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## HINDU-BASED FINANCIAL MANAGEMENT AND BUSINESS SUSTAINABILITY: A MIXED-METHOD STUDY OF CREDIT VILLAGE INSTITUTIONS (LPDS) IN BALI

By:

I Nyoman Bontot<sup>1</sup>, Ahmad Subagyo<sup>2</sup>, Martino Wibowo<sup>3</sup>, Anas Iswanto Anwar<sup>4</sup>

<sup>1,3</sup>Universitas Terbuka, <sup>2</sup>Universitas Muhammadiyah Jakarta, <sup>4</sup>Universitas Hasanuddin

<sup>1</sup>[inyoman.bontot8@gmail.com](mailto:inyoman.bontot8@gmail.com), <sup>2</sup>[bagyo1972@gmail.com](mailto:bagyo1972@gmail.com), <sup>3</sup>[tino@ecampus.ut.ac.id](mailto:tino@ecampus.ut.ac.id),

<sup>4</sup>[aianwar@fe.unhas.ac.id](mailto:aianwar@fe.unhas.ac.id)

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### Abstract

*This study explores the integration of Hindu ethical principles into the financial governance of Village Credit Institutions (LPDs) in Bali and its contribution to institutional sustainability. Employing a mixed-method approach, the research combines hermeneutic interpretation of sacred Hindu scriptures-Rgveda, Yajurveda, Atharvaveda, Bhagawad Gita, Sarasamuccaya, Manusmrti, and Arthashastra-with quantitative analysis of financial performance across 1.308 LPDs in nine regencies. Four core principles-Karma (ethical productivity), Dharma (social responsibility), Kama (motivational fulfillment), and Artha (material prosperity)-are operationalized within a holistic model of Hindu-based financial management. Empirical testing confirms a positive relationship between these principles and financial indicators such as profit margin, return on assets, and capital growth. The findings demonstrate that Hindu-based financial governance enhances accountability, strengthens community trust, improves leadership integrity, and promotes long-term business sustainability. This study provides a culturally grounded and ethically robust framework for developing resilient and inclusive community-based microfinance institutions in plural financial systems.*

**Keywords:** Hindu teachings, financial management, spiritual ethics, financial performance, business sustainability, village Credit Institutions.

## I. INTRODUCTION

The dynamics of global economy increasingly demand that businesses pursue not only profitability but also ethical responsibility and environmental sustainability. In response to the limitations of conventional financial paradigms—often criticized for neglecting cultural and spiritual dimensions—alternative models grounded in local wisdom have garnered scholarly attention (Zsolnai, 2015; Ginting, 2020). As the world confronts complex issues such as climate change, social inequality, and financial instability, the search for alternative framework—particularly those grounded in indigenous wisdom—has gained momentum (Sen, 2000; Escobar, 2018).

In Indonesia, particularly in the province of Bali, Village Credit Institutions (Lembaga Perkreditan Desa or LPDs) offer a unique example of community-based financial institutions that integrate spiritual values into their operations. Established since 1984 under regional government regulation, LPDs serve rural communities, especially those excluded from formal banking systems (Atmaja, 2006; Gunawan, 2009). Unlike conventional financial institutions, LPDs are not only economic bodies but also cultural institutions, tied to *desa adat* (customary villages) and guided Hindu values such as *Tri Hita Karana*, which emphasizes harmony between humans, nature, and the divine (Sutawan, 2010).

Despite the success and endurance of LPDs for over three decades, there is a lack of academic research that explicitly constructs and analyzes Hindu teachings as a theoretical foundation for financial management. Previous studies have focused on Islamic-based financial practices (Subagyo, 2018; Marsuni et al., 2022), but Hindu-based financial models remain underexplored. This gap suggests the need for a contextual and culturally grounded model that can both preserve local wisdom and meet modern financial accountability standards.

In recent decades, global business ecosystems have been compelled to transform toward sustainability-oriented models that balance economic growth with ethical responsibility and ecological preservation. Conventional financial systems—dominated by profit maximization

logic—are increasingly challenged for their inability to address moral, social, and environmental dimensions of enterprise (Ginting, 2020; Haseeb et al., 2019). Scholars of sustainable economics argue that financial governance must evolve into value-based systems capable of harmonizing economic, social, and spiritual objectives (Zsolnai, 2015). Within this paradigm shift, indigenous and religion-based frameworks emerge as critical sources of ethical innovation (Escobar, 2018; Sen, 2000).

