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# Disaster Finance Sources in India and Finance Commission Recommendations

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**ABSTRACT:** India is a frequent recipient of disasters and catastrophic events. Accordingly, it faces losses and damages in the post-disaster period. To rebuild the infrastructure and restorative livelihood, finance plays a key role. The finance commission in India is a constitutional body that has been set up under Article 280 of the Indian constitution which mentions the fiscal federalism between the centre and states. There was no special mention and recommendations about disasters up to the eleventh finance commission. After the enactment of the Disaster Management Act 2005, disasters and their finance got attention. The 15<sup>th</sup> Finance Commission dedicates a separate chapter to disaster management finance.

**KEYWORDS:** Disasters, Finance, Finance Commission

## I. INTRODUCTION

In the recent past, the frequency of natural and man-caused calamities has increased, influencing many created and non-industrial nations all over the planet. These calamities have immediate and roundabout effects on all sections of the society, including death toll, harm to public and property, as well as spending on recovery and rehabilitation, and a fall in the level of income. In numerous economies, particularly underdeveloped nations, yearly disaster harm represents a huge extent of GDP.

The economic loss/damage made by these events proceeds to increase, and developing nations have been affected the most. Natural disasters lead to critical financial dangers and monetary fluctuations. Indeed, even in nations with solid disaster risk, the executive's projects can in any case be genuinely presented to the monetary and monetary shocks brought about by large-scale disasters. Disasters have widespread consequences and potentially long-term, multi-generational impacts. In addition to direct loss to life, damage/ loss to buildings, equipment, and infrastructure, they include business interruption, loss of employment and production, reduced tax revenues, reduced institutional capacity, increased poverty, etc. It can have serious indirect consequences. These direct and indirect effects can result in losses to households, businesses, governments, and other segments of the economy, resulting in loss of income and destruction of assets, which can be catastrophic. As highlighted in the G20 methodological framework, the Treasury has the nature and extent of these effects and the financial, economic, and tax management strategies and policies for which they are mainly responsible.

## II. SOURCES OF DISASTER FINANCING IN INDIA: AN OVERVIEW FROM PAST TO PRESENT

In India, the idea of disaster management has been formalized as of late with the authorization of the Disaster Management Act of 2005. Before the law, disaster management was executed by different seventh schedule entries like general wellbeing and floods. In practice, the principal obligation regarding disaster the responsibility lies with the state government. The role of the centre government" is "steady in supplementing physical and monetary assets," the High Powered Commission says. (Ministry of Agriculture, Government of India, 2001).

Disaster financing is a fundamental piece of disaster management. This is the redistribution part of the government monetary mechanism of Indian federalism (Rao, 2015, p.62). This reality was perceived continuously by the second Finance Commission (1957-1962).

Finance Commission - II integrates a margin into the state's yearly revenue while working out government spending for the suggested period, but it can give a significant amount of revenue that can be utilized in case of a disaster event. Finance Commission - II suggests that all states layout independent assets and give the sum determined for each state to that reserve every year. Along these lines, Finance Commission - II made a "money margin scheme" for disaster help (Reddy and Reddy, 2018). It gave off an impression of being a feasible plan for disaster funding, as the third to ninth

Finance Commissions suggested that the plan be gone on with minor changes. It gave grants, loans and advances as centre aid. At the point when the state surpasses the Natural Disaster Margin Fund, the Centre will give an extra piece of the Sovereign Fund. In case of a cataclysmic event, the middle paid 75% of the expense. In any case, 67% of the absolute centre funds were given as advances and 33% as awards. The excess 25% of expenditure must be organized by the state government from its own resources or as an outsider credit (Kampalli, 2019, p. 20-22).

The Ninth Finance Commission has suggested new standards for fund spending, in light of an appraisal of the funding margin framework. This new plan is known as the Calamity Relief Fund (CRF). It is intended to permit state governments to have more prominent independence. This new component forces responsibility and obligation on the state. Regarding the centre's help to the Disaster Relief Fund, the ninth Finance Commission said that the centre will share 75%. The tenth Finance Commission examined the issue of interesting serious disasters without an unmistakable definition. Notwithstanding, that's what the Commission contended as "interesting earnestness" disasters should be facilitated on a case-by-case premise. What's more, the tenth Finance Commission said that in the event that a catastrophe is named seldom serious, it ought to be treated as a public calamity. That's what the Commission suggested, close by the State CRF, the National Disaster Response Commission (NFCR) ought to be laid out and overseen by the National Disaster Response Commission with agents from both the state and the middle. The Eleventh Finance Commission thought that the assets given by the NFCR were lacking to satisfy the need for interesting and serious disasters. Eleventh Finance Commission raised assets by canceling the NFCR and suggesting that the first corpus lay out a National Climate Change Fund (NCCF) of Rs 50 billion and forcing an exceptional extra charge on association charges. The Twelfth Finance Commission proceeded with the CRF and NCCF and extended the rundown of disasters covered by these plans (Bhaskar and Kelkar, 2019).

