

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS



Open Access, Refereed Journal Multi-Disciplinary
Peer Reviewed

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FROM PRINCIPLE TO BASIC STRUCTURE: THE CONSTITUTIONAL POSITION OF CO-OPERATIVE FEDERALISM IN INDIA

AUTHORED BY – RIYA

Research Scholar,

Department of Laws, Panjab University, Chandigarh.

Abstract

Co-operative federalism in India represents a gradual constitutional evolution from a structural principle to a doctrine protected under the Basic Structure framework. Although the Constitution does not expressly use the term “co-operative federalism,” its design—particularly the distribution of legislative, administrative, and fiscal powers under Articles 245–263 and the Seventh Schedule—reflects a collaborative relationship between the Union and the States. Institutions such as the Finance Commission, Inter-State Council, and GST Council further operationalize shared governance through consultation, fiscal coordination, and consensus-based decision-making.

*Judicial interpretation has significantly strengthened this framework. Through the Basic Structure doctrine evolved in *Kesavananda Bharati v. State of Kerala* and reaffirmed in *S.R. Bommai v. Union of India*, the Supreme Court recognized federalism as a core constitutional feature immune from destructive amendment. Consequently, co-operative federalism has moved beyond political theory to acquire constitutional protection. Despite challenges such as fiscal centralization and political divergence, the constitutional scheme continues to safeguard federal balance and democratic decentralization.*

Keywords: Co-operative Federalism, Basic Structure Doctrine, Centre–State Relations, Constitutional Federalism in India, Judicial Interpretation.

Introduction

India’s Constitution establishes a federal polity with a distinct unitary tilt, reflecting the historical, political, and social realities prevailing at the time of independence. Unlike classical

federations such as the United States¹, where sovereignty is divided between coordinate governments, India was conceived as a “Union of States” under Article 1² of the Constitution. This phrase was deliberately chosen by the Constituent Assembly to emphasize the indestructible unity of the nation while simultaneously recognizing the autonomy of its constituent States. The Indian federal model thus represents a carefully calibrated balance between national integration and regional diversity.³

The federal structure in India is not the result of an agreement among sovereign units; rather, it is a constitutional arrangement designed to manage diversity within a unified political framework. The Constitution distributes legislative powers between the Union and the States through the Seventh Schedule, dividing subjects into the Union List, State List, and Concurrent List. While this distribution suggests federalism, the predominance of the Union List, the residuary powers vested in Parliament, and the emergency provisions illustrate the strong centralizing tendency embedded in the constitutional scheme. This structural design has often led scholars to describe India as a “quasi-federal” or “federation with a centralizing bias.”

However, federalism in India has not remained static. Over time, the rigid notion of dual federalism—where the Union and States operate in distinct and separate spheres—has evolved into a more functional and pragmatic model of co-operative federalism.⁴ Co-operative federalism emphasizes partnership rather than compartmentalization. It envisions the Union and States as collaborators in governance, working through dialogue, coordination, and mutual respect. In a diverse and complex polity such as India, where socio-economic development requires coordinated national planning and localized implementation, such cooperation becomes not merely desirable but essential. The transition toward co-operative federalism has been shaped by political practice, economic reforms, and constitutional interpretation.⁵ The planning era witnessed increasing interdependence between the Centre and States, especially in fiscal matters. Liberalization and globalization further necessitated harmonized policy frameworks across States, particularly in areas such as taxation, trade, and infrastructure.

¹ Singh, M. P., & Saxena, R. (2021). *Indian politics: Constitutional foundations and institutional functioning*. PHI Learning Pvt. Ltd..

² Constitution of India, 1950, art. 1 (India).

³ Magar, R. B. P. (2025). Foundations of Unitary and Federal Systems: A Comparative Perspective. *Butwal Campus Journal*, 8(2), 84-98.

⁴ Loughlin, J., Kincaid, J., & Swenden, W. (Eds.). (2013). *Routledge handbook of regionalism and federalism*. New York: Routledge.

⁵ Boudreault, J. (2020). Flexible and cooperative federalism: Distinguishing the two approaches in the interpretation and application of the division of powers. *National Journal of Constitutional Law*, 40(1), 1-35.

