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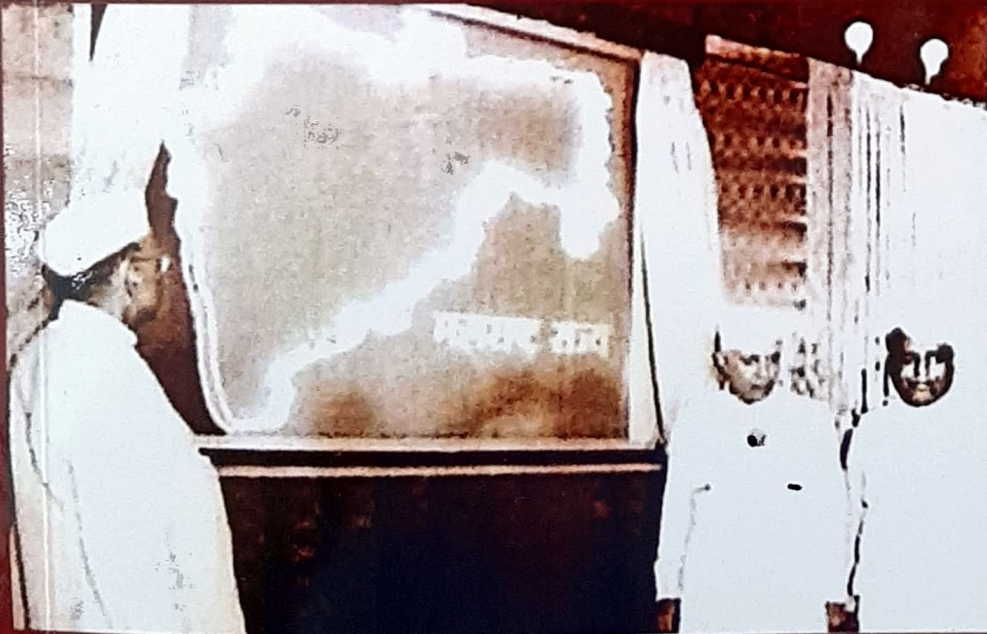
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NITI AAYOG VIS A VIA FEDERALISM - COOPERATIVE OR COMPETITIVE- A CRITICAL ANALYSIS

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ABSTRACT

The economic policy, planning and budgeting was carried out in India for a period of 65 years through the institution of 'Planning Commission' after India's Independence. The federal structure in India is with combination of Centre and State with its innate diversities. State has different population size, literacy level, environmental resources, territory and accordingly has its strength and weakness. The economic needs and contribution of each state in the country's economy is consequently different. India with its diversity at every level cannot have one straight jacket formula for every economic policy and programme throughout the country. The reform in finance planning and programming started with the need for a cooperative federalism among the Centre and State for the a 'bottom-up' approach. NITI Aayog replaced Planning Commission on 1st January 2015. The objectives were focused towards creating strong States for a stronger Nation. The Government at the centre promises decentralisation of power through NITI Aayog and ensures for minimum interference in the State affairs in economic planning. Since 2015 the working of NITI Aayog has face several criticisms such as trust issues between Government at Centre and State Level. Competency of the Government at the Centre through NITI Aayog in identifying policies and programmes for ensuring overall economic growth under this federalism has to be consonance with the demands arising out of inter-State diversities. These difference though basically are due to the different socio-economic pattern of each state but in fact has contributed toward an unhealthy competitive federalism. The study is to identify the form of fiscal federalism and its working for the good governance through the Institution of NITI Aayog hence the article is entitled "NITI Aayog vis a via Federalism - Cooperative or Competitive- A Critical Analysis"

Key Words: NITI Aayog, Planning Commission, fiscal federalism, Centre-State relations, Competitive federalism, Cooperative federalism.

INTRODUCTION

NITI Aayog is the predecessor of Planning Commission since 2015. The then President of India Hon'ble Mr. Pranab Mukherjee on 23rd of March 2015 issued a notification setting the objective of the working of NITI Aayog¹. It was established with the objective of working towards nations development by identifying the priority areas and planning the policies with the participation of each State. The basic idea is to have a cooperative form of federalism with the continuous support of the State with its initiatives with down up method from the stage of planning till implementation on continuous basis. The areas where the attention is to be more through fiscal development are identified through reference without ignoring the national security as economic progress of each State shall ensure the progress of the country as a whole.

