International Journal of Engineering, Science and Humanities
An international peer reviewed, refereed, open-access journal
Impact Factor: 7.2 www.ijesh.com ISSN: 2250-3552

Administration and Finances of the East India Company: Ambedkar's Critical Analysis

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Abstract:
Dr. B.R. Ambedkar, in his dissertation *Administration and Finances of the East India Company* (submitted for his M.A. at Columbia University), critically examined the fiscal and administrative mechanisms of British India. He outlined the East India Company's centralized revenue system, its dependence on land tax, opium revenue, and debt financing, and its excessive military expenditures that drained India's resources. Ambedkar highlighted how the Company prioritized monopoly and annexation over economic development. His later analysis, *The Evolution of Provincial Finance in British India (1833–1919)*, demonstrated the chronic budgetary deficits of the colonial state, the inefficiency of revenue assignments, and the rigidities of provincial finance. Ambedkar's reflections on fiscal federalism, centre-province relations, and taxation policy remain relevant in understanding both colonial exploitation and the post-independence challenges of Centre-State financial relations in India.

Keywords: - Ambedkar, East India Company, Colonial Finance, Provincial Finance, Fiscal Federalism, Revenue Administration, Centre-State Relations, British India Economy

Administration of East Indian Company

Ambedkar had completed a dissertation entitled 'Administration and Finances of the East India Company in partial fulfilment of the requirements for his M.A. Degree from Columbia University USA. In his dissertation, he provided a broad outline of the East India Company's management along with key practical facts and numbers pertaining to the Revenue system, the spending side, the debt system, and the impacts on the economy. One thing that can be gleaned from his argument is that the East India Company was protective of her monopoly on commerce with India, and that the British were keen to extract maximum value from their decision to provide that monopoly. When thinking about the East India Company's financial impact on the Indian government, he listed thirteen different income streams.

Revenue from land has been relatively stable throughout this time period, providing a large portion of the State's income; revenue from opium has climbed dramatically; revenue from traditional salt-based supplementary sources of income has drastically decreased. All funds were received in the name of India's central government and managed by its central treasury. In other words, both finance and administration were centralised, so that a shortfall in one province would be made up for by a surplus in another, and the whole Indian income would be accountable for the debts

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accumulated for wars in a single region. According to Ambedkar's account, between 1809 and 1850, the military and navy ate up more than half of India's total expenditures made by the East India Company. Loans were obtained in England and India in two different methods. When the government of India required extra cash, it would announce in the media that it was willing to accept loans at a certain interest rate and under certain conditions. In England, however, a distinct system predominated. All of the Home debt was issued as bonds since it was the only legal means for the East India Company to obtain loans in that country, as mandated by Parliament.

John Bright, Dr. Spray, Mr. Endricks, Mr. Bishop, Heber, Mr. Mrolonel Briggs, Mr. Major Wingatee, etc. were just a few of the critical English scholars he mentioned while criticising the entire fiscal and administrative system of the East India Company in India. One major takeaway from their explanations is that the East India Company—which controlled the Indian government—engaged in annexation and conquest rather than development for the country. There was a threat to democracy, according to the 'Stanley Review,' a prominent English daily, since "Englishmen who went over to India became autocrats." Moon, V. (1989) Volume 6 Edition, Page 38

Dr. Ambedkar made the following observation: "Apparently the enormous of India's contribution to England is as much stunning as the nothingness of England's contribution to India. Looking at it from a monetary perspective, both are true statements. There has been no increase in India's gold and silver reserves as a result of England's rule; on the contrary, India has been drained as a source of wealth. (Ibid., pages 47-48). Although he acknowledged the positive impact of the English on education, saying, "Whether mere animal peace is to be preferred over economic destitution, let everyone decide for himself," he also said, "Western education was introduced by the Englishmen, an ancient civilised nation in touch with modern institutions and life, administration, wise laws, and court of justice."

Finances of East India Company

From 1833 until 1919, Ambedkar analysed the Imperial and Provincial administrations of India, as well as their budgetary policies. The development of provincial finance in British India is the subject of his thesis. The chronic budget deficits in India are a symptom of the lethal illness of financial insufficiency.

Obviously, these discrepancies need to be fixed, but doing so requires more than just generating more money. This, he claims, is the flaw in Indian government's handling of the economy. Due to the 'let the gal myth of State landlordism' (the idea that land belongs to the state and that farmers are only tenants, rather than owners), India's land tax was very expensive and so stunted the growth of the country's agricultural sector. Ambedkar said that "absorbing the whole or nearly the whole of its profits (was) ruinous and impolitic" (Ibid., p.74). Because of this, "an effectual bar to the creation of that product through the medium through which individual wealth and public revenue

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(could have been) increased to an almost inconceivable extent" (Ibid., p. 74) was erected. Because of this risky revenue scheme, the tax-bearing ability of the people declined, and the imperial government eventually ran out of money.

