History of Marketing Thought in the Medieval Indian Era – as portrayed by the Arthashastra

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The Arthashastra is a comprehensive treatise encompassing many aspects of human life. Artha means wealth and Shashtra means science; thus Arthashastra literally implies the science of acquiring and managing wealth. This paper consolidates the issues relating to the marketing field within the Arthashastra. The treatise comprises a cohesive whole, including economic administration of the state, trading, imports/exports, retailing, transportation, warehousing, and consumer welfare. This paper describes how these functions pertaining to the field of marketing were performed in India during the medieval period, around 150 AD. This topic is noteworthy because it contributes to the history of marketing thought in a culture that has barely been discussed in the literature.

The Arthashastra

The Arthashastra has been recognized by scholars universally as an extraordinary detailed manual on statecraft, trade, and the science of living by one of classical India's greatest minds - Kautilya (Rangarajan 1987). Also known as Chanakya and Vishnugupta, Kautilya wrote the Arthashastra not later than 150 AD, though the date has not been conclusively established.

Many scholars in the fields of marketing, economics and public administration (e.g., Bhagwat, Birch, Irani, Silver, Kollam, Krueger, Mishra, Mukherjee, Thapar, and others) have touched upon various aspects of the Arthashastra in their research. Kautilya's principles have served as guidelines for many governmental activities through time. However, there have been no studies which have consolidated the issues pertaining to marketing within the Arthashastra. This topic is noteworthy because it contributes to the history of marketing thought in a culture that has barely been discussed in the literature.

Kautilya was a great proponent of the notion that the state or government has a crucial role to play in maintaining the material well-being of the people in a nation. A significant part of the Arthashastra deals with the science of wealth or economics. When it deals with politics, the Arthashastra describes in detail the art of government in its widest sense; the maintenance of law and order of efficient administrative machinery (Rangarajan 1987).

The Arthashastra was conceived and named as the Science of Wealth. It focused on creation of wealth as the means to ensure the well being of the state (Raghvan 1998). A perfect balance had to be maintained between state management and people's welfare, and this was the essence of Kautilya's economic treatise Arthashastra, created about 2,500 years ago. It set forth ideas of state craft and monetarism and also a code of civil and criminal law still relevant today (Our Bureau 2002). The Arthshastra focused on preservation of the state through alliances, and viewed good counsel and correct judgment as the constituents of the state's power and as more useful than military might. Arthashastra takes a managerial perspective on managing the affairs of the state (Raghvan 1998).

The Kautilyan Economy

The Arthashastra divides the economy of the state into three basic types of activities-agriculture, cattle rearing and trade. The state accumulated wealth by generating resources in the form of grains, cattle, gold, forest produce, trade and labor. Because the regime was authoritarian in nature, everything was organized in the interest of the state. A civil service existed and there were departments for accounts, revenue, mines, arsenals, taxation, agriculture, trade, and navigation (Edwardes 1961). Besides maintaining the existing productivity in forests, factories, mines and cattle herds, the King was also responsible for promoting trade and commerce by setting up market towns, ports and trade routes, building storage reservoirs (Rangarajan 1987). Kautilya's work dealt with such diverse economic subjects as accounts, coinage, and commerce (Irani & Silver 1995).

The whole economic policy was regulated and controlled by the state. It was the largest employer of labor. All industrial and natural resources were possessed by the state. The state also entered the market as a trader. It engaged in selling activities at the market place. It had its own superintendent of commerce who would supervise the dealings in the market. The revenues earned by sale of resources possessed by the state would be directed to the treasury. Thus trade benefited by adding wealth to the state. The principle of modern mixed economy can be traced back in Kautilya's times (Mukherjee 1976). Establishment of the vast empire acted as a stimulus to production and exchange

(Nilakanta 1957). Manufacturing industry gained impetus in the Maurya period, which was about the same era of Kautilya. Weavers and other handicraftsmen, braziers, oil-millers, bamboo-workers, corn-dealers, and artisans fabricating hydraulic engines, started organizing themselves into economic corporations known as guilds, which often served the purpose of modern banks (Thapar 2003).