This process planning through participative and cooperative techniques is at all the levels, beginning with identifying the programmes and policies, designing the strategies, its framework, implementations, studying the after effects and progress after its implementation are the major steps invoked in the working of NITI Aayog. These steps are to identify the draw backs immediately and induce the corrections in the mid of the working of the policies and programme through the continuous feed backs. The participative methods of planning and implementation extends to the stakeholders, experts, educational and research institution to make it better at the national and international level as partners in the Nation's economic policy planning and its implementation process. This concept of participative and cooperative form of its working is with the objective of accelerating the process of economic development of the nation as a whole.

The working is further backed by repository for promoting research, providing a resource

centre, promoting good governance, for ensuring sustainable development with the equity for all the stake holders of fiscal federalism. On identification of deficiencies, expertise and resources to rectify the same is to help the next stage of planning the programmes. The success of the fiscal programmes is by upgrading the technology and towards capacity building for increasing the probability of the success of these programmes under the inherent diversities of the country².

CONSTITUTION AND WORKING OF NITI AAYOG

NITI Aayog was established through a resolution of the Central cabinet on 1st Jan. The structure and working of in the form of Governing Council. This Governing Council Chief Ministers of all the State and Union Territories where Legislative assembly functioning Governors where there is no legislative assembly. This Governing Council was formed Cabinet Secretary resolution in 2015 and then reconstituted in 2021 through central Government notification. The participation of States ensures the fixing of priorities in programming of nations. The fiscal development is ensured through cooperative federalism through dis priority sectors and thus fixing the issues in the interdepartmental programmes in its implementation. The meeting of the governing body is held under the chairmanship of the Hon'ble Prime Minister of the Country.

COOPERATIVE FEDERALISM

The concept of cooperation of all the States for overall development of the Country through team work among all the stake holders. Cooperation among the member states federalism ensures sustainability and growth. Identification of the needed support through ensuring open discussions among the representative of the government at the Centre level³. The working of cooperative federalism is ensuring through the working of committees team such as:

- Subgroups of Chief Ministers
- Task Force on Agricultural Development
- Task Force on Promotion of Organic Fertilizers
- NITI Forum for North-East
- Sustainable Development in the Indian Himalayan Region
- Development Support Services to States
- SATH-E

Identifying the best practices, needed support programmes, technical advices specific reform programmes and adopting it by the other States based on their socio economic geographical diversities ensures team work⁴. The detailing of the State resources, production different schemes and support systems is one of the fundamental structure in the functioning team in a cooperative federalism.

COMPETITIVE FEDERALISM

NITI Aayog has introduced the concept of ranking based on performance of each its Districts on various factors that influences the growth and development of that area. These are published and encouraged to motivate the working of similar projects with the competition Index, School Education Quality Index, Water Management Index, Export Index, And Sustainable Development Goals Index in general as competitive federalism. The elements for measuring factors, its analysis, reviews and capacity building as need support is introduced through venture in collaboration with all its stakeholders⁵. These measures helps the districts to go adopting the tried and tested methods of development and some cases using these methods level up their developmental programmes. Through this NITI Aayog ensures the joint team work of all the stake holders towards development through a healthy competition transparency for good governance.

FUNCTIONING OF GOVERNING COUNCIL

Since its inception in 2015 there were 7 meetings of the Governing Council of NITI Aayog. On analysis of the working and the reports submitted at the Governing Council it is possible to identify the drawbacks and problems if any in the cooperative form of working of NITI Aayog in a federal structure of country with immense forms of diversities in the socio economic and ideological working of each State. These meetings of the Governing Council have been held under the chairmanship of the Hon'ble Prime Minister along with the Chief Ministers, Lt Governors of the States and UTs without legislative assembly and other members. The review of the reports submitted by the committees and subcommittees formed in furtherance of the cooperation and competitive form working of NITI Aayog does reflects some dissatisfactions accompanied by criticisms. The Fiscal Federalism with the working of NITI Aayog requires good Centre-State Relations. The ground reality is otherwise as some grounds of differences are subject matter of dissatisfactions. These differences are evident as seen on budgeting fiscal sharing through the scaling of Block Grants, disparities in release of the grants, disproportionately of the use and its expenditures. The reports of each meeting the amount of active participation and reduced attendance of the state representatives in these meetings and committees reflects NITI Aayog as a forum which also has the inherent defects of federalism through the difference of opinions and views between the Governments at the Centre and State.

FISCAL FEDERALISM

Though the concept of absolute federalism is not reflected in any part of the Constitution. Constitution of India in Schedule VII requires for the cooperation between the Government at the Centre and States in all the scheduled matters reflecting its structure and functions as quasi-federalism in accordance to this supreme document.

