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Federalism in India: Centre-State Relations and Emerging Challenges

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ABSTRACT: Federalism is an essential feature of the Indian political system. It provides a constitutional framework for the distribution of powers and responsibilities between the Union Government and State Governments. The Indian Constitution establishes a federal structure with a relatively strong Centre to maintain national unity, political stability and administrative coordination. Since independence, Centre-State relations have undergone significant changes due to political developments, economic reforms, regional aspirations, coalition politics, judicial interventions and changing governance requirements. The emergence of coalition governments, economic liberalisation, the introduction of the Goods and Services Tax (GST), and the growing importance of cooperative and competitive federalism have further transformed the federal system. However, issues relating to financial autonomy, the role of Governors, the use of central agencies, centrally sponsored schemes, inter-state disputes and the distribution of resources continue to create challenges. This paper examines the constitutional foundations of Indian federalism, the evolution of Centre-State relations, major institutional mechanisms and emerging challenges. It also suggests measures to strengthen cooperative federalism, democratic accountability and constitutional balance in India.

KEYWORDS: Indian Federalism, Centre-State Relations, Cooperative Federalism, Fiscal Federalism, Constitution, GST, State Autonomy, Governance.

I. INTRODUCTION

Federalism is a system of government in which constitutional powers are divided between two or more levels of government. It enables different territorial units to exercise authority within their respective jurisdictions while remaining part of a single political system. In a country as large and diverse as India, federalism plays a significant role in maintaining national unity, accommodating regional aspirations and promoting democratic participation.

The Indian Constitution establishes a federal system by distributing legislative, administrative and financial powers between the Union and the States. However, the Constitution also provides certain unitary features that strengthen the position of the Union Government, particularly during emergencies and in matters of national importance. Consequently, Indian federalism is frequently described as a federal system with a strong Centre or as a system combining federal and unitary characteristics.

The constitutional framework attempts to maintain a balance between national interests and regional autonomy. The Union Government is responsible for matters such as defence, foreign affairs and national economic coordination, whereas State Governments play an important role in areas such as public order, public health, agriculture and local administration, subject to the constitutional distribution of powers.

Over time, Centre-State relations have become more complex. Political competition, regional parties, economic inequalities, demands for greater financial resources and differences over policy implementation have influenced the functioning of Indian federalism. Therefore, understanding the relationship between the Union and State Governments is essential for analysing India's democratic and administrative system.

II. OBJECTIVES OF THE STUDY

The major objectives of the present study are:

1. To examine the constitutional foundations of federalism in India.
2. To analyse the distribution of legislative, administrative and financial powers between the Centre and the States.
3. To study the evolution of Centre-State relations after independence.

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4. To examine the role of cooperative and competitive federalism in Indian governance.
5. To identify emerging challenges affecting Centre-State relations.
6. To suggest measures for strengthening the federal structure and democratic governance.

III. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature. It is primarily based on secondary sources of information, including the Constitution of India, books on Indian Political System, academic publications, government reports, policy documents and relevant judicial decisions. Constitutional provisions and institutional arrangements have been examined to understand the changing nature of Centre-State relations. The study does not claim to be based on primary field surveys or original statistical data.

IV. CONSTITUTIONAL FOUNDATIONS OF INDIAN FEDERALISM

The Constitution of India provides the legal and institutional framework for the federal system. Although the word 'federation' is not expressly used to describe the structure of the Union, Article 1 declares India to be a 'Union of States'. The constitutional arrangement establishes two levels of government, each exercising powers within its assigned sphere.

The Supreme Court of India recognises the federal structure as an important feature of the constitutional system. The Constitution distributes legislative powers between Parliament and State Legislatures and provides an integrated judicial system to interpret and enforce constitutional provisions.

