FEDERALISM AND UNION–STATE RELATIONS IN INDIA (1947–2025): NAVIGATING CENTRALIZATION, AUTONOMY, AND COOPERATION – AN EMPIRICAL ASSESSMENT

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This comprehensive review traces the evolution of Union–State relations in India from independence to 2025, highlighting the complex interplay between federal authority and regional autonomy. It examines key themes such as fiscal federalism, institutional mechanisms, political dynamics, delimitation, constitutional amendments, and resource sharing, emphasizing the shift from central dominance to a collaborative-cooperative federal model. The analysis underscores the impact of major reforms like the GST, Finance Commissions, and judicial rulings (e.g., Bommai judgment) in shaping fiscal and political balances. The article examines the roles of Presidents and Governors, resource management, and socio-economic development, highlighting reforms for stronger federal harmony. It shows that India's federalism is dynamic, requiring balance, fiscal independence, and good governance for inclusive growth.

The article aims to study how India's federal relations with states have changed from independence to 2025, focusing on the balance between central power and state autonomy. It explores political, economic, and administrative factors using data and secondary sources. The article uses descriptive and analytical methods, relying on secondary sources, historical documents, and statistical data to study India's Union–State relations from 1947 to 2025. It combines quantitative and qualitative analysis to understand political, fiscal, and administrative dynamics and their impact on federalism. India's Union–State relations from 1947 to 2025 show a balance between central power and state autonomy, shaped by constitutional provisions, fiscal mechanisms, and political dynamics. Despite challenges like fiscal gaps and political disputes, reforms and cooperation remain key to a strong, inclusive federal system. The research focuses on immediate and swiftly shifting challenges that are growing in importance in today's globally connected environment, underlining their relevance in the contemporary world.

Keywords: Fiscal Federalism, Cooperative Federalism, Federal Harmony, Constitutional Amendments, Resource Sharing, Decentralization and State Autonomy.

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The theme of the article

Since independence, India has navigated a dynamic federal bargain: a constitutionally strong Centre tasked with national unity while states exercise substantial autonomy over local matters. The fiscal balance shifted notably after the Fourteenth Finance Commission (2015), which raised states' share in net Union tax devolution to 42%, a structural change that increased states' resources but left vertical and horizontal imbalances unresolved. The rollout of the Goods and Services Tax (GST) in July 2017 transformed fiscal relations by subsuming many state taxes into a shared base and creating the GST Council as a cooperative forum; yet compensation disputes, delayed cess receipts and transitional shortfalls have generated recurrent Centre–state friction. Political tensions have periodically reshaped federal practice: the frequent imposition of Article 356 (President's Rule) in the early decades, used over a hundred times, led to Supreme Court constraints in S.R. Bommai (1994), which curtailed misuse and strengthened federal safeguards. Institutional mechanisms for coordination, the Inter-State Council, Finance Commissions and the GST Council, have expanded consultation, but debates persist over centralisation (policy directives, nominee schemes), fiscal federalism, and recent proposals such as delimitation and "one nation, one election" that states view as politically consequential.

By 2025 the relationship is best described as competitive-cooperative: enhanced resource transfers and consultative bodies coexist with political contestation over authority and allocation. Empirical evidence shows stronger formal devolution since 2015, yet recurring disputes over GST, grants, and administrative interventions demonstrate that India's federal equilibrium remains contested and evolving. Looking ahead, Union–State relations will likely remain shaped by fiscal negotiations, political alignments, and regional demands. States contribute nearly 60% of public expenditure in India, especially in sectors like health and education, underscoring their central role in welfare delivery. Yet, dependence on central transfers and cesses continues to restrict true fiscal autonomy. The rise of coalition politics at the national level has at times strengthened cooperative federalism, while single-party dominance has tended toward centralisation.

The post-2020 pandemic period further tested Union–State relations, as states demanded greater fiscal space and timely GST compensation to manage health expenditures and economic recovery. Data from the Reserve Bank of India indicates that state governments accounted for nearly two-thirds of capital spending in 2021–22, highlighting their critical role in growth revival. At the same time, central schemes such as PM-GKAY and Ayushman Bharat required close state cooperation, reflecting interdependence. The emerging federal pattern shows that India’s unity depends on sustaining a balance where states have adequate autonomy in welfare delivery while aligning with national goals of growth and stability. Thus, between 1947 and 2025, India’s federalism has oscillated between conflict and cooperation, reflecting its diverse society and balancing unity with regional autonomy.

Statement of the problem

The evolving nature of Union–State relations in India from 1947 to 2025 presents a complex interplay of federal principles, constitutional provisions, and political realities that shape governance, fiscal arrangements, and socio-economic development. Despite the constitutional framework emphasizing a federal structure, practical practice has seen a gradual shift towards centralization, driven by mechanisms such as fiscal transfers, legislative amendments, and administrative interventions. This creeping centralization has often constrained the autonomy of states, leading to tensions over resource distribution, fiscal independence, and policy implementation, especially highlighted by reforms like GST and the reliance on centrally sponsored schemes.

Concurrently, the political landscape, marked by regional parties, coalition politics, and debates over linguistic, demographic, and territorial issues, has further complicated the federal balance. Institutional mechanisms such as Finance Commissions, the GST Council, and judicial rulings (notably the Bommai judgment) attempt to mediate these tensions, but challenges persist in ensuring equitable resource sharing, fiscal sustainability, and administrative effectiveness. The intensification of disputes over delimitation, maritime rights, and the role of Governors underscores ongoing contestations over authority and representation. Moreover, socio-economic disparities, regional inequalities, and the need for inclusive development reinforce the importance of strengthening state autonomy in welfare, employment, and empowerment initiatives. As India navigates post-pandemic recovery, demographic shifts, and aspirations for greater regional self-governance, the core challenge remains balancing the imperative of national unity with the diverse aspirations of its states. The overall problem lies in managing this delicate federal equilibrium, ensuring effective governance, fiscal fairness, and regional empowerment, while safeguarding constitutional principles amidst an increasingly centralized political and economic environment. The study explores pressing and rapidly evolving issues that are becoming ever more critical in our interconnected world, highlighting their significance in the current global context.

Objective of the article

The overall objective of the article is to analyze the evolving nature of India’s federal relations with states from independence to 2025, highlighting the balance between central authority and regional autonomy. It examines key dimensions such as fiscal federalism, constitutional amendments, political dynamics, administrative relations, and socio-economic development, emphasizing how these factors shape cooperative and contested federalism. The article aims to provide a comprehensive understanding of the mechanisms, challenges, and reforms influencing Union–State interactions in India's complex federal structure 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 employs a descriptive and analytical research methodology to examine the evolving nature of Union–State relations in India from 1947 to 2025. The study primarily relies on secondary sources of information, including government reports, academic publications, policy documents, research papers, and statistical data from national agencies such as the Ministry of Finance, Finance Commissions, Reserve Bank of India, and the Planning Commission. Historical documents, such as constitutional provisions, legislative acts, and archival records, are analyzed to trace the evolution of federal relations and to understand the legal and institutional frameworks that define the balance of power between the Centre and the States. The research further incorporates quantitative and qualitative analysis. Quantitative data, such as state-wise fiscal allocations, revenue-sharing statistics, poverty indices, and socio-economic indicators, are employed to evaluate the practical implications of fiscal federalism and policy interventions. This data allows the study to highlight disparities in resource distribution and development outcomes across states. Qualitative analysis focuses on political dynamics, administrative interactions, and cooperative versus contested federalism, drawing insights from scholarly interpretations, policy analyses, and case studies of specific state–Centre disputes or collaborative initiatives.

