

PREFACE

This study is a modest attempt to explore facts which may help one to show whether and how the system of grants-in-aid in India acts as a mighty lever to mould inter-governmental balance of power within the Indian federal system. The importance and significance of federal grants can hardly be overlooked or ignored in the modern federal systems of the world. In India, the over-whelming resource-position of the Centre in a system of government which has explicitly accepted the predominant position of the Union Government, and the needs and requirements of economic planning, have created and enlarged the hiatus between the available resources of the States and their growing responsibilities - a chronic affair in most federal systems. This, consequently, has resulted in perpetual dependence of the States on the Centre. Inter-State disparities have only helped to aggravate the situation. In the midst of these conditions, the role of federal grants in India has become a pivotal one. This is an instrumentality that can be easily manipulated by the Centre to reward or punish any State for its performance depending on whether the performance ^{compli.} with or goes against the intentions of the Central authorities. This is no doubt an important mechanism for the maintenance of a sort of equilibrium among the different levels of government which is so essential for the smooth working of the forces of federalism in a country like India. This study strives to find out the difficulties inherent in the process of the operation of grant-mechanism in India and makes an attempt to draw certain general conclusions and suggest some

measures for future readjustments. The entire problem and its solutions, in this respect, have been observed from the standpoint of federal balance of power and therein lies the uniqueness of the approach of the present study. In accomplishing this task, heavy reliance has been placed on the Reports of the various Finance Commissions and those of the Administrative Reforms Commission and its Study Teams - which are the official publications of the Government of India. Besides, other relevant primary as well as secondary sources have been utilized at different stages of this study.

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