UNION–STATE RELATIONS IN INDIA WITH REFERENCE TO HISTORICAL EVOLUTION, INSTITUTIONAL FRAMEWORKS, AND FUTURE CHALLENGES - A COMPREHENSIVE ANALYSIS

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Abstract

This comprehensive study examines the relationship between the Union and States in India, focusing on its historical development, constitutional basis, institutional mechanisms, and future challenges. Since independence, India has balanced unity with its diverse regions through a federal system that has evolved over time. Initially, the central government held strong control, but reforms like state reorganization based on language and judicial decisions have increased state autonomy. The study also discusses key challenges such as misuse of central powers during emergencies, the rise of regional parties, economic reforms, and globalization's impact on federal relations. Institutions like the Finance Commission, Inter-State Council, and courts have played vital roles in promoting cooperation and resolving disputes.

Recent reforms like the GST and NITI Aayog aim to strengthen federalism through shared decision-making and fiscal fairness. However, tensions remain over resource sharing, political disputes, and security issues. The future of Indian federalism depends on balancing central authority with state autonomy, ensuring cooperation, transparency, and trust among all levels of government. This analysis uses historical data, legal cases, and institutional reviews to provide clear insights into India's federal journey and suggest pathways for sustainable and harmonious relations in the future. The study explores pressing and fast-changing challenges that hold growing importance in today's interconnected world.

Keywords: Fiscal Federalism, Union–State Relations, Economic Reforms, Institutional Mechanisms, Finance Commission, Political Disputes and Globalization.

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The theme of the article

The Union–State relationship in India has been one of the most dynamic and evolving aspects of its democratic and federal system. Since independence in 1947, India has grappled with the challenge of balancing national unity with the diversity of its states. Unlike classical federations such as the United States, India adopted a quasi-federal structure with a strong unitary bias, shaped by colonial legacies, the integration of princely states, and the immediate need for political stability. The Constituent Assembly debates reflected these concerns, ultimately vesting residuary powers in the Union, empowering Parliament during emergencies, and creating Union, State, and Concurrent Lists to define the division of powers. The early years of independence were dominated by the Congress Party, allowing the Centre to exert strong control over the states. The Nehruvian era emphasized centralized planning through the Planning Commission and a top-down approach to development. However, federal tensions emerged as linguistic and cultural identities led to the States Reorganisation Act of 1956, which redrew India's political map along linguistic lines and gave states a stronger sense of identity within the Union.

The Emergency of 1975–77 marked one of the most controversial phases of Union–State relations. The misuse of Article 356, which allows the dismissal of state governments, exposed the vulnerability of Indian federalism to central overreach. This period prompted demands for safeguards against authoritarianism and stronger mechanisms for cooperative federalism. The Sarkaria Commission (1983) became a landmark effort to address these concerns, recommending greater consultation between the Union and states, particularly in areas like legislation, planning, and finance. The decline of single-party dominance in the late 1980s and the rise of coalition politics fundamentally altered Centre–State dynamics. Regional parties became decisive actors at the national level, ushering in an era of bargaining federalism where states had a greater say in shaping central policies. Simultaneously, the economic liberalization of 1991 redefined fiscal federalism. While globalization opened new avenues for state-level development, it also created tensions over resource distribution, central transfers, and states' financial autonomy. Institutional mechanisms have played an important role in mediating these tensions. Finance Commissions periodically recommended financial transfers, while the Inter-State Council and Zonal Councils attempted to foster coordination. The judiciary, too, emerged as a guardian of federalism by limiting arbitrary use of Article 356 and upholding state autonomy in several landmark judgments.

The 21st century witnessed new reforms that reshaped Union–State relations. The replacement of the Planning Commission with NITI Aayog in 2015 sought to promote cooperative federalism, while the introduction of the Goods and Services Tax (GST) in 2017 created a shared fiscal space through the GST Council. Yet, challenges persist, with states often voicing concerns over revenue shortfalls, delayed compensation, and unequal bargaining power. Contemporary developments further complicate the Union–State relationship. Internal security threats, insurgencies, and communal disturbances have seen the Centre assert its role under constitutional provisions. At the same time, digital governance initiatives such as Aadhaar, UPI, and centrally sponsored schemes have expanded central influence into traditionally state-dominated domains. Globalization has also encouraged states to engage directly in international trade, investments, and climate negotiations, thereby redefining their role in India's external affairs.

Recent years (2020–2025) highlight the continued contestation of federalism. The management of the COVID-19 pandemic exposed tensions over health, resource allocation, and central directives. Similarly, the debate around farm laws, the pushback from states, and disputes over fiscal transfers underline the fragility of cooperative mechanisms. The growing assertiveness of states, particularly those governed by regional parties, signals that Indian federalism remains contested, negotiated, and adaptive. Thus, the Union–State relationship in India cannot be seen as static; it has constantly evolved in response to political, economic, and social pressures. From strong centralization to coalition-led bargaining, from fiscal reforms to global engagement, Indian federalism has adapted to changing realities. The period from 1947 to 2025 reflects both the resilience and challenges of this unique federal experiment. Looking ahead, the future of Union–State relations lies in striking a balance between central authority and state autonomy, ensuring that cooperative federalism does not give way to confrontation, but instead strengthens India's unity in diversity.

Statement of the problem

India is a large and diverse country with many different states and cultures. Since independence in 1947, the relationship between the central government (Union) and the individual states has been changing. At first, the central government held most of the power, which limited the independence of the states. Over time, many reforms and new laws were introduced to give states more control over their own affairs, such as the reorganization of states based on language and the sharing of financial resources. However, challenges still remain. Sometimes, the central government uses its powers in ways that weaken state authority, such as dismissing state governments or ignoring their needs. The misuse of constitutional provisions like Article 356 during emergencies has caused disagreements and reduced trust between the Union and the states. Political parties and regional movements also influence these relationships, making cooperation difficult at times.

In recent years, new issues have emerged, such as disputes over resource sharing, economic development, and managing crises like the COVID-19 pandemic and climate change. There are also disagreements over how much money the central government should transfer to states and how much control states should have over local policies. This problem is important because a healthy federal relationship helps ensure that all regions develop fairly and that the country remains united despite its diversity. If the central and state governments do not work together well, it can lead to conflicts, delays in development, and inequality. Therefore, understanding these challenges and finding ways to improve cooperation is essential for India’s future stability, growth, and democracy. This research examines critical and swiftly emerging issues that are becoming more relevant in the modern global context.

Objective of the article

The overall objective of the article is to analyze the evolving nature of Union–State relations in India from independence to 2025, examining constitutional foundations, political dynamics, federal mechanisms, and contemporary challenges. It aims to understand how India's federalism has adapted to political, economic, and social changes through historical insights, institutional reforms, and judicial interpretations. The article seeks to highlight the importance of cooperation, balance, and reforms in strengthening India’s federal structure. Ultimately, it provides evidence-based insights to inform future policy directions for sustainable and harmonious federalism in India with the help of secondary sources of information and statistical data pertaining to the theme of the article.

Research Methodology of the article

The article adopts a qualitative research approach using secondary sources to analyze the evolution of Union–State relations in India from independence to 2025. Data is collected from official documents, government reports, commissions' recommendations, academic journals, books, and credible online sources. Statistical information, such as the frequency of President's Rule, fiscal transfers, and state autonomy indices, is used to support evidence-based analysis. The study employs a historical-analytical method to trace the constitutional foundations, political dynamics, and federal mechanisms over time. It examines key developments, including landmark reforms, judicial interventions, and policy shifts, to understand how India's federalism has adapted to economic, social, and political changes. Comparative analysis is used to assess patterns across different time periods, highlighting tensions, cooperation, and institutional innovations between the Union and states.

The methodology emphasizes simplicity, clarity, and relevance, ensuring that the insights are grounded in reliable evidence. By combining documentary analysis and statistical data, the article provides a comprehensive understanding of evolving federal relations, facilitating informed recommendations for cooperative and sustainable federalism in India. The collected data are carefully analyzed and interpreted to generate meaningful insights that support the creation of well-informed, evidence-based policies.

Historical and Constitutional Foundations

The foundations of India's Union–State relations from 1947–1950 were shaped by colonial legacy, princely state integration, and debates in the Constituent Assembly. India inherited a centralized system and faced partition violence, which emphasized the need for a strong Union. Leaders like Patel united princely states, creating a single nation. The Constitution established India as a "Union of States," balancing regional autonomy with a strong central government, especially through the division of powers into Union, State, and Concurrent lists. This framework ensured national unity, stability, and laid the groundwork for India's federal democracy.

Historical Foundations of Union–State Relations in Independent India (1947–1950)

The Union–State relations in India were shaped during the critical years after independence (1947–1950). This period was marked by the impact of colonial legacies, the integration of princely states, and the Constituent Assembly debates that decided the federal structure of India. British rule left behind a highly centralized system of governance. The 1935

Government of India Act created provinces with limited autonomy, but the central government held overriding powers. This centralizing tendency influenced the framers of the Constitution, who wanted a strong Union to maintain order and unity in a newly independent country facing partition and communal violence. For example, in 1947 alone, nearly 1 million people died and 14 million were displaced during Partition, proving the need for a stable central authority. At independence, there were 562 princely states not directly under British rule. Sardar Vallabhbhai Patel and V. P. Menon played a key role in integrating them into the Indian Union through diplomacy, persuasion, and, in some cases, force (e.g., Hyderabad and Junagadh in 1948). By 1950, almost all princely states were merged into either existing provinces or newly created states, strengthening the Union's role as the supreme authority. The Constituent Assembly (1946–1950) debated whether India should adopt a federal or unitary system. Leaders like Dr. B. R. Ambedkar argued for a "Union of States," not a federation based on agreement, ensuring states had powers but could not secede. Emergency provisions and residuary powers were given to the Union to maintain unity.

The Union–State framework created between 1947 and 1950 was not only about immediate political challenges but also about building a long-term structure for India's democracy. The integration of princely states was a massive achievement, often described as the "silent revolution" led by Patel. Without this, India could have been fragmented like Europe after the fall of empires. By 1950, the Indian Union included over 500 million people across 28 provinces and princely unions, making it one of the world's largest federal experiments. The Constituent Assembly's debates showed deep concern for unity. Some members favored more state autonomy, but partition violence, the refugee crisis, and the possibility of separatism made leaders opt for a strong center. Dr. Ambedkar clarified that "India is a Union because it is indestructible," meaning states could not break away. Residuary powers, defense, foreign affairs, and communications were all kept under Union control, while states were given responsibility for local governance, health, and education. The Constitution adopted in 1950 reflected these debates. It established India as a "Union of States" with three clear lists, Union, State, and Concurrent, defining powers. This arrangement became the cornerstone of India's political stability in the decades to come. Thus, the period 1947–1950 laid the foundations of India's Union–State relations, balancing provincial autonomy with a strong central government, essential for national integration and stability. The details of the Historical Foundations of Union–State Relations in Independent India (1947–1950) are presented in table – 1.

