

Contemporary Corporate Governance: In the Eye of Kautilya

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Abstract

In Arthashastra, Kautilya has provided guidelines for governing the monarchy of Mauryan Empire with special emphasis on maintaining strict public governance. According to him, attainment of good governance ensures that the objectives of the state are fulfilled and realized. It is evident that the state had exercised a strong control over the governance and every activity was monitored and controlled by the administration. Kautilya's view regarding governing a monarchy is equally applicable in successfully running a corporate sector in modern business context. A company following strict governance system and doing business in an ethical manner can easily win the confidence of the government, customers, employees 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 its competitors. Well-defined and enforced corporate governance provides a structure that works for the benefit of every stakeholder of the company as well as the society.

Keywords: Arthashastra, Corporate Governance, Business World

Introduction

The word 'governance' has been used with different meanings in different parts of India during different times. In ancient India, there were many forms of governance in different periods in different region. Even within a given territory there were many kingdoms with different ways of governance. Basically governance was the directives through which the king or the authority tried to control the administration. In modern business world, the word 'governance' is termed as 'corporate governance' which is "the system by which companies are directed and controlled" (Cadbury Committee, 1992). It involves a set of relationships between a company's management, board of directors, shareholders and other stakeholders. Corporate governance involves the establishment of standard and process with appropriate checks and balances that enables the authority to discharge their legal responsibilities in such a manner which is beneficial to all the stakeholders. It includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debtors, creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives and other employees. An ideal corporate governance system guarantees that an enterprise is directed and controlled in a responsible, professional and transparent manner with the purpose of safeguarding its long-term success. It is intended to increase the confidence of various stakeholders.

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One of the keys to successful corporate governance is the ability to understand and apply management principles and techniques efficiently and effectively. Managers must develop an in-depth knowledge of past and present models, theories and processes to manage intelligently. Contemporary management practice is pervasive in every aspect of human life within all types of organizations. There has been renewed interest in the corporate governance practices of modern corporations since 2001, particularly due to the high-profile collapses of a number of large corporations, most of which involved accounting fraud. Corporate scandals of various forms have affected public and political interest in many ways. Some of the notable scams are, of Satyam Computer Services, Harshad Mehta and Ketan Parekh Stock Market Scam, Rajat Gupta Scam etc. The scam of Satyam Computer Services was something that shattered the peace and tranquility of Indian investors and shareholder community beyond repair. Satyam was the biggest fraud in the corporate history to the tune of Rs. 14000 crore. The company's chairman Ramalingan Raju kept everyone in the dark for a decade by fudging the books of accounts for several years and inflating revenues and profit figures of Satyam. Finally, the company was taken over by the Tech Mahindra which has done wonderfully well to revive the brand Satyam. Harshad Mehta and Ketan Parekh stock market scam did not affect many people but there no way that the investor community could forget the unfortunate loss of Rs. 4000 crore. Harshad Mehta scam and over Rs. 1000 crore Ketan Parekh scam which eroded the shareholders wealth in form of big market jolt.

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. In recent past, management concepts and theories of the West have dominated the World and India is not an exception. These Western theories have been practiced irrespective of the traditional and cultural root and beliefs of the particular country. But management theories must be based on that particular country's traditional culture and values. Indian management system is focusing on the application of Western methods of management practices. There are basic differences in cultures and values of families in western countries in comparison to India. So, Indian management philosophy must be framed in such a manner so that it may adjust with the culture and values of the people. Here management concepts on some ancient treatise like Arthashastra may provide some important lessons in efficient and effective corporate management, in particular, corporate governance. The leaders and the leadership style are considered to be the key necessity for the state or the organization. Lord Sri Krishna has stressed on the importance of the leaders through Arjuna in Bhagwat Gita. Manusmriti states that when the world was without a king and the people ran aimlessly in all directions out of fear, the Lord emitted a king in order to guard the entire realm. The emphasis was on the governing the people and move them towards the right direction. Governance practices in Indian philosophy are rooted in the concept of dharma or virtue. Dharma designated those behaviours considered necessary for the maintenance of the natural order of things and it encompasses ideas such as duty, religion and everything that is correct and proper following the basic truth. From our ancient treatise we found that Indian philosophy basically reflects the individualistic approaches towards truth and self realization. Swami Vivekananda has also asserted that the basis of social and political system restore the goodness of man. There is a need to look through the ancient literatures and collect intelligent interpretation to apply effectively in the context of modern management.