Empirical evidence from field observations indicates that the integration of Hindu values is not merely normative but deeply institutionalized in the daily governance of LPDs. Financial decisions are frequently preceded by *paruman* (communal deliberation) involving traditional and religious leaders, which reflects the practical application of *Dharma* and *Karma Yoga* in ensuring transparent and fair financial management. As observed in the districts of Tabanan, Gianyar, and Denpasar, ethical considerations such as fairness in credit allocation, ritualized gratitude offerings, and transparent surplus management have become essential components of institutional accountability (Atmaja, 2006; Gunawan, 2009).

These findings highlight that Hindu-based financial management is not only an ethical framework but also a socio-religious mechanism that strengthens institutional sustainability. The synthesis between sacred values and social practices confirms that spiritual ethics can enhance managerial trust and economic resilience, particularly in small-scale rural institutions. This integration supports Zsolnai's (2015) argument that spirituality in economics contributes to ethical capital formation and long-term sustainability. By embedding these principles into daily operations, LPDs exemplify a community-based model of ethical finance that aligns with global sustainability goals (UNDP, 2021).

Hindu philosophy, with its integrative worldview emphasizing *Dharma* (righteous duty), *Artha* (prosperity), *Kama* (fulfillment), and *Moksha* (spiritual liberation), offers a

profound ethical basis for financial governance (Astana & Anomdiputro, 2005; Pandit, 2009). Its practical manifestation can be seen in community institutions such as the *Lembaga Perkreditan Desa* (LPD) in Bali-village-own credit institutions rooted in Hindu-Balinese culture. Since their establishment in 1984, LPDs have not only provided financial inclusion to unbankable rural communities but have also functioned as custodians of local ethics and spiritual practice (Atmaja, 2006; Adhitama, 2020). Their resilience-evidenced by asset growth exceeding IDR 30 trillion in 2023-illustrates the viability of spiritually grounded microfinance.

Nevertheless, scholarly engagement with Hindu-based financial systems remains minimal compared to the well-developed Islamic finance literature (Subagyo, 2018; Marsuni et al., 2022). Studies on Tri Hita Karana or cultural sustainability in Bali often remain descriptive, lacking systematic theoretical construction that integrates textual Hindu teachings into financial governance. Consequently, there exists a clear research gap in explicating how doctrinal principles such as *Karma Yoga*, *Tat Twam Asi*, or *Catur Purusartha* can inform microfinance management and business sustainability (Mudana et al., 2021; Wiagustini et al., 2024).

This study therefore addresses two essential problems. First, it reconstructs Hindu teachings as a normative framework for financial management, translating religious ethics into institutional practice. Second, it empirically examines how these principles-*Karma* (ethical work), *Dharma* (social duty), *Kama* (motivation), and *Artha* (wealth stewardship)-influence the financial performance and sustainability of LPDs. By employing a mixed-method approach, combining hermeneutic interpretation of scriptures such as *Sarasamuccaya* and *Bhagawad Gita* with quantitative performance indicators (ROA, ROE, profit margin, assets growth), This research aims to bridge philosophy and practice. The novelty of this research lies in positioning Hinduism not as an abstract moral system but as a concrete governance model applicable to modern finance. It contributes to the discourse of spiritual economics (Sedgwick, 2012) by

demonstrating that ethical-spiritual alignment can enhance institutional accountability, trust, and long-term-resilience. The findings are expected to enrich global scholarship on faith-based finance, offering a replicable model for culturally embedded microfinance institutions within and beyond Indonesia.

This study aims to fill that gap by systematically interpreting and integrating four core Hindu principles-*Karma* (action and result), *Dharma* (duty and responsibility), *Kama* (satisfaction and motivation), and *Artha* (wealth and economic resources)-into a model of financial management. Drawing from key Hindu scriptures such as *Bhagawad Gita*, *Sarasamuccaya*, and *Artha Sastra*, this study constructs a normative ethical framework and evaluates its practical application within the LPD context.

Using a mixed-method approach, the research combined hermeneutic textual analysis with empirical data (financial statement) from 1.308 LPDs in nine regencies of Bali. Quantitative financial performance indicators-profit margin, return on asset (ROA), return on equity (ROE), and asset growth-are used to assess the institutional impact of Hindu-based financial governance. The study finds that these principles not only offer philosophical depth but also strengthen financial accountability, institutional resilience, and community trust.

