



REVISITING CENTRE–STATE RELATIONS IN INDIA: A CALL FOR A FRESH FRAMEWORK

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Abstract-

“Ever since the Indian Constitution was drafted, the relationship between the central government and the state has been a contentious topic of discussion in India. The people who drafted the Constitution had the intention of establishing a federal system that could strike a balance between the power of the central government and the power of the states by granting them both autonomy and cooperation. Taking this into consideration, numerous concerns and debates concerning these connections have been brought up over the course of time, which has resulted in calls for a reassessment of the framework that is currently operating. The centre-state relationship in India as it exists today is the subject of this research article, which places a particular emphasis on the most significant problems and difficulties associated with the existing framework. In addition to that, it will make an effort to evaluate the historical context as well as the development of federalism in this country. In addition, developments such as the introduction of the goods and services tax (GST) and the role that finance commissions play in relation to the relationship between the centre and the state will be taken into consideration. A fresh structure for the interactions that take place between the central government of India and its individual states is presented in this article. This framework acknowledges the various social, economic, and political realities that are constantly evolving in India. While simultaneously promoting collaboration and coordination between the central government and the states, it champions the idea that states should have a greater degree of autonomy in decision-making. The framework addresses a variety of issues, including fiscal federalism, administrative reforms, and conflicts between states, and it proposes specific reform measures”.

Keywords- centre state relation, liberalization, globalization, political parties

Introduction- The ability of any government in Delhi to handle federalism is a big part of whether it succeeds or fails. The country is currently set up as a federal system. The states are in charge of many core economic activities and service delivery tasks, while the Center sets overall economic and political goals. Prime Minister Narendra Modi knows a lot about these issues because he was the Gujarat chief minister for twelve years. After winning by a huge margin in the May 2014 parliamentary elections, he has said that he and his government are serious about changing the way work is done between centre and state

together and making "cooperative federalism" stronger. The clear statement of intention in this area came from the new government's decision to get rid of the Planning Commission, which was seen as a sign of the Center's control. Another big change was that the government agreed with the Fourteenth Finance Commission's (FFC) suggestions, which meant that the states got a huge 42% more of central taxes. There is still a long way to go to solve the many problems that exist between the Center and the states. This may look like a good

start²⁶¹⁹. It is important to remember that relations between the center and the states were very difficult in the previous ten years that the United Progressive Alliance (UPA) was in power.

The UPA coalition tried to work together better with regional partners and states through the Common Minimum Programmed, but most of the states did not support them. They also did not follow through on their promises of "cooperative federalism." The Center and the states often disagreed on a wide range of issues, such as the security of the nation, policies on the economy, the creation of new states, and also on foreign policy. This was very clear when they couldn't come to an agreement on important economic issues like the Goods and Services Tax (GST) and letting foreign companies invest in retail. It was even more obvious that they couldn't agree on how to keep the country safe: the Center's idea to create a National Counter Terrorism Center (NCTC) was flatly turned down by the representatives of the states. This paper tries to explain some of the main problems that arise in the relationship between the center and the states in this situation. There have been a lot of big changes in India's federal system over the last 30 years, especially changes that have made it necessary to restructure some federal principles²⁶²⁰. Lastly, the paper gives a long list of suggestions for how to make relations between the Union and the states in India better.

The Key Triggers: changing in centre and state relation

There have been three major changes that have had a big impact on how people think about federalism today that were not present when the Indian Constitution was first written. These are the growth of the state's regional political parties, globalization and liberalization of the economy, and the role of courts in the

federal process. These events have put federalism in the spotlight again, even though tensions between the different states and the center over important issues are still increasing. The sections that follow look at the things that have had a big effect on the relationship between the Centre and the states and on the overall system of federal power sharing in the country.

Growth of the Regional (state party) Parties

In the 1960s, the Congress party also known as the Indian National Congress (INC) fell apart very quickly. This made regional politics more important and made people look very closely at some of the most important ideas in federalism. At the same time that coalition governments and regional parties were growing, one-party dominance or "the Congress System" fell apart. This caused a big change in how the federal government worked, giving states more political freedom and a bigger voice. A big change in the country's voting patterns was caused by the rise of new political parties and parties from other regions. it's not about now but since the 1980s, regional parties' share of the vote has increased more or less but almost in every general election. In 1984, they got less than 20% of the vote; now, they get between 48% and 53%. In the general election of 2009, regional parties got an amazing 53% of all the votes cast. Even though the Bhartiya Janata Party got a lot of votes in the May 2014 parliamentary elections, national parties only got about fifty-two of the votes²⁶²¹. The fact that particular state parties (regional parties) parties have been so important in forming the government at the Union since 1989 shows how powerful they are becoming.

