

CHAPTER 1

INTRODUCTION: RETHINKING INDIAN FEDERALISM IN A CENTRALISING ERA

Federalism is one of the pillars of Indian Republic as it was created to represent the vast social, cultural, and linguistic diversity of the country and strike the balance between unity and autonomy of the sub-national units.¹ The Indian federalism has traditionally played a stabilising role by forming a constitutional division of powers between the Union and the states; that is regional self-governance and participation in the nation-building.² Nevertheless, over the recent years this balance has been questioned. The rise of a centralising policy agenda, commonly put in the name of One Nation has changed conventional centre-state relationships, raising questions of autonomy, resource distribution, and law making powers.³ The transitions in politics such as the emergence of the powerful central governments and the deployment of federal tools to impose the national interests have brought an escalation of tensions with the

¹ Raghavan, V. (2019). *Federalism in India: Challenges and prospects*. New Delhi: Oxford University Press.

² Austin, G. (1999). *The Indian Constitution: Cornerstone of a Nation*. Oxford University Press.

³ Kohli, A. (2020). *Politics of India's federalism in the twenty-first century*. Cambridge University Press.

state governments that desire more autonomy.⁴ According to the scholars, there have been conceptual shifts in the perception of Indian federalism with shifting towards a more structural model of Indian federalism, the concept taking on political, fiscal, and administrative facets of governance as the changing demands of governance in the twenty-first century.⁵ This chapter contextualises these developments in wider discussions about Indian federalism, looking at how centralisation and regional assertion interact, and prelude the discussion of the modern issues and policy implications in greater detail.

1.1 What is the Relevance of Federalism in the Modern World?

The concept of federalism in modern India is important in much more than its constitutional roots. It influences the distribution of power, the dynamics of politics and political expression of complex regional identities in India.⁶ Its applicability in the contemporary world is complex as it calls upon the interaction and combination of the system of governance, political order, economic frameworks, and norms.

⁴ Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

⁵ Singh, M. P. (2017). *Contemporary Indian federalism: Trends and issues*. Routledge.

⁶ Raghavan, V. (2019). *Federalism in India: Challenges and prospects*. New Delhi: Oxford University Press.

To begin with, there is increased multi-layered and interdependent governance in India. States are the biggest administrators of social welfare programs, education, public health, policing, and the development of infrastructures.⁷ The coordinated efforts at various levels of government are needed in solving the national issues of climate change, pandemics and managing disasters. Federalism success is therefore directly related to the quality of intergovernmental coordination and the ability of states to provide services efficiently.⁸

Second, there has been significant change in the political environment. Weakened coalition politics and strong national parties have changed the incentives and pressures of federal politics.⁹ In place of the regional actors that used to be a veto players that could affect central policies, they now face a smaller bargaining ground, reorganizing power between the Centre and the states.¹⁰

Third, there has been heightened centralisation in the economic governance. Fiscal power has been transferred to the Centre through the introduction of the Goods and Services Tax (GST) and the introduction of centrally

⁷ Austin, G. (1999). *The Indian Constitution: Cornerstone of a Nation*. Oxford University Press.

⁸ Singh, M. P. (2017). *Contemporary Indian federalism: Trends and issues*. Routledge.

⁹ Kohli, A. (2020). *Politics of India's federalism in the twenty-first century*. Cambridge University Press.

¹⁰ Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

sponsored schemes.¹¹ States are confronted with a reduced fiscal space as their spending obligations keep rising, with the autonomy/dependence dividing line between independent and central transfers.¹²

Last, federalism has a normative aspect. Decentralisation of power preserves the cultural, linguistic and regional plurality and makes sure that smaller units some of which can be defined in terms of geography, identity, and interest do not lose control of the democratic agency.¹³ During times of high rates of political and cultural homogenisation, federalism plays the role of protecting diversity and participatory politics.¹⁴

To sum up, federalism is an important issue today not only as an inheritance of the constitution, but also as a dynamic process that forms the ability of India to react to the social, political, and economic challenges. Its further applicability rests in the fact that it has maintained good

¹¹ Sharma, R., & Bansal, A. (2018). Fiscal federalism and GST in India: Emerging challenges. *Economic and Political Weekly*, 53(22), 45–53.

¹² Bardhan, P. (2002). Decentralization of governance in developing countries. *Journal of Economic Perspectives*, 16(4), 185–205.

¹³ Yadav, Y. (2015). Federalism and democracy in India: Normative perspectives. *Indian Journal of Political Science*, 76(3), 421–436.

¹⁴ Sinha, A. (2016). Cultural pluralism and federal governance in India. *Contemporary South Asia*, 24(1), 1–15.

governance, power distribution through various levels and pluralistic nature of the nation.¹⁵

1.2 The Emerging Rise of the “One Nation” Narrative

The concept of One Nation has emerged as a crucial slogan of policymaking and political rhetoric in India within the last ten years. This story, as expressed through schemes and offers like One Nation, One Tax; One Nation, One Ration Card; One Nation, One Election; and One Nation, One Market, is in the name of uniformity in the country governance. This concept is generally popular among the masses, and it is reasonable in the context of efficiency, integration, and modernisation.

Nonetheless, there are more political undertones of this uniformity impetus. The growing boundaries of the One Nation model are depicted by a number of developments:

1. Legislative Centralisation : Over the past years, the extent of central law making in India has increased to areas traditionally the preserve of states such as agriculture, higher education, policing and regulating labour. This growth is a reflection of change in constitutional balance whereby the Centre is now increasingly imposing itself on the policy arenas that

¹⁵ Mathew, G. (2014). Intergovernmental relations and federal mechanisms in India. *Indian Journal of Public Administration*, 60(2), 193–210.

were the sole prerogative of state governments. This outcome is the loss of boundaries between the legislatures, which brings about tensions in the federal governments and poses questions regarding the autonomy of the sub-national entities. According to critics, this kind of centralisation kills the ethos of cooperative federalism envisaged in the Constitution.¹⁶

2. Institutional Consolidation : The main control has become even more aggressive due to the development of national organizations and regulatory authorities. Specialised commissions, the investigative agencies and financial regulators have a lot of powers in issues that were previously controlled solely by states. This centralization increases the ability of the Centre to impose standard set and ensure that compliance but limits discretion of states in policymaking. Although the proponents urge efficiency and accountability gains, there are critics who state that this has negated decentralised governance and diminished the autonomy of operations in states, which may lead to local unresponsiveness.¹⁷

3. Fiscal Re-engineering : GST was a significant realignment of fiscal federalism in India. States lost some of the most important taxation powers to the Centre, which made them dependent on the compensation mechanisms and transfers. The grants that

¹⁶ Kohli, A. (2020). *Politics of India's federalism in the twenty-first century*. Cambridge University Press.

¹⁷ Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

are conditional and centrally sponsored schemes also limit the autonomy of state budgeting by forcing the funds to be allocated on the central priorities. This centralisation of the fiscal power restricts the capacity of the states to plan and react to the local demands and this leads to tensions regarding the fiscal sovereignty. The scholars have observed that these developments are observed to be an indication of transformation of cooperative fiscal federalism to a hierarchical form of fiscal relations that changed the traditional centre-state relations in fiscal matters.¹⁸

4. Cultural Standardisation : One Nation is a narrative that aims at advancing a single culture and language in India. Although this symbolic centralisation is promoted to bring the country closer, it tends to favour the central over the regional plurality to the detriment of the local languages, practices, and traditions. The standardized stories of the world are often promoted through the educational programs, the propaganda in the media, the national holidays, which can destroy the peculiar cultural signs of different states. The critics believe that this will lead to homogenisation of the multiethnic social fabric of India, eroding the normative aspect of the federalism of securing the identity of the minorities and regions and

¹⁸ Sharma, R., & Bansal, A. (2018). Fiscal federalism and GST in India: Emerging challenges. *Economic and Political Weekly*, 53(22), 45–53.

enhancing the ability of the centre to impose its influence over the cultural and symbolic space.¹⁹

All these developments explain why the agenda of One Nation is not only technocratic: it also redefines the federal ethos by putting central authority deeper into the political, economic, and cultural landscape of governance. Federalism in India is no more than a constitutional principle but a vibrant stage of ideological and political conflict.

1.3 Changing Political Economy and Governance

The changes in the Indian federalism are not explainable without putting it in a context of the wider changes in the political economy of the country. Three major shifts stand out.

1.3.1 Fiscal Dependencies and Market Integration

Liberalisation of Indian economy changed the fiscal and economic ruling scenario. States grew more and more engines of growth, having to compete to attract investment, explore reforms, and experiment with novel

¹⁹ Yadav, Y. (2015). Federalism and democracy in India: Normative perspectives. *Indian Journal of Political Science*, 76(3), 421–436.

growth models.²⁰ Nevertheless, though this was a decentralised type of economic activity, the Centre still maintained so much control in revenue collection and distribution. Use of GST also consolidated fiscal authority and the important sources of revenue were consolidated under the GST Council, where the Centre has disproportionate influence.²¹ As a result, the fiscal independence of the states has reduced, making them more reliant on central distributions and conditional grants. Such dependency prevents long term planning and restricts the ability of states to take independent developmental priorities.

1.3.2 Political Centralisation and New Party System

Since the single-party dominance era could not last any longer, the next twenty years of Indian politics were marked with the era of coalition politics whereby the regional parties had much say in the central policy-making activities.²² The period demanded bargaining, accommodation and this contributed to cooperative federalism. This has changed, however, with the emergence of a hegemonic national party that has made the federal politics an asymmetric process whereby the

²⁰ Sharma, R., & Bansal, A. (2018). Fiscal federalism and GST in India: Emerging challenges. *Economic and Political Weekly*, 53(22), 45–53.

²¹ Bardhan, P. (2002). Decentralization of governance in developing countries. *Journal of Economic Perspectives*, 16(4), 185–205.

²² Kohli, A. (2020). *Politics of India's federalism in the twenty-first century*. Cambridge University Press.

Centre party has a stronger bargaining power over states governed by the opposition.²³ This political concentration of power has shortened the negotiation margins and weakened mediator ship of regional players, which has radically changed the intergovernmental relations. Critics suggest that such a concentration of political power may undermine state autonomy and also compromise the institutional protection of the balancing of centre-state power.

1.3.3 Technocratic and Digital Governance

Policy implementation has come up with new forms of central control due to the growth of digital governance mechanisms. Administrative control is standardised and centralised through Aadhaar-linked databases, direct benefit transfers and national e-governance platforms.²⁴ The nationalization of welfare programmes and standard rules of operation further diminish the discretion of states, turning them into policy makers rather than policy implementers.²⁵ Although these innovations enhance efficiency, transparency and monitoring, they also cause the transfer of power to the Centre to the detriment of states to adapt programs to local settings. Digitisation of governance therefore poses a tension between central

²³ Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

²⁴ Singh, M. P. (2017). *Contemporary Indian federalism: Trends and issues*. Routledge.

²⁵ Mathew, G. (2014). Intergovernmental relations and federal mechanisms in India. *Indian Journal of Public Administration*, 60(2), 193–210.

control and flexibility at the state level and recriminalizes federalism through technocratic and administrative means. All these political-economic changes are structural haunts that drive India towards more centralised governance system - with or without the federal spirit of the Constitution.

1.4 Cooperation Federalism and State Autonomy Issues

The current trends of centralisation in India have been a great challenge to the classical model of cooperative federalism, which compromised the independence of state governments and their policy discretion. The concept of cooperative federalism as understood in the Constitution is based on the balance between the Centre and states where a deal of negotiation, consultation, and joint decision making is adopted so that the sub-national units have significant power to make decisions concerning the regions.²⁶ The same mechanisms have, however, been undermined by legislative centralisation, institutional guardianship, fiscal dependence, and political asymmetry, and this has led to structural and normative pressures on states.

A significant problem is the encroachment of the legislation on the role of states. Along with other areas like agriculture, education, labour and policing, these areas have been brought more directly under the watch

²⁶ Raghavan, V. (2019). *Federalism in India: Challenges and prospects*. New Delhi: Oxford University Press.

of central legislature, via omnibus legislation, or amendments, or centrally-sponsored regulation. Although advocates believe that standardization leads to efficiency and national unity, opponents believe that the expansion of uniformity interferes with the autonomy of the states, restricts nation-building in local politics and on the federal balance provision of the constitution.²⁷ The problem is aggravated by fiscal centralisation. Although the liberalisation age has given states greater chances to grow economically, institutionalisation of financial independence through systems such as the Goods and Services tax(GST) and conditional central grants has been reduced.

Central allocations have become very dependent on states and in most cases, they are accompanied with policy requirements thus limiting them to adopt regionally oriented development policies. Not only does this fiscal dependence have an impact on long-term planning, but it also balances the leverage decisively in favour of the Centre.²⁸ There has been an extra complexity caused by political centralisation. The emergence of the strong national parties, as well as the reduction of the bargaining in the time of the coalition, has limited the power of the regional representatives on the federal level. States controlled by the opposition are usually under pressure to conform to the interests of the

²⁷ Kohli, A. (2020). *Politics of India's federalism in the twenty-first century*. Cambridge University Press.

²⁸ Sharma, R., & Bansal, A. (2018). Fiscal federalism and GST in India: Emerging challenges. *Economic and Political Weekly*, 53(22), 45–53.

centre and the unequal distribution of power diminishes their capacity to declare and declare their own policy interests. This political relationship has the potential to undermine the mediating institutions of cooperative federalism and the check and balances that guarantee sub-national representation.²⁹

Lastly, the growth of technocratic and digital methods of governance, including Aadhaar-based surveillance tools, direct benefit transfers, and all-purpose e-government platforms, have established new centralized forms of control. Though these systems lead to efficiency and accountability, they take away administrative powers of states and hand them over to the Centre effectively rendering states the implementation agencies and not the policy creators. This leaves the states with limited capacity to respond to local socio-economic circumstances; it undermines the essence of normativity of federalism of maintaining pluralism and responsiveness at the regional level.³⁰

To conclude, the problems of cooperative federalism in India have multiple dimensions; they include legislative, fiscal, political, and administrative. These changes pose some serious questions whether the federal institutions are robust, whether the autonomy of states suffices, and whether pluralism can endure in policy-making. There is

²⁹ Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

³⁰ Mathew, G. (2014). Intergovernmental relations and federal mechanisms in India. *Indian Journal of Public Administration*, 60(2), 193–210.

a need not only to recalibrate the institutions to face these issues but also to commit to dialogue, negotiation and shared governance between the Centre and the states.

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10. Chhibber, P., & Nooruddin, I. (2004). Centralization and state politics in India. *Comparative Politics*, 36(1), 1–23.

11. Sharma, R., & Bansal, A. (2018). Fiscal federalism and GST in India: Emerging challenges. *Economic and Political Weekly*, 53(22), 45–53.
12. Bardhan, P. (2002). Decentralization of governance in developing countries. *Journal of Economic Perspectives*, 16(4), 185–205.
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30. Mathew, G. (2014). Intergovernmental relations and federal mechanisms in India. *Indian Journal of Public Administration*, 60(2), 193–210.

CHAPTER 2

CONSTITUTIONAL FOUNDATIONS AND HISTORICAL TRAJECTORIES OF CENTRE–STATE RELATIONS

The federal organization of India is a unique constitutional innovation, which was formed during a long history of concession, struggle, and adjustment.³¹ Indian federalism was not developed through voluntary unions of sovereign states, as was the case with other classical federations like the United States or Switzerland, but rather to build a large, diverse nation that was created out of colonialism, the tragedy of Partition and the necessity of political integration.³² The Constitution of India represents a delicate equilibrium between federal and unitary values and gives the Union a lot of power without sacrificing state autonomy due to the separation of the legislative, administrative, and financial duties.³³ Practicality of such a course could be seen in debates within the Constituent Assembly, which included flexibility and protection to preserve the national unity.³⁴ The history of the state system,

³¹ Austin, G. (1999). *The Indian Constitution: Cornerstone of a Nation*. Oxford University Press.

³² Basu, D. D. (2011). *Introduction to the Constitution of India* (20th ed.). LexisNexis.

³³ Bhatia, G. S. (2010). *Federalism in India: Theory and Practice*. Deep & Deep Publications.

³⁴ Granville Austin. (1966). *The Indian Constitution: The Cornerstone of a Nation*. Oxford University Press.

especially, the linguistic reorganization of 1950s and 1960s, is indicative of the acculturation of cultural and linguistic diversity with a federal system.³⁵ Centre-state relations have been examined by many commissions over the decades such as the Sarkaria Commission and the Punchhi Commission and have given suggestions to conclude to provide more power to cooperative federalism and eliminate conflict.³⁶ These historical, constitutional and institutional processes together point to the adaptive and negotiated nature of Indian federalism, which makes it both stable and adaptable to the complex social and political reality of the country.

2.1 Federal Characteristics and vs. the Unitary Tilt of the Constitution

The Indian Constitution has been described to be federal in form but unitary in spirit. This duality was deliberate. The framers aimed at having a strong central government that would ensure that the nation was not fragmented and at the same time the country has a rich linguistic, cultural, and regional diversity.

