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Hindu-Based Sustainability Management in Community Microfinance Institutions: Evidence from Village Credit Institutions (LPDs) in Bali

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Abstract: Sustainability management has become a strategic imperative for organizations seeking to balance economic performance with social responsibility and environmental stewardship. While contemporary sustainability frameworks are largely derived from secular management theories, limited attention has been given to indigenous and religious value systems that may contribute to sustainable organizational governance. This study aims to identify the Hindu principles relevant to sustainability management, to analyzed influence on the financial performance of Village Credit Institutions (*Lembaga Perkreditan Desa*/LPDs) in Bali, and to explain their contribution to business sustainability through the mediating role of financial performance. Employing a sequential mixed-method design, the research integrates hermeneutic analysis of Hindu scriptures (*Sarasamuccaya* and *Bhagavad Gita*), in-depth interviews with five expert informants, longitudinal financial data from 1,308 LPDs (2015-2023), and survey data from 90 LPD officers across nine regencies/cities in Bali, analyzed using Structural Equation Modeling-Partial Least Square (SEM-PLS). the structural model explains 41.4% of the variance in financial performance and 26.4% of the variance in business sustainability. The findings indicate that Karma ($\beta=0.347$, $p=0.002$) and Dharma ($\beta=0.341$, $p=0.023$) exert a significant positive influence on financial performance, whereas Kama ($\beta=0.152$, $p=0.137$) and Artha ($\beta=0.013$, $p=0.920$) do not. Financial performance, in turn, significantly drives business sustainability ($\beta=0.514$, $p=0.001$), and mediates a significant indirect effect of Karma and Dharma on sustainability, while the indirect effects of Kama and Artha remain non-significant. These results indicate that ethical work conduct (Karma) and moral-social responsibility (Dharma) are the principal religious drivers of LPD performance and sustainability, while desire-fulfillment (Kama) and wealth accumulation (Artha) function only as supporting, Dharma-conditioned factors. The study contributes to the sustainability management literature by repositioning the LPD as a financial-religious institution and by proposing a Hindu-based sustainability management framework that extends the conventional Triple Bottom Line into a Profit-People-Planet model grounded in Karma, Dharma, Kama, Artha, and Tri Hita Karana. The findings offer practical insights for LPD managers, customary village authorities, and policymakers seeking culturally embedded governance frameworks for sustainable community-based microfinance.

Keywords: Sustainability Management; Hindu Values; Village Credit Institutions; Financial Performance; SEM-PLS.

A. Introduction

The global discourse on sustainability has intensified over the past three decades as organizations and nations confront the combined pressures of environmental degradation, social inequality, and unsustainable economic growth. Climate change continues to threaten ecological balance, livelihoods, and long-term economic stability, prompting both governments and businesses to reassess their operational paradigms (United Nations, 2015). At the same time, persistent social inequality—manifested in unequal access to financial resources, employment opportunity, and community welfare—has reinforced the argument that economic growth alone cannot guarantee long-term organizational legitimacy or societal wellbeing. In response to these pressures, the concept of the Triple Bottom Line, encompassing Profit, People, and Planet, was introduced as a framework that requires organizations to evaluate performance not merely in financial terms but also in terms of social and environmental contribution (Elkington, 1997). This framework has since informed global commitments such as the Sustainable Development Goals (SDGs) and the broader Environmental, Social, and Governance (ESG) movement, both of which position sustainability as a multidimensional construct that organizations of all types and scales are expected to pursue (United Nations, 2015; Bansal & Song, 2017).

Despite the widespread adoption of these frameworks, sustainability management as practiced in in many organizations remains heavily anchored in a profit-oriented logic that threats social and environmental considerations as secondary or instrumental to financial performance. This limitation can be traced, un part, to the continued dominance of Agency Theory in corporate governance, which frames the firm primarily as a nexus of contracts between principles and agents whose interests must be aligned through monitoring and incentive mechanisms oriented toward shareholder value maximization (Jensen & Meckling, 1976). While Agency Theory has been instrumental in explaining governance mechanisms within firms, its narrow focus on principle-agent relationship offers limited conceptual space for incorporating broader social responsibility or stakeholder welfare into the core logic of organizational management. Stakeholder Theory subsequently emerged as a corrective response, arguing that organizations must account for the interests of a wider set of constituents—including employees, communities, and the environment—rather than shareholders alone (Freeman, 1984). Even so, the operationalization of stakeholder-oriented sustainability management in many contexts continues to rely on secular, Western-derived management theories that may not fully capture the value systems, moral reasoning, and governance logic embedded in non-Western, indigenous, or religious traditions.

