



# THE INTERRELATIONSHIP OF ECONOMY AND JUSTICE DISPENSATION IN INDIA

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**Abstract:** The intricate interplay between economic systems and judicial mechanisms has significantly shaped the dispensation of justice in India, reflecting the socio-economic and cultural evolution of the country. This research explores the historical progression of this dynamic relationship, from the community-centric practices of ancient India to the exploitative judicial policies of colonial rule, and the judiciary's pivotal role in post-independence economic reforms and liberalization. The study highlights how ancient texts like the *Dharmashastras* and Kautilya's *Arthashastra* enshrined principles of economic equity and legal fairness, promoting community trust through localized dispute resolution. The colonial era, however, disrupted these practices, prioritizing mercantile interests over indigenous rights. In post-independence India, the judiciary emerged as a custodian of socio-economic justice, balancing constitutional mandates with economic reforms. As globalization and digitalization reshape economic paradigms, the judiciary faces new challenges, such as regulating cryptocurrencies, addressing gig economy disputes, and safeguarding intellectual property in a globalized market. This paper underscores the judiciary's adaptability and its enduring commitment to justice and equity amidst economic transitions. The findings advocate for enhanced judicial capacity-building, adoption of technology-driven solutions, and strengthened alternative dispute resolution mechanisms to uphold justice in a rapidly evolving economic landscape.

**Keywords:** economy, judicial system, socio-economic justice.

## I. INTRODUCTION

One of the cornerstones of the trajectory of societal development is the relationship between the economic policies and the mechanism of dispensation of justice. In India, this nexus has been influenced by historical cultural, and socio-political influences which have shaped the overall perception and system of delivery of justice. This research intends to explore the evolution of economic systems in India and the implications on justice dispensation and social equality—from ancient practices to the modern economic liberalization. This inquiry delves into the unique interplay between economic systems and judicial frameworks, seeking to illuminate the effect economic transitions have on the mechanisms for dispute resolution. The basic idea is that justice does not operate in vacuum, rather it determines and reflects the economic setup of the society to a great extent. The authors aim to establish patterns of this interrelationship via historical analysis. The research begins with espousing the economic practices of ancient India, whose roots lied in the community-based principles of fairness and governance which were disrupted by the colonial rule. It moves on to examine the post-independence era of economic protectionism and the gradual transition to liberalization in the 1990s. The paper also analyses the impact of this transition on the overall structure of justice

dispensation and social justice in the Indian society. Lastly, it evaluates whether the liberalization paradigm aligns or diverges from the goals of justice, equality, and fairness, imbibed in the Constitution of India.

## II. LEGAL PRINCIPLES ROOTED IN ECONOMIC FAIRNESS

The systems of justice dispensation in ancient India are known for their emphasis on reconciliation and restorative justice. The disputes were resolved locally by village *panchayats*, which minimized the hassle and costs incurred in a formal litigation and, at the same time, fostered and reinforced community trust. The matters related to property, inheritance, and labor, etc., were decided on principles grounded in the ideals of fairness and protection of the more vulnerable, which underpinned the alignment of economic practices with justice.

Kautilya's *Arthashastra* elaborates on the role of the state in governance of the economy while detailing the various policies for taxation, trade, and justice. A progressive taxation system outlined in this text recommends that the taxes must not become a burden on the subjects, and that they must be utilized for public welfare and infrastructural development [1]. Regulation of market prices, prevention of fraud, and punishment for unfair trade practices have been deemed essential to the economic and commercial fairness [2]. The text also enlists rules for land distribution, rights for irrigation, and protection of farmers against exploitation, [3] highlighting the interconnection of economic fairness and the prevailing legal principles.

*Manusmriti* also codifies both, economic responsibilities and legal remedies, which aimed to ensure access to justice to all. The code also discusses the obligations to pay timely, and fair wages to the workers and emphasizes their protection [4]. Further, the protection of, and justice for the poor and vulnerable is established as a duty of the rulers [5].

