

# Balancing Prosperity and Ethics: Economics through the Lens of Indian Knowledge Traditions

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## ABSTRACT

The Indian Knowledge System (IKS) encompasses a wide range of intellectual traditions that developed in India over millennia, covering philosophy, sciences, arts, medicine, governance, and economics. Among these, economic thought has played a vital role in shaping ancient and medieval Indian society. Classical texts such as the Arthashastra, Manusmriti, and Mahabharata reflect detailed insights into taxation, trade, labour relations, property rights, and welfare economics. Rooted in ethical and spiritual frameworks, Indian economic thought integrated material prosperity (artha) with social responsibility (dharma) and ultimate liberation (moksha). This paper examines the interlinkages between IKS and economics, analysing ancient frameworks of wealth creation, resource distribution, and governance, while also assessing their relevance to modern economic theory and sustainable development.

This research paper explores the intricate relationship between dharma (righteous duty) and artha (material prosperity) in ancient Indian philosophical traditions and examines their relevance to contemporary economic thought. The paper analyses how the Indian knowledge system offers a unique framework for understanding economics that integrates material wealth with moral and ethical considerations. Through examination of classical texts including the Arthashastra, Mahabharata, and various Puranas, this study demonstrates how the dharma-artha paradigm provides valuable insights for addressing modern economic challenges including sustainability, corporate responsibility, and inclusive development.

**Keywords:** Dharma, Artha, Indian Philosophy, Economic Ethics, Sustainable Development, Stakeholder Theory

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## INTRODUCTION

Economics, as the study of resource allocation and distribution, has been integral to the Indian Knowledge System since antiquity. Unlike modern economics, which often separates material prosperity from moral considerations, Indian traditions envisioned economics as inseparable from ethics and human well-being (Boesche, 2002). The Indian Knowledge System locates economics within the puruṣārtha framework: dharma (ethical conduct), artha (wealth), kāma (desires), and mokṣa (liberation), where economic prosperity was essential but subordinate to dharma and oriented toward social harmony (Kapur, 2020).

This integration becomes increasingly relevant as contemporary economies grapple with sustainability challenges, inequality, and corporate responsibility. The dharma-artha relationship offers a framework that balances individual prosperity with collective welfare, addressing limitations of purely materialistic approaches.

### Research Questions

1. How did ancient Indian texts conceptualize the relationship between ethics (dharma) and economics (artha)?
2. What contemporary applications exist for dharma-artha principles in modern business and policy?
3. How do current economic indicators reflect the influence of traditional Indian economic thought?

## LITERATURE REVIEW

**Classical Foundations** - Kautilya's Arthashastra (c. 3rd century BCE) remains the most systematic text on economic governance, detailing taxation, trade regulation, and labor relations while explicitly stating that artha forms the foundation for dharma and kama but must be pursued according to dharmic principles (Boesche, 2002). The Mahabharata, particularly the Shanti Parva, emphasizes that wealth without dharma leads to destruction, while dharma

without material foundation becomes impractical. The Puranas, especially the Vishnu Purana and Garuda Purana, elaborate on the cyclical relationship between moral order and material prosperity, suggesting that societies prosper materially when they adhere to dharmic principles, and decline when they abandon them.

**Contemporary Scholarship** - Modern scholars have recognized the relevance of Indian philosophical concepts to contemporary economic thought. Sen's (1999) capability approach shows parallels with the purushartha framework, while recent works by Debroy, Das, and Rajan have examined how traditional Indian economic thought can inform modern policy and business practices. Kosambi (1965) emphasized materialist dimensions of Indian history, showing how economic production shaped religious and social institutions. Sivaramakrishnan (2015) examined indigenous resource management systems, while Sen (2005) stressed India's historical contributions to welfare and distributive justice.