Consequently, the federal system matured into one characterized by shared responsibilities and institutionalized mechanisms for consultation.⁶

A significant aspect of this evolution is the establishment and strengthening of inter-governmental institutions designed to facilitate coordination. The Inter-State Council, constituted under Article 263⁷, serves as a forum for discussion and resolution of disputes between the Union and States. It embodies the constitutional vision of dialogue-based federalism by providing a structured platform for policy consultation. Similarly, the Finance Commission, established under Article 280⁸, plays a crucial role in maintaining fiscal equilibrium by recommending the distribution of revenues between the Centre and States. Through periodic recommendations, it ensures both vertical balance (between Union and States) and horizontal balance (among States), thereby reinforcing fiscal cooperation. The introduction of the Goods and Services Tax (GST) through the 101st Constitutional Amendment marked a transformative moment in India's federal journey.⁹ The GST Council, comprising representatives of both the Union and the States, represents a model of shared sovereignty in fiscal governance. Decisions are taken collectively, reflecting a consensus-driven approach rather than unilateral imposition. This institutional innovation signifies a shift from competitive federalism—where States compete for resources and policy space—to collaborative governance based on collective decision-making.

Judicial pronouncements have further consolidated this transformation. The Supreme Court, through its landmark decision in **Kesavananda Bharati v. State of Kerala**¹⁰, introduced the Basic Structure doctrine, limiting Parliament's power to amend the Constitution in a manner that destroys its essential features. Federalism was subsequently recognized as one such essential feature in **S.R. Bommai v. Union of India**¹¹, where the Court emphasized that States are not mere appendages of the Centre and that the federal balance cannot be arbitrarily disturbed. These decisions elevated federalism from a structural arrangement to a constitutionally protected principle.

⁶ Mueller, S., & Fenna, A. (2022). Dual versus administrative federalism: Origins and evolution of two models. *Publius: The Journal of Federalism*, 52(4), 525-552.

⁷ Constitution of India, 1950, art. 263 (India).

⁸ Constitution of India, 1950, art. 280 (India).

⁹ Bhadoriya, S. (2025). The Evolution Of Goods And Services Tax (GST) In India: A Legal And Economic Analysis. *International Journal of Multifaceted Research*, 2(1), 37-42.

¹⁰ *Kesavananda Bharati v. State of Kerala*, (1973) 4 SCC 225 (India).

¹¹ *S. R. Bommai v. Union of India*, (1994) 3 SCC 1 (India).

Thus, co-operative federalism in India has gradually evolved from a functional necessity into a constitutional mandate.¹² While the Union retains significant powers to preserve national unity and respond to emergencies, the overall trajectory of constitutional development reveals an increasing reliance on consultation, fiscal sharing, and institutional dialogue. In contemporary governance, where economic integration, welfare implementation, and national development require synchronized efforts, co-operative federalism serves as the cornerstone of India's constitutional democracy. It represents not a dilution of federal autonomy, but a mature realization that unity and diversity must coexist through partnership rather than dominance.

Conceptual Foundations of Co-operative Federalism

Co-operative federalism represents a dynamic and integrative model of governance in which the Union and the States function as partners in achieving constitutional objectives rather than as isolated or competing authorities. In contrast to classical or dual federalism often described as a system of “watertight compartments” co-operative federalism acknowledges that modern governance requires overlapping responsibilities¹³, shared competencies, and institutional dialogue. In the Indian context, this model has evolved as a practical necessity to manage diversity, ensure socio-economic development, and maintain national unity within a constitutional framework.¹⁴

At its core, co-operative federalism is premised on the idea that neither the Union nor the States can function effectively in complete autonomy¹⁵. The complexity of governance in a vast and pluralistic country such as India demands coordination across multiple levels of government. This cooperative relationship is not merely political but constitutionally structured through mechanisms that facilitate shared legislative authority, fiscal coordination, policy consultation, dispute resolution, and harmonization of national and regional interests.¹⁶

¹² Kumar, C. (2019). Co-Operative Federalism For Transformation. In *Conference Paper*.

¹³ Carrière, S. A. (2020). The emergence of a normative principle of co-operative federalism and its application. *Alta. L. Rev.*, 58, 897.

¹⁴ Yadav, S. (2025). Federalism in India and the Challenges of Cooperative Federalism: Constitutional Vision, Contemporary Practices and Emerging Trends.

¹⁵ Chandra, D., Acharya, B., Gogoi, P., Aggarwal, P., Kaur, T., & Laskar, N. H. (2025). FEDERALISM AND CONSTITUTIONAL GOVERNANCE: A RESEARCH STUDY ON DISTRIBUTION OF POWERS, AUTONOMY, AND COOPERATIVE MECHANISMS. *Lex Localis: Journal of Local Self-Government*, 23.