Table – 1

Historical Foundations of Union–State Relations in Independent India (1947–1950)

S.No.	Theme	Details & Evidence	Impact on Union–State Relations
1.	**Colonial Legacies**	- British created a centralized system under the Government of India Act, 1935. - Provinces had limited autonomy but the Governor-General had overriding powers. - Partition of 1947 caused **~1 million deaths** and displacement of **14 million people**, highlighting the need for a strong central authority.	Set the stage for a centralised Union to maintain order, prevent fragmentation, and ensure stability in a diverse society.
2.	**Integration of Princely States**	- At independence, **562 princely states** were outside direct British control. - Patel and V. P. Menon used diplomacy, persuasion, and sometimes force (e.g., Hyderabad, Junagadh in 1948). - By 1950, all major states were integrated into provinces or new unions. - The Indian Union by 1950 covered **500 million people across 28 provinces and princely unions**.	Prevented India from splitting into multiple independent states like in Europe after empires collapsed. Secured India's territorial unity under a common Union framework.
3.	**Constituent Assembly Debates**	- Assembly met from **1946–1950** with ~300 members. - Debates focused on whether India should be federal or unitary. - Dr. B. R. Ambedkar argued India must be a "Union of States," not based on agreement, so states could not secede. - Residuary powers, defense, foreign affairs, and communications were given to the Union.	Created a constitutional framework balancing state autonomy with strong Union powers. Ensured national integrity in a time of crisis.
4.	**Constitutional Framework (1950)**	- Constitution adopted on **26 January 1950**. - Three lists defined power-sharing: **Union List** (defense, foreign affairs), **State List** (health, education), and **Concurrent List** (criminal law, forests). - Emergency provisions allowed the Union to take over state powers in crises.	Established India as a "Union of States," combining federalism with strong central authority. Laid the foundation for long-term political stability and cooperative governance.

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

Constitutional Framework: Division of Powers and Federal Principles

The Constitution of India provides a detailed framework for the division of powers between the Union and the States, combining federal and unitary features. Inspired by the

Government of India Act, 1935, the Constitution distributes subjects into three lists: the Union List, State List, and Concurrent List. The Union List contains subjects of national importance such as defense, foreign affairs, atomic energy, railways, and banking. Originally, it had 97 subjects, but after subsequent amendments, it now includes 100 subjects. The State List focuses on areas like police, public health, agriculture, and local government. It originally had 66 subjects, but after the 42nd Amendment (1976), some subjects like education and forests were shifted to the Concurrent List, leaving 61 subjects today. The Concurrent List contains matters where both Union and State can legislate, such as education, forests, trade unions, and marriage laws. It initially had 47 subjects but now has 52. An important feature is the residuary powers. Unlike the U.S. federal system where residuary powers go to the states, in India, these are vested in the Union Parliament (Article 248), reflecting a unitary bias.

The Constitution also has unitary features to maintain national integrity. In times of emergency (Articles 352, 356, 360), the Union can assume greater control over the states. Financial powers are also weighted toward the Union, as it controls major sources of revenue like income tax, customs, and excise. In 2021–22, the Union collected around 62% of total tax revenue, while states depended on transfers recommended by the Finance Commission. Thus, India's Constitution is federal in structure but unitary in spirit. It balances diversity with unity, ensuring that states have autonomy in local matters while the Union holds supremacy in areas vital for national security, development, and integration. The details of the Constitutional Framework with reference to division of powers and federal principles are given in table -2.

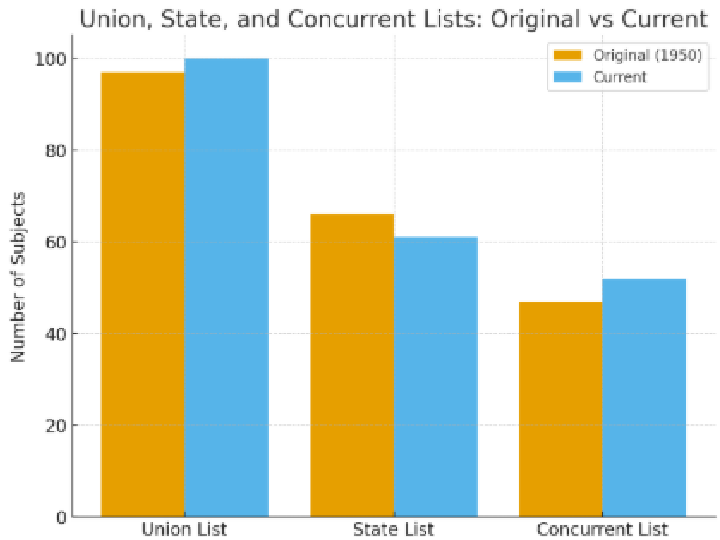
Table – 2

Constitutional Framework: Division of Powers and Federal Principles

S.No.	Aspect	Details	Statistical Data/Evidence
1.	**Union List**	Subjects of national importance: defense, foreign affairs, atomic energy, railways, banking	Originally **97 subjects**, now **100**
2.	**State List**	Local/state matters: police, public health, agriculture, local government	Originally **66 subjects**, now **61** (after 42nd Amendment shifted some subjects)
3.	**Concurrent List**	Shared subjects: education, forests, trade unions, marriage laws	Originally **47 subjects**, now **52**
4.	**Residuary Powers**	Vested in **Union Parliament** (Article 248) – unlike U.S. model where they go to states	Strengthens unitary features
5.	**Unitary Features**	Emergency powers (Arts. 352, 356, 360), stronger Union financial	In 2021–22, Union collected **62% of total tax revenue**, states relied

		powers	on transfers
6.	**Federal Balance**	Federal in structure, unitary in spirit; ensures state autonomy with Union supremacy	Helps maintain national integrity and development

Source: Government of India, Ministry of Law and Justice, Constitution of India, 1950 (as amended up to 2023).



Linguistic Reorganization of States and its Impact on Federal Balance

The linguistic reorganization of Indian states was a landmark development in shaping the federal structure of the country. After independence in 1947, India inherited diverse provinces created under colonial rule, which often ignored linguistic and cultural identities. Growing public demand for states based on language culminated in the States Reorganisation Act of 1956. This Act reorganized boundaries primarily on linguistic lines, creating 14 states and 6 union territories. The demand was strongly felt after the death of Potti Sriramulu in 1952, following a hunger strike for a separate Telugu-speaking state of Andhra. This movement showed that linguistic aspirations could not be ignored in a democratic system. According to the 1951 Census, over 80% of Indians identified a regional language as their mother tongue, highlighting the importance of language in identity.

The reorganization helped strengthen democracy by giving regional languages official recognition in administration, education, and politics. It also reduced tensions between the Union and states, ensuring stability in a multilingual society. For example, the creation of Andhra Pradesh, Kerala, Karnataka, and Maharashtra allowed linguistic groups to preserve culture while participating in national politics. The details of the Growth of States and Union Territories in India, 1956 to 2020 are given in table – 3.

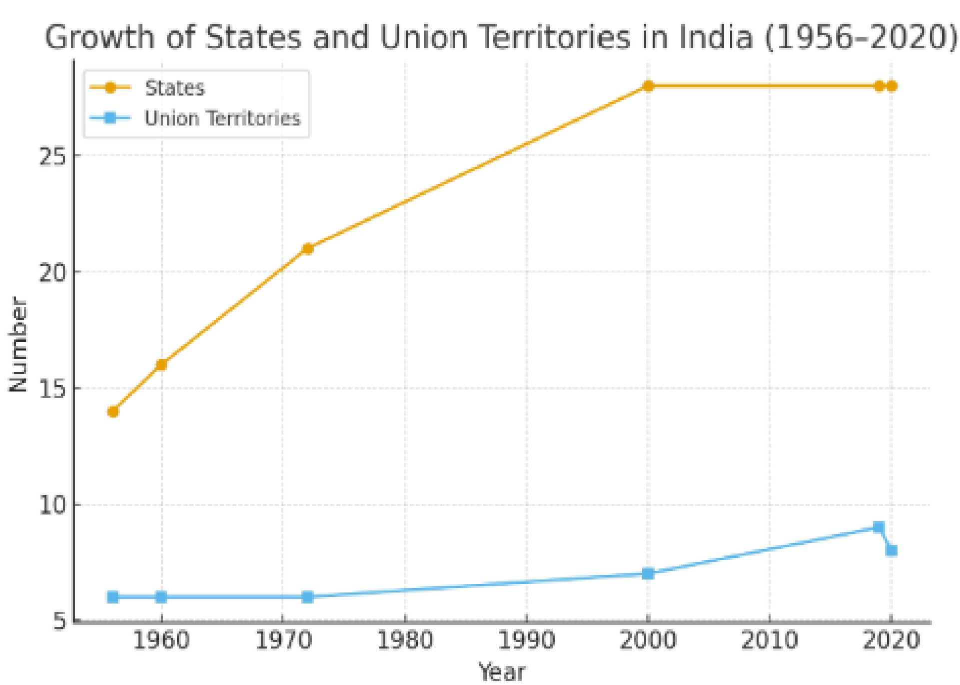
Table – 3

Growth of States and Union Territories in India, 1956-2020

S.No.	Year	Number of States	Number of Union Territories	Key Event
1.	1956	14	6	States Reorganisation Act, 1956
2.	1960	16	6	Creation of Maharashtra & Gujarat
3.	1972	21	6	New states: Meghalaya, Manipur, Tripura
4.	2000	28	7	Creation of Jharkhand, Chhattisgarh, Uttarakhand
5.	2019	28	9	Jammu & Kashmir reorganized into 2 UTs
6.	2020	28	8	Ladakh separated; UTs merged (Daman & Diu, Dadra & Nagar Haveli)

Source: Ministry of Home Affairs, Government of India (2020).

In later years, new states like Gujarat (1960), Haryana (1966), and Jharkhand (2000) were also formed, showing the lasting impact of linguistic and regional identity movements. Today, India has 28 states and 8 union territories, reflecting the ongoing process of balancing regional aspirations with national integrity. In short, the 1956 reorganization strengthened India's federalism by giving space to regional identities while keeping the Union intact.



Political Dynamics and Shifting Power Balances

In India, political power has shifted over time between the central government and the states, especially from the 1950s to the present. During the Nehruvian era (1950s–1960s), the central government held most of the power. The dominance of the Congress Party, along with centralized planning and control over financial resources, meant the Union had a stronger say in decision-making. State governments often depended on funds from the Centre, and the use of Article 356 allowed the Centre to dismiss opposition-led states, further increasing central control. However, after 1989, this balance started to change. The decline of Congress's absolute dominance and the rise of regional parties led to coalition governments. These alliances gave states more bargaining power and influence over national policies. The share of seats held by regional parties increased, and states began asserting more autonomy, especially in economic matters like taxes and development priorities. In the 21st century, India moved towards a more cooperative federalism. Institutions like NITI Aayog and the GST Council involve states in policymaking and financial decisions. This shift aims to balance power, giving states a greater voice while maintaining a strong central government. Overall, political power in India has become more decentralized, with states playing a bigger role in economic decisions.

Union–State Dynamics during the Nehruvian Era (1950s–1960s)

The Nehruvian era (1950s–1960s) was marked by strong central dominance in India's political and economic system. After independence, India adopted a federal structure under the Constitution, but in practice the Union government exercised more power over the states. This was mainly due to two reasons: centralized economic planning and the Congress Party's political hegemony. In 1950, the Planning Commission was set up, with Prime Minister Nehru as its chairman. This body prepared the Five-Year Plans, deciding the allocation of resources, priorities, and financial support to states. For example, during the First Five-Year Plan (1951–56), about 27% of plan expenditure was devoted to agriculture and irrigation, while in the Second Plan (1956–61) over 20% went to heavy industries. States depended heavily on central grants since the Union collected the bulk of revenue (income tax, excise, customs), while states handled expenditure-heavy subjects like health, education, and agriculture. In 1950–51, the Centre's share of total revenue was about 55%, compared to 45% for states, but the Centre controlled the more elastic sources of taxation.