The purpose of this study is twofold: first, to articulate a Hindu-based financial management model derived from indigenous religious values; and second: to demonstrate its positive influence on the financial performance and sustainability of LPDs. By offering an integrative and holistic approach to financial governance, this research contributes to the growing body of literature on spiritual economic (Sedgwick, 2012) and provides a replicable model for microfinance institutions embedded in cultural and spiritual traditions.

As such, this study is timely and significant in the context of post-pandemic economic recovery and the global call for sustainable development goals (UNDP, 2021). Its position Hindu teachings not merely as religious doctrine but as a viable source of ethical innovation in financial systems.

## II. METHOD

This study employed a descriptive-analytic design through a mixed-methods approach, integrating qualitative hermeneutic interpretation with quantitative financial analysis. The qualitative dimension reconstructs relevant Hindu ethical teachings, while, the quantitative aspect examines the practical implications of these principles for LPD financial performance.

This research employed a convergent mixed-method design integrating qualitative hermeneutic interpretation and quantitative financial performance analysis. The methodological integration was aimed at capturing both the philosophical depth of Hindu teachings and their empirical impact on LPD governance.

### 2.1 Qualitative Phase: Textual Hermeneutic

The qualitative analysis involved a hermeneutic interpretation of selected Hindu scriptures, including the *Bhagawad Gita*, *Sarasamuccaya*, *Artha Sastra*, and *Vedic*. The process followed the hermeneutic circle, in which textual part interpreted in relation to the whole and vice versa (Gadamer, 1975; Kaelan, 2005). These texts were examined to extract philosophical principles relevant to financial management-namely *Karma* (effort and causality), *Dharma* (social responsibility), *Kama* (satisfaction and motivation), and *Artha* (wealth and economic resources).

This phase was supported by in-depth interviews with five key informants, consisting of Hindu religious scholars and experts in financial management who possess knowledge of both domains. The interviews served to validate and contextualize the interpreted meanings for practical application within LPDs.

### 2.2 Quantitative Phase: Survey and Analysis

The quantitative component was conducted through a structure survey distributed to 90 LPD administrators across nine regencies and cities in Bali. Respondents were selected based on purposive sampling, focusing on LPDs with the largest asset holdings in their respective regions. The

survey instrument measured perceptions of the integration of Hindu values into financial governance and their perceived effects on institutional sustainability.

To measure the financial performance, data from audited LPD financial reports between 2015 and 2023 were analyzed using standard financial ratios:

- Profit Margin (PM)
- Return on Assets (ROA)
- Return on Equity (ROE)
- Asset Growth Rate
- Credit Growth Rate
- Growth of Community Funds

These indicators were selected based established financial performance theories (Fatihuddin et al., 2018; Tudose et al., 2022).

Complementing the quantitative approach, qualitative data were collected through in-depth interviews with five key informants-a retired banker and Vedic scholar, a psychologist and PHDI board member, a former financial manager and LPD consultant, a Professor of Cultural Sociology specializing in Balinese culture and religion, and a practitioner-tax consultant who, as a *prajuru* of the *desa adat*, oversees the local LPD ex-officio. The interviews aimed to clarify the operational meanings of Karma, Dharma, Kama, and Artha in daily financial practices. Thematic analysis revealed value internalization patterns across decision-making, accountability, and human resources management. Quantitative data derived from the audited financial statements of 1,308 LPDs between 2015 and 2023, validated by Bali's provincial supervisory agency (LPLPD).

The selection of 90 sample LPDs followed a purposive criterion focusing on institutions with high assets volume and consistent financial reporting standards. Each respondent completed a 25-item questionnaire using a five-point Likert scale. The instrument's content validity was ensured through expert judgment and pilot testing, resulting in Cronbach's Alpha values above 0,78-exceeding the reliability

threshold (Hair et al., 2021). The integration of hermeneutic interpretation, expert insight, and quantitative modeling thus reinforces methodological triangulation and enhances construct validity (Cresswell, 2007).

### 2.3 Data Analysis Techniques

Qualitative data from scripture analysis and interviews were processed through thematic analysis to identify patterns aligned with the four Hindu principles. Quantitative data were analyzed using Structural Equation Modeling- Partial Least Square (SEM-PLS) to test the relationships between the variables: *Karma*, *Dharma*, *Kama*, *Artha*, Financial Performance, and Business Sustainability (endogenous). The use of SEM-PLS was justified by its robustness in handling complex models with multiple mediators and moderate sample sizes (Hair et al., 2021).