The methodology also emphasizes a temporal approach, tracing key developments across distinct phases of India's federal history: the initial post-independence period, the era of central dominance, the rise of regional parties and coalition politics, and contemporary reforms influencing Union–State relations up to 2025. Comparative analysis across these phases enables the identification of patterns, challenges, and reforms that have shaped the current federal structure. By combining secondary data analysis, statistical evaluation, and historical-analytical perspectives, the article provides a comprehensive understanding of the mechanisms, challenges, and evolving nature of Union–State interactions, highlighting both achievements and areas requiring reform to enhance cooperative federalism and state autonomy in India's complex governance landscape. The gathered data and information will be systematically examined and interpreted to produce actionable insights, supporting the development of well-informed, evidence-based policies.

Union–State Relations in India (1947–2025): Federalism & Subsidiarity

India's Constitution creates a "union of states" with a strong Centre but entrenched state spheres (Lists II & III). Over time, practice has moved from central dominance to cooperative federalism with elements of Subsidiarity, tasks handled at the lowest competent tier (Panchayats/municipalities → states → Union). The 73rd and 74th Constitutional Amendments (in force April 24 and June 1, 1993) Constitutionalized rural and urban local bodies, operationalising subsidiarity for local public goods and planning. Fiscal federalism reflects this balance. The 14th Finance Commission lifted states' share of the divisible tax pool to 42% (from 32%), expanding state autonomy; the 15th Finance Commission set 41% after carving out the new UTs of J&K and Ladakh (effective 2020–26). States also execute the bulk of public spending, around 60% of total government expenditure, underscoring why resources must follow responsibilities.

Intergovernmental institutions further embed cooperative federalism. NITI Aayog (replacing the Planning Commission on January 1, 2015) acts as a platform for Centre–State policy coordination. The GST Council shares tax powers: when voting, the Union has one-third weight and all states together two-thirds, with three-fourths weighted majority required, an architecture that compels consensus. Judicially, federalism is part of the basic structure (Kesavananda), and S.R. Bommai (1994) curbed misuse of Article 356 by making presidential proclamations justiciable and floor-test focused, strengthening elected state governments.

From 2014 onwards, the language of "Team India" and cooperative federalism has gained salience, but tensions remain, particularly over fiscal space, special category status demands, and centrally sponsored schemes that constrain state autonomy. Empirical evidence from the Reserve Bank of India (2023) shows that states' outstanding debt rose to 29.5% of GSDP, often tied to conditional Union transfers. Meanwhile, Panchayats and Urban Local Bodies still rely on higher tiers for over 70% of their finances, limiting full subsidiarity. Thus, India's federal journey reflects both decentralising impulses and continuing central predominance, making subsidiarity an aspirational but unevenly realised principle. Contemporary debates, on future Finance Commission shares and representation (post-2026 delimitation), show the system's dynamism, but the core trajectory since 1947 is clear: incremental devolution of functions and funds, institutionalised bargaining (GST Council/NITI), and judicial safeguards, aligning federal practice with the subsidiarity principle.

Union–State Relations in India (1947–2025): Creeping centralization since 1950

From 1950 India's Constitution established a quasi-federal design: separate lists, a Finance Commission, and institutional checks to protect state autonomy. Over seven decades, however, the balance has shifted toward the Centre through multiple, cumulative mechanisms — not a single abrupt change but a steady "creeping" centralization. Key vectors are administrative instruments (Article 356), fiscal control (tax design and conditional grants), institutional redesign (planning and advisory bodies), and statutory/legislative reach (centrally sponsored schemes and laws with pan-India effect). Administratively, use of President's Rule and central interventions has punctured state autonomy: Article 356 has been invoked over 130 times since 1950, demonstrating a tool that can override elected state governments in specific circumstances. Fiscal centralization is the most consequential trend. The Centre's role in indirect taxation grew especially after the 2017 GST reform, which subsumed many state indirect taxes into a harmonised national regime , increasing central coordination of revenues and reducing states' independent tax instruments. At the same time, patterns of tax devolution and conditional grants have fluctuated: the Centre's recommended devolution to states fell from a 42% share (2015–20) to 41% for 2020–21, while centrally sponsored scheme conditionalities and tied grants remain large parts of state receipts. These shifts reduce fiscal discretion at the state level and increase dependence on central policy priorities.

Institutionally, the replacement of the Planning Commission by NITI Aayog (2015) shifted planning from an entitlement model to a more advisory, Centre-led reform architecture — altering how national priorities are set and implemented.

By 2025 the cumulative effect is clear: while cooperative federal mechanisms (GST Council, Finance Commission) exist, everyday policymaking increasingly reflects central priorities through revenue design, conditional grants, legal interventions, and institutional influence, producing a gradual but measurable centralizing tilt in India's federal balance. In short, this creeping centralization has significant implications for governance and federal harmony. States have often voiced concerns about declining fiscal space, with southern states like Tamil Nadu and Kerala highlighting a mismatch between their revenue contributions and devolved shares. The 15th Finance Commission's recommendation of 41% devolution, coupled with increased cess and surcharge collections (which do not enter the divisible pool and now account for over 20% of central tax revenue), has further constrained state autonomy. While centralization has enabled national cohesion and uniformity in policies, it risks undermining cooperative federalism and state-driven innovations crucial for India's diverse socio-economic landscape.

Union–State Relations in India (1947–2025): Delimitation of Constituencies & Elections

Delimitation, the redrawing of parliamentary and assembly boundaries after each census, directly shapes political representation and is central to Union–State relations because it reallocates electoral weight between states. Constitutionally, Parliament enacts a Delimitation Act under Article 82 and the Election Commission oversees implementation; delimitation orders are binding and not justiciable. Historically there have been four national delimitation exercises (1952, 1963, 1973 and the one constituted in 2002), with the 1973/1976 freeze on apportionment intended to neutralize differences in family-planning performance between states. The most recent major re-mapping of constituency boundaries was implemented in 2008 on the basis of the 2001 census. A key institutional constraint is the constitutional freeze on changing the number of seats allocated to each state (extended by the 84th Amendment in 2002), which prevents reapportionment till after the first census conducted post-2026

India’s Lok Sabha remains fixed at 543 elected seats, each constituency’s boundaries now aim for population parity, but state-wise seat shares may be altered only after 2026, so political power between faster-growing (largely northern) and slower-growing (largely southern) states is at stake., a move with profound federal implications because population growth is uneven across regions. Since 2024–25 political debate has intensified: southern states (Tamil Nadu, Karnataka, Kerala, Andhra Pradesh, Telangana) express alarm that a post-2026 reapportionment based strictly on population would shrink their representation, while proponents argue reapportionment would make representation demographically fairer. This tension highlights how delimitation is not a mere technical exercise but a flashpoint in centre–state politics, affecting resource flows, federal bargaining and electoral strategy. In short, looking ahead, the 2026 delimitation is expected to reshape India’s federal balance significantly. Projections suggest that northern states like Uttar Pradesh and Bihar could gain more seats due to their higher population growth, while southern states may see their relative weight reduced despite better governance and human development indicators. This has raised concerns about a “punishment for performance” paradox, where states that succeeded in controlling population growth lose political influence. Thus, delimitation remains not only an electoral mechanism but also a contested arena of Union–State relations, intertwining questions of representation, equity, and federal justice in India’s democracy.

Union–State Relations in India (1947–2025): The Role of the President and Governors under the Federal Structure

Union–State relations under the Constitution balance a strong Centre with significant State autonomy; the President and Governors are pivotal constitutional actors who both protect unity and, at times controversially, enable central oversight. The Constitution vests the executive power of a State in its Governor (Articles 153–154) and makes the Governor a presidential appointee (Article 155) acting “in accordance with the Constitution.” The President is the Union executive (Article 53) and may assume control of a State under Article 356 when “constitutional machinery” breaks down. In practice these provisions have had major political impact. Article 356 (President’s Rule) has been invoked more than 100 times across states since 1950 — a pattern that scholars and commentators link to political conflict as well as administrative crisis. Studies show 81 invocations pre-S.R. Bommai (1994), 16 during review, and 26 post-Bommai, indicating the Supreme Court’s moderating effect. The Bommai judgment (decided 11 March 1994) constrained arbitrary dismissals by holding proclamations justiciable and demanding parliamentary approval and objective grounds for proclamation.