Politically, the Indian National Congress dominated both the Centre and most states. In the 1952 general elections, Congress won 364 out of 489 seats (74%) in the Lok Sabha and formed governments in most states. This dominance continued in 1957 and 1962 elections, which reduced chances of conflict between Union and states. Even when regional parties like DMK in Tamil Nadu or Communists in Kerala emerged, the Congress at the Centre often used Article 356 (President's Rule) to dismiss state governments, showing the imbalance in power. Between 1950 and 1967, President's Rule was imposed nine times. Thus, the Nehruvian era created a pattern where the Union government, guided by planning and supported by one-party dominance, held decisive control over states, shaping India's federal system towards centralization. The details of the Revenue Division (1950–51) are given in table – 4.

Table – 4

Revenue Division (1950–51)

S.No.	Category	Centre's Share	States' Share	Remarks
1.	Total Revenue	**55%**	**45%**	Centre had more elastic taxes; states had more spending duties.

Source: Ministry of Home Affairs, Government of India (2020).

During the First Five-Year Plan (1951–56), 27% of expenditure went to agriculture and irrigation, while in the Second Plan (1956–61), over 20% went to heavy industries. This showed the Centre's power in shaping development. The detail of the Congress Dominance in Lok Sabha Elections from 1952 to 1962 are presented in table – 5.

Table – 5

Congress Dominance in Lok Sabha Elections, 1952-1962

S.No.	Year	Seats Won	Total Seats	% of Seats
1.	1952	364	489	**74%**
2.	1957	371	494	**75%**
3.	1962	361	494	**73%**

Source: Ministry of Home Affairs, Government of India (2020).

Opposition-led states faced challenges, as seen in Kerala (1959), where the Communist government was dismissed using Article 356. The details of the Use of President's Rule (1950–1967) are given in table – 5.

Table – 5

Use of President's Rule (1950–1967)

S.No.	Indicator	Number
1.	Times imposed	**9**
2.	Purpose	Dismissal of opposition state governments

Source: Ministry of Home Affairs, Government of India (2020).

The Nehruvian era created a highly centralized model. Planning, financial dependence, and one-party dominance gave the Union greater control, shaping India's federalism towards centralization. During the Nehruvian era (1950s–1960s), India's federal system leaned strongly toward centralization. The Planning Commission, with Nehru as chairman, made states financially dependent on the Union for development funds. The Centre's revenue share (55% in 1950–51) gave it greater control, while Congress dominance in elections (over 70% of Lok Sabha seats in 1952, 1957, and 1962) ensured the same party ruled at both levels. When opposition governments emerged, Article 356 was used, as in Kerala (1959). Thus, planning, financial power, and Congress hegemony together shaped a central-dominant Union–State dynamic in this period.

This flowchart showing how central planning, financial dependence, Congress hegemony, and the use of Article 356 all led to Central Dominance in Union–State Relations during the Nehruvian era.

Emergency and Centralization of Power (1975–1977): Misuse of Article 356 and Threats to Federal Democracy

The Emergency declared by Prime Minister Indira Gandhi on 25 June 1975 was one of the most controversial phases in Indian democracy. Under Article 352 of the Constitution, internal emergency was proclaimed citing "internal disturbance." However, during this period, misuse of Article 356 (which allows the dismissal of state governments) became a tool to centralize power and weaken federal democracy. Between 1975 and 1977, at least 9 state governments ruled by opposition parties were dismissed by the Centre using Article 356. For example, Gujarat and Tamil Nadu governments were dissolved in 1976, and Congress loyalists were installed. This undermined the spirit of federalism, as state autonomy was completely ignored. Civil liberties were severely restricted. Over 1,10,000 people, including opposition leaders like Jayaprakash Narayan, Morarji Desai, and Atal Bihari Vajpayee, were arrested under preventive detention laws. The press was censored, with around 7 major newspapers temporarily shut down for opposing government policies. According to official data, over 2,00,000 forced sterilizations took place under the population control program, leading to widespread public resentment.

The centralization of power also extended to the judiciary. After the Kesavananda Bharati (1973) case, which upheld the "basic structure doctrine," the government tried to weaken judicial independence by superseding judges and amending laws to curtail review powers. The misuse of Article 356 during the Emergency period highlighted how constitutional provisions could be manipulated for political survival rather than democratic governance. It weakened the principle of cooperative federalism and set a dangerous precedent for Union–State relations. Ultimately, the 1977 general election saw a massive backlash, with the Congress losing power for the first time at the Centre, proving that attempts at authoritarian centralization could not permanently suppress India's democratic spirit. The details of the Use of Article 356 During the Emergency (1975–1977) are presented in table- 6.

Table – 6

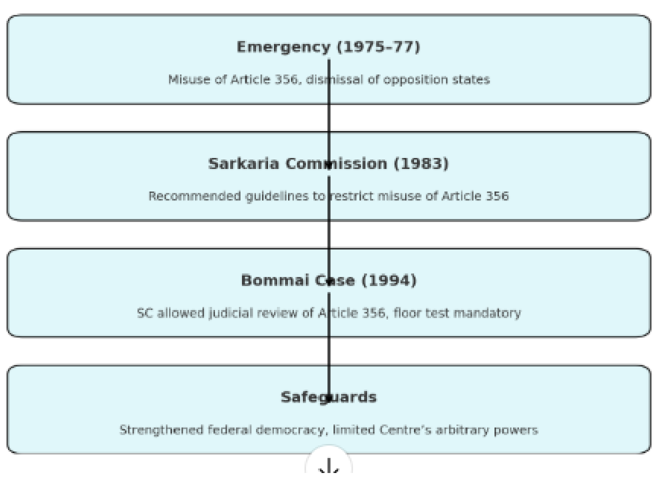
Use of Article 356 during the Emergency (1975–1977)

S.No.	Year	State	Party in Power (Before Dismissal)	Action Taken by Centre	Outcome
1.	1975	Gujarat	Janata Morcha (Opposition)	Govt. dismissed	President's Rule
2.	1976	Tamil Nadu	DMK (Opposition)	Govt. dismissed	President's Rule
3.	1977	Punjab	Akali Dal–Janata coalition	Govt. dismissed	President's Rule
4.	1977	Haryana	Janata-supported Govt.	Govt. dismissed	President's Rule
5.	1977	Uttar Pradesh	Janata Party	Govt. dismissed	President's Rule
6.	1977	Bihar	Janata Party	Govt. dismissed	President's Rule

7.	1977	Orissa	Janata Party	Govt. dismissed	President's Rule
8.	1977	Madhya Pradesh	Janata Party	Govt. dismissed	President's Rule
9.	1977	Rajasthan	Janata Party	Govt. dismissed	President's Rule

Source: Government of India, Ministry of Home Affairs – *Report of the Sarkaria Commission (1983)*; Granville Austin, *Working a Democratic Constitution* (1999).

Table – 6, shows how the Centre used Article 356 not for genuine constitutional breakdowns but to weaken opposition-led states. It was a clear threat to federal democracy, concentrating power in Delhi and sidelining state autonomy. The misuse of Article 356 during the Emergency (1975–1977) exposed how central governments could arbitrarily dismiss opposition-ruled states, undermining the federal spirit. This sparked debates on limiting the Centre's authority and protecting state autonomy. In response, the Sarkaria Commission (1983) recommended that Article 356 should be used only as a last resort and suggested strict guidelines, such as prior warning to the state government and parliamentary approval for President's Rule. A landmark judicial safeguard came in the S.R. Bommai vs. Union of India (1994) case, where the Supreme Court ruled that the misuse of Article 356 is subject to judicial review. It emphasized that state governments cannot be dismissed merely on political grounds, and majority support must be tested on the floor of the assembly. Thus, the excesses of the Emergency directly led to stronger constitutional checks, ensuring greater protection for India's federal democracy.



The flowchart showing the progression:

Emergency misuse → Sarkaria Commission → Bommai case → Safeguards

It visually explains how the Emergency-era misuse of Article 356 led to later reforms and protections for federal democracy. The misuse of Article 356 during the Emergency (1975–77) triggered major reforms. The Sarkaria Commission (1983) and the Bommai case (1994) introduced strict safeguards, ensuring judicial review and strengthening federal democracy. The Emergency highlighted the dangers of central overreach, and the subsequent safeguards around Article 356 reinforced India's federal balance by protecting state autonomy within a strong Union.

Coalition Politics and the Rise of Regional Parties (1989–2000s)

The period from 1989 onwards marked a turning point in Indian politics with the decline of one-party dominance and the rise of coalition governments. The Congress party, which had ruled at the Centre for decades, lost its majority in the 1989 Lok Sabha elections. This opened space for regional parties to play a decisive role in shaping national politics. In 1989, the Janata Dal, supported by regional parties like the Telugu Desam Party (TDP), formed the National Front government. By the 1990s, regional parties such as DMK, AIADMK, Akali Dal, Shiv Sena, Samajwadi Party, Bahujan Samaj Party, and TDP began influencing coalition governments at the Centre. Their bargaining power increased as no single party secured a majority. For example, in the 1996 Lok Sabha elections, the BJP won 161 seats and Congress 140, while regional parties collectively secured over 200 seats, proving their importance. The United Front government (1996–98), supported by regional parties, is a clear example of this trend. Similarly, the National Democratic Alliance (NDA) under Atal Bihari Vajpayee in 1998 and 1999 included multiple regional partners like Shiv Sena (Maharashtra), Akali Dal (Punjab), and TDP (Andhra Pradesh).

Statistical evidence shows this shift: In 1984, regional parties together held less than 10% of Lok Sabha seats. By 1999, their share had risen to nearly 30%. This strengthened the concept of "bargaining federalism", where states negotiated greater autonomy, financial resources, and policy concessions in exchange for supporting coalition governments. The era of coalition politics thus deepened federalism in India. It gave states a stronger voice in national decision-making and reduced central dominance. However, it also led to instability, as governments sometimes fell due to withdrawal of regional allies. The details of the Lok Sabha Seat Share – Congress vs Opposition (1952–1967) are given in table – 7.

Table – 7

Lok Sabha Seat Share – Congress vs Opposition (1952–1967)

S.No.	Election Year	Congress Seats	Opposition Seats (combined)	Congress Vote %	Key Outcome
1.	1952	364	364 (others) – scattered	45%	Congress absolute dominance
2.	1957	371	~190	47.8%	Congress dominance continues
3.	1962	361	~200	44.7%	Opposition slowly rising
4.	1967	283	~250+	40.8%	Congress weakens; states assert autonomy

Source: Election Commission of India

By 1967, the Congress lost many state assemblies, marking the beginning of state-level assertiveness against the Centre. The details of the use of Article 356 before and during Emergency are presented in table – 8.

Table – 8

Use of Article 356 before and during Emergency

S.No.	Period	Number of Times Article 356 Used	Key Observation
1.	1950–1974	~40 times	Mostly against opposition states
2.	1975–1977 (Emergency)	13 times	Maximum misuse; many opposition states dismissed
3.	Post-1977 (Janata Govt)	Several reversals	Attempt to restore federal balance

Source: Sarkaria Commission Report, Government Records

This period undermined federal democracy and showcased the risks of excessive central power. The details of the Lok Sabha Seat Distribution (1989–1999) are stated in table- 9.

Table – 9

Lok Sabha Seat Distribution (1989–1999)

S.No.	Election Year	Congress	BJP	Regional Parties (approx.)	Key Outcome
1.	1989	197	85	~127	National Front Govt (with regional allies)
2.	1996	140	161	~200+	United Front Govt (regional dominance)
3.	1999	114	182	~195	NDA Govt (coalition with strong regional role)

Source: Election Commission of India

By 1999, regional parties held nearly 30% of Lok Sabha seats, compared to less than 10% in 1984, proving their rising national significance.

