

International Journal of Engineering, Science and Humanities

An international peer reviewed, refereed, open-access journal
Impact Factor 8.3 www.ijesh.com ISSN: 2250-3552

Federalism in India: Centre–State Relations and Challenges to Cooperative Federalism

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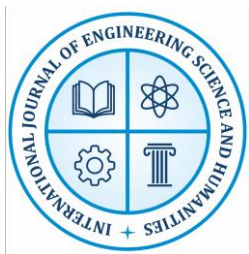
Abstract

India's Constitution creates a union of states with a strong Centre, and the working of that arrangement has shaped political and economic life since 1950. This paper examines Centre–state relations in India and the challenges facing cooperative federalism, with emphasis on developments between 2012 and 2020. It uses a doctrinal and analytical approach based on constitutional provisions, Finance Commission and NITI Aayog reports, official orders and the scholarly literature on federalism. The analysis shows that the constitutional design combines federal features with unitary safeguards, that legislative and administrative relations have favoured the Centre, and that fiscal relations are marked by a vertical imbalance in which states spend more than they raise. Reforms during the period, including a higher tax devolution share, the replacement of the Planning Commission by NITI Aayog and the creation of the Goods and Services Tax (GST) Council, strengthened the institutions of cooperation. Yet disputes over GST compensation, the use of cesses, the use of emergency powers, legislation on subjects in which states have a stake, and the management of the COVID-19 pandemic reveal persistent strain. The paper concludes that cooperative federalism in India works best where the Constitution provides a forum with shared decision rules, and least well where cooperation depends on executive goodwill. It recommends stronger fiscal rules, a revived Inter-State Council, and greater state accountability.

Keywords: federalism, Centre–state relations, cooperative federalism, fiscal federalism, GST Council, Finance Commission, Inter-State Council, India

1.1 Introduction

India is a vast and diversified polity with over two dozen states and a number of union territories and a variety of languages, religions, and regional economies. After Partition, these framers of the Constitution had to hold this diversity together and to establish a state that can plan development and maintain order. They decided for a system in which powers were shared between the Union and the states but the balance was in favor of the Union. The term ‘Union of States’ in Article 1 was meant to indicate that the units have no right of self-determination and that ‘union’ is not based on an agreement between sovereign states, (Tillin, 2019).



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This has passed through different stages since 1950: dominance of the Congress, a central planning model, coalition governments and strong regional parties in the late 1980s and the Government of a single party with a parliamentary majority at the Centre since 2014. At each stage, the constitutional text has evolved in practice. This paper focuses on the era between 2012 and 2020 – a time when the Planning Commission was dismantled, a significant portion of central taxes got transferred to the states, the Goods and Services Tax was implemented and Jammu and Kashmir was reorganized, along with a response to a pandemic throughout the country.

1.2 Meaning and Concept of Federalism

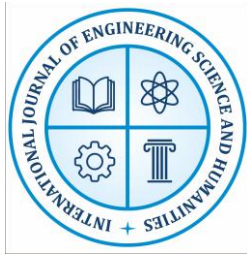
Federalism is a system of government in which authority is constitutionally divided between a national government and regional governments, each with its own sphere of decision-making that the other cannot unilaterally remove. Comparative scholars stress that federations vary widely in how power is distributed, how disputes are settled and how far the units take part in national decisions (Burgess, 2012; Benz & Broschek, 2013). The older literature distinguished between "dual" federalism, in which each level acts in its own domain, and "cooperative" federalism, in which the levels share functions and work together. A further distinction is made between "coming-together" federations, formed by independent units that pool sovereignty, and "holding-together" federations, in which a pre-existing state devolves power to its regions to preserve unity. India is generally placed in the second category.

Federal arrangements also depend on incentives. Weingast (2014) argues in his account of second-generation fiscal federalism that decentralisation yields good results only when sub-national governments face hard budget constraints, clear responsibilities and political incentives to serve their citizens. This idea is useful for India, where fiscal transfers, borrowing limits and political competition all affect state behaviour.

1.3 Evolution of Federalism in India

Indian federalism grew out of the Government of India Act 1935 and the debates of the Constituent Assembly. The Constitution's design gave the Union a dominant legislative, financial and emergency position, while recognising states as constitutional entities with their own elected governments. The reorganisation of states on linguistic lines from 1956 deepened the federal character by aligning political units with regional identities rather than weakening the Union, as many had feared (Tillin, 2013). Later waves of reorganisation, such as the creation of Chhattisgarh, Jharkhand, Uttarakhand and Telangana, followed the same logic of accommodating regional demands within the Union.

