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## COOPERATIVE FEDERALISM TO COMPETITIVE FEDERALISM: A DIVE INTO THE GST EXPERIMENT

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### ABSTRACT :

*This paper examines the complex landscape of federalism, its historical evolution and its contemporary challenges in the context of India. A critical analysis of the Goods and Services Tax (GST) and its impact on fiscal relations between the Central and State Governments examined. The introduction of GST was seen as a watershed moment in Centre-state fiscal dynamics. This paper explains the constitutional amendments and changes in the distribution of taxing powers that have taken place after the introduction of GST. Detailed exploration of sections 246A, 269A and 279A is present, which highlights the complexities of inter-State and intra-State trade taxation. The research assesses constitutional provisions relating to fiscal relations, with an emphasis on the vertical and horizontal imbalances inherent in the tax structure. Examines the impacts of the GST system on the fiscal autonomy of states, with particular focus on uniform tax rates and the role of the GST Council. The paper also examines states' concerns, including potential revenue losses and challenges to local autonomy. This paper critically examines the changing locus of controversy over GST along with the broader political economy of Centre-state fiscal relations.*



**KEY WORDS:** Fiscal Federalism, Constitution, GST, Covid-19, NITI Aayog, Horizontal and GST Council.

### INTRODUCTION:

Federalism is a model of political organization that unites individual states or other states within a broader political system in a way that allows each to maintain its integrity. The word federalism means a league or federation of states and signifies a federal system like the United States. For example, Switzerland, Germany, Canada, Australia, Union of South Africa, Brazil, Austria, India, Malaysia and many other countries have developed federal type of government structure. The United Nations and the European Union have a loose federal system. Many of the preceding leagues developed well-organized federal systems. Frederick argues that federalism is the form of political organization appropriate for communities where regionally diverse patterns of values, interests and beliefs and traditions can be effectively reconciled by joint efforts in the discovery of common values and interests and the cultivation of common beliefs and traditions. can be applied.<sup>1</sup>

Federalism has its origins in the distant past meaning that it existed among the city-states of ancient Greece. Its presence was rediscovered in some cities of Italy in the Middle Ages, and since the thirteenth century, its history has been continuous in the development of the Swiss Confederation, which was born when three forest cantons united themselves for protection in 1291 Had tied it together. It is the basis of political organization of many states today. For states as diverse in status and

tradition as Yugoslavia and the United States, Mexico and Australia, this possibility can be achieved on a federal basis to avoid international anarchy if the world moves towards the organization of a universal state.

Federalism varies in form across place and time. As a loose form, it incorporates many states, which do not make a state at all. History is brimmed with many examples of this sort of loose leagues; which are usually called a confederation. Here the example of the Germanic Confederation might be taken as it was established in 1815 with the fall of Napoleon Bonaparte.

A true federal state requires two conditions for its formation, the absence of either of which would be sufficient to prevent the completion of such a union. The first condition is a feeling of nationality among the units federating. It is generally found that modern federal states have, prior to their federation, been either loosely connected in a confederation, as in the case of Germany, or subjected to a common sovereign, as in the case of the United States, Switzerland (where both phenomena existed) Australia and Canada. The second condition is that the federating units which desiring union but do not desire unity. If they desired unity, they would form not a federal but a unitary, which means a federal constitution attempts to reconcile the apparently irreconcilable claims of national sovereignty and state sovereignty. The main lines upon which this reconciliation shall take place are sufficiently clear; they are very much in detail from one federal constitution to another.<sup>2</sup> C. F. Strong says that whatever concerns the nation as a whole is placed in the care of the national or federal authority: whatever concerns the states individually, and is not of a significant moment to the common interest, is placed under the control of the government of each state. This division of powers however, it may in the various federations of the modern world be carried out in detail, is the essential characteristic of the federal state.<sup>3</sup>

### Indian Federalism

The founding fathers of the Indian Constitution were influenced by the federal features mainly from American, Canadian and Australian Federations. The makers of the Constitution were influenced by the federal principles of the US and Canadian constitutions, with some exceptions and modifications. On the other hand, Indian Leaders like Jawaharlal Nehru who was a strong supporter of liberal democracy was committed to democratic socialism and agrarian redistribution. They believed that there should be a centralized direction for the establishment of a federal system in India.

The foundation stones of India's existing federal system can be seen in the government of India acts of 1919 and 1935. In the Act of 1919 for the first time the state and central subjects were separated from each other for legislative, financial and administrative purposes. The Act raged a new trail and laid the foundation of Indian Federalism. The Act also brought a constitutional change of a unitary system of government.

