

JOURNAL OF LEGAL STUDIES,
POLITICS AND ECONOMICS RESEARCH

An Internationally Indexed Peer Reviewed & Refereed Journal

www.JLPER.com

Published by iSaRa Solutions

Federalism and Centre-State Relations in Contemporary India

Ramesh Tripathi

Guest Faculty

Abstract

Federalism is one of the most important features of the Indian constitutional system. India has a diverse population, different languages, cultures, religions, geographical conditions and economic needs. In such a country, the distribution of powers between the Union and the States is essential for maintaining unity while allowing regional governments to address local concerns. The Constitution of India establishes a federal structure with a strong Union government, creating a system that is often described as federal with unitary features.

Centre-State relations have changed considerably since independence. In the early decades, political dominance of a single party at both the Union and State levels often resulted in relatively centralised decision-making. The emergence of regional parties, coalition governments, economic liberalisation, judicial decisions and institutions such as the Goods and Services Tax Council have gradually transformed the nature of Indian federalism. Today, cooperation as well as political disagreements between the Centre and States can be seen in areas such as taxation, finance, law and order, welfare schemes, use of central agencies and the role of Governors.

This research paper examines the constitutional framework of Indian federalism, the major dimensions of Centre-State relations, contemporary challenges and the importance of cooperative and competitive federalism. It argues that a strong Union is necessary for national unity, but effective federalism also requires respect for State autonomy, fiscal fairness, institutional dialogue and constitutional cooperation.

Keywords: Federalism, Centre-State Relations, Indian Constitution, Cooperative Federalism, Fiscal Federalism, State Autonomy, Union Government, Regional Parties

1. Introduction

Federalism refers to a system of government in which powers are constitutionally divided between different levels of government. The objective is to combine national unity with regional autonomy. In a federal country, the central government and regional governments operate within their respective constitutional spheres.

India presents a distinctive model of federalism. The Constitution does not describe India as a federation in the traditional sense. Article 1 declares that "India, that is Bharat, shall be a Union of States." At the same time, the Constitution provides for the distribution of legislative, administrative and financial powers between the Union and the States.

The Indian model developed in response to the country's unique historical and social conditions. At the time of independence, India faced challenges such as partition, communal tensions,

economic difficulties, linguistic diversity and the integration of princely states. The Constitution-makers therefore considered a strong Union government necessary for maintaining national unity.

However, a strong Centre does not mean that States have no independent role. States are essential for implementing public policies and providing services such as health, education, agriculture, local infrastructure and public order. The success of Indian democracy therefore depends significantly on a healthy relationship between the Union and State governments.

In contemporary India, Centre-State relations have become more complex. Political competition, regional parties, fiscal disputes, differences over centrally sponsored schemes, the role of Governors and debates over the distribution of financial resources have all influenced the federal relationship.

2. Meaning and Importance of Federalism

Federalism is based on the principle that governmental authority should not be concentrated entirely in one institution. Instead, constitutional powers are distributed between different levels of government.

The main features of federalism include:

- Constitutional division of powers
- Existence of different levels of government
- Supremacy of the Constitution
- Independent judiciary
- Financial arrangements between different levels of government
- Representation of regional interests
- Constitutional protection of the powers of different governments

Federalism is particularly important in a diverse country like India. States differ considerably in terms of language, culture, economic development, geography and political priorities. A decentralised system allows regional governments to respond to these differences.

At the same time, excessive regionalisation can create difficulties in maintaining national standards and coordinated policies. Indian federalism therefore attempts to balance regional autonomy with national unity.

3. Constitutional Framework of Indian Federalism

The Constitution provides the basic structure for Centre-State relations. Several constitutional provisions determine how legislative, administrative and financial responsibilities are distributed.

3.1 Distribution of Legislative Powers

The Seventh Schedule of the Constitution divides legislative subjects into three lists:

Union List: Subjects on which Parliament has exclusive legislative authority, such as defence, foreign affairs, atomic energy and currency.

State List: Subjects primarily under the legislative authority of State governments, such as public order, police, public health and agriculture, subject to constitutional limitations.

Concurrent List: Subjects on which both Parliament and State Legislatures can make laws, including education, forests, marriage and criminal law.

