

# CULTURE AND RISK: AN EXPERIMENTAL STUDY OF RISK JUDGMENT BY VILLAGE MICROCREDIT MANAGERS IN BALI

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## Abstract

This study explores the cultural determinant of risk judgment. Based on cultural theory of risk (Douglas and Wildavsky, 1982), this study examines whether presenting individuals with relevant information relating to certain cultural activities in organization will form perceptions of risk that reflect and reinforce their commitment to a cultural way of life. This study uses an experiment study to examine the cause-effect relationship by comparing the variance of two or more factor. Using a unique setting of *Lembaga Perkreditan Desa* (LPD), a village microcredit in Bali Province in Indonesia, allowing this study to provide evidence that in organizations that are integrated part of a specific society culture, symbolic management (through communicating values and presenting related information of cultural activities) is an important reinforcement mechanism. The results suggest that the research hypotheses are supported that LPD managers assess lower credit risk when presented with symbolic information relating to implementation of certain cultural activities than those who presented without those symbolic information.

Keywords: risk judgment, cultural value, risk mitigation

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## 1 Introduction

Risk taking and assessment is fundamental to business activity. An understanding of how risks are perceived and judged by individuals and organizations, therefore, is important in order to conduct effective risk management processes to deal with increasingly complex risks at individual, organizational and societal levels. In most of risk management literature, risk is seen as objective and measurable. However it is important to recognize that risks can be conceptualized on a continuum ranging from the objective (i.e., quantifiable and susceptible to technical/scientific management) to the socially constructed (i.e., constructed through social, political and historical perspectives) (Lupton, 1999). Consistent with this continuum, to some extent, perceived risk is clearly a reflection of real risk, especially when risks are well-known (Sjoberg, 1995) but it is also argued that a person's own estimate of risk may be very different from the "objective" estimate (e.g. Boholm, 1996).

As argued by prior studies (Rayner, 1992), the conventional (technico-scientific) conceptualisation of risk and its management is essentially reactive. Risk perception is a response to an external stimulus and is communicated, often in the form of quantitative information, and generates processes of risk management, which are directive and procedurally based. On the other hand, perspective from constructionists offers a different approach, proposing that risk perception is an active process, since societies and organisations select risks for attention.

An influential theory in a constructionist approach aimed to explain risk perception is cultural theory, which was launched by Mary Douglas (1966, 1986; Douglas and Wildavsky, 1982). According to this theory, risk is never

fully objective or knowable outside of belief systems and moral positions. Risks as perceived by individuals are always embedded in cultures which give them meaning and the meaning of risk is not static nor objective but is constantly constructed and negotiated. Culture is based on the uniquely human capacity to classify experiences, encode such classifications symbolically, and teach such abstractions to others. It is usually acquired through enculturation, the process through which an older generation induces and compels a younger generation to reproduce the established lifestyle. Consequently, culture is embedded in a person's way of life. In relation to risk, culture helps people to understand risk and contributes to a collective rather than individualistic notion of risk (Lupton, 1999). As suggested by this theory, certain cultures notice, address, and respond to particular phenomena as risks and fail to attend to other potential risks based on cultural logics and beliefs.

Despite the importance of cultural theory in understanding risk perception, there are limited studies particularly in business and management that specifically investigate this theory. Thus, the objective of this study is to explore how individuals perceive risk in specific culture. Specifically, this study examines whether the presentation of certain cultural values affect individuals risk judgment when conducting credit risk assessment in the context of village microfinance in Bali.

The context of a financial institution in Bali which is known as *Lembaga Perkreditan Desa* (LPD) is unique to investigate due to two distinguishing characteristics. First, as an institution owned and governed by the customary village (*desa adat*, *desa pakraman*), it is fully integrated into Balinese culture. LPDs are owned, financed and governed by the customary village and the explicit purpose of establishing a network of LPDs throughout Bali has been the preservation and strengthening of the customary village as the communal space of Balinese economic life, culture and religion. Based on this purpose, LPD involves a system of self-management and self-governance integrated into the customary village. The operation is conducted by self-financing through deposit mobilization and retained earnings as a microfinance institution but the distinguishing aspect of LPD is that it transcends the world of finance and economics by designing it as integrated with the religious belief in a uniquely Balinese cultural essence and permeates all aspects of life (Seibel, 2013).

