

***KAUTILYA'S PHILOSOPHY
OF
FINANCIAL ADMINISTRATION***

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Abstract

Kautilya is known as India's most illustrious political economist of all time and his text **Arthashastra** is a detail source of political and economic administration. In his text, he has discussed about various concepts and ideas which have parallels in modern theory of Economics. It deals extensively with aspects of political, economic and social management and is the oldest book on management in the world. He has mentioned that **Krishi** (Agriculture), **Pashupaalya** (Animal husbandry) and **Vaanijya** (Trade) are three major activities of economy. These three together constitute "Vaartaa" (the word derived from "Vritti" or livelihood). According to Kautilya, the administrator should attend Durga (the fort), Raashtra (the country), Kahni (mines), Setu (irrigation work). Vana (forest), Vraj (herds) and Vanikpatha (trade routes). These major categories of taxes includes different types of fixed taxes, duties, cess and fines. Some of these taxes are known as – Sitaa, Bali, Bhaaga, shulka, Danda, Vaidharana, Mulya, Vyaaji, Atyaya, Klipta under the different officials and their attendants. He has always advocated the appropriate roll of Private sectors & Government sectors in national economy.

INTRODUCTION:

Kautilya, also known as a Chanakya and Vishnugupta. He was a student and teacher at one of the world's oldest and famous higher educational institutes, Takshshila. He was the teacher and prime minister of Chandragupt Maurya, a great emperor of India (Magadh Empire). The Buddhist text **Mahaavamsha**, **Parishishtaparvan** of Hemchandra, **Kathaasaritsaagar** of Somdeva and **Mudraaraakshasa** of Vishaakhadatta provide some details about the life and achievements of Kautilya.

Kautilya is known as India's most illustrious political economist of all time and **The Kautilieeya Arthashastra** is comprehensive text encompassing political and economic administration. In **Arthashastra**, Kautilya has talked about various economic concepts and ideas which have parallels in modern theory of Economics. It deals extensively with aspects of political, economic and social management and is the oldest book on management in the world. It was written by Kautilya in 4th century B.C.

Philosophy of Political Economy:

According to Kautilya, "Artha" is the livelihood (Vritti) of men (KA – 15/1/1). It is the individual who is to pursue "Artha" as one of the goals of his life (KA – 1/7/6-7). Therefore, **Arthashastra** composed by earlier teachers for acquisition and protection of the earth (K – 1/1/1).

There are three major vocations recognized as providing men with the means of (livelihood), namely:

Krishi (Agriculture)

Pashupaalya (Animal husbandry)

Vaanijya (Trade)

These three together constitute "Vaartaa" (the word derived from "Vritti" or livelihood). It is said that due to "Vaartaa", the state receives grains, cattle, money and various kinds of products.¹

Kautilya deals a lot of subjects in **Arthashastra** related with different political and economical aspects of life. He provided a detailed analysis of public finance, public expenditure, taxation, investment, free market economy etc.

Public Finance:

Kautilya enumerated 7 main source of revenue. According to him, the administrator should attend Durga (the fort), Raashtra (the country), Kahni (mines), Setu (irrigation work). Vana (forest), Vraj (herds) and Vanikpatha (trade routes).²Further he explained these types of taxes as:

1. **Durga** (the fort): Custom duties, standardization of weights and measures, yarn, revenue received by the superintendent of passport, the superintendent of market, by the goldsmith, by the group of artisans and artists, by prostitutes, gambling, by the temple superintendent, by the mint master and all types of tax received at the gates and from outsiders constitute this tax.³
2. **Raashtra** (the country) : Agricultural produce, share, tribute, tax, the trader, the river guard, the ferry, ships, the port, pastures, road cars, land survey and thief catching.⁴
3. **Khani** (mines): Gold, silver, diamonds, gems, pearls, conch – shells, metals, salt and ores derived from earth, rocks and liquids.⁵
4. **Setu** (irrigation work): Gardens, orchards, vegetable gardens, wet crop fields and sowing of roots.⁶
5. **Vana** (forests): Enclosures for beasts, deer parks, forests for produce and elephant-forests.⁷
6. **Vraj** (herds): Cows and buffaloes, goats and sheep, donkeys, camel and horses etc.⁸
7. **Vanikpatha** (trade routes): the land route and water route constitute the trade routes.⁹