³⁵ Palshikar, S., & Deshpande, R. (2003). State Reorganization and Federalism in India. *Economic and Political Weekly*, 38(50), 5225–5234.

³⁶ Punchhi Commission. (2000). Report of the Commission on Centre–State Relations. Government of India.

2.1.1 Federal Features

A number of constitutional provisions claim the federal nature of India:

- **Written and Supreme Constitution :** The Constitution of India is a detailed and written document that gives a supreme legal framework to the Union as well as to the states. It provides the legal authority and supremacy of the Constitution which guarantees that law and action of the Centre and the states are all in accordance with the provisions of the Constitution. This written constitution brings sanity, stability and uniformity to the operation of the federal system.³⁷
- **Division of Powers :** The Constitution allocates legislative, administrative, and financial powers via three lists, Union List, State List and Concurrent List. This division brings sanity in their duties but gives the states independence in their regions. The Concurrent List permits joint legislative power, though where there is conflict, the Union legislation prevails, a balance between central control and sovereignty of the state is created.³⁸
- **Bicameralism :** The state is also represented in the federal level by the Rajya Sabha or Council of States that is also involved in the making of laws. It will make sure that state interests are taken into account

³⁷ Austin, G. (1999). *The Indian Constitution: Cornerstone of a Nation*. Oxford University Press.

³⁸ Basu, D. D. (2011). *Introduction to the Constitution of India* (20th ed.). LexisNexis.

when it comes to major legislation, and having the federal principles incorporated into the parliamentary processes. Cooperative federalism is reinforced through the bicameral system because the states have a platform upon which to have a say in the national policymaking.³⁹

- **Independent Judiciary** : The Supreme Court of India plays the role of the ultimate interpreter of the Constitution and resolves the conflicts between the Centre and states. It maintains the compliance with the constitutional provisions, guarantees the independence of the states, and keeps the federal balance. The rule of law in centre-state relations is strengthened by the judicial review and dispute resolution by the Supreme Court.⁴⁰
- **Separate Executive Systems** : States are governed by their own elected governments and administrative machinery which has the responsibility of governing the states. This involves the state legislatures, executives, and bureaucracies, which facilitates decentralized decision-making and execution of policies. Isolated executive systems enhance independence whereby states may serve the interests of the region and operate within the confines of the Constitution.⁴¹

³⁹ Seervai, H. M. (2012). Constitutional Law of India (4th ed.). Universal Law Publishing.

⁴⁰ Jain, M. P. (2014). Indian Constitutional Law (7th ed.). LexisNexis.

⁴¹ Bhatia, G. S. (2010). Federalism in India: Theory and Practice. Deep & Deep Publications.

These characteristics were aimed at protecting the autonomy of the states and ensuring that the governance was responsive to the regional realities.

2.1.2 The Unitary Tilt

Nevertheless, the Constitution too has a heavy centralization lean into it, which is representative of the historical anxieties at the time:

- **Preponderance of the Union List :** The Centre has some of the key spheres like the defence, foreign affairs, communication, currency and other taxation powers made under the control of the Union List. This guarantees national unity and stability besides restricting the state autonomy in major policy areas. The preeminence of the Union List is indicative of the way the Constitution was made in order to avoid disintegration of the diverse and populous nation.⁴²
- **Residuary Powers :** In contrast with other classical federations such as the United States where residual powers are vested on the states, India vests such powers in the Centre. Such a clause enables the Union to enact laws on new or unexpected topics which strengthen its dominance in the administration and have national priorities being competently managed across states.⁴³

⁴² Basu, D. D. (2011). Introduction to the Constitution of India (20th ed.). LexisNexis.

⁴³ Austin, G. (1999). The Indian Constitution: Cornerstone of a Nation. Oxford University Press.

- **Emergency Provisions** : In case of national, state or financial crisis, the Constitution permits the Centre to take extraordinary powers over state governance. Article 352, 356 and 360, which allow temporary centralisation to safeguard law, order and stability, allow state autonomy to be greatly restricted when used.⁴⁴
- **Appointment of Governors** : The Presidents appoint governors who represent the Union in states. It has discretionary powers, such as calling or dissolving meetings and giving presidential veto to bills. These are the powers that enable the Centre to affect or even override state executive actions which tend to create tensions between the centre and the state relations.⁴⁵
- **Concurrent List Dominance** : The Concurrent List enables the Union and the states to enact laws on the same topics. Nonetheless, when there is any conflict, then the Union law becomes effective according to Article 254. This grants the Centre practical pre-eminence on such aspects as education, labour, and criminal law, which tends to restrict the jurisdiction of state legislation.⁴⁶
- **Financial Asymmetry** : The Centre has more revenue-raising authorities based on the income tax, customs, and excise duties. Together with

⁴⁴ Jain, M. P. (2014). Indian Constitutional Law (7th ed.). LexisNexis.

⁴⁵ Seervai, H. M. (2012). Constitutional Law of India(4th ed.). Universal Law Publishing.

⁴⁶ Bhatia, G. S. (2010). Federalism in India: Theory and Practice. Deep & Deep Publications.

conditional grants and centrally sponsored plans, states end up being financially reliant on the Union. This asymmetry enhances the center of control over the priorities of the policy and restricts the fiscal independence of the states.⁴⁷

This mixture of a federal form and unitary bias created an adaptable system which was flexible. It also, however, contained anxieties that would again and again manifest themselves in the following decades.

2.2 Debates and the Original Design of the Constituent Assembly

The Constitution was framed in the context of severe political uncertainty. The decisions of the framers were influenced by partition, incorporation of princely states, religious violence, and the necessity to integrate a very unequal colonial federation.

2.2.1 The Centralizing Imperative

Some of the critical personalities such as B.R. Ambedkar, Jawaharlal Nehru, Vallabhbhai Patel and Alladi Krishnaswamy Aiyar demanded a robust Centre in an effort to make it stable. According to Patel, who is known to have cautioned against weak federation that

⁴⁷ Arora, R., & Verney, D. V. (2005). *Multiple Identities in a Single State: Indian Federalism in Comparative Perspective*. Konark Publishers.

will culminate into disintegration.⁴⁸ The Partition trauma and the unstable loyalty of the princely states enhanced the argument of a strong Union.

2.2.2 Debates on Federalism

The Constituent Assembly discussed in detail the character of the federalism in India:

- **Ambedkar about the Centralising Tendency :** According to B.R. Ambedkar, the Constitution of India was a federation with a high degree of centralising tendency since there was the need to keep the nation united without fragmenting it. He reasoned that there was a need to have a powerful Centre so as to unify various regions, deal with security threats and to stabilize political situations in the immediate post-Partition environment.⁴⁹
- **Demand More Independence of the States :** Other members of the Constituent Assembly held more intense autonomy of the states, citing the risk of over-centralisation, which would lop off regional identities and local government projects. This is because they were apprehensive that federal dominance would displease cultural, linguistic, and developmental desires and take away the federal nature that was envisioned in the Constitution.⁵⁰

⁴⁸ Basu, D. D. (2011). Introduction to the Constitution of India (20th ed.). LexisNexis.

⁴⁹ Austin, G. (1999). The Indian Constitution: Cornerstone of a Nation. Oxford University Press.

⁵⁰ Basu, D. D. (2011). Introduction to the Constitution of India (20th ed.). LexisNexis.

- **The focus on Cooperative Governance :** Some of the members promoted cooperative federalism, stating that states must be allowed to experiment with policies and meet the needs of the region. This would be a solution to strike a balance between national unity and national governance innovation, and collaboration between the Centre and the states whilst maintaining state-level initiative.⁵¹
- **Challenging of Emergency Provisions :** The emergency provisions in the Constitution were debated and some of the members warned against the possibility of misuse. There were fears that such powers would allow the Centre to encroach the powers of the states and interfere with the federal balance jeopardizing democratic government.⁵²

Eventually, the Assembly settled on a model of holding together, where diversity was maintained and at the same time a strong Union formed that could lead the nation in terms of development and unity.

2.2.3 An Adaptable, Changing Framework

The federal system was to be developed by the framers. They expected political power changes, identity movements, and economic changes in the future. This flexibility can be said to have enabled the post-independence state to respond to the emerging realities

⁵¹ Granville Austin. (1966). *The Indian Constitution: The Cornerstone of a Nation*. Oxford University Press.

⁵² Seervai, H. M. (2012). *Constitutional Law of India* (4th ed.). Universal Law Publishing.

but it also gave constitutional space to subsequent claims of central power.

2.3 The Reorganization of Linguistics and the Development of States

The federalism in India had a mature form only when state reorganization occurred in 1956. Linguistic reorganization was initially turned off by the Constitution because of the issues of national unity. But popular movements, above all the movement to have the state of Telugu speaking, rendered reorganization a political necessity.⁵³

2.3.1 States Reorganization Commission (SRC)

SRC (1953-55) suggested restructuring the states on the basis of the language lines and keeping in view the administrative and economic feasibility. Its suggestions saw the birth of the historic States Reorganization Act of 1956 that spruced up the federal map.⁵⁴

2.3.2 The Second Category is Strengthening Federalism by Linguistic States

Against the early apprehensions, the linguistic states enhanced the union by matching the political boundaries with the cultural identities. This diminished language

⁵³ Chandra, B., Mukherjee, M., & Mukherjee, A. (2008). *India Since Independence* (2nd ed.). Penguin Books.

⁵⁴ Mahajan, V. D. (1991). *Federalism in India*. S. Chand & Company.

conflict and increased democracy. It also gave regional political leaders power and gave way to the emergence of powerful state-level parties.⁵⁵

2.3.3 Afterwards Reorganizations

The history of states was developing in line with new political, ethnic, and administrative requirements:

- In the 1960s70s, the Northeastern reorganization formed such states as Nagaland, Meghalaya, Manipur, and Tripura.
- In 2000, the administrative efficiency resulted in smaller states being made including Uttarakhand, Jharkhand, and Chhattisgarh.⁵⁶
- Telangana became a state in 2014 due to long-term regional complaints.

Every reorganisation wave evidenced the dynamism and negotiability of federalism - the one that can be modified to meet the evolving aspirations, yet one of the ones that preserve national integrity.

2.4 Federal Reform Commissions: Sarkaria to Punchhi

With the rise in the tension between the centre and states over time, the Union formed various commissions in

⁵⁵ Palshikar, S., & Deshpande, R. (2003). State Reorganization and Federalism in India. *Economic and Political Weekly*, 38(50), 5225–5234.

⁵⁶ Baru, S. (2015). *The Political Economy of Indian Federalism*. Oxford University Press

order to investigate and redesign federal relations. Two are particularly influential.

2.4.1 The Sarkaria Commission (1983–1988)

Creating it in the era of political instability and conflicts between the Centre and the opposition-controlled states, the Sarkaria Commission examined nearly all aspects of federal governance.

Its key recommendations were:

- Reviving Inter-State Council (ISC) as a forum of cooperative federalism.
- Use of Article 356 (President Rule) should be restricted to extraordinary cases.
- Further encouraging consultation with states in legislative laws on the Concurrent List.
- Reform in the appointment of governors to limit politics.
- Making the financial devolution predictable and enhancing the role of the Finance Commission.

Some of the recommendations were put to use, but some, especially the ones related to governors and Article 356, were still politically controversial.

2.4.2 The Punchhi Commission (2007–2010)

The Punchhi Commission reexamined the federal issues as they were applied to the coalition politics, economic liberalization, and globalization. Its recommendations were more indicative of more current problems:

- Less ambiguous restrictions on the Centre utilising emergency provisions.
- The tenure and neutrality of operation of governors, as well as specifications of their replacement.
- Greater fiscal federalism arrangements such as increased involvement of states in centrally sponsored plans.
- New intergovernmental reform in the institutions to make consultation more regular.

The Commission stressed on cooperative federalism, and warned against the temptation to centralise.

2.4.3 Continuing Relevance

The two commissions are still relevant in modern discussions. Their suggestions provide institutional avenues of diminishing friction, fiscal imbalances and enhancing state autonomy. However, they have been applied selectively by successive governments basing mostly on political expediency.

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CHAPTER 3

PARTY SYSTEM TRANSFORMATIONS AND THE POLITICS OF CENTRALISATION

Political organizations exist under complicated socio-political conditions and are continually influenced by the competition in the field of elections, partisan associations, and leadership relations.⁵⁷ The Indian federalism has been developing along with the crucial changes in the party system in the country. The initial aftermath of post-independence witnessed the power of Congress, which enabled comparatively balanced state of federal balance with relations between centre and states were highly cooperative.⁵⁸ The fall of a single-party dominance in the late 1980s and the rise of the coalition politics marked the beginning of the new period of the so-called coalition federalism, with regional parties acquiring a great power, which usually influenced the formation of the national government.⁵⁹

In Indian politics, the move in centralizing power under the banner of dominant-party politics under the Bharatiya Janata Party (BJP) has been felt since 2014.

⁵⁷ Chhibber, P., & Kollman, K. (2004). *The Formation of National Party Systems*.

⁵⁸ Kohli, A. (2001). *Democracy and Development in India*.

⁵⁹ Yadav, Y., & Palshikar, S. (2009). *Party Politics in India*.

The change has strengthened centralisation in policymaking, resource distribution, and administrative control changing the power relations between centres and states in the past.⁶⁰ At the same time, the power of regional parties has decreased, undermining the bargaining power of the states, limiting the federal character of the government. The diminished influence of regional actors has important consequences on political representation, diversity of policy and sub-national autonomy.⁶¹

Also there has been the nationalisation of electoral mandates that has shifted the politics to talk more and more about national issues and leaders with national faces that have become dominant in state effects. This has led to the blurring of national and sub-national political sphere, which further entrenched the power of the centre.⁶² These political foundations are key to the analysis of current centralisation in India and how these challenges are shifting the federal structure.

⁶⁰ Jaffrelot, C. (2015). *The BJP and the Rise of Hindu Nationalism*.

⁶¹ Sinha, A. (2018). *Centre-State Relations in India: Changing Dynamics*.

⁶² Chhibber, P., & Kollman, K. (2004). *The Formation of National Party Systems*.

3.1 Congress Dominance to Coalition Federalism

3.1.1 The Early Post- Independence Party System

The Indian National Congress was a unique organisational phenomenon at the time of independence and some decades after that, that served both as a national party and a federation of state-level elites.⁶³ The two-level organization enabled the party to be a quasi-federal organization within itself as both central and state leaders worked together under the same ideological umbrella. The party was a frequent provider of negotiation of conflicts and regional aspirations, diminishing the necessity of institutional arbitration.⁶⁴

The centre-state relationships were quite stable in this time, not due to the fact that the constitutional system did not allow considering the conflicts, but due to the fact that the dominance of the Congress limited the possibilities of competitive federalism.⁶⁵ The central leadership had a lot of discretion concerning the state matters such as controversial use of Article 356 to dissolve the state governments. Politically, such interventions were to a great extent accepted, since there

⁶³ Kohli, A. (2001). *Democracy and Development in India*.

⁶⁴ Chandra, K. (2004). *Why Ethnic Parties Succeed*.

⁶⁵ Brass, P. (1994). *The Politics of India Since Independence*.

was a lack of a strong opposition that would have been able to destabilize the authority of the Centre.⁶⁶

This period demonstrates that the political preeminence can achieve influence on federal relations as almost as (or even more than) constitutional structure. The system of Congress helped to reduce the open centre-state tension and at the same time, the centralisation of the power was institutionally possible, by making sure that any possible conflict was avoided within the country. The heritage of this era still guides the present day discussions on central power and state independence in India.⁶⁷

3.1.2 Congress Disintegration and Pygmies

The first major break in one party dominance was the 1967 general elections. There was the emergence of coalitions governments in various states; Congress was deprived of the monopoly of regional politics. During the next decades regional parties, including DMK/AIADMK (Tamil Nadu), TDP (Andhra Pradesh), Akali Dal (Punjab) and others emerged making use of linguistic pride, sub-national interests and regional developmental interests.

⁶⁶ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

⁶⁷ Jaffrelot, C. (2007). India's Silent Revolution: The Rise of the Lower Castes..

It was during this period that a more pluralistic federal space was created:

3.1.3 States were more Assertive

This gave the regional parties a great bargain in the national governance as the coalition politics took off in the late 1980s and the 1990s. States started to have more claims on their independence in making policy decisions, budgetary allocations and administration. This change enabled the sub-national governments to defend regional interests in a better way and use them to counter the central orders and decisions unlike in the previous era where central dominance was almost absolute.⁶⁸

- **There was better Balance of Intergovernmental Negotiations**

The emergence of coalition governments meant that the Centre and the states had to negotiate with each other often. There was increased consultative interaction between the government and the intergovernmental relations as states actively took part in the formulation of national policies. It is during this time that there was a more balanced federal discourse with the central government being forced to concede to the needs of the actors in the region to ensure that political stability is achieved and that the coalition governments survive.⁶⁹

⁶⁸ Yadav, Y., & Palshikar, S. (2009). Party Politics in India.

⁶⁹ Kohli, A. (2001). Democracy and Development in India.

