspective but also on non-financial aspects such as consumers, employees, and internal business processes (Kaplan & Norton, 1996). Second, many risks can threaten the survival and success of LPDs, including legal, credit, operational, and liquidity risks (Astawa et al., 2020). Risk management failure is one of the leading causes of financial institutions' crises (Aebi et al., 2012; Holland, 2010). Several literature works also state that a risk management system improves company performance (Florio & Leoni, 2017; Gatzert & Martin, 2015; Karami et al., 2020).

Third, intangible assets play an important role in improving financial institutions' performance, such as organizational behavior and intellectual capital. However, some empirical research reveals differences in research results on organizational behavior and intellectual capital on performance. On the one hand, intellectual capital has a positive effect on firm performance and the knowledge range (Arsawan et al., 2021; Bayraktaroglu et al., 2019; Obeidat et al., 2016; Wang et al., 2014). On the other hand, previous studies found that intellectual capital does not affect firm performance (Appuhami, 2007; Chu et al., 2011; Hamdan, 2018). From the perspective of organizational behavior, organizational behavior affects company performance (Podsakoff et al., 2000; Sadeghi et al., 2016; Susatyo et al., 2011). Other researchers found different results, namely organizational behavior in the dimensions of hope and optimism does not affect company performance (Memari et al., 2013). This result is a research gap to reconfirm the influence between organizational behavior and intellectual capital on company performance. Therefore, this study adds a risk management variable as a mediator of organizational behavior and intellectual capital on organizational performance.

This study aims to identify the role of organizational behavior and intellectual capital on LPD risk management and performance. This study also investigates risk management's role as a mediator in the relationship between organizational behavior and intellectual capital on LPD institutions' performance. This study succeeded in confirming the Resource-Based View Theory that intangible assets, namely organizational behavior and intellectual capital, affect risk management and LPD performance. These results also prove risk management's role as a mediation for the relationship between organizational behavior and intellectual capital on organizational performance.

The results have contributed both theoretically and practically. This study confirms the Resource-Based View Theory that claims that intellectual capital is the principal capital in improving company performance. In practical terms, this study contributes to regulators and LPD managers on the importance of implementing risk management to maintain organizational financial health and improve organizational performance. Also, LPDs need to prioritize the development of intangible assets that become an organization's competitive advantage.

2. Literature Review

2.1. Resource-Based View Theory

Resource-Based View Theory states that companies must have resources that can make the company have a competitive advantage and direct the company to have good long-term performance (Wernerfelt, 1984). This theory also emphasizes that strategic assets are essential to develop a competitive advantage and achieve high financial performance (Ekaningrum, 2021; Ying et al., 2019). The basic premise of Resource-Based View Theory states that an organization's value creation ability is not related to the industry's dynamics but depends on the accumulation and allocation of resources (Das & Teng, 2000; Mahoney & Pandian, 1992). Resource-Based View Theory states that the company can combine tangible or intangible resources into its competitive advantage (Bontis, 1998). Organizational leaders must identify all the company's critical resources to be used as drivers for organizational success.

2.2. Hypotheses

2.2.1. Organizational Behavior and Risk Management

Organizational behavior refers to the theory proposed by Robbins (2016). Organizational behavior has an essential role because it relates to all human activities to create a harmonious relationship between humans and systems in the organizational structure. If we can control behavior in

an organization, it will create a good relationship between humans and the organization's system (Janicijevic, 2017; Nurkholis et al., 2020). Organizational behavior determines the implementation of risk management (Susatyo et al., 2011). Good organizational behavior is reflected through a healthy risk culture, ensuring that the correct risk management principles carry out business processes (Lim et al., 2017).

Banks with a risk culture and good organizational behavior will ensure proper operationalization. Healthy good risk culture is reflected in a clear reward and punishment system (Nurkholis et al., 2020; Yilmaz & Flouris, 2017). Evaluates behavior that ignores risks, including violations, and emphasizes ethics and values set in writing and must be obeyed by all employees. Hammond (2002) emphasizes that organizational behavior is based on risk by changing employee attitudes. This statement is also supported by Smallman's (1996) research that states that organizational behavior's strength with the implementation of risk management. The relationship between organizational behavior and risk management supports previous research (Hammond, 2002; Smallman, 1996; Susatyo et al., 2011) that organizational behavior affects risk management. Thus, a research hypothesis developed, namely:

H1: Organizational behavior has a positive effect on risk management.

