

## **Chapter-2: Evolution of the Budget System & Intergovernmental Fiscal Transfer System in India during British Rule**

The focus of the chapter is to trace the evolution of Budgetary System in British India starting with the Imperial System of Finance. A thorough analysis of the Imperial System of Finance is attempted along with an in-depth analysis of Provincial and Federal Financial System. Thereafter, the Inter-Governmental Fiscal Transfer System in India under British Rule is evaluated. This Chapter is categorized into two sections. Section I deals with the Evolution of the Budget System in India under the British Rule. Section II elaborates Federal Finance and Emergence of Fiscal Transfer System in India.

### **Section- I**

The framework of Imperial Financial System of the Government in India which came into being in the year 1833, flaws in the system, Parliamentary Select Committee – 1852, Centralization of Government Finance – 1858, The Evolution of Budget System, the Systematization of Indian Budget in 1890, Introduction of Financial Year ending on 31<sup>st</sup> March, Failure of implementing the Federal Proposals, Synopsis of the Measures adopted by Lord Mayo, The Provincial Financial System in accordance with the Financial Resolution of 14<sup>th</sup> December, 1870, Lord Lytton's Reforms (1877) on provincial financial system, Financial Settlement of 1896-97,

financial implications of Quasi-permanent settlement (1904) and Permanent Settlements (1912), Diarchy and Government of India Act of 1919, Review of Diarchy System, Simon Commission Report, Percy Committee Report, the Report of the Second Peel Committee – 1932, the Government of India Act 1935, the financial implications of 1935 Act, allocation of Sources of Revenue between the Federation and the Federal Units, the role of Finance Department in the Government, Government Accounts and Their Audit, Essentials of Public Accounts are described in section I of Chapter 2.

### Section- II

The section II of Chapter 2 deals with Federal Finance and Emergence of Fiscal Transfer System in India, Central Budget and Provincial Budget in accordance with Government of India Act 1935, the Niemeyer Committee (1936-47), the Niemeyer

Committee report on vertical sharing of the of Income Tax, Financial Adjustments, Recommendations of Deshmukh Award, Administrative Reforms Commission on Centre-State Relations, Sarkaria Commission on Centre-State Relations, the evolution of Finance Commission, the highlights of each finance commission, the role of Planning and establishment of Planning Commission, Bombay Plan, NITI AAYOG, Dichotomy of Plan and Non-Plan expenditure, Fiscal Responsibility and Budget Management (FRBM)

Act and implementation of FRBM Act by different States in India.

Essentially, the Chapter 2 examines the evolution of “ **Budget System & Intergovernmental Fiscal Transfer System in India during British Rule**”