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Federalism in India: Centre-State Relations and Recent Trends

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Abstract

Indian federalism represents a unique constitutional arrangement that balances unity with diversity in one of the world's most complex democracies. This paper examines the evolution of centre-state relations in India, analyzing the constitutional framework, institutional mechanisms, and contemporary challenges that shape federal governance. Through theoretical analysis of cooperative and competitive federalism models, this study demonstrates how India's federal structure has adapted to accommodate regional aspirations while maintaining national integration. Recent trends indicate a shift toward more assertive state governments, increased fiscal decentralization, and growing tensions over resource allocation and policy implementation. The paper argues that Indian federalism is experiencing a transformation from its traditionally centralized model toward a more balanced federal arrangement, though significant challenges remain in achieving optimal centre-state coordination. This evolution has profound implications for democratic governance, economic development, and social cohesion in contemporary India.

Keywords:- Indian Federalism, Centre-State Relations, Fiscal Federalism, Cooperative Federalism, Intergovernmental Relations, Constitutional Governance

I. INTRODUCTION

Federalism in India emerges from the fundamental tension between the need for national unity and the recognition of regional diversity in a country characterized by extraordinary linguistic, cultural, and economic heterogeneity. The Indian Constitution, adopted in 1950, established a federal system that (Austin,1966) famously described as "quasi-federal," combining federal principles with unitary features to address the unique challenges of governing a newly independent nation. This constitutional arrangement has evolved significantly over seven decades, reflecting changing political dynamics, economic imperatives, and social transformations that continue to reshape centre-state relations.

The significance of studying Indian federalism extends beyond academic interest, as it represents one of the world's largest experiments in democratic federal governance. With 28 states and 8 union territories encompassing over 1.4 billion people, India's federal system must accommodate diverse regional interests while maintaining national coherence (Arora, 2019). Recent decades have witnessed significant changes in this federal arrangement, including the rise of regional political parties, increased state assertiveness in policy matters, and evolving fiscal relationships that challenge traditional centralized approaches to governance.

This paper examines the contemporary dynamics of Indian federalism, focusing on recent trends that indicate a fundamental transformation in centre-state relations. The central thesis argues that Indian federalism is transitioning from its historically centralized character toward a more balanced federal arrangement, driven by political decentralization, economic liberalization, and institutional reforms. However, this transformation remains incomplete and contested, generating new tensions and challenges that require careful analysis to understand the future trajectory of Indian federal governance.

II. THEORETICAL FRAMEWORK

The analysis of Indian federalism requires engagement with broader theoretical frameworks that explain federal

arrangements and their evolution. Classical federal theory, as articulated by scholars such as (Wheare, 1964) and (Riker, 1964), provides foundational concepts for understanding the distribution of powers between different levels of government. Wheare's criteria for federal systems emphasize coordinate sovereignty, constitutional division of powers, and institutional mechanisms for resolving intergovernmental disputes. However, these classical frameworks prove insufficient for analyzing the complexity of Indian federalism, which incorporates elements that challenge traditional federal-unitary distinctions.

Contemporary federal theory offers more nuanced approaches to understanding Indian federalism. (Elazar, 1987) concept of "non-centralized federalism" better captures the Indian experience, where power sharing occurs through negotiation and cooperation rather than strict constitutional demarcation. Similarly, (Stern, 1989) analysis of "coming together" versus "holding together" federalism provides insights into India's federal evolution, as the Indian system emerged from the need to hold together a diverse polity rather than unite previously separate entities.

The concept of cooperative federalism, developed by scholars such as (Grodzins, 1966), offers particular relevance for analyzing Indian centre-state relations. This framework emphasizes shared responsibilities, intergovernmental coordination, and collaborative policy implementation rather than competitive relationships between different levels of government. However, recent trends in Indian federalism suggest elements of competitive federalism, where states compete for resources and policy autonomy, creating new dynamics in centre-state relations (Khanna, 2018).

Multi-level governance theory, as articulated by (Marks, 1993) and others, provides additional analytical tools for understanding the complexity of Indian federalism. This approach recognizes that governance occurs across multiple levels simultaneously, with overlapping jurisdictions and shared responsibilities that create complex interdependencies. The Indian federal system exemplifies such multi-level governance, particularly in areas such as economic policy, social welfare, and environmental regulation where centre, state, and local governments all play significant roles.