The Simon Commission report published in May 1930 recommended complete autonomy in the provinces, including the law and order department. The Governor was give intervening powers in certain matters like internal security on the administrative side. The Commission also recommended federal government at the centre, which included not only British India but also princely states. Even the Nehru report has projected the future Constitution of India as Federal and suggested a bicameral system of legislation with Supreme Court as the highest Court of appeal.

The Act of 1935 was a forerunner for the federal state, which eventually became a part of the constitution of India in 1950. According to the Act of 1935, the Indian federal state will consist of both the British Indian provinces and the princely states. It intended to establish a centralized federation with a fair amount of provincial autonomy. M. Kumar states that the unified legal and financial system, machinery for the resolution of water disputes, governors for the state and article 356 are also some of the distinctive features that taken from the act of 1935.<sup>4</sup> Rajni Kothari believes that the governance system of the Indian Union is not a competition between the Centre and the states, but the sense of cooperation is the key. On this basis, Indian federalism also called cooperative federalism.

Grenville Austin and A. H. Birch termed Indian federalism as collaborative federalism. Defining federalism as a principle in the Indian political system recognizes two types of governments - first at the

central level and second at the state level. Although Morris Jones called, the Indian federalism is bargaining federalism. They all believe that the federalism of India has always been in the same form, where the Constitution and the separate territories of the Centre and the states were determined, in practice, there is a relationship of cooperative bargaining between the people and the people.<sup>5</sup>

The article 1(1) of the Indian constitution says "India that Bharat shall be a Union of States". According to Dr. B.R. Ambedkar who was the chairman of the Drafting Committee, stated that

*"Although its constitution may be federal in structure "the committee has used the term "Union" because of the certain advantages, these advantages he explained in the constituent assembly were to indicate to things, as a that the Indian federation is not the result of an agreement by the units and that the component units have no freedom to secede from its."*<sup>6</sup>

Articles 268 to 293 of Part 12 of the Constitution dealt with the financial relations of the centre-state. Prior to GST, the Centre had the power to levy tax on services and at the same time the states had the power to levy tax on certain services under Article 366 (29A) of the Constitution. But now a major shift has taken place in these powers which has increased the financial dependence of the states on the centre somewhere.

### Goods & Services Tax (GST)

The Goods & Services Tax (GST) was introduced by the Indian government under the 101<sup>st</sup> Constitutional Amendment to bring into order a new indirect tax regime for the collection of tax concerning the supply of goods and services. The 101<sup>st</sup> Amendment, more popularly known as the 'GST Amendment', is the instrument that is responsible for the replacement of the previous indirect tax law regime with the GST model. After more than a year of coming into force, major changes in the distribution of taxes between the Centre and States have been brought about by this enactment. It has undisputedly become the foundation stone of the new fiscal policy of the country. Being based on the concept of "One Nation- One Tax", it envisages bringing all goods and services under a single tax rate but after much deliberation by the Parliament, it has been divided into five tax slabs: 0%, 5%, 12%, 18% & 28%.<sup>7</sup>

This change has been brought about by the addition of Articles 246A, 269A & 279A to the Constitution along with changes in the Seventh Schedule containing the Union & State Lists. This was done to accommodate the herculean task of subsuming previously charged indirect taxes into a single tax while defining the subject matter and distribution of powers between the Centre and the States.

Article 246A provides for both the Union and States to make laws parallel with respect to the goods and services tax. It puts inter-state trade exclusively under the jurisdiction of the Union government, while intra-state trade is open to the jurisdiction of both the Union and State government. Article 269A advances the same line of thought and expounds that in case of inter-state trade, GST is to be levied and collected by the Union government and thereafter be shared by both the Union and States as per the recommendations of the GST Council (established under Article 279A).

The provision also makes it clear that the income/earnings collected in respect of inter-State trade not credited to the Consolidated Fund of India or the State, but their respective shares assigned to both the Central and State Governments respectively.

