

The Regulating Act, 1773

Vishesh Nagda

Law Student, Svkm's NMIMS

ABSTRACT

BACKGROUND

The legislative branch of the British government passed a law called the Regulating Act in order to manage and supervise the operations of the East India Company's various businesses. Because the primary purpose of passing the act was to govern the activities of the firm, it was once designated as East India Company Act, 1773.¹ The adoption of the regulatory act of 1773 was done for several important reasons, the most important of which were to control the mismanagement that existed in the regions of Bengal and to solve the problem of parallel systems.²

By 1773, the East India Company had already been experiencing significant financial difficulties for some time. The fact that this organisation represented a monopoly trade enterprise in India and that many influential people were stockholders contributed to the significance of the organisation for the British Raj.³ The Company spent £40,000 every year to maintain the monopoly; however, it has been unable to pay its obligations since 1768, which has led to a drop in the amount of tea that is shipped to the United States. Almost 85 percent of all tea that was ever drunk in the U. S. was obtained through illegal importation of Dutch teas.

The East India Company owed money to both the Bank of England and the government of England. The government owned 7 million kg of tea that was rotting in British storage, and more tea was on its way from India. This Tea Act of 1773, along with the Regulating Act of 1773, had the primary objective of reducing the significant amount of tea that was being stored in London, the majority of which belonged to the financially struggling British East India Corporation, with the intention of assisting the financially struggling corporation in surviving.

Keywords: Regulating Act, Merits, Demerits.

LITERATURE REVIEW

The Regulating Act of 1773 was the initial step in the process of developing a constitution for India.⁴

The Regulating Act was, in fact, the very first step towards the creation of the Indian Constitution for the following reasons:

- It laid down the guidelines and regulations that must be adhered to in order to govern India.⁵
- As a direct result of its flaws, another Act known as the Pitts India Act was enacted.
- The British Legislation of India was further defined and perfected with the help of this Act.

¹ insightsonindia.com/modern-indian-history/political-policies/regulating-act-of-1773/

² <https://www.studyiq.com/articles/regulating-act-of-1773/>

³ <https://simplifiedupsc.in/regulating-act-of-1773/>

⁴ [Philoid/debate-over-act/](http://philoid/debate-over-act/)

⁵ <http://www.journal.lex-warrier.in/2015/05/29/the-regulating-act-1773/>

- The installation of the Supreme Court in Calcutta was an important step in the judicial changes that were carried out as a result of the Regulating Act.
- Around this time, the British grip so over Indian economy as well as the East India Company grew more firmly established.⁶

HISTORY

- Long after its establishment around the fifteenth century, the East India Company started conducting business with eastern nations.
- With the Battle of Buxar in 1764, the corporation was able to increase its political dominance over Bengal, Orissa, and Bihar.⁷
- The expansion of frontiers and massive spending in a great number of fights contributed to the company's financial difficulties, which had persisted for some time.
- On May 18, 1773, Lord North presented his historic bill to the Senate, and the next day, Parliament in Britain gave its consent to the law.
- The Regulation Act (1773), regarded as the most important step towards legislative control over the Company's Indian government, was passed by the British Parliament and given royal assent.

AN OVERVIEW

The parliamentary system of the British government took the first step towards governing and supervising the administration of East India company business when it incorporated the regulating act in India.⁸ This was the first move towards regulating the administration of East India company business. In order to fulfil both its administrative and political responsibilities, the government of India had to pass a corporation regulation legislation for the very first time in the country's history.

The position of Governor General over the lands of Bengal was made available to the incumbent Governor of Bengal.⁸ Lord Warren Hastings was assigned the post to serve as first governor general in British governments, and he was appointed as the governor general of the region of Bengal for the purpose of managing the affairs of the dual system of governance. This position was handed to Lord Warren Hastings in Bengal. The regulatory act made it illegal for workers and staff members of the business to take on any other occupations, whether they be private or public. It was further passed by the servants of East India Company in order to place restrictions on the accepting of bribes. The Regulating act was the primary legislative act in India that contributed to the development of the Supreme Court.

WHY WAS PASSING OF REGULATING ACT NECESSARY?

There were a lot of different factors that combined to make the passing of the act an absolute necessity. This marked the first time that the British government intervened directly in the management of the business operations of the East India Company at that time.⁹

To begin, the idea behind the dual type of governance that Robert Clive introduced to India was convoluted and caused the Indian people to experience a great deal of hardship. According to this system, the firm