¹⁶ Pal, A. (2022). Analysis on 'Cooperative and Competitive Federalism' in India. *Part 1 Indian J. Integrated Rsch. L.*, 2, 1.

1. Shared Legislative Responsibilities

One of the defining features of co-operative federalism is the sharing of legislative powers. The Indian Constitution distributes subjects between the Union and States through the Seventh Schedule, but it also creates an area of concurrent jurisdiction.¹⁷ Subjects in the Concurrent List such as education, forests, criminal law, and social security permit both Parliament and State legislatures to enact laws. This overlapping competence fosters collaborative law-making and policy alignment. Rather than confining legislative authority to rigid spheres, the Constitution encourages coordinated regulation of matters that require uniform standards alongside regional adaptation.¹⁸

This shared responsibility ensures that national priorities, such as environmental protection or economic reform, are implemented with sensitivity to local conditions. It reflects an understanding that governance in a federal system cannot be compartmentalized; instead, it must accommodate interdependence between levels of government.¹⁹

2. Fiscal Coordination

Fiscal federalism forms the backbone of co-operative governance. In India, revenue-raising powers are distributed asymmetrically, with the Union possessing broader taxation authority. However, the Constitution provides mechanisms for equitable distribution of financial resources. The Finance Commission periodically recommends tax devolution and grants-in-aid to States, thereby maintaining both vertical balance (between Centre and States) and horizontal balance (among States).

The introduction of the Goods and Services Tax (GST) further institutionalized fiscal cooperation by creating a unified indirect tax regime.²⁰ The GST Council operates as a platform for consensus-based decision-making, ensuring that both the Union and States participate in shaping national tax policy. Fiscal coordination thus moves beyond resource allocation to become a shared exercise in economic governance.²¹

¹⁷ Yadav, S. (2025). Federalism in India and the Challenges of Cooperative Federalism: Constitutional Vision, Contemporary Practices and Emerging Trends.

¹⁸ Bolleyer, N. (2018). Challenges of interdependence and coordination in federal systems. In *Handbook of territorial politics* (pp. 45-60). Edward Elgar Publishing.

¹⁹ Bolleyer, N. (2018). Challenges of interdependence and coordination in federal systems. In *Handbook of territorial politics* (pp. 45-60). Edward Elgar Publishing.

²⁰ Mukherjee, S. (2020). Inter-governmental fiscal transfers in the presence of revenue uncertainty: The case of goods and services tax (GST) in India. *Journal of Development Policy and Practice*, 5(1), 74-102.

²¹ Sharma, P. (2020). Impact of Goods and Services Tax (GST) on Indian Economy. *Turkish Journal of Computer and Mathematics Education*, 11(2), 803-807.

3. Policy Consultation Mechanisms

Co-operative federalism is sustained through formal and informal mechanisms of consultation. Article 263²² of the Constitution provides for the establishment of an Inter-State Council to facilitate discussion and coordination between governments. Such forums allow States to voice concerns, negotiate policy differences, and collectively shape national strategies.

Beyond constitutional bodies, regular meetings between Union and State ministers, sector-specific councils, and administrative conferences further strengthen dialogue-based governance. Consultation ensures that policy decisions reflect a balance between national objectives and regional aspirations, reducing friction and promoting democratic participation.

4. Inter-Governmental Dispute Resolution

Federal systems inevitably generate disputes over legislative competence, resource allocation, and administrative authority. Co-operative federalism seeks to resolve such conflicts through dialogue and constitutional processes rather than confrontation. Judicial review by the Supreme Court under Articles 131²³ and 136²⁴ plays a critical role in maintaining federal balance. At the same time, institutional forums like the Inter-State Council provide avenues for negotiated settlements, reinforcing the culture of cooperation.

5. Harmonization of National and Regional Interests

Perhaps the most significant conceptual foundation of co-operative federalism lies in harmonizing unity with diversity. India's social, linguistic, and economic diversity requires policies that accommodate regional variations while preserving national coherence. Co-operative federalism enables States to retain their identity and autonomy within a broader constitutional framework.²⁵

Unlike dual federalism, which emphasizes strict separation of powers, co-operative federalism recognizes functional overlap and mutual assistance as essential to modern governance. It is not a dilution of autonomy but a recognition that shared sovereignty strengthens democratic accountability and developmental efficiency. In India, therefore, co-operative federalism represents a pragmatic constitutional philosophy—one that reconciles central authority with regional empowerment through partnership, coordination, and constitutional dialogue.²⁶

²² Constitution of India, 1950, art. 263 (India).