Article 279A deals with the GST Council – a body established to deliberate upon all or any issues with respect to the amount of tax to be charged, exemptions to be provided, threshold limits, allocation of inter-state trade tax or, any other matter with regard to the implementation, determination and application of the goods and services tax. Its composition includes the Union Finance Minister as Chairperson with the Union Minister of State and other Ministers In-charge of Finance or Taxation of the States acting as members in the council. All decisions have to be taken by a 3/4<sup>th</sup> majority by the council, wherein the Central government hold 1/3<sup>rd</sup> of the votes and all other State governments combined together hold 2/3<sup>rd</sup> majority.<sup>8</sup>

Constitutional provisions of financial relations are included in Articles 268 to 293 in Part XII in the Indian constitution. Fiscal federalism supports the governmental organisation to realise cost efficiency by economies of scale in providing public services which correspond with the preferences of

the people. From the point of view of the economy, it creates a unified common market that promotes greater economic activity. The problems arise from the point of decentralisation and its relation to the level of development, heterogeneity of the population, harmonization of their preference patterns, allocation of functions and financial sources to different levels of government, arbitration of vertical and horizontal imbalances, and the institutional mechanism to conduct inter-governmental relations. Federal finance takes adequacy and elasticity with respect to resources. This implies that there exist sufficient resources for discharging constitutional responsibilities, and elasticity implies the expansion of resources in response to the growing needs of the government.

The applied result of the partition of tax powers has been to refute both these characteristics in the case of States. A vertical imbalance between the Centre and the States is constructed into the Constitution by the provisions involving to the powers of taxation. This imbalance has arisen not with the aim of making the Centre stronger, but out of the aim to build a common economic space in the country and a worry that with more powers the States may put up walls within this space. The level of development may differ from State to State in terms of factors like endowment of natural resources, and standards of public services due to their historical backgrounds and other factors, which eventually lead to the creation of horizontal imbalances between the States. A successful federation requires possession of adequate financial resources with the Union as well as the States to allow them to discharge their respective responsibilities under the Constitution. P.J.P. Jagtiani claims that our Constitution has made elaborate provisions, mainly following the lines of the Government of India Act, 1935, relating to the distribution of the taxes as well as non-tax revenues and the power of borrowing, supplemented by provisions for grants-in-aid by the Union to the States.<sup>9</sup>

Article 246 and the Seventh Schedule of the Indian Constitution envisage the scheme for distribution powers and allotment of subjects in the following manner:

- (i) Union List (List I): It endows the Union with all functions of national significance such as defence, external affairs, communications, constitution, organization of the Supreme Court and the High courts, elections, etc.
- (ii) State List (List II): It vests the States with several important functions involving the life and welfare of the people such as public order, police, local government, public health, agriculture, water land, etc.
- (iii) Concurrent List (List III): It includes administration of justice (excluding Supreme Court and High Courts), economic and social planning, trade and commerce, etc. It is interesting to note that higher education; forests and population control were all added to this list in 1977 during the emergency. It was felt then that the states were not doing justice to these subjects of national importance.

According to Kautilya "All work is dependent on finances. Therefore, the most attention should be given to the Treasury." Financial autonomy to any level of government is necessary in order to allow it to determine the taxation structure to best suit the revenue needs of the State. A phenomenal change in the taxation structure can be witnessed in the Indian context with the passing of GST by the central government. This modification brings with it new opportunities and benefits for the centre government but generates a problem for state's financial autonomy.

In most states, the majority of the tax revenue was generating from indirect taxes which have now been included under the GST that has uniform rates fixed by the GST Council. The Centre has a veto over the Council's decisions. Where a state could previously impose special cesses and levies to boost its income for social and another spending, however, it is now at the kindness of the GST Council (and thereby the Centre). But reversing the decision of the Gujarat High Court, the Hon'ble Supreme Court on May 19, 2022 passed a landmark judgment on the recommendations of the GST Council in which a bench of Supreme Court Judge Dr Dhananjaya Y Chandrachud, J said that the recommendations made by the GST Council were not binding on all states of India.<sup>10</sup> States in the country have two main concerns regarding GST; the first concern is the loss of revenue. The States which are producing goods or services worry that they will lose substantial revenue owing to the fact that GST is a destination-based consumption tax. The second concern is the loss of autonomy, like the constitution of GST Council, dispute settlement authority, compensation mechanism, and dual control. Besides it, the GST regime

intends to include most indirect taxes under a single taxation regime but the states government feel the local bodies will also get affected.

India's grand bargain, once marked as a new era in cooperative federalism, the Goods and Services Tax regime, in less than four years since its adoption, is today the new battleground for centre-state fiscal wars. It measures the shattering of the 'grand bargain' which is widely celebrated poster child of the new era of cooperative federalism. The GST Council at its meeting, which was held in June 2021 became the site for Tamil Nadu's newly elected Finance Minister, Palanivel Thiaga Rajan to remind the union government that "there is no Union without the States". The grand bargain has now given way to a widening trust deficit. One that risks undermining the potential of a long-awaited economic reform as well as India's precarious federal consensus.

