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Arthashastra to NEP 2020: Reinterpreting Indian Economic Thought Through Indian Knowledge Systems

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Abstract

We can draw attention to the long civilizational arc of Indian economic thought from Kautilya's Arthashastra to the policies that emerged in contemporary times such as NEP 2020 that explicitly targets the revival and mainstreaming of Indian Knowledge Systems (IKS) in higher education and economics in particular. Arthashastra proposes a sophisticated model of statecraft where public finance, taxation, trade, welfare and national security are considered as mutually reinforcing pillars of artha (material well being) and dharma (ethical order). However, after independence, economics education mostly began to assimilate Western paradigms, with IKS remaining marginal in curricula and research. NEP 2020 and the later IKS initiatives seek to address this imbalance by embedding indigenous economic concepts, ethical norms and community-based practices at all levels of teaching, research and policy-making. Drawing on literature both historical and policy based, through the theoretical framework of IKS, this review article will re-imagine Indian economic thought on three axes: (i) essential economic concepts in Arthashastra, (ii) their contemporary relevance in terms of welfare, regulation and sustainability, and (iii) how IKS was integrated into economics curricula and knowledge production in the context of NEP 2020. The debate also explores avenues, methodological problems and institutional barriers to the mainstreaming of IKS in economics, and suggests areas for further research to promote a plural, contextually sensitive and normatively grounded Indian economic discourse.

Keywords: Arthashastra; Indian Knowledge Systems; NEP 2020; economic thought; curriculum reform

Introduction

In contrast to the abstract, axiomatic discipline of economic theory, classical Indian economic thought has developed at the meeting point of statecraft, ethics and community life. Kautilya's Arthashastra, written between the 3rd century BCE and 3rd century CE, is one of the key Sanskrit texts on governance, public finance, taxation, trade and economic administration. The text describes the well-being of the state as conditioned by properly managed agriculture, industry and commerce, effective revenue systems, and rational welfare processes for the subjects. But for all

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its wealth, modern Indian economics became firmly entrenched in one direction or another—as it was structured under colonial and post colonial norms which favoured Western neoclassical, Keynesian and later neoliberal ideas—at the expense of indigenous traditions of thought and study. In recent years also, in the new millennium, interest in Indian Knowledge Systems (IKS) has grown as sites not only for alternative economic ideas, ethical principles and practical experience but also for addressing the challenges of inequality, ecological pressure and social integration in today's society and environment. This change is evident in the National Education Policy (NEP) 2020 which underlines the need to promote IKS in higher education, promote interdisciplinary learning, and have a value placed on the local knowledge heritage. Within economics, this sparks fundamental questions: How can classical texts, such as Arthashastra, be interpreted in light of contemporary economic theory? What components may be meaningful when translated into today's institutional context? And how can curricula and pedagogy again bind economics to India's intellectual and civilizational legacy? This review paper seeks to address such questions by tracing a conceptual trajectory “from Arthashastra to NEP 2020,” and using IKS as an interpretive bridge. It introduces key economic principles in Arthashastra, considers the interpretations of these in current scholarship, and evaluates NEP 2020 and relevant literature on the integration of IKS in economics education. This is not meant to glamourise ancient texts but to address their applicability in forming a plural, contextually appropriate Indian economic discourse within the twenty first century.

Methodology

This article is using a narrative thematic literature review, not an empirical study design. In this process, the main sources studied are English translations and scholarly analyses on Arthashastra, which offer extensive narratives on Kautilya's views of taxation, trade, welfare, public finance and administrative organization. These are further fortified by secondary literature in the fields of economics, political economy and intellectual history that situates Arthashastra in relation to the larger conversations surrounding ancient and comparative economic thought. In terms of the contemporary policy context, the review considers NEP 2020, its official commentary, peer reviewed articles and policy analyses related to curriculum frameworks, that are related to the infusion of Indian Knowledge Systems in Higher Education, particularly in relation to lessons in Economics. Papers that examine IKS in sustainable development context, MSMEs, local economies and community based practice are selected to reflect the way indigenous economic thought is taking hold of discourse today. Literature was extracted from academic databases, institutional repositories and recent papers about education, economics and IKS, favouring published papers over the past decade and referring to earlier seminal work and using this as historiography. The material was coded on three thematic axes: (i) conceptual categories of Arthashastra (e.g., artha, danda, vyavahara and kosha), (ii) normative and institutional concepts (justice, welfare, regulation), and (iii) policy and curricular

strategies for integrating IKS under NEP 2020 to provide policy and curricular response. These themes are then woven into a discussion section to synthesise the discussion, identifying commonalities, contradictions and gaps, themes of convergence, tension and contradiction between classical thinking and current policy responses.