Due to this unique features, in current arrangement LPD is excluded as microfinance institutions regulated by the Indonesia financial services authority as it is governed by customary law.

Second, like no other financial institution, it is inclusive in outreach, covering almost all customary villages of Bali and the vast majority of its population (Seibel, 2008). In 2015, there are 1,433 LPDs from 1,488 customary villages with total loans disbursed by LPDs amounting Rp 10,9 trillion or 15.33% of total loans disbursed by banking sector in Bali.

These unique characteristics allow an examination on the role of cultural values when individuals make risk judgment. With this spirit, the operating LPDs in Bali are not merely socio-economical, i.e. it does not seek maximum profit, but it also has the character of cultural-religious, which is closely related to the compliance and responsibilities implementation to the real world (*sekala*), and the responsibilities to the immaterial nature (*niskala*).

Besides its vision which is based on THK culture, LPDs in Bali have uniqueness in terms of geographic and social systems, LPD stands in two forms of villages, i.e. official villages and customary villages. The LPD takes shelter under customary villages with its overriding *awig-awig*. The society or *karma* of *pakraman* villages are bounded by the villages' *awig-awig* (customary law). As believed by the rural society, the holding capacity of *awig-awig* is highly strong, thus there is a saying that the rural society fear the customary sanctions much more than prison sanctions. Another uniqueness which is not less important is the administrative aspects technically managed or supervised by the Regional Development Bank (BPD) of Bali, and hereinafter is referred as BPD. The LPD fully adopts banking management, which is oriented to the economic dimension, i.e. the achievement of maximum profit. Fully profit-oriented in LPD activities is a quasi element due to highly different character from profit element in banking. The profit motive in the banking activities is a profit element in the context of capitalist as a production factor. The accumulation of capital formed and devoted puts more priority in the capital accumulative interests of the capitalists. LPD supports the role of *pakraman* villages in sustaining the social, cultural, customary, and religious lives, as well as carrying out and integrating into the culture (Seibel, 2008:5-6).

## 2 Theory and Hypothesis Development

### *Cultural Theory of Risk*

Cultural theory aims at explaining how people perceive and act upon the world around them. More specifically the theory claims that this is largely determined by social aspects and cultural adherence. Wildavsky and Dake (1990) sums up the cultural theory by stating that individuals are active organizers of their own perceptions, who choose what to fear and how much to fear it. According to this theory, individuals should be expected to form perceptions of risk that reflect and reinforce their commitment to one or another “cultural way of life” (Thompson, Ellis & Wildavsky 1990). In other words, when judging risk individuals feel the need to justify their own way of life.

The theory uses a scheme that characterizes cultural ways of life and supporting worldviews along two cross-cutting dimensions, which are called “group” and “grid” (Douglas, 1982). In this dimension, a “weak” group way of life inclines people toward an individualistic worldview, highly “competitive” in nature, in which people are expected to “fend for themselves” without collective assistance or interference (Rayner, 1992, p. 87). In a “strong” group way of life, in contrast, people “interact frequently in a wide range of activities”, in which they “depend on one another” to achieve their ends. This mode of social organization “promotes values of solidarity rather than the competitiveness of weak group” (Rayner, 1992, p. 87).

In judging risk, cultural theory (Douglas and Wildavsky 1982; Thompson, et al. 1990; Kahan et al., 2010) suggests that individuals conform their perceptions of risk to their cultural evaluations of putatively dangerous activities and the policies for regulating them. Thus, individuals who subscribe to an “individualist” worldview react dismissively to claims of environmental and technological risks, societal recognition of which would threaten markets and other forms of private ordering. On the other hand, individuals attracted to “egalitarian” and “communitarian” worldviews, in contrast, readily credit claims of environmental risk. They find it congenial to believe that commerce and industry, activities they associate inequity and selfishness, cause societal harm.

