

Changing Nature of Indian Federalism

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ABSTRACT: The evolution of Indian federalism has been marked by significant shifts since the country gained independence in 1947. Initially designed as a quasi-federal system with strong central authority, Indian federalism has gradually transformed into a more dynamic and flexible model, reflecting the nation's changing political, economic, and social landscape. This abstract examines the key drivers of this transformation, including the rise of regional political parties, economic liberalization, judicial activism, and evolving center-state relations. The ascent of regional parties, particularly from the 1980s, has played a crucial role in decentralizing power, enabling states to exert greater influence in national governance and policy-making. Economic reforms in the 1990s further accelerated this process, allowing states more autonomy in pursuing economic development strategies tailored to their unique needs. Judicial interventions have also been pivotal, with landmark rulings that have often bolstered state rights and curtailed excessive central control. Additionally, the introduction of the Goods and Services Tax (GST) and changes in fiscal federalism have shifted financial power towards the states, although concerns about centralization persist under the current political regime. These dynamics have led to a more complex federal structure, where both cooperative and competitive elements coexist. Indian federalism is characterized by an ongoing interplay between central authority and state autonomy. Understanding these changes is essential for addressing the contemporary challenges of governance and ensuring a balanced federal structure that accommodates the diverse needs of India's states.

KEYWORDS: Indian federalism, Decentralization, Regional parties, Center-state relations

I. INTRODUCTION

Indian federalism, a unique blend of unity and diversity, has been a cornerstone of the country's governance structure since its independence in 1947. The Constitution of India, crafted with the vision of a balanced distribution of power, established a quasi-federal system where both the central and state governments are vested with distinct powers and responsibilities. However, over the decades, the nature of Indian federalism has evolved significantly, shaped by changing political dynamics, economic reforms, judicial interpretations, and shifts in the balance of power between the center and the states. This introduction delves into the changing nature of Indian federalism, exploring its historical roots, the forces driving its evolution, and the contemporary challenges it faces.

1.1 Historical Context and Foundations

The framers of the Indian Constitution were deeply influenced by the challenges of maintaining unity in a country as diverse as India. They adopted a federal structure with a strong center to ensure national integrity while simultaneously granting autonomy to states to cater to regional aspirations. The federal nature of the Indian polity is defined by a division of powers enumerated in three lists: the Union List, the State List, and the Concurrent List, with the central government wielding significant influence over both the Union and Concurrent Lists. This setup was designed to allow the center to maintain control over matters of national importance, such as defense, foreign affairs, and monetary policy, while states were empowered to manage local issues like law enforcement, health, and agriculture. In the early decades following independence, Indian federalism was characterized by a dominant central government, largely due to the political hegemony of the Indian National Congress, which ruled both at the center and in most states. The center exercised considerable control over states, often dismissing state governments under Article 356 of the Constitution. This period saw a centralization of power, where the federal structure, though constitutionally balanced, functioned more as a unitary system in practice.

1.2 Evolution of Indian Federalism

The nature of Indian federalism began to shift in the late 1960s and 1970s with the emergence of regional parties and the decline of Congress's dominance. The political landscape became more fragmented, leading to a more pronounced role for states in national politics. The coalition governments at the center, which became the norm from the 1980s onwards, had to accommodate the interests of regional parties, thereby enhancing the influence of states in policymaking. Economic liberalization in the 1990s marked another significant turning point in Indian federalism. The

shift from a centralized, planned economy to a more market-oriented approach necessitated greater economic autonomy for states. As the central government relaxed its control over economic activities, states began to compete for investment, leading to what is often referred to as “competitive federalism.” This competition has driven states to innovate in governance, improve infrastructure, and create investor-friendly policies, thus playing a crucial role in their economic development. Judicial interventions have also contributed to the evolving nature of Indian federalism. The Supreme Court of India has played a pivotal role in interpreting the Constitution in a manner that has sometimes reinforced state autonomy and at other times strengthened central control. Landmark judgments, such as the S.R. Bommai case (1994), which curtailed the arbitrary use of Article 356, and the more recent interpretation of the Goods and Services Tax (GST) regime, have significantly influenced center-state relations.

