



Forging the Future of Federalism in India

This editorial is based on “ [This is the moment for a new federal compact](#)” which was published in The Indian Express on 11/06/2024. The article discusses recent debates concerning federal issues in the country, exploring possible solutions stemming from the resurgence of coalition politics at the central level.

For Prelims: [Federalism](#), [Union List](#), [State List](#), [Concurrent List](#), [National Institution for Transforming India \(NITI\) Aayog](#), [Goods and Services Tax \(GST\)](#), [Inner-party federalism](#), [Multi-Party Federalism](#), [Co-operative federalism](#), [Competitive federalism](#), [Article 356](#), [15th Finance Commission](#), [NITI Aayog's SDG India Index 2020-21](#), [Delimitation exercise](#), [Sarkaria Commission \(1988\)](#), [Punchhi Commission \(2010\)](#)

For Mains: Evolution of Federalism in India, Key Challenges to Federalism in India, Necessary Steps to Strengthen India's Federal Framework.

The resurgence of coalition politics at the central level has elevated regional parties to key power broker status, countering the trend of centralized policy decision-making.

In recent years, the government has placed increased emphasis on both cooperative and competitive federalism through institutions like the [National Institution for Transforming India \(NITI\) Aayog](#). However, numerous state governments have raised concerns about the Union government's alleged withholding of [Goods and Services Tax \(GST\) compensation funds](#), leading to instances of confrontational federalism.

Furthermore, the ruling vision of "[one nation, one election](#)" and the idea of "one nation with one flag and one Constitution" to streamline governance and promote national unity, have elicited varied reactions from different states, reflecting the complexities of federalism in India.

Thus, governing within a coalition framework presents an opportunity to reset trust and restore balance in Centre-state relations.

What is Federalism?

▪ About :

- Federalism involves the distribution of powers and responsibilities between the central government and state governments. It aims to maintain unity while allowing for regional self-governance.
- Federalism allows for the accommodation of diversity and regional autonomy within a larger political unit.

▪ Features of Federalism:

- **Division of Powers:** Powers are divided between the central government (Union) and state governments.

- **Written Constitution:** A written constitution delineates the powers of different levels of government.
- **Supremacy of Constitution:** The Constitution is supreme and governs the relationship between the Union and states.
- **Independent Judiciary:** An independent judiciary interprets and enforces the Constitution to resolve disputes between different levels of government.
- **Dual Government:** Both the central and state governments have their own spheres of influence and authority.
- **Rigid Constitution:** The Constitution is not easy to amend and provides for clear procedures for changes.
- **Types :**
 - **Holding Together Federation:** In this type, **powers are shared between various constituent parts** to accommodate the diversity in the whole entity. Here, powers are generally tilted towards the central authority.
 - **Example:** India, Spain, Belgium.
 - **Coming Together Federation:** In this type, **independent states come together to form a larger unit**. Here, states enjoy more autonomy as compared to the holding together kind of federation.
 - **Example:** USA, Australia, Switzerland.
 - **Asymmetrical Federation:** In this type, some constituent units have more powers or special status than others due to historical or cultural reasons.
 - **Example:** Canada, Russia, Ethiopia.
- **Nature of Indian Federalism :**
 - The Indian Constitution establishes a federal system with a strong Union.
 - Because of it, Indian Federalism is sometimes referred by various terms:
 - KC Wheare called it “Quasi-federal”.
 - Granville Austin called it “Cooperative federalism” (need for national integrity and unity).
 - Morris Jones defined it as 'Bargaining Federalism'.
 - Ivor Jennings termed it as 'Federalism with Centralizing tendency'.
 - The Constitution specifies the distribution of legislative, administrative and executive powers between the union government and the state government
 - **Constitutional Provisions:**
 - **Seventh Schedule:** Divides powers between the Union and states through three lists – Union List, State List, and Concurrent List.
 - **Article 1:** Defines India as a Union of States.
 - **Article 245:** Grants Parliament and state legislatures the power to make laws within their respective jurisdictions.
 - **Article 246:** Enumerates the subject matters on which Parliament and state legislatures can legislate.
 - **Article 263:** Provides for the establishment of an Inter-State Council to promote cooperative federalism.
 - **Article 279-A :** Empowers the President to constitute a GST Council.

How the Concept of Federalism Evolved in India?

