

BUSINESS ETHICS AND SOCIETY: AN INSIGHT TO ARTHASASTRA

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ABSTRACT

Kautily's encyclopedic work, Arthashastra is about different aspects of governing a monarchy such as, administration, diplomacy, taxation, revenue, business, trade etc. Kautilya was of the opinion that trade was the most important ingredient besides animal husbandry and agriculture. Apart from weapon making and liquor brewing, all other manufacturing activities were handed over to private sectors, though the state regulated and controlled the working of these manufacturing activities. He advocates an economy mainly through private entrepreneurship with strict state monitoring. The idea is to control the trade practice and collect revenues for royal treasury through the employees and superintendents. Kautilya's ideas were primarily designed to increase the strength of the monarchy and that is why trade and business have been treated as a source of revenue generation. In Arthashastra, Kautilya has directed that a king (may be identified as a leader or CEO in the context of organisation) 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 (Prajā sukhe sukham rajnya). Similarly, in today's business every company should have to satisfy the interest of the all stakeholders. Kautilya provided the guideline for doing business which was basically followed vedic and traditional ethical values. He has provided strict guidelines for the traders to do business in an ethical manner and to fulfill certain social obligations.

INTRODUCTION

Since long artha is regarded as one of the trivarga (artha, dharma, and kama) or three goals of human existence but it stands for material well-being and the means of securing the material well being. The source of the livelihood of men is wealth. The idea is that the earth is inhabited by men following various occupations constitutes artha. The word Arthashastra literally means principles of money or wealth in any form such as trade, cattle rearing, agriculture etc. and it tried to endeavour acquisition and preservation of the "Artha" or wealth. 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. Kautilya's ideas were primarily designed to maintain and increase the strength and control of a monarchy. Kautilya mentioned that a strong and wealthy monarchy would be in a position to protect the interest of the people against the invasion of other kings; similarly in today's context a strong and wealthy company can protect the interest of the stakeholders. 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" (6.1.1). 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 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. Kautilya's view regarding governing a monarchy is equally applicable in successfully running a corporate sector in modern business context. This paper intends to assess the issue of business ethics and its implication on the society as recorded in Arthashastra in the perspective of corporate philosophy in contemporary time.

Business and society

Trade and business has been treated as a source of generation of revenue in the Kautilya's era. The revenue raised through trading went partly to finance the army to expand the territories and to provide better infrastructure to the people. The private entrepreneurs were free to carry out their transactions and the state allowed many private sectors to bloom and flourish. At the same time the basis of Arthashastra is that one must strive to generate wealth, resources, and money, and share it equitably to create happiness for oneself and others. Such generation of wealth must be through ethical means, which alone will lead to

overall happiness. In Arthashastra, we find the trading activities were done under the surveillance of the public sector which was run by the state such as Mining, Liquor, Gambling, Arms etc. At the same time the private sectors are allowed to do business. The private entrepreneurs had to intimate the state before any such activity took place. While the individual merchants were free to continue, they had to comply with the authorities appointed by the state. Kautilya had appointed superintendents for almost every activity included in governance. They included superintendents for the state, weights and measures, trade and commerce, agriculture, for gems and jewels, etc. It is very much evident that the state exercised a strong control over the governance and every activity was monitored and controlled by the state. Kautilya was of the opinion that the state should have absolute control over economic activities. All trade is to be under control, with the Superintendent of Trade (panyadhyaksa) in charge. He is to fix the prices of each commodity taking into consideration of various factors. The Superintendent of Trade should not create any restrictions on the commodities of high demand (2.16.34). Cornering of a particular commodity and forcing its price above that fixed by the state involves very heavy fine. In case of glut of commodity panyadhyaksa is to intervene and centralize the sale of that commodity so that price does not slump. The entire supply is purchased and sold through agency of the state. The director of Trade should be conversant with the differences in prices of commodities of high value and of low value and the popularity or unpopularity of goods of various kinds and suitable times for restoring to disposal, purchase or sale. The commodity which may be plentiful, he should collect in one place and raise the price. When the price is reached, he should fix another price. Traders should sell royal goods in many places with the fixed price. They should pay compensation in accordance with the loss. State goods (rajapanya which are indigenously produced) are to be sold in one place to avoid competition with private traders. Foreign goods (parabhumija) are to be sold in different markets because such goods may not be otherwise available in different regions of the state. Disputes between buyer and seller must be settled within one day, however, according to the nature of disputes, days may be extended. (2.4.77). The Superintendent of markets should inspect the weights and measures because of likely frauds in the standard of weights and measures. For the traders, purchasing with larger weights and measures and selling with smaller ones, the

