

2. Federalism Debate – Delimitation, Fiscal Transfers, And Centre-State Relations – Polity

1. Why in News

1. Recently defeated 'Constitution (One Hundred and Thirty First Amendment) Bill, 2026'
2. Concerns over delimitation, fiscal transfers, Centre-State relations, political centralisation
3. Revived discussions on Indian federalism
4. Southern states fearing parliamentary representation loss post-delimitation
5. Fiscal imbalance concerns between contributing and receiving states
6. Growing trend of unilateral decision-making weakening cooperative federalism

2. About Federalism and Its Evolution in India

Definition

1. Federalism – Constitutional division of powers between Union and States
2. Dual polity with central and state governments operating independently in their spheres
3. Written constitution distributing legislative, executive, financial powers

India's Federal Structure

1. India adopted federal structure with strong Centre
2. Reasons – Partition challenges, integration of 562 princely states, need for national unity
3. Constitutional framers prioritized territorial integrity and national cohesion
4. Dr. Ambedkar called it "federation with strong centralizing tendency"

3. Evolution of Federalism in India

Post-Independence Centralisation

1. Constitution vested greater powers in Centre
2. Article 249 – Parliament can legislate on State List subjects in national interest
3. Article 356 – President's Rule for state governance failure
4. Emergency provisions – Articles 352 (national emergency), 356 (state emergency), 360 (financial emergency)
5. Strong Centre necessary for post-Partition integration

Planning Commission Era (1950–2014)

1. Economic planning led to increased fiscal dependence of states on Union
2. Central allocation of plan funds creating dependency
3. States losing fiscal autonomy
4. Centralized resource distribution

Misuse of Article 356

1. Frequent dismissal of state governments (126 times between 1950–2014)
2. Weakened federal autonomy
3. Political tool against opposition state governments
4. S.R. Bommai judgment (1994) imposed limitations

Linguistic Reorganisation (1956)

1. States Reorganisation Act 1956
2. Recognised regional aspirations and linguistic identities
3. Strengthened democratic federalism
4. States formed on linguistic basis respecting diversity

Coalition Era (1990s onwards)

1. End of single-party dominance
2. Regional parties gained prominence
3. Enhanced cooperative federalism
4. Compelled consensus-building, power-sharing

5. States asserting autonomy

GST Regime (2017)

1. GST Council emerged as example of collaborative decision-making
2. Article 279A establishing GST Council
3. Centre and States jointly deciding tax rates and policies
4. "One Nation, One Tax" cooperative model
5. Though concerns about Centre's weighted voting (1/3 states, 2/3 Centre)

Work in Progress

1. Indian federalism remained "work in progress" rather than fixed arrangement
2. Continuous evolution through political practice, judicial interpretation, constitutional amendments
3. Adapting to changing socio-economic realities

4. Constitutional and Legal Setup

Article 1 – Union of States

1. Constitution establishes India as "Union of States" (not "Federation")
2. Deliberate choice emphasizing indestructibility of Union
3. States cannot secede
4. Union can alter state boundaries

Division of Powers – Seventh Schedule

Union List (List I) – 97 subjects exclusively under Parliament (defence, foreign affairs, railways, banking, currency)

State List (List II) – 59 subjects exclusively under State Legislatures (police, public health, agriculture, local government)

Concurrent List (List III) – 52 subjects where both can legislate (education, forests, marriage, contracts, criminal law); Parliament's law prevails in case of conflict

Residuary Powers – Article 246(1) vests with Parliament

Fiscal Federalism

1. Finance Commission (Article 280) – Recommends tax devolution (vertical distribution Centre to States, horizontal distribution among States)
2. Constituted every five years
3. 15th Finance Commission (2021–26) recommended 41% devolution to states
4. GST Council (Article 279A) – Promotes cooperative fiscal governance; Centre–State joint decision-making on indirect taxes

Inter-State Coordination

1. Inter-State Council (Article 263) – Facilitates Centre–State and Inter-State dialogue
2. Established 1990 (Sarkaria Commission recommendation)
3. Investigates disputes, recommends policies
4. However, infrequent meetings, limited effectiveness