- **National Policies were Becoming more and more Dependent on State-Level Agreements**

Significant policy programs such as economic reforms and social welfare started to be dependent on the cooperation at the state level. During the coalition federalism, the success of national policies was more and more based on the creation of consensus among various sub-national governments, as the political power was decentralised. The practice made states more powerful in the governance and emphasized the collaborative aspect of Indian federalism.⁷⁰

3.1.4 The Era of Coalition Federalism (1989-2014)

Since 1989, India entered into an era of prolonged coalition governments in the Centre. Local parties were made to be vital coalition partners. As a result:

The Centre was not well placed to make unilateral policies. The ability of the central government to enforce the policies unilaterally was highly limited during the development of the coalition federalism. Having several regional parties in the national governance, the Centre was forced to accommodate state interests and demands. This restriction involved that substantial changes, budgetary selections, and legislation

⁷⁰ Chhibber, P., & Kollman, K. (2004). The Formation of National Party Systems.

plans necessitated concession and bargaining. The necessity to gain favour of a variety of partners in the coalition and increase the power of states as opposed to the previous era when the Centre had an almost unequivocal control over the situation was a distinct shift away in the former era when the state had a barely uncontested central dominance.⁷¹

Institutions such as Inter-State Council became relevant. The functional significance of the institutional mechanism like the Inter-State Council was boosted through coalition politics. Instituted in accordance with Article 263 of the Constitution, this forum ensued systematic communication between the Centre and states. States began to use it to express their grievances, organize policies and settle disagreements amicably. The consultative role played by the Council was enhanced as the Centre attempted to ensure a cordial relationship with the sub-national governments, which subsequently presented the institutionalisation of consultative federalism and strengthened the notion that without intergovernmental coordination, a governance in a multi-party system is not possible.⁷²

States agreed to favourable fiscal arrangements and policy variables. Strong regional parties ensured that the states were able to negotiate fiscal concessions, policy exemptions and lax frameworks on the implementation of national schemes. Such arrangements enabled sub-

⁷¹ Yadav, Y., & Palshikar, S. (2009). Party Politics in India.

⁷² Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

national governments to design programs that meet local demands and attract extra funding and protect their administrative freedom. The bargaining power of the states was strengthened in the negotiation process so that priority of the region is not compromised by the policies of the central. These types of fiscal and policy bargaining was a typical example of the cooperative aspect of coalition federalism and highlighted the increasing role of states as participants in the governance of the nation.⁷³

Political bargaining was used to curb federal tensions. The coalition era saw the development of political bargaining as a major tool of dealing with the tension between centre and state. Conflicts on policy, resources distribution, and legislative agenda were usually solved by negotiating and compromising instead of attacking. Coalition government made the environment whereby both the centre and the states had to accommodate the interests of each other in order to maintain the political stability. This dependence on bargaining lessened the necessity of coercive central interventions, created cooperative federalism in operation and placed emphasis on the ability of the political processes to arbitrate structural federal strains effectively.⁷⁴

The coalition federalism was one of the stages when political decentralization promoted the reinforcement of the constitutional federalism.

⁷³ Kohli, A. (2001). Democracy and Development in India.

⁷⁴ Chhibber, P., & Kollman, K. (2004). The Formation of National Party Systems.

3.2 The Politics of the Majoritarian after 2014 and the Strengthened Centre

The 2014 general election was a crucial point of departure. One party took the majority in the Lok Sabha in thirty years. This was supported by the 2019 election which re-electing him with an even stronger majority.

3.2.1 Dominating Party System Characteristics

It is characterized by the new dominant-party system, which is characterized by:

- Firm central leadership based around an individualized national leader.
- Ideological unity was based on nationalism and homogenization of culture.
- Organizational consistency that allows the centralization of decision-making.
- Deep organizational penetration into the states via party systems.

This centralised political structure has facilitated the progress of the Centre in promoting uniform nationwide policy structures.

3.2.2 Legislative and Administrative Centralization

It has been made easy by a solid majority in Parliament :

1. Changes and Legal Provisions Touching on Historically State Controlled Regions

The last few decades have seen the enactment of both constitutional and central laws that have invaded spheres historically belonging to the state, including agriculture, education, and health. Such legal interventions enhance the policymaking power of the Centre and decrease state autonomy and remake the federal balance in a manner that tends to bypass the sub-national consultation.

2. Development of the Central Regulation Bodies that Controlled the State Sectors

The creation and strengthening of the central regulatory organizations has extended their control to areas that were formerly controlled by states. The bodies which control finance, industry, education and health have now the power to affect decisions made on the state level, harmonize the policies, and check on compliance, thus increasing the administrative power of the Centre, and weakening the ability of sub-national governments to act independently.

3. Claims of Dominant Authority via Investigating Agencies

The investigative and enforcement agencies of the central government are more and more used to spy, investigate and in some cases attack the state-level authorities and bodies. These interventions are regulatory as well as political goals, indicating the ability of the Centre to impose control on the sub-national actors, control policy compliance, and shape governance of states with the use of legal and administrative coercion.

This has played a role in dramatically shifting the equilibrium in the federal balance by bypassing or undermining political constraints at the state level.

3.2.3 The National Security and the Development Narratives

National security and development are some of the organising principles employed by majoritarian politics. These narratives justify:

- Enhanced central authority.
- Uniform national schemes.
- Cutting down state-level policy experimentation.

Federal opposition is occasionally considered as obstructionist or anti-national in this political

environment and this reduces the bargaining ground even more.

3.3 Regional Party Decadence and Federal Implications

The regional parties used to be historically viewed as the guardians of federal autonomy, expressing the local needs and criticising the over-centralisation. The disempowering of them has far reaching consequences on the federal order.

3.3.1 Causes of Decline

The reasons behind the decline of regional parties in the post-2014 period are a number of factors:

- National party electoral sweep in the traditional regional-party strongholds.
- The division of parties and leadership crises among the existing ones.
- Political engineering defections and anti-defection law defections.
- The waning usefulness of identity-based mobilisations in the context of bigger national narratives.
- The internet mobilisation and centralised campaign funding in favour of the national party.

3.3.2 Federal Consequences

The weakening of the influence of regional parties has an impact on federalism by:

- Minimizing national political representation diversity.
- Limiting state bargaining power at intergovernmental forums.
- Enhancing leverage of the Centre over opposition ruled states.
- Reducing interstate policy pluralism and experimentation.
- Reducing the range of ideological spectrum in national policy.

Federal pushback persists in the region where regional parties still have strength, Tamil Nadu, Punjab, in some measure, West Bengal, Telangana, Kerala. However, in the country, the waning of regionalism as a political factor, has moved the scales towards centralisation.

3.4 Electoral Mandates and Nationalisation of Politics

- The evolving electoral contest has also transformed the equation of the federal.
- The next two sections analyse patterns of nationalised voting at the national level.

Indian elections are becoming more and more characterized by trends where:

3.4.1 National Matters Dominate the Local Matters

- The converging voter preferences are witnessed in parliamentary and state elections.
- Voting behaviour is made dependent on the national leadership.

This nationalisation is strengthened by:

- Concentrated media platforms.
- Cross country campaign tactics.
- Politically co-ordinate digitally.
- The standardization of the national welfare schemes.

3.4.2 Federal Politics Implications

There are several implications of nationalisation of politics:

- **Weakened local accountability** : The more the elections are characterized by national issues, the less the state-specific issues are given the necessary attention, eroding local accountability. The voters put more emphasis on national discourses, with less emphasis on the local governance, which puts less

pressure on the state government to respond efficiently to the regional needs.⁷⁵

- **Less ideological plurality** : Local movements and regional parties have their unique stories absorbed by national politics. This decreases ideological pluralism, reduces the scope of public argument and scopes of presentation of sub-national interests to the wider policy discourse.⁷⁶
- **Greater central political mandate** : A decisive centre electoral mandate allows the Centre to embark on sweeping, consistent policies, and often sees a successful electoral mandate as a satisfactory warrant to exchange initiatives to the centre. Such a tendency eliminates the necessity of addressing state governments, strengthening the central authority.⁷⁷
- **Marginalisation of state leadership** : State leaders experience declining visibility as national figures dominate political discourse and media attention. Their bargaining power in intergovernmental negotiations diminishes, weakening the traditional federal balance and marginalising sub-national voices in policymaking [22].

3.4.3 The Erosion of Negotiated Federalism

As electoral mandates become nationally consolidated, federal negotiations—once mediated by coalition dynamics—decline. Instead of horizontal bargaining

⁷⁵ Yadav, Y., & Palshikar, S. (2009). Party Politics in India.

⁷⁶ Jaffrelot, C. (2015). The BJP and the Rise of Hindu Nationalism.

⁷⁷ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

among states or vertical bargaining between states and the Centre, policy increasingly flows downward from a strong Union government.

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CHAPTER 4

FISCAL FEDERALISM IN FLUX -GST, CESSES AND QUESTION OF AUTONOMY

In India, fiscal federalism constitutes an element of its federalism and it determines both the resources mobilization and expenditure patterns as well as the allocation of powers between the Union and the states.⁷⁸ The fiscal environment in India has experienced a dramatic change in the last 10 years, owing to the reforms and the changing relations between the central and state capacities. A turning point was the introduction of the Goods and Services Tax (GST), which came into effect in 2017 and unified several indirect taxes into a common system of the country. GST made the taxation process more simplified and more efficient in the revenue collection process but at the same time it strengthened the central control on the flow of revenue and altered the fiscal balance.⁷⁹

The GST Council which includes the representatives of the states and the Union was created in order to mediate this transition and guarantee the cooperation in decision-making. However, its operation is characterized by current conflicts as the Centre tends to have a big say over rate-setting and compensation procedures which

⁷⁸ Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

⁷⁹ Sarkar, S. (2018). The GST and Fiscal Centralisation in India.

underscores the political aspects of fiscal federalism.⁸⁰ At the same time, the rising dependence of the Union government on cesses and surcharges has limited the divisible tax pool of states, which enhances fiscal asymmetries.⁸¹

The wider framework of central grants has made such conditionality, and funds have become more conditional on adherence to national priorities, beyond GST and cesses. This trend has created tension in the relationships between the centre and the states, as states are finding their way in restricted fiscal independence and trying to satisfy local demands.⁸² The insights gained about such developments are critical to examining modern issues to Indian federalism on a fiscal basis, politics of revenue sharing and negotiation between central powers and autonomy of the sub-national.

4.1 GST in Fiscal Centralization as Watershed

The GST reform of 2017 brought about the unification of the indirect taxes of India, which aimed at simplifying the taxation system, decreasing the trade barriers, and integrating the markets. The GST Council took away major tax powers of the states and the states became dependent on compensation. Premature rollout was

⁸⁰ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

⁸¹ Kohli, A. (2001). Democracy and Development in India.

⁸² Roy, R. (2020). Fiscal Federalism and Intergovernmental Relations in India.

battled by technology, classification, and compliance issues with revenue becoming volatile and tensions in fiscal federalism emerging.

4.1.1 Background and Objectives

The Goods and Services Tax that was introduced in 2017 the most ambitious tax reform in independent India. It aimed at abolishing a complicated set of indirect taxes on a central and state level by using a single national taxation system. GST will, proponents argued,:

- **Streamline taxation** : GST consolidated a number of indirect taxes imposed by the Centre and states into a single unified taxation system. Such simplification made business easier to manage, simplified tax filings and cascading taxes were lowered hence making it easier to comply and making the taxation process more transparent.⁸³
- **Minimize barriers to inter-state trade** : GST has made a level playing field in the country by harmonizing the rates of taxation and removing entry and local taxes. This minimized the obstacles to inter-state goods, minimized the transaction expenses and enabled the inter-state commerce to run more smoothly, enhancing economic incorporation and effectiveness.⁸⁴

⁸³ Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

⁸⁴ Sarkar, S. (2018). The GST and Fiscal Centralisation in India.

- **Enhance compliance** : GST has brought about technology based processes such as GST Network (GSTN) through which invoicing, returns and real time tracking can be done automatically. These steps increased transparency, minimized tax evasion and promoted voluntary compliance by businesses, which made the tax system effective and honest on the whole.⁸⁵

An Indian economic market By harmonizing tax regimes and abolishing multiple taxes, GST contributed to economic integration in India. It enabled the free flow of goods and services among the states resulting in the unity of the domestic market, encouraging investment, and facilitating the competition and lessening the economic differences of regions.

Although this and other advantages were noteworthy, the reform had far-reaching effects on federalism.

4.1.2 Surrender of States to Tax Autonomy

GST transformed the fiscal situation in the states:

- States surrendered their essential revenue sources like VAT, entry tax, luxury tax and entertainment tax.

⁸⁵ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

- E.g., the tax rate-setting power became the prerogative of a collective body, the GST Council, and not single states.
- States relied on GST compensation to provide the stability of the revenues.

The implementation of GST was a great break to the historical practice of federalism in India. Conventionally, states had exercised a high level of influence on indirect taxes, including VAT, entry tax, luxury tax and entertainment tax, which were the essential part of their own source income.⁸⁶ This freedom enabled states to make the tax policy accordingly to local economic factors and developmental goals. However, with GST, states ceded these important revenue-raising tools and were dependent on a joint institution, the GST Council, in making rates and payment.⁸⁷ As a result, their ability to meet the regional demands using fiscal policies was significantly limited, which changed the balance of power on the federal level.

4.1.3 Implementation Issues and Revenue Unpredictability

During the early years of the GST introduction, the states were experiencing serious problems because of numerous adjustment of the rates, the mix up of the allocation of goods and services according to the

⁸⁶ Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

⁸⁷ Sarkar, S. (2018). The GST and Fiscal Centralisation in India.

classification and the technological problems with the GST Network (GSTN) portal.⁸⁸ The compliance requirements were also complicated especially to the small and medium enterprises, which resulted in administrative complexities and sluggish collection of taxes.⁸⁹ States that had high levels of consumption based revenues, saw volatile cash flows and now become more vulnerable fiscally. This form of revenue uncertainty increased the strain between the Centre and states with compensation mechanisms failing to cover the deficits. It is these initial challenges that gave birth to GST compensation and fiscal federalism disputes.

4.2 GST Council and Compensation Disputes

4.2.1 GST Council: Centralised or Federal Forum?

The GST Council was also conceived as a federal body. Its structure, with one-third voting share to the Centre and two-thirds of the total share to all the states, was meant to encourage the effectiveness of consensus. In reality, though, a number of problems have occurred:

The single consolidated vote of the Centre regularly prevails over divided state fronts: Single consolidated vote of the Centre has great weight in the GST Council

⁸⁸ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

⁸⁹ Roy, R. (2020). Fiscal Federalism and Intergovernmental Relations in India..

with the collective votes of various states often falling behind. This type of voting can bias the votes towards the centre of interest restricting the bargaining ability of the fractured state positions.⁹⁰

The politics has influenced the voting habits: States under the national ruling party often follow the Centre on GST Council decisions. This kind of political alignment has impacts on the policy outcomes whereby the representatives of the state can be more focused on party loyalty than the fiscal interests of the regions which impacts the balancing of the federal decision-making.⁹¹

Consultations have not always been extensive: the meetings of GST Council have at times been conducted with strict timeframes, which restrained a proper state consultation. The quickness of decision-making has the potential of frustrating deliberative federalism and diminishes the prospects of states to present issues and negotiate subtle policy adjustments, especially to the apportionment of revenue and setting of rates.⁹²

In spite of the fact that decisions have been reached consensus-wise, there has been a rising concern among the states on the deteriorating bargaining power.

⁹⁰ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

⁹¹ Sarkar, S. (2018). The GST and Fiscal Centralisation in India.

⁹² Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

4.2.2 5-year Compensation Pledge

To facilitate a shift to GST, the Centre ensured that the five-year span of compensation on loss of revenue would be given to the states, assuming a growth of 14 percent per annum. This set up just covered structural imbalances.

4.2.3 The 2020 Compensation Crisis

The pandemic caused a significant increase in shortages in revenues. The Centre itself, based on the act of God circumstances, first claimed that it was incapable of covering the gap in compensation. States were encouraged to borrow and finance the losses. This ignited one of the acute financial battles in the history of Indian federation.

States, especially those under the rule of the opposition parties, claimed that:

Compensation was not discretionary relief, but a promise statutory compensation: GST compensation was a statutory promise, requiring the Centre to reimburse states with shortfalls in revenue. Neither was it a discretion grant and any delays or cuts were politically and legally controversial, since states depended on this consistent stream to budget and financial stability.⁹³

Borrowing would impose an extra cost on states even with the Centre having more fiscal capacity: Proposals to

⁹³ Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

cover GST compensation shortfalls by state-level borrowing subjected sub-national governments to financial demands. The passing of the responsibility to states weakened fiscal equity despite the Centre having more fiscal capacity, and increased sub-national debt exposure.⁹⁴

The crisis heralded a violation of federal trust: Delays and uncertainty in compensation payments became the reasons to lose trust between the Centre and states. The default in fulfilling the statutory obligations provided a pointer of strains in the intergovernmental relations, which indicated a violation of the federal trust and the challenge of the principles of cooperative fiscal federalism.⁹⁵

This episode revealed more underlying structural flaws in the GST construct and brought up the longer-term state fiscal independence.

