Chapter 1
INTRODUCTION

1.1. Introduction.
1.2. Review of Literature.
1.3. Constitutional Aspects.
1.4. Regional Disparities.
1.5. The States formed before the Reorganization
1.6. Objectives of the Study
1.7. Main Objectives of this Proposed Study
1.8. Needs of the Study
1.9. Methodology
1.10. The Schemes of the Study
1.11. Database
1.12. Tools of Analysis
1.13. Plan of the Work
INTRODUCTION

1.1 Introduction

This study as the title indicates is mainly concerned with the financial relations for the state and central government in India. The basis of financial relationship between Centre and the States in our country has been the subject of serious debate during the recent times. Currently a good deal of dissatisfaction is being expressed with the working of the fiscal federalism in India with critical comments being made on the roles of the Central Government the State Government the Finance Commission and the economic reforms position in this thesis.

Thus Indian system of Centre and State relations has been a subject of eternal exploration. It has thrown up a number of issues both political and economic over the years inspite of the fact that the two important institutions i.e., the Finance Commission and the Planning Commission have been constantly examining the prospects of eliminating controversial aspects relating to the Centre and State financial relations. With the growing responsibilities and inelastic sources of revenue the State Governments have always been finding themselves in financial difficulties. This explains the demand for greater financial autonomy of States.

In respect of evaluating the activities of the regional governments wherever the funds and assistance of the Central Government are involved. The basic features of the past, having had dominated the domain of Centre and
State relations left much to be desired both on political and financial framework. The issues relating to the centralization of power in the hands of Centre and the issue of States financial autonomy have been growing factors of the Centre and State relations.

1.2 Review of Literature

The aspects of Centre and State relationship in India. I have come to conclusion that the financial relationship is needed to be looked at from fresh angle to maximize resource effectiveness, emphasized that there is excess concentration of resources at the hands of Centre, but this is not a special character of Indian Constitution.

Thimmaiah\(^1\) during the first two stages of the Indian fiscal evolution the bargaining was between the State Government on the one hand and the Central Government on the other. But in the third stage of the fiscal evolution which is currently prevailing the tug of war is going on between both the Centre and the State Government on the one hand and various powerful pressure groups on the other.

Jha\(^2\) revealed there are certain complicated problems and the points of tensions between the federation and the units. Everywhere there is a trend towards financial centralism which has limited the financial autonomy of the States against which there is marked reaction among the States in almost all the federation including India.
Tripathy\textsuperscript{3} emphasized that the problem of allocation of resources in the context of planned economic development of economy have acquired increasing importance because there has developed a growing imbalance between the needs for resources and their availability in the different regions in India. This has called for evolving a rational plan of resource allocation with a view of achieving a balance in levels of development among the different States.

Sastry\textsuperscript{4} and Reddy the transfers under the awards of Finance Commissions have become favourable to backward States when they are taken as a group elements of inequity are noticeable when each State is considered separately. They concluded that financial flows from the Centre to the States continue to remain iniquitous.

Tekwani\textsuperscript{5} suggested the following steps, which they help in solving the problem of unauthorized overdrafts of the State government: An effective control and co-ordination over the payments made by various Treasuries and sub-Treasuries. The RBI can impose statutory limit over its lending in proportion to the current resources of the States. The State Bank of India instead of RBI should be made State Government’s banker. State Governments should realize a sense of responsibility and should not be tempted to misuse the facility. He concluded that in future the discretionary assistance from the Centre to the States might not be divided into grants and loans on the existing basis.
Raj Krishna\textsuperscript{6} evolved new formula called IATP (Income Adjusted to Total Population) during the fourth five year plan for inter se distribution of financial resources among the states to make it more progressive so that larger resources may be transferred to the poorest States, hill States and specially handicapped States.

Leela\textsuperscript{7} concluded that the problem of Centre and State financial relations involves a political and administrative solution, since any of financial arrangements operate only in the context of the given political frame work of the country.

Reddy\textsuperscript{8} depicted that the problems of Centre and State relations are basically the problem of resolving the mal – adjustment of resources and need between Central and State Governments and the problem of harmonizing income with needs between States inter se.

The author further described that the total federal fiscal transfers through Finance Commission indicate that the devolution of resources has not been directed at enhancing the resources of the backward States so as to make them keep pace with the developed States. On the contrary they tend to transfer more resources to the already developed States.