4.1 Division of Legislative Powers

Article 246, read with the Seventh Schedule, distributes legislative subjects through three lists:
Union List: It includes subjects of national importance such as defence, foreign affairs, currency, railways and atomic energy. Parliament has exclusive legislative authority over these matters.
State List: It includes subjects such as public order, police, public health, agriculture and local government. State Legislatures generally have authority to make laws on these subjects.
Concurrent List: It includes subjects such as education, forests, labour welfare, marriage and criminal law, on which both Parliament and State Legislatures can legislate. In cases of inconsistency, Article 254 generally gives precedence to parliamentary legislation, subject to the constitutional provisions and exceptions.
This division aims to provide functional autonomy to both levels of government while maintaining national coordination.

4.2 Administrative Relations

Articles 256 to 263 deal with important aspects of administrative relations between the Union and States. State Governments are required to exercise their executive powers in a manner that ensures compliance with parliamentary laws. The Union may issue directions in specified constitutional circumstances.
Article 263 provides for the establishment of an Inter-State Council to facilitate coordination and discussion on matters of common interest. These provisions demonstrate that federalism requires both autonomy and cooperation.

4.3 Financial Relations

Financial relations are essential for the effective functioning of federalism. Articles 268 to 293 deal with various aspects of financial relations between the Union and States. Article 280 provides for the establishment of a Finance Commission, which recommends the distribution of tax revenues and grants-in-aid between the Union and States.
The financial structure seeks to reduce regional inequalities and provide States with resources to fulfil their constitutional responsibilities. However, differences between the expenditure responsibilities and revenue-raising capacities of different levels of government remain an important issue.

V. EVOLUTION OF CENTRE-STATE RELATIONS IN INDIA

Centre-State relations in India have changed considerably since independence. Their development can broadly be understood through different political and economic phases.

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5.1 Dominance of the Congress System

During the initial decades after independence, the same political party governed the Union and most States. This political arrangement facilitated coordination between the two levels of government. However, the dominance of the Union Government also influenced the practical exercise of State autonomy.

5.2 Rise of Regional Parties and Coalition Politics

From the late 1960s onwards, regional political parties became increasingly influential in several States. The emergence of non-Congress governments and coalition politics at the national level changed the nature of Centre-State relations. State Governments began to articulate regional interests more actively and demanded greater autonomy in administrative and financial matters.

Coalition governments also created opportunities for regional parties to participate in national policymaking. As a result, Centre-State relations increasingly became a subject of political negotiation and institutional consultation.

5.3 Economic Liberalisation and Changing Federal Relations

The economic reforms introduced in 1991 transformed India's economic and administrative environment. States acquired greater importance in attracting investment, developing infrastructure, improving industrial facilities and promoting economic growth.

The growing role of State Governments in economic development contributed to the emergence of competitive federalism. States began to compete in areas such as investment promotion, industrial development, tourism, infrastructure and human resource development.

5.4 Contemporary Phase

In recent years, the concepts of cooperative and competitive federalism have become important features of Indian governance. Institutions such as NITI Aayog and the GST Council provide platforms for consultation and policy coordination. At the same time, debates over fiscal transfers, the role of Governors, centrally sponsored schemes and State autonomy continue to influence Centre-State relations.

VI. COOPERATIVE FEDERALISM IN INDIA

Cooperative federalism refers to a system in which different levels of government work together to address common problems and achieve shared development objectives. It recognises that many policy challenges cannot be effectively managed by the Union or State Governments independently.

India requires cooperation between the Union and States in areas such as public health, education, infrastructure, environmental protection, disaster management, poverty reduction and economic development.

6.1 NITI Aayog

NITI Aayog was established in 2015 to promote cooperative federalism and provide a platform for interaction between the Union and State Governments. Its Governing Council includes the Chief Ministers of States and representatives of Union Territories. It provides opportunities for discussing development priorities, sharing policy experiences and coordinating national initiatives.

6.2 GST Council

The Goods and Services Tax Council is an important institutional example of cooperative federalism. It was established under Article 279A through the Constitution (One Hundred and First Amendment) Act, 2016. The Council includes representatives of the Union and State Governments and makes recommendations on important GST-related matters.

The GST framework requires continuous consultation because taxation decisions have implications for both Union and State revenues. It also demonstrates how constitutional institutions can facilitate joint decision-making.

