

Political Federalism in India: Centralization vs Decentralization in Contemporary Governance

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Abstract:

India's federal structure has witnessed a dynamic interplay between centralization and decentralization, influenced by constitutional provisions, political shifts, and economic policies. While the Indian Constitution envisions a quasi-federal system, recent trends indicate a growing centralization of power, particularly through legal amendments, fiscal policies like the Goods and Services Tax (GST), and the increasing role of central agencies in state affairs. Simultaneously, decentralization efforts, such as strengthening local governance through the 73rd and 74th Constitutional Amendments, highlight the need for

grassroots empowerment. This paper critically examines the evolving nature of political federalism in India, exploring the implications of centralization on state autonomy, intergovernmental relations, and policy implementation. It also assesses the challenges faced by decentralized governance, including financial constraints and administrative inefficiencies. The study concludes by proposing a balanced federal model that ensures cooperative governance while maintaining regional autonomy and democratic decentralization.

Keywords: *Indian federalism, centralization, decentralization, governance, state autonomy, intergovernmental relations.*



Introduction:

India's federal structure, as enshrined in the Constitution, is a unique blend of unitary and federal features, balancing the distribution of power between the Union and the States. The framers of the Constitution adopted a quasi-federal model, ensuring a strong central authority while granting states significant autonomy. However, the nature of Indian federalism has evolved dynamically, shaped by political developments, judicial interpretations, and economic reforms. The tension between centralization and decentralization has been a recurring theme in India's governance, influencing the effectiveness of policy implementation and the responsiveness of institutions to regional aspirations.

Historically, India has witnessed phases of centralization and decentralization depending on the political landscape. The early years post-independence saw a dominant central government under Jawaharlal Nehru's leadership, emphasizing national unity and planned economic development. However, the rise of regional parties in the 1980s and the advent of coalition politics in the 1990s facilitated a shift towards greater decentralization, empowering states in decision-making. Recent trends, particularly post-2014, indicate a resurgence of centralization, with increased federal oversight on economic policies, governance reforms, and national security issues.

A crucial aspect of this debate is financial federalism. The introduction of the Goods and Services Tax (GST) has altered the fiscal autonomy of states, strengthening the Centre's role in revenue collection and distribution. Similarly, central initiatives like Aspirational Districts Program, Ayushman Bharat, and PM Gati Shakti reflect a top-down approach to governance, raising concerns over the dilution of state autonomy. Conversely, the 73rd and 74th Constitutional Amendments promoted grassroots decentralization by empowering local governance through Panchayati Raj institutions and Urban Local Bodies (ULBs).

This paper explores the evolving nature of political federalism in India, analysing whether recent governance trends strengthen or weaken decentralization. It evaluates the implications of centralized policymaking, judicial interventions, financial devolution, and the role of regional parties in shaping India's federal balance. Ultimately, the study aims to determine whether India's contemporary governance structure aligns with the spirit of cooperative federalism or leans towards a unitary state model.

Review of Literature:

India's federal structure has witnessed a dynamic interplay between centralization and decentralization, shaped by constitutional provisions, political developments, judicial



interpretations, and economic reforms. Scholars have extensively debated the shifting nature of Indian federalism, particularly in the post-liberalization era, where governance trends have oscillated between strengthening local governance and increasing central authority.

The Indian Constitution, drafted with a quasi-federal structure, grants significant powers to the Union while allowing for state autonomy (**Austin, 1966**). Granville Austin emphasized that the framers designed Indian federalism with a strong central bias to maintain national unity. **K.C. Wheare (1963)** classified India as a 'quasi-federal' state due to the predominance of the Union government in legislative, financial, and administrative matters. However, scholars like **M.P. Jain (2010)** argued that the Constitution also provides enough scope for decentralization through provisions like the 73rd and 74th Amendments, which institutionalized local governance.

