



Federalism and Governance: Assessing the Dynamics of State-Centre Relations in India

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ABSTRACT

The notion or meaning of federalism is often debated, although there is a common understanding that most people can agree on. Overall, the article emphasizes a conceptual definition of federalism, rationales, its features and models. Federalism in India is a multifaceted and distinctive government form that strikes a balance between unity and diversity across a large and heterogeneous populace. The organization is both unitary and federal, with the central government wielding great power while also allowing for state autonomy. The paper further explores the development of Indian federalism, features of the Indian federal model, and the dynamic interplay between the central government and the states, with a particular emphasis on cooperative federalism, its difficulties, and current developments and reforms. This paper studies the evolution of state-centre relations by looking at constitutional provisions, judicial judgments, and legislative amendments. Fiscal imbalances, interstate disagreements and administrative cooperation are contrasted with cooperative federalism, technological progress, and fiscal reform.

Keywords: federalism, constitution, governance, amendment, judiciary.

Introduction

Federalism, as a governance system, represents the division of duties and authorities between the central government and constituent entities, promoting a balance that satisfies varied interests while sustaining national unity. Federal structures, which are based on the ideas of shared sovereignty and autonomy, offer a framework for collaborative governance in a system with multiple levels. The separation of powers between the federal government and subnational organizations, which delineates discrete areas of authority and jurisdiction, is the fundamental component of the federalism concept. Theoretically, this split promotes peaceful coexistence, protecting regional autonomy while guaranteeing collective decision-making. However, historical, cultural, and sociopolitical factors frequently present obstacles to the implementation of federal principles, influencing how federalism is actually implemented in a country.¹

¹ Neelu Kishnani, "Indian Federalism: In Theory and Practice" 11 *International Journal of Creative Research Thoughts* 616 (2023)

Political scientists categorize constitutions as either federal or unitary. Under a unitary system, the central government has all authority and the constituent units are completely subservient to it. In a federal system, decision-making powers are divided between the central government and the component states. In nations where unity and diversity coexist harmoniously, federal political systems are formed; in contrast, autonomous states become unavoidable when the forces of diversity outweigh the forces of unity. Federalism has varied meanings to different people because its foundations were formed in different nations at various points in time. According to Dicey, the “desire for union without unity” is an absolutely necessary requirement for the establishment of a federal government.² The implementation of policies, the distribution of resources, and intergovernmental relations are all significantly impacted by the federal system of government, with its separation of responsibilities between the central government and states.

The segregation of powers is an essential aspect of any federal system and serves as the foundation for democratic administration. It serves as the framework for the establishment of mechanisms for oversight, accountability, as well as authority³ which is critical to political systems because it ensures that no arm of government has undue jurisdiction and that all function as checks and balances on each other. Each arm of the system has specific authority to prevent abuse by others, and the framework is reinforced by mechanisms for oversight.

History and Definition of Federalism

The term "federalism," originating from the Latin word *foedus*, which means "to be united," originated during the 18th and 19th centuries in multicultural regions to address various social requirements in the direction of unification while preserving difference. The term "*foedus*" refers to a social agreement that acknowledges the value of human interaction.⁴ That is, federalism must be viewed as a union of groups united by one or more shared purposes while respecting individual as well as group interests.⁵ Federalism stems from a number of characteristics, including respect, tolerance, and mutual recognition, among others, which help promote human unity and the establishment of a state.⁶ Thus, "federalism" refers to collaboration and unity among multiple entities and units in order to build larger units to achieve their common goals. In the realm of politics, a federal government is a type of political structure in which political authority is distributed among smaller political entities, each with its own norms and institutes that operate in accordance with its objectives and public or group values. Certain restrictions govern the frontiers of power and how units are managed in such a system. The characteristics of various federal nations' organizations vary according to their political, socioeconomic, and geographic circumstances.⁷

British constitutional expert K.C. Wheare defines "federalism" as "a system of government in which authority is divided between national and regional governments so that each remained, within a sphere, coordinate (i.e. legally

² Rekha, “Nature of Indian Federalism: A Critical Analysis” 10 *Journal of Emerging Technologies and Innovative Research* 158 (2023)

³ Preetam Ku Pradhan, Sambhab swain, "Balancing Acts: A Comparative Analysis of the Separation of Powers - India and USA" 8 *International Journal of Novel Research and Development* 513 (2023)

⁴ M. Burgess, *Comparative federalism: theory and practice* (Routledge, 2006)

⁵ C. J. Friedrich, *Federalism: National and International* (Oxford University Press, 1963).