1.3 Contemporary Challenges and Trends

Despite these developments, Indian federalism today faces several challenges. One of the most pressing is the tension between centralization and decentralization. While economic liberalization and the rise of regional parties have empowered states, there has been a concurrent trend towards centralization under recent governments. This is evident in the increasing use of centrally sponsored schemes, the centralization of financial resources through mechanisms like the GST, and the perceived overreach of central agencies in matters traditionally within the state’s domain. Another challenge is the fiscal imbalance between the center and the states. Although states have been granted more fiscal autonomy in recent years, they remain heavily dependent on the center for financial resources. The implementation of GST, while simplifying the tax structure, has also led to concerns about the states’ revenue autonomy. The central government’s control over a significant portion of the tax revenues has led to calls for greater fiscal federalism, where states have more control over their financial resources. Furthermore, the diverse and often conflicting interests of states pose a challenge to cooperative federalism. Issues such as river water disputes, the distribution of central funds, and the implementation of national policies like the National Education Policy (NEP) often lead to conflicts between the center and the states, as well as among states themselves. These conflicts underscore the need for a more nuanced and collaborative approach to federalism that respects the diversity of India’s states while maintaining national unity.

II. LITERATURE REVIEW

The evolution of Indian federalism has been the subject of extensive scholarly analysis, reflecting its dynamic and complex nature. Indian federalism, as originally conceived in the Constitution of India, was characterized by a strong central government with substantial powers over the states. Scholars such as Granville Austin (1966) have described the Indian model as “cooperative federalism,” where the center and states are expected to collaborate in governance. However, over time, the relationship between the center and the states has undergone significant changes, influenced by political, economic, and judicial developments. One of the earliest shifts in Indian federalism occurred with the rise of regional parties in the 1960s and 1970s. This period marked the beginning of what K.C. Wheare (1963) termed as a move towards “bargaining federalism,” where states began to assert more influence over national politics. The decline of the Congress party’s dominance and the emergence of coalition governments at the center further enhanced the role of states, leading to a more balanced distribution of power. Scholars like Arend Lijphart (1996) have emphasized the importance of these developments in transforming India’s federal structure from a centralized to a more negotiated and decentralized system.

The economic liberalization of the 1990s introduced another critical phase in the evolution of Indian federalism. According to Rob Jenkins (2004), liberalization not only decentralized economic decision-making but also intensified “competitive federalism,” where states began to compete for investment and resources. This competition has driven states to innovate in governance and economic management, leading to varied developmental outcomes across the country. Scholars have argued that this shift has redefined center-state relations, making states more autonomous in their economic policies while still relying on central support for broader national initiatives. Judicial interventions have also played a pivotal role in shaping Indian federalism. The Supreme Court of India has, through various landmark judgments, reinterpreted the balance of power between the center and the states. The S.R. Bommai case (1994) is often cited as a turning point, where the court curtailed the arbitrary use of Article 356, which allows the center to dismiss state governments. Scholars such as Ramesh Thakur (1995) argue that this judgment strengthened the federal structure by ensuring that the center’s power to intervene in state affairs is not misused. More recently, the judicial interpretation of the Goods and Services Tax (GST) regime has also had significant implications for fiscal federalism in India, with debates on how it has affected the financial autonomy of states.

Despite these developments, recent literature highlights concerns over the resurgence of centralization, particularly under the current political regime. Scholars like Louise Tillin (2019) and Christophe Jaffrelot (2021) have observed a

trend towards "new centralism," where the central government has increasingly asserted its authority over states, often at the expense of state autonomy. This has been evident in the implementation of centrally sponsored schemes, the centralization of financial resources, and the increased role of central agencies in areas traditionally managed by states. The tension between centralization and decentralization remains a core theme in the literature on Indian federalism. While some scholars argue that a strong center is necessary to maintain national unity in a diverse country like India, others emphasize the importance of state autonomy in addressing regional aspirations and ensuring effective governance. The ongoing debate reflects the complex and evolving nature of Indian federalism, which continues to adapt to the changing political, economic, and social landscape of the country.