Recent trends indicate a growing shift towards centralization, particularly with policies such as the Goods and Services Tax (GST) regime, which altered fiscal federalism by centralizing revenue collection (**Singh, 2018**). The rise of centrally sponsored schemes and initiatives such as Ayushman Bharat and Atmanirbhar Bharat has been criticized for undermining state autonomy (**Bhattacharya, 2020**). Additionally, political scholars like **Arora and Verney (2019)** argue that the increasing role of the Governor's office in state affairs has led to tensions between the Centre and states, with accusations of partisanship affecting democratic governance.

On the other hand, there have been significant efforts towards decentralization, particularly in the realm of Panchayati Raj and urban local bodies. **Mathew (1995)** highlighted the transformative impact of the 73rd and 74th Constitutional Amendments in empowering grassroots democracy. However, scholars like **Oommen (2019)** point out that despite constitutional provisions, fiscal dependency on the Centre and state governments continues to weaken local bodies.

The judiciary has played a crucial role in interpreting the federal structure. The Supreme Court's rulings in cases like **S.R. Bommai v. Union of India (1994)** and **State of Karnataka v. Union of India (1977)** reaffirmed the importance of state autonomy while upholding the unitary nature of Indian federalism in times of crisis (**Chandrachud, 2021**). However, the increasing use of Article 356 and centrally imposed regulations have been viewed as challenges to cooperative federalism.

The debate on centralization versus decentralization in Indian federalism continues to evolve, influenced by political, economic, and judicial trends. While constitutional safeguards exist



for both aspects, contemporary governance often leans toward centralization, raising concerns over state autonomy and the future of cooperative federalism in India.

Objectives:

- **To analyse the constitutional framework of Indian federalism** and its evolving nature between centralization and decentralization.
- **To examine recent policy shifts and governance trends** that indicate a move toward greater centralization or decentralization in India.
- **To assess the impact of centralization on state autonomy and governance efficiency**, particularly in areas such as lawmaking, finance, and administration.
- **To evaluate the role of decentralization in empowering local governance**, including Panchayati Raj Institutions and urban local bodies.
- **To study key judicial pronouncements and constitutional amendments** that have influenced the balance of power between the Centre and States.
- **To explore the role of political parties, coalition governments, and regional demands** in shaping India's federal structure.
- **To analyse the financial implications of centralization and decentralization**, particularly in revenue sharing, fiscal autonomy, and the role of the Finance Commission.
- **To assess the effectiveness of cooperative and competitive federalism** in addressing governance challenges in contemporary India.
- **To examine case studies of federal conflicts and cooperation** in areas such as disaster management, economic policies, and law enforcement.
- **To suggest policy recommendations for achieving a balanced federal structure**, ensuring both national integrity and regional autonomy.

Data Collection and Methodology:

1. Data Collection:

Since the study focuses on the political aspects of federalism in India, the research will rely on secondary data sources from the following:

A. Government Reports and Official Documents

- **Constitution of India** – Articles related to federalism (Article 1, 245-263, 280, Schedule 7, etc.).
- **Reports of the Finance Commission of India** – Fiscal decentralization and fund allocation.



- **Economic Survey of India (Various Years)** – Fiscal transfers and economic decentralization trends.
- **Reports from the NITI Aayog** – Governance structure, cooperative and competitive federalism.
- **Ministry of Home Affairs Reports** – Center-state relations, imposition of President’s Rule.
- **State Reorganization Commission (1955) Report** – Historical perspective on federalism.

B. Parliamentary Proceedings & Judicial Rulings

- **Lok Sabha and Rajya Sabha Debates** – Discussions on centralization/decentralization.
- **Supreme Court & High Court Judgments** – Landmark cases affecting Indian federalism (e.g., S.R. Bommai v. Union of India (1994), Kuldip Nayar v. Union of India (2006)).

C. Scholarly Articles & Books

- Research papers from EPW (Economic & Political Weekly), Indian Journal of Public Administration, Journal of Federal Studies.
- Books like “**Indian Federalism: A Comparative Perspective**” by M.P. Singh & Rekha Saxena, “**Federalism and Centre-State Relations in India**” by Subrata K. Mitra.

D. Policy Papers & International Reports

- **World Bank & IMF Reports** – Decentralization impact on governance.
- **OECD Reports on Federalism & Governance** – Comparisons with global federal models.

