CHAPTER VII

MACHINERY FOR FISCAL ADJUSTMENTS

Introduction

Attempts have been made to lay down principles which should govern federal finance. But the changing conditions make it impossible to create a basic structural balance for any federal Constitution which can remain static. Even if initially an equitable balance between the functions and resources of the federal government and the units may be formulated, but the changing economic conditions and the growing demands of public welfare would soon upset it. In fact, there can be no final solution to the allocation of financial resources in a federal system and we do not know of any federation in which a balance nearing perfection has ever been achieved for all time to come.¹

It may also be noticed that a system of revenue allocation may seek to achieve a number of objectives. It may aim at good government, try to safeguard the autonomy of the regional Governments, promote political stability, facilitate rapid growth, bring about financial equalisation or foster financial responsibility.² All the more, it may also be borne in mind that the general as well as the regional governments are in the nature of agencies for realising the basic objective of the welfare of the territory as a whole. However, unless policy objectives are specified, it would hardly be possible to reach these objectives through a system, however ideal, of the allocation of revenue. But policy objectives are bound to be constantly under change and such changes would affect any ideal system of distribution of revenue. What is, therefore necessary, is, to achieve broadly a mechanism sufficiently flexible to enable adjustments to be made from time to time, which may reflect the changing economic and financial needs of the general as well as the regional Governments. Thus there must exist a mechanism for adjustment and re-allocation.

¹ M.C. Setalvad, Union and State Relations under the Indian Constitution, 103-4, Eastern Law House, Calcutta, 1974.
of revenue to meet the situation and the device so created should help to establish the desired framework of financial relations, limit conflicts between governments and achieve the required degree of flexibility.3

The framers of the Indian Constitution realised that a permanent or immutable formula would hardly meet the situation for all time to come, as changes in socio-economic conditions in the country would demand constant adjustment in the basis of transfer of revenue from the Centre to the States. They, therefore, after providing for the taxes which the Centre shall or may share with the States, and for fiscal need grants from the Centre to the States, desisted from laying down any rigid formula to determine the specific amounts payable to the States by the Centre under each head. They embodied in the Constitution, a flexible scheme for transfer of Central revenue to the States, a scheme adjustable in the light of experience, contemporary economic situation, financial position of the Centre and the States and reviewable periodically, and which should work automatically without causing any inter-governmental friction. To ensure that the transfer of funds from the Center to the States should be made in such a manner as not to impair State autonomy, it was provided that the quantum of such devolution of funds and the principles of their distribution among the States inter se should not be left entirely to the discretion of the Central authorities but should be determined on the recommendations of an independent and impartial agency, which would assess the changing needs of the States and take into account the imbalance between the high income States and the less prosperous ones in making its recommendations. Unless provisions to this end were made, the framers of the Constitution realized that a mere distribution of sources of revenue between the Centre and the States might stereotype the existing economic disparities between the States as such.4 All these objectives were achieved by

3. Ibid.
4. See Chapter II.
making provision in the Constitution itself, for a periodic appointment of a Finance Commission, a 'non-political' body and by leaving to it the task of making inter-governmental financial adjustments from time to time. It goes a long way in increasing the flexibility in the division of revenues between the Centre and the States and also the distribution of divisible share among the States inter se. In this approach, the founding-fathers were fortified by the experiences of Canada and Australia where the formula laid down in the respective Constitution for Central grants to the Units was soon found inadequate and new bases had to be evolved from time to time for the purpose.

Finance Commission

Article 280 required the President to appoint a Finance Commission within two years from the commencement of the Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President might consider necessary. The Commission is to consist of a Chairman and four other members appointed by the President. Parliament is empowered to determine by law the requisite qualifications for the appointment of the Chairman and the members of the Commission. Accordingly, the Finance Commission (Miscellaneous Provisions) Act 1951, was enacted, laying down that the Chairman is to be a person having experience in public affairs and the four other members are to be selected from among persons, qualified to be appointed as the judges of a High Court; or having special knowledge of the finances and accounts of the Government; or having wide experience in financial matters and in administration; or having special knowledge of economics. A person is disqualified to be a member of the Commission if he is of unsound mind, or is an undischarged

6. Article 280.
7. Clause (1) of Article 280.
insolvent, or has been convicted of an offence involving moral
turpitude, or has financial or other interests prejudicially
affecting his functions as a member of the Commission.\textsuperscript{10} The
Commission being an \textit{ad hoc} body, the tenure of its members is
determined by the President in the order of the appointment.\textsuperscript{11}
Usually they are appointed for a period of one year. The members
render such whole time or part time service as the President
may specify in each case and their emoluments are determined by
the Government of India.\textsuperscript{12} The procedure to be followed is
determined by the Commission itself, who in the performance of its
functions enjoys all the powers of a Civil Court under the Code
of Civil Procedure 1908, in respect of summoning and enforcing
the attendance of witnesses, requiring the production of documents
and requisitioning any public record from any Court or Office.\textsuperscript{13}
The Commission also has power to require any person to furnish
information on any matter which the Commission considers useful
or relevant to any matter under its consideration and in such a
case protection of Section 54\textsuperscript{(2)} of the Indian Income Tax Act
1922 or any other law, is not available to him. The Commission
is deemed to be a Civil Court for the purposes of Sections 480
and 482 of the Criminal Procedure Code 1898.\textsuperscript{14}

The function of the Finance Commission is recommendatory
and advisory in nature. The recommendations, the Commission
makes, ultimately find their destination under Article 281 in
being 'laid' before each House of Parliament. The duty of the
Commission ends with the making of recommendations, the acceptance
of which rests with the President or with Parliament which has to enact laws in reference to them in the matters prescribed by
Articles 270, 272 and 275. However, a convention has been

\textsuperscript{10} Id., Sections 4 and 5.
\textsuperscript{11} Id., Section 6.
\textsuperscript{12} Id., Section 7.
\textsuperscript{13} Id., Section 8.
\textsuperscript{14} Ibid.
established under which the President or the Parliament, as the case may be, accepts, in these matters, the recommendations so made by the Commission. In the words of B.N. Rau, the Constitutional Advisor to the Constituent Assembly, "as a matter of strict law, the recommendations of the Commission are mere recommendations and it is open to the President, if he thinks fit, to depart from them. But it would be unwise to depart from them except for patent error."