The Constitution also provides that Parliament has residuary legislative powers, meaning that subjects not included in the three lists generally fall within Parliament's authority.

3.2 Supremacy of the Constitution

Both the Union and State governments derive their authority from the Constitution. Neither level of government is legally superior in all areas. The Constitution determines the boundaries of their respective powers.

3.3 Independent Judiciary

The judiciary plays an important role in resolving disputes between the Union and States. The Supreme Court has original jurisdiction in certain disputes involving governments and can also review whether legislation and executive actions comply with the Constitution.

3.4 Emergency Provisions

The Constitution provides emergency provisions under which the Union can exercise greater authority in exceptional circumstances. While these provisions were designed to protect national integrity and constitutional governance, their use has historically generated debates about State autonomy.

4. Legislative Relations Between the Centre and States

Legislative relations concern the distribution and exercise of law-making powers.

Under normal circumstances, Parliament legislates on subjects in the Union List while State Legislatures legislate on subjects in the State List. However, the Constitution contains circumstances in which Parliament can legislate on matters in the State List.

For example, Parliament can legislate on State List subjects under certain constitutional provisions when national interest requires it, during a national emergency, or when two or more States request Parliament to legislate on a particular matter.

The Concurrent List creates another area of interaction. Both Parliament and State Legislatures can make laws on subjects within this list. In cases of conflict between a valid parliamentary law and a State law, the Constitution generally gives precedence to the parliamentary law, subject to constitutional provisions.

This arrangement demonstrates an important characteristic of Indian federalism: State powers exist within a constitutional framework in which the Union has significant authority.

5. Administrative Relations

Administrative relations refer to the way the Union and State governments coordinate the implementation of laws and policies.

The Constitution establishes mechanisms through which the Union can provide directions to States in certain circumstances. States also implement many national programmes and policies.

This relationship requires continuous coordination. For example, issues such as disaster management, public health, environmental protection, infrastructure and internal security often require cooperation between different levels of government.

The All India Services, particularly the Indian Administrative Service and Indian Police Service, also represent an important link between the Union and States. Officers belonging to these

services work in both State and Union administrations, creating administrative connections between the two levels.

However, administrative coordination can sometimes become a source of disagreement when States believe that the Union is interfering excessively in matters falling within their jurisdiction.

6. Financial Relations Between Centre and States

Financial federalism is one of the most important aspects of Centre-State relations.

States have major responsibilities for public services, but their revenue-raising capacity does not always match their expenditure responsibilities. This creates a need for financial transfers from the Union to the States.

The Constitution provides several mechanisms for financial distribution.

6.1 Finance Commission

The Finance Commission is a constitutional body established under Article 280. It recommends the distribution of certain tax revenues between the Union and States and principles governing grants-in-aid.

The Finance Commission is important for ensuring a degree of financial balance between different levels of government.

6.2 Goods and Services Tax

The introduction of the Goods and Services Tax transformed India's indirect tax system. GST created a common taxation framework involving both the Union and States.

The GST Council provides a constitutional forum where representatives of the Union and States participate in decisions concerning GST.

The Council represents an important example of cooperative federalism because tax policy requires discussion and coordination between different governments.

6.3 Grants and Centrally Sponsored Schemes

The Union government provides financial assistance to States through various grants and centrally sponsored schemes. Such programmes can help States improve public services and infrastructure.

However, disagreements can arise when States argue that the conditions attached to central funding limit their ability to determine their own priorities.

7. Role of the Governor in Centre-State Relations

The Governor occupies a unique constitutional position. The Governor is appointed by the President and serves as the constitutional head of the State.

The office of the Governor has occasionally become controversial in Centre-State relations, particularly when the Union and State governments are controlled by different political parties.

Questions may arise concerning:

- Government formation after elections
- Summoning and proroguing the State Legislature
- Assent to Bills
- Reservation of Bills for the consideration of the President
- Constitutional breakdown

- Floor tests and majority determination

The Governor is expected to act as a constitutional authority rather than as a representative of the political interests of the Union government.

Maintaining neutrality in the functioning of the office is therefore important for strengthening trust between the Centre and States.

8. Evolution of Centre-State Relations in India

Centre-State relations have changed significantly over different periods of Indian political history.

