

VOLUME IV



PEACE ECONOMY

*'Instilling Peace Led Sustainable Co-Development,
Co-existence, Toleration and Economic Non-violence'*

A Global Initiative by



ECONOMIC COUNCIL OF INDIA

(Not-for Profit, Non-Government-Entity)





PEACE ECONOMY®

BANKING ON PEACE: SHIFT TOWARDS A PEACE ECONOMY



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The world today faces unprecedented excitement and challenges. At one side, augmented pace of technological advancement, Generative AI and Agentic AI are having significant impact in every segment of society and human lives. On the other side conflict, inequality, and environmental crises threaten the foundations of global development and human well-being. In this context, the concept of a Peace Economy emerges as a transformative vision for sustainable socio-economic growth.

UNDERSTANDING THE PEACE ECONOMY

At its core, the *Peace Economy*® seeks to redirect resources from violence and militarization toward productive and constructive activities that generate higher economic returns, improve GDP, reduce inflation, and increase per capita income. It fosters economic accountability, transparency, and social justice while safeguarding the environment and promoting harmony among communities. According to the Global Peace Index, the economic impact of military spending alone accounts for \$8.4 trillion. Paradoxically, only 0.6% of global military expenditure is invested in peacebuilding. This imbalance highlights a moral failure and critical economic misallocation.

Conflict doesn't just claim lives—it undermines entire economies. Disruptions in trade, tourism, investment, and public services generate long-term economic consequences. Businesses shutter, jobs vanish, supply chains break down, and investor confidence evaporates.



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INDIA'S STRATEGIC SHIFT TOWARDS PEACE

India, as a growing global power and aspiring \$5 trillion economy, understands the economic risks of conflict. The choice to pursue a ceasefire with Pakistan in 2025, despite provocations, reflects a pragmatic economic strategy. Military escalation would have endangered trade, stalled reforms, and led to massive capital flight. Foreign investors, already cautious amid global instability, would have pulled out, affecting jobs, growth, and India's standing in the global supply chain. Historical and contemporary evidence confirms that peace enhances GDP, preserves human capital, and fosters innovation and trade.

A **Peace Economy** is not anti-growth; rather, it advocates for sustainable growth by redirecting both public and private funds away from destructive activities and toward productive and community-oriented sectors.

THE ROLE OF BANKS IN A PEACE ECONOMY

Financial institutions have a transformative role in fostering a **Peace Economy**. Banks are not just financial intermediaries; they are architects of economic development.

Financial Inclusion: Banks can reduce economic disparities by promoting financial inclusion. Initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) have brought millions into formal banking, providing access to credit, insurance, and savings that help marginalized communities withstand shocks. Microfinance empowers rural women, boosting entrepreneurship and household welfare, while digital banking and fintech innovations support farmers and artisans in scaling businesses. Technology-enabled solutions make financial services more accessible and affordable, fostering self-reliance and reducing conflict risks.



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Supporting Peace-Building in Conflict-Affected Regions: Banks can drive post-conflict recovery by providing credit and financial services in sensitive regions. Partnering with NGO's and governments, they can offer finance for rebuilding infrastructure, healthcare, education, and employment—key to preventing a return to violence.

Ethical Lending and ESG Integration: Banks should embed ESG standards in their lending by excluding harmful sectors like arms manufacturing and illegal mining, redirecting funds toward renewable energy, sustainable agriculture, and green enterprises helps tackle both ecological damage and social instability.

Entrepreneurship and Livelihood Creation: Banks can create specialized financial products for vulnerable populations—youth, women, and displaced persons. By doing so, they reduce unemployment and support social reintegration. Loans tailored to women entrepreneurs enhance family incomes, and reduce gender disparities.

Economic Empowerment builds trust in the financial system. Transparent, accountable, and accessible banking, strengthened by secure digital platforms, fosters social harmony—a cornerstone of lasting peace. As people experience tangible benefits from peace and growth, the appeal of violence diminishes.

India's Regulatory Ecosystem supports many peace economy principles. The RBI's priority sector lending mandates credit allocation towards vital economic sectors, including Agri, MSMEs, social infra and renewable energy, and weaker sections. Govt programs like Mudra Yojana and the National Rural Livelihoods Mission promote self-employment and skill development. India's banking sector can benefit from global best practices such as conflict-sensitive lending models, & ***Socially Responsible Investing (SRI)*** tool pioneered in Africa & Latin America.



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CHALLENGES AND THE WAY FORWARD

Promoting a **Peace Economy** presents several challenges despite its promising opportunities.

- ◆ Major hurdle is the perception of high risk associated with investing or lending in conflict-affected areas
- ◆ Many marginalized populations suffer from financial literacy gaps, lacking the awareness to access and utilize banking services effectively.
- ◆ Traditional financial products frequently fail to meet the unique needs of post-conflict communities or those operating within informal sectors, requiring more tailored and innovative solutions.
- ◆ Furthermore, ensuring compliance with Environmental, Social, and Governance (ESG) standards across all lending portfolios can be complex and resource-intensive

STRATEGIES TO OVERCOME CHALLENGES

To overcome the challenges in promoting a peace economy, several strategies can be adopted.

- Capacity building is essential, with a focus on training bank personnel in peace and conflict sensitivity
- Strategic partnerships involving collaboration with local governments, civil society organizations, and international agencies to design and implement effective peace-focused financial programs.
- Leveraging digital innovations can help create low-cost, high-impact financial solutions
- Aligning CSR initiatives with peacebuilding efforts in vulnerable regions, can amplify social impact.
- Regulatory incentives play a crucial role, where central banks can encourage peace-oriented investments by offering concessional interest rates, risk guarantees, or benefits linked to ESG criteria



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FINANCE FOR PEACE

The Peace Economy is not just a vision—it is a necessity in today's deeply interlinked yet unstable world. By moving away from militarized, extractive, and exclusionary economic models, and toward inclusive, ethical, and sustainable development, societies can achieve true prosperity and resilience.

Banks have the power and responsibility to lead this shift. Through financial inclusion, ethical lending, banks can convert *capital into peace, conflict zones into opportunity hubs, and instability into shared progress.*

In India's context—by championing the **Peace Economy**, we can ensure that growth is not only fast but also fair, inclusive, and lasting.

“Banking on peace is no longer a choice—it is the foundation for a just, secure, and sustainable future for all.”



Wishing Everyone Peaceful Economic Prosperity!