Since then, every government at the Centre, including the current NDA government led by the Bhartiya Janta Party, has needed the help of regional parties to stay in power. More than twenty parties have shared power at the Center

²⁶¹⁹ Drishti IAS, 'Redesigning India's Fiscal Federalism' (Drishti IAS, 24 June 2019) <<https://www.drishtiias.com/daily-news-editorials/redesigning-india-s-fiscal-federalism>> accessed 18 March 2024

²⁶²⁰ N.K Singh (FICCI: Industry's voice for policy change, 11 December 2009) <<https://beta.ficci.in/>> accessed 18 March 2024

²⁶²¹ Ashutosh Kumar, 'Rethinking State Politics in India: Regions within Regions' (Economic and Political Weekly, 9 May 2009) <<https://www.epw.in/journal/2009/19/commentary/rethinking-state-politics-india-regions-within-regions.html>> accessed 18 March 2024

since 1999. Because of this, the states and regional parties now hold a lot more political power than they did before. Even though the BJP has a majority in the Lok Sabha, the Upper House of Parliament is currently controlled by regional parties, which means it relies heavily on them. Because of these shifting political equations, the existing rules that govern relations between the center and the rest of the world are being questioned more and more by players in the region. Foreign policy and national security issues, which used to be thought of as solely the responsibility of the Union Government, are now being contested more and more by parties in the region.

Globalization and Liberalization of the Economy

The most important change in the relationship between the Center and the states happened when the Center started to liberalize and make the New Economic Policy (NEP) in 1991. The change from an economy based on import-export industrialization to a market economy dominated by the private sector had a huge impact on the relationship between the center and the states. Private investments started going straight into states, and at the state level, things like infrastructure and services were decided by market mechanisms²⁶²². However, reforms to the market economy have led to strange results that have a direct effect on relations between the center and the states. The market generally doesn't give states more freedom and help them make more money, but they have also made it harder for the Center to control the states, which has caused cracks in the country's federal structure. Some states, like Gujarat, Tamil Nadu, and Maharashtra, have become so wealthy thanks to economic liberalization that they no longer need grants and concessions from the central government. These states are now taking the lead in the economic world, planning their own growth issues and at very few instances consulting the central government on economic issues.

²⁶²² Supra note 1

Judicialization of Union and State Relations

Since the early 1990s, an "activist" judiciary has played a big part in making federalism less centralized, which has mostly helped the states. In the landmark judgement of *Keshavanand Bharati vs. Union of India*²⁶²³ case, the Supreme Court said that federalism was the "basic structure" of the constitution of India. Followed by the famous *S.R. Bommai vs. Union of India*²⁶²⁴ case, it stopped people from abusing Article 356, which gives the Central Government a lot of power to fire state governments. The second decision tipped the federal scales very much in favor of the states. There have been many other rulings in favour of states, but the judgement given in the case of *Bommai* ruling was the one that really changed the way the Centre and states worked together. The apex judicial body made it almost impossible for the central Government to put the President's rule on a state all at once. The decision, which came at a time when regional political players were becoming more powerful and coalition governments in the Center were weak, completely changed the relationship between the Center and the states, and the changes will last for a long time.

Major Areas of Centre-State Discord

These events changed the relationship between the Center and the states in new ways. They also added obstacles to federalism and started a new debate on a wide range of issues, from national security and foreign policy to fiscal federalism and regulation. The sections that follow look at some of these pressures that have made relations between the Center and the states difficult over the past few decades²⁶²⁵.