²³ Constitution of India, 1950, art. 131 (India).

²⁴ Constitution of India, 1950, art. 136 (India).

²⁵ Elike, O. J. A Comparative Analysis of Federalism in South Africa and India.

²⁶ Yadav, S. (2025). Federalism in India and the Challenges of Cooperative Federalism: Constitutional Vision, Contemporary Practices and Emerging Trends.

Judicial Recognition of Federalism as Basic Structure

The judiciary has played a transformative role in defining, preserving, and strengthening the federal character of the Indian Constitution. While the constitutional text provides the structural framework for Centre–State relations, it is judicial interpretation that has elevated federalism to the status of a Basic Structure feature—beyond the amending power of Parliament. Through a series of landmark decisions, the Supreme Court has clarified that the balance between the Union and the States is not merely administrative but constitutionally entrenched and judicially enforceable.

1. *Kesavananda Bharati v. State of Kerala*²⁷

This historic judgment marks a turning point in Indian constitutional law. The primary issue before the Court was the scope of Parliament’s power to amend the Constitution under Article 368.²⁸ In a narrow majority, the Court held that although Parliament possesses wide amending powers, it cannot alter or destroy the “basic structure” of the Constitution. While the judgment did not produce an exhaustive list of basic features, several judges identified federalism as an essential component of the constitutional scheme.

The Court emphasized that the Constitution establishes a balance between the Union and the States through a carefully structured distribution of legislative, administrative, and financial powers. Any amendment that seeks to abrogate this balance would violate the Constitution’s core identity. Thus, *Kesavananda Bharati* laid the doctrinal foundation for protecting federalism from excessive centralization and constitutional distortion.

2. *S.R. Bommai v. Union of India*²⁹

The decision in *S.R. Bommai* represents the most explicit judicial affirmation of federalism as part of the Basic Structure. The case concerned the misuse of Article 356³⁰, which permits the imposition of President’s Rule in a State upon failure of constitutional machinery. Historically, this provision had been used frequently, often for political reasons.

The Supreme Court subjected the President’s proclamation to judicial review and laid down strict guidelines governing its exercise. Most importantly, the Court unequivocally declared that federalism is a basic feature of the Constitution. It held that States are not mere

²⁷ *Kesavananda Bharati v. State of Kerala*, (1973) 4 SCC 225 (India).

²⁸ Constitution of India, 1950, art. 368 (India).

²⁹ *S. R. Bommai v. Union of India*, (1994) 3 SCC 1 (India).

³⁰ Constitution of India, 1950, art. 356 (India).

administrative units of the Centre but constitutional entities with independent authority. By limiting arbitrary dismissal of State governments, the Court reinforced democratic governance and cooperative federalism.

3. *State of West Bengal v. Union of India*³¹

In this early constitutional case, the State of West Bengal challenged Parliament's authority to acquire State property without its consent. The Supreme Court rejected the argument that Indian States possess sovereign powers akin to those in classical federations such as the United States.³² The Court held that India is a Union with indestructible unity rather than a compact among sovereign States.

However, the judgment also affirmed the constitutional distribution of powers and recognized the federal character embedded in the Constitution. While emphasizing the supremacy of Parliament within its legislative sphere, the Court acknowledged that the Union–State relationship is governed by constitutional limitations rather than political discretion.

4. *Union of India v. Mohit Minerals Pvt. Ltd.*³³

This recent judgment examined the constitutional validity of the levy of Integrated GST on ocean freight and addressed the nature of the GST Council's recommendations.³⁴ The Court held that the recommendations of the GST Council are not binding on either the Union or the States but carry significant persuasive value.

In doing so, the Court characterized the GST framework as an embodiment of “co-operative federalism,” built on dialogue and consensus rather than hierarchical control. By affirming that fiscal federalism under GST operates through shared decision-making³⁵, the Court reinforced the principle that federal balance must be maintained even in integrated economic regimes.

Collectively, these decisions demonstrate the judiciary's vital role in transforming federalism from a structural design into a constitutionally protected and enforceable Basic Structure principle.³⁶

³¹ *State of West Bengal v. Union of India*, AIR 1963 SC 1241 (1963).

³² Rudolph, L. I., & Rudolph, S. H. (1981). Judicial review versus parliamentary sovereignty: The struggle over stateness in India. *Journal of Commonwealth & Comparative Politics*, 19(3), 231-256.

³³ *Union of India v. Mohit Minerals Pvt. Ltd.*, (2022) 4 SCC 561 (Supreme Court of India).

