Service Transformation Training as an Effort to Strengthen the Quality of Service of Village Credit Institutions

I Gusti Ayu Ety Setiawati[1)], Luh Anggie Deasy Praptayani[2)] , Anik Yuesti[3)] , Ni Wayan Rustiarini[4)*] , Carmen C. Menes[5)] , Dennis Villasor Madrigal[6)] , Joel Arante Alve[7)] , Christian Angelo B. Ituriaga[8)]

[1),2),3),4)]*Master of Accounting Study Program, Universitas Mahasaraswati Denpasar, Indonesia*
[5),6),7)]*Recoletos de Bacolod Graduate School, University of Negros Occidental, Philippines*
[8)]*School of Hospitality and Tourism Management, La Consolacion College Bacolod, Philippines*
Alamat Universitas/Institusi Kode Pos
**Email Penulis Koresponden: rusti_arini@unmas.ac.id*

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Abstract

Transforming Village Credit Institution (LPD) services has become an urgent need amidst the competition and dynamics of the global financial system. However, the demand for improved service quality is not matched by human resource knowledge, necessitating service transformation training at microfinance institutions. Furthermore, a limited understanding of service experience and the suboptimal use of digital service channels can undermine customer satisfaction and trust. This community service activity aims to improve the LPD's human resource knowledge in the Kukuh traditional village through training in transforming traditional services into professional patterns. The community service partners are all LPD employees in the Kukuh traditional village who are directly involved in the customer service process. The community service implementation method is designed using a participatory and applied approach. The results of the activity evaluation showed that post-test scores increased for almost all participants compared to the pre-test. This figure indicates an increase in knowledge of the concept of professional service and LPD service transformation. This activity has implications for changing employee perspectives on the meaning of service. Service is no longer perceived as a mere administrative activity but rather as a strategic process for building trust, loyalty, and the LPD's institutional image. Thus, this community service activity not only provides short-term benefits, such as increased knowledge, but also has the potential to encourage sustainable changes in service behavior.

***Keywords**: Microfinance Institutions, Village Credit Institutions, Service Transformation*

Abstrak

Transformasi layanan Lembaga Perkreditan Desa (LPD) menjadi kebutuhan mendesak di tengah kompetisi dan dinamika sistem keuangan global. Meskipun demikian, tuntutan peningkatan kualitas layanan tidak diimbangi dengan pengetahuan sumber daya manusia sehingga diperlukan pelatihan transformasi layanan pada lembaga keuangan mikro. Selain itu, rendahnya pemahaman mengenai konsep service experience dan belum optimalnya pemanfaatan kanal layanan digital berpotensi menurunkan kepuasan dan kepercayaan nasabah. Kegiatan pengabdian ini bertujuan untuk meningkatkan pengetahuan sumber daya manusia LPD Desa Adat Kukuh melalui pelatihan transformasi layanan dari pola tradisional menuju profesional. Mitra pengabdian adalah seluruh karyawan LPD Desa Kukuh yang terlibat langsung dalam proses pelayanan kepada nasabah. Metode pelaksanaan pengabdian dirancang menggunakan pendekatan partisipatif dan aplikatif. Hasil evaluasi kegiatan menunjukkan adanya peningkatan skor post-test pada hampir seluruh peserta dibandingkan dengan pre-test. Angka ini mengindikasikan peningkatan pengetahuan

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terhadap konsep layanan profesional dan transformasi layanan LPD. Kegiatan ini berimplikasi pada perubahan cara pandang karyawan terhadap makna pelayanan. Layanan tidak lagi dipersepsikan sebagai aktivitas administratif semata, melainkan sebagai proses strategis untuk membangun kepercayaan, loyalitas, dan citra kelembagaan LPD. Dengan demikian, kegiatan pengabdian ini tidak hanya memberikan manfaat jangka pendek berupa peningkatan pengetahuan, tetapi juga berpotensi mendorong perubahan perilaku layanan secara berkelanjutan.

Kata Kunci*: Lembaga Keuangan Mikro, Lembaga Perkreditan Desa, Transformasi Layanan*

1. INTRODUCTION

Service transformation is a strategic issue for financial institutions as customer expectations for service quality increase. Service is not limited to transaction completion but rather a comprehensive experience that influences customer trust and loyalty. Superior service quality significantly contributes to financial institution performance and to the sustainability of long-term customer relationships (Ritter & Pedersen, 2020). In the Balinese context, the Village Credit Institution (LPD) is a traditional-based microfinance institution. LPD's strength lies in its close social ties with the community, which foster trust in conducting financial transactions. However, this advantage can be weakened if LPDs fail to adapt to changing times and provide professional services (Dewi et al., 2024). Therefore, LPD service transformation is an urgent need to remain competitive amidst the dynamics of the global financial system (Murti et al., 2024).