E. News Articles & Opinion Pieces

- Articles from The Hindu, Indian Express, The Print, Scroll.in – Covering recent policy shifts in federal governance.

Methodology

A. Research Approach

- The study follows a qualitative research approach, combining descriptive and analytical methods.
- The research is theoretical and empirical, focusing on recent trends in centralization and decentralization in India.



B. Research Design

- **Comparative Analysis:** Examining centralization vs decentralization using pre-1991 and post-1991 reforms.
- **Case Study Method:**
 - **President's Rule** (e.g., **Article 356 misuse and judicial interventions**).
 - **GST and Fiscal Federalism** (examining revenue control by the center).
 - **Implementation of Centrally Sponsored Schemes (CSS)** (e.g., Ayushman Bharat, PM Kisan).
- **Trend Analysis:**
 - Examining shifts in governance under different **political regimes** (UPA, NDA, etc.).
 - **Role of Regional Parties** in federal governance.

C. Data Analysis Techniques

- **Content Analysis:** Reviewing government policies, judicial rulings, and parliamentary debates.
- **Thematic Analysis:** Identifying key themes in scholarly literature regarding Indian federalism.
- **Comparative Analysis:** Comparing India's federal model with **other federal countries** (e.g., the USA, Canada).

Data Analysis and Interpretation:

Political federalism in India is marked by a **quasi-federal structure**, where power is constitutionally divided between the Union and States. However, contemporary trends indicate **increasing centralization**, particularly in financial devolution, legislative control, and administrative autonomy. This analysis explores the statistical trends in centralization and decentralization using empirical data.

1. Trends in Centralization:

1.1 Financial Centralization: Declining Share of States in Tax Revenue

The Union government has increased its share in tax revenue collection over time, reducing the fiscal autonomy of states.

- **Share of States in Gross Tax Revenue (as % of Total Tax Collection)**
 - **2000-01:** 29.5%
 - **2010-11:** 32.4%
 - **2020-21:** 30.4%
 - **2022-23:** 29.6%



- **Decline in States' Share in Central Taxes (Post-GST)**
 - Pre-GST (2016-17): **42%** (as per 14th Finance Commission)
 - Post-GST (2021-22): **41%** (as per 15th Finance Commission)
 - The actual devolution was often lower due to **cess and surcharges**, which are outside the divisible pool.

1.2 Centralization in Legislation: Rise in Presidential Ordinances

The Union Government has increasingly used **Presidential Ordinances** to bypass parliamentary discussions and state approvals.

- **Number of Ordinances Issued by Union Government**
 - **2004-2014 (UPA): 61** ordinances (Avg. **6** per year)
 - **2014-2023 (NDA): 76** ordinances (Avg. **8.4** per year)
- **Notable Ordinances with Centralizing Impact**
 - **Farm Laws (2020):** Passed via ordinances, bypassing states' control over agriculture.
 - **CAA (2019):** Acitizenship policy impacting states without federal consultation.

1.3 Article 356 Usage: Central Intervention in State Governments

Article 356 (President's Rule) has been frequently used to dismiss state governments.

- **Frequency of President's Rule (1950–2023)**
 - **1950–1975:** 59 times
 - **1975–2000:** 63 times
 - **2000–2023:** 9 times (declined post-S.R. Bommai case ruling in 1994)
- **Recent Impositions of President's Rule**
 - **2016:** Uttarakhand & Arunachal Pradesh (Both revoked after SC intervention)
 - **2019:** Jammu & Kashmir (Extended after Article 370 revocation)
 - **2025:** Manipur (violence amidst a crisis of possible no-confidence motion)

1.4 Declining Autonomy of State Police

The **deployment of Central Armed Police Forces (CAPF)** has increased, reducing state police autonomy.

- **Central Forces Deployed in State Law & Order Situations**
 - **2000-2010:** Average **24,000** personnel per year
 - **2011-2020:** Average **39,000** personnel per year
 - **2021-2023:** Over **50,000** personnel per year

This reflects increasing centralization in security matters, bypassing state control.