⁶ *Supra* note 4

⁷ Akbar Valadbigi and Shahab Ghobadi, “Federalism and Perspectives of Democracy” *OIDA International Journal of Sustainable Development* 37 (2011)

co-equal) and independent." W.S. Livingston characterized federalism sociologically as "a device by which the federal qualities of a society are articulated and protected," while Daniel Elazar originally supported a concept of federalism that envisioned harmonious "partnership" between national and provincial governments.⁸

Therefore, federalism is a form of government that distributes authority between a central government and smaller political entities, such as states or provinces. This arrangement promotes a balance of power, allowing two levels of government to function freely while sharing some responsibilities. A federation typically has two tiers of governance. The first is the national government, which typically oversees a few issues of shared national concern. The others are provincial or state governments that handle a large portion of their state's daily operations. Both levels of government exercise their power independently of the other.

Rationales of Federalism

The intention of creating a federal state is closely related to each nation's unique circumstances. The opportunity to establish a larger state and have better access to financial and military resources is one of the factors that led to the creation of federalism. By avoiding tyranny of the majority, federalism is another instrument that aids countries in establishing democratic republics. Furthermore, a federal system that balanced the territorial division of responsibilities between the federal government and the states and institutionally separated the powers of the various branches of government could strike a balance between liberty and the authority of elected officials.⁹

Key Features of Federalism

- a) Federal states have two levels of government that coexist side by side: the national and provincial. Both levels of government have exclusive authority over their citizens inside their respective jurisdictions over specific aspects of legislation, taxation, and administration.
- b) The constitution specifies the jurisdictions of each level or division of government. As a result, each level of government's legitimacy and power are ensured by the constitution.
- c) One tier of government cannot unilaterally amend the constitution's core provisions. Such modifications require the agreement of both tiers of government.
- d) Courts have the authority to interpret the constitution as well as the authorities of the various levels of government. If disputes emerge between various tiers of government while exercising their distinct powers, the nation's top court serves as an adjudicator.
- e) Each tier of government has clearly defined revenue sources to guarantee its financial independence.
- f) As a result, the federal system serves two purposes: to protect and promote national unity while also accommodating region-specific diversity.¹⁰

⁸ Daniel J. Elazar, *The American Partnership: Intergovernmental Co-Operation in the Nineteenth Century United - States*. (University of Chicago Press, Chicago, 1962)

⁹ Walleigne Mekkonen, *Ethnic Federalism and One Party Rule in Ethiopia* (1969)

¹⁰ Mulugeta Nega, "A Conceptual Clarification of Federalism, Rationales, Models and Critiques" 8 *International Journal of Political Science and Development* 191-198 (2020).

Federalism and its Implications for Governance

A constitution is at the centre of any federal system, defining how power is distributed between the federal and state governments. The distinction typically covers three primary regions: legislative responsibilities (the power to make laws), administrative responsibilities (the execution and enforcement of laws), and financial resource allocation (which is critical for the effective operation of federal systems). In a federal framework, the constitution is the ultimate statute of the nation, serving as the final authority for distributing authorities and resolving issues involving the national and regional administrations. This principle guarantees that every tier of government function within a specified legal framework, and that any disagreements are resolved in accordance with constitutional norms.¹¹