The *rajdharma* of the king, as defined in the Shanti Parva of Mahabharata, includes the duty to ensure economic stability, protection of the vulnerable, and promotion of equity for the benefit of all. It emphasizes the ethos of governance requiring the rulers to act as the guardian of economic fairness, as well as the custodian of justice.

The *Panchatantra* narrates stories which highlight the principles of ethical trade practices and reinforce the equitable distribution of resources and exemplifying societal values of economic fairness.

The *Atharva Veda* [6] also emphasizes the need for redistribution of wealth, whether through fair economic dealings, or through charity.

The *Rigveda* emphasizes the necessity of harmony in economic transactions and advocates 'just exchanges' and 'ethical treatment' of all parties.

These ancient texts also illustrate how kings were advised to appoint officials to act as arbitrators in trade disputes to ensure fair market practices. The ancient Indian legal philosophy is rooted in the idea that "members of the community are best placed to resolve the disputes of the community". This localized nature ensured better access, speedy adjudication, and socially favorable means of settlement so as to uphold community trust along with the purpose of serving justice.

It is noteworthy that the centralized legal frameworks of the recent history, contrast sharply with the localized systems prevalent in ancient India. The latter was equipped at quicker resolution of disputes which were cognitive to the erstwhile economic contexts. For example, the dispute over land use was more than just a legal concern- it was pivotal for the community survival in the agrarian society and hence, the justice system was obligated to prioritize equitable and sustainable solutions. Contrary to the ancient ethos, the colonial rule introduced "economically exploitative" judicial policies.

These illustrations reinforce the idea that the economic systems underpin the philosophy of justice.

## III. ECONOMIC PRACTICES AND JUSTICE DISPENSATION IN ANCIENT INDIA

The economic system of India has significantly influenced the system of justice dispensation at all times, and has been a true indicative of the changing socio-economic contexts and structure of governance. The effect of the economic setup at any given time is reflected on the judicial practices. A thorough analysis of the ancient legal texts reveals a proactive approach at adapting laws to suit the evolving economic practices. For instance, at the time of the expansion of trade, texts prescribed penalties for fraudulent and monopolistic behaviors and unethical trade practices. This versatility highlights the symbiotic relationship of economic prosperity and judicial efficiency throughout history.

A peculiar feature of the legal systems during this period was the interaction of economy with religious and ethical norms of the erstwhile society. The *Dharmashastras* integrate enforceable rules with moral values to ensure that the economic disparities do not impact the society beyond the manageable limit.

### 3.1 Ancient India: Agrarian and Localized Economy

The economy was agrarian and the justice system was based on the system of community.

- Economic Context

The ancient Indian society was primarily agrarian, and trade and handicrafts constituted a significant part of the economic system. The economic roles were influenced by the *Varna* system and a stratified socio-economic framework prevailed.

- Judicial System

The dispensation of justice was local, through village councils, *a.k.a.* panchayats, and disputes related to land, water, and agricultural produce was decided by the elders on the basis of local customs and economic conditions. The legal principles enumerated by the *Dharmashastras*, including Manusmriti [7], have reinforced the value of economic fairness in resolution of disputes, and ensuring fair wages and other rights of the workers [8]. Further, the king's court was essential to addressing the issues of taxation, land disputes, and violation in trade. The focus of this legal system was on maintaining economic stability and promoting equity.

### 3.2 Medieval India: Feudal Economy and Trade Expansion

The feudal economy of this time contributed to expansion of trade.

- Economic Context

The prominence of the feudal system increased with the concentration of land ownership among the feudal lords. The rise in domestic and international trades was also a remarkable event during the reign of Delhi Sultanate and Mughal Empire. The hierarchical economic structure was a distinctive feature of medieval India.

- Judicial Setup

In the event of rise in feudalism, justice dispensation was localized under the feudal lords who held significant authority and favored the economic interests of the elite, even at the expense of the more vulnerable groups [9].

