Function of Finance Commission:

The Finance Commission in India is a constitutional body established under Article 280 of the Indian Constitution. Its primary role is to ensure a fair and equitable distribution of financial resources between the central government and the states. The key functions of the Finance Commission include:

1. **Distribution of Tax Revenues**: It recommends how the net proceeds of taxes (like income tax and other union taxes) should be divided between the central and state governments, and among the states themselves.
2. **Grants-in-Aid**: It decides on grants-in-aid to states, particularly for states needing extra financial support to maintain essential services. This is crucial to help states with limited resources achieve a certain standard of governance and development.
3. **Augmenting Resources of Local Bodies**: The Commission makes recommendations for increasing the resources available to local governments (Panchayats and Municipalities), helping in the decentralized delivery of services.
4. **Review of Fiscal Position**: It assesses the fiscal position of the Union and states to advise on measures to improve their financial health, aiming for balanced economic growth across regions.
5. **Supporting Disaster Relief Funds**: It advises on allocations to states' disaster relief funds, enabling them to be better prepared and to manage emergencies efficiently.
6. **Special Considerations and Studies**: Each Finance Commission may also be tasked with specific issues based on the economic conditions and policy needs of the time. This may include recommendations on fiscal policy, debt relief, or specific sectoral allocations.

The Finance Commission submits its report to the President of India, who tables it in Parliament. Its recommendations, while advisory in nature, significantly influence India's fiscal federalism and the financial stability of states.

Key features of Union Budget 2023-2024

The Indian Budget for the fiscal year 2023-24, presented by Finance Minister Nirmala Sitharaman, focused on stimulating economic growth, bolstering infrastructure, and supporting social sectors. Here are the key highlights:

1. Tax Reforms and Relief for Individuals

- **New Tax Regime**: The tax rebate limit under the new tax regime was raised from ₹5 lakh to ₹7 lakh, allowing taxpayers with income up to this limit to pay zero tax.
- **Reduced Surcharge**: For high-income earners, the surcharge rate on income above ₹5 crore was reduced from 37% to 25%.
- **Simplified Tax Structure**: The new tax regime was made the default regime, although taxpayers could still opt for the old tax regime if preferred.

2. Infrastructure and Capital Investment

- **Increased Capex**: Capital expenditure was increased by 33% to ₹10 lakh crore (about 3.3% of GDP), focusing on infrastructure projects, including roads, railways, and energy.
- **Urban Infrastructure Development Fund (UIDF)**: The government allocated funds to boost infrastructure in Tier 2 and Tier 3 cities.
- **Green Energy Transition**: Allocations were made to support green growth initiatives, with significant investments in renewable energy, hydrogen production, and clean energy technologies.

3. Agriculture and Rural Development

- **Agricultural Accelerator Fund**: This was introduced to encourage agri-tech start-ups, boost productivity, and bring innovation to agriculture.
- **Focus on Millets**: Recognizing the International Year of Millets, the government promoted "Shree Anna" (millets) to boost production and exports, aiming to make India a global hub for millets.
- **Increase in Credit Target**: The agricultural credit target was raised to ₹20 lakh crore, with a focus on animal husbandry, dairy, and fisheries.

4. Social Sector and Welfare Initiatives

- **Pradhan Mantri PVTG Development Mission**: Aimed at developing the socio-economic conditions of Particularly Vulnerable Tribal Groups (PVTGs), with an allocation of ₹15,000 crore.
- **Healthcare and Education**: Initiatives were launched to improve healthcare infrastructure and the National Digital Health Ecosystem. Education received funding for digital libraries and teacher training.
- **Women Empowerment**: The Mahila Samman Savings Certificate scheme was introduced, a small savings scheme for women with a fixed interest rate of 7.5% for a tenure of two years.

5. Digital and Technology Initiatives

- **Digital Public Infrastructure for Agriculture**: Focus on open-source digital platforms to support farmers with information on crop planning, health, and insurance.
- **5G Rollout**: Promotion of 5G labs and R&D to harness 5G’s potential in various sectors, including education and healthcare.
- **AI and Research Development**: Three new Centers of Excellence for Artificial Intelligence were announced to boost innovation in key sectors.

6. Green Growth and Sustainable Development

- **Green Hydrogen Mission**: The government launched this mission with an allocation of ₹19,700 crore to make India a global hub for green hydrogen production.

- **Sustainable Cities**: Plans were announced to develop 500 cities in line with sustainable urbanization goals, including climate-responsive urban planning.
- **PM-Pranam Program**: Aimed at promoting alternative fertilizers to reduce the use of chemical fertilizers, encouraging sustainable agriculture.

7. Financial Sector Reforms

- **Credit Guarantee Scheme for MSMEs**: Enhanced with an additional ₹9,000 crore to provide collateral-free credit to micro, small, and medium enterprises (MSMEs).
- **Enhanced Depositor Protection**: Deposit insurance was increased, providing better security to bank customers.

8. Fiscal Management and Deficit Reduction

- **Fiscal Deficit Target**: The fiscal deficit target for 2023-24 was set at 5.9% of GDP, with a medium-term target of reducing it to 4.5% of GDP by 2025-26.
- **Focus on Debt Management**: Efforts were made to rationalize government debt, balancing growth with fiscal responsibility.

9. Boosting Tourism

- **Dekho Apna Desh Initiative**: Focus on promoting domestic tourism with better infrastructure, particularly in Tier 2 and Tier 3 cities.
- **Tourism Infrastructure**: Promotion of 50 tourism destinations, development of tourist circuits, and financial support for public-private tourism initiatives.

The 2023-24 Budget aimed to boost growth through investments in infrastructure, support for MSMEs, technology integration, and sustainable development, while also providing relief to individual taxpayers and focusing on inclusivity in the social sector.