Problems with Inter-governmental Transfers

The central government and the government of the state's share fiscal power in a way that is similar to major federal models. However, transfers between governments make things more complicated. The Finance Commission is

²⁶²³ [1973] 4 SCC 225

²⁶²⁴ [1994] 3 SCR

²⁶²⁵ Supra note 3

in charge of more than two-thirds of all federal transfers. They do this by estimating the total budget that is available, looking at states' right now ongoing revenues and non-planned expenses, estimating how much of the Central tax money should go to each state, and giving grants to states to make up any gaps between their non-plan current expenditures and revenue. But the said commission's approach to transfers stays the same, and with each new commission, the rules that govern the amount of transfers' change. The finance Commission constitutional importance as a statutory agency to give out transfers has gone down sharply. Other channels of transfer, especially the former Planning Commission, have also taken over a lot of the Finance Commission's good work on equalization and fiscal balance among the states. The National Development Alliance (NDA) government recently got rid of the Planning Commission, which was the main cause of the chaos and confusion in relations between the Centre and the states. Most of the problems with fiscal federalism have been caused by the steady rise of discretionary transfers, which have made it harder for states to spend their own money in many ways. Many states don't have much money to spend on their programs, and backward states like Jharkhand and Chhattisgarh say they can't get their share of the money, which means they lose a lot of development grants. The commitment to financial decentralization through the seventy-third and seventy-fourth Constitutional amendments has made the already bad fiscal relationship even worse. The states are aware of the unfairness and the fact that the odds are stacked against them by things like frequent pay cuts, the imposition of cases, the service tax, and other lucrative sources of income.

Regulatory Powers between the Union-States Relations

Even after more than 20 years of economic liberalization, states don't have much say in how the economy and market are regulated. The Centre continues to wield unchallenged control over almost every aspect of the economy. Let's

consider the case of natural resources. Oil, natural gas, and hydropower have become major sources of income for state economies. However, there's still no fair way to redistribute these resources so that states are adequately compensated. The situation is similar for major minerals, which are crucial for many Indian states to generate revenue. Mineral-rich states have long protested against the low royalties they receive under the current arrangement. Currently, the Centre takes half of the revenue from minerals, leaving states with only a meager twenty percent (royalty and sales tax) in some cases, especially for iron ore. Several states have even approached higher courts to seek a fairer share of revenue from natural resources²⁶²⁶. Even though courts have ruled in favor of states in the past, this still can't happen. The fact that the Mines and Minerals (Development and Regulation) Bill, 2011 does not give states these rights backs this up. So, fiscal federalism hasn't been turned into "resource federalism" yet. Things have changed, especially now that market reforms are taking off and states (read: regional parties) are competing for every piece of revenue to boost welfare activities. This means that the Centre is under a lot of pressure to give up a lot of its regulatory powers²⁶²⁷.

- **New Zones of Conflicts** – The huge growth of regional parties over the last few decades has changed the macro political economy. This has had an effect on areas that were once thought to be the Centre's exclusive domain. For example, some states, especially those ruled by regional parties, have questioned the Centre's right to make all decisions about foreign policy and national security.
- **Foreign Policy** – In the past few years, states have had a bigger say in the Centre's foreign policy and ability to

²⁶²⁶ Ashutosh Kumar, 'Rethinking State Politics in India: Regions within Regions' (Economic and Political Weekly, 9 May 2009) <<https://www.epw.in/journal/2009/19/commentary/rethinking-state-politics-india-regions-within-regions.html>> accessed 18 March 2024
²⁶²⁷ Ibid.

make treaties. A long time ago, states did have a say in these issues, but now many of them speak out more and have even stopped the Center from making important strategic and foreign policy decisions. Regional parties in Tamil Nadu, West Bengal, and other states have used coalition and election strategies to get the Center to think again about important national issues²⁶²⁸. Because West Bengal Chief Minister Mamata Banerjee changed her mind, the Teesta River Treaty agreement with Bangladesh had to be called off at the last minute. This shows that this is the case. Similarly, in 2012, the DMK-led Tamil Nadu government used political pressure to get the UNHRC to vote against Sri Lanka. If these kinds of things happen again, they might hurt India's relationships with other countries and its long-term strategic security.

- **National Security** – In the past few years, plans and ideas about national security have made things difficult between the Center and the states. After the terrorist attack in Mumbai in November 2008, there was a heated debate about giving the Central government a lot of power over the country's security. It's important to remember that the states are in charge of public order. Because of this, the Center can't do much to help, even when crimes happen in more than one state and have federal effects. Not like the US Constitution, the Indian Constitution does not recognize "federal crimes." The Central Bureau of Investigation (CBI) also doesn't have the same power as the US Federal Bureau of Investigation (FBI) when it comes to combining intelligence gathering with separate investigations. Terrorist attacks and the Maoist insurgency, which has spread to several states and is a major threat to national security, are leading

more and more people to call for a review of the current federal security arrangements²⁶²⁹.