8.1 Early Phase of Indian Federalism

During the first few decades after independence, one political party had a dominant position at both Union and State levels. This resulted in relatively strong coordination between the Centre and States.

However, the Union government exercised considerable influence over State politics during this period.

8.2 Rise of Regional Parties

From the late twentieth century, regional political parties became increasingly influential. They raised issues relating to regional identity, language, economic development and State autonomy. The growth of regional parties changed Indian federal politics because national governments increasingly needed the support of regional parties.

8.3 Coalition Era

The coalition era strengthened the bargaining power of States and regional political parties. National governments often depended on alliances involving regional parties.

This encouraged greater consultation between the Union and State governments and contributed to the development of a more negotiated form of federalism.

8.4 Contemporary Period

In recent years, India has witnessed a combination of strong Union leadership and politically diverse States. Some States are governed by parties different from the party leading the Union government.

As a result, Centre-State relations can involve both cooperation and political competition.

9. Cooperative Federalism

Cooperative federalism refers to a system in which different levels of government work together to achieve common objectives.

In India, cooperation is particularly necessary in areas such as:

- Economic development
- Public health
- Education
- Infrastructure
- Environmental protection
- Disaster management
- Poverty reduction

- Digital governance

Institutions such as the GST Council, Inter-State Council and NITI Aayog provide platforms for consultation and coordination.

Cooperative federalism does not require the Union and States to agree on every issue. Rather, it requires them to resolve disagreements through constitutional and institutional dialogue.

10. Competitive Federalism

Along with cooperation, Indian States also compete with one another for investment, infrastructure, industries, skilled workers and economic opportunities.

This is known as competitive federalism.

Competition between States can encourage governments to improve:

- Ease of doing business
- Infrastructure
- Public services
- Skill development
- Industrial policies
- Digital services
- Investment opportunities

Healthy competition can improve governance. However, competition should not result in excessive inequality between States. States with weaker economic resources may require additional financial support to provide comparable public services.

Therefore, competitive federalism should ideally operate alongside cooperative federalism.

11. Major Contemporary Challenges

11.1 Political Differences

When different political parties control the Union and State governments, disagreements can become more intense. Political competition may sometimes affect institutional cooperation.

11.2 Fiscal Imbalance

States often argue that they have significant expenditure responsibilities but limited revenue sources. Questions concerning tax devolution, grants and financial assistance remain important aspects of Centre-State relations.

11.3 Role of Governors

The actions of Governors have periodically generated debates about political neutrality and constitutional propriety.

11.4 Centrally Sponsored Schemes

States may benefit from centrally sponsored programmes but may also argue that excessive conditions attached to such schemes restrict State-level policy choices.

11.5 Use of Central Agencies

The investigation and enforcement powers of central agencies can become politically sensitive when State governments perceive their use as politically motivated. Such disagreements can create tension between different levels of government.

11.6 Inter-State Disputes

Disputes between States over water, boundaries and resources can affect federal relations. Such disputes demonstrate the need for effective constitutional and institutional mechanisms for conflict resolution.

11.7 Regional Inequalities

India has significant differences in economic development among States. Unequal financial and economic capacities can make the federal relationship more complicated.

12. Judiciary and Federalism

The judiciary has played a major role in protecting the constitutional balance between the Union and States.

One of the most significant decisions is **S.R. Bommai v. Union of India (1994)**. The Supreme Court placed important limitations on the arbitrary use of Article 356 and emphasised constitutional principles concerning federalism.

The judgment strengthened the principle that State governments cannot be dismissed merely for political reasons and that constitutional mechanisms must be used according to law.

The judiciary has also interpreted the Constitution in a way that seeks to maintain a balance between national interests and State autonomy.

The courts therefore act as an important constitutional safeguard in Centre-State relations.

13. Role of the Inter-State Council

The Inter-State Council was established under Article 263 to promote coordination between the Union and States and among States.

It can provide a platform for discussion on issues affecting more than one government. Such institutional mechanisms are important because federal disagreements cannot always be resolved through political negotiations alone.

Regular meetings and meaningful consultation can help build trust and reduce unnecessary conflict.

14. Need for Stronger Cooperative Federalism

India requires a federal structure that is strong enough to protect national unity but flexible enough to respect regional diversity.

