

From Moral Duty to Market Integrity: Ancient Indian Ideals as Pillars of Modern Business Ethics

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Abstract

The lasting relevance of ancient Indian political and ethical philosophy specifically, Rajadharma and Kautilya's Arthashastra in influencing modern corporate governance and commercial ethics is examined in this study. It emphasises how these ancient writings combine economic endeavours (artha) with moral obligations (dharma), providing a framework in which the generation of wealth is consistent with societal welfare, accountability, and transparency. While Arthashastra offers useful tools for administrative integrity, fiscal ethics, and market regulation, Rajadharma highlights the ruler's moral obligation as an example of moral leadership. Collectively, they foreshadow contemporary ideas like stakeholder accountability, corporate social responsibility, and sustainable business practices. This study shows that ethical stewardship is not simply a historical ideal but also a strategic imperative for modern businesses looking for long-term legitimacy, public trust, and holistic prosperity by bridging the gap between moral theory and practical governance. The study promotes the incorporation of indigenous knowledge into contemporary management, arguing that when moral values direct economic activity, long-term corporate success is possible.

Keywords:

Rajadharma, Arthashastra, Business Ethics, Corporate Governance, Moral Economy, Stakeholder Responsibility, Ethical Leadership, Sustainable Practices, Dharma, Accountability.

Introduction

Business ethics concerns, ranging from environmental neglect to accounting fraud, have reignited interest in moral governance around the world. India's classical philosophy has a unique solution. One of the first syntheses of ethics and administration is found in Arthashastra, Kautilya's treatise on polity and economics, and Rajadharma, the ruler's moral obligation (Subha, 2023). Both maintain that pursuing riches (artha) must stay within the bounds of morality (dharma). Bhīṣma informs Yudhiṣṭhira in Mahabharata's Shanti Parva (XII.122) that a ruler's satisfaction is derived from the happiness of his

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subjects. This moral reasoning is echoed by Kautilya, who states that "the king's happiness lies in the happiness of his subjects; in their welfare his welfare" (Arthashastra I.19, p. 71).

Thus, these works foreshadow the contemporary shift from profit maximisation to stakeholder accountability and from authoritarian authority to moral governance. This article re-examines this moral-economic continuum and makes the case that the rajadharmic sense of obligation is still essential to business activity in the twenty-first century.

Literature Review

The ethical aspects of Indian politics have been traced by academics from various fields. Kautilya is regarded by Sihag (2009) as an early proponent of "ethical capitalism," fusing justice and efficiency (pp. 80–88). Rajadharma is emphasised by Subha (2023) as a moral code that establishes the ruler's responsibility (pp. 22–24). According to Tripathi and Patel (2024), the Dharmashastra texts emphasise social welfare and honesty, making them the first standards of professional ethics (pp. 28–30). These concepts are similar to the frameworks of the Sustainable Development Goals that emphasise inclusive progress, according to recent governance studies (Senthamizh Veena, 2024). According to comparative readings (Pandey, 2024), Arthashastra's auditing and surveillance systems were forerunners of contemporary compliance systems. When taken as a whole, this research shows that financial wealth (artha) and moral order (dharma) were never viewed as mutually exclusive but rather as complementary.

3. Rajadharma: Moral Duty as Governance Ethic

3.1 Concept and Scope

"The dharma of the ruler" is the literal translation of rajadharma. Originating from Vedic traditions and expounded in epics, it enshrined the duties of leadership: temperance, welfare, and justice (nyāya and yogakṣema, respectively). According to the Mahabharata (XII.88.13–17), the king is the defender of the truth and the guardian of the weak. This ideology changed kingship into a trusteeship, where power existed only for the benefit of the people (Subha 2023, p. 23).

3.2 Ethical Implications for Commerce

Ancient writings acknowledged that governance is reflected in economic life. It was expected of merchants and guilds (śreṇīs) to follow dharma, which includes exact measurement, fair salaries, and honest trade. Among the king's responsibilities were market supervision, exploitation prevention, and distributive justice. As a result, Rajadharma created a moral model for modern corporate social responsibility (CSR): power means protection rather than exploitation.

3.3 Continuity in Modern Governance

Rajadharma is specifically mentioned in the policy discourse of modern India. "Good Governance Day," according to the Press Information Bureau (2024), is a reaffirmation of rajadharma, or administration that is moral, open, and welfare-oriented. The rajadharmic expectation of responsibility also translates into obligation towards the community, customers, and employees in corporate management.