## RESEARCH METHODOLOGY

**Research Design**- This study employs a mixed-methods approach combining Textual Analysis Literature Synthesis and Secondary Data Analysis. For textual analysis, systematic examination of classical Indian texts including Arthashastra, Rigveda, Manusmriti, Mahabharata, and Ramayana was done. Literature Synthesis was achieved via integration of philosophical concepts with economic theory. Lastly, Secondary Data Analysis was also done by suitable using Contemporary economic data from NITI Aayog, World Bank, Ministry of Corporate Affairs (Corporate performance data from National CSR Portal 2019-2023) and industry reports on Ayurveda, MSMEs, and trade statistics & Government reports (Economic Surveys of India) etc.

**Analytical Approach** consisted of analysing qualitatively by doing thematic interpretation of economic principles embedded in IKS. This is followed by Comparative Analysis of ancient practices versus modern Indian economic systems. Lastly, Quantitative Analysis: was also done by using GDP share data, market projections, and export values to validate modern relevance

## LIMITATIONS

Research limitations include dependence on secondary interpretations of ancient texts and limited availability of reliable economic statistics from pre-modern periods. Due to the fragmented nature of CSR reporting and varying disclosure standards, comprehensive comparative performance data across companies following dharmic vs conventional business practices is not readily available in published academic literature. This represents a significant research gap that requires systematic empirical investigation

## THEORETICAL FRAMEWORK

When considering the Indian Knowledge system, the theoretical framework can be unfathomably huge. However, the essence of it can be beautifully captured by the famous “**Purushartha System**”. The purushartha framework identifies four legitimate life goals, namely dharma, artha, kama and moksha. Dharma refers to righteous living, moral duty and natural law. Artha is indicative of material prosperity, security and means of ensuring access to various necessities of life. Kama refers to pleasures, desires and emotional fulfilment. Lastly, moksha means liberation from continuous cycle of death & re-birth via spiritual realization. Moksha is what the Buddha later referred to as nirvana in his teachings.

This framework treats wealth as an instrument to facilitate broader human flourishing, unlike purely materialistic approaches. Since pursuit of wealth can take so many forms, scriptures insist on putting certain dharmic constraints on Artha. The classical texts identify the following dharmic principles constraining artha pursuit:

1. Ahimsa (Non-violence): Economic activities should not cause unnecessary harm
2. Satya (Truthfulness): Business dealings should be honest and transparent
3. Asteya (Non-stealing): Wealth acquired through legitimate means
4. Aparigraha (Non-possessiveness): Limited accumulation to genuine needs
5. Dharana (Sustaining): Economic activities supporting societal welfare

It is evident from these considerations and a broad reading of the classical texts that an Integral Approach is repeatedly recommended by the Indian Knowledge system. The dharma-artha relationship represents an integral and holistic approach where material prosperity supports dharma practice by providing necessary resources, while dharmic principles ensure wealth creation to serve broader human purposes.

## RESULTS AND ANALYSIS

To complement the theoretical perspectives from the Indian Knowledge System (IKS), it is important to analyse economic data that reflects both historical trends and modern developments. This section presents relevant statistics and comparative insights.

Historical Economic Insights: It will be useful to begin this discussion by going through the observations from historical economic data of the ancient Indian civilization. We have presented this in a tabular format as below.

**Table 1: Economic Features of Ancient Indian Periods**

Period	Key Economic Feature	Details
Mauryan Empire (c. 321–185 BCE)	Revenue from Agriculture	Nearly 80% of state revenue was derived from land taxes
Gupta Period (c. 320–550 CE)	Trade Networks	Extensive trade with Rome and Southeast Asia; Indian textiles and spices were major exports.
Medieval India	Guilds (Śreṇi)	Guilds regulated production, trade, and wages; early form of corporate institutions.

