CHAPTER-1

INTRODUCTION
1. Introduction:

Nothing vindicates belief better than reality. Two thousand four hundred years ago, Kautilya compiled the Arthashastra and with it he proved to be a kingmaker as he enabled the inception of the Gupta dynasty. The Arthashastra endured the test of time and it has since withstood the test of credibility. When a thinker demonstrates vision and foresights it is crucial and extremely useful to understand the elements of this thought that has present applicability. This has been our objective and the culmination of this effort is for all to see. We will be enriching ourselves if we learn and grasp even a fraction of the wisdom that Kautilya embodied. Those involved in the project certainly feel enriched, and as our work demonstrates, this is a treatise that encapsulates in many ways even the complexity of our current world. The problems that existed then persist in a more widespread and magnified manner in the contemporary world.

Herein begins the relevance of studying the Arthashastra. Kautilya demonstrated an extremely vital imperative: governance, polity, politics and progress have to be linked to the welfare of the people. Interestingly, closer to recent times, Abraham Lincoln said, “Democracy is for the people, by the people and of the people.” The Arthashastra’s resonant theme holds even true today and it is the upholding of this principle that stands at the core of attaining development. In Indian history, in the centuries to come and that passed by, are recorded many great persons and legendary characters who shaped time through their extraordinary deeds and their excellence in every skill. But among of them, Kautilya may be the only one personality who has been respected and accepted as a brilliant person not only by Indian scholars but also western scholars too. Kautilya has multi personality. We have been described as a great teacher, shrewd statesman, devoted patriot, deep thinker, ruthless administrator, master strategist, selfless ascetic, ideal philosopher and true saint. He is called all-rounder because he got mastery in all the branches of knowledge. He was well versed in commerce, warfare, Politics, Economics and Vedas. He lived around the third century B.C. but even today his ideas and principles show relevancy and applicability in the present day society. He is a historical milestone in the making of India. Kautilya is the greatest person with wisdom and knowledge. He is considered to be the pioneer in the field of Economics. His foresight and wide knowledge combined with political economics expediency helped found Mauryan Empire. He was a key advisor and councillor of Chandragupta Maurya, the founder of Mauryan Empire. Kautilya was chief architect of his rise to power so he is called kingmaker too. A man full of vision; he was always prepared for the worst. He had the guts to speak his heart out even in front of the rulers. He himself lived
such a life, refusing all adornments, compassion towards the poor and evil to deceit when needed which shows some of his good characteristics of nature.

This study explores Arthashastra of Kautilya, an ancient Indian literature (4th Century B.C.); and it's perspectives on management today. Chinmayananda (2003) asserted that from time to time there is a need to look and re-look at the ancient literatures and provide intelligent interpretation and re-interpretation to apply effectively in the context of modern management. The methodology used for this purpose is called hermeneutics; which is a study, understanding and interpretation of ancient text. It is one of the qualitative research methodology used in social sciences. The foundations of management in organization are revealed from the Arthashastra, which can provide guidance to present managers and leaders of organizations.

In his Arthashastra, Kautilya takes an inside-out approach to management, which is self-management first before management of every other thing. He advised the future organizational managers and leaders to firstly conquer the enemies within such as desires, anger, greed, arrogance, infatuation, envy, pride or ego and foolhardiness, as it is often said that one who conquers the self, conquers all. The prospects of analysis of Kautilya's Arthashastra in other areas of organizational management such as strategic management, human resource management and financial management can be considered for future research. The areas of Financial Management & Corporate Governance have been focused on.