The Commission is expected to play the role of a wise man, a judge between the conflicting claims of the States on the one hand, and the Centre on the other. Dr. Ambedkar conceived of the role of the Commission "to do justice between province and province and between the Center and the Provinces." The Commission would be acting as a bumper, he said, between the President and the Provinces which might be clamouring for more revenue from income tax. T.T. Krishnamachari held the opinion that the institution of the Finance Commission was incorporated "to assure the States that they will have a fair deal." That the scheme of distribution will not be made by the Union arbitrarily but will be based on the recommendations of an independent Commission, which will assess the changing needs of the States in making them. The purpose being to obviate the frequent political pressure to which the Parliament and the Cabinet are likely to be subjected to in revising the system of Union-State revenue transfers. The significant thing to note is that financial assistance whether by way of devolution or grants, which the States receive on the basis of the recommendations of the Finance Commission, is of a statutory character and thus does not affect

15. It would be seen later in Chapter VIII, that except on a few occasions, the recommendations of successive Finance Commissions have been, by and large, accepted by the President.
17. IX C.A.D., 206.
18. Id. at 313-15.
19. Id. at 326.
the autonomy of the States. This is a method of resolving scramble over the proceeds of taxes between the Union and the States which are of frequent occurrence in a federal constitution.20

The institution of the Finance Commission, thus provides a much needed flexibility in the interest of optimum distribution of the national resources as between different Governments in the country in accordance with their respective needs. It is conceived as the major instrument for periodic readjustments of Union-State financial relations with a view to strengthening the financial position of the States without compromising their autonomy.21 The establishment of this rather unique institution, says K.R. Bombwall, may be described as India's original contribution to the theory and practice of federalism.22

The idea, though borrowed from the Commonwealth Grants Commission of Australia, but there are many interesting points of departure between the two bodies. The Australian Commission is a continuing body and recommends grants to the deficit States every year. On the other hand, the Indian Finance Commission is not a continuing body but sits only once in five years. The appointments to the Commission are made for nearly a year, whereas the members of the Commonwealth Commission are given a three years term at a stretch. The Indian Commission becomes functus officio after completing its assigned work while the Australian Commission is a continuing body. However, the Indian Commission has much wider functions to discharge than its Australian counterpart. The latter merely recommends annual grants to the claimant States and has nothing to do with the sharing of income-tax which is negotiated between the Centre and the States from time to time. The Indian Commission, on the other hand, recommends not only the fiscal-need grants but also provides for

tax-sharing between the Centre and the States and between States inter se. Besides, other questions of inter-governmental financial relationship are also referred to it for advice, from time to time.

**Functions of the Finance Commission**

The functions of the Commission, as prescribed by Article 280 are to make recommendations to the President with regard to:

(a) the distribution between the Union and the States of the net proceeds of the taxes which are to be, or may be divided between them and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenue of the States out of the Consolidated Fund of India;

(c) any other matter referred to it by the President in the interests of sound finance.

The terms of reference are, thus, broadly fixed by the Constitution itself, while at the same time an element of flexibility is built into these terms of reference under sub-clause (c) of Article 280(3). Under this sub-clause, the President enjoys a large power to refer any matter to the Commission "in the interests of sound finance". 'Sound finance' is a vague expression and the Constitution recognises no limitation with regard to the matters to be referred to the Commission by the President so long as these come within the 'interests of sound finance'. Thus, in spite of the limitation in its way under the Constitution, the scope of the Finance Commission has been somewhat enlarged. Under sub-clause (c) of Article 280(3), additional matters have been referred to the successive Finance Commissions "in the interests of sound finance". For example, the Second Finance Commission was required to make recommendations on the principles governing the distribution of estate duty in
respect of property other than agricultural land; modifications, if any, in the rates of repayment of the loans by the States; the distribution of additional duties of excise; and principles governing the distribution of the net proceeds of the tax on railway fares.\textsuperscript{23} Similarly, the Third Finance Commission was assigned the additional task of recommending whether any change should be made concerning the distribution of estate duty; additional excise duties and tax on railway fares.\textsuperscript{24} Again, the Fourth Finance Commission was asked to make recommendations on the first and second items covered by the Third Finance Commission.\textsuperscript{25} The Fifth Commission was required to recommend ways and means of discouraging the States' unauthorised overdrafts, the scope for exploiting the States' sources of revenue by them. The Sixth Commission was asked to examine the States' debt-position vis-a-vis their non-plan capital requirements, the method of consolidating the Union loans to the States and the case for establishing a national relief fund by making both the Union and the States contribute some proportion of their revenues.\textsuperscript{26} On the same pattern, the Seventh Finance Commission was required to make recommendations in regard to the financing of relief expenditure and suggest measures for dealing with the non-plan capital gap of the States.\textsuperscript{27} In this way, the number of additional terms of reference is not only increasing but also becoming a regular feature. However, in regard to these terms, there has not been any consistency, which has adversely affected the working of the Commission.

\textsuperscript{24} Report, Third Finance Commission, 2, 1961.
\textsuperscript{26} Report, Fifth Finance Commission, 1-3, 1969.
The setting up of the Planning Commission has resulted in the curtailment of the functions of the Finance Commission, for the bulk of the revenue transfers is now made on the recommendations of the Planning Commission. This overlap of the functions of the two Commissions has not only resulted in conflict and confusion but has also introduced a new dissonant element in Union-State relations and disturbed the distribution of powers laid down in the Constitution. With this emergence, the role of the Finance Commission has thus come to be, at best, that of an agency to review the budgetary projections presented and the acceptance of the revenue element of the Plan as indicated by the Planning Commission, for determining the quantum of devolution and grants-in-aid to be made. At worst, its function is merely to undertake an arithmetical exercise of devolution based on the amounts of assistance for each State already settled by the Planning Commission.

Procedure of the Finance Commission

Soon after the announcement by the President of the appointment of the Commission, the personnel assume charge and decide the place of work of the Commission. The Commission starts its inquiry by addressing letters to the State Governments, requesting them to submit estimates of their current revenues and expenditure outside the Plan for the period of five years under reference. After receiving such estimates, the Commission scrutinises their reliability and summons concerned officers from the States to Delhi for seeking clarifications. After such clarification, these estimates are corrected and modified to a standard form so as to make them comparable. It is done by eliminating abnormal and unusual items in the States' budgets and adding to the net fiscal need thus calculated, a prescribed allowance for 'special difficulties' in cases where it is deemed necessary. This is the first stage of the Commission's work.