Discussion

1. Economic ideas in Arthashastra as IKS

Arthashastra provides a holistic paradigm that unites economic disciplines with statecraft, law, ethics and military strategy, articulating an integrated knowledge system, as opposed to a siloed discipline. Kautilya has made the distinction of one of the four purusharthas (goals of life) where artha (material prosperity) is regarded as a foundation for dharma (ethical order) and kama (desires), which in turn legitimises economic activity as a priority of governance. The text is devoted to the administration of revenue, classifying different sources of income including land revenue, customs, fines, mining, and forest produce, and underlining the importance of effective, corruption-free collection mechanisms. Taxation policy in Arthashastra is frequently noted as pragmatic and calibrated: rates are moderate, stable, predictable, with remissions or provide relief during disasters so that subjects remain productive and loyal. In this chapter Kautilya covers the subject of price controls, market regulation and how to prevent hoarding and collusion, framing the obligation on the part of the state to guarantee fair markets and protection of consumers. He also understands infrastructure — roads, storage, irrigation — as a public responsibility that allows private economic activity to thrive. From an IKS point of view, these notions describe a concept of embedded economics, the state as an actor in the formation of markets, through which the state actively engages with and influences markets, reconciles the extraction of revenue with welfare, and frames economic policy against a wider moral and societal perspective. They also expose a sophisticated grasp of risk, information asymmetries and incentives, even if not always formalised in the traditional sense of the term as are modern economic theory. According to existing scholarship, Arthashastra can then be considered as an early, context specific formulation of public economics, development economics and regulatory governance in the Indian tradition.

2. Ethical and welfare dimensions

A distinct characteristic of Arthashastra is its emphasis on the welfare of subjects (praja sukha), stated multiple times as a basis for the ruler's legitimacy and the stability of the state. Early in its emphasis on welfare, Kautilya encourages proactive efforts in famine relief, disaster management and social security—such as offering seeds, food and tax waivers—indicating an early welfare orientation. He also spells out rules against exploitation by officials and traders, imposing severe sanctions for corruption, fraud and abuse of power. These provisions are presented not only as technocratic rules but as part of a moral economy based on dharma, whereby rulers and officials are obliged to pursue justice and fairness. The

prioritization of achieving balance between state revenue and the economic well being of subjects resonates with today's issues of inclusive growth, social protection, and the ethical principles of public policymaking. And this is a fact that Indian economic thought, in its IKS discourse, used to associate efficiency with equity, and material prosperity with ethical responsibility.

3. Modern Indian economics and the marginalisation of IKS

Yet amid this rich heritage, the institutional history of economics in contemporary India, as an institution, was also influenced by colonial education, metropolitan universities and global disciplinary norms. The curricula were built on classical and neoclassical theory, Keynesian macroeconomics, and the increasingly central place of development and international economics, most of which came from Western world education. Although some key Indian economists influenced local understandings by their field of study, indigenous texts like the Arthashastra or community-based knowledge rarely became the go-to sources of reference in teaching or research in India more generally. Scholars of IKS contend that this produced a dualistic landscape: on one hand a formal economics guided by global theory; on the other, enormous territories of indigenous practice in agriculture, crafts, trade and community finance which remained under theorised, with a significant shortfall of research and an underrepresentation of indigenous theories in universities. The outcome is the impression that IKS is somehow “pre modern” or just cultural, and not a legitimate point of departure for economic thought and framing. This deficit is evident especially in textbooks and syllabi in which Indian economic thought is discussed in short historical notes instead of integrated in core theory courses.

4. NEP 2020 and the revival of IKS

The National Education Policy 2020 marks a significant policy shift by explicitly recognising Indian Knowledge Systems as a valuable resource for higher education and research. NEP 2020 calls for multidisciplinary education, the promotion of classical Indian languages and texts, and the inclusion of IKS across disciplines, with dedicated initiatives and institutional support. In economics, this opens possibilities for integrating Arthashastra and other indigenous sources into courses on economic thought, public policy, development and ethics. Subsequent papers and policy notes highlight multiple strategies: introducing elective courses on Indian economic thought, embedding IKS case studies in core courses, encouraging research on indigenous practices in agriculture, MSMEs and local governance, and building collaborations with communities and traditional institutions. NEP 2020 also aligns IKS with the vision of India as a “knowledge economy” and “Vishwaguru,” positioning indigenous traditions as a source of innovation and global contribution rather than merely heritage. However, the literature also points to challenges, including limited availability of high quality, accessible translations and commentaries; lack of faculty training; and institutional inertia in revising curricula and assessment practices. Without careful design, there is a risk of tokenistic inclusion of IKS or uncritical glorification of ancient texts.