Post-2000s Federalism: GST, NITI Aayog, and Cooperative Federalism

The 21st century saw a shift to cooperative federalism. The Planning Commission was replaced by NITI Aayog (2014), where state chief ministers became part of the Governing Council. The 14th Finance Commission (2015–20) raised states' share of central taxes from 32% to 42%, giving them greater fiscal autonomy. The Goods and Services Tax (GST) introduced in 2017 created a new Centre–State tax framework. The GST Council, with equal representation for Centre and states, ensures joint decision-making. The details of the Key Federal Reforms in Post-2000s India are given in table – 10.

Table – 10

Key Federal Reforms in Post-2000s India

S.No.	Reform/Institution	Year	Federal Significance
1.	12th Finance Commission	2005	Strengthened tax devolution to states
2.	NITI Aayog replaces Planning Commission	2014	States included in policymaking
3.	14th Finance Commission	2015	States' share in taxes raised from 32% → 42%
4.	GST & GST Council	2017	Centre–State joint taxation, cooperative decision-making
5.	15th Finance Commission	2020	Continued high transfers, but with performance-based grants

Source: Finance Commission Reports, GST Council Data.

While institutions like the GST Council promote cooperation, disputes over compensation and fiscal burdens (e.g., during COVID-19) show that tensions remain. India's federalism has moved through four clear phases: central dominance (1950s–60s), extreme centralization (Emergency), bargaining federalism (1989–2000s), and cooperative federalism (post-2000s). Each phase reflects changing political realities. Today, cooperative mechanisms like the GST Council and NITI Aayog give states greater voice, but challenges over fiscal autonomy continue. Federalism in India thus remains a dynamic, evolving process.

Institutional Mechanisms of Federalism

The Sarkaria Commission (1983–88) recommended ways to strengthen India's federal system by promoting dialogue and respecting state autonomy. It advised the Union to consult states before passing laws on shared subjects, make the Inter-State Council a permanent forum, and limit the misuse of President's Rule under Article 356. The Commission also stressed fair tax sharing and joint planning. Institutions like the Finance Commission, Inter-State Council, and Zonal Councils help balance power, ensure cooperation, and resolve disputes. Courts have also protected federalism through important judgments, reducing misuse of central powers and supporting state rights, thus promoting cooperative federalism in India. From an economic perspective, the Sarkaria Commission emphasized the importance of fiscal federalism by recommending stronger roles for the Finance Commission in sharing tax revenues fairly between the Centre and states. Currently, states depend heavily on the Centre for over 40% of their revenue, making cooperation essential for balanced development. The Commission also suggested increased consultation on resource sharing and joint planning, which can lead to more equitable growth across regions. Effective fiscal federalism ensures that states have enough resources for development projects, infrastructure, and social services, promoting overall economic stability and reducing regional disparities in India.

The Sarkaria Commission and Recommendations for Cooperative Federalism

The Sarkaria Commission was set up in 1983 to examine the balance of power between the Union and the states in India. Its report, submitted in 1988, became one of the most detailed studies on Centre–State relations. The Commission recognized that India's federal system was tilted in favor of the Centre, which often weakened state autonomy. To strengthen cooperative federalism, it gave around 247 recommendations, many of which stressed consultation and respect for states' rights. One key recommendation was that the Union should consult states before legislating on subjects in the Concurrent List. For example, matters like education and forests often saw conflicts; in 1976, through the 42nd Amendment, education was shifted from the State List to the Concurrent List without adequate consultation. The Commission suggested that such changes must be preceded by meaningful dialogue. It also emphasized the role of the Inter-State Council (ISC) under Article 263 as a permanent forum for dialogue.

However, while the ISC was set up in 1990, its meetings have been irregular. Between 1990 and 2020, it met only 11 times, showing the gap between recommendations and practice. On the use of Article 356 (President's Rule), the Commission strongly advised that it should be used sparingly and only after giving the state a fair chance to prove its majority. Historically, Article 356 had been misused, between 1950 and 1990, it was imposed over 90 times, often for political reasons. The Sarkaria Commission also highlighted fiscal federalism. It recommended more consultation in sharing taxes and suggested strengthening bodies like the Finance Commission. In fact, data shows that states depend on the Centre for over 40% of their revenue needs, making cooperation crucial. In short, the Sarkaria Commission pushed for dialogue, trust, and consultation as the backbone of cooperative federalism, ensuring that while India remains a strong Union, state autonomy is respected. The details of the Key Recommendations of Sarkaria Commission on Cooperative Federalism are given in table – 11.

Table – 11

Key Recommendations of Sarkaria Commission on Cooperative Federalism

S.No.	Area	Recommendation	Example / Evidence
1.	**Legislation**	Consult states before passing laws on the **Concurrent List**.	Education moved to Concurrent List in 1976 without wide consultation → led to state objections.
2.	**Inter-State Council (ISC)**	Make ISC a **permanent forum** for Centre–State dialogue.	ISC set up in 1990 but met only **11 times (1990–2020)**, showing underuse.
3.	**Article 356 (President's Rule)**	Use only in rare cases, after giving states a chance to prove majority.	Between 1950–1990, Article 356 imposed **90+ times**, often politically misused.
4.	**Fiscal Federalism**	Strengthen Finance Commission and ensure fair tax sharing with states.	States depend on Centre for **40%+ of revenue needs**.
5.	**Planning and Development**	Encourage **joint policy-making** between Centre and states.	Suggested more consultation in Five-Year Plans and central schemes.
6.	**Governor's Role**	Governors should act as neutral constitutional heads, not as agents of Centre.	Misuse of Governor's office in dismissing state governments criticized.

Source: Sarkaria Commission Report (1988); Ministry of Home Affairs (1990); Inter-State Council Secretariat; RBI *State Finances* Reports; Constitution (42nd Amendment) Act, 1976.

The Sarkaria Commission emphasized that India's unity lies in respecting state autonomy while ensuring strong national integration. Its call for dialogue, trust, and consultation remains vital for building true cooperative federalism in India.

Flowchart: Sarkaria Commission – Path to Cooperative Federalism

Union–State Tensions (Central dominance)

↓

Sarkaria Commission (1983–88)

↓

Key Recommendations for Cooperation

- **Consult states on Concurrent List**
- **Strengthen Inter-State Council**
- **Restrict misuse of Article 356**
- **Fair financial devolution**
- **Neutral role of Governors**
- **Joint policy & planning**

Stronger Cooperative Federalism

↓

National Unity + Effective Governance

The details of the Union–State Relations Before and After Sarkaria Commission Recommendations are stated in table – 12.

Table - 12

Union–State Relations Before and After Sarkaria Commission Recommendations

S.No.	Aspect	Before Sarkaria Commission	After Sarkaria (Recommendations)
1.	**Legislation on Concurrent List**	Centre often legislated without consulting states (e.g., Education moved in 1976).	Mandatory consultation with states before changes or laws in Concurrent List.
2.	**Inter-State Council (ISC)**	ISC not effectively used; no permanent structure for dialogue.	ISC to function as a **permanent forum** for regular Union–State discussions.
3.	**Article 356 (President's Rule)**	Misused frequently; imposed **90+ times (1950–1990)** for political reasons.	Should be a **last resort**; states must first be given chance to prove majority.
4.	**Financial Relations**	States heavily dependent on Centre; imbalance in resource sharing.	Strengthen **Finance Commission**, ensure more equitable tax sharing.
5.	**Governor's Role**	Seen as agents of the Centre; dismissed state governments unfairly.	Governors to act as **neutral constitutional heads**.
6.	**Policy & Planning**	Centralized planning; little state input in Five-Year Plans.	Promote **joint planning and cooperative decision-making**.

Source: Sarkaria Commission Report (1988); Ministry of Home Affairs (1990); Inter-State Council Secretariat; RBI *State Finances* Reports; Constitution (42nd Amendment) Act, 1976.

This makes it clear how Sarkaria tried to shift India from central dominance to cooperative federalism. The details of the Comparison of before vs. after Sarkaria Recommendations are presented in table – 13.

Table – 13

Comparison of Before vs. After Sarkaria Recommendations

S.No.	Aspect	Before Sarkaria Commission	After Sarkaria (Recommendations)
1.	**Concurrent List Laws**	Centre acted unilaterally.	States to be consulted.
2.	**Inter-State Council**	Not active.	Permanent forum for dialogue.
3.	**Article 356**	Misused frequently.	Restrict use; last resort only.
4.	**Fiscal Federalism**	States dependent on Centre.	Fairer tax devolution.

5.	**Governor's Role**	Centre's political agent.	Neutral constitutional head.
6.	**Planning**	Centralized.	Joint policy-making.

Source: Sarkaria Commission Report (1988); Ministry of Home Affairs (1990); Inter-State Council Secretariat; RBI *State Finances* Reports; Constitution (42nd Amendment) Act, 1976.

In short, the Sarkaria Commission stressed that India's strength lies in balancing national unity with state autonomy. Its recommendations, consultation, financial fairness, limited use of central powers, and neutral Governors, laid the foundation for cooperative federalism. Later reforms like the GST Council and Punchhi Commission reflect its enduring influence, proving that dialogue and trust are key to Centre–State harmony.

Intergovernmental Institutions: Finance Commissions, Inter-State Council, and Zonal Councils

India's federal system requires mechanisms to balance power and resources between the Union and the States. Three important institutions, Finance Commissions, the Inter-State Council, and Zonal Councils, play a key role in fiscal transfers and resolving disputes.

- **Finance Commissions (FCs):**

Constituted every five years under Article 280, Finance Commissions recommend the distribution of tax revenues between the Centre and States (vertical devolution) and among the States (horizontal devolution). For instance, the 15th Finance Commission (2021–26) recommended that 41% of divisible pool taxes be shared with States. Uttar Pradesh, Bihar, and Madhya Pradesh are among the largest recipients. Grants for local bodies have also increased, with ₹4.36 lakh crore recommended for rural and urban local bodies, strengthening grassroots governance. The details of the Tax Devolution Share (15th Finance Commission, 2021–26) are presented in table – 14.

Table – 14
Tax Devolution Share (15th Finance Commission, 2021–26)

S.No.	State	Share (%)
1.	Uttar Pradesh	17.94
2.	Bihar	10.06
3.	Madhya Pradesh	7.89
4.	Rajasthan	6.12
5.	West Bengal	7.52
6.	Tamil Nadu	4.08
	All States Total	100.00

Source: 15th Finance Commission Report, Government of India

- **Inter-State Council (ISC)**

Established under Article 263, the Inter-State Council provides a platform for dialogue between the Union and States. Revived in 1990 following the Sarkaria Commission's recommendations, the ISC discusses issues like internal security, water disputes, and economic coordination. For example, during its 2016 meeting, it addressed centre-state financial relations and disaster management cooperation.

❖ **Zonal Councils**

Created under the States Reorganisation Act, 1956, India has five Zonal Councils (North, South, East, West, and Central). These councils deal with issues like boundary disputes, inter-state transport, and regional security. For example, the Southern Zonal Council in 2022 discussed sharing of Krishna and Cauvery river waters and coastal security. The details of the Key Constitutional Institutions Facilitating Union–State Cooperation in India are presented in table-15.