III. JUDICIAL INCLINATIONS TOWARD FEDERALISM

The judiciary, particularly the Supreme Court of India, has played a pivotal role in shaping and reinforcing the federal structure of the country. Over the decades, the court's decisions have significantly influenced the balance of power between the central government and the states, often acting as a guardian of federal principles when political actions threatened to disrupt the equilibrium. This section delves into the key judicial interventions that have demonstrated a clear inclination toward preserving and promoting federalism in India.

3.1 Early Judicial Interpretations and Centralization

In the early years following independence, the judiciary largely upheld the centralizing tendencies embedded within the Constitution. The Indian Constitution, while federal in structure, provides for a strong central government, with significant powers to intervene in state matters, particularly through provisions like Article 356, which allows the President to dismiss a state government and assume direct control. The judiciary initially supported the central government's extensive powers, as seen in cases like **State of West Bengal v. Union of India** (1963), where the Supreme Court ruled that the center could exercise substantial control over state affairs, reinforcing the unitary features of the Constitution.

3.2 The Shift Toward Federalism: S.R. Bommai Case

A significant shift in judicial inclination toward federalism occurred with the landmark case of *S.R. Bommai v. Union of India* (1994). This case fundamentally altered the approach of the judiciary towards the use of Article 356, which had been invoked numerous times to dismiss state governments, often on questionable grounds. In the *Bommai* case, the Supreme Court laid down strict guidelines for the use of Article 356, emphasizing that the power of the central government to dismiss state governments should not be used arbitrarily. The court ruled that the imposition of President's Rule under Article 356 is subject to judicial review, thus ensuring that state governments are not dismissed without valid reasons. This judgment is widely regarded as a turning point in the evolution of Indian federalism, as it curtailed the central government's ability to undermine state autonomy and reinforced the federal balance envisaged by the Constitution.

3.3 Strengthening Fiscal Federalism

The judiciary has also played a crucial role in strengthening fiscal federalism, particularly in the context of the Goods and Services Tax (GST). The introduction of GST in 2017 was a significant reform that unified India's complex indirect tax system into a single tax, applied across the country. However, the implementation of GST raised concerns about the erosion of fiscal autonomy of the states, given that both the center and states have to share tax revenues under this system. The Supreme Court, in various rulings, has acknowledged these concerns and emphasized the importance of maintaining a balance between the center and states in fiscal matters. For instance, the court has highlighted the need for cooperative federalism in the functioning of the GST Council, where both the center and states must work together to ensure that the federal principles are not compromised in the new tax regime.

3.4 Judicial Protection of State Rights

The judiciary has also demonstrated an inclination towards protecting the rights of states against central overreach in various other contexts. In cases involving the distribution of natural resources, such as water disputes between states, the Supreme Court has often acted as an arbitrator, ensuring that the rights of states are not overridden by the central government. For example, in the *Cauvery Water Dispute* case, the court's intervention was crucial in ensuring that the distribution of water between Karnataka and Tamil Nadu was done in a manner that respected the rights of both states, while also maintaining the central government's role as a mediator. Similarly, in cases involving the application of central laws in states, the judiciary has often taken a stance that upholds the federal structure. The court has reiterated that while the center has the power to legislate on matters in the Concurrent List, this power should be exercised in a

manner that respects the autonomy of states, particularly when it comes to implementing central laws that might have significant implications for state governance.

