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Holistic Principles of Ancient Indian Economic Thought and Contemporary Economic Policy

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Abstract

The economic philosophy of ancient India, which was rooted in the Vedic age and later shaped by the Buddhist, Jain, and Kautilyan traditions of economics, had a comprehensive and holistic view of life. Economic goals were not viewed in isolation; they were closely intertwined with moral values and the welfare of society. In this perspective, the pursuit of wealth (artha), desires (kama), and ultimate liberation (moksha) were all balanced with a sense of moral duty (dharma), ensuring that economic activities were closely linked to ethical principles. In Vedic traditions, agriculture, equitable distribution of resources, and community strength were highly valued. Buddhism and Jainism built upon these ideas, introducing concepts such as non-violence, compassion, environmental care, and justice for all genders, advocating a lifestyle that favored self-restraint and sustainability instead of merely pursuing material gain. Later, Kautilya's Arthashastra compiled these earlier approaches into a comprehensive guide for managing the state's economy. Kautilya emphasized the importance of agriculture, prudent resource management, and fair and equitable taxation based on an individual's ability to pay. He also advocated for transparent government policies, ethical business practices, consumer protection, and strong safeguards against corruption. For Kautilya, a prosperous society could only flourish through honest leadership and the equitable redistribution of wealth, where public welfare always remained paramount.

As modern societies grapple with economic inequality, environmental crises, and challenges of ethical governance, these ancient principles remain highly relevant. Contemporary Indian policies, such as welfare initiatives, agricultural support, digital taxation, and anti-corruption reforms, incorporate these time-tested ideas, highlighting the enduring synthesis between classical wisdom and modern innovation. Through a qualitative analysis of ancient texts and policies, this research suggests that the application of such an integrated, ethical economic philosophy can enhance resilience, equity, and sustainability in modern, complex economies.

Keywords: Ancient Indian economic philosophy, Vedic period, Kautilya's Arthashastra, Dharma, Artha, Kama, Moksha, social justice, environmental management, economic organizations, non-violence, ethical business practices, welfare economics, sustainable development, inclusive policymaking.

Introduction

Discussions in the field of economics are almost always linked to Adam Smith and his remarkable work in the eighteenth century. However, this excludes the complex economic systems that were conceptualized in the Indian subcontinent thousands of years ago. Smith may be credited with laying the foundation of capitalism, but Indian philosophy goes beyond economics, embracing a richer, more holistic perspective. It views wealth, social responsibility, and ethics as interconnected threads that reinforce each other to create a balanced, fulfilling life for both individuals and society.

The origins of ancient Indian philosophy are found in the Vedas, which are among the oldest known texts in human history. These profound teachings combine the pursuit of material well-being with a strong moral foundation. The Vedas consider wealth essential for creating a prosperous society and improving life, but always within the framework of Dharma, the moral and civic responsibility that defines right action. In this tradition, wealth (artha) is not merely for personal accumulation; it serves a greater purpose of uplifting communities, alleviating hunger, and creating a life of dignity and security for all. Buddhist and Jain thinkers, based on these principles, integrated the ideals of simplicity, non-violence, and compassion towards all living beings. In Buddhism, material possessions are approached with moderation; they should neither be shunned nor excessively desired.

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Wealth is not seen as an end goal but as a means to support community welfare and spiritual development. Jain philosophy echoes similar values, emphasizing ethical conduct, self-restraint, and responsible use of resources, while firmly rejecting greed, accumulation, and excess.

Kautilya's (Chanakya's) *Arthashastra* is one of the most insightful works from ancient India, offering a comprehensive perspective on economics, politics, and society. Kautilya's ideas on taxation, public administration, agriculture, industry, ethical conduct, and market regulation were far ahead of his time. Despite his emphasis on economic policy, he also stressed the necessity of an ethical foundation, warning against pursuing wealth without moral balance.

Purushartha—Dharma (righteous duty), Artha (material prosperity), Kama (pleasure and desires), and Moksha (spiritual liberation)—are at the core of Indian philosophy, representing what it means to live a complete life. Within this framework, wealth should promote justice, social welfare, equality, and environmental balance, as economic activity gains true meaning only when it is rooted in Dharma.

Based on these Vedic principles, Kautilya considers wealth essential for a stable society and individual fulfillment. However, he clearly states that the pursuit of prosperity must be grounded in ethics. This is crucial only if wealth is handled responsibly, distributed for the benefit of all, and business and trade are conducted with fairness and honesty.

Indian philosophy offers an integrated and holistic approach, which differs from many Western models that separate economics from ethics and focus primarily on material growth. Ancient Indian thought challenges the notion that prosperity is defined solely by GDP or market expansion, instead viewing sustainability, inclusivity, and justice as the true markers of progress. In line with this perspective, economics calls for proactive state intervention to prevent monopolies, protect consumers, ensure essential production, and maintain social stability.

