



A STUDY ON VALUABLE CONTRIBUTION OF DR. BABASAHEB AMBEDKAR IN THE FINANCIAL SYSTEM OF INDIA

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Abstract:

Dr. B.R. Ambedkar made significant contributions to India's financial system through his research, writings, and political actions. His thesis, "The Problem of the Rupee," analyzed the Indian monetary system and advocated for a consistent currency policy, including the establishment of a central bank. His recommendations influenced the formation of the Reserve Bank of India (RBI) in 1935. Additionally, his work on public finance and his role as Law Minister led to the establishment of the Finance Commission of India in 1951. This research paper makes an attempt to refer the historical achievements registered by Dr. B. R. Ambedkar as a strong pillar of the Indian financial system.

Keywords: *Dr. Babasaheb Ambedkar, financial system, economic, India.*

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Introduction:

Dr. B.R. Ambedkar made a significant contribution to India's financial system, primarily through his conceptualization of the Reserve Bank of India (RBI) and his insights into Indian currency and public finance. He presented guidelines to the Hilton Young Commission, which formed the basis for the RBI's establishment. His work on "The Problem of the Rupee - Its Origin and Solution" also detailed the history and challenges of the Indian currency.

Babasaheb Ambedkar's ideas, presented to the Hilton Young Commission, formed the foundation for the Reserve Bank of India, the central bank that manages India's monetary policy. This book, published in 1923, was a comprehensive study of the Indian rupee's history, its challenges, and potential solutions. Ambedkar was among the first Indian

economists to study public finances and taxation in British India, analyzing the impact of internal and external taxes on local businesses.

Dr. B. R. Ambedkar believed that a strong financial system was crucial for India's economic development and stability, advocating for sound fiscal policies and a stable currency. As a member of the Viceroy's Executive Council, Ambedkar contributed to the development of financial and labor policies, which later influenced economic planning and the governance of the RBI.

Babasaheb Ambedkar emphasized the importance of family planning as a key factor in economic development, arguing that controlling population growth was crucial for improving living standards. He advocated for state ownership of key industries and the establishment of corporations by the state to promote



economic growth and social welfare. Ambedkar consistently emphasized the importance of economic and social equality, arguing that without them, political equality would be undermined.

Review of Literature:

Jhunubala Das (2018), in the article, ‘Babasaheb Dr. B.R. Ambedkar's Contribution to Nation Building’ stated that, “Dr. B.R. Ambedkar was the first Indian to pursue a doctorate in economics abroad. He argued that industrialisation and agricultural growth could enhance the Indian economy. He stressed investment in agriculture as the primary industry of India. According to Sharad Pawar, Ambedkar’s vision helped the government to achieve its food security goal. Ambedkar advocated national economic and social development, stressing education, public hygiene, community health, residential facilities as the basic amenities. His D.Sc thesis “The problem of the Rupee: Its origin and solution” (1923) examines the causes for the Rupee’s fall in value. He proved the importance of price stability over exchange stability. He analysed the silver and gold exchange rates and their effect on the economy, and found the reasons for the failure of British India’s public treasury. He calculated the loss of development caused by British rule.

In 1951, Ambedkar established the Finance Commission of India. He opposed income tax for low-income groups. He contributed in Land Revenue Tax and excise duty policies to stabilise the economy. He played an important role in land reform and the state economic development. According to him, the caste system divided labourers and impeded economic progress. He emphasised a free economy with a stable Rupee which India has adopted recently. He advocated birth control to develop the Indian economy, and this has been adopted by Indian government as national policy for family planning. He emphasised equal rights for women for economic development. He laid

the foundation of industrial relations after Indian independence.”

Sunil Kumar (2019), in his research paper, ‘Ambedkar’s Economic Ideas & Contributions’ published in IOSR Journal of Humanities and Social Science stated that, “In 1945, while discussing about the functions of Comptroller and Auditor General of India Ambedkar pointed out that government should responsibly spend the public funds. The revenue which is collected from the public should be spend according to rules & regulations and due respect should be given to faithfulness, wisdom and economy. These principles of spending the public fund are known as Ambedkar’s Canon of Public Expenditure. The dictionary meanings of faith are duty, commitment and promise. It’s the duty of the government to provide the basic amenities to the tax payers. We know that it is easy to deceive the public as the public investment has a long gestation lag period. So, every government should keep in mind that public has an immense faith in them and they should be committed to provide roads, medical facilities, law and order to its citizens. Ambedkar pointed out that even though the intention of spending the public funds may be correct but still if it is not used wisely then also the planning fails. In this context he has talked about wisdom of Government to spend the public money. By wisdom he was indicating about the knowledge and experience which should be used while spending the public funds in a better way. Another important principle of Ambedkar’s canon was economy. By economy he didn’t mean less public spending, it basically means how the government should spend the public funds so that they are used optimally.”