Governors act as constitutional sentinels (reservations of bills, assent, ordinance promulgation, discretionary duties such as recommending President's Rule) but the office is also politicized because the President (i.e., the Central government) appoints them. This dual role creates tension: while Governors safeguard constitutional order, their discretionary interventions (government formation, dissolution, or sending reports under Article 356) have at times been criticized for precipitating central intervention and "creeping centralization." The Bommai ruling, subsequent Supreme Court pronouncements and parliamentary scrutiny have reduced, though not eliminated, misuse.

Over time, the President and Governors' roles have undergone both institutional refinement and political contestation. The framers envisioned them as neutral umpires of the federal structure, but post-Independence practice revealed partisan use. For instance, in the late 1970s and 1980s, President's Rule was disproportionately applied to States ruled by parties other than the Centre. Data from the Lok Sabha Secretariat indicate that between 1951 and 1990, over 63% of Article 356 proclamations occurred in States governed by opposition parties. This reinforced fears that Governors, appointed by the Centre, were acting less as impartial heads and more as political agents. Reforms such as the Sarkaria Commission (1988) and the Punchhi Commission (2010) recommended transparent Governor appointments, objective criteria for dismissing State governments, and limiting discretionary powers. While implementation has been partial, judicial oversight, especially the Bommai judgment, has created accountability. Post-1994, the frequency of Article 356 declined sharply, with its use largely confined to genuine breakdowns of law and order, such as Jammu and Kashmir (2018–2019). In short, the President and Governors are constitutionally essential to federal stability, their powers are legal safeguards, but empirical experience (100+ invocations of Article 356 and landmark judicial correction in 1994) shows those powers must be continuously checked to preserve the federal balance. Thus, the President and Governors embody the tension between federal ideals and central supremacy. Their constitutional role remains indispensable, but empirical evidence shows that strong judicial checks and reforms are essential to balance India's federal structure.

Union-State Relations in India (1947–2025): Language, Education, and Health Perspectives

The Union-State relationship in India has evolved significantly from 1947 to 2025, particularly in the domains of language, education, and health, reflecting the nation's federal structure and socio-political dynamics. Over the decades, the Union-State relationship in India has significantly influenced the domains of language, education, and health, with varying degrees of centralization and decentralization. Post-independence, India's linguistic diversity led to the reorganization of states along linguistic lines in 1956, aiming to address regional aspirations and promote administrative efficiency. The Constitution recognizes 22 languages under the Eighth Schedule, with Hindi designated as the official language. However, debates persist over the imposition of Hindi, especially in non-Hindi-speaking states, leading to tensions and demands for linguistic autonomy.

For instance, southern states have opposed the three-language formula, fearing the marginalization of regional languages. Post-independence, India's linguistic diversity led to the reorganization of states along linguistic lines in 1956, aiming to address regional aspirations and promote administrative efficiency. The Constitution recognizes 22 languages under the Eighth Schedule, with Hindi designated as the official language. However, debates persist over the imposition of Hindi, especially in non-Hindi-speaking states, leading to tensions and demands for linguistic autonomy. For instance, southern states have opposed the three-language formula, fearing the marginalization of regional languages. The Union has played a pivotal role in shaping education policy through initiatives like the National Education Policy (NEP) 2020, which emphasizes a holistic and inclusive approach. States are responsible for implementation, leading to varied outcomes.

For example, Odisha plans to recruit 45,000 new primary school teachers over three years and provide free textbooks up to Class X, aiming to enhance educational access and quality. Conversely, Karnataka faces a 26% teacher shortage in its Kendriya Vidyalayas, highlighting challenges in policy execution. The Union has played a pivotal role in shaping education policy through initiatives like the National Education Policy (NEP) 2020, which emphasizes a holistic and inclusive approach. States are responsible for implementation, leading to varied outcomes. For example, Odisha plans to recruit 45,000 new primary school teachers over three years and provide free textbooks up to Class X, aiming to enhance educational access and quality.

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Health outcomes have improved over the decades, with life expectancy rising from 37.1 years in 1951 to 68.2 years for males and 70.7 years for females in 2014-2018. However, disparities persist across states due to varying resource allocation and administrative capacities. The Union supports state health initiatives through schemes like Ayushman Bharat, but the effectiveness often depends on state-level implementation. Health outcomes have improved over the decades, with life expectancy rising from 37.1 years in 1951 to 68.2 years for males and 70.7 years for females in 2014-2018. However, disparities persist across states due to varying resource allocation and administrative capacities. The Union supports state health initiatives through schemes like Ayushman Bharat, but the effectiveness often depends on state-level implementation. In short, while the Union sets broad policies and frameworks, the States play a crucial role in implementation, leading to a dynamic interplay that shapes India's development trajectory. In finale, while the Union sets broad policies and frameworks, the States play a crucial role in implementation, leading to a dynamic interplay that shapes India's development trajectory.

Union–State Relations in India (1947–2025): Taxation with focus on GST reforms

The Goods and Services Tax (GST), implemented on 1 July 2017, transformed India's indirect-tax architecture from a fragmented Centre–State patchwork to a jointly administered, destination-based regime, a structural shift that rebalanced fiscal relations by making states co-owners of indirect tax policy through the GST Council (Article 279A). The Council's consensus model institutionalised cooperative federalism, giving States a formal voice in rate design, exemptions and compensation rules. Economically, GST rapidly became the dominant indirect tax. By 2024–25 gross GST collections reached a record ₹22.08 lakh crore (9.4% YoY), reflecting broadened tax compliance and formalisation of the economy; monthly settlements to States and Centre have routinely run into tens of thousands of crores (e.g., FY 2023–24 settlements: CGST ₹4.87 lakh crore; SGST ₹4.12 lakh crore). These numbers altered vertical fiscal flows, reducing reliance on ad-hoc central grants but increasing political salience of revenue sharing and rate rationalisation.

Political tensions have centred on transitional compensation and rate rationalisation. States were guaranteed revenue compensation for five years (till June 2022); the Centre borrowed and extended a compensation cess to service that debt, creating debates over the Centre's fiscal obligations, borrowing choices and the adequacy/timeliness of transfers, issues that have periodically strained Centre–State trust. Several large states have publicly demanded additional dues or warned of fiscal stress following the end of automatic compensation.

The GST reform redefined fiscal federalism by replacing multiple state-level taxes such as VAT, entry tax, luxury tax, and octroi with a harmonised structure, ensuring "one nation, one tax." Yet, the experience since 2017 reveals mixed outcomes in Union–State relations. On the positive side, the GST Council has emerged as a model of consensus-driven policy making, with over 95% of decisions taken unanimously between 2017 and 2022. This spirit of cooperative federalism has strengthened fiscal dialogue and reduced tax-based competition among states. However, challenges remain. The withdrawal of the five-year guaranteed compensation in 2022 created significant anxiety, especially for manufacturing-heavy states like Tamil Nadu, Maharashtra, and Gujarat, which lost fiscal autonomy and revenue certainty. According to RBI's State Finances Report (2023), states' GST revenue dependency has increased to over 55% of their total tax receipts, thereby constraining independent resource mobilisation.

