

## Indian Indigenous Accounting Systems: Cultural and Economic Perspectives

*Dr. Markhi N. Lagariya*

### **Abstract**

*This research paper explores Indian indigenous accounting systems from cultural and economic perspectives. Originating with the Indus Valley Civilisation (c. 4th–3rd millennium BCE) and systematically codified in Kautilya's Arthashastra (4th century BCE), India developed sophisticated bookkeeping traditions—including bahikhata, lekhpaddhati, and parta systems—centuries before European double-entry accounting. These systems embedded financial transactions within philosophical frameworks of reciprocity, balance, and ethical accountability. Methodologically, the paper synthesises historical texts, ethnographic case studies, and contemporary evidence, examining how indigenous accounting practices operate as both recording mechanisms and meaning-making cosmologies. Cultural analysis reveals how ritual practices such as chopdapujan (worship of account books) transform accounting into a sacred activity, while economic analysis demonstrates how indigenous systems facilitated complex trade networks, tribal financial security, and micro-enterprise resilience. The paper argues that these systems are not merely historical relics but actively adaptable frameworks that integrate cultural values with economic functionality, offering alternative models for inclusive and sustainable development in the digital era.*

**Keywords:** *Indigenous accounting systems, Bahi Khata, Arthashastra, Indian economic history, cultural accounting, lekhpaddhati, financial ethnography, sustainable bookkeeping*

### **1. Introduction**

Contemporary accounting discourse is largely shaped by Western double-entry bookkeeping, formalised by Luca Pacioli in 15th-century Italy. This Eurocentric narrative often obscures the existence of parallel, equally sophisticated indigenous systems in other civilisations. India presents a notable case. Long before Venetian merchants formalised double-entry methods, Indian traders, guilds and temples had developed practices that embodied the same mental model of balance and reciprocity. From the Indus Valley script as a trade-accounting system to the bahikhata still used in small shops today, India possesses a rich, continuous tradition of indigenous accounting. This paper examines these systems through a dual lens: cultural perspective—how accounting practices are imbued with ritual, ethical and cosmological significance—and economic perspective—how these systems enabled trade, governance, financial inclusion and resource management. By integrating historical analysis with contemporary case studies, the paper demonstrates that indigenous accounting systems are not static relics but dynamic frameworks capable of adapting to modern needs while preserving cultural integrity.

The paper is structured as follows: Section 2 traces the historical origins of Indian indigenous accounting; Section 3 adopts a cultural perspective, highlighting rituals, ethics and the sacred dimension of bookkeeping; Section 4 examines the economic functions and contributions of these systems; Section 5 assesses their modern relevance and adaptability; and Section 6 concludes with implications for sustainable development and indigenous knowledge preservation.

## **2. Historical Origins: From the Indus Valley to the Vijayanagara Kingdom**

### **2.1 Indus Valley and Early Evidence**

The roots of Indian accounting extend to the Bronze Age. Dr. S. Kalyanaraman has deciphered the Indus script (c. 4th–3rd millennium BCE) as a “Karanam-Trade Accounting System,” documenting guild-based production and long-distance trade across a maritime tin route connecting Southeast Asia to the eastern Mediterranean. More than 9,000 seals studied suggest a “metallurgical accounting system” used by artisan guilds to record output, inventory and transactions. These seals represent some of the world’s earliest systematic economic documentation.

### **2.2 The Arthashastra and State Accounting**

The most comprehensive ancient text on economic governance is Kautilya’s Arthashastra (4th century BCE). It prescribes detailed bookkeeping rules, periodic audits, and separate offices of Treasurer and Comptroller-Auditor to ensure accountability and minimise conflicts of interest. Kautilya recognised accounting as essential for resource allocation and economic development, emphasising that ethical values act as the “glue which binds society and promotes economic development”. Murthy and Rooney argue that the Arthashastra demonstrates how management accounting was used to enforce “economic and ethical behaviour in the daily lives of Mauryan organisational actors”. This integration of accounting with ethics marks a distinctive Indian contribution.

Richard Mattessich further notes that the highly developed Hindu accounting tradition may have enabled early acceptance of negative numbers by Indian mathematicians such as Brahmagupta (7th century) and Bhaskara (12th century), who interpreted a negative number as representing debt—a concept derived directly from accounting practice.