Both the federal government and the states have their own rights and duties under a federal system; this is known as "dual sovereignty," and each level of government functions autonomously within its own domain of influence. For this purpose, federal systems usually comprise a written constitution outlining the division of functions between the national and provincial governments. This constitution is a legally binding agreement that may only be changed through certain procedures, assuring consistency and clarity in governance. The division of authority keeps power from consolidating in one place, which promotes democracy among the units. Federalism responds to these circumstances by energizing political parties and educating more political elites to take part in the administration and leadership of the nation.¹² Political parties play an important role in organizing public opinion, formulating policy goals, and forming national and state governments through alliance negotiations. The political structure also acts as a tool for bringing together disparate interests, offering an avenue for political engagement, and translating popular desires into policy accomplishments. Furthermore, political parties' roles extend beyond electoral politics to include grassroots mobilization, social involvement, including community engagement, all of which contribute to the country's democratic fabric.¹³

Geographic divisions are frequently used in federal systems to maintain representation and autonomy for varied groups within society, and to accommodate diverse cultural, linguistic, or geographical peculiarities.

Models of Federalism

- a) Dual Federalism: This structure establishes clear and separate roles for the central and provincial governments. Each level acts independently within its own area of authority, with little overlap or collaboration.
- b) Cooperative federalism: In this framework, central and state governments collaborate and share responsibility across multiple domains. This approach focuses on collaboration and mutual dependency, with both levels of government taking an active role to address national and regional concerns.
- c) Fiscal federalism: This type of federalism centers around the financial interactions between the national and provincial governments. It includes the distribution of financial resources, income sharing,

¹¹ Key Structures and Types of Federalism: Power Distribution and Governance, *available at*: <https://polsci.institute/comparative-politics/key-structures-types-federalism-power-distribution/>, (last visited on May 11, 2025).

¹² *Supra* note 7.

¹³ Manisha, "Dynamics of Governance: Understanding Political Structures in India" 12 *IJFANS International Journal of Food and Nutritional Sciences* 3253 (2023).

and the allocation of grants and assistance. Fiscal federalism seeks to make sure that all territories have sufficient funding to deliver vital services while maintaining economic stability.

- d) Asymmetrical federalism: This structure acknowledges the distinct cultural, economic, as well as political aspects of different regions and provides for adapted governing systems with varied degrees of independence and authority to account for these differences.
- e) Symmetrical federalism: In this framework, all constituent units enjoy equal authorities and obligations to achieve nationwide equity and consistency. The national government regards all states or provinces in the same way, with no special advantages or autonomy granted to any one region.¹⁴

Federalism and Governance:

Federalism improves governance by establishing an organized strategy for organizing power and authority at various levels of government. Federalism supports efficient government in the following ways:

- a) Federalism creates a clear separation of responsibility between the national and state/regional administrations. Such separation enables each level of government to focus on specialized areas of governance, perhaps leading to more effective administration and better prioritizing of public responsibilities. For example, the national government may focus on broad problems like as military and foreign policy, while regional governments deal with community-specific difficulties.
- b) Federalism allows local governments to customize policies and laws to the specific requirements of their areas by giving states or provinces a certain level of authority. Local government may improve civic engagement by helping residents feel more engaged to participate in decisions that influence their lives.¹⁵
- c) Federal systems enable states to serve as "laboratories of democracy," where they may experiment with various policies and strategies. Successful efforts can be replicated in other jurisdictions or at the national level, stimulating creativity and enhancing governance generally. For example, governments can pursue unique initiatives in education or healthcare programs that can be assessed for performance before broad deployment.¹⁶
- d) Federalism can assist manage and decrease tensions between different factions within a country. Federalism, by enabling areas with different ethnic, linguistic, or belief systems to govern themselves, can help to reduce conflicts and foster social harmony. This is most noticeable in nations like Belgium and Canada, where territorial autonomy has helped sustain national unity despite substantial variation.
- e) The federalist system of governance automatically offers checks and balances. Federalism protects individual liberty and promotes democratic government by spreading authority across several levels.
- f) Federalism allows for the representation of many groups and ideas within a community. Federal systems may accommodate a wide range of opinions and demands by ensuring that diverse areas have a say in the national government. This is vital for sustaining an orderly and inclusive political climate.

¹⁴ Key Structures and Types of Federalism: Power Distribution and Governance, *available at*: <https://polsci.institute/comparative-politics/key-structures-types-federalism-power-distribution/>, (last visited on May 11, 2025).