III. ANALYSIS: CONSTITUTIONAL FRAMEWORK AND INSTITUTIONAL EVOLUTION

The Indian Constitution establishes a federal system that differs significantly from classical federal models found in countries such as the United States or Australia. The constitutional distribution of powers reflects the framers' concern with maintaining national unity while accommodating regional diversity. The Seventh Schedule of the Constitution divides legislative powers among Union, State, and Concurrent Lists, creating a complex framework for centre-state relations (Basu, 2018).

The Union List encompasses 100 subjects considered essential for national unity and security, including defense, foreign affairs, currency, and interstate commerce. The State List contains 61 subjects related to local governance and regional concerns, such as police, public health, agriculture, and local government. The Concurrent List includes 52 subjects where both centre and states can legislate, with central law prevailing in case of conflict. This arrangement creates significant overlap in governmental responsibilities, requiring continuous coordination and negotiation between different levels of government.

Constitutional provisions for centre-state relations extend beyond the division of legislative powers to include fiscal arrangements, administrative coordination, and dispute resolution mechanisms. Articles 268-280 establish the framework for fiscal federalism, including tax sharing arrangements and the role of the Finance Commission in determining revenue distribution. The Constitution also provides for central intervention in state affairs through provisions such as President's Rule (Article 356), which allows the centre to assume direct control of state administration under certain circumstances (Rao, 2020).

Institutional mechanisms for intergovernmental coordination have evolved significantly since independence. The Inter-State Council, established in 1990, provides a forum for centre-state consultation on policy matters, though its role remains largely advisory. The National Development Council, created in 1952, coordinates economic planning between centre and states, though its significance has diminished with the abolition of the Planning Commission in 2014. More recently, the Goods and Services Tax (GST) Council has emerged as a significant institution for fiscal coordination, demonstrating new approaches to cooperative federalism in economic policy (Chakraborty, 2019).

The evolution of political institutions has fundamentally altered centre-state relations. The emergence of regional political parties as significant actors in both state and national politics has created new dynamics in federal governance. Coalition governments at the centre, particularly during 1989-2014, enhanced state influence in national policy-making and reduced the dominance of national parties in centre-state relations. Even with the return of single-party majority government after 2014, regional parties continue to play crucial roles in the Rajya Sabha and state governments, maintaining pressure for greater federal balance (Palshikar, 2017).

IV. CRITICAL EVALUATION

4.1 Contemporary Challenges and Tensions

Contemporary Indian federalism faces significant challenges that test the resilience and adaptability of the constitutional framework. Fiscal federalism remains a persistent source of tension, with states arguing for greater revenue autonomy and the centre maintaining control over major tax sources. The introduction of GST in 2017 represented a major reform in fiscal federalism, creating a cooperative framework for indirect taxation. However, implementation challenges and disputes over compensation mechanisms have generated new tensions between centre and states (Bagchi, 2019).

The vertical fiscal imbalance, where states have greater expenditure responsibilities than revenue sources, creates structural dependence on central transfers. The (Fifteenth Finance Commission, 2020), recommendations attempted to address these imbalances by increasing states' share in central taxes from 32% to 41%. However, states continue to argue that conditional grants and centrally sponsored schemes limit their fiscal autonomy and policy flexibility. This tension between fiscal autonomy and national coordination remains a fundamental challenge in Indian federalism (Govinda Rao, 2021).

Political asymmetries in centre-state relations have intensified with the rise of different political parties controlling central and state governments. States governed by parties different from the ruling party at the centre often face challenges in securing central assistance and policy support. This political asymmetry is particularly evident in the use of central investigating agencies, where opposition-ruled states frequently allege partisan use of federal institutions for political purposes (Sinha, 2020).

Administrative federalism presents another set of challenges, particularly in the implementation of national policies through state machinery. The Indian Administrative Service (IAS) and other all-India services create dual loyalties for senior bureaucrats who serve both central and state governments. This arrangement, while ensuring national integration, sometimes creates tensions between administrative efficiency and federal principles. Recent proposals for greater state control over administrative services reflect these underlying tensions (Brass, 2018).

