

## Buddhist Banking & Finance: A Philosophy for Sustainable Value Creation

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We currently live in a world of constrained resources, growing populations and climate emergencies that indicate that humans are exceeding the planetary boundaries placed on them as a species. If critical tipping points are reached, our very survival is at stake. Make no mistake, however, life on this planet will continue to thrive; it is just that we humans will not be around to enjoy it.

If all the insects suddenly go extinct, it is a different story, however. This is because approximately 80 percent of all of the world's plant life are angiosperms, or flowering plants. In order to reproduce, these plants must have pollen physically transferred from a male anther to the female stigma within a flower. In rare instances, wind, water or animals such as birds and bats do the trick. But the vast majority of the pollinating work is done by insects, including bees, beetles, flies and butterflies. Without pollinators, most plants on the planet will disappear (Hadhazy, 2015).

What about Earthworms? Ecologists consider earthworms “keystone species” because of how much they influence the physical, chemical and biological properties of the soil. Earthworms are recyclers. They play a crucial role in breaking down organic matter and fertilising the soil. Earthworms are also “soil engineers”. As they move through the soil, earthworms loosen and mix it up, helping to aerate and drain it. This brings nutrients to the surface, making the soil more fertile, and helps prevent flooding and erosion (Johnson, 2017).

As Charles Darwin said, *“It may be doubted whether there are many other animals which have played so important a part in the history of the world, as have these lowly organised creatures (Darwin, 1881).*

Given the mounting toll of fouled oceans, overheated air, missing topsoil, and mass extinctions, we might sometimes wonder what our planet would be like if humans suddenly disappeared. It is very possible that, over time, the seas would again fill with fish; our concrete cities would crumble to dust from the force of tree roots, water, and weeds, and ultimately, the planet will revert back to its original state before mankind arrived. How long would it take for our traces to vanish? And if we could answer this question, would we be more in awe of the changes we have wrought, the damages we have caused, and of nature’s resilience?

Why have we become a parasite on this planet, rather than integrating ourselves into the ecosystem?

*The answer is rampant consumerism, uncontrolled growth, and excessive greed.*

### **The Buddhist Approach to Sustainable Development**

Buddhism stresses three kinds of relationships—those between humans and nature, those between human beings and the relationship with oneself. Buddhism considers human beings and the

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environment to be interconnected at the deepest level, inextricably linked and interdependent. This interconnectedness of all life, is starkly visible in global problems such as climate change and deforestation.

Buddhist philosophy, based on respect and concern for all life, accords closely with the concept of sustainable development; as it means creating social harmony and equality, protecting the environment and ensuring economic prosperity. Buddhism itself is essentially about bringing all these elements of life into balance, whether on a personal level or a community or global level. What this means fundamentally is that we cannot build happiness or prosperity upon the destruction or disregard of other life, including the natural environment, for ultimately, we ourselves will suffer the consequences.

It must be remembered that Buddhist philosophy originated over 2,500 years ago, well before even the first industrial revolution (IR 1.0) of **'mechanisation'**, where human and animal labour was replaced by machines. Since then we have had IR 2.0, that of **'automation'**; as a result of major breakthroughs in power generation and distribution, wireless and wired communication, and mass production techniques. In this period, there was a heavy reliance on coal and petroleum for the generation of power, for both industries, automobiles and our consumerist lifestyle. We now know that this very need to drive automation and its resultant products and services can be directly traced to climate change. Had the Buddhist philosophy of both protecting the environment whilst ensuring economic prosperity been adhered to, the world would not be in such a crisis situation today.

Since the 1950s we have had IR 3.0, that of **'digitisation'**, with the development of digital systems, communication and rapid advances in computing power, which have enabled new ways of generating, processing and sharing information. Whilst this has provided most people on Earth to own a computer that is connected to the internet, it has also caused massive solid waste management issues, with mountains of discarded phones, printers and television sets. Again, had the Buddhist philosophy of both protecting the environment whilst ensuring economic prosperity been adhered to, these consumer and business products would have been designed with their entire life-cycle been considered in the design phase.

Therefore, it is vital that the key principles of Buddhist philosophy be adhered to as we enter IR 4.0, that of **'cyber-integration'**, involving entirely new capabilities for people and machines - in which technology becomes embedded within societies and even our human bodies. The Buddhist view that human beings and the environment to be interconnected at the deepest level, inextricably linked and interdependent, is no more evident when we integrate ourselves at the 'thought' level with our machines.