- **Inner-Party Federalism(1950-67):**
 - During the first phase of federalism, major disputes between the federal government and the states were resolved in Congress party forums, or what political scientist Rajni Kothari called the “**Congress System**”.
 - This helped contain or prevent major federal conflicts and create a consensus-based form of “inner-party federalism”.
- **Expressive Federalism(1967-89) :**
 - In the second phase from 1967 onwards, the Congress party was still in power at the Centre but lost power in many states where many regional party-led and anti-Congress coalition governments were formed.

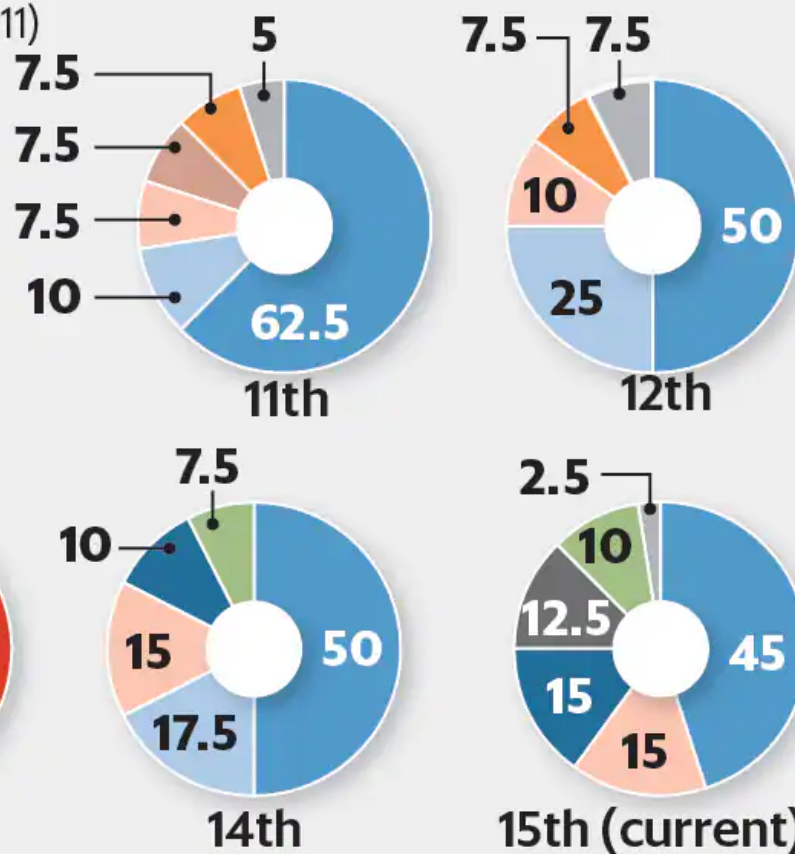
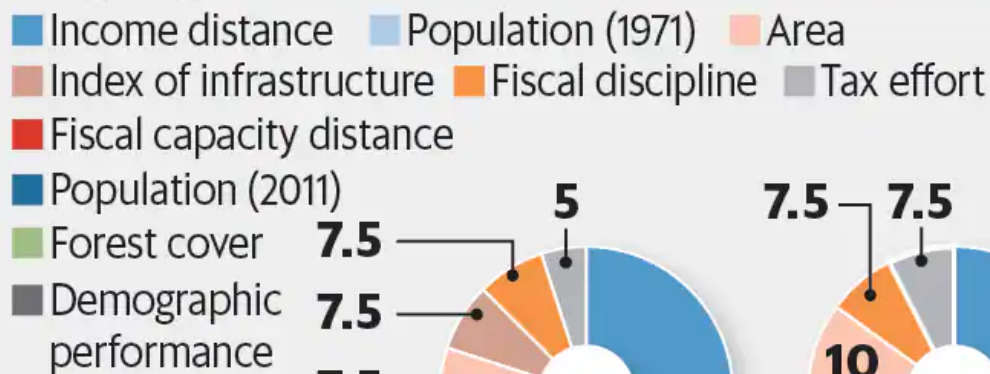
- This phase marked the emergence of an era of “expressive” and more direct **conflictual federal dynamics** between the Congress-led Centre and the opposition parties-led state governments.
- **Multi-Party Federalism (1990-2014):**
 - The 1990s saw the coalition period, also known as multi-party federalism, in which national parties were not able to win a majority in parliament. National coalitions maintained influence in the union with the help of regional powers.
 - This period saw a decline in the intensity of Center-state confrontations as well as in the Center’s arbitrary use of [Article 356](#) to topple state administrations.
 - A 1994 Supreme Court ruling ([SR Bommai v. Union of India case verdict](#)) that questioned the Center’s arbitrary use of the provision is partly responsible for this.
- **Confrontational Federalism (2014- 2024):**
 - Federalism under the "dominant party" reemerged with the single-party majority in the Lok Sabha elections of 2014. Concurrently, the ruling party solidified its grip on power by taking over several states.
 - This period saw the rise of confrontational federalism, marked by significant disputes between opposition-led states and the center.

