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### CONFLICT RESOLUTION AND PEACE RESEARCH PROGRAMME

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#### NIAS-HSS Brief

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## Cooperative Federalism and Local Governance in India

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### The Question

In what has been called a unique departure from the past, Prime Minister, Narendra Modi, in his inaugural speech on India’s Independence Day in 2022, called for ‘*cooperative competitive federalism*’ where the States of the Indian Union outshine each other in a healthy competition in terms of development and cooperate towards developing the country. In India, the relationships between the units of the federal government are a mixture of cooperation, competition, and conflict. In principle, federalism in a pluralistic society is supposed to be based on the cooperative relationship between the Centre and the States. The aim of this cooperation between the levels of governance is to ensure good governance and effective redressal of grievances at the local levels. The ambitions of building up development from the lowest divisions of the Indian society and reflecting it at the topmost level of a nation-state lies absolutely in the kind of

(cooperative) relationship between the Union and the States.

However, the existing discourse of federalism in India seems to be inadequately engaging with the varying aspects of local governance. It can be safely argued that the relationships between the Union government and the state governments have (in)direct influence on the local governance. It is also interesting to note that the measures like direct bank transfers to the beneficiaries and its implications on the centre-state relationship remains an understudied area in the larger federalism discourse. The absence and the misgovernance in the Scheduled Areas (more so in most of the Northeastern states) also merit the investigation on the much-desired cooperative federalism discourse through the prism of local governance. A set of questions that the present study seeks to investigate is around the varying issues of federalism and its effects on the local governance.

The study conducted by the National Institute of Advanced Studies (NIAS), supported by the Hanns Seidel Foundation (HSS) engages with the nature, the contemporary issues and challenges of federalism in India to reflect upon the necessity of and pathway to achieving cooperative federalism. In doing so, it locates local governance in the larger federalism discourse. The study concludes with a set of policy recommendations aimed at sustaining a cooperative federal atmosphere in the country, strengthening the objectives of good governance at the local level.

## Issues

Situating local governance in Indian federal structure, comes with its issues and challenges. It has been observed that the governance at the local level does not get adequate attention as the federalism debates and discussions tend to focus more on the centre-state relationships. At the same time, it will not be entirely safe to argue that the local governance remains absent when one stresses on the centre-state relationships. However, it is safe to argue that the local governance continues to remain subtle in these discussions. The changing nature of centre-state relationships, the mismatch between the principles, perceptions and the personalities, competitive assertions among the political parties, lack of consensus on the fiscal distributions, and the contestations over the role and functions of the governors are important issues that merit discussion. Accordingly, the following issues are highlighted around the issues of (cooperative) federalism and local governance in India.

## The Changing Dynamics of Centre-State Relationship

Indian democracy has witnessed a dynamic environment of changing party politics, shaping and reshaping Centre-State relationships. In many ways, the power of the Centre over the states can be attributed to the political parties in power. The dominance of the Congress party in power (both at the Centre and the State), for the initial decades following independence, is an apt example of the accretion of power at the Centre. The centralisation of planned development and economy, along with the control over taxation and industrial policies left the States dependent on the Centre.

During Congress regime at the Centre, the misuse and overuse of Articles 355 and 356 to dismiss 'undesirable' administrators in the State governments

and the National Emergency of 1975 fuelled (read as one of the important factors) the rise of regional aspirations leading to political party formations. Amid regional ideologies overtaking 'forced' federalism, the Sarkaria Commission of 1983 was appointed to inspect the Centre-State relationships, the outcome of which was that the States have to be provided with more autonomy. Moreover, the liberalisation of the economy had a crucial impact on the nature of federalism in India as it provided the States with more financial autonomy, especially in the case of decision-making on industrial policies.

The rise of the Bharatiya Janata Party (BJP) in the Centre and in the majority of the states, in recent years, has also contributed to the changing nature of federalism in India. India, at this point, is experiencing a combination of cooperative and conflictual federalism.

## Lack of Consensus on Fiscal Distribution

The Seventh Schedule (Article 246) of the Indian Constitution divides the duties, responsibilities and the extent of autonomy in exercising its power into three lists viz. the Union list, the State list and the Concurrent list. This division of functions is uneven, especially when it comes to the Centre's control over taxation. The distribution of funds to the states by the Central government often invites discontent from the states. The states claim to be losing their autonomy alleging the centre's monopoly over finance. Such claims and the counter claims between the state and the central governments seem to be working more through perceptions guided by the party politics which has implications on their relationships. With the implementation of Goods and Services Tax (GST) and the GST Council deciding on the funds, many states have been claiming discrimination. It is observed that, on one hand there are competitions between the state and the central governments to appropriate the local governance measures and on the other hand the state governments hold the central government responsible for the lack of local governance citing non-availability of funds. Accordingly, the lack of consensus on fiscal distribution affects much desired cooperative federalism and local governance.

