**FINANCE COMMISSION OF INDIA**

The Finance Commission of India was formed on 22nd November, 1951. It was established under the provision of Article 280 of Indian Constitution by the President of India. The Commission was formed to define the financial relations between the centre and the state. The Commission also deals with devolution of non-plan revenue resources. The Finance Commission Act of 1951 includes the terms of qualification, appointment and disqualification and also the term, eligibility and powers of the Finance Commission. On the basis of constitutional provision, the Finance Commission of India is appointed for every five years which consists of a Chairman and four other members. Till now, 14 Finance Commissions have submitted their reports in order to improve the federal fiscal relations of the country.

**Functions of Finance Commission:**

* + 1. Distribution of net proceeds of taxes to be shared between Centre and the States and thereby determine the allocation of share of such proceeds among the various States of the country.
    2. Determine the principles governing the payment of grant-in-aid by the union to different States and the magnitude of the same.
    3. To make recommendations to the President of India as to the measures needed to augment the Consolidated Fund of a State of supplement the resources of Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.
    4. Any other matters referred to the Commission by the President in the interest of sound finance.
    5. Thus, the task of Finance Commission is to judge the conflicting claims, needs and resources of Centre and the States and evolve a scheme of transfers which would balance the needs and resources of the two layers of government.

So far 14 Finance Commissions have been constituted in India. The year of constitution, operational duration and the name of the chairman of these commissions are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Finance Commission** | **Year of Establishment** | **Chairman** | **Operational Duration** |
| **First** | **1951** | **K.C. Neogy** | **1952-57** |
| **Second** | **1956** | **K. Santhanam** | **1957-62** |
| **Third** | **1960** | **A.K. Chanda** | **1962-66** |
| **Fourth** | **1964** | **P.V. Rajamannar** | **1966-69** |
| **Fifth** | **1968** | **MahaveerTyagi** | **1969-74** |
| **Sixth** | **1972** | **K. Brahmananda Reddy** | **1974-79** |
| **Seventh** | **1977** | **J.M. Shelat** | **1979-84** |
| **Eighth** | **1983** | **Y.B. Chavan** | **1984-89** |
| **Ninth** | **1987** | **N.K.P. Salve** | **1989-95** |
| **Tenth** | **1992** | **K.C. Pant** | **1995-2000** |
| **Eleventh** | **1998** | **A.M. Khusro** | **2000-2005** |
| **Twelfth** | **2003** | **C. Rangarajan** | **2005-2010** |
| **Thirteenth** | **2007** | **Dr. Vijay L. Kelkar** | **2010-2015** |
| **Fourteenth** | **2012** | **Dr. Y.V. Reddy** | **2015-2020** |