

# TRI HITA KARANA BASED SOCIAL VALUE REPORTING MODEL FOR BALINESE MSMEs

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## ABSTRACT

This study aims to design a social value reporting model for micro, small, and medium enterprises (MSMEs) in Bali by integrating local wisdom specifically, the Tri Hita Karana philosophy into accounting practices. MSMEs in this region contribute not only economically but also play a significant role in preserving social and cultural values through practices such as *ngayah* (voluntary service). Unfortunately, these contributions are not adequately reflected in conventional financial reports. The research questions how social contributions rooted in local wisdom can be systematically incorporated into the financial reporting practices of MSMEs. The novelty of this research lies in proposing a Tri Hita Karana-based social reporting model, which has rarely been explored in MSME accounting literature. This study employs a qualitative case study approach involving traditional culinary MSMEs in Buleleng Regency. Data were collected through semi-structured interviews, field observations, and documentation studies. The data were analyzed thematically. Findings reveal that MSMEs make substantial social contributions, yet these are not formally documented. Consequently, the study proposes a prototype reporting model that categorizes contributions under three dimensions of Tri Hita Karana: Parahyangan, Pawongan, and Palemahan. The study concludes that incorporating local values into financial reporting enhances the relevance of accounting information and strengthens the cultural identity of MSMEs in Bali. This research offers both practical and theoretical contributions to the development of culturally grounded social accounting.

**Keywords:** tri hita karana, social reporting, msmes, local wisdom, cultural accounting

## INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are the backbone of Bali's economy and culture. Beyond their economic role, MSMEs regularly participate in community rituals, religious offerings, and environmental care activities collectively known as *ngayah*. These traditions reflect the core values of Tri Hita Karana, which emphasize harmony between humans and (Parahyangan), among people (Pawongan), and with nature (Palemahan) (Arismayanti et al., 2020). However, field observations in Buleleng Regency indicate that these social and cultural contributions are rarely included in business records or financial reports. Most MSME owners see them as moral or customary obligations, not as part of business performance. As a result, these contributions are invisible in formal assessments and external reporting. This lack of integration points to a gap in conventional accounting, which still focuses primarily on financial transactions and neglects broader community impact (Utami & Atmadja, 2021). To bridge this, an alternative model is needed—one that reflects the real contributions of MSMEs based on their cultural and local contexts.

This study proposes a reporting model rooted in Tri Hita Karana to capture the social, cultural, and environmental roles of MSMEs. The model offers a structured but culturally sensitive way to document social value alongside financial outcomes. By focusing on MSMEs in Buleleng, the study aims to contribute a practical, inclusive framework for social accounting that aligns with local wisdom and supports policy development in community-based enterprise reporting. a foundational pillar of the Balinese economy, not only through their economic contributions but also through their deep-rooted participation in cultural and social life. These businesses are closely tied to the values and traditions of their communities. Their routine involvement in religious ceremonies, environmental stewardship, and voluntary work—locally referred to as *ngayah*—underscores their role in sustaining the Balinese cultural ecosystem. These practices are strongly aligned with the Tri Hita Karana philosophy, which promotes harmonious relationships between humans and God (Parahyangan), fellow humans (Pawongan), and the natural environment (Palemahan) (Arismayanti et al., 2020).

Despite their vital socio-cultural role, the contributions of MSMEs are seldom captured in conventional accounting practices. Financial statements primarily emphasize monetary performance and overlook intangible contributions such as community engagement, spiritual offerings, or environmental activities. This narrow financial focus results in the underrepresentation of MSMEs' broader societal value (Utami & Atmadja, 2021). This disconnects calls for an expansion of the current reporting paradigm. There is a growing need for accounting models that reflect the realities and values embedded in the communities where these businesses operate. Culturally informed accounting approaches can bridge this gap by integrating local wisdom into business reporting frameworks.