Theories and concepts of modern management from the west have also dominated management literatures over the last two centuries. This dominance is largely due to the colonization and the widespread use of English language. This dominance is also evidenced through several management curriculum in universities, textbooks, training and consultancy programs and also articles in management journals. However, a careful analysis of many of the western management theories and concepts reveals that it has been in practice in Asian countries especially in India and also in China for centuries. These practices however were not in the context of organizational management but in the context of state or political governance. From the perspectives of the author, management is culture specific. Sharma (2001) argues that for a management system, to be effective, it has to be rooted in the cultural soil of the country, where it is practiced.
The Indian civilization, with recorded history of more than 5000 years is one of the oldest civilizations in the world and the Asian Social Science contribution of India and Indians to this world is enormous in various fields of knowledge. Several ancient Indian classics such as the Valmiki Ramayana, the Mahabharata (includes the Bhagavad-Gita), the Puranas, etc offers several management lessons which can be useful even in the modern context. Many of these literatures are more than 5000 years ago and were written in Sanskrit.

Kautilya, also known as Chanakya or Vishnugupta, was an Indian statesman and philosopher who lived around 350 B.C.E. He is one of the most famous Indian political thinkers who participated in the social and political revolutions of his age. Though he lived a long time ago, certain principles from his theory are still relevant in today’s context. His most famous work is Arthashastra, translated differently by various authors, but in its most acceptable meaning, the “science of political economy. The book, written in Sanskrit, discusses theories and principles of governing a state. Arthashastra remains unique in all of Indian literature because of its unabashed advocacy of real politics.

Kautilya is considered the greatest political scientist, India has ever produced and because of this pre-eminence of occupying the highest place among the thinkers and writers of Political Science in Ancient India, he is generally looked at with great respect for his excellent work of statecraft and political wisdom entitled as Arthashastra.

Of various scriptures from ancient times in India, the Kautilya’s Arthashastra is one such treatise which elaborates the elemental features of a sovereign society. As quoted by many scholars it is a very comprehensive compilation of various other Hindu treatises relating to the social, economic and spiritual growth of human kind. There are around four distinct schools of thought and thirteen individual No wonder the scripture also prescribes measures to protect this wealth from various calamities, natural as well as manmade. It places a great emphasis on the welfare of the people and delegates the ethics and morality of urban living. Through number of verses, the Arthashastra also dictate measures for environmental protection and animal welfare. The treatise is a masterpiece which covers a wide range of topics like statecraft, politics, military warfare, law, accounting systems, taxation, fiscal policies, civil rules, internal and foreign trade, etc. Subjects including medicine, gemology, metallurgy, measures of length, tables of weights and divisions of time etc. are also highlighted along with many others.
Often referred to as a guide to Political Sciences and Fundamentals of Management, the treatise also throws light on the evolution of urban studies in ancient India. Although less has been explored in this direction, it provides an insight into assessing and enhancing the capacities of the states in managing the adverse and disastrous situations due to natural or manmade reasons. The Arthashastra has been recognized by the scholars universally as a detailed manual on statecraft, trade and science of living. Chanakya wrote Arthashastra not later than 150 AD.

Kautilya was a Brahmin (meaning explained below) minister under Chandragupta Maurya, the first king of the great Mauryan Empire in India. The empire was the largest and most powerful political and military empire of ancient India. It was founded in 321 B.C.E. by Chandragupta Maurya, who had overthrown the Nanda Dynasty and begun expanding his power across central and western India. The Empire stretched to the North along the natural boundaries of the Himalayas, and to the east stretching into what is now Assam to the West; it reached beyond modern Pakistan and included Baluchistan in Persia and significant portions of what is now Afghanistan, including the modern Herat and Kandahar province.

Emperor Bindusara (Chandragupta’s son), expanded the Empire into India's central and southern regions excluding a small portion of unexplored tribal and forested regions near Kalinga, an empire situated by the Bay of Bengal. The fact that they were able to conquer and maintain such a huge empire during the times when there was no technology, shows a lot about their political and military abilities. With a population of fifty million people, the Mauryan Empire was geographically larger than the Mughal Empire 2000 years later and even larger than the British Empire in India. This is the reason why Chandragupta is famous as cakravartin in India, which means an all-powerful monarch “whose chariot wheels turn freely” or “whose travels are unobstructed.” Kautilya had a major role to play in this conquest as he was the one who helped Chandragupta raise an army against the ruling Nanda dynasty and he was his chief advisor. The political acumen of Kautilya coupled with Chandragupta’s leadership and military skills, led to the formation of this mighty empire.