A considerable body provides empirical support for these patterns of risk perception (Dake, 1991; Jenkins-Smith, 2001; Ellis & Thompson, 1997; Peters & Slovic, 1996; Peters, Burraston & Mertz, 2004; Kahan et al. 2007). As found by such studies, cultural worldviews explain variance in risk perception more powerfully than other characteristics, including socio-economic status, education, and political ideology, and can interact with and reinforce the effect of related sources of identity such as race and gender.

### *Symbolic Management of Organizational Culture*

This study examines above prediction according to cultural theory or risk using a single cultural setting. Although it may limit its ability to provide evidence about the relativity with other culture(s) or worldview(s), it allows this study to focus on other variables that may affect the risk judgment. It is argued in traditional organizational such as in LPDs, societal values in traditional culture are also implemented as an organizational culture. Literature in organizational culture suggests that one way how organizations shape their culture is **symbolic management** (Daft, 2015), in which manager communicate and signal actions in ways that will be accepted by employees. Symbolic management influence culture and ethical values by articulating a vision for organizational values that employees can believe and by engaging in day-to-day activities that reinforce these values (Peters, 1978; Trice and Beyer, 1984). To be effective managing values, the symbolic management may include how to communicate values (i.e., through speech, writing, and gestures) and symbols, stories, and ceremonies are used to provide information about what really counts in organization and where people fit into the organization (Pfeffer, 1981; Dandridge et al., 1980).

### *Cultural and Religious Foundations of LPD Governance*

There are two other cultural and religious values of Balinese society that are relevant as examined and discussed in prior literature of management of LPD, that are (1) *Tri Hita Kirana* (THK), (2) *Catur Purusha Artha* (CPA). As these two values were examined in this study, the discussion of these two values is provided below.

### ***Tri Hita Karana***

All aspects of village life is based on *awig-awig* (regulation) that based on *Tri Hita Karana* (THK) ideology consisting of: harmonious relationship with God, between humans and between human and environment with its content (Wiana, 1999). Through *banjar*, religious ritual, mutual aid, development project, cultural group, and saving and loan activities are managed in a tight social bond (Warren, 1993). THK as Balinese culture contains elements of *parahyangan* (harmonious relationship between human and God), *pawongan* (harmonious relationship between humans), and *palemahan* (harmonious relationship between human and environment). The THK philosophy is a universal philosophy that exists and followed by other communities even though they are not following Hinduism, but only in Bali there exists a social system that obviously and consciously implementing the philosophy and it is relevant to business activities.

*Parahyangan* is one of dimensions of THK philosophy highlighting that prosperity can be achieved if harmonious relationship between human and the creator, God, is realized (Wiana, 2004; Ashrama, 2005). Business activity is a gift; therefore, it is under God's control (Windia and Dewi, 2007). Consequently, a company is hoped to create religious nuance (divinity) both inside and outside the company (Ashrama, 2005; Windia and Dewi, 2007). In creating harmony with God, a company should develops a sense of devotion and belief that God is exist and has created us (Wiana, 2007) through some real activities, such as the availability of prayer room in company's environment, financing Islamic pilgrimage (*umroh* and *hajj*), religious tour (*Tirtha Yarta*). *Pawongan* is the existence of harmonious relationship between humans (Windia, 2004; Ashrama, 2005). In business context it is refers to harmonious relationship inter-employees, between employees and company's management and between company's management and the community (Ashrama, 2005).

Comprehensively, Ashrama (2005) states that harmonious relationship can be indicated from several things, such as: the existence of group in organization for example, union, *sekeha-sekeha*; harmonious relationship between company and community can be maintained by such program as poverty alleviation, utilization of local labor and conducting skill training. *Palemahan* is the last dimension related to physical aspects of our or company surrounding environment (Surpha, 2001; Wiana, 2004; Ashrama, 2005). Ashrama (2005) explains that company's layout and building should be adjusted to the existed religious belief and culture. An individual or organization should have commitment to maintain and increase the quality of environment, for example, having active participation in environmental saving, nature conservation, waste management, and effective and efficient energy and natural resources utilization.