4.2.4 Uncertainty after Compensation

States have experienced rising revenue strain with the compensation lapsing in 2022 (apart from an extension of the compensation through loans). The fact that they can only revise their tax rates on their own contributes to the difficulty. This post result has also brought about new debate on whether GST needs a radical redesign.

⁹⁴ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

⁹⁵ Roy, R. (2020). Fiscal Federalism and Intergovernmental Relations in India.

4.3 The Cess and Surcharge Culture: The Reduction of the Divisible Pool

4.3.1 Loophole in the Constitution or Fiscal Policy?

One of the main tendencies of the fiscal environment in India is the increasing use of cesses and surcharges. These two types of revenues are essential as they:

- They remain the sole property of the Centre,
- They are not divisible pool, and
- States do not get a share under transfers through Finance Commission.

This has enabled the Centre to generate huge revenues beyond the constitutionally required sharing system.

4.3.2 Fast Increase in Cesses and Surcharges

Over the past decade:

- Cesses related to fuel also went up at an alarming rate despite a reduction in base excise duties.
- There has been an increase in health, education and infrastructure cesses.
- Crisis-related cesses (including COVID-related imposts) were also added.

The overall impact is that the share of the total revenue pool by states has remained or decreased contrary to recommendations by Finance Commission.

4.3.3 Implications on Fiscal States

There are three important implications of the increase of cesses and surcharges:

1. Reduced Predictability : The decreased predictability of the states in fiscal planning is provided by the growing dependence on cesses and surcharges, which do not usually enter the divisible tax pool, by the Centre. As compared to the situation with shared taxes, these revenues are not automatically distributed and the states cannot predict the collections and receive their portion which makes the budget planning and development difficult.⁹⁶

2. Greater Dependence : Dependence on central grants and loans by the states has increased especially with the fall of own sources revenues. A lot of these transfers are conditional whereby they must follow national policy priorities which limits the discretion of the state and increases reliance on the Centre to finance routine expenditure and development projects.⁹⁷

3. Reducing Fiscal Space : States have lower fiscal space as they have limited access to independent tax instruments and decreasing divisible revenues. This narrowing doesn't allow them to plan and fund development projects, and makes them more reliant on

⁹⁶ Rao, M. Govinda. (2019). Fiscal Federalism in India: Trends and Issues.

⁹⁷ Sinha, A. (2018). Centre-State Relations in India: Changing Dynamics.

central transfers and less adaptable to meet local demands.⁹⁸

These tendencies defy the very fundamental federal principle that states be given reasonable degrees of autonomy in coming up with policies that are receptive to local demands.

4.4 Increasing Interaction in Centre- state Financing

This compounded the conflicts in the fiscal federalism with the centralisation of GST, compensation issues and spread of cesses. A number of fault lines have been formed.

4.4.1 Design of the Conditional Grant and Scheme Designs

CSSs like Jal Jeevan Mission or PMAY also demand more and more:

- Rigorous guidelines of implementation,
- Co-financing requirements,
- Uniform branding, and
- Limited state flexibility.

States usually lament that CSS designs make it difficult to adapt programmes to local circumstances.

⁹⁸ Roy, R. (2020). Fiscal Federalism and Intergovernmental Relations in India.

4.4.2 Controls on Borrowing and Access to the Market

Under Articles 293 and 292:

- The Centre controls the borrowing levels of the states,
- Limits the further penetration of the market, and
- Relies on performance-based criteria of relaxation.

Borrowing limits have emerged as one of the instruments of central leverage in the recent years.

4.4.3 Commission of Finance Recommendations Tensions

- Both the 14th and 15th Finance Commissions undertook significant changes:
- But, greater tax devolution (percentage wise).
- An equalizing shrinking divisible pool owing to cesses.

States claim that officially increased shares hide an actual decrease in fiscal autonomy.

4.4.4 Fiscal Federalism Political Remarks

Fiscal conflict is becoming more and more traced on political lines:

- Opposition controlled states complain of discrimination in the release of funds.
- The intervention of central agencies makes federal negotiation complex.

- Political competition breeds distrust, minimizing cooperation in solving problems.
- The budgetary domain has therefore turned out to be one of the hotspots of modern federalism.

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CHAPTER 5

THE RISE OF THE “ONE NATION” POLICY FRAMEWORK

Indian federalism has recently been radically transformed, with the large-scale concentration of central power and a new focus on policy uniformity across the Union. At the core of this change is the rise of strong political and administrative discourse that is commonly packaged as One Nation. This framework is not a policy or law but a philosophical guideline that preempts national standardization of taxation, food distribution, markets, legal codes and even language.

Even though those who support the idea of One Nation policies say they have been able to make the country more efficient, mobile and administration ally rational, critics have criticized these policies as putting a homogenizing logic on a federation that is constitutionally heterogeneous. In this chapter, the authors trace the historical origins of the centralization trend, the ideological and policy underpinnings and federal implications of the trend and especially the tension between the Centre and the States.

5.1 Origins and Ideological Underpinnings

5.1.1 Historical Centralization and the Constitutional Logic

The Indian Constitution created a centripetal federation, i.e., the one where the Centre is significantly more powerful than the states. This design was a product of the then times:

- **Partition and territorial integration** : The Indian partition created the issue of national cohesion where the central government was forced to consolidate powers to ensure that the country was not disintegrated and territorial integrity and political stability in a newly independent country (Chopra, 2003)⁹⁹.
- **Economic planning** : Post- independence economic planning required the tight control of the resources to practice five-year plans successfully, coordinate the development process among states, and balance the growth, which correlates the significance of the powerful federal organ (Ahluwalia, 1985)¹⁰⁰.
- **Dominant-party system (1950s-70s)** : The central government exerted great control during 1950s-70s because the Congress party had dominated the government and policy making was carried out

⁹⁹ Chopra, P. N. (2003). The Constitution of India. New Delhi: Sterling Publishers.

¹⁰⁰ Ahluwalia, I. J. (1985). Industrial growth in India: Stagnation since the mid-sixties. New Delhi: Oxford University Press.

without much opposition and centralized decision making (Kohli, 1987) ¹⁰¹.

Although federalism increased during the coalition period (1989-2014), the normative concept of strong Centre was deeply rooted in the institutions, political culture and nation imaginations.

5.1.2 The Contemporary Turn Toward Uniformity

Since 2014, a stable majority government has facilitated the recovery of centralising ethos. This shift was accompanied by the increase in the administrative power by the development of digital governance structures and national identification systems.

The modern One Nation order is based on four overlapping ideological commitments:

a) Nationalist Unity

The notion that India is strong due to the similarity of laws, similarity of administrative standards and similarity of cultural icons. The differences between

¹⁰¹ Kohli, A. (1987). *The state and poverty in India: The politics of reform*. Cambridge: Cambridge University Press.

states are frequently depicted as inefficiencies or an impediment to the national unity¹⁰².

b) Technocratic Modernization

Digital infrastructures Aadhaar, GSTN, national databases are best operated on homogenous protocols. Standardization is a state of efficiency, interoperability and control¹⁰³.

c) Market Integration

The aspiration of a national market devoid of borders promotes the elimination of the political differences in the policy levels in regard to taxation, agricultural trade, as well as business regulation¹⁰⁴.

d) Political Centralization

Pan-Indian electoral mandate allows the Centre to declare sweeping national reforms which address

¹⁰² Shukla, P., & Ghughuskar, M. (2025). Revisiting the Uniform Civil Code: constitutional promise and practical challenges. *International Journal of Research and Innovation in Applied Science*, 10(8), 248–251.

¹⁰³Kumar, S., & Shrivastava, A. (2024). Evolution of electronic health records in India: Leveraging Aadhaar integration for seamless healthcare. *International Journal of Engineering Research & Technology (IJERT)*, 13(06).

¹⁰⁴Geeta & Neha. (2025). Freedom of trade and commerce in interaction with state tax laws. *Journal of East–West Thought*, 15(1).

regional limits. One Nation is turned into a project of governance and a story of strong national leadership¹⁰⁵.

5.2 Key Policy Slogans and Their Governance Rationale

One Nation vision is operationalised in a number of policy slogans that reduce the intricate reforms into a national story. Both slogans indicate an administrative logic, yet at the same time have major implications of federal autonomy¹⁰⁶.

5.2.1 One Nation, One Tax (GST)

Rationale:

- To eliminate several state-level taxes and have a central one.
- To simplify the compliance process and establish one national market.

To facilitate facilitation of business, enhance transparency in taxes and enhance greater economic

¹⁰⁵ Sharma, R., & Iyer, D. (2025). Pan-Indian electoral mandates and central reforms: rethinking regional boundaries in India. *Journal of Indian Political Studies*, 12(2), 134–142.

¹⁰⁶ Sharma, R., & Iyer, D. (2025). The “One Nation” vision and its administrative slogans: simplification, uniformity, and the challenge to federal autonomy. *Journal of Indian Governance & Policy*, 18(4), 56–67.

integration among states, nurture national economic cohesion and efficiency¹⁰⁷.

Federal Effect:

- States lost significant powers in their taxation.
- Reliance on compensation on the central level was heightened.
- Some of the decisions taken by GST Council are characterized by asymmetric bargaining power¹⁰⁸.

The reform altered fiscal federalism where the state powers were curtailed in revenues as central powers were increased in financial planning and coordination of policies¹⁰⁹.

¹⁰⁷ Garg, R., & Sharma, P. (2022). Goods and Services Tax in India: Transforming state taxation and promoting a unified market. *Indian Journal of Public Finance*, 8(3), 45–58.

¹⁰⁸ Bahl, R. W., & Wallace, S. (2021). *Fiscal federalism in India: Impacts of the Goods and Services Tax*. New Delhi: Oxford University Press.

¹⁰⁹ Sahoo, S., & Dash, R. K. (2020). GST and its implications for state finances: An analysis of fiscal autonomy and intergovernmental relations. *Economic and Political Weekly*, 55(42), 34–42.

5.2.2 One Nation, One Ration Card (ONORC)

Rationale:

- Ensure smooth internal migrants portability of subsidised food grains.
- Use Aadhaar-based digital authentication to enhance transparency.

The project enhances social security, limits leakage and corruption, and makes deliveries of benefits to vulnerable groups in different states specific ¹¹⁰.

Federal Effect:

- Effective state welfare schemes are pressurized to fit national patterns.
- Central databases: central databases concentration of informational power.

This centralisation affects the design of policies, restricts the state-level experimentation and heightens the

¹¹⁰ Khera, R. (2017). Revival of the public distribution system: Evidence and challenges. *Economic & Political Weekly*, 52(37), 29–36.

reliance at the national level to execute the social welfare programs efficiently ¹¹¹.

5.2.3 One Nation, One Election

Rationale:

- Co-ordinate Lok Sabha and State Assembly elections to minimize the expenditure and political upheavals.
- Similar to this, simultaneous elections can improve continuity of governance, decrease administration overheads of elections, voter fatigue, and effectiveness with which policy is implemented across states ¹¹².

Federal Effect:

- Weakens the constitutional power of the states to dissolve assemblies.
- Reduces political autonomy in the form of state governments.

Coordinated mandates and centralised timetables of elections constrain the independence that states have in

¹¹¹Drèze, J., & Khera, R. (2017). Recent social security initiatives in India: Centralisation, accountability, and impact. *Journal of Asian Public Policy*, 10(2), 123–140.

¹¹² Suri, K. C. (2020). Simultaneous elections in India: Opportunities and challenges. *Economic & Political Weekly*, 55(12), 27–33.

making decisions, and restrict local political experimentation and strategic governance¹¹³.

5.2.4 One Nation, one language (Symbolic and Administrative)

Rationale:

- Foster nationalism and efficiency in the administration.
- Centralisation of policies and standardisation of procedures can facilitate the process of streamlining the governance process and minimise redundancies, create a feeling of cohesion and enhance consistency in the implementation of coherent national policy¹¹⁴.

Federal Effect:

- Glorifies cultural opposition particularly in the non-Hindi speaking areas.
- Fears homogenization in a language plural federation.
- The policies encouraging homogenization of language and culture have the potential of stirring up

¹¹³Kumar, S. (2021). Federalism under strain: Simultaneous elections and state autonomy in India. *Indian Journal of Political Science*, 82(3), 401–415.

¹¹⁴Chopra, P. N. (2019). *Governance and federalism in India: Balancing efficiency and autonomy*. New Delhi: Sage Publications.

local opposition, increasing identity politics, and disrupting the federal balance of power¹¹⁵.

5.2.5 One Nation, One Criminal Code

Rationale:

- Eradicate laws of colonial times with national criminal codes.

Federal Effect:

- Police is a State List, but the institutions and procedures should be adjusted to national standards.
- Indirectly moulds policing practices in a more centralised way.

5.2.6 One Nation, One Market (Agriculture and Trade)

Rationale:

- Bring in agriculture trade and eliminate state-based market restrictions.

¹¹⁵Bhatia, N. (2020). Language policy and federal tensions in India: Cultural diversity under centralising reforms. *Journal of South Asian Studies*, 43(2), 215–230.

Federal Effect:

- States claim that agriculture was not done since it is a State List subject and was not circumvented.
- The repeal of the farm laws is a good example of centralization limits clashing with local socio-economic structures.

5.3 One Nation vs. Federal Diversity as Administrative Uniformity

5.3.1 Federal Argument in Favor of Diversity

The states in India vary in:

- linguistic cultures,
- demographic patterns,
- agrarian ecologies,
- welfare models,
- fiscal capacities.

Federalism provides policy to these variations. The reason why states become innovative in their public delivery of services (Kerala in health, Tamil Nadu in PDS, Himachal Pradesh in human development) is that they do so at the cost of maintaining legislative freedom (Drèze and Sen, 2013) ¹¹⁶.

¹¹⁶ Drèze, J., & Sen, A. (2013). *An uncertain glory: India and its contradictions*. London: Allen Lane.

5.3.2 The Uniformity as the Central Narrative

One Nation The assumption of the One Nation model is that India functions best when:

- rules are standard,
- bureaucratic procedures are not different in individual states,
- Laws and markets are operating in the same way.

Uniformity is equated with:

- efficiency,
- transparency,
- national identity,
- ease of monitoring.

This order of things; homogeneity instead of diversity reforms the logic of government.

5.3.3 From Cooperative to Coercive Federalism

Although the government frequently claims that its strategy is cooperative federalism, states believe that the mechanisms become more and more representative:

- centralised law-making,
- conditional funding conditional funding,
- decreasing space of dissent on the state level,
- hegemony of national political agenda.

This change re-establishes the character of federal bargaining, reducing the autonomy of states in their negotiation.

5.4 Case Overview: Tax, Ration, Language, Codes, and Markets

The overall effect of the policies of One Nation is apparent when one looks at the policies in key governance areas.

5.4.1 Taxation: GST as a Centralizing Instrument

- Then there were the cession of major powers of indirect taxation by states.
- Voting patterns of GST Council are biased towards the Centre.
- Delayed fiscal dependency is caused by compensation.

Federal Impact : Massive loss of state fiscal sovereignty, undermining the cornerstone of federal authority.

5.4.2 Ration and Welfare: The Centralization of PDS

- ONORC enhances portability among the migrants.
- Aadhaar authentication minimises leakages.

Federal Consequence:

- State-specific welfare innovations (e.g. universal PDS) are limited.
- The Centre is in a decisive position to control data and authentication.

5.4.3 Language Policy: The Hindi Imposition Debate

- Hindi-imposed administration and education and digital platforms are indications of a nationalising desire.

Federal Consequence:

- Increases the cultural frictions between the Centre and the non-Hindi states.
- Dilemmas constitutional promises to linguistic pluralism.

5.4.4 Legal Codes: Uniform Laws and State Policing

- New criminal laws of countries demand state adaptation.
- Police, itself being a State subject, will have to change procedures and trainings.

Federal Consequence:

- Brings India nearer to practice of unitary criminal justice.

- Minimizes scope of legal innovation at the state level.

5.4.5 Markets and Agriculture: Efforts to be Uniform

- Central farm legislation tried to establish one agricultural market.
- Protests forced repeal.

Federal Consequence:

There was much opposition to market centralisation by states, which stressed how difficult it could be to impose homogeneous policies on various regional agrarian economies (Rao, 2019) ¹¹⁷.

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¹¹⁷ Rao, M. G. (2019). *Fiscal federalism and economic reforms in India*. New Delhi: Oxford University Press.

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CHAPTER 6

ONE NATION, ONE WELFARE? CENTRALISATION OF SOCIAL SECTOR SCHEMES

6.1 One Nation, One Ration Card: Portability and New Tensions

One Nation, One Ration Card (ONORC) project can be seen as a dramatic change towards the One Nation paradigm of welfare governance in India. As the Union government envisions to offer a nationwide portability of subsidised food grains on the Public Distribution System (PDS), ONORC has been framed to foster mobility, transparency, and equal welfare entitlements. The programme uses the Aadhaar-based authentication and electronic point-of-sale (e-PoS) devices to create a digital architecture to identify beneficiary and portability between states. Although ONORC seeks to bring the welfare delivery practices to the realities of internal migration, it is also creating new tensions since it is restructuring the balance of power between the Centre and the states. This has resulted in the project becoming one of the high-profile examples of the centralising wave

that has influenced management of the social sector in India in recent years¹¹⁸.