Bhargava\textsuperscript{9} examined that the sharing of Union duties of excise with the States should be made compulsory so that the States financial position is
strengthened and they do no longer remain at the mercy of the Centre for receiving or not receiving a share from this expanding source of revenue.

According to Rao the significant feature of Centre and State financial relation is that in order to ensure that the Centre and State relations in India are placed on a healthy footing. It is necessary to reduce the present dominance of the Centre in the fiscal field and enable the States to have a large say in the matter.

According to Thimmaiah the Finance Commissions transfers have been unequally distributed mainly because of the outmoded methodology used by the Finance Commission to determine fiscal needs of the States. He further revealed that though Planning Commission has been using Gadgil formula to distribute plan assistance among the State it is essential to modify it so as to take into account the needs of the less developed States by linking the plan assistance to the level of development achieved in different sectors in each State.

He suggested that Central Government might have a national policy in regard to the investment of funds by the commercial banks and other financial institutions in different States. Though priority sectors like agriculture and target groups of people have been receiving gradually increasing share of bank credit its regional distribution needs more equity.
Thakur\textsuperscript{12} examined the relative powers and jurisdiction of the State and the Centre both in respect of resources and of economic functions coordinating and balancing techniques the relative roles of the Finance Commission and Planning Commission.

He suggested a long-term policy of Centre and State transfers that may promote economy, equity and efficiency in order to stable incentives and disincentives and articulated in open consultation with the States.

According to Singh\textsuperscript{13} distribution of resources on this consideration alone may ensure equity in inter – governmental resource transfer. Various Finance Commissions have often lamented that inability to ensure inter – regional balance because of the limited resources at their command. It was also pointed out that the Planning Commission was the instrument to undertake the job.

Bagchi\textsuperscript{14} emphasized that in considering possible lines of re-allocation of the functions of the Planning Commission and Finance Commission it is essential to have a clear idea of what the transfer of resources from the Centre in a system of government is intended to achieve.

Jha\textsuperscript{15} emphasized that there could be a significant improvement in the climate of Centre and State financial relation and the fiscal autonomy of the States which may safe guards to a great extent.
On the basis of functioning of the Finance Commission and Planning Commission over the years the following things are emerged:

Neither the Finance Commission nor Planning Commission has accepted reduction of inter-state economic disparity as their main objective in their exercise for financial devolution, Federal transfers and development objectives often run counter to each other while not lagging behind in paying lip service for each other.

There is not much of operational rapport and synchronization between the Finance Commission and Planning Commission transfers although some members of the Planning Commission find position in the Finance Commission. Therefore a partial view of the finance needs of a States either from the plan or non-plan side is highly unrealistic, and operationally faulty although such a division has some accounting and budgeting merit.

The major flow in both types of transfers the emphasis is given to population which is a scale factor indicating only average needs of a state population as a major criteria for federal transfer in a country with acute regional inequality and uneven development is brought with danger specially when the capacity of States for raising revenue tend to shrink based on an inelastic revenue structure. A composite index of backwardness is a better alternative to population criteria and the Finance Commissions more or less have adopted a negative approach of filling in the revenue gaps only for
squeezing out a moderate revenue surplus as the seventh-eighth Finance Commissions did.

The study conducted by Birla Institute revealed that the Constitution recognizes that there would be a strong Centre both politically and financially to preserve the political integrity and sovereignty of the country and to ensure an economic and social integration between different parts of the country. They suggested that converting the Planning Commission into Finance Commission temporarily or permanently would contribute to the concentration of decision-making authority in the hands of the Centre.

1.3 Constitutional Aspects

Circumstances have moulded the minds of man responsible for the making of the constitutions in the various countries of the world. In the federations the distribution of powers between the centre and states reflects more or less the conditions under which the federation has come into existence. For example in the U.S.A, it was the need to protect against the mother country that brought the colonies together so that in general security and certain other matters thereof were left to the federal governments and the states retained the greater protection of the legislative powers. The Australian constitution follows the American example in this respect. It was a federation formed by the valuation the states which were told of their independence and individual interest. In fact these are in a bargaining position is certain economic matters west and south Australian threatened to go out of the
federation. If the government attempt discriminated in favour of the advanced states of new South Wales, Victoria and Queen land in economic policy matters. Such an eventuality was avoided in Canada by straightening the union. The reason once again lay in the regional divergences the agricultural states have to depend on a single product for their economy. In items of distance the states were not in a position to relieve distance of the farmers. This required the union to be strengthened.