⁶ REGULATING ACT/1773 AND PITTS INDIA ACT, 1784/Dr./A.Ravisankar- Ph.D/

⁷ <https://bnwjournals.com/2021/09/01/regulation-act-of-1773/> ⁸ banglapedia.org

⁸ <https://www.indianculture.gov.in/rarebooks/sketch-history-east-india-company-its-first-formation-passing-regulating-act-1773>

held Diwani rights in Bengal, while the Nawab was in possession of Nizamat right. As a result of the Nawab's role as an agent for the firm, the Nizamat rights were actually controlled by the company behind the scenes. All of this contributed to the people's misery as a result of the Nawabs' and the Company's exploitation of them as labourers and consumers. Second, the predicament of the people occurred when there was a horrible famine in Bengal, which resulted in the deaths of a significant number of people.⁹ Thirdly, a significant factor in the development of this Act was indeed the financial issue that had developed inside the firm by the year 1773. In the year 1772, the corporation had requested a debt of a million pounds from British Government. This Act was enacted as a response to this situation. In a previous charter, the corporation had only been granted trading privileges by British Parliament. This brings us to our fourth point. Yet, little by little, as it started accumulating more and more territory, it started acting more and more like a ruling body. This occurred very slowly. Also, the British Parliament in England was unable to accept the current state of affairs. And in order to put a stop to this pattern of behaviour exhibited by the firm, namely the use of political authorities in the label of trade, the corporation believed that it was necessary for these areas to be placed under the jurisdiction of the Crown.¹⁰ There were a total of three presidencies in the country at the time, and they were named Bengal, Madras, and Bombay. Yet, each of these three towns operated independently of the others, and India lacked a centralised authority that could exercise control over them. As a result, bringing these three towns' administrative structures closer together became an absolute must. Because of all of these factors, the British government was compelled in 1773 to implement the Regulating Act in order to provide guidelines for the operations of the East India Company.

As a result, Lord North, who was serving as Head of state of England at the time, came to the conclusion that the East India Company's operations needed to be reorganised using the Regulating Act. As a result, in May of 1773, Lord North introduced a bill into the British Parliament that would later become known as the "Regulating Act of 1773."¹¹ The bill was ultimately successful. It is important to remember that the act in question simply "controlled" the operations of the firm; the British Parliament did not seize complete control of all of the company's authority. This is an important distinction to be made.

THE INITIAL ENACTMENT OF THE REGULATING ACT (1773)

1. The East India Company, which was founded by the government of the United Kingdom, was a significant factor in the development of numerous corporate laws. The "regulatory act of 1773" was the very first regulating act that was enacted in order to manage the business operations within the East India Company.¹²
2. The government of the United Kingdom integrated it. It was the first time that the British government had intervened in the company and corporation jurisdictional matters of India¹³.
3. It was passed because there had been an upsurge in instances of poor governance inside the Bengal land owned by the firm. It was the cause of the subsequent bankruptcy and financial crisis, both of which led to governments taking out loans from other governments.
4. The establishment of the company brought the commission of governor-general in the territories of

⁹ <https://andhrapradesh.pscnotes.com/>

¹⁰ <https://getlegalindia.com/regulating-act/>

¹¹ <https://www.drishtiiias.com/to-the-points/paper1/the-company-rule-in-india-1773-1858>

¹² <https://www.nationalarchives.gov.uk/education/resources/significant-places/britain-1773/>

¹³ <https://www.britannica.com/topic/Regulating-Act>

Bengal who was authorised to serve as the governor general of Fort William to a successful conclusion. It possesses management authority over the many administrations that are found in Madras.¹⁴

5. The Governor General had access to four councils via which votes might be cast, although he or she did not have the power to veto any decisions. It was the most significant flaw in the regulating act that was passed in 1773.
6. The establishment of Supreme Court was authorised by this Act of Regulation from 1773.
7. It was also being explained what the subordinate positions of Bombay and Madras were.

THE INTENTION BEHIND THE LEGISLATION

The following is a list of the primary goals that should be accomplished by putting the Regulating Act of 1773 into effect.¹⁵

- to exercise authority over and direction over the operations of the East India Company.
- In order to wrest control of politics away from the Trade Corporation, we must first.¹⁶
- To acknowledge the administrative and political authority that the Business possesses.
- To bring about brand-new administrative changes, one of which was supposed to bring about a Central Administrative Structure.
- In order to rectify the oppressive circumstances that currently exist inside the firm.
- In order to bring order out of the chaos that was caused by the implementation of the dual government system.¹⁷
- For the purpose of bringing anti-corruption policies into effect through the mechanism of the act, by preventing the servants of corporation from participating in any type of private business and from collecting bribes, gratuities, and gifts from the people, it is intended to bring about the desired results.

THE ACT'S IMPORTANT PROVISIONS (Major features)

This was the first time that the British Parliament attempted to interfere directly in the management of the firm by passing a bill like this one. The following paragraphs will describe the most important aspects of the, which are listed below.

A presentation on the duties and responsibilities of the post of Governor General of Bengal-

The position of Governor of Bengal was elevated to the position of Governor of the Administration of Fort William, popularly known as the Governor-General of Bengal, following a reorganisation of government roles in Bengal. Lord Warren Hastings was indeed the pioneer in this field and the first person to receive this title.¹⁸

Establishment of an Executive Council for the Purpose of Providing Assistance to the Governor-General

As a result of the Governors of Madras and Bombay being placed under the control of the Governor-

¹⁴ drishtiiias.com/to-the-points/paper1/governors-general-viceroysof-india

¹⁵ <https://prepp.in/news/e-492-regulating-act1773-indian-polity-upsc-notes>

¹⁶ <https://www.jagranjosh.com/>

¹⁷ <https://bnwjournals.com/2021/09/01/regulation-act-of-1773/>

¹⁸ <https://www.jstor.org/stable/751807>

General of Bengal, the Governor General of Bengal was elevated to the position of having the utmost authority.