Table – 15

Key Constitutional Institutions Facilitating Union–State Cooperation in India

Institution	Constitutional / Legal Basis	Main Role	Example of Work / Impact
Finance Commission	Article 280 of the Constitution	Recommends tax devolution between Centre and States; grants for local bodies	15th FC (2021–26) fixed **41% share** for States; ₹4.36 lakh crore for local bodies
Inter-State Council (ISC)	Article 263 of the Constitution	Forum for dialogue and consultation between Union and States	2016 meeting discussed **centre–state financial relations** and **disaster management**
Zonal Councils	States Reorganisation Act, 1956	Promote cooperation on regional issues like boundaries, transport, and security	Southern Zonal Council (2022) discussed **Cauvery water sharing** and **coastal security**

Source: 15th Finance Commission Report, Government of India

Flowchart – Union → Institutions → Outcomes

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                    Union Government
                           |
        ┌──────────────────┼──────────────────┐
        |                  |                  |
Finance Commission Inter-State Council Zonal Councils
        |                  |                  |
        ▼                  ▼                  ▼
     Fiscal Transfers   Dialogue &       Regional
    (Tax Devolution   Consultation     Cooperation
& Grants)          (Dispute        (Water, Transport,
        Resolution)      Security Issues)
        |                  |                  |
        └──────────────────┼──────────────────┘
                           ▼
          Strengthening Cooperative Federalism
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Together, these institutions ensure smooth fiscal transfers and conflict resolution. Finance Commissions guarantee financial fairness, while the ISC and Zonal Councils provide dialogue platforms. Strengthening these institutions enhances cooperative federalism, balancing India's unity with its state diversity.

Judicial Interpretations and Evolving Federal Jurisprudence

The Indian judiciary has played a crucial role in shaping the balance of power between the Union and the States. Through landmark judgments, the Supreme Court has defined the limits of central authority and safeguarded state autonomy, thereby strengthening cooperative federalism. One of the earliest cases was State of West Bengal vs. Union of India (1963), where the Court ruled that the Union had the power to acquire state property for national purposes. This upheld central supremacy in legislative matters but also clarified the need for constitutional limits. The Kesavananda Bharati vs. State of Kerala (1973) case was historic, as the Supreme Court introduced the "basic structure doctrine." Federalism was recognized as a part of the Constitution's basic structure, meaning it cannot be altered even by Parliament.

In S.R. Bommai vs. Union of India (1994), the Court restricted the misuse of Article 356 (President's Rule). It held that state governments cannot be dismissed arbitrarily and that federal democracy is part of the basic structure. After this judgment, the number of times Article 356 was imposed drastically declined,from 90 instances between 1950 and 1990 to less than 15 cases after 1994, showing its impact. The Rameshwar Prasad vs. Union of India (2006) ruling further reinforced this principle by striking down the arbitrary dissolution of the Bihar Assembly. The details of the Landmark Cases on Federal Jurisprudence in India are given in table – 16.

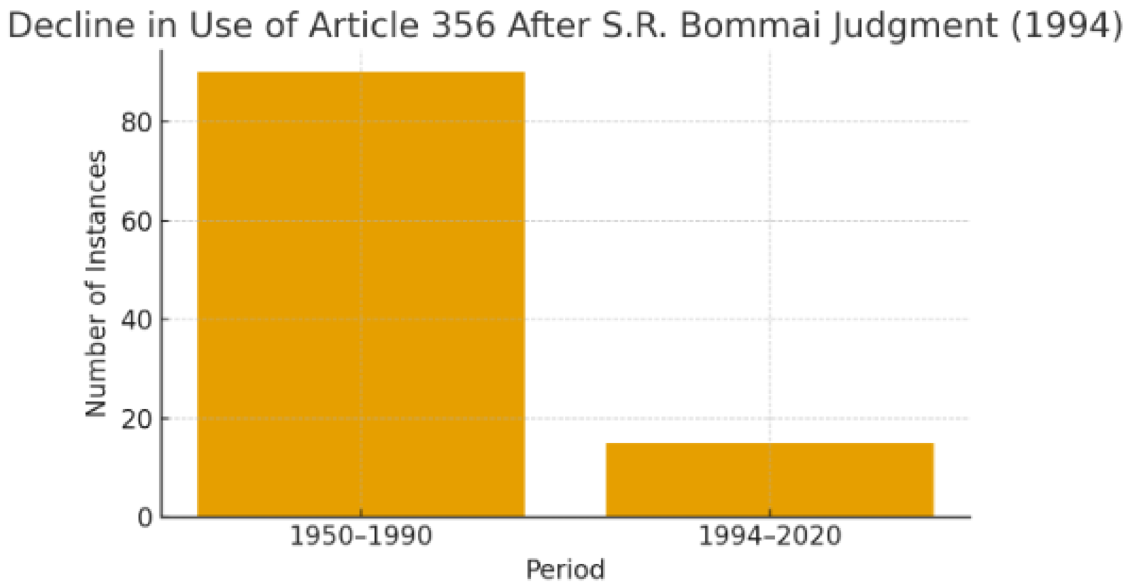
Table – 16

Landmark Cases on Federal Jurisprudence in India

S.No.	Case & Year	Key Issue	Judicial Contribution
1.	State of West Bengal vs. Union of India (1963)	Central power over state property	Upheld Union's authority but highlighted limits
2.	Kesavananda Bharati vs. State of Kerala (1973)	Constitutional amendments	Federalism as part of "basic structure"
3.	S.R. Bommai vs. Union of India (1994)	Misuse of Article 356	Restricted arbitrary dismissal of state govts
4.	Rameshwar Prasad vs. Union of India (2006)	Bihar Assembly dissolution	Declared arbitrary dissolution unconstitutional
5.	State of Karnataka vs. Union of India (2017)	Centre-State disputes	Emphasized dialogue and cooperative federalism

Source: Based on a consolidated analysis of Supreme Court judgments on Centre-State relations

More recently, in the State of Jharkhand vs. State of Bihar (2015) and State of Karnataka vs. Union of India (2017), the Court emphasized dialogue, consultation, and the need to respect state powers in resource-sharing and governance disputes. Thus, judicial interpretations have evolved to strike a balance: while recognizing the Union's supremacy in certain matters, they have strongly upheld the principle of federalism, ensuring that India's unity does not come at the cost of state autonomy..



This graph showing how the use of Article 356 (President's Rule) declined significantly after the S.R. Bommai judgment (1994)**,** reflecting the judiciary's role in safeguarding federalism.

Economic and Fiscal Federalism

Since 1991, India's economy has gone through big changes that affected how the central government and states share money and work together. Before 1991, states mainly depended on the central government for funds. After reforms, states started collecting more of their own taxes, like VAT and property taxes, which made them more independent. The share of state tax revenue increased from 32% to about 42% by 2011, showing more financial freedom for states. Central grants still played a role, but their importance decreased from around 40% to 25% of state income. Economic growth in states like Gujarat and Maharashtra also improved, thanks to liberalization. However, richer states benefited more, while poorer states still relied heavily on central support.

In recent years, reforms like the Goods and Services Tax (GST) and NITI Aayog have strengthened cooperation between the centre and states. GST, introduced in 2017, unified many taxes, making collection easier and fairer. The GST Council helps states and the centre decide on tax rates together. NITI Aayog, created in 2015, promotes better planning and cooperation on development projects. These reforms have given states more control over their revenue, reducing dependence on the central government and encouraging joint decision-making, leading to a more balanced federal system in India.

Economic Liberalization and Fiscal Federalism in India (1991 Onwards)

The economic reforms of 1991 marked a turning point in India's fiscal federalism. The country shifted from a highly controlled economy to a liberalized market-oriented system. This reform emphasized deregulation, privatization, and opening up to foreign investment. As a result, the fiscal relationship between the Union and states underwent significant changes. Prior to 1991, states relied heavily on central transfers, including revenue sharing and grants, for their developmental programs. Post-liberalization, the role of central transfers remained important but was complemented by efforts to increase state financial autonomy. States were encouraged to mobilize their own resources through taxes such as VAT, state excise, and property taxes. For example, the share of states in total tax revenue increased from around 32% in 1990–91 to about 42% by 2010–11, reflecting a gradual shift toward financial decentralization. Simultaneously, central transfers via the Finance Commission continued to play a vital role in maintaining equity among states. The 10th Finance Commission (1995–2000) recommended that states receive 29.5% of net union tax revenues, ensuring that poorer states could fund essential services. Market reforms also impacted fiscal federalism indirectly by promoting economic growth, increasing tax bases, and generating higher state revenues. For instance, the growth of states like Gujarat, Maharashtra, and Karnataka post-1991 demonstrated how liberalization allowed states to leverage their resources for development.

However, disparities persisted. Richer states benefitted more from liberalization, while poorer states remained dependent on central assistance. The Planning Commission's role in direct plan transfers gradually reduced, giving more discretion to states in resource utilization. By 2015–16, central grants accounted for only about 25% of total state revenues, compared to over 40% in the early 1990s, indicating enhanced fiscal autonomy. In short, economic liberalization reshaped India's fiscal federalism by balancing central transfers with state revenue mobilization, promoting financial autonomy while addressing inter-state disparities. This dual approach strengthened cooperative federalism in the post-1991 era. The details of the Fiscal Federalism in India – Pre- and Post-Liberalization are presented in table – 18.

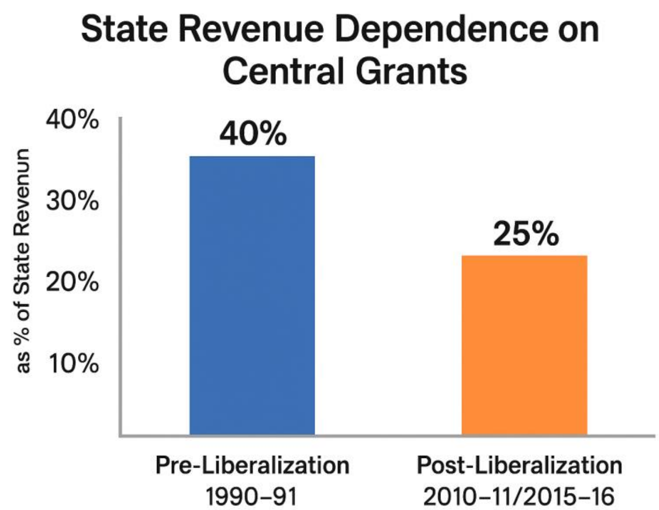
Table – 18

Fiscal Federalism in India – Pre- and Post-Liberalization

Fiscal Indicator	Pre-Liberalization (1990–91)	Post-Liberalization (2010–11 / 2015–16)	Observation
Share of states in total tax revenue	32%	42%	States gained more financial autonomy
Central grants as % of state revenue	~40%	~25%	Dependence on central transfers reduced
States' own tax revenue (Rs. billion)	50,000 (approx.)	450,000 (approx.)	Significant increase due to economic growth and better tax mobilization
Finance Commission share of net union tax	~29%	~32%	Maintained equitable distribution among states
Growth in economically stronger states	Moderate (~5% annual GDP growth)	High (~8–9% annual GDP growth in Gujarat, Maharashtra, Karnataka)	Liberalization boosted state-level economic performance

Source: Reserve Bank of India (RBI) – Handbook of Statistics on Indian Economy, 2016.

This table makes it easy to see the growth in revenue, the enhanced fiscal autonomy of states, and the role of policy coordination through GST and NITI Aayog. Economic liberalization empowered Indian states to boost their own revenue generation, reducing their dependence on the Centre over time. Although central transfers continued to play a significant role in state finances, their relative importance declined as states gained more fiscal autonomy. This shift led to a more balanced form of fiscal federalism, enabling states to exercise greater discretion in allocating funds for development projects. However, regional disparities persisted: wealthier states were able to capitalize more effectively on liberalization, while poorer states continued to depend heavily on central support.