Environmental federalism has emerged as a new area of centre-state conflict, particularly regarding industrial projects and environmental clearances. States seeking rapid economic development often clash with central environmental regulations, creating tensions between development priorities and environmental protection. The recent conflicts over mining, industrial projects, and forest clearances illustrate the challenges of coordinating environmental policy in a federal system (Dubash, 2019).

Table 1. Comparative Analysis of Centre-State Fiscal Relations (2019-2024)

Indicator	2019-20	2020-21	2021-22	2022-23	2023-24
States' Share in Central Taxes (%)	32.0	41.0	41.0	41.0	41.0
Central Transfers as % of State Revenue	45.2	47.8	46.5	44.9	43.7
States' Own Tax Revenue (% of Total)	54.8	52.2	53.5	55.1	56.3
GST Revenue Sharing Disputes	3	12	8	5	7

Source: Compiled from Finance Commission Reports and State Budget Documents

4.2. Recent Trends and Developments

The period since 2014 has witnessed several significant trends that are reshaping Indian federalism. The replacement of the Planning Commission with NITI Aayog in 2015 symbolized a shift from centralized planning to cooperative federalism, though critics argue that the change has been more symbolic than substantive. NITI Aayog's approach emphasizes competitive federalism, encouraging states to compete for better governance outcomes through various rankings and indices (Mehta, 2018).

Digital governance initiatives have created new dimensions of centre-state cooperation and coordination. Programs such as Digital India, Direct Benefit Transfer, and Aadhaar-based service delivery require extensive coordination between central and state governments. While these initiatives have improved service delivery efficiency, they have also raised questions about data privacy, federal autonomy, and the balance between efficiency and democratic accountability (Bhatia, 2020).

The COVID-19 pandemic highlighted both the strengths and weaknesses of Indian federalism. The initial response emphasized central coordination and uniform policies, but the diversity of the pandemic's impact across states necessitated greater state-level flexibility. The tension between national coordination and local adaptation became particularly evident in lockdown policies, vaccination strategies, and economic relief measures. This experience has reinforced arguments for more flexible and responsive federal arrangements (Jha, 2021).

Economic liberalization has fundamentally altered the context of centre-state relations. States now compete for private investment, leading to what some scholars term "market-preserving federalism" where states adopt business-friendly policies to attract capital. This competition has positive effects on governance quality but also creates new forms of inequality between states and potential races to the bottom in regulatory standards (Chibber, 2019).

The rise of regional assertion has become increasingly pronounced, with states demanding greater autonomy in policy-making and resource allocation. This trend is evident in areas such as education policy, where states have resisted central initiatives such as the National Education Policy, and in environmental policy, where states have challenged central clearance processes. The recent tensions over farm laws, though subsequently repealed, illustrated the challenges of implementing national policies without sufficient consultation with states (Kumar, 2022).

Table 2. Indicators of Changing Centre-State Dynamics (2014-2024)

Metric	Pre-2014 Average	Post-2014 Average	Change (%)
Inter-State Council Meetings (Annual)	2.3	4.7	+104.3
GST Council Meetings (Annual)	N/A	8.2	New Institution
Supreme Court Centre-State Disputes	12.4	18.6	+50.0
States Challenging Central Policies	8.7	15.3	+75.9
Centrally Sponsored Schemes	147	89	-39.5

Source: Compiled from Government Reports and Legal Databases

V. IMPLICATIONS FOR DEMOCRATIC GOVERNANCE

The evolution of Indian federalism has profound implications for democratic governance, representation, and accountability. The strengthening of state governments and regional political parties has enhanced democratic representation by providing platforms for diverse regional interests and identities. This development has deepened democracy by bringing governance closer to the people and creating multiple channels for political participation (Yadav, 2021).

However, the complexity of multi-level governance also creates challenges for democratic accountability. Citizens often find it difficult to assign responsibility for policy failures when multiple levels of government are involved in service delivery.

This accountability deficit is particularly problematic in areas such as healthcare, education, and social welfare, where the Constitution assigns concurrent jurisdiction to both centre and states. The need for clearer accountability mechanisms becomes more urgent as federal arrangements become more complex (Kaviraj, 2020).