Today, mainly as a consequence of all these industrial revolutions, all of the macro and micro economics signs, as well as other environmental and socio-economic factors, indicate that mankind critically needs both a system transformation and a value transformation in transitioning towards a more sustainable industrial system.

*But we have known of this need for transformation for a long time.*

The "unlimited growth" myth of the profit-led Western cultures started being questioned and the conception of "sustainable development" took its place in the middle of the 20th century. However, the stock-market crash of 1987, the global financial crisis of 2008, the uncontrolled printing of the US Dollar (that pumped 75 Billion into the banking system to ease a liquidity shortage in Sept 2019) - indicate that the unlimited growth myth is alive and well. Meanwhile, the catastrophic climate events such as tsunamis, hurricanes and floods are getting more intense; drought and famine is affecting large parts of the planet; and the disposal of the mountains of waste that arises from our consumerist lifestyle is at national emergency levels in many countries.

### *Why are we still with our heads in the sand?*

The view that has originates from Buddhist philosophy is that the un-healthiness of the world today is in direct proportion to our inability to see it as a whole. Companies may not be fully aware of the full range of potential value outcomes, both positive and negative.

Most existing business models are based on creating, delivering and capturing economic value, with limited or no attention being given to environmental and social value.

Our business heroes are those that have created good and services that have delivered economic value via satisfying consumer lifestyle needs. For example, the greatest inventor of the 20th century is said to be Henry Ford, who, with flow production techniques, gave transportation to the masses with his Model T Ford. No consideration was given to the significant damage that the mass-production and sales of motor cars would do to air quality and ultimately, our climate. Similarly, the greatest inventor of the 21st century is said to be Steve Jobs, who single-handedly connected the world with his smart phone. No consideration was given to the mountains of solid waste that has resulted due to the discarding of outdated iPhones.

### **The Major Principles of Buddhist Banking and Finance**

This changing business environment almost demands that a philosophical approach to sustainable value creation be adopted. A wider range of stakeholders must be engaged in the debate over state, industry and consumer needs and resource limitations; and also, environmental and societal impacts.

This emphasis on environmental and social responsibilities of firms has also raised the need for businesses to consider sustainable value creation when undertaking investment appraisals. The decision to accept or reject a project (say, for the introduction of a product or service) must consider not only profit maximisation or cost minimisation, but the seven Buddhist banking and finance principles listed below. As expected in Buddhist philosophy, many of these principles are interconnected.

#### **1. *Promoting Sustainable Economic Growth***

The holistic view promoted by Buddhist philosophy states that a rate of growth be maintained that does not create other significant economic problems, especially for future generations. There is clearly a *trade-off* between rapid economic growth today, and growth opportunities that remain in the future. Rapid growth today may exhaust resources and create environmental problems for future generations, including the depletion of oil and fish stocks, and global warming. Organisations using externally and internally sourced project finance (for investment in income producing assets) should adhere to this Buddhist banking and finance principle in investment evaluations.

#### **2. *Deterring Excessive Profit***

The Buddhist philosophy of reducing one's desires, indicates that the generation of profits which are above the level necessary to retain an entrepreneur in the current line of business should be deterred. Opinions that profits are excessive are usually based on comparisons, either with the rate of return on capital obtainable in other industries with a comparable degree of risk. Bankers and other financiers providing project finance to business entities should ensure that entrepreneurs are not deriving excessive profit in conducting their business.

### **3. *Promoting Sustainable Marketing***

The promotion of environmental and socially responsible products, practices, and brand values is a core principle of the Buddhist banking and finance philosophy, as excessive consumerism is deterred. Consumerism is the theory that an increasing consumption of goods is economically desirable. There is a preoccupation with, and an inclination towards, the production and marketing of consumer goods that merely replace an earlier design. This has resulted in mountains of solid and liquid waste of superseded products (e.g. the earlier model of the iPhone). In promoting sustainable marketing, organisations and consumers are encouraged to spend a little bit more on products and services that are locally sourced or 100% recyclable, and not be swayed by marketing messages that entice them to buy the 'latest' product that has the same 'use attributes' as its previous iteration.

### **4. *Promoting Sustainable Design***

This Buddhist banking and finance principle considers both environmentally sustainable design (also called eco design) and socially conscious design (also called social impact design), and is the philosophy of designing physical objects, the built environment, and services to comply with the principles of ecological sustainability and social responsibility. Here, a life-cycle approach to design is called for, to consider ecological and societal impacts, from raw material sourcing, construction and production until disposal of the production facility and the ultimate product or service. Sustainable life-cycle design integrates resources, technology, people and processes prior to, during and after the manufacturing or delivery of the product or service.