To understand this trust deficit, it is imperative to locate the GST debate within the political economy of centre-state fiscal relations. The desire to centralize the fiscal powers has been a persistent feature in our politics. Successive union governments' have drawn on their powers to influence state government functions. States routinely complain that it is in this resulting tug of war that the dynamics of centre-state fiscal relations have been shaped. This deepening of political centralization came in sharp contrast with the policy rhetoric in the early days of the NDA's government. In 2014, cooperative federalism was the policy mantra and to its credit, the union government introduced crucial structural reforms. These included accepting the 14<sup>th</sup> Finance Commission recommendation to enhance the states' share in the divisible pool of taxes from 32% to 42%, dismantling the Planning Commission, and with it halting the practice of transferring plan funds to states. The 15<sup>th</sup> Finance Commission recommended 1% reserved for Jammu Kashmir and Ladakh out of the 42%, the rest 41% was for other states.

The GST was introduced in July 2017 which was a remarkable achievement and brought a constant tug of war between centre and states. States willingly gave up fiscal autonomy for the promise of economic efficiency. This consensus was forged on the back of painstaking negotiations and compromises notably that the GST compensation cess demonstrated the possibilities of the emergence of a genuine federal politics based on principles of cooperation. Despite these reforms in place, the union government was confronted with another challenge. Weak fiscal management had brought the union to the brink of what economist Rathin Roy has called a 'silent fiscal crisis'. This crisis was a result of persistent revenue shortfalls (amounting to 0.7% GDP in five years 2019-20) and failure to meet disinvestment targets. Faced with its coffers running dry and a political strategy premised on greater spending, it was only inevitable that the union government would resort to squeezing revenue from states.<sup>11</sup>

During the crisis of Covid-19, the demand for financial autonomy of the states increased. This pandemic unexpectedly played destruction with union and state finances. But repeated appeals from state governments for the union to deploy its financial powers and provide fiscal support were ignored by the centre. Instead, states were asked to rely on market borrowing while the union continued in the practice of sweeping revenues by increasing cess and surcharges. Revenue shortfalls inevitably meant that the terms of the compensation cess calculated on a remarkably generous assumption of 14% guaranteed revenue growth would be difficult to fulfil. But the union closed-off space for negotiation by placing the burden of its failure to fulfil the compensation guarantee to states, unto them. The union ought to have borrowed and transferred the cess to the state. Instead, it borrowed and onward lent Rs 1.1 lakh crore to states, thus undoing the very foundations of the GST bargain.

The pandemic has enlarged the trust deficit rather than bringing it together, and now real-politics has taken hold. The NDA's administered states have chosen silence or are siding firmly with the union (despite facing losses) making the GST challenge NDA government versus opposition issue rather than a matter of federal principles. Crucial decisions related to state demands for exemptions on Covid-essentials were pushed to a group of ministers and here too the process has been undermined with petty politics. A direct battle on the compensation issue was avoided through the decision to provide back-to-back loans to states but contentious negotiations have been pushed down the road. Aiyar writes that meanwhile, states are demanding greater independence. Ironically, these demands are fulfilled when the union needs states. Crucial decisions need to be taken that will have a direct impact

on union finances – from recalculating the 14% compensation rate to resolving the question of what next in July 2022 when the five-year period of assured compensation is over.<sup>12</sup>

### Objectives of Study

- To study the impact of GST on financial relations between centre-states.
- To study the political ramifications in post GST era.

### Research Methodology

The historical-analytical method has used to study the state of federalism in India, particularly in the context of federalism and the GST regime. The study based on secondary sources. Sources of data include Finance Commission reports, agreements, states and Centre-State negotiations, books, articles, magazines, newspapers and web links.

### Review of Literature

GST and Federalism are very significant and substantial subjects in the field of research. Many researchers and intellectuals have written scholarly works on GST and Federalism. Here are some critical works, which provide profound insights to the present study.

**Rakesh Chandra (2017)**<sup>13</sup> in his published article “GST & Cooperative Federation: Through the Eyes of Indian Constitution” finds out that in some quarters many voices of opposition have been raised from some granters that GST will sound the death-knell of Indian federalism or co-operative federalism. The main points of concerns are as first is concerns of states of losing control over financial autonomy due to tax impacts and the GST council being a constitutional body would have control over taxpayers in the new tax regime. Second concern is of loss of revenue .states argue that the recent demonetization move has resulted in a loss of states revenue which needs to be compensated. The third is an administrative issue that asks who would have control over taxpayers having less than Rs. 1.50 crore annual revenue.

