



Sweetie Dang

M.A, UGC-NET, Dept. of Philosophy, MPC (Auto) College, Baripada

Mail id-sweetydang5@gmail.com

Abstract

This paper explores the lessons in corporate governance from Kautilya's Arthashastra, highlighting the contribution made by Kautilya in ancient India (4th Century BC). The lessons from Kautilya's Arthashastra are relevant even today and can be integrated into the modern context of corporate management towards achieving the ultimate aim of corporate governance, which is to provide value to shareholders and stakeholders.) states that from time to time there is a need to look and re-look at some of the ancient works and provide an intelligent interpretation and re-interpretation to apply effectively in the context of modern corporate management. The prospects of analysis of Kautilya's Arthashastra in other areas of corporate management such as strategic management, financial management and human resource management can be considered for future research.

Keywords: corporate governance; Kautilya Arthashastra; ancient India Artha, Economics, Stakeholder.

Introduction:

Kautilya or Chanakya (also known as Vishnugupta) was a minister and adviser to Chandragupta Maurya, who was the contemporary of Alexander the Great (4th Century BC). Kautilya was instrumental in cutting short the reign of the Nanda emperors in Magadha. He (Kautilya) was also a Professor of Politics and Economics At Taxila University. Among the well-known works by Kautilya are the Arthashastra (Principles of Economics and Administration) and Neeti shastra, which is also known as Chanakya Neeti (Principles of Political Ethics). Kautilya's Arthashastra is often compared to Machiavelli's The Prince (15th Century AD), with which it shares many common philosophical and practical views. Kautilya's Arthashastra was written in Sanskrit. The Arthashastra contains 150 chapters, which are classified by topic, in 15 books, which covers three aspects, namely, national security issues, administration of justice and economic development policies. Kautilya wrote this Arthashastra for his king Chandragupta Maurya and stated in its introduction that it was written as a guide for 'those who govern'. Kautilya has been generally criticized by many people as a very cunning person, and as stated above, he is compared to Machiavelli, the author of The Prince, which contains methods that could seem adharmic or unrighteous. However, this comparison

may not be justified, as Kautilya lays a lot of stress on self-control and proper methods of winning over the enemy. Radhakrishnan elaborates on the 12 sutras of Kautilya with regard to self control, which includes the importance of control over the senses by giving up Kama, krodha, lobha, mana, maha and harsh i.e., lust, anger, pride, arrogance and foolhardiness. He (Kautilya) also gives various examples of kings who perished, having over-indulged in the senses. Kautilya quoted King Jamdagnya and Amarisa who enjoyed the earth for a long time, having controlled their senses. Therefore, the first teaching of Kautilya is, to conquer the internal enemies before you conquer the external enemies. Radhakrishnan further discussed Kautilya's topic of Rajarishi or sage king. This Rajarishi concept was also put forward by the famous Greek Philosopher, Plato more than 2500 years ago in his book, *The Republic*, which in many areas is similar to Kautilya's Rajarishi. According to Kautilya, by casting out the group of six enemies a king should acquire control over the senses, cultivate his intellect by association with elders, keep a watchful eye with the help of spies, bring about security and well-being by (energetic) activity, maintain the observance of their special duties (by the subjects) by carrying out (his own) duties, acquire discipline by (receiving) instruction in the sciences, attain popularity by association with what is of material advantage, and maintain (proper) behavior by (doing) what is beneficial. In the context of modern organization, the Chief Executive Officer (CEO) takes the position of the king mentioned in Kautilya's Arthashastra.

The First Great Political Realist: -

Understanding the Arthashastra requires an appreciation for Arthashastra's root word Artha. Kautilya explains the term Arthashastra as the "Science of Polity" which explores the "means of acquiring and maintaining the earth." Kautilya's treatise has an overarching aim of achieving Artha (profit or wealth) for the state. Artha is a part of ancient India's four broad aims of human endeavor i.e., Dharma (moral behavior), Artha (profit or wealth), Kama (sensual pleasure), and Moksha (salvation). In the Arthashastra, Kautilya argues for the primacy of Artha despite the inter-dependence of the other three pursuits of human endeavor. Kautilya elaborates that since Dharma (propriety) and Kama (sensual pleasure) are critically dependent upon Artha (wealth) for their realization, Artha(wealth) alone is the most important out of the three. From Kautilya's emphasis on Artha, Such in More deduces that the Kautilyan state must adopt economically viable and progressive policies, which create conditions for economic growth and maximize the populations' happiness quotient.⁵⁸ Kautilya's treatise is designed as prescriptive advice for a king who rules a state, which is akin to a modern regional power. Kautilya identifies this king using the ambitious term Vijigishu or "the would-be conqueror" whose area of operations lies

