



## Frictions in Centre-State Relations

**For Prelims:** Impact of Frictions in [Centre-State Relations](#), [Cooperative Federalism](#), [Schedule VII of the constitution](#), [Economic Reforms](#), [National Pension System \(NPS\)](#), [PM Gati Shakti](#).

**For Mains:** Impact of Frictions in Centre-State Relations, Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

[Source: TH](#)

### Why in News?

In recent years, the frequency and intensity of disputes between the Centre and States have increased, weakening the Pillars of [Cooperative Federalism](#) and also have implications on the Indian Economy.

**Note:** In Cooperative federalism, the **Centre and states share a horizontal relationship**, where they **“cooperate” in the larger public interest**.

- It is an important tool to enable **states’ participation in the formulation** and implementation of national policies.
- Union and the states are constitutionally obliged to cooperate with each other on the matters specified in [Schedule VII of the constitution](#).

### What are the Issues of Centre-State Relations?

- **Background:**
  - Continuing [Economic Reforms](#) since 1991 has led to the **relaxation of many controls on investments**, giving some room to States, but the autonomy regarding public expenditure policies is not **absolute as State governments depend on the Centre** for their revenue receipts.
  - Several States have recently pushed back as a result of which the ‘give and take’ equation between the Centre and the States has given **way to a more hardened stand by both**, leaving little room to negotiate.
  - The increasingly fractious Centre-State ties have **chipped away at the edifice of Cooperative Federalism**.
- **Complexities of Contemporary Disputes:**
  - The areas of contention include the **homogenisation of social sector policies**, functioning of regulatory institutions and the powers of central agencies.
  - Ideally bulk of the policies in these spheres should be at the discretion of States, with an apex central body overseeing the process of resource allocation.
  - However, the **apex bodies have often attempted to increase their influence and push States** in directions that are amenable to the Centre.

# What are the Constitutional Provisions Related to Centre-State Relations in India?

## ▪ Legislative Relations:

- **Articles 245 to 255 in Part XI of the Constitution** deal with the legislative relations between the Centre and the states.
  - Given the federal nature of the Indian Constitution, it divides the legislative powers between the Centre and the states with respect to both the territory and the subjects of legislation.
- Distribution of **Legislative Subjects (Article 246)**: Indian Constitution provides for a division of the subjects between the Centre and the states through three **lists - List-I (Union), List-II (State) and List-III (Concurrent)** in the Seventh Schedule.
- **Parliament Legislation in State Field (Article 249)**: In abnormal times, the scheme of distribution is either modified or suspended.

## ▪ Administrative Relations (Article 256-263):

- Articles spanning from **256 to 263 in Part XI** of the Constitution deal with the administrative relations between the Centre and the states.

## ▪ Financial Relations (Article 256-291):

- Articles spanning from **268 to 293 in Part XII** of the Constitution deal with Centre - state financial relations.
  - Because India is a federal country, it adheres to the division of powers when it comes to taxation, and it is the responsibility of the Centre to allocate funds to the states.
- **Schedule VII** describes the ability of the **Centre and states to levy taxes**.
  - The [Goods and Services Tax](#), a dual structure tax, is a recent example of a financial centre-state relationship.

# How Fiscal Federalism has been Compromised in Recent Times?

## ▪ Centre Dominance and Investment Shifts:

- The expanded scope of the Centre's activities can lead to a scenario where it **encroaches upon States' investment territory**.
  - For example, the Centre launched the PM Gati Shakti, where all States and UTs had to prepare and operationalise a State master plan in line with the national master plan for seamless implementation.
- However, the flexibility of States in formulating their master plan is **curtailed by the centralisation of planning** and implementation of the national master plan, leading to **underinvestment by States**.
  - Consequently, States witnessed a **decline in capital expenditure on roads and bridges**, falling to a meagre 0.58% of the gross state domestic product.

## ▪ Peculiar Fiscal Competition:

- While federal systems typically witness fiscal competition between regions/states, India has seen states engaging in competition not only amongst themselves **but also with the Centre**.
- This scenario arises **due to the Centre's augmented fiscal space**, granting it more spending power, while states **face limitations in raising non-tax revenues**.
  - Furthermore, **spending has become more concentrated** within the three largest States of **Uttar Pradesh, Maharashtra and Gujarat**, accounting for nearly half of the expenditure by 16 States between 2021-22 and 2023-24.
- This imbalance leads to **reduced financial autonomy for states** and skews welfare provisioning dynamics.

## ▪ Inefficiencies from Parallel Policies:

- Federal abrasions between the Centre and states have resulted in the emergence of 'parallel policies.'
  - For instance, the [National Pension System \(NPS\)](#) heralded a shift from a defined benefit scheme to a defined contribution scheme.

- While most states initially adopted the NPS, some are reverting to the old pension scheme due to perceived fiscal implications.
- The lack of trust within the federal system drives states to duplicate policies, leading to **inefficiencies and long-term fiscal repercussions on the economy.**

## How can Federalism be Strengthened in India?

- **Collaborative Dialogue:**
  - Foster **open and transparent communication** between the Centre and states. Encourage regular meetings and discussions to address concerns and find common ground on issues affecting both.
- **Empower States:**
  - Devolve **more decision-making powers and resources** to states while ensuring accountability. This can empower states to take charge of their development agenda without solely relying on the Centre.
- **Cooperative Policies:**
  - Encourage cooperative policies where the **Centre and states work together to formulate and implement initiatives.** This collaboration can optimise resources and ensure comprehensive development.
- **Clarity in Roles:**
  - **Define clear roles and responsibilities** for both levels of government to **reduce overlapping jurisdictions** and conflicts. This clarity can streamline operations and prevent policy duplications.
- **Building Trust:**
  - Foster a culture of trust and cooperation through mutual respect and understanding. Establishing trust can facilitate smoother implementation of policies and reforms.

## Conclusion

- A harmonious relationship between the Centre and states within a federal system is crucial for a conducive economic environment.
- Collaboration, empowerment, clarity, and trust-building are **essential components for fostering a cooperative and productive relationship.**

## Legal Insights

### [Centre State Relations](#)

## UPSC Civil Services Examination Previous Year's Question (PYQs)

### Prelims

**Q1. Which one of the following is not a feature of Indian federalism? (2017)**

- (a) There is an independent judiciary in India.
- (b) Powers have been clearly divided between the Centre and the States.
- (c) The federating units have been given unequal representation in the Rajya Sabha.
- (d) It is the result of an agreement among the federating units.

**Ans: (d)**

**Q2. Local self-government can be best explained as an exercise in (2017)**

- (a) Federalism
- (b) Democratic decentralisation
- (c) Administrative delegation
- (d) Direct democracy

**Ans: (b)**

**Mains**

**Q.** Though the federal principle is dominant in our constitution and that principle is one of its basic features, but it is equally true that federalism under the Indian Constitution leans in favour of a strong Center, a feature that militates against the concept of strong federalism. Discuss. **(2014)**

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