Planning and the dominance of one party shaped relations through the 1950s and 1960s, because the Planning Commission and the National Development Council gave the Union a means to direct state investment. The weakening of Congress dominance, the rise of regional parties and



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the end of one-party rule at the Centre in 1989 expanded the bargaining power of states. Palshikar et al. (2014) show that party competition in the states became distinct from competition at the national level, which gave state governments independent political bases. Economic liberalisation after 1991 further increased the role of states in attracting investment and implementing reform (Mukherji, 2014). In the most recent period, a national party with a majority has again become the principal actor in both the Centre and many states (Chhibber & Verma, 2018), which has altered the incentives for bargaining across party lines.

1.4 Rationale and Significance of the Study

Centre–state relations determine whether public services reach citizens, because states are responsible for health, police, agriculture, land and local government, and they carry most of the expenditure on these functions. The quality of cooperation between governments therefore affects development, social policy and the handling of emergencies. Recent events, including the pandemic response and disputes over tax compensation, have drawn attention to how well India's institutions of cooperation actually function.

The study contributes by bringing together the constitutional framework, the fiscal evidence and the institutional record in a single analysis. It asks three questions. How does the Constitution distribute power between the Centre and the states? How have these relations evolved in practice between 2012 and 2020? And what makes cooperative federalism effective or fragile? The method is analytical and uses secondary sources: constitutional provisions, government and Finance Commission reports, official orders and published scholarship. Numerical values reported in tables and figures are rounded and should be read as indicative of scale and direction.

2.1 Constitutional Framework of Federalism in India

The salient characteristics of a Federal system are mentioned in the Constitution of India. It is a written Constitution, it allocates legislative powers between the Union and states in the Seventh Schedule, it ensures an independent judiciary with the Supreme Court as the guardian of the Constitution and as an adjudicator in case of any conflict between the Union and states and lastly it establishes a Council of States (Rajya Sabha) to represent the States. The legislatures of half the states would have to ratify the amendments that affect the federal structure under Article 368 (Ministry of Law and Justice, 2019).

Concurrently, the Constitution has a number of provisions that are beneficial to the Union. Under Article 3 of the Union Parliament can change the boundary and name of the states by simple majority. Citizenship is bound up in the judiciary. All India Services are provided to both the Union and States. The President appoints Governors and the Union can assume power of a state during Article 356. The powers of Parliament are residual as per Article 248. It has been termed a 'federation with a centralizing bias' that has learned to embrace regional diversities through



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political maneuvering (Tillin, 2019). Table 1 shows the difference between the federal and unitary elements.

Table 1. Federal and unitary features of the Indian Constitution

Dimension	Federal feature	Unitary feature
Distribution of powers	Three lists in the Seventh Schedule	Residuary power with Parliament (Art. 248)
Territory	States have constitutionally defined territories	Parliament may reorganise states (Art. 3)
Judiciary	Supreme Court decides Union–state disputes (Art. 131)	Single integrated judicial system
Legislature	Rajya Sabha represents states	Rajya Sabha seats are allotted by population, and Lok Sabha prevails on money bills
Executive	States have elected governments	Governor appointed by the President (Art. 155) and Presidential rule (Art. 356)
Civil services	State services and local administration	All-India Services (Art. 312)
Amendment	Federal provisions need ratification by half of the states (Art. 368)	Most provisions can be amended by Parliament alone
Citizenship	Not applicable	Single citizenship

2.2 Division of Powers between Centre and States

The Seventh Schedule contains three lists. The Union List covers subjects such as defence, foreign affairs, currency, banking, railways and inter-state commerce. The State List covers public order, police, public health, agriculture, land and local government. The Concurrent List covers subjects such as education, forests, criminal law and marriage, on which both levels may legislate but Union law prevails in case of conflict (Article 254). Residuary subjects belong to the Union. The distribution gives the Union the subjects of national scope and the states those of local administration and welfare, but several additional provisions let Parliament override or expand into state subjects. Table 2 summarises the main categories.