Accordingly, this study proposes a social value reporting model rooted in the Tri Hita Karana philosophy. It seeks to document the social and cultural practices of MSMEs in a structured manner, enabling a more holistic portrayal of their value to society. The model aims to complement traditional financial data with qualitative insights that honor the local context of Balinese enterprises. By focusing on the lived experiences and daily contributions of MSMEs, particularly those in Buleleng Regency, the study contributes to the evolving discourse on social accounting. It also introduces a culturally relevant reporting model that could inform both local policy and broader efforts toward sustainable and inclusive business practices.

## LITERATURE REVIEW

The evolution of social accounting has been driven by the need to reflect organizational accountability not only in economic terms but also in social and environmental dimensions. Gray (2002) defines social accounting as a process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. The practice of social reporting allows businesses to disclose their non-financial performance, thereby reinforcing transparency and stakeholder trust.

In the context of legitimacy theory, organizations seek to align their operations with societal expectations to maintain legitimacy (Deegan, 2019). Social reporting thus becomes a tool for organizations, including MSMEs, to demonstrate compliance with social norms, values, and expectations. By embracing social and cultural accountability, enterprises can gain acceptance from their communities and enhance their sustainability.

Local wisdom, as an emerging concept in social accounting discourse, is particularly relevant for MSMEs operating in culturally rich regions such as Bali. The Tri Hita Karana philosophy—emphasizing harmony between people and God (Parahyangan), among people (Pawongan), and with the environment (Palemahan)—has long served as a guide in Balinese social life (Arismayanti et al., 2020). While this philosophy is integrated into tourism, education, and village governance (Pitana & Diarta, 2019), its systematic application in accounting practices remains limited. Utami and Atmadja (2021) point out that many Balinese MSMEs continue to rely on informal, intuitive bookkeeping methods that overlook the social value they generate. Their study underscores the need for accounting models that not only track financial data but also reflect community contributions such as participation in ceremonies, local employment, and environmental stewardship. In a similar vein, Yasa et al. (2021) advocate for the incorporation of Tri Hita Karana into business frameworks to foster sustainability and local legitimacy.

Previous studies have provided critical insights but have largely overlooked the operationalization of these values within a standardized reporting format. This research aims to bridge that gap by developing a model of social value reporting that reflects the principles of Tri Hita Karana in a format accessible to MSMEs. In doing so, it not only enriches the academic field of social accounting but also provides practical tools for cultural accountability in community-based enterprises. Social accounting has emerged as a framework that allows organizations to report their broader impacts on society and the environment (Gray, 2002). Deegan (2019) highlighted its importance in strengthening organizational legitimacy by making non-financial contributions visible to stakeholders.

In the Balinese context, the Tri Hita Karana philosophy serves as a foundational value system that guides community life. It has been integrated into various sectors, including education, tourism, and governance (Pitana & Diarta, 2019). However, its incorporation into business reporting, particularly for MSMEs, remains underexplored. Previous studies, such as Utami & Atmadja (2021), identified challenges faced by MSMEs in adopting formal accounting practices that capture their social involvement. Yasa et al. (2021) argued for the need to contextualize business models in line with local values to achieve sustainable development. This study fills a gap in the literature by designing a reporting model that explicitly incorporates Tri Hita Karana into the accounting framework of MSMEs in Bali.

## **METHOD, DATA, AND ANALYSIS**

This study employs a qualitative research approach, specifically using a case study design, which is appropriate for understanding complex social phenomena within their real-life context (Yin, 2018). The case study method allows for an in-depth exploration of how MSMEs in Bali engage in social practices rooted in local wisdom and how these can be captured through an accounting model.

### **Research Setting and Subjects**

The research was conducted in Buleleng Regency, one of the regions in Bali known for its active traditional MSME sector. The focus was on culinary MSMEs with a strong engagement in community-based activities such as ritual offerings, environmental preservation, and local employment. These businesses were selected purposively to ensure relevance to the study objectives.

### **Data Collection Techniques**

Data were gathered through multiple qualitative methods to enhance validity and triangulation (Creswell & Poth, 2018): Semi-structured interviews with MSME owners and community leaders to obtain insights into their values, social contributions, and perceptions of accountability. Participant observation, where the researcher observed MSME operations and their involvement in cultural or environmental activities. Document analysis of informal financial notes, social activity records, or community involvement documentation where available. Each method was designed to capture different dimensions of social value that may not be apparent in conventional financial data.

