

Challenges and Prospects of Federalism in India: Centre–State Relations in the 21st Century

Dr. Babli Rani

Assistant Professor, Department of Political Science V.V. (Post Graduate) College, Shamli, Uttar Pradesh

Abstract—India’s federal system is designed to balance unity with diversity. The Constitution divides powers between the Centre and the States to maintain national integrity while respecting regional differences. Over time, this balance has faced several tests due to political, economic, and administrative developments. This paper examines how India’s federal structure has evolved in the 21st century, focusing on the changing nature of Centre–State relations, fiscal challenges, and the emergence of cooperative and competitive federalism. It also discusses the impact of major reforms like the Goods and Services Tax (GST), the role of the NITI Aayog, and policy coordination during crises such as the COVID-19 pandemic. The study concludes that India’s federalism remains strong but needs further institutional reforms to ensure greater trust, fiscal fairness, and balanced development among the States.

Index Terms—Federalism, Centre–State Relations, Cooperative Federalism, Fiscal Autonomy, Indian Constitution

I. INTRODUCTION

India is one of the largest federal democracies in the world, combining a strong central government with autonomous state governments. The framers of the Indian Constitution wanted a system that could preserve national unity while allowing regional diversity to flourish. Dr. B.R. Ambedkar described India as a 'Union of States' emphasizing both unity and cooperation.

In the early years after independence, India’s federal system was largely dominated by the Centre due to the political strength of a single party. However, since the 1980s, the rise of regional parties and coalition politics has made federal relations more dynamic and consultative. Economic liberalization in the 1990s and the introduction of the GST in 2017 further reshaped the way powers and resources are shared.

In the 21st century, new issues such as globalization, digital governance, climate policy, and pandemic management have created both challenges and opportunities for Indian federalism. The success of the federal system now depends on cooperation, fiscal balance, and mutual respect between the Centre and the States.

II. CONSTITUTIONAL FRAMEWORK OF FEDERALISM IN INDIA

The Indian Constitution provides the foundation for federal governance. It divides legislative, administrative, and financial powers between the Union and the States through three lists in the Seventh Schedule: Union List, State List, and Concurrent List. This division ensures a balance between national unity and regional autonomy. However, the Centre has greater power in emergencies and financial matters. Articles such as Article 356 and Article 249 make India’s federalism somewhat tilted toward the Centre. Despite this, mechanisms like the Inter-State Council and the Finance Commission promote coordination and fairness. The Supreme Court has upheld federalism as a basic feature of the Constitution.

III. EVOLUTION OF CENTRE–STATE RELATIONS

Federal relations in India have evolved significantly since 1947. During the Congress-dominated period, relations were centralized. With the rise of regional parties and coalition governments, States gained more voice in policy-making. Institutions like the Inter-State Council and the National Development Council strengthened cooperation. However, recent trends indicate a return to centralization due to the dominance of a single national party and the increased control of centrally sponsored schemes. The challenge is to

maintain a balance between national coordination and state autonomy.

IV. FISCAL FEDERALISM IN INDIA

Fiscal federalism determines how financial powers and resources are shared. The Finance Commission plays a key role in recommending tax sharing. The Goods and Services Tax (GST) of 2017 unified indirect taxes and required cooperation through the GST Council. However, it reduced state-level tax autonomy and created disputes over compensation during the COVID-19 pandemic. States need greater fiscal space to design local policies. Timely central transfers and cooperative financial relations are vital for a balanced federation.

V. COOPERATIVE AND COMPETITIVE FEDERALISM

Cooperative federalism emphasizes partnership, while competitive federalism promotes innovation and efficiency. The NITI Aayog encourages both through programs and rankings. Cooperation ensures shared responsibility, while competition motivates States to improve governance. However, both must be balanced to prevent inequality among regions.

VI. CONTEMPORARY ISSUES IN FEDERAL RELATIONS

Several developments have tested India's federalism: the COVID-19 pandemic, farm law protests, the role of Governors, and inter-state water disputes. These events show that while the system is resilient, it needs continuous dialogue and trust-building to function effectively.

VII. PROSPECTS AND REFORMS FOR THE FUTURE

Reforms needed to strengthen Indian federalism include empowering the Inter-State Council, increasing States' fiscal autonomy, depoliticizing the Governor's role, ensuring balanced regional development, and using technology for intergovernmental coordination. These measures will make federalism more inclusive and effective.

VIII. CONCLUSION

Federalism in India has successfully balanced diversity and unity. Though the Centre has significant powers, States also play a vital role in development and governance. The future of Indian democracy depends on mutual trust and cooperation between both levels of government. A strong and cooperative federal system is essential for India's continued progress.

REFERENCES

- [1] Austin, Granville. *The Indian Constitution: Cornerstone of a Nation*. Oxford University Press, 1966.
- [2] Arora, Balveer, and Verney, Douglas (eds.). *Multiple Identities in a Single State: Indian Federalism in Comparative Perspective*. Konark Publishers, 1995.
- [3] Government of India. *Report of the 15th Finance Commission (2021–2026)*. Ministry of Finance, New Delhi, 2021.
- [4] NITI Aayog. *Annual Report 2023–2024*. Government of India.
- [5] Riker, William. *Federalism: Origin, Operation, Significance*. Little, Brown & Co., 1964.
- [6] Singh, M.P., and Saxena, Rekha. *Indian Politics: Constitutional Foundations and Institutional Functioning*. PHI Learning, 2019.
- [7] *The Constitution of India*, Government of India, 1950.
- [8] Yadav, Yogendra. *Revisiting Indian Federalism: Challenges and Pathways*. *Economic and Political Weekly*, Vol. 57, No. 10, 2022.