After going through the historical insights, it is useful to observe the contemporary trends of the Indian economy. This has been presented in the table below:

**Table 2: Modern Reflections of IKS in Indian Economy**

Sector	Contribution/Market Size	Relevance to IKS
Agriculture	17% of India's GDP (2024)	Traditional irrigation, crop rotation, and sustainable practices rooted in IKS.
MSMEs (Micro, Small & Medium Enterprises)	30% of GDP; 110 million jobs	Continuity of ancient guild systems in modern economy.
Ayurveda & Traditional Medicine	\$16 billion projected market by 2025	IKS-based healthcare system gaining global recognition.
Yoga & Wellness Industry	\$20 billion global market	Rooted in ancient Indian philosophy, contributing to health economy.

It is also important to discuss here the CSR (Corporate Social Responsibility) trends, since CSR directly relates to the IKS concept of using material prosperity for pursuing broader social welfare and ensuring that no one is left behind. Analysis of National CSR Portal data reveals significant growth reflecting dharmic principles:

**Table 3: CSR Expenditure Trends (2019-2023)**

Financial Year	Total companies	Total CSR Expenditure
2019-20	7004	18995.92 cr
2020-21	9935	18835.4 cr
2021-22	11217	16954.93 cr
2022-23	14474	17611.57 cr
2023-24	15345	16751.46 cr

Let us also look at the comparative analysis: of Ancient vs. Modern with regards to various aspects of economy like taxation, agriculture, trade, healthcare, etc. This has been shown in the table below:

**Table-4: Comparative Data (Ancient India vs. Modern India)**

Aspect	Ancient India (IKS Perspective)	Modern india(2024)
Taxation	Land Tax= $1\frac{1}{6}^{\text{th}}$ to $1\frac{1}{4}^{\text{th}}$ of produce (Arthashastra)	Tax to GDP ratio=11%
Agriculture	Foundation of Economy; irrigation & crop rotation in Rigveda	17% of GDP; 40% Workforce employed
Trade	Spices & textiles exported to Rome, SE Asia	\$776B exports (2023), IT & pharma lead
Institutions	Guilds (śreni) regulated trade & welfare	MSMEs = 30% GDP, 110M jobs
Healthcare	Ayurveda & Yoga integrated into life	Ayurveda \$16B (2025 proj.), Yoga \$20B globally
Ethics	Artha guided by Dharma (ethics)	CSR mandatory for firms

## DISCUSSION

There is abundance of interesting ideas and time-tested values that are evident from the analysis of Indian Knowledge System as discussed so far. We can clearly see that while holding onto stakeholder centric economics, there is equal emphasis on sustainable development frame leading to ethical market behaviour. All of this is as relevant today as it was hundreds of years ago when these ideas gradually evolved and can be applied profitable in modern day situation also as explained ahead. As can we seen, the starting point is emphasis on Stakeholder-Centric Economics, whereby, the dharmic approach inherently considers multiple stakeholders. The Arthashastra discusses rulers' duty to ensure all subjects' welfare, anticipating modern stakeholder theory. The Mahabharata's "sarva-bhuta-hita" (welfare of all beings) extends this orientation to environmental considerations, prefiguring planetary boundaries and ecological economics discussions.

The consideration of long-term stakeholder welfare naturally leads to sustainable development framework whereby the dharmic emphasis on duties to future generations provides philosophical foundation for sustainable development. "Paryavaran dharma" (environmental duty) suggests economic activities should not compromise future generations' ability to meet needs. This is exactly what the United Nations defines as sustainable development. The Isha Upanishad's "tena tyaktena bhunjitha" offers sustainable consumption framework balancing material needs with ecological limits.

Ethical market behaviour is another very important aspect that has been stressed upon by the Indian systems. Classical texts provide detailed guidance on ethical business practices such as fair pricing based on costs and reasonable profit, honest advertising and product representation, taking responsibility for product quality and customer welfare and clear prohibition against exploitative practices. The Mahabharata states that dharmic trade increases while adharmic trade perishes, suggesting ethical behaviour is economically advantageous long-term for everyone and not just the customer. Wealth distribution and social justice are fundamental and central aspects of the Indian Knowledge System. The dharmic approach emphasizes the social obligations of wealth holders. The concept of "dana" (charitable giving) is not merely voluntary philanthropy but a dharmic duty. The Arthashastra discusses progressive taxation and state responsibility for providing employment and social security.