## **RESULT AND DISCUSSION**

This section presents the findings from field research conducted on ten culinary MSMEs located in Buleleng Regency, Bali. These businesses were selected due to their consistent involvement in cultural, religious, and environmental activities, aligning with the principles of Tri Hita Karana. The data were analyzed thematically and categorized into three major themes: current reporting practices, observed social contributions based on Tri Hita Karana, and the proposed social reporting model.

### **Current Reporting Practices**

Field observations and interviews revealed that most MSMEs in the study maintained basic records of their cash inflows and outflows, primarily for internal management or informal credit purposes. Social contributions such as food donations for temple ceremonies, community clean-up participation, or support to neighboring families were neither documented nor perceived as reportable items. One business owner stated: “We help the banjar and pura as part of our obligation, not for business reporting.” This shows a cultural mindset that separates business from social engagement, which limits visibility of MSMEs’ full contribution.

### **Social Contributions Based on Tri Hita Karana**

Through thematic analysis, researchers categorized social contributions into three domains:

- 1) Parahyangan: All ten MSMEs were found to regularly donate goods (e.g., rice, snacks) or volunteer time (*ngayah*) for religious ceremonies held in temples or local spiritual events. These actions are deeply rooted in Balinese Hindu values and are often performed communally without formal documentation.

- 2) Pawongan: Several MSMEs provided informal apprenticeships to local youths, assisted elderly neighbors with daily needs, and hired part-time workers during peak seasons. This was seen as a way to maintain social harmony within the village. For example, one MSME hired single mothers to support their household economy while giving them flexible working hours.
- 3) Palemahan: Four MSMEs had adopted environmentally conscious practices, such as using banana-leaf packaging, segregating organic waste, and participating in the monthly village-based clean-up (*kerja bakti*). These practices, while motivated by community pressure and spiritual beliefs, remained undocumented in financial reports.

### Proposed Reporting Model

Based on these findings, a prototype reporting format was developed to help MSMEs systematically record their social contributions. The model features categories based on Tri Hita Karana and includes fields for activity type, frequency, estimated monetary value, and impact. The goal is not to quantify cultural practices commercially, but to enhance visibility and accountability in a way that aligns with local values.

Social Activity	THK Dimension	Frequency	Estimated Value (IDR)	Social Impact
Temple donation	Parahyangan	Monthly	500,000	Supports cultural and religious preservation
Youth skill mentoring	Pawongan	Biweekly	300,000	Builds local human resource capacity
Use of banana-leaf wraps	Palemahan	Daily	200,000	Reduces plastic waste and supports local farms

This reporting model was discussed with several MSME owners during feedback sessions, and the majority expressed that it was simple, culturally appropriate, and could enhance their business credibility without creating additional administrative burden. They also noted that being able to demonstrate social value could help when applying for government support or partnerships.

These findings indicate that social value reporting for MSMEs in Bali is feasible, meaningful, and can be grounded in deeply held local wisdom. The challenge lies not in willingness, but in providing the tools and awareness to integrate these values into the business process.

### Current Reporting Practices

Most MSMEs recorded only basic financial information related to cash inflows and outflows. Contributions to religious ceremonies, training for youth, or environmental efforts were not documented. These were viewed as customary obligations rather than reportable business activities.

#### Social Contributions Based on Tri Hita Karana

- 1) Parahyangan: Regular donations to temples, food offerings during ceremonies, and voluntary work at religious sites.
- 2) Pawongan: Providing informal training to youth, assisting sick neighbors, and employing local women temporarily.

- 3) Palemahan: Reducing plastic usage, using organic packaging, and composting organic waste.

### Proposed Reporting Model

The proposed social value reporting model is organized into five columns: Activity Type, THK Dimension, Frequency, Estimated Value, and Social Impact.