In ancient India, the tax system was carefully and judiciously designed with the objective of increasing revenue without disrupting social harmony. Kautilya explicitly articulated this principle, comparing tax collection to "plucking ripe fruits without harming the tree," a metaphor for sustaining economic growth without depleting its sources. Economic policies also demonstrated remarkable adaptability; through initiatives like currency reforms, the state showed flexibility and even adopted early forms of economic stimulus to weather crises.

Today, the world grapples with rising inequality, environmental degradation, widespread corruption, and fragile governance. Despite being a vibrant democracy with a population of over a billion, India faces its own struggles in combating social exclusion, poverty, and unemployment. Amidst these challenges, new policies such as the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), the Goods and Services Tax (GST), and direct benefit transfer programs are rooted in the

enduring principles found in India's classical philosophy.

Kautilya's vision of impartial and efficient taxation lives on in today's Goods and Services Tax (GST), which simplifies tax collection, making it simpler, fairer, and easier to administer. India's long-standing value of dignity in labor and collective welfare is embodied in the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), which ensures the right to work and serves as a crucial safety net against poverty and hunger. Similarly, Direct Benefit Transfer reflects economics' call for transparency and fiscal discipline, utilizing digital technology to reduce waste, increase accountability, and ensure that aid reaches those who need it most.

Historically and in contemporary times, agriculture has remained a cornerstone of India's economic and social foundation. Economics and Vedic hymns underscore the centrality of agriculture in securing food supply and enhancing social resilience. Kautilya portrayed the king as the protector of collective prosperity, establishing comprehensive guidelines for irrigation, land use, crop diversification, and safeguarding farmers' interests. He advocated for farmer ownership rights and equitable resource allocation, explicitly discouraging absentee landlordism and monopolistic control over agriculture.

In ancient India, welfare economics went beyond poverty reduction, promoting overall well-being, including freedom from hunger, illness, and insecurity. The elderly, disabled, and marginalized were all covered through social security. Fiscal restraint and a broad definition of welfare were combined, with administrative expenses and state salaries limited to safeguard funding for public goods.

Ancient Indian welfare economics was not limited to poverty reduction but aspired to support the overall well-being of every individual, providing protection from hunger, illness, and uncertainty. Social security schemes were designed to cover not only the poor but also the elderly, disabled, and other marginalized groups. This inclusive approach to welfare was balanced with fiscal discipline, with the state carefully controlling administrative expenses and salaries to ensure sufficient resources remained for essential public goods.

India's economic thought has always been flexible and deeply rooted, offering timeless insights for today's policymakers. Traditional Indian practices address complex challenges with a holistic approach guided by the ethical philosophy of Dharma. This approach promotes sustainable development, places public welfare at the heart of progress, and establishes safeguards to prevent excesses and abuses. Interestingly, modern reforms in India, whether intentionally or not, echo many of the fundamental principles found in the country's ancient economic traditions.

This paper calls for a renewed understanding of traditional Indian economic models, not as relics of the past, but as living, dynamic frameworks capable of guiding the creation of resilient, inclusive, and sustainable modern economies. Case studies

demonstrate that integrating ancient wisdom with contemporary innovation can strengthen policy and foster more balanced growth. Such approaches offer a meaningful alternative to Western frameworks that often prioritize material progress over holistic development.

At its core, Indian economic thought invites us to reconsider the true purpose of economic activity. It frames the idea of prosperity not as individual accumulation but as shared well-being based on sustainability and justice. Far from being outdated, these timeless principles remain profoundly relevant today, offering a roadmap for integrating economic progress with environmental balance, social equity, and ethical responsibility.

Literature Review

Vedic and Early Philosophical Foundations

The Vedas offer some of the earliest insights into economic thought in India, presenting wealth as an integral part of a larger cosmic and social order. Within this framework, *Artha* (wealth) is understood as a means to foster harmony, generosity, and the collective good, rather than as an end in itself. The Rigveda captures this sentiment through its criticism of "solitary eaters," portraying them as disruptors of social cohesion and moral duty. Early practices such as ritual exchange, *dāna* (charitable giving), and the fulfillment of social obligations embody proto-economic ideas rooted in ethics and mutual participation. Together, these principles anticipate a moral and inclusive vision of economic life grounded in shared prosperity and social balance.

Buddhist Economic Theory

The post-Vedic Buddhist principle of "right livelihood," promoted as one of the eightfold paths, refines economic behavior around moderation and non-harming. Buddhism encourages frugality, investment, and judicious consumption to maintain a balance between spiritual and economic well-being. By highlighting disposable income, savings, and investment as cornerstones of economic stability and social welfare, it places "triangular macroeconomics" front and center. Furthermore, Buddhist teachings anticipate contemporary social justice issues by promoting gender inclusion and equitable livelihood opportunities.

