



CHANGING DYNAMICS OF CENTRE'S RELATIONSHIP WITH PUNJAB SINCE 2014

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Abstract

Centre–state relations constitute one of the most important dimensions of Indian federalism. Punjab occupies a distinctive position in this framework because of its historical, political, agricultural, economic and strategic significance. Since 2014, relations between the Union Government and Punjab have undergone considerable change as different political parties have governed at the Centre and in the state. This study examines the changing dynamics of Centre–Punjab relations from 2014 onwards, focusing particularly on political cooperation and conflict, agricultural policy, fiscal federalism, Goods and Services Tax (GST), the farmers' protests, the role of the Governor, distribution of financial resources and questions of state autonomy. The study adopts a qualitative and descriptive research design based primarily on secondary data obtained from government documents, legislation, court judgments, budget reports and existing academic literature. The findings indicate that Centre–Punjab relations have gradually moved from periods of political cooperation towards a more contested form of federalism. The 2020 farm laws became an important turning point because Punjab emerged as the principal centre of farmer mobilisation against the legislation. Their subsequent repeal demonstrated both the capacity of regional mobilisation to influence national policy and the importance of consultation within a federal system. Fiscal disagreements, declining grants, GST-related changes and conflicts between the Punjab Government and Governor have further complicated relations. The study concludes that strengthening cooperative federalism, institutional consultation, fiscal transparency and respect for constitutionally defined spheres of government is necessary for improving Centre–Punjab relations.

Keywords: Punjab, Centre–State Relations, Indian Federalism, Cooperative Federalism, Agriculture, Farm Laws, GST, Fiscal Federalism, Governor, State Autonomy

1. Introduction

India has a federal political structure in which governmental powers and responsibilities are distributed between the Union and state governments. Although the Constitution describes India as a “Union of States,” it creates separate legislative and administrative spheres for the Centre and the states. The Seventh Schedule divides legislative responsibilities through the Union List, State List and Concurrent List. However, Indian federalism has historically provided comparatively stronger powers to the Union Government, creating continuing debates regarding centralisation, state autonomy and cooperative federalism.

Punjab has always occupied a particularly important position in India's federal politics. Its international border with Pakistan, its Sikh-majority population, its historical political movements and its major contribution to national food security have made Centre–Punjab relations different from those involving many other states. Punjab played a central role in the Green Revolution and became one of India's principal producers of wheat and rice. Consequently, agricultural pricing, procurement, Minimum Support Price (MSP), food security and agricultural marketing policies adopted by the Centre have significant economic consequences for Punjab.

The year 2014 provides an important starting point for analysing recent changes in this relationship. The Bharatiya Janata Party (BJP)-led National Democratic Alliance formed the Union Government under Prime Minister Narendra Modi in May 2014. At that time, Punjab was governed by the Shiromani Akali Dal (SAD)-BJP alliance. Therefore, the political relationship between the Union and Punjab initially operated in an environment in which the BJP participated in governments at both levels.

This political alignment changed considerably after the 2017 Punjab Assembly election. The Congress formed the government in Punjab under Captain Amarinder Singh, while the BJP continued to govern at the Centre. The political distance between the two governments increased further during the controversy

surrounding the three central agricultural laws enacted in 2020. Punjab became one of the strongest centres of resistance to these laws, and the SAD, a long-standing BJP ally, left the National Democratic Alliance during the controversy.

The farm laws were particularly important from the perspective of federalism because agricultural markets have traditionally involved extensive state regulation. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 sought to facilitate agricultural trade outside markets established under state Agricultural Produce Market Committee systems. The Union Government presented the reforms as measures intended to increase farmers' marketing choices and encourage competition. Many farmers in Punjab, however, feared that the reforms could weaken the existing mandi and procurement system and eventually undermine the security associated with MSP-based procurement (Government of India, 2020).

The scale of opposition transformed an agricultural policy dispute into a major political and federal issue. Farmer organisations from Punjab played a leading role in the protests around Delhi. After approximately a year of mobilisation, Parliament enacted the Farm Laws Repeal Act, 2021, repealing all three laws (Government of India, 2021). The episode illustrated how disagreement between the Centre and regional actors could influence national policy.

A second significant transformation occurred following the 2022 Punjab Assembly election, when the Aam Aadmi Party (AAP) formed the state government under Chief Minister Bhagwant Mann. As the BJP governed at the Centre and AAP governed Punjab, Centre–state relations increasingly involved disputes over financial transfers, administrative decisions, agricultural policy and the constitutional position of the Governor.