- **The Supreme Court of Judicature was established in Fort William-**

In the year 1774, the Supreme Court of Judicial authority at Fort William was created in Calcutta. The court initially consisted of one Chief Judge and three more judges. This court had jurisdiction over all of the territories that fell under the administration of the Bombay, Madras, and Bengal Presidency. It served as the Court of Record, and its authority extended to the ability to try civil, criminal, and admiralty cases in addition to having jurisdiction over those types of issues. The judging was going to take place in England. Sir Elijah Impey was the first person to hold the position of Chief Judge of the court.¹⁹

- **Reforms aimed towards reducing levels of corruption-**

As a result of this measure, it became illegal for employees of the corporation to participate in any kind of private business or to receive bribes or gifts from the citizens of the community.²⁰

The company's directors were supposed to be chosen for a duration of five years, and each year, one-fourth of the outgoing directors were supposed to retire. There was no process that could be followed to run for re-election.

SIGNIFICANCE OF THE ACT WITHIN THE CONTEXT OF INDIAN LEGAL HISTORY

- This legislation is regarded as a historic piece of legislation due to the fact that it introduced a great deal of significant and dynamic change to the structure of the judicial system in the country.
- The act resulted in a number of significant amendments being made to the Constitution of the Court of Directors.²¹
- The administrative and political roles that employees play within the corporation were acknowledged for the very first time.
- This act was also responsible for laying the groundwork for the Central Administration that would later exist in the country.²²
- This act officially established the Supreme Court at Calcutta, which led to the development of an effective legal system and the regulation of the judiciary to some extent. Also, for the first time, erudite judges from England were invited to serve on India's Supreme Court.²³

DEMERITS OF THE ACT

In spite of the fact that this act is regarded as a hugely important one in the annals of Indian legal history, a void was still created as a result of the fact that it did not successfully address the problems that were existing in the legal system at the time.²⁴ The following is a list of the Act's most significant shortcomings:

¹⁹ <https://www.jstor.org/stable/24323137>

²⁰ https://www.gktoday.in/topic/regulating-act-1773_25/

²¹ <https://academic.oup.com/>

²² <https://www.iasexpress.net/ie-pedia/regulating-act-of-1773/>

²³ <https://prepp.in/news/e-492-regulating-act1773-indian-polity-upsc-notes>

²⁴ <https://www.historyforexam.com/2018/10/criticism-of-regulating-act.html>

1. The position was a paradox since the Governor-General did not have the right to reject any decisions, but at the same time, the Governor General was assigned to respond to the Director and was made accountable for all of the acts that were connected to the administration of India. The Governor-General, on the other hand, was constrained in his ability to make an autonomous choice since he was required to adhere to the decision that was reached by the council as a whole. Because to the circumstances, the council decided to utilise the Governor-General as a puppet in order to carry out their deliberations.
2. In spite of the fact that the Governors were technically subordinate to the GG, in practise this led to Governor and the subordinates holding the ultimate power, which in turn led to widespread corruption and a reduction in the effectiveness of the government at lower levels.
3. There was a great deal of misunderstanding over the authority and scope of the Supreme Court's jurisdiction. In addition to this, there was some uncertainty regarding the scope of the Supreme Court's authority in comparison to that exercised by the Council of Governor General.
4. In addition, the Act did not address the worries of the indigenous Indian people who were the ones who were actually hurt by it.
5. It did not grant the British Parliament the definitive and effective control over EIC that they had sought.
6. The oversight provided by the British government did not work properly.
7. The Council frequently found itself in impasses, which made it difficult for the administration to carry out its duties in an efficient manner.
8. The Supreme Court was established, but its authority was not clearly defined, which violated the objective of the division of the judiciary and the executive branch.
9. The connection among Calcutta and London was still quite weak, which was counterproductive to the goal of exerting more effective control from London.
10. Uncertainty exists regarding the authority to control jurisdiction over subordinate presidencies, as well as the authority that exists between the Supreme Council and the Supreme Court.

CONCLUSION

The first act to be passed while taking into consideration the requirements and rules of the corporation was the Regulating Act of 1773. It was once titled the East India Company's act 1772, but subsequently on, the name was changed since it possesses a variety of regulatory traits that may immediately solve the issue of dual administration and incompetence within the East India Company. These qualities led to the act being renamed. The act also had the effect of transforming the corporate corporation into a political entity that had a degree of sovereignty over its own affairs. The dual system of governance, which results in a great deal of convoluted complaints, was the impetus for the passage of the legislation that was designed to regulate the industry.