The Economic Ethics of Jainism

Based on the principles of non-possession (non-attachment) and non-violence, Jainism places strong ethical limits on desires and accumulation. It teaches that unchecked material ambition disrupts social harmony and environmental balance. Centuries before modern ideas of circular economy and conscious consumption, Jain philosophy advocated fair trade, sustainable use of resources, and mindful control over desires. These values are shaping an ethical approach to economics that defines true prosperity as growth achieved through justice, honesty, and respect for the environment.

A Comprehensive Treatise on Economic Governance, The Arthashastra

A seminal work that integrates philosophy and administrative strategy, Arthashastra is one of the most sophisticated expressions of Indian economic thought. It offers a detailed exploration of statecraft, fiscal policy, taxation, public welfare, agriculture, labor management, trade, and industry. While Artha (material prosperity) occupies a central place in Kautilya's perspective, it is always framed within the ethical boundaries of Dharma. The text constantly reminds rulers to prioritize the collective good and resist the corrupting influence of greed and autocratic power.

Kautilya advocates for a strong and responsible governance based on meritocratic administration, transparent taxation, infrastructure development, and social welfare for marginalized communities. His approach to progressive taxation, business incentives, and anti-corruption measures reveals a profound understanding of fiscal discipline and ethical economic management concepts that remain remarkably relevant even in the context of modern governance.

Current Views

Re-examining these ancient ideas yields valuable insights that can enrich contemporary economic discussions, particularly in developing countries grappling with environmental challenges and governance issues. Scholars are increasingly exploring the connections between the ethical principles espoused in ancient economics and modern concepts in welfare economics, fiscal policy, and sustainable development. Many argue that India's current policy initiatives, such as digital financial inclusion, social security programs, and agricultural subsidies, reflect a resurgence of these time-tested approaches, inspired by concepts from antiquity.

Methodology

This study adopts a qualitative, interpretive approach, examining policies through comparative analysis and close reading of foundational texts. Translations of the Rigveda, along with Buddhist and Jain scriptures and Kautilya's Arthashastra, form the backbone of our analysis. We also consider peer-reviewed articles, government publications, and recent policy reviews to provide further context. By integrating ancient wisdom and modern challenges such as inequality, environmental sustainability, and effective governance, this study highlights the parallels and contrasts between historical economic ideas and today's policy landscape. It is important to note that interpreting ambiguous texts and comparing ancient states with India's current federal democracy presents certain limitations. Nevertheless, this methodology allows us to uncover timeless economic lessons that remain relevant and adaptable to addressing contemporary issues.

Fundamentals of Ancient Indian Economic Theory Integrating Economics and Ethics

Ancient economic thought did not consider economics and ethics as separate fields. Instead,

wealth (artha) was expected to promote justice, welfare, and harmony by respecting the moral framework of society, which was identified with dharma. According to Kautilya's Arthashastra, a ruler's right to govern is based on how well they promote the happiness and prosperity of their people, emphasizing that governance should be about strengthening public welfare rather than personal gain. This holistic approach foreshadows modern perspectives on ethical economics, where social and environmental well-being are integrated into wealth creation. In doing so, it offers a valuable challenge to narrow, purely profit-driven models, promoting systems that serve the greater good.

Institutional Design and Governance

The treatise on economics envisions a government that is powerful yet bound by ethical constraints, encouraging leaders to prioritize transparency, merit, and accountability. Kings and officials are expected to rule with integrity, selecting bureaucrats through a rigorous merit-based selection process. Taxes should be fair and predictable, avoiding any arbitrary practices that could undermine trust and cooperation among citizens. The text also advocates for strict anti-corruption measures, including clear penalties for misconduct. Continuous improvement is encouraged through consultation and responsive governance, ensuring that policies adapt to changing needs. Strategic diplomacy is emphasized to protect both economic stability and territorial integrity. In short, these principles aim to create a model of governance where ethical leadership and public welfare guide every decision.

Equitable and Flexible Taxation

The approach to taxation in ancient India was remarkably thoughtful and adaptable. Tax rates varied according to production, trade, and income, ensuring that farmers and merchants did not bear an excessive burden. The primary role of taxes was to fund disaster relief, infrastructure development, social programs, and defense. Emphasis was placed on transparency and fairness in tax policies, encouraging people to honestly contribute their share rather than attempting to evade their responsibilities. Any surplus revenue collected by the state was reinvested in crucial projects such as irrigation, urban development, and social support systems. Importantly, oppressive taxation was avoided, as leaders understood that heavy taxes could disrupt social stability and harm the economy.