6.3 Inter-State Council and Zonal Councils

The Inter-State Council provides a constitutional mechanism for discussing issues of common interest between the Union and States. Zonal Councils, established under the States Reorganisation Act, 1956, provide regional platforms for cooperation on matters such as inter-state disputes, economic development, transport and security.

These institutions can contribute to the peaceful resolution of disputes and strengthen administrative coordination.

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VII. FISCAL FEDERALISM AND FINANCIAL RELATIONS

Fiscal federalism concerns the distribution of revenue-raising powers and expenditure responsibilities among different levels of government. In India, the Union Government generally has access to important sources of revenue, while State Governments carry substantial responsibilities for delivering public services.

The Finance Commission plays a central role in recommending the distribution of tax revenues and grants-in-aid. Its recommendations are intended to promote financial balance and address differences in the fiscal capacities of States.

However, several issues have emerged in recent years. State Governments have raised concerns about the predictability and adequacy of financial transfers, the role of cesses and surcharges, and their flexibility in determining expenditure priorities. Centrally Sponsored Schemes also involve financial contributions and implementation responsibilities from both levels of government.

The introduction of GST has brought significant changes to the taxation structure. Although it has created a common indirect tax framework, it has also made regular consultation between the Union and States important for maintaining fiscal balance. The challenge is to combine a coordinated national taxation system with adequate financial flexibility for States.

VIII. EMERGING CHALLENGES IN CENTRE-STATE RELATIONS

Despite constitutional safeguards and institutional mechanisms, Indian federalism faces several challenges.

8.1 Centralisation of Power

One major concern is the increasing centralisation of certain policy and administrative decisions. State Governments sometimes express concerns that their autonomy is affected by centrally designed schemes, administrative directions and policy conditions. Excessive centralisation may reduce the flexibility of States to address region-specific requirements.
A balanced federal system requires the Union to exercise its constitutional responsibilities while respecting the legitimate powers of State Governments.

8.2 Role of Governors

The office of Governor is an important constitutional link between the Union and State Governments. Governors are appointed by the President under Article 155 and hold office subject to the constitutional provisions.
However, disagreements have periodically arisen over the role of Governors in government formation, summoning legislative assemblies, reserving Bills for the consideration of the President and giving assent to Bills. Delays or controversies in these matters may create institutional tensions.
Constitutional conventions, transparency and timely decision-making are necessary to ensure that the office functions in accordance with its constitutional responsibilities.

8.3 Use of Article 356

Article 356 provides for President's Rule in a State in situations where the government of the State cannot be carried on in accordance with the Constitution. Although this provision is intended to address constitutional breakdown, its historical use has generated debates about federal autonomy.
The Supreme Court's judgment in *S.R. Bommai v. Union of India* (1994) placed important limitations on the arbitrary use of Article 356 and strengthened the principle of constitutional federalism. The judgment remains a significant reference point in discussions on Centre-State relations.

8.4 Financial Dependence of States

Many States depend significantly on transfers from the Union Government to meet their expenditure requirements. Differences in revenue-generating capacity and development needs create financial inequalities.
Concerns relating to tax devolution, grants, cesses, surcharges and borrowing limits are important dimensions of fiscal federalism. A sustainable federal system requires predictable financial arrangements and adequate resources for States to perform their assigned functions.

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8.5 Inter-State Disputes

Inter-state disputes relating to river water, territorial boundaries, transport and natural resources create difficulties in Centre-State and inter-state relations. River-water disputes are particularly significant because they involve agriculture, drinking water, industry and environmental sustainability.

The resolution of such disputes requires constitutional procedures, negotiation, scientific assessment and effective institutional mechanisms.

8.6 Centrally Sponsored Schemes

Centrally Sponsored Schemes are designed to achieve national development objectives through cooperation between the Union and State Governments. However, States may differ in their geographical, economic and social conditions. Uniform programme guidelines may not always reflect local requirements.

Greater flexibility in implementation and adequate consultation with State Governments can improve the effectiveness of these schemes.

8.7 Regional and Political Differences

India is characterised by considerable linguistic, cultural, economic and political diversity. Regional parties and State Governments often articulate demands related to language, identity, development priorities and resource allocation.