between the “Himalayas and the sea.” Kautilya limits the Vijigishu to sub continental India and any extension of the empire beyond the Indian subcontinent “was regarded as [an] unjust [expansion].” In the Arthashastra, Kautilya uses the Sanskrit term Danda Niti to explain the science of governance. For Kautilya governance implies making acquisitions, securing these acquisitions, further improving these acquisitions, and distributing the profits thereof. The absence of governance leads to disorder or anarchy, which Kautilya terms Matsya-Nyaya.

Society and Government:

Kautilya’s concept of Matsya-Nyaya (anarchy) refers to a power struggle both within the state and externally with other states; the internal social disorder of a state leads to a contractual relationship between society and government. Liebig explains that a state of anarchy creates a social need for effective governance with the power of Danda punishment). In return for effective governance and an end to disorder, society willingly pays taxes and adopts a contract with the King to govern the state. The King of the Kautilyan state is not an absolute monarch. Kautilya bound the King in an implicit social contract to ensure social welfare, internal stability, and security from external aggression. Rangarajan defines the King’s contract with society as three-fold obligation i.e., Rakshana (protection of the state and subjects), Palana (administration of the state), and Yogakshema (welfare of the population) Keeping in context the Matsya-Nyaya theory and the contract between the society with the King, Kautilya discusses the Prakṛti or constituent elements of a state. Liebig argues that Kautilya’s treatise focuses on measuring, optimizing, and enhancing the seven Prakṛti (constituent elements of the state) in order to increase the state’s power.

Constituent Elements of State:

Kautilya identifies seven elements of sovereignty as (1) the King, (2) the council of ministers and high officials of the state, who represent the institutions, (3) the territory with the inhabiting population of the state, (4) the fortified cities (5) the country’s treasury, (6) the country’s forces and army, and (7) the allies. Kautilya characterizes these seven elements as the “limb-like elements of sovereignty. Scholars use different terms to describe the aforementioned seven elements. Shamasastri associates the seven elements with the word Prakṛti and includes an eighth element—the enemy. Kangle translates the Prakṛti as the “constituent elements [of the state],” Rangarajan terms them as the “seven constituent elements of any state,” and Modelski terms them the “the ‘elements’ of the state (anga or Prakṛti).” For harmonizing the contents of this paper, Kautilya’s sovereign state consists of seven limb 26 like constituent elements

(Prakṛti or anga) (see figure 4) which are subordinate to the King or leadership. The enemy is an inimical element, which adversely affects a sovereign state.



Figure 4. The seven constituent elements of state (seven Prakṛti or Anga)

Source: Created by author.

In his treatise, Kautilya identifies the ideal qualities and relative importance of each Prakṛti (constituent elements of the state), wherein the King is the most important Prakṛti of the state. Kautilya considers the internal constituent elements to be more reliable compared to the external element i.e., the allies. Kautilya arranges these Prakṛti in a descending order of importance, and supports his prioritization of the constituent elements by comparing the relative effects of “dangers or calamities” on each of them. Kautilya warns the King to guard against Vyasana (dangers or calamities), which could weaken the seven Prakṛti (constituent elements of the state). The source of these calamities could be found in policy failures, human activities, or simply misfortune. These calamities include lack of ideal characteristics of any of the constituents, absence of an entire constituent element, a significant defect in any of the elements, personal vices, and natural calamities. Kautilya’s concept of Prakṛti is analogous to the contemporary concept of national power. Modern scholars compare Kautilya’s concept of the constituent elements of state to the contemporary concept of national power. Model ski finds Kautilya’s concept of Prakṛti (constituent elements of state) as being a “part” of the modern idea of “elements of national power.” Liebig argues that Kautilya’s concept of a “state’s seven state factors is homologous with Morgenthau's concept of ‘national power’ whose components are the geographical setting, population size, raw materials, agriculture, industrial potential and the armed forces of a state.” Apart from the Prakṛti (constituent elements of the state), Kautilya also discusses certain types of power, which are analogous to the modern concept of relative power among states.

