27

THE FINANCE COMMISSION

UNDER article 280 of the constitution it is one of the duties of the Finance Commission to make recommendations to the President as to the principles which should govern " grants-in-aid of the revenues of the States " out of the Consolidated Fund of India.

Article 282 empowers the Union to make " any grants for any public purpose ".

The question has been raised as to what is the distinction between " grants " *simpliciter* and " grants-in-aid of the revenues of a State ".

One distinction seems fairly obvious. The expression " grant-in-aid of the revenues of a State " standing by itself suggests a recurring grant; a single grant for a particular year and a particular purpose can hardly, with propriety, be called a grant-in-aid of State revenues. Article 282 would cover any grants, whether single or recurring, while article 280 appears to refer to recurring grants-in-aid of the annual revenues of the States.

Is there any further implication in the use of the term " grants-in-aid of the revenues of the States " in article 280? In particular, is it implied that the grants-in-aid must or must not be for a specified purpose? I do not think that there is any such implication either way. The constitution itself mentions various types of grants-in-aid. For example, article 273 mentions grants-in-aid of the revenues of Assam, Bihar, Orissa and West Bengal, in lieu of a share of the export duty on jute and jute products. Obviously these grants-in-aid are based on the fact that these four States grow jute and the grants are, therefore, not related to any particular object of expenditure. Again, the first part of the first clause of article 275 refers to general grants-in-aid to needy States; but the provisos to the clause refer to certain grants-in-aid for specific schemes or specific areas.

It would, therefore, seem that a grant-in-aid of the revenues of a State may be conditional or unconditional; the constitution itself recognises both types of grants.

Another question which has been raised is to what extent the recommendations of the Finance Commission can be said to be binding upon the President. Supposing, for example, the Central Ministry advises the President to make some departure from the Commission's recommendations, a departure in favour of the Centre; what would be the duty of the President? Will he be bound by the recommendations of the Commission or by the advice of the Ministry? I do not think that the question is likely to arise in a court of law; for, 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 I venture to think that it would be unwise to depart from them except for patent error. It must be remembered that the President is elected not only by the members of the Central legislature but also by members of the various State legislatures. If, therefore, the Central Ministry should advise him to vary in favour of the Centre the recommendations of the Commission, the President might be driven to resign rather than accept the advice tendered. If he should resign and stand for re-election on the issue so raised, it is possible that he might be re-elected and a grave conflict would then arise between him and the Ministry. In the interest, therefore, of the smooth working of the constitution, I venture to think that no Ministry should advise the President to depart from the recommendations of the Finance Commission, a quasi-arbitral body whose function is to do justice as between the Centre and the States. Of course, if there are patent errors such as arithmetical mistakes, the position would be different. Even then, the best course would be for the President to return the recommendations to the Commission, if possible, for reconsideration and re-submission after rectifying proved errors. But, otherwise, I feel sure that no Ministry should advise the President to act otherwise than in accordance with the recommendations of the Finance Commission. Article 281 fortifies the same view.