Differences in political ideology between the Union and State Governments may also influence administrative coordination. Such differences are a normal feature of democratic politics, but they require dialogue and respect for constitutional boundaries.

8.8 Environmental and Disaster Management Issues

Environmental challenges such as river pollution, deforestation, climate change, water scarcity and natural disasters often extend beyond State boundaries. Their management requires cooperation between different levels of government.

Disaster management, public health emergencies and environmental protection demonstrate the importance of shared responsibility and coordinated planning.

IX. RECOMMENDATIONS FOR STRENGTHENING INDIAN FEDERALISM

The following measures may help improve Centre-State relations and strengthen the federal structure:

1. **Strengthening Institutional Dialogue:** The Inter-State Council should meet regularly and provide an effective platform for discussing constitutional, administrative and economic issues.
2. **Respecting State Autonomy:** The Union and States should exercise their powers within their constitutionally assigned jurisdictions. Policy decisions affecting States should involve meaningful consultation.
3. **Improving Fiscal Federalism:** Financial transfers should be transparent, predictable and based on objective criteria. States should have adequate resources to discharge their constitutional responsibilities.
4. **Reforming the Office of Governor:** Constitutional conventions relating to the appointment, functioning and decision-making responsibilities of Governors should be followed consistently.
5. **Strengthening the GST Council:** Regular consultation and constructive discussion should be encouraged to address taxation-related concerns and maintain trust between the Union and States.
6. **Promoting Cooperative Development:** National development programmes should provide sufficient flexibility to States to adapt implementation according to local conditions.
7. **Resolving Inter-State Disputes:** Institutional mechanisms for resolving disputes relating to rivers, boundaries and natural resources should be made more effective.
8. **Encouraging Competitive Federalism:** Healthy competition among States in education, health, infrastructure, investment and public service delivery should be encouraged without compromising regional equality.
9. **Implementing Commission Recommendations:** Recommendations of the Sarkaria Commission and Punchhi Commission should receive systematic consideration to improve constitutional and administrative coordination.
10. **Promoting Democratic Accountability:** Both Union and State Governments should remain accountable to their respective legislatures and citizens while maintaining constitutional cooperation.

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X. MAJOR FINDINGS

The study highlights that Indian federalism is a dynamic constitutional arrangement combining federal autonomy with the need for national coordination. The Constitution provides a detailed division of legislative, administrative and financial powers between the Union and States.

The nature of Centre-State relations has changed with the growth of regional parties, coalition politics, economic liberalisation and institutional reforms. Cooperative federalism has become increasingly important in areas such as taxation, infrastructure, public health and development planning.

At the same time, challenges relating to fiscal autonomy, the role of Governors, centralisation, inter-state disputes and implementation of centrally sponsored schemes continue to influence federal relations. The effectiveness of Indian federalism therefore depends not only on constitutional provisions but also on democratic conventions, institutional trust and political cooperation.

XI. CONCLUSION

Federalism is one of the fundamental principles underlying India's constitutional and democratic framework. It provides a mechanism for balancing national unity with regional diversity and ensures that governance is shared between the Union and State Governments. The Indian model of federalism has evolved in response to political, economic and social changes since independence.

The changing political environment, the growth of regional aspirations, economic reforms and new governance challenges have increased the importance of cooperative federalism. Institutions such as the Finance Commission, GST Council, NITI Aayog, Inter-State Council and Zonal Councils provide important platforms for coordination and consultation.

Nevertheless, the effectiveness of these institutions depends on mutual trust, constitutional restraint and respect for the autonomy of different levels of government. Financial arrangements must be transparent, administrative disputes should be resolved through dialogue, and constitutional offices must function according to established principles.

In conclusion, the future of Indian federalism depends on achieving a constructive balance between a strong Union and empowered States. Neither excessive centralisation nor uncoordinated regionalism can adequately address the complex requirements of a diverse country. A cooperative, inclusive and constitutionally balanced federal system is essential for democratic stability, equitable development and effective governance in India.

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