The India constitution follows the Canadian constitutions. Regional diversities are great- a relic of the past differences in the standards of administration on the province and the native states. The partition of India added to the problems of economic stability. More over the Indian federation developed by devolution. It is in this context that the distribution of power has to be studied. These powers can be divided into powers over trade commence and intercourse within the territory of India and taxing and borrowing powers.

Under the Indian constitution there is a three-fold distribution of the legislative powers between the center and the states. In the distribution, the constitution closely follows the government of India Act 1935 the constitution combines the Canadian and the Australian methods and adds something that is not in either of them. In Canadian sections 91 and 92 of the British North America Act enumerate the fields of the Domain and the provinces. An attempt is made to exhaust the whole legislative field and there is no
concurrent list. In Australian the exclusive powers of the Common Wealth are enumerated in sections 52, 90, 111, 114, and 115 of the Common Wealth of Australia act. Some of these belong by implication to the Dominated Government. The rest are concurrent by reason of the operation of the Australian constitution powers of the states are left enumerated. In India from distribution of powers a novel method is adopted which is over applying in the concurrent list. In the constitution of the U.S.A the powers of the union, and the prohibition on the union and the states from doing certain things are enumerated. The residue is debt to the states and the people by the 10th Amendment which says that the powers not delegated to the U.S by the constitution nor prohibited by it to the states are reserved to the states respectively or to the people. Through there is no concurrent list such a one has developed by judicial interpretation to indecent powers other then though vested in the federal government conclusively in the interests of uniformly and as are given to the veneers and prohibited to the states by the constitution. Here again state action is possible only if the union does not act or if the state action is not in conflict with that of the union. In Australian Judicial interpretation has decided inform of extenuation on the concurrent field. In Canada the residuary powers has been so elaborate that the residue list is much smaller than that in Australia. The Indian constitution enumerated all the three lists with a right for the central laws to prevail in the concurrent field. If the provincial list is clear in with and substance on the power to legislative on a subject the center of course can not enter the field. If a state
law revises the assert of the president in spell of the repugnancy to the federal law the states law shall prevail. This is an innovation over the Canadian and Australian constitutions.

In the constitution of India, the union list includes subjects over which the union shall have exclusive right to legislative. The state list consists of subjects on which the states have exclusive right to make law. The concurrent list consists of items over which in case of conflict the central law shall prevail. Following the Canadian constitution the India constitution visits the residuary powers i.e. the power to legislative in respect of matters not enumerated in any of the three lists in the union. Certain general conclusions on the interpretation of the three lists may be arrived at entries should be given a large and liberal interpretation the reason being that the allocation is not by scientific definition but by sample enumeration. Ready agreement on terminology and logical injections are not possible. The Supreme Court decided in case of conflicts as to whether the central or sate law shall prevail assuming that founding fathers meant that no conflict should arise. It is the need for uniformity uncertain matters throughout the country that has led to the lists being drawn up. Central power to make laws is important in the concurrent field because it contains matters which are of national significance. The overwriting central powers is the logical consequence of the lit it self, where in both the centre and the states can make law but conflict is not desirable.
In matters of inter-state importance certain rules are laid down to secure inter-state County. If these the most important are extrodical settlement of disputes immunity form mutual taxation and freedom of inter-state commerce intercourse.

The functional distribution of the powers between the center and the states is given in the 7th Schedule to the constitution. Functional and finical distribution have to be studied in detail to see have far resources are adequate for the exercise of functions.

List one of the 7th schedule to the constitution known as the union list and defines the functions of the union list two the state list defiance the functions of the unite and list III define the subjects. On which both can make lave but where the centre’s powers is overriding. The details of powers of the centre and the states are enumerated in the Appendix at the end. Here it may be mentioned that the financial powers vested in the states have proved inadequate to perform the vast developmental functions entrusted to them by the two plans. Recently lot of controversy arose regarding the extent of the scope of direct and indirect tax which some of per cent belongs to the states. This has regulated in a constitutional amendment. There has also been much discussion to see the possibility of substituting further the sales tax by additional central excise duties. This is a move towards centralization which some of the states may not approved of all these problems are discussed in the relevant chapter. Before studying the tax, expedition, debt, liabilities pattern.
It is proposed give a brief historical review of the units at the time of the inauguration of the constitution.