21st Century Reforms: GST, NITI Aayog, and Changing Fiscal Relations

The 21st century brought major fiscal reforms in India aimed at improving cooperative federalism, enhancing policy coordination, and modernizing the tax system. Two landmark initiatives, Goods and Services Tax (GST) and the NITI Aayog, have reshaped fiscal relations between the Centre and states. Goods and Services Tax (GST), implemented on July 1, 2017, replaced a complex web of central and state indirect taxes with a unified tax structure. GST simplified the tax system, reduced cascading taxes, and improved compliance. Revenue collection data reflects its impact: the total GST collection rose from ₹90,917 crore in July 2017 (first month) to over ₹1.5 lakh crore per month in 2022–23. More importantly, the GST Council, comprising representatives from the Centre and all states, institutionalized cooperative federalism, ensuring that tax rates, exemptions, and compensation are mutually agreed upon. The Council's decision-making has reduced disputes between states and the Centre and strengthened policy coordination. NITI Aayog, established in 2015, replaced the Planning Commission and introduced a more flexible, consultative approach to development planning. Unlike the Planning Commission's top-down model, NITI Aayog emphasizes state-led planning and encourages policy experimentation. Through initiatives like the SDG India Index and sectoral reports, it tracks state performance, promotes best practices, and facilitates intergovernmental collaboration. By focusing on cooperative governance rather than financial transfers alone, NITI Aayog has improved coordination on health, education, infrastructure, and energy projects.

Changing Fiscal Relations: The combination of GST and NITI Aayog has gradually shifted fiscal relations. States now have greater autonomy in revenue mobilization through their share in GST and own tax collections, reducing over-reliance on central grants. According to the 15th Finance Commission, the share of states in central taxes is 42% (2020–21), compared to 32% in the early 1990s. At the same time, the central government continues to provide targeted fiscal support for development and welfare programs, but cooperative decision-making ensures transparency and mutual accountability. The details of the Fiscal Indicators: GST, State Share, and Cooperative Federalism are presented in table – 19.

Table – 19

Fiscal Indicators: GST, State Share, and Cooperative Federalism

Fiscal Indicator	Value / Year	Observation
GST Monthly Collection	₹90,917 crore (July 2017)	Initial month of GST rollout
	₹1,52,000 crore (2022–23 average)	Steady increase showing improved compliance
Share of States in Central Taxes	32% (1990–91)	Pre-liberalization, states relied heavily on grants
	42% (2020–21)	Post-reform, states gained greater fiscal autonomy
GST Compensation to States	₹1.1 lakh crore (2021–22)	Centre provides transitional support for revenue loss
NITI Aayog Initiatives	SDG India Index, sectoral reports	Encourages cooperative planning and performance tracking

Source: Ministry of Finance, Government of India; NITI Aayog Reports.

In short, 21st-century reforms have strengthened India's fiscal federalism. GST fosters uniform taxation and state-centre cooperation, while NITI Aayog enhances policy coordination and performance-based planning. Together, they promote a balanced, consultative, and growth-oriented federal structure, benefiting both states and the nation.

Contemporary Challenges and Emerging Trends

India is facing many new challenges and opportunities today. One major issue is managing internal security, which includes fighting insurgencies and maintaining law and order. While violence from Left-Wing Extremists has decreased, it still affects some regions. The government is using technology, like CCTV cameras and better policing, to improve safety. Cooperation between the central government and states is crucial to handle these problems effectively. Another challenge is climate change. India faces more extreme weather events, like floods and heatwaves, which harm people and the economy. States are taking steps to reduce pollution and protect the environment, but more coordinated effort is needed to deal with climate risks. Economically, India wants to attract more foreign investment and boost growth. Its digital systems like Aadhaar and UPI help improve transparency, reduce corruption, and include more people in the economy. However, conflicts over financial resources between the central and state governments sometimes slow down development. The government needs to ensure fair sharing of funds so all regions can grow equally.

India also faces challenges from the COVID-19 pandemic, which tested the health system and created economic strain. The government is working to improve healthcare and disaster preparedness for future emergencies. Additionally, agricultural reforms and climate policies are important for balancing growth with sustainability. Overall, India is making progress with new technology and policies, but it needs better coordination between the central and state governments. Addressing security, climate, and economic issues together will help India develop in a safer, greener, and more inclusive way. Strong cooperation and smart planning are key to overcoming these challenges and embracing new opportunities.

Internal Security, Insurgencies, and Centre–State Cooperation in India

India faces multifaceted internal security challenges, including insurgencies, law and order issues, and the application of emergency provisions. Addressing these concerns necessitates robust coordination between the central and state governments.

- **Insurgencies and Law and Order**

The country contends with various insurgent movements:

- **Left-Wing Extremism (LWE)**: The Maoist insurgency, primarily in central India, has led to significant security concerns. In Chhattisgarh's Bastar region, the 'Niyad Nellanar' initiative has established 14 security camps since 2024, resulting in 518 Maoist surrenders, 63 deaths in encounters, and 447 arrests.
- **Northeast Insurgency**: Violence in the Northeast has decreased by 73% from 11,121 incidents in 2004–2014 to 3,114 incidents in 2014–2023.

- **Emergency Provisions**

The Armed Forces Special Powers Act (AFSPA) grants the military authority to maintain public order in disturbed areas. While AFSPA has been revoked in several districts of Northeast India, its application remains a subject of debate concerning human rights and governance.

- **Centre–State Cooperation**

Effective internal security management requires seamless collaboration between central and state agencies. In July 2025, Union Home Minister Amit Shah emphasized the formation of "homogeneous teams" comprising both central and state agencies to develop and monitor security strategies.

- **Technological Advancements in Policing**

To enhance law enforcement capabilities, the Bihar Police are undergoing a technological modernization under a Rs 66 crore plan for 2025–26, with 60% funding from the central government. This initiative includes the installation of CCTV cameras in 1,388 police stations and the procurement of advanced equipment for various specialized units.

Addressing internal security challenges in India requires a multifaceted approach involving strategic counterinsurgency operations, judicious application of emergency provisions, and enhanced cooperation between central and state governments. The integration of technology in policing further strengthens the nation's capacity to maintain law and order.

Economic Perspective on Security, Internal Disturbances, and Centre–State Cooperation

Internal security challenges in India have significant economic implications. Insurgencies, law and order issues, and prolonged disturbances disrupt local economies, affect investment, and impede development. For instance, Left-Wing Extremism (LWE)-affected districts in central India contribute less to state GDP due to disrupted mining, agriculture, and infrastructure projects. The NITI Aayog (2022) estimated that Maoist-affected regions lose around 2–3% of potential GDP growth annually due to insurgency-related disruptions. High security expenditures further strain public finances. The central government allocates substantial funds to support state police forces, paramilitary operations, and counter-insurgency measures. In 2024–25, Rs 9,500 crore was spent on internal security in LWE-affected regions alone, including infrastructure development and deployment of forces. These investments, though necessary, divert resources from social and economic development projects, affecting education, healthcare, and rural employment programs.

Conversely, effective centre–state cooperation and technological modernization in policing can have positive economic outcomes. Improved law and order attracts private investment, promotes tourism, and facilitates infrastructure development. For example, in the Northeast, enhanced coordination and reduced insurgency have encouraged Rs 7,000 crore in private investment projects between 2015–2025. Thus, maintaining internal security is not only a matter of safety but also critical for economic stability, regional development, and equitable growth across India.

Technological Advancements, Digital Governance, and Federal Coordination

India has made significant strides in digital governance through initiatives like Aadhaar, UPI, and centrally sponsored digital schemes, enhancing transparency, financial inclusion, and service delivery.

- **Aadhaar – A Digital Identity Revolution**

Aadhaar, India's biometric-based digital ID system, has enrolled over 1.4 billion residents, enabling access to various services. It facilitates more than 80 million transactions daily, streamlining welfare distribution and reducing fraud. For instance, Haryana's Direct Benefit Transfer (DBT) schemes have eliminated 36.75 lakh fake beneficiaries, saving over ₹1,182 crore

- **UPI – Transforming Digital Payments**

The Unified Payments Interface (UPI) has become a cornerstone of India's digital economy. In FY 2024-25, UPI processed 18,587 crore transactions, a 114% increase from 92 crore in FY 2017-18. It accounted for 83% of the nation's digital payment volume by the end of 2024, surpassing global platforms like Visa. Notably, UPI's daily transaction limit has been raised to ₹5 lakh for sectors like healthcare and education, facilitating high-value digital transactions.

- **Centrally Sponsored Digital Schemes**

The government has implemented various digital schemes to ensure efficient service delivery. For example, Haryana's DBT initiatives have transferred over ₹1.06 lakh crore through 14.82

crore transactions in FY 2024-25 alone. These schemes have enhanced transparency, reduced leakages, and improved beneficiary targeting. India's digital infrastructure, encompassing Aadhaar, UPI, and centrally sponsored schemes, has significantly improved governance and financial inclusion. These advancements have streamlined service delivery, reduced fraud, and empowered citizens, positioning India as a leader in digital governance.

Globalization, International Relations, and the Role of States

In today's interconnected world, states play a pivotal role in shaping economic and environmental landscapes through foreign investment, diaspora engagement, and climate diplomacy. India's Foreign Direct Investment (FDI) has seen significant growth, attracting $81.04 billion in FY 2024–25, marking a 14% increase from the previous year. The services sector led with 19% of total inflows, followed by computer software and hardware at 16% . Notably, Punjab secured ₹1,000 crore from Happy Forgings Ltd, and Madhya Pradesh's PM MITRA Park attracted ₹20,746 crore, highlighting states' proactive roles in investment attraction . India's diaspora, estimated at 35.42 million, remains a vital economic asset. In FY 2024–25, remittances reached a record $135.46 billion, a 14% increase from the previous year, underscoring the diaspora's significant contribution to India's economy .

India's climate diplomacy emphasizes multilateral cooperation and sustainable development. During its G20 presidency in 2023, India endorsed the New Delhi Climate Agenda, focusing on climate finance and sustainable development. Additionally, Haryana's State Environment Plan targets both CO_2 and short-lived pollutants, aiming to reduce heat stress and enhance food security. States are instrumental in navigating globalization by attracting investments, leveraging diaspora contributions, and leading in climate diplomacy. India's strategic initiatives in these areas demonstrate the critical role of states in shaping a sustainable and prosperous global future.

Contemporary Challenges and Future of Union–State Relations

Between 2020 and 2025, India faced significant challenges in Union–State relations, particularly in pandemic management, agricultural reforms, fiscal disputes, and climate resilience. India's COVID-19 response was marked by a nationwide lockdown in March 2020, followed by phased reopenings. By July 2025, the country had reported over 45 million confirmed cases and approximately 534,000 deaths, making it one of the most affected globally. Despite a high recovery rate, the pandemic highlighted the need for improved healthcare infrastructure and intergovernmental coordination. In September 2020, the Union government enacted three farm laws aimed at deregulating the agricultural sector. These laws faced strong opposition from farmers, leading to widespread protests across states like Punjab, Haryana, and Uttar Pradesh. The protests, which began in August 2020, culminated in the repeal of the laws in December 2021 after over a year of demonstrations.

Fiscal federalism in India has been a contentious issue, with states expressing concerns over the devolution of funds and fiscal autonomy. In 2025–26, West Bengal projected a revenue loss of approximately ₹5,000 crore due to reduced Goods and Services Tax (GST) rates. States like Kerala, Tamil Nadu, Karnataka, and Telangana have protested against perceived inequities in fund allocation and borrowing restrictions, impacting their financial planning. India has witnessed a 269% increase in deaths from extreme weather events over 25 years, from 834 in 2001–02 to 3,080 in 2024–25. This surge underscores the need for enhanced climate resilience. States like Haryana have initiated dual climate action plans targeting both carbon dioxide and short-lived pollutants to mitigate heat stress and ensure food security.