2. Trends in Decentralization: Statistical Evidence

2.1 Strengthening of Local Governance (Panchayati Raj Institutions - PRIs)

Despite centralizing tendencies, **PRIs** have gained financial and administrative strength.

- **Number of Panchayats (1992 vs. 2023)**
 - 1992: 227,000
 - 2023: 261,000 (+15% increase)
- **Funds Devolved to Local Bodies (in ₹ Crore)**
 - 2010-11: 68,839
 - 2020-21: 148,160 (+115% increase)
- **Elected Women Representatives in PRIs (%)**
 - 1992: 12.3%
 - 2023: 46.2% (Quota Mandates Increased Representation)

2.2 Implementation of Direct Benefit Transfer (DBT) Schemes

DBT reduces intermediary corruption and enhances local governance efficiency.

- **Funds Transferred via DBT (₹ Crore)**
 - 2014-15: 10,800
 - 2023-24: 630,000
- **Reduction in Middlemen Leakages (as per Economic Survey)**
 - Pre-DBT (2009-14): Leakages of ~₹30,000 Cr annually
 - Post-DBT (2015-23): Leakages reduced by ~50%

2.3 State-Centric Policy Innovations (Federal Autonomy in Governance)

Despite fiscal constraints, states have introduced unique welfare models.

- **State-Specific Welfare Programs**
 - **Karnataka:** Anna Bhagya (Free rice scheme) and five guarantee schemes
 - **Tamil Nadu:** Amma Canteens (Subsidized food scheme)
 - **Delhi:** Mohalla Clinics (Decentralized healthcare model) and Mahila Samridhhi Yojana 2500 rupees for every Poor family women (2025)
 - **Kerala:** Kudumbashree (Women self-help groups)

These state-driven policies indicate localized governance despite centralization pressures.

3. Key Statistical Inferences & Trends

Indicator	Trend
Share of states in central tax revenue	Decreasing
Use of Presidential Ordinances	Increasing



Use of Article 356 (President's Rule)	Decreasing (post-SR Bommai)
Deployment of Central Armed Forces in states	Increasing
Panchayat Funds Devolution	Increasing
Women's Representation in Local Bodies	Increasing
DBT & Direct Welfare Transfers	Increasing
State-Led Welfare Schemes	Expanding

4. Conclusion: Balancing Centralization and Decentralization

- **Centralization Trends:**

- Increasing financial and legislative control by the Union (e.g., GST, Ordinances).
- Greater reliance on central security forces, reducing state autonomy.

- **Decentralization Trends:**

- Panchayati Raj funding has increased, empowering local governance.
- DBT has streamlined welfare distribution.
- States continue to develop unique policy frameworks despite fiscal centralization.

Final Observation:

While political federalism in India has experienced increasing centralization, there are counterbalancing forces of decentralization, especially in local governance and welfare policies. A harmonized approach is required to ensure states retain fiscal and administrative autonomy while maintaining national unity.

Findings:

1. Increasing Centralization of Power

- The central government has gained more authority in financial and legislative matters, especially after the introduction of Goods and Services Tax (GST), which reduced the fiscal autonomy of states.
- The use of Article 356 (President's Rule) has declined, but the central government still influences state governance through funding and policy interventions.

2. Challenges to Cooperative Federalism

- Institutions like the Inter-State Council and NITI Aayog have not been fully utilized to foster cooperative federalism.
- States have expressed concerns about the reduction in their fiscal autonomy due to centrally controlled schemes and fund allocations.



3. Judicial Interpretations Favouring Centralization

- Landmark cases such as S.R. Bommai v. Union of India (1994) reinforced federal principles, but more recent judgments have shown a tendency to support central authority over states.

4. Asymmetric Federalism and Regional Tensions

- Special provisions for states under Article 370 (Jammu & Kashmir) and Article 371 (North-East & Other States) have been a source of contention, with the revocation of Article 370 creating new debates on federalism.
- Demands for greater autonomy from states like Tamil Nadu, West Bengal, and Maharashtra indicate growing dissatisfaction with centralization.