The use of SEM-PLS allowed for robust analysis of both direct and indirect effects between constructs, supporting the mixed-method design and enhancing the validity of findings across both data types.

Triangulation was ensured through cross-verification between textual, interview, and numerical data. Convergence between interpretive meanings and statistical correlations strengthened construct validity. Reliability was assessed via Cronbach's Alpha ( $> 0,7$ ), composite reliability ( $> 0,8$ ), and average variance extract (AVE  $> 0,5$ ). Ethical clearance was obtained from Universitas Terbuka's research committee, ensuring informed consent and data confidentiality.

In sum, this methodological framework not only captures the spiritual philosophical grounding of Hindu-based financial ethics but also provides empirical validation of their operational significance in promoting sustainable financial performance within community-based institutions such as LPDs.

## III. RESULTS AND DISCUSSION

### 3.1 Research Motivation

The present research seeks to construct a value-

based financial management framework rooted in Hindu philosophical teachings-*Karma*, *Dharma*, *Kama*, and *Artha*-and to evaluate its empirical significance in the governance of LPDs in Bali. These constructs offer an alternative financial epistemology aligned with community-based ethic and sustainable practices. The motivation behind this inquiry lies in addressing the lack of financial management models grounded in local spiritual and ethical values, in contrast to the more extensively studied Islamic financial frameworks (Subagyo, 2018; Marsuni et al., 2022). The research also aims to analyze how these Hindu-based principles influence LPDs financial performance using quantitative indicators.

### 3.2 Findings: Constructing Hindu-Based Financial Management

The qualitative findings, derived from hermeneutic analysis of the *Bahagawad Gita*, *Sarasamuccaya*, and *Artha Sastra*, as well as interviews with five experts, identified four key constructs:

- *Karma*: interpreted as ethical effort and process-oriented work that aligns with financial resources, accountability, and responsibility in financial practices.
- *Dharma*: understood as obligations and responsibilities toward society and the environment, translated into CSR (corporate social responsibility)-related financial allocations.
- *Kama*: related to employee satisfaction and incentives mechanism to sustain motivation and performance.
- *Artha*: reflect asset accumulation, capital preservation, and prudent growth of institutional wealth.

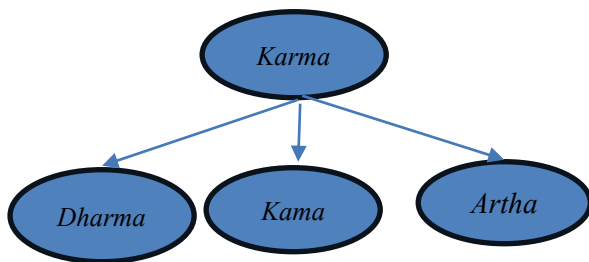
These constructs collectively form a culturally rooted model of financial management that emphasizes balance, sustainability, and ethical governance (see Table 1 and Figure 1).

Table 1. Hindu-Based Financial Management (Financial Source and Allocation)

No.	Financial Management	Scriptures
1	Financial sources: • Business results/profit ( <i>Karma</i> )  • Interest bearing loan	• Bhagawad Gita III.19 • Sarasamuccaya 261 • Manava Dharmasastra X.115
2	Financial allocations: • Dharma (CSR) • Kama (satisfaction) • Artha (capital accumulation)	• Sarasamuccaya 262

Source: Text study results, 2025

Figure 1.  
Financial Management  
*Sarasamuccaya* Perspective



Source: Results of *Sarasamuccaya* text study, 2025

### 3.3 Quantitative Results: Impact of Financial Performance

Survey responses from 90 LPD administrators revealed strong support for the relevant and applicability of Hindu teachings in institutional management. Quantitative analysis using SEM-PLS produced the following key findings:

- *Karma* positively affects financial performance, particularly in strengthening the institution's operational transparency and customer trust ( $\beta = 0,31$ ;  $p < 0,01$ ).
- *Dharma* shows a significant influence on financial metrics through social investment and environmental responsibility ( $\beta = 0,28$ ;  $p < 0,05$ ), reflecting in increased community

participation and fund circulation.