In Arthashastra, public governance was given the priority. Kautilya, the writer of Arthashastra, gave a lot of importance in maintaining the standards of public governance in the Mauryan Empire. Kautilya believed that the happiness of a king lied in the happiness of his subjects. If his subjects were unhappy, the king could never be happy. According to Kautilya, attainment of good governance ensures 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. The King and ministers were supposed to observe strict discipline. 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.

Objective

The roots of the present day human institutions lie deeply buried in the past. The same is true of a country's law and legal institutions. The legal system of a country at a given time is not the creation of one man or of one day; it represents the cumulative fruit of the endeavour, experience, thoughtful planning and patient labour of a large number of people through generations. To comprehend, understand and appreciate the present governance system adequately, it is necessary, therefore, to acquire background knowledge of the course of its growth and development. To explain 'why it is so', one has to penetrate deep into the past and take cognizance of the factors, stresses and strains which have molded and shaped legal development. To understand 'how it is so', one must appreciate the problems and the pitfalls which the administrators had to face in the past, and the manner in which they sought to deal with them. If we were to confine our attention exclusively to the law as it is, our understanding is bound to be deficient as it is not possible to appreciate its present ordering without some familiarity with its past. We would have a distorted picture of the nature of modern governance system if we were to take the stand that it began only today, or the day before yesterday. The truth is that the traditions of the past have made our modern system what it is, and still live on in it. Without a proper historical background, it may be difficult to appreciate as to why a particular feature of the system is as it is. The historical perspective throws light on the anomalies that exist here and there in the system. Therefore, we should concentrate on different perspectives of governance system in ancient India and gradual evolution of it till today.

There is a great deal of similarity in the governance structures of the ancient kingdoms and modern corporations as is evident from our ancient text and scriptures. Kautilya's Arthashastra maintains that for good governance, all administrators, including the king is considered servants of the people. Good governance and stability are completely linked. There is stability if leaders are responsive, accountable and removable. These tenets hold good even today. 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 (may be identified as a leader or CEO in the context of organization) should play a welfare nature of state with a key role in the protection and promotion of the economic and social well-being of its citizens (*arthamulau hi dharmakamaviti*). Under the above perspective the objectives of the paper are:

- (i) To analysis corporate culture in the ancient India
- (ii) To understand the philosophies of corporate governance as depicted in Arthashastra
- (iii) To assess the relevance of Arthashastra in contemporary business world

Methodology

In this paper an attempt has been made to explore the philosophy of corporate governance from an ancient Indian perspective with reference to Kautilya's Arthashastra. The insights of corporate governance provided in the study is basically enshrined on Indian context, some of these ideas can be applied universally. This paper is based on qualitative research methodology by interpretation and understanding of ancient literatures and religious texts. It is commonly used in contemporary philosophy to study and interpretation of the ancient treatise. Kautilya wrote his Arthashastra in Sanskrit language which is one of the oldest languages in the world. Sanskrit has influenced many other languages in Europe and also in Asia. Arthashastra was written for the

purpose of managing a kingdom or a country. For example, in explaining the Arthashastra in the context of management, the term *rajya* (state) is interpreted to the organization, the raja or king is the leader or the Chief Executive Officer (CEO), *amatya* or *mantri* (ministers) are the managers of various departments such as finance, marketing, human resources and operations, *kosh* refers to finances, *danda* the administrative or the management system.

Corporate Culture in Ancient India

Cooperation is a social instinct exists in human nature. The spirit of cooperation plays an important role in developing the human civilization. From the most primitive period, in all ages and countries, the concept of cooperation exists in social, political, religious and economic life. The huge economic and social activities, throughout the world mostly depend on cooperation among individual and groups. The spirit of cooperation was an important feature in almost all activities in ancient India. In political, social, religious and economic life, we find the presence of this spirit through *jati* (caste), *samgha* (community of Buddhist monk), *sreni* (guild), and *gana* (political cooperation).