This includes operations and maintenance, opportunity costs, reliability and safety; and also, the management of solid, liquid and gaseous waste. The impact of the product or service on society, especially the level of emission of greenhouse gases in the production, delivery, use and disposal, is specifically considered in the design (e.g. avoiding single-use plastics in package design). Another consideration is the socio-economic context in which the product or service is delivered. A socially responsible product (or service) is one that society has deemed acceptable in the stream of commerce. For example, in some cultures a gun is not considered a socially responsible product--but in others it might be considered a socially responsible product.

### **5. *Promoting Ecological Sustainability***

This principle of Buddhist banking and finance takes a long-term perspective, recognising that human beings and the environment are interconnected at the deepest level, inextricably linked and interdependent. Here, the projects that are financed are aimed at conserving the productivity of the waters, the soil and the ecosystem, and reducing the impact on the natural environment and people's health to a level that the natural environment and humanity can handle; and the future generations ability to enjoy their ecosystem is not compromised.

### **6. *Assessing Social Impact:***

The social impact principle in Buddhist banking and finance includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. The primary purpose of project financiers to assess the social impact is to bring about a more sustainable and equitable biophysical and human environment. Here financiers are deterred from supporting industries, products and services that are considered harmful to society or are a threat to its social responsibilities (e.g. Child labour).

## **7. Imposing a Social Tax:**

This Buddhist banking and finance principle is imposed at the state level. A social tax is a financial obligation which is imposed on taxpayers; either to deter them from undertaking activities considered harmful to the environment or to society, or to obtain revenue required for monitoring, controlling or remediating such harmful actions. A carbon tax on greenhouse gas emissions or on excessive profits would be examples of such social taxes. Industries producing goods that are harmful to the environment would include those that produce and market single-use plastics (such as printer cartridges, plastics straws and bags and cling-wrap products). These industries would face significant social taxes such that they re-consider the design aspects of their products and packaging, or leave the industry altogether.

### **How does this Compare with the Major Principles of Islamic Finance?**

Islam also claims to have a set of values and goals that meet all the economic and social requirements of the human life. The Islamic laws are known as Sharia that means clear path. Note that whilst Islamic banking and finance principles is derived from Islamic law, Buddhist banking and finance principles are based on a philosophical (rather than legal) approach. The major principles of Islamic banking and finance are given below and compared with Buddhist banking and finance principles.

#### ***Profit and Loss and Risk Sharing:***

Islamic banking and finance states that those at either side of a transaction are considered to be 'Partners' and not debtors and creditors, and that they will share their profit and loss according to the part they played in the business, rather than having a guaranteed rate of the return. Buddhist banking and finance states that profits should be made in line with the risks undertaken, but must not be excessive.

#### ***Riba:***

Islamic banking and finance states prohibits the charging of interest. Buddhist banking and finance allows interest to be charged as long as it is not excessive.

#### ***Gharar:***

Islamic banking and finance states that Muslims are not allowed to participate in the ambiguous and uncertain transactions; and complete information should be shared with both parties so that the profit and loss will be equally shared. Buddhist banking and finance states that financiers should consider the impact of the investment they are supporting on the environment and on society.

#### ***Gambling:***

Islamic banking and finance states that the acquisition of wealth through evil means or participation in gambling is prohibited. Buddhist banking and finance only discourage investment in projects that result in excessive profit, damage the environment, or are socially unacceptable.

#### ***Prohibited Industries:***

Islamic banking and finance states that the industries that are harmful to society or have a threat to the social responsibilities are prohibited from being invested in. Buddhist banking and finance does not prohibit any activity, but recognises that what is acceptable or not by a society, is contextual.

#### ***Zakat:***

Islamic banking and finance states that a property tax that should be charged to promote social responsibility and distribute wealth the amount among the needy. Buddhist banking and finance states that a social tax should be imposed at the state level to either deter industries from

undertaking activities considered harmful to the environment or to society, or to obtain revenue from them for the state to monitor, control or remediate such harmful actions.

### **Summary**

Clearly there is a critical need for industry to change the way we make things and shift towards a more sustainable industrial system. As a species, we need to invest in assets that either create energy from renewable sources; or make products in machines that are driven by renewable energy sources. We also need to ensure that at the end of the useful life of these products, their recycling and/or waste disposal has been designed and costed into the product.

Ideally, such investments need to be financed with a holistic world-view of interconnectedness as espoused in Buddhist philosophy.

### **References**

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