Dr. Anjan Kumar, Dr. Ragupathi. R, Chandrappa M, Dr. Ramanjaniah B K (2022), in their research paper, ‘RELEVANCE AND IMPACT OF DR. B R. AMBEDKAR’S IDEAS ON INDIAN ECONOMY AND PROBLEMS OF RUPEE’ published in

International Journal of Novel Research and Development mentioned that, “Whenever any country faces difficult situations, challenges, whether it is a political or economic, the intellectuals and politicians at some point or another need to search their own country's history for the solutions. The historical events, its people and their thoughts, that has shaped the country and its people future, proves to be the vital elements for the solving the current challenges the country. Dr. Babasaheb Ambedkar is one such great thinker, leader and intellectual of its time in India who has not only changed the life of millions of untouchables but shaped India as a biggest democratic nation by writing its constitution. What is well known about Dr. Ambedkar is his fights against Caste system in India, but what is not known is how Dr. Babasaheb Ambedkar had also Impacted the Indian economy. Dr. B.R Ambedkar was among the most outstanding intellectuals of India in the 20th century. His work in economics is noteworthy. His views deal with public finance and agriculture are landmark in the economics. Ambedkar's commitment was internal stability and he was convinced that only an automatic system based on gold standard with gold currency could achieve this desirable end. He was of view that governments should spend the resources garnered from the public not only as per rules, laws and regulations, but also to see that “faithfulness, wisdom and economy”.

Dr. G. Yoganandham, Mr.E.Mohammed Imran Khan, Mr.G. Elanchezhian (2022), in their research paper, ‘Dr. B.R. AMBEDKAR AND THE EVOLUTION OF THE FEDERAL FINANCIAL SYSTEM PRIOR TO INDEPENDENCE IN INDIA - A THEORETICAL ASSESSMENT’ published in Journal of Emerging Technologies and Innovative Research mentioned that, “According to Ambedkar, a country's financial independence may be judged by looking at its budgets, which include the authority to impose taxes and collect money from a variety of

sources. The military, foreign affairs, taxation, currency, debt, excise, post and telegraph, railroad, audit, and accounts were with the federal government, whereas minor issues like police, education, health, irrigation, roads and buildings, forests, and local organisations were with the regional governments (Ambedkar, 1998, p. 223). Under the direction of Lord Mayo, a top-to-bottom decentralisation structure was outlined, emphasising the value of local decision-making. In reference to this statute, Ambedkar noted that while a financial system for states was established in 1870, there was no regional financial system per se. Civil and revenue services, among other things, were still imperial. There were no separate authorities for the States to impose taxes and use them. There was a strong sense of central government control. According to Ambedkar, the reason why the state system is under the jurisdiction of the imperial powers is because the British have not gone to India to serve in government. Their obvious motivation was to use power and business to amass money so they could take advantage of the populace.”

Arun Kumar Verma (2023), in his blog ‘Dalit History Month: Dr. Ambedkar's Significant Role in Establishing the Reserve Bank of India’ stated that, “Dr. Ambedkar strongly advocated for the abolition of the capitalist system, which created economic and social inequality. His views on economics were influenced by his degree in DSc from the London School of Economics in 1923. His thesis focused on the devaluation of the rupee, which was the most critical economic problem of the time. Dr. Ambedkar also opined that the report of the Finance Commission should be presented at intervals of 5 years.

Dr. Ambedkar played a significant role in the establishment of the Reserve Bank of India. He prepared the blueprint for the establishment of the Reserve Bank in India. The RBI recognized his contribution, and on the occasion of 81 years of its



establishment, the central bank issued coins in his name.

Baba Saheb advocated for the establishment of large industries while simultaneously recognizing that agriculture is the backbone of society. He emphasized that agriculture should not be ignored as it provides food to the growing population of the country, and industries rely on agriculture for raw materials.”

Objectives:

- To understand the concept financial structure of India pre and post-independence era.
- To study and understand the significant role of Dr. Babasaheb Ambedkar as an economist.
- To study the valuable contribution of Dr. Babasaheb Ambedkar in the Indian financial system.

Research Methodology:

The research study is based on secondary data. Therefore, the data is collected from secondary sources such as various reports, bulletins, journals, magazines, newspaper articles, published sources, research publications, websites, blogs and online database.

Limitations:

The research study is completely based on secondary data and due to time constraints, it fails to examine the actual impact and perspective of Dr. Babasaheb Ambedkar's contribution in Indian financial system. Dr. Ambedkar has vast coverage in building the nation but this research paper only covers the financial aspect.

Financial Structure of India:

The financial structure also known as capital structure is a blend of debt and equity used to finance the operations of a company. Institutions, markets, instruments and regulations are the key components. It includes organized, unorganized, banking, non-banking sector, insurance companies, stock exchanges

which leads to economic growth, financial stability and financial inclusion.