Several empirical studies have shown that service transformation in financial institutions positively impacts customer satisfaction and loyalty, mainly when supported by improved human resource competency (Putra et al., 2023). Shifting service patterns from traditional to professional can strengthen trust, reduce potential conflict, and reduce customer complaints (Aninam & Akely, 2024; Maleha & Choiriyah, 2018). In the context of LPDs, improving service quality has been shown to maintain institutional sustainability amidst pressures from changing external environments (Andriansyah et al., 2024; Sari et al., 2024), particularly in the face of intense competition from other financial institutions (national banks, rural banks, cooperatives, and others).

The LPD of Kukuh traditional village in Tabanan regency plays a crucial role in supporting the village's economic activities. This financial institution not only provides savings and loan services within the traditional village but also maintains community welfare based on local wisdom. However, initial observations indicate that service patterns remain dominated by traditional approaches that rely heavily on individual staff's habits and experiences. This situation results in a lack of uniform service standards and limited professional service communication skills, particularly in addressing customer complaints. Furthermore, a lack of understanding of service as an experience, along with suboptimal use of digital service channels, can reduce customer satisfaction and trust. This situation makes service transformation a pressing need to improve LPD services continuously.

This community service activity aims to improve the human resources of the Kukuh Traditional Village LPD through training to transform traditional services into professional ones. This activity is expected to build awareness, skills, and service attitudes oriented towards customer satisfaction without diminishing the LPD's local values. This activity not only benefits partners but also enriches the community service model by strengthening service delivery within community financial institutions.

2. METHOD OF IMPLEMENTING SERVICE

This community service activity was carried out at the LPD of Kukuh traditional village, located in Kukuh, Marga district, Tabanan regency. The implementing team consisted of lecturers and students from the Master of Accounting Study Program at Universitas Mahasaraswati Denpasar, the University of Negros Occidental, and La Consolacion College Bacolod. The campus

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teams are facilitators, resource persons, and activity companions. The service partners were all employees of the Kukuh Village LPD who were directly involved in the service process to customers. The implementation period was July 2025.

The community service implementation method was designed using a participatory and application approach. The participatory approach was chosen because the effectiveness of community service activities depends on participants' active involvement. This method also allows for a two-way learning process between the implementation team and partners. Meanwhile, the application approach aims to ensure that the materials and mentoring activities are aligned with partners' field needs. The stages of activity implementation include interviews, training, and activity evaluation.

The first stage involves interviews with LPD managers to identify existing service conditions and challenges encountered in daily service practice. This stage is crucial for mapping gaps between current practices and expected professional service standards. The subsequent training employs interactive presentations, case discussions, and service simulations explicitly designed to enhance skills in customer communication, complaint handling, and service consistency. These methods directly target improving service quality and customer satisfaction, aligning with the community's and stakeholders' expectations for professional service delivery.

3. RESULT AND DISCUSSION

Service transformation in financial institutions is a strategic response to changing customer expectations, which increasingly demand fast, consistent, and experience-oriented service. Modern financial services are no longer solely judged by the products offered, but also by the quality of interactions, the empathy of staff, and the institution's ability to handle complaints professionally. Research shows that improving service quality significantly impacts customer satisfaction, trust, and loyalty, ultimately impacting the sustainability of financial institutions (Aninam & Akely, 2024; Maleha & Choiriyah, 2018).

In micro finance context, service transformation is becoming increasingly urgent as LPDs face intense competition from financial institutions. Furthermore, the community is becoming accustomed to the service standards of modern financial institutions. The LPD's advantages, based on trust and social closeness, may decline if not balanced with consistent professional service. Therefore, service transformation is seen as a strategic effort to maintain the LPD's legitimacy as a traditional financial institution while increasing its competitiveness at the local level (Dewi et al., 2024; Verawati & Rustiarini, 2025).

The initial stage of the community service activity was to conduct interviews with LPD managers to explore the current condition of services, customer interaction patterns, and the obstacles encountered in daily service practices. The interviews revealed that services are still dominated by traditional approaches that rely heavily on individual experience, lack written service standards, and do not fully leverage digital service communications, as is often the case in conventional financial institutions.

The community service activities continued with service transformation training for all LPD employees. The training was designed to shift service patterns from merely administrative to ones oriented toward customer experience and satisfaction. The training materials covered basic concepts of professional service, service attitudes and ethics, effective communication techniques, complaint handling, and an introduction to responsive and ethical digital services. In microfinance institutions like LPDs, professional service begins with attitudes such as smiling and eye contact, addressing customers by name, product knowledge, and caring for customers. Professional service is the “face” of the institution that customers most quickly assess (Jimbaranto et al., 2024). Furthermore, service ethics help employees maintain professional boundaries, such as providing fair and objective service while safeguarding customer data confidentiality. Strengthening service excellence through training has been shown to improve LPD employees'

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competency and customer service quality (Murti et al., 2024). The training implementation is shown in Figure 1.