It is relevant to note that the introduction of Islamic law under the Delhi Sultanate and Mughals brought in newer structures for adjudication of disputes where the Qazis were authorized to adjudicate disputes. Their adjudication was based on the Sharia however, they accommodated local customs for the sake of harmony. The customary laws of the agrarian society continued to aid in resolution of disputes, thus maintaining the localization of the economic structure. The novelty of Islamic jurisprudence introduced changes at the structural level and shifted the emphasis from the customary to the codified laws. Akbar is known for introducing reforms for unifying revenue systems, which ultimately influenced the judicial processes [10]. His reforms, while significant, showcased different levels of success in alleviating inequalities and thus espoused the limitations of the judicial intervention.

Unfortunately, however, the feudal and Islamic systems, together, failed to address the economic disparities prevailing in the Indian social system.

### 3.3 Colonial India: Mercantile and Extractive Economy

The British arrived in India as merchants and drained its prosperity back to Britain.

- Economic Context

The aim of the British colonial system was to serve the mercantile purposes of the East India Company. All the regulations and policies were structured to facilitate the extraction of resources from India and to propel the industrial growth in Britain which led to the creation of economic disparities in the Indian society.

- Judicial Setup

The British are credited with the establishment of the formal courts and introducing the English legal principles. The English system had a centralized judiciary which gave preference to the economic interests of the colonial system over the rights of the indigenous people. Land revenue systems, such as the Permanent and the Ryotwari settlement [11] triggered a rise in the number of land disputes and the courts were known to side with the landlords over tenants. The customary laws, though permitted in certain cases, were sidelined as the contract laws gained importance in light of the rising value of trade and commerce [12]. The indigenous legal practices became marginalized and institutional injustice took root. The British system of adjudication

exacerbated the poor economic conditions of the rural society and alienated traditional practices. The community trust was destroyed with the advent of mechanisms which focused on upholding colonial interests and dictating judicial outcomes accordingly therewith.

Thus, the focus of the judiciary saw a shift from land and property rights to commercial and mercantile interests.

The judicial reforms of British India were driven by economic motivations. The enactment of the Indian Penal Code and the Indian Contract Act facilitated the smooth functioning of the growing trade and commerce. Reflecting the colonial priorities of property and contract rights over social equity, these laws undermined panchayats, thus eroding the community-based practice of dispensation of justice.

### 3.4 Post Independence India: Mixed Economy

The Indian independence was a hard-fought war and its impact on economy was evident [13].

- Economic Context

After obtaining independence from the British Rule, India adopted a mixed model of economy which involved substantial state control over public domain industries, and emphasized greatly on planned development [14]. The five-year plans for economic development were adopted with the hope of achieving better results, as were seen in the erstwhile USSR, and it was working reasonably well for India. This phase is also referred to as the period of 'protective economy' where India was focused on standing its ground as a newly independent state. The abolition of Zamindari was a pivotal moment in defining the structure of the economy of India thereafter. The new policies were contested in the courts as the reforms challenged the prevailing property rights.

- Judicial Setup

The Judiciary was recognized as the key institution for enforcement of justice in economic terms, *i.e.*, equitable distribution of resources and safeguarding labor rights. The judiciary became essential in facilitating, and limiting land reforms intended for redistribution and reducing inequality. The judiciary was instrumental in defining the course of Indian economy in the initial years after independence wherein it adjudicated the cases for nationalization of banks and industrial disputes, including those under state control. The courts acted as enforcers and interpreters of the economic policies while determining the cases which traversed the tightrope between economic rights and constitutional mandates. These cases are responsible for 'setting up the stage' for the judicial activism in socio-economic matters in the developing economy that was India. In the landmark case of *Keshavananda Bharti v. State of Kerala* [15], the court was instrumental in establishing the basic structure doctrine to balance economic development and individual rights. The judiciary also interpreted the provisions of the Directive Principles of State Policy which are non-justiciable, but relevant to achieving socio-economic justice. For instance, in the case of *Minerva Mills v. Union of India* [16], the judiciary showcased its commitment to ensure that all economic policies align with constitutional mandates of equity, justice, and fairness.