Emergency Provisions

1. Article 352 – National emergency (war, external aggression, armed rebellion)
2. Article 356 – State emergency (President's Rule when constitutional machinery fails)
3. Article 360 – Financial emergency (financial stability threatened)
4. Enable central intervention during crises
5. Suspend federal structure temporarily

Unitary Tendencies

Although constitutionally federal, India displays unitary tendencies in practice –

1. Single Constitution for Union and States (unlike US)
2. Appointment of Governors by President
3. All-India Services (IAS, IPS, IFS) controlled by Centre

4. Emergency provisions centralizing powers
5. Residuary powers with Centre
6. Parliament can reorganize states unilaterally

5. India's Federalism Challenges

Rising Democratic Deficit – Delimitation Frozen

Delimitation frozen since 1971 Census through constitutional amendments –

1. 42nd Amendment (1976) – Froze delimitation until 2001
2. 84th Amendment (2001) – Extended freeze until 2026
3. 87th Amendment (2003) – Further extended using 2001 Census (conducted 2031)

Representation in Parliament no longer reflects current population realities

Southern states concerns –

1. Successfully controlled population growth (TFR below replacement level)
2. Fear losing parliamentary representation post-delimitation
3. Examples – Tamil Nadu, Kerala, Karnataka, Andhra Pradesh, Telangana
4. Current seats based on 1971 demographics

Northern states to gain –

1. Higher fertility rates (TFR above replacement in UP, Bihar, Rajasthan, MP)
2. Stand to gain more Lok Sabha seats after delimitation
3. Could increase political dominance of Hindi heartland
4. Democratic dilemma – Equal representation (one person, one vote) vs rewarding demographic success

Increasing Fiscal Imbalance

1. **Fiscal transfers necessary** – From economically stronger states to poorer states for balanced development, equity, constitutional mandate (Article 280)
2. **Excessive redistribution concerns** –
 1. Created resentment among contributing states
 2. Perceived as penalizing economic success
3. **Southern and Western states** –
 1. Contribute significantly more to tax revenues (Maharashtra, Karnataka, Tamil Nadu, Gujarat major contributors)
 2. High per capita GDP, industrial base, service sector
4. **Hindi heartland states** –
 1. Receive disproportionately larger Finance Commission transfers
 2. Examples – UP, Bihar, MP, Rajasthan
 3. Lower tax-to-GDP ratios, higher dependence on transfers
5. **Vertical imbalance** – Centre collects major taxes but States have expenditure responsibilities
6. **Perceived inequity** – States implementing better governance, fiscal discipline feeling penalized

Divergent Development Performance

1. States witnessed uneven economic and demographic growth
2. **Southern and Western states** –
 1. Higher per capita GDP growth (Karnataka >\$3000, TN >\$2800 per capita)
 2. Lower fertility rates (TFR 1.6–1.8, below replacement 2.1)
 3. Better human development indicators (literacy, health, infant mortality)
 4. Proactive governance, social reforms, investments in education/health
3. **Hindi heartland states** –
 1. Continue to lag in human development indicators
 2. Bihar, UP among lowest per capita incomes
 3. Higher TFR (Bihar 3.0, UP 2.4)

4. Poor governance quality, infrastructure deficits

4. Consequences -

1. Migration from backward to developed states creating social tensions
2. Developed states bearing infrastructure, social services burden
3. Divergence widening rather than converging

Erosion of Democratic Sensibility

Major concern - Growing trend of unilateral decision-making by Centre

Examples -

1. **Demonetisation (2016)** - Sudden currency ban without state consultation
2. **Farm Laws (2020)** - Passed without adequate consultation; agriculture State subject; massive protests; eventually repealed
3. **Citizenship Amendment Act (2019)** - Controversial law excluding Muslims; several states opposed implementation
4. **Changes in criminal laws (2023)** - Replaced IPC, CrPC, Evidence Act without broad consultation
5. **Governor-State conflicts** - Governors acting as Centre's agents; delaying bills, interfering in state administration; conflicts in Tamil Nadu, Kerala, West Bengal, Punjab