Table 2. Division of powers under the Seventh Schedule

Category	Constitutional basis	Illustrative subjects	Implication for the balance
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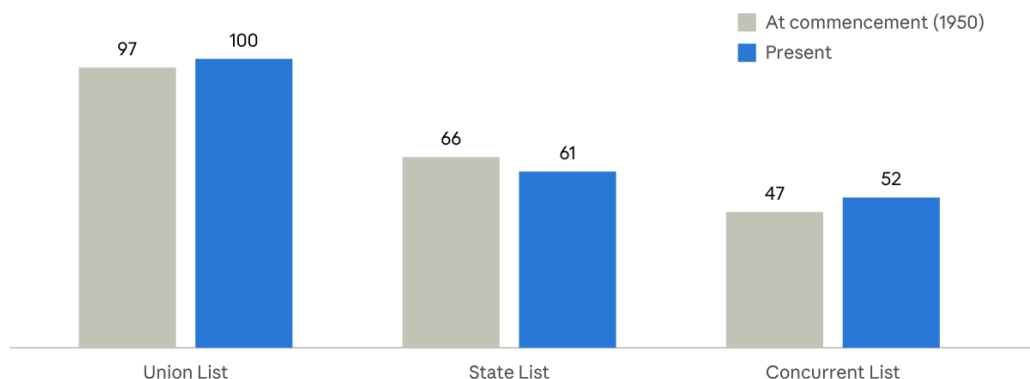
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Category	Constitutional basis	Illustrative subjects	Implication for the balance
Union List	Art. 246(1)	Defence, foreign affairs, currency, banking, railways	Exclusive Union authority
State List	Art. 246(3)	Public order, police, health, agriculture, land, local government	Exclusive state authority, subject to overriding powers
Concurrent List	Art. 246(2), Art. 254	Education, forests, criminal law, marriage, trade unions	Union law prevails in conflict
Residuary powers	Art. 248	Subjects not listed	Parliament only
Overriding powers	Arts. 249, 250, 252, 253, 356	National interest, emergency, treaties, state request	Parliament may legislate on state subjects

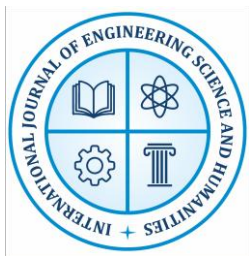
The distribution of subjects has changed since 1950. As Figure 1 shows, the Union List has grown slightly, the State List has fallen, and the Concurrent List has expanded. Several subjects, including education, forests and weights and measures, were moved from the State List to the Concurrent List by the 42nd Amendment in 1976, which reduced exclusive state authority.

Figure 1. Subjects have shifted toward the Union and Concurrent Lists since 1950

Number of subjects in each Seventh Schedule list



Source: Ministry of Law and Justice (2019), The Constitution of India, Seventh Schedule; counts as commonly reported after the 42nd and 101st Amendments



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2.3 Legislative Relations

Articles 245 to 255 regulate legislative relations. Parliament may make laws for the whole or any part of India, whereas a state legislature may make laws for the state. Parliament can legislate on a State List subject in five circumstances: when the Rajya Sabha declares by a two-thirds majority that this is in the national interest (Article 249), during a national emergency (Article 250), when two or more states request it (Article 252), to implement international agreements (Article 253), and when a state is under President's rule (Article 356). Governors may also reserve state bills for the consideration of the President, who may withhold assent.

The 101st Amendment of 2016 introduced Article 246A, which gives both Parliament and state legislatures concurrent power to make laws on goods and services tax, with Parliament holding exclusive power over inter-state supply (Ministry of Law and Justice, 2016). This is an example of the Constitution being altered to create a shared legislative domain rather than to enlarge the Union's powers.

2.4 Administrative Relations

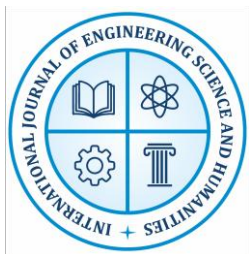
Articles 256 to 263 deal with administrative relations. States must exercise their executive power so as to ensure compliance with Union laws, and the Union may give directions to states for this purpose (Articles 256 and 257). Article 355 imposes on the Union a duty to protect states against external aggression and internal disturbance. The Union may delegate functions to states and vice versa, and Article 263 empowers the President to establish an Inter-State Council to investigate and advise on disputes and common policy. Article 262 provides for adjudication of disputes over inter-state rivers.

The administrative structure is knitted together by the All-India Services, whose officers are recruited by the Union but serve in state cadres, and by centrally sponsored schemes that channel Union funds through state administrations. Sharma (2015) calls the pattern executive federalism, in which relations are managed mainly through meetings and negotiations among executives rather than through legislatures or courts.