Note–All states have said they don't want the Centre to do anything that would change the current system. The Union Government recently suggested making a National Counterterrorism Centre (NCTC) to fight terrorism and other serious crimes. Most states, including some from the ruling party, were against the plan, though. They said it would violate the Constitutional right of states to remain independent. Aside from proposals that are seen as less dangerous, states have also spoken out against changes to the Railway Protection Force Act of 1957 and the Border Security Force Amendment Bill of 2011. The fact that people can't agree on how to protect national security is making things worse. It's a big problem for India's federal structure because it shows that trust and faith are slowly being lost between the different parts of the country²⁶³⁰.

- **Missing Federal Bridging Institutions**

Relationships between the Centre and the states are already weak and unstable, and federal building institutions that don't work right are making things even worse. Even though relations between the Centre and the states have become tense, continuous in reputation of governments at the Centre have paid little or no attention to setting up and supporting federal bridging institutions. In the first few decades of constitutional government, federal relations were generally easier to handle and smoother, especially when the Indian National Congress (INC) was in charge of the country's politics. For many of the states, the INC was like a "informal forum" for bargaining, and contentious issues were settled in a way that encouraged cooperation. These kinds of agreements no longer exist.

²⁶²⁸ Supra note 8

²⁶²⁹ ibid

²⁶³⁰ Supra note 2

There hasn't been a lot of support from political leaders in the center for institutions that try to solve problems, like the Inter-State Council (ISC), which was set up in the 1980s to reduce tensions and encourage cooperative federalism. Basically, the federal structure doesn't have strong institutional architecture or a way to settle disagreements, which makes it hard for the Center and the states to find peaceful solutions to many problems. To sum up, the growing imbalances and deeply unequal relationships between the center and the states, which are marked by many paradoxes, have made it harder for people to work together effectively under federalism. So, it is very important to look more closely at the relationships between the Center and the states. The country is at a turning point on many fronts, and it can't ignore the major structural problems that are holding back its growth and government.

Way forward for Revitalizing Centre and states Relations

It's become a "cottage industry" to find answers to many long-standing problems in the relationship between the EU and its member states. Many committees, commissions, research bodies, and analysts have written a lot of papers and articles on these topics²⁶³¹. Several government commissions, including the Rajmanna Commission in 1969, the Sarkaria Commission in 1987, the M.M. Puncchi Commission in 2007, and the Second Administrative Reforms Commission (ARC) Report in 2008, have done a lot of work, but not all of it has been successful. This doesn't mean, though, that there has been no progress at all. For example, in response to calls for sharing resources, the Center has improved the formula for transfers (Finance Commission) and given in to some requests for tax sharing. It also agreed to get rid of the policy that had been in place for ten years to make freight rates equal. Still, these steps haven't really changed the fact that

people handle money in very unequal ways. It is still too early to tell what the new policy announcement will really mean. There is likely to be less of a budget gap between the Center and the states now that the FFC has given the states 10% more power. This means that the Center's relationships with the states need to be completely reworked to fix problems that are already there. As a chief minister becomes prime minister, it's possible that some controversial federal laws that have made it hard for the Center and the states to get along will be looked at again. There are no plans to write a new Constitution, but the Center and the states will have to agree on something. Basically, the federal system and related parts of the Constitution need to be restructured right away²⁶³². You can look into the following options:

1. **Push for Greater Economic Federalism**

We need to find better ways to make money right away. One idea is to look at the tax jurisdiction between the Center and the states again. It's important to protect state taxes because states are missing out on many ways to make money. The Center needs to explain how it plans to centralize and harmonize tax systems like the Direct Tax Code (DTC) and the Goods and Services Tax (GST). By supporting the FFC's suggestions to increase devolution to a level that has never been seen before (42%), the Union Government shows that it is serious about fixing long-standing budget problems. But it's still not clear what will happen with this move. For fairness' sake, the Finance Commission should be able to better distribute funds. To make the commission seem more trustworthy, it should have representatives from the states²⁶³³.