One particularly important constitutional controversy concerned the Punjab Governor's handling of legislative matters. The dispute eventually reached the Supreme Court in *State of Punjab v. Principal Secretary to the Governor of Punjab* (2023). The Supreme Court emphasised constitutional limitations on the Governor's powers and observed that a Governor, as an unelected head of state, cannot use constitutional powers in a manner that obstructs the normal functioning of a duly elected legislature (Supreme Court of India, 2023).

Fiscal relations have also become increasingly significant. The introduction of GST represented a major restructuring of Indian fiscal federalism. The Constitution (One Hundred and First Amendment) Act, 2016 created a new framework under which both Parliament and state legislatures possess powers regarding GST, while the GST Council became an important institution of fiscal coordination (Government of India, 2016). Although GST created a common national indirect-tax structure, it also generated debate about the degree of fiscal autonomy available to states.

Punjab's fiscal position makes its financial relationship with the Centre particularly important. According to PRS Legislative

Research (2024), Punjab expected approximately 33% of its revenue receipts in 2024–25 to come from the Centre through its share in central taxes and grants. At the same time, grants from the Centre were estimated to decline significantly, partly because GST compensation had ended and revenue-deficit grants were declining. Punjab's high fiscal deficit and revenue deficit consequently increase the importance of Centre–state financial relations.

The changing dynamics since 2014 therefore cannot be explained merely in terms of party politics. They involve a combination of political competition, agricultural interests, fiscal federalism, constitutional institutions and competing understandings of state autonomy and national policymaking. This study analyses these developments to understand how the character of Centre–Punjab relations has evolved.

2. Literature Survey

2.1 Indian Federalism and Centre–State Relations

The literature on Indian federalism has traditionally emphasised the relatively strong constitutional position of the Union Government. Scholars have described India as possessing federal institutions combined with important centralising features. Centre–state relations consequently involve continuous negotiation between national integration and regional autonomy.

The Sarkaria Commission (1988) provided one of the most comprehensive examinations of Centre–state relations. It argued that cooperation between different levels of government was essential for the effective operation of the Indian federation. Rather than treating the Union and states as competing institutions, the Commission advocated consultation, coordination and restraint in the exercise of constitutional powers.

The Punchhi Commission (2010) subsequently reconsidered Centre–state relations in light of changes in Indian politics. Among other subjects, it examined the office of Governor, intergovernmental relations and mechanisms for managing disputes. These recommendations remain relevant to contemporary disputes involving Governors and elected state governments.

2.2 Federalism after 2014

The political environment after 2014 brought renewed attention to the relationship between centralisation and cooperative federalism. The creation of NITI Aayog in 2015, replacing the Planning Commission, was presented as an attempt to strengthen participation by states in national development policymaking.

At the same time, major nationwide policy initiatives have raised questions concerning the distribution of decision-making authority. Fiscal reforms, centrally sponsored schemes and national regulatory policies have required states to coordinate increasingly with the Union Government. The period therefore

demonstrates the simultaneous existence of cooperative and competitive dimensions of federalism.

2.3 Fiscal Federalism and GST

Fiscal relations constitute a central component of Indian federalism because state governments perform substantial expenditure responsibilities while relying partly upon tax devolution and grants from the Centre. The introduction of GST fundamentally changed India's indirect-tax system.

The Constitution (One Hundred and First Amendment) Act, 2016 introduced Article 246A and established the constitutional basis for GST. The GST Council institutionalised negotiations between the Union and state governments regarding indirect taxation (Government of India, 2016).

Rao's analysis of Indian fiscal federalism emphasises the importance of institutions governing tax assignments, intergovernmental transfers and fiscal coordination. The post-GST framework has increased institutionalised interaction between the Centre and states while simultaneously creating new debates concerning states' fiscal space and revenue autonomy (Rao, 2025).

These issues are particularly important for Punjab because of the state's difficult fiscal position. PRS Legislative Research (2024) reported that Punjab's revenue deficit was estimated at ₹23,198 crore in 2024–25, equivalent to approximately 2.9% of GSDP. The state's fiscal deficit was estimated at 3.8% of GSDP. Central grants were also expected to decline substantially, partly because of the discontinuation of GST compensation grants.

2.4 Agriculture and Punjab–Centre Relations

Agriculture has historically been one of the most important links between Punjab and the Union Government. Punjab's wheat and rice production has played an important role in India's food-security system. Central policies relating to MSP, procurement and food stocks therefore directly affect Punjab's agricultural economy.

