



## **28. TRADE AND COMMERCE IN ARTHASASTRA**

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### **Abstract**

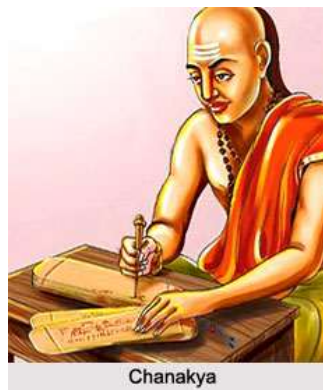
*Arthasastra, written by Chanakya, is a mine of information on various topics such as administration, statecraft, taxation, foreign policy, etc. Chanakya was the minister of the Mauryan King Chandragupta Maurya. It is said that he helped Chandragupta attain the throne of Magadha from the Nandas and establish the Mauryan Dynasty. Arthasastra is divided into 15 sections and covers almost all aspects of the administration and statecraft. The Arthasastra gives a detailed explanation of the government during its period and helps us to understand the workings of the ancient Indian government. Chanakya gives us comprehensive information of the policies of the government during his era. Arthasastra clearly lays down the various Taxation policies, Foreign policies, Punishments for crimes, Judicial policies etc followed by the kings and also advises rulers on what would be the suitable policies. Chanakya clearly understood the importance of trade in an economy and has mentioned various kinds of measures to be taken to improve and regulate trading practices. Though there is no separate section for trade, trading policies and programs are mentioned throughout the book under various sections. A proper system of rules and regulations is laid down in the Arthasastra, and the penalties in case of any infringement are also discussed. This paper aims to explore the conditions of trade and commerce during the Chanakyan era and the rules and regulations laid down on trade. The concepts of internal and external trade and the government interventions placed on trade are discussed. A brief comparison of the ancient practices and the modern practices is made.*

**Keywords-** Trade, Market, Commerce, Taxation Policy, Arthasastra.

### **1. INTRODUCTION**

Kautilya also known as Chanakya was a great Indian scholar who lived in the 4th century B.C. He was the Minister of Chandragupta Maurya who established the Maurya Dynasty. Chanakya was the person who assisted Chandragupta Maurya in conquering the throne of the Magadha

kingdom from the Nandas and establishing the Maurya dynasty. Chanakya is well known for his political wisdom and statecraft. He is the author of the famous book Arthashastra, which is considered as one of the greatest works in the field of political science. Arthashastra contains all the necessary information about the state, economy, foreign policy, judiciary system, administration etc. It is divided into 15 sections and contains about 6000 verses on various topics such as statecraft, economic policy, political science and military policy. This paper aims to study the trade practices and the policies during the period of Kautilya and understand the workings of the market in that period.



Chanakya

## 2. TRADE DURING THE MAURYAN PERIOD

According to Chanakya, the Economic activities are based on three major things: Agriculture, Cattle Farming and Trade. These are the things that would bring the Food, Animals and Gold to the country. Much importance was given to Trade and Commerce. The Commerce and Industry was not fully autonomous, there were restrictions placed by the State to regulate the Trade. It did not enjoy the benefits of a Laissez Faire System. The Laissez Faire System is where the government intervention is very minimal.

The government owned a lot of enterprises and established monopoly in certain sectors and hence the scope of private trade was narrowed down. Mines and mining industry was wholly owned by the state. The salt industry was also under the monopoly of the government. Special privileges were also given to goods produced by the government.

Such a system where public and private enterprises coexist is called a mixed economy. The Modern Indian economy is also a mixed economy where private and public sectors exist together in the market and the government employs various rules and restrictions to regulate the market and competition.

From Chanakya's accounts we can infer that both internal and external trade were flourishing during the Mauryan Era. Foreign trade was conducted both via land routes and sea routes.



**The Mauryan Empire**

### 3. TYPES OF GOODS AND WEIGHTS

Arthashastra gives 3 divisions of goods namely - Sara, Phalgu and Kupya. They are goods of higher value to lower value in order. They are under the purview of the Head Treasurer and are stored in state godowns.

Four kinds of measures and weights are given in Arthashastra for measuring the goods and services. They are

1. Measures/Sizes:                      4 Prastha = 1 Ataka  
    4 Ataka = 1 Drona

One Drona is equal to 8 to 9 litres

2. Weights:                                10 Dharana = 1 Bala

One Bala is approximately 40 grams

The Government also regulated Weights and Measures and merchants using false weights were penalised.

### 4. GOVERNMENT

The King and the Government were responsible for the protection and encouragement of Trade practices. The agricultural land, forests, mines and industries were mostly owned by the State. The goods of the Government were sold directly in the market or through agents who sold them on behalf of the Government. This concept bears a resemblance to socialism. India after independence adopted a similar approach where certain important industries were owned by the Government and private participation was allowed in others.

