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# Protection of Traditional Knowledge and Geographical Indications in India and How It Reflects in Business Valuation

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**Abstract**

Traditional knowledge (TK) and geographical indications (GIs) represent valuable intangible assets that embody the cultural, social, and economic heritage of India. In the global knowledge economy, these forms of intellectual property play a vital role in safeguarding indigenous practices while generating significant commercial value for local communities and businesses. This paper analyses the legal framework governing TK and GIs in India, evaluates their contribution to brand equity and business valuation, and highlights accounting and financial reporting challenges associated with recognizing such assets. Using case examples of Darjeeling Tea, Kanchipuram Silk, and Aranmula Kannadi, the study emphasizes that effective protection and valuation of TK-based products enhance corporate sustainability, market differentiation, and rural development.

**Keywords:** Traditional Knowledge, Geographical Indications, Intellectual Property Rights, Business Valuation, India, Intangible Assets.

## Introduction

India's cultural diversity and long history of craftsmanship have produced a wealth of traditional knowledge and locally distinctive goods. The increasing globalization of markets has led to growing concerns about biopiracy, misappropriation of indigenous products, and unfair competition. To address these challenges, the Indian legal system has adopted several measures under the Geographical Indications of Goods (Registration and Protection) Act, 1999 and has aligned with international agreements such as TRIPS (Trade-Related Aspects of Intellectual Property Rights).

Traditional knowledge and geographical indications now serve not only as instruments of cultural preservation but also as sources of economic value and business Competitiveness. Their recognition as intangible assets has important implications for financial reporting, valuation, and corporate strategy.

## Literature Review

Several studies have examined the socio-economic benefits of GI registration. Das (2010) [1] highlighted that GIs strengthen producer reputation and consumer trust. Ganguli (2008) [2] discussed valuation challenges of traditional knowledge assets under IFRS standards. Sampath (2015) [3] noted that TK protection contributes to biodiversity conservation and community empowerment.

However, literature on the intersection of TK/GI protection and business valuation remains limited. This paper fills that gap by analysing how GI-based products contribute to enterprise valuation and how accounting frameworks can reflect such intangible values.

## Legal Framework for Protection of TK and GIs in India

India's protection system consists of multiple legislative and policy instruments:

- **The Geographical Indications of Goods (Registration and Protection) Act, 1999:** Provides legal recognition to goods originating from specific geographical regions, ensuring exclusive rights to authorized users.
  **Examples:** Darjeeling Tea, Kanchipuram Silk, Mysore Sandalwood Oil.
- **The Biological Diversity Act, 2002:** Protects traditional medicinal knowledge and ensures benefit-sharing with local communities.
- **Traditional Knowledge Digital Library (TKDL):** A government initiative to document indigenous medicinal knowledge and prevent biopiracy by foreign entities.

Together, these mechanisms help secure intellectual property rights over traditional practices and prevent their commercial exploitation without due credit or compensation.

## Geographical Indications and Business Valuation

GIs function as collective intellectual property, enabling producers from a specific region to leverage their product's reputation and quality. This translates into brand

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differentiation, premium pricing, and enhanced enterprise value.

In accounting terms, GI-based reputation contributes to goodwill and brand equity, though current Indian accounting standards (Ind AS 38) do not allow internally generated intangible assets to be capitalized. Thus, while businesses benefit economically, their financial statements may not fully reflect the intangible value arising from GI ownership or usage.

**Case Examples:**

- **Darjeeling Tea:** First GI in India; commands international premium due to authenticity certification.
- **Kanchipuram Silk Sarees:** GI registration has enhanced recognition, supporting artisan incomes and export value.
- **Aranmula Kannadi (Kerala):** Gave artisans legal identity and improved product marketability.

Empirical observations indicate that GI registration often leads to a 10–30% price premium and better market access, ultimately contributing to higher firm or cluster valuation.

**Traditional Knowledge and Corporate Value**

Traditional knowledge, especially in herbal medicine, crafts, and agriculture, often forms the basis for product innovation and sustainable branding. Firms integrating TK into their operations derive economic benefits through:

- Exclusive formulations (e.g., Ayurvedic products)
- Authentic brand narratives appealing to global markets
- Social and environmental goodwill that enhances ESG scores

These intangible benefits translate indirectly into higher market capitalization and brand valuation, even if not explicitly recognized in accounting records.

**Challenges in Valuation and Accounting**

- **Lack of standardized valuation models:** Unlike patents or trademarks, TK and GIs are collective and non-exclusive.
- **Absence of market-based comparables:** Difficult to assign fair value under traditional accounting approaches.
- **Disclosure limitations under Ind AS 38:** Internally generated assets are not capitalized.
- **Legal enforcement costs:** High litigation and monitoring expenses reduce net valuation benefit.

Researchers have proposed hybrid models using income-based and market-based approaches to estimate the brand value of GI products.

**Policy Implications and Recommendations**

i). Develop a standardized valuation framework for TK and GI assets to enhance financial transparency.
ii). Encourage disclosure of GI-related information in corporate annual reports to highlight socio-economic contributions.
iii). Integrate GI certification with ESG reporting and sustainable finance indices.
iv). Support capacity building among artisans and cooperatives for brand management and quality control.
v). Promote collaboration between accounting professionals, economists, and legal experts to align valuation practices.

**Conclusion**

The protection of traditional knowledge and geographical indications is essential not only for cultural preservation but also for economic and accounting recognition of community-based intellectual property. Although current accounting standards restrict capitalization, the underlying economic value of these assets is undeniable. With proper valuation frameworks and disclosure practices, TK and GI can be integrated into mainstream business valuation and reporting, promoting both heritage protection and sustainable enterprise growth in India.

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