To strengthen Union–State relations, India should focus on improving coordination between the central and state governments in areas like healthcare and disaster management, implementing fiscal reforms that ensure fair fund distribution and greater state financial autonomy, designing farmer-friendly agricultural policies with active state participation to reduce conflicts, and promoting state-led initiatives for climate resilience and sustainable development. Addressing these priorities can help create a more cooperative, efficient, and balanced federal structure.

Economic Perspective on Union–State Relations (2020–2025)

From an economic viewpoint, the challenges in Union–State relations have significant implications for growth and development. Pandemic management required states to allocate substantial resources for healthcare infrastructure, vaccination drives, and social welfare, straining state budgets. Fiscal disputes, particularly over GST devolution and borrowing limits, affected states’ investment capacity and public spending priorities. The farm laws’ controversy disrupted agricultural markets, impacting farmers’ incomes and state rural economies. Climate initiatives demand investment in renewable energy, disaster mitigation, and sustainable agriculture, creating both fiscal pressures and opportunities for green growth. Cooperative federalism is crucial for economic stability and inclusive development. Looking ahead, strengthening Union–State economic coordination is vital for sustainable growth. Equitable fiscal federalism ensures states have sufficient resources to fund health, education, infrastructure, and social welfare programs, boosting overall economic resilience. For example, states like Tamil Nadu and Maharashtra, with strong fiscal autonomy, were able to maintain higher public investment during the pandemic, supporting employment and consumption. Agricultural reforms must balance market liberalization with income security for farmers. Cooperative policy frameworks can stabilize rural economies, enhance productivity, and attract private investment. The repeal of contentious farm laws highlights the economic cost of policy disputes: prolonged protests in Punjab and Haryana disrupted supply chains and reduced GDP contribution from agriculture by an estimated 0.5% in 2021–22.

Climate-related expenditures are increasingly significant for state budgets. Investments in renewable energy, water management, and disaster preparedness not only mitigate losses from extreme weather but also create green jobs and stimulate local economies. States engaging in proactive climate diplomacy can attract international funding and technology transfers, enhancing economic competitiveness. Overall, economic stability and growth depend on collaborative Union–State relations, transparent fiscal mechanisms, and policy alignment in key sectors like healthcare, agriculture, and climate resilience. Efficient coordination can reduce fiscal inefficiencies, promote sustainable development, and ensure equitable regional economic growth.

Rajamannar Committee on Centre–State Relations in Tamil Nadu

The Rajamannar Committee was a state-level inquiry set up by the Tamil Nadu government in 1969 to study Centre–State relations and recommend steps to strengthen state autonomy. It was chaired by Dr. P. V. Rajamannar and was a three-member panel tasked with examining constitutional provisions that, in the committee's view, had produced strong centralising tendencies. The committee completed its work and submitted its report in 1971. It argued that although India's Constitution is federal in form, many practices had made it increasingly unitary, reducing the freedom of states in legislative, executive and administrative matters. The report recommended wide measures to restore "maximum autonomy" to states while safeguarding national unity. On 16 April 1974 the Tamil Nadu Legislative Assembly formally adopted a State Autonomy resolution based on the Rajamannar report, asking the Union government to accept the committee's views and pursue constitutional changes to increase state powers. The Assembly record and the published resolution (16 April 1974) document this action.

Despite the report and the 1974 resolution, the committee's major recommendations were not implemented by the Centre; scholars and commentators note the Centre largely ignored the proposals, and the report became an important political statement used by Tamil Nadu to press for federal reform rather than a blueprint that produced immediate legal change. Today the Rajamannar report is often cited when Tamil Nadu and other states push for greater fiscal and political devolution. The Rajamannar Committee became an important milestone in Tamil Nadu's demand for stronger federalism. It highlighted that the Constitution gave the Union government wide powers, especially through Articles like 356 (President's Rule), the role of Governors, and control over planning and finance. The committee pointed out that between 1950 and 1970, President's Rule was imposed more than 35 times across India, often for political reasons. This showed how central power could weaken elected state governments.

On the financial side, the committee stressed that states depended heavily on central transfers. For example, in the 1960s, around 60–65% of state revenues in Tamil Nadu came from central grants and shared taxes, which reduced fiscal independence. It recommended that states should get a larger share of income tax, excise, and customs duties, and that the Planning Commission (then a central body) should be replaced with a statutory federal body giving equal voice to states. Politically, the report became a tool for the Dravidian movement in Tamil Nadu to argue for state rights. Even though the Union did not accept the recommendations, the report influenced later debates on cooperative federalism, the Sarkaria Commission (1983), and the Punchhi Commission (2007). It remains a reference point in India's Centre–State relations.

Punchhi Commission (2007) on Central and State Relations – Tamil Nadu

The Punchhi Commission on Centre–State Relations was set up in 2007 under Justice Madan Mohan Punchhi to review how India's federal structure was functioning. Its report, submitted in 2010, came after growing debates on fiscal transfers, internal security, and state autonomy. Tamil Nadu, being a state with strong regional parties and a history of demanding greater powers for states, had a special interest in the recommendations. The Commission emphasized balanced federalism, unlike the Sarkaria Commission which mainly focused on cooperation. It suggested that states like Tamil Nadu should get more say in subjects related to economy, police reforms, and disaster management. For example, it recommended that the Centre should not misuse Article 356 (President's Rule), and that governors must act fairly without being seen as representatives of the Union government. Tamil Nadu, which experienced President's Rule six times between 1961 and 1991, welcomed this suggestion. On financial matters, the Commission noted that while the 14th Finance Commission later raised the states' share in central taxes to 42% (from 32%), richer states like Tamil Nadu argued that they were losing out because of population-based formulae. Tamil Nadu, contributing nearly 8.5% of India's GDP (2019–20), often highlighted that it received proportionally less in central transfers compared to poorer states.

The Punchhi Commission supported fairer devolution and more fiscal freedom to states. It also recommended the creation of an Inter-State Trade and Commerce Commission, which was relevant for Tamil Nadu as a hub of automobile exports and IT services. The Commission further stressed that subjects in the Concurrent List, like education and health, should give more operational freedom to states. In short, the Punchhi Commission echoed Tamil Nadu's long-standing demand for greater autonomy in administration and finance, while still preserving national unity. Its ideas remain important in today's debates on GST sharing, centrally sponsored schemes, and governor–state disputes.

Punchhi Commission (2007) – Tamil Nadu's Concerns

For Tamil Nadu, the Punchhi Commission's recommendations were very important because the state has always asked for more powers and fair financial treatment from the Centre. Tamil Nadu argued that its high contribution to the national economy was not matched by the funds it received. For example, the state contributed around 8–9% of India's GDP, but its share in central transfers was much lower.

The Commission agreed that states should get more fiscal autonomy and that central funds must be distributed more fairly. Another key issue for Tamil Nadu was the role of the Governor. There have been frequent conflicts between the state government and the Governor's office, especially on policy matters. The Commission recommended that Governors should act as neutral constitutional heads and not interfere in day-to-day politics. Tamil Nadu also supported the Commission's view that Article 356 should not be misused. Since Tamil Nadu had faced President's Rule multiple times in the past, this recommendation was seen as a safeguard for state autonomy.

In education, health, and trade, the Commission's call for more state powers matched Tamil Nadu's demand to design its own policies without over-dependence on New Delhi. Overall, the Punchhi Commission echoed many of Tamil Nadu's long-standing concerns on federal balance. The details of the Tamil Nadu's Concerns: Rajamannar Committee vs. Punchhi Commission are presented in table – 20.

Table – 20

Tamil Nadu's Concerns: Rajamannar Committee vs. Punchhi Commission

S.No.	Aspect	Rajamannar Committee (1969) – Tamil Nadu's Initiative	Punchhi Commission (2007) – National Level
1.	**Background**	Appointed by DMK Govt. in Tamil Nadu (led by C.N. Annadurai & M. Karunanidhi)	Appointed by Union Govt. under UPA (headed by Justice M.M. Punchhi)
2.	**Main Focus**	Stronger State Autonomy, review of Centre's powers	Balanced Federalism, reforming Centre–State relations
3.	**Governor's Role**	Recommended abolition of Governor's post (seen as Union's agent)	Recommended limiting Governor's powers; Governor must act as neutral head
4.	**Article 356 (President's Rule)**	Suggested major restrictions on its use	Recommended it should be used only as a last resort, with safeguards
5.	**Financial Relations**	Demanded greater share of central taxes & state control over finances	Supported more fiscal autonomy for states; later linked with 42% share via Finance Commission
6.	**Concurrent List**	Wanted subjects like education, health, and law & order moved fully to states	Recommended more operational freedom for states within Concurrent List
7.	**Inter-State Issues**	Not a major focus	Suggested Inter-State Trade and Commerce Commission (helpful for Tamil Nadu's export economy)
8.	**Tamil Nadu's Position**	Reflected direct demands of state govt. for autonomy	Reflected many of the same concerns, but in a national framework

Source: Yogesh, G. (2021). *Fiscal Federalism and Union–State Relations in India*. New Delhi: Academic Press.

The Rajamannar Committee (1969) and Punchhi Commission (2007) together highlight the continuity of Tamil Nadu's federal demands. The Rajamannar Committee, born out of Tamil Nadu's political movement for greater state autonomy, was bold in asking for sweeping changes like abolishing the Governor's post and transferring more subjects to the state list. Nearly four decades later, the Punchhi Commission, though a national initiative, indirectly echoed many of these demands in a more balanced form. For Tamil Nadu, issues such as Governor–state conflicts, misuse of Article 356, unfair fiscal transfers, and over-centralization in education and health remained central. The Punchhi Commission did not go as far as the Rajamannar Committee, but its recommendations on fiscal autonomy, Governor neutrality, and federal balance validated Tamil Nadu's position. Together, they shaped the state's consistent argument that genuine cooperative federalism in India must respect state rights while preserving unity. The details of the Timeline of Tamil Nadu's Federal Demands (1969–2020) are presented in table – 21.

Table - 21

Timeline of Tamil Nadu's Federal Demands (1969–2020)

S.No.	Year / Period	Development	Tamil Nadu's Federal Concern
1.	**1969**	**Rajamannar Committee** set up by DMK Govt.	Demanded greater state autonomy, abolition of Governor's post, restrictions on Article 356, and higher financial powers.
2.	**1971–1991**	Tamil Nadu placed under **President's Rule six times**	Strengthened demand to limit misuse of Article 356 and ensure state governments are not dismissed for political reasons.
3.	**1991–2000**	Liberalization & fiscal reforms	Tamil Nadu argued that it contributed heavily to GDP but got less in central transfers.
4.	**2007**	**Punchhi Commission** established	Recommended Governor neutrality, fair fiscal devolution, limits on Article 356, and operational freedom in Concurrent List subjects.
5.	**2010**	Punchhi Commission report submitted	Tamil Nadu supported suggestions but wanted stronger measures on fiscal justice.
6.	**2015**	**14th Finance Commission** increased states' share in central taxes to **42%**	Tamil Nadu argued that population-based formula reduced its share despite contributing ~8.5% of GDP.
7.	**2017**	**GST rollout**	Tamil Nadu feared loss of fiscal independence; demanded compensation for revenue shortfall.
8.	**2020**	Ongoing disputes with Governor and Centre over NEET, language policy, and fund allocation	Reinforced demand for more state say in education, health, and finance.