³⁴ Bareja, R., & Dixit, S. (2020). Goods and Services Tax on Ocean Freight: Delineating the Dichotomy of Dual Levy. *RGNUL Fin. & Mercantile L. Rev.*, 45.

³⁵ Yadav, S. (2025). Federalism in India and the Challenges of Cooperative Federalism: Constitutional Vision, Contemporary Practices and Emerging Trends.

³⁶ Weiser, P. J. (2000). Towards a constitutional architecture for cooperative federalism. *NCL Rev.*, 79, 663.

Institutional Mechanisms of Co-operative Federalism

Co-operative federalism in India is not merely a theoretical ideal but is operationalized through a network of constitutional and statutory institutions designed to promote consultation, coordination, and shared governance between the Union and the States.³⁷ These institutional mechanisms provide structured forums for dialogue, fiscal adjustment, policy harmonization, and dispute resolution, thereby sustaining the federal balance within a strong constitutional framework.

1. *Inter-State Council*

The Inter-State Council (ISC), established under Article 263³⁸ of the Constitution in 1990, is a key forum for Centre–State and inter-State coordination.³⁹ It was set up on the recommendation of the Sarkaria Commission to strengthen cooperative relations. The Council is chaired by the Prime Minister and includes Chief Ministers of all States and Union Territories with legislative assemblies.

Its primary functions include investigating and discussing subjects of common interest, making recommendations for better policy coordination, and resolving disputes between States or between the Union and States. Though advisory in nature, the ISC serves as an important platform for consensus-building and collaborative decision-making, thereby institutionalizing dialogue-based federalism.

2. *Finance Commission*

The Finance Commission, constituted under Article 280⁴⁰, plays a central role in ensuring fiscal federalism. Appointed every five years, it recommends the distribution of tax revenues between the Union and the States (vertical devolution) and among the States themselves (horizontal distribution). It also suggests grants-in-aid to address fiscal imbalances and promote equitable development.

Through its recommendations, the Finance Commission addresses structural inequalities in revenue-raising capacities and expenditure responsibilities. By promoting transparency and objectivity in fiscal transfers, it reduces political friction and reinforces cooperative financial

³⁷ Chandra, D., Acharya, B., Gogoi, P., Aggarwal, P., Kaur, T., & Laskar, N. H. (2025). FEDERALISM AND CONSTITUTIONAL GOVERNANCE: A RESEARCH STUDY ON DISTRIBUTION OF POWERS, AUTONOMY, AND COOPERATIVE MECHANISMS. *Lex Localis: Journal of Local Self-Government*, 23.

³⁸ Constitution of India, 1950, art. 263 (India).

³⁹ Kumar, U., & Bharti, V. (2022). Center-State Relations and Constitutional Governance. *Issue 4 Indian JL & Legal Rsch.*, 4, 1.

⁴⁰ Constitution of India, 1950, art. 280 (India).

relations. Fiscal coordination is essential in a developing country like India, where States depend significantly on central transfers for implementing welfare and development schemes.⁴¹

3. *Goods and Services Tax (GST) Council*

The GST Council, created by the 101st Constitutional Amendment in 2016, represents a landmark innovation in fiscal cooperation.⁴² It comprises the Union Finance Minister (as Chairperson), the Union Minister of State for Finance, and the Finance Ministers of all States. The Council recommends tax rates, exemptions, and administrative procedures under the unified GST regime.

Decisions in the GST Council are taken through a weighted voting mechanism that requires broad consensus, ensuring that both the Union and States participate meaningfully in fiscal governance. This institutional arrangement exemplifies shared sovereignty in taxation and reflects the maturity of cooperative federalism in India's economic framework.

4. *Zonal Councils*

Established under the States Reorganisation Act, 1956⁴³, Zonal Councils promote regional cooperation among neighboring States. They address issues such as border disputes, economic planning, inter-State transport, and infrastructure development. These councils facilitate dialogue at the regional level, reducing administrative conflicts and encouraging collective problem-solving.

5. *NITI Aayog*

Replacing the Planning Commission in 2015, NITI Aayog was conceived as a policy think tank promoting "Team India" spirit.⁴⁴ It provides a platform where States participate in national policy formulation through the Governing Council, which includes all Chief Ministers. NITI Aayog emphasizes cooperative and competitive federalism by encouraging best practices while fostering collaboration in developmental strategies.⁴⁵

⁴¹ Nithin, K., & Roy, R. (2016). Finance commission of India's assessments: A political economy contention between expectations and outcomes. *Applied economics*, 48(2), 73-88.