The three farm laws introduced in 2020 dramatically altered the political debate surrounding agricultural governance. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 created a framework for inter-state and intra-state agricultural trade outside traditional state-regulated market premises (Government of India, 2020).

Supporters viewed these measures as agricultural-market reforms capable of increasing farmers' marketing choices. Opponents feared that they could weaken regulated markets and eventually undermine established procurement arrangements. These concerns were particularly strong in Punjab because of the importance of the mandi and MSP procurement systems to the state's agricultural economy.

2.5 Farmers' Protest and Federal Politics

The farmers' movement of 2020–21 represented one of the most important developments in Centre–Punjab relations after 2014. Although the movement eventually involved farmers from several states, Punjab's farmer organisations played a central role.

The conflict demonstrated that federal relations operate not only through formal governmental institutions but also through political parties, civil-society organisations and social movements. The Union Government initially defended the agricultural reforms, while protesters demanded their withdrawal. Parliament eventually passed the Farm Laws Repeal Act on 30 November 2021, formally repealing the three agricultural laws (Government of India, 2021).

The repeal was therefore significant from a federal perspective. It showed that policies with substantial regional consequences may become difficult to implement without adequate consultation and political consensus.

2.6 Governor–State Government Relations

Another important strand of literature concerns the constitutional position of Governors. Both the Sarkaria and Punchhi Commissions stressed that the Governor's office should function in accordance with constitutional principles rather than partisan political considerations.

This debate became directly relevant to Punjab after 2022. Disagreements emerged between the AAP government and Governor Banwarilal Purohit regarding Assembly sessions and legislative bills.

The dispute eventually reached the Supreme Court. In *State of Punjab v. Principal Secretary to the Governor of Punjab* (2023), the Court addressed important questions concerning the Governor's constitutional role. The judgment emphasised that constitutional authorities must facilitate rather than obstruct representative government and clarified important aspects of gubernatorial power in relation to legislative processes (Supreme Court of India, 2023).

2.7 Research Gap

Existing research provides extensive discussion of Indian federalism, fiscal relations, agricultural reforms and Centre–state disputes. However, fewer studies integrate these dimensions specifically to examine the transformation of Centre–Punjab relations across the entire post-2014 period.

The present study addresses this gap by connecting five major dimensions:

1. political relations;
2. agricultural policy;
3. fiscal relations;

4. constitutional and gubernatorial conflicts; and
5. state autonomy and cooperative federalism.

The study therefore treats Centre–Punjab relations as a multidimensional process rather than merely a political conflict between governments controlled by different parties.

3. Research Methodology

3.1 Research Design

The study adopts a **qualitative, descriptive and analytical research design**. Its purpose is to identify and explain major changes in Centre–Punjab relations since 2014 rather than statistically test causal relationships.

3.2 Period of Study

The principal period examined is **2014–2026**. For analytical purposes, it is divided into four phases:

Phase I: 2014–2017 — Political Cooperation

The BJP governed at the Centre while Punjab was governed by the SAD-BJP coalition.

Phase II: 2017–2020 — Increasing Political Divergence

The Congress government in Punjab and BJP-led Union Government differed increasingly on political and policy matters.

Phase III: 2020–2022 — Farm Laws and Major Confrontation

The farm laws and farmers' movement transformed Centre–Punjab relations and contributed to the breakdown of the long-standing SAD-BJP alliance.

Phase IV: 2022 onwards — Competitive and Constitutional Federalism

The AAP government in Punjab has frequently differed with the Union Government over agriculture, finances, governance and constitutional issues.

3.3 Sources of Data

The study primarily uses secondary sources. These include:

- Constitution of India and constitutional amendments;
- Acts of Parliament;
- Supreme Court judgments;
- reports of the Sarkaria and Punchhi Commissions;
- Punjab Budget documents and PRS Legislative Research analyses;
- Finance Commission material;
- government reports;

- books and peer-reviewed research on Indian federalism;
- credible institutional and policy literature.

3.4 Method of Analysis

The collected material was examined using **thematic analysis**. Five principal themes were identified:

Theme 1: Political alignment and party competition

Theme 2: Agricultural policy and farmers' mobilisation

Theme 3: Fiscal federalism and financial dependence

Theme 4: Governor–government constitutional relations

Theme 5: Cooperative versus competitive federalism

Documents and events were compared chronologically to identify changes in the character of Centre–Punjab relations.

3.5 Limitations

The study primarily relies upon secondary evidence and therefore does not directly measure public perceptions through surveys or interviews. Furthermore, Centre–state relations remain continuously evolving, meaning that developments after the study period may alter some conclusions.