## Unequal representation of units

The size and population of a State and its proportionate representation in the Rajya Sabha and Lok Sabha help these certain States in achieving their agendas, at least more than the smaller states in the Eastern and the

North-Eastern regions. This essentially gives rise to horizontal disparity among these States, and a vertical disparity in terms of the relationship of the Centre with the smaller States, and turns it into a case of asymmetric federalism.

## **Office of the Governor**

In a cooperative federal setup, the office of the Governor looks over the functioning of the State government and serves as the bridge connecting the Centre and the States. However, the office of the Governors has come under criticism as the states accuse the former of empathizing or getting subdued by the Central government. This was also one of the findings of the Sarkaria Commission and the subsequent Punchhi Commission (2007). It is important to mention that while the Governors are vested with little power in the state affairs, they enjoy good amount of constitutional power in the governance of the scheduled areas. Over the years it has been observed that most Governors show very little interest in exercising their authorities in governing the Scheduled Areas. The Scheduled Areas, that enjoy quasi state status, look up to the better coordination and cooperation among the state, centre and the Governors' office for their governance. Accordingly, the office of the governor, at least in the scheduled areas, is of great importance in maintaining cooperation between the states and the centre and ensuring the local governance.

The abovementioned issues pertaining to federalism arguably boils down to local governance and welfare of the citizens. A conflictual federal relationship has less scope for the governance and welfare of the citizens. Keeping in mind the need for cooperation between the states and the Central government for better governance and welfare of the citizens at the local level, the following section reflects upon a set of suggestions.

## **Ways Forward**

### **Prioritising citizen-centric governance**

The current discourse on federalism has been focused on understanding the dynamics of the Centre-State relationship, leaving beside the formation of a governance that is citizen-centric and focuses on the welfare of the people. The ideal kind of governance thrives on good policymaking and its proper implementation, and the subsequent development aimed at citizen's welfare and ensuring meeting their basic needs. The absence of

such a citizen-centric approach (not to be confused with voter-centric) is a by-product of electoral politics, as the individual is seen more as a voter and a responsible participant in the democracy rather than as a citizen. The prioritisation of development from the local level to the national is a way ahead with the shifting focus from the voters to the citizens, and the government directing its efforts from staying in power to making its population capable. This will also shift the focus from the conflictual relationship between the Centre and the States to good governance for and by the citizens.

### **Governors' Proactive Role in Governance**

The role of the Governor is to serve as a bridge between the Centre and the State, the most important connecting link in the chain of levels in a federal government. Given the importance of this role, the constitutional ethos and moral obligation of the Governors to carry out their functions and responsibilities within the limitation of the constitution, especially in areas under the Fifth and Sixth Schedule, serve as an essential step in empowering a healthy Centre-State relationship, proper devolution of power, and good governance. There is hardly any room for the Governors to go beyond their constitutional morality considering the situation of turmoil in which they have to be functional. On the other hand, the States and the Centre also have to maintain a relationship that entrusts the Governor to make decisions at crucial moments of the State's political environment and major policy failures, and the constitution that allows them to make these decisions.

### **The awareness of the citizens on federalism**

It is often observed that, among the citizens, there is a lack of understanding of federalism and the relationship between the Centre and the States. This is partly because the Indian Constitution, monikered as the Lawyers' Paradise because of its complex nature, remains a tough document for the citizens to understand, even their rights, entitlements, and duties, let alone the complexities of Centre-State relationships and federalism. On the other hand, the Central government and the State governments are also to be held responsible for not being able to widen the citizen's knowledge and awareness of these issues. Raising awareness among the citizens on how the constitution functions and the dynamics of the current scenario of the Centre-State relationship also influences in converging of the Centre and the States on the governance issue.

## Managing the conflictual perceptions

Often, the conflictual relationship between the Centre and the States is on the perception level. It has a lot to do with the perceptions of the levels of government against each other, especially concerning the party ideologies. The way forward to addressing perception-based conflicts is by engaging in constant dialogue. In the absence of meaningful dialogues, the Kaveri River water dispute between Tamil Nadu and Karnataka, border conflicts between Assam and Meghalaya, Mizoram, Nagaland, and Arunachal Pradesh in the Northeast region of India continue to hurt the much-desired cooperative federalism in India.

## Governments rising above party politics

Arguably, the competing party politics in India substantially contribute to the conflictual relationship between the Centre and the States. There has to be a distinction between the party manifestos and the constitutional ethos that empowers and ensures the government to direct governance towards the welfare of the citizens. Staying in control of governance in a democracy can be considered meaningless if the governance is not directed towards the welfare of the citizen, and to a larger extent, the welfare of the nation.

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