⁴² Devan, V. V. The Evolution of Fiscal Federalism in India: Assessing the Transformative Impact of the 101st Constitutional Amendment and GST.

⁴³ Grover, V., & Arora, R. (Eds.). (1994). *Federation of India and States' Reorganisation: Reconstruction and Consolidation* (Vol. 4). Deep and Deep Publications.

⁴⁴ Dab, J. K. (2016). From planning commission to NITI Aayog: End of Nehruvian legacy challenges ahead. *Mainstream Weekly*, 54, 26.

⁴⁵ Inampudi, S., & Gaurav, A. K. (2024). Transforming institutions for inclusive and sustainable governance: an empirical analysis of NITI Aayog's role in India. In *Governance and sustainable development in South Asia: Bridging the gap* (pp. 177-195). Cham: Springer Nature Switzerland.

Collectively, these institutions demonstrate that co-operative federalism in India is sustained through structured, consultative, and participatory mechanisms. They ensure that governance is not centralized in isolation but operates through continuous dialogue and coordination between constitutional partners.

Co-operative Federalism and the Basic Structure Doctrine

The Basic Structure doctrine constitutes one of the most significant judicial innovations in Indian constitutional law. Evolved in **Kesavananda Bharati v. State of Kerala**⁴⁶, the doctrine limits Parliament's amending power under Article 368⁴⁷ by prohibiting alterations that damage or destroy the essential features of the Constitution. Among these essential features, federalism has been consistently recognized as fundamental. Consequently, while Parliament retains authority to modify the distribution of legislative or fiscal powers, it cannot abolish the federal character of the Constitution or transform India into a purely unitary state.

The recognition of federalism as part of the Basic Structure was explicitly affirmed in **S.R. Bommai v. Union of India**⁴⁸, where the Supreme Court declared that the Constitution establishes a federal polity in which States are not mere appendages of the Centre. The judgment emphasized that constitutional governance in India rests on a delicate balance of power. Any attempt—whether through constitutional amendment or executive action—to undermine this balance would be subject to judicial scrutiny. In this manner, the judiciary has ensured that federalism remains a substantive limitation on centralized authority.

Importantly, the Court's jurisprudence indicates that co-operative federalism is not merely a political slogan or administrative convenience; rather, it flows organically from the structural logic of the Constitution. The principle is grounded in several foundational constitutional values.

1. Democratic Governance

Democracy in India operates at multiple levels—Union, State, and local. The federal structure enables citizens to participate in governance not only through national institutions but also

⁴⁶ Kesavananda Bharati v. State of Kerala, (1973) 4 SCC 225 (India).

⁴⁷ Constitution of India, 1950, art. 368 (India).

⁴⁸ S. R. Bommai v. Union of India, (1994) 3 SCC 1 (India).

through State legislatures and local bodies.⁴⁹ Co-operative federalism strengthens this multi-tiered democracy by ensuring that States retain meaningful autonomy while contributing to national policy objectives. Judicial pronouncements have underscored that weakening State governments would indirectly weaken democratic representation itself. Thus, federal balance is essential to sustaining India's representative and participatory democracy.⁵⁰

2. Constitutional Supremacy

India follows a system of constitutional supremacy rather than parliamentary supremacy. The distribution of powers between the Union and the States is not a matter of political discretion but is constitutionally mandated.⁵¹ The Supreme Court, as the guardian of the Constitution, ensures that neither level of government transgresses its assigned sphere. By placing federalism within the Basic Structure, the Court has affirmed that constitutional limitations on power are inviolable. This reinforces the rule of law and prevents majoritarian impulses from eroding institutional equilibrium.⁵²

3. Decentralization of Power

Decentralization is an inherent objective of federalism. In a vast and diverse country, centralized governance alone cannot adequately address regional needs. Co-operative federalism promotes decentralization by allocating powers across different levels of government while encouraging coordination. The Basic Structure doctrine ensures that this decentralization cannot be reversed through excessive centralization. It thus preserves the autonomy of States and protects regional diversity within the national framework.⁵³

4. Participatory Policy-Making

Modern governance requires collaboration across jurisdictions, particularly in areas such as taxation, environmental regulation, health policy, and economic planning. Judicial observations, especially in recent fiscal cases, have recognized that institutions like the GST Council operate on principles of dialogue and consensus rather than coercion. This reflects a

⁴⁹ Heller, P. (2000). Degrees of democracy: Some comparative lessons from India. *World Politics*, 52(4), 484-519.