2.2.2. Intellectual Capital and Risk Management

The principal capital of business competition is not only based on tangible assets but also intangible assets (Osinski et al., 2017). The concept of intellectual capital is closely related to technology and can support the progress of an organization. Adequate intellectual capital will create a good transfer and implementation of capabilities (Cabrillo & Dahms, 2018; Engelman et al., 2017). Regarding LPD risk management, technological and scientific developments significantly impact forecasting a business's risk.

Previous research examined the effect of intellectual capital with risk management indicators, including market risk, idiosyncratic risk, and turnover (Sallebrant et al., 2007). This study reveals that intellectual capital has a negative effect on idiosyncratic risk and turnover. Furthermore, another study examines intellectual capital components, namely human capital efficiency and structural capital efficiency associated with risk management (Ghosh & Maji, 2014). The study findings reveal that the relationship between intellectual capital is inversely related to credit risk. Among its components, human capital efficiency has a negative effect on credit risk. Thus, a research hypothesis developed, namely:

H2: Intellectual capital has a positive effect on corporate risk management.

2.2.3. Organizational Behavior and Organization Performance

Understanding human behavior is challenging because humans are often difficult to predict and have different qualities and thoughts (Kim & Nam, 1998). The relationship between organizational behavior and company performance is where organizational behavior is a function of human interaction in an environment that will impact company performance (Atkinson & Epstein, 2000). Human behavior is a function of the interaction between individuals and the environment. Each person will behave differently in their environment (Janicijevic, 2017).

Risk-aware organizational behavior carried out with full commitment and trust will be able to improve organizational performance. Organizational behavior, including culture, structure, and organizational processes, will influence individual behavior to impact the organization's beliefs and behaviors (Mahaputra et al., 2018; Rustiarini et al., 2021). Besides, individuals will outperform basic demands and will guide individuals as part of organizational behavior. Positive organizational behavior, particularly in the dimensions of self-confidence and resilience, influences company performance (Memari et al., 2013). However, positive organizational behavior in the dimensions of hope and optimism does not affect company performance. The relationship between organizational behavior and company performance. In line with previous studies' results (Memari et al., 2013; Podsakoff et al., 1997; Sadeghi et al., 2016; Susatyo et al., 2011) that states the organizational behavior affects company performance. Thus, a research hypothesis developed, namely:

H3: Organizational behavior has a positive effect on organization performance.

2.2.4. Intellectual Capital and Organization Performance

The ultimate goal of performance measurement is to create sustainable profitability. Thus, business organizations must manage operational and strategic activities to develop innovation to generate competitive advantage (Sharabati et al., 2010). Innovative ideas become structural business capital expected to improve performance (Hejazi et al., 2016). The research conducted shows that intellectual capital must be transferred to innovation in establishing a positive relationship between intellectual capital and business performance (Narvekar & Jain, 2006). Intellectual capital that has been transferred to innovation triggers performance developments. Innovation plays an active role in creating value-added products and services (Arsawan et al., 2021; Obeidat et al., 2017).

Although some researchers suggest that intellectual capital plays a vital role in company performance, other studies show different results. Chu et al. (2011) found no relationship between intellectual capital and firm performance (market to book value, return on assets). The relationship between intellectual capital and company performance is in line with the results of previous studies (Barkat & Beh, 2018; Narvekar & Jain, 2006; Obeidat et al., 2017; Saengchan, 2008; Sharabati et al., 2010; Solikhah et al., 2020) that intellectual capital affects company performance. This study's results contradict Chu et al. (2011) and Rahman & Ahmed's (2012) research that no relationship between intellectual capital and company performance. Thus, a research hypothesis developed, namely:

H4: Intellectual capital has a positive effect on organization performance.

2.2.5. Risk Management and Organization Performance

Risk management an additional purpose that should complement any return on investment strategy the business unit has chosen. Effective financial management pays attention to risk (Kaplan & Norton, 1996). This condition is the same as the concept of return on investment. The main goal is to get a good performance. Therefore, businesses must focus their attention on managing and controlling risk (Hammond, 2002). Previous research has shown that the application of company management is related to improving company performance. Enterprise risk management also reduces stock price volatility, capital costs, increase efficiency, and create synergies between risk management activities (Hoyt & Liebenberg, 2011; Maurer, 2009). Besides, risk management helps organizations achieve business goals, supports operational performance, assists in strategic decision making, and maximizes shareholder value (Hammond, 2002; Smallman, 1996).