### **III. DISASTER FINANCING AFTER DISASTER MANAGEMENT ACT 2005**

The Disaster Management Act came into existence in 2005, and the twelfth Finance Commission made the recommendations from 2005 to 2010. Twelfth XII Finance Commission didn't make significant changes to the current plans of CRF and NCCF and proceeded with them with practically no changes. It expanded the CRF corpus to ₹ 21,333.33 million and held ₹ 500 million for NCCF (Government of India, 2004, p.170). Section 43 of the DMA controls the foundation of the National Disaster Mitigation Fund (NDMF). The centre government has set up exceptional funds for mitigation, which accommodates the utilization of that channel for subsidizing through a parliamentary decision. This asset will be raised by NDMA.

Thirteenth XIII Finance Commission suggests the consolidation of the CRF with the State Disaster Response Fund (SDRF) of each state, with commitments to SDRF from 75:25 alliances to states in ordinary states and 90%, in special categories states should be 10%.

Data Collected From second to twelfth Finance Commissions, 1957-2010, measures of 33,581 rupees to SDRF. Thirteenth Finance Commission likewise thought to be the 2005 DMA-based State Disaster Mitigation Fund, "Barring relief and recuperation exercises from FC-supported programs and inside the extent of the Center and State's general improvement arranging store. Should be canvassed in "(Government India, 2010).

Fourteenth XIV Finance Commission communicated with different stakeholders on the subject of environment finance. MHA has informed the fourteenth Finance Commission that no ultimate conclusion has been made on the foundation of relief assets at the public and state levels. Be that as it may, NDMA has mentioned the fourteenth Finance Commission to lay out a mitigation fund as required by the Disaster Management Act of 2005. Fourteenth Finance Commission has perceived that its main objective is to review current disasters. Consequently, FCXIV suggested that these assets be now set up for NDRF, SDRF, and DDRF. (Govt of India, 2015). XV Fifteenth Finance Commission has reviewed the current disaster risk support and found that disaster funding is arranged towards the response and relief, and it needs to address the more extensive methodology of mitigation, adaptation, capacity building, preparedness, recovery, and reconstruction.

### **IV. SOME OTHER SOURCES OF DISASTER FINANCING IN INDIA**

The Prime Minister's Citizen Assistance and Emergency Relief Fund (PM CARES Fund) is another trust laid out by Prime Minister Narendra Modi to prepare assets through gifts to battle the flare-up of Covid. Nonetheless, focuses and nations as of now have their own assets that depend on monetary assets instead of aid for catastrophe help and



recuperation. This asset comprises two sections: the State Disaster Response Fund (SDRF) and the National Disaster Response Fund (NDRF)

In India, the State and the Centers share accountability and responsibility regarding disaster funding, and the State assumes a significant part in answering this present circumstance through help, restoration, and recreation work, with the Center giving extra financing and backing. We offer help in the structure. The state government reserves the majority of the disaster-related spending through SDRF, which is "endlessly recharged" by the NDRF. The Finance Commission settles on the portion to SDRF, and commitments are made at a proportion of 75:25 by the centre and the state. For hilly areas, the centre government's commitment is 90%. Allotments to SDRF rely upon different parameters, for example, state area, the board spending, each state's region, and hazard rate.

#### **V. DONATIONS TO RELIEF FUNDS AND GLOBAL AGENCIES**

The PM National Relief Fund (PMNRF) and CM Relief Funds are public foundations that consent to the State Public Trust Act and the Indian Trust Act of 1882. Most CM help funds are compliant with state trust regulations. For instance, the Maharashtra CM Relief Fund is consistent with the Bombay Public Trust Act of 1950. As per its site, PMNRF assets are principally used to give prompt help to groups of individuals who have passed on in cataclysmic events like floods, storms, and earthquakes, as well as casualties of significant mishaps and others. Excess assets are put resources into bonds and fixed deposits (FD).

International associations, for example, the World Bank and the Asian Development Bank (ADB) likewise give help with the occasion of a catastrophe or significant cataclysmic event. The two organizations are now offering monetary help in the battle against the ongoing pandemic. The World Bank as of late endorsed \$ 1 billion in financing to "assist India with forestalling, recognize, answer and reinforce public health system for the Covid-19 pandemic." ADB is additionally planning \$ 2.2 billion to help India's medical services area.

#### **VI. CONCLUSION**

Disaster financing in India was by and large covered by contingent obligation and debt. This was essentially focused on post-calamity exercises. Beginning with Finance Commission FCII, numerous continuous FCs have created different plans, for example, money marginschemes, and disaster relief funds to manage undetectable disasters in the state. National funds, for example, the National Calamity Contingency Fund (NCCF) have additionally been laid out to finance intriguing disasters. In any case, FC has not laid out a different asset for mitigation, and it is expected that the centrefunding framework for relief, which might prompt duplication of endeavors. The Disaster Management Act of 2005 proposed a relief reserve with lawful status at the public, state, and province levels. The FC, which was shaped after the coming of DMA in 2005, likewise didn't shift focus over to the making of a relief store in light of multiple factors.

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