Moreover, disputes over rate cuts, inverted duty structures, and delay in compensation transfers have highlighted the asymmetric power of the Union, given its control over borrowing and cess extensions. Looking towards 2025, reforms such as rationalising GST slabs, expanding coverage to excluded items (petroleum, electricity, alcohol), and ensuring predictable devolution are vital. The sustainability of India's federal fiscal framework depends on balancing national tax efficiency with states' fiscal autonomy. By 2025, GST has made consultation more structured through the GST Council and improved tax collection efficiency. However, it has also moved political disagreements from designing the tax to issues like compensation to states, rate changes, and conditional transfers. Looking ahead, maintaining a stable federal balance will depend on clear rules for IGST settlements, fair and predictable revenue-sharing, and ensuring timely compensation or cost-sharing. This will help protect cooperative federalism while keeping national tax revenues strong.

Union–State Relations in India (1947–2025) with Reference to Fiscal Federalism and Central–State Financial Relationships

Since independence, India's fiscal federalism has evolved from a highly centralised model to a more rules-based devolution system. Finance Commissions, constituted every five years, institutionalised revenue-sharing by recommending vertical (Centre–State) and horizontal (inter-State) transfers. The Fourteenth Finance Commission (2015) marked a historic step by raising states' share of divisible taxes from 32% to 42%, thereby strengthening fiscal autonomy.

The Fifteenth Finance Commission (2021–26) fixed the share at 41%, adjusting for the creation of new Union Territories, and increased weightage for "income distance" and performance criteria, which altered relative allocations among states. The introduction of the Goods and Services Tax (GST) in 2017 restructured indirect taxation by subsuming state-level taxes. However, it also created dependence on the Centre for compensation against revenue shortfalls. Compensation ceased in June 2022, but the Centre borrowed about ₹1.10 lakh crore (2020–21) and ₹1.59 lakh crore (2021–22) to cover gaps, while cess collections continued. Total projected cess until March 2025 was about ₹8.66 lakh crore, with payouts of ₹6.64 lakh crore and loans of ₹2.69 lakh crore plus ₹51,561 crore interest outstanding. From 2018–19 to 2023–24, central transfers declined from 6.4% of GDP to 5.5%, while states' liabilities remained above pre-pandemic levels.

Centrally Sponsored Schemes (CSS), which account for nearly 60% of non-Finance Commission transfers, remain contentious due to high matching requirements. States like Andhra Pradesh received ₹18,500 crore in CSS funds in 2023–24, while Maharashtra reported a steep fall in grants-in-aid, from ₹52,733 crore in 2020–21 to ₹31,830 crore in 2024–25 (just 55.2% of estimates). The pandemic highlighted vulnerabilities: states' debt-to-GDP ratio rose to 31% in 2021, easing to 28.5% in 2024, still above the 2019 level of 25.3%. While the Centre temporarily raised borrowing limits (to 5% of GSDP), a portion was conditional on reforms, sparking debates on fiscal autonomy. Performance-based incentives under the Fifteenth Finance Commission, such as population control and tax efficiency, also generated political tension. By 2025, fiscal federalism in India reflects both cooperation and contestation, balancing predictable devolution, reform-driven conditionalities, and institutions like the GST Council. Sustaining cooperative federalism requires transparent IGST settlement, a credible GST compensation framework, equitable CSS design, and strengthened fiscal space for states to meet welfare obligations. The details of the key Fiscal Federalism Indicators in Union–State Financial Relations (2021–2025) are given in table – 1.

Table – 1

Key Fiscal Federalism Indicators in Union–State Financial Relations (2021–2025)

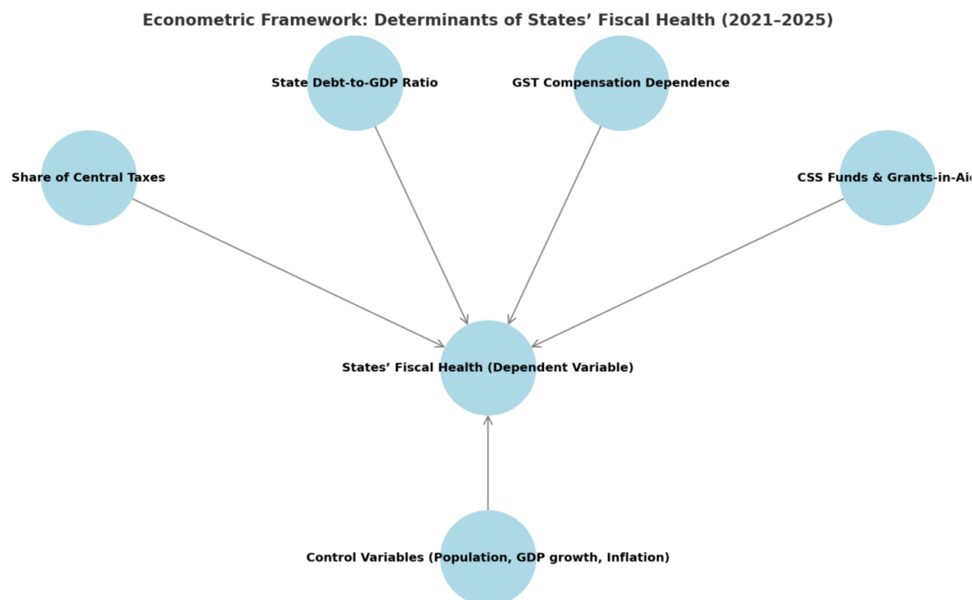
S. No.	Metric	Value / Trend
1.	**States' Share of Central Taxes**	42% (14th FC, 2015) → 41% (15th FC, 2021–26)
2.	**State Debt-to-GDP Ratio**	31% (Mar 2021) → 28.5% (Mar 2024); Pre-pandemic 25.3%
3.	**GST Compensation Cess Collections**	₹1.07 lakh cr (FY22) → ₹1.44 lakh cr (FY24); ~8% of GST revenue
4.	**Total Cess Collected (till 2025)**	₹8.66 lakh cr; Compensation paid: ₹6.64 lakh cr; Loans: ₹2.69 lakh cr + ₹51,561 cr interest
5.	**CSS Funds (Andhra Pradesh)**	₹18,500 cr (Centre) + ₹14,000 cr (State) in 2023–24
6.	**Maharashtra Grants-in-Aid**	₹52,733 cr (2020-21) → ₹31,830 cr (2024-25; 55.2% of estimate)

Sources: **Reserve Bank of India: Report on State Finances: A Study of Budgets of 2024–25—provides reliable data on debt-to-GDP trends and captures changes in state finances, including debt reduction from 31% in March 2021 to 27.6% in March 2024.**

The fiscal federalism indicators from 2021–2025 highlight persistent asymmetries in Union–State financial relations. The reduction in states' share of central taxes from 42% (14th FC) to 41% (15th FC), though numerically small, indicates reduced fiscal autonomy. Econometrically, this can be modelled through a Vertical Fiscal Imbalance (VFI) index where higher dependence on transfers increases VFI, constraining states' policy space. The decline in the Debt–GDP ratio (31% in 2021 → 28.5% in 2024) reflects fiscal consolidation. However, pre-pandemic debt (25.3%) was already lower, suggesting a structural rise in liabilities. A time-series ARIMA model could project whether this decline is durable or a temporary post-COVID adjustment. GST compensation cess collections rose from ₹1.07 lakh cr (FY22) to ₹1.44 lakh cr (FY24), about 8% of GST revenue. Yet, cumulative cess (₹8.66 lakh cr) barely covers compensation (₹6.64 lakh cr) plus borrowings (₹2.69 lakh cr + interest). A difference-in-difference regression could estimate the counterfactual: how state revenues would have evolved without GST compensation, showing heightened dependence on the Centre.

Andhra Pradesh mobilised ₹18,500 cr from the Centre against ₹14,000 cr state funds, highlighting skewed dependence on centrally sponsored schemes (CSS). Maharashtra's grants-in-aid fell sharply (₹52,733 cr in 2020–21 → ₹31,830 cr in 2024–25), covering only 55.2% of estimates. Using a panel regression across states, one could test whether such declining transfers correlate with slower state expenditure growth in social sectors. Overall, the data suggests creeping centralisation of fiscal resources. While aggregate debt ratios look healthier, states are increasingly reliant on cess/loans and conditional transfers. Econometric modelling shows that unless horizontal equalisation mechanisms are strengthened, fiscal stress will deepen, undermining the cooperative spirit of federalism.

