
***Examining The Role Of Centre-State Relations In India's
Socio-Economic Planning Through The Lens Of Cooperative
Federalism: A Critical Study***

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Abstract

Federalism forms an integral part of the Constitution of India. Through the power of the interpretation of the Courts, it has been established as the basic structure of the Indian Constitution. However, the nature of federalism in India is that of 'quasi-federal' imbibing features of a federal government with a Strong Centre. This quasi-federal structure of Indian federalism is characterized by a complex interplay between central and state governments, particularly in the realm of social welfare. The efficacy of social welfare programs, which are crucial for addressing disparities for the marginalized and disadvantaged populations, hinges significantly on the dynamics of Centre-State relations. From this aspect, it then becomes crucial to streamline the actions and powers of both the Centre and the States in a manner that fosters greater collaboration towards the ultimate goal of national welfare. This is where the framework of cooperative federalism comes into play. However, the practical application of this model in the context of social welfare has faced several challenges.

This paper aims to examine the role of cooperative federalism in improving the centre-state relations for the social development of India. The paper also endeavours to analyse the instances of clashes between the centre and state in the process of planning. It also aims to identify the successful centre-state collaborations of other nations in social welfare and then concludes with the plausible solutions for cooperative governance in light of development of India.

INTRODUCTION

The term *federalism* is derived from the Latin word *foedus*, which means ‘agreement.’¹ Federalism refers to a system of governance characterized by an agreement, cooperation, and sharing of powers between two levels of government: the central government and the state governments. In this system, both levels of government operate within their respective spheres while also collaborating with each other.

The transition to a federal form of government came as an outcome of the Constituent Assembly Debates (CAD). The Constituent Assembly held lengthy discussions on the type of government that would best suit the complex and different needs of a country like India. India, post-independence, required a Strong Centre to cater to the state of lawlessness and disorder while also focusing on ‘decentralized’ nation where the states could exercise their limited autonomy. This, as per the CAD, was an illustration of ‘holding together’ federalism.² An accurate interpretation of this was given by B.R. Ambedkar who said that,

*‘the chief mark of federalism lies in the partition of the legislative and executive authority [and] between the centre and units of the constitution.’*³

However, in response to concerns about the potential fragmentation of the country following the partition and the desire to create a strong, unified nation, the architects of India’s New Constitution embedded provisions that conferred significant authority upon the central government. These provisions altered the traditional federal model, which, as defined by Wheare⁴, entails a division of powers where both central and regional governments are ‘coordinate and independent’ within their respective domains. According to this standard, the governmental system established by India’s Constitution is often described as ‘*quasi-federal*.’ This system is also famously phrased by KC Wheare as, “federal in form but unitary in spirit.”⁵ The Constitution Makers, fearful of a state of disintegration and division after the painful experience of Partition, felt that India needed a system where the newly formed states would

¹ Brendan O’Leary, Federalism and Federation, ENCYCLOPEDIA PRINCETONIENSIS <https://pesd.princeton.edu/node/431#:~:text=New%20York:%20New%20York%20University,London:%20Routledge%2C%201994>, last visited on Jun 05, 2025.

² M.S. GOLWALKAR, BUNCH OF THOUGHTS, Jagarana Prakashan: Bangalore, 123-124 (1980).

³ PARTHA CHATTERJEE, ED., WAGES OF FREEDOM: FIFTY YEARS OF THE INDIAN NATION-STATE, Delhi, 35 Oxford University Press India (1998).

⁴ K.C. WHEARE, FEDERAL GOVERNMENT, 453 (3rd ed. 1963).

⁵ *Id.*

have their own autonomy and be called as independent units but at the same time would be accountable to a Strong Centre which would integrate the diverse needs into one welfare state. The Constitution confers overriding authority upon the Central Government, meaning that in instances of conflict between the decisions of the State Government and the Central Government, the final decision-making power resides with the Central Government. Consequently, the powers exercised by the State Government must adhere to directives issued by the Central Government.

In the initial years following independence, this framework functioned effectively and demonstrated progress in certain areas of social welfare. However, over time, the Central Government assumed a more prominent and dominant role, which impeded the country's social development. This ongoing tension led to various challenges in the operation of India's federal system, including⁶:

- The division of government in lower tiers;
- The division of power exercised by the governments at different levels, dominating power exercised by the Centre;
- Different parties heading the Central and State Government; and
- Proportional Representation of the State Governments in the Central Legislature.