Next, the Commission tours all the States visiting mostly the capital cities, to hear the case of each State for financial assistance. Normally, the Commission hears the Chief Ministers and the Finance Ministers of the States along with their aids. Each State submits a memorandum making out its case, invariably, for more financial assistance. These hearings are normally held in camera, though they receive press publicity through press releases. Besides, the Commission hears and receives memoranda from private individuals, associations and other bodies, who might be interested in placing before the Commission their viewpoints on the questions under review. This is the second stage of the Commission's enquiry and is most time-consuming and arduous.

Then the Commission meets in Delhi to prepare and finalise its report. The final report is submitted to the President, normally, some months earlier than the month in which the Union Budget is presented to the Parliament. The President, in turn, recommends the consideration, by the Union Cabinet, of the report for its implementation. The Cabinet, on the advice of the Union Ministry of Finance, decides the acceptance or otherwise of the Commission's recommendations. On their acceptance, the recommendations are incorporated in the Union Budget for implementation after being placed before the Parliament.

The procedure adopted by the Finance Commission contains certain anomalies. Firstly, the Commission mostly depends upon the data and informations on the financial needs of the States as supplied by them. Those data and informations may not be free from hidden unrealities and attempts, to secure more financial assistance. Secondly, the Commission does not make

30. For the 'method of enquiry' adopted by the Finance Commission see Report, First Finance Commission, 4-5, 1952. Similar procedure is followed by Successive Commissions.

31. The successive Finance Commissions have recommended the creation of a cell of experts to collect relevant data, analyse them in the required form and supply them to the Commission to enable them to make an independent assessment of the financial needs of the States. The cell was doubt created on the recommendations of the First Finance Commission and it was attached to the President's Secretariat. ...continued
An on-the-spot study of the progress of the expenditure programmes financed by the Commission's recommendations as is done by the Commonwealth Grants Commission in Australia. Since the Finance Commission in India has been concerned with filling up estimated gaps of the States' budgets, without going into their fiscal needs, such an on-the-spot inspections have not been found rewarding.

Another anomaly in the procedure adopted by the Commission is that the Commission does not visit the States in a team, but it becomes the onus of the Chairman and the Member Secretary only, to hear the State Government's cases. The Commission, as stated earlier, does not publish the details regarding their estimation of 'revenue gaps' and 'financial needs' of each State. This failure on the part of successive Commissions has led researchers to suspect that they have been trying to avoid criticism of their arbitrary assumptions, estimations, methods and calculations by hiding them from the public.32

Apart from these anomalies in the procedure adopted by the Finance Commission, certain inconsistencies may be noticed in its methodology. The Commission, while making the estimates of revenues and expenditure submitted by the States comparable among them, disallows certain expenditures and takes credit for certain revenue receipts. The practice is followed to bring about uniformity and comparability in the statistical data, alongside enforcing on the States, a measure of economy and financial discipline. Instead of achieving these objectives, the practice, in fact, results in a number of undesirable developments in Centre-State financial relations. The implication of some items of expenditure having been dropped out is that no revenues are provided for them in the Commission's recommendations. Consequently, the concerned States may either leave out such expenditures or find extra resources specifically for the purpose.

In the same way, if the Commission takes credit for some revenue receipts which do not actually materialise, the transfers recommended by the Commission would turn out to be inadequate.\textsuperscript{33} Sometimes, the estimates of revenue accruals to the States, as finalised by the Commission, are based on the assumption that the States would raise extra resources to finance their non-Plan revenue expenditure. Such assumptions require the States to increase tax and tariff rates in addition to mobilising other sources of revenue and to utilise the resulting proceeds for financing non-Plan outlays. Many-a-time these assumptions do not come out to be true, with the result the States are left with inadequate resources. Even if some additional revenue may be mobilised, the States would prefer to utilise that for Plan schemes\textsuperscript{34} and not according to the Commission's suggestions. Similarly, the unilateral exclusion of certain items by the Finance Commission does not dissuade the States from undertaking the excluded expenditures, for whatever obligations the States have contracted, they have to honour them.\textsuperscript{35}

The foregoing analysis brings out the lapses which have contributed, to some extent, to the failure of the Finance Commission. It leaves much to be desired on the part of the Commission to modify their approach so as to make it more efficient for the achievement of major objectives of fiscal federalism.

\textbf{Planning Commission}

Along with tax sharing and fiscal need grants, Central assistance also flows to the States through grants under

\begin{itemize}
\item \textsuperscript{33} B.S. Grewal, \textit{Centre-State Financial Relations in India}, 125 Punjabi University, Patiala, 1975.
\item \textsuperscript{34} Such a practice on the part of the State Government is held in high esteem by the legislators and the electorate. See D.R. Gadgil, "Some Aspects of Centre-State Financial Relations", A lecture delivered at the Gokhale Institute of Public Affairs, Poona, on June 8, 1970, later published by the Union Ministry of Information and Broadcasting under the series \textit{Towards Social Justice}, February, 1971. Quoted in Grewal, 127.
\item \textsuperscript{35} Ibid.
\end{itemize}
Article 282, which provides that 'the Union or a State may make grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislatures of the State, as the case may be, may make laws'. The provision vests in the Centre a very broad power to give grants to the States for any specific public purpose. These grants are known as discretionary grants, for the reason that the Centre is under no obligation to make these grants and the matter lies within its discretion. These grants also lie outside the purview of the Finance Commission. While the funds flowing to the States through the Finance Commission are unconditional and may even be regarded as coming to the States as a matter of right, the grants under Article 282 may be conditional and tied to specific purposes.

The technique for grants under Article 282 is adopted to meet multifarious situations and plays a very significant role in the present day pattern of Centre-State fiscal relationship. The most significant use of these grants is in the area of planning. There are various plan programmes falling within the States sphere for purposes of legislation and administration, but being of all-India significance, the Centre is also interested in their implementation. Therefore, to promote State action in these areas, the Centre gives grants as incentive to the States.

'Economic and social planning' is a concurrent subject, and the Union has overriding power in this field. So far as the plan-programmes falling within the State sphere, the Centre is under no direct constitutional responsibility. But the State's resources being inadequate, the Centre makes grants under Article 282 for the development of these areas. These grants have a two-fold purpose viz., to help the States financially to fulfill plan targets and to give some leverage to the Centre.