In response to these conceptual limitations, scholars have increasingly turned attention toward spiritual and ethical dimensions of leadership and governance as complementary, rather than alternative, foundations for sustainability management. Spiritual Leadership Theory proposes that leaders who cultivate a sense of calling and membership within their organizations are better positioned to foster intrinsic motivation, organizational commitment, and ethical conduct among followers (Fry, 2003). Closely related, the concept of ethical leadership emphasizes that leaders who demonstrate normatively appropriate conduct through their actions and interpersonal relationships, and who promote such conduct among followers through communication and reinforcement, contribute to higher levels of organizational trust, accountability, and long-term legitimacy (Brown & Trevino, 2006). These streams of literature collectively suggest that religious-based governance—where organizational decision-making is explicitly informed by religious or spiritual values—may offer a robust foundation for sustainability management that integrates economic performance with moral and social accountability. However, much of this literature has been developed within the context of Abrahamic or generically spiritual frameworks, leaving a substantial gap in understanding how other major religious traditions, such as Hinduism, might inform organizational sustainability practices.

Bali, Indonesia, offers a unique empirical setting in which to examine this gap. As the only Hindu-majority province in the world's largest Muslim-majority nation, Bali has developed a distinctive socio-religious institutional landscape in which customary (adat) governance and Hindu philosophical principles are deeply embedded in community economic life. Among the most prominent manifestations of this institutional landscape is the Lembaga Perkreditan Desa (LPD), or Village Credit Institution, a community-based microfinance institution established under customary village governance and rooted explicitly in Hindu values and the Tri Hita Karana philosophy of harmonious relationships among humans, nature, and the divine. Since their establishment in 1984, LPDs have grown into a significant component of Bali's financial ecosystem, with aggregate assets exceeding Rp30 trillion and a present in the vast majority of customary villages across the province. Unlike conventional microfinance institutions, LPDs operate under a governance structure that intertwines financial intermediation with customary law (*awig-awig*) and religious accountability, making them an exceptionally rich context for investigating how indigenous and religious value systems shape sustainability management in practice.

Notwithstanding this rich empirical context, the academic literature on religious-based financial management remains heavily dominated by studies of Islam finance, which has produced an extensive body of research on Shariah-compliant governance, risk-sharing, and ethical investment principles. By comparison, scholarship examining Hindu-based financial management remains markedly underdeveloped, and to date, no study has systematically constructed a sustainability management framework explicitly derived from Hindu philosophical principles within a community microfinance context. This represents a significant gap, given that Hindu philosophy offers a coherence and longstanding ethical-economic framework—articulated through the concepts of Dharma (moral duty), Artha (wealth and prosperity), Kama (desire and welfare), and Karma (action and consequence)—that addresses questions of economic conduct, social responsibility, and spiritual accountability in ways that parallel, yet meaningfully diverge from, prevailing secular and other religious governance frameworks. The absence of empirical and theoretical work bridging Hindu philosophy with contemporary sustainability management theory leaves with academic and practitioners without a culturally grounded alternative model for institutions such as LPDs that explicitly operate at the intersection of customary governance, religious values, and financial performance.

Building on this identified gap, the present study aims to: (1) identify the Hindu principles relevant to sustainability management within community-based microfinance institutions; (2) analyze the influence of these principles on the financial performance of Village Credit Institutions (LPDs) in Bali; (3) explain the contribution of these principles to LPD business sustainability through the mediating role of financial performance. By pursuing these objectives, this study seeks to extend sustainability management theory beyond its predominantly secular and Western foundations, offering a culturally embedded, Hindu-based framework that can inform both academic discourse and practical governance for community-based entrepreneurship in Bali and beyond.