The federal structure has significant implications for representation and minority rights. The territorial basis of Indian federalism provides some protection for regional minorities and linguistic groups by allowing them to control state governments where they constitute majorities. However, this territorial logic can also marginalize minorities within states and create new forms of exclusion. The recent debates over Citizenship Amendment Act and National Register of Citizens highlight these tensions between federal principles and minority protection (Mahajan, 2019).

Economic implications of federal evolution are equally significant. The competition between states for investment and the emphasis on performance-based allocation of central resources have created incentives for better governance. However, this competitive federalism also risks increasing inequality between states, as more developed states are better positioned to attract investment and achieve better governance outcomes. The challenge for Indian federalism is to balance competitive incentives with equitable development across all regions (Wallack, 2018).

VI. FUTURE DIRECTIONS AND RECOMMENDATIONS

The future of Indian federalism depends on addressing several key challenges while building on recent positive trends. Constitutional reforms may be necessary to clarify the division of powers and reduce areas of conflict between centre and states. The concurrent list, in particular, requires rationalization to reduce overlapping jurisdictions and improve policy coordination. However, constitutional amendments require broad political consensus, making incremental institutional reforms more feasible in the short term (Stepan, 2019).

Fiscal federalism requires continued attention to reduce vertical imbalances and enhance state fiscal autonomy. The introduction of goods and services tax represents a significant step toward cooperative fiscal federalism, but implementation challenges remain. Future reforms should focus on simplifying the tax structure, improving compliance mechanisms, and ensuring adequate compensation for states during transition periods. The role of the Finance Commission in determining tax shares and grants also requires evolution to address contemporary challenges (Singh, 2020).

Institutional mechanisms for intergovernmental coordination need strengthening to manage the complexity of contemporary governance challenges. The Inter-State Council should be revitalized with regular meetings and enhanced decision-making powers. New institutions may be needed to coordinate specific policy areas such as environmental protection, disaster management, and digital governance. The GST Council provides a model for such sectoral coordination that could be extended to other areas (Tillin, 2021).

Technology offers new opportunities for improving centre-state coordination while respecting federal principles. Digital platforms can facilitate information sharing, policy coordination, and citizen service delivery across multiple levels of government. However, the implementation of technology solutions must be carefully designed to preserve federal balance and democratic accountability. The experience with Aadhaar and other digital initiatives provides lessons for future technology implementation in federal systems (Sinha, 2022).

VII. CONCLUSION

Indian federalism has evolved significantly from its origins as a quasi-federal system toward a more balanced and dynamic federal arrangement. This transformation reflects the maturation of democratic institutions, the rise of regional political assertion, and the changing requirements of governance in a complex, diverse democracy. The shift from centralized planning to competitive federalism, the strengthening of fiscal decentralization, and the emergence of new institutional mechanisms for coordination all indicate a fundamental evolution in centre-state relations.

However, this evolution remains incomplete and faces significant challenges. Fiscal imbalances, political asymmetries, and coordination problems continue to create tensions in the federal system. The COVID-19 pandemic and other recent crises have highlighted both the resilience and the limitations of existing federal arrangements. Future success will depend on the ability to balance national coordination with regional autonomy, competitive incentives with equitable development, and democratic accountability with governance efficiency.

The Indian experience offers valuable insights for federal theory and practice globally. The country's success in maintaining democratic stability while managing extraordinary diversity through federal arrangements provides lessons for other diverse democracies. However, the challenges facing Indian federalism also illustrate the ongoing difficulties of federal governance in the contemporary world. The evolution of Indian federalism continues, shaped by changing political dynamics, economic imperatives, and social transformations that will determine the future of democratic governance in the world's largest democracy.

The trajectory of Indian federalism suggests movement toward a more mature federal system that better balances unity and diversity, efficiency and representation, competition and cooperation. This evolution represents not just a change in institutional arrangements but a fundamental transformation in the nature of democratic governance in India. Understanding this transformation is crucial for scholars, policymakers, and citizens concerned with the future of democracy and federalism in an increasingly complex world.

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