

# THE HOLISTIC HAPPINESS THEORY: ESTABLISHING A NEW THEORY FOR *TRI HITA KARANA* BASED-SUSTAINABLE FINANCE

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## ABSTRACT

**Purpose**– This study aims to initiate a new theory that is considered to be able to accommodate various stakeholder interests and is more suitable for analyzing concepts of Sustainable Finance (SF) as an effort to realize shared happiness and prosperity.

**Design/Methodology/Approach**– This study is a literature review conducted to criticize stakeholder theory, which is deemed inappropriate to be used in analyzing the implementation of the SF concept of economic, social, and governance (ESG), especially in the context of the financial sector in Bali. This study seeks to initiate a new theory to be able to analyze the concept of SF in the context of the financial sector in Bali, which is considered more appropriate when referring to the *Tri Hita Karana* (THK) philosophy and the theory of the happiness paradox of capitalism proposed Aydin (2012).

**Findings**– This study found a formulation of a new theory referred to as the "holistic happiness theory," which is seen as more holistic in analyzing the SF concept.

**Practical implications**– The implication of this study is that the holistic happiness theory can become a new theory that is more holistic so that it can be used to analyze the SF concept that is more in line with the situation, conditions, and characteristics of the spiritualist Balinese community.

**Originality/ Value** – This study uses THK philosophy and theory to analyze the happiness paradox of capitalism, which was initiated by Aydin (2012) to formulate the holistic happiness theory as a new theory in analyzing SF.

**Keywords**— The Holistic Happiness Theory, Sustainable Finance, *Tri Hita Karana*.

**Paper type**— Conceptual paper

## INTRODUCTION

The world is currently experiencing a multidimensional global crisis. Corporations are seen as the parties most responsible for the crisis's occurrence because their activities are identical to those of exploiting nature for profit. The problem of multidimensional crises becomes even more complex when COVID-19 hits. The COVID-19 has succeeded in crippling the world economy and human life in various sectors. Humans are required to be able to survive and bounce back from the conditions of a multidimensional crisis and the attack of COVID-19. One of the programs deemed relevant to overcome problems related to the multidimensional crisis and the economic downturn caused by COVID-19 is sustainable development, which is described through Sustainable Development Goals (SDGs). The financial services industry, namely the banking sector, is seen as playing an important role in implementing the SDGs agenda through the concept of sustainable finance (SF) as initiated by the Financial Services Authority (OJK) and World Wildlife Fund (WWF).

Previous studies on SF in relation to sustainability have been carried out by several researchers in a global context as well as in Indonesia. Studies in a global context, among others, conducted by: Dorry and Schulz (2018) found that SF in Luxembourg has an important role in encouraging the public and private sectors to become more sustainable; Kemfert and Schmalz (2019) found that the policy framework developed in Europe contributed to the development of SF; Ferri and Acosta (2019) found that an ethically oriented and sustainable SF is the key to achieving the SDGs; Sepetis (2020) found that SF can actually affect the sustainable healthcare system; Schumacher et.al. (2020) found that policies and regulations play a role in improving SF implementation and encouraging low-carbon investment; and Straub (2021) found that SF is globally used to promote new, more profitable financial activities

Studies related to SF and sustainability have also been carried out by several researchers in Indonesia, including Halimatussadiyah, et.al. It was found that there were differences in bankers' perceptions of SF between local and foreign banks in Indonesia. Setyowati (2020) found that financial institutions tend to have a high level of compliance in the implementation of SF, which is carried out through the delivery of sustainability reports annually to financial regulators; Tafsir (2021) finds that SF has a positive impact on the implementation of good corporate governance (GCG) and environmental protection policies.

Based on previous studies, it can be seen that the reference used to implement SF mostly refers to the ESG concept, and the theory used to study the SF concept often refers to stakeholder theory. In contrast to previous studies, this study has novelty, namely trying to criticize the ESG-based SF concept that was studied using stakeholder theory, considering that ESG as a reference for sustainability performance is still not completely holistic because of the absence of a spiritual dimension, and stakeholder theory is seen as not fully in accordance with the characteristics of the financial sector in Bali, which is identical to the nuances of spirituality.

SF in the context of the financial sector in Bali is considered more appropriate if it refers to the philosophy of Tri Hita Karana (THK) as a philosophy of life for Balinese people that has been passed down from generation to generation. Stakeholders theory, which is used to analyze SF and which still emphasizes the existence of contractual relationships, often uses accounting as a means to increase profitability, stability, and growth so that companies can again be trapped in the labyrinth of capitalism and neoliberalism. This study seeks to undermine the domination of capitalism and neoliberalism for further initiation of a new theory based on the THK philosophy and theory. The Happiness Paradox of Capitalism was initiated by Aydin (2012) so as to produce a theoretical formulation that is more holistic and more in line with the context of the Balinese financial sector.