⁵⁰ Reddy, M. V. (2023). Parliamentary Sovereignty v. Judicial Supremacy: World and India. *Issue 2 Indian JL & Legal Rsch.*, 5, 1.

⁵¹ Mate, M. (2017). Judicial supremacy in comparative constitutional law. *Tul. L. Rev.*, 92, 393.

⁵² Singh, V., & Chadha, V. "Judicial Discretion in Balancing Political Objectives and Constitutional Principles: An Examination of Precedents like State of Rajasthan v. Union of India in the Context of Indian Federalism.

⁵³ Rodden, J. (2004). Comparative federalism and decentralization: On meaning and measurement. *Comparative politics*, 481-500.

constitutional commitment to participatory policy-making, where both Union and States share responsibility in shaping public policy.

Therefore, co-operative federalism is not merely a functional arrangement but a constitutional imperative embedded within the Basic Structure doctrine. It harmonizes unity with diversity, authority with autonomy, and national objectives with regional aspirations. By safeguarding federal balance, the judiciary ensures that India remains a Union that is strong yet plural, centralized yet decentralized, and unified yet respectful of State sovereignty within the constitutional scheme.

Competitive Federalism

Competitive federalism refers to a model of governance in which States compete with each other to attract investment, promote economic growth, and improve administrative efficiency.⁵⁴ Unlike traditional federal arrangements where coordination between the Union and States is emphasized, competitive federalism encourages States to innovate and adopt progressive policies in order to outperform other States in areas such as infrastructure development, business environment, social welfare delivery, and economic reforms. In India, the idea of competitive federalism gained prominence after the economic liberalization of the 1990s⁵⁵ and was later institutionalized through policy initiatives such as **NITI Aayog**, ease-of-doing-business rankings,⁵⁶ and performance-based incentives for States. Under this approach, States act as laboratories of policy innovation, experimenting with different governance models and competing to achieve better economic and developmental outcomes.⁵⁷ Competitive federalism promotes efficiency, accountability, and policy experimentation. When States compete for resources, investments, and skilled labour, they are encouraged to improve governance standards and public service delivery. For example, several Indian States have introduced investor-friendly industrial policies, simplified regulatory frameworks, and digital governance initiatives to attract domestic and foreign investment.

⁵⁴ Bratton, W. W., & McCathery, J. A. (1997). The new economics of jurisdictional competition: Devolutionary federalism in a second-best world. *Geo. LJ*, 86, 201.

⁵⁵ Singh, N., & Srinivasan, T. N. (2006). Indian federalism, economic reform and globalization. *Federalism and economic reform: International perspectives*, 301-363.

⁵⁶ Agarwal, J. D., & Agarwal, A. (2018). NITI Aayog's INDIA—Three year action agenda 2017-18 to 2019-20: Review and analysis. *Aestimatio: The IEB International Journal of Finance*, (16), 142-163.

⁵⁷ Wolfe, D. (2018, December). Experimental Governance: Conceptual approaches and practical cases. In *Background paper for an OECD/EC Workshop on* (Vol. 14).

However, excessive competition among States may also lead to regional disparities, fiscal imbalances, or policy fragmentation.⁵⁸ Wealthier or more industrialized States may attract greater investments, while economically weaker States may struggle to compete.⁵⁹ Therefore, competitive federalism must operate within a balanced constitutional framework where the Union ensures equitable development and maintains national cohesion.

Thus, competitive federalism represents a market-oriented and performance-driven dimension of federal governance that complements, rather than replaces, the cooperative relationship between the Centre and the States.

Comparative Analysis of Competitive and Co-operative Federalism

Competitive federalism and co-operative federalism represent two complementary approaches to managing Centre–State relations within a federal system. While co-operative federalism emphasizes collaboration, consultation, and shared decision-making between different levels of government, competitive federalism focuses on healthy competition among States to achieve better governance outcomes. In co-operative federalism, the Union and the States work together through institutional mechanisms such as the Finance Commission, Inter-State Council, and GST Council.⁶⁰ These institutions facilitate policy coordination, fiscal transfers, and dispute resolution, ensuring that governance is based on consensus and mutual respect. The objective is to harmonize national priorities with regional interests and promote balanced development across the country.⁶¹

In contrast, competitive federalism encourages States to independently pursue innovative policies and compete for economic opportunities. Initiatives such as investment summits, industrial corridors, start-up promotion schemes, and state-level ease-of-doing-business reforms demonstrate how States attempt to outperform one another in attracting capital and improving development indicators.⁶²

⁵⁸ Gbohoui, W., Lam, W. R., & Lledo, V. D. (2019). *The great divide: Regional inequality and fiscal policy*. International Monetary Fund.