Several steps can strengthen cooperative federalism:

1. **Regular consultation between the Union and States** on major policy decisions.
2. **Greater transparency in financial transfers** and fiscal arrangements.
3. **Strengthening the Inter-State Council** as a forum for dialogue.
4. **Maintaining political neutrality in constitutional offices**, particularly the office of the Governor.
5. **Greater flexibility in centrally sponsored schemes** according to State-specific requirements.
6. **Improving dispute-resolution mechanisms** for inter-State conflicts.
7. **Encouraging evidence-based policy competition** between States.

8. **Strengthening local governments** so that federalism extends effectively to the grassroots.
9. **Promoting cooperative approaches to national challenges** such as climate change, public health and disaster management.

15. Local Governments and the Third Tier of Federalism

Federalism in India should not be understood only as a relationship between the Union and States. The 73rd and 74th Constitutional Amendments strengthened Panchayati Raj Institutions and Urban Local Bodies.

Local governments are closer to citizens and are responsible for many everyday issues such as sanitation, local roads, water supply and community development.

Effective decentralisation therefore requires adequate financial resources, administrative capacity and decision-making powers for local governments.

A stronger third tier can make Indian democracy more participatory and improve the delivery of public services.

16. Future of Centre-State Relations

The future of Indian federalism will depend on how effectively the Union and States respond to emerging challenges.

Issues such as climate change, artificial intelligence, cybersecurity, digital governance, public health, migration, urbanisation and economic inequality cannot be addressed by one level of government alone.

The increasing importance of technology also requires coordination between different governments. Digital public infrastructure, data governance and cybersecurity require common national standards while also allowing States to respond to their specific needs.

India's federal system must therefore become more collaborative, flexible and responsive.

17. Suggestions and Recommendations

The following measures can improve Centre-State relations in contemporary India:

17.1 Strengthen Institutional Dialogue

Bodies such as the Inter-State Council should be used more effectively for resolving disagreements and developing common policies.

17.2 Protect Fiscal Autonomy

States should have sufficient financial resources to perform their constitutional responsibilities. Financial arrangements should maintain both national priorities and regional flexibility.

17.3 Ensure Constitutional Neutrality

Constitutional offices should function according to constitutional principles rather than political considerations.

17.4 Encourage Policy Innovation

States should be encouraged to experiment with innovative approaches to governance while sharing successful practices with other States.

17.5 Improve Centre-State Coordination

Regular consultation should take place before major policies affecting State responsibilities are introduced.

17.6 Strengthen Local Democracy

States and the Union should work together to provide local governments with adequate financial and administrative capacity.

17.7 Develop Cooperative Solutions

National challenges should be approached through consultation rather than unilateral decision-making whenever constitutional and practical circumstances permit.

18. Conclusion

Federalism is central to India's democratic and constitutional structure. It allows the country to maintain national unity while recognising its enormous regional diversity. The Indian model of federalism is distinctive because it combines federal principles with a strong Union.

Centre-State relations have evolved significantly since independence. The rise of regional parties, coalition governments, economic reforms, judicial interventions and new institutions has changed the nature of Indian federalism. Today, the relationship involves both cooperation and competition.

Contemporary disagreements concerning financial resources, Governors, centrally sponsored schemes, central agencies and legislative powers demonstrate that federalism remains an active and evolving process. Such disagreements are not necessarily harmful to democracy. In a healthy federal system, differences are natural. The real concern is whether those differences are resolved through constitutional mechanisms, dialogue and mutual respect.

India's future development requires effective cooperation between the Union and States. No single level of government can independently address the country's complex economic, social, environmental and technological challenges.

The strength of Indian federalism will ultimately depend on maintaining a balance between national unity and State autonomy. A strong Centre is important for protecting national interests, but strong and empowered States are equally important for effective governance. Cooperative federalism, fiscal fairness, institutional dialogue and constitutional respect can help India build a federal system that is both stable and responsive.

In conclusion, Indian federalism should not be viewed as a fixed arrangement between the Centre and States. It is a continuous process of negotiation, cooperation and constitutional adjustment. The success of this process will play a major role in determining the quality of Indian democracy and governance in the years ahead.

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