Chanakya calls Traders as robbers and advises the kings to protect the interests of the consumers. The King is held as the protector of his state and people. The Kings preceding the Chanakyan era did not take necessary measures for the protection of the consumers and proper economic development. The traders and merchants were not regulated properly and hence were able to exert greater influence on the market. Since traders had no regulations, they were able to exploit the consumers. Hence Chanakya proposes a proper regulation of the trade in Arthashastra.



## **5. RESTRICTIONS ON TRADE**

The restrictions were placed on trade to ensure a fair trading process. Anyone not following the rules were punished. Arthasastra also prescribes appropriate punishments for the crimes.

### **5.1 LICENCE**

धान्यपण्यनिचयांश्चानुज्ञाताः कुर्युः ।  
अन्यथा निचितमेषां पण्याथ्यक्षो गृहीयात् ॥

Arthasastra Book 4, Chapter 2 Sloka 25, 26

No trader was allowed to open a shop without licence. This regulated the sellers as inspections were undertaken before providing licence. The sellers had to only sell proper commodities and follow all rules and regulations as they had to get a licence. Due to this process greedy and fraudulent merchants were eliminated. No one was allowed to make purchases beyond their needs.

### **5.2 PROFITS**

अनुज्ञानक्रयादुपरि चैषां स्वदेशीयानां पण्यानां पञ्चकं शतमाजीवं स्थापयेत् । परदेशीयानां दशकम् ।

Arthasastra Book 4, Chapter 2 Sloka 28

Certain regulations were also placed on profits. A profit of 5% of the original cost was allowed on goods of local produce and a profit of 10% was allowed on foreign goods. Traders not following the limits were punished. This ensured that the traders did not sell the goods at high prices and exploit the consumers. But this also turns out to be a disadvantage for traders as they cannot get more profits even when the demand is high.

ततः परमर्धवर्धयतां क्रये विक्रये वा भावयतां पणशते पञ्चपणाद्विशतो दण्डः ।

Arthasastra Book 4, Chapter 2 Sloka 29

Any one charging extra profits were penalised.

### **5.3 MARKETS**

The Traders were allowed to sell their goods only in the respective market places. They were not allowed to sell the goods in the place of production or in any other place. All Commodities were examined by the respective officers and were sealed and stamped. The owners were penalised, if any damages were found in the seal. The price was also decided before sale and then the Sulka or toll and the market dues were collected.



## 5.4 CORNERING

पण्यबाहुत्यात् पण्यध्यक्षः सर्वपण्यन्येकमुखानि विक्रीणीत ।  
तेष्वविक्रीतेषु नान्ये विक्रीणीरन्

Arthasastra Book 4, Chapter 2, Sloka 34

Cornering or taking control of most of the market was also regulated. The Demand and Supply concepts were clearly understood those days and hence necessary measures were taken to prevent price fluctuation due to abnormal changes in demand and supply. Any attempt to raise or lower prices by hoarding was also punished. Groups of merchants attempting to raise prices were also severely punished. Panyadhyaksa acted as controller of goods in case of any over-supply.

## 5.5 ADULTERATION

धान्यस्तेहक्षारलवणगन्धभैषज्यद्रव्याणां समवर्णोपधाने द्वादशपणो दण्डः ।

Arthasastra Book 4, Chapter 2 Sloka 22

The Government took great care in the protection of consumers. Any adulteration in foodstuffs was severely punished. Selling of inferior goods was prohibited.

Consumer protection was given much importance. Arthasastra prescribes the punishments for exploiting the consumers. The protection of consumer's interests was emphasised by Chanakya.

## 6. GUILDS

Guild is an association or group of traders who sell the same articles. Kautilya advises the kings to regulate and control the trade as unregulated guilds may exploit the customers by increasing the prices of the articles through various means. He recommends the creation of a Board presided over by three Amatyas, to protect the interest of guilds and at the same time regulate the profits.

Any individual who was willing to join the guild possibly had to pay an entrance-fee to the guild-elders. These elders were selected based on the capacity to control the members and based on their status as good capitalists or men of original ideas. A guild had to function under the directions of the Board and the Board decided the wages and the time details for a job. It also made the decisions regarding fines and punishments for violations of the rules and regulations.

### 6.1 IMPORTANT GUILDS

Some of the important Guilds listed out by Chanakya are

1. Guilds of Weavers



- a) Weavers of Cotton cloth
- b) Wool Weavers and Blanket makers
- c) Silk Weavers
2. Guilds of Miners
3. Guilds of Metal Manufacturers
4. Carpenters
5. Workers in Masonry
6. Medical men
7. Musicians, Dancers, Actors etc.
8. Lower class Artisans like potters, basket makers, etc.