36. For example national extension services, agriculture, fisheries, general and technical education, community development.

37. Entry 20, Concurrent List, Seventh Schedule to Indian Constitution.
to influence and coordinate State action to effectuate the national Plan. The Centre can use the grants to persuade, encourage and pressurize the States to keep within the Plan targets. These grants are made on the recommendations of the Planning Commission, a non-statutory body established in March 1950.

Setting-up of Planning Commission

Though Planning was very much in air at the time of constitution-making but the Constitution sets up no planning machinery. Plan consciousness developed in India in 1931 when the Indian National Congress adopted 'planning' as an essential part of its political programme. But it was in 1937, when the Congress, capturing the legislatures in the majority of the Provinces as a result of 1936 elections, sought to give shape to the 'social and economic order' contained in its manifesto. It was for this purpose that Subhas Chandra Bose, then President of the Indian National Congress, convened in 1938 a Conference of Provincial Ministers of Industries, to consider the future economic development of the country. The Conference resolved that the problem of poverty and unemployment, of national defence and economic regeneration in general, could not be solved without industrialization and that as a step towards it, a comprehensive scheme of national planning should first be formulated. The Conference appointed a National Planning Committee consisting of well-known industrialists, scientists, economists, financial experts and representatives of the Provinces. The Committee with Shri Jawaharlal Nehru as its Chairman was to study various aspects of national economy and to evolve a coordinated plan for improving the standard of living of the Indian people. \(^{38}\) Being conscious of such developments in the country, the Government of India also appointed in 1941, a high-level Committee under the Chairmanship of the Central Commerce Member to undertake comprehensive planning. This Committee was replaced in 1943 by the Reconstruction Committee of the Cabinet with the Governor General as its Chairman. The Committee prepared two reports on

\(^{38}\) Chanda, 260-61.
reconstruction planning and defined the ultimate object of all planning to be to raise the standard of living of the people and to ensure employment for all. The next step in this direction at the Governmental level, was taken in 1946, when Mr. Nehru as Vice President of the interim Cabinet appointed an Advisory Planning Board to review the work already done in the field of planning and to make recommendations regarding objectives and priorities and machinery for planning.

The Board in its Report submitted in December 1946, emphasised the dynamic nature of planning. It carefully considered the practical problems of implementation of a comprehensive plan and stressed on the importance of policy and programme coordination between the Central Ministries as well as between the Central and the State Governments. It, therefore, recommended the setting up of a single, compact and authoritative organisation which should be responsible directly to the Cabinet. The Board recommended the creation of a small Planning Commission composed of not more than five and not less than three members, with necessary secretariat and technical facilities. On the question of the composition of the Commission the Board considered two views viz., should the Commission be totally dissociated from the vicissitudes of politics and be composed of experts or should it be headed by a Minister of Cabinet rank. Finally, the Board recommended that it should be as far as possible a non-political body whose members will not fluctuate with changes in the political fortunes.

While the Report of the Board was still under consideration of the interim Government, political changes took place in India partitioning it into two sovereign States of India and Pakistan. The question of economic development and that of planning was then considered by the new Government of Independent India, in the context of the changed atmosphere. The policy objective to evolve a social order through the process of economic development of the country was enunciated a number of times by the political

39. Ibid.
40. Id. at 263.
leaders and the Governmental agencies. To achieve the objective, the framers of the Indian Constitution incorporated in the Constitution many provisions\(^{41}\) which point towards the imperatives of planning. However, they did not think it necessary to make specific provision for setting up of an appropriate planning machinery. It appears that they left it to the nation to give planning any shape that it deemed proper.\(^{42}\)

The new Government did realise that to herald an era of well-being and prosperity, "comprehensive planning based on a careful appraisal of resources and on an analysis of all relevant economic and social factors was absolutely necessary."\(^{43}\) It further emphasised that the planning needs of the country could only be fulfilled "through an organisation free from the burden of the day-to-day administration, but in constant touch with Government at the highest policy level."\(^{44}\) With this resolve, the Government of India set up in March 1950 the Planning Commission, as a permanent body of national planning, outside the Indian Constitution. The Resolution establishing the Commission enjoined 'it to keep in view, the fundamental rights and to further the Directive Principles of State Policy as well as, the declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the services of the community."\(^{45}\) The Resolution required the Commission to perform the following functions:

(1) to make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibility

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41. The basic ideas of social and economic order were incorporated in the Constitution as the 'Directive Principles of State Policy'. See Chapter IV, Constitution of India.
42. Dr. Diwan, 65.
43. Ibid.
44. Cabinet Secretariat Resolution (Planning) No.1-P(c) 50, dated 15 March, 1950.
45. Ibid.
of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;

(2) to formulate a plan for the most effective and balanced utilization of the country's resources;

(3) on a determination of priorities, to define the stages in which the plan should be carried out and propose the allocation of resources for the due completion of each stage;

(4) to indicate the factors which are tending to retard economic development and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the plan;

(5) to determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the plan in all its aspects;

(6) to appraise from time to time the progress achieved in the execution of each stage of the plan and to recommend the adjustments of policy and measures that such appraisal might show to be necessary; and

(7) to make such interim or ancilliary recommendations as might be appropriate on a consideration of the prevailing economic conditions, current-policies, measures and development programmes, or on an examination of such specific problems as may be referred to it for advice by Central or State Governments for facilitating the discharge of the duties assigned to it.

Originally, the Commission was constituted of four whole-time members and the Prime Minister as its Chairman, who is to act as the political link between the Cabinet and the Commission and through whom the political viewpoint of the
Government is communicated to the Commission. Subsequently, its membership has varied from time to time. No defined principle appears to have been observed in the selection of the members. The membership is enlarged and as many as seven Ministers have come to be associated with the Commission. There is no State's representative as such on the Commission which can, therefore, be regarded as a purely Central organ.

The Planning Commission has four Programme Advisors, on whom devolves the responsibility for the day-to-day work of the Commission. They are expected to function as "the eyes and ears" of the Commission vis-a-vis the States falling in their jurisdiction. They are supposed to have the knowledge of State administration. They maintain contact with the Central Ministries and the States on the subjects placed in their individual charge and study the working of various development projects on the spot. They provide assistance to the Commission for field study and observation, and help it in maintaining close touch with the progress of planning and its implementation. They devote greater attention to more important and centralised projects as well as problems of administration, finances and public cooperation for implementing the plan. They may also be assigned special problems in which the Central Ministries and State Governments might be interested.