4. Kautilya's Arthashastra: The Economics of Ethics

4.1 Integrating Artha and Dharma

Political economy is examined from a moral perspective in Kautilya's Arthashastra (4th century BCE), which connects artha (wealth) and dharma (righteousness). The foundation of Kautilya's governance philosophy is the conviction that moral behaviour is the best way to sustain wealth. Kautilya insisted that "ethical behaviour was essential for maximising long-term wealth," emphasising the moral underpinnings of economic stability, as Sihag (2009, p. 81) notes.

A monarch who is unable to restrain his desires cannot rule justly, according to Book I, which places a strong emphasis on the ruler's self-control. Asserting that rulers should collect money "like a bee gathers honey without harming the flower," Book II advocates equitable taxation (Arthashastra, II.1, p. 112). Kautilya's balanced approach to public welfare and state revenue is highlighted by this analogy. Book IV denounces corruption, stating that corrupt officials pose a threat to the state's moral fibre and economy. As a result, Arthashastra combines prudence and virtue—that is, moral values with sensible government. According to Kautilya, pursuing wealth at the expense of morality breeds chaos, whereas moral leadership guarantees legitimacy and success. His theories, which predate contemporary economics by centuries, anticipated subsequent concepts of responsible governance and the ethical aspect of economic conduct.

4.2 Market Regulation and Consumer Protection

Book II (Chapters 21–22) describes trade supervision. There were penalties for hoarding, adulteration, and price manipulation (Kautilya, 1960, pp. 198–199). To maintain equity, merchants were permitted to make small profits 5% on domestic items and 10% on foreign ones. Transparency and consumer welfare, which are fundamental to contemporary company law, are embodied in these regulations. According to Devi (2015), these provisions demonstrate "ancient consumer protection" (p. 312).

4.3 Fiscal Ethics and Public Finance

Kautilya promoted progressive taxation, which would have benefited peasants in times of need while increasing the taxation of wealthier individuals (Kautilya, 1960, II.6, p. 119). According to Tripathi and Patel (2024, p. 29), this distributive justice concept is reminiscent of the early welfare state model. Revenue was a means to social security rather than an objective in and of itself, reflecting Rajadharma's emphasis on welfare.

4.4 Accountability and Administrative Integrity

An elaborate auditing system is established in Book II (Chs. 7–9). All officials were inspected, and embezzlement carried harsh penalties (pp. 125–132). This is referred to as "a proto-audit culture ensuring moral governance" by Pandey (2024, p. 205). Ethical leadership and institutional honesty are

linked by the adage "as is the king, so are his subjects" (Arthashastra I.7, p. 45), which is reflected in modern corporate ethics guidelines.

5. Dharma and the Moral Economy of Business

According to Indian culture, trade is a noble occupation that transcends governmental boundaries. According to the Manusmriti, a merchant who fabricates weights and measures is committing theft (VIII.403, p. 292). Therefore, economic integrity was a part of spiritual discipline as well as a civic obligation. Tripathi and Patel (2024, p. 30) claim that such directions underscore the unbreakable bond between personal virtue and professional conduct by equating moral transgression with commercial deceit. Trade was seen as a kind of *seva* (service) that promoted social peace and the welfare of the whole, rather than just the pursuit of wealth.

Kautilya expanded this ethical framework into the legal and economic spheres with his concept of *vyavahāra*, or lawful transaction. His idea of a just marketplace required fair arbitration, openness in pricing, and truth in contracts. These conflict settlement procedures are similar to those seen in contemporary commercial courts (Arthashastra, III.1–2, p. 173). According to Sihag (2009, p. 86), this was an early example of business ethics being institutionalised, where morality and legality maintained economic stability. Therefore, the moral economy of ancient India already incorporated honesty and trust, two concepts that modern behavioural economists like Akerlof and Kranton (2010) see as essential for market efficiency.

Additionally, the Dharmashastra tradition emphasised *samanya dharma* (universal values) including truth, compassion, and non-violence, placing ethical obligations on kings, workers, and merchants alike (Rao, 2020, p. 59). These qualities made guaranteed that pursuing material prosperity didn't upset the natural equilibrium of society or the environment. These old directives are echoed by contemporary concepts of fair trade, corporate responsibility, and sustainable business. Therefore, the Indian model of economic morality combines practical business methods with spiritual principles to establish a system in which profit is earned morally and shared with others.

6. Synthesis: Rajadharma and Arthashastra in Modern Perspective

6.1 Ethical Governance and Corporate Responsibility

Modern CSR concept is directly informed by the rajadharmic principle that authority must serve the people. Kautilya used institutional checks to operationalise this obligation. When taken as a whole, they show a spectrum from ethical aim to legal compliance. Similar principles, such as community development, fair labour, and environmental stewardship, are demanded of today's businesses.