5. Reinterpreting Arthashastra through an IKS–NEP lens

To reimagine Arthashastra in the context of NEP 2020, we can't stop at a historical description and treat the NEP as historical explanation; we need an active conversation between the traditional and the recent economics and economic theory and policy issues. The literature serves as a lens of thematic bridges:

- Public finance and fiscal policy: The focus on diversified revenue streams and moderate taxation and anti-corruption policies set by Kautilya can inspire considerations of tax policy, taxation compliance and governance in contemporary India.
- Market regulation: His thorough guidance on market supervision, hoarding prevention and price stabilisation have very much resonance today in the context of the current debates on regulatory institutions, competition policy and consumer protection.
- Welfare and social protection: The famine relief and social security systems of Arthashastra reflect the modern welfare schemes and disaster management policies and provide some perspective of state responsibility in the long run.
- Sustainability and natural resources: The text's emphasis on forests, water bodies, agriculture and animal husbandry anticipates modern environmental economics and sustainable development literature.

If we think in terms of the IKS framework, then these themes can be incorporated into economic education not as strange ideas, but as things of analytic value. A course of public economics, for instance, might juxtapose the fiscal principles of Arthashastra with models of optimal taxation we use today, so that students can compare all beliefs about the state, about citizens, and about incentives. So, development economics modules can also draw on historical and contemporary case studies of community based irrigation or forest management to examine indigenous models of collective action and commons governance.

6. Methodological and pedagogical challenges

The methodological dimensions of the economic integration of IKS under NEP 2020 imply methodological questions that the literature only partially addresses. One such challenge is to interpret normative and context-specific prescriptions in Arthashastra against a contemporary democratic and rights-based perspective. The contents reflect monarchical state structures, hierarchical social orders, and disciplinary practices not consistent with modern constitutional ideals. Therefore, a critical IKS approach will need to identify transferable economic insights and historically contingent institutional arrangements. A related challenge concerns the application of evidence and analytical tools. Classical texts are often narrative and prescriptive, whereas modern economics heavily depends on modelling and statistics. Integrative pedagogy would also require students to be taught to interpret textual and historical materials as data for conceptual analysis, while still engaging with quantitative methods. This requires truly multidisciplinary courses co-taught by

economists, historians, Sanskritists, and philosophers, as envisaged by the NEP 2020 call for liberal, holistic education. Another thematic area is faculty capacity and institutional support. Based on reviews of NEP 2020 implementation, many teachers say they do not feel adequately prepared to deal with IKS-based content, both due to an absence of training or fear that IKS may become politicised. To address these concerns, we need systematic faculty development, curation of teaching materials, and a scholarly, critical approach that aims to avoid romanticisation and dismissal of IKS.

7. Emerging research directions

The recent research suggests several promising research avenues where the relationship between Arthashastra, IKS and modern economics meets. One strand is comparative analysis of such concepts as public goods, externalities and information asymmetry and an analogy between Kautilya's practical rules and contemporary theoretical constructs. Another traces indigenous economic practices — in agriculture, crafts, local markets and community finance — and reads them through the lenses of classical texts and contemporary institutional economics. There is also a growing interest in the ethical and epistemological foundations of economic decision-making, investigating how ideas like dharma, loka sangraha (welfare of the world) and vasudhaiva kutumbakam (world as one family) can enrich global debates on sustainability and inclusive development. NEP linked reforms offer a living laboratory to study how student learning, policy orientations and research agendas in economics departments are altered through IKS integration. Systematic appraisals of curricula, pedagogy and outcomes will be essential to make progress in the educational development from normative aspiration to evidence-based policy.

Conclusion

The process of continuity and rupture in Indian economic thought tracing “from Arthashastra to NEP 2020” is illuminating. Arthashastra enunciates a complex model of economic governance with public finance, regulation, welfare and ethics deeply intertwined; an early prototype for an Indian Knowledge System in economics. Modern economics in India were largely influenced by the colonial and global disciplines and their legacy largely left out, placing less emphasis on indigenous texts and practices and more on imported theories and models. Initiatives such as NEP 2020 and IKS work to re centre indigenous ways of knowing into higher education, opening up a space to read classical texts such as Arthashastra with the lens of contemporary policy and theoretical considerations. This may not mean just adding to the repertoire of historiography, economics entails reimagining curricula, pedagogy and scholarship to allow for plural sources of knowledge and normative reflection. On public finance, regulation, welfare and sustainability IKS can be helpful, if critically, methodologically sound and compliant with the values of the Constitution. For this reason, future research needs to concentrate on developing well-organized teaching materials, training faculty, and performing empirical studies on the effects of IKS based reforms in economics education. With carefully mediated

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consideration of Arthashastra, contemporary India and the global economic dialogue, a more grounded, plural, and ethically informed Indian economic discourse in the twenty first century can be realized.

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