B. Literature Review

1. Sustainability Management

Sustainability management refers to managerial practices that simultaneously pursue economic performance, social responsibility, and environmental protection, integrating these three dimensions into the core strategic and operational decision-making of an organization rather than treating them as peripheral concerns (Bansal & Song, 2017). This conceptualization positions sustainability management as fundamentally distinct from corporate social responsibility, which is often understood as a discretionary or reputational activity layered onto core business operations; sustainability management, by contrast, requires the embedding of long-term economic, social, and environmental considerations into the firm's central values-creation logic (Bansal & Song, 2017). Complementing this view, Dyllick and Muff (2016) argue that genuine "Business Sustainability 3.0" requires organizations to move from an inside-out perspective—where sustainability is assessed by how much the firm reduces its negative impact on society and the environment—toward an outside-in, perspective, in which the firm begins its strategic planning from pressing social and environmental challenges and then designs business solutions that contribute meaningfully to addressing them (Dyllick & Muff, 2016).

The Triple Bottom Line framework, comprising Profit, People, and Planet, remains the most widely cited operational heuristic for sustainability management, providing organizations with a tripartite structure for evaluating performance beyond financial metrics alone (Elkington, 1997). This framework has been further reinforced by the global ESG movement, which translates sustainability principles into measurable indicators used by investors, regulators, and rating agencies to assess corporate accountability. Within the entrepreneurship literature, sustainable entrepreneurship has emerged as a related construct describing the pursuit of opportunities that generate economic value while simultaneously contributing to ecological and social betterment, an orientation particularly relevant to community-based and cooperative financial institutions such as LPDs, whose mandate inherently combines economic intermediation with communal welfare objectives. Taken together, this body of literature establishes sustainability management as a multidimensional construct, yet it also reveals a persistent gap in attention to non-Western, religiously embedded conceptions of what constitutes "social," "economic," and even "environmental" responsibility—a gap this study addresses by examining Hindu philosophical contributions to the fields.

2. Ethical Leadership and Sustainability

Ethical leadership has been defined as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, combined with the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (Brown & Trevino, 2006). This conceptualization positions ethical leadership as both a behavioral and relational phenomenon, in which leaders model integrity while actively cultivating ethical standards among organizational members. Subsequent empirical works has refined this construct, identifying ethical leadership as composed of distinct dimensions including fairness, power-sharing, ethical guidance, and people orientation, all of which contribute to followers' perceptions of leader trustworthiness and organizational justice (Mayer et al., 2012). These dimensions are particularly salient for sustainability management, as they directly shape the organizational climate within which environmental and social commitments are either reinforced or undermined.

Three constructs emerge as central mediators linking ethical leadership to sustainability outcomes: integrity, accountability, and trust. Integrity, understood as consistency between a leader stated values and observable actions, signals credibility to both internal stakeholders (employees) and external stakeholders (customers, regulators, and the broader community), thereby reducing the perception gap between sustainability rhetoric and sustainability practice. Accountability mechanisms, whether formal (reporting and audit structures) or informal (social and religious sanction), ensure that ethical commitments are not merely aspirational but are subject to verification and consequence. Trust, in turn, functions as relational resource that lowers transaction costs, encourages stakeholder cooperation, and enhances organizational resilience during periods of financial or reputational stress. For community-based financial institutions such as LPDs, where governance is embedded within tightly knit customary village structures, these three constructs are not abstract managerial ideals but lived, observable features of daily institutional practice, reinforced through religious and customary accountability mechanisms that often exceed the enforcement power of formal regulatory bodies alone.

3. Hindu Philosophy and Sustainable Governance

Hindu philosophy offers a longstanding and internally coherent ethical-economic framework for understanding human conduct, social obligation, and material prosperity, articulated principally through the four interrelated concepts of Dharma, Artha, Kama, and Karma. These concepts, while originating in classical Hindu scriptural and philosophical traditions, carry direct implications for contemporary organizational governance and sustainability management, particularly within institutions that explicitly identify with Hindu cultural and religious identity, such as Bali's Village Credit Institutions.