Consequences -

1. Weakens spirit of cooperative federalism
2. Transforms into confrontational federalism
3. Trust deficit between Centre and opposition-ruled states
4. Undermines federal principles

Other Challenges

1. **Uniform Civil Code debate** - Central government push vs state concerns about federal overreach into personal laws
2. **National Education Policy 2020** - Implementation challenges with states having different priorities
3. **CAG and Comptroller functions** - Perceived Centre control over state audit functions
4. **Central agencies** - CBI, ED, NIA used against opposition state leaders perceived as federal overreach
5. **One Nation initiatives** - One Nation One Ration Card, One Nation One Election debate raising federal concerns

6. Way Forward - Building Consensus

Strengthen Cooperative Federalism

1. **GST Council functioning** - Through dialogue and consensus rather than majoritarianism
2. Consider revising voting weightage (currently 2/3 Centre, 1/3 states combined)
3. **Inter-State Council** - Make functional with regular meetings, binding recommendations
4. Institutionalize consultation mechanisms before major policy decisions
5. Create standing committees on subjects affecting states
6. Respect constitutional division of powers

Balanced Delimitation Approach

1. Future delimitation should protect both democratic equality and states achieving demographic success

Possible solutions -

2. Delink parliamentary seats from population partially
3. Increase Lok Sabha size significantly (currently 543) to accommodate both principles
4. Weighted representation considering population control success
5. Compensatory mechanisms for states losing seats (Rajya Sabha seats, Finance Commission weightage)
6. Phased implementation over decades
7. **Example** - Germany's Bundestag combines constituency seats with proportional representation

8. Broad political consensus essential before delimitation

Reform Fiscal Transfers

1. Finance Commission criteria should reward –

1. **Governance quality** – Administrative efficiency, corruption-free administration, ease of doing business
 2. **Fiscal discipline** – Debt-to-GSDP ratio, fiscal deficit management, own revenue mobilization
 3. **Human development** – Health, education outcomes, gender equality, environmental sustainability
 4. **Alongside equity considerations** – Backward regions still need support
2. Performance-based incentives encouraging states to improve
 3. Transparent formula reducing political discretion
 4. Greater devolution to local governments (73rd/74th Amendment)

Respect State Autonomy

1. Centre should avoid excessive use of Governors for political purposes
2. Governors should act as constitutional heads, not partisan agents
3. Article 356 used only in genuine constitutional breakdown (S.R. Bommai guidelines)
4. Avoid central agencies (ED, CBI) for political vendetta
5. Respect state legislation in State List subjects
6. Consultation before legislation on Concurrent List

Promote Democratic Sensibility

1. Federalism ultimately depends not only on constitutional provisions but also on political culture
2. **Essential elements** –
 1. **Consultation** – Engage states, opposition before major decisions
 2. **Accommodation** – Respect diverse views, regional aspirations
 3. **Mutual trust** – Reduce adversarial politics, build cooperative spirit
3. Parliament standing committees, state chief ministers' conferences
4. Track-II dialogues, civil society engagement
5. Media promoting federal ethos rather than centralization
6. Educational curricula emphasizing federalism's importance

Additional Measures

- Revive Planning Commission in new form with states' say (NITI Aayog lacks teeth)
- Judicial clarity on federal disputes through designated benches
- Independent secretariat for Inter-State Council
- Technology platforms for Centre-State data sharing, coordination
- Celebrating diversity rather than imposing uniformity

Conclusion

Federalism debate revived by defeated Constitution Amendment Bill, delimitation concerns, and fiscal imbalances requires balancing democratic equality with rewarding governance success. Way forward – Strengthen cooperative federalism through functional Inter-State Council, balanced delimitation protecting demographic achievers, reformed fiscal transfers rewarding governance quality alongside equity, respecting state autonomy avoiding Governor misuse, and promoting democratic sensibility through consultation and mutual trust ensuring national integration.

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