



Federalism in Practice: Centre – State Relations and Policy Negotiation in India

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Abstract

Federalism in India is constitutionally defined but politically negotiated. While formal constitutional provisions outline the distribution of powers between the Centre and the States, the practical functioning of Indian federalism has evolved through continuous bargaining, cooperation, and adjustment. This paper examines Centre–State relations in India by moving beyond a purely constitutional interpretation and focusing on policy negotiation as a governing mechanism. Using an original Negotiated Federalism Framework (NFF), the study analyses fiscal coordination, administrative consultation, and policy implementation practices between the Centre and States up to 2012. The paper argues that Indian federalism operates less as a rigid hierarchical structure and more as an adaptive, negotiated system that balances unity with regional diversity.

Keywords: Indian federalism, centre–state relations, policy negotiation, governance, political institutions

1. Introduction

Federalism represents a core institutional principle of the Indian political system. The Constitution of India establishes a federal structure with a strong Centre, reflecting concerns related to national unity and administrative coherence. However, the practical functioning of federalism has never been static. Instead, it has evolved through political practice, institutional negotiation, and policy adaptation.

Centre–State relations in India have often been analysed through the lens of constitutional conflict or political competition. Such analyses, while important, do not fully capture the everyday functioning of federal governance. This paper adopts an institutional perspective to examine how Centre–State relations operate in practice, particularly through mechanisms of policy negotiation and administrative coordination.

The central argument of this paper is that Indian federalism functions primarily through negotiated governance rather than rigid constitutional hierarchy.

2. Federalism: Conceptual Approaches and Indian Context

Theoretical approaches to federalism range from dual federalism, which emphasizes clear separation of powers, to cooperative and competitive federalism, which highlight shared authority and intergovernmental interaction. In practice, most federal systems combine elements of these models.

In India, constitutional provisions assign substantial authority to the Centre, particularly in matters of finance, planning, and administration. However, political realities—such as regional diversity, coalition politics, and decentralisation—have necessitated continuous negotiation between levels of government.

Existing scholarship on Indian federalism often focuses on constitutional amendments, fiscal disputes, or political centralisation. Less attention has been given to routine policy negotiations that sustain federal balance. This paper addresses this gap.

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3. Analytical Framework: The Negotiated Federalism Framework (NFF)

To analyse Centre–State relations institutionally, this paper introduces the Negotiated Federalism Framework (NFF). The framework identifies three key dimensions:

- ❖ Fiscal Negotiation (FN): Revenue sharing, grants, and financial transfers negotiated through institutional mechanisms.
- ❖ Administrative Coordination (AC): Intergovernmental consultation, joint committees, and bureaucratic coordination.
- ❖ Policy Adaptation (PA): Flexibility allowed to States in implementing centrally framed policies.

Each dimension is evaluated on a qualitative scale (Low–Moderate–High), allowing assessment of the extent of negotiation within federal governance.

4. Methodology

The study adopts a qualitative institutional methodology involving:

- ❖ Analysis of constitutional provisions and statutory arrangements related to Centre–State relations
- ❖ Review of policy documents, commission reports, and intergovernmental agreements
- ❖ Secondary analysis of academic literature on federal governance in India
- ❖ Examination of administrative practices in selected policy domains

This approach enables a balanced assessment without reliance on partisan or episodic interpretations.

5. Fiscal Negotiation in Indian Federalism

Fiscal relations represent a central axis of Centre–State interaction. Constitutional mechanisms for revenue distribution have been supplemented by negotiated transfers and discretionary grants. States routinely engage with central institutions to secure financial resources aligned with regional priorities.

These fiscal negotiations demonstrate that federal balance is maintained not solely through constitutional allocation but through ongoing bargaining and institutional accommodation.

NFF Assessment: Fiscal Negotiation – Moderate to High

6. Administrative Coordination and Intergovernmental Consultation

Administrative coordination forms the operational backbone of Indian federalism. Regular interaction between central ministries and state administrations facilitates policy alignment and implementation flexibility.

Intergovernmental forums, bureaucratic consultations, and shared administrative practices have enabled coordination across diverse policy areas. While asymmetries persist, coordination mechanisms have become increasingly institutionalised.



NFF Assessment: Administrative Coordination – High

7. Policy Adaptation at the State Level

States exhibit varying capacities to adapt centrally designed policies to local conditions. Policy frameworks often allow space for contextual modification, reflecting recognition of regional diversity.

This adaptive dimension highlights negotiated federalism in practice, where policy objectives are shared but implementation strategies vary across States.

NFF Assessment: Policy Adaptation – Moderate

8. Discussion

The Negotiated Federalism Framework reveals that Indian federalism is sustained through continuous interaction rather than constitutional rigidity. Negotiation functions as a stabilising mechanism, allowing the system to absorb political diversity and administrative complexity.

Rather than indicating weakness, negotiation reflects institutional maturity within a plural democratic system.

9. Conclusion

This paper concludes that Centre–State relations in India are best understood as a process of negotiated governance. Federal balance is achieved through fiscal bargaining, administrative coordination, and policy adaptation rather than strict constitutional demarcation.

Indian federalism, therefore, represents a dynamic institutional arrangement capable of responding to political and regional diversity through negotiation and cooperation.

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