Why is there a Need to Strengthen Federalism in India?

- **Diverse Demographics and Cultures :**
 - **Linguistic Diversity:** India is home to numerous languages and dialects. Strengthening federalism ensures that the linguistic and cultural identities of different regions are preserved and respected.
 - **Cultural Plurality:** Regional autonomy allows for the celebration and preservation of unique cultural practices, festivals, and traditions, fostering a sense of pride and unity within diversity.
- **Avoiding Central Overreach :**
 - **Safeguarding Rights of State:** Federalism is needed to safeguard and enhance the autonomy and rights of the states and other sub-national units in the face of increasing centralization and interference from the Centre or other external forces.
 - **Accommodating Regional Aspirations** A robust federal system can address and accommodate the political aspirations of various regions, reducing the chances of separatist movements and promoting national unity.
- **Empowering Local Bodies:**
 - **Panchayati Raj Institutions:** Strengthening federalism involves empowering local self-governance through [Panchayati Raj institutions](#), which play a critical role in grassroots democracy and development.
 - **Women’s Participation:** Enhanced federalism supports initiatives like the reservation of seats for women in local bodies, promoting gender equality and empowering women in rural areas.
- **Fiscal Federalism :**
 - **Fair Revenue Distribution:** Strengthening fiscal federalism ensures a more equitable distribution of financial resources between the Centre and states, enabling better funding for state-specific projects and initiatives.
 - **State Autonomy in Spending:** Allowing states greater control over their finances can lead to more effective and contextually appropriate utilization of funds.

What finance commissions considered to determine what each state receives

Weightage under different finance commissions (in %)



What are the Key Challenges to Federalism in India?

▪ Balancing Centralization and Regionalism:

- India walks a tightrope between central authority for **national unity and state autonomy** for regional needs. Strong central governments can be seen as overstepping, while strong regional movements can threaten national cohesion.
 - South Indian states have distinct Dravidian languages and cultures that are central to their identity. The **imposition of Hindi** as a national language has led to protests, especially in southern states like Tamil Nadu.
 - The [abrogation of Article 370](#) of the Constitution, granting special status to Jammu and Kashmir, in 2019, was done by the central government without consulting the state legislature. This move has been criticized for undermining federal principles.

▪ Regional Discontent:

- Regionalism establishes itself through demands for autonomy on the grounds of language and culture. The nation thus faces the challenge of internal security in the form of insurgency and this causes upheavals in the basic notion of Indian federation.
 - **The Bodos**, a major tribe in Assam, have a long-standing demand for a separate [Bodoland state](#).
 - **The Gorkhas**, an ethnic group concentrated in Darjeeling hills of West Bengal,

have a long-standing demand for a separate [Gorkhaland state](#).

▪ **Disputes in Division of Powers:**

- The Constitution divides powers between the Centre and states ([Union List](#), [State List](#), [Concurrent List](#)). However, this division can be blurry, leading to conflicts over jurisdiction, especially on issues like agriculture or education in the Concurrent List.
 - The three farm laws passed by the central government in 2020 were challenged by states like Punjab on the grounds that agriculture is a State List subject. This highlights the ongoing disputes over interpretation of power division.

▪ **Misuse of Governor's Office :**

- The misuse of the [Governor's](#) office has increasingly become a matter of concern, particularly in matters related to the arbitrary dismissal of state governments, manipulation in government formation, withholding assent to bills, and frequent transfers and appointments, often directed by the central ruling party.
 - In Arunachal Pradesh (2016), the Governor's recommendation led to the imposition of President's Rule despite the ruling government having majority support, later quashed by the Supreme Court.

▪ **Misuse of Article 356 :**

- [Article 356](#), also known as the President's Rule, is designed to be invoked when a state cannot function constitutionally. It grants the Union Cabinet power to dismiss democratically elected state governments and dissolve legislative assemblies
- Historically, Article 356 has been used to impose President's Rule over 100 times until 2000, disrupting state autonomy. Although its usage has decreased, its potential misuse remains a concern.
 - In 1988 the [Sarkaria Commission](#) found that at least a third of all Article 356 impositions were politically motivated.