The relationship between risk management and performance depends on five specific factors: environmental uncertainty, industry competition, company complexity, company size, and the monitoring board of directors. Vishnu and Gupta (2014) state the examined risk management in Indian companies showed that effective risk management improves performance even though the company does not have adequate infrastructure to implement risk management. Other studies have also researched the importance of implementing risk management in improving company performance. Jafari et al. (2011) and Khan and Ali (2017) stated that risk management positively affects company performance. Exemplary risk management implementation and understanding risk profit will improve the banking performance (Susatyo et al., 2011). The previous studies

(Hoyt & Liebenberg, 2011; Jafari et al., 2011; Khan & Ali, 2017; Maurer, 2009; Vishnu & Gupta, 2014) state that risk management affects company performance. Thus, a research hypothesis developed, namely:

H5: Risk management has a positive effect on organization performance.

2.2.6. Organizational Behavior, Risk Management, and Organization Performance

Risk-conscious organizational behavior carried out with full commitment and trust will improve the banking industry's performance. Organizational behavior will influence individual behavior. Thus, individuals will perform beyond basic demands and guide individual behavior as defined in the organization (Susatyo et al., 2011). Risk management can help organizations achieve business goals, support the company's operational performance, assist in strategic decision making, and ultimately maximize shareholder value (Hammond, 2002; Smallman, 1996). The relationship between corporate risk management and performance depends on five company-specific factors: environmental uncertainty, industry competition, company complexity, company size, and directors' monitoring board (Hoyt & Liebenberg, 2011; Lin et al., 2012; Yilmaz & Flouris, 2017). Companies must pay attention to risk management and contextual variables to improve performance (Nocco & Stulz, 2006). Therefore, company risk is an essential potential determinant of firm performance (Mention & Bontis, 2013; Sharabati et al., 2010; Vishnu & Gupta, 2014). Thus, a research hypothesis developed, namely:

H6: Organizational behavior has a positive effect on organization performance through risk management.

2.2.7. Intellectual Capital, Risk Management, and Organization Performance

Intellectual capital resources are more likely to develop into an organization's competitive advantage than tangible assets. Based on Resource-Based View Theory, most studies state that resources positively influence firm performance (Das & Teng, 2000; Mahoney & Pandian, 1992). Thus, organizational success depends on using intellectual capital in an appropriate manner and skills to develop innovative behavior (Sharabati et al., 2010). Effective financial management pays the same attention to risk as it does to returns on investment. Risk management an additional purpose that should complement any return on investment strategy the business unit has chosen (Bromiley et al., 2016; Kaplan & Norton, 1996; Nocco & Stulz, 2006). The main objective is to obtain good company performance. The higher

intellectual capital as an intangible asset and lower risk will increase bank operations' accuracy in the future. Meanwhile, lower risk tends to improve bank financial performance (Jafari et al., 2011; Khan & Ali, 2017). Higher intellectual capital increases performance accuracy and reduces bank risk to improve bank financial performance. Thus, a research hypothesis developed, namely:

H7: Intellectual capital has a positive effect on organization performance through risk management.

3. Research Method and Materials

3.1. Population and Sample

The research location was conducted at the active Village Credit Institution (LPD) in the Bali Province. The LPD population is 1,256 units spread across nine districts/cities in Bali. This research was conducted at the LPD as the only microfinance institution based on local wisdom in traditional

villages in Bali Province, Indonesia. The LPD plays a role in improving the community's economy and maintaining the existence of traditional villages (Utami et al., 2021). Based on sampling using the Slovin method, there were 139 LPD as sampled in this study.

Based on these 139 LPDs, researchers take research samples in each district by proportional random sampling to equity in each Regency/City. This study's sampling technique was random, meaning that each member of the population had the same opportunity to be sampled once. The respondent in this study was the Head of the LPD. The distribution of the number of LPDs in nine districts/cities in Bali Province, Indonesia.

3.2. Research Variable

This research's exogenous variables are organizational behavior and intellectual capital, and the endogenous variables consist of risk management and organization performance. Table 1 presents the statement items of each research indicator.