**Yamini Aiyar & Louise Tillin (2020)**<sup>14</sup> in their article “One Nation,” BJP, and the Future of Indian Federalism’ focuses on that National Institution for Transforming India (NITI) Aayog was created to further the government’s political agenda of deepening centre-state relations. When the Planning Commission dismantled, several commentators argued that the cooperative federalism agenda would be best serve through a revitalized Inter-State Council (ISC) or a new institution tasked with creating a deliberative space for centre-state dialogue. In practice, however, the NITI Aayog emerged not as a platform for dispute resolution and political deliberation but as a technocratic space responding to a Union government mandate rather than political cooperation from states.

**Shreya Sinha (2019)**<sup>15</sup> in her critical work entitled “Is the Aspirational Districts Program Merely a Political Device?” analyses that the NITI Aayog has also worked further to entrench centralization in at least two ways. First, it created mechanisms for establishing direct lines of accountability between Centre and administrative districts. A good example of this is NITI’s flagship “Aspirational Districts” program which focuses specifically on increasing development and improving welfare in India’s poorest districts. Although the NITI Aayog rhetorically positioned this as a program in which the states are in the driver’s seat, for all practical purposes their role is very limited. The second way in which NITI Aayog’s creation has enhanced centralization is that it unexpectedly created an institutional vacuum by closing off institutional spaces for negotiation over plan funds.

**Vasantha Gopal (2011)**<sup>16</sup> in his study focuses on the impact of GST on various sectors of the economy. The article further states that GST is a big leap and a new impetus to India’s economic change. The paper concludes with positive impacts on different sectors which are dependent on an unbiased and normal design of the GST.

**K. Chalapathi Rao (2018)**<sup>17</sup> India is a federal country where indirect taxes are levied by the Union and its entities/states. Goods and services tax in India is levied on a multi-stage, comprehensive and value addition. So far 160 countries of the world have implemented it. The rationale behind this was that it would eliminate cascading effect (tax on tax). "We need to understand the GST system as

well as its process," he said. He concluded that the GST organization as well as consumers could help the government in developing India's economy by adopting new tax reforms.

**Manisha Shinde (2019)**<sup>18</sup> in her article named "A Study of Impact and Challenges of GST on Various Constituents of Indian Economy" analyses that a taxation structure that facilitates the ease of doing business and having no chance for tax evasion brings prosperity to a country's economy. The GST is the principal and extensive indirect tax reform since 1947. Replacement of exiting taxes like value-added tax, excise duty, service tax and sales tax is the main idea of GST. It will be imposed on manufacture sale and consumption of goods and services. GST is expected to affect the existing tax structure and result in uniting the country economically. This research paper has highlighted the background, objectives of the proposed GST and the impact of GST in different areas of the Indian economy. The paper further focuses on various benefits and opportunities of GST.

**Asolekar, M. S. (2021)**<sup>19</sup> in their study the implementation of Goods and Services Tax (GST) in India has had a great impact on the country's economy. The objective of GST was to simplify the tax structure by replacing multiple indirect taxes with a single national uniform tax. Although GST has played an important role in improving tax compliance and creating a uniform market, there are shortcomings in its implementation. One of the main concerns has been the impact on the poor and intermediaries, as this has led to rising prices of basic amenities. Additionally, the revenue efficiency of Indian states has been negatively impacted by GST, especially for smaller states, which has widened the inter-state inequality gap. However, GST has also resulted in sustained growth in tax collections, with record-high GST collections despite the challenges posed by the COVID-19 pandemic. Overall, the dynamics of centre-state relations under the GST regime in India have had both positive and negative impacts on the economy.

**Chandrasekhar, C. P. (2024)**<sup>20</sup> in their study "Is India's fiscal federalism breaking apart?" The focus is on the fact that Indian federalism is on the verge of collapse. Ministers from opposition ruled states have taken to the streets in New Delhi against the discrimination done by the Centre. Prime Minister Narendra Modi, who uses the divisive majoritarian agenda for political gains, has attacked the protesters, saying they are breaking the country by using the narrative of North-South divide for political purposes. The reality is that the opposition parties leading the state governments are under siege. Central agencies are being used to intimidate and jail state level opposition leaders. Central directives and schemes are being used to weaken state-level initiatives and systems in areas such as education and food distribution, and aggressive efforts are being made to impose distorted financial governance on states, depriving states of their resources. The ability to pursue one's own development agenda is diminishing. States ruled by parties not part of the ruling National Democratic Alliance (NDA) coalition at the Center claim they are feeling the heat even more as they face discrimination in the distribution of discretionary transfers from the Center to the states. These parties decided to express disappointment over the Chief Minister and/or Cabinet Ministers joining the agitation by protesting farmers, trade union members and other marginalized sections in New Delhi. In such a situation, the opposition party governments appeared worried about their financial autonomy.