¹⁵ Why Federalism Matters, *available at*: <https://www.brookings.edu/articles/why-federalism-matters/>, (last visited on May 11, 2025).

¹⁶ Why Federalism Matters, *available at*: <https://www.brookings.edu/articles/why-federalism-matters/>, (last visited on May 11, 2025).

g) Federalism makes it easier for different interests and groups to be represented in a community. Federal systems may accommodate a wide range of opinions and requirements by guaranteeing that many areas have a say in the national government. This is crucial for preserving a stable and inclusive political climate.¹⁷

Challenges of Federalism

- a) Administrative conflicts can arise in federal systems because of the intricate relationships that exist between the various tiers of government. Conflicts between federal and state legislation may result from the division of powers, making government more difficult. The federation's foundation may be threatened by these conflicts, which could lead to constitutional amendments or even independence.¹⁸
- b) States' disparities in assets and finances might result in uneven governance and facilities, which could make regional inequality worse. Regional inequalities are frequently related with economic inequalities caused by disparities in economic development across states, as well as within local areas.
- c) Numerous governmental units overlap under federalism, and occasionally the priorities of various tiers of government clash—that is, their objectives may be completely at odds. Constituents challenge non-accomplishment or activities not being handled in a way that reflects their priorities when policy failure occurs. People get perplexed and occasionally angry with the government as a whole as a result of the spectacle of accusation across various governmental levels and units.¹⁹
- d) The judiciary may play a larger political role as a result of a precise constitutional division of powers between the various tiers of government. This is because disagreements regarding the functions of national and subnational institutions are settled in the courts rather than by elected legislatures. Maintaining a precise balance between the judiciary's independence and impartiality as well as its responsiveness and inclusion is essential in all democratic nations, but it is especially crucial in federal ones.²⁰
- e) Federalism has the potential to attract inefficiency via policy duplication, as each state and municipality sets up, funds, and administers public policy independently based on its own unique combination of factors and traditions inscribed in its policy. However, there are additional costs associated with each state and municipal government effectively repeating many policy decisions.²¹
- f) Subnational governments can be abused by powerful interests for their own benefit at the expense of the general welfare. Corruption, which is always challenging to eradicate, can prove especially difficult to combat at the state, provincial, or regional levels, where it may be rooted in local networks and occur outside the gaze of national anticorruption institutions.²²

¹⁷ *Ibid.*

¹⁸ The Challenges of Federalism, available at: <https://ecpr.eu/Events/Event/PanelDetails/2361>, (last visited on May 11, 2025).

¹⁹ State and Local Government and Politics, available at: <https://open.oregonstate.education/government/chapter/chapter-2/>, (last visited on May 11, 2025).

²⁰ Mulugeta Nega, "A Conceptual Clarification of Federalism, Rationales, Models and Critiques" 8 *International Journal of Political Science and Development* 191-198 (2020).

²¹ *Supra* note 19.

²² Mulugeta Nega, "A Conceptual Clarification of Federalism, Rationales, Models and Critiques" 8 *International Journal of Political Science and Development* 191-198 (2020).

Federalism in India

The Indian Constitution is essentially federal in nature and is distinguished by the conventional features of a federal system, such as the supremacy of the constitution, the sharing of power between the central government and the state governments, the institution of an independent court system, and a strict procedure for amending the constitution. It provides a dual polity with clearly defined spheres of responsibility for the Union and the states, which will be applied in areas assigned to them. There is an independent judiciary to resolve disputes between the central government and states, or between one state and another.²³ However, the words 'federation' and 'federal' are not found in any section of India's constitution. The authors of the Constitution used the term 'union.' Article 1(1) of the constitution states, "India, that is Bharat, shall be a Union of States." The term 'Union of States' rather than 'Federal or Federation' denotes the Indian constitution's special character and nature. Considering the permanence and indestructibility of the Union of India, along with historical, cultural, social, and political experiences led to the avoidance of the term "federal."²⁴