2.5 Financial Relations

Articles 268 to 293 govern financial relations. The Union levies income tax, corporation tax and customs duties, while states levy taxes on land revenue, alcohol and, until 2017, sales. The Constitution provides for sharing of the proceeds of certain Union taxes (Article 270), for grants-in-aid (Articles 275 and 282), and for a Finance Commission appointed every five years to recommend the distribution of taxes between the Union and the states and among the states (Article 280). States may borrow within India, but they need the Union's consent if they owe it a loan (Article 293).

The Fourteenth Finance Commission raised the states' share of the divisible pool from 32 per cent to 42 per cent for 2015–20, expressly to expand state fiscal autonomy and to replace many

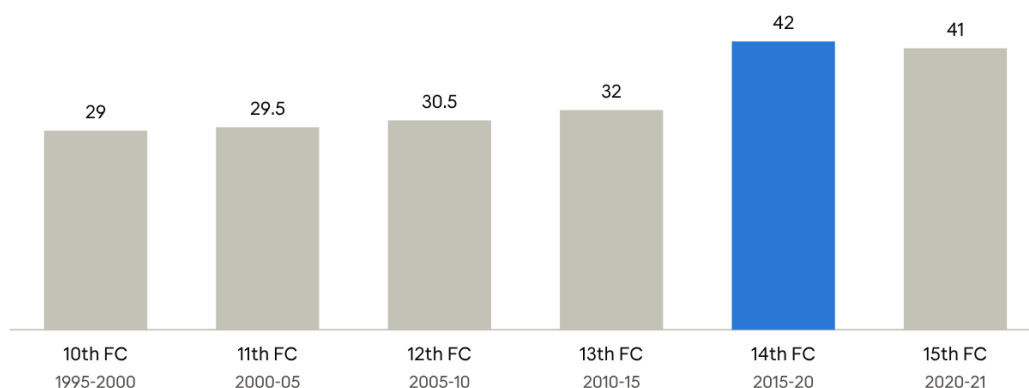


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discretionary and tied transfers (Fourteenth Finance Commission, 2014). The Fifteenth Finance Commission set the share at 41 per cent for 2020–21, after adjusting for the change in the status of Jammu and Kashmir, and introduced a criterion for demographic performance to partly reward states that had succeeded in stabilising population growth (Fifteenth Finance Commission, 2020). Figure 2 shows the trend.

Figure 2. The 14th Finance Commission raised the states share from 32% to 42%
Recommended share of the divisible pool of central taxes, per cent



Source: Fourteenth Finance Commission (2014); Fifteenth Finance Commission (2020); earlier commissions as reported in those reports

A complication is that the Union can raise revenue through cesses and surcharges, which are outside the divisible pool. A growing use of these instruments reduces the effective share that states obtain, a point that is taken up in Section 3.

3.1 Centre–State Relations in India

There are identifiable stages to centre–state relations. During the first 20 years of independence only one dominant party was in power at the Centre and most States; hence, differences were sorted out within the party and the official federal machinery was not regularly challenged. The 1967 elections to the state assembly led to the formation of non-Congress governments in a number of states and the conflict over the use of the Governor's office and Article 356 came to light. The balance of power was brought on to the national agenda by the demands of greater autonomy from the state and the report of the Sarkaria commission from 1980s. The coalition government period from 1989 and constraints imposed by the Supreme Court on arbitrary dismissal of state governments in the Bommai case in 1994 increased the space for States to negotiate (Tillin, 2019).

There has been a shift in the Centre–state relations in recent decades, which has been mainly based on negotiation between the executives, as scholars point out (Sharma, 2015). However,



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political landscape shifted after 2014 as one party secured majority in Lok Sabha and increased its presence in government in the states, which increased informal coordination within the party and became a more confrontational relation with opposition government states (Chhibber & Verma, 2018; Palshikar et al., 2014).

The Centre has regularly legislated in areas where States say they have an interest. The Union List areas of education, labour and forests have been regulated more and more by Union law; and the Centre has exercised its Union List powers in areas of trade, citizenship and inter-state commerce that have touched state interests. The Union Parliament had revoked the special status of J&K and divided it into two Union Territories in 2019, which was done during the President's rule in J&K and the state was not represented by an elected state legislature at that time. The Citizenship (Amendment) Act in December 2019 received objections from several states which had passed such resolutions even though citizenship is a Union subject. In September 2020, Parliament passed three laws on agricultural marketing and contract farming, albeit agriculture and markets are subjects of the State List which triggered protests and counter legislation in some states.

