The Arthashastra and ESG Finance: Ancient Indian Insights for Responsible Wealth Creation

Bharathi Karanth [1], Prakash Pinto [2] & Ajaya Anchan [3]
[1] Professor, Poornaprajna Institute of Management, Udupi, Karnataka State, India,
Orcid ID: 0000-0002-4456-7901; E-Mail: bharathikaranth@pim.ac.in
[2] Professor and Dean, Department of Business Administration, St. Joseph Engineering College, Vamanjoor, Mangalore, Karnataka, India,
Orcid ID: 0000-0001-8168-9679; E-Mail: prakashp@sjec.ac.in
[3] Assistant Professor & HOD, Post-graduate Studies in Commerce, Government First Grade College and PG Studies Centre, Haleyangadi, Karnataka, India,
Orcid ID: 0000-0002-4890-6181; E-Mail: ajayaanchan@gmail.com

Area/Section: IKS in Business Management.
Type of Paper: Conceptual/Exploratory Analysis.
Number of Peer Reviews: Two.
Type of Review: Peer Reviewed as pe |C|O|P|E| guidance.
Indexed in: OpenAIRE.
DOI: https://doi.org/10.5281/zenodo.22147939
Google Scholar Citation: PIJMESS

How to Cite this Paper:
Karanth B., Pinto P. & Ajaya A. (2026). The Arthashastra and ESG Finance: Ancient Indian Insights for Responsible Wealth Creation. *Poornaprajna International Journal of Management, Education & Social Science (PIJMESS)*, *3*(2), 251-263. DOI: https://doi.org/10.5281/zenodo.22147939

Poornaprajna International Journal of Management, Education & Social Science (PIJMESS)
A Refereed International Journal of Poornaprajna Publication, India.
ISSN: 3107-4626

Crossref DOI: https://doi.org/10.64818/PIJMESS.3107.4626.0063

Received on: 14/07/2026
Published on: 29/08/2026

The Arthashastra and ESG Finance: Ancient Indian Insights for Responsible Wealth Creation

Bharathi Karanth [1], Prakash Pinto [2] & Ajaya Anchan [3]

[1] Professor, Poornaprajna Institute of Management, Udupi, Karnataka State, India,
Orcid ID: 0000-0002-4456-7901; E-Mail: bharathikaranth@pim.ac.in

[2] Professor and Dean, Department of Business Administration, St. Joseph Engineering College, Vamanjoor, Mangalore, Karnataka, India,
Orcid ID: 0000-0001-8168-9679; E-Mail: prakashp@sjec.ac.in

[3] Assistant Professor & HOD, Post-graduate Studies in Commerce, Government First Grade College and PG Studies Centre, Haleyangadi, Karnataka, India,
Orcid ID: 0000-0002-4890-6181; E-Mail: ajayaanchan@gmail.com

ABSTRACT

Purpose: *To explore the conceptual synergies between Kautilya's Arthashastra and modern Environmental, Social, and Governance (ESG) finance, and to establish that ancient Indian fiscal wisdom offers a timeless ethical framework for responsible and sustainable wealth creation.*

Methodology: *The study adopts a qualitative, conceptual, and exploratory research design. Using an interpretive and analytical approach, it draws on standard scholarly translations of the Arthashastra and on peer-reviewed scholarship on ESG, corporate governance, sustainability, and ethical finance. Thematic analysis is used to derive and compare themes from both bodies of knowledge, and the resulting linkages are organised into a conceptual framework.*

Analysis: *The paper analyses the governance, administrative, welfare, and resource-management prescriptions of the Arthashastra and maps them systematically against the three pillars of ESG. It examines Kautilya's mechanisms of accountability and anti-corruption control, his welfare-oriented economics, and his prescriptions for the sustainable use of land, water, and forests, comparing each with modern ESG theory and evidence.*

Results: *The study finds that the Arthashastra constitutes a coherent 'proto-ESG' framework that predates and conceptually anticipates modern sustainability standards. Unlike modern ESG models, which frequently treat the three pillars as separate, Kautilya's approach integrates governance, social welfare, and environmental stewardship into a single, interdependent model of responsible statecraft and wealth creation.*

Originality/Value: *The paper offers a culturally grounded, value-based foundation for ESG finance, demonstrating that ESG principles are not purely contemporary innovations but are rooted in enduring ethical traditions. It argues that integrating Arthashastra-inspired ethics into financial policy and corporate strategy can strengthen ESG compliance, reinforce stakeholder trust, and enhance long-term resilience.*

Type of Paper: *Conceptual / Exploratory Analysis.*

Keywords: Arthashastra, ESG Finance, Kautilya's Economic Thought, Sustainable Wealth Creation, Financial Ethics, Corporate Governance, Stakeholder Welfare, Responsible Investing, Indian Knowledge Systems.

1. INTRODUCTION :

The contemporary pursuit of Environmental, Social, and Governance (ESG) finance reflects a decisive shift in the way capital markets, corporations, and policymakers understand the purpose of wealth creation. For much of the modern era, financial success was measured almost exclusively by profitability and shareholder return. The mounting pressures of climate change, social inequality, and repeated failures of corporate governance have exposed the inadequacy of this narrow measure and have driven the emergence of ESG as a mainstream framework for evaluating the responsibility and resilience of economic activity (Friede et al. (2015). [15]; Gillan et al. (2021). [16]). ESG finance underscores the urgent need for ethical, sustainable, and inclusive models of wealth creation in which environmental stewardship, social welfare, and sound governance are treated as integral to long-term value rather than as external constraints upon it.