The function of the Commission is to draw up plans to fulfill the economic and social objectives having regard to the resources available and apply criteria relevant to their development. The responsibility of accepting the plans is left to the Central Government which takes decision in the matter on consideration of political practicability.

Apparently, the role of the Commission is merely advisory, but it is hardly conceivable that the decisions taken by the Commission presided over by the Prime Minister and with the most

46. Chanda, 267.
47. H.K. Pranjape 'Centre-State Relations in Planning', The Union and the States, 211, Ill, New Delhi, 1972.
48. Id. at 272.
important Cabinet Ministers its members, could be disregarded by
the Cabinet. It is for this reason, the Commission has been
called a 'super-cabinet'. The working of the Commission and the
ways it adopted, created disappointment in many States and they
asserted that it had unduly stifled local initiative and that
State que State had no role to play in the formation of the
Plan. The need for reorganization of the Commission was, therefore,
felt and the task was assigned to the Administrative Reforms
Commission in 1965 which submitted its Report in April 1967,
recommending the re-constitution of the Commission. After the
reorganisation, the Planning Commission consists of a Deputy
Chairman and four other members. All the members including the
Deputy Chairman are appointed on the whole-time basis. The Prime
Minister is its ex-officio Chairman and the Union Finance
Minister as an ex-officio member.

National Development Council

Since planning in India has been unified and comprehensive,
insofar as, the plans deal with both the Central and the State
subjects, it becomes necessary to give a sense of participation to
the States as well, in the planning processes. With this in view
and in order to achieve an effective coordination in the imple­
mentation of planning decisions, to ensure uniformity of economic
policies all over the country and to prevent the independent
modification either at the Central or the State level, of the
plans as drawn up by the Planning Commission, a machinery for
mutual consultation between the Central and the State Governments
and the Planning Commission, has been established in the shape
of the National Development Council with the following aims:

49. In its 21st Report the Estimates Committee of Lok Sabha
observed: "A decision to which they (Ministers) are a party,
taken in Planning Commission and transmitted to the
Ministers to be considered by them in the Cabinet, is more
than an advice and is very nearly a final decision."
Report, 19.

Quoted in Bombwall, 299.

51. It was at the suggestion of the Planning Commission itself
that the Council was constituted. Government of India
Resolution (Cabinet Secretariat), No.62/CF/50 of August 1952.
The Council came into being on August 6,1952.
(1) to strengthen and mobilise the efforts and resources of the nation in support of the plans;
(2) to promote common economic policies in all vital spheres; and
(3) to ensure the balanced and rapid development of all parts of the country.

To secure these aims, the Council is entrusted with the following specific functions:

(a) to review the working of the National Plan from time to time;
(b) to consider important questions of social and economic policy affecting national development; and
(c) to recommend measures for the achievement of the aims and targets set out in the National Plan, including measures to secure the active participation and cooperation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and through sacrifices borne equally by all citizens build up resources for national development.

The membership of the Council included the Prime Minister, the Chief Ministers of the States and the members of the Planning Commission. Other Union and State Ministers, were to be invited to attend the Council's meetings when considered necessary. The Council was reconstituted on the recommendations of the Administrative Reforms Commission in 1967, to include as Members, all Union Cabinet Ministers, in addition to its earlier membership. On its reconstitution, the functions of the Council have also been redefined. In this respect the most important change is that it is now definitely charged with the responsibility of laying down guidelines for the formulation of the National Plan.

52. Government of India Resolution (Cabinet Secretariat), No.65/15/CF-67, dated 7 October, 1967.
The Council is consulted by the Planning Commission, at various stages, in the formulation of the National Plan. The Commission first prepares a rough draft of the Plan in consultation with the Central Ministers and the State Governments and in the background of the perspective plan. After it is approved by the Union Cabinet, it is placed before the Council for its recommendations. On the basis of the Council's recommendations, the schemes and projects, contained in the rough draft, are suitably modified and sent to the Union Ministries and State Governments as preliminary instructions. After they submit their plans to the Commission, the latter starts the work of integrating the plans so submitted, into one general and comprehensive plan for the whole country. Thus emerges the draft Plan. This is followed by long discussions between the Planning Commission and the representatives of the Union Ministries and State Governments, to fix the size and nature of the Plan. These tentative conclusions are placed before the Union Cabinet and on its approval, are considered by the Council. The recommendations of the Council are then taken into consideration by the Planning Commission when it gives final shape and form to the Plan. This final draft after being approved by Parliament becomes the official Plan and is published.

The Council is also consulted with regard to the implementation of the Plan. It is envisaged to be the supreme body in regard to planning and development. It can play a significant role in reconciling the views of the Central and State Governments and in securing full cooperation and coordination between them in planning matters and thus can ensure development of a uniform approach and outlook towards the working of the National Plan.

The National Development Council has been described as a 'super-cabinet' of the entire Indian federation, a cabinet functioning for the Government of India and the Governments of States. It is a body, obviously, superior to the Planning Commission. It is indeed a policy-making body and its

recommendations cannot but be regarded as policy decisions and not merely as advisory suggestions. In the opinion of Michael Brecher, "the Council and its Standing Committee have, since their inception, virtually relegated the Planning Commission to the status of a research arm."  

No doubt, the Council is the highest advisory and reviewing body in the field of planning, whose approval is obtained before the Plan is presented to Parliament but it in an exaggeration to label it a 'super-cabinet'. It is the highest national forum for planning in which the States have an important say. Commending its vital role, V.T.Krishnamachari says that "it gives a lead to the country on broad issues of policy and promotes collective thinking and joint action on matters of national importance." The Council, in fact, has become a very important body in the field of planning and its decisions are generally accepted. It is more because of its composition and influential membership. In the words of Tarlok Singh, the Council "has in practice embodied and given informal sanction to the underlying concept of partnership and cooperation between the Centre and the States over the whole range of development" and "brings State Governments into an organic relationship with the organisation of planning at the national level." Planning has, as a matter of fact, become the joint responsibility of the Centre and the States, though, the former has so far played a leading role.