Federalism entails the division of authority between the centre and the states. In India, there are basically three lists: union list, state list, and concurrent list. The Union has control over the 'Union list', which includes inter-state relations, national security, along with foreign affairs. The state has jurisdiction over subjects of primary concern to the regions, known as the 'State list,' which include law and order, culture, and education. The 'Concurrent list' contains areas of overlapping importance, such as land reform laws or concerns linked to linguistic or religious minorities, on which both the Centre and the states can pass legislation with the caveat that in the event of a conflict, the Central legislation will be given precedence. The residuary issues, which are not specifically named in the Constitution, are under the purview of Central legislation.²⁵

The central government has an upper hand over the states in critical subjects such as the authority to redraw the state boundaries. The Union list consists of greater subjects as compared to the State list, and its legislation takes precedence over state legislation on Concurrent list issues. Furthermore, under extreme circumstances, the Parliament may pass laws on any state subject; most significantly, the Centre has vast control over financial resources; and, most controversially, it has the authority to appoint governors in states as well as to dissolve state governments by declaring the president's rule if the situation demands.²⁶ The Indian Federation is not a "indestructible union of indestructible states," in contrast to traditional federations such as the United States, because only the union is indestructible, but the states are not. According to Article 3 of the Constitution, the Parliament has the authority to create new states by dividing existing territories, changing their borders, and renaming them. The only prerequisite for this is that the "Bill" for the purpose must be introduced in Parliament at the President's recommendation, following which it must be submitted to the concerned state legislature for their opinions (consent is not required). The idea of equality between the union and the states is also not the

²³ Justice V. Dhanapal, "Basic Structure of the Indian constitution - An Analysis" 8 SCC (J) 2 (2014).

²⁴ Satish Chandra Srivastava, Nature of Federalism in India 45 (July 2010).

²⁵ Dr. Chanchal Kumar, "Federalism in India: A Critical Appraisal" 3 *Journal of Business Management & Social Sciences Research* 33 (2014).

²⁶ Indian Federalism @75: The foundation of a strong democracy, available at: <https://www.orfonline.org/expert-speak/indian-federalism-75-the-foundation-of-a-strong-democracy>, (last visited on May 11, 2025).

foundation of the federation. In India, the central government has the authority to encroach on the executive and legislative spheres of state governments.²⁷

However, concluding that India's federal structure is completely skewed toward the center would be incorrect. Some of the most significant and robust federal characteristics of India's political system include a dual polity and the written Constitution's division of functions between the federal government and the states. Additionally, the process for changing the Constitution's federal provisions is strict and requires the approval of the majority of states. Institutional protections like an independent judiciary serve as an arbitrator in any conflict between the national government and the states. Judicial decisions, such as the *Minerva Mills v. UoI*²⁸ ruling, for example, reaffirmed federal principles by limiting overbearing central authority and reaffirming the Constitution's supremacy.²⁹

Evolution of Federalism in India

India's federalism has developed through a dynamic interaction of legislative, historical, and judicial events that have shaped the character and extent of state-centered interactions ever since independence. Following independence, India saw stages of centralization followed by phases of decentralization and regional autonomy.

In the initial years of independence, India had strong party dominance at both the national and state levels, resulting in a heavily centralized federal arrangement. Key institutions such as the Planning Commission dominated economic policy, restricting state financial autonomy. The rise of regional parties in the 1967 elections resulted in coalition governments and increased calls for state autonomy. Decisions by the Supreme Court, such as the *S.R. Bommai*³⁰ judgement, strengthened the federal system by limiting the abuse of emergency provisions under Article 356.³¹

India had originally embraced a federal political structure with two levels of government: the central level and the provincial level. After the 73rd and 74th Amendments were passed in 1992, an important third tier—at the of panchayat levels and municipality levels —was introduced. These Amendments reinforced federalism by devolving authority to local organizations, strengthening grassroots democracy.³²

Additionally, the liberalization policies and other economic reforms of the 1990s signalled a move toward market-driven federalism, strengthening state roles in luring investments and carrying out economic policies allowing states to have more fiscal autonomy, which improved financial independence and empowerment.

Recent reforms, such as the adoption of the GST system and the formation of the GST Council (a joint forum comprised of the Union Finance Minister and state finance ministers), have resulted in increased state engagement

²⁷ *Supra* note 25.