1.4 Regional Disparities

Regional disparities in income growth are a common feature for all countries. The reduction of such inequalities can bring about with the help of taxes and undistributed subsidies and dimness' matter loan policy.

The taxing spending and borrowing powers are vested with one government at the centre which any delegates some powers to the local bodies for the risk of administration efficiently. This has been the cause with U.K. and France. In federations like India, U.S.A and Canada and Australia, there are two levels of authority – the federal and the state or provincial – with functions and financial powers vested in them by the constitution so that the central alone cannot directly undertake to reduce regional inequalities in income and grants.

More over any loans or grants that the centre disbarred are with reference to states effected and are based on several conditions. Which the states have to satisfy to qualify for central grants or loans, here to understand the position of the states vis-à-vis the central and to judge the desirability of such conditional grants. It is necessary to study the finances of the states concerned. To begin with it is essential to understand the constitutional aspects.
1.5 The States formed before the Re-organisation

Article of the constitution of India lays down that India shall be a union of the states, and the states and territories specified in the part of ‘A’, ’B’ and ‘C’ of the first schedule. In fact, there was part ‘D’ in which Andaman and Nicobar Islands were included before reorganization.

The states in the part ‘A’ of the first schedule are the former British Indian provinces. The states in the part ‘B’ are the states or states unions of the former Indian native states as they existed before the integration with the Indian union. These were “I number the state of Jammu and Kashmir having a special status. In both general and financial administration they were varying different from the British India provinces centrally administered areas are included in part ‘C’. The situation referred to here apply to the time before the re-organization of states.

1.6 Objective of The Study

The present study attempts to examine the various issues relating to Centre and State financial relations, which will also help to strengthen the financial autonomy of the States. It is in this connection the present research work is an unconventional adventure in the field of modern history. The study originated in an academic curiosity to find out an alternative basis for the allocation of resources.
The proposed study which in essence is a novel and systematic empirical analysis of federal transfers made in terms of the current Indian Constitution. It proposes to examine the increasing demand of the States for greater financial autonomy. After my going through the review of literature it may be concluded to note that two major aspects that generally concerned with the literature of Centre and State financial relations are:

The working of the Finance Commissions and the growing dependence of the States on the Centre. The problem of States autonomy and regional disparities economic reform since 1991 to 2001. Were discussed elaborately in this study. This study is different from all thesis. It has been primarily concerned with the Centre and State financial relations in the perspective of state financial autonomy to which no systematic study has been undertaken. There should be a maximum economic growth with social justice and the benefits trickling down to the millions of masses. The study deals with these aspects in multi-dimensional perspective in order to ensure State fiscal autonomy.

It is generally said that the State Government in India has not made adequate efforts to mobilize financial resources and their dependence on Central assistance has been increasing causing erosion of their financial autonomy. There is an another part of view also. The present fiscal inadequacy of the States is caused by Constitutional constrains under which States have been assigned mostly in elastic sources of revenue and hence their inability to raise additional resource.
1.7 Main Objectives of this Proposed Study

To study existing pattern of Centre and State financial relations in the perspective of State financial autonomy to examine fiscal impact of the resource transfers through Finance Commission and economic reforms in order to analyze the distribution adopted by different Finance Commission.

To analyze factors responsible for more States if Financial autonomy in order to achieve optimum production for growth and removal of inter – State economic disparities and to suggest measures for strengthening Centre and State financial relations with sufficient autonomy to the states.

To increase the financial resources of the states for obtaining autonomy.

To enhance educator among illiterate, backward and unreached groups for development.

1.8 Needs of The Study

Centre and State financial relations in India constitute an important set of determinants in shaping the destiny of the Indian economy in its diverse aspects and it is natural that they command a keen interest. Currently there is a good deal of dis-satisfaction with the working of Centre and State financial relations in India resulting in comments on the roles of Central Government and the States. The States believe that the Centre has been unmindful to their interest in welfare in a developing there has been a policy of making the States
and also the States are often blamed for lack of responsibility and indifference towards financial discipline and resource mobilization.

It is possible to approach the issue of Centre and State financial relations in different ways. Most commonly the subject may be viewed in the context of erosion of autonomy of the States and continuous as well as increasing dependence of the State Governments on the Centre Government with the growing responsibilities and inelastic resources of revenue of the former.