Dharma, broadly translated as moral or righteous duty, constitutes the foundational ethical principle within Hindu philosophy, governing the obligations of individuals and institutions toward family, community, and the cosmic order (Radhakrishnan, 1996). Within an organizational context, Dharma can be understood as the normative obligation of management to act righteously, transparently, and in accordance with both customary and religious expectations, thereby anchoring institutional conduct in a framework of moral obligation that extends beyond contractual or legal compliance alone (Pandit, 2009). For institutional such as LPDs, Dharma manifest in governance practices that prioritize fairness toward depositors and borrowers, adherence to customary law (awig-awig), and a broader sense of institutional responsibility toward the village community that the institution is established to serve.

Karma, the principle of action and consequence, hold that every deliberate action generates a corresponding moral and practical outcome, thereby embedding a strong logic of accountability into individual and organizational conduct (Titib, 2003). Within a managerial setting, the principle of Karma reinforces a forward-looking accountability orientation, in which managers and employees are motivated to act responsibility not merely because of external sanction, but because of an internalized belief that present actions shape future organizational and personal outcomes. This intrinsic accountability mechanism complements formal governance structures, providing an additional layer of behavioral discipline that is particularly valuable in community-based institutions where formal regulatory oversight may be limited.

Artha, referring to wealth, prosperity, and the legitimate pursuit of material resources, occupies an important and explicitly sanctioned position within the four Hindu life goals (Purushartha), distinguishing Hindu philosophy from ascetic traditions that regard material pursuit as inherently antithetical to spiritual life (Radhakrishnan, 1996). Crucially, Artha is conceived not as an end in itself, but as a means toward fulfilling Dharma and supporting the welfare of family and community; wealth creation is therefore framed as a legitimate as even necessary institutional objective, provided it is pursuit in accordance with ethical and righteous means. This conceptualization directly supports the legitimacy of LPDs as profit-generating financial institutions, while simultaneously constraining the manner in which profit may be pursued.

Kama, representing desire and fulfillment of legitimate needs and wishes, extend the framework toward stakeholder welfare, encompassing the satisfaction of the material and social needs of those connected to the institution—including employees, depositors, borrowers, and the broader village community (Pandit, 2009). Within sustainability management, Kama provides a philosophical foundation for stakeholder-oriented governance, in which institutional success is measured not solely by financial returns but by the degree to which the legitimate needs and aspirations of the community are met.

Taken together, Dharma, Karma, Artha, and Kama form an integrated ethical-economic system in which moral duty, accountability, wealth creation, and stakeholder welfare are mutually reinforcing rather than competing objectives—offering a philosophically grounded alternative to purely secular sustainability frameworks.

4. Conceptual Framework

Drawing on a theoretical foundation reviewed above, this study proposes a conceptual framework in which Hindu Values (Dharma, Karma, Kama, and Artha) serve as the primary exogenous constructs influencing Financial Performance, which in turn influences Business Sustainability. The proposed sequential relationship reflects the theoretical expectation that the internalization of Hindu-ethical economic principle within LPD governance first manifest in improved financial management practices and outcomes, which subsequently translate into broader organizational sustainability. Consistent with the Sarasamuccaya's conditionally that Artha and Kama must remain subordinate to Dharma, the framework further anticipates that not all four principles will necessarily exert equally significant effects—an expectation tested empirically in the Results and Discussion section bellow.

Hindu Values (Dharma, Karma, Kama, Artha) → Financial Performance (Profit Margin, ROA, ROE, Profit Growth) → Business Sustainability (Economic, Social, Environmental, Spiritual)

This framework forms the basis for the hypothesis testing conducted through SEM-PLS analysis in the Results and Discussion section, and provides the structural logic guiding the subsequent reconstruction of a Hindu-based sustainability management model.

C. Methods

This study employes a sequential mixed-methods research design, integrating qualitative and quantitative approaches to capture both the philosophical depth and empirical generalizability of Hindu-based sustainability management within Village Credit Institutions (LPDs) in Bali. The mixed-methods design was selected because the research question require, first, an interpretive understanding of how Hindu philosophical principles are textually and conceptually articulated, and second, a statistically robust assessment of how these principles manifest in measurable financial and sustainability outcomes across a large population of institutions.