Tri Hita Karana is a concept to produce perfect harmony. Tri Hita Karana term is not specifically mentioned in the Vedic sloka - sloka. It is a concept born from the teachings of Hinduism related to how the human relationship with what is in the vicinity and who created it. Tri Hita Karana is derived from the word "Tri" meaning three, "Hita" which means happiness and "Karana" which means the cause. Thus Tri Hita Karana means "Three causes of the happiness creation". Cosmological concept of Tri Hita Karana is a tough life philosophy. Thus Philosophy has a concept that can preserve cultural and environment diversity in the middle of globalization and homogenization blow.

Basically the essences of Tri Hita Karana teachings are emphasize three human relationships in this life. These third relationships include relationships with fellow human beings, the relationship with the natural surroundings, and the relationship with God that is interrelated one to another. Every relationship has a way of life around him respect others aspects. Principles of implementation should be balanced, aligned between one and the other. When equilibrium is reached, man will live with the avoiding of the bad actions. His life will be balanced, serene, and peaceful. The fundamental nature of Tri Hita Karana implies three causes of welfare that originates in the harmonious relationship between Man and his God, Man with the natural world, and man with others. By applying the philosophy is expected to replace the modern worldview that emphasizes individualism and materialism. Cultivating Tri Hita Karana will be able to wipe out the view that encourages consumerism, strife and turmoil.

Listening from the quote above, that the concept of Tri Hita Karana is a concept that aims to achieve a harmony, all the elements that exist on this earth, the concept of Tri Hita Karana is a genius and a very high value on human

life. If everyone is able and willing to implement this concept, the natural events as the authors have described above, it would be able to be pressed/addressed, so as to avoid or to save the earth as a result of earlier disasters. If we want to look at, the concept of Tri Hita Karana, apparently it is very universal, meaning that local wisdom is there everywhere, but as different terms.

### ***Catur Purusha Artha***

The wisdom which called as *Catur Purusha Artha* (CPA) is based on *arthashastra* (i.e., an ancient India work on political economy written by Chanakya Kautilya, sometime between 350 BC and 150 AD (Rangarajan, 1992). According to CPA, there are four ends to a productive and moral life. These are *Dharma* (Ethics), *Artha* (Money), *Kama* (Pleasure) and *Moksh* (Salvation). These four qualities are also enshrined in Vedic tradition (Sharma, 2005 as cited by Astha & Hannam, 2014). *Dharma* is good deeds. When doing good deeds, God bless human through *artha* for consistently obeying His commands. *Artha* is relevant basis for management of LPD by emphasizing profit from business operation. The next is *kama* which related to satisfying pleasure or human needs. By obtaining *artha*, the operation of LPD can fulfill those needs. The last is *moksh* which defined as physical and spiritual bliss or happiness. A business activity of LPD is expected can enhance the welfare of village community and in turn allow them to perform rituals that are needed to achieve *moksh*.

### ***Research Hypotheses: The Role of Symbolic Cultural Values on Credit Risk Judgment in LPDs***

As discussed above, according cultural theory of risk, individuals should be expected to form perceptions of risk that reflect and reinforce their commitment to their own cultural way of life (Thompson, et al., 1990). Thus, when judging risk individuals feel the need to justify their own way of life. Thus according to cultural theory of risk, it can be identified as a “strong” group way of life. Individuals in this culture interact frequently in a wide range of activities, in which they depend on one another to achieve their ends. This mode of social organization also promotes values of solidarity rather than the competitiveness of weak group (Rayner, 1992). Furthermore, cultural theory predicts that individuals attracted to communitarian worldviews as Balinese culture, readily credit claims of environmental risk and they are more like to believe that activities they associate inequity and selfishness, cause societal harm. Following this reasoning, in this culture, wasting one’s resources and failing to settle one’s debts has a negative impact and is more likely to be perceived can cause societal harm.