In these episodes it is seen that formal restrictions on the power of the Union are regularly put to the test in the interpretation of the entries in the lists; and that without a prior consultation a constitutional issue is likely to be seen as a political issue. Selected episodes are summarised in Table 3.

Table 3. Selected episodes of Centre–state friction, 2018–2020

Episode	Year	Issue	Union position	State response
Withdrawal of consent to the CBI	2018–2020	Central agency investigating within states	Agency acts under national law	Several opposition-ruled states withdrew general consent
Jammu and Kashmir reorganisation	2019	Abrogation of special status and creation of union territories	National integration and security	Contested politically and in the courts
Citizenship (Amendment) Act	2019	Eligibility for citizenship	Citizenship is a Union subject	Some states passed assembly resolutions against it and one sought relief in the Supreme Court



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Episode	Year	Issue	Union position	State response
Agricultural marketing laws	2020	Regulation of markets and contract farming	Reform of agricultural marketing	Objection that agriculture is a State List subject, with protests and counter-legislation in some states
GST compensation shortfall	2020	Source of funds to meet the revenue gap	Offered borrowing options	Several states demanded that the Centre borrow on their behalf
National lockdown	2020	Uniform restrictions during the pandemic	Order under the Disaster Management Act, 2005	Mixed cooperation, with complaints about limited consultation

3.3 Administrative Relations and Institutional Coordination

Administrative relations rest on a mixture of constitutional provisions, statutes and conventions. The Governor, appointed by the President, acts as the constitutional head of the state and as the Union's representative, and disputes over the discretion of the Governor in forming governments, giving assent to bills and dealing with ministers have been recurring causes of friction. The All-India Services provide a common administrative culture but also give the Union a channel of influence over state bureaucracies. Centrally sponsored schemes in sectors such as health, education and rural development are designed at the Centre and implemented by states, which often feel that uniform norms ignore local conditions.

Institutions for coordination include the zonal councils created by the States Reorganisation Act of 1956, the Inter-State Council under Article 263, and, since 2015, the Governing Council of NITI Aayog, which includes all chief ministers. A sub-group of chief ministers appointed by NITI Aayog recommended in 2015 that centrally sponsored schemes be rationalised and made more flexible (NITI Aayog, 2015), and the Centre subsequently reduced and regrouped the schemes. The Planning Commission, which had set national priorities through five-year plans and approved state plans, was replaced in 2015 by a body designed as a think tank and platform for cooperative federalism (Planning Commission of India, 2013; NITI Aayog, 2018).



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4. Cooperative Federalism in India

4.1 Concept and Principles of Cooperative Federalism

Cooperative federalism is the idea that the Union and the states are partners who share responsibilities, rather than rivals who protect separate spheres. Its working principles include consultation before action, shared decision rules in areas of overlap, predictable transfers that respect state autonomy, and mechanisms for settling disputes without litigation. The idea is distinct from competitive federalism, in which states compete for investment and for good rankings on indicators, and in practice the two are combined in India: the Union encourages competition among states on performance, while it seeks cooperation on shared policy goals (NITI Aayog, 2018, 2019).

Comparative research suggests that cooperation is most stable where institutions give sub-national units a formal voice and where decision rules make unilateral action costly (Benz & Broschek, 2013; Burgess, 2012). The Indian experience supports this view.

4.2 Constitutional and Institutional Foundations

The Constitution supplies several foundations for cooperation: the Finance Commission under Article 280, the Inter-State Council under Article 263, the provisions for delegation of functions in Articles 258 and 258A, and the Council of States as a national chamber. The statutory zonal councils add a regional layer. Since 2015 NITI Aayog and its Governing Council have offered a forum in which the Prime Minister and chief ministers discuss national priorities, and since 2017 the GST Council has provided a constitutional body that decides on indirect taxation jointly. Table 4 compares these institutions.

Table 4. Principal institutions of Centre–state cooperation

Institution	Basis	Composition	Principal function	Main limitation
Finance Commission	Art. 280	Chair and four members appointed by the President	Recommends tax devolution and grants	Terms of reference are set by the Union
Inter-State Council	Art. 263	Prime Minister, chief ministers and Union ministers	Advises on disputes and common policy	Meets rarely and has no binding powers
Zonal Councils	States Reorganisation Act, 1956	Union Home Minister and chief ministers of the zone	Regional discussion of common problems	Irregular meetings and advisory role