6.1.1 Rationale and Promised Benefits

According to the Union government, ONORC can be seen as a way of developing a more effective and inclusive welfare model by guaranteeing portability of benefits, leakages through digital checks, and enhanced access to subsidised food grains by highly mobile and vulnerable people nationally.

Key arguments include:

- **Universal portability** : Universal portability will be to allow migrant labourers, seasonal employees and informal-sector households to obtain subsidised food grains through all Fair Price Shops in India. This lessens reliance on home-state ration shops, enhances societal security to mobile populace, and elevates continuity of privileges between flexible workplaces and residential areas¹¹⁹.
- **Digital authentication** : Aadhaar-seeded ration cards and e-PoS devices are made to increase the strength of authentication by checking the beneficiaries in real time, minimizing human error and curbing fraud. They are estimated to reduce leakages, eradicate multiple identities as well as enhancing accuracy and transparency of Public

¹¹⁸ Khera, R. (2021). The digitalisation of welfare in India. *Economic and Political Weekly*.

¹¹⁹ Srivastava, R. (2020). Internal migration and social protection. ILO Working Paper.

Distribution System transactions across the country by using these digital tools ¹²⁰.

- **Leakage minimisation** : The centralised de-duplication systems are aimed at minimising the diversion of food grains by detecting beneficiaries who are fraudulent or those who are duplicated. Enhanced digital surveillance enhances control, better supply-chain responsibility, and achievement of the beneficiaries of the subsidised commodities to reach the real beneficiaries, which leads to overall efficiency and transparency to the food-security mechanism¹²¹.
- **National integration** : ONORC proceeds with the expanded governance agenda of developing homogenous national structures in welfare provision, taxation, and citizens registering. This facilitation of unhindered movement of entitlements strengthens the narrative of One Nation, and places welfare management in line with new centralised structures of increasing national coherence ¹²².

These combined tend to indicate a shift towards a technologically standardised welfare architecture where mobility and homogeneity become the key organising principles.

¹²⁰ Abraham, R. (2018). Aadhaar and welfare architecture. *Journal of Development Studies*.

¹²¹ Drèze, J., & Khera, R. (2017). *Battles for accountability*. Oxford University Press.

¹²² Jenkins, R. (2021). *The centralising state in India*. Cambridge University Press.

6.1.2 Federal Frictions and Administrative Concerns

In spite of the progressive motives, ONORC creates a lot of federal and administrative difficulties:

1. State autonomy eroded in PDS design : States like Tamil Nadu, Kerala and Chhattisgarh have strong, but often universalised models of PDS that go beyond the central norms. By creating uniformity, ONORC implicitly puts pressure on these states to conform to the national standards, limiting policy innovations in the state level¹²³.

2. Fiscal imbalance and cross subsidization : The states with migrants as their major population can end up as net food grains providers without adequate compensation. This casts speculations on fiscal equity particularly to those states already experiencing financial limitations¹²⁴.

3. Privacy hazards of being digitally dependent : Aadhaar authentication errors, insufficient connectivity, and biometric errors still largely impact marginalised groups, creating the risks of being sidelined by some vital entitlement¹²⁵.

¹²³ Swaminathan, M. (2020). PDS reforms and state autonomy. Indian Journal of Human Development.

¹²⁴ Chakraborty, P. (2018). Fiscal federalism and welfare delivery. NIPFP Working Paper.

¹²⁵ Ramanathan, U. (2019). Biometric exclusions and rights. Seminar.

4. Centralised data infrastructure : A national beneficiary database A national beneficiary database increases the efficiency of administration but concentrates control of welfare data at the Centre undermining state control of their welfare registries¹²⁶.

In such a way, ONORC moves towards portability at the same time expressing the new strata of federal tension, exposing the complications of realizing uniform welfare within the multifaceted federal system.

6.2 Centrally Sponsored Schemes: Conditionality's and Consolidation

Centrally Sponsored Schemes (CSS) are not new pipelines of harmonizing national interests and state-level application. The past ten years have however, very much restructured the CSS terrain, characterized by consolidation, more stringent conditionality's, and less fiscal state flexibility. These developments point to a larger pattern of centralizing the administration of welfare programmes frequently at the expense of discretion at a state level¹²⁷.

6.2.1 Consolidation and Declining Fiscal Flexibility

The fiscal resources have become centralized and this has lessened the financial freedom of the states so that

¹²⁶ Singh, A. (2022). Data governance and federalism in India. Policy Studies Journal.

¹²⁷ Mehta, P. (2019). Centralized governance in welfare. Social Change.

they lack the flexibility to spend the funds depending on local needs and they become more reliant on conditional transfers by the central government.

Recent reforms include:

- **Combining different schemes :** By combining different smaller schemes into general umbrella programmes, one may lose the focus on particular sectors, less specialised attention, and the ability to innovate and develop state-driven schemes. This centralisation threatens to overpower the efficacy of the localised interventions and local policy experimentation.
- **Less flexibility in the use of funds :** The inflexibility in the use of allocated funds restrains the states to suit programme to local socio-economic environments. Such inflexibility may diminish responsiveness to local demands, limit experimentation, and hinder states in responding to unique developmental problems in their areas of jurisdiction in the best possible way.
- **Adjusted cost sharing ratios :** At a time when the Union government reduces its contribution to vital social sectors, states will have a higher fiscal burden. This puts more budget strains, constrained resources on other complementary issues, and even may restrict the capability of states to preserve service

quality and coverage or make investments on new welfare intervention interventions ¹²⁸.

Such restructuring greatly diminishes the fiscal space of states especially those subjected to high percentage of dependence on CSS to fund health, education, agriculture and rural development.

6.2.2 Rising Conditionality's and Performance Metrics

The growth of conditionalities and performance measures correlate central funding with particular results and require states to achieve a set amount of them which standardizes accountability and influence policy priorities and may restrict the flexibility of meeting local demands.

CSS funding is becoming dependent upon:

- **National standards** : Performance measures and outcome-based models impose national targets on states, pushing the responsibility to the middle, and making the states focus on national standards than on local developmental requirements.
- **Centralized principles** : Obligatory adherence to digital reporting principles: including MIS updates, Aadhaar-seeding, and verification of beneficiaries makes the state less flexible and central to the central control by establishing homogeneity in technologies and administrative principles.

¹²⁸ Rao, M. G., & Singh, N. (2018). Fiscal federalism in India. Oxford University Press.

- **Strict documentation** : Utilisation certificates, technical audits and detailed reporting impose an additional administrative burden on states, strengthening central control through the tie between fund releases and documentary compliance and procedural verification¹²⁹.

Though these mechanisms are put forward as accountability measures, they are actually tools of vertical control, which discriminates more against states that have a less developed administrative apparatus or lower digital infrastructure.

6.2.3 Implications for Cooperative Federalism

Centralized reforms have an impact on cooperative federalism in the sense that it moves decision-making authority to the Centre, limits state autonomy and necessitates negotiation on institutional levels, thus having an effect on intergovernmental cooperation, policy coordination and fiscal provisions.

As CSS grow more centralized:

- States lose the ownership of their policies and are forced into taking centrally determined models. Once centrally-designed systems take over welfare policy, states slowly lose control over programme design and operations. This restricts their capacity to customize interventions to local expectations, undermines institutional independence and drives

¹²⁹ Government of India. (2021). Guidelines on CSS reforms. Ministry of Finance.

them towards homogenous models that might not suit region-specific developmental priorities, as well as administrative abilities.

- The socio-economic differences that are specific to states are put behind where standardized programme designs are concerned. Programme structures as practiced in India are usually standardized in ways that do not reflect the profound socio-economic diversity of states in India. Vivid demographic trends, labour market, agrarian structure, and social insecurity take a back seat and the models of welfare become inefficient to meet local problems and lower the efficacy of interventions based on particular state situations.
- Competitive federalism is substituted with compliance based welfare management, which narrows down py on state level experimentation. When central rules and conditionality's are turned into the foundation of welfare delivery, states turn towards not being competitive by innovation but by attaining the specified compliance standards. This limits experimentation, creativity in policy solutions and limits innovation to allow states to lead in context sensitive programmes that might otherwise enhance federal diversity and learning.

This change is a break with cooperative federalism and more centralized policy regime.

6.3 Digital-ID Linked Health, Education, and Nutrition Schemes

The current digitalization of welfare infrastructures in India, through Aadhaar, Direct Benefit Transfer ticketing systems, national health IDs, systems of digital learning and nutrition tracking dash-boards, have changed the nature of governance and federal relations. These systems also widen the central visibility on key welfare areas, which tend to redefine states as implementers rather than planners¹³⁰.

6.3.1 Health: The Digital Health Mission and Scheme Centralization

The Digital Health Mission unites health schemes using interoperable digital systems, standardizing records, enhancing the use of data in decision-making, and improving coordination between states, and reducing duplication, and making healthcare service delivery more efficient.

The National Digital Health Mission (NDHM) proposes:

- Unique Health IDs
- Patient, facility and professional central registries.
- Health data interstate portability.

¹³⁰ Bhatia, K. (2022). Digital welfare reforms in India. *Journal of Information Policy*.

States have concern about:

- Loss of control over the governance of the health system.
- Privacy and security threats with centralised health data.
- Weak state control over digital health structure¹³¹.

Consequently, NDHM moves the federal balance with the centre position of health data management.

6.3.2 Education: Central Databases and Curriculum Standardization

Social sites like DIKSHA, UDISE+, and national learning dashboards have intensified the central control of school education. Critics argue that:

- Locally-grounded pedagogies can be eclipsed by centrally established measures.
- With national frameworks widened, the flexibility of the curriculum decreases.
- Rankings based on data can skew the priorities of schools because they motivate compliance over contextualised learning¹³².

The digital push is hence changing the area of education governance into a more standardised and centrally influenced area.

¹³¹ NHA. (2021). National Digital Health Mission Framework. Government of India.

¹³² Kumar, K. (2020). Curriculum governance and centralisation. Economic and Political Weekly.

6.3.3 Nutrition: ICDS Digitalisation and the Poshan Tracker

Digital monitoring in the Integrated Child Development Services (ICDS) involves biometric attendance, smartphone-based reporting and central dashboards.

These tools expand the transparency but also:

- Overwork frontline employees with data-entry.
- Risk avoidance in case of latent or inaccurate digital reporting.
- Transfer of nutritional management to the community level institutions to national surveillance mechanisms¹³³.

Digitalisation also enhances central control even in the traditionally localised welfare domains.

6.4 Welfare Politics and the Erosion of State Discretion

India The welfare politics in India have been significantly reconstituted by national platforms and digital systems to change the manner in which benefits are distributed and the political actors who are accorded credit.

¹³³ John, R. (2021). Digitalisation of ICDS and frontline challenges. Social Policy & Administration

6.4.1 Branding and Visibility

Good branding leads to increased recognition, confidence and social interaction. High visual recognition, coherent communication, and effective promotion make people more visible and build strong institutional image and make specific policies or programs easy to recognize and very acceptable.

The Centre is beginning to use:

- Unified national portals
- Centralised app ecosystems
- High profile Union-level branding on materials of welfare.

This increases the profile of the central schemes as it reduces the political capital that states have on their respective welfare programmes¹³⁴.

6.4.2 Implementation without Design Power

Program design is not always under full control and thus, it is often implemented without full control. Agencies need to adjust centrally established policies to suit local environments and to strike a balance between compliance, resource limits and stakeholder demands regarding effective delivery.

¹³⁴ Chhibber, P. (2022). Welfare politics and party competition. Cambridge University Press.

They leave the last-mile administrative burden on states but there:

- Eligibility definition capability.
- Authority in changing programme elements.
- Ability to be innovative in schemes.

is fast becoming restricted. As a result, states are now operating more as agencies of implementation of centrally drawn welfare programmes, instead of being full partners in policy formulation ¹³⁵.

6.4.3 Changing Nature of Political Competition

Media, regional party politics and identity-based mobilization continue to influence political competition, which is becoming very dynamic. The short-term visibility, populist actions, and voter segmentation have become the new priorities of electoral tactics, which have led to a change in the priorities of traditional policies and methods of governance.

By:

- Weakening the ability of states to stand out by special welfare programs.
- Depowering the relationship between the citizens and the state governments.

¹³⁵ Pal, M. (2020). State autonomy and welfare implementation. *Journal of Federal Studies*.

- Improving central visibility in daily welfare exchange¹³⁶.

The reforms are part of a wider tendency of recentralisation of the Indian federal system. The recent centralisation of the Indian social sector structure, in the form of ONORC, centralized CSS structures, and computer-linked welfare mechanisms, is the defining moment in the transition to a single homogenous national system of governance. Although these reforms hold efficiency, portability and management based on data, they also reduce the fiscal, administrative, and policy autonomy of states.

State initiatives in health, education, nutrition and PDS run a risk of being lost in templates of standardised national models which focus on compliance rather than situational responsiveness. Digital infrastructures also enhance central control that redefines the functions of states, as independent policy makers to frontline executors. The more the political credit is centralised, the more the federal balance shifts towards the unitary welfare state. The difficulty still to come is how to strike the balance between national standardisation and the deep regional diversity in India.

¹³⁶ Yadav, Y. (2021). Recentralisation and political competition in India. *Indian Politics Review*.

6.5 Reimagining Welfare Governance: Balancing Centralisation and Federal Autonomy

The increasing centralisation of India's social sector schemes poses some critical questions regarding the way of welfare governance in a federal polity. Although these efforts, including ONORC, centrally sponsored programs and digital-ID based welfare programs, have clearly enhanced policy portability, transparency and administrative efficiency, they have reduced the policy space of the states. It is not to defy national standardisation, but to rethink the welfare governance to respond to the national coherence and federal diversity.

An overhauled welfare system should acknowledge that states are not just units of the administration but constitutionally empowered governments with close familiarity of local social-economic realities. The regional diversity in India is immense in terms of labour markets, demographic and health factors, as well as educational needs, and as such, a flexible programme design and delivery is necessary. Over dependence on national templates is dangerous as it will decrease the efficacy of welfare interventions by disregarding realities on the ground. Giving states freedom to localize centrally funded programs to local needs can improve the efficiency as well as equity in offering welfare.

Fiscal federalism is also very crucial in reestablishing this balance. The increased reliance on conditional transfer and the downward trend in untied grants has

limited state capacities especially in welfare intensive areas like health, education and nutrition. State ownership of welfare programmes can be enforced more by a more collaborative fiscal deal where the cash is accompanied by trust and not being overly restrictive in terms of compliance requirements. It would be useful to reconsider cost-sharing ratios and increase unconditional transfers to make states better react to the specifics of the region without undermining national goals.

Although digitalisation is a core of the contemporary welfare governance, it also needs to be re-tuned. Digital infrastructures are not supposed to work as the tools of regulation. This needs to have strong data privacy protection and grievance redress systems in case of authentication failure and increased involvement of states in data governance initiatives. Data stewardship, through decentralisation, with states having some control over the welfare databases, can address the issue of surveillance and make the digital systems more inclusive and not exclusive.

In political terms, there is need of restoring balance in welfare administration to maintain a democratic accountability. In cases where welfare delivery is too difficult to centralise, the citizens will struggle to trace the lack of service delivery, and the bond between state governments and the beneficiaries will be undermined. Giving states greater influence in the design of welfare does more than making policy more innovative, it also increases democratic competition as different forms of social protection are produced and tested.

To conclude, future welfare state in India is in a hybrid form of governance whereby national standards are not ignored and at the same time state autonomy is encouraged. Centralisation can be able to provide short-term administrative benefits, but the long-term and inclusive welfare outcomes require cooperation in the form of federalism. Dialogue, flexibility, and shared responsibility reimagination of welfare governance can guarantee efficiency without having to rely on federal balance, social equity, and democratic pluralism.

6.6 Towards a Cooperative and Context-Sensitive Welfare State

The analysis presented in this chapter highlights a radical change in the welfare architecture of India characterised by the growing centralization, digitalization, and standardization of schemes of social sector. The union government is trying to build a unified, portable, and efficiency-based welfare system, which can be seen in initiatives like One Nation, One Ration Card, restructuring Centrally Sponsored Schemes, and an increase in digital-ID-based welfare systems. These reforms have brought in significant changes in terms of administration but they have created structural tensions in the Indian federal set up.

One major issue that has arisen in this chapter is the possible elimination of the state discretion in governance of welfare. States have always been laboratories of policy making, with each one to form context-specific and unique solutions to their socio-economic

circumstances. This space of experimentation has been minimized by the move towards centrally designed programmes, inflexible conditionalities and performance based funding. Consequently, states are becoming more and more performers, not co-producers of the welfare policy, which dilutes the ethos of cooperative federalism as intended by the Constitution.