4. Results and Discussion

4.1 Shift from Political Cooperation to Political Competition

The first major finding is that Centre–Punjab relations have moved from relatively strong party-based cooperation towards greater political competition.

Between 2014 and 2017, the SAD-BJP coalition governed Punjab while the BJP headed the NDA government nationally. Political alignment provided institutional channels through which disagreements could be managed within the alliance.

The Congress victory in Punjab in 2017 changed this arrangement. Punjab now had an opposition-party government while the BJP remained dominant nationally. The political divide became particularly significant during the agricultural reforms of 2020.

The change became even more pronounced after the AAP's victory in Punjab in 2022. AAP and BJP are direct political competitors, and their rivalry has contributed to more visible Centre–state disagreements.

Thus:

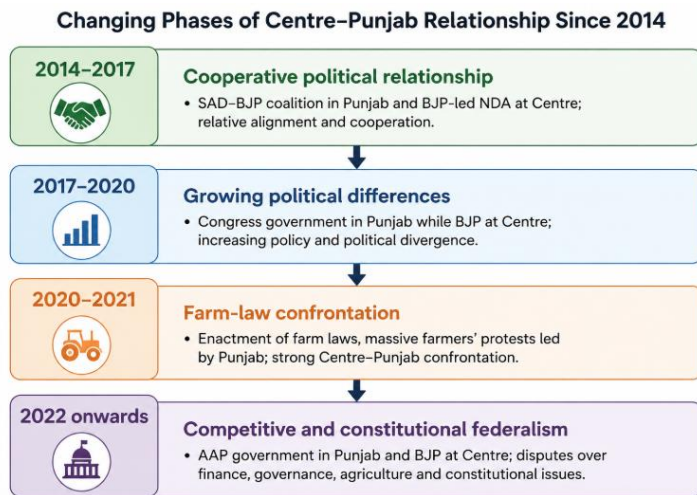


Figure 1: Changing phases of centre punjab

4.2 Farm Laws as a Major Turning Point

The study identifies the 2020 farm laws as perhaps the most important turning point in Centre–Punjab relations during the period examined.

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 attempted to create alternative agricultural trading channels outside state-regulated market premises (Government of India, 2020).

The Union Government argued that the reforms would provide farmers with greater marketing freedom and increase competition. However, many Punjab farmers feared that the reforms could weaken the APMC mandi structure and eventually affect the MSP-based procurement system.

These economic concerns became connected to federal concerns. Agriculture and agricultural markets have historically involved substantial state-level regulation. The reforms were consequently perceived by many political and farming organisations in Punjab as an example of insufficient consultation with states.

The protests became nationally significant and ultimately resulted in the repeal of the three laws through the Farm Laws Repeal Act, 2021 (Government of India, 2021).

The episode demonstrates that major reforms affecting state-level economic institutions require consultation and political legitimacy in addition to legislative authority.

4.3 Fiscal Relations Have Become Increasingly Important

The third major finding concerns Punjab's financial relationship with the Union.

Punjab's fiscal challenges mean that tax devolution, central grants and centrally sponsored programmes significantly influence the state's capacity to finance development.

According to PRS Legislative Research (2024), Punjab estimated total revenue receipts of approximately ₹1,03,936 crore for 2024–

25. Approximately ₹33,790 crore, or 33%, was expected to come from the Centre through tax devolution and grants.

However, central grants were estimated at ₹11,748 crore, representing a substantial reduction from the revised estimates for 2023–24. PRS identified the discontinuation of GST compensation and reduction in revenue-deficit grants among the principal reasons for this change (PRS Legislative Research, 2024).

For 2025–26, Punjab's fiscal deficit was again estimated at approximately 3.8% of GSDP, demonstrating the continuing pressure on the state's finances (PRS Legislative Research, 2025).

These figures suggest that fiscal federalism is likely to remain a central issue in Centre–Punjab relations.

4.4 GST Changed the Nature of Fiscal Autonomy

The introduction of GST in 2017 created a structural transformation in Centre–state fiscal relations.

The Constitution (One Hundred and First Amendment) Act, 2016 introduced Article 246A, providing Parliament and state legislatures with powers relating to GST and establishing a new framework for shared taxation (Government of India, 2016).

GST has advantages including the creation of a more integrated national market and coordination of indirect taxation. However, it also requires states to make important tax decisions through a collective institutional framework.