▪ **Fiscal Imbalances:**

- **Unequal Revenue Distribution:** The 15th Finance Commission recommended a higher share of central taxes for states, increasing it from 32% to 41%. However, states often complain that the funds are insufficient and not disbursed timely, leading to fiscal stress.
 - Furthermore, the southern states frequently complain about receiving fewer funds despite contributing more in taxes compared to the northern states, attributing this disparity to their lower population.
- **GST Compensation Issues:** States like West Bengal and Kerala have expressed concerns about delayed [GST compensation](#), which they argue hampers their financial planning and development activities.

▪ **Asymmetric Representation in Parliament:**

- In [Lok Sabha](#), representation is based on population, with larger states having more seats. However, smaller states argue this dilutes their voice in national politics.
 - **Example: Uttar Pradesh**, the most populous state, has 80 Lok Sabha seats, while **Sikkim**, the least populous, has only 1.

▪ **Inter-State Disputes:**

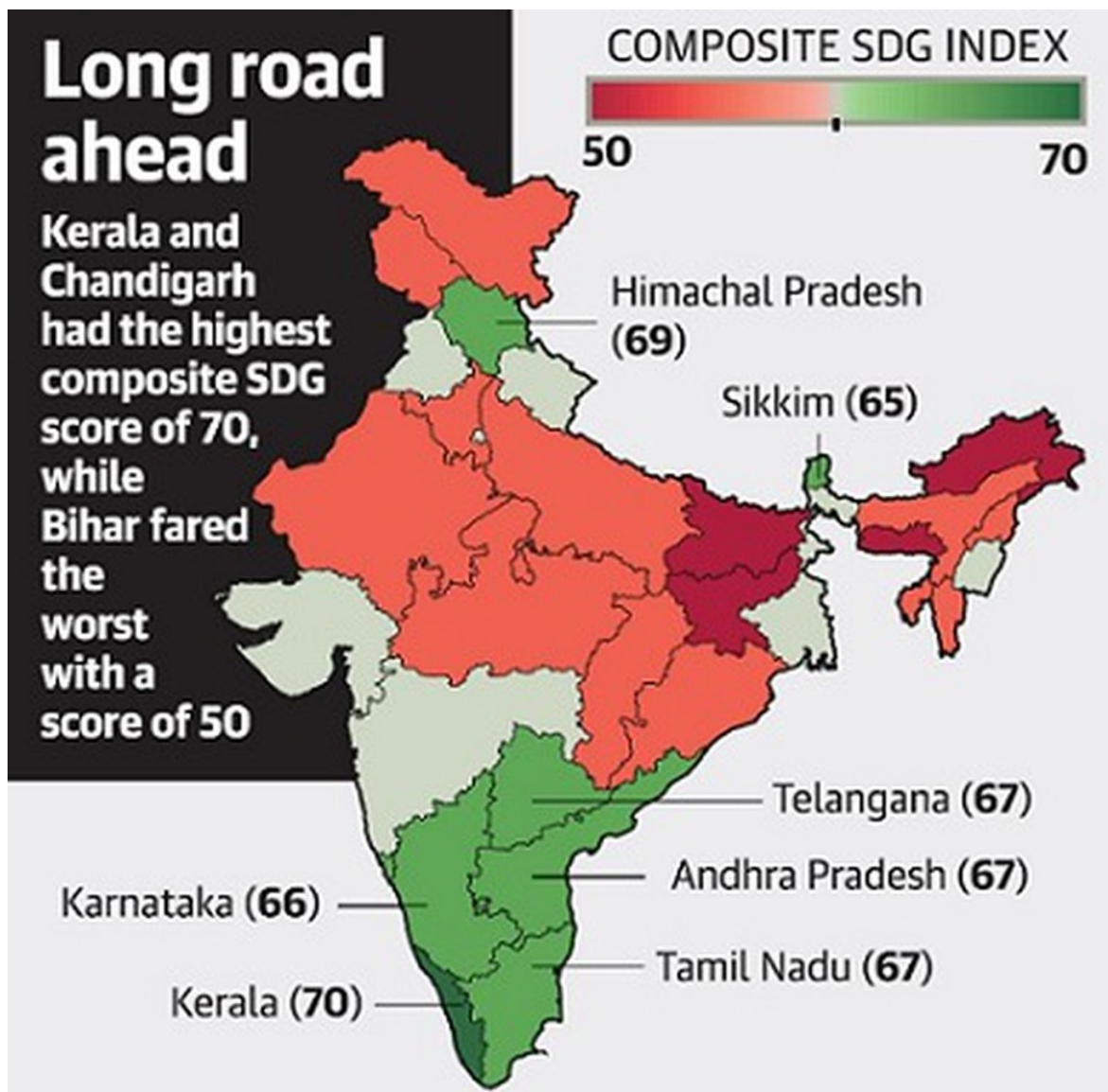
- Inter-state disputes in India encompass a range of issues, including water sharing, boundary disagreements, and resource allocation.
- These disputes, if unresolved, can strain the federal structure by fostering mistrust and hampering cooperative governance.
 - Between Tamil Nadu and Karnataka, this longstanding conflict revolves around the sharing of the [Cauvery River waters](#). The dispute has seen multiple legal battles, violent protests, and political standoffs.
 - Such issues not only hamper governance but also they carry a very high economic cost as well.
 - For example, the States of Maharashtra and Karnataka also have a longstanding Belagavi (Belgaon) border dispute over the administration of Belagavi region.
 - To fight this case in the Supreme Court, the Karnataka government paid more than 50 lakh rs/day.