Agriculture as the Economic Backbone

In ancient India, smart farming was the secret to a strong, prosperous state! Advisors urged leaders to invest in everything from crop diversification and water management to creative ways of handling floods and droughts, always putting farmers and their well-being first. Clever regulations helped families share risks, protect their land rights, and access credit during tough times. But they didn't stop at agriculture; these ancient thinkers also celebrated vibrant markets and trade, knowing that a mix of careers and crafts would keep society stable

and thriving. That early embrace of diversity and smart planning is something modern economies are still striving to master today.

Ecological Stewardship and Sustainability

The term sustainability has been in discussion for a long time; even before that, ancient Indian traditions, including Jainism and Buddhism, advocated living lightly on the Earth. Both religions urged people to use resources responsibly and avoid exploitation, considering everything in nature as worthy of respect. Kautilya's Arthashastra also promoted careful governance, encouraging leaders to protect the land and avoid waste. These thinkers understood the importance of keeping forests healthy, managing water wisely, and using minerals sparingly to preserve the Earth for future generations. Today's environmental movements draw inspiration from these old ideas, demonstrating that caring for nature never goes out of style.

Inclusivity and Social Welfare

If you think that social welfare is merely a modern invention, then ancient India will surprise you! Long ago, rulers invested in healthcare, schools, and social security to support vulnerable groups such as widows, the elderly, and the unemployed. This sense of fairness extended further: property rights protected families, trade guilds acted as supportive communities, and inclusivity was valued so that everyone had a stake in progress. By collectively caring for people with practical rights and protections, ancient societies set a commendable example of inclusive growth that looked after everyone.

Comparative analysis with contemporary policies

Ethical foundation and social justice

When you read news about companies doing good work, upholding ethics, and creating space for everyone, you might be surprised to learn that these ideas have ancient roots. In ancient Indian wisdom, prosperity wasn't just for individual gain; it was about uplifting the entire community and playing fairly. Thinkers like Kautilya insisted that wise leaders and businesses should create wealth, but always with respect for the people and within ethical boundaries. Today's discussions about corporate responsibility and inclusive growth are echoes of these enduring values, reminding us that success truly matters when everyone benefits.

Taxation and Fiscal Reforms

India's GST tax reforms aim to make taxation fairer and simpler, reflecting ideas of balancing public welfare and justice found in ancient texts like Arthashastra. When you hear about programs that send cash directly to families or discussions about universal basic income, you see old dreams of equitable distribution returning in new ways. Rural projects like MNREGA, which promise employment, better roads, crop insurance, and fair prices, reflect ancient beliefs that vibrant villages are the heart of a strong nation. Today's efforts to promote clean energy, conserve forests, and combat pollution are deeply rooted in the respect for nature that Indian

thinkers have long championed. Modern movements towards transparent, digital governance, with tools like Aadhaar that make public spending more accountable, are also inspired by centuries-old advice to leaders to fight corruption and put people first.

India has been a whirlwind of transformative change over the past decade, where ancient wisdom has met new ideas in some powerful ways. GST has brought in a clear, equitable tax system that echoes age-old calls for transparency and justice. Programs like MNREGA and digital payments have brought employment and welfare within the reach of millions, representing a modern twist on ancient principles to support livelihoods and community well-being. With digital IDs, direct cash transfers now reach families without intermediaries, helping to reduce corruption. Farmers are seeing updated crop insurance schemes protecting them from unpredictable weather. And major efforts towards skill development and manufacturing growth, such as 'Make in India' and 'Skill India', demonstrate how artisanal traditions are being revived alongside new industries.

What is the secret sauce behind this success? Ancient Indian economists argued that prosperity should be ethical, inclusive, and sustainable. This means that today's policies need to blend smart planning and fairness, foster strong social networks, and protect the environment for tomorrow. By combining age-old insights on quality, transparency, and care for nature with today's technology and democratic practices, India is forging a strong new path, not only for itself but also as a global example of equitable and resilient development.

Conclusion

Ancient Indian economic thought, particularly as expounded in Kautilya's Arthashastra, offers remarkable insights that resonate strongly with modern challenges. Kautilya presented a sophisticated approach where wealth, justice, and ethics were inextricably linked, emphasizing welfare, sustainability, and responsible governance. His ideas encompassed many principles of modern economics, including supply and demand, regulated markets, and ethical leadership. Today, especially in India, reviving this rich heritage helps shape policies aimed at inclusive, sustainable development rather than mere growth. By blending ethical wisdom with practical administration, Kautilya's philosophy bridges the past and present, offering valuable guidance for creating a just and robust economic future worldwide.

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