**Narayana A. (2024)**<sup>21</sup> in his published article "Karnataka cabinet goes to Delhi" Several cabinet ministers of the Siddaramaiah-led Congress-led Karnataka government protested at Jantar Mantar in New Delhi. Siddaramaiah claimed that he was protesting "gross injustice" in the distribution of taxes and grants-in-aid from the Center to the states. A day later, CPI(M) leader and Chief Minister Pinarayi Vijayan of the Left Democratic Front (LDF) government in Kerala, along with his cabinet colleagues, MLAs, MPs and ministers from other non-NDA parties like CPI(M) and AAP and Dravid Munnetra Kazhagam (DMK) also staged a similar protest. However, Vijayan clarified that not only the opposition-led governments, but also those led by the BJP or their allies in the NDA are being squeezed. It is going through a critical phase due to opposition-led states' protests against the Centre's discrimination. The complex web of fiscal imbalances and political maneuvers has led to contentious relations between the Center and the states, necessitating a thorough examination of the current challenges. Finance Commissions and Financial Inequalities the Finance Commissions established to ensure fair distribution of resources have also come under scrutiny. Cess and surcharges, which were originally

earmarked for specific purposes, now exceed 20%, leading to avoidance of the common revenue pool and eroding the financial autonomy of the states.

**Radhakrishna, M. G. (2024)**<sup>22</sup> in his article “Kerala vs. Centre” A battle of finances and federalism” the change in population figures for horizontal transfer has hurt some states, leading to increased tensions. GST Implementation and Shortfall in Revenue The implementation of the Goods and Services Tax (GST) has posed challenges. Full of promises of revenue neutrality and efficiency, states face a shortfall of between 19% and 33%. The Centre's reluctance to extend the compensation system beyond 2022 has increased the financial stress faced by the states. State Borrowing Constraints and Policy Reforms Central control over state borrowing, limited to 3% of state domestic product, along with associated constraints, constrains the ability of states to meet their budget requirements. Reinterpretation of Article 293, imposing borrowing limits on states, particularly in Kerala, triggered legal battles, raising concerns about states' autonomy. Political agenda and preferential treatment there is a clear political agenda under power, which favors states affiliated with the ruling party. Concerns have been raised by states that BJP-led states get preference in central spending, further escalating tensions. The move raises serious questions about the potential politicization of development funds, with opposition-led states feeling financially strapped and protesting alleged discrimination. Schemes, which are centrally sponsored, state governments are now required to finance a major portion of the expenditure on them on the sharing principle. Earlier the state-centre expenditure ratio was 40:60. This has been changed to 50:50. As a result, if states are to avail the benefit of partial central funding they will have to allocate more funds for activities under these schemes. States facing cash crunch can spend only to a limited extent under these schemes. States also have no role in the design of such schemes and are implemented at the discretion of the Centre, such as the Pradhan Mantri Kisan and Crop Insurance Scheme, which has grown from Rs 5,21,000 crore in 2015-16 to Rs 5,21,000 crore in 2023-24. It has become Rs 14, 68,000 crore. There is a perception that the distribution of expenditure on these schemes among states is linked to political alliances.

## CONCLUSION AND SUGGESTIONS

A literature review on GST and federalism in India reveals the complex dynamics of challenges and opportunities between the Center and the states. Although GST seen as a transformative economic reform, concerns about its impact on state autonomy and fiscal imbalances remain. Instances of alleged discrimination by the Center against opposition-led states highlight tensions in intergovernmental relations, exacerbated by the tendency to politicize the allocation of funds and centralization. Reforms needed to ensure transparency, fair resource allocation and meaningful interaction between stakeholders. The role of institutions like the Finance Commission should be re-examined to promote cooperative federalism and address issues of revenue shortfall and state borrowing constraints. Promoting inclusive growth and economic integration requires a balanced approach that respects state autonomy while promoting cooperation and equitable development across the country.

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