amount of fine is doubled. The Superintendent of Trade should make provision for stamping of weights and measures to be made every four months. Weights should be made of iron or stone from Magadhs or the Mekala hills or such as would not increase in weight by water and decrease in weight by heat (2.19.37). The Collector of Customs and Tolls should establish a customs house and for receiving of duty and should record in writing the details of traders who have come in including quantity of merchandise and stamping (prativedhanikam) to be made (2.21.39). Traders shall declare the quantity and price of the goods that have been arrived and offer the same for purchasing. When it has been thrice proclaimed, he should give it to those who have shouted it for highest price. In case of competition among purchasers, the increase in price together with the duty shall go to the treasury. If for fear of duty, trader declares the quantity of goods or the price less than actual, the king shall confiscate that excess or the trader shall pay eight times the duty. He should impose the same in case of depreciation of price of a package containing goods by showing a sample of lower value and in case of concealment of goods of high value by goods of low value. If through fear a revival purchaser increases the price beyond the due price of a commodity, the king shall receive the increase in price or make the amount of duty double. Sale of goods should be made by weighing, measuring or counting. There were certain goods that should go concessions or duty free. For the trader taking out a commodity for which duty has not been paid or under one stamp another goods is carrying that shall be forfeited. Kautilya clearly understood the advantages of foreign trade. Foreign trade was strongly encouraged. In fact, he recommended that experts be sent to study foreign markets and determine which commodities could be imported and exported profitably. He encouraged imports but understood that it could not be a one way trade; hence, for the long term, he suggested a balance between import and export be maintained. He stated that before a successful trade contract can be established, it must be beneficial to all countries involved. In Arthashastra, there is a definite effort to formulate a wage policy based on the realistic understanding of the economics, social and political factors. According to Kautilya, labourers from unions or partners in an undertaking shall divide the wages as agreed upon or in equal proportions. He said, "The payment of the wages was decided on the basis of work done, time spent in doing it, at the rate prevailing at the time" (3.13.27). In Arthashastra,

the state is a party to any labour or wage legislation together with farmers, merchants and industrialists. A general review of the industries, described by Kautilya indicates a trend toward specialization and use of mechanical devices to improve the quality of the workers. Volume of work, remuneration and working hours might be fixed before the starting of the work. Remuneration of artisans should be fixed in accordance with the work. Artisans will not belong to the category of workers so they will not be paid with wages rather their remuneration will be fixed according to the object. Kautilya emphasized on the importance of Human Resources Management because human resource is a term used to describe the individuals who comprise the workforce of an organization or even whole nation. He indicated that remuneration and other benefits of the workers and other managerial staff should be on the basis of their skill and responsibility Social Responsibilities of Business