Ever since the ancient times human beings lived and survived as a society. The trait of cooperation has contributed more than anything else to the present highly developed stage of civilisation. The decline in the Indian society during and after the medieval age owes a lot to the unorganized fragmented society. But the things were quite different in the past, known as golden age of Indian Civilization. The harmonious cooperation between various sections of the society, in political, social and religious matters was remarkable. The system of *shodash sanskars* devised by the *rishis* was a perfect mode of psychological conditioning for appropriate nurturing, development and orientation of these tendencies. Thus, almost every family was producing divinely refined personalities and every sphere of knowledge and development – ranging from the science of spirituality to the science of matter, agriculture to literature, health and education to religion and culture etc, was blessed by excellent talents. That was the time when India was recognized as a universal guide, super civilized and enlightened nation. The treasure of knowledge and all round prosperity here had attracted people from all corners of the globe. This land was like the best place of pilgrimage and a global centre of excellence for the whole world. The principle of “*vasudhaiva kutumbakam*” – treating the whole world as a single large family, was adopted in every walk of life. In the ancient times, the *sadhhus* and *brahmins* (sages and saintly scholars) used to devote their lives for selfless service of the society. Whole world was like a family for them. The *sadhhus* and *brahmins* of the ancient Indian society used to constantly tour around different parts of the country for the noble purpose of social welfare and development via educating the people through the multi-disciplinary system of religion. An altruist service of this kind is needed for lasting peace and progress in modern human society as well. Actually this is the ideal kind of *sanyasa* (literally meaning renunciation of worldly attachments for holy purposes) that could be easily adopted by people who have fulfilled their responsibilities towards their dependents.

During the ancient Vedic period, the corporate activity was present in the economic life through class concept. *Brahmans*, *Kshatriyas*, *Vaishyas* and *Sudras* in human society are the manifestation of different activities with cooperation. *Sattigumba Jataka* (Vol. IV p 430) mentions “The *Jataka* stories refer to a village of 500 robbers with an elder at their head. Such organization of robbers was met by counter organization of traders of which, reference is made in a number of *Jataka* stories” (*Jarudapana Jataka*, Vol II, p 294). In earlier Indian history there was the existence of organizations of mercantile class. *Sresthi* refers to the headman of a guild which has been referred in the Vedic literatures. In the post Vedic period, the corporate activity was a common feature in the economic life of the people. Men following similar means of livelihood usually formed cooperation for getting certain benefits. Agriculture, trade, cattle rearing etc. by the *vaishyas* is some sort of definite organization at that period. *Sreni* denote the cooperation of traders belonging to the same or different caste but followed the same type of activities. In the *Muga-Pakkha Jataka* we find “the king while going out in full splendor of state is said to have

assembled the four castes, the eighteen guilds, and his whole army" (*Jataka* VI, p 427). These guilds were workers of wood, metal, stone, leather, ivory workers, jewelers, cultivators, dyers, weavers, potters etc. In early Dharma-Sutras (5th Century BC to 3rd Century BC), Gautam Dharma Sutra quoted that "cultivators, traders, herdsmen, money lenders and artisans to lay down rules for their respective classes. The king shall give the legal decisions after having learned the (state of) affairs from those who (in each class) have authority (to speak)". Their spokesman has the right to represent his class in the royal court. Some verses in Mahabharata enjoin upon a king to avail him of *srenivala* which refers to a class of fighting forces. Ramayana also refers to *sayodhasreni* which refers the military aspect of the guild. Dharmasutra (2nd Century BC to 4th Century AD) refers that "If a man belonging to a corporation inhabiting a village or a district (*grama-desa-samgha*), after swearing to an agreement breaks it through avarice (the king) shall banish him from his realm".