The financial structure of India comprises of Money Market including short term funds and Capital Market including medium term and long-term exchanges. During the pre-independence era, the traditional economy had limited financial institutions, closed-circle industrial entrepreneurship, small banking sector, informal networks, indigenous bankers, dependence on rural moneylenders, dominance of Imperial Bank of India, government-controlled banks and so on.

The post-independence era witnessed progressive evolution of financial system. There was nationalization of major banks, dominance of private banking sector, minimum government intervention, liberalization reforms in 1990, quantitative growth, diversification and innovation in various sectors. Reserve Bank of India, State Bank of India, Development Financial Institutions and other nationalized public sector banks played a key role in the Indian financial system during this era.

Dr. Babasaheb Ambedkar as An Economist:

Dr. B.R. Ambedkar was not only a prominent social reformer and the architect of the Indian Constitution, but also a highly respected economist. He earned doctorates in economics from both Columbia University and the London School of Economics. His work focused on public finance, monetary policy, and the economic challenges of colonial India, particularly the Indian rupee. He also advocated for industrialization and the upliftment of marginalized communities through economic empowerment.

Babasaheb Ambedkar's economic thinking focused on addressing the specific challenges faced by India. He was critical of the British Raj's policies, particularly those related to taxation and monetary standards, and their negative impact on Indian businesses. His doctoral thesis, "The Problem of Rupee: Its Origin and



Solution," is considered a pioneering work on the history and challenges of the Indian rupee. He advocated for a stable and strong currency.

Dr. B. R. Ambedkar's work on public finance, including his evaluation of the East India Company's financial policies, provided valuable insights into the structure and administration of revenue and expenditure in British India. He recognized the importance of industrialization in reducing pressure on land and boosting economic growth. He also emphasized the need for land reforms, including the use of science and technology to reclaim cultivable land, as well as the development of subsidiary and cottage industries.

Babasaheb Ambedkar's economic vision included the upliftment of marginalized communities, especially those affected by caste discrimination. He believed that economic empowerment was essential for their social and political advancement. Ambedkar supported the concept of state socialism, advocating for state ownership of key industries and resources to ensure equitable distribution.

He also recognized the role of private enterprise in economic development, as long as it was balanced with the needs of the public and the pursuit of equitable distribution of wealth.

Dr. B. R. Ambedkar's economic ideas continue to be relevant in modern India, particularly his emphasis on industrialization, land reforms, and the importance of a stable financial system. His focus on social justice and economic equality remains a guiding principle for policymakers and scholars today.

Valuable Contribution of Dr. Babasaheb Ambedkar in the Financial System of India:

Dr. B. R. Ambedkar made significant contributions to India's financial system, particularly through his work on monetary policy and the establishment of the Reserve Bank of India (RBI). He advocated for a central banking system and a stable currency,

influenced by his book "The Problem of the Rupee: Its Origin and Its Solution". He also played a crucial role in the formation of the Finance Commission of India. Dr. B. R. Ambedkar argued for the need for a central bank in India to manage the currency and credit system, which was later realized with the establishment of the RBI. He advocated for a gold standard or a gold exchange standard for the Indian currency, believing it would stabilize the rupee and facilitate international trade.

He was instrumental in the establishment of the Finance Commission of India, which plays a crucial role in distributing financial resources between the central and state governments, as outlined in the Constitution. Dr. Ambedkar's ideas on land reform, industrialization, and the role of the state in the economy were also significant, contributing to India's economic development.

His research and recommendations, particularly those presented to the Hilton Young Commission (1926), directly influenced the conceptualization and establishment of the RBI in 1935, according to Instagram. Ambedkar's overall vision for India's financial system included a stable currency, a well-managed banking system, and a focus on economic growth and development.

Conclusion:

Dr. Babasaheb Ambedkar's, highly intellectual person, his valuable ideas and insights are strong base for the financial system of the country. His views, ideas, judgement and forecasting not only created history but is thoroughly applicable to modern era. His economic thought process included common man as well as national development which made him worldwide economist. His remarkable contribution in the field of economics will be remembered forever.

Dr. B.R. Ambedkar's profound impact on India's financial system is undeniable. His contributions, from the establishment of the Reserve Bank of India



to advocating for fiscal stability and industrialization, laid the groundwork for a modern and self-sufficient Indian economy. His ideas, while not always directly implemented in their entirety, continue to resonate and influence economic policies today.

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Cite This Article:

Ms. Nikalje P.S. (2025) A Study on Valuable Contribution of Dr. Babasaheb Ambedkar in the Financial System of India. In **Electronic International Interdisciplinary Research Journal: Vol. XIV** (Number II, pp. 167–172).