## **METHOD**

This study is a literature review that seeks to criticize stakeholder theory. Stakeholder theory is considered inappropriate to be used in analyzing the implementation of the ESG-based SF concept, especially in the context of the financial sector in Bali, because it still contains value capitalism and neoliberalism.

This study seeks to propose a new theory to be able to analyze the implementation of the SF concept in the context of the financial sector in Bali, which is considered more appropriate if it refers to THK's philosophy and the happiness paradox of capitalism theory as proposed by Aydin (2012). The new theoretical idea in the context of this study is expected to be an appropriate reference for the implementation of the SF concept that is more holistic and more in line with the situation, conditions, and characteristics of the financial sector in Bali.

## **FINDINGS AND DISCUSSION**

Stakeholder theory states that corporate responsibility must be directed to accommodate the different interests of stakeholders (Chan et al., 2014; Freedman and Jaggi, 2010). Stakeholder theory explains the direction of the company's responsibility to be able to handle stakeholder demands as an effort to maintain good relations with stakeholders. A company is said to have referred to the concept of sustainability if it has tried to accommodate the interests of stakeholders, especially those who determine the availability of resources for the implementation of the company's operational activities.

It is frequently found that there is a condition that the company's understanding of sustainability through managing stakeholder interests leads to increased profitability, stability, and growth (Damak Ayadi and Pesqueux, 2005). The implementation of the SF concept, which was originally a form of the financial sector's responsibility towards social and environmental conditions, ultimately leads to financial interests. This is because every company is surrounded by a network of expectations derived from contractual relationships with the government, suppliers, employees, customers, and the community. The existence of stakeholder theory is deemed no longer appropriate if it is used to analyze the concepts and practices of SF, especially in the context of the Balinese financial sector, which is identical with the nuances of spirituality.

The purpose of the formulation of a new, more holistic theory as a basis for analyzing the implementation of the SF concept in the context of the Balinese financial sector is to realize shared happiness and prosperity. Perhaps many researchers argue that the theory of happiness is the most appropriate theory to apply to the implementation of the SF concept. There are several theories of happiness which are widely known, including Set-Point Theory, Comparison Theory, and Effect Theory (Veenhoven, 2006). Set-Point Theory views that happiness is a stable human attitude that is largely determined by the biological conditions of each person, and only a small part is determined by the state of the surrounding environment. Comparison Theory reveals that happiness is a continuous appraisal process that involves comparisons of the perceived ideal life. Meanwhile, Effect Theory defines happiness as an assessment of the accumulation of all the pleasures and sufferings experienced.

Veenhoven (2006) then tries to combine the three theories of happiness by defining overall happiness as the level of hedonic influence that determines the balance between pleasant and unpleasant experiences. The combination of all three theories of happiness, hereinafter referred to as theory of happiness capitalists, in Aydin's view (2012), has indeed succeeded in capturing some parts of the reality of happiness, but the integration of the three is seen as not being able to tell the complete story, because there are some important aspects of happiness that are left behind. Aydin (2012) argues that the theory of happiness described by Veenhoven (2006) mostly refers to value capitalism, which stresses more on the ego or the sense of being self-centered. Happiness based on value capitalism cannot last long because it only puts forward the material aspect as a partial understanding of human nature, which is selfish and tends to ignore other elements of human nature.

Aydin (2012) then criticizes the capitalist theory of happiness and proposes a new theory called the happiness paradox of capitalism. This new theory outlines the key elements of human nature, suggesting that authentic, pure, and lasting happiness is only possible if each individual can recognize and respond to their needs and wants in a balanced way. The happiness paradox of capitalism is believed to be an approach that can listen to and balance the various elements of the voice of human nature that exist in the human heart or conscience. When the various elements of human nature are balanced, happiness and well-being can be realized.

The happiness paradox of capitalism, as initiated by Aydin (2012), is seen as a more appropriate theory if it is used to analyze the implementation of the SF concept compared to the theory of happiness capitalists presented by Veenhoven (2006). However, Aydin's (2012) research is a type of conceptual research that was initiated in the context of Saudi Arabia, which, of course, has different characteristics and cultures from the context of this research conducted in Indonesia, especially in the context of the financial sector in Bali. If further investigation is carried out, it can be seen that there are similarities in the phenomena and concepts of thought between this study and the study conducted by Aydin (2012) in framing research problems. The problems that arise are seen as a result of the dominance of human selfishness, which tends to override other basic traits. Selfish nature that is oriented to value capitalism and neoliberalism is suspected to be the cause of injustice in fulfilling the different interests of stakeholders.