The principle of "yatha-shakti" (according to capacity) suggests that contributions to social welfare should be proportional to one's ability, anticipating modern ideas about progressive taxation and social responsibility.

**Contemporary Applications:** The distinct features that unequivocally talk about welfare of all stakeholders lead to several applications in modern times, some of which are already in vogue. The first and foremost is the concept of CSR i.e. Corporate Social Responsibility. India became the first country mandating CSR spending under Companies Act 2013. Companies like Tata Group, Infosys, and Wipro have incorporated traditional values into corporate governance, with Infosys impacting 3.8 million beneficiaries through CSR projects in 2022-23. The total CSR spending increased from ₹24,966 crore in 2019-20 to ₹34,909 crore in 2022-23, representing 40% growth. Education received the highest allocation (₹10,085 crore in FY23), followed by health, rural development, and environmental sustainability. (Dristi IAS) Maharashtra led CSR spending in FY 2023 with approximately ₹5,500 crore, while non-public sector undertaking (PSU) companies reported the highest value of CSR spending. Maharashtra, Karnataka, Gujarat received the most CSR spends while North East states, Lakshadweep and Leh and Ladakh received the least CSR spendings.

Another contemporary application gaining ground is the practice of Sustainable Business Models. The dharma-artha framework suggests business models creating shared value rather than extracting from society and environment, aligning with circular economy principles, triple bottom line accounting, B-Corporation certification and impact investing. Indian renewable energy capacity reached 175 GW by 2023, with significant ESG investment growth correlating with increased sustainability focus.

**Policy Implications:** Based on ideas and arguments as mentioned, the framework suggests governments should consider regulatory frameworks incentivizing long-term thinking, tax policies accounting for social and environmental externalities, investment in education and healthcare as foundation of future prosperity and participatory decision-making that includes all stakeholders.

**Challenges and Limitations:** It is well known fact that any planning for long term benefit often clashes with the vested interests who profit from the status quo, often based on quick short-term gains. This presents issues like integration challenges and empirical limitations. Integration challenges like fragmented economic thought scattered across philosophical, legal, and literary texts have to be dealt with. Also, there are interpretation issues where combining prescriptive ideals with descriptive realities is not easy. Then, there is the persistent risk of over-romanticization, where by uncritical glorification may lead to misconceptions. Lastly, any modern adaptation of past ideas requires careful contextualization for contemporary application. A significant empirical limitation is that while theoretical frameworks are well-established, empirical validation of dharmic business practices' superior performance requires further investigation, detailed field studies and documentation. Attribution of sustainable business growth to dharmic principles versus conventional approaches needs more rigorous analysis.

## CONCLUSION

The Indian Knowledge System's integration of economics within ethical and spiritual worldview offers valuable insights for contemporary challenges. The dharma-artha framework provides comprehensive approach to economic activity addressing sustainability, inequality, and corporate responsibility issues. The key contributions of this thinking include providing a valuable theoretical framework as a viable alternative to purely materialistic approaches. Another contribution is in the field of practical applications as in stakeholder-centric business models and sustainable development. Moreover, it provides policy guidance prescribing how to achieve integration of social and environmental considerations in any economic planning. Thus, although cultural context presents universal application challenges, underlying principles of ethical wealth creation, stakeholder consideration, and long-term thinking have broad relevance.

To make the most of this, future research on this system should explore themes like sector- specific applications of dharmic principles, developing metrics for measuring dharmic business performance, traditional wisdom informing responses to AI, climate change, and global inequality, empirical validation of dharma-artha framework effectiveness and cross-cultural adaptation of Indian economic principles. The integration of dharma and artha suggests true economic success requires not just material prosperity but wisdom to use prosperity for broader human flourishing. In an age of increasing economic complexity and global interconnectedness, this ancient wisdom offers guidance that is both timeless and timely.

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