Table 1: Research Variable Indicators and Items

Variables	Indicator	Item	Source
Organizational behavior	Individual behavior	(1) there are changes (2) effect of age on employment (3) meeting new people (4) there are company values and norms (5) placement according to expertise (6) company facilities and employee needs	Robins and Judge (2016)
	Group behavior	(1) submitting reports to superiors (2) division of tasks (3) commitment to achieving work team goals (4) decision making	
	Organizational system	(1) standard of work (2) submission of work by the leadership (3) providing initiative opportunities	
Intellectual capital	Human capital	(1) how employees work (2) the role of employees in the organization (3) level of competence (4) employee efforts (5) improved employee capabilities	Bontis (1998)
	Structural capital	(1) fee per transaction (2) income per employee (3) organizational structure between (4) work atmosphere (5) transaction time	
	Relational capital	(1) customer satisfaction (2) troubleshooting (3) LPD care for customers (4) customers' wishes (5) customer choice	

Table 1: (Continued)

Variables	Indicator	Item	Source
Risk management	Liquidity risk	(1) monitoring and recording of LPD bills and obligations due (2) maintenance of liquidity by the LPD	Nocco and Stultz (2006)
	Credit risk	(1) LPD debtor ability analysis (2) monitoring the use of loans by the LPD (3) review, appraisal, and binding of collateral	
	Operational risk	(1) accounts receivable write-off policy (2) determination of LPD requirements (3) follow-up leadership from general coach	
	Legal risk	(1) loan agreement (2) LPD collateral suitability (3) quality of LPD monitoring	
	Risk of owner and manager	(1) exclusion of owners in operational activities (2) ability and willingness of the LPD owner (3) implementation of activities by LPD administrators (4) carrying out duties and authorities by supervisors	
Organization Performance	Financial perspective	(1) Capital Adequacy Ratio (2) Return on Assets (3) Operational Costs and Operating Income (4) Loan to Deposit Ratio (5) Non-Performing Loan	Atkinson and Epstein (2000)
	Customer perspective	(1) reliability (2) capability (3) guarantee (4) empathy (5) tangible objects	
	Internal business perspective	(1) execution procedures (2) availability of facilities and infrastructure (3) systematic planning	
	Growth and learning perspective	(1) employee commitment (2) educational and training opportunities (3) performance awards	

3.3. Data Analysis Technique

The collected data were processed using the alternative Structural Equation Modeling (SEM) method of Partial Least Square (PLS) with the smartPLS 3.0 program. The SEM-PLS analysis stage consists of three stages (Ghozali & Latan, 2015), including evaluation of the measurement model (outer model), evaluate the structural model (inner-model) evaluation, and conduct a mediation and significance test.

4. Results and Discussion

4.1. Research Instrument Test

The research instrument test in this study used validity and reliability tests. The calculation result of the Corrected

Item Total Correlation coefficient and Cronbach's Alpha coefficient show that Cronbach's Alpha coefficient value above 0.70. This value means that all statement items are categorized as reliable.

4.2. Respondent Characteristics

Respondents in this study were the chairman of LPD from each LPD that became the research sample. The number of respondents was 139 LPDs that shown in Table 2.

Table 2 shows that most respondents are male (81.30). In terms of age, most respondents have the age range 41–50 (33.09%). The educational level of the most respondents is high school education (34.53%). Based on experience, most LPD chairman has 6–10 years (32.37).

Tabel 2: Respondent Characteristics

Information	Criteria	Frequency	Percentage
Gender	Male	113	81.30
	Female	26	18.70
Age	20–30	17	12.23
	31–40	32	23.03
	41–50	46	33.09
	> 50	44	31.65
Education	Junior high school	0	0
	Senior high school	48	34.53
	Diploma	45	32.37
	Undergraduate	42	30.22
	Postgraduate	4	2.88
Work experience	< 3 year	24	17.27
	3–6 year	39	28.06
	6–10 year	45	32.37
	> 10 year	31	22.30
Total		139	100

4.3. Inferential Statistical Analysis (Model Feasibility Test)

The Smart PLS-03 analysis evaluated the measurement model (outer model) on the results. Criteria for the analysis results are convergent validity, discriminant validity, and composite reliability.

4.3.1. Convergent Validity

Evaluation of the measurement model's convergent validity with reflective indicators is done by looking at the correlation between the reflective indicator scores and their constructs. An individual indicator is considered valid if the correlation value or loading factor reaches an index of 0.5 to 0.6. Based on the results, there are no indicators whose outer loading value is less than 0.5, and all indicators have an outer loading value above 0.5, as shown in Figure 1.