The qualitative stage employed a hermeneutic approach to analyze primary Hindu scriptural and philosophical texts drawn from both the Sruti corpus (Rgveda, Yajurveda, Atharvaveda) and the Smrti corpus (Manava Dharmasastra, Arthasastra, Bhagavad Gita, and Sarasamuccaya), with particular emphasis on the Bhagavad Gita and the Sarasamuccaya, both of which contain extensive ethical guidance relevant to conduct, duty, and the pursuit material life goals. Hermeneutic analysis was selected for its suitability in interpreting normative and philosophical texts within their cultural and theological context, allowing the identification of textual passages directly relevant to financial conduct, accountability, and stakeholder welfare. This textual analysis was triangulated with in-depth, semi-structured interviews conducted with five purposively selected expert informants out of fifteen candidates initially identified, comprising a retired bank officer versed in Vedic texts, a psychologist and management consulting serving as a senior official of the Parisada Hindu Dharma Indonesia (PHDI), a retired financial manager and LPD consultant, a professor of cultural sociology, and a tax consultant and customary village official who supervises LPD operations ex-officio. The inclusion of multiple informant categories was intended to ensure that the interpretation of Hindu philosophical concepts was both theologically grounded and practically relevant to the operational realities of LPD management.

The quantitative stage involved two complementary data sources. First, secondary longitudinal financial performance data were collected from the audited financial reports of 1,308 LPDs operating across Bali for the period 2015-2023, as compiled by the Provincial LPD

Empowerment Institution (LPLPD). These data enabled a population-level assessment of financial indicators including Profit Margin (PM), Return on Assets (ROA), Return on Equity (ROE), Deposit Growth Rate (DGR), Credit Growth Rate (CGR), Asset Growth Rate (AGR), and Profit Growth Rate (PGR), computed following the formula established by Tudose et al. (2022). Second, primary survey results were acquired from 90 active LPD officers serving throughout nine regencies/cities in Bali. In order to guarantee that the sample included organizations with comparatively developed financial governance, respondents were purposefully chosen from the LPDs with the largest total assets in each regency or city. A systematic questionnaire measuring seven constructs was filled out by respondents: Karma, Dharma, Kama, Artha, Hindu-Based Financial Management, Implementation of Hindu-Based Financial Management, and LPD Business Sustainability.

Data analysis conducted in two parallel streams. Hermeneutic analysis was used to study the qualitative data, which included scriptural excerpts and transcripts of interviews, in order to develop a thematic interpretation of how Hindu principles translate into particular sustainable governance and management practices. Structural Equation Modeling with Partial Least Squares (SEM-PLS) in SmartPLS was used to analyze the quantitative survey and financial data. This method is appropriate given the moderate sample size of 90 managerial respondents and well suited to the relatively complex, multi-construct structural model proposed in this study. Before estimating the structural model (inner model) using bootstrapping with 5,000 resamples, which yielded path coefficients, t-statistics, and p-values for hypothesis testing, the measurement model (outer model) was assessed for convergent validity (outer loadings, Average Variance Extracted), discriminant validity (cross-loading, Fornell-Larcker criterion, and Heterotrait-Monotrait ratio), and composite reliability. The study is able to support quantitative associations with rich qualitative interpretation thanks to the combination of hermeneutic and SEM-PLS findings in the discussion part that follows. This strengthens the overall validity of the suggested Hindu-based sustainability management framework.

D. Result and Discussion

1. Sample Characteristic and Aggregate Financial Trends

Nine Bali regencies and cities provided the 90 LPD officers who participated in the survey. The sample was predominantly male (78.9%, n = 71) relative to female (21.1%, n = 19), mirroring the overall gender distribution of customary village governance in Bali. By position, 62.2% (n = 56) of respondents served as LPD chairpersons, 26.7% (n = 24) as supervisors, and the remainder as secretaries or treasurers (5.6% each), indicating that the survey predominantly captured the perceptions of officers directly responsible for strategic and financial decision-making.