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Institution	Basis	Composition	Principal function	Main limitation
NITI Aayog Governing Council	Cabinet resolution, 2015	Prime Minister, chief ministers and lieutenant governors	Policy dialogue and strategy	No role in allocating funds
GST Council	Art. 279A, 2016	Union Finance Minister and state finance ministers	Decides on GST rates, exemptions and procedures	Union holds a one-third vote and an effective veto

4.3 Centre–State Cooperation in Policy Formulation

The replacement of the Planning Commission by NITI Aayog changed the pattern of policy formulation. Under the Planning Commission, the Union approved state plans and distributed plan assistance, which gave it a directive role. NITI Aayog does not allocate funds and aims instead to coordinate, share good practice and monitor outcomes (NITI Aayog, 2018). The subgroup of chief ministers on centrally sponsored schemes in 2015 and later work on sector strategies show a degree of joint policy formulation. The Fourteenth Finance Commission's emphasis on unconditional devolution reinforced the shift from tied to untied resources (Fourteenth Finance Commission, 2014). Tillin et al. (2015) show that states also vary greatly in their own welfare policies, so that national cooperation has to work with a wide range of state capacities and priorities.

4.4 Role of GST Council

The GST Council is the most important institutional innovation of the period. Established under Article 279A by the 101st Amendment, it is chaired by the Union Finance Minister and includes the finance ministers of all states. The Centre has one-third of the votes and the states together hold two-thirds, and decisions require a three-fourths majority, which gives the Centre an effective veto and prevents the states acting alone (Ministry of Law and Justice, 2016). The design obliges both levels to bargain, because neither can change a rate without the other. During the early years, most decisions were reached by consensus, and the Council rationalised rates and procedures in numerous meetings.

The GST scheme also contains a promise: states were assured compensation for revenue shortfalls for five years, calculated against a growth rate of 14 per cent over the base year 2015–16. The pandemic exposed the strain in this arrangement, because the compensation cess fell far short of the shortfall. In 2020, the Centre proposed that states borrow to meet the gap, and many opposition-ruled states argued that the Centre was legally bound to provide the compensation. As

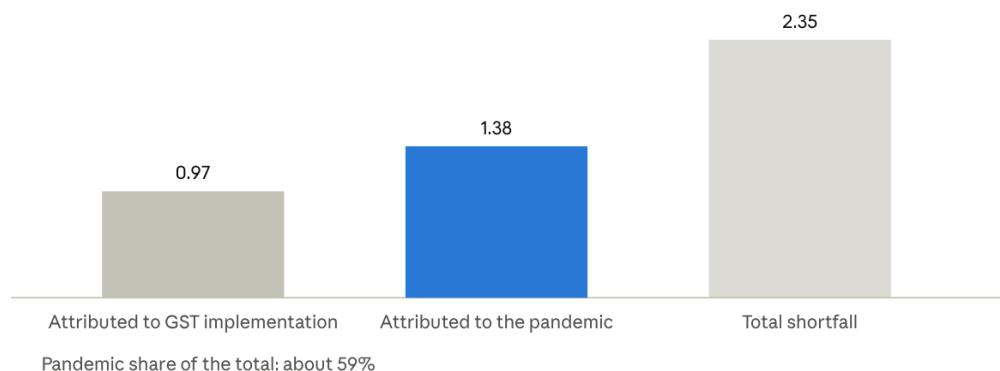


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Figure 4 shows, most of the estimated shortfall was attributed to the pandemic, which raised the question of who should bear the risk of an external shock.

Figure 4. Most of the 2020-21 GST compensation gap was attributed to the pandemic
Estimated shortfall in compensation, Rs lakh crore (approximate)



Source: estimates as publicly reported during the GST Council discussions of August 2020; approximate, rounded

4.5 Inter-State Council and Collaborative Governance

The Inter-State Council was established in 1990 on the recommendation of the Sarkaria Commission and is chaired by the Prime Minister, with chief ministers as members. It is a constitutional body with the authority to investigate and discuss subjects of common interest, but it has met irregularly and has not become the regular forum that its supporters expected. Zonal councils and the North Eastern Council cover regional issues. Their proceedings are advisory, and their effect depends on the interest of the Union and states in using them. The relative decline of these bodies shows the limits of cooperation that rests on convention rather than on obligation (Sharma, 2015).