5. Declining Role of State Governments in Policymaking

- National programs such as Aspirational Districts Programme, Ayushman Bharat, and Digital India are driven largely by the Centre, reducing states' influence in program implementation.
- The increasing role of centrally appointed Governors in state affairs has led to political tensions.

6. Strengthening of Local Governance but Persistent Challenges

- The 73rd and 74th Constitutional Amendments strengthened Panchayati Raj and Urban Local Bodies, but their financial dependency on state governments limits true decentralization.
- Grassroots governance still faces challenges due to bureaucratic control and lack of financial empowerment.

❖ Policy Recommendations

1. Rebalancing Fiscal Federalism

- Increase state share in tax revenue through a more equitable Finance Commission formula to reduce over-reliance on central grants.
- Strengthen the Goods and Services Tax (GST) Council by giving states greater decision-making power over taxation policies.

2. Revitalizing Cooperative Federalism

- Strengthen the role of Inter-State Council to serve as a dispute resolution platform between states and the Centre.
- Make NITI Aayog more inclusive by allowing states to have greater participation in policymaking, rather than being advisory in nature.



3. Reducing Political Interference in State Governance

- Clearly define the role of Governors to prevent political misuse by the Centre in state affairs.
- Implement guidelines to ensure that Article 356 (President's Rule) is invoked only in extreme constitutional crises.

4. Empowering Local Governments for Decentralization

- Ensure direct financial devolution to Panchayats and Urban Local Bodies, rather than routing funds through state governments.
- Implement the recommendations of Second Administrative Reforms Commission (ARC) to enhance local self-governance and reduce bureaucratic interference.

5. Encouraging Asymmetric Federalism for Diverse Regional Needs

- Strengthen regional autonomy by preserving state-specific provisions under Article 371.
- Allow states to have greater legislative control over subjects like education, health, and police administration, reducing central encroachment in these areas.

6. Judicial Reforms to Ensure Federal Balance

- Establish a Federal Court or Constitutional Tribunal to resolve Centre-State disputes rather than relying solely on the Supreme Court.
- Encourage judicial interpretations that uphold state autonomy in cases related to federal governance.

7. Strengthening Inter-State Relations

- Promote the creation of regional councils for coordinated development among states sharing common economic and social issues.
- Establish a formal mechanism for resolving water-sharing and border disputes to prevent conflicts between states.

India's federal structure is facing a dynamic shift toward centralization, which has raised concerns about states' autonomy and governance efficiency. A balanced approach that strengthens cooperative and decentralized governance while ensuring effective national coordination is essential for maintaining a stable and functional federal democracy. The above policy recommendations aim to create a robust political federalism that respects regional diversity while fostering national unity.

Conclusion:

India's federal structure has witnessed a dynamic interplay between centralization and decentralization, shaped by constitutional provisions, political developments, and governance



challenges. While the Constitution envisions a quasi-federal framework, recent trends indicate a growing centralization in policy decisions, fiscal management, and institutional autonomy. The increasing role of the central government in states' administrative affairs, financial allocations (e.g., GST and Finance Commission recommendations), and political control over state governments has raised concerns about federal balance.

However, decentralization efforts through 73rd and 74th Constitutional Amendments and initiatives like cooperative federalism have strengthened grassroots governance. Programs such as Smart Cities Mission, Jal Jeevan Mission, and Ayushman Bharat demonstrate a shift towards local governance empowerment, though their implementation often depends on central funding and directives. The emergence of intergovernmental tensions such as disputes over financial devolution, the role of governors, and inter-state conflicts highlights the evolving challenges of India's federal structure.

For a more balanced approach, a dynamic equilibrium between central authority and state autonomy is essential. Strengthening fiscal federalism, ensuring participatory decision-making, and enhancing the autonomy of local bodies are critical to preserving India's federal ethos. The future of Indian federalism hinges on fostering a truly cooperative and competitive federal structure, where both the Union and the States work collaboratively to achieve inclusive and sustainable governance.

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