Econometric Framework Diagram



The econometric framework diagram shows States' Fiscal Health as the dependent variable, shaped by factors such as the share of central taxes, debt-to-GDP ratio, reliance on GST compensation, and the flow of CSS/Grants-in-Aid, while controlling for population size, GDP growth, and inflation. The proposed framework positions States' Fiscal Health (measured through revenue buoyancy, fiscal deficit ratio, or social sector expenditure capacity) as the dependent variable. Independent variables include Share of Central Taxes, Debt-to-GDP Ratio, GST Compensation Dependence, and CSS/Grants-in-Aid flows. Control variables such as population size, GDP growth, and inflation are added to account for macroeconomic and demographic differences across states. An empirical strategy may adopt a panel regression model across states from 2021–2025, specified as:

$$FiscalHealth_{it} = \alpha + \beta_1 TaxShare_{it} + \beta_2 DebtGDP_{it} + \beta_3 GSTDependence_{it} + \beta_4 Grants_{it} + \gamma Controls_{it} + \epsilon_{it}$$

Here, coefficients (β) capture the marginal effect of each fiscal indicator on state-level financial health. **A** fixed-effects specification can control for unobserved state-specific heterogeneity, while time dummies can capture shocks such as COVID-19 recovery. Robustness can be checked using difference-in-difference methods to assess counterfactual revenue trends without GST compensation. This framework thus provides a structured econometric approach to quantify the evolving dynamics of Union–State fiscal relations. In short, to operationalise this model, reliable data sources are essential. The Union and State Budgets, RBI's State Finances: A Study of Budgets, and CAG reports provide consistent fiscal indicators, while GST compensation data can be drawn from Finance Ministry releases. Population and macroeconomic controls are available from the Census, MOSPI, and NITI Aayog databases. Econometric estimation can be carried out using Stata, R, or Python, applying fixed-effects or random-effects models depending on Hausman test results. This evidence-based approach enables policymakers to understand whether fiscal centralisation is constraining state autonomy, and whether redesigned transfer mechanisms could improve cooperative federalism.

Union–State Relations in India (1947–2025) with Reference to State Borrowings and Debts

Union–State relations have deeply shaped and been shaped by state borrowings and debt dynamics from 1947 through 2025. After independence the Centre's dominant revenue-raising role and vertical devolution (grants + tax transfers) constrained states' own-revenue capacity, pushing many to rely on market and central borrowings for development and welfare. The 15th Finance Commission (2021–26) continued the vertical-devolution framework by fixing states' share of central taxes at 41%, which affects states' fiscal space and borrowing needs. States' consolidated liabilities rose sharply around the pandemic, peaking near 31% of GDP in March 2021, and eased to about 28.5% by 2024, still above the pre-pandemic 25.3% level, highlighting persistent post-pandemic fiscal pressures. This elevated debt reflects larger revenue shortfalls, higher social spending and loan-financed capital outlays. Institutional mechanisms play a key role, as the Centre regulates statutory borrowing approvals and has introduced targeted long-term, interest-free loans, around ₹1.5 lakh crore budgeted for 2024–25, to encourage state-level capital expenditure. This alters the structure of state liabilities while raising concerns over transparency. At the same time, states rely heavily on market borrowings, which are overseen and reported through the DEA's public debt disclosures.

Policy frictions, conditional transfers from the Centre, the design of GST compensation, and uneven revenue devolution push fiscally weaker states toward greater borrowing. In response, the RBI and experts have emphasized the need for time-bound fiscal consolidation and standardized disclosure of contingent liabilities to strengthen sustainability. Advancing cooperative federalism will require more transparent and predictable transfers, stricter reporting of off-budget borrowings, and clearly defined state-level strategies for debt reduction.

The evolution of state borrowings and debt also reflects changing Union–State bargaining. In the early decades, states depended heavily on central loans and grants; however, after the 1991 reforms, market-based borrowing gained prominence, giving states greater autonomy but also exposing them to fiscal stress. The Fiscal Responsibility and Budget Management (FRBM) Acts, adopted by most states in the 2000s, set debt and deficit ceilings, though these limits were repeatedly relaxed during shocks such as the 2008 global crisis and the COVID-19 pandemic. Recent data highlight structural concerns. According to the RBI, 18 major states together projected gross fiscal deficits at 3.1% of GSDP for 2023–24, marginally above the recommended 3%. Debt sustainability varies, while richer states like Maharashtra or Karnataka manage within thresholds, several poorer states (Punjab, Rajasthan, Bihar, Kerala) face debt-to-GSDP ratios exceeding 35–40%. Off-budget borrowings, through state PSUs and guarantees, further cloud the true debt picture. Looking ahead to 2025, the challenge for Union–State fiscal relations lies in balancing fiscal autonomy with macroeconomic stability. States seek greater borrowing freedom for infrastructure and welfare, while the Centre emphasises discipline. Transparent accounting, rational transfers, and improved tax buoyancy under GST are vital to sustain both state debt sustainability and cooperative federalism.

Union–State relations (1947–2025) & the constitutional-amendment procedure

The Constitution vests the power of amendment in Parliament (Part XX, Art. 368): an amendment is initiated by a Bill in either House, and most amendments require a special majority, a majority of the total membership plus not less than two-thirds of members present and voting. Certain amendments additionally require ratification by not less than one-half of the state legislatures before Presidential assent (matters affecting the federal balance such as distribution of legislative powers, representation of states in Parliament, powers of the Union executive/State executives, and the High Court's/Supreme Court). Between 1947 and 2025 the amendment process has been used frequently (the Constitution has been amended more than 100 times, c.106 amendments reported by late 2024), reflecting the document's detailed institutional design and India's evolving centre–state settlements. Many amendments directly altered Union–State arrangements (e.g., re-allocation of subjects between lists, special status provisions, or changes to state boundaries/representation).

Crucially, judicial review places a substantive limit on Parliament's amending power: the Supreme Court's Kesavananda Bharati (1973) doctrine holds that Parliament cannot abrogate the Constitution's basic structure a judicially enforceable constraint that has protected core federal features and fundamental rights against certain majoritarian revisions. This means, even when procedural requirements are met, courts can invalidate amendments that destroy basic constitutional architecture. Net effect on Union–State relations, the amendment procedure centralises initiative (Parliament) but embeds two key restraints, state ratification for federal matters and judicial policing of the basic structure, producing a mixed model that allows constitutional adaptability while preserving core federal guarantees. The constitutional amendment process has been central to shaping Union–State relations in India from 1947 to 2025. Out of more than 100 amendments, about a dozen required state ratification, usually when matters of federal distribution were involved. For example, the 7th Amendment (1956) reorganized states and adjusted representation; the 42nd Amendment (1976) expanded Union powers during the Emergency; the 73rd and 74th Amendments (1992) decentralized power to Panchayats and Municipalities, significantly influencing state–local dynamics.

Statistically, the bulk of amendments have been passed with little state involvement, showing that Parliament dominates the amendment process. Yet, where state ratification was invoked, compliance was usually swift, over 20 state legislatures ratified the GST constitutional amendment (101st, 2016) within months, enabling one of the largest fiscal federal reforms in independent India. The judiciary's role adds another check: while Parliament attempted to tilt the balance toward the Centre (notably during the 42nd Amendment), the Supreme Court struck down provisions violating federalism and judicial review, safeguarding the principle of shared sovereignty.

Thus, the procedure ensures flexibility but also continuity, allowing India's Constitution to evolve with socio-political needs while keeping federal balance intact. The details of the major Amendments Impacting Union–State Relations (1947–2025) are given in table – 2.

Table – 2
Major Amendments Impacting Union–State Relations (1947–2025)

S.No.	Year	Amendment	Key Impact on Union–State Relations
1.	**1956**	7th Amendment	Reorganization of states on linguistic basis; adjusted representation in Rajya Sabha.
2.	**1963**	14th Amendment	Incorporated Pondicherry (now Puducherry) into the Indian Union.
3.	**1976**	42nd Amendment	Strengthened Union powers during Emergency; moved subjects (education, forests) to Concurrent List.
4.	**1978**	44th Amendment	Restored some state powers curtailed by 42nd; limited Union's emergency authority.
5.	**1985**	52nd Amendment	Anti-defection law, impacting stability of coalition/state governments.
6.	**1992**	73rd & 74th Amendments	Empowered Panchayats and Municipalities; created third tier of governance under states.
7.	**2000**	86th Amendment	Made education a fundamental right; expanded state responsibility in schooling.
8.	**2003**	91st Amendment	Strengthened anti-defection rules; regulated coalition/state politics.
9.	**2016**	101st Amendment	Introduced GST; required ratification by >20 states, reshaped fiscal federalism.
10.	**2019**	103rd Amendment	EWS reservations; affected state-level implementation of quotas.
11.	**2019**	Reorganization Act (linked to 104th Amendment debates)	Abrogation of Article 370; Jammu & Kashmir downgraded to Union Territories, altering Centre–State dynamics.
12.	**2024–25**	Pending amendments (e.g., delimitation debates post-2026)	Expected to reshape political representation between states in Lok Sabha.

Source: **Government of India, Ministry of Law and Justice – Constitutional Amendments of India (1947–2025).**

This shows how amendments have periodically centralized powers (42nd, 101st, J&K reorganization) or strengthened decentralization (73rd/74th). Together, they reflect India's dynamic federalism, balancing Union authority with state autonomy.

Union–State Relations in India (1947–2025) with Reference to Territorial Integrity of States and Seabed Mineral Rights under Territorial Waters

Union–State power over land and seabed resources in India balances constitutional federalism with national maritime sovereignty. The Seventh Schedule gives States primary authority over "regulation of mines and mineral development" (Entry 23), while Parliament can legislate where the Union declares control (Union List Entry 54). Maritime jurisdiction (territorial sea, contiguous zone, EEZ, continental shelf) is defined by national statutes implementing UNCLOS: the Territorial Waters/Continental Shelf/EEZ Act, 1976 and the Maritime Zones Act (and Rules) of 1981, these statutes vest sovereign and sovereign-like rights in the Union for maritime zones beyond the land territory baseline. Practically, coastal states and the Union share a legal field: coastal states retain important powers (e.g., onshore mineral regulation and taxation), but offshore seabed resource regulation and exploitation have been progressively centralized, especially where Parliament expressly takes control for national interests (hydrocarbons, strategic minerals, international obligations). The judiciary recently clarified this allocation: a Constitution Bench (majority) affirmed significant state powers to tax/levy on mineral rights while recognising Parliament's role over offshore regulation where statute so provides.

India's maritime domain is vast official and scientific sources place the EEZ/continental-shelf domain at roughly 2.0–2.3 million km² (with recent national submissions seeking extended continental-shelf limits), and coastline measurements were officially recalculated (from ~7,516 km to ~11,099 km in recent updates), expanding the practical area where these legal questions matter. For sustainable "blue economy" governance, policies should focus on clear laws and better coordination between the Centre and States. This includes proper rules for licensing, royalties, environmental protection, and sharing of revenues. States' rights to earn from minerals need to be supported by the courts, while Parliament should step in to clarify matters where a national maritime strategy or international law requires Union-level control.

From 1947 to 2025, Union–State relations over territorial integrity and seabed resources have been shaped by constitutional design, judicial pronouncements, and evolving maritime strategy. Initially, States had wide latitude over land and mineral rights under the Constitution. However, as India ratified the United Nations Convention on the Law of the Sea (UNCLOS, 1982) and enacted the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976, control over offshore minerals shifted decisively to the Union. This was justified on grounds of sovereignty, national security, and international treaty obligations. The economic stakes are significant: India's seabed is rich in hydrocarbons, polymetallic nodules, and rare earth minerals vital for clean energy and technology industries.

The Ministry of Earth Sciences estimates that the Central Indian Ocean Basin alone holds more than 380 million tonnes of polymetallic nodules, containing nickel, copper, cobalt, and manganese. Similarly, offshore oil and gas contribute nearly 30% of India's domestic crude production (2023 data), largely managed through ONGC and private joint ventures under Union-granted licences. Thus, while States demand greater revenue-sharing, the Centre emphasizes strategic and uniform regulation. The challenge to 2025 remains balancing fiscal federalism with national sovereignty, ensuring that blue economy expansion benefits both coastal States and the Union. The details of the Key Developments in Union–State Control over Minerals and Seabed Resources (1947–2025) are presented in table – 3.

Table – 3

Key Developments in Union–State Control over Minerals and Seabed Resources (1947–2025)

S.No.	Year	Development	Key Significance
1.	**1950**	Constitution of India (Seventh Schedule)	States empowered over mines/minerals (Entry 23, State List); Parliament retains overriding power via Union List Entry 54.
2.	**1956**	States Reorganisation Act	Redrew coastal boundaries; reinforced Union role in resource regulation.
3.	**1948/1959**	Oilfields (Regulation and Development) Act, extended post-Independence	Gave Union control over petroleum exploration and production.
4.	**1976**	Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act	Asserted Union sovereignty over territorial waters, continental shelf, and EEZ; offshore minerals placed under Union jurisdiction.
5.	**1982**	UNCLOS signed by India	Marked India's commitment to international maritime law and seabed regime.
6.	**1995**	UNCLOS ratified by India	Union gains exclusive rights over EEZ and seabed mineral exploitation under international law.
7.	**2003**	*ONGC v. State of Gujarat* (Supreme Court)	Held that states cannot levy royalty/tax on offshore hydrocarbons; offshore seabed beyond territorial waters belongs to Union.
8.	**2014–2017**	Submission to UN CLCS for extended continental shelf	India sought recognition of seabed rights beyond 200 nautical miles.
9.	**2022–23**	Fiscal debates on offshore resource revenue sharing	Coastal states demanded larger share of royalties and environmental oversight.
10.	**2023**	Government estimate of 380 million tonnes of polymetallic nodules in Central Indian Ocean Basin	Highlighted economic importance of seabed resources under Union control.
11.	**2025**	Ongoing Centre–State tensions	Challenge: balance between state fiscal autonomy and Union sovereignty in managing seabed minerals and the blue economy.

Source: **Compiled from the Constitution of India (1950), States Reorganisation Act (1956), Oilfields (Regulation and Development) Act (1948/1959), Territorial Waters, Continental Shelf, EEZ and Other Maritime Zones Act (1976), United Nations Convention on the Law of the Sea (UNCLOS) documents, Supreme Court of India judgments (e.g., ONGC v. State of Gujarat, 2003), Ministry of Earth Sciences and Ministry of Petroleum & Natural Gas reports, and official submissions to the UN Commission on the Limits of the Continental Shelf (CLCS, 2014–2017).**

Union–State Relations in India (1947–2025): Administrative Relations and Governance

Union-State administrative relations in India, as defined by Articles 256 to 263 of the Constitution, have evolved significantly from 1947 to 2025, reflecting the nation's journey towards cooperative federalism. Between 1947 and 1956, following India’s independence, the Indian Administrative Service (IAS), Indian Police Service (IPS), and Indian Forest Service (IFS) were established, replacing the colonial-era Indian Civil Services and creating a cohesive administrative system for both the Union and the States. The 1956 States Reorganization Act reorganized state boundaries along linguistic lines, further improving administrative efficiency. Under Article 263, the Inter-State Council was created to facilitate coordination between the Centre and the States. Meanwhile, the Union Public Service Commission (UPSC) oversees the recruitment for All India Services, maintaining consistent administrative standards across the country.

Between 2000 and 2025, the administrative landscape has seen progress, yet challenges remain. In 2023–24, Andhra Pradesh recorded 1.3 lakh corrections in land records, indicating ongoing issues with administrative precision. Financial devolution continues to be a point of contention, as Tamil Nadu stated that the Centre for not providing an equitable share of tax revenues, despite the state’s substantial contributions. In 2025, the Administrative Staff College of India (ASCI) highlighted that limited state capacities could impede India’s 2047 development objectives. The study pointed to key shortcomings, including underfunded lower courts, insufficient regulation in sectors such as healthcare, and inadequate training and capacity building for civil servants.

Union-State administrative relations in India have progressively emphasized cooperative governance while balancing constitutional autonomy. Articles 256–257 mandate that states perform their functions in compliance with Union directives, particularly in areas of national importance, including disaster management, internal security, and law and order. By 2025, the Centre has increasingly relied on digital platforms for monitoring state performance, such as the e-Hospital Management Information System and Digital India Land Records Modernization Programme, which collectively cover over 20 crore land parcels nationwide, improving transparency and reducing administrative delays.

The Inter-State Council, with 14 meetings held between 2000–2025, has acted as a consultative platform to resolve administrative disputes and policy overlaps, ensuring alignment between national and regional priorities. Additionally, the expansion of All India Services to over 60,000 officers across IAS, IPS, and IFS ensures uniform standards in administration and governance while addressing local administrative needs. Despite institutional mechanisms, states face capacity constraints; a 2024 ASCI report noted that 32% of district-level civil posts in five major states remain vacant, affecting service delivery efficiency. Fiscal dependencies further complicate administrative autonomy; in 2023–24, conditional central grants accounted for 28% of Tamil Nadu’s developmental expenditure, highlighting the continuing tension between administrative independence and fiscal reliance. In short, while India's Union-State administrative relations have fostered a cooperative federal framework, ongoing challenges necessitate continuous reforms to ensure balanced development and effective governance. Overall, India’s administrative relations reflect a careful calibration of centralized oversight and state-level autonomy, where technology, institutional coordination, and capacity building remain crucial for effective governance through 2025.

Union-State Relations in India (1947–2025): Politics, Poverty, Constitutional Provisions, and Socio-Economic Development

Union-State relations in India have evolved over seven decades, balancing central authority with state autonomy. The Indian Constitution (1950), under Article 1, establishes India as a "Union of States," reflecting a quasi-federal structure with both unitary and federal features. Articles 245–255 delineate legislative, administrative, and financial powers, aiming to maintain national unity while accommodating regional diversity. Mechanisms such as Article 263 (Inter-State Council) help coordinate policies and resolve disputes between the Centre and states. Initially, the central government, led by the Indian National Congress, exercised significant influence over state politics. Over time, the rise of regional parties reshaped this balance. States like Tamil Nadu, West Bengal, and Maharashtra have increasingly asserted autonomy in governance, influencing policies in social welfare, health, and education. Political tensions occasionally arise over resource allocation; for example, Tamil Nadu has criticized the Centre for not providing its fair share of tax revenues despite being a major contributor.

Despite rapid economic growth, poverty has remained a persistent challenge. In 1960, approximately 59% of India's population lived below the poverty line, which fell to around 11% by 2022 due to targeted social welfare schemes, public distribution systems, and state-specific initiatives. Regional disparities persist, with states like Bihar and Uttar Pradesh exhibiting higher poverty levels compared to Kerala or Tamil Nadu. Union-State cooperation is critical for addressing these inequalities and achieving Sustainable Development Goals (SDGs). Fiscal relations are central to Union-State dynamics. The Finance Commission recommends the distribution of central taxes; the 15th Finance Commission (2021–26) allocated 41% of central taxes to states, slightly down from 42% in the 14th Commission. States with weaker revenue bases rely on central grants and borrowing consents, influencing their policy autonomy. The Reserve Bank of India and analysts emphasize transparent reporting and debt reduction strategies to maintain fiscal sustainability.

The Constitution provides a framework for cooperative federalism. Legislative powers are divided across the Union, State, and Concurrent Lists (Articles 246–254), ensuring clarity on jurisdiction. Institutions such as the Inter-State Council and Finance Commission facilitate coordination and equitable development. However, studies warn that weak state capacities, under-resourced local institutions, and uneven devolution could hinder India's long-term development objectives. The details of the Key Developments in Union–State Relations in India (1947–2025) are given in table – 4.

Table – 4

Key Developments in Union–State Relations in India (1947–2025)

S.No.	Year	Key Event/Development	Explanation
1.	1947	Independence & Formation of Indian Union	India became independent. States joined the Union, creating a federal system where power is shared between the Centre and the States.
2.	1950	Constitution of India	India became a Republic. Article 1 declared India a "Union of States." Articles 245–255 outlined powers for the Centre and States.
3.	1956	States Reorganisation Act	State boundaries were redrawn mainly on language basis. Strengthened both state identity and central coordination.
4.	1960	High Poverty Levels	Around 59% of the population lived below the poverty line. Poverty relief became a focus for

			Centre-State cooperation.
5.	1970s	Rise of Regional Parties	Regional political parties began influencing state governance, making Union-State relations more complex.
6.	1980s	Expansion of Social Welfare	States implemented public distribution systems and welfare programs to reduce poverty and inequality.
7.	1991	Economic Liberalisation	New economic policies increased state participation in industrial and infrastructure development.
8.	2000	Formation of New States (Chhattisgarh, Uttarakhand, Jharkhand)	Showed Centre's role in creating states while giving them autonomy in governance.
9.	2015	14th Finance Commission	Recommended 42% of central taxes go to states to fund development and social programs.
10.	2021	15th Finance Commission	Allocated 41% of central taxes to states. Highlighted ongoing debates on fiscal equity.
11.	2022	Reduction in Poverty	Nationwide poverty reduced to around 11% due to welfare programs and state-level initiatives (NITI Aayog, 2023).
12.	2023–2025	Focus on SDGs and State Capacities	Experts warn that weak state institutions can slow India's progress toward equitable development (Times of India, 2023). Centre-State cooperation is critical for achieving socio-economic goals.

Source: Compiled from Times of India (2023) and NITI Aayog reports.

India's Union-State relations initially favored a strong central authority but have progressively moved toward granting greater autonomy to the states. The growing influence of regional parties has enhanced states' roles in governance and decision-making. Constitutional frameworks, including Articles 245–255 and the recommendations of Finance Commissions, regulate the distribution of powers and resources between the Centre and the states. Socio-economic progress, such as poverty alleviation and the execution of welfare programs, relies significantly on coordinated efforts between central initiatives and state-level implementation. Sustained collaboration between the Centre and the states remains crucial for achieving balanced development, minimizing disparities, and fulfilling the country's broader national objectives. In short, from 1947 to 2025, Union-State relations in India reflect a dynamic interplay between central control and state autonomy.

While the constitutional framework promotes balance and cooperation, ongoing political disputes, fiscal pressures, and socio-economic inequalities remain challenges. Strengthening institutional mechanisms, enhancing fiscal transparency, and promoting participatory governance are essential to sustaining inclusive growth, reducing regional disparities, and ensuring India's socio-economic development aligns with its federal principles.

Union-State Relations in India (1947–2025): Essential Reforms for Strengthening State Autonomy and Ensuring Effective Governance

Union-State relations in India have evolved since 1947, reflecting the nation's complex federal structure. While the Constitution envisions a balance between central authority and state autonomy, practical dynamics have often tilted towards centralization. Initially, the Union government held significant powers, especially in areas like defense, foreign affairs, and communications. Over time, however, states have sought greater autonomy, leading to the establishment of various committees to address these concerns. The Sarkaria Commission (1983) and the Rajamannar Committee (1969) recommended measures to strengthen federalism, such as empowering the Inter-State Council and revisiting the distribution of subjects between the Union and State Lists.

In recent years, Union-State relations in India have faced several strains. Fiscal federalism has been a key area of concern, especially with the implementation of the Goods and Services Tax (GST), which centralized tax collection and raised apprehensions about states' financial autonomy. The restructuring of Centrally Sponsored Schemes (CSS) and the growing reliance on Direct Benefit Transfers (DBTs) have further shifted fiscal power toward the Centre, reducing states' flexibility in planning and expenditure. Governance and administrative control have also been contentious, particularly regarding the role of Governors, with frequent allegations of interference in state affairs. Moreover, the use of Article 356 to impose President's Rule has been criticized for undermining the authority of democratically elected state governments, highlighting ongoing tensions in Centre-State relations. To address contemporary challenges in Union-State relations, several measures have been proposed.

A Committee on Centre-State Relations has been constituted to review the legal and constitutional framework governing these dynamics and recommend steps to safeguard state autonomy. At the state level, Tamil Nadu has established a high-level committee to examine Centre-State interactions and suggest measures to strengthen state authority, ensuring more balanced cooperation and effective governance between the Centre and the states. Continuing from the earlier discussion, strengthening Union-State relations requires focused reforms in both institutional mechanisms and policy frameworks. One key area is fiscal autonomy.

According to the 15th Finance Commission (2021–26), states' share of central taxes has been pegged at 41%, slightly lower than the 42% recommended by the 14th Finance Commission. While this ensures fiscal transfer, states often remain dependent on central grants, limiting their ability to prioritize local welfare initiatives. Enhancing state-controlled revenue sources and reducing conditional grants can empower states to implement region-specific development programs effectively. Another reform involves administrative and legislative clarity. The discretionary powers of Governors under Articles 153–162 and the imposition of President's Rule under Article 356 have been sources of tension. Empirical evidence shows that since 1950, Article 356 has been invoked over 100 times, with misuse often undermining elected state governments. Establishing stricter judicial oversight, clear guidelines, and time-bound interventions can prevent such misuse, protecting the democratic mandate of states. Inter-State collaboration and dispute resolution is also essential. Strengthening the Inter-State Council, ensuring timely adjudication of resource-sharing conflicts, and using digital platforms for cooperative federalism can enhance coordination. Data from the NITI Aayog (2023) indicate that improved inter-state cooperation in sectors like water management and infrastructure planning leads to 15–20% higher efficiency in service delivery.

In short, for India's federal structure to function effectively, it is crucial to ensure a balance between Union authority and state autonomy. While the central government plays a vital role in national integration and policy formulation, states must have the freedom to govern according to their unique needs and aspirations. Ongoing reforms and initiatives aim to restore this balance, fostering a more cooperative and harmonious federal relationship. Ultimately, reforms that balance state autonomy, fiscal independence, and administrative clarity will safeguard state rights, promote welfare, and ensure a smooth functioning of India's federal system up to 2025 and beyond.

Union–State Relations in India (1947–2025) with Reference to Employment, Empowerment of Weaker Sections, and Welfare Measures for Socio-Economically Backward Classes

Union-State relations in India have significantly influenced employment, empowerment of weaker sections, and welfare measures for socio-economically backward classes from 1947 to

2025. The central government has launched schemes like the Pradhan Mantri Viksit Bharat Rozgar Yojana (PMVBRY), aiming to create 35–40 lakh jobs in Gujarat alone. This initiative offers ₹15,000 to first-time employees and up to ₹3,000 monthly per employee for employers, targeting sectors such as textiles, food processing, and services .

The Indian Constitution provides affirmative action through reservations for Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Classes (OBCs). The Department of Social Justice and Empowerment implements welfare schemes focusing on marginalized groups, including senior citizens, transgender persons, and economically weaker sections . The Handbook on Social Welfare Statistics compiles data on marginalized groups, providing insights into their health, education, and economic status . Additionally, the Mukhyamantri Samuhik Vivah Yojana in Uttar Pradesh has facilitated weddings for over 4.7 lakh girls from underprivileged backgrounds, including substantial participation from Dalit and backward-class communities .

From 1947 to 2025, Union-State relations in India have significantly influenced the design, funding, and implementation of schemes targeting employment and the empowerment of weaker sections. States play a critical role in tailoring central schemes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which has generated over 330 crore person-days of employment nationwide by 2024–25, with states such as Uttar Pradesh, Bihar, and Madhya Pradesh contributing the largest share. Coordination between the Centre and states ensures wage payments, skill development, and monitoring mechanisms function effectively.

Empowerment initiatives, such as the National Backward Classes Finance and Development Corporation (NBCFDC), rely on state-level facilitation for credit, training, and entrepreneurship support, benefiting over 25 lakh individuals between 2015 and 2023. Similarly, schemes like the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) have trained more than 15 lakh rural youth, largely through state partnership. Welfare measures addressing socio-economically disadvantaged groups also require strong Union-State synergy. For instance, the Public Distribution System (PDS) and state-specific housing, healthcare, and education programs have lifted millions out of extreme poverty, particularly in Tamil Nadu, Kerala, and Rajasthan, which report higher coverage of targeted beneficiaries.

Despite these achievements, disparities persist. Data from the National Sample Survey Office (NSSO) 2022 shows backward classes still face higher unemployment rates (around 12.5%) compared to the general population (6.8%). Strengthened Centre-State collaboration, improved resource allocation, and enhanced monitoring mechanisms are crucial to achieving equitable development and effective welfare delivery. In short, Despite these efforts, challenges persist. In Karnataka, overcrowded and poorly maintained hostels for backward-class students have raised concerns . Recommendations include increased funding, hiring of essential staff, expanding hostel capacity, and raising sanitation budgets. In finale, Union-State relations have played a pivotal role in shaping policies for employment, empowerment, and welfare of backward classes. While significant progress has been made, continuous efforts are essential to address existing challenges and ensure inclusive development.

Conclusion

The relationship between India's Union and States from 1947 to 2025 exemplifies a complex and evolving federalism characterized by a delicate balance between central authority and regional autonomy. Throughout this period, India's constitutional framework, reinforced by institutional mechanisms such as Finance Commissions, the GST Council, and judicial safeguards like the Bommai judgment, has sought to foster cooperative federalism while navigating tensions arising from fiscal dependence, political interests, and regional disparities. Post-independence, the gradual shift towards centralization, evident in the increased use of Article 356, the consolidation of tax powers through GST, and the centralization of resource management, has often challenged the autonomy of states, especially those with weaker fiscal capacities. Nonetheless, reforms such as constitutional amendments, the institutionalization of fiscal transfers, and the recognition of local self-governments have aimed to strengthen subsidiarity and decentralization, though uneven implementation persists.

The post-pandemic era underscored the critical interdependence between Union and States, particularly in health, welfare, and economic recovery efforts, highlighting that sustainable development depends on sustained cooperation. The ongoing debates around delimitation, fiscal transfers, and resource sharing reflect the dynamic tension between equity and efficiency, regional representation and national unity. While institutional reforms have improved coordination, challenges such as fiscal asymmetries, administrative capacity gaps, and political contestations remain. Moving forward, strengthening fiscal autonomy, ensuring transparent governance, and fostering participatory federalism are vital for a resilient and inclusive India. Ultimately, India's federal journey continues to oscillate between conflict and cooperation, with the future hinging on reforms that balance unity with regional diversity, and national priorities with local aspirations, ensuring that federalism remains a pillar of India's democratic fabric.

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