- *Kama* demonstrates moderate positive effects by increasing employee commitment and lowering turnover rates, contributing indirectly to long term performance stability ( $\beta = 0,22$ ;  $p < 0,05$ ).
- *Artha* is highly correlated with institutional financial sustainability, as reflected in asset growth and capital adequacy ratios ( $\beta = 0,35$ ;  $p < 0,01$ ).

Overall, this construct significantly predicted variations in return on assets (ROA), return on equity (ROE), and profit margin (PM) across LPDs between 2015 and 2023 (see Table 2 and Figure 2).

To reinforce the robustness of the quantitative findings, additional tests of construct validity and reliability were performed on the survey instruments. Pearson correlation analysis confirmed that all 46 indicators had a correlation coefficient ( $r$ ) exceeding the critical value of 0,207 ( $n=90$ ,  $\alpha=0,05$ ), confirming strong item validity. Likewise, Cronbach's Alpha values for all constructs-*Karma*, *Dharma*, *Kama*, *Artha*, Hindu-Based Financial Management (MKH), Implementation of Hindu-Based Financial Management (IMKH), and Business Sustainability-ranged between 0,770 and 0,942, significantly surpassing the 0,700 reliability threshold recommended by Nunnally (1978). These results establish a high degree of internal consistency across items, strengthening confidence in the construct measurement.

The descriptive data also reveal that 55,6% of LPD administrators have served for more than ten years, and 62,2% occupy key managerial positions (chair or supervisor). This long-term institutional experience supports the integration of spiritual and ethical values in financial decision-making. Furthermore, the education profile-where 37,8% hold bachelor's degrees and 12,2% master's degrees-indicates that professional competence complements religious understanding, enabling LPDs to align *Dharma*-based ethics with technical accountability.

Table 2. The Influence of Hindu Principles on LPD Financial Performance (SEM-PLS Output)



Variable	$\beta$	p-value	Interpretation
Karma → financial performance	0,31	< 0,01	Increase transparency and customer trust
Dharma → financial performance	0,28	< 0,05	Increasing community participation and circulation of social funds
Kama → financial performance	0,22	< 0,05	Increase employee satisfaction and loyalty
Artha → financial performance	0,35	< 0,01	Supporting asset growth and capital resilience

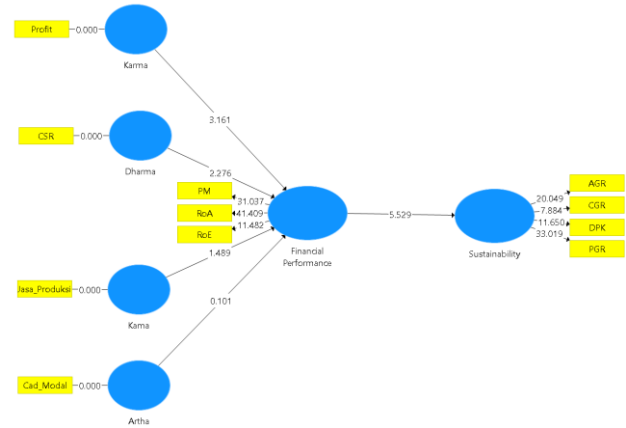
Source: SEM-PLS analysis results, 2025

SEM-PLS analysis further validated the predictive relationship between Hindu values and business sustainability indicators. *Karma* and *Dharma* jointly explained 61% of the variance in financial transparency and CSR-related outcomes, while *Artha* accounted for 35% of the variation in asset and capital growth. The inclusion of *Kama* as a mediating construct confirmed that motivation and satisfaction mechanisms enhance institutional loyalty, indirectly strengthening financial resilience. Financial performance indicators such as Return on Assets (ROA), Deposit Growth Rate (DGR), Assets Growth Rate (AGR), Credit Growth Rate (CGR), and Profit Growth Rate (PGR) all showed positive trajectories from 2015-2023, suggesting that the infusion of Hindu values contributes not only to profitability but also to community trust and long-term institutional health.

Qualitative data from expert interviews reinforced these statistical findings. Informants emphasized that Hindu ethics, particularly the principles of *Karma Yoga* and *Dharma Nitisastra*, shape leader' moral awareness and collective responsibility. They underlined that financial gain (*Artha*) should always be pursued in harmony with righteousness (*Dharma*),

ensuring that LPDs remain aligned with both economic goals and the spiritual missions of *Jagadhita*-collective well-being.