²⁸ *Minerva Mills Ltd. & Ors v. Union of India & Ors* 1980 AIR 1789

²⁹ Indian Federalism @75: The foundation of a strong democracy, available at: <https://www.orfonline.org/expert-speak/indian-federalism-75-the-foundation-of-a-strong-democracy>, (last visited on May 11, 2025).

³⁰ *S.R. Bommai v. Union of India*, 1994 AIR 1918

³¹ Constitution of India 1950, art 356.

³² Dr Rajesh Choudhary, "Federalism in India: Assessing State-Centre Relations and Dynamics" 4 *International Journal of Creative Research Thoughts* 817 (2016).

in decision-making proceedings. The implementation of compensation mechanisms, as well as periodic talks about the GST rate structure, have facilitated a more balanced discourse.

Challenges in Indian Federalism

Indian federalism faces a slew of issues in the fiscal, political, and bureaucratic spheres, all of which put the balance between the Centre and the states to the test, affecting the federal structure's effectiveness.

- a) Fiscal federalism continues to be a significant concern. The vertical fiscal imbalance, in which the Centre keeps a large amount of revenue, hinders states' financial autonomy as pointed out by the Rangarajan Committee Report of 1986. Inequalities in income generation capacities across states worsen the imbalance, resulting in disproportionate resource allocation and reliance on central assistance.
- b) Administrative obstacles arise as a result of jurisdictional overlaps between the Centre and the states, causing coordination problems and administrative difficulties. Coordination failures in implementing government sponsored projects can lead to unsatisfactory results and improper allocation of resources.³³
- c) Additionally, occasional expressions of regional aspirations undermine the unity envisioned by federalism. Demands for statehood or more autonomy, such as those witnessed in the “Telangana” and “Gorkhaland” movements, reflect simmering regional feelings seeking resolution.³⁴
- d) The Governor's discretionary powers frequently cause political tensions between the Centre and the states, particularly in opposition-ruled states. Concerns about the abuse of the governor's office have increased, especially in relation to the frequent transfers or appointments that are frequently carried out by the central ruling party, the unfair removal of state governments, manipulating the process of government formation, and the refusal to ratify bills.³⁵

Despite these problems, Indian federalism has proven resilient through adaptive mechanisms. The formation of institutions such as the Inter-State Council as well as Finance Commission, in addition to judicial interventions in key cases, have tried to solve these difficulties while building cooperative federalism and resolving tensions.³⁶

State-Centre Relations

The constitutional structure of Indian federalism defines the division of powers between the central government and the States through extensive regulations outlined in the Constitution's Seventh Schedule. The framers of the Constitution inserted several non-federal aspects into it, such as single citizenship, a unified legal system, a strong centre, the President appointing the Governor, asymmetrical representation in the Rajya Sabha, etc. All of this points to a strong central government, and states must cooperate closely with it. The investigation of the relationship between the national government and the states in the areas of legislation, administration, and finance also makes it abundantly evident that the central government is stronger than the states. The Centre has been given a dominant role, which was necessary given the threats to the unity and integrity of the country. As a result,

³³ J. Dreze, & A. Sen, *An Uncertain Glory: India and its Contradictions*. (Penguin Books, India, 2013).

³⁴ A. Kundu, & A. Shah, “Has Regionalism Divided India?” *9 Perspectives on Politics* (2011).

³⁵ Forging the Future of Federalism in India, *available at*: <https://www.drishtias.com/daily-updates/daily-news-editorials/forging-the-future-of-federalism-in-india>, (last visited on May 11, 2025).

³⁶ S. Pai, *Federalism in India* (Oxford University Press, Oxford, 2012).

there exist provisions for cooperative federalism. The functioning of the Indian Constitution during the past year demonstrates that interactions between the central government and the states didn't remain very cordial. The Indian government has created a number of commissions to examine the relationship between the center and the states in response to the states' growing demands for autonomy. The Sarkaria Commission investigated the issue and made recommendations for improvements in federal, constitutional administrative, and financial ties.³⁷

At the outset, the Constitution gave the Centre enormous powers. For example, the Union government was granted residuary powers³⁸, giving it residual authority over issues that are not explicitly specified in any list. Nevertheless, by judicial interpretations such as the *Keshavananda Bharati*³⁹ decision, the Supreme Court set constraints on Parliament's amending power respecting the essential framework of the Constitution, thus maintaining the federal structure against increasing centralization.