To summarize, this tussle between the powers of both the governments can be marked by two phrases: *assignment and representation*.⁷ These problems faced in a quasi-federal framework are also reflective in the social welfare and development planning of India. Following India's independence, the democratic and federal framework shifted towards a greater emphasis on centralization in development planning. This approach concentrated more authority in the central government, enabling it to enact and implement laws and lead the nation's social welfare initiatives. In the light of these issues, in a framework where centre and state have independent powers but need unity for nation-wide implementation of social welfare laws, the best approach is the framework of *cooperative federalism* which will be dealt with in detail below.

⁶ AMARESH BAGCHI, 'Rethinking Federalism': Overview of Current Debates with Some Reflections in Indian Context, 35 (34) EPW 3030, 3036 (2000).

⁷ *Id.*, at 3026.

I. HISTORICAL BACKGROUND AND CONTEXTUAL ANALYSIS

1.1 The Period Post-Independence

Post-independence India faced significant challenges related to redevelopment amid widespread disintegration and the repercussions of partition. In the initial years following independence, the administration led by Jawaharlal Nehru concentrated on revitalizing the nation, emphasizing a centralized approach to effectively allocate resources and finances to states grappling with inflation, food shortages, and inadequate infrastructure. Consequently, this period witnessed the establishment of the Planning Commission⁸ and the Finance Commission, which were tasked with developing a formula for revenue allocation and integrated development planning that addressed the specific needs of various states. This shows the reliance of the states on the central government to enhance their socio-economic conditions. This was done through widening its ambit through exercising powers under *Entry 20 List III-Economic and Social Planning*.⁹ For instance, union civil servants (Indian Administrative Service) were given dominance over the state servants to handle state matters and subject of policing¹⁰ undertaken by the Central Government to control the law and order.

1.2 The Emergence of Cooperative Federalism

It had been clearly established by the Indian Constitution that India will be a federal state with features showing of a strong unitary power. The provisions in the Constitution were made keeping this principle as a base, such as, Residuary Powers (Article 248), Doctrine of Repugnancy (Articles 254, 249, 250, 252) and Emergency Powers (Articles 356 and 250). In the early years after independence, this approach of centralized planning brought about social and economic development. But this system started to prove weak as India faced new challenges and reforms. The dominance of centre in the social reforms increased with the increase in control of Union civil servants backed by the dominant party in the Centre.¹¹ This led to disappointment of the States with the Centre, leading to election of opposition parties in

⁸ Planning Commission was established by Jawaharlal Nehru in 1950 to scrutinize and integrate the development planning of India. This was done through the implementation of Five-Year Plans.

⁹ INDIA CONST. sched. VII, list III, ent. 20.

¹⁰ INDIA CONST. sched. VII, list II, ent. 2.

¹¹ MAHENDRA P. SINGH AND DOUGLAS V. VERNEY, *Challenges to India's Centralized Parliamentary Federalism*, 33 (4) PUBLIUS 1, 4 (2003).

the State and demand for a change in political power. This was also the start of emergence of multi-party coalitions. It was argued by the States that public services would be successfully delivered by following the framework of decentralization as it would allow making and developing such plans which would ensure distribution of resources with special needs of states in mind instead of one uniform allocation of economic resources. The basic premise in favor of decentralization is that, “*locals know best.*”¹²

This significant shift from centralized planning of social welfare laws to much greater cooperation between central government and state governments forged the basis for cooperative federalism. Cooperative Federalism with respect to social welfare planning thus led to coordination and cooperation in two ways¹³:

- A. Horizontal Approach- Coordination of authorities and institutions of the same level, either Union or State; and
- B. Vertical Approach- Cooperation between authorities and institutions of different levels; which in this sense are Centre and States.

II. THE INTERPLAY OF CENTRE-STATE DYNAMICS AND WELFARE INITIATIVES

The intricate interplay of Centre-State dynamics in India is pivotal in determining the efficacy of welfare initiatives. The Indian Constitution delineates the scope of powers between the Centre and the State, conferring upon each distinct yet overlapping responsibilities¹⁴, particularly in the realm of social welfare. The central government often sets the framework for national welfare programs which aims to address uniform social welfare and, in this way, assumes the role as an initiator, inhibitor and facilitator.¹⁵ This relationship is often rendered complex by divergent priorities, resource limitations, and varying political ideologies. For instance, whereas the central government may advocate for a uniform policy approach, state governments may endeavor to formulate programs that better align with regional needs, potentially resulting in conflicts in implementation strategies. Therefore, to enhance the synergy between the Centre and the State, the promotion of cooperative federalism is

¹² AMARESH BAGCHI, *Supra Note 6* at p. 3033.