▪ **Economic Disparities:**

- **Competition for Investment:** States often compete for [foreign direct investment \(FDI\)](#), which can lead to imbalances.
 - For instance, Maharashtra and Gujarat attract substantial FDI, while northeastern

states receive minimal investment, exacerbating regional inequalities.

- **Regional Inequality:** According to the [NITI Aayog's SDG India Index 2020-21](#), states like Kerala and Himachal Pradesh score high on sustainable development goals, whereas Bihar and Jharkhand lag significantly, showcasing stark economic disparities.



What Federal Demands Could Arise with the Return of Coalition Politics in India?

▪ Pending Exercise of Delimitation :

- Several South Indian states, with controlled population growth, are demanding that the pending [delimitation](#) exercise in India be carried out swiftly.
- Southern states feel that their efforts in implementing effective population control measures should be rewarded through increased or proportionate representation. Delaying the delimitation process seems to penalize these states for their successful initiatives.

▪ Legitimacy of the Redistributive Model :

- Southern states, which generally have more robust economies and contribute significantly to the [national GDP](#), feel that the GST model disproportionately benefits less economically developed states.
- They demand a more equitable and balanced approach to GST redistribution that recognizes their higher contributions, addresses revenue shortfalls, and supports their developmental needs.

▪ Demand for Special Category Status :

- Regional parties in the national coalition government from Bihar and Andhra Pradesh see

[Special Category Status](#) as a critical tool to address their unique developmental challenges and to secure additional central support necessary for sustainable growth and development.

- One of the biggest benefits for states classified as a special category earlier was that 90% of funds under centrally sponsored schemes was contributed by the Centre, with only 10 % being the state contribution.
- **Divergence from “[One Nation, One Election](#)” Vision:**
 - Some states argue that simultaneous elections undermine the federal structure of India by prioritizing uniformity over the unique political and social contexts of individual states.
 - States might lose some of their autonomy in determining their election schedules based on local needs and circumstances.

What Steps Are Necessary to Strengthen India's Federal Framework?

▪ **Enhancing Devolution of Powers:**

- Federalism can be strengthened by enhancing devolution of powers and resources to states and local bodies by revising the constitutional lists, increasing the share of states in central taxes, giving more fiscal autonomy and flexibility to states, etc.
 - **The Sarkaria Commission (1988)** advocated for greater autonomy for states in areas listed in the State List of the Seventh Schedule of the Constitution.
 - Furthermore, A recent World Bank working paper has called for granting **greater authority to Panchayats while strengthening local fiscal capacity** to offset what it identified as “**recentralisation**” resulting from the widespread adoption of online payment systems, MIS-based beneficiary selection, and digital beneficiary tracking.
 - “Delegating more authority to Panchayats, rather than stripping them of power, is crucial in ensuring effective local governance.

▪ **Ensuring Equitable Development:**

- **Resource Sharing Formula:** Develop a transparent and objective formula for distributing central funds to states, considering factors like population, poverty levels, and infrastructure needs.
 - **The Raghuram Rajan Committee (2017)** advocated for a formula-based devolution of central funds to states based on objective criteria.
- **Addressing Regional Disparities:** Address regional imbalances and inequalities by providing special assistance and support to backward and disadvantaged regions or groups.
 - [The Punchhi Commission](#) suggested increasing the share of states in central taxes and enhancing their fiscal autonomy.
 - [The 15th Finance Commission](#) recommended allocating more state-specific grants alongside the creation of high-level committees within each state to review and monitor utilisation of state-specific and sector-specific grants.
 - The Commission also identified areas like power sector efficiency, adoption of Direct Benefit Transfer (DBT) schemes, and solid waste management for potential performance incentives.