4.6 Cooperative Federalism during National Emergencies and Crises

The 2020 pandemic tested cooperative federalism. Public health is a State List subject, but the Union used the Disaster Management Act, 2005 to impose a nationwide lockdown from 24 March 2020 through orders of the Ministry of Home Affairs (Ministry of Home Affairs, 2020). The Union set uniform rules, while states used the Epidemic Diseases Act, 1897 and their own powers to impose local restrictions, manage hospitals, regulate movement and distribute relief. The prime minister held regular video conferences with chief ministers, and the classification of districts into zones allowed some flexibility. States, however, complained of limited consultation on the initial lockdown, of the burden of migrant workers returning home, and of the constraints on their finances, while the Centre created a separate fund for pandemic relief alongside the



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existing state funds. The Centre also raised the borrowing limit for states in 2020 on condition of reforms. The pandemic therefore produced cooperation in operations, but tension in finance and in the allocation of decision-making authority.

4.7 Successes and Achievements of Cooperative Federalism

Several achievements can be recorded. The GST Council has operated as a joint decision-making body, in which a majority of decisions were taken by consensus and the states have had a real voice. The increase in the devolution share in 2015 gave states greater control over resources and reduced reliance on conditional transfers (Fourteenth Finance Commission, 2014). Rationalisation of centrally sponsored schemes responded to long-standing state complaints (NITI Aayog, 2015). Competitive indicators such as the SDG India Index have encouraged states to compare performance and to learn from one another (NITI Aayog, 2019). Mukherji (2014) argues that states have often been the more effective agents of economic change, a pattern that shows the benefit of devolved initiative.

4.8 Limitations of Existing Cooperative Mechanisms

The limitations are equally clear. The Inter-State Council and zonal councils are advisory and irregular. The GST Council's voting structure gives the Union a veto and its compensation guarantee has a fixed end date. The Union's reliance on cesses, surcharges and tied schemes weakens the effect of higher devolution (Reserve Bank of India, 2020). The Governor's office remains a source of friction, and unilateral legislation on matters of state interest is not checked by any compulsory consultation. Finally, partisan competition shapes cooperation, and the experience of the period suggests that cooperation is easier among governments of the same party than among those of different parties (Palshikar et al., 2014).

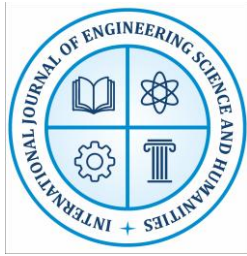
5. Critical Analysis and Way Forward

5.1 Assessment of Centre–State Relations

Three patterns emerge from the analysis. First, constitutional centralisation remains the structural background of Indian federalism. The Union's residuary power, emergency provisions, control over the Governor's office and ability to legislate on subjects of overlap give it advantages that political bargaining modifies but does not remove (Tillin, 2019). Second, institutions that give states a formal voice and a decision rule, such as the Finance Commission and the GST Council, have performed better than forums based on convention, such as the Inter-State Council. Third, cooperation depends on partisan alignment. When the governments at both levels belong to the same party or alliance, informal channels work smoothly, and when they differ, formal disputes multiply (Chhibber & Verma, 2018; Palshikar et al., 2014). Table 5 presents a qualitative assessment of the main dimensions.

Table 5. Assessment of Centre–state relations by dimension (author's qualitative synthesis)

Dimension	Strengths	Weaknesses	Overall assessment
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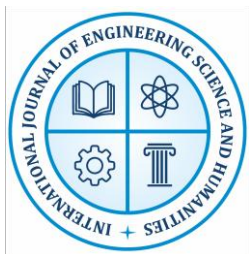
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Dimension	Strengths	Weaknesses	Overall assessment
Legislative relations	Shared GST law-making under Article 246A	Union legislation on contested subjects without prior consultation	Union-dominant
Administrative relations	Common civil services and coordination through NITI Aayog	Friction over the Governor, central agencies and tied schemes	Mixed
Fiscal relations	Higher devolution and unconditional transfers	Cesses and surcharges, vertical imbalance, GST compensation dispute	Improved but contested
Institutional forums	GST Council with shared voting rules	Inter-State Council and zonal councils are advisory and irregular	Uneven
Crisis management	Operational cooperation and flexible zoning	Limited prior consultation and stress on state finances	Mixed

The table shows that cooperative federalism in India is partial. Cooperation is strongest where rules are shared and enforceable, and weakest where it depends on executive goodwill. Sharma (2015) notes that executive federalism produces speed and flexibility but gives little role to legislatures and courts in resolving disputes, which can leave unresolved conflicts to accumulate.

