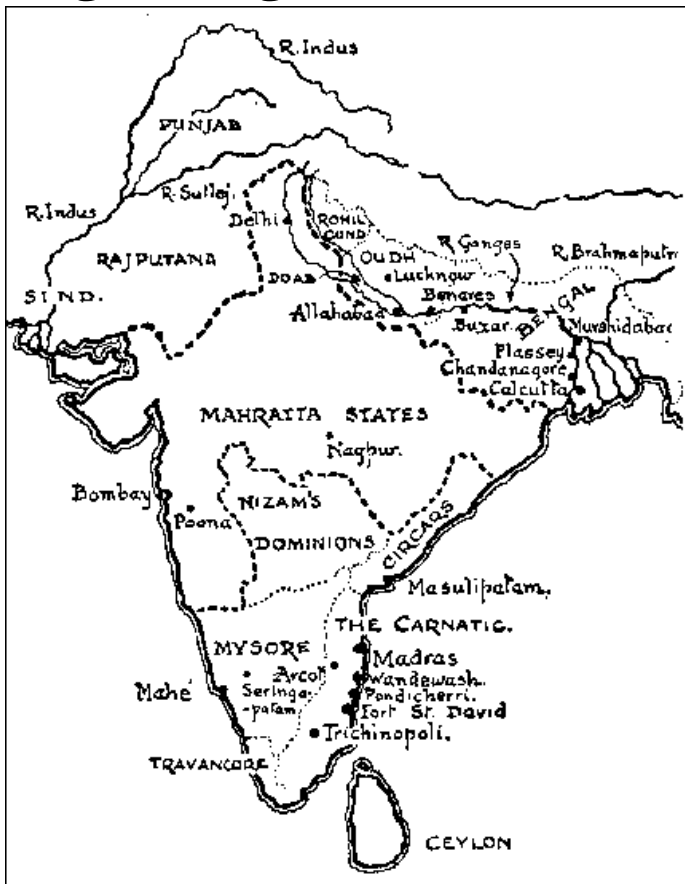


UNIT 64 – UPSC - The Regulating Act - 1773

India's History : Modern India : The Regulating Act passed by the British Parliament - 1773

Regulating Act



By 1773 the East India Company was in dire financial straits. The Company was important to Britain because it was a monopoly trading company in India and in the east and many influential people were shareholders. The Company paid ₹400,000 annually to the government to maintain the monopoly but had been unable to meet its commitments because of the loss of tea sales to America since 1768. About 85% of all the tea in America was smuggled Dutch tea. The East India Company owed money to both the Bank of England and the government; it had 15 million lbs of tea rotting in British warehouses and more en route from India.

Lord North decided to overhaul the management of the East India Company with the Regulating Act. This was the first step along the road to government control of India.

The Act set up a system whereby it supervised (regulated) the work of the East India Company but did not take power for itself.

The East India Company had taken over large areas of India for trading purposes but also had an army to protect its interests. Company men were not trained to govern so North's government began moves towards government control. India was of national importance and shareholders in the Company opposed the Act. The East India Company was a very powerful lobby group in parliament in spite of the financial problems of the Company.

The Act said that:

1. That, for the government of the presidency of fort William in Bengal, there shall be a Governor General, and a Council consisting of four councillors with the democratic provision that the decision of the majority in the Council shall be binding on the Governor General.
2. That Warren Hastings shall be the first Governor General and that Lt. General John Clavering, George Monson, Richard Barwell and Philip Francis shall be four first Councillors.
3. That His Majesty shall establish a supreme court of judicature consisting of a Chief Justice and three other judges at Fort William, and that the Court's jurisdiction shall extend to all British subjects residing in Bengal and their native servants.
4. That the company shall pay out of its revenue salaries to the designated persons in the following rate: to the Governor General 25000 sterling, to the Councillors 10,000 sterling, to the Chief Justice 8000 sterling and the Judges 6000 sterling a year.
5. That the Governor General, Councillors and Judges are prohibited from receiving any gifts, presents, pecuniary advantages from the Indian princes, zamindars and other people.
6. That no person in the civil and military establishments can receive any gift, reward, present and any pecuniary advantages from the Indians.
7. That it is unlawful for collectors and other district officials to receive any gift, present, reward or pecuniary advantages from zamindars and other people.

The provisions of the Act clearly indicate that it was directed mainly to the malpractice and corruption of the company officials. The Act, however, failed to stop corruption and it was practised rampantly by all from the Governor General at the top to the lowest district officials. Major charges brought against Hastings in his impeachment trial were those on corruption. Corruption divided the Council into two mutually hostile factions- the Hastings group and Francis group. The issues of their fighting were corruption charges against each other. Consequently, Pitt's India act, 1784 had to be enacted to fight corruption and to do that an incorruptible person, lord Cornwallis, was appointed with specific references to bring order in the corruption ridden polity established by the company.