In the case of LPDs in Bali, as in this study, individuals will assess the event that leads to lower credit repayment can cause societal harm. However, when LPD management performs certain activities that reduce this harm, they may perceive lower risk. The use of symbolic management of organizational culture may play an important role. Symbolic management can be conducted by communicating values and providing information relating to symbols used by LPD. These include activities related to THK values (i.e., *parahyangan*, *pawongan* and *palemahan*) and CPA values (*dharma*, *artha*, *kama*, and *moksh*). By using symbolic management, individuals may more likely to be fit into the organization because the symbols used can reinforce these values. The symbolic management also influence individuals’ risk perception and judgment. For individuals attracted to communitarian worldviews such as Balinese culture, the use of symbolic management may affect risk judgment in such a way that they are more like to believe that the risk situation to be judge is more likely to be associated with inequity and selfishness, and is more likely to be perceived has a negative impact, and in turn to be perceived as higher risk relative when without explicit symbolic management. On the other hand, the presentation of explicit symbolic management reinforce the cultural values by perceiving that those cultural activities can reduce the harm. Thus, when presenting with this symbolic values, it is more likely to be perceived as lower risk.

Based on above arguments therefore it is expected that:

**Hypothesis 1:** LPD managers will assess lower credit risk when presented with symbolic information relating to implementation of *Catur Purusha Artha* cultural activities than those who presented without symbolic information.

**Hypothesis 2:** LPD managers will assess lower credit risk when presented with symbolic information relating to implementation of *Tri Hita Kirana* cultural activities than those who presented without symbolic information.

**Hypothesis 3:** LPD managers will assess lower credit risk when presented with symbolic information relating to implementation of combination of *Catur Purusha Artha* and *Tri Hita Kirana* cultural activities than those who presented without symbolic information.

### 3 Research Method

#### *Experimental Design*

This study uses an experiment study to examine the cause-effect relationship by comparing the variance of two or more factor. The experimental design used was 2 x 2 between subjects factorial. The independent variables were two type of information presented to subjects (i.e., information relating to *Tri Hita Kirana* values and information relating to *Catur Purusha Artha*) and the dependent variable was individual's risk judgment. There are four combinations of these experimental conditions as shown in Table 1.

**TABLE 1 - EXPERIMENTAL DESIGN**

<b>Experimental Conditions</b>	Without Symbolic Management - <i>Catur Purusha Artha</i>	With Symbolic Management - <i>Catur Purusha Artha</i>
Without Symbolic Management - <i>Tri Hita Kirana</i>	<b>A</b>	<b>B</b>
With Symbolic Management - <i>Tri Hita Karana</i>	<b>C</b>	<b>D</b>

#### *Experimental Subjects*

Experimental subjects participated in this study were LPD managers in Bali Province who have experience in conducting credit risk assessment. There were 89 managers of LPDs that randomly selected and assigned to four experimental conditions.

#### *Experimental Procedure and Instruments*

This study uses field experiment in which the subjects performed the experiment outside the laboratory. The subjects received the experimental instruments which consist of a hypothetical case and a risk assessment response based on the information in the hypothetical case. The subjects read, learned the case and made judgment in 30 minutes (maximum). In the experimental task, subjects were first provided a hypothetical case of a LPD containing information relating to qualitative and quantitative description of its seven types of risks relevant to management of LPDS. These risks includes market risk, liquidity risk, credit risk, strategic risk, litigation risk, and reputation risk. The level of risks described in the case is intended to reflect a fairly high level of risk. For example, competition with similar institutions increasingly stringent (market risk), liquidity level reaches 20%, loan to deposit ratio (LDR) reaches 120% (liquidity risk), and the amount of nonperforming loans to total loans

reached 10% (credit risk). After reading the risk information, subjects moved to next phase where they were provided with the information relating to cultural activities of LPD. Subjects in control condition did not receive this information. Following this phase, subjects then were instructed to make risk assessment of LPDs. After completing the required response, the subjects were thanked for their participation.