4.3.2. Discriminant Validity

The method is carried out by comparing the square root of average variance extracted (\sqrt{AVE}) value of each construct with the correlation between other constructs in the model shown in Table 3.

Based on the Discriminant Validity calculation results as in Table 3, all reflective variables have a square root of average variance extracted \sqrt{AVE} value greater than 0.50.

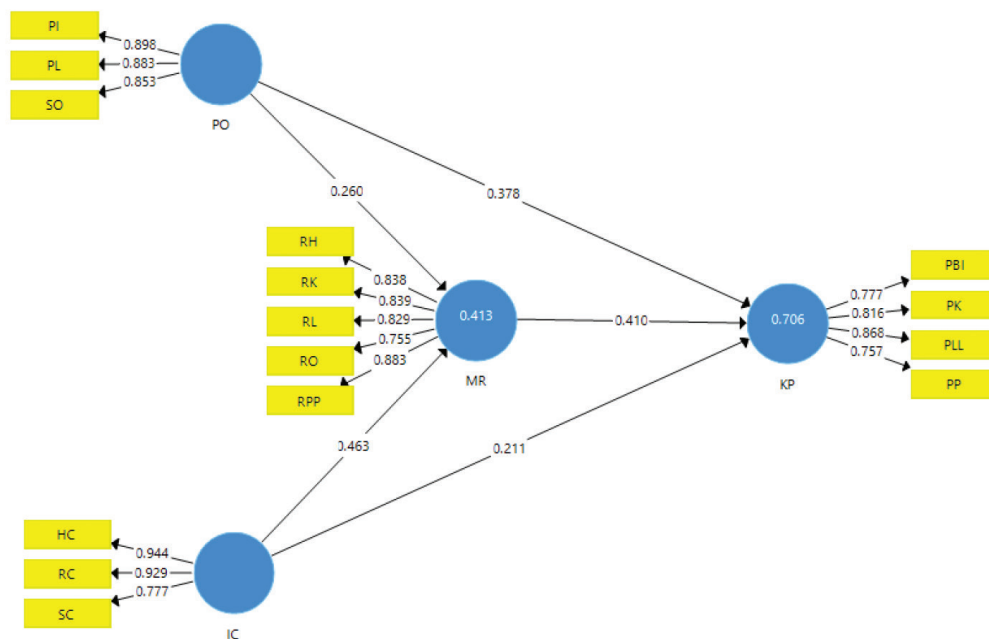


Figure 1: Research Model

Table 3: Discriminant Validity Test Results

Variable	AVE	\sqrt{AVE}	Correlation value between variables			
			X1	X2	Y1	Y2
Organizational behavior	0.771	0.878	1.000			
Intellectual capital	0.786	0.887	0.545	1.000		
Risk management	0.689	0.830	0.512	0.604	1.000	
Organization performance	0.649	0.806	0.703	0.665	0.731	1.000

Table 4: Goodness of Fit Inner Model Test

Variable	R^2	R^2 Adjusted	Explanation
Risk management	0.413	0.400	Moderate
Organization performance	0.706	0.697	Strong
Average	0.560	0.549	

4.3.3. Composite Reliability and Cronbach Alpha Test

A variable is declared reliable if it has composite reliability and Cronbach's alpha value greater than 0.60. Composite reliability is calculated to measure internal consistency. The validity and reliability test results include-convergent validity, discriminant validity, composite reliability, and Cronbach's Alpha. The test results show that all reflective indicators have a value of more than 0.8. Thus, the indicator's variables are valid and reliable.

4.4. Goodnes of Fit Inner Model

R -square (R^2) value shows the strength and weakness of the influence caused by the variation of endogenous variables on exogenous variables. The results of the Goodness of Fit inner model shown in Table 4.

Based on Table 4, the R^2 value of 0.413 from the risk management variable indicates that the model formed is weak, and 0.706 from the organization performance variable indicates that the model is classified as strong.

$$\begin{aligned}
 Q^2 &= 1 - [(1 - R^2_{y_1})(1 - R^2_{y_2})] \\
 &= 1 - [(1 - 0.413)(1 - 0.706)] \\
 &= 1 - [(0.587)(0.294)] \\
 &= 1 - 0.173 \\
 &= 0.827
 \end{aligned}$$

The total coefficient of determination is 0.827. This value means that 82.70 percent of the variation in risk management and organizational performance can be explained by the model formed (latent variables of organizational behavior and intellectual capital). The remaining 17.30 percent is explained by other variables outside the model that are not analyzed in this research model.