3.5 Recent Trends and Challenges

In recent years, there has been a growing concern about the increasing centralization of power, particularly under the current political regime. The judiciary's role in this context has been closely watched, as its decisions can either reinforce federalism or contribute to centralization. The Supreme Court's rulings on issues like the abrogation of Article 370, which granted special status to Jammu and Kashmir, and the central government's increasing use of centrally sponsored schemes, have sparked debates about the judiciary's stance on federalism. While the judiciary has upheld federal principles in many instances, there are concerns that recent trends indicate a shift towards supporting centralization. This is particularly evident in cases where the court has upheld the central government's actions in areas traditionally reserved for states, such as education and health policies. However, the judiciary's role as a protector of federalism remains critical, and its future rulings will likely continue to shape the balance of power between the center and the states.

IV. COMPREHENSIVE EVALUATION OF INDIAN FEDERALISM

Indian federalism is a complex and evolving system that reflects the country's vast diversity, both in terms of geography and population. The Indian Constitution established a federal structure, where powers are distributed between the central government and the states, with the objective of balancing national unity with regional autonomy. Over the decades, this federal structure has been shaped and reshaped by political dynamics, economic changes, judicial interventions, and evolving social realities. A comprehensive evaluation of Indian federalism requires an in-depth examination of its historical foundations, its current state, and the challenges and opportunities it faces in the future.

4.1 Historical Foundations of Indian Federalism

The framers of the Indian Constitution were influenced by the need to maintain a strong central authority while also accommodating the diverse aspirations of India's regions. Unlike classical federal systems such as the United States, Indian federalism was designed to be more centralized, with significant powers vested in the Union government. This centralization was seen as essential for maintaining national unity in a newly independent country that was characterized by extreme diversity in language, culture, religion, and ethnicity. The Constitution provides for a division of powers between the Union and the states through three lists: the Union List, the State List, and the Concurrent List. The Union List includes subjects of national importance, such as defense, foreign affairs, and atomic energy, where only the central government can legislate. The State List contains subjects of regional importance, such as police, public health, and agriculture, where state governments have exclusive powers. The Concurrent List includes subjects like education, marriage, and bankruptcy, where both the central and state governments can legislate, although the central law prevails in case of a conflict.

4.2 Evolution of Federalism in India

Over time, Indian federalism has evolved in response to changing political and economic conditions. The early decades after independence were marked by a dominant central government, largely due to the political hegemony of the Indian National Congress, which ruled both at the center and in most states. The central government exercised significant control over the states, often using Article 356 of the Constitution to dismiss state governments and impose President's Rule.

However, the rise of regional parties in the late 1960s and 1970s marked a shift towards greater state autonomy. The political landscape became more fragmented, and coalition governments at the center became more common. This gave states, especially those governed by regional parties, more leverage in national politics. This period also saw the emergence of what scholars have termed "bargaining federalism," where states began to assert their rights more forcefully in negotiations with the central government. The economic liberalization of the 1990s further transformed Indian federalism. As the Indian economy opened up, states gained more autonomy to pursue their economic policies, leading to what has been called "competitive federalism." States began to compete with each other to attract investment, improve infrastructure, and foster economic growth. This competition has been a driving force behind many of the innovations in governance and economic management seen at the state level.

4.3 Judicial Contributions to Federalism

The judiciary has played a crucial role in interpreting and reinforcing the federal structure of India. Landmark judgments by the Supreme Court, such as the S.R. Bommai case (1994), have curtailed the arbitrary use of Article 356 and strengthened the autonomy of states. The judiciary has also been instrumental in defining the contours of fiscal federalism, particularly with the implementation of the Goods and Services Tax (GST), which has significantly impacted the financial relationship between the center and the states. In addition to these, the judiciary has often acted as a mediator in inter-state disputes, such as those involving river waters, and has helped maintain the balance of power between the center and states in matters related to legislative competence and administrative control. Through its interpretations, the judiciary has reinforced the federal principle, ensuring that central power is exercised within constitutional limits and that state rights are protected.