Principles of Economic Administration

Money was used as the medium of transaction, in the form of coinage. This is indicative of the function of monetary exchange which leads to the discipline of marketing. The coin used was the pana, which was subdivided as follows: sixteen mashakas to a pana and four kakanis to a mashaka. The coinage in circulation was: silver coins of one, half, quarter and one-eighth pana, and copper coins of one mashaka, half a mashaka, one kakani and half a kakani. The value of the coinage was sought to be maintained by stringent punishments for counterfeiting. A special official, the Coin Examiner, certified the genuineness of coins which were meant for circulation and exchange in market transactions. The state and private merchants, both local and foreign, were involved in trade. These merchants could sell their wares to customers in the marketplace, or to the state in bulk quantities. The state would thereafter distribute these goods for sale in the market place, while retaining back some stock as reserve / buffer. The Chief Controller of State Trading was responsible for the equitable distribution of local and foreign goods, buffer stocking, sale of Crown commodities and public distribution. He could appoint private traders as agents for the sale, at fixed prices, of Crown commodities or sell them direct to the public through state-owned retail outlets (Rangarajan 1987).

The governance structures then projected the potentialities of centralized administration, but having adjusted to the socio-economic patterns and differentiations. Urban administration had its hierarchy of officers, supporting supervision of production and exchange in urban centers, presumably to control revenues (Majumdar Raychaudhuri & Datta 1967).

Principles of Accounts and Audit

The state, even in those days, exhibited a closely controlled and orderly financial accounting system. The Chancellor was responsible for collecting revenue from the whole of the country, along with his delegates, the Governor Generals in each city. It was his duty to prepare the budget and maintain detailed accounts of revenues and expenditures pertaining to all activities. The governors and record keepers in every city were to keep records of the number of people in each family, their gender, caste, family name, occupation, income and expenditure patterns. Manufacturing establishments also kept a stock register showing the purchases of all raw materials, the quantities of the same consumed in production, stock changes due to mixing of materials; and, a manufacturing costs register showing expenditure on the labor employed and wages paid. In the case of stores of all kinds (jewellery, articles of high and low value and forest produce), the record books showed the prices, quality, quantity (by weight or volume) and description of the containers in which these were stored. The procedure of year-end Audit existed even then. Thus, all individuals and establishments involved in manufacturing, trading, retailing and all such activities which engaged in monetary transactions were subject to audits and scrutiny.

The Chief Comptroller and Auditor was responsible for the maintaining the Records Office where the accounts officers, hired by the state, maintained consolidated accounts books showing, for each and every business establishment in the marketplace, the nature of its activity and the total income received from it. On the Closing day for Accounts, all the accounts officers were to present themselves with sealed account books, and with the net balance of revenue over expenditure in sealed containers. The chief comptroller and auditor would have the accounts thoroughly audited by the audit officers, who would check the entries to verify net balances. The King would then be informed of the audit results (Rangarajan 1987).

Principles of Trading

Trade was a controlled process in Medieval India. Commodities and products (of the countryside) could not be sold in the places of their production; but were sold only at designated markets or brought into the city and sold after payment of a duty. The sale of all commodities belonging to the crown (produced on crown property or received into the treasury) was centralized, i.e. conducted only at a specific location, generally the center square in the market place of the city. The officers in charge of sale of these crown commodities would deposit the proceeds in a wooden box; and at the end of each day of sale, they would hand over the money box, the balance stocks, and their weighing and measuring instruments. Certain Merchants were also authorized by the state to sell commodities in the marketplace at prices fixed by the chief controller of state trading. When commodities existed in excess supply, the chief controller of state trading would have the authority to build up buffer stock by paying a price higher than the market price. When the market price would reach the support level, he would change the price according to the situation. Prices could be fixed taking into account the investment, the quantity to be delivered, duty, interest, rent and other expenses. The chief controller of state trading would ascertain the profitability of a trading operation with a foreign country, in order to allow exports of commodities and sales abroad. The price of goods to be sold and the gains thereof would be estimated and weighed against those obtained through domestic trade, in order to sanction the exports (Rangarajan 1987).