Although ESG is often presented as a recent innovation, the ethical questions it addresses are ancient. Long before the formalisation of modern sustainability frameworks, Kautilya's Arthashastra – an Indian treatise on statecraft, economics, and administration composed around the fourth century BCE – articulated principles that resonate deeply with today's ESG ideals (Shamasastry (1915). [1]; Rangarajan (1992). [3]). The Arthashastra advocates prudent financial management, accountability in the utilisation of public resources, fair and calibrated taxation, and the welfare of all stakeholders, together with the careful stewardship of land, water, and forests. These prescriptions, developed in the service of a stable and prosperous state, anticipate the governance, social, and environmental pillars that structure contemporary ESG practice (Sihag (2004). [4]; Muniapan et al. (2007). [6]).

This convergence is more than a historical curiosity. Modern ESG frameworks, for all their analytical sophistication, are frequently criticised for lacking a deep ethical and philosophical foundation. They specify what should be measured and disclosed, but they are less articulate about why responsibility matters and how it should be internalised as a matter of duty rather than compliance (Chakraborty (1995). [8]; Porter et al. (2011). [13]). The Arthashastra addresses precisely this gap. Its integration of ethics, welfare, and sustainability within a unified vision of responsible governance offers a normative grounding that can enrich the moral depth and practical applicability of ESG, particularly in emerging economies where culturally resonant frameworks command greater legitimacy (Muniapan et al. (2007). [6]; Muniapan et al. (2008). [7]).

This paper explores the synergies between ancient Indian fiscal wisdom and modern ESG finance. By reinterpreting Kautilya's economic thought through the lens of contemporary sustainability standards, the study seeks to establish that the Arthashastra offers a timeless and culturally grounded ethical framework for responsible wealth creation. It argues that integrating Arthashastra-inspired ethics into financial policy and corporate strategy can strengthen ESG compliance, reinforce stakeholder trust, and ensure long-term resilience in the global financial ecosystem. In pursuing this argument, the paper contributes to the growing scholarship that seeks to recover indigenous knowledge systems as resources for addressing contemporary economic challenges (Sihag (2007). [5]; Muniapan et al. (2007). [6]).

2. OBJECTIVES OF THE STUDY :

The present study is guided by the following objectives:

(1) To examine the economic and governance principles articulated in Kautilya's Arthashastra.

(2) To analyse the concept of ESG finance and its three constituent dimensions in the contemporary context.

(3) To identify the similarities and points of convergence between Kautilya's principles and the environmental, social, and governance dimensions of ESG.

(4) To develop a conceptual framework that links the Arthashastra with modern ESG finance.

(5) To assess the relevance and applicability of ancient Indian insights within modern financial systems and to derive implications for policy, corporate practice, and management education.

3. REVIEW OF LITERATURE :

The literature relevant to this study spans two broad domains that have, until recently, developed largely in isolation: scholarship on Kautilya's Arthashastra and its economic and administrative thought, and scholarship on ESG finance and corporate sustainability. This review synthesises both domains and identifies the emerging body of work that connects indigenous knowledge systems with modern sustainability.

The foundational understanding of the Arthashastra rests on its scholarly translations and interpretive studies. Shamasastry's early translation made Kautilya's treatise accessible to modern scholarship, revealing a detailed system of administration, taxation, and economic regulation (Shamasastry (1915). [1]). Kangle's critical edition and translation established the standard scholarly text of the treatise (Kangle (1969). [2]), and Rangarajan's comprehensive rendering systematised Kautilya's thought on governance, welfare, and resource management into a coherent body of political economy (Rangarajan (1992). [3]). Sihag has argued in a series of rigorous studies that Kautilya anticipated modern ideas in accounting, auditing, and institutional economics, emphasising the sophisticated treatment of accountability and the prevention of fraud (Sihag (2004). [4]), and that his account of institutions, governance, knowledge, ethics, and prosperity forms a coherent theory of good governance (Sihag (2007). [5]). Muniapan and Shaikh explicitly frame the Arthashastra as a source of lessons in corporate governance, drawing direct parallels between Kautilya's administrative controls and modern governance mechanisms (Muniapan et al. (2007). [6]), while Muniapan and Dass derive a philosophy of corporate social responsibility from the ancient Indian perspective (Muniapan et al. (2008). [7]).

A second stream examines Indian ethical traditions as foundations for responsible business. Chakraborty's work on Management by Values argues that sustainable organisational effectiveness depends on aligning managerial practice with the ethical values of Indian philosophy rather than importing value systems detached from their cultural roots (Chakraborty (1995). [8]). This stream establishes that Indian traditions offer holistic, values-centred approaches to organisational conduct that extend beyond compliance.

A third stream comprises the core theoretical scaffolding of ESG and sustainability. Freeman's stakeholder theory reframes the corporation as accountable to a broad constituency rather than to shareholders alone, providing the conceptual basis for the social dimension of ESG (Freeman (1984). [10]). Elkington's Triple Bottom Line insists that economic performance be balanced against social and environmental outcomes (Elkington (1997). [11]), while Raworth's ecological economics argues that economic activity must operate within planetary boundaries (Raworth (2017). [12]). Sen's capability approach reorients the measure of progress toward human development and social justice, informing welfare-oriented conceptions of the social pillar (Sen (1999). [9]). The origin of the ESG term itself is conventionally traced to institutional efforts to integrate these considerations into mainstream finance (UN Global Compact (2004). [17]).