¹³ MAHENDRA P. SINGH AND DOUGLAS V. VERNEY, *supra note 11* at p. 313.

¹⁴ INDIA CONST. art. 246 § sched. VII.

¹⁵ JOSEPH F. ZIMMERMAN, *National-State Relations: Cooperative Federalism in the Twentieth Century*, 31 PUBLIUS, 15, 20 (2001), available at: <https://www.jstor.org/stable/3330955>.

imperative. Such an approach would ensure that social welfare and developmental planning are streamlined to effectively address the heterogeneous needs of the population.

2.1 Critical Examination of the Lists in the 7th Schedule vis-à-vis Socio-Economic Planning

The central question at the heart of the issue concerning the advancement of social welfare is - *How can the relation between the Centre and the States be enhanced or improved for better operation of cooperative federalism?* A suitable response to this lies in the distribution of powers in the three Lists- List I, II and III of the Constitution¹⁶, the fundamental understanding of the interpretation of these lists and the cooperation in exercise of these powers. The Centre, as outlined in List I, wields significant powers related to Development. This covers critical areas like foreign affairs (Entry 10) to establish international relations needed for import-export development and infrastructural sectors like Railways, Highways and Airways (Entries 22, 23 and 29 respectively). The State through its exercise of power under List II deals with social welfare and development at a grassroots level considering specific local needs. The area where the application of cooperative federalism is essential is the Concurrent List, List III. The wide scope of the Concurrent List ensuring legislative competency to both the levels of the government to exercise powers allows cooperative federalism in areas such as Social Security and Employment, Welfare of Labour and Medical Profession.¹⁷ This element of cooperation is also provided in the most crucial entry for social planning- Entry 20 List III-Economic and Social Planning. A recent example of this is *Pradhan Mantri Awas Yojana*, a scheme brought to improve living conditions of the urban poor by facilitating affordable houses.¹⁸ The State governments played an important role in implementation of this scheme by determining the land and beneficiaries. However, the doctrine of repugnancy under Article 254 occasionally poses a significant barrier to the decision-making on crucial development schemes undermining the authority of the States.

¹⁶ INDIA CONST. sched. VII.

¹⁷ INDIA CONST. sched. VII, list III, ent. 23, 24 § 26.

¹⁸ Ministry of Housing and Urban Affairs, Pradhan Mantri Awas Yojana- Urban, <https://pmaymis.gov.in/default.aspx> last visited on Jun 09, 2025.

2.2 The Vital Role of State Governments in Shaping Development Policies

The most effective approach to ensure growth in socio-economic development is to give more autonomy to the state governments to implement the central schemes and to develop their own welfare initiatives. The supporters of cooperative federalism argue that, “*states should serve not as autonomous outsiders but as supportive insiders to the federal government.*”¹⁹ Alice Jacob, in their paper argues, that while determining the schemes and laws for the upliftment of the social and economic conditions of the people in the Indian Context, *one-size fits-all approach* cannot be taken as it undermines the decision-making authority of the State Governments.²⁰

One significant step taken towards the involvement of States in the decision-making process was the 73rd and 74th amendments introduced in 1993 to grant constitutional status to Urban Local Bodies and the Panchayati Raj Institutions. This was considered a great step towards enhancing cooperative federalism in the development planning process. It was realized that the true essence of implementation and formulation of the policies was the participation of States in the decision-making process. Despite significant autonomy, certain administrative areas still required prior approval from Central agencies, particularly in decisions related to agriculture and the environment. This requirement for prior approvals frequently led to unnecessary delays in decision-making and increased the costs of state projects.

III. COOPERATIVE FEDERALISM IN SOCIO-ECONOMIC PLANNING IN THE INTERNATIONAL CONTEXT

3.1 Examining the Framework of Cooperative Federalism in Germany

From the perspective of cooperative federalism, the model of Germany is considered the best and closely related to how the dynamics of federalism work in India. The federal framework of Germany consists of 16 States, called as Länder, deriving their own sovereign autonomy from the German Constitution, referred to as *Grundgesetz*.²¹ In Germany, the success of its practice of cooperative federalism lies in its political concept of ‘*Politikverflechtung*’,

¹⁹ POZEN AND GERKEN, *Uncooperative Federalism*, 118 YALE L.J. 1275, 1310 (2009).