4.5. Statistical Testing and Discussion

Statistical testing is done to test the relationship between organizational behavior, intellectual capital, and performance variables with risk management as a mediating variable. The results of statistical testing between variables (paths) are presented in Table 5.

Information:

OB : Organizational Behavior
 IC : Intellectual Capital
 RM : Risk Management
 OP : Organization Performance

Table 5 explains that organizational behavior has a positive effect on risk management with a probability of 0.012. Organizational behavior variables also have a positive effect on organizational performance with a probability of 0.000. The intellectual capital variable has a positive effect on risk management with a probability of 0.000. The intellectual capital variable has a positive effect on organizational performance with a probability of 0.006. The last direct test shows that the risk management variable positively affects organizational performance with a probability of 0.000. The indirect influence of organizational behavior and intellectual capital variables on risk management variables and company performance is presented in Table 6.

Table 6 explains that the effect of organizational behavior on company performance through risk management with a probability of 0.009 ($0.009 < 0.05$) explains that risk management variables can mediate the influence of organizational behavior on company performance with weak mediation predictions. The influence of intellectual capital variables on company performance through risk management has a probability of 0.002 ($0.002 < 0.05$). This value means that the risk management variable can mediate the effect of intellectual capital on organization performance.

The results of testing the first hypothesis reveal that organizational behavior has a positive effect on risk management. This result indicates that implementing and managing organizational behavior improves risk management. With the better application and management of organizational behavior, such as individual behavior, group behavior, and organizational systems, risk management will increase. This study's organizational behavior variable has a more excellent average group behavior score than the mean

Table 5: Statistical Test Results Direct Relationship between Variables

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-values	Explanation
OB → RM	0.260	0.263	0.103	2.527	0.012	H1 Accepted
IC → RM	0.463	0.467	0.089	5.194	0.000	H2 Accepted
OB → OP	0.378	0.388	0.085	4.461	0.000	H3 Accepted
IC → OP	0.211	0.206	0.076	2.761	0.006	H4 Accepted
RM → OP	0.410	0.406	0.089	4.611	0.000	H5 Accepted

Table 6: Results of Indirect Relationship Between Variables Statistical Test

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-values	Explanation
OB → RM → OP	0.106	0.103	0.040	2.636	0.009	H6 Accepted
IC → RM → OP	0.190	0.191	0.061	3.090	0.002	H7 Accepted
Average	0.148					

variable score, which means that organizational behavior focuses more on group behavior. This study's results support previous studies (Janicijevic, 2017; Nurkholis et al., 2020) that it will create a good relationship between humans and systems in the organization if organization management can control behavior. Susatyo et al. (2011) stated that organizational behavior determines risk management implementation. Good organizational behavior reflected in a healthy risk culture will ensure that the bank's business processes are carried out by following excellent risk management principles (Lim et al., 2017; Yilmaz & Flouris, 2017). This result shows that the better the organizational behavior implemented in a company, the better risk management will be.

The results of testing the second hypothesis reveal that intellectual capital has a positive effect on risk management. This result illustrates that the intellectual capital in LPD affects risk management. A company's intellectual capital is superior if it can create high economic value in a competitive world compared to other companies. The principal capital rests on tangible assets and intangible assets (Osinski et al., 2017). Intellectual capital consists of human capital, structural capital, and relational capital. In this study, the average score for relational capital and human capital gains is more significant. This figure shows that the LPD focuses more on managing relational capital in solving a problem that can be done in a shorter time. The considerable value for the human capital variable shows that LPD emphasizes efforts to improve employee abilities and competencies. This study supports previous research that states that intellectual

capital has a significant positive effect on risk management (Sallebrant et al., 2007).

The results of the third hypothesis testing reveal that organizational behavior has a positive effect on company performance. The value indicates that the organizational behavior applied to the LPD has influenced company performance, which means that the increasing application of organizational behavior will increase its performance. The ability of the LPD to maintain its performance is driven by organizational behavior that has been running very well, seen from the respondent's assessment of the statements submitted, both from group behavior, individual behavior, and organizational systems. Performance from the financial perspective of LPDs in Bali Province has gone very well, seen from the ratio of health levels that have been achieved. This study supports previous studies' results stating that organizational behavior affects company performance (Memari et al., 2013; Sadeghi et al., 2016).