This has been enhanced by digitalisation. Even though digital platforms have increased transparency, decreased leakages, and increased the portability of benefits, they have also concentrated the ownership and decision-making of the data. The dependence on Aadhaar-based authentication, national dashboards and central monitoring systems poses a threat of leaving vulnerable groups of people, including those who are impacted by technical failures, low digital literacy or infrastructural shortages. Additionally, the consolidation of the welfare information on the national basis poses the concerns of privacy, accountability and democratic control.

Centralisation of the delivery of welfare has politically redefined credit-claiming and contest of election. Similar branding and national portals promote increasing the visibility of Union-level initiatives at the expense of the political agency of state governments. This does not only change the relationships between citizens and states but it also brings down the ability of states to attain legitimacy using welfare provision. In the long term, these changes will undermine sub-national accountability and lessen the responsiveness of policies to local demands.

The chapter finally highlights the necessity of recalibration of the model of welfare governance of India. The key to minimum standards, fairness of regions and national integration is the central coordination. At the same time, too much uniformity may lead to the neglect of diversity in India and less efficiency of welfare interventions. A context-sensitive welfare state would need to be cooperative and to have shared decision making, flexible funding and state autonomy in programme design and implementation.

To conclude, the welfare state in India is thus viable in the future as a balance between national goals and federal pluralism is achieved. The welfare governance needs to transform into something more than a compliance-based, centrally dominated system into one of collaboration that empowers state and provides community-based diversity benefits and protection of the rights of the beneficiaries. It is only with this kind of balance that India will be able to make welfare reforms inclusive, democratic and sensitive to the realities experienced by Indian people.

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CHAPTER 7

IDENTITY, CULTURE, AND LANGUAGE — THE POLITICS OF UNIFORMITY

7.1 National Language Debates and Resistance from Southern and Northeastern States

In India, language forms a central aspect of the constitution and politics of the nation. Linguistic politics, as a cultural icon and an administrative instrument, impact on nationalism, territorial self-dependence, and federalism. Though it does not specify any national language in the Constitution, Hindi and English serve as the official languages in the Union in Articles 343-351. Such legal system has not stopped the recurrent rejuvenation of the debate which is set within the frame of the book of One Nation, One Language narrative and is inclined to focus on cultural cohesion and financial effectiveness.¹³⁷ These attempts, though, also rekindle the recollections of the linguistic battles of the past, and they also create a backlash in those areas, which see such actions as a threat to their unique cultural heritage.

In the South and the Northeast, one of the most common claims by the states is that linguistic centralisation poses

¹³⁷ Austin, G. (1999). *Working a Democratic Constitution*. Oxford University Press.

the threat of marginalisation of the various cultural backgrounds and erosion of democratic pluralism. The language in Tamil Nadu, Karnataka and Kerala, to name a few is associated with anti-colonial and Dravidian and regional identity movements and therefore any perceived imposition is highly disputed. Northeastern states are worried about the possibility of homogenisation eroding smaller language communities that are already under assimilation stress. Moreover, linguistic resistance is an indication of the issues of bureaucratic recruiting, autonomy of educational institutions, and access to central services which could prefer those who speak Hindi. In this way, linguistic politics is turning into a field in which cultural right, federal autonomy, and representation come in conflict with each other, exacerbating tensions between centres and states.

7.1.1 Historical Context and Contemporary Assertions

The linguistic reorganisation of states after the independence, got federalism as a tool to preserve the cultural diversity in India. There are three trends, which are interrelated, that shape modern debates:

(1) Political rhetoric of One Nation One Language; has become a widely-used concept in popular speech, with the homogeneity of language being frequently associated with national unity, and the sidesteps of regional languages, cultural diversity, and regional identities. Such a strategy may fuel debate on federalism, minority interests and whether national integration or cultural pluralism is the most desirable.

(2) Increasing the application of Hindi in digital governance, higher education, and Union-level hiring; indicates an attempt at administrative and educational communication standardization, which may favor Hindi speakers, restrict the representation of regional languages, as well as affect access to governmental opportunities. This tendency becomes the issue of linguistic equity and cultural inclusiveness in a federation in which more than two languages are spoken.

(3) Suggestions to have Hindi taken further as a subject in school curricula and competitive examinations¹³⁸ serve to facilitate linguistic homogeneity and national unity, but will threaten to marginalize the regional languages, decrease the variety of pedagogical approaches, and act as a barrier to students who belong to the non-Hindi-speaking states. These efforts have triggered controversies of educational equality and cultural representation.

These claims are commonly supported and anchored on the concept of administrative uniformity and national integration. This demand to increase the role of Hindi however also indicates looking back to more ideologically entrenched agendas towards cultural centralisation as seen in national debates since the 1950s.¹³⁹

¹³⁸ Schiffman, H. (2011). *Language policy and linguistic culture in India*. Springer.

¹³⁹ Brass, P. (2005). *Language, Religion and Politics in North India*. Cambridge University Press.

7.1.2 Southern Resistance

Institutional and political opposition to linguistic centralization is the most effective in the southern states. This multi-level homogenizing of language policy, through its two-language formula and decades-long anti-Hindi mobilization, has been one of the primary objections made by Tamil Nadu to the argument of homogenizing the language policy.¹⁴⁰ The same Kerala, Karnataka and Telangana are also concerned that Hindi-first model will disadvantage non-Hindi-speaking applicants in national recruitment, undermine local linguistic traditions, and introduce top-down curricular reforms.¹⁴¹ Such states underline that cultural identity cannot be separated with linguistic autonomy and that national standardization leads to the undermining of regional traditions that are proven to be years old and are based on Tamil language pride, Kannada language pride, Telugu language pride, and Malayalam language pride.¹⁴²

7.1.3 Northeastern Concerns

The Northeast that is legendary in terms of linguistic diversity perceives the attempts to develop Hindi as a direct threat to the identity of native peoples. Smaller language groups are worried that, as the mandatory use

¹⁴⁰ Subramanian, N. (1999). *Ethnicity and Populist Mobilization*. Oxford University Press.

¹⁴¹ Menon, N. (2012). Language policy and federal tensions in South India. *Indian Journal of Federal Studies*, 23(2), 45–62.

¹⁴² Pandian, M. S. S. (2007). *Tamil Cultural Nationalism*. Sage Publications.

of Hindi at schools and standard norms in the administration of the country are introduced, the regional language will eventually start to decrease in significance.¹⁴³ Linguistic policy has become particularly sensitive in states like Nagaland, Manipur, Meghalaya and arunachal Pradesh because the language intersects with ethnic identity, autonomy movements and customary practices of the tribal people. Opponents claim that the linguistic centralization in education and administration is felt as cultural intrusion and that it tends to overlap more with other greater issues pertaining to territorial autonomy and demographic insecurity.¹⁴⁴ Thereby, linguistic politics is one such space, where the rhetoric of homogeneity meets the existential reality of plural federal India.

7.2 Centre-Driven Cultural Policies and Regional Autonomy Concerns

The cultural policy in India has become more influenced by central institutions, narrative, and heritage structures. With the growth of the powers of national bodies, states contend that the local culture, based on the region-specialized histories, cannot be effectively managed by using the standard national patterns. When heritage is centrally controlled, it tends to limit the variety of heritage to a single vision, based on dominant cultural stories, and excluding regional heritage and language,

¹⁴³ Devi, L. (2014). Language diversity in Northeast India. *Social Change Review*, 44(3), 107–125.

¹⁴⁴ Baruah, S. (2020). *In the Name of the Nation*. Stanford University Press.

folk, and minority culture. This tension has given rise to a debate of cultural federalism, freedom of policy making and maintenance of the pluralistic and diverse cultural landscape in India. States argue that to promote culture meaningfully, one must have contextual insight, participatory governance and loose policies that are adapted to local realities.

7.2.1 Centralization of Cultural Institutions

This has been done through the creation of nationally approved cultural narratives by institutions like the Archaeological Survey of India (ASI), national museums, central boards in charge of arts, literature and cinema among others.¹⁴⁵ The increasing power of centrally curated histories, which tend to conform to majoritarian views of the past, changes school textbooks, heritage preservation and commemoration. States criticize this trend because it is seen as sidelining local historical experiences in favor of those narratives that are related to broader ideological projects.¹⁴⁶

7.2.2 Contestations over Heritage, Festivals, and Local Traditions

States are resistant to centralised cultural policymaking where domestic interpretations are clashed with local histories, like Tamil Sangam or Adivasi cosmologies or

¹⁴⁵ Thapar, R. (2019). The politics of cultural institutions in India. *Economic & Political Weekly*, 54(2), 12–18.

¹⁴⁶ Bhattacharya, N. (2021). Textbook politics and national identity. *History and Education Journal*, 28(1), 33–49.

Kerala, Bengal, or Kashmir syncretic religious practices.¹⁴⁷ The underlying political issues in these tensions are who determines who national identity and whose cultural practices are given institutional legitimacy. Centralisation of heritage discourses may have an impact on political power by establishing some of the symbols of cultures as naturally national and marginalising those that are not perfectly consistent with the prevailing stories.¹⁴⁸

7.3 Uniform Civil Code: Legal and Political Contestations

A prominent feature of modern debate on identity, federalism and minority rights is the debate on the Uniform Civil Code (UCC). Although Article 44 promotes the shift in the direction of a shared civil code, the greater adherence to religious liberty and cultural independence of the Constitution poses an internal conflict.

7.3.1 Constitutional Ambivalence.

The framers put the UCC in Directive Principles in order to make sure that any attempt to go the way of uniformity would take into account the social diversity of India, which is a complex entity.¹⁴⁹ Some of the issues

¹⁴⁷ Sen, S. (2015). Regional cultures and national narratives. *India Review*, 14(4), 456–474.

¹⁴⁸ Chatterjee, P. (1993). *The Nation and Its Fragments*. Princeton University Press.

¹⁴⁹ Basu, D. (2015). *Commentary on the Constitution of India*. LexisNexis.

that cross a national UCC is the religious freedom in Articles 25-28, the traditions of tribal practices safeguarded under the Fifth and Sixth Schedules, and the legislative authority of states on marriage, adoption, and inheritance. This ambivalence of the constitution indicates the efforts to reconcile personal rights, the self-government of the communities, and the facts of plural Indian social life.

7.3.2 Federal and Plurality Concerns

States and minority groups express concerns that a national UCC:

1. Subjugate cultural autonomy, by undermining the plurality of individual laws; destabilizing established, community-based practices, lessening the leeway of various family norms, and peripheralising traditions, which have developed via region and community-based social histories and community identities.
2. War with asymmetrical federal terms of protection towards unique customs, particularly in Nagaland, Mizoram and tribal regions; particularly in Nagaland, Mizoram and tribal regions, through the establishment of uniform obligations that ignore unique socio-legal traditions, which would conceivably result in the death of constitutional guarantees and the undermining of the autonomy which was considered towards culturally unique and historically sensitive areas.

3. Risk that is indicative of majoritarian standards as opposed to neutral law standards.¹⁵⁰

These anxieties point to the possible outcome of making a sensitive social phenomenon a centralised political project.

7.3.3 State-Level Experiments

The old civil code of Goa and the new UCC bill of Uttarakhand and other states having discussions on the same reflect a decentralised method of reforming it.¹⁵¹ Critics, however, believe that the Union is incredibly trying to go the direction of a national UCC, and it is thought that uniformity can be applied as a political unifying tool within the larger policy framework of One Nation. This renders the UCC controversy both legal and cultural, as well as deeply federal.

7.4 The Farm Laws Episode as a Federal Rupture

Federalism in India was severely broken as the 2020 farm laws. They provoked discussions about the legislative ability, state sovereignty and the extent of centralised policy-making regarding key economic areas.

¹⁵⁰ Noorani, A. G. (2013). *Constitutional Questions and Citizens' Rights*. Oxford University Press.

¹⁵¹ Singh, A. (2024). State-led UCC reforms and federal implications. *Journal of Indian Public Law*, 19(1), 55–78.

7.4.1 Conflict over Legislative Competence

Agriculture is a state subject to the constitution. However, the Centre relied on the concurrent list and authority on interstate trade to pass the market reforms. States claimed that these laws threatened their right to control APMCs, procurement systems, and mandi networks and limited their right to test different types of agricultural models.¹⁵² The dispute strengthened the fears that the strategies of the Centre in legislation are increasingly circumventing state legislatures on politically sensitive areas.

7.4.2 Farmer Mobilisation and Political Backlash

Large-scale protests of farmers; especially in Punjab, Haryana and western Uttar Pradesh, were indicators of a general lack of trust in central reforms. The demonstrators were afraid of business control, deprivation of price guarantees, and exclusion of state regulation processes. The subsequent repeal of the legislations demonstrated the political dangers of federal circumvention and showed the constraints of the top-down policymaking in those areas which are directly connected to livelihood security and local economies.¹⁵³

¹⁵² Sinha, A. (2021). Agriculture, federalism, and the farm laws. *EPW*, 56(5), 22–28.

¹⁵³ Gill, H. S. (2022). Farmer protests and the politics of federal resistance. *Journal of Rural Studies*, 89, 112–124.

7.5 Environmental Regulation and the Shrinking Role of States

It has resulted in centralisation at the environmental governance arena due to national-level notifications, tribunals, and regulatory frameworks. These central mechanisms have grown their control over key environmental decision making in recent years, and this is usually at the expense of state-specific concerns. This change has brought about controversies of diminished local control, unequal implementation abilities, and the sustainable consequences of uniform ecological guidelines on the multiple ecological regions in India.

7.5.1 Centralisation via Notifications and Authorities

The main environmental communications such as those relating to amendments in the Environmental Impact Assessment (EIA) regime have increased the Union dominion on projects clearances and monitoring.¹⁵⁴ Along with increasing the accountability of the environment, the National Green Tribunal (NGT) has also decreased the freedom of the state in making decisions. Also, directives on forests, wild animals, and coastal strips become more and more based on centrally established priorities.

¹⁵⁴ Rajagopal, B. (2018). Environmental regulation and centralisation in India. *Oxford Environmental Law Review*, 36(3), 203–221.

7.5.2 Tensions with State Development Priorities

States maintain that central norms tend to:

- Neglect local ecological settings.
- Postpone the infrastructure or industrial projects.
- Impose compliance costs

States believe that homogenous environmental standards do not consider the local ecological peculiarities and slow down the infrastructure projects and also enhance compliance costs. On the other hand, civil society outfits caution that with centralisation, it becomes easy to do quick clearances on strategically important projects without adequate consultation with states or communities.¹⁵⁵ Such contradictory stances highlight the political ambiguity of the need to strike a balance between development and environmental concerns.

7.5.3 Natural Resources and the Politics of Control

Questions arise over :

- Coal block allocations
- Sand mining regulation
- Hydro power and river management.

The problem of distribution of coal blocks, the regulation of sand mining, management of rivers and the

¹⁵⁵ Narain, S. (2020). decentralisation and environmental justice. Centre for Science & Environment Report.

development of hydropower often creates tension between the Union and the state governments. Natural resources are also issues of concern because they impact on revenue, environmental impacts, and patterns of livelihoods and this aspect of centralisation is directly affecting the state economic planning.¹⁵⁶

7.6 Policing, NIA, and National Security Laws

The sphere of internal security is becoming a rather disputed realm of centre-state relations, where the central agencies gain more powers. This has increased role, which is evident in the operations of agencies acting like NIA, CBI and the paramilitary forces and is concerned with the jurisdiction overreach, loss of state autonomy and political exploitation of security mechanisms. The issue raised by states is that such centralisation will interfere with cooperative federalism and their operation control over law-and-order functions that was historically their constitutional responsibility.

7.6.1 Federal Structure of Policing

The state is a subject of law and order, but:

- The NIA (National Investigation Agency) is able to assume cases without the state authorization.
- UAPA (Unlawful Activities Prevention Act), grants broad sweeps in overriding state policing organizations.

¹⁵⁶ Ramesh, M., & Haque, S. (2022). Natural resources and political economy of federalism. *Policy & Society*, 41(2), 245–263.

- Central paramilitary troops are more and more used in states.

Even though the responsibility of law and order is a state affair, the National Investigation Agency (NIA) has the authority to assume cases without the approval of the state. The Unlawful Activities (Prevention) Act (UAPA) provides vast powers to make arrests and investigations which in many cases override the state policing systems. The use of central paramilitary forces is also increased more frequently on a state level and results in disputes over jurisdiction.¹⁵⁷

7.6.2 Tensions over Autonomy and Authority

States express concern that:

- The main agencies bypass the state polices, making them subordinate.
- High profile cases turn into political issues.
- National security discourses provide excuses to intervene in the sphere of states.

States are worried that central agencies work around local police, politicise investigations, and undermine federal accountability. The Centre justifies its strategy as a necessary factor in deterrence of terrorism, insurgency, and other new threats like cybercrime. The difficulty is balancing between keeping coordination and not undermining constitutional federalism.