The existence of injustice in the fulfillment of stakeholder interests can, if allowed to continue, of course, result in SF's goals not being realized. Therefore, it is necessary to take rescue action through the formulation of a new theory that can balance the various elements that can ensure the realization of SF's goals. The happiness paradox of capitalism theory, if it is applied to analyze the implementation of the SF concept, can indeed be said to be similar. However, adaptation needs to be made considering that the context of this research is the Balinese financial sector, therefore it is necessary to have a philosophical foundation that has been believed and inherited from generation to generation by the Balinese people, namely the THK philosophy.

The THK philosophy essentially teaches a balanced attitude to life between piety to God, protecting fellow humans and maintaining and preserving the natural environment (Wiana, 2007). THK, which has been widely known as a legacy of life philosophy from generation to generation, is seen as a guide for humans, especially the Balinese people, in maintaining and fostering a harmonious relationship between humans and God (Parahyangan), between human beings (Pawongan), and humans with the natural environment (Palemahan), in order to realize happiness and prosperity together. In this study, THK, which means three ways or roads to happiness, can be formulated into a theory, which in this study is called the THK-based Theory of Happiness.

The THK-based Theory of Happiness views that the global ESG-based SF concept requires universality and excludes locality, so the ESG-based SF concept cannot necessarily be applied in the context of Bali tourism. Why is that? Because the ESG-based SF concept tends to negate the divine element (spiritual dimension). The absence of a spiritual dimension in the ESG-based SF concept, which is actually the "soul" of the financial sector in Bali, will further weaken the original character of the Balinese people. The THK-based Theory of Happiness further argues that the absence of a spiritual dimension in the ESG-based SF concept tends to strengthen the dominance of capitalism and neoliberalism, which can further lead to injustice.

If a trace back is done, it can be seen that there are similarities in essence between the theories of happiness of Aydin (2012) and the THK-based theory of happiness in analyzing and interpreting happiness. It is said that because Aydin (2012) views that authentic, pure, and eternal happiness cannot be achieved by only prioritizing material aspects, which are reflected in the nature of human egoism and tend to ignore other basic human traits such as altruism, the THK-based theory of happiness also views that happiness and shared prosperity cannot be achieved if humans tend to ignore one of the dimensions of THK, which can make these two theories entangled in the tangled threads of capitalism.

Essentially, the two theories of happiness (this is both the one initiated by Aydin (2012) and the THK-based theory of happiness) agree that happiness cannot be achieved if there is still the dominance of capitalism and neoliberalism, which prioritize material aspects. It is undeniable that humans are often tempted to prioritize material (physical) aspects over psychological (mental) aspects and spiritual aspects, which, of course, are dominated by selfishness. When viewed in the context of Bali tourism, the THK-based theory of happiness seems to be a more appropriate theory to use to analyze the implementation of SF because it offers a spiritual dimension to happiness. However, in the context of this research, a theoretical formulation is needed to analyze the SF concept as an effort to achieve justice for all stakeholders.

As for the happiness theory, what is meant is the result of the harmonization of the 2 dimensions of the theory of happiness, namely: the happiness paradox of capitalism and the THK-based theory of happiness, which in the context of this research is referred to as the theory of holistic happiness. Through the theory of holistic happiness, it is hoped that the analysis of the SF implementation can be carried out in a more holistic manner and can create justice for all stakeholders in order to realize shared happiness and prosperity.

## **CONCLUSION**

The implementation of the global ESG-based SF concept according to stakeholder theory is considered to have been able to achieve justice for all stakeholders in the financial services industry. However, the ESG-based SF, which was analyzed using stakeholder theory in the context of the financial sector in Bali, was deemed to be incompatible with the characteristics of Balinese society, which are identical to the nuances of spirituality. This study seeks to criticize the implementation of the ESG-based SF concept, which is analyzed using stakeholder theory, considering that stakeholder theory is seen as not being able to achieve justice for all stakeholders.

This study succeeded in formulating a new theory, which is known as the Theory of Holistic Happiness, which is considered more in line with the characteristics and context of the financial sector in Bali. This study can provide implications, among others: (1) theoretically for the development of accounting and finance, especially related to SF; (2) practically for the financial services industry in Bali in implementing the SF concept; and (3) policy recommendations for the government regarding the implementation of appropriate regulations so that the SF concept can be analyzed using the theory of holistic happiness as an effort to realize happiness and prosperity together.

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