A fourth stream provides empirical and strategic grounding for ESG. Eccles, Ioannou, and Serafeim demonstrate that firms with strong sustainability and governance structures tend to achieve superior long-term performance (Eccles et al. (2014). [14]). Porter and Kramer's concept of shared value argues that transparent, accountable governance and attention to societal needs create value for both business and society (Porter et al. (2011). [13]). Friede, Busch, and Bassen synthesise a large body of evidence linking ESG factors to financial performance (Friede et al. (2015). [15]), and Gillan, Koch, and Starks review the maturing field of ESG research and its implications for corporate behaviour (Gillan et al. (2021). [16]).

The interpretation of Kautilya's economic thought has been deepened by a further body of scholarship. Kumar and Rao distil from the treatise a set of guidelines for value-based management, arguing that ethical conduct and stakeholder welfare are integral to Kautilyan administration (Kumar et al. (1996). [18]). Sihag extends his analysis of Kautilyan institutions to the provision of public goods and the design of fair taxation (Sihag (2005). [19]) and to the interdependence of law, economics, and ethics in securing prosperity (Sihag (2009). [20]), while Muniapan reads the Arthashastra as a source of principles for organisational management (Muniapan (2008). [21]). Modern scholarly translations and studies by Olivelle and Trautmann have further clarified Kautilya's system of governance, law, and wealth, consolidating the treatise's standing as a serious work of political economy (Olivelle (2013). [22]; Trautmann (2012). [23]).

The ESG literature itself has broadened from foundational theory toward the practical questions of measurement and use. The stakeholder conception has been elaborated into a mature body of theory that specifies how firms create value for, and are accountable to, their constituents (Freeman et al. (2010). [24]), extending the classical debate over whether the social responsibility of business is confined to the maximisation of profit (Friedman (1970). [25]). Carroll's pyramid situates economic, legal, ethical, and philanthropic responsibilities within a single model of corporate conduct (Carroll (1991). [26]), and the Brundtland Commission's definition of sustainable development as meeting present needs without compromising those of future generations supplies the environmental pillar with its normative charter (World Commission on Environment and Development (1987). [27]). More recent scholarship documents how investors actually use ESG information (Amel-Zadeh et al. (2018). [28]; Van Duuren et al. (2016). [29]) and exposes the substantial divergence among competing ESG rating systems, a measurement problem that complicates the comparison and integration of the three pillars (Berg et al. (2022). [30]).

Taken together, the literature reveals a significant gap: while Kautilyan scholarship and ESG scholarship each command substantial depth, the systematic mapping of the Arthashastra onto the three pillars of ESG remains underdeveloped. The present study addresses this gap by constructing an explicit conceptual bridge between ancient Indian economic thought and modern sustainability frameworks. Table 1 summarises the principal contributions reviewed.

Table 1: Summary of the verified literature

S. No.	Domain / Theme	Key Contribution	Reference
1	Arthashastra translation	Detailed system of administration, taxation, and economic regulation.	Shamasastry (1915). [1]
2	Arthashastra critical edition	The standard scholarly text of the treatise.	Kangle (1969). [2]
3	Arthashastra political economy	Systematisation of governance, welfare, and resource management.	Rangarajan (1992). [3]
4	Kautilyan accounting & ethics	Accounting, auditing, and anti-fraud control in ancient India.	Sihag (2004). [4]
5	Kautilyan governance	Institutions, governance, knowledge, ethics, and prosperity.	Sihag (2007). [5]
6	Corporate-governance parallels	The Arthashastra as a source of corporate-governance lessons.	Muniapan & Shaikh (2007). [6]
7	CSR from ancient India	A philosophy of CSR from the ancient Indian perspective.	Muniapan & Dass (2008). [7]
8	Indian ethos / value-based mgmt.	Management by Values grounded in Indian ethics.	Chakraborty (1995). [8]
9	Capability approach	Human development and justice as measures of progress.	Sen (1999). [9]
10	Stakeholder theory	The firm accountable to a broad constituency of stakeholders.	Freeman (1984). [10]
11	Triple Bottom Line / ecology	Balancing economic, social, and environmental performance within limits.	Elkington (1997). [11]; Raworth (2017). [12]
12	ESG performance & review	Sustainability/governance linked to performance; field review; ESG origin.	Eccles et al. (2014). [14]; Friede et al. (2015). [15]; Gillan et al. (2021). [16]; UNGC (2004). [17]

4. RESEARCH METHODOLOGY :

The present study adopts a qualitative, conceptual, and exploratory research design to examine the relationship between Kautilya's Arthashastra and contemporary ESG finance. A qualitative approach is appropriate because the study seeks to interpret philosophical and administrative concepts and to analyse their relevance to modern financial frameworks rather than to quantify variables. The exploratory nature of the research enables the identification of new linkages between ancient economic thought and contemporary sustainability practice, thereby contributing to theory-building in the domain of value-based finance.

The study follows an interpretive and analytical approach, focusing on understanding the underlying principles of the Arthashastra and their alignment with the ESG dimensions. The interpretive approach facilitates a close examination of the ancient text through its standard scholarly translations, allowing the researchers to extract the meanings, values, and ethical constructs embedded within Kautilya's economic philosophy. The analytical approach, in turn, enables a systematic comparison between these principles and modern ESG frameworks, ensuring a structured and logical evaluation of their convergence.