The state provided encouragement to traders dealing in the sale of imported goods which were needed. Merchants, foreign and domestic, who brought in foreign goods by caravans or by water routes enjoyed such incentives as exemption from taxes and higher profit margins, and immunity from lawsuits (so as to make profits). The profit margins allowed to merchants would be on the order of five percent for locally produced goods and ten percent for imported goods. Imported goods were sold in all possible places and made readily available to people in the towns and countryside, in order to improve the peoples' living standards and quality of life. Import and sale of foreign goods was encouraged in order to make them freely available through state-approved channels all over the country. (Rangarajan 1987).

Trade, both foreign and domestic, was encouraged, as it constituted a considerable portion of the state revenues (Thapar 2003). Trade was partly in the hands of officials and partly in those of shopkeepers or traveling merchants (Nilakanta 1957). The Arthashastra prescribed that profits be shared equally among workmen who labored together toward a common goal. However proportionality in sharing of earnings would be applied when division of labor existed (Kollam 2001). So, officials and employees who shouldered higher responsibilities were entitled to higher earnings in proportion with their status and work patterns.

As now, traders and merchants in those days were often mistrusted. Their propensity to fix prices by forming cartels, make excessive profits or deal in stolen property was guarded against by making these offences punishable by law. Kautilya emphasized honesty and justice in trading. He recommended heavy fines for traders who would collude and fleece buyers by conspiring together to hold back wares and later sell them at higher prices (Irani & Silver 1995). The Chief Controller of Private Trading kept a watch over merchants, by inspecting periodically their weights and measures and ensuring that they did not hoard merchandise, adulterate foods, or add excessive mark-ups (Rangarajan 1987). Trust and confidence in the measurement system, i.e. the weights and measures, and also protection against counterfeiting of coinage, was necessary to ensure the state's integrity of commerce (Birch 2001).

Private enterprises were allowed to run side by side with state-controlled traders; however private traders were looked upon with suspicion by the people, and taxed and fined severely by the state, if indicted with malpractice (Mukherjee 1976).

Imports / Exports activities

International trade has always been an essential element of trade. India shares borders with several countries and was accessible through several routes which were paved for trading commodities. Marketing activities for import/export purpose required establishing contacts with foreign traders and shipping/receiving goods via these trade routes. The state employed officers who traveled to foreign lands as its dignitaries. They studied the buying and selling activities and consumption patterns of merchants and customers in foreign markets, and recognized potential markets for sale of indigenous goods. Thus market research activities were prevalent even then. Commerce relations were built with diplomats from overseas for exchanges of commodities. The Mauryan government built ships and let them out on hire for transport of merchandise (Thapar 2003). Traders had to pledge their assets like their homes or lands as collateral when hiring ships for transporting their goods. The fair value of the goods being shipped into or out of the country was quoted by the state (customs officers), and the merchants were assessed the hiring fee which was to be paid upon return of the vessels.

Goods traded were classified into three kinds: those produced in the countryside, those produced in the city and those imported from other countries. All three types of goods were liable to payment of customs duty whenever they were imported (into the city) and / or exported (from it). However customs regulations were such that duty would not be imposed on certain goods such as those intended for gifting at wedding celebrations, goods intended for religious rituals or worship of the gods, or those items, at the discretion of the chief controller of customs, which were considered beneficial to the state. The frontier office had the vested authority to inspect the caravans carrying foreign goods and classify the goods as those of high value or low value based on nature of the products and the value quoted for each of them by their respective merchants. The packages would be sealed with the official seal and identity papers issued to the merchants, along with the appropriate cess (i.e., the duty levied upon the goods in that consignment). All details about the caravans and their associated consignments would then be communicated to the Chief Collector of Customs. On arrival at the city gates, the collector and his office would inspect the caravans and make his appraisal on the basis of information received from frontier officers, spies or the king. Goods enjoying exemption from payment of duty would be allowed in. All dutiable goods would be weighed, measured or counted, and the duty payable on them would be collected at the ports of entry. Penalties would be levied on violators who tried to cheat or escape payment. This system of inspecting goods twice was enforced in order to ensure that merchants did not sell their products at any locations other than the marketplace, which was the sole center designated by the state for buying and selling of goods. Also sale at the marketplace alone would ensure that merchants did not make excess profits, as they would be continually subject to scrutiny by the law. After payment of duty, a merchant would typically enter the marketplace. He would place himself near the customs house and declare the type, quantity and price of his goods. He would call out for bids three times, and sell to anyone who was willing to buy his products at the price demanded. If there was competition among buyers and a higher price was realized, the difference between the call price and the sale price along with the duty thereon would go to the treasury. In this manner, the market-system was established such that traders would only pocket the fair returns on sale of their merchandise, and any additional or incremental revenues resulting thereupon would be directed only towards the state's coffers (Rangarajan 1987).