5.2 Strengthening Fiscal Federalism

Fiscal reform should concentrate on predictability and fairness. First, the limits on the use of cesses and surcharges deserve attention, because a rising share of non-divisible revenue weakens the effect of the Finance Commission's devolution formula. A cap, or an obligation to bring such levies within the divisible pool after a fixed period, would protect the intention of the commission's recommendations. Second, the guarantee of GST compensation and the mechanism for dealing with revenue shocks should be settled in advance, with a clear rule on who bears the risk of an external shock, so that disputes do not have to be negotiated during a crisis. Third, centrally sponsored schemes should be fewer, more flexible and designed with state participation, building on the recommendations of the chief ministers' sub-group (NITI Aayog, 2015). Fourth, equalisation grants should be based on transparent formulas that reward both need



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and effort, which responds to the concern that populous states and better-performing states are treated unfairly in different ways (Fifteenth Finance Commission, 2020).

Weingast (2014) emphasises that fiscal federalism functions when sub-national governments are held to credible constraints. Fiscal rules for states should therefore be clear, monitored by an independent body and applied consistently, in return for greater certainty about transfers.

5.3 Improving the Role of Inter-State Institutions

The GST Council shows that a body with defined membership, voting rules and a secretariat can sustain cooperation across party lines. The Inter-State Council could be strengthened in similar ways by being required to meet at fixed intervals, by publishing its agenda and decisions, and by having its standing committee review disputes and proposals for legislation that affect states. Zonal councils could be given a defined agenda, such as inter-state infrastructure, water and security. A requirement of prior consultation with states for Union bills on subjects in the Concurrent List and on matters closely related to the State List would convert a convention into a procedure. The Rajya Sabha, which is meant to represent states, can also play a larger role by examining Union legislation for its effect on states.

5.4 Ensuring Greater State Autonomy and Accountability

Autonomy carries responsibilities. States should raise more of their own revenue, especially from property and urban taxes, strengthen local governments and their finances, and be transparent about borrowing, including liabilities held outside the budget. They should also be more open about the quality of services delivered with the resources they receive, so that citizens can hold them accountable. Competitive indicators such as the SDG India Index help to create public comparison among states (NITI Aayog, 2019), and they work best when they are combined with support for weaker states rather than being used only to rank them.

In short, autonomy for states and discipline for states are complements. The Union should respect the constitutional space of states, and states should demonstrate that autonomy yields better services, which is the political basis on which cooperative federalism rests.

6. Conclusion

1. **The constitutional design is federal in form and centralising in tilt.** Residuary power, emergency provisions, the Governor's office and Parliament's overriding powers give the Union advantages that political practice has softened but not removed (Tillin, 2019).
2. **The distribution of subjects has shifted towards the Union and the Concurrent List.** The State List has contracted since 1950 and the Concurrent List has expanded, which reduces exclusive state authority.
3. **Fiscal relations improved in design but remain contested.** The jump in the devolution share to 42 per cent and later 41 per cent expanded state resources, yet cesses, surcharges,



International Journal of Engineering, Science and Humanities

An international peer reviewed, refereed, open-access journal
Impact Factor 8.3 www.ijesh.com ISSN: 2250-3552

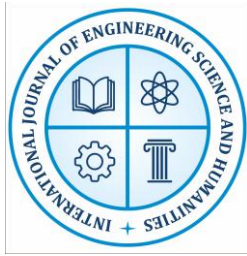
tied schemes and the vertical imbalance limit state autonomy (Fourteenth Finance Commission, 2014; Fifteenth Finance Commission, 2020).

4. **Rule-based forums have outperformed convention-based forums.** The GST Council and the Finance Commission have functioned as arenas of shared decision-making, whereas the Inter-State Council and zonal councils have met irregularly (Sharma, 2015).
5. **Crises reveal the fragility of cooperation.** The GST compensation dispute and the pandemic response showed operational cooperation alongside conflict over finance and consultation.
6. **Partisan alignment shapes the quality of cooperation.** Relations are smoother between governments of the same alliance and more conflictual otherwise (Palshikar et al., 2014).

Cooperative federalism in India is real but incomplete. It exists in institutions that give states a vote and an obligation to bargain, and in fiscal arrangements that have been made more predictable, but it is limited by the Union's structural advantages, by the dependence of cooperation on executive goodwill, and by the absence of compulsory consultation on matters that affect states. The record between 2012 and 2020 does not support either the claim that India has become a fully cooperative federation or the claim that states have been reduced to administrative agents. It supports a more nuanced view in which the balance of power changes with the issue, the institution and the political alignment of the governments involved.

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