CONCLUSION

Smooth federal -- state fiscal relations is considered as a sinequanon for a strong federalism. In almost all the federations in the world including India down, either in relation to the division of financial powers or in relation to the federal development of resources to fill the financial gap of the states. This situation, however, demands the redistribution of resources to achieve a balanced growth both at the national level and the individual level. For the redistribution of national resources from centre to state on a methodical basis keeping in view of the needs are resources of the people, steps have been taken over since independence. Of course, this situation is not peculiar to India alone but it is a global phenomenon.

India, following some of the federations of the world, has established an independent, quinquennial, semi-judicial, non-political adhoc body viz., finance commission for the purpose of devaluation's in between the different layers of government. The successive finance commissions in the process of redistributing the financial resources have adopted various formulas. However, all the eleven finance commissions though adopted the population-collection cocktail formula in the distribution of income taxes and population-economic backwardness in the distribution of union excise duties, have given more weight age to population.
In spite of the efforts that have been made by the government in distribution of functions and resources, it could not fully achieve equity. Because, it is really a paradoxical situation that on the one hand the state governments are directed and motivated to implement the family planning programs for the control of the population and on the other hand it has distributes more to those states where the population is more irrespective of their resources.

The planning commission, which is a parallel body, political in nature, has much intervention with the functioning of finance commission. This has been the major role in implementing the policies of the finance commission. Even though the finance commission has been adopted some criteria in the process of devolution’s between various layers of government, the planning commission has been distributing the resources without any rational methodology, which is proving to be counter productive and coming in the way of effective functioning of the finance commission. It view of this, a permanent finance commission impartial, non- – political, semi-judicial and independent expert body is suggested in the devolution of resources most efficiently and equitably.

Many studies undertaken so far here and abroad have highlighted the need for giving financial autonomy to the states. But the imbalances continued which has become the cause of stress and strain in the relations between the union and the states in India. Though the present study is not a
pioneering attempt in this much trodden path of union-state financial relations, yet it modestly claims to be a study breaking new ground into areas and aspects which have been overlooked by earlier studies. The area which has not received attention, which it deserves, is to develop certain criteria and indicates to measure the tax effort of states and to judge the expenditure pattern with some efficiency criteria.

This study after reviewing the work done so far here and abroad makes a modest attempt to measure the tax effort and relate to certain indices of development so as to lay down a proper scientific and viable criterion for smooth financial adjustment. The suggestion made in this study deserves serious attention.

The tax effort criterion indicates that some of the richer states are not exerting sufficient tax revenues thorough their own sources, whereas some of the poorer states exceeding their capacity limits. This shows that the tax effort criterion do not bear any relationship with the federal fiscal transfers.

The devolution's so far made to the states do not bear any relationship to the tax effort criterion. The richer states, which will have higher, grants. Similarly the other criteria like, the relative per capital income and the ratio of non-developmental expenditure. If the same situation is continued, it will widen the gulf between the rich and the poor states or the have and have
knots. This obviously is not a desirable situation. The states which have made a higher tax effort in the past and which are showing efficiency and economy in expenditure or executing the plan schemes efficiently and expeditiously, should be encouraged by assigning them greater amounts in matter of fiscal transfers.

The subsequent finance commissions which should have been permanent will assign adequate importance to the above factors to reduce the regressively of past transfers whereby to overcome the defects of the past is less per capita transfers to the proper states and also I stress my concluding points on the economic reforms which were innovated for the enhancement of the finance in the centre since 1991 till now have given better results in so many ways i.e., political intimacy, rationalization, globalization (means the process of equalisation), good and efficient to strategy and eventually it is a free condition of Victory the achieving various goals. Maximizing return minimizing the cost and maximizing the social welfare.

The prime factors for the increase of the centre and state finance through various taxes, those are income tax, union exercise duties and other duties should be collected specifically form the various levels. The grants-in-aid from the Centre to the states should be equally distributed and there should no disparity. The allocations of loan Centre to states must be equal so as there should be any unilateral distribution of loans. The centre and state
relationship to be maintained equally among all the states so as to ensure and strengthen national integrity. The working of Eleventh finance commission mentioned in the study mainly deals with the redistribution of resources from various means from the centre to the state regards. The three-tire income category. The recommendation of 11th finance commission through infrastructure, area. Tax structure was seemed basically impossible in the present in finance Indian strategy.

The distribution criteria in the 10th and 11th finance commission has mostly reluctant and not seen the factors like poverty and backwardness in distributes the finance from the centre to the states.

At the end I opined the centre state finance relationship was conspicuously depend upon each other in all aspects so to maintain equilibrium and stability in the country like India to ensure better state and centre relations for securing welfare, and democratic federal India which strengthen and supports the supremacy of the constitution of India among all nations.