The research is based entirely on secondary data sources, including classical texts, academic books, and peer-reviewed journal articles related to ESG finance and sustainability. The primary references are the Arthashastra in the standard translations of Shamasastry (Shamasastry (1915). [1]), Kangle (Kangle

(1969). [2]), and Rangarajan (Rangarajan (1992). [3]), supplemented by peer-reviewed literature on Kautilyan governance, ESG, corporate governance, sustainability, and ethical finance. The selection of sources is guided by relevance, credibility, verifiability, and scholarly contribution; each source was traced to an identifiable and retrievable publication.

To analyse the data, the study employs thematic analysis, a widely used qualitative technique for identifying, analysing, and interpreting patterns within textual material. Key themes were derived from both the Arthashastra and the ESG literature – including governance and accountability, social welfare, ethical administration, and environmental stewardship. These themes were systematically categorised and compared to establish conceptual linkages between the ancient economic principles and the modern sustainability framework, and were then organised into the conceptual framework presented in Section 8.

The scope of the study is confined to a conceptual examination of the intersection between the Arthashastra and ESG finance. It focuses on identifying philosophical and structural parallels and on developing a theoretical framework rather than on conducting empirical validation. The principal limitations of the study are therefore its conceptual and interpretive character, the variation in scholarly interpretation of the Arthashastra, and the consequent need for empirical corroboration before the framework is generalised.

5. OVERVIEW OF KAUTILYA'S ARTHASHASTRA :

The Arthashastra, attributed to Kautilya – also known as Chanakya or Vishnugupta – is among the most comprehensive treatises on statecraft and political economy in the ancient world. Composed around the fourth century BCE and associated with the Mauryan empire, it is not a work of abstract philosophy but a practical manual of governance, addressing the acquisition, protection, and just administration of wealth (artha) for the welfare of the state and its people (Shamasastry (1915). [1]; Rangarajan (1992). [3]). Its scope is remarkably wide, encompassing administration, law, taxation, agriculture, trade, labour, foreign policy, and the management of natural resources.

A defining feature of the Arthashastra is its insistence that the prosperity of the ruler is inseparable from the prosperity of the ruled. Kautilya famously holds that the happiness of the king lies in the happiness of his subjects and that in their welfare lies his welfare. This principle transforms wealth creation from an end in itself into a means of sustaining collective well-being, and it establishes a stakeholder orientation at the very foundation of the treatise. The state's revenue is legitimate only insofar as it is raised fairly and deployed for the common good (Rangarajan (1992). [3]; Sihag (2007). [5]).

The Arthashastra devotes extraordinary attention to the mechanisms of accountable administration. It prescribes detailed systems of accounting and auditing, the maintenance of records, the periodic verification of official conduct, surveillance to detect malfeasance, and graduated penalties for the misappropriation of public resources. Kautilya enumerates the varieties of embezzlement and the means of detecting them, reflecting a sophisticated understanding of the agency problems that arise when officials manage resources on behalf of the state (Sihag (2004). [4]). These provisions constitute an early and elaborate framework of institutional control designed to secure integrity in the exercise of power (Muniapan et al. (2007). [6]).

Equally striking is the Arthashastra's treatment of natural resources. It sets out rules for the protection of forests, the management of water and irrigation, the regulation of mining, and the sustainable use of agricultural land, recognising that the long-term stability of the economy depends upon the careful stewardship of the environment. Conservation is treated not as a moral luxury but as a condition of enduring prosperity (Shamasastry (1915). [1]). Taken together, these features present the Arthashastra as a unified vision of responsible statecraft in which governance, welfare, and environmental care are woven into a single fabric of economic management.

6. UNDERSTANDING ESG FINANCE :

ESG finance refers to the integration of environmental, social, and governance considerations into financial decision-making, investment analysis, and corporate strategy. It rests on the premise that a firm's long-term value and resilience depend not only on its financial performance but also on how it manages its environmental impact, its relationships with employees, customers, and communities, and the integrity of its own governance. The term itself gained prominence through institutional efforts in the early twenty-first century to persuade capital markets that these factors are material to long-term returns (UN Global Compact (2004). [17]).

The environmental dimension addresses a firm's stewardship of the natural world, including its management of climate impact, energy and water use, waste, pollution, and biodiversity. It is informed by frameworks such as the Triple Bottom Line, which insists that economic performance be balanced against social and environmental outcomes (Elkington (1997). [11]), and by ecological economics, which argues that sustainable prosperity requires operating within the boundaries of the natural environment (Raworth (2017). [12]). Firms that neglect this dimension expose themselves to regulatory, reputational, and physical risks that increasingly bear on financial performance.

The social dimension concerns a firm's relationships with people: its treatment of employees, its impact on communities, its attention to health, safety, diversity, and human rights, and its contribution to inclusive development. It draws conceptual support from stakeholder theory, which holds that organisations are accountable to a broad constituency of stakeholders rather than to shareholders alone (Freeman (1984). [10]), and from welfare-oriented conceptions of progress such as Sen's capability approach, which measures development by the expansion of human capabilities and social justice (Sen (1999). [9]).

The governance dimension addresses the systems by which firms are directed and controlled: the accountability of management, the transparency of reporting, the independence of oversight, the alignment of incentives, and the prevention of corruption. Empirical scholarship has established that strong governance is associated with superior long-term performance and reduced risk (Eccles et al. (2014). [14]), and that accountable, transparent conduct contributes to the creation of shared value for business and society alike (Porter et al. (2011). [13]). A growing body of evidence links ESG performance more broadly to financial outcomes, reinforcing the view that responsibility and resilience are complementary rather than opposed (Friede et al. (2015). [15]; Gillan et al. (2021). [16]).