For the years 2015–2023, aggregate financial data from 1,308 LPDs reveals a steady rising trend across all key metrics. Combined third-party deposits grew from approximately Rp12.21 trillion in 2015 to Rp25.58 trillion in 2023; outstanding credit grew from Rp11.04 trillion to Rp16.09 trillion over the same period, with a minor contraction in 2021–2022 attributable to the Covid-19 pandemic; and total assets nearly doubled, from Rp14.69 trillion to Rp30.31 trillion, with the sharpest gains recorded in the post pandemic years of 2022–2023. This prolonged growth pattern offers the descriptive financial backdrop against which the hermeneutic and structural findings following are evaluated.

2. Reconstruction of Hindu-based Sustainability Management

Each of the four Hindu principles investigated in this study systematically corresponds to a different aspect of organizational financial governance pertinent to sustainability, as summarized in Table 1, according to the hermeneutic analysis of Hindu scriptural texts triangulated with expert interview findings.

Table 1. Correspondence Between Hindu Principles and Sustainability-Relevant Financial Governance Dimensions

Hindu Principle	Sustainability Dimension
Dharma	Ethical Governance
Karma	Accountability
Kama	Stakeholder Welfare
Artha	Sustainable Wealth Creation

This relationship shows that modern financial governance concepts and traditional Hindu ethical-economic philosophy are structurally consistent. Dharma's emphasis on righteous duty, fairness (nyaya), and the avoidance of exploitation—as articulated in the Manawa Dharmasastra (VIII.41)— maps directly onto the construct of ethical governance, while Karma's logic of disciplined, non-attached action (niskamakarma), as taught in the Bhagavad Gita (III.19), parallels the accountability and work-ethic mechanisms central to both Agency Theory-informed governance structures and ethical leadership theory (Jensen & Meckling, 1976; Brown & Treviño, 2006). Kama's concern for the welfare and satisfaction of justifiable demands is consistent with Stakeholder Theory's emphasis on accounting for the interests of employees, customers, and community members beyond shareholders alone (Freeman, 1984), while Artha's sanctioning of legitimate wealth creation resonates with the Triple Bottom Line's "Profit" dimension, constrained by an ethical framework that prevents profit-seeking from becoming exploitative (Elkington, 1997). Crucially, the Sarasamuccaya (Śloka 261–262) mandates that Artha must be obtained by Dharma and employed to preserve Dharma and a regulated Kama—a textual conditionality that, as the structural results below reveal, is empirically replicated in the data.

This reconstructed alignment suggests that Hindu philosophy does not merely parallel existing sustainability management theory but offers a unifying ethical logic in which governance, accountability, stakeholder welfare, and wealth creation are interdependent rather than freestanding managerial functions—with Artha and Kama explicitly subordinated to, and conditioned by, Dharma and Karma.

3. Measurement and Structural Model Assessment

The measurement model (outer model) was evaluated for validity and reliability before hypothesis testing.

All constructs exceeded the minimum Cronbach's Alpha criteria of 0.70 (Nunnally, 1978): Karma, Dharma, Kama, and Artha varied between 0.938 and 0.942; Hindu-Based Financial Management and its implementation construct ranged between 0.770 and 0.789; and Sustainability ranged between 0.811 and 0.837. According to Hair et al. (2021), composite reliability for sustainability (0.911) and financial performance (0.904) also above the 0.70 cutoff. Collinearity statistics (VIF) for all exogenous constructs remained below the conservative threshold of 3.3 (ranging from 1.000 to 2.672 across indicators, and from 1.145 to 1.580 at the construct level of Kama, Artha, Karma, and Dharma respectively), confirming the absence of problematic multicollinearity and indicating that each construct contributes distinct explanatory power to the model.

The two endogenous constructs have a moderate amount of variance explained by the structural model (inner model): $R^2 = 0.414$ (R^2 adjusted = 0.383) for Financial Performance and $R^2 = 0.264$ (R^2 adjusted = 0.255) for Sustainability (Hair et al., 2021). Karma ($f^2 = 0.157$) and Dharma ($f^2 = 0.125$) have moderate effects on financial performance, whereas Artha ($f^2 = 0.057$) and Kama ($f^2 = 0.034$) have modest effects. Financial performance has a significant impact on sustainability ($f^2 = 0.358$), according to effect size (f^2) study.