The authorities may have cut down on government spending as a means of making up for the persistent shortfalls. Such an economy may be impacted by the Central Government that was founded in 1833. The 1833 Imperial Finance Centralization Act was, however, of the weakest sort. Dr. June claims that an imperial system of government existed. In reality, however, the Government of India was the sole coordinating authority, with provinces functioning as the major executive government units (Ibid., p. The government's coffers were put in jeopardy as a result of this contradiction. The province administrations under the Imperial system were responsible for creating the annual spending plans. However, it was up to the Government of India to figure out how to pay for them. Since the cost of the tickets represented such a small part of the overall amount needed to cover the provincialized spending, the Imperial Government instead allocated lump sums to the provinces in an effort to restore fiscal parity.

India's central government implemented a system of regional financing known as "Budget by Assignments" during fiscal years 1871–72 and 1876–77. Ambedkar argues that although the Scheme got off to a promising start, circumstances eventually necessitated additional and higher levies. The Imperial Government opted to lower income tax rates to appease the upper classes after passing some of the financial load on to the provinces.

Using an average return over a number of years, the Scheme determined allocations based on the 'normal yield' from a variety of sources. An innovative method was developed to account for estimation flaws. Both the Imperial Government and the Provincial Government agreed that any discrepancy between the actual results and the predicted average yield would be split evenly.

In addition, the federal government devised yet another system of provincial finance: growth via 'Budget by shared revenues' from fiscal years 1882–183 to 1818–188, a practise that would continue for over four decades until the advent of significant fiscal changes in 1921. When compared to the flexibility needs of provincial finance, the older systems of provincial finance fell short. First, there are Imperial finance revenues and expenditures; second, there are Provincial revenues and expenditures; and third, there are Federal revenues and expenditures. Third, there was a predetermined distribution of both income and expenditures between the Imperial Government and the provinces. Ambedkar pointed out that the scheme's goal was to make the province government's finances more flexible in terms of income and spending. But since so much of their income came from contracts that could not be changed, their finances were necessarily stiff (Ibid., p. 151).

The objective was set by the British government with an eye towards bringing about the gradual establishment of accountable government in India. As such, the government set up the "Functions

Committee" to split up all of the Indian and Provincial issues. The Committee's suggestions resulted in very modest changes to the Government of India Act of 1919. Income tax and general stamps were proposed to be placed to the Central Government head, while land revenue, irrigation, excise, and judicial stamps were proposed to be added to the Provincial Government head.

To round out the dissection, it is important to note that the Central Government's deficit presented a challenge when the system of split heads was replaced with a distinct charge of income. Several options were considered in an attempt to unravel this complex issue, but none proved successful. The following criteria for fair allocation of costs among provinces were subsequently endorsed by the Joint Select Committee of the (British) Parliament that deliberated the Reform Bill.

Each province in India should pay its fair share to the central government based on its economic resources.

Direct and indirect payments from a province, such as customs, income tax, salt taxes, etc., would add up to the overall amount.

iii. The province's ability to contribute is measured by its taxable capacity, which equals the total of all taxpayer incomes or the average taxpayer income multiplied by the number of taxpayers in the province.

Impact of Fiscal Economics

The concepts of Ambedkar's general concept of Government and division of powers and delineation of financial controls and development obligations between central province (State) and Local Governments have been the guiding principles of his expansive social philosophy. The formation of India's moderate economic relations was profoundly influenced by this overarching notion. Keeping in mind the requirement for an intensive Centre and the closeness of Governments to the people, Ambedkar enunciated the concepts of financial Centre-state connections in the Constitution of India. This is where Ambedkar's study of "The Evolution of Provincial Finances in British India" comes in very handy. Ambedkar favoured a vigorous Central Government, citing the necessity for formation-building. Since India's independence in 1947, the Union Government and State Governments have had an uneven share of taxation and development obligations. This is a serious issue in contemporary India's Centre-State fiscal relations.

Financial ties between the federal government and the states remain tense even after half a century. More and more states are turning to overdrafts, yet many of them remain financially reliant on the federal government. The States are unable to cut down on wasteful spending, which is why this is the case. Ambedkar proposed a new tax strategy after studying the development of provincial governments' financial resources. The tax policies advocated by Ambedkar's Independent Labour Party (1936) were included in the party's election platform. In a public conference held in Ahmedabad the same year, 1938, Ambedkar lambasted the Government of Bombay for failing to lower land tax rates and increase taxes on the wealthy.

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Conclusion:

Ambedkar's economic analysis of the East India Company and the provincial finances of British India provides a dual critique: first, of the exploitative and extractive nature of colonial fiscal administration, and second, of the structural weaknesses created by over-centralization and inequitable taxation policies. His observations highlight how excessive dependence on land revenue crippled agricultural growth, while chronic deficits were aggravated by military spending and debt obligations. Though the Company introduced certain modern institutions such as education and judicial reforms, its economic impact was overwhelmingly exploitative, draining Indian wealth to England. Ambedkar's study of provincial finances (1833–1919) demonstrated the limitations of "budget by assignments" and "shared revenues," where provinces remained financially dependent on the Centre with little fiscal flexibility. These insights informed his later role in shaping India's constitutional framework, particularly regarding Centre-State financial relations. Even today, Ambedkar's critique resonates in debates on fiscal federalism, state financial autonomy, and equitable taxation. His vision of a strong Centre balanced with accountable provincial governments remains crucial for India's economic governance.

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