Kautilya mentioned that economic well-being is the key to other activities (arthamulau hi dharmakamaviti). According to him a strong and wealthy monarchy would be in a position to protect the interest of the people; similarly in today's context a strong and wealthy company can protect the interest of its stakeholders. In today's corporate world, each and every business has to maximize its profit so that they can be able to provide greater benefit for the stakeholders and at the same time is able to fulfill more social responsibility. Kautilya has stated that the happiness of the king lies on the happiness of his subject; and welfare state means welfare of the people (Bahujana sukhaya bahujana hitaya cha). Kautilya's view on the administration of a monarchy may be similarly applicable in successfully running of a corporate sector in modern days of business. According to Kautilya, attainment of good governance entails that the objectives of the state are fulfilled and realized. This principle is relevant even today. A company following strict corporate governance system and doing business in an ethical way can easily win the confidence of the government, customer, debtors, creditors and other stakeholders. Eventually these companies are better placed in the market in terms of brand value, equity value and market value having more advantages than the rival companies. Well-defined and enforced corporate governance provides a structure that works for the benefit of every stakeholders of the company.

According to Kautilya, "He (the king) should

secure an undertaking requiring little expenditure and yielding large profit and get a special advantage" (7.12.31). In today's corporate world, each and every business has to maximize their profit so that they can be able to provide greater benefit for their stakeholders and at the same time able to fulfill more social responsibility. Corporate Social Responsibility (CSR) requires the organizations to balance the needs of all stakeholders with its need to make a profit and reward to the shareholders adequately. According to Kautilya's view, the King can rule properly to govern like a concern father. He should make sure that individuals are not exploited by the fraudulent and unethical practices of the traders. Kautilya has opined that a king should not have any self-interest, happiness and joy for himself. His satisfaction lies in the welfare and happiness of his people, i.e. he has to submerge his personality into the larger personality of his people (Praja Sukhe Sukham Rajya). Kautilya states that the happiness of the king lies the happiness of his subject; and welfare state means welfare of the people. (Bahujana sukhaya bahujana hitayacha). From modern business perspective, CSR may be defined as the commitments of any business to contribute to economic development for improving the quality of life of the all stakeholders and the society in an ethical way. So the concept of CSR includes ethical, moral and philanthropic responsibilities and compliance of law. CSR requires the organizations to adopt a broader view of its responsibilities towards every stakeholders of the company. Kautilya has mentioned that the duty of a king (like a leader) is to protect his subjects as is expressed in the term, 'raksana' or 'palana' and ensuring their 'yogakshema'. That means apart from protecting the life and property of his subjects, the king has to ensure welfare, well-being prosperity and happiness. In order to do so the state is expected to engage in various activities as settlement of virgin land (sunyanivesan), building of dams, tanks and other irrigational works (setubandha), opening trade routes (vanikpatha) etc. We find numerous examples of social responsibilities rendered by the king. In case of death of a servant during state service, his wife and children are entitled to get wages and food rations. The state is required to look after minors, aged persons or sick persons in the families of the deceased servants. When there is death, illness or birth in the family of a deceased servant, the state is asked to render help with money and honour (5.3.28). The state should maintain buffer stocks, not only of grain but also of essentials like timber, rope, tools, etc. to be distributed to the public during

times of crises like famine or epidemic. In the concept of welfare state the duty of the king is to look after the minors, aged persons and those in distress when they have no one to look after them. In today's business world the corporate sectors are trying to fulfill the CSR by various ways viz. spending money for health and hygiene, education, backward area development, environment etc. So, in the era of globalization, the idea of welfare state of Kautilya is evidently resembles with the concept of social responsibilities of the corporate sectors in modern time.