For Punjab, the post-GST period illustrates a broader feature of contemporary federalism: states remain constitutionally important but increasingly participate in shared national regulatory and fiscal institutions. This makes consultation and consensus-building more important.

4.5 Governor–Government Conflict Created a Constitutional Dimension

The relationship between Punjab's elected government and the Governor became an important constitutional issue after 2022.

Disputes concerning legislative sessions and pending bills ultimately resulted in judicial intervention.

In *State of Punjab v. Principal Secretary to the Governor of Punjab* (2023), the Supreme Court addressed the Governor's constitutional responsibilities. The judgment emphasised that the Governor is a constitutional head rather than a parallel political authority and highlighted the need to respect the functioning of an elected legislature (Supreme Court of India, 2023).

This case is significant because it moved Centre–Punjab tensions beyond ordinary political disagreements into questions concerning constitutional institutions.

The controversy also reflects a broader national debate concerning Governors in opposition-ruled states. The Sarkaria

Commission (1988) and Punchhi Commission (2010) had previously stressed the importance of neutrality and constitutional propriety in the Governor's office.

4.6 Punjab's Agricultural Importance Continues to Shape the Relationship

Despite economic diversification, agriculture remains fundamental to Punjab's relationship with the Centre.

Punjab's agricultural model developed around wheat-rice cultivation, MSP, procurement and public food distribution. As a result, changes in national agricultural policies have disproportionately significant consequences for Punjab.

The farmers' protests demonstrated that agricultural reform cannot be separated from the historical institutional relationship between Punjab's farmers and central procurement policies.

Future Centre–Punjab relations are therefore likely to remain influenced by questions including:

- MSP;
- procurement;
- crop diversification;
- agricultural marketing;
- groundwater depletion;
- agricultural subsidies;
- food security; and
- farmers' income.

Greater consultation between the Union Government, Punjab Government, agricultural experts and farmer organisations could reduce future conflict.

4.7 Overall Change in Centre–Punjab Relations

The overall findings can be summarised as follows:

Period	Political Situation	Nature of Relationship
2014–2017	SAD-BJP in Punjab; BJP-led NDA at Centre	Relatively cooperative
2017–2020	Congress in Punjab; BJP at Centre	Increasing political differences
2020–2021	Farm-law protests	Strong confrontation
2022–2024	AAP in Punjab; BJP at Centre	Competitive federalism

2023 onwards	Governor disputes, fiscal and agricultural issues	Increasing constitutional and fiscal contestation
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Therefore, the relationship has not simply changed from “good” to “bad.” Rather, its **basis has changed**. Party-based coordination has weakened while institutional, judicial, fiscal and policy negotiations have become increasingly important.

5. Conclusion

The study concludes that Centre–Punjab relations have undergone a significant transformation since 2014. The relationship initially benefited from political alignment because the SAD-BJP coalition governed Punjab while the BJP led the Union Government. The Congress victory in Punjab in 2017 introduced a period of greater political divergence, while the farm-law controversy of 2020–21 represented a major turning point.

The farmers' movement demonstrated the importance of agriculture not only to Punjab's economy but also to its political relationship with the Union Government. The eventual repeal of the three farm laws showed that large-scale national reforms affecting state-level interests require extensive consultation, public legitimacy and institutional coordination.

The introduction of GST represents another important change. It has increased the institutional interdependence of the Union and states while simultaneously creating debates regarding fiscal autonomy. Punjab's fiscal deficits, debt burden, declining grants and dependence on tax devolution mean that financial relations with the Centre will remain an important area of negotiation.

The Governor–Punjab Government dispute after 2022 added a constitutional dimension to the relationship. The Supreme Court's 2023 judgment reinforced the principle that constitutional authorities must respect representative government and the functioning of elected legislatures.

Overall, Centre–Punjab relations since 2014 demonstrate a transition from **party-mediated cooperation towards competitive, fiscal and constitutional federalism**. This should not necessarily be interpreted as a failure of federalism. Political disagreement is inherent in a diverse federation. Problems arise when political competition prevents consultation or produces institutional deadlock.

A sustainable Centre–Punjab relationship therefore requires stronger cooperative federalism. Regular consultation on agricultural reforms, predictable fiscal transfers, greater transparency concerning centrally sponsored funds, respect for the constitutional responsibilities of state institutions and effective use of intergovernmental forums can reduce confrontation. Punjab's agricultural, economic and strategic significance makes constructive cooperation particularly important. The future of Centre–Punjab relations should therefore be based not on political alignment between ruling parties but on

institutional dialogue, constitutional respect and recognition of legitimate national as well as regional interests.

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