Kautilya was a revolutionary for his times in his own way. He did not change the prevailing form of administration, in that, the form of governance remained a monarchy, but he challenged many existing political beliefs. He also brought about social changes which he believed had a great impact on the politics of the country. His own personal life was an example of dissention from existing norms. Kautilya was a Brahmin. In the Hindu system of
Caste division, *Brahmins* are at the highest level in the caste system in India. They were supposed to be well-versed in the holy texts of Hinduism and were responsible for carrying out the religious rituals. Brahmins are followed by *Kshatriyas*. These were the warriors, rulers, and those concerned with the defense and administration of the village or state. Then the *Vaishyas*, who were traders, merchants, and people involved in agricultural production. The lowest caste was the *Shudras*—the labourers and servants for the other castes. In his days, Brahmins were supposed to remove themselves from material thinking. Kautilya’s *Arthashastra*, on the other hand, was a political treatise which emphasized the importance of wealth in the proper running of the administration. The recognition of the importance of material wealth in the running of a successful empire was not a new idea, but the fact that it came from a Brahmin was enough to raise eyebrows in his time.

*Arthashastra* is a comprehensive text, it demonstrates that Kautilya, a great Sanskrit philosopher-statesman and contemporary of Aristotle, and whose work was lost for more than 1400 years, anticipated administrative and state-craft through by some 2,000 years in the areas of politics, economics, social culture and administration. Among his contribution, classical economic thought (international trade, taxation, governance, justice system and a labour theory) is still relevant.

According to Kautilya, the most important element of the state is the Treasury or Finance and without it the well-being (Yogakshema) of the people may not be possible. He mentioned that all undertakings including the state are dependent on treasury. Kautilya’s idea of governing a state is very similar to the present day’s concept of managing a business.

According to Kautilya, “The king, the minister, the country, the fortified city, the treasury, the army, and the ally are the constituent element of the state”. Similarly there are seven pillars of modern corporate sector: viz. the leader, the manager, the market & customer, the head office, the treasury, the team and the consultants. Kautilya has suggested that the state shall control all activities of governance. According to Kautilya, the state has to play the role of facilitator, regulator and protector. Kautilya has directed that a king (may be identified as a leader or CEO in the context of organization) should try to establish a welfare nature of state with a key role in the protection and promotion of the economic and social well-being of its citizens (arthamulauhidharmakamaviti). Kautilya’s view regarding governing a monarchy is equally applicable in successfully running a corporate sector in modern business context.
Kautilya, the advisor and mentor of King Chandragupta Maurya wrote the Arthashastra, a Sanskrit treatise on material welfare, administration and political strategy at the end of the fourth century BC. Mauryan Empire came to encompass almost the entire Indian subcontinent, from present day Afghanistan in the west to near Myanmar in the east, from Kashmir in the north to Karnataka in the south.

Accounting, Commerce, and Trade - Kautilya defines, refers to, and uses several important concepts of business, accounting, and auditing that are of interest to modern accountants.

1.1 Mauryan Economy

Under the influence of Kautilya, a highly centralized and hierarchical government was organized to promote agriculture, production and mining; to regulate tax collection, trade and commerce; and to maintain vital statistics, welfare of foreigners, and public places including markets and temples. The empire was divided into provinces, districts, and villages governed by centrally appointed officials. The state got its revenue directly from the peasants with no intermediaries, in contrast to the practice of later feudal ages. In addition to the farmlands the state also owned mines, warehouses and shipyards. Craftsmen were organized into guilds called shrenis. Pasture land, forests and mines all belonged to the state although the state could lease the grassland. State officials were responsible for building water tanks and canals and planting fruit orchards.
Mauryan State