## **6.2 RESPONSIBILITIES**

The Guilds were required to provide guarantees for any items provided by customers to professionals or artists. In the case of the worker's death, it was the guild's responsibility to compensate the consumer. The workers had to complete the work within the agreed time. Time limit was not necessary in case of any specialised works. The worker had to take complete responsibility for the loss or destruction of goods by any means other than unexpected and unanticipated damages.

## **7. WORKERS AND WAGES**

### **7.1 WAGES**

Arthashastra assigned 1/10 to the labourers, when there was no stipulation as to wages. In general, the wages were decided according to previous understanding. In case of any non-payment of wages, the master or employer was fined ten times. The Employee also had the responsibility to complete the given work properly. If the employee failed to complete the work, he was fined and was even liable to be confined to the master. Exemptions were given to the workers who were unable to complete the work due to sickness, disputes or due to poor working conditions. There were rules regulating further disputes. In case of any dispute regarding wages, expert opinions were taken and government imposed decisions on both the parties. This is similar to the mediation boards employed by modern governments.

Land-owners and merchants were to pay their employees wages proportionate to the work done by them. The guiding principle which was always followed was that the wages paid should be in proportion to the work done. The labourers were bound to find some substitute, if they quit the work halfway. In case of any desertion or negligence on the part of the workman, he was penalised or warned if it was a first time offence.

### **7.2 JOINT UNDERTAKING**

There were also laws regarding joint undertaking of workers. These workmen had to complete the work within the given time and in some cases they were given a grace time of 7 days. They were supposed to stay at the workplace till the work was completed and in case of any





incompletion, they were penalised. The people employed shared the profits equally among themselves.

### **7.3 SLAVERY**

Apart from freeworkmen, there were also bonded labourers. Chanakya condemns the practice of slavery and he strives for the abolition of slavery altogether. Arthasastra forbids the selling of children to slavery irrespective of their birth and status. The seller of the child, even if it was the father, was fined and punished. The people who knew about the sale and were witnesses of the activity were also penalised. If the people who sold the child were not blood relatives of the child, then they were punished with maximum fine and at times even with death. Chanakya stood against slavery in such an age where it was supported and opposed the inhuman practice. In the Arthasastra, he denounced the practice and urged the rulers to abolish the barbaric institution and establish certain basic rights for slaves.

### **8. EXTERNAL TRADE**

Exports were encouraged by Chanakya. The Government sent commercial expeditions under merchants to find markets for their exports. Arthasastra advises to maintain a positive Balance of Payments i.e Exports greater than Imports. Due importance was given to imports too. Imported goods were allowed to be sold at the maximum number of places possible. Merchants who imported goods were given tax concessions and negotiation with good foreign traders was also proscribed. Foreign traders were invited to the country to find suitable markets for their products. They were also given various privileges and exemptions.

Chanakya understood the importance of exports and advised the rulers to promote exports in order to earn more income. A policy of export promotion is advocated in Arthasastra. Various concessions and exemptions were given by the government to promote exports. The profit margin was fixed as 10% for foreign goods as opposed to the 5% on local goods to encourage foreign trade. The tax levied varied was generally 20% on imports and 10% on exports. A lesser tax rate was levied on exports.

### **9. AMATYAS**

Amatyas were the higher ranking officials who performed various duties and wielded responsibility and power. The Highest grade of the Amaytas was the Mantrina. Young men from respectable families, wisdom and loyalty were recruited by the Government. Then they were tested by giving various jobs and tempting them with various allurements. Those who prove their worth were selected. The positions were allocated according to their ranks. Those who had the highest virtues and were above all allurements were made the highest ministers i.e. Mantrins.



**The Amatyas**

The Amatyas took care of various departments. Some of the departments as quoted by Chanakya related to Trade and Business were

1. The Department of Revenue collection was under **Samaharta** (Collector-General)
2. The Department of Mining was under the **Akaradhyaksa**. Under him were subordinates for the manufacture of each metal goods.
  - a) Lohadyaksa - Base metals
  - b) Khanyadhyaksa - Sea bed mines
  - c) Lavanadhyaksa - Salt Superintendent
  - d) Rupadarsaka - Manufacturer and examiner of coins
3. Department of regulating and controlling the work of jewellery - manufacture for the citizens and subjects was under **Sauvarnika**.
4. The Department of gold - mining and manufacture was under the **Suvarnadhyaksa**.
5. The Department for regulation and measurement of time was under the **Manadhyaksa**.
6. The Department for Superintendence of weaving was under the **Sutradhyaksa**.
7. The Department for regulating the trade of courtesans was under the **Ganikadhyaksa**.
8. The Department for toll - collection was under the **Sulkadhyaksa**. He also ascertained the price and quality of goods.
9. The Department for regulating weights and measures was under **Pautavadhyaksa**.
10. The Department for the control of supply of commodities was under the **Panyadhyaksa**. He regulated the supply, sale and price of the commodities and also issued licences for setting up any trade. He also checked for cornering and punished the adulteration of foodstuffs.
11. The Department for regulating shops and prices was under the **Samsthadhyaksa**. He superintended the sale of new or second - hand goods, put down the sale of goods of inferior quality and regulated their demand.