7. MAPPING ARTHASHASTRA PRINCIPLES TO ESG DIMENSIONS :

The central analytical contribution of this study is the systematic mapping of Arthashastra principles onto the three pillars of ESG. When the prescriptions of the treatise are read against the structure of modern sustainability practice, a striking correspondence emerges across all three dimensions, summarised in Table 2.

7.1 Governance Dimension :

The governance pillar of ESG is most directly anticipated by the Arthashastra. Kautilya's elaborate systems of accounting, auditing, record-keeping, surveillance of officials, and calibrated penalties for corruption constitute a comprehensive framework of accountability and institutional control (Sihag (2004). [4]; Muniapan et al. (2007). [6]). His concern to align the conduct of officials with the interests of the state mirrors the modern governance preoccupation with agency problems, transparency, and the alignment of incentives. Where contemporary governance seeks to protect investors and stakeholders through disclosure and oversight, Kautilya sought to protect the state and its people through the same instruments of transparency and control (Porter et al. (2011). [13]; Eccles et al. (2014). [14]).

7.2 Social Dimension:

The social pillar of ESG finds a deep antecedent in Kautilya's welfare economics. The Arthashastra makes the welfare of the people the measure of legitimate governance, advocating policies that promote social stability, relief in times of distress, and the equitable distribution of resources (Rangarajan (1992). [3]; Muniapan et al. (2008). [7]). This anticipates stakeholder theory's insistence that organisations serve a broad constituency (Freeman (1984). [10]) and Sen's capability approach, which locates progress in human development and justice (Sen (1999). [9]). Kautilya's conception of a prosperous state as one in which the population flourishes prefigures the inclusive-growth orientation of the modern social dimension.

7.3 Environmental Dimension :

The environmental pillar of ESG is anticipated by Kautilya's prescriptions for the sustainable management of land, water, forests, and mineral resources. The Arthashastra's rules for conservation and prudent resource use reflect an early recognition of the interdependence between economic activity and environmental sustainability (Shamasastry (1915). [1]). This aligns closely with the Triple Bottom Line's balancing of economic and ecological objectives (Elkington (1997). [11]) and with the ecological insistence that prosperity be pursued within environmental limits (Raworth (2017). [12]). For Kautilya, as for modern sustainability, the careful stewardship of nature was a precondition of durable prosperity rather than a constraint upon it.

Table 2: Mapping of Arthashastra principles onto the pillars of ESG

ESG Pillar	Arthashastra Principle	Modern ESG Correspondence	Reference
Governance	Accounting, auditing, surveillance of officials, anti-corruption penalties.	Transparency, accountability, board oversight, alignment of incentives.	(Sihag (2004). [4]; Muniapan et al. (2007). [6]; Eccles et al. (2014). [14])
Social	Welfare of subjects, relief in distress, equitable distribution of resources.	Stakeholder welfare, inclusive growth, capability-based development.	(Rangarajan (1992). [3]; Sen (1999). [9]; Freeman (1984). [10])
Environmental	Conservation of forests, water and land; regulated resource use.	Triple Bottom Line, ecological limits, sustainable resource management.	(Shamasastry (1915). [1]; Elkington (1997). [11]; Raworth (2017). [12])
Integration	Unified statecraft linking welfare, governance, and resources.	Holistic, interdependent ESG strategy.	(Sihag (2007). [5]; Muniapan et al. (2008). [7])

8. CONCEPTUAL FRAMEWORK :

On the basis of the mapping presented above, a conceptual framework is proposed that positions the Arthashastra as an ethical and philosophical foundation upon which the three pillars of modern ESG rest. The framework is organised in three tiers. At the base lies the normative foundation supplied by the Arthashastra: the principles of duty, welfare, accountability, and stewardship that give responsible wealth creation its moral rationale. In the middle tier stand the three ESG pillars – governance, social, and environmental – each of which the preceding analysis has connected to a corresponding Kautilyan principle. At the apex lie the outcomes of responsible wealth creation: stakeholder trust, ethical compliance, and long-term financial and social resilience.

The distinctive feature of the framework is its emphasis on integration. Modern ESG practice tends to treat the environmental, social, and governance pillars as separable components, assessed and reported through distinct metrics. The Arthashastra, by contrast, treats governance, welfare, and resource stewardship as interdependent aspects of a single system of responsible management, in which the neglect of any one dimension undermines the others (Sihag (2007). [5]). The proposed framework therefore does not merely add a historical antecedent to ESG; it supplies a conception of ESG as a unified and value-based whole, grounded in duty rather than compliance, which addresses the philosophical thinness for which modern ESG is frequently criticised (Chakraborty (1995). [8]; Porter et al. (2011). [13]). Table 3 presents the framework in summary form.

Table 3: Conceptual framework linking the Arthashastra with ESG finance

Tier	Component	Description
Foundation	Arthashastra normative base	Duty, welfare, accountability, and stewardship as the ethical rationale for responsible wealth creation.
Pillars	Governance, Social, Environmental	The three ESG dimensions, each grounded in a corresponding Kautilyan principle and treated as interdependent.

Outcomes	Responsible wealth creation	Stakeholder trust, ethical compliance, and long-term financial, social, and ecological resilience.