The examination reveals that business people on the Indian subcontinent utilized the corporate form from a very early period. The corporate form (e.g., the *sreni*) was being used in India from at least 800 B.C. and perhaps even earlier, and was in more or less continuous use until the advent of the Islamic invasions around 1000 A.D. In fact, the use of the *sreni* in Ancient India was widespread including virtually every kind of business, political and municipal activity. Along with the family-run business and individually owned business enterprises, Ancient India possessed a number of other forms of engaging in business or collective activity, including the *gana*, *pani*, *puga*, *vrata*, *samgha*, *nigama*, and *sreni*. *Gana* and *samgha* appear to refer to political and religious entities. The *puga* and *vrata* to entities with members that often had economic motivations, but were also residents of an entire town or village devoted to a profession. *Nigama* and *sreni* refer most often to economic organizations of merchants, craftspeople and artisans, and perhaps even para-military entities. Finally, the *pani* is often interpreted as representing a group of merchants traveling in a caravan to trade their commodities. Of these the *sreni*, *nigama* and *pani* are the ones most frequently engaged in economic activities. The origin of the *sreni* is shrouded in the mists of Ancient Indian history. The earliest Indian writings do make references to organizational forms. The Rig Veda makes reference to the *pani* (akin to a partnership amongst traders for trade caravans) and the Mahabharata to the *sreni*.

Current archaeological thinking suggests that the earliest settlements in the Indian Subcontinent was during the 8000 B.C. to 7000 B.C. Excavations at Mehrgarh (near Quetta, Pakistan) and neighbouring sites provide evidence of a fertile region and inhabitants engaged in farming, herding and keeping animals, and various crafts, as well as inhabitants who possessed special skills. The Indus River Valley (e.g., Harrappa and Mohenjodaro) civilizations flourished during 1900 B.C. to 1500 B.C. Excavations suggest that there was a resource rich, fertile and heavily populated area which was considerably larger than its contemporaries (e.g., Egypt and Mesopotamia). The Indus area civilizations were highly developed with advanced city planning and water management systems far ahead of contemporary civilizations. Moreover, residents of the Indus area were actively engaged in trade with each other and had connection with the west (both by land and sea). The relative peace in the region makes travel safer for traders and opens up new markets for trade. The localization of craft and industry to certain parts of the city might enhance group cohesion, increase productivity and make training of new recruits a bit easier. In light of all these factors, trade was active, substantial and growing which suggests the demand for collective efforts and to protect traders travelling long distances.

Kautilya, the great Indian philosopher and statesman and the writer of Arthashastra was the Prime Minister of Chandragupta Maurya. In Arthashastra, Kautilya has provided guidelines for governing the monarchy, for good rule by the king. The primary objective was to increase the monarchy's wealth and that of his realm. Kautilya did not distinguish between the wealth of the sovereign and his subjects. Kautilya described three types of political system namely rule making, rule application and rule adjudication. He has recognized that diplomacy is an important tool for the helm of the state affairs. Kautilya has mentioned "A king who understands

the true implication of diplomacy conquers the whole". According to Jha & Jha (1999), "Many modern concept of management underline much of Kautilya's discussion in Arthashastra. Good governance was one of his central concerns and Kautilya gave much attention to agent-and-principle problems and asymmetry of information in relation to the public administration".

In proposing rules and practices by which the king will rule successfully, Kautilya recognizes that good governance is the most important vehicle for increasing the wealth of the monarchy as well as that of his subjects. 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 (*Prajasukhe sukham rajnah, Prajanam cha hite hitam; Natmapriyam hitam rajnah, Prajanam tu priyam hitam*) or the welfare of the many and the happiness of the many (*Bahujana sukhaya bahujana hitayacha*). In fact, this concept of happiness of many stakeholders needs to be integrated with the areas of corporate management.

Philosophy of Corporate Governance in Arthashastra

Kautilya has suggested that the State should control almost all activities of governance. While the individual merchants were free to continue their trading activities, they had to comply with the rules laid down by the State. Kautilya had appointed superintendents for almost every activity included in governance. They included superintendents for weights and measures, trade and commerce, agriculture, mining, prosecutions, gems and jewels, horses, elephants, cows, tolls, storehouses, forest produce, armory, weaving, ships, liquor, infantry, passports, etc. Thus, it is very much evident that the State exercised a strong control over the governance. However, it has to be noted that the State only acted as a regulatory body and did not interfere in the day to day affairs of the public. In theory, the State had absolute control over economic activities. However in practice, it encouraged all types of private professions too. It was recognized that the wealth of the State was dependent on the wealth of the public. Though the State played a supervisory role, Kautilya did not feel the need to interfere in the planning and decision making aspects of commerce. The government of Kautilya's conception is engaged in a series of social welfare activities. In fact, during the period of Kautilya, social welfare was the primary concern of the religious corporations, village and municipal communities, craft guilds and caste assemblies. Thus the concept of today's welfare state was evident in the Mauryan administration. Kautilya has 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, which provide proper direction at the difficult time of business.