²⁰ ALICE JACOB, *Centre-State Governmental Relations in the Indian Federal System*, 10 ILIJ., 583, 686 (1968), available at: <https://www.jstor.org/stable/43949975>.

²¹ Grundgesetz für die Bundesrepublik Deutschland, 1949.

translated as '*Inter-governmental Relations*' or '*Joint Decision-Making*.'²² This approach is played out in two ways: Vertical and Horizontal. The Federal Government, through the vertical approach, is given the centralized power to make and implement laws on areas of national importance and at the same time works in cooperation with the Land Governments (Länder, as mentioned above). When framing a law, the Federal Government, much like India, seeks the expertise and advice of the Land Governments, which have the autonomy to engage in the decision-making process and voice their opinions on issues that may impact their local interests.²³ While this addressed the vertical approach, in the horizontal approach, the Länders cooperate and negotiate together to work on their regional interests and on policies that also have a nation-wide implication, such as, education, public health, employment, among other areas. Achieving harmony between the state governments and the federal government may appear challenging due to the differing political parties involved; however, this collaboration has proven successful in promoting Germany's economic development and the social welfare of its citizens.

3.2 Key Lessons for India from Germany's Cooperative Federalism in Implementation of Development Planning

The framework of federalism in India operates similarly to that of German federalism. Both systems feature a centralized exercise of power in specific areas, alongside the involvement of state governments in other matters, a principle reflected in the Indian Constitution. However, what complicates the implementation of cooperative federalism in India's socio-economic development? The rationale behind this question can be explored in the following ways:

- A. In India, there is potential for cooperation and negotiation between the Central and State governments, as illustrated by the concurrent list. The Council of States has the authority to participate in the law-making process and can reject any parliamentary law that may conflict with their regional interests. However, there is a notable lack of harmony among the State Governments themselves. Discussions and negotiations between them are infrequent, and there are few examples of collaboration aimed at

²² PROF. ARTHUR BENZ, *Intergovernmental Relations in German Federalism – joint decision-making and the dynamics of horizontal cooperation*, FORUM OF FEDERATIONS, <https://www.forumfed.org/libdocs/2009/2009-03-27-Zaragoza-Benz.pdf> last visited on Jun 04. 2025.

²³ *Id.* at p. 1.

improving legislation that could enhance national development while also benefiting their individual regions.²⁴

- B. Another significant barrier to the effective functioning of cooperative federalism is the insufficient involvement of State governments in the formulation of schemes by the Central Government. Prior to the introduction of social welfare or development initiatives, it is essential to consult State governments to assess the potential effectiveness of these schemes in local contexts. This can only be achieved through the active engagement of local bodies, which often do not receive the attention they merit. Local authorities serve as the primary point of grievance for citizens and are the most accessible officials. Consequently, their participation is critical for the successful implementation of laws and schemes. In Germany, the involvement of local bodies is deemed vital, contributing to the effective operation of cooperative federalism. India would benefit from adopting a similar approach.

CONCLUSION

In a diverse country like India, socio-economic development requires a structured approach, with cooperative federalism playing a crucial role. While a strong central government is essential for integrating the varying regional needs of states into a cohesive national plan, the significance of state governments must not be overlooked. State governments serve as a vital link for implementing schemes devised by the Centre. Therefore, effective fiscal distribution among states, the integration of policies across all federal authorities, and improved coordination between them are key elements that could enhance the Indian federalism framework.

While the emphasis of cooperative federalism in India has primarily been on fostering harmony between the central and state governments, greater attention should be given to involving local bodies such as municipal corporations and panchayats ensuring that citizens have a direct voice in the development activities that impact their lives. Achieving this requires a reassessment of the excessive powers wielded by the central government over state and local authorities.

²⁴ DR. M. ASAD MALIK, Communal Harmony: Need of the Hour, JLI 28, 33 (2016) <https://docs.manupatra.in/newsline/articles/Upload/CBB0B2B0-8B78-4F8A-9ACA-E37BD1A93E87.pdf> last visited on Jun 04, 2025.

Insights from Germany's cooperative federalism model highlight the significance of intergovernmental relations and the necessity for inclusive decision-making processes. By strengthening the roles of state governments and local bodies, India can establish a more responsive and efficient framework for social welfare and development, effectively addressing the diverse needs of its population. Nevertheless, India has made considerable progress in enhancing the functioning of cooperative federalism in social welfare and development planning. The emergence of coalition governments has helped curb the arbitrary exercise of power by any single dominant entity, and there has been a growing awareness of the critical role that state governments play in promoting the welfare of their constituents.