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'Finance' In Ancient India, From The View of Modern Economics

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Finance is the integral part of business and life-blood of all economic activities. The financial system of a country works through a set of financial markets and financial institutions. Financial markets are those which deal in financial assets and credit instruments of different types, such as, currency, cheese, bills, bonds, bank deposits, handis, etc. In a broad since, financial market includes besides money and capital markets, the government securities or bond market and foreign exchange market. In a narrow sense, however, financial markets, are the credit markets. The main functions of financial markets are to facilitate creation and allocation of credit and liquidity, to serve as intermediaries in the process of mobilization of savings in the economy; to assist the process of economic development through a more balanced regional and sector wise distribution of investible funds, and to provide financial convenience to the people.

Apart from commercial banks and co-operative institutions, the financial system in India consists of a wide variety of non-banking financial institutions (NBFIs) such as financial institutions, insurance capital market intermediaries such as mutual funds. Commonly grouped as NBFIs, the nature of operations of difference types of NBFIs is quite distinct from one another.

Related to this point, we found the thinking of finance and Financial India. The sources like Arthsastra, Astadhyayi, Mahabhashya, Mahabharatetc, gives us brief knowledge of topic.

Thinkers in ancient India have explained the importance of savings and investment for increasing wealth, income, social prestige and the soundness of the public exchequer. The Mahabharata clearly says that money begets money as a big elephant in the jungle attracts a caravan of elephants being him. Kautilyabas expressed the same view by saying that men, without wealth, do not attain their objects even with hundreds of efforts: objects are secured through objects, as elephants are through elephants set to

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catch them. Our ancient thinkers have discussed also the source of capital, advance of capital on interest, security to be given and repayment of capital. Thus, the ancient India society was quite familiar to the productivity of capital in industry as well as other undertakings.

The important question now arises as to what were the sources of capital in ancient India. The State and the private banking systems were the two main sources of supply of capital the state assumed the basic responsibility of smooth running of agricultural and industrial activities and, as such, the financing responsibility automatically vested in the state. The Mahabharata points out that the state provides finance at reasonable rates of interest for agriculture, animal husbandry and commerce. Kautilya, while pointing out the functions of various Adhyakshas—the superintendents, recommends state investments. He instructs them to supply seeds, manures, inplements, etc. to agriculturists, and necessary raw materials to the industrialists. Storing of all types of materials shows that they could be utilised for consumption in times of distress; otherwise, in normal times they were to be utilised as capital.

The existence of individual financers cannot be denied in ancient India. They supplied capital to the society for production and consumption. Manu has described at length the various rates of interest, the nature of security to be pledged against a loan and the fines to be imposed in case the repayment of loan in denied.[4]Kautilya has made elaborate rules for supply of capital and its. refund, and also for saving the society from excessive rates of interest.[5]

The other source of capital, apart from the State and the individual financers, was the guilds of artisans and consumption. Manu has described at length the various rates of interest, the nature of security to be pledged against a loan and the fines to be imposed in case the repayment of loan is denied.[4]Kautilya has made elaborate rules for supply of capital and its refund, and also for saving the society from excessive rates of interest.[5]The other source of supply of capital, apart from the State and the individual financers, was the guilds of artisans and merchants. The artisans and merchants has created different 'Nigamas', 'Sanghas' or 'Shrinis' for the security of their interests. Apart from their organizational activities in various fields, they supplied necessary

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funds to the member out of the big amount collected by way of membership fees and profits earned from collective ventures.The ancient thinkers fully realised the significance of primary essentials required for capital formation and capital accumulation. They are of the opinion that the amount of wealth that is received by a man, sets a limit to his capacity to save. In the light of this, the ancient thinkers have preached for an equitable distribution of national dividend on the one hand, and restraint n the extravagant spending on the other. So far as the security of life and prosperity is concerned, the ancient writers are of the view that only the State can guarantee peace and prosperity leading to willingness to save. Though a good share of national income was taken away by the State in the form of taxes, etc., yet the State offered many channels of investment. So far as desire to save is concerned, it was motivated by a high rate of interest and family needs. In fact, the desire to save is greatly affected not only by rate of interest but also by the family cohesion. The inducement of familiar affinity must have been very important for savings in ancient India because of the joint family system and also because the Dharmashastras enjoined upon every earning member to be jointly and severally responsible for the welfare of the family. Thus, when tested on the factors responsible for accumulation of capital, ancient Indian thinkers do not lack in any way in comparison to modern economists.

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