Kautilya's Foreign Policy

Kautilya views the 'normal' state of international relations as that of anarchy or Matsya-Nyaya, and his objectives of foreign policy include the pursuit of "happiness" and power. Rangarajan distills the guiding principles of Kautilyan foreign policy as: (i) a King shall develop his state, i.e. augment its resources and power in order to enable him to embark on a campaign of conquest;

- (ii) The enemy shall be eliminated;
- (iii) Those who help are friends;
- (iv) A prudent course shall always be adopted;
- (v) Peace is to be preferred to war; and
- (vi) a King's behavior, in victory and in defeat, must be just.

Kautilya bases the choice of foreign policy upon the difference in relative power between the states. The policy used by a Vijigishu (the would-be conqueror) towards a weaker king is different from those used for a superior king. Model ski argues that Kautilya analyzes the foreign policy options from a superior-inferior or an inferior-superior perspective, however treatment of policy options for "equal powers" is limited. The Vijigishu (the would-be conqueror) may design his external policy framework with active or passive methods using strategies aimed at consolidation or expansion of his kingdom. The king's relative progress compared to his enemy indicates a successful policy. The king's choice of policies may also result in a continuation of the balance of power among the states or a decline of the Vijigishu's (the would-be conqueror) state. The theory of Mandala is Kautilya's solution for anarchy in the international order. Keeping in perspective the concepts of the constituent elements of a state, state aspirations for growth, and the turbulent power struggle between the states, the Arthashastra propounded his theory of foreign policy called the Raj (King's)-Mandala (circle), more frequently called the circle of 12 states or the Mandala.

Lessons on corporate governance:

Kautilya's Arthashastra analyses the entire range of management and corporate governance issues in the following ways. Why do you have to do business? To generate wealth (artha) and to earn profits. What is the purpose of wealth and profits? To share among the shareholders. Why? Wealth and profits make the shareholders, employees, customers, suppliers, distributors and also the government happy. However, Kautilya stated that happiness is obtained not by wealth and profit only, but by doing things properly and doing the right things (sukhasya moolam dharma). Dharma without wealth, according to Kautilya, is toothless (dharmasya

moolam artha), and wealth without dharma is useless because a poor person cannot support the entire society (Narayana, Unknown). Indian culture has always emphasized that sukhasya moolam dharma and dharmasya moolam artha taken together – namely wealth- do not lead to directly happiness. Happiness for self and others results through ethical behavior: wealth or resources make ethical behavior possible. This also means that one must strive to generate wealth – resources, money – share it equitably to create happiness for oneself and others. Such generation of wealth must also be through ethical means, which alone would lead to overall happiness. Kautilya further stated that, to generate wealth you require an enterprise or an organization or an asset (arthasya moolam rajyam). He then stated that the support for an organization lies in the organs (rajyasya moolam indriyajayah), the functions, processes, activities, etc. (Narayana, Unknown). Victory over the organs of the body, which is the literal meaning of the word indriyajayah, is a well-known concept in Indian culture and this refers to the control over the five organs of sense (eyes, ears, tongue, nose, and skin), and on five organs of action (hands, feet, mouth, genitals, and anus). Conquering the body organs is manifested through control over the six enemies of the mind – desires (kama), anger (krodha), greed (lobha), arrogance (mada), infatuation (moha), envy (matsara). Only the governor or manager who has conquered the organs of his body would be able to put the goals of the organization first, especially when in conflict with self-interest.

Conclusion:

In this paper we have dealt with the ancient lessons of corporate governance from Kautilya's Arthashastra, which have also highlighted the contribution made by Kautilya who lived in ancient India (4th Century BC). There are many concepts from Kautilya's Arthashastra, which are still applicable in today's corporate management. A deeper study of the book will open many new areas of management concepts, which are yet to be known and practiced in the modern management. Besides corporate governance, Kautilya's Arthashastra has dealt with many other topics related to politics, economics, sociology, ethics, etc. It is our hope to see more studies in other areas of corporate management such as strategic management, financial management and human resource management from Kautilya's Arthashastra being undertaken for future research.