According to Arthashastra, economic wealth is the cornerstone of a successful state. Ensuring that the resources are adequate, safe and available requires measurement and control achieved by clear exposition of concepts and principles of accounting and control. It is the first and foremost obligation of the ruler to deliver stability and order so that commerce, trade and industry can flourish and the population can be protected from anti-social elements like deceitful traders or robbers and the effects of natural disasters like drought or flood. Careful specification of accounting principles and rules, in addition to the requirement of integrity—reinforced by a system of penalties and incentives—in individuals holding responsible positions are keys to maintaining the treasury. Arthashastra gives reasons for the importance of adequate resources. Money begets money. An agricultural society is subject to the vagaries of nature—floods and drought are calamities that happen with great frequency in the subcontinent of South Asia. The genius of Kautilya lies in recognizing the centrality of material well-being for human welfare, and then pursuing it to its logical conclusions.

1.2 Basic Purpose of the Study:

This study explores the Arthashastra of Kautilya, an ancient Indian literature (4th Century B.C.); and its perspectives on Financial and Governance aspects today. There is a need to look and re-look at the ancient literatures and provide intelligent interpretation and re-interpretation to apply effectively in the context of modern management. Arthashastra is an unique treatise and a comprehensive guide which provides inputs on various areas like administration, politics, human resource management, Financial Management, good governance.

Centuries have passed by but these aspects covered by Kautilya are still relevant and applicable in the modern society. Evolution in every field growing like revolution but the basic foundation comes from Arthashastra. The basic purpose of the study is find out the relevance of financial Management and corporate Governance aspects mentioned by Kautilya in Arthashastra and its application in IT & manufacturing Industries in Pune.
1.3 Central Research Questions:

The objective of the research was to address the central research question,

- Does the foundation of Financial Management and Corporate Governance in India come from Arthashastra?
- Do the principles and practises followed by Kautilya in ancient times relevant today?
- Which theoretical practises mentioned in Arthashastra provide a framework to companies in India?
- Do Corporates follow those management techniques given by Kautilya in current times?

Sub-Questions (Central Questions):

In the process of answering the above central research questions, the following sub questions were answered too:

- What is the linkage between the ancient principles in Arthashastra and current management practises followed?
- Which viewpoints or approaches regarding FM &CSR are used in modern era?
1.4 Scope of the Study:

**Industrial Scope:** There are various industrial sectors, but the study is restricted to *Information Technology (IT) & Manufacturing Industries.*

**Domain Scope:** In *Arthshastra*, various aspects are covered. This study comprehensively focuses on the *Financial* aspects and *Governance* systems.

**Geographical Scope:** The study concentrates on Industries in Pune region.

1.5 Outline of the Thesis:

*Chapter 1 Introduction:* This chapter consists of initial Introduction to the study. The basic purpose of the study has been mentioned. The central Questions around which the study revolves have been framed. The Industrial; Domain and Geographical scope of the Study has been defined.

*Chapter 2 Literature Review:* The literature review focuses on Kautilya’s biography in brief. Also, Kautilya’s views on certain aspects have been mentioned. Various Research Papers authored under the same scope have taken into consideration. Though studies have been done but comprehensive study on the Financial and Governance aspects limiting to the industries under study and the region under study have not be done. Thus Research Gaps identified. To meet those Research Gaps objectives have been framed.

*Chapter 3 Research Methodology:* To meet these Research Gaps, Hypothesis has been formulated and the purpose behind the formulation has been discussed. Later Research Design, Research Instrument involved, Sampling Plan, Sampling Size and Data collection Methods have been mentioned.

*Chapter 4 Data Analysis and Interpretation:* Hypothesis Testing has been done by detailed analysis of the study. Detailed Interpretation has also been done on the Study.
Chapter 5 Conclusion & Findings: After in depth analysis of the data conclusions have been drawn and findings have been detailed. Also the limitations under the study have been worked out.

Chapter 6 Limitations & Future Scope: No study / research are exhaustive & there is always a scope of further investigation / research. At the same time, every study will have some inherent constraints. This chapter will list down the critical limitations attached to this study & future scope of analysis on select topic of research.