⁵⁹ Laffer, A. B., Moore, S., & Williams, J. (2011). *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*. ALEC.

⁶⁰ Yadav, S. (2025). Federalism in India and the Challenges of Cooperative Federalism: Constitutional Vision, Contemporary Practices and Emerging Trends.

⁶¹ Pal, A. (2022). Analysis on 'Cooperative and Competitive Federalism' in India. *Part 1 Indian J. Integrated Rsch. L.*, 2, 1.

⁶² Aiyer, S. P. (1960). India's Emerging Co-Operative Federalism. *The Indian Journal of Political Science*, 21(4), 307-314.

Despite their differences, these two models are not mutually exclusive. In the Indian context, they operate simultaneously and complement each other. Co-operative federalism ensures that national unity, fiscal balance, and policy coordination are maintained, while competitive federalism stimulates innovation, efficiency, and economic dynamism among States.

Therefore, the contemporary Indian federal framework reflects a hybrid model that combines cooperation with competition. The Union facilitates coordination and equitable resource distribution, while States actively compete to improve governance standards and developmental outcomes. This dual approach strengthens federalism by encouraging both collaboration and innovation within the constitutional structure.⁶³

Conclusion

Co-operative federalism in India has evolved from a structural design embedded in the constitutional text into a substantive constitutional doctrine reinforced by judicial interpretation, institutional practice, and political experience. The framers of the Constitution sought to create a federal system capable of maintaining national unity while accommodating immense social, linguistic, cultural, and regional diversity. In doing so, they deliberately crafted a Union with strong central features, yet one that constitutionally distributes powers between the Union and the States. Over time, this distribution has matured into a functional and cooperative model of governance.

The journey from principle to Basic Structure reflects the dynamic nature of Indian constitutionalism. Initially, federalism was viewed largely as a mechanism of administrative convenience and political organization. However, through the development of the Basic Structure doctrine, the Supreme Court elevated federalism to a constitutionally protected feature. By recognizing that Parliament cannot destroy the federal balance through constitutional amendments or executive overreach, the judiciary has ensured that the relationship between the Centre and the States remains grounded in constitutional supremacy rather than political expediency. This judicial protection has provided stability and predictability to Centre–State relations. Institutional mechanisms have further deepened cooperative governance. Bodies such as the Inter-State Council, Finance Commission, GST Council, Zonal Councils, and NITI Aayog have created structured platforms for dialogue,

⁶³ BIDHURI, R., & TECKCHANDANI, J. " Federalism in India: Assessing the Role of States in Governance.

consultation, and fiscal coordination. These institutions demonstrate that co-operative federalism is not confined to theory; it is operationalized through regular interaction, shared decision-making, and consensus-building. In areas such as taxation, economic planning, disaster management, and social welfare, the Union and States increasingly function as partners rather than adversaries. At the same time, co-operative federalism does not eliminate tensions within the federal system. Fiscal imbalances, political divergence between ruling parties at the Centre and in the States, and debates over legislative competence continue to generate friction. Yet, these challenges underscore the vitality of federalism rather than its weakness. A functioning federation necessarily accommodates contestation, negotiation, and compromise. The constitutional framework provides mechanisms—both judicial and institutional—to resolve disputes while preserving structural balance.

Comparatively, India's federalism occupies a distinctive position among global federations. Unlike classical dual federalism models, it embraces overlapping powers and shared responsibilities. Unlike highly decentralized systems, it retains sufficient central authority to safeguard national integrity and coordinate economic development. This blend of unity and diversity, central strength and regional autonomy, has enabled India to manage complex transitions, including economic liberalization, technological transformation, and socio-political reform.

Ultimately, co-operative federalism in India represents a constitutional commitment to partnership governance. It harmonizes democratic decentralization with national coherence and aligns constitutional design with developmental realities. By embedding federalism within the Basic Structure doctrine, the judiciary has ensured that the essence of this balance cannot be eroded. The evolution of co-operative federalism thus illustrates the adaptability and resilience of the Indian Constitution—capable of responding to contemporary challenges while remaining faithful to its foundational principles. In this sense, co-operative federalism is not merely a method of governance; it is a defining feature of India's constitutional identity and democratic ethos.

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