### **2.3 Medieval Systems: Bahi Khata, Lekhapaddhati and Parta**

By the 13th century, explicit indigenous systems had emerged across India. The bahikhata tradition was formalised among Gujarati and Rajasthani merchants: transactions recorded in roja (daybook) were transferred to khata (ledger), with jama indicating inflows and kharach outflows. Every jama had a corresponding kharach, embedding the logic of duality.

The lekhpaddhati (“method of writing accounts”) in 13th-century Gujarat was a detailed single-entry system maintained on palm leaves or cloth, revolving around the hundi (bill of exchange) that facilitated long-distance trade. It documents trade with East Africa, the Middle East and Southeast Asia, revealing social stratification and occupational specialisation based on caste.

The Marwari parta system, over 800 years old, is a single-entry system focusing on daily margins and profitability. Formally introduced by industrialist G.D. Birla, it remains in use among Marwari businesses today, with software now available to replicate the framework.

Community accountants known as Patwari, Kanakku Pillai and ModhBaniyasi ensured that every receipt had a corresponding issue, their procedures often recorded in specialised scripts such as Mahajani, Khudabadi and Sarrafi.

## **3. Cultural Perspective: Accounting as Ritual, Ethics and Cosmology**

### **3.1 The Sacred Book: Chopda Puja**

The most vivid intersection of accounting and spirituality is chopdapujan (worship of the account book), performed on Diwali. Before this puja, all business accounts are closed; new books are opened five days later on Labh Pancham. The chopda or bahikhata is worshipped with prayers to Lord Ganesha and Goddess Lakshmi. Inside the ledger, merchants write “Shubh” (auspicious) and “Labh” (merit/profit) and draw a swastika symbol for

good fortune. This ritual transforms accounting from a mundane clerical task into a sacred activity that sanctifies the economic cycle, reinforcing the idea that prosperity follows divine blessing and ethical conduct.

### **3.2 The Philosophy of Paap and Punya**

Devdutt Pattanaik argues that the Indian approach to double entry is rooted in the philosophical framework of paap (sin) and punya (virtue) as moral opposites that must be balanced. The Jain manual *Lekhapaddhati* (13th–15th centuries) describes methods where the creditor’s record and debtor’s record reflect each other, mirroring the conceptual foundation of double entry without using Venetian debit-credit terminology. Accounting was thus a practice of moral as well as financial reckoning—a way of tracking one’s karmic as well as monetary balance.

### **3.3 Accounting as Cosmology: The Assam Case**

An ethnographic study by D.J. Noyes in Mayong, Assam (2013–2014) demonstrates how indigenous accounting operates as a “cosmological practice” for impoverished communities. Its conclusion: “In a word, this project is about how a people account—not only for finances, but also to each other in secretive and publicly shared modes”. The vitality of accounting is “an index of the dynamism of Mayongian society and the visions Mayongians have of their history and the universe they live in”. Accounting becomes a tool for community cohesion, transparency and existential meaning—far beyond mere profit calculation.

### **3.4 Cultural Capital and National Identity**

In modern India, the bahikhata has acquired symbolic political weight. When Finance Minister Nirmala Sitharaman replaced the British-style briefcase with a red bahikhata-style pouch for the Union Budget in 2019, the gesture was a “break away from colonial practices” and an “embrace of India’s heritage”. The red cover symbolises transparency and accountability, and the phrase “opening the khatabahi” is used figuratively to mean revealing past dealings. Indigenous accounting thus serves as cultural capital—a marker of post-colonial confidence and a connection to a rich commercial past.

## **4. Economic Perspective: Functionality, Trade and Resilience**

### **4.1 Accounting as an Economic Enabler**

From Chanakya’s time, Indian economic thought recognised that proper measurement of economic performance is “absolutely essential for efficient allocation of resources” and therefore a key source of economic development. The *Arthashastra* provided not only bookkeeping rules but also principles of taxation, budgeting (based on a 354-day year with entries correlated to the king’s regnal year) and audit systems that underpinned the administration of the Mauryan empire.

### **4.2 Indigenous Financial Instruments**

- Indigenous accounting was inseparable from indigenous finance:
- Hundis were bills of exchange that enabled safe fund transfers across long distances, forming a sophisticated financial system.
- Srenis (merchant guilds) were corporate self-governing entities with regulations recognised by local authorities.
- Nidhis or chit funds cultivated savings habits among members through rotating credit systems.
- These instruments, documented in accounting records such as the *lekhapaddhati*, demonstrate that Indian commerce was not informal but highly organised, with its own governance and regulatory structures.