4.4 Contemporary Challenges

Despite the evolution of Indian federalism, several challenges persist. One of the most significant is the tension between centralization and decentralization. While the 1990s saw a trend towards greater state autonomy, recent years have witnessed a resurgence of centralization under the current political regime. This centralization is evident in the increased use of centrally sponsored schemes, the centralization of financial resources through mechanisms like the GST, and the expanding role of central agencies in areas traditionally managed by states. Fiscal federalism also presents challenges. While states have gained more autonomy, they remain heavily dependent on the center for financial resources. The introduction of the GST, while simplifying the tax structure, has raised concerns about the erosion of state revenue autonomy. The central government's control over a significant portion of tax revenues has led to calls for reforms to ensure a more equitable distribution of financial resources between the center and the states. Another challenge is the growing inter-state disparities in development. Competitive federalism has led to a situation where some states, particularly those with better infrastructure and governance, have been able to attract more investment and grow faster, while others have lagged behind. This has exacerbated regional inequalities, leading to tensions between states and between the center and states.

4.5 Opportunities and the Way Forward

Despite these challenges, Indian federalism also presents opportunities for innovation and reform. The decentralization of economic power has empowered states to experiment with new governance models and development strategies. The growing role of regional parties in national politics has made Indian federalism more inclusive, reflecting the diversity of the country's regions and communities. Going forward, it is essential to strike a balance between centralization and decentralization. While a strong central government is necessary to maintain national unity and address issues of national importance, states must be given the autonomy to manage their affairs and address the unique challenges they face. Reforms in fiscal federalism, such as greater revenue autonomy for states and a more equitable distribution of resources, will be crucial in achieving this balance.

V. CHALLENGES TO INDIAN FEDERALISM

Indian federalism, while designed to balance the diverse needs of the country's various states with the unity required for national governance, faces several significant obstacles. These challenges stem from a complex interplay of political, economic, social, and legal factors. Addressing these obstacles is crucial to ensuring that Indian federalism remains robust and capable of meeting the needs of a rapidly changing nation. Below are detailed discussions of the key obstacles to Indian federalism:

5.1 Centralization of Power

One of the most significant obstacles to Indian federalism is the increasing centralization of power. The Indian Constitution, while federal in structure, provides for a strong central government, particularly through provisions like the Union List, which grants the center exclusive authority over matters of national importance. Over time, there has been a trend towards greater centralization, particularly under political regimes that emphasize strong central authority.

a. Overuse of Article 356:

Article 356 of the Indian Constitution allows the central government to dismiss a state government and impose President's Rule if it believes that the state is not functioning according to constitutional provisions. Historically, this article has been used excessively, often for political reasons, undermining state autonomy. While the Supreme Court's judgment in the *S.R. Bommai* case (1994) imposed restrictions on the arbitrary use of Article 356, the power remains a tool for central intervention in state affairs.

b. Centrally Sponsored Schemes:

The proliferation of centrally sponsored schemes, where the central government designs and funds programs implemented by states, has further centralized power. While these schemes aim to address national development goals, they often come at the cost of state autonomy, as states have limited flexibility in how they implement these programs.

c. Centralization of Financial Resources:

The introduction of the Goods and Services Tax (GST) in 2017, while simplifying the tax structure, has centralized financial resources, reducing states' control over their revenue streams. The central government's dominant role in the GST Council and its control over the distribution of tax revenues have raised concerns about the erosion of fiscal federalism.

5.2. Fiscal Imbalance

Fiscal federalism is a cornerstone of the federal structure, ensuring that states have the financial resources to meet their responsibilities. However, fiscal imbalance remains a persistent obstacle to Indian federalism.

a. Dependence on Central Transfers:

States in India are heavily dependent on financial transfers from the central government, both through tax devolution and grants. This dependency limits the fiscal autonomy of states and makes them vulnerable to central policies and priorities. While the Finance Commission's recommendations aim to address this imbalance by determining the share of central taxes that should be allocated to states, the central government's control over non-tax revenues and grants continues to skew the balance.

b. Uneven Development and Resource Allocation:

There is significant variation in the economic capacity of different states, leading to disparities in revenue generation. Wealthier states with higher levels of industrialization and better infrastructure can generate more revenue, while poorer states rely more heavily on central transfers. This uneven development exacerbates regional inequalities and creates tension between states, particularly in the distribution of central funds.

c. GST and State Revenues:

The implementation of GST has further complicated fiscal federalism. States have expressed concerns that GST has eroded their revenue autonomy, as it replaced several state taxes with a unified national tax. Although the GST Council is designed to be a collaborative platform where both the center and states make decisions, the central government's influence within the council has led to concerns about the diminishing fiscal independence of states.