Impact of Planning: Article 282 Grants

The Union-State financial relations under the Constitution have increasingly been reoriented through the operation of

planning mechanism. The mechanism has rather seriously upset the financial balance of power in the federal-polity established by the Constitution. This has resulted, in the main, from the increasing resort to discretionary grants under Article 282, made for plan-purposes on the recommendations of the Planning Commission. This Article, as Santhanam has pointed out was inserted in the Constitution as a residuary provision and was not intended to be one of the major provisions for making financial adjustments between the Union and the States.58 Elaborating the point, he expresses the view that "the Article was intended to give power to the Union and the States to make grants for special bodies and purposes like the United Nations and other international bodies and to any States in case of serious natural calamities like famine, floods or earthquakes".59 According to Chanda, the provision was, obviously, "intended to be no more than a permissive provision to meet a situation not otherwise provided." 60 How little importance was attached to this Article in the Constituent Assembly may be seen from the fact that it was adopted without any discussions. For the normal budgetary difficulties of the States, Central grants-in-aid under Article 275, were expected to serve as the main instrument for the necessary devolutions of funds. Grants under Article 282, being for emergency purposes, were not envisaged as part of the normal federal-State financial arrangement.61 From the strict constitutional standpoint, thus,

58. K. Santhanam, 4C.
61. See IX CIA.D. 300-303. If one goes back to the Assembly Debates, one finds statements made there that it was expected that all flows of funds from Centre to the States should be done through an impartial machinery. It was for this purpose that the Finance Commission was devised. So far as unexpected contingencies are concerned certainly it cannot be provided for. Article 282 has got to be used in the absence of any other mechanism for the purpose. N.V.Mathur, Federal Financial Relations in India, 125, ICPS, 1974 (Symposium convened on May 29,1974). See also Chapter IV supra.
while Article 275 is an appropriate provision, Article 282 is a residuary clause and hence the former is relatively important. However, the Union Government, contrary to the intentions of the framers of the Constitution, has taken undue advantage of this constitutional provision (Article 282) to make direct grants to the States for the execution of various projects under the Five Year Plans. The grants which lie outside the purview of the Finance Commission have now become 'an integral part of the federal-state financial arrangements in India'.

Though, Article 282 figures among the "Miscellaneous Financial Provisions", as a matter of fact, it has provided the basis for progressively massive grants made by the Centre to the States for the implementation of plan projects. Obviously, the advent of planning has entirely changed the expected situation and that Article 282 has become the backbone of federal-planning finance. All capital grants to the States by the Centre for implementing their respective shares of the national Plan are now made under this Article, as falling within the scope of 'public purpose'. Thus, shortly after the inauguration of the Indian federation, observes A.T. Eapen, "such an important feature of fiscal federalism, as federal aid to the States for the execution of plan projects, has been placed outside the purview of the Finance Commission - a statutory body provided for in the Constitution, explicitly for the purpose of dealing with all important issues of fiscal federalism."

As stated above, plan grants are discretionary in nature, in the sense that they are issued by different Union Ministries on the recommendations of the Planning Commission which, unlike the Finance Commission is neither independent nor impartial but

64. Supra note 62.
Besides, these grants are normally of a 'matching nature', the States being required to contribute a share in accordance with a stipulated percentage of the Central grant. Further they have 'strings' attached to them, in so far, they involve varying measures of Central inspection and supervision of their use. They, therefore, open the door to Central intervention in a field which under the Constitution, belongs exclusively to the States and thus encroachment on the autonomy of the States. The Union Ministries which release these grants are, naturally, in a position to exercise some control over corresponding Ministries in the States.

Equally significant has been the impact, on the Union State financial relations, of loans advanced to the States by the Centre mainly for meeting the capital expenditure required in the implementation of plan projects. During the period of the First Five Year Plan, no less than 2750 Central loans of the total value of Rs.800 crores were issued to the States. This amount rose to Rs. 1417 crores during the Second Plan period. By the end of Third Five Year Plan, the debt liability of the States to the Centre rose to Rs. 4103 crores and it touched the

65. In a minute appended to the Report of Fourth Finance Commission, 1965, Dr. F.V. Rajamannar, Chairman, observed "when compared to a statutory body like the Finance Commission, which is quite independent of the Government, the Planning Commission may be described as quasi-political body". Report 90, 1965. V.T. Krishnamachari, former Deputy Chairman of the Planning Commission claims the Commission as an "independent body", Fundamentals of Planning in India, 113, Orient Longmans, Calcutta, 1961. However, in view of the terms of the Resolution under which the Planning Commission was created this claim is not tenable. See Bombwall, 304.

66. Santhanam remarks : "It is a horizontal federation that was set up by the Constituent Assembly. The matching grants have set up a vertical federation by which the Central Departments and the State Departments on the same subject as 'Education etc.', form a unit for the purpose of programmes, projects and most important of all, for expenditure", K. Santhanam, Union-State Relations in India, 54, Asia Publishing House, Bombay, 1960.
astonishing level of Rs. 578 crores by the end of March 1974 and estimated to be Rs. 13463 crores by the end of March 1979. These loans are closely linked with plan grants under Article 282 and are earmarked for specific purposes. Theoretically, the States are free not to take these loans, but they can exercise this 'legal freedom' only by foregoing the development projects for which they are granted. Obviously, for fear of public criticism, the States are unable to exercise this theoretical freedom and reject the schemes. Besides, the States cannot afford to be left behind in a competitive process of economic development. The States thus undertake schemes relating to matters within their own exclusive sphere but formulated, sponsored and to some extent directed by Union authorities. These loans from the Centre, accordingly become an important level for the projection of Central power into the region of State autonomy. Taking note of the fact, the third Finance Commission observed, "This increasing dependence is diluting, on the one hand, the accountability of State Cabinets to their legislatures; on the other, it is coming in the way of the development of a greater sense of responsibility in their administration." 68

National planning has strengthened the centralist direction in Indian federation, is a fact. The Planning Commission and the Union Government use Central assistance as a mighty lever for influencing the priorities in State sector. It is the huge amount of this assistance which is really the source of the authority of the Centre. With this inducement, the Centre has often been able to influence not only the overall targets and priorities of State plans but also to persuade the State Governments into particular channels of social service activities sponsored by it but not necessarily desired by the States. The West Bengal Government, in a memorandum submitted by it to the Third Finance Commission, illustrated this tendency that "it had been asked to undertake measures for the control of filaria in West Bengal where this disease was unimportant but it could not qualify for central assistance by implementing leprosy scheme to which the

State Government attached greater importance. This results in conflicts between the States and the Planning Commission rather than the Central Government. Thus states Dubashi: "It will be reasonable to conclude that in an exclusively State sphere of activity, the Union Government has stepped in as a partner and that too as a senior partner, not by invoking any extra-ordinary clause of the Constitution but through the normal process of administration." It is thus aptly pointed out that "National Planning while proceeding to a large extent through consultation, yet widens the role of the Central Government and tends to reduce the distribution between Central and State responsibilities."