### **4.3 Economic Resilience of Subaltern Communities**

The preservation of indigenous accounting among subaltern communities speaks to their economic resilience. A study on how indigenous accounting practices are “mobilised in the daily life of a subaltern community” found that such systems continue to function despite external pressures for change, precisely because they embed economic transactions within trusted social networks. In Assam’s Mayong, “whatever is kept intentionally secret is often pushed into the open, toward becoming a publicly shared account,” suggesting that indigenous systems enhance transparency and mutual monitoring within communities.

#### **4.4 Sustainability of Micro-Enterprises**

Recent research on vernacular accounting as an “indigenous financial ethic” demonstrates how such systems sustain micro-enterprises. A study of Solo Raya shows that indigenous accounting methods—often regarded as outdated—actually provide stability and trust in contexts where formal banking is inaccessible. By integrating cultural values of reciprocity and balance, these systems reduce transaction costs, minimise information asymmetry and encourage ethical conduct, leading to greater long-term viability than purely profit-driven models.

#### **5. Modern Relevance and Adaptability**

Indigenous accounting systems are not mere historical artefacts. The bahikhata still appears in small shops and informal businesses because it “continues to solve the problem it has been solving for centuries—tracking money simply, cheaply, and reliably”. Efforts are underway to modernise these systems: software replicating the Marwari parta system is commercially available; digital bahikhata apps integrate with UPI and banking services. From an economic perspective, indigenous bookkeeping offers low-cost, accessible solutions for financial inclusion, bypassing the need for expensive formal accounting software or high levels of literacy. From a cultural perspective, it preserves a link to heritage and community identity even as technology evolves. Rather than dismissing these practices as outmoded, scholars suggest that “Indian businesses may gain from modifying them to suit modern commerce”.

#### **6. Conclusion**

Indian indigenous accounting systems represent a sophisticated, continuous tradition spanning over four millennia. From the Indus Valley seals and Kautilya’s Arthashastra to the bahikhata, lekhpaddhati and parta systems, these frameworks integrated financial recording with philosophical principles of balance, reciprocity and ethical accountability. Culturally, accounting was not a neutral technique but a sacred and cosmological practice—embedded in rituals such as chopdapujan, expressed through scripts like Mahajani, and animated by the moral calculus of paap and punya. Economically, these systems enabled extensive trade networks, sophisticated financial instruments and resilient community-based finance, contributing to India’s historical prosperity and offering low-cost solutions for contemporary micro-enterprises and informal economies.

The preservation, documentation and adaptation of indigenous accounting systems are matters not only of historical interest but of practical and policy significance. As India pursues inclusive development and financial inclusion, indigenous technologies offer culturally congruent, trust-based alternatives that complement formal financial infrastructures. Recognition of these systems also challenges the Eurocentrism of mainstream accounting history, writing a more pluralistic and accurate narrative of global economic thought. Future research should focus on comparative studies across South Asian traditions, digital adaptations of indigenous bookkeeping, and the potential incorporation of indigenous principles into sustainability accounting and corporate governance frameworks.

#### **References**

Kallapur, S., & Krishnan, R. Management accounting in India. In Handbooks of management accounting research. Elsevier.

Kautilya. The Arthashastra (L. N. Rangarajan, Ed. & Trans.). Penguin Classics. (Original work published c. 4th century BCE)

Mattessich, R. From accounting to negative numbers: A signal contribution of medieval India to mathematics. *Accounting Historians Journal*.

Murthy, V., & Rooney, J. The role of management accounting in ancient India: Evidence from the Arthashastra. *Journal of Business Ethics*.

Noyes, D. J. How 'the poor' account: Financial reckoning and its cosmoeconomics in Assam, India (Final report). eScholarship, University of California.

Patnaik, D. Double entry of paap and punya: How ancient India shaped the logic of modern bookkeeping. *The Economic Times*.

Scorgie, M. E. Indian imitation or invention of cash-book and algebraic double entry. *Abacus*.

Sharma, S. K. Taxation and revenue collection in ancient India: Reflections on Mahabharata, Manusmriti, Arthashastra and Shukranitisar. Cambridge Scholars Publishing.

Shyam, M. R., & Sunder, S. Appraising accounting and business concepts in Kautilya's Arthashastra. *Corporate Governance & Accounting eJournal*.

Srinivas, M. N. Texts, practice and practitioners: Computational cultures at work in early modern South India.