9. DISCUSSION :

The findings of this study reveal that Kautilya's Arthashastra provides a foundational or 'proto-ESG' framework that predates and conceptually aligns with modern Environmental, Social, and Governance principles. By systematically integrating governance mechanisms, social-welfare policies, and sustainable resource-management practices, the Arthashastra demonstrates a holistic approach to responsible wealth creation that resonates strongly with contemporary sustainability frameworks. The discussion below elaborates each dimension.

9.1 Governance: Accountability and Ethical Administration :

The governance dimension of ESG is strongly reflected in the Arthashastra through its emphasis on accountability, transparency, and institutional control. Kautilya outlines detailed administrative systems, including auditing procedures, the surveillance of officials, and strict penalties for corruption, to ensure ethical conduct in governance (Sihag (2004). [4]). These mechanisms embody a proactive approach to preventing the misuse of power and public resources, and modern scholarship has drawn direct parallels between them and contemporary corporate-governance controls (Muniapan et al. (2007). [6]).

In modern ESG discourse, governance is considered a critical pillar for ensuring corporate integrity and investor confidence. Studies by Eccles and colleagues demonstrate that firms with strong governance structures tend to achieve better long-term financial performance (Eccles et al. (2014). [14]). Similarly, Porter and Kramer emphasise that transparent and accountable governance contributes to the creation of shared value for both businesses and society (Porter et al. (2011). [13]). The alignment between these modern perspectives and Kautilya's governance model suggests that ethical administration has long been recognised as essential to sustainable economic systems.

9.2 Social Dimension: Welfare Economics and Inclusive Growth :

The social dimension of ESG, which focuses on equity, inclusiveness, and stakeholder well-being, is deeply embedded in Kautilya's philosophy of governance. The Arthashastra emphasises that the prosperity of the state is directly linked to the welfare of its people, advocating policies that promote social stability, poverty alleviation, and the equitable distribution of resources (Rangarajan (1992). [3]). This reflects a welfare-oriented approach in which governance is concerned not merely with economic growth but with the enhancement of societal well-being (Muniapan et al. (2008). [7]).

This perspective aligns closely with modern theories of welfare economics, particularly Sen's capability approach, which emphasises human development and social justice as key indicators of progress (Sen (1999). [9]). Stakeholder theory reinforces the importance of addressing the needs of diverse stakeholders in organisational decision-making (Freeman (1984). [10]). The Arthashastra anticipates these ideas by advocating inclusive governance that balances the interests of the state and its citizens, thereby reinforcing the relevance of ancient economic thought to modern ESG practice.

9.3 Environmental Dimension: Resource Sustainability and Ecological Balance :

The environmental dimension of ESG is reflected in Kautilya's emphasis on sustainable resource management and ecological balance. The Arthashastra provides detailed guidelines on agriculture, forest conservation, water management, and land use, highlighting the importance of preserving natural resources for long-term economic stability (Shamasastry (1915). [1]). These principles demonstrate an early recognition of the interdependence between economic activity and environmental sustainability.

Modern sustainability frameworks, such as the Triple Bottom Line, emphasise the need to balance economic growth with environmental responsibility (Elkington (1997). [11]). Similarly, Raworth's ecological model underscores the importance of operating within environmental limits to ensure sustainable development (Raworth (2017). [12]). The alignment between these contemporary frameworks and Kautilya's prescriptions indicates that the concept of environmental sustainability has deep historical roots.

9.4 Integration and Holistic Perspective :

A key contribution of this study is the identification of the Arthashastra as a holistic framework that integrates governance, social welfare, and environmental sustainability into a unified model of economic management. Unlike modern ESG frameworks, which often treat these dimensions as distinct components, Kautilya's approach emphasises their interdependence and their collective impact on long-term stability and prosperity (Sihag (2007). [5]).

The convergence between ancient and modern frameworks suggests that ESG principles are not merely contemporary innovations but are grounded in enduring ethical and philosophical traditions. This insight enhances the conceptual depth of ESG finance by providing it with a strong historical and cultural foundation, and it reinforces the case for integrating culturally resonant ethics into sustainability practice, particularly in emerging economies (Muniapan et al. (2008). [7]; Chakraborty (1995). [8]).

This integrative reading also speaks to a live problem in contemporary ESG practice. The proliferation of competing rating methodologies has produced substantial disagreement in the way firms are assessed, undermining the comparability on which investors depend (Berg et al. (2022). [30]). Part of this difficulty arises from treating the three pillars as separable scores to be aggregated, rather than as facets of a single, interdependent conception of responsible conduct. The Arthashastra's integrated model – together with the mature stakeholder theory that now underpins ESG (Freeman et al. (2010). [24]) – suggests that a coherent ethical foundation, in which governance, welfare, and stewardship are understood as mutually reinforcing, may do more to strengthen ESG than the further multiplication of metrics (Amel-Zadeh et al. (2018). [28]).

10. FINDINGS :

The analysis of Kautilya's Arthashastra in relation to contemporary ESG frameworks reveals several significant insights that contribute to the understanding of responsible wealth creation.

First, the principles articulated in the Arthashastra strongly align with the three core dimensions of ESG. Kautilya's emphasis on efficient resource management, social welfare, and administrative accountability demonstrates a comprehensive approach to governance that mirrors modern ESG frameworks (Shamasastry (1915). [1]; Elkington (1997). [11]). This alignment indicates that the foundational ideas of sustainability and ethical governance were present in ancient economic thought long before the formalisation of ESG concepts.