Krishi (Agriculture):

Agriculture is one of the most important vocations.¹⁰ Pasture land should generally make way of agriculture. So, encroachment by pastures on agricultural land should not be tolerated.¹¹ Land which is ready for agriculture should be given to those who are willing to pay the taxes.¹² It is

also added that if the grantees fail to till the fields, these may be taken away from them and given to others or the state may get them tilled by state servants and traders.¹³ The state is to help settlers with seeds, cattle and even cash, so that the land may be reclaimed. These however are loans to be recovered at the tenant's convenience.¹⁴

“Sitaadhyaksha” (the superintendent of crown's land) keeps the seeds ready and gets the land ploughed and sown by daasas, kaarusukaras and provides them with the services of smiths.¹⁵ Works of farmers were controlled by the state under the supervision of “Samaahartaa” (collector) and his assistants.¹⁶ The produce brought to the stores through the activities of Sitaadhyaksha is called ‘Sitaa’ (produce from crown's land).¹⁷

Statistics and records about all agricultural and other properties in the villages are to be maintained by “Gopas” and “Sthaanika”, those works under the Samaaharta and are in no way connected with Sitaadhyaksha.¹⁸ There are clear indications about private ownership of land. The owner of field (the kshetrika) is distinguished from the tenant (upvaasa).¹⁹ The word ‘Svaamin’ used here can hardly be understood to mean “one who is in possession”. Again “Kshetra” that is a field (land) figures among property, the sale of which is governed by certain regulations.²⁰ The sale of land is also referred to for purposes of restricting the transactions to persons of the same category, by tax payers and by grant holders.²¹ From the sale of land, the state gets sales tax.

The state is also expected to keep a strict watch over the sowings and the harvesting of crops in order that it may not be cheated of its legitimate dues.²² In the time of emergency the state may direct sowings according to its own needs supplying, if necessary the required seeds. A strict watch over the crops as the ripen and are harvested is in this case still more necessary.²³ Agricultural yields comes to the state in the form of “Sitaa” (the produce of crown's lands) and “Bhaga” (1/6th share of produce of the other land). Besides these land taxes, there is the “Udakhhaaga” (a rate for water). The inferior type of land which cannot be used for agriculture are generally used either pastures or forests.²⁴ It is laid down that a separate forest should be planned for each different type of produce.²⁵ The superintendent of pastures (Vivitaadhyaksha) is responsible for laying out grassland. The safety of cattle – grazing in the pastures and the protection of “Caarvaans” (traders) passing through areas under his control.²⁶

Pashupaalya (Animal husbandry):

The state is the owner of large herds of cattle and other animals with the superintendent of cattle incharge (Godhyaksha).²⁷ He is to maintain a complete record of each animal in every herds belonging to the state. A record of all animals owned by private individuals is to be maintained by local officials under the supervision of “Samaahartaa”.²⁸ Thus a complete record of the entire cattle wealth in the state is ensured. Cattle are of importance for two reasons. The males are necessary for agriculture and transport, while the females supply milk, which with its products is valuable source of food. These are also useful for the manufacture of leather goods. The text refers to meat as an item of food.