According to blindfolding, predictive relevance (Q^2) was 0.288 for financial performance and 0.165 for sustainability, both of which showed sufficient out-of-sample predictive power (Henseler et al., 2009; Hair et al., 2021).

4. Influence of Hindu Principles on Financial Performance

The results of hypothesis testing (H1–H9) based on 5,000-resample bootstrapping are summarized in Table 2, which covers the four Hindu principles' direct effects on financial performance as well as their indirect effects on sustainability through financial performance as a mediator.

Table 2. Summary of Hypothesis Testing Result (Direct and Indirect Effects, Bootstrapping n = 5,000)

Hyp.	Path	β	T-statistic	p-value	Result
H1	Karma → Finacial Performance	0.347	3.161	0.002	Supported
H2	Dharma → Financial Performance	0.341	2.276	0.023	Supported

H3	Kama → Financial Performance	0.152	1.489	0.137	Not Supported
H4	Artha → Financial Performance	0.013	0.101	0.920	Not Supported
H5	Financial Performance → Sustainability	0.514	5.529	0.000	Supported
H6	Karma → FP → Sustainability	0.178	2.499	0.013	Supported
H7	Dharma → FP → Sustainability	0.175	2.342	0.020	Supported
H8	Kama → FP → Sustainability	0.078	1.383	0.167	Not Supported
H9	Artha → FP → Sustainability	0.006	0.099	0.921	Not Supported

Karma has the greatest direct impact on financial performance (β = 0.347, t = 3.161, p = 0.002), closely followed by Dharma (β = 0.341, t = 2.276, p = 0.023); both are significant at the 95% confidence level and support H1 and H2. In contrast, H3 and H4 are rejected since Kama (β = 0.152, t = 1.489, p = 0.137) and Artha (β = 0.013, t = 0.101, p = 0.920) exhibit positive but statistically insignificant direct effects. Financial Performance, in turn, exhibits a large and highly significant direct effect on Sustainability (β = 0.514, t = 5.529, $p < 0.001$), supporting H5. When analyzed via the indirect-effect pathway, Karma (β = 0.178, t = 2.499, p = 0.013) and Dharma (β = 0.175, t = 2.342, p = 0.020) have a significant impact on Sustainability through the mediation of Financial Performance, supporting H6 and H7. In contrast, the indirect effects of Kama (β = 0.078, p = 0.167) and Artha (β = 0.006, t = 0.099, p = 0.921).

These findings show that rather than desire-fulfillment (Kama) or capital accumulation (Artha) per se, LPD financial performance is primarily driven by work ethic (Karma) and moral-social duty (Dharma). The Bhagavad Gita's doctrine of niskamakarma (III.19)—disciplined activity carried out without attachment to outcome—which fosters the discipline, integrity, and productivity that underpin successful financial management, is consistent with the Karma finding (Pudja, 2004; Mantik, 2007). These findings show that rather than desire-fulfillment (Kama) or capital accumulation (Artha) per se, LPD financial performance is primarily driven by work ethic (Karma) and moral-social duty (Dharma). The Bhagavad Gita's doctrine of niskamakarma (III.19)—disciplined activity carried out without attachment to outcome—which fosters the discipline, integrity, and productivity that underpin successful financial management, is consistent with the Karma finding (Pudja, 2004; Mantik, 2007).

This trend is supported by the mediation results, which show that whereas Kama and Artha have no significant indirect impact, Karma and Dharma flow through to Sustainability via Financial Performance. The Sarasamuccaya (§loka 261–262), which maintains that wealth accumulation and desire fulfillment cease to translate into institutional sustainability once separated from Dharma and Karma, textually anticipates this. It holds that Artha must be obtained through Dharma and channeled back toward sustaining Dharma and a controlled Kama. Karma's contribution to sustainability echoes Elkington's (1997) Triple Bottom Line logic, which holds that sustainable business is based on harmony among profit, people, and planet. Dharma's contribution to sustainability is substantively similar to the corporate social responsibility literature, where social accountability strengthens organizational legitimacy (Porter & Kramer, 2011).