Figure 2.  
Conceptual Model of the Influence of Hindu Values on LPD Sustainability



Source: SEM-PLS analysis results, 2025

Descriptive financial analysis further supports the SEM-PLS findings. Between 2015 and 2023, the average profit margin of LPDs increased from 7,1% to 10,6%, while ROA rose from 6,4% to 8,3%. Assets growth maintained a steady rate of 9,2% per year, accompanied by a rise in community fund circulation by 14,6%. The highest-performing LPDs were those that explicitly applied Dharma-based allocations-devoting up to 3% of annual profit to social and environmental programs, such as temple restoration or scholarship funds.

Interview results corroborate the statistical analysis: LPD managers confirmed that rituals like *piodalan* (temple anniversaries) and *sembahyang bersama* (collective prayers) before dividend distributions symbolically purify business intentions and maintain communal harmony. These practices, aligned with Sarasamuccaya 261 and Bhagawad Gita III.19, internalize the principle that financial gains must be pursued with righteousness (*Dharma*) and selfless service (*Karma Yoga*). As such, the integration of sacred rituals and ethical awareness strengthens not only financial credibility but also social capital-bridging spirituality with modern financial accountability.

### 3.4 Discussion

The study findings reaffirm the relevance of Hindu philosophy in modern financial practices, especially when institutionalized within culturally embedded organizations like LPDs. Unlike Western financial models that prioritize individual gain, the Hindu-based framework emphasizes collective welfare, process-oriented effort, and balance among spiritual, social, and material pursuits (Sudharta, 2009; Suhardana, 2007).

These results align with and extend the Tripple Bottom Line theory (Elkington, 1998), as Dharma directly contributes to “people” dan “planet”, while Artha support sustainable “profit”. Similar to findings by Tudose (2022), this study confirms that ethical and value-driven models can enhance financial performance, even in rural, community-based institutions.

Notably, this research fills a gap in financial management literature by offering a comprehensive, spiritually integrated model rooted in Balinese Hindu epistemology, extending beyond the normative frameworks seen in other spiritual economies such as Islamic finance (Ahmed et al., 2019).

In addition to comparative insights from cross-cultural and interdisciplinary studies, this research also finds resonance with studies that examine faith-based financial governance systems, particularly those grounded in Islamic finance. Subagyo (2018) explores the concept of Islamic financial management as rooted in the principals of *Amanah* (trustworthiness), justice, and accountability (*mas'uliyah*), where financial decisions must adhere to divine law (*sharia*) and aim to ensure socioeconomic balance and justice.

The study parallels Subagyo's framework by proposing a Hindu-based financial management that similarly emphasize ethical responsibility and spiritual consciousness. The construct of Dharma in this research, which encompasses social and moral obligations in financial decisions, mirror the Islamic notion of *Amanah* and *mas'uliyah*. Both highlight the centrality of ethical stewardship over resources, aligning finance not merely with profit motives but with higher moral values and community welfare.

Where Subagyo emphasizes compliance with

divine law (*fiqh muamalah*), this study introduces hermeneutic interpretations of Hindu scriptures (e.g., *Bhagawad Gita*, *Sarasamuccaya*) as ethical foundations for financial decisions. The idea of Karma in Hinduism-as caused-effect responsibility for one's actions-is conceptually similar to the Islamic belief in reward and accountability in the Hereafter, which also acts as motivator for financial prudence and fairness in transactions.

Moreover, Subagyo (2018) stresses the operationalization of financial justice through mechanisms such as *zakat*, *gardhul hasan*, and prohibition of *riba*. While Hinduism does not have identical mechanism, the study's emphasize on *Artha* (capital preservation through ethical wealth management) and *Kama* (ensuring just rewards and satisfaction for workers) suggest a parallel commitment to distribute fairness and sustainability. This reflects a shared aspiration between both models to balance financial growth with ethical and social obligations.

The empirical results demonstrate that the integration of Hindu financial ethics effectively reinforces the sustainability framework of LPDs by harmonizing material, social, and spiritual dimensions of wealth management. This alignment echoes Elkington's (1998) Triple Bottom Line paradigm-people, planet, and profit-but with an additional transcendental element rooted in *Dharma* (moral duty) and *Karma* (ethical action). Within this model, Dharma corresponds to the social and environmental pillars, ensuring that financial activities generate communal benefits and ecological balance, while *Artha* and *Kama* maintain profitability and motivation within ethical boundaries.