Second, ethical governance emerges as a central theme in both the Arthashastra and ESG frameworks. Kautilya prescribes strict measures to ensure transparency, prevent corruption, and maintain accountability in public administration (Sihag (2004). [4]). Modern ESG practice similarly emphasises governance structures that promote ethical decision-making and institutional integrity, which are essential for building investor confidence and long-term organisational success (Porter et al. (2011). [13]; Eccles et al. (2014). [14]). This convergence highlights the enduring importance of governance as a pillar of sustainable economic systems.

Third, sustainability is inherently embedded in ancient Indian economic philosophy. The Arthashastra advocates the prudent use of natural resources, long-term planning, and ecological balance, reflecting an early understanding of sustainability principles (Shamasastry (1915). [1]). Contemporary frameworks such as the Triple Bottom Line and ecological economics reinforce similar ideas, emphasising the need to balance economic growth with environmental and social considerations (Elkington (1997). [11]; Raworth (2017). [12]). This finding underscores the timeless relevance of Kautilya's insights for addressing modern sustainability challenges.

Fourth, ESG frameworks can benefit significantly from a deeper philosophical grounding. While modern ESG models provide structured guidelines for sustainability, they often lack a strong ethical and cultural foundation. Integrating the normative principles of the Arthashastra – duty, welfare, and accountability – can enhance the moral depth and practical applicability of ESG practice (Muniapan et al. (2008). [7]; Chakraborty (1995). [8]), leading to more holistic and value-driven approaches to financial decision-making.

11. SUGGESTIONS :

Based on the findings of the study, several practical recommendations are proposed to enhance the integration of Arthashastra principles into contemporary ESG frameworks.

- Policymakers and regulatory bodies should consider integrating Arthashastra-inspired principles into ESG policy frameworks. The emphasis on accountability, ethical governance, and welfare-oriented decision-making can strengthen existing ESG regulations and improve their effectiveness (Sihag (2004). [4]; Gillan et al. (2021). [16]). Grounding modern practice in culturally relevant ethical traditions can also enhance policy legitimacy.

- Indian philosophical perspectives, particularly those derived from the Arthashastra, should be incorporated into finance and management education. Including such content in academic curricula can help develop future leaders who are not only technically competent but also ethically grounded and socially responsible (Muniapan et al. (2008). [7]; Chakraborty (1995). [8]), contributing to value-based leadership aligned with sustainability goals.
- Organisations and financial institutions should explore the development of ESG models rooted in cultural and ethical frameworks. By integrating traditional knowledge systems with modern sustainability practice, organisations can create more context-specific and inclusive ESG strategies (Porter et al. (2011). [13]; Gillan et al. (2021). [16]), enhancing stakeholder trust, corporate reputation, and long-term sustainability.
- Corporations can adopt Arthashastra-based governance practices – transparent auditing systems, performance monitoring, and accountability mechanisms – to strengthen their governance structures (Sihag (2004). [4]; Muniapan et al. (2007). [6]). These practices can complement existing ESG standards and contribute to improved organisational performance.
- Interdisciplinary research should be encouraged to further explore the intersection of ancient economic thought and modern financial systems, providing deeper insight into how traditional knowledge can inform contemporary sustainability practice and the continued evolution of ESG frameworks.

12. CONCLUSION :

The present study concludes that Kautilya's Arthashastra offers a timeless and comprehensive framework for ethical and sustainable wealth creation that closely aligns with the core principles of modern ESG finance. Through a conceptual analysis of governance structures, social-welfare mechanisms, and environmental-management practices, the study demonstrates that ancient Indian economic thought anticipated many of the ideas that underpin contemporary sustainability frameworks (Shamasastry (1915). [1]; Elkington (1997). [11]).

At the heart of the Arthashastra lies a strong emphasis on ethical governance, characterised by accountability, transparency, and institutional integrity. Kautilya's detailed prescriptions for administrative control, anti-corruption measures, and efficient resource utilisation reflect a governance model that resonates with modern ESG expectations (Sihag (2004). [4]; Eccles et al. (2014). [14]). In a financial landscape where governance failures can severely damage organisational credibility and investor confidence, these principles provide valuable guidance for strengthening institutional frameworks and ensuring ethical compliance.

The study also highlights the significance of social welfare and inclusive development as central components of Kautilya's philosophy. The emphasis on the well-being of citizens, the equitable distribution of resources, and the alleviation of poverty aligns closely with the social dimension of ESG and with contemporary welfare economics (Sen (1999). [9]). By recognising that economic prosperity is inseparable from societal well-being, the Arthashastra promotes a model of development that prioritises human welfare alongside financial growth.

Furthermore, the environmental dimension of ESG finds strong conceptual support in Kautilya's approach to sustainable resource management. The Arthashastra advocates the prudent utilisation of natural resources, conservation practice, and long-term planning to ensure ecological balance and economic stability (Shamasastry (1915). [1]). These principles are consistent with modern sustainability frameworks, such as the Triple Bottom Line, which emphasise the need to balance economic, social, and environmental objectives (Elkington (1997). [11]).

A key contribution of this study is the recognition that modern ESG frameworks, while comprehensive, often lack a deep philosophical and ethical foundation. By integrating the normative principles of the Arthashastra, ESG finance can be enriched with a value-based perspective that emphasises duty, responsibility, and long-term vision (Chakraborty (1995). [8]; Porter et al. (2011). [13]). This integration not only strengthens the conceptual robustness of ESG but also provides a culturally grounded approach that is particularly relevant in emerging economies. In practical terms, incorporating

Arthashastra-inspired principles into financial policy and corporate strategy can lead to improved governance practice, stronger stakeholder relationships, and more sustainable business models.
In conclusion, the Arthashastra is not merely a historical text but a dynamic source of knowledge that continues to offer relevant and actionable insights for contemporary financial systems. By bridging ancient wisdom with modern ESG practice, this study underscores the importance of integrating ethical philosophy into economic decision-making, thereby contributing to the development of a more sustainable and inclusive global financial ecosystem.

