



FINANCIAL  
ADMINISTRATION  
IN BRITISH INDIA

## PHASE I: 1858-1905

### Act of 1858

- Secretary of State-in-Council had the supreme control of financial administration.
- No expenditure of Indian revenues could be incurred without sanction of India Council, except some discretionary powers of Government of India.
- Provincial Governments had no power of spending without sanction of Governor-General-in-Council.
- Budget introduced in 1860.

### First Important Step Towards Financial Decentralization

- Was taken by Lord Mayo on 14 December 1870.
- Government of India transferred to the Provincial Governments the financial control of services like jails, registration, police, education, medical services, printing, roads, miscellaneous public improvements, and civil buildings.
- Each Province was given an annual fixed grant of Rs 4.68 Cr from Central Revenues to carry on these services.
- Decentralization between 1871 and 1877:
  - Revenue from land, excise, stamp, forest, registration to be divided between Central & Provincial Governments.
  - Share of each being determined according to the needs of the particular provinces.
- Next significant step by Lord Lytton in 1877.
  - Certain important 'heads of revenue' of provincial character such as land revenue, excise, stamps, general administration, law and justice were transferred to the provinces.
  - Thus, transferred nearly 20 per cent of Government of India's revenue to the Provinces.

### Import Duty

- On cotton goods yielded an income equivalent to 2/3<sup>rd</sup> of total income from imports.
- In 1882, all import duties were abolished except in commodities like wine and salt, on which internal tax levied.
- In 1894, re-imposition of general import duty at the rate of 5% ad valorem.
- To safeguard interests of English manufacturers of cotton goods, an equivalent excise duty levied on cotton goods manufactured in India.
- Governor-General-in-Council too protested against this measure, terming it unjust to Indian interest.

### Income Tax

- Introduced in 1860 as a temporary measure.
- At first a general levy of 4% on all income of Rs 500 or above and 2% on income between Rs 200 up to Rs 500.
- Abolished in 1865.
- Revived in 1867 as a licence tax on trade and profession.
- General Income tax imposed in 1869, but dropped again.
- In 1886, re-imposition of income tax on all incomes other than those derived from agriculture.

### Currency

- During early Mughal Period: gold muhars and silver in North India.
- Gold principal currency in South India.
- During later Mughal Period: 994 types of coins of gold and silver prevalent.
- During East India Company Rule:
  - Gold muhars disappeared gradually.
  - In 1841 re-introduced.
  - Price of gold fell owing to discovery of metal in Australia and California in 1848-49.