▪ **Strengthening Inter-governmental Institutions:**

- **Revitalizing the Inter-State Council (ISC):** Make the ISC a more effective forum for resolving inter-state disputes and fostering cooperation on national issues. This could involve giving it more power to evolve common policies.
 - On the recommendation of [Sarkaria Commission](#) the government has established a permanent inter state council but it hasn't fully lived up to the Sarkaria Commission's vision.
 - The ISC should meet at least thrice a year as suggested by the TamilNadu CM MK Stalin.
 - The Council has **met only once in the last 8 years** — and that there has been **no meeting since July 2016**.
 - Since its inception in 1990, the ISC has met only 11 times.

- **Enhancing Communication and Coordination:** Establish regular channels of communication between the Centre and States to ensure smoother policy implementation and address regional concerns.
 - Punchhi Commission proposed the creation of a superseding structure, the '[National Integration Council](#),' for matters related to internal security, enhancing coordination and effectiveness.
- **Fostering Cooperative and Competitive Federalism:**
 - In [cooperative federalism](#), the centre and states work together on issues of national importance like national security, disaster management, and economic development. This ensures a unified approach to achieving common goals.
 - For instance, establishing the [GST Council](#) and approving the [Finance Commission's](#) suggestion to raise the states' funding share.
 - In [competitive federalism](#), states compete for investments and talent by improving infrastructure, public services, and regulatory frameworks. This fosters innovation and better governance practices across the country.
 - **NITI Aayog** acts as a catalyst for a more robust and competitive federal system in India through various indices that rank states on specific parameters such as [School Education Quality Index \(SEQI\)](#), [State Health Index \(SHI\)](#), [Composite Water Management Index \(CWMI\)](#), etc.
- **Respecting Federal Principles and Spirit:**
 - **Minimizing Central Intervention:** The Centre should avoid excessive use of its powers under [Articles 355](#) and [356](#) of the Constitution, which allow for imposition of President's rule in states. This ensures greater autonomy for states.
 - **The Sarkaria Commission** suggested **Article 356 (President's Rule)** should be used very sparingly, in extreme cases as a last resort when all the available alternatives fail.
 - **Ensuring Greater Representation and Participation:** Increased participation from state representatives ensures their concerns and priorities are heard at the national level.
 - For Example, the appointment of Governor should be more transparent and consultative.
 - Punchhi Commission recommends the Chief Minister's involvement in Governor appointments.

Conclusion

The evolving political landscape, marked by the resurgence of coalition politics and the increasing influence of regional parties, offers a unique opportunity to redefine and strengthen the federal structure. A forward-looking approach to federalism in India will be one that celebrates its diversity, fosters cooperation and builds a harmonious and prosperous future for all its citizens. This is not just a political necessity but a testament to the resilience and unity that defines the Indian Republic.

Drishti Mains Question:

Discuss the concept and evolution of Federalism in India. Identify major challenges and propose solutions for strengthening India's federal structure.

UPSC Civil Services Examination Previous Year's Questions (PYQs)

Prelims:

Q.1. Which one of the following in Indian polity is an essential feature that indicates that it is federal in character? (2021)

- (a) The independence of judiciary is safeguarded.
- (b) The Union Legislature has elected representatives from constituent units.

(c) The Union Cabinet can have elected representatives from regional parties.

(d) The Fundamental Rights are enforceable by Courts of Law.

Ans: A

Q.2. Which one of the following is not a feature of Indian federalism? (2017)

(a) There is an independent judiciary in India.

(b) Powers have been clearly divided between the Centre and the States.

(c) The federating units have been given unequal representation in the Rajya Sabha.

(d) It is the result of an agreement among the federating units.

Ans: D

Mains:

Q.1. How far do you think cooperation, competition and confrontation have shaped the nature of federation in India? Cite some recent examples to validate your answer. **(2020)**

Q.2. Though the federal principle is dominant in our constitution and that principle is one of its basic features, but it is equally true that federalism under the Indian Constitution leans in favour of a strong Center, a feature that militates against the concept of strong federalism. Discuss. **(2014)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/forging-the-future-of-federalism-in-india>