References:

- Basu, D., Miroshnik, V., Basu, D., & Miroshnik, V. (2021). *Ethics of kautilya. Ethics, Morality and Business: The Development of Modern Economic Systems, Volume I: Ancient Civilizations*, 105-124.
- Bisht, M. (2019). *Kautilya's Arthashastra: Philosophy of Strategy*. Routledge India.

- Boesche, R. (2001). *Kautilya's Arthashastra: A pendulum theory of history*. *South Asian Studies*, 17(1), 1-6.
- Boesche, R. (2002). *Moderate machiavelli? Contrasting the prince with the Arthashastra of Kautilya*. *Critical Horizons*, 3(2), 253-276.
- Boesche, R. (2003). *Kautilya's Arthashastra on war and diplomacy in ancient India*. *The journal of military history*, 67(1), 9-37.
- Boesche, R. (2003). *The first great political realist: Kautilya and his Arthashastra*. Lexington Books.
- Chander, R. (2016). *Arthśastra: A Replica of Social Dynamism in Ancient India*. *The Indian Journal of Political Science*, 77(3), 291-296.
- Chandrasekaran, P. (2006). *Kautilya: Politics, Ethics and Statecraft*. *Companies: An Empirical Study in Corporate Governance*, Vol. 4, No. 2, pp.52–63, Emerald
- Debbarma, S. (2023). *The concept of dharma in Kautilya's Arthashastra and its relevance today*.
- Deva, S. (1984). *State and Bureaucracy in Kautilya's" Arthashastra"*. *Economic and Political Weekly*, 811-815.
- Gautam, P. K. (2013). *Relevance of Kautilya's Arthashastra*. *Strategic Analysis*, 37(1), 21-28.
- Introduced by Rangarajan, L.N., Penguin Books, New Delhi, New York.
- Jaiswal, S. K. (1996). *Political Thought and Public Administration in Kautilya's Arthashastra*. *Dynamics of Public Administration*, 1(1), 81-98.
- Johnston, E. H. (1929). *Two studies in the Arthasāstra of Kauṭilya*. *Journal of the Royal Asiatic Society*, 61(1), 77-102.
- Kautilya, V.C. (1992) *The Arthashastra, (4th Century BCE), Edited, Rearranged, Translated and*
- Keith, A. B. (1916). *The Authenticity of the Kauṭīliya*. *Journal of the Royal Asiatic Society*, 48(1), 130-137.
- Kodandaramayya, P. (2004) *The Message of Mahabharata: The Nation's Magnum Opus*, Bharatiya Vidya Bhavan, Mumbai.
- Kumar, R. (2021). *Inter-state Relations in Kautilya's Arthashastra*.
- Mabbett, I. (2010). *The Kau ṭīliya Arthasāstra and the Concept of Secularism*. *South Asia: Journal of South Asian Studies*, 33(1), 13-32.
- Mishra, S. C. (1989). *A historiographical critique of the Arthasāstra of Kauṭilya*. *Annals of the Bhandarkar Oriental Research Institute*, 70(1/4), 145-162.
- Modelski, G. (1964). *Kautilya: Foreign policy and international system in the ancient Hindu world*. *American Political Science Review*, 58(3), 549-560.
- Muniapan, B., & Shaikh, J. M. (2007). *Lessons in corporate governance from Kautilya's Arthashastra in ancient India*. *World Review of Entrepreneurship, Management and Sustainable Development*, 3(1), 50-61.
- Pass, C. (2004) *Corporate Governance and the Role of Non-Executive Directors in Large UK*
- Patel, D. R. (2020). *Kautilya's Arthashastra (Economics): A Brief Historical Study*. Available at SSRN 3513319.
- Radhakrishnan, P. (2005) *Management Fundamentals from Kautilya's Arthashastra*,
- Singh, H. (2013). *The Kautilya Arthashastra. A military Perspective*. Manekshaw Paper, 38.

- Sternbach, L. (1972). Kauṭilya and the Arthaśāstra. A Statistical Investigation of the Authorship and Evolution of the Text.*
- Subramanian, V.K. (2000) Maxims of Chanakya, Shakti Malik, Abhinav Publications, New Delhi.*
- Tanwar, R. (2014). An analytical study of the relevance of Arthshastra in modern India. IOSR Journal of Economics and Finance, 5(3), 32-35.*
- Trautmann, T. R. (1968). The structure and composition of the Kautiliya" Arthasastra". University of London, School of Oriental and African Studies (United Kingdom).*