Wholesaling and Retailing

Retailers played significant role in trading activities. Retailing generally involves all activities involved in selling goods or services directly to final consumers for their personal, non-business use. An agent selling goods on behalf of another party was paid on a commission basis. He would hand over to the proceeds of the sale to the original owner of the merchandise, and receive his commission in return. Thus this agent played the role of an intermediary like a wholesaler or retailer in a marketing channel. Increased sales, with higher profits, meant more commission for the agent, which served as an incentive for him to market the products better and sell more of them. If the price realized was lower because of missing the best opportunity for sale, the agent would pay the owner the cost of the goods at the time he received them and the normal profit. Whenever no profit was made, the retail seller would pay to the wholesaler or the owner of the commodities only the price of the goods. If the price fell, between the time of entrusting the goods and the time of sale, only the lower price, actually realized would be payable. In case of goods sold abroad and those sold after a lapse of time, the amount payable would be reduced by the expenses and losses, if any (Rangarajan 1987).

This pattern of business shows that there were wholesalers, retailers, and direct marketers in their trade channel. Goods which were sold by the producers themselves in the marketplace exhibit a pattern of direct marketing. Agents played the role of retailers, selling goods in the market without assuming title of the goods. Merchants, who bought goods from indigenous/foreign manufacturers and transported them in caravans and ships to the marketplace, sold these goods in the market at the fair price and pocketed the earnings. This is very similar to modern marketing channels of distribution where wholesalers assume title and ownership of goods from their producers and then sell these goods in the market at their price. Brokers and middlemen, did play their role too in trade, even in those days; however they were always looked upon with skepticism and hence the controller was to watch over their activities. These brokers, played only the role of intermediaries for passage and sale of goods in the open market, but never claimed title or ownership of the goods that they were to sell on behalf of the producers; just the way it is done today.

The Chief Controller of Private Trading was responsible for fair trading in old and new articles, and would allow the sale or pledging of old articles only if the seller or mortgagor could provide proof of ownership. He would ensure that merchants do not count the brokerage paid to middlemen as part of their costs (in calculating their profit margins). He would allow brokers to hold stocks of grain and other commodities only to the extent authorized, and confiscate stock in excess of those limits, to forward it for fair direct sale in the market (Rangarajan 1987).

Role of Warehousing

Warehousing has always been a vital function of businesses, as it was necessary to care for the upkeep and maintenance of stored goods and commodities. The Chief Superintendent of Warehouses would be in charge of granaries and warehouses for fats and oils, sugar and honey, salt, vinegars, fruit juices, sour liquids, spices, dried fish, dried meat and vegetables; and cotton and flax. These were basic items and amenities necessary for survival of the population; hence their preservation was imperative for the state. This shows that warehousing was an important function for sustenance and business. The superintendent would keep an account of all commodities received into the warehouses, and duly classify the inventory held in there as revenue received from taxes, exchanges on barter basis, borrowings, aid, labor, gifts to the king, surcharges, or miscellaneous receipts. He would have the foresight and authority to sanction use of only the current stock at any time upon demand by the state, and preserve half the stock for reserve in times of calamities and emergency; he would exhaust moving stock, and regularly replenish old stock with new (Rangarajan 1987).

During the Maurya reign, villages were encouraged to have their own grain reserves which would serve as buffers during famine, and the kings also maintained their own emergency stocks (Bhatia 1970). Thus the population and the state exhibited foresight and planned for contingencies by practicing well the warehousing function of marketing.

Role of Transportation

Transportation has always played an important role in trade. Transportation constitutes a vital marketing function, as it involves the physical distribution of goods from production sites to warehouses and markets. It is intriguing to know that even in ancient times, this function was given great importance, and was controlled closely.