Role of Federalism in Improving Indian Governance

Federalism in India is critical in establishing governance, policymaking, and meeting the different demands of its people while retaining national integrity. Policymaking in India comprises a variety of stakeholders, and federalism helps states to customize policies to their distinct socioeconomic and cultural circumstances. This decentralization promotes responsive governance, allowing states to efficiently address local concerns.⁴⁰ Initiatives for decentralization, such as the 73rd Amendment's Panchayati Raj system, have given local governments more authority and encouraged community-driven growth and participatory governance.⁴¹ This decentralized strategy increases public officials' accountability while also ensuring service delivery at the grassroots level. The cooperative federalism model has gained popularity as a solution to the Centre- State issues since it places an emphasis on cooperation and partnership between the federal government and the states. The “National Institution for Transforming India” (NITI) Aayog aims to promote discourse, allowing states to actively participate in policy formation and governance processes.⁴²

Recent Trends and Reforms

The past few decades have seen major trends and changes aimed at tackling the complexities and constraints of India's federal structure, developing constructive relationships between the Centre and the states, and aiming for more inclusivity and efficiency. Furthermore, state-level financial devolution has been increasing. The 14th Finance Commission proposed a considerable increase in the states' share of central taxes, improving their financial autonomy and reinforcing the basic concepts of fiscal federalism.

³⁷ Dr. Chanchal Kumar, “Federalism in India: A Critical Appraisal” 3 *Journal of Business Management & Social Sciences Research* 33 (2014).

³⁸ Constitution of India 1950, art 248.

³⁹ *Kesavananda Bharati Sripadagalvaru and Ors. v. State of Kerala and Anr.* AIR 1973 SUPREME COURT 1461

⁴⁰ A. Prakash, & S. Pai, *Decentralization in India: Challenges and Opportunities*. (Harvard University Press, 2004).

⁴¹ J. Manor, *The Political Economy of Democratic Decentralization*. (The World Bank, 1999).

⁴² Ministry of Electronics and Information Technology, “Digital India: A Program to Transform India into a Knowledge Economy” (Government of India, 2015).

The focus on competitive federalism, which encourages states to vie for investments, infrastructure growth, and superior governance, is another important reform. States are encouraged to enhance their governance standards and business ecosystems through programs like the “Ease of Doing Business” ratings and competitive financing mechanisms.⁴³

There have also been attempts to use technology-driven governance reforms for solving administrative issues. Projects like the “Digital India” initiative seek to use technology to boost states' administrative capabilities, increase transparency, while enhancing service delivery.⁴⁴

Even though these changes show encouraging progress, problems still exist, such as those pertaining to regional inequities, centre-state collaboration, and resource distribution.

Conclusion

In conclusion, federalism improves governance through fostering local autonomy, permitting policy experimentation, and offering channels for representation and dispute resolution. These characteristics help make the government more adaptable and efficient so that it can better meet the various requirements of its people. Though India's federal structure has an inherent central tilt, the unique and localized demands and ambitions for identity, autonomy, and growth from various areas have forced the government to be accommodating in a variety of ways. Attempts to centralize and homogenize have been challenged by regional actors who want to keep the original federal plan intact. The inclusion of third-tier local self-government has effectively emerged as a strong foundation of Indian federalism by decentralizing power at the most grassroots stage of governance. However, two fundamental challenges prevent increased federal cooperation. First, issues related to political partisanship continue to plague India's federal relations, as mutual hostility and electoral struggle among opposing parties at the national level and in the states obstructs opportunities for political discussion and consensus-building.

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⁴³ The World Bank Group, “Doing Business 2015: Going Beyond Efficiency” (World Bank, 2015).

⁴⁴ *Supra* note 42.

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