An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the enterprise. It comes as no surprise that corporate governance was first practiced by Kautilya. Kautilya suggests that good governance should avoid extreme decisions and extreme actions. Soft actions (*Sam, Dam*) and harsh actions (*Dand, Bhed*) should be taken accordingly. Kautilya opines in a most modern way - 'Sovereignty is practicable only with the cooperation of others and all administrative measures are to be taken after proper deliberations.' The King and ministers were supposed to observe strict discipline. Kautilya has recommended a strict code of conduct for himself and for his administrators. Kautilya has seriously considered the problem of corruption. He has listed, in the Arthashastra, about forty ways of embezzling government funds. However, Kautilya was very practical about the problem of corruption. This code of conduct is useful and applicable to modern executives. Even two and a half thousand years ago, Kautilya laid stress on capping at a quarter of the revenue, the salaries of the King and his officials. For

good governance, all administrators, including the King, were considered servants of the people. They were paid for the service rendered and not for their ownership of anything.

In Arthashastra, public governance was the priority of the author. Kautilya has admitted that some degree of corruption and malpractices would always exist, and sometimes its identification becomes impossible. According to Kautilya, *'Just as fish moving inside water can not be known when drinking water, even so officers appointed for carrying out works can not be known when appropriating money'* (2.9.27). In the same breath Kautilya has mentioned that *'Just as it is not possible not to taste honey or poison placed on the surface of the tongue, even so it is not possible for one dealing with the money of the king not to taste the money in however small quantity'* (2.9.27). Through these words Kautilya probably has tried to mean that there are every possibilities of existence of dishonest royal official. He has also mentioned that *'It is not possible to know even the path of birds flying in the sky, but not the ways of officers moving with their intentions concealed'* (2.9.27). It is very much relevant today as we often see the instances like insider trading, corporate bribe and other scams by the responsible officers. Kautilya has seriously considered the problem of corruption rampant in every sphere of public life. Therefore, Kautilya imposed strict ethical guidelines and code of conduct for state officers, traders, artisans, professionals, farmers, goldsmiths and for every section of the people, even for the king, in order to create a strong public governance system.

In Arthashastra, we find the term *'anityam'* that implies that the officers were frequently transferred from one department to another. This concept is very popular in today's business world. The officers are transferred from one department to another department or from one office to another office on regular basis so that they may not be swayed by malpractices developed locally and with the vested interest group. Kautilya has mentioned *"He should cause the treasury and the army to be collected in one place in the fortified city, in charge of trustworthy men"* (5.6.7). By this statement Kautilya has tried to mean that the leader should control the finance and run it by his trustworthy men. Treasury must be situated in the head office from where it can be monitored and controlled. Army means the employees who are capable of delivering the service to the organization. For proper administration, in every organization there are some trustworthy people placed in the key positions. In modern businesses these people are the Chairman, Vice Chairman, CEOs, CFOs, COOs, Board members etc. who plays a very important role in the administrative and management set up like royal officers of the king. Kautilya was of the belief that people should be given rights and responsibilities such that they actively participate in the maintenance of the kingdom. Kautilya has mentioned that *"Control over the senses, which are motioned by training in the sciences, should be secured giving up lust (kaam), anger (krodha), greed (lobha), pride (mana), arrogance (madh) and overexcitement (harsha)"* (1.6.1). He has mentioned that the role of a leader is very critical because he has to take varieties of decisions considering different types of complexities in day to day business. The leader must have a close look after the persons around him and he must set himself as an example to the followers.

Kautilya further 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 was 27 *panas* and a quarter. For traders, who by conspiring sell goods at higher price, the fine was one thousand *panas*. If a labourer does not do the job after receiving the wage, the fine would have been 12 *panas* and detention till the work was 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). 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.