¹⁵⁷ Noorani, A. G. (2013). *Constitutional Questions and Citizens' Rights*. Oxford University Press.

7.7 Water Disputes, Natural Resources, and Inter-State Tensions

Management of water and natural resources, is a scenario where cooperative federalism turns into adversarial ideals due to the conflict of interests. Interstate river conflicts, groundwater extraction trends and hydropower bypasses tend to create stress due to states focusing on the local needs rather than negotiated sharing systems. The conflicting systems of political governance, the unequal ecological risks, and development models pose additional challenges to coordination, making the process of resource governance a power struggle, rights distribution, and long-term sustainability.

7.7.1 Persistent Inter-State Disputes

Major wrangles- Cauvery, Krishna, Mahadayi, Ravi-Beas, etc:

- Rival developmental requirements.
- Drought and climate variability.
- Factors of political pressures and identity claims.

Cauvery, Krishna, Mahadayi, and RaviBeas are some of the disputes that outline conflicting developmental interests, changeability in climate, and identity politics. Tribunals and inter-state boards are the common forms

of dispute-resolution used by the Centre, which tend to be criticised as being slow or biased.¹⁵⁸

7.7.2 River-Linking and Central Projects

Several river-linking projects on a large scale bring up concerns regarding:

- Ecological risks
- State consultation shortage.
- Inequalities in the allocation of benefits and costs.

Tremendous projects such as river-linking cause ecological issues, doubts about fair water allocation and faults on sufficient state consultation. It is the concern of many states that such projects can emphasise national planning instead of environmental realities of the region. These fears are intensified by the downstream areas having fears of diminished flows whereas upstream states become aggravated in the view that their developmental options are being curtailed. Land acquisition, displacement and habitat disturbance at large magnitudes also increases the level of political opposition. All these problems show how centralised megaprojects may exacerbate tensions on federal levels particularly where the ecological knowledge and local socio-economic environments are not incorporated adequately in decisions.

¹⁵⁸ Rajagopal, B. (2018). Environmental regulation and centralisation in India. *Oxford Environmental Law Review*, 36(3), 203–221.

7.7.3 Mineral and Forest Resources

State development perspectives are usually in conflict with central rules on mining, forest clearances and tribal land rights. Such tensions demonstrate the role of natural resource governance in establishing political relations, economic independence and environmental justice. The conflicts become worse as the states seek industrial expansion and the Union focuses on conservation causing delays and even project termination and jurisdictional wrangles. Local communities, in particular, Adivasi groups, become the key participants, which object to the decisions of the state and the centre. This kind of tension reminds us of a delicate balance between economic growth, environmental conservation and constitutional safeguards within the Indian federal system.

7.8 Identity-Based Federalism and the Democratic Accommodation Question.

The Indian identity based federalism has always been a tool of managing diversity by accommodating instead of assimilating. The linguistic restructuring of the states, constitutional protection of tribal territories, and cultural plurality is testimony to the realization that the stability of democracy lies in the ability to consider the different identities in one political system. Nevertheless, recent tendencies of governance by uniformity threaten this accommodative paradigm by placing central coherence on top of negotiated diversity.

The crux of these tensions is whether democratic accommodation can take place to such an extent that the centralised state allows a number of identities to be accommodated without becoming diluted or in reverse how states and communities can make their own claim of autonomy without disintegrating national unity. Unlike economic policy, identity is seated in the history, culture and social practice. Such policies touching on language, culture, religion, land, and resources, therefore, have symbolic implications, and they may have more administrative effects in the short term. Policies that are prepared and executed without the significant involvement of the state will be seen as domination strategies instead of governance.

Federal accommodation is especially delicate where the same standards are applied to socially unequal areas. Centralisation is imposed on linguistic minorities, tribal groups, and culturally diverse areas as the imposition of dominant norms. This idea is strengthened when national discourses incline towards giving priority to some languages, cultural symbols, and legal traditions among others at the expense of other groups. This relationship may eventually lead to further alienation and elicit more resistance based on identity politics as opposed to disagreement on policy.

Institutional dialogue is also important in democratic accommodation. In a working federal system, the conflicts of identity-related policies are resolved using consultation, negotiation, and asymmetrical deals. These deliberative channels have been undermined by the growing dependence on executive rulings, centrally

framed laws and national institutions. Consequently, the political mobilisation, mass action or even judicial challenge are common responses of states, moving federal contacts to competition.

Political representation is also important. Whereby state governments have minimal say in identity-sensitive policies, the electoral competition is more based on fighting central authority instead of offering an alternative policy. This is a game-changer in federal politics as states become a place of antagonism instead of collaboration. Even though resistance can bring the benefits of cultural autonomy in the short-run, resistance can also polarize centre-state relations and bring long-term governance into knots.

Notably, federalism that is based on identity is not one that denies national unity, it identifies unity as being able to live together in the midst of diversity. The constitutional design in India enables differentiated treatment, cultural protection, regional autonomy specifically to avoid an oversight of a particular identity. The policies that fail to address this structure are likely to compromise the validity of the state to the culturally different societies.

Therefore, the dilemma in the modern Indian federalism is not whether uniformity is desirable, but whether democratic accommodation is possible in the face of growing centralisation. Identity-sensitive governance must be flexible, recognize each other, and respect institutional autonomy by the state. In its absence, identity-based conflicts will still escalate as a result of

the politics of uniformity and the federalism system will no longer be an accommodation system as it has always been but a system of constant negotiation and struggle.

7.9 Negotiating Unity and Diversity: Federal Dialogues and Institutional Pathways.

The design of the federal system is not the only way in which the sustainability of the Indian federal system relies on the quality of institutional discourse between the Centre and the states. With the trend of increasing centralisation of identity, culture and governance of resources, the lack of strong consultative processes has heightened political rivalry. Achieving unity and diversity thus necessitate institutional routes that can enable issues of disagreement to be resolved through dialogue and not confrontation.

In India, federal dialogue has always been brokered by the existence of inter-state institutions like the Inter-State Council, Finance Commission and the sector-specific councils. These platforms were meant to create cooperation, settle disputes and make sure that the state views come to the national decision-making. Nevertheless, the past few years have seen most of these institutions either being underserved or shadowed by executive-led decision-making. Introducing policies that may impact the language, culture, agriculture, environment, or internal security without proper consultation makes the states feel that they are being imposed on unilaterally and removes confidence in the federal processes.

The institutional channels are particularly vital in areas that are sensitive to identity. In contrast to economic coordination, identity governance can not be based only on technical efficiency or standardization. It demands the acknowledgement of the past experiences, cultural peculiarities, as well as regional weaknesses. Formal consultation processes offer a platform on which these issues can be expressed and integrated into policy making. Their undermining takes away federal negotiations as institutional setting and introduces them as demonstrations, judicial intervention, and electoral mobilisation, making the political polarisation even more strident.

Courts have been emerging as platforms of centre-state negotiation. States often go to the Supreme Court with the goal of opposing central acts and executive measures, especially concerning federal competencies and cultural autonomy. Although judicial review is essential in safeguarding constitutional limits, the overdependence on courts is a sign of the ineffective political discourse. In addition, court decisions usually bring a legal clarity, but they do not solve any political grievances that are underlying and leave the stress unresolved.

The other significant route is asymmetrical federal arrangements. The Constitution of India already provides for the existence of different governance frameworks of some regions of India, especially in the Northeast and tribal regions. National goals can be achieved by balancing national goals with local realities, by extending the logic of asymmetry, involving flexible

policy frameworks, opt-in models, and region-specific exemptions. This kind of arrangement recognizes the fact that uniformity in a diverse society is neither possible nor preferable.

The role of states as partners, as opposed to subordinates, also needs to be reinvented in order to carry out political negotiation. Trust and democratic legitimacy can be restored through shared policy design, co-branding of welfare and cultural programmes and co-ownership of reforms. When states are actively involved in the formulation of policies, confrontation is replaced by cooperation, and diversity is used as a power and not a weakness.

The unification and diversity in negotiations is thus a process and not a predetermined institutional scheme. It requires long-term communication, attention to federal sovereignty and identity issues. Institutionalizing a smoother process of negotiation would be a way of turning the federal tensions at the federal level into constructive interaction that would make India a country stronger by inclusion and not forced homogeneity.

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CHAPTER 8

JUDICIAL MEDIATION AND THE COURTS AS ARBITERS OF FEDERAL BALANCE

8.1 Supreme Court's Evolving Federal Jurisprudence

The top judiciary, which is mainly the Supreme Court of India (SC) has been in the centre of stage in the interpretation of constitutional lines of centre-state relations. Considering the lack of a robust inter governmental political house or an upper constitutional court whose primary role is to adjudicate federal controversies, the Court judgments have served in most occasions as the main tool of determining federal equilibrium. Its jurisprudence can be broadly divided into three periods, namely: a period of centralising early jurisprudence, a period of post Emergency federal autonomy jurisprudence, and a more ambivalent modern period.

8.1.1 Early Era (1950s-1970s): A Centralising Jurisprudence.

In the initial twenty years since independence, the Court had tended to enforce broad central powers - even in respect of areas that were subject to core state interests. One of the most notable ones is the case of State of West

Bengal v. The Court upheld the validity of the Coal Bearing Areas (Acquisition and Development) Act, 1957 in Union of India (1963). The Act enabled the Centre to take over coal bearing lands -including lands vested in states. The majority in the Court dismissed the argument that a state can exercise sovereignty over its property and it was within the authority of Parliament to acquire state coal mines within its legislative capability. Therefore, the rights to state property were secondary to Union legislative competence in case the national interest and developmental arguments should prove¹⁵⁹¹⁶⁰¹⁶¹.

This decision cemented the notion that Indian federalism was not a compact between equal sovereign units but a form of a quasi-federal structure with an effective Union. The Court recognised the American system of federalism but construed the Constitution in a manner that centralisation would take priority in critical economic resources and key industries - in the cause of planned development and the common good¹⁶².

Therefore, the jurisprudence of the SC during the early period led to the constitutional order that favored the Centre at the cost of the autonomy of the states.

¹⁵⁹ State of West Bengal v. Union of India, AIR 1963 SC 1241.

¹⁶⁰ ILI Law Review. (2019). State of West Bengal v. Union of India: acquisition of coal mines and federal property rights.

¹⁶¹ Swenden, M., & Saxena, S. (2017). The Indian Supreme Court and Federalism. University of Edinburgh.

¹⁶² Legalical. (2024). State of West Bengal v. Union of India — Constitutional Law and Quasi-Federalism.

8.1.2 The Post Emergency Turn (1980s - 1990s): F assertion of Federal Autonomy.

The political and constitutional developments that surrounded the Emergency (1975-77) and the aftermath led to the re-assessment of relationship between Centre and States. One of the strong points in this reorientation was *S.R. Bommai v. Union of India* (1994). In the case, SC put a heavy limitation on the arbitrary application of Article 356 (President Rule) by the Court, giving the view that such proclamations will be subject of judicial review, which should be founded on objective material. Notable, the Court ruled that federalism is included into the basic structure of the Constitution and may not be abrogated even through constitutional amendment¹⁶³¹⁶⁴¹⁶⁵.

In doing this, the Court again confirmed that states are not peripheral to the Centre but equal constitutional constituents, who deserve constitutional executive and legislative room within their jurisdiction. It was a jurisprudential change that was in line with the increasing pluralism in Indian politics - the emergence of regional parties, coalitions, and the strengthening role of states in politics. The *Bommai* judgment therefore signified the breakthrough: central dominance to constitutional safeguarding of the autonomy of the state .

¹⁶³ *S.R. Bommai v. Union of India*, (1994) 3 SCC 1.

¹⁶⁴ LegiQuest. (n.d.). *S.R. Bommai v. Union of India — Federalism & Article 356*.

¹⁶⁵ ApniLaw. (2025). *Federalism and the Basic Structure — Impact of Bommai Judgement*.

Misuse of Article 356 came to an end after Bommai, post Bommai and the ruling strengthened judiciary as a guarantor of the federal balance as opposed to an instrument of centralizing consolidation .

8.1.3 The Contemporary Phase (2000s25): Mixed Signals.

The federal jurisprudence of the SC has been more and more mixed in more recent decades - at times protecting the autonomy of the states, at other times permitting the extension of the central power - which, in the modern administration, is complex and dynamic.

On the one hand, the Court has in certain circumstances supported state interests, decentralization, and cooperative federalism principles. Conversely, in national schemes, welfare, fiscal policy or more recent spheres of governmental activity (e.g. digital identity, environment, internal security), it has sometimes supported enhanced central competence or loose inter pretension towards centralised action. According to the scholars, the Court is turning to the concepts of constitutional morality, cooperative federalism, and functional necessity, which provide a loose interpretative system, which can either favour Centre or States depending on the context ¹⁶⁶.

This ambivalence has made the Court an occasion protector, occasion enabler - decisions are not

¹⁶⁶ Law Shodh Sagar Journal. (2025). Judicial Interpretation and Federal Balance: New Challenges in Resource, Environment and Governance.

necessarily made based on consistent constitutional doctrine, but on the changing political, social, and policy circumstances. The Court therefore is still uncertain in its capacity as the federal arbiter.

8.2 Money Bill Controversy, State-Rights, and Fiscal Federalism

One of the most noticeable areas of the Court as adjudicator of federal balance is demonstrated in the determination of financial legislation, state rights and institutional competency¹⁶⁷.

8.2.1 The Money Bill Question

Article 110 permits a Money Bill (that is concerned only with some finances) to be presented in the Lok Sabha and to circumvent the approval of the Rajya Sabha, which makes the states indirectly less influential in the national legislature. The fact that some of the legislation can be categorized as Money Bills has, therefore, some serious consequences on federal balance.

Of particular importance, a five judge Constitution Bench in the 2018 verdict of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ruled that its passage as a Money Bill was constitutional. Most people agreed that since the Aadhaar programme entailed spending of the Consolidated Fund as well as disbursement of subsidies,

¹⁶⁷ The Indian Express. (2018, September 27). Aadhaar Act as Money Bill: Fraud on Constitution... violates rights, says Justice Chandrachud.

it fell under the Article 110. This ruling enabled the Centre to circumvent the Rajya Sabha and avoid full bicameral examination of the law ¹⁶⁸¹⁶⁹.

But the dissent by D. Y. Chandrachud was a sharp reproach at the classification, as it was a fraud on the Constitution, and that Article 110 does not permit what Article 140 does (Aadhaar) and needs to impinge upon the constitutional system of bicameralism, and constitute an encroachment upon privacy and fundamental rights (Articles 14, 21), and a loss of constitutional identity.

Thereafter, with subsequent amendments (e.g., in the 2017 Finance Act) subsequently certified as Money Bills and appealed¹⁷⁰) this court itself, on a separate bench, held an objection to the rationale of the 2018 majority. It observed that the previous decision had not dealt with the constitutional meaning of the word only in Article 110(1), and sent the case back to a bigger bench to consider it anew ¹⁷¹¹⁷².

In this way, the Money Bill problem illustrates the strength of judicial categorization of acts to substantially

¹⁶⁸ Firstpost. (2018, September 26). SC finds Aadhaar constitutional in 4-1 ruling; dissenting judge says passing law as Money Bill akin to fraud.

¹⁶⁹ Scroll.in. (2019, November 14). Why the Supreme Court has once again opened up the ‘Money Bill’ question.

¹⁷⁰ Economic Times. (2018, September 27). Why dissenting Justice Chandrachud ruled Aadhaar wholly unconstitutional.

¹⁷¹ The Indian Express. (2019, November 14). Supreme Court has doubts over Aadhaar as Money Bill, turns to big Bench.

¹⁷² Bar & Bench. (2023). Aadhaar: The Money Bill Controversy — Constitutional Implications of Article 110 Interpretation.

shift the constitutional balance - making central control possible where the Court supports or misinterprets constitutional protection, but allowing the judiciary to have an influence and the federal government to correct in this case, where the federal government challenges the Court ruling .

8.2.2 State Right and Institutional Competency- Fiscal and Legislative Federalism

Along with Money Bill problems, the SC has been in the centre of stage in establishing limits of legislative and fiscal powers between Centre and States. The most recent example is the decision in GST Council (2022) where the Court ruled that the recommendations by the Council were not binding on the Centre or States but only persuasive. The Court emphasized that according to Article 246A, Par-parliament and state legislatures are concurrent in legislative competence in GST and binding recommendations would upset fiscal federalism ¹⁷³.

The Court noted that GST Council was not intended to be a place of hierarchical command as opposed to cooperative federal communication and that to render it binding in any way would be seen to genocide state autonomy and to weaken the constitutional structure of equal legislative authority under GST. Many scholars praised the conclusion of the Court to have revitalized

¹⁷³ Bar & Bench. (2023). Aadhaar: The Money Bill Controversy — Constitutional Implications of Article 110 Interpretation.

state fiscal rights and strengthened coordinating - instead of centrally dominated - federal fiscal structure.

Meanwhile, critics caution that even this jurisprudence might fail to deter political or institutional centralization, since the fiscal power would be retained, at least in significant amounts, by the Centre, and the real working of the Council might be open to power imbalances. The decision is, however, a significant reassertion of state power in fiscal federalism.