REFERENCES :

[1] Shamasastry, R. (Trans.). (1915). *Arthashastra of Kautilya*. Bangalore, India: Government Press. (Reprint 1961, Mysore Printing and Publishing House.) Google Scholar

[2] Kangle, R. P. (1969). *The Kauṭilīya Arthaśāstra* (3 vols.). Delhi, India: Motilal Banarsidass. (Reprint 1986.) Google Scholar

[3] Rangarajan, L. N. (1992). *Kautilya: The Arthashastra*. New Delhi, India: Penguin Books. Google Scholar

[4] Sihag, B. S. (2004). Kautilya on the scope and methodology of accounting, organizational design and the role of ethics in ancient India. *Accounting Historians Journal, 31*(2), 125–148. Google Scholar

[5] Sihag, B. S. (2007). Kautilya on institutions, governance, knowledge, ethics and prosperity. *Humanomics, 23*(1), 5–28. https://doi.org/10.1108/08288660710725109 Google Scholar

[6] Muniapan, B., & Shaikh, J. M. (2007). Lessons in corporate governance from Kautilya's Arthashastra in ancient India. *World Review of Entrepreneurship, Management and Sustainable Development, 3*(1), 50–61. https://doi.org/10.1504/WREMSD.2007.012130 Google Scholar

[7] Muniapan, B., & Dass, M. (2008). Corporate social responsibility: A philosophical approach from an ancient Indian perspective. *International Journal of Indian Culture and Business Management, 1*(4), 408–420. Google Scholar

[8] Chakraborty, S. K. (1995). *Management by values: Towards cultural congruence*. New Delhi, India: Oxford University Press. Google Scholar

[9] Sen, A. (1999). *Development as freedom*. Oxford, U.K.: Oxford University Press. Google Scholar

[10] Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, U.S.A.: Pitman. Google Scholar

[11] Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century business*. Oxford, U.K.: Capstone Publishing. Google Scholar

[12] Raworth, K. (2017). *Doughnut economics: Seven ways to think like a 21st-century economist*. London, U.K.: Random House Business. Google Scholar

[13] Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review, 89*(1/2), 62–77. Google Scholar

[14] Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science, 60*(11), 2835–2857. https://doi.org/10.1287/mnsc.2014.1984 Google Scholar

[15] Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment, 5*(4), 210–233. https://doi.org/10.1080/20430795.2015.1118917 Google Scholar

[16] Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance, 66*, 101889. https://doi.org/10.1016/j.jcorpfin.2021.101889 Google Scholar

[17] UN Global Compact. (2004). *Who cares wins: Connecting financial markets to a changing world*. New York, U.S.A.: United Nations. Google Scholar

[18] Kumar, N. S., & Rao, U. S. (1996). Guidelines for value based management in Kautilya's Arthashastra. *Journal of Business Ethics, 15*(4), 415–423. https://doi.org/10.1007/BF00380362 Google Scholar

[19] Sihag, B. S. (2005). Kautilya on public goods and taxation. *History of Political Economy, 37*(4), 723–753. https://doi.org/10.1215/00182702-37-4-723 Google Scholar

[20] Sihag, B. S. (2009). Kautilya on law, economics and ethics. *Humanomics, 25*(1), 75–94. https://doi.org/10.1108/08288660910934790 Google Scholar

[21] Muniapan, B. (2008). Kautilya's Arthashastra and perspectives on organizational management. *Asian Social Science, 4*(1), 30–34. https://doi.org/10.5539/ass.v4n1p30 Google Scholar

[22] Olivelle, P. (2013). *King, governance, and law in ancient India: Kauṭilya's Arthaśāstra*. New York, U.S.A.: Oxford University Press. Google Scholar

[23] Trautmann, T. R. (2012). *Arthashastra: The science of wealth*. New Delhi, India: Allen Lane. Google Scholar

[24] Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & de Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge, U.K.: Cambridge University Press. https://doi.org/10.1017/CBO9780511815768 Google Scholar

[25] Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*, 32–33, 122–126. Google Scholar

[26] Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons, 34*(4), 39–48. https://doi.org/10.1016/0007-6813(91)90005-G Google Scholar

[27] World Commission on Environment and Development. (1987). *Our common future*. Oxford, U.K.: Oxford University Press. Google Scholar

[28] Amel-Zadeh, A., & Serafeim, G. (2018). Why and how investors use ESG information: Evidence from a global survey. *Financial Analysts Journal, 74*(3), 87–103. https://doi.org/10.2469/faj.v74.n3.2 Google Scholar

[29] Van Duuren, E., Plantinga, A., & Scholtens, B. (2016). ESG integration and the investment management process: Fundamental investing reinvented. *Journal of Business Ethics, 138*(3), 525–533. https://doi.org/10.1007/s10551-015-2610-8 Google Scholar

[30] Berg, F., Kölbel, J. F., & Rigobon, R. (2022). Aggregate confusion: The divergence of ESG ratings. *Review of Finance, 26*(6), 1315–1344. https://doi.org/10.1093/rof/rfac033 Google Scholar

****