Competitions are always part of any group and as such inherent to federal structure in India. Federalism requires cooperation between Centre and State and India is not an exception to it. The differences that change the equation between the Government at the Centre and the States are sometime artificial, man-made and sometime natural as discussed above. with the reality of Centre State dependency and support for federal form of government, any form of healthy Competition among the stake holders can ensure physical and social development of the country as a whole.

The fiscal federalism in India saw the wrath of competition very evidently after 1990 economic reforms. The difference in the foreign direct investments (FDI), endowments of different States, difference due to area, available natural resources, man power as skilled and unskilled labours were fostering the objective of competitive federalism. In furtherance of the concept of Liberalisation, privatisation and globalisation (LPG) these imbalances increased between the States. The competition was not only vertical with the Government at the Centre but also horizontal with the other State parties. Competition is focused towards seeking for a larger bite as share in budgeting, block grants, inviting investments and thus ensuring enhanced flow of money for the development projects in the respective states.

The artificial inconsistencies in competitions starts when the investors look for a developed state where he can get guaranteed returns for his money and the government at the Centre releases the Block Grants on the bases of the usage of the previously released funds of that State. Constitution of India in its seventh schedule gives specific legislative powers to the governments at Centre and State. So far there has been 105 amendments to this Constitution since 1950. These amendments have been carried out to bring in the structural and functional changes of the legislative, judicial and executive organs of the democratic government in India. The changing policies of the different regimes, administration and governments at the Centre and State has influenced the quasi-federal structure in India.

FINANCE COMMISSION

In the working of NITI Aayog and fiscal federalism in India, as the specialised body of experts 'Finance Commission' recommendations plays a major role in the field of fiscal restructuring

and economic reforms. These commission are formed once in every five years. It works according to the agenda fixed by the government and its findings in the form of reports and the response given to its recommendation is placed before the parliament in the form of laying for its response given. The recommendation of these commissions is in the form of fixing the division of shares. The proportionality of the tax which forms part of revenues of the Central Government. These shares of the revenue happens vertically between the Central Government and the State Governments. Secondly the horizontal distribution of the fund happens between each state governments. Finance Commission also makes recommendations regarding the tax as revenues accrued in each state government. The recommendations of these commission work towards keeping the balance between the Governments at Centre and the State on financial matters. This gross tax includes the balance between the central government through income tax, corporation tax, customs and excise duties, revenues and other taxes. The cess and the surge on the taxes is not included in this calculation.

On the analysis of the last two reports, that's the 14th and 15th Finance Commission recommendations it is evident that, the allocation of funds have undergone a major change in favour of promoting competitive federalism in India. The 14th financial commission recommended the financial allocation as enhance to 42% of divisible fund towards states during 2015-16 to 2019-20. This is an increased portion when compared to the previous allocation of 32%. Further in the 15th financial commission recommended it to 41 % which is less of 1% than that of 14th finance commission recommendation to accommodate the needs of the newly form Union Territories of Jammu, Kashmir and Ladakh. In practice the share of the local government from the allocated funds is in the form increase from 4.13% to 4.15% of the divisible pool. Thus, this 15th report shows a significant effort towards finance commission to implement the 74th Constitutional Amendment Act of 1992. This is the amendment where the reforms were introduced in the form of domestic institutions such as, urban municipal and rural local bodies finding their incarnation as constitutional bodies. The changes in the percentage of allocation depends upon the speeding of the earlier allocated fund. This needs the State and the local governments to programme and administer such developmental project which forms the bases for the competitive federalism via NITI Aayog.

The issues are when in such competition starts the blame game trying to increase the frictions among the working of the NITI Aayog's governing bodies and other committees. The successful planning and working requires a good team work. This is difficult when some state does not voluntarily participate in these programmes and when the funds remain underused the subsequent budget proportionately reduces the allocations. This again increases the imbalances, differences and friction both horizontally and vertically. Decentralisation of planning and developmental project is left to the discretion of the government at the state level. The tax reforms are introduced to give some amount of fiscal independence of the State from Centre Government. The State's share in the central taxes has been proportionately raised on the bases of the recommendations of the finance commission. Prioritisation of the expenses is left to the discretion of each State. In some of the national project states team up with the government at the centre. Some of these collaborative developmental projects are the Swachh Bharat Abhiyan for cleaner India which requires support and team effort of the government at the Centre and State to achieve to universalise the concept of sanitation. The Ujwal DISCOM Assurance Yojana (UDAY) for the financial efficiencies of the states by the shift of the power distribution it to the consumers. The Smart city mission form of bail out schemes where the government takes up the responsibility for buying the power from the power generation companies and distribution of the infrastructural facilities in the chosen (SCM) where this project promotes the restructuring of the infrastructural facilities in the chosen cities. These centre state collaborative projects aim at improving the quality life of the people by ensuring the clean, energy efficient environment along with development and growth guaranteed in a sustainable environment for all.