5.3. Inter-State Conflicts

Conflicts between states pose another significant obstacle to Indian federalism. These conflicts often arise from disputes over resources, territorial boundaries, and differing development priorities.

a. Water Disputes:

Inter-state water disputes are one of the most persistent and contentious issues in Indian federalism. Rivers such as the Cauvery, Krishna, and Narmada flow through multiple states, leading to conflicts over water sharing. These disputes often become highly politicized, with states unwilling to compromise, leading to prolonged legal battles. The central government's role as a mediator in these disputes is often challenged by states, leading to tensions between state and central authorities.

b. Territorial Disputes:

Territorial disputes between states, although less common, have also posed challenges to Indian federalism. Disputes over border areas, such as those between Maharashtra and Karnataka or Assam and Nagaland, have led to violence and long-standing tensions. These conflicts strain the federal structure as states assert their territorial claims, sometimes at the expense of national unity.

c. Economic and Developmental Disparities:

Economic disparities between states have led to competition for resources and investment. While competitive federalism encourages states to innovate and improve governance, it can also exacerbate inequalities. Wealthier states are often able to attract more investment, leading to a cycle where they continue to develop faster than poorer states, deepening regional disparities.

5.4. Judicial Challenges

While the judiciary has played a crucial role in protecting federalism, its interventions have sometimes led to tensions between the center and states.

a. Judicial Overreach:

There are concerns that the judiciary, in some cases, has overstepped its boundaries, encroaching on the powers of the executive and legislature. Judicial overreach can disrupt the balance of federalism, particularly when courts intervene in matters that are traditionally within the domain of state governments.

b. Inconsistent Judicial Decisions:

The judiciary's role in interpreting the Constitution has been pivotal in shaping Indian federalism. However, inconsistent judicial decisions on matters related to federalism can create confusion and uncertainty. For instance, varying interpretations of the powers of the central government under Article 356 or the division of fiscal powers can complicate the functioning of federalism.

5.5. Political and Cultural Diversity

India's immense cultural and political diversity is both a strength and a challenge to federalism.

a. Regionalism and Identity Politics:

The rise of regionalism and identity politics has sometimes led to demands for greater autonomy or even secession. While regional parties play an essential role in representing the interests of their states, their emphasis on local identities can create friction with the central government's national policies.

b. Linguistic and Cultural Conflicts:

Linguistic and cultural diversity has also posed challenges to Indian federalism. The linguistic reorganization of states in the 1950s was a response to these challenges, but tensions remain. For example, issues such as the imposition of Hindi as a national language have sparked protests in non-Hindi-speaking states, highlighting the complexities of managing cultural diversity within a federal framework.

VI. CONCLUSION

The changing nature of Indian federalism reflects the dynamic interplay between unity and diversity, centralization and decentralization, and cooperation and competition. From its origins as a quasi-federal system with a strong central bias, Indian federalism has evolved into a more complex and layered structure that accommodates regional aspirations while maintaining national coherence. However, the journey is far from complete. The challenges of fiscal imbalance, political centralization, and inter-state conflicts highlight the need for ongoing dialogue and reforms to strengthen federalism in India. As India continues to grow and diversify, its federal structure must adapt to ensure that the country's governance remains responsive, inclusive, and resilient in the face of new challenges. Understanding this changing nature of Indian federalism is crucial for addressing the future governance needs of the world's largest democracy.

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