All said, but the fact remains that in a country like India, which has accepted planning as an instrument of growth, a large amount of central control, resulting from central grants and loans, leading to dilution of autonomy of the States is inescapable. The logic of central planning itself demands such centralised supervision without which the development effort may be seriously handicapped. It is presumed that the Centre is a better judge of peoples' interests even in functions which belong to the States and Central assistance in the form of grants and loans is an important instrument with the Union Government to secure enthusiastic State approval and implementation of coordinated State Plans. This assistance has got to be integrated with planning programmes and the Planning Commission is in the best position to secure it. The device is adequately necessary to ensure the fulfilment of national priorities which are necessary for the planned progress of the country.

acceptance of a welfare state ideal and specifically the technique of planning as an instrument of growth, necessarily involves a large amount of Central control consequent upon grants and loans being made conditional for the plan expenditure. Therefore, the existing system of conditional grants and loans as a revenue component of the plan is well suited for the purpose.

The Planning Commission has insisted on a uniform policy to be followed by the States in regard to such matters as land ceilings, cooperative farming, agriculture, education including primary education, health and cottage industries, which are of purely local character. The same applies to the programmes of social welfare also. The idea behind this is that although the primary responsibility in such matters may lie with the States, the Centre has also an overall responsibility for helping, coordinating and guiding the work of the States, so that national policies can be evolved and satisfactorily worked out. On the basis of his practical experience in the field of Community Development Scheme, P.R. Dubashi justifies the desirability of the national planning policies and observes: "This is no gain saying the fact that but for Centre-State partnership in the programme, it would hardly have been possible to bring into existence throughout India an administrative machinery of a welfare state in action extending right up to the village level with uniformity of pattern and nomenclature, comparable in its integrity and pervasiveness and superior in training and equipment, to the law and order or revenue machinery set up by the erstwhile British rulers." Moreover, planned economy creates the problem of 'coordination of the economic activities of the whole country'. A planned development has been preferred to unplanned growth. Poverty, illiteracy, ignorance, disease, etc., are problems facing the whole country. Food shortage or epidemics do not recognise State boundaries, neither do they care for State autonomy. The
problem being a national one, has to be solved through national efforts. The method adopted in India for the purpose, is 'economic and social planning' and economic planning "in order to be effective has to be the responsibility of the Central Government."

It should also be pointed out that planning has led to important national gains which would have been impossible without the control exercised by the Centre through discretionary assistance. This aspect of the matter may be stated in a somewhat extended citation from the study of federal fiscal relations in India made by G. Ramachandran, a former Finance Secretary to the Government of Madras. He observes: "In so far as the plan seeks to promote certain national priorities and objectives, some sacrifice of independence of action on the part of the States cannot be helped. One should in fairness also concede that planning while limiting the freedom of action of the States, has helped to promote uniform policies calculated to aid economic growth and has imposed a measure of discipline on the States in regard to control of non-planned non-developmental expenditure. The States have also been persuaded to undertake various measures for mobilization of resources on a scale which left for themselves, they may not have undertaken. To this extent, the powerful control exercised by the Planning Commission through discretionary central assistance of economic development, has helped to raise the rate of capital formation in the country. Discretionary grants-in-aid within the framework of the Plan have been a mechanism through which resources have been diverted to comparatively backward States and have thus helped to bring about a measure of equalization in standards of social services and economic development."  

Conclusion

It is obvious that in the Union-State fiscal relations the Finance Commission and the Planning Commission play a very vital role. However, on account of some overlapping in the functions of

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77. "Union-State Relations in Finance Planning", XII ITPA, 379.
both the Commissions, some tensions have disrupted in the Centre-State fiscal relationship, which necessitates the cooperation between the two and coordination of their activities.

The Finance Commission is created under the Constitution while the Planning Commission has been established by the executive decision of the Central Government, yet, the Planning Commission has been exerting much more influence, something pernicious influence, than the Finance Commission. The Finance Commission, being an ad hoc body comes on the scene, once in five years (unless called earlier) and deals only with tax-sharing and fiscal-need grants, while the Planning Commission, a permanent body, deals with large sums of money by way of grants under Article 282 end-forms to the States for planning purposes. As the things stand, the Finance Commission does not take into account the Centre-State fiscal relationship under the Plans. After the Finance Commission has made its recommendations regarding tax-sharing and grants, the Planning Commission takes over, assesses the needs, resources of the States and the Centre, plan programmes and then decides how much money should be given to each State by way of loan and grants under Article 282. The funds flowing to the States through the Planning Commission are more massive than those made over through the Finance Commission. This development has given a new orientation to the constitutional provisions.

Whereas, the Constitution envisages the Finance Commission as the balance-wheel of the Indian fiscal federalism, the Planning Commission has become all pervading and over-bearing throwing the Finance Commission in the back seat. This has led to considerable criticism, of the role of the Planning Commission in recommending the allocation of Central assistance for the States. It has been argued that though the Planning Commission has no constitutional status, it has over-shadowed the Finance Commission.

Dr. P.V. Rajamannar, Chairman of the Fourth Finance Commission, observed, "When compared to a statutory body like the Finance Commission, which is quite independent of the Government, the Planning Commission may be described as a quasi-political body... Though its role is advisory, it has come to occupy a very significant and important place in the economic development of the country; *vis-a-vis* the Government, it is not easy to describe its status in spite of its importance; it remains to this day a body without any constitutional or legislative sanction. As the entire plan, both as regards policy and programme, comes within the purview of the Planning Commission and as the assistance to be given by the Centre for the plan projects either by way of grant or loans is practically dependent on the recommendations of the Planning Commission, it is obvious that a body like the Finance Commission cannot operate in the same field. The main function of the Finance Commission now consists in determining the revenue gap of each State and providing for filling up the gap by a scheme of devolution, partly by a distribution of taxes and duties and partly by grants." The States have repeatedly expressed their dissatisfaction over the allocation of assistance by the Planning Commission because they hold that its decisions are influenced by political considerations and the bargaining capacity of the Chief Ministers of the States. They feel that the Planning Commission does not *give* adequate importance to the different needs of the States.