Social Activity	THK Dimension	Frequency	Estimated Value (IDR)	Social Impact
Temple donation	Parahyangan	Monthly	500,000	Supports cultural and religious preservation
Youth entrepreneurship	Pawongan	Biweekly	300,000	Enhances youth skill development
Organic waste composting	Palemahan	Weekly	200,000	Promotes environmental sustainability

The model allows MSMEs to recognize and quantify their social value in alignment with local cultural values.

## CONCLUSION

This study affirms that micro, small, and medium enterprises (MSMEs) in Bali play a vital role not only in economic development but also in preserving and promoting local cultural values, particularly those embedded in the Tri Hita Karana philosophy. Through practices such as *ngayah*, environmental stewardship, and community participation, MSMEs contribute significantly to social and ecological well-being. However, these non-financial contributions remain unrecognized in conventional financial reporting practices. This lack of documentation limits the ability of MSMEs to fully reflect their value within the community and to stakeholders who may support or partner with them. To address this gap, the research proposes a prototype model of social value reporting that incorporates Tri Hita Karana as its core framework. By categorizing social contributions into the dimensions of Parahyangan, Pawongan, and Palemahan, the model offers a structured, culturally grounded way for MSMEs to record and report their social impact.

The model not only improves transparency and accountability but also reinforces the alignment between business practices and cultural identity. As such, it has the potential to serve as a replicable model in other regions where local wisdom plays an integral role in community life. In conclusion, integrating local wisdom into accounting practices is both a culturally relevant and ethically responsible step toward advancing inclusive and sustainable business reporting. The findings provide a foundation for future work in local-wisdom-based accounting and underscore the need to expand financial discourse to fully embrace social and cultural dimensions of enterprise.

## IMPLICATION/LIMITATION AND SUGGESTIONS

This study presents substantial practical and scholarly value. From a practical standpoint, the proposed model offers a simple and culturally responsive tool that MSMEs can use to record and communicate their social contributions effectively. It enhances both internal awareness and external

accountability, fostering trust among stakeholders while aligning with the values held by the local community. Policymakers and development agencies may also adopt this framework to evaluate the social impacts of small businesses in a more holistic manner.

On an academic level, the research broadens the conversation within social accounting by introducing a model explicitly informed by Tri Hita Karana. It affirms that indigenous philosophies can be meaningfully incorporated into accounting systems, thus enriching the discipline with locally grounded approaches. This also demonstrates the importance of tailoring financial reporting to reflect cultural and social realities rather than relying solely on standardized metrics.

Despite its contributions, the study has certain limitations. It was confined to culinary MSMEs in a single regency, which may affect the extent to which findings are generalizable. The qualitative nature of the study also limits its ability to capture economic impacts quantitatively. Future research could explore the model's application in other business sectors and geographical contexts, as well as combine it with quantitative methods to validate outcomes. Additionally, integrating this social reporting approach into digital accounting platforms may increase its practicality and scalability for wider adoption.

This study carries several practical and academic implications. Practically, the proposed model offers a user-friendly and culturally relevant tool for MSMEs to record and report their social contributions. By doing so, it not only enhances internal awareness among MSME owners about their roles in sustaining community values but also improves transparency and stakeholder engagement. From a policy perspective, the model could serve as a reference for local government or financial institutions in assessing the broader social value of small businesses.

Academically, this study enriches the literature on social accounting by introducing a model grounded in the Tri Hita Karana philosophy, demonstrating that local wisdom can be systematically embedded in accounting frameworks. It also highlights the importance of contextualizing financial reporting practices within the socio-cultural realities of the enterprises being studied.

However, the study has certain limitations. The scope was confined to culinary MSMEs in a single regency and relied on qualitative methods, which may limit the generalizability of the findings. The absence of quantitative validation also presents a constraint in measuring the broader economic impact of social contributions.

Future research should consider applying this model to a more diverse range of MSME sectors and geographical areas. Incorporating quantitative methods would allow for more robust analysis and validation. Additionally, integrating this model into digital financial platforms could enhance accessibility and scalability for broader adoption across regions.

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