Except for state-owned herds, cattle as such may be supposed to provide little direct income to the state. In times of emergency, what the state demands is a part of the animals themselves, one-tenth of animals owned being so claimed in the case of cattle, one-sixth in the case of goats and other small animals and as much as one-half in the case of Fowls and pigs.²⁹ Two ways in which herds may be got tended are called “Vetnopagrahika” and “Karpratikara” system.³⁰

Vaanijya (Trade):

Provisions of routes for trade purposes are another important activity of state. All trade is to be under state control with the “Panyaadhyaksha” (the superintendent of trade). He is to fix the prices of the various commodities after taking into consideration such factors as investment of capital, interest, duties paid, and rent and so on.³¹ A profit of 5% on indigenous goods and 10% of foreign goods is to be allowed. Heavy fines being prescribed for exceeding these limits.³² Another officer “Samsthaadhyaksha” (the superintendant of markets) look after the customer’s interests and see that the traders and artisans do not cheat them by fraud in weighing and measuring or by supplying inferior quality of or different makes of goods. It is also his duty to see that second hand goods (puraanabhaanda) sold in the market is not of stolen property.³³ Panyaadhyaksha looks after the state trade.³⁴ Foreign goods are to be sold in different centers. He is also to arrange for the export of goods to foreign lands. He may also investigate the possibility of bartering state goods for those from foreign land.³⁵

All imported goods are liable to duty (Shulka), which is to be collected at the city – gates under the supervision of the superintendent of custom (Shulkaadhyaksha).³⁶ The list of dutiable articles include particularly everything, from flowers, vegetables etc. on the one hand to diamonds, pearls and other precious stone on the other.³⁷ The rates of excise and custom duties do not differ for a single set of tariffs varying from 1/6th to 1/25th. Foreign imports are to be charged 1/5th of their value as duty.³⁸ Goods which are of great benefit to the state should be allowed to come in duty – free.³⁹

Merchants are required to obtain an entry permit at frontier post where their goods are to be stamped and sealed and where they pay a road - cess (Vartani) for safe passage. Imported goods are required to be sold to native traders at the gate itself at price to be declared beforehand. Weights and measures used in trade are to be manufactured by the “Pautavaadhyaksha” (the superintendent of weights and measures).⁴⁰ It is to be inspected after every four months.

The incharge of miens (Akaaraadhyaksha) who has to be an expert in Geology and Metallurgy is to make a survey of all regions where mineral deposits are likely to be found and start new mines and renovates old ones.⁴¹ All mines are state property. It is stated that a mine costly in its working should be leased out for a fixed share of the output i.e. “Bhaaga” (one type of tax) or for a fixed rent “Prakriyaa”.⁴² The manufacture of article from gold and silver was under the supervision of “Suvarnaadhyaksha” and the manufacture of article from other than gold and silver was under the supervision of “Lohadhyaksha”, while “Khanyaadhyaksha” is the incharge of the manufacture of articles from precious stones and their sale.⁴³ Mulya (Price), Bhaaga (Share), Vyaaji (a sort of sale tax), Atyaya (penalty for violation of state monopoly), Shulka (custom / excise duty), Vaidharana (transfer of state rights to private individuals), Danda (fines), Parigha (monopoly tax), Klipta (fixed tax), Rupika (manufacturing charge) constitute the heads of income.⁴⁴

A number of legal sections connected with trade and industry are also described by the Kautilya. Rules governing the rate of interest, loans with or without mortgage, the recovery of loans and the liability for the loans contracted by the others have been also mentioned in **Arthashastra**.⁴⁵

Conclusion:

Kautilya advocated limiting the taxation power of the state, having low rates of taxation and maintaining a gradual increase in taxation. He emphasized state control and investment in land and mining etc. Kautilya was a true statesman who bridged the gap between experience and vision. Scholars have drawn the conclusion that it is presuppose economic planning by the state and that therefore we have the next a description of what may be called a planned economy. He thinks that such planning is necessitated by the very circumstances that prevail in India, particularly the factors of climate and nature. Many of the same ideas have been re-stated and re-discovered since his time.

So, it is observed that many postulates of Kautilya's philosophy of political economy are also applicable to contemporary times.

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