There are many points of tension between the Centre and State financial relations. The problem of fiscal imbalance between the Central and State Government is one of the most burning problems. The States mistrust the fashion in which the Centre exercises the control over finances. The States today strongly believe and opine that the existing powers or responsibilities do not match with the existing financial facilities either for meeting the modern social demands. The problem of imbalance has a dimension especially in developing economies having federal structure like India.

The emergence of the Planning Commission as a more important channel or resource transfer than the Finance Commission and the increasing dependence of the States on discretionary Central grants has blurred the Centre and State financial relations in India and created several problems and points of tensions between the Union and the States which the framers of our constitution have not foreseen.
The transfer of resources through Finance Commission and other Central agencies has been such that the poorer States have been getting less per Capital than the richer States and as a result the gap of interstate economic disparities continued to be yawning. The 30:70 grant loan is indiscriminately applied to all States with the disastrous consequences that some States are paying more to the Centre in form of debt liability than receipts of the total Central assistant and there is a reverse flow of resources from the States to the Centre.

The consequence is the situation that the Centre must give and the States must receive. Generally most of the Finance Commission have examined the problem of States indebtedness to the Centre and the problem of States' overdraft.

This is a substantial fact that both Centre and States have their respective responsibilities in enhancing the welfare of society. It may be stated that the Centre is to raise various resources which are then to be appropriately shared among State according to well-laid judicious principles. The States may be treated on the basis of equality with the Centre and they should have the right to share the Center's resources for their overall development.

The State Governments are restrictions on State power of sales taxation inadequate exploitation by the Union Government of the revenue heads under Art 268 and 269, insufficient royalty on minerals and pressure on State resources following revisions in pay scale, rates of dearness allowance,
etc. Further other problems arising in day-to-day financial management regarding release of installments of Central Plan assistance, natural calamities, relief assistance grants for upgradation of level of administration. The existing financial relationship between Centre and States requires modified approach to eradicate discontents expressed by States in recent years.

The desirability of sound and stable fiscal relations between the Centre and the State and efficient exploitation of fiscal resources jointly. There should be proper mutual understanding of the relevant issues and a meaningful approach to them. This will help to achieve the much needed viability financial adequacy, independence and financial autonomy. There is a need of examining the aspect of Centre and State financial relation and the issue of State financial autonomy so that a system of new relations based on regional justice with sufficient autonomy may be evolved so as to make the regions more self-reliant and responsible.

1.9 Methodology

The study is basically based on secondary statistical data collected from various sources such as reports of various Finance Commissions documents, Government reports and public documents, research journals, five year plans, publications of Reserve Bank of India (specially Report on Currency & Finance) annual budgets of Centre and State government reports of the inquiry Committees and Commissions related to Centre State financial
relations and other unpublished reports and research reports relevant to this study.

The Union excise duties are the largest single source of revenue of the Government of India. With the decreasing importance of Income Tax as a source of revenue Union excise duties reveal the fast expanding and elastic (nature of) source of revenue. The States are naturally interested in having a share in such an expanding source of revenue. The distribution between the Union and the States of Union duties of excise is governed by article 272 of the Indian Constitution.

In order to overcome the most important problem of fixing the bases for distribution of the divisible share from Income – Tax and Union excises among the States inter-se different bases have been continually suggested by the States individuals and certain organization and committees some of which:

2. Basis of Collection.
5. Basis of Relative per Capita Income.
8. Basis of literacy.
9. Basis of modern industrialisation
The working of the successive Finance Commissions brings out two important facts regarding the distribution of divisible revenue inter-se. The first is that tax sharing has been mainly governed by two objectives namely the principle of need and the principle of compensation. The principle of equalization is followed to a marginal extent that too in case of basic excise duties only. Secondly these principles have not been uniformly applied in distributing all the shared revenue and different taxes have been treated separately. The principles have been combined in different ways for distributing revenues from each of the shared taxes.

There are various types of grants-in-aid which are known as compensatory grants for development of tribal regions, fiscal needs grants, discretionary, etc. distribution of grants under Art 282 of the Constitution are defective based on the regressive Gadgil formula, the grants administered by the Finance Commission under Art. 275 of the Constitution suffered from serious defects.