This era also witnessed the enactment of the Industrial Disputes Act in 1947 which was interpreted by the judiciary at every step and the rights of the workers were eventually, deemed imperative for maintenance of industrial peace.

### 3.5 The Market Economy in the Era of Liberalization: 1991 Onwards

By the end of 1980s, India was heavily reliant on borrowings and it was imperative for us to open our economy to the world, in order to be able to continue to receive international contributions to our development.

- Economic Setup

The decision of liberalizing the Indian Economy was pivotal. With increasing globalization and privatization, the state control decreased, driving India's shift towards a market-driven economy. This step was taken under indirect international pressure, and to ensure that India could continue to receive loans and facilitate its economic progress. The unprecedented economic growth was accompanied with widening socio-economic disparities.

- Judicial Setup

The increasing number of private enterprises and foreign investment, there was an increase in the number of cases related with corporate and trade laws, along with matters related to intellectual property. These changes allowed a closer perspective on the socio-economic disparities and the judiciary stepped into the phase of 'activism'. **Public Interest Litigation** was a tool which the Supreme Court adopted for addressing

grievances which exceeded the standard *locus standi* concerns of the law, such as environmental degradation [17], displacement due to industrial projects [18], and economic inequality. The popularization of contractual employment and gig economy propelled the judicial attention to labor rights. This shift introduced complexities in the mechanism for justice dispensation, specifically in the domain of corporate and labor laws.

The courts stepped in to address issues of malpractice and labor exploitation in a 'rapidly globalizing economy'. Cases such as *Vishakha v. State of Rajasthan* [19], *Olga Tellis v. Bombay Municipal Corporation* [20], *Vellore Citizens Welfare Forum v. Union of India* [21], etc. showcase the evolving role of the judiciary and its efforts at balancing economic developments with human rights.

The increasing privatization of public assets or irregularities also fell within the domain of judicial checks and balances on the novel economic policies so as to ascertain that they are in accordance to the principles of equity and justice. This judicial activism also extended to corporate governance when the Court established accountability in financial frauds. These judicial interventions have strengthened the frameworks for the regulation and protection of public interests

Thus, it is reasonable to say that the judicial system has always been reflective of the prevailing economic setup and the interplay of economics and law has continued to shape the Indian Judicial System at every stage.

#### IV. THE INTERRELATIONSHIP OF ECONOMIC AND JUDICIAL SYSTEMS: A THEMATIC SYNTHESIS

Throughout Indian history, the interplay between economic systems and judicial mechanisms has significantly influenced justice dispensation. This synthesis identifies recurring themes and provides an updated perspective on their relevance in modern contexts.

1. **Economic Equity as a Justice Paradigm:** Long has been the economic equity as a justice paradigm. Equitable resource distribution was the basic principle inherent in ancient systems such as village panchayats and enshrined in *Dharmashastras*. But these early frameworks combined economic and societal well-being. Resonating these ancient principles, modern constitutional values give expression to economic equity and social justice as elements of governance in the form of the Directive Principles of State Policy. Land redistribution cases in post-independence India, such as the Zamindari Abolition Acts, are notable examples, as are labour rights adjudications which help establish the view that equitable distribution of resources is possible.
2. **Centralization vs. Localization:** The transformation from local justice systems to centralized colonial courts underlines the economic centralization's impact upon judicial structures. Locally operated systems such as village panchayats have traditionally offered quick and context specific solutions. But the equilibrium was irritated by colonial centralization, for it favoured mercantile and imperial interests to the neglect of local needs. In today's context however, courts ensure this tension between centralization and localization thru methods like Public Interest Litigation (PIL). They balance national interest with local grievance. For example, Judiciary's role in reconciling the local concerns with economic goals can be illustrated by PILs related to rural displacement springing out from industrial projects. This trend sees localised, accessible as well as efficient justice delivery all further demonstrating a push for Alternative Dispute Resolution (ADR) mechanisms such as Lok Adalats and online mediation platforms.
3. **Judicial Adaptation to Economic Change:** The evolution of the judiciary is a reflection on its versatility in appropriation to ever changing economic paradigms. In the feudal and the medieval eras, judicial systems based on lawmaking on agrarian economy interpreted laws of agrarian economy and land rights, and agrarian relating. During the colonial period, the courts had created the exchange of carrying out contract and property laws is a means of supporting the colonial economic structures. Since the time of post-liberalization, the judiciary has addressed issues such as corporate governance, environmental protections and labour rights. Judicial responsiveness to present day economic puzzles has been shown in landmark cases such as 2G Spectrum Case, Coal allocation case, and gig economy verdicts. But now the judiciary is confronted with fresh problems such as how to regulate cryptocurrencies, rights of work in platform-based economy, and resolution of intellectual property disputes in a globalised market.
4. **Socio-Economic Justice in Modern Times:** Post-independence, the judiciary expanded its focus to socio-economic rights, reinforcing its role as a guardian of constitutional principles. Key areas of focus have included land reforms, labour protections, and welfare policies. Landmark judgments, such as *Olga Tellis v. Bombay Municipal Corporation* (recognizing the right to livelihood) and *Vishakha v. State of Rajasthan* (establishing workplace safety standards), underscore the judiciary's commitment

to socio-economic justice. In the liberalization era, judicial responsibilities extended to regulating corporate practices and addressing socio-economic disparities. For example, judicial interventions in environmental degradation cases highlight the balance between economic development and ecological sustainability.

The dynamic interrelationship between economic systems and judicial mechanisms underscores the judiciary's pivotal role in ensuring justice and equity. By continually adapting to economic contexts, India's judiciary upholds its mandate as a guardian of constitutional principles and socio-economic fairness. Future research should focus on leveraging emerging technologies and international collaborations to enhance the judiciary's capacity to address complex economic challenges.

## V. CONCLUSION

The comprehensive examination of India's economic-judicial interface reveals several significant insights about the dynamic nature of justice dispensation in evolving economic contexts. This research demonstrates that the relationship between economic systems and judicial mechanisms is not merely correlational but fundamentally symbiotic, with each sphere significantly influencing the other's development and effectiveness.

From the agrarian economy of ancient India to the feudalism of medieval times, and the mercantile economy under colonial rule, the judiciary has evolved to address the unique challenges of each era. Post-independence, it assumed the critical role of ensuring socio-economic justice by mediating conflicts arising from land reforms, labor protections, and the growing complexities of a mixed economy. Landmark cases such as *Keshavananda Bharati v. State of Kerala* and *Minerva Mills v. Union of India* illustrate the judiciary's commitment to aligning economic policies with constitutional values of equity and fairness.

The liberalization era brought unprecedented economic growth, accompanied by widening disparities and environmental concerns. Judicial interventions in cases like the 2G Spectrum and Coal Block Allocation have underscored the need for transparent governance and equitable resource allocation. Additionally, public interest litigations and judicial activism have emerged as powerful tools for addressing socio-economic inequities, environmental degradation, and labor rights issues in the face of rapid globalization.

As India navigates the challenges of a digital economy and globalized trade, the judiciary must continue to adapt by embracing technology and fostering global collaborations. The regulation of cryptocurrencies, the gig economy, and intellectual property rights are critical areas requiring judicial oversight. By leveraging alternative dispute resolution mechanisms and enhancing judicial expertise in economic complexities, the judiciary can ensure that justice remains accessible and equitable. Ultimately, the judiciary's role as a guardian of constitutional principles and socio-economic fairness underscores its centrality in shaping a just and equitable society. Future research should focus on integrating emerging technologies and interdisciplinary approaches to strengthen the judiciary's capacity to address the complexities of an evolving economic landscape.

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