The high reliability of the survey constructs and the significant path coefficients in the SEM-PLS model provide empirical evidence that faith-based management systems can deliver measurable economic outcomes. In the context of LPDs, the ethical consistency of Hindu teachings manifests as a unique internal governance mechanism-where financial integrity, honesty, and transparency are spiritually mandated rather than externally enforced. This endogenous ethical control



contrasts sharply with compliance-driven models in conventional financial systems and resonates with the principle of *Tat Twam Asi* (“you are that”), which fosters empathy and accountability within community financial relations.

The interpretive findings from scripture analysis and expert interviews converge on the notion that sustainable finance in Hinduism is inseparable from the principle of *Lokasamgraha*-acting for the welfare of society. *Bhagawad Gita* III.19, which exhorts leader to act without attachment to results, provides a normative foundation for selfless service in financial leadership. This ethical orientation transforms financial management from a purely instrumental activity into a dharmic obligation (*swadharma*), producing what can be termed as “spiritual efficiency”-the ability to achieve economic goals while maintaining moral equilibrium.

Furthermore, when viewed through the ESG (Environmental, Social, and Governance) lens, the Hindu-based model offers an organic and culturally grounded equivalent. *Dharma* aligns with the “Social” dimension of stakeholder responsibility; *Karma* aligns with “Governance” through ethical leadership and process integrity; and *Artha* corresponds to the “Economic” or “Environmental” stewardship through prudent and responsible use of resources. This triangulation reveals that traditional religious systems can provide comprehensive framework equivalent to modern sustainability metrics (Ziolo et al., 2020).

At a macro level, the findings contribute to the discourse on faith-based microfinance, affirming Zsolnai’s (2015) proposition that moral-spiritual motivations can enhance institutional performance by cultivating intrinsic commitment rather than extrinsic enforcement. For LPDs, this intrinsic motivation is visible in their long-standing community trust and consistent profitability despite limited regulatory oversight. Ethical governance is sustained not by legal compulsion but by cultural consensus-what Balinese tradition terms *awig-awig* or customary law-reflecting an internalized moral contract between leaders and community members.

Comparatively, the integration of Hindu ethics in financial management offers a distinctive contribution to global scholarship on spiritual economics. While Islamic finance emphasizes compliance with divine law (*Sharia*), Hindu finance stresses harmony among human desires, social obligations, and spiritual liberation (*Catur Purusartha*). Both models seek to humanize economic activity, yet the Hindu framework uniquely incorporates aesthetic and motivational dimensions (*Kama*), which ensure that productivity and satisfaction coexist without excess or exploitation.

The findings affirm that the synergy of *Dharma* and *Karma* establishes a self-regulating mechanism for ethical accountability within LPDs. Instead of relying on external audits, leaders internalize moral discipline as a sacred duty (*swadharma*), ensuring transparency and fairness. This aligns with the principle of *Tat Twam Asi*-emphasizing empathy and collective responsibility in economic relations (Sudharta, 2009). Moreover, the community’s voluntary compliance with *awig-awig* (customary law) represents an indigenous governance model compatible with modern ESG (Environmental, Social, Governance) frameworks (Ziolo et al., 2020).

Policy implications arise from these results: incorporating Hindu-based ethics into LPD management training can institutionalize ethical finance education, enhance public trust, and prevent moral hazards in microfinance governance. Theoretically, this research enriches the discourse of spiritual economics by presenting Hinduism as a living framework of sustainable development (Zsolnai, 2015; Ginting, 2020). Future inquiries could extend this model into digital finance contexts, investigating how *Dharma*-based principles adapt to fintech innovation and rural financial inclusion (UNDP, 2021).

Ultimately, this study positions Hindu-based financial management as an innovative and culturally embedded sustainability model. Its empirical validation through SEM-PLS analysis bridges philosophical ideals and measurable financial outcomes, demonstrating that ethical spirituality can serve as a driver-not a deterrent-of economic growth. The LPD experience,

therefore, exemplifies how local religious wisdom can inform global sustainable finance discourse, contributing both theoretical insight and practical innovation to the broader movement toward ethical capitalism.

The findings of this study align with and significantly extend previous research on sustainable financial practices by demonstrating how religious-philosophical values, particularly from Hindu teachings, can be systematically embedded into microfinance governance. This study constructed and empirically validated a four-dimensional model—*Karma*, *Dharma*, *Kama*, and *Artha*—as integral elements of financial management in LPDs in Bali.