The results of the fourth hypothesis testing reveal that intellectual capital has a positive effect on company performance. These results illustrate that the implementation and management of intellectual capital affect company performance. This result, at the same time, means that the more the management and implementation of intellectual capital increases, the company's performance increases. Intellectual capital is one of the resources that must be appropriately managed to achieve an organization's competitive advantage, especially the LPD. The management of human capital, structural capital, and relational capital that has been implemented in LPD has been going very well. Conditions

are known from respondents' perceptions that employees can realize and serve customer desires. Also, LPDs care about their customers' desires, so that they always use the LPD as a place for financial transactions. This study's results support previous research studies (Barkat & Beh, 2018; Narvekar & Jain, 2006; Obeidat et al., 2017; Saengchan, 2008; Sharabati et al., 2010; Solikhah et al., 2020) that state intellectual capital affects organizational performance.

The results of testing the fifth hypothesis reveal that risk management has a positive effect on company performance. The test results illustrate that the better the management and implementation of LPD risk management, the better the LPD's performance. That financial institutions, including LPDs, have a very high potential risk. Various potential risks are prone to occur, such as liquidity risk, credit risk, operational risk, legal risk, and owner and management risks. Among these risks, the dominant risks affecting LPD company performance are a legal risk, owner and manager risk, and credit risk. Therefore, to improve performance, an organization must pay attention to risk management and its contextual variables. The results supported previous findings (Jafari et al., 2011; Khan & Ali, 2017; Maurer, 2009; Nocco & Stulz, 2006; Vishnu & Gupta, 2014) that risk management has a significant effect on company performance.

Testing the sixth hypothesis reveals that the estimated coefficient value of the relationship between organizational behavior and performance through risk management mediation has a positive direction. This result means that the relationship between organizational behavior and performance through risk management mediation has a unidirectional influence. Thus, increasing organizational behavior can improve performance through mediating risk management. This study proves that organizational behavior strengthens risk management as a mediator for company performance. Organizational behavior can choose two paths in strengthening company performance. Given that the mediation path has a positive direction, it can be said that the two pathways through which organizational behavior has strategic value for improving company performance. Organizational behavior conditions can reflect in group behavior. A highly committed group to achieving the work team's goals will increase the LPD's loyalty in carrying out its social responsibility. This activity will have an impact on company performance. Also, considering that the impact on risk management as a mediator of the organizational behavior construct is positive, this study proves that organizational behavior strengthens risk management as a mediator for company performance.

The seventh hypothesis testing results reveal that the estimated coefficient value of the relationship between intellectual capital and performance through risk management mediation has a positive direction. The relationship between intellectual capital and performance through risk

management mediation has a unidirectional effect. Increasing intellectual capital can improve performance through the mediation of risk management. These results also indicate that the intellectual capital variable has a direct effect on risk management. Also, intellectual capital indirectly affects company performance through the risk management variable as a mediating variable. Considering that the impact of risk management as a mediator of the intellectual capital construct is positive, this study proves that intellectual capital strengthens the position of risk management as a mediator for firm performance.

6. Conclusion

This study aims to identify the role of organizational behavior and intellectual capital on LPD performance. This study also investigates risk management's role as a mediator in the relationship between organizational behavior and intellectual capital on LPD institutions' performance. This study succeeded in confirming the Resource-Based View Theory that intangible assets, namely organizational behavior and intellectual capital, affect risk management and LPD performance. These results also prove risk management's role as a mediation for the relationship between organizational behavior and intellectual capital on organizational performance.

This study has two limitations. First, this research only focuses on the LPD in Bali Province as a microfinance institution. The results cannot be generalized to other microfinance institutions. Therefore, further research can expand the research scope in other microfinance sectors, such as cooperatives, which also play a role as the pillars of Indonesia's economy. Second, this study only involved the LPD management or chairman as respondents. This condition does not necessarily reflect the state of management and the respondents' perception as a whole. Other researchers can add to the characteristics of the respondents so that they can represent the LPD stakeholders. Third, this study shows that intellectual capital makes an essential contribution to improving LPD performance. However, this study only uses human capital, structural capital, and relational capital. Further researchers can add social capital, technological capital, and spiritual capital to measure risk management and LPD performance given the global development.

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