Once a foundation of attitudes and ethics is established, effective communication becomes a key tool for making customers feel understood, particularly regarding credit, which is often needed by households and small businesses. LPD employees must use clear, empathetic language to reduce the risk of misunderstandings and increase customer trust (Dewi et al., 2024). Structured complaint-handling procedures must be supported by effective communication. In the context of financial institutions, customer complaints generally relate to service times, unclear information, or dissatisfaction with the process. Prompt, polite, and solution-oriented complaint handling not only resolves problems but can also restore customer trust and loyalty (Astriyanti et al., 2023; Yanti & Handayani, 2024). Furthermore, training activities also highlight the importance of microfinance institutions adapting to the digital world, including in customer service. Digital responsiveness is crucial because customers judge service quality by the speed and accuracy of responses, not just by face-to-face interactions (Devi & Manuari, 2024; Sukarta et al., 2024).

To evaluate the effectiveness of the community service activities, participants' skill levels were assessed before and after the training. The evaluation used pre-test and post-test instruments, as shown in Figure 2.

Figure 1. Service transformation training at LPD

Figure 2. Implementation of pre-test and post-test

During the evaluation, participants were asked questions about their understanding of professional services and ethics, effective communication techniques, customer complaint handling, and responsive digital services. The results of the participant evaluation are presented in Figure 3.

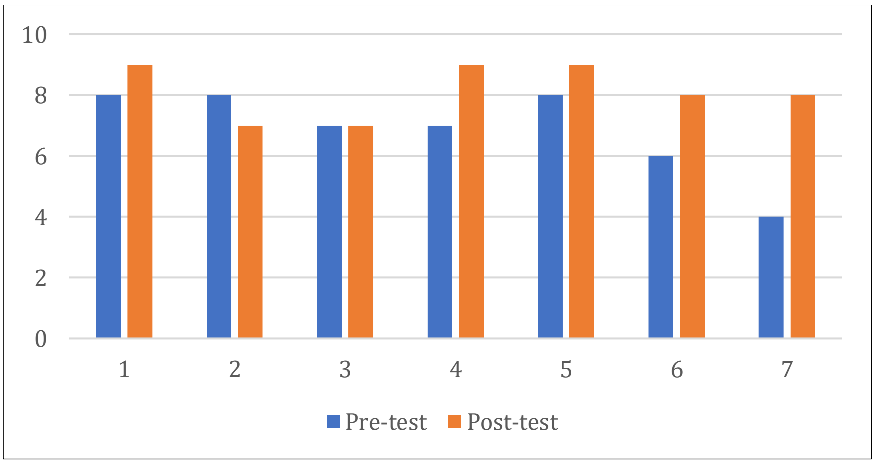

Figure 3. Results of the pre-test and post-test

The evaluation results in Figure 3 show that post-test scores increased for almost all participants compared to the pre-test. This figure indicates an increase in knowledge of the concept of professional service and LPD service transformation. These results suggest that service is not merely an administrative obligation, but rather a strategic instrument for building customer trust and loyalty. This activity has implications for changing employee perspectives on the meaning of service. Service is no longer perceived as merely an administrative activity, but rather as a strategic process for building trust, loyalty, and the LPD's institutional image in the eyes of the village community (Yuliani et al., 2025). Thus, this community service activity not only provides short-term benefits, such as increased knowledge, but also has the potential to encourage sustainable changes in service behavior.

Overall, the community service activities were well-executed. Partner participation in these activities was high, as evidenced by LPD employees' active involvement in interviews, training, and evaluation sessions. The participants' enthusiasm demonstrated a clear need for increased service capacity and a readiness to change daily service practices. This situation offers opportunities for program sustainability through continued mentoring, the development of internal service standards, and the integration of professional service values into the LPD work culture.

4. CONCLUSION

This community service activity demonstrated that service transformation is a strategic necessity for the LPD of Kukuh Traditional Village to maintain its relevance and sustainability as a traditional-based financial institution. Through interviews, training, and evaluation, this activity successfully increased employee understanding of the importance of professional, empathetic, and customer-satisfaction-oriented service. Pre-test and post-test evaluation results indicated an increase in participants' understanding, confirming that the service transformation training was practical in strengthening the LPD's human resource capacity. Therefore, this activity has been implemented one hundred percent.

This community service activity has several limitations that require attention. First, the training duration was relatively short, making it impossible to fully observe fundamental changes in service behavior over the long term. The evaluation was limited to measuring understanding through pre-test and post-tests, and did not include direct observation of post-training service implementation. Furthermore, the training activities were not integrated with the development of formal service standard operating procedures (SOPs), so the sustainability of service changes still depends heavily on the commitment of individual employees and LPD management. Given these limitations, it is recommended that future community service activities be complemented by an ongoing mentoring program to ensure service transformation does not end at the training stage. Mentoring can focus on direct implementation in the front office, developing service SOPs, and monitoring service behavior changes over a specific period.

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