Source: 1). Rajamannar Committee Report (1969), Punchhi Commission Report (2010), and Finance Commission Reports.
2). Drishti IAS – "Tamil Nadu Forms Committee to Review Centre-State Relation", https://www.drishtiias.com/daily-updates/daily-news-analysis/tamil-nadu-forms-committee-to-review-centre-state-relation.

Justice Venkatachaliah Commission on Union–State Relations

The Justice Venkatachaliah Commission was set up in 2000 by the Government of India as the National Commission to Review the Working of the Constitution (NCRWC)**.** Its main task was to examine how the Constitution had worked since 1950 and to suggest reforms to strengthen democracy, including the balance of power between the Union and the States. One of its key concerns was Union–State relations. The Commission observed that while India is a federal system, the Constitution gives the Union stronger powers, especially in emergencies, financial matters, and the appointment of Governors. States often argued that this tilted balance affected their autonomy. The Commission made several recommendations:

- **Governor's Role**: Governors should act impartially, be appointed through consultation with the Chief Minister, and not be used for political purposes.
- **Article 356 (President's Rule)**: Its misuse should be checked. Between **1951 and 1998, Article 356 was imposed 93 times**, often for political reasons. The Commission said it must be used only in rare cases of constitutional breakdown.
- **Inter-State Council**: Strengthen it as a permanent forum for dialogue between Union and States.
- **Finance**: States should get a fairer share of financial resources. At that time, the **share of States in central taxes was 29.5% (10th Finance Commission, 1995)**, which many states considered inadequate.
- **Decentralization**: More powers should be devolved to Panchayati Raj institutions to make federalism stronger at the grassroots.

Overall, the Venkatachaliah Commission tried to balance national unity with state autonomy**.** It emphasized cooperative federalism rather than conflict, recommending dialogue, fairer financial distribution, and limited use of central powers. Its suggestions remain relevant today, as disputes over GST, fiscal transfers, and federal decision-making continue to shape Indian politics. The details of the Key Data on Union–State Relations are presented in table – 21.

Table - 21

Key Data on Union–State Relations

S.No.	Aspect	Situation / Data (Before Commission)	Venkatachaliah Commission Recommendation
1.	**Article 356 (President's Rule)**	Used **93 times between 1951–1998**, often politically	Use only in rare cases of constitutional breakdown
2.	**Governor's Appointment**	Done solely by Union Government	Appointment after consulting Chief Minister; act impartially
3.	**States' Share in Central Taxes**	**29.5% (10th Finance Commission, 1995)**	Increase share for better fiscal autonomy
4.	**Inter-State Council**	Existed but weak in practice	Make it a permanent, effective forum for Centre–State dialogue
5.	**Decentralization**	Limited role for Panchayati Raj	Strengthen grassroots governance through devolution of powers

Source: Compiled from Venkatachaliah Commission (NCRWC) recommendations on Union–State relations.

Table - 22

Timeline of Union–State Relations (1950–2000)

S.No.	Year / Period	Development	Federal Concern
1.	**1950**	Constitution of India came into force	Strong Union powers in emergency, finance, and Governor’s role raised debate on state autonomy
2.	**1956**	States Reorganisation Act	Linguistic reorganization of states improved representation, but Centre retained control over resources
3.	**1969–1970**	**Rajamannar Committee (Tamil Nadu)** set up	Demanded greater autonomy, abolition of Governor’s office, limits on Article 356
4.	**1971–1991**	Article 356 (President’s Rule) used repeatedly	Misuse for political purposes—Tamil Nadu, Kerala, Punjab, and others faced frequent dismissals
5.	**1983**	**Sarkaria Commission** set up	Suggested reforms for better Centre–State cooperation, recommended consultation on Governor appointments
6.	**1991**	Economic liberalization	States demanded larger financial autonomy to attract investment and manage development
7.	**1995**	10th Finance Commission fixed states’ share in central taxes at **29.5%**	States demanded higher share to meet welfare and development needs
8.	**2000**	**Venkatachaliah Commission (NCRWC)** established	Tasked to review the Constitution, including Centre–State balance and strengthening federalism

Source: Compiled from official reports on Union–State relations (Rajamannar Committee, Sarkaria Commission, Finance Commissions, and NCRWC).

This timeline shows how frequent use of Article 356, financial centralization, and Governor’s role pushed India to set up multiple commissions, culminating in the Justice Venkatachaliah Commission (2000). The Justice Venkatachaliah Commission proposed reforms to enhance democracy, focusing especially on Union–State relations. It observed that India’s federal system often gave the Union more power, leaving states financially dependent and politically limited. The Commission highlighted the frequent misuse of Article 356, which was invoked 93 times between 1951 and 1998, and the politically influenced role of Governors as major concerns. To address these issues, it recommended restricting Article 356 to exceptional constitutional crises and ensuring that Governors are appointed impartially, in consultation with the respective Chief Ministers.

From an economic perspective, the Commission emphasized fairer distribution of central taxes, noting that states' share was only 29.5% according to the 10th Finance Commission (1995), to strengthen fiscal autonomy. It also suggested reinforcing the Inter-State Council for better policy coordination and empowering Panchayati Raj institutions to promote decentralized governance. These measures aim to improve economic planning, resource allocation, and grassroots development, fostering cooperative federalism and more balanced growth among states. The Justice Venkatachaliah Commission suggested reforms to make India's democracy stronger, especially in Union–State relations. It noted that the federal system often gave more power to the Union, leaving states financially dependent and politically weak. The Commission pointed out the misuse of Article 356, used 93 times between 1951 and 1998, and the politically influenced role of Governors as major problems. It recommended using Article 356 only in rare constitutional crises and appointing Governors fairly, after consulting Chief Ministers. Economically, it suggested a fairer share of central taxes, since states received only 29.5% (10th Finance Commission, 1995), to give them more financial freedom. It also advised strengthening the Inter-State Council and empowering Panchayati Raj institutions for better local governance. These steps aim to promote cooperative federalism, improve economic planning, and support balanced growth across states.

Strengthening Federalism: India's Union–State Relations (1950–2000)

From 1950 to 2000, India's Union–State relations evolved through constitutional developments, commissions, and fiscal reforms, highlighting the ongoing tension between central authority and state autonomy. When the Constitution of India came into effect in 1950, strong Union powers in emergencies, finances, and the Governor's role raised concerns about the autonomy of states. The States Reorganisation Act of 1956 addressed linguistic representation but maintained Centre control over resources. In Tamil Nadu, the Rajamannar Committee (1969–1970) demanded greater state autonomy, abolition of the Governor's office, and restrictions on Article 356 (President's Rule), which was later used 93 times between 1951–1998, often for political purposes. Frequent use of Article 356 in states like Tamil Nadu, Kerala, and Punjab created federal concerns. To improve coordination, the Sarkaria Commission (1983) recommended consultation with states in appointing Governors and better Centre–State cooperation.

Economic liberalization in 1991 led states to seek greater fiscal autonomy, while the 10th Finance Commission (1995) fixed the states' share in central taxes at 29.5%, which states considered insufficient for development and welfare. Other areas of concern included the weak Inter-State Council and limited Panchayati Raj powers, which constrained effective governance. The Venkatachaliah Commission (2000) reviewed these issues and recommended reforms: Article 356 should be used only in rare constitutional crises; Governors should be appointed impartially after consulting Chief Ministers; states' share in central taxes should increase; the Inter-State Council should be a permanent and effective forum; and grassroots governance should be strengthened through devolution of powers. These recommendations aimed to strengthen cooperative federalism, balance power between the Centre and the States, and enhance fiscal and administrative autonomy, ensuring a more effective and democratic federal structure.

Overall Committees and Commissions on Union–State Relations in India: Economic Perspective

India's federal structure has been shaped through multiple commissions, each addressing the balance of fiscal power and resource sharing between the Union and States. Key among these are the Sarkaria Commission (1983–1988), the Venkatachaliah Commission (2000), and the Finance Commissions.

❖ **Sarkaria Commission (1983–1988)**

Set up to recommend reforms for better Centre–State fiscal cooperation, the Sarkaria Commission emphasized that India's fiscal federalism was tilted in favor of the Union. It highlighted that the States' share in central taxes was only about 29.5% (per the 10th Finance Commission, 1995), which was inadequate for development needs. The Commission recommended strengthening the Finance Commission and ensuring prior consultation with states on tax legislation, especially on subjects in the Concurrent List like education and forests. It also urged the creation of permanent dialogue platforms, such as the Inter-State Council, to resolve fiscal disputes and coordinate resource sharing. Despite these recommendations, the dependence of states on central grants remained high, with federal transfers constituting over 40% of state revenues in the early 1990s.

❖ **Venkatachaliah Commission (2000)**

Tasked with reviewing constitutional functioning, it observed that the over-centralization of fiscal powers had limited states' autonomy. It noted that between 1950–1998, the frequency of misuse of Article 356 (President's Rule), often for political reasons, undermined fiscal and political stability. The Commission recommended that Article 356 be used only in exceptional cases, and that states' share of central taxes be increased to promote fiscal decentralization. It also stressed that the Finance Commission should have a stronger role in recommending equitable tax devolution, aligning with the fact that states' fiscal share had modestly increased to ~32–33% post-1995 reforms. These reforms aimed to empower states financially, enabling them to better plan and execute development projects.

- **Finance Commissions**

An independent constitutional body, the Finance Commission (set up every five years under Article 280), has consistently recommended increasing states' share in central revenues. The 15th Finance Commission (2021–26) suggested that 41% of divisible taxes be transferred to states, reflecting a gradual move towards fiscal federalism. For example, Uttar Pradesh received 17.94% of the total shared tax, while Bihar received 10.06% (2021–26 data). The Commission also recommended larger grants for local bodies, recognizing the importance of decentralized fiscal planning. In short, these institutional reforms and recommendations have collectively contributed to a slow but steady increase in fiscal autonomy for Indian states. From dependence on central grants exceeding 40% in the early 1990s, states now mobilize a larger share of their resources (over 42% of revenue from own taxes as of 2020–21). Nonetheless, disparities persist, with wealthier states like Maharashtra and Gujarat capitalizing more on liberalized markets, while poorer states, such as Odisha and Bihar, still depend heavily on central transfers, underscoring the ongoing need for balanced fiscal federalism.

Conclusion

The relationship between the Union and the States in India has always been complex and changing. From the time of independence in 1947, India has tried to balance national unity with the diverse needs of its many states. Initially, the central government held most of the power, which often limited the autonomy of states. Over time, many reforms, such as linguistic reorganization and constitutional amendments, have helped give states more voice and control. Institutions like the Finance Commission, Inter-State Council, and courts have worked to promote cooperation and resolve disputes. However, there have been challenges. During the Emergency (1975–77), the central government misused its powers to dismiss opposition-led states, weakening federalism. Later, commissions like Sarkaria and Venkatachaliah recommended better dialogue, fairer sharing of resources, and limits on the central government's overreach. The growth of regional parties and coalition governments from the 1990s onward also shifted power more towards the states, encouraging a more cooperative federal system.

Recent reforms like the GST and NITI Aayog have further improved cooperation between the Centre and states. Still, issues like fiscal dependence, disputes over resources, and political conflicts remain. Today, India's federalism is flexible and adaptive, responding to changing political, economic, and social needs. It is important for the future that the Union and States work together with trust and respect. This will help India stay united in its diversity, promote development, and strengthen democracy. Overall, India's federal system continues to evolve, aiming for a balance where both the Centre and the States can work effectively for the good of the country.

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