Chanakya has described all these departments in Arthashastra. The Sulkadhyaksa, Panyadhyaksa, Samsthadhyaksa, Pautadhyaksa and The Anatapalas enforced the regulation placed on trade by the government and ensured a good trading environment. These Amatyas were like the modern day ministers who are allotted separate departments and ensure the proper working of the department. The Amatyas also wielded considerable power in the government.





## 10. TAXES

Arthasastra mentions a well organised system of collecting taxes through various officers. Various kinds of taxes were imposed and collected. The King appointed various ministers who took care of the revenue collection process.

The major source of income after the land tax was the customs and excise duties levied. The Government levied various taxes on commodities and some of them are Tax on the sale of all articles, Tax levied on merchandise as duty and Tax on goods during transit.

Since goods were allowed to be sold only in the market places, they were first checked by the royal officer, who sealed and stamped them. They passed the jurisdiction of the Sulkadhyaksa who collected the tolls and the Panyadhyaksa who regulated the supply. All goods were examined. After the commodities were put up for sale, the Sulka was exacted together with market-dues.

The Government levied duties on both the imports and exports. The rate of levy for imports was 20% and it was 10% on exports.

The scale of duties were as follows:

1. 1/6th on fruits, flowers, grains, fish, meat.
2. 1/15 to 1/10 on linen goods, varieties of cotton fabric, metals, sandalwood varieties, varieties of cloth etc.
3. 1/25 to 1/20 on cotton fabric, animals, medicines, leather goods, grains, rice, oils, wine, cooked rice etc.

The Toll levied at the entry gate varied for different people.

In addition to these duties, some of the other duties collected were

1. Taxes levied by frontier officials
2. Tax at ferries which were managed by the king
3. Conveyance cess
4. Tax on loads or beasts of burden

The government benefited from the various taxes levied on trade and commerce. The Rulers clearly understood the importance of proper taxation policy and set the tax rates appropriately. Even today a similar system is followed, exports are encouraged more than imports and hence a higher duty is levied on imports. Only when we export the goods, we earn more money. If import is more than exports, it means more money is leaving the country than it is coming in.



## **11. ANALYSIS**

The Arthasastra beautifully portrays the system of trade during the Mauryan era. Chanakya explains a mixed economy where both public and private enterprises coexist with each other. The Private traders were also not allowed to operate according to their own will and were constrained by various rules and regulations laid down by the government, so that they may not exploit the consumers. A proper organisational setup was established and ministers or Amatyas were allotted separate divisions to operate. The King ensured that all the ministers worked meticulously and settled any disputes or disagreements. The Samaharta was in charge of the revenue collection and ensured that taxes and duties were collected diligently. The custom and excise duties were a major source of income for the state and it differed for each product. Duties were levied on both imports and exports at 20% and 10% respectively. Lesser duties were levied on exports to encourage more exports.

Consumer protection was given due importance through various measures to prevent adulterated products, large price changes etc. Chanakya mentions the regulations of profits, a profit of 5% was allowed on local goods and 10% on foreign products. Diverse measures were also taken to promote foreign trade, especially exports. Various kinds of exemptions were given for foreign trade. Arthasastra also provides certain protections for traders such formation of guilds, protection of the goods by the state etc. Apart from consumers and trades, the Arthasastra also prescribes the protection of the workers through fines and penalties in case of non-payment of proper wages. Chanakya also takes a strong stand against slavery and prescribes to abolish the barbaric practice.

Modern India has various elements which are mentioned in Arthasastra. The adoption of a mixed economy, regulations on trade, consumer protection, protection of workforce etc are some elements which we can observe. Though the environment has changed according to the time, the core values given by Chanakya still remain relevant and useful for the modern world.

## **12. CONCLUSION**

Arthasastra is a comprehensive guide for learning the economic systems and trading practices of its era. Much of the information given in the book is still relevant today. Chanakya gives due importance to Consumer protection and labour protection which is highly essential in today's modernised and fast moving world. The various rules and regulations placed on trade gives us an idea on how the government regulated the businesses for the welfare of people. A look into the ancient system shows us how the Mauryans built such a strong economy. Chanakya's information is plentiful and continues to be useful today. This demonstrates Chanakya's excellence and depth of knowledge on the subject. He throws more light on the workings of the ancient Indian System than any other work. It is rightly considered as one of the greatest works in Sanskrit by scholars.



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