The distribution of grants under Art. 275 the first Finance Commission suggested budgetary needs’ tax efforts, economy in expenditure, standard of social services, special obligation and broad purpose of national importance as the guiding principle.’ All the Finance Commission accepted that in principle as ‘unexceptionable’ but none of them could apply correctly these principles and admitted their failure.
The grants from centrally sponsored schemes are mainly given in the fields of roads, education, medical, health, water supply, labor welfare and irrigation. The schemes are financed by the Centre over and above normal ceiling of the States plans. The State sector schemes form the bulk of the programs, which receives the Union grants, under Art. 282. Agriculture, civil-work-communications, community projects development of backward people and areas education, housing, industries, labour and employment and public health are some of the important fields covered by these discretionary grants. Union States disputes may be settled through the negotiations of various political organizations.

The problem can be approached in two ways. Just as in every other federation the states in India are vested by the constitution with certain functions and certain financial powers to fulfill these functions. Taking this computational division as the basis all the factors of the finances may be desired with the relevant statistical detail appended. Such a study will be a pedestrian compendious of broad financial statistics.

The second approach is to take as the point of statement of economics. Attention is there fore paid to the financial statistics and to the economic and financial implications of the Legislative measures on finance to arrive at any conclusion regarding the prospects for states finances. The revenues and expenditure measures are individually analyzed. The revenue is divided into developmental and non-developmental expenditure. The developmental
expenditure on social overheads, and expenditure on purely developmental grants. The public debt and resource transfers budgetary aspects are also studied in detail.

The second approach seems to be more desirable. But in such a method a comprehensive and detailed analysis of the finances of all the states become a formidable task. So it has been decided to study a few states in greater detail than the rest. There has been continuity in administration and financial structure. Even before the integration of the native states in the Indian Union these states were closely following the British Indian Model in their financial pattern. It is for these resources that the study is mainly focused on their finances.

1.10 The Scheme of the Study

The study consists of 7 chapters. The First chapter is made use of the explain the introduction and methodology, reviews of literature. The subsequent two chapters are dealt with an analysis of set up and destination of the Federal Positions of the various countries distinguish between various countries federal position. The part in the above two chapters consist of historical view on federal finances, state revenues and their residuary powers and elaborating the wide structure of different country taxes, distribution of powers and grant in aid.

Another second part also reveals the illustration of Indian financial system. Its historical representative relations between Indian states and
British India, under the same way of principles and distribution of function and imbalance among the states.

The 4th chapter describes is denoted to an analysis of the issues of Indian fiscal federalism and including with grants-in-aid. It may be illustrate tax distribution resource transfers of various years, its budget estimates and revised estimates. Function of taxes including with direct and indirect taxes. Plan expenditure and non-plan expenditure its liner growth rates and compound growth rates of centre, state and combined centre and states calculated values are these comparisons of the years 1980-81 to 2001-2002.

Another more important problem of Debt, Assets and liabilities of various years and also illustration of controlling non-plan expenditure have been discussed in great detail in this chapter.

In chapter 5 the place of income tax, union excise and the grants-in-aid by the centre to the states in the revenues of the states are analyzed in the light of the recommendations made by the first to eleventh finance commission and also explain distinguish between shares of different income categories of various finance commissions that is current finance commissions.

Chapter 6 discusses the study and broadly elaborated economic reforms since 1991. The whole pattern of the states reforms strategies of reforms fiscal reform during this period and fiscal deficit comparison of
revenue and fiscal deficits. Impact of economic reform is explicitly studied in the chapter.

The last chapter is conclusion and summary up of the Centre and State financial relations in India.

1.11 Database

The present study is primarily based on secondary data specially drawn from official reports of government of India and Reserve Bank of India. It is also obligatory on the part of researcher to rely on international publications to collect the necessary information.

1.12 Tools of Analysis

The data collected form numerous sources have been subjected to statistical treatment. Measures of central tendency, dispersion, per cent ages, co-efficient of correlation regression time series analysis and analysis of variance is used. Leaner and compound growth rates are widely employed. The emphasis is on quantitative approach. Graphs and visual aids such as charts, bar diagrams, time series graphs and pie diagrams are used in order to illuminate the dry facts and figures.

1.13 Plan of the Work

The thesis is organized into seven chapters. The first chapter is concerned with introduction and methodology. The second chapter deals with the Federal set up in other federations. The third chapter deals with Indian
financial system. The fourth chapter is devoted to issued of federal finance in India, tax structure, expenditure, Debt, Liabilities and including with grants-in-aid. The review of all finance commission and its tax sharing grants, inter se and all finance commission recommendation are discussed in the fifth chapter. In the chapter six elaborating the system of economic reforms since 1991-2001 doing and discussed with related to various deficits are presented in the last chapter.
References: