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INDIAN FEDERALISM- CHALLENGES AND PERSPECTIVES

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(Catchy line) *"Strength in Diversity: The Story of Indian Federalism"*

(History) Indian federalism is a remarkable experiment in managing one of the most diverse countries in the world. Rooted in the Government of India Act, 1935, and shaped by the vision of the Constitution of 1950, it was designed to balance the need for unity with respect for regional identities. Unlike other federal systems like the U.S., India's model is "quasi-federal," giving the central government more power to hold the country together amidst its linguistic, cultural, and geographical diversity. **(Present Status)** Today, Indian federalism faces real challenges. Disputes between the center and states over legislative and financial powers are growing. States are demanding more autonomy, and regional inequalities continue to widen. Additionally, the rise of coalition politics has made federal decision-making more complex, requiring cooperation rather than confrontation. **(Research Problem)** This research seeks to explore whether the current federal structure is strong enough to meet these challenges or if reforms are needed. **(Hypothesis)** The hypothesis suggests that promoting cooperative federalism—where the center and states work together in harmony—can create a more balanced and effective system. **(Possible Reforms)** Reforms like revisiting the division of powers in the Constitution, ensuring fair distribution of resources, and creating better platforms for dialogue between the center and states could help address these issues. Strengthening financial independence for states and addressing regional disparities are also critical steps toward a more united and equitable India. **(Aim and objective)** The aim is to evaluate the successes and limitations of Indian federalism in addressing today's challenges. The objective is to find ways to ensure the system evolves to meet the aspirations of a growing and diverse nation.

Keywords: Indian federalism, center-state relations, diversity, constitutional reforms

❖ INTRODUCTION

Federalism is like a bridge—it connects, balances, and holds together different parts of a nation while giving each its unique space. In India, this bridge was built with the idea of managing the incredible diversity of languages, cultures, and communities that define the country. Unlike a one-size-fits-all approach, federalism provides room for both national unity and regional autonomy, allowing the states and the central government to coexist and collaborate.

India's federal system, as designed by the Constitution, is distinct in its structure. While it draws inspiration from other nations like the United States and Canada, it doesn't replicate their models. Instead, it creates a "quasi-federal" framework—an idea coined by K.C. Wheare—which combines strong central authority with a decentralized setup. For instance, the U.S. Constitution emphasizes clear divisions between federal and state powers, while Canada leans heavily toward central control in areas like trade and defence. India, on

the other hand, tries to strike a middle path, giving states significant powers under the State List while maintaining central dominance during emergencies.

However, this balance is not without its challenges. Over the years, Indian federalism has faced its fair share of friction. States often struggle with financial dependency on the central government, with most revenue collected by the center and redistributed to the states. This is a challenge India shares with developing federations like South Africa, but it contrasts with Canada's equalization system, which ensures fair financial support to provinces. Similarly, disputes over the Concurrent List—a shared domain between the center and states—have sometimes created confusion, as both governments try to assert control over areas like education and environment.

Regional autonomy is another flashpoint. India's diversity, while a source of pride, also creates tension. The demand for statehood, such as the creation of Telangana, mirrors issues seen in other nations, like Spain's Catalonia. However, where Spain struggles with separatist sentiments, India's flexible system allows for new states to be formed, giving regional aspirations a legitimate platform.

Despite these challenges, Indian federalism has a remarkable ability to adapt and evolve. For instance, recent years have seen a push toward cooperative federalism, with the central government and states working together through platforms like NITI Aayog. This mirrors Australia's Council of Australian Governments (COAG), which encourages collaboration across levels of government. Similarly, India's grassroots democracy, strengthened through Panchayati Raj institutions, is reminiscent of Switzerland's cantonal model, which empowers local governance.

This comparative perspective helps us see that while Indian federalism has its struggles, it also has its strengths. It has managed to hold together a diverse nation of over 1.4 billion

people, showing resilience and flexibility in the face of challenges. By learning from other federations and addressing key issues like fiscal imbalance and regional disparities, India's federal structure can continue to evolve and thrive in the years to come.

❖ HISTORICAL AND CONSTITUTIONAL EVOLUTION OF INDIAN FEDERALISM

The origins of Indian federalism are deeply rooted in the colonial era, particularly under the **British Government of India Acts of 1919 and 1935**. These Acts laid the groundwork for India's federal structure, although the British approach was more unitary, with federal characteristics added to manage India's vast and diverse territories.

1. **The British Government of India Acts (1919 and 1935):**

- The **Government of India Act of 1919**, also known as the **Montagu-Chelmsford Reforms**, introduced the concept of dyarchy, where governance was shared between the central and provincial governments. However, the provinces had limited powers, and the central government remained dominant.³⁶⁹
- The **Government of India Act of 1935** was a more comprehensive attempt to implement a federal structure. It divided powers between the central government and the provinces, creating a system of federalism based on the British model. The Act proposed a division of powers under three lists: the **Federal List**, the **Provincial List**, and the **Concurrent List**. It also provided for a bicameral legislature at the center and provinces, although in practice, the

³⁶⁹ Government of India Act of 1919, Montagu-Chelmsford Reforms, Section 1.

central authority had overriding powers.³⁷⁰

- The centralizing tendencies of British rule were evident in these Acts, which allowed the central government to legislate on several critical issues, leaving states with limited autonomy. The framework set up by these Acts influenced the eventual federal model in India, though it lacked full autonomy for the provinces and remained subject to British control.

2. Influence of Other Federations (U.S. and Canada):

- India's federal structure also drew inspiration from established federal systems like that of the **United States** and **Canada**. The **U.S. model** emphasized a division of powers between the federal and state governments. The powers of the central government were enumerated in the **Constitution**, with all other powers reserved for the states. This strict separation of powers served to protect state autonomy. While the U.S. system allowed states substantial freedom, it also had mechanisms for resolving conflicts, notably through judicial review by the **U.S. Supreme Court**.³⁷¹
- The **Canadian model**, on the other hand, was more centralized, reflecting the need for a strong central government in a young and diverse nation. Canada's Constitution gave the federal government significant authority over areas such as trade, defense, and immigration³⁷². This centralized approach influenced the design of India's federalism,

where, despite the federal structure, the central government was granted considerable powers to maintain unity and address national concerns.

- India's framers were mindful of these global federations, but they adapted these models to suit India's specific needs—balancing the central government's power with the regional diversity that demanded respect for autonomy.

3. Article 1: India as a “Union of States” and its Implications:

- The most defining feature of India's federalism is captured in **Article 1 of the Constitution**, which declares India as a “Union of States.” This article has profound implications for the Indian federal structure. Unlike other federal constitutions, such as those in the United States or Canada, India's Constitution does not describe the country as a federation or a union of states in the traditional sense. The term “Union” emphasizes the indissoluble nature of India, asserting that the states cannot unilaterally secede or alter the union.
- The use of the term “Union” rather than “Federation” indicates the primacy of the central government, which retains the power to reorganize states and manage relations between the union and states. This centralizing notion is evident in the way India has historically amended its states' boundaries and the central government's control over key areas like national security, defense, and foreign policy.
- The framers of the Indian Constitution, aware of the challenges posed by regional diversity and the potential for fragmentation, deliberately emphasized the unity of

³⁷⁰ Government of India Act of 1935, Part III: Federation of India, Section 100-105.

³⁷¹ U.S. Constitution, Article 1, Section 8 (Enumerated Powers of Congress).

³⁷² Constitution Act, 1867, Section 91-95 (Distribution of Powers between Federal and Provincial Governments).

India through **Article 1**. At the same time, the Constitution provided mechanisms for autonomy for the states through the **Seventh Schedule**, dividing legislative powers into the Union List, State List, and Concurrent List.

❖ THEORETICAL FRAMEWORK OF INDIAN FEDERALISM:

The Theoretical Framework of Indian Federalism is a complex system of governance that aims to balance the distribution of power between the central government (Union) and state governments. India's federal structure is unique, containing elements of both federalism and unitarism. Below is a detailed expansion of the key aspects of Indian Federalism:

1. Quasi-Federal Structure

India's federal structure is often referred to as "quasi-federal," indicating that it exhibits a combination of both federal and unitary features. The Constitution of India, while providing for a division of powers between the Union and the States (as per the Seventh Schedule), also grants the central government the ability to exercise overriding control in certain situations.

- **Unitary Features:** The Union has a significant amount of power, especially during times of emergency, as outlined in Articles 352, 356, and 360. The central government can dissolve the state legislative assemblies and take direct control of a state under President's Rule. Additionally, the Article 1 of the Constitution declares India as a Union of States, emphasizing the central authority over states.
- **Federal Features:** The Constitution also acknowledges the autonomy of states in certain matters through the division of powers between the Union and States, as well as the autonomy of states in governance (such as in matters like police and law enforcement, agriculture,

etc.). However, the balance between these characteristics is dynamic, shifting more towards centralization or decentralization depending on the political, economic, and social circumstances of the country.

2. Cooperative Federalism

Cooperative federalism focuses on the cooperation between the Union and State governments to achieve national objectives. This cooperation is particularly evident in economic, social, and infrastructural projects where the Union and States collaborate to ensure the successful implementation of policies.

- **Example: NITI Aayog (National Institution for Transforming India):**

Established in 2015, NITI Aayog represents a major shift towards a more cooperative approach between the Union and the States. It aims to foster a partnership between the two levels of government to promote sustainable development. The body engages in consultations with state governments on matters like resource allocation, policy formulation, and joint implementation of projects.

- **Key Features of Cooperative Federalism:**

- Collaborative decision-making through bodies like the Finance Commission and the Inter-State Council.
- Financial relations between the Union and the States through grants, revenue sharing, and fiscal responsibility mechanisms.
- Joint ventures on national projects, such as infrastructure development, public health, and poverty alleviation programs.

3. Competitive Federalism

Competitive federalism refers to the idea that states should compete with each other to attract investments, improve governance, and implement innovative policies. This competition is seen as beneficial for fostering progress across the country.

- **Role of States:** States in India have distinct advantages in terms of resources, local governance structures, and economic policies. In a competitive federal structure, states strive to outperform one another in areas like economic growth, infrastructure development, and job creation.
- **Examples of Competitive Federalism:**
 - **Ease of Doing Business Rankings:** Various states in India are ranked based on their business-friendly environment. The 'Ease of Doing Business' ranking published by the Union government incentivizes states to improve their infrastructure, reduce red tape, and create more investor-friendly policies.
 - **Attracting Foreign Direct Investment (FDI):** States actively compete to attract investments by offering incentives such as land acquisition policies, tax breaks, and improved connectivity.

4. Asymmetrical Federalism

Asymmetrical federalism refers to the special provisions and privileges granted to certain states based on their unique historical, geographical, and cultural contexts. These states are given distinct powers and governance structures that differentiate them from other states in the Union.

- **Article 370:** This article provided special autonomy to Jammu and Kashmir, granting the state a special status. It allowed the state to have its own Constitution and laws

governing its internal matters, excluding matters that pertain to defense, foreign affairs, finance, and communications. Although Article 370 was abrogated in August 2019, the concept of asymmetrical federalism still applies in various ways across other regions of India.

- **Article 371:** This article provides special provisions for certain states in the North-East and Maharashtra and Gujarat (e.g., Article 371A for Nagaland, 371F for Sikkim, and 371C for Mizoram). These provisions address specific issues such as cultural preservation, the protection of local customs, and the granting of autonomy in matters like local governance.
- **Other Examples of Asymmetrical Federalism:**
 - **Tribal Areas in the North-East:** Certain tribal areas in states like Assam, Meghalaya, and Arunachal Pradesh have a separate governance framework that gives them autonomy in cultural and administrative matters.
 - **Scheduled Areas and Panchayats:** The Constitution provides special protections for the tribes in scheduled areas through Part IX of the Constitution (dealing with Panchayats) and provisions for maintaining their land rights and local governance systems.

❖ LEGAL FEATURES OF FEDERAL SYSTEM IN INDIA

Indian federalism is a unique type of federalism that incorporates both federal and unitary elements. It is sometimes referred to as a quasi-federal system, but it is closer to a unitary government. However, The word "federal" does not appear anywhere in the Indian Constitution, but Article 1(1) states that "India, that is Bharat, shall be a Union of States." Thus, India is not a

true federation. The union-type federal polity requires the essential balancing of two inherent tendencies, namely unionisation and regionalisation. The major features of the federal system in India are as follows:

- i. **Division of Powers between Various Levels:** The Constitution divides powers between the central government (Union) and state governments through three lists – the Union List, the State List, and the Concurrent List. This ensures that each level of government has its own areas of responsibility.
- ii. **A Written Constitution:** India has a single, written Constitution, which outlines the framework of the country's government, the powers of the various organs of the state, and the rights of citizens.
- iii. **Rigidity of Constitution:** The Constitution of India is partly rigid, meaning certain provisions can only be amended with the approval of both the central government and a majority of states, ensuring that changes are carefully considered and balanced.
- iv. **Dual Government Polity:** India has a dual government system, where power is shared between the central government and state governments. Both governments exist simultaneously and have distinct spheres of authority.
- v. **Supremacy of the Constitution:** The Constitution is the supreme law of the land. Any law inconsistent with the Constitution is considered void. It ensures that both the Union and state governments must operate within the limits set by the Constitution.
- vi. **Independent and Integrated Judiciary:** The judiciary in India is independent of the executive and legislative branches. At the same time, it is integrated, with the Supreme Court serving as the highest judicial authority and ensuring uniformity in the interpretation of laws across the country.

- vii. **Bicameralism:** The Indian Parliament consists of two houses – the Lok Sabha (House of the People) and the Rajya Sabha (Council of States). This system ensures representation of both the people and the states, balancing interests at the national and regional levels.

❖ **DIVISION OF POWERS**

Federalism refers to a system of governance where power is divided between a central authority and regional governments (states or provinces). The division of powers ensures autonomy for different levels of government while maintaining national unity.³⁷³

• **Legislative Powers and Division of Powers in Federalism:**

India follows a quasi-federal structure with a strong centralizing tendency.³⁷⁴ The Constitution divides legislative powers between the Union and State governments under the **Seventh Schedule**, which contains three lists:

1. **Union List** (Central Government) – Contains subjects of national importance, such as defense, foreign affairs, atomic energy, and banking. The Parliament has exclusive power to legislate on these matters.³⁷⁵
2. **State List** (State Governments) – Includes subjects of regional importance like police, public health, agriculture, and irrigation. State legislatures have the authority to make laws on these topics.³⁷⁶
3. **Concurrent List** (Both Union and State Governments) – Covers subjects such as criminal law, marriage, education, and trade unions. Both Parliament and state legislatures can legislate, but in case of conflict, **Union law prevails (Article 254)**.³⁷⁷

³⁷³ Granville Austin, *The Indian Constitution: Cornerstone of a Nation* 186 (Oxford Univ. Press 1999).

³⁷⁴ M.P. Jain, *Indian Constitutional Law* 329 (8th ed. 2022).

³⁷⁵ H.M. Seervai, *Constitutional Law of India* 202 (4th ed. 2019).

³⁷⁶ D.D. Basu, *Commentary on the Constitution of India* 546 (9th ed. 2020).

³⁷⁷ INDIA CONST. art. 254.

Additionally, **Residuary Powers** (subjects not listed in any list) rest with the Union Government under Article 248.

• **Comparison With The U.S. (Dual Federalism) And Australia (Shared Powers)**

1. **United States (Dual Federalism)**

- The U.S. follows a **dual federalism model** where the Constitution explicitly separates powers between the federal and state governments.
- Powers are divided into:
 - **Enumerated Powers** (Federal) – Defense, foreign affairs, currency.
 - **Reserved Powers** (State) – Education, police, local governance (10th Amendment).
 - **Concurrent Powers** – Taxation, law enforcement.
- The U.S. Supreme Court plays a crucial role in interpreting federal-state power balance.³⁷⁸

2. **Australia (Shared Powers Model)**

- Australia follows a **cooperative federalism model**, where both the central (Commonwealth) and state governments share responsibilities.
- The Constitution (Section 51) grants **specific powers** to the Commonwealth, while **residual powers** remain with states.
- **Section 109** ensures federal law prevails over state law in case of conflict.
- Unlike India, Australian states have more autonomy in taxation and governance.

❖ **KEY DIFFERENCES IN FEDERALISM APPROACHES:**

Feature	India (Quasi-Federal)	U.S. (Dual Federalism)	Australia (Shared Federalism)
Power Division	Three lists under the Seventh Schedule	Strict division of federal & state powers	Federal & state governments share many powers
Residuary Powers	With Union Government	With States (10th Amendment)	With States
Conflict Resolution	Union law prevails (Article 254)	U.S. Supreme Court decides	Federal law overrides (Section 109)
Nature of Federalism	Centralized (Unitary bias)	Strong state autonomy	Cooperative model

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Nature of Federalism	Centralized (Unitary bias)	Strong state autonomy	Cooperative model

Each system reflects the historical and political context of the respective nations, with India favoring a stronger central government to maintain unity, while the U.S. and Australia allow greater state autonomy.³⁷⁹

• **Executive Powers**

In India, the **executive power is shared between the Union and State governments**, leading to overlapping authority in administration and policy execution. While the **Constitution (Article 73 and Article 162) defines the scope of executive power**, disputes arise when both governments claim authority over the same subject, especially in areas under the **Concurrent List (Seventh Schedule)**.³⁸⁰

For instance, **law enforcement** and **public health** often witness **center-state conflicts**, with the Union government exerting authority even in traditionally state-controlled domains.³⁸¹

³⁷⁸ Marbury v. Madison, 5 U.S. (1 Cranch) 137 (1803).

³⁷⁹ M.P. Jain, *Indian Constitutional Law* 501 (8th ed. 2022)

³⁸⁰ (INDIA CONST. sched. VII, List III.)

³⁸¹ M.P. Jain, *Indian Constitutional Law* 402 (8th ed. 2022)

Contrast with the U.S., Where States Enjoy Greater Independence

In the United States, **state governments enjoy significant executive autonomy** due to the **Tenth Amendment**, which reserves all powers not explicitly granted to the federal government for the states.³⁸² Unlike India, where the central government can interfere in state matters using emergency provisions, **U.S. states maintain independent law enforcement agencies, taxation policies, and administrative control** over most local affairs.³⁸³

• Judicial Powers

Role of the Indian Judiciary as the Guardian of the Federal Structure

The **Supreme Court of India** acts as the **guardian of the federal structure**, ensuring that **center-state relations adhere to constitutional principles**. Under **Article 131**, the Supreme Court has original jurisdiction in disputes between the Union and states³⁸⁴. Additionally, judicial review under **Article 32 and Article 226** empowers courts to check unconstitutional actions by both governments. (**INDIA CONST. arts. 32, 226.**)

❖ COMPARISON WITH THE U.S. SUPREME COURT'S ROLE IN STATE-FEDERAL DISPUTES

The **U.S. Supreme Court** plays a crucial role in **resolving state-federal disputes** by interpreting the Constitution, especially through landmark cases like **McCulloch v. Maryland** and **Gibbons v. Ogden**, which clarified the division of powers. Unlike in India, where Parliament can amend constitutional provisions affecting federalism (Article 368), the **U.S. Supreme Court has the final say on federal-state disputes** without legislative interference.

³⁸⁵

❖ CHALLENGES IN INDIAN FEDERALISM

• Centralization of Power

1. **Emergency Provisions (Articles 352, 356, 360) and Misuse of Article 356 (President's Rule):** The Indian Constitution grants the central government emergency powers under **Articles 352 (National Emergency), 356 (President's Rule), and 360 (Financial Emergency)**. The most controversial among them is **Article 356**, which allows the President to dismiss state governments and assume direct control, often criticized for **political misuse**.³⁸⁶
2. **Contrast with the U.S., Where States Retain Autonomy Even During Crises:** In contrast, the **U.S. federal system ensures state autonomy even during crises**, as the **President cannot dissolve state governments**. (**U.S. CONST. art. IV, § 4.**) The **Posse Comitatus Act** restricts federal military intervention in states without their consent, unlike in India, where **Article 356 has been invoked over 100 times**. (**R. Prakash, *Emergency Powers and Federalism: A Comparative Analysis* 215 (2021).**)
3. **Financial Dependence of States: India's Centralized Tax Structure and the Role of GST Council:** India's **taxation system is highly centralized**, with major revenue sources like **income tax and customs controlled by the Union**. The **Goods and Services Tax (GST) Council**, introduced in 2017, has further reduced states' fiscal autonomy, as tax rates are now decided through a **federal consensus mechanism** rather than by individual states.³⁸⁷

❖ COMPARISON WITH CANADA'S EQUALIZATION PAYMENTS AND AUSTRALIA'S FINANCIAL COMMISSIONS

In **Canada**, **equalization payments** are used to ensure fiscal balance between rich and poor

³⁸² (U.S. CONST. amend. X.)

³⁸³ (Akhil Reed Amar, *America's Constitution: A Biography* 245 (Random House 2005).)

³⁸⁴ (Granville Austin, *The Indian Constitution: Cornerstone of a Nation* 250 (Oxford Univ. Press 1999).)

³⁸⁵ (*Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1 (1824).)

³⁸⁶ (D.D. Basu, *Commentary on the Constitution of India* 786 (9th ed. 2020).)

³⁸⁷ (GST Act, No. 12 of 2017, INDIA CODE.)

provinces, while **Australia relies on the Commonwealth Grants Commission to allocate financial resources equitably. (CAN. CONST. § 36(2); Commonwealth Grants Commission Act 1973 (Austl.).)** In contrast, Indian states often struggle with **financial dependency on the center for grants and revenue sharing.**³⁸⁸

❖ REGIONAL ASPIRATIONS AND STATEHOOD DEMANDS

Example: Telangana, Gorkhaland

Regional movements demanding **separate statehood** have been a major challenge in Indian federalism. The **creation of Telangana in 2014** after years of agitation reflects the growing aspirations for greater local governance. Similarly, movements like **Gorkhaland in West Bengal** continue to demand separate statehood due to **cultural and linguistic differences.**

Contrast with Spain (Catalonia's Push for Independence)

A more extreme example is **Catalonia's push for independence from Spain**, where **regional identity and economic autonomy** drive separatist movements. Unlike in India, where the Constitution allows for the creation of new states through **Article 3**, Spain's **Constitution (Article 2) prohibits full secession.**³⁸⁹

❖ INTER-STATE DISPUTES

- i. **Water-Sharing Disputes (e.g., Cauvery River):** India faces multiple **inter-state water disputes**, the most notable being the **Cauvery River dispute between Karnataka and Tamil Nadu**, which has led to political tensions and legal battles. The **Inter-State River Water Disputes Act, 1956**, governs such conflicts, but enforcement remains difficult.

³⁹⁰

- ii. **Compare with Mechanisms in the U.S. (Interstate Compacts) and Australia (Water Councils):** The **U.S. uses Interstate Compacts**, legally binding agreements between states to manage shared resources, often approved by Congress. (**U.S. CONST. art. I, § 10, cl. 3.**) Similarly, **Australia has Water Councils** that mediate disputes between states over river resources, ensuring a more structured resolution mechanism compared to India's **ad hoc tribunal system.**³⁹¹

❖ PERSPECTIVES AND GLOBAL COMPARISONS

Cooperative Federalism

i. India's Shift Towards Cooperation via NITI Aayog

India has witnessed a transition from **competitive federalism** to **cooperative federalism**, particularly with the replacement of the **Planning Commission with NITI Aayog in 2015**. NITI Aayog focuses on **collaborative policymaking between the Union and states**, encouraging greater decentralization and state participation in national policy decisions.³⁹²

ii. Comparison with Australia's Council of Australian Governments (COAG)

India's cooperative approach can be compared with **Australia's Council of Australian Governments (COAG)**, which served as a platform for federal, state, and local governments to coordinate policies until it was replaced by the **National Cabinet in 2020**. COAG facilitated **intergovernmental collaboration on economic and social policies**, much like NITI Aayog.³⁹³

³⁸⁸ (Reserve Bank of India, *State Finances: A Study of Budgets 2022-23* (2023).)

³⁸⁹ (J. Loughlin, *The Political Economy of Regionalism in Spain* 83 (2020).)

³⁹⁰ (Inter-State River Water Disputes Act, No. 33 of 1956, INDIA CODE.)

³⁹¹ (Murray-Darling Basin Agreement 1992 (Austl.).)

³⁹² INDIA CONST. art. 246; The NITI Aayog Act, No. 65 of 2015.)

³⁹³ Australian Government, *Intergovernmental Relations*, Dep't of Prime Minister & Cabinet (2020).

Decentralization Efforts:

iii. Panchayati Raj Institutions in India

India has made significant strides in **grassroots governance through Panchayati Raj institutions**, which were constitutionally recognized by the **73rd Constitutional Amendment Act of 1992**. These local self-government bodies empower rural communities by granting **decision-making powers on local development and governance**.

iv. Contrast with Switzerland's Canton System for Grassroots Governance

In contrast, **Switzerland's federal system operates through cantons**, which enjoy **greater legislative, executive, and financial autonomy** than Indian states. Each canton has its own **constitution, judicial system, and taxation authority**, making them more autonomous than Indian Panchayati Raj institutions.³⁹⁴

Judicial Interventions

i. Strengthening Federal Principles in India (e.g., S.R. Bommai v. Union of India)

The **Indian Supreme Court has played a crucial role in upholding federalism**. In **S.R. Bommai v. Union of India**, the Court ruled that **Article 356 (President's Rule) cannot be misused for political gains**, reinforcing the principle that states are **not mere administrative units of the Union** but enjoy **constitutional autonomy**.³⁹⁵

ii. Comparison with U.S. Landmark Cases (e.g., McCulloch v. Maryland)

The **U.S. Supreme Court has similarly protected federal principles** through landmark cases like **McCulloch v. Maryland**, which **established the supremacy of federal law over state laws** and confirmed the **implied powers of Congress**.³⁹⁶

Possible Reforms in Indian Federalism

• Revisiting the Seventh Schedule to Reduce Overlaps in the Concurrent List

The **Seventh Schedule of the Indian Constitution** divides powers between the Union and the States. However, **several subjects in the Concurrent List (such as education and environment) lead to conflicts between center and states**. Reforming this schedule could **clarify jurisdictional boundaries and strengthen state autonomy**.

• Strengthening State Financial Autonomy Through Equitable Tax-Sharing Mechanisms: The current taxation system in India centralizes revenue collection, with states depending on the Union for financial grants. Introducing a more equitable tax-sharing formula—similar to Canada's equalization payments—could enhance state financial independence.

• Instituting a Permanent Federal Council to Address Center-State Disputes

A **permanent intergovernmental council** could serve as a structured forum to **resolve federal disputes** effectively. While India has the **Inter-State Council (under Article 263)**, its **ad-hoc nature and limited authority hinder its effectiveness**. A **constitutionally mandated Federal Council** could provide **binding resolutions** to intergovernmental conflicts.

• Learning from Best Practices in Canada (Equalization Payments) and Australia (Intergovernmental Relations)

Canada's **equalization payments** system ensures that **poorer provinces receive financial support from wealthier ones**, fostering balanced development. **Australia's Commonwealth Grants Commission** plays a similar role in ensuring equitable distribution of federal revenues. India could adopt similar **institutional mechanisms for financial devolution**.³⁹⁷

³⁹⁴ Swiss Fed. CONST. art. 3.

³⁹⁵ S.R. Bommai v. Union of India, (1994) 3 S.C.C. 1 (India).

³⁹⁶ McCulloch v. Maryland, 17 U.S. (4 Wheat.) 316 (1819).

³⁹⁷ CAN. CONST. art. 36(2).

³⁹⁷ Commonwealth Grants Commission Act 1973 (Austl.); CAN. CONST. art. 36(2).

❖ CONCLUSION

Indian federalism has demonstrated remarkable adaptability by accommodating regional aspirations while maintaining national unity. The transition from centralized planning (Planning Commission) to cooperative policymaking (NITI Aayog) highlights India's flexible approach to governance.

Given the economic, political, and social challenges facing India, a cooperative federal structure is essential to ensure inclusive growth and effective governance. Strengthening fiscal federalism, revising the Seventh Schedule, and instituting structured intergovernmental mechanisms could further enhance the federal balance.

Comparative constitutional studies reveal valuable lessons for India's federal system. Countries like Canada, the U.S., Switzerland, and Australia offer best practices in financial devolution, intergovernmental relations, and judicial federalism, which India can adopt to refine its federal framework.

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