### ***Manipulation of the Independent Variables***

The independent variables are symbolic cultural values: THK and CPA as described above. In order to conduct manipulation of the variables, there are four experimental instruments used to test the research hypotheses. The first instrument was for Condition A (without symbolic cultural values information), the second instrument was for Condition B (with symbolic cultural values – *Catur Purusha Artha* and without symbolic cultural values - *Tri Hita Kirana*), the third instrument was for Condition C (without symbolic cultural values - *Catur Purusha Artha* and with symbolic cultural values - *Tri Hita Kirana*), and the fourth instrument was for Condition D (with symbolic management - *Catur Purusha Artha* and with symbolic management – *Tri Hita Kirana*).

Symbolic cultural values – *Tri Hita Kirana* was manipulated by presenting information regarding activities related to THK values (i.e., *parahyangan*, *pawongan* and *palemahan*). Specifically, it is described that LPD practices *Baga Parahyangan*, *Pawongan* and *Palemahan* intensively to protect the LPD in the future. Additionally, LPD maintains a balance in daily operations by praying together (every day, *Purnam-Tilem*, *Rambut Sedana* and other Feast), the prayer before starting office, *tirtayatra*, social activities and call for support for environmental preservation through funding and sufficient action. All decisions made by consensus..

Similarly, symbolic cultural values - *Catur Purusha Artha* was manipulated by presenting information regarding activities related to *Catur Purusha Artha* values (i.e., *dharm*, *artha*, *kama*, and *moksh*). The information indicates that LPD conducting its business activities strengthened by the principle of *Catur Purusha Artha*. In detail, the business activities of LPD shall always be guided by *Dharma*, which is good. After practicing *Dharma*, *Ida Sanghayang Widhi* (God) will bestow his blessing in the form of *Artha* to his people who have practiced his teachings. *Artha* materialize in profits earned from activities such LPD interest arising from the provision of credit. *Kama*, will be met with benefits LPD will be able to meet the needs of *karma* of the village people, such as helping to fund lending to citizens, which is like to conduct business, educate children, carry out religious ceremonies, and other necessities. Finally, after *kama* or desire is fulfilled, then the inner and outer happiness or *Moksha* will be realized.

### **Dependent Variable**

As stated earlier, the dependent variable is the level of risk assessed by LPD managers based on the information they received. Subjects were asked to make risk assessment using a Likert Scale with assessment interval ranged from score 10 (very low risk) to score 100 (very high risk).

## **4 Result and Discussion**

### ***Actual Subjects***

The actual subjects participated in this study were 89 subjects, with 23 were assigned to Condition A, 20 were assigned to Condition B, 20 were assigned to Condition C and 26 were assigned to Condition D. Subjects came from 42 LPDs in Bali. The actual subjects participated in this study came from Tabanan Regency (46 subjects), Badung Regency (22 subjects) and City of Denpasar (21 subjects) in Bali Province. Table 2 shows the demographical summary of subjects participated in the study.

**TABLE 2 – SUMMARY OF DEMOGRAPHIC**

Characteristics	Total	Percentage (%)
<b>Gender</b>		
Male	54	60.67
Female	35	39.33
Total	89	100.00
<b>Educational Level</b>		
High School	49	55.06
Diploma Degree	5	5.62
Undergraduate Degree	34	38.20
Postgraduate Degree	1	1.12
Total	89	100.00
<b>Work Experience</b>		
≤ 5 years	19	21.35
6 - 10 years	18	20.22
11 - 15 years	8	8.99
16 - 20 years	14	15.73
> 20 years	30	33.71
Total	89	100.00
<b>Number of Training Received</b>		
≤ 5	63	70.79
6 - 10	16	17.98
11 - 15	5	5.62
16 - 20	2	2.25
> 20	3	3.37
Total	89	100.00

## 5 Results

Table 3 presents information relating to the characteristics of dependent variable i.e., risk judgment).