The king or the leader, in addition to learning of different subjects must be able to exercise control over his senses (*indriyajaya*), and keep his passions in check. He should adjust his conduct in respect of the three goals of *dharma*, *artha* and *kama*. Whatever advices that had been given to a king by Kautilya should be applicable to a leader of an organization. Kautilya has mentioned "*Only, the king, behaving in this manner, obtains heaven, otherwise hell*" (3.7.38). According to him, every king should follow a strict code of conduct and fulfill certain duties and responsibilities. Kautilya has emphasized that the king or the leader has the most important role in governing a monarchy or administering an organization. He advises, "*Just as an elephant, blinded by intoxication and mounted by an intoxicated driver, crushes whatever it finds, so the king, not possessed of the eye of science, and blind, has risen to destroy the citizens and the country people*" (1.14.7). The leader of the organization should not be intoxicated by his power and position; otherwise the organization may be destroyed.

Relevance of Arthasastra in Contemporary Business World

Over many centuries India has absorbed managerial ideas and practices from around the world. Early records of trade, from 4500 B.C. to 300 B.C., not only indicate international economic and political links, but also the ideas of social and public administration. The world's first management book, titled 'Arthasastra' written nearly two thousand four hundred years back, codified many aspects of human resource practices in Ancient India. "This treatise presented notions of the financial administration of the state, guiding principles for trade and commerce, as well as the management of people. These ideas were to be embedded in organizational thinking for centuries" (Rangarajan 1992). The substitution of the state with the corporation, the king with the CEO or the board of a corporation, and the subjects with the shareholders, bring out the quintessence of corporate governance. The concept of corporate governance is the belief that public good should be ahead of private good and that the corporation's resources cannot be used for personal benefit. Kautilya's fourfold duties of a king enshrined in Arthasastra are: *Raksha* – literally means protection, in the business context it can be equated with the risk management aspect. *Vridhhi* – literally means growth, in the corporate context it can be equated to stakeholder value enhancement. *Palana* – literally means maintenance/compliance, in the business context it can be equated to compliance of the law in letter and spirit. *Yogakshema* – literally means well being and in Kautilya's Arthasastra it is used in context of a social security system. "Chanakya was a great statesman as well as a great scholar. He played a dominating role in the formation and functioning of the Mauryan Empire. Subsequently under his guidance, growth with stability was attained in the empire with the help of strong administration and governance system. Arthasastra consists of detailed analysis of different aspects of ancient Indian economy" Jha & Jha (1997). There is great deal on relevance and similarities of corporate governance policies in the modern or contemporary world because good governance and stability are completely linked.

Kautilya has stressed on the importance of fair trade practices. In the Arthasastra, emphasis has been given both on fraud prevention as well as fraud detection. Kautilya had listed several ways by which funds are misappropriated. He 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 realized 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. Arthasastra prescribed how much to pay the merchants, artisans, craftsmen and goldsmiths. Kautilya's views on trade are extremely relevant even in the present era of globalized commerce and trade. There is no autonomous mechanism that will ensure that a nation would benefit from trade in the absence of very strict rules and regulations.

In the business context it can be equated to corporate social responsibility. Kautilya asserts "A king can reign only with the help of others; one wheel alone does not move a chariot. Therefore, a king should appoint advisors (as counsellors and ministers) and listen to their advice". Kautilya has emphasized on the imperatives of the king and his counsellors acting in concert. Cohesion is the key to the successful functioning of a board or a company.

Conclusion

Arthashastra provides valuable guideline for good governance system. It contains useful insights about governing a monarchy which is very similar to managing an undertaking. These insights were only independently discovered by Western thinkers in the eighteenth century. As for the specific social and economic system that Kautilya outlines and provides advice about, he would be the first to agree that his advice is relative to his time. Therefore, Arthashastra should be assessed in its historical context. In the era of globalization and liberalization, corporate sectors, all over the world are undergoing through various complexities. At this outset it is really necessary to look back to some ancient treatise like Arthashastra and take few lessons to solve the problems today's corporate sectors are facing. The present system might be benefited with the time-tested and age-old experiences recorded in Arthashastra.

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