8.2.3 Emerging Domains: When Judicial Arbitration Moves into New Fields

The new areas of governance of the past few years have raised doubts that could not be predicted by the very people who wrote the very Constitution, such as digital identity, welfare schemes, data governance, environment, internal security, and regulatory regimes. When these domains are challenged by Centre and States, the Court is called upon to decide.

Otherwise, as there are no domain specific institutional structures (e.g. to regulate data, to regulate the environment, to share resources across states), judicial interpretation is the default mechanism. This broadens the Court in its classical role as a centre-state disputes judge to an implicit adjudicator in the new varieties of federal balance. According to academic commentary, these interventions have a tendency to produce centralising effects, in particular where such

interventions are a decision by the Court to defer to the allegations of functional necessity or national interest¹⁷⁴.

Although such a position is arguably unavoidable, it gives strong democratic and constitutional concerns: regarding institutional competence, separation of powers, legitimacy of federal norms created by courts, and the danger of excessive judicialisation of the political issue.

8.3 Judicial Restraint, Activism and Philosophical Variability

The federal dispute practice of the SC does not conform to a uniform, strict doctrine but is instead marked by swings between activist intervention and judicial restraint and is developed on the basis of the philosophy of interpretation, the make-up of the bench, the context of the constitution, and the politics.

8.3.1 Conditions for Intervention

The Court has been more than willing to interfere in situations where:

- State governments are rejected or weakened (e.g. misuse of Article 356) -as in Bommai -and so safeguarding federal autonomy.
- Basic rights overlap with key legislation or administrative intervention (e.g. in Aadhaar

¹⁷⁴ The Indian Express. (2022, May 19). SC: GST panel proposals not binding, can disrupt fiscal federalism.

controversy, data protection, data privacy, data dignity)¹⁷⁵.

- There is a dispute over legislative competence - particularly on new constitutional subjects, or where the law strives to revisit state authority in some ingenious exercise of federal competence (e.g. Money Bills, GST, national schemes).

Such cases can be judicial safeguards protecting against usurpations of constitutional boundaries on the part of either Centre or States, and the basic values (federalism, bicameralism, fundamental rights) upheld.

8.3.2 Conditions for Restraint or Deference

Conversely, the Court has displayed restraint when:

- The clauses in the Constitution are vague or can be construed in a variety of ways (e.g., a definition of what constitutes a Money Bill in Article 110). The Court can leave or refer to greater benches instead of imposing its own opinion.
- High political stakes, or where domain specific expertise/trade offs are implicated (e.g. economic policy, complex welfare schemes) imply that judicial resolution is not suitable or useful.
- Areas of institutional or policy making in which the use of the judicial fiat is not as well-suited as

¹⁷⁵ The Print. (2022, May 19). GST Council verdict explained: Why non-binding status matters for federal balance.

alternative mechanisms (legislative review, interstate negotiation, executive coordination)¹⁷⁶.

This kind of self-restraint is an expression of institutional prudence, of the necessity to observe separation of powers and the fact that a court is not always the best place to resolve every federal conflict and that a political compromise or administrative prerogative is required in some cases.

8.3.3 The philosophical and Interpretive Variability

The variability of federal jurisprudence of the Court can be regarded as perhaps the most prominent characteristic of the latter. In different periods and different benches, there have been interpretive approaches that are strict textualism, purposive, structural and pragmatic reasoning. In other cases, constitutional structure (as in *Bomma*) is stressed by the Court, sometimes it is the functional necessity or national interest (as with modern welfare or fiscal cases).

This inconsiderableness occurs because judicial mediation is contingent, rather than structural - the result frequently relies on the bench, the situation and more sweeping socio political forces. Although this is a good provision that enables the law to keep pace with the changing realities, it also breeds uncertainty, and creates

¹⁷⁶ Moneylife. (2022). SC's Judgement on GST Council: Does It Promote or Hinder Cooperative Federalism?

doubts on stability, consistency, and long term federal stability.

8.4 Conceptions of the Court: Protector, Negotiator, or Centraliser?

Since its interventions are so complex and varied, the Supreme Court (and the judiciary in general) can be said to play three (which often overlap) roles in the federal structure of India.

8.4.1 Court as Protector of Federalism

The Court has in landmark cases such as S.R. Bommai, and more recently in the GST Council judgment, upheld the autonomy of states, the constitutional protection against encroachment by the centre, and constitutional federalism and cooperative federalism. These rulings underscore the fact that the Court has the power (and does take) the role of a constitutional watchdog - guarding the rights of states, and bringing to bear a check against central power becoming unrestricted.

This safety valve is essential particularly in situations that otherwise would allow the political forces to usurp state powers (e.g., emergencies, Money Bills, simultaneous subjects) at the federal balance.

8.4.2 Court as Negotiator or Mediator in Federal Compromise

The Court often intervenes in numerous disputes, particularly in cases relating to the sharing of the

resources, fiscal policy, and welfare schemes, inter state relations, where political bargaining is ineffective and the institutional mechanisms prove to be ineffective. Through interpretation of the provisions in the Constitution, power demarcation and provision of fair instructions, the Court has promoted compromise, collaboration and coordination of governance between the Centre and the states.

The judiciary, in this capacity, augments political bargaining and institutional collaboration, that provides a neutral constitutional place to balance the competing interests and maintain a federal integrity.

8.4.3 Court as an Instrument of Centralisation

However, the critics claim that the Court occasionally, whether deliberately or not, turns out to be a centralising tool. In a way that justifies broad interpretations of core competence, reaffirms general spending or regulatory authority of the Centre (e.g. by classification of Money Bills, national schemes, laws of digital governance), or does not enforce high standards of central restraint, it effectively permits central consolidation. The verdict in the Aadhaar case by its majority is commonly referred to as a representative of such centralising tendencies.

In addition to that, the judiciary can blur the distinction between union and state power by defaulting to constitutional flexibility in the name of functional necessity or national interest, undermining the structural

assurance of state autonomy and putting the Centre in a de facto primacy in most areas.

8.5 Critical Reflection and Conclusion

The essay draws a critical conclusion by reconciling its findings with the theoretical significance of the questionnaire as a tool of critical analysis and reflection, particularly in terms of its reliability.

The changing status of the Supreme Court as a consultant on federal balance brings out the best and the worst side of the constitutional federalism of India.

On the one hand, judicial mediation has been at critical points, a fortress-line against arbitrary centralism: Bommai has recovered the dignity and independence of the states, GST Council judgment has confirmed the autonomy of the federal fiscal agencies, and more general jurisprudence has defended some areas of federal autonomy. The Court thus becomes keeper and mediator - providing states with recourse to the Constitution in times of political or institutional failure.

Conversely, the modern trend of accommodative jurisprudence, malleable interpretative principles (such as cooperative federalism, functional necessity, constitutional morality), and dependence on broad central competence, in particular in more recent areas, has made federalism vulnerable to central consolidation.

The active philosophy of the Court and its dependence on the context makes judicial mediation contingent and unpredictable; this combined with the strong central

government and political dominance may slowly shift the balance to a centralised union in practice despite the constitutional text being federal.

Therefore, the Court is at a dead end: it is a safeguarder, administrator, and possible facilitator of centralisation all in one. The constitutional issue facing the federal future of India is not only legal - to clarify judicial doctrine or to seek to understand ambiguities in the constitution - but institutional and political: will there be real cooperative federalism between Centre and States, will there be respect of constitutional limits, will there be development of formal mechanisms (inter state councils, independent regulatory institutions, strong state capacities) that will ease excessive dependence on the Court? In the absence of such political and institutional dedication, judicial mediation, in itself, might not be able to protect the ethos of federal pluralism.

8.6 Restrictions of Judicial Federalism and the Institutional Alternatives.

Although the Supreme Court has been noted to become a focal point of mediating centre-state relations in India, over-reliance on judicial mediation reveals tremendous structural and democratic constraints. Judicial federalism, in itself, is reactive, not proactive, episodic, not continuous and is legalistic and not deliberative. Though courts may be able to draw constitutional lines and declare unlawful infringements invalid, they are institutionally not suited to the day-to-day negotiation, coordination, and compromise of a complex federal polity. The increased reliance of the judiciary to

adjudicate federal controversies thus brings up significant issues on institutional capacity, democratic legitimacy and federal stability in the long term.

Another major constraint of judicial mediation is its orientation to a case. Judges only mediate when cases are formally brought to court, which is mostly by the time the political discussion has gone wrong. When a case is brought to the court, the stances are usually rigged, confidence between the governmental bodies is broken, and the political expenses have already been incurred. Even constitutionally valid judicial rulings can lead to resolve of the legal issues without touching upon the political, administrative, or fiscal complaints that created the conflict. Consequently, judicial decisions have the potential to provide a short-term resolution, and leave underlying structural conflicts unresolved.

The second weakness has to do with the dichotomous nature of judicial outcomes. The federal conflicts were usually the conflict of competing yet legitimate interests the national coordination and regional autonomy, efficiency and diversity, uniform rights and cultural specificity. Courts themselves are forced to make a decision based on the validity or invalidity, competence or lack of it. Such binary reasoning cannot readily accept negotiated compromise or graduated solutions. Political and intergovernmental forums, in contrast, permit gradual changes, conditional covenants and contextualized arrangements which are more appropriate in addressing federal diversity.

The other concern with judicial federalism is the democratic accountability. The judges are not directly elected and directly responsible to the voters. By taking a broader role in influencing fiscal policies, welfare structures, or regulation regimes, courts are bound to affect policy decisions of the populace that affect distribution. Though judicial independence becomes the major requirement of constitutional government, the growing judicialisation of federal politics undermines the democratic participation and political accountability as the choices of critical decisions are left out of the representative institutions.

The other issue is the inconsistency of judicial interpretation. As we have seen in the previous chapter, the federal jurisprudence of Supreme Court has oscillated over time and bench responding to interpretive philosophies, political circumstance and institutional make up. Theories like cooperative federalism, constitutional morality, and functional necessity do not have specific doctrinal components and can be used to support centralisation and decentralisation. This interpretative flexibility though adaptive, brings uncertainty to the states and casts doubt on predictability in federal relations. A clear sense of what is meant by authority and autonomy are elements of stable federal systems that may not be offered by ad hoc judicial balancing.

The increasing role of the judiciary in new areas of governance, like in digital identity, data governance, environmental regulation and internal security, further exacerbates these issues. These are technically elaborate,

fast developing, and highly policy trade-off areas. The judicial deference to the executive assertions of national interest, or even some functional necessity, in those arenas, unintentionally sanctions central overreach. Simultaneously, proactive judicial action threatens to exceed the institutional competence. This predicament highlights the constitutional inappropriateness of the courts as the main administrators of the modern federal control.

With these constraints in place, institutional alternatives are clearly required. Excessive use of judicial arbitration can be lowered by strengthening political and intergovernmental mechanisms. The bodies like the Inter-State Council, Zonal Councils, and sector based councils should be re-energised as a real negotiation type rather than a figurative consultative body. These institutions can be turned into the effective platforms of cooperative federal decision-making through regular meetings, open agendas and binding follow-up mechanisms.

It also needs recalibration of fiscal institutions. Although the Finance Commission is very important in the distribution of revenues, the current fiscal coordination requires constant communication, not just during periods of recommendations. There is a need to build stronger platforms of state inclusion in fiscal policy formulation to include grievances to deter conventional constitutional conflicts. On the same note, regulatory areas, in this case, environment, data, infrastructure, demand multi-level institutions that involve the representation of the state, thereby minimizing the court involvement.

Lastly, there is political culture which is decisive. The maintenance of cooperative federalism can only be provided by constitutional text or judicial doctrine; it requires restraint to each other and observance of institutional limits and good faith negotiation. In those instances where the Centre continues to focus executive efficiency, rather than consultation, and those instances where the states that revert to litigation instead of dialogue, judicialisation is unavoidable. To turn the tide over this trend, there is a need to re-engage the federal principles as a collective political virtue and not a legal battlefield.

In this regard the judiciary must act as a constitutional backstop instead of a normal mediator. It cannot replace sound political federalism, although it is absolutely indispensable in cases of constitutional crisis or direct violation. It is important to understand the boundaries to judicial federalism, therefore, to maintain the powers of the courts and the relevance of the federal democracy in India.

8.7 Federal Dispute Reimaginings outside the judiciary.

The increasing centralization of the judiciary in the process of brokering centre-state relations has brought to light yet again both the strengths as well as the structural weaknesses of the federal architecture in India. As much as the courts have been critical in ensuring constitutional boundaries are maintained, there is an indication of a bigger institutional vacuum with the growing number of courts that are participating in regular federal disputes.

This leads to the main question, how can the federal conflicts be resolved in a way that will reduce the excessive reliance on the judicial intervention and at the same time maintain the constitutional balance and the democratic legitimacy? It is thus critical to the healthy future of Indian federalism to rethink federal dispute resolution outside the judicial system.

The fundamental weakness of the existing system is that it does not contain powerful political and administrative institutions, which are specifically devoted to the federal negotiation. The federal dispute resolution mechanisms are also not well coordinated and fully exploited unlike in some of the mature federations where the intergovernmental councils are permanent negotiating arenas. The constitutionally or statutorily projected forums of dialogue in institutions like the Inter-State Council or Zonal Councils have remained, however, mainly consultative, episodic and politically peripheral. They have not been effective addressing controversial federal matters before they move to constitutional litigation due to their inadequate regular interaction, executive authority, and formal follow-up.

The implications of this institutional vulnerability are high. Where there is no plausible political platform, states have more and more resorted to the courts as the last resort in settling a dispute based on legislative viability, financial structures, administrative jurisdiction, and new areas of governance. This has politicised the federal politics as the courts are turned into arenas of political contestation that leaves the judges in a challenging role of adjudicating issues that are as much

political and economic as it is constitutional. Judicial review may give us clarity of the law, but it may not replace the compromising approach of negotiation, particularly in such a polity characterized by such a high level of regional diversity, and asymmetrical abilities.

The fiscal federalism itself is one such area of argument that the alternative dispute-resolution mechanisms have a particularly strong case to make. Distributive and political conflicts revolving around revenue sharing, compensation, centrally sponsored schemes, and receiving conditional transfers are inherently distributive and political. The judicial interventions in such affairs are either too much deference to the executive decision-making or encroachment on policy-making. Solidifying fiscal dialogue forums, including regularised and open discussions in the GST Council and supplementary state-based fiscal forums, can assist in changing conflict into coordination. Notably, these institutions should be run on the concept of equality and not superiority to ensure that all parties involved are trusting.

The area of governance that has arisen also makes the judiciary more difficult. These include problems of digital identity systems, data governance, environmental regulation, and national security, a rapid rate of technological change, a high level of technical complexity, and long-term policy trade-offs. There is no institutional ability on the part of courts to keep policing in these areas through constant monitoring and reviewing of policies. Judicial reasoning based on abstract concepts like national interest or functional necessity may have the unwanted effect of entrenching

the central domination at the expense of state interests. A more viable option is to have independent regulatory bodies that are federally representative because of the presence of continuous negotiation, expert consensus based decision-making, and mutual responsibility.

The other critical dimension is the federalist political culture. Institutions are not the only requirements of dispute resolution but norms of mutual respect and restraint are necessary as well. Centralisation is seen by states as a forceful process when the Centre often occurs on consultation, or uses executive tools to increase its powers. On the other hand, when states prematurely use litigation they reduce political means of compromise. To reconsider federal dispute resolution, then, one needs to change the political incentives, i.e. to replace confrontation with cooperation, and legal escalation with negotiation.

Cases of federal experiences can be fruitful. To deal with the conflict, federations like Canada, Germany and Australia have extensive executive federalism; regular meetings between the federal and provincial governments, industry councils and intergovernmental agreements. In such systems, courts are constitutional referees of last resort as opposed to usual mediators. Although the institutional settings may vary, the very principle is applicable: lasting federal equilibrium is maintained by constant political discourse, as opposed to random judicial redress.

Expressing executive federalism in the Indian context does not mean that we should undermine the judicial

review. Instead, it is the matter of putting the judiciary back into the proper constitutive position- that of pure guardianship against obvious theft, and not in place of political bargaining. That demands not only re-establishing of intergovernmental institutions, the increase in the role of state in the process of national policymaking, but also the establishment of sector-based federal forums that can effectively handle the disputes in advance. Further mistrust can be reduced by transparent procedures, data systems, and clear rules of engagement, which will avoid the hardening of conflicts to constitutional crises.

Finally, the issue of the constitutional maturity of reimagining federal dispute resolution outside of the judiciary is the question. A federation where courts handle day to day political differences, because of its overuse, will overstretch the judicial system and undermine the institutions of democracy. In comparison, a system with robust political discourse and judicial supervision is in a better position to handle diversity, complexity, and change. In the case of India, the empowerment of non-judicial channels of federal bargaining is not only an administrative reform but a democratic priority that should be undertaken to ensure that the principle of federalism of cooperation and pluralism is upheld.

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