6.2 Accountability Mechanisms

Both systems understood that supervision is necessary for integrity. Arthashastra creates bureaucratic control, but Rajadharma demands personal virtue. This dual model inner conviction backed by external verification—is replicated in modern ethical programs, independent audits, and whistleblower rules (Pandey, 2024, p. 208).

6.3 Setting a Moral Example in Leadership

Kautilya's saying that "as is the king, so are his subjects" and Bhīṣma's advice that a ruler's actions mould the realm agree on the need of moral leadership. This realisation is supported by contemporary management theory, which holds that company culture is defined by the tone at the top (Kumar & Sharma, 2022, p. 44). Therefore, the moral core of governance continues to be leadership.

6.4 From State Ethics to Market Integrity

When the ethical grammar of *Rajadharma* meets the pragmatic prose of *Arthashastra*, the result is a coherent model of moral capitalism markets governed by duty. The United Nations' SDG 16 ("Peace, Justice, and Strong Institutions") resonates with this vision. Senthamizh Veena (2024, p. 215) argues that reviving indigenous ethics can make global development more humane and culturally grounded.

7. Policy and Business Implications

1. Codify Ethical Governance

Organizations should formulate *rajadharmic* charters that explicitly link profits with public welfare. These charters guide business decisions toward ethical outcomes. They institutionalize responsibility to stakeholders beyond shareholders. In doing so, businesses align financial success with societal good.

2. Ethics Education

Business schools can integrate *Arthashastra* and *Dharmashastra* teachings into curricula. This approach fosters culturally grounded moral reasoning among students. Case studies based on historical Indian commerce provide practical learning. Graduates develop the ability to balance profitability with ethical responsibility.

3. Stakeholder Auditing

Kautilya's multi-tier audit system inspires modern integrated reporting standards. Organizations can measure financial, social, and environmental performance collectively. Regular audits increase transparency and accountability to all stakeholders. This approach ensures that ethical oversight becomes an organizational habit.

4. Transparency Through Technology

E-governance tools can monitor processes and share real-time data responsibly. Digital platforms like blockchain or reporting dashboards ensure visibility in operations. Properly applied, technology

promotes trust without coercion. It reflects Kautilya's principle of continuous oversight adapted for modern business.

5. Leadership Training

Executives should emulate Kautilya's ideals of self-discipline, temperance, and justice. Training programs can focus on ethical decision-making under complex situations. Mentorship and scenario-based learning help internalize moral values. This builds leaders who uphold integrity at every level of the organization.

6. From Moral Duty to Market Integrity

These strategies collectively shift the corporate focus from mere compliance to core ethical identity. Integrating ancient wisdom with modern tools fosters sustainable business practices. Ethical conduct becomes a strategic advantage rather than a constraint. Businesses gain long-term trust and societal legitimacy. These strategies embody the transition "from moral duty to market integrity," grounding contemporary capitalism in timeless ethics.

Conclusion

The foundations of contemporary business ethics in India are deeply ingrained in the country's philosophical and moral traditions, as demonstrated by the intertwining of Rajadharma and Kautilya's Arthashastra. According to these traditional frameworks, moral duty and political and economic power were always intertwined. Only when dharma (righteousness) acted as a guidance could the pursuit of artha (wealth) be justified, guaranteeing that prosperity benefited society as a whole.

Fundamentally, Rajadharma is the basis of all government and represents moral obligation. In ancient polities, the king served as a moral guardian of the general welfare, a role that is easily transferred to contemporary business leadership. The modern corporate leader must balance profit-making with justice, compassion, and social responsibility, much as the ruler was supposed to maintain accountability and justice. In this way, leadership turns into an act of service rather than dominance, echoing the rajadharmic idea that virtue and power must coexist.

This ethical outlook is complemented by practical governance techniques in Kautilya's Arthashastra. It offers the first ethical regulation model, with a focus on institutional accountability, transparency, and financial restraint.

It was expected of every administrator to behave honourably, embodying the idea that justice, not exploitation, is the source of long-term prosperity. These concepts predict contemporary ethical governance frameworks, when morality becomes a pragmatic requirement for the longevity of an organisation. Examples of these frameworks include CSR, fair trade, and anti-corruption legislation.

Re-examining these ideas provides a potent remedy for the excesses of materialism and the culture of

short-term profit in the contemporary global economy. Rajadharma and Arthashastra's confluence shows that ethics and economics are interdependent rather than diametrically opposed. Long-term success, societal stability, and public trust are the results of business integrity that is based on moral obligation. Ultimately, the dharmic vision reminds us that wealth without virtue is fleeting, but virtue with wealth ensures enduring prosperity. By aligning market practices with the timeless ideals of duty, justice, and compassion, modern enterprises can rediscover the essence of *Rajadharma* — where the true measure of success lies in harmony between profit and principle.

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