The competitive federalism is a healthy way of attracting investors by the government at the State and giving a fertile environment for establishing their business according to State government programmes without any intervention of the Government at the Centre. This ensures the working of the concept of decentralisation through NITI Aayog and makes a business environment of the state

more attractive and healthier. The overall working of these developmental projects also enables the process of ranking via NITI Aayog.

LIMITATIONS IN THE WORKING OF NITI AAYOG

The limitations in the working of Competitive and cooperative federalism in India are due to increased trust issues among the Government at the Centre and the State due to Party politics. The unhealthy competition and the non-performance being the stated grounds of decreasing share of fiscal federalism is an add-on to the trust issues. The displeasure shown by the government at the state is possible though the working of democratic form of government in India as there are Multiple Parties and intra party and inter party rivalry effects the performance of the Government both at the centre and the State level. The tax reforms and the GST has also added fuel to the dissatisfaction of the developed regions which felt it to be a loss of their revenue through GST. The share of the State was increased by the 14th finance commission recommendation and decreased by 1% in the 15th finance commission report due the addition of new Union territories for the States from the fiscal divisible pool. Further the issue is on the sub-division in these funds distribution has restricted the working of the State specific welfare schemes such as distribution of discounted products and freebies through public distribution services (PDS)shops. The State and Union territories takes all the above factors as the interference in their regional specific development and welfare projects and hence the trust issues. The competitive federalism introduced through ranking seems to be for healthy completion but, in future if it turns out to be politically unhealthy and that could become a ground for rivalry between the States. The Ecological distribution of resources as effects the political set up between the State such as the sharing of river water issues between the State, this imbalance in sharing and use of money between the States could create a similar situation in an unhealthy completion. The level of education, employability and employment promotion schemes, the environment that is inclusive of physical, social and legal facture differs from one State to other and this in turn is a disadvantage for such States to be judged them for ranking under a universal scale. Some States are ecologically in a stronger place than the others and with the differential literacy level in them their level of development is not same as that of other places where they have all these deficiencies as an inherent character. Hence few are progressing and few are lagging behind. These weaker State seldom attracts investments and business and hence the gap keeps on increasing. There is completion among the well of States The region-specific funding is the need of the time that would enable such weaker regions to develop themselves and then participate in the competitive setup. As found in the reports of the Governing Council and Committees the existing uniform scale of deciding the finance distribution and funding is time and again objected in the NITI Aayog meetings. The objections are repeatedly arising from the State such as West Bengal, Bihar, Assam and Orissa. Any such competition if not well planned and regulated in advance in a fiscal federalism of the country would be a major hindrance its very survival.

FINDINGS AND SUGGESTIONS

The research on the fiscal federalism and its different methods identifies the fact that, federalism between the Government at the Centre and the State cannot be exclusive and independent. The working of financial reforms through NITI Aayog in the form of cooperative or competitive federalism is not possible in isolation as both these concepts' methods are truly interdependent in its working. It forms the bases of the overall development of a country and its economy which is understood as quasi federal in its existence. The basic trust issue needs to be resolved by the States in federal form of government. The initiative needs to inclusive of increasing transparency and ensuring good governance between Centre-State relation, inter-State and intra-State relations. This starts with the governments raising above their political ego, accepting their inherent differences both ecological and socio-economic in nature and then as a team identifying the area specific goals of sustainable development based on knowledge sharing and fiscal federalism. These essential steps though basic is the much-needed basic reforms towards the efforts in furtherance of the common goal of a Nations development. The growth through the competition cannot be ignored so we cannot totally remove it

from the fiscal federalism. Competitive along with cooperative federalism by learning from the states best practices and adopting it is also the need of the time. The understanding is that the State is an integral part of India and poverty, of backwardness in any part will be a hindrance to prosperity of any other part of a Nation. Hence changes can be by introducing flexibility in working of these competitive and cooperative setup of NITI Aayog by providing larger role in macro development programmes and the micro development schemes left to the discretion of States. This would be much needed change in the present form of micro resource allocations between the horizontal and vertical levels. NITI Aayog is ensures the above changes would induce the participation of the state in planning and implementation of financial decisions at the national and international level. This in turn can raise the bar of trust among the stakeholders for success of fiscal federalism in India.

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