In line with Ziolo et al. (2020), who emphasizes the importance of integrating environmental, social, and governance (ESG) aspects into business models to achieve corporate sustainability, this study reaffirms that non-financial ethical dimensions such as *Dharma* (social obligation) and *Karma* (ethical work process) enhance not only moral legitimacy but also operational and financial resilience in community-based institutions. While Ziolo et al. focus on formal ESG standard within corporate sectors, this study offers a cultural-religious parallel of ESG organically embedded within traditional Hindu institutions.

Similarly, Alhadhrami and Nobanee (2019), in their comparative study on sustainability practices between Islamic banks and conventional banks, argue that faith-based financial frameworks perform better in promoting long-term financial growth due to their ethical underpinnings and stakeholder orientation. The present study strengthens that view by providing empirical evidence from a Hindu context. The use of *Artha* as a financial stability principle reflects prudent capital management akin to risk-averse Islamic financial principles, while *Dharma* resembles zakat or CSR-aligned expenditures, enhancing stakeholder trust, and institutional legitimacy.

Moreover, Huang et al. (2023) found that ethical leadership positively impacts financial performance through proactive environmental strategies and is moderated by institutional pressures. This study expands upon that by showing that ethical financial governance,

grounded in Hindu teachings, similarly leads to enhanced institutional outcomes—not only because of leadership morality but because the values are collectively shared and culturally reinforced within the organizational structure of LPDs. Thus, ethical governance here is not imposed top-down, but emerges organically from spiritual doctrine and communal consensus.

Complementary findings also found in Mantra et al. (2023), who demonstrated that cultural capital significantly enhances the financial performance of LPDs. The present study substantiates this argument by showing how religious-philosophical capital, as a deeper layer of cultural capital, operates as a strategic intangible asset. The internalization of *Artha* as financial prudence, and *Kama* as motivation and retention strategy, offers a concrete bridge between intangible cultural capital and measurable financial outcomes.

Finally, Wiagustini et al. (2024) emphasized the importance of cultural values in shaping financial sustainability in LPDs. Their study found that sustainable financial performance is deeply connected to values embedded in local wisdom. This current study complements and extends their findings by proposing an operational model that systematizes those values through a structured financial management framework, built upon Hindu theological constructs and validated with empirical financial indicators.

Taken together, these comparisons reinforce the study's central contribution: a contextualized, value-driven model of financial governance that is not only ethically and culturally relevant but also demonstrably effective in enhancing financial performance. This reinforces the notion that spiritual ecology and financial rationality are not mutually exclusive, but can, in fact, be mutually reinforcing when grounded in a coherent cultural framework.

#### IV. CONCLUSION

This study developed and empirically validated a Hindu-based financial management framework tailored to the context of Village Credit Institutions (LPDs) in Bali. Grounded in four principles—values—*Karma*, *Dharma*, *Kama*, and *Artha*—the model demonstrates both philosophical relevance and practical efficacy in

promoting financial sustainability. The findings affirm the viability of culturally rooted governance systems in aligning ethical values with financial performance, thereby contributing to the discourse on spiritual economic and sustainable finance.

The findings revealed that *Karma* fosters operational transparency and accountability, *Dharma* strengthen social investment and community engagement, *Kama* enhances employee satisfaction and organizational commitment, and *Artha* underpins financial sustainability through prudent capital growth. Collectively, these elements significantly improve institutional performance indicators such as ROA, ROE, profit margin, and asset growth.

This research contributed to the broader discourse on faith-based and culturally embedded financial systems, presenting a replicable model rooted in Balinese Hinduism that aligns with global calls for ethical finance and sustainable development. The study also offers comparative insights that position Hindu financial governance alongside other religious framework, such as Islamic finance, confirming the universal values of ethical stewardship.

Managerially, the model provides LPDs leaders with a culturally appropriate guide for financial decision-making that enhances institutional trust and resilience. Academically, it fills a critical gap in the literature by offering a structured value-driven approach to microfinance sustainability.

Nevertheless, the contextual specificity of Balinese Hinduism limits the model's direct applicability to others regions. Future research is encouraged to expand the framework to other cultural-religious context and explore longitudinal impacts of value-based financial governance in broader institutional settings.

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