Prior to the medieval era, items would be manufactured close to the sources of raw material, and artisans would gather there from surrounding areas. However as trade routes widened during the Maurya regime in the medieval period, development of roadways for inter-regional exchange activities of commodities started gaining impetus. With interconnections of roadways and sea-routes, there was a greater dispersal of craftsmen, with many gathering in centers where there were markets. Exchange of goods of various trades, from food and clothing to metals and mining, was facilitated over long distances (Majumdar

Raychaudhuri & Datta 1967). As market mechanisms emerged in the medieval Indian setting, wherein demand and supply patterns of goods began influencing prices, transportation of goods and commodities was facilitated through building and maintenance of roads and waterways for importing and exporting (Nilakanta 1957).

Transportation of goods and commodities by sea and land was an essential function of the state. The Chief Controller of Shipping and Ferries had a wide range of responsibilities – supervising maritime safety and rescue, running shipping services, hiring ships and boats with or without crew, organizing ferries, controlling the movement of foreign merchants, collecting revenue such as road cess, customs duty and ferry charges, and ensuring security by keeping a watch over undesirable persons using the ferries. The Chief Controller of State Trading had to be conversant with the details, pertaining to all state monopoly commodities (whether imported or produced locally), such as the state of public demand, price fluctuations, relative prices of high and low value goods, and the optimum time for buying, selling, stocking and disposal (Rangarajan 1987). Several merchants and traders were also involved in transporting commodities via caravans and ships. Toll had to be paid on the movement of merchandise from one place to another (Edwardes 1961).

Consumer Rights

Marketing management has often stressed the customer being right. Organizations' operations and marketing campaigns are geared towards producing and maintaining satisfaction and welfare of consumers. Kautilya's Arthashastra talked about consumer rights (Ramachandran 1999). In the Arthashastra, there are references to the concept of consumer protection against exploitation by the trade and industry, short weights and measures, adulteration and punishment for these offences (Srinivasan 1999). The law dealt severely with businessmen providing products or rendering services to consumers for a fair price, and any misdemeanor conducted by these businessmen would be subject to punishment of varied kinds by the state. The reprimands would range from being humiliated in the market square and payments of fines in monetary value increasing with degree of the offence, to extreme punishments like lashing and whipping. Thus, even in that era, an essential aspect of the welfare of the population was the protection of the interests of the consumer (Rangarajan 1987).

The Arthashastra prescribed it the fundamental duty of the ruler (state) to look after the welfare and benefits of the subjects. It required the ruler to protect his citizens, including the peasants, whom Kautilya correctly believed to be the ultimate source of the prosperity of the kingdom (Bhagwat 1995). Acting on Kautilya's advice, the king, during famine seasons, would show favor to his people by providing them with seeds and provisions stocked by the state in the regional and village granaries. He would distribute portions either from his own collection of provisions or from the hoarded income of the rich (Bhatia 1970).

Monopoly

The notion of monopoly existed even then, with certain producers being granted exclusive rights to sell their respective wares in the market. Monopolistic firms would be those individual traders dealing exclusively in the marketing and sales of certain commodities which would be available in the market only through them. Profit margins on the sale of monopoly goods were a significant source of revenue. The monopoly tax was collected by the state, in the form of a license fee, whenever a private manufacturer or trader of a state monopoly item was granted permission by the state to sell. This was under the control of the chief controller of state trading who was responsible for orderly marketing, maintaining buffer stocks, avoiding excessive profits and collecting the transaction taxes (Rangarajan 1987). Private trade was not encouraged for most commodities, except very few goods which were not indigenously available, as the state was anxious to preserve its lucrative monopolies. Prices were controlled (Edwardes 1961).

Role of Contracts

The concept of contracts and contractual agreements had its significance in society, and was subject to the law. Any contract entered into by anyone with others of his own class, community or group would be held valid, provided that the contract was concluded in a suitable place and at a suitable time, observing all the due formalities, including the presence of witnesses, and further provided that all the details of the object of the contract, such as the appearance, distinguishing marks, quality and quantity were properly noted down (Rangarajan 1987).

Concluding Comments

Having thus far discussed the different business-related functions associated with the process of exchange of commodities in the Mauryan era in medieval India, it reflects on how marketing has always played a vital role as an integrated function of trade even then. The terminologies employed may have evolved over time, but the nature of exchange and the role of marketing as an exchange function seem consistently pertinent in all settings.

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