

Chapter - 23

FINANCE COMMISSION

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

COMPOSITION

The Finance Commission consists of a chairman and four other members to be appointed by the president. They hold office for such period as specified by the president in his order. They are eligible for reappointment.

The Constitution authorizes the parliament to determine the qualifications of members of the commission and the manner in which they should be selected. Accordingly, the Parliament has specified the qualifications of the chairman and members of the commission. The chairman should be a person having experience in public affairs and the four other members should be selected from amongst the following :

1. A judge of 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 :

1. The distribution of the net proceeds of taxes to be shared between the Centre and the states, and the allocation between the states of the respective shares of such proceeds.
2. The principles that should govern the grants-in-aid to the states by the Centre (i.e., out of the consolidated fund of India).
3. The measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and the municipalities in the state on the basis of the recommendations made by the state finance commission.
4. Any other matter referred to it by the president in the interest of sound finance.

The commission submits its report to the president. He lays it before both the Houses of Parliament along with an explanatory memorandum as to the action taken on its recommendations.

ADVISORY ROLE

It must be clarified here that the recommendations made by the Finance Commission are only of advisory nature and hence, not binding on the government. It is up to the Union government to implement its recommendations on granting money to the states.

FINANCE COMMISSIONS APPOINTED SO FAR

<i>Finance Commission</i>	<i>Chairman</i>	<i>Appointed in</i>	<i>Submitted Report in</i>	<i>Period of implementation of Report</i>
First	K.C.Neogy	1951	1952	1952-57
Second	K. Santhanam	1956	1957	1957-62
Third	A.K. Chanda	1960	1961	1962-66
Fourth	Dr. P.V. Rajamannar	1964	1965	1966-69
Fifth	Mahavir Tyagi	1968	1969	1969-74
Sixth	Brahamananda Reddy	1972	1973	1974-79
Seventh	J.M. Shelat	1977	1978	1979-84
Eighth	Y.B. Shelat	1982	1984	1984-89
Ninth	N.K.P. Salve	1987	1989	1989-95
Tenth	K.C. Pant	1992	1994	1995-2000
Eleventh	A.M.Khusro	1998	2000	2000-2005
Twelfth	Dr. C. Rangarajan	2002	2004	2005-2010
Thirteenth	Dr. Vijay Kelkar	2007	2009	2010-2015