**TABLE 3 – DESCRIPTIVE STATISTICS**

Experimental Conditions	N	Min.	Max.	Mean	Standard Deviation
A	23	20,00	80,00	56,96	20,09
B	20	10,00	80,00	42,00	23,75
C	20	10,00	70,00	40,00	21,28
D	26	20,00	80,00	43,46	17,65

Table 4 presents information relating to the variance homogeneity test to know whether population variance is identical or not. This test is a requirement for independent sample *t*-test and ANOVA. Underlying assumption in ANOVA is that population variances were identical. As shown in Table 4 significance level for each data group was 0.509, 0.833 and 0.244. Due to significance level more than 0.05, it is concluded that three data group have the same variance. Levene statistic shows that the smaller the number the higher the homogeneity.

**TABLE 4 – RESULTS OF HOMOGENEITY TEST**

Hypotheses	Levene Statistic	Significance
Hypothesis 1	0,443	0,509
Hypothesis 2	0,045	0,833
Hypothesis 3	1,390	0,244

The research hypotheses were tested using ANOVA. The research hypotheses were tested using ANOVA. Table 5 presents the summary of hypothesis testing. As shown in Table 5, test of Hypothesis 1 shows that *p*-value is 0.031 (<0.05). Thus, Hypothesis 1 is supported, which indicates that LPD managers will assess higher credit risk when presented with symbolic information relating to implementation of *Catur Purusha Artha* cultural activities than those who presented without symbolic information.

**TABLE 5 – RESULTS OF HYPOTHESIS TESTING**

Hypotheses	Variance	df	Mean Square	F	Significance
Hypothesis 1	Between groups	1	2393,043	5,004	0,031
	Within groups	41	478,218		
Hypothesis 2	Between groups	1	3075,834	7,212	0,100
	Within groups	41	426,511		
Hypothesis 3	Between groups	1	2222,541	6,264	0,016
	Within groups	47	354,796		

Table 5 also shows that test of Hypothesis 2 has significant *p*-value (0.010, *p* <0.05). Thus, Hypothesis 2 is supported. This result suggests that LPD managers will assess higher credit risk when presented with symbolic information relating to implementation of *Tri Hita Kirana* cultural activities than those who presented without symbolic information.

Similarly, the results in Table 5 show that *p*-value is significant (0.016, *p* <0.05) and Hypothesis 3 is supported. This indicates that LPD managers will assess higher credit risk when presented with symbolic information relating to implementation of combination of *Catur Purusha Artha* and *Tri Hita Kirana* cultural activities than those who presented without symbolic information.

## Discussion and Conclusion

This study attempts to empirically test the cultural theory of risk in a single cultural context. Corroborating with symbolic management from organization culture literature, this study provides several insights to risk judgment research. Consistent with cultural theory of risk, individuals form perceptions of risk that reflect and reinforce their commitment to their own cultural way of life (Thompson, et al., 1990). However, individuals perceive different level of risk when presented with symbolic cultural values. As indicated by the results, symbolic management influence individuals' risk perception and judgment. Risk judgment of subjects in Condition A (without explicit symbolic management) is significantly higher (mean = 56.96) relative to symbolic management conditions (mean = 42.00, 40.00, and 43.46 respectively for Conditions A, B, and C). Based on specific context examined in this study, the results also suggest that for individuals attracted to communitarian worldviews such as Balinese culture, individuals to be more like to believe that the risk situation to be judge is more likely to be associated with inequity and selfishness, and is more likely to be perceived has a negative impact. This in turn led to be perceived as riskier. However the use of symbolic management reduces this tendency.

There are some theoretical and practical implications of this study. First, this study highlights the importance of constructionist approach in understanding of how risks are perceived and judged by individuals and organizations. More research is needed to provide complete knowledge regarding risk perception and judgment contributed by various approaches. Second, the results of this study also indicate that symbolic management is essential in shaping organizational culture. This study is unique due to it argues and provide evidence that there are a mechanism in which organizational culture affect risk judgment.

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