5. Toward a Hindu-Based Sustainability Management Framework

The primary theoretical contribution of this work is in situating the LPD not only as a community microfinance institution but as a financial-religious institution (lembaga keuangan-religius) that carries a economic Dharma. Building on this reorientation, the study suggests a Hindu-Based Sustainability Management Framework that incorporates the four Purushartha principles—Dharma, Karma, Kama, and Artha—as well as the comprehensive Tri Hita Karana philosophy of harmony between humans, nature, and the divine into a Profit-People-Planet model of business sustainability. In this model, Artha and a controlled Kama serve as necessary but Dharma-conditioned supporting factors rather than independent drivers, while Karma Yoga (disciplined, ethical action) and social Dharma serve as the main engines of Profit (financial performance) and, through it, of People and Planet outcomes.

Rather than being a flat, four-dimensional addition to the Triple Bottom Line, this conditional, hierarchical structure sets the current framework apart from a purely additive spiritual layer by empirically identifying which Hindu principles directly drive sustainability and which only do so when they are subordinated to moral and ethical behavior. The finding that LPDs have sustained four decades of operation under customary village oversight, without direct supervision from Bank Indonesia or the Financial Services Authority (OJK), suggests that this community-value-based governance model constitutes a viable, scalable alternative to conventional prudential regulation for community-based financial institutions. This offers a Hindu-based, non-Islamic alternative to the larger international conversation on religion finance,

which has to date been dominated by Shariah-compliant models, and displays the Sanatana Hindu philosophy's (perennial) quality—its ability to continue being applicable both practically and theoretically spanning time, especially within contemporary financial management.

E. Conclusion and Recommendation

The purpose of this study was to determine the Hindu principles that are pertinent to sustainability management, examine how they affect the financial performance of Bali's Village Credit Institutions (LPDs), and explain how these principles contribute to business sustainability through the mediating role of financial performance. The results show that whereas Kama and Artha do not have a statistically significant direct or indirect impact, Karma and Dharma significantly improve financial success (R^2 = 0.414) and, consequently, business sustainability (R^2 = 0.264). These findings suggest that the main religious factors influencing LPD performance and sustainability are work ethic and moral-social responsibility rather than desire-fulfillment or capital accumulation alone. This is in line with the Sarasamuccaya's teaching that Artha and Kama must continue to be subservient to Dharma in order to produce sustainable results. Taken together, these findings indicate that LPDs demonstrate how an indigenous and religious value system—specifically Hindu philosophy—can serve as a robust, empirically supported foundation for community-based financial governance, repositioning the LPD as a financial-religious institution and extending the conventional Triple Bottom Line into a Dharma-conditioned Profit–People–Planet framework.

This study has several drawbacks despite these contributions. First, the empirical scope is limited to the province of Bali, which restricts the generalizability of findings to other geographic or cultural settings despite providing an extraordinarily rich context for evaluating Hindu-based institutional governance. Second, the study only looks at Village Credit Institutions (LPDs) as one sort of institution, leaving open the question of whether comparable dynamics might appear in other types of commercial or community-based businesses. Third, the non-significant direct effects of Kama and Artha indicate that these constructs require further conceptual refinement and a larger or more targeted sample to determine whether their limited explanatory power reflects a genuine theoretical pattern or a measurement and sampling constraint.

In light of these limitations, three recommendations are proposed for future research. First, further research should examine the implementation of Kama and Artha in greater depth, particularly in the conditions under which incentive structures and capital accumulation strategies could be strengthened to contribute more significantly to LPD financial performance and sustainability. Second, cross-country and cross-institution comparative studies should be conducted to examined whether Hindu-based or other religiously and culturally embedded sustainability principles manifest similarly in microfinance institutions outside Bali, thereby strengthening the external validity of the proposed framework. Third, future research should explore the integration of artificial intelligent and sustainability governance, examining how AI-based monitoring tools might support the implementation of good governance and risk management integrated with Hindu spiritual principles within community-based financial institutions.

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