While the States have shown high regard for the Finance Commission and have accepted their recommendations in a federal spirit, the Central Government looks upon the Finance Commission, as a body that upsets the Plan calculations and transfers large chunks of resources to "improvident and light taxing" State Governments. That some element of jealousy or feeling of...

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rivalry should be there between the two Commissions is understandable, and that they should be critical of each other is not unusual. The attitude of both has been of envoy rather than comradeship. Neither has been charitable to the other in their observations. The successive Finance Commissions have been feeling uneasy about their position in regard to the Planning Commission. They have felt strongly on the unpleasant experience of facing encroachment of their field of action by the over-powering influence of the Planning Commission. They feel that in the present set-up, the function of the Finance Commission is merely to undertake an arithmetical exercise of devolution based on amounts of assistance for each State already settled by the Planning Commission. On the other hand, the Planning Commission holds that the awards of the Finance Commission, every five years, take a sizeable quantum of assistance out of its purview and control.

The issue of this relationship was first raised by the Second Finance Commission and received a great deal of attention at the hands of the subsequent Finance Commissions. The Third Finance Commission even suggested that either the purview of the Finance Commission should be extended to include total financial assistance given to the States, whether by way of loan or devolution of revenue, or it should be abolished as a separate institution and the Planning Commission be transformed into a Finance Commission at an appropriate time.

The problem is merely one of 'duality and overlap'. The functions of the two Commissions have not been made distinct. But, with the Third Finance Commission, the Central Government embarked on the policy of eliminating the duality of functions between the two Commissions and to lay down separate and well-defined functions of each. The financing of the Plan falls within the purview of the Planning Commission and financing of non-Plan

82. Id. at 35-36. See also Dr. Rajamannar's criticism of the Planning Commission. Report, Fourth Finance Commission, 89-90, 1965.
expenditure falls in the jurisdiction of the Finance Commission. It is the Planning Commission that determines the size of the Plan (Central and States both), lays down the priorities, decides the quantum of resources to be raised by the Centre and the States and the assistance to be given by the Centre to the States. When the Finance Commission begins its work, it is required by its terms of reference, to keep in view the requirements of the Plan. The result evidently is that it has to function within the lines already drawn by the Planning Commission.

Much of the criticism against the Planning Commission has been met by the adoption of an objective formula for the allocation of Central assistance. The formula adopted in 1969-70, though suggested by the Planning Commission, was approved by the National Development Council, a body in which all the States are represented by their Chief Ministers. This means that contrary to the common criticism, the influence of extra-economic and subjective factors has been drastically reduced. Thus, even if the Planning Commission continues to be formally a part of the Central Government's set-up, Central assistance for the States is no longer determined by the political process.

In view of the fact that India has embarked upon economic planning, it must be admitted that the Planning Commission has come to play a definite role in the country's federal structure. As the supreme techno-expert body on plan formulation, the Planning Commission alone is in a position to appraise, in a proper perspective, the competing claims of the Central and the State Governments for developmental finance. Therefore, in the planned economy of India, the Planning Commission remains perhaps the most suitable institution for making recommendations for plan assistance.

83. Popularity known as Gaddil formula.


85. The Sixth Finance Commission has accepted the Planning Commission "as a major agency for canalisation of resources for the financing of State Plans". Report, 5, 1973.
The Planning Commission is eminently suitable for the allocation of Central assistance for State Plans may be defended on two more counts. Firstly, the present formula for allocation of Central assistance requires some judgements to be made regarding the continuing projects and also regarding the special problems of individual States. There is no other institution more suitable to make the required assessment in the light of maximum information available. Secondly, in order that national priorities of planning are observed, Central assistance, is in a sense, tied to certain sectoral outlays, and it is only the Planning Commission which can at the time of annual review and mid-term appraisal of the Plan can fix and re-fix these outlays. In view of these considerations, the task of allocating the Central assistance for the State Plans should remain with the Planning Commission.

The more intricate and significant issue is that there has been little coordination between the Finance Commission and the Planning Commission. This lack of coordination led to some avoidable duplication of work. For example, the Finance Commission estimates the revenue receipts likely to accrue to each State in the next five years on the basis of the existing tax and tariff rates. Similarly, it estimates the revenue expenditure of individual State outside the ensuing Plan. These estimates form the basis of its recommendations for grants-in-aid to the needy States. The Planning Commission which also needs these estimates for assessing the balances from current revenues available for State plans, makes its own assessment. As the two Commissions do not share information with each other, some clever States may attempt to present two sets of data to them. In the estimates submitted to the Finance Commission they may try to inflate their revenue gap so as to get additional assistance, on the other hand, in the estimates submitted to the Planning Commission, their tendency might be to over-state their resources, current and additional and promise economies, which are not susceptible to realisation.86 In the former case, the States want to establish

86. This point was made out by the Third Finance Commission also. See Report, 41, 1961.
their claim for maximum assistance and in the latter, establish their claim to a big chunk of plan projects. With some coordination between the two commissions, both these evils could be avoided. N.J. Jhaveri rightly observes that a fiscal system cannot function efficiently if the assessment of minimum need, in absolute or relative terms, differs between the two Commissions. With some coordination between the two commissions, both these evils could be avoided. N.J. Jhaveri rightly observes that a fiscal system cannot function efficiently if the assessment of minimum need, in absolute or relative terms, differs between the two Commissions. Since both the Commissions have come to stay, coordination between the efforts of the two is essentially necessary. With the setting up of the Sixth Finance Commission, a good step forward was taken by coopting a member of the Planning Commission on the Finance Commission. It is encouraging that the Central Government is continuing their practice. This would ensure that not only the two Commissions would avoid duplication of work, but also that they would not adopt two sets of assumptions regarding the States revenues and expenditure. Moreover, it will ensure that an integrated approach is applied to the totality of transfers made to the States.

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88. Professor Paranjape had suggested this move to ensure the necessary coordination between the two bodies. See Paranjape, 28. See also Lakdawala, 117; Dr. Diwan, 245.