Ethics in Business

Business ethics is the application of ethical principles and methods of analysis to business. Kautilya probably mistrust traders because he said, Nasty Achora Vvanikjana. Considering the issue of ethics in business Kautilya stressed on the importance of fair trade practices. In Arthashastra, emphasis has been given both on fraud prevention as well as fraud detection. Kautilya has laid down fines for adulteration and supply of goods of an inferior quality, not paying of duty, unethical transaction, etc. and violation of any law of trade and business. Kautilya realised that the role of the state was to ensure that the consumers were not cheated. Standard weights and measuring devices were used and in case of violating of any law fines were imposed. Kautilya prescribed the ethical guidelines regarding selling and purchasing, fixation of selling price. Kautilya's views on trade are extremely relevant even in the present era of globalized commerce and trade. Kautilya admitted that some degree of corruption would always exist, and cannot be rooted out completely and at the same time identification sometimes becomes impossible. Kautilya imposed strict ethical guidelines on the traders, artisans, professionals, farmers, goldsmiths and for every strata of society in order to create a strong public governance system. Kautilya asserted "Philosophy is ever thought of as the lamp of all sciences, as the means of all actions (and) as the support of all laws (and duties)" (1.3.12). The root of any business remains in its philosophy and it is also important to maintain ethical standards in every respect. The values are the lighthouse like lamp, which provide proper direction at the difficult time of business. Kautilya emphasized to maintain the standards of public governance in the Mauryan Empire. It is expected that the business should follow the basic principles of business ethics. Kautilya has mentioned that the king has to take the help of danda (punishment) for good governance and protection of his subjects. With the help of

danda, the ruler is to prevent might from proving right and to enable the weak to hold their own against the strong (1.4.16). Kautilya has provided an administrative mechanism where danda in different degrees has been used for contravention of rules and regulations. For example; the penalty for unstamped weights etc. is 27 panas and a quarter. For traders, who by conspiring sell goods at higher price, the fine is one thousand panas. If a labourer does not do the job after receiving the wage, the fine will be 12 panas and detention till it is done (2.13.66). But Kautilya has confirmed that the use of danda requires great care. An unjust or improper use of the power by the ruler might lead to serious consequences, the most serious being a revolt (kopa) of the subjects against the ruler (3.1.42). Kautilya mentioned "When a trader sells or mortgages inferior as superior commodities, articles of some other locality, as the produce of a particular locality, adulterated things, or deceitful mixtures, or when he dexterously substitutes other articles for those just sold (samutparivartimam), he shall not only be punished with a fine of 54 panas but also be compelled to make good the loss" (3.2.26). In the present day context, the corporate authorities have to consider many legal, social and political issues before giving any punishment to any of the employees; otherwise the future of the concern may be uncertain as we often see the incidents of strikes, lockouts, closure etc. Conclusion

In Arthashastra, Kautilya indicates that although the state is in a privileged position of a monopolist, it should cooperate with the private sector for proper utilization of resources. Further, a strong private sector is a source of strength to the state. Kautilya holds that wealth and wealth alone, is important, in as much as charity and desire depend upon wealth for their realization. At the same time Arthashastra provides guidelines for doing business in such a way that it can fulfill certain social obligations. The successful companies of our contemporary world are virtually working by the same approach. They show a prudent balance in their dividend distribution, retention of funds and in philanthropic activities. In fact in present days, the widely discussed concept of corporate governance and corporate social responsibility is evident in the Arthashastra. According to Mr. Narayana Murthy, the Chief Mentor of Infosys Technologies, the biggest problem faced by India today is poor quality of public governance. Effective public governance is must for all-round development of a country. Poor public governance leads to the downfall of the

economy. This results in the emergence of many social evils (Scams like Satyam, Harsad Mehta etc.). In India, public governance is not being practiced to the fullest manner and this is the reason for all the social evils in India. In Arthashastra, public governance was the priority. According to Kautilya, attainment of good governance entails that the objectives of the state are fulfilled and realized. This is possible through properly organized and guided administration. This principle is relevant even today. A government is good, if it is administered well. Kautilya recommended a strict code of conduct for administrators, ministers, public officers, traders, artisans etc. Kautilya has seriously considered the problem of corruption apprehended in every sphere of public life. Some of the principles outlined in the Arthashastra can be useful guidelines in the formulation of new policies concerning trade practices. There is no autonomous mechanism that will ensure that a nation would benefit from trade in the absence of very strict rules and regulations. Arthashastra was written several centuries ago. It is, therefore, amazing that this treatise covers many of the problems that the world is presently facing.

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