

Examrace

Competitive Exams: Political Science Study Material Finance Commission

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Finance Commission

Article 280 of the Constitution provides for a Finance Commission. It is a quasi-judicial body. It is constituted by the President of India every fifth year or at such an earlier time as he considers necessary.

The Finance Commission consists of a Chairman and four other members, to be appointed by the President. They are eligible for reappointment. The Parliament enacted the Finance Commission Act in 1951, specifying the qualifications of the Chairman and the members of the Commission. The Chairman should be a person having experience in public affairs. The members should be selected from amongst the following-

1. A judge of the High Court or one qualified to be appointed as one.
2. A person who has specialized knowledge of finance and accounts of the Government.
3. A person who has wide experience in financial matters and in administration.
4. A person who has special knowledge of Economics.

Functions

- The Finance Commission is required to make recommendations to the President of India on the following matters (Article 280):
- The distribution of the net proceeds of taxes to be shared between the Centre and the States.
- The principles which should govern the Grants-in-Aid to the States by the Centre (i.e., Out of the Consolidated Fund of India).
- The measures needed to augment the Consolidated Fund of a State to supplement the resource of the Panchayats and the Municipalities in the State on the basis of the recommendations made by the State Finance Commission.
- The above function is added by the 73rd and 74th Constitutional Amendment Act of 1992.
- Any other matter referred to it by the President in the interest of sound finance. The Commission submits its report to the President.
- The President lays the report before both the Houses of the Parliament along with an explanatory memorandum as to the actions taken on its recommendations. The

recommendations made by the Finance Commission are only of advisory nature and hence, not binding on the Government. The Constitution of India envisages the Finance Commission as the balancing wheel of Fiscal Federalism in India. Till now, the Presidents have constituted Twelve Finance Commissions.

- Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under Article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of the Article
- The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State. The Commission shall review the state of the finances of the Union and the States and suggest a plan by which the governments, collectively and severally, may bring about a restructuring of the public finances restoring budgetary balance, achieving macro-economic stability and debt reduction along with equitable growth.
- The Commission shall review the Fiscal Reform Facility introduced by the Central Government on the basis of the recommendations of the Eleventh Finance Commission, and suggest measures for effective achievement of its objectives.
- The Commission may, after making an assessment of the debt position of the States, as on the 31 st march 2004, suggest such corrective measures, as are deemed necessary, consistent with macro-economic stability and debt sustainability. Such measures recommended will give weightage to the performance of the States in the fields of human development and investment climate.
- The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and make appropriate recommendations thereon.
- The Commission shall indicate the basis on which it has arrived at its findings and make available the State-wise estimates of receipts and expenditure.

Frequently Asked Questions (FAQs)

How can finance commission be a quasi judicial body... It does not have powers like a civil court ???

(- sa...@ on 03-Jan-2015)

1 Answer

The Finance Commission shall have all powers of civil court under Code of Civil Procedure (1908) in matters of summoning & enforcing attendance and requisitioning any public record from any court of office and therefore is a quasi judicial body. It shall be

deemed to be a civil court for purposes of sections 480 and 482 of the CrPC provided under Finance Commission Act.

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