2. **Centrally Sponsored Schemes (CSS)**

need to be changed because they are costing the state too much money. The

²⁶³¹ Sanjaya Kumar Das, 'Gale - Institution Finder' (Gale Academic Onefile, June 2010)

²⁶³² ANKITA SHREE, 'Indian Politics' (Inflibnet) <<https://ebooks.inflibnet.ac.in/psp01/chapter/centre-state-relations-in-india/>> accessed 18 March 2024

²⁶³³ Ibid.

NITI Aayog, which was just created, should make this a top priority. The state governments that know more about the conditions and needs of the area should be able to make their own choices about things like land, labor, and infrastructure like metro rail, airports, and so on that have a big impact on the local economy. For example, the government of Gujarat privatized a number of small ports by forming joint ventures. This policy set a great example for the central port policy. Make sure that the state and local governments are more formally and actively involved in the system that regulates things like forests, mines, the environment, and so on. Work on "resource federalism" again by coming up with a good way to share resource revenues, like auctioning off spectrum. The states that take care of the environment (by keeping green coverage) should be paid for what they give up for the greater good²⁶³⁴.

3. Amend the Concurrent Provisions The Union, State, and Concurrent lists are in the Seventh Schedule, which we should look over carefully. There was a strong case for this made by the 5th Pay Commission. For example, taxation or jurisdiction issues that come up with centrally-sponsored schemes could be added to the list of states. On the other hand, issues related to law and order and national and international security could be put on the concurrent list, which would give the Central government full power.

Strengthen Decentralization Process

The 73rd and 74th Amendments added a third level of government to the federal system when they were passed. But it took a long time and didn't work because the political and bureaucratic leaders of some states didn't want to follow through, and the Centre didn't have the

political will to make it happen. The decision has to come from the states, but the Centre can help the process along by aligning and integrating many of its main programs with local bodies²⁶³⁵.

- **Strengthen 'Federal Bridging' Institutions** India needs more institutions and ways to negotiate, bargain, and settle disagreements right away. It's time to bring important groups like the Inter-State Council back to life and make them work better. Moving their oversight from the Home Ministry to the Prime Minister's Office or the Cabinet Secretariat is one way to do this. This would give them more weight and credibility. These groups can help make big federal agreements happen. The Finance Commission, the Inter-State Council, the Inter-State Tribunals, and the National Development Council are also important ways to bring the Centre and the states together. So, either we need to strengthen the institutions we already have or we need to create new ones, like the NDA's idea for a Regional Council of States.
- **Institutionalize the Culture of Dialogue** For relations between the Centre and the states to get better, there needs to be a culture of dialogue and regular conversation. It's time to stop the National Development Council from holding the same old events every year for Centre-state relations²⁶³⁶. NITI Aayog, the new anchor institution is a step in the right direction, but it is far too small and simple for a country like India. The lack of trust and communication between the Centre and the states in India needs to be fixed with more institutions that can help.

²⁶³⁵ Supra note 11

²⁶³⁶ NIRANJAN SAHOO, 'Centre-State Relations in India: Time for a New Framework' (orfonline.org, 9 April 2015)

²⁶³⁴ Supra note 12

Conclusion

India's relationship between the centre and the state is always changing because of how different political and economic factors from the past have interacted. While the people who wrote the Indian Constitution wanted to make a national system that gave the Centre and the states equal power, it is very hard to put this system into action. The relationship between the Centre and States has changed a lot over the years because of things like multilingual restructuring, the introduction of GST, and the role of finance commissions. It is important to come up with a new way to run the country's social, economic, and political affairs because of these events. India's proposed framework for Centre-State relations aims to improve national autonomy in the decision-making process and encourage the Centre and the states to communicate and work together more effectively. It is suggested that fiscal federalism be strengthened to make sure that economic resources are distributed more efficiently. It is also suggested that administrative reforms be put in place to enhance governance and accountability²⁶³⁷. India can strengthen its government system and make it more cohesive and diverse by being open to everyone and working together. The suggested policy, which stresses independence, teamwork, and economic integration, can help improve relations between Indian states and promote growth and unity across the country.

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²⁶³⁷ Abhishek Kumar, 'Recent Trends in Centre-State Relation', vol 3 (2018)
<www.advancedjournal.com>