



Federalism under Stress: Centre–State Relations in Contemporary India

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ABSTRACT

Federalism is a foundational principle of the Indian constitutional framework, designed to balance unity with regional diversity. The Constitution of India establishes a quasi-federal system in which powers are distributed between the Union and the States through a carefully structured division of legislative, executive, and financial competencies. However, in recent years, Centre–State relations in India have witnessed increasing strain due to political centralization, fiscal disputes, frequent use of constitutional provisions such as Article 356, the role of Governors, and the growing dominance of Union agencies. This paper examines the evolving nature of Indian federalism and analyzes how contemporary political, economic, and legal developments have placed federalism under stress. The study adopts a doctrinal and analytical approach, drawing upon constitutional provisions, judicial pronouncements, and recent policy developments. It argues that while strong central authority may be justified in the interests of national unity, excessive centralization threatens the spirit of cooperative federalism and undermines democratic governance.

1. Introduction

Federalism is a system of governance that seeks to reconcile the need for national unity with the preservation of regional autonomy. In a federal structure, powers are constitutionally divided between a central authority and constituent units, each operating within its own sphere. India, due to its vast geographical size, cultural diversity, linguistic plurality, and socio-economic disparities, adopted federalism as a means to ensure effective governance while maintaining national integrity.



The Indian Constitution does not explicitly describe India as a “federal state”; instead, it establishes a unique model that combines federal features with a strong unitary bias. This design was influenced by historical experiences, including colonial rule, the trauma of Partition, and concerns regarding national integration. Consequently, Indian federalism has often been characterized as “quasi-federal” or “federal with a strong centre.”

In contemporary India, Centre–State relations have become a focal point of constitutional and political debate. Increasing centralization of power, fiscal dependence of States, frequent political confrontations, and administrative interventions by the Union have led to growing tensions between the Centre and the States. These developments raise critical questions about the future of federalism in India and whether the constitutional balance envisaged by the framers is being eroded.

This paper seeks to critically examine the nature of Indian federalism and assess the factors contributing to the current stress in Centre–State relations.

2. Conceptual Framework of Federalism

2.1 Meaning and Features of Federalism

Federalism refers to a system of government in which sovereignty is constitutionally divided between a central authority and regional units. The essential features of federalism include:

- **A written constitution**
- **Division of powers between different levels of government**
- **Supremacy of the constitution**
- **Independent judiciary to interpret the constitution**
- **Rigid constitutional amendment procedure**

Federalism aims to prevent concentration of power by distributing authority across multiple levels, thereby promoting democratic accountability and regional self-governance.

2.2 Models of Federalism

Federal systems across the world vary in structure and operation. Broadly, federalism can be classified into:

Dual Federalism, where the Centre and States operate in distinct spheres with minimal overlap.

Cooperative Federalism, where different levels of government collaborate in governance.



Competitive Federalism, where States compete with each other to attract investment and resources.

India's federal system reflects elements of both cooperative and competitive federalism, though recent trends indicate a tilt towards central dominance.

3. Constitutional Scheme of Federalism in India

3.1 Distribution of Legislative Powers

The Seventh Schedule of the Constitution divides legislative powers between the Union and the States through three lists:

Union List: Subjects of national importance such as defence, foreign affairs, and currency.

State List: Subjects of regional concern such as public order, police, and agriculture.

Concurrent List: Subjects on which both the Centre and States can legislate, with Union law prevailing in case of conflict.

This distribution reflects the framers' intention to create a strong Centre while allowing States sufficient autonomy in their respective domains.

3.2 Executive and Administrative Relations

Articles 256 and 257 empower the Union to issue directions to States to ensure compliance with Union laws and national policies. While these provisions are meant to maintain constitutional discipline, their excessive or politically motivated use can undermine State autonomy.

Additionally, the presence of All-India Services further strengthens central control over State administration, often leading to friction between State governments and the Union.

3.3 Financial Federalism

Financial relations form the backbone of Centre–State relations. Although States are assigned certain taxation powers, the Centre controls major revenue sources. This imbalance has resulted in States' dependence on central grants and shared taxes, limiting their fiscal autonomy.

The role of the Finance Commission is crucial in addressing these imbalances, yet disputes over tax devolution and conditional grants continue to strain federal relations.



4. Role of Judiciary in Interpreting Federalism

4.1 Judicial Approach to Indian Federalism

The judiciary has played a pivotal role in defining the nature and scope of Indian federalism. Through constitutional interpretation, courts have attempted to maintain a balance between Union authority and State autonomy. The Supreme Court has consistently held that federalism is a basic feature of the Constitution, thereby protecting it from arbitrary constitutional amendments or executive encroachment.

4.2 Federalism as a Basic Feature

By recognizing federalism as part of the basic structure, the judiciary has ensured that the constitutional balance cannot be altered in a manner that destroys the essence of the federal system. This doctrine has served as a safeguard against excessive centralization. However, judicial restraint in certain politically sensitive matters has also raised concerns about the adequacy of judicial protection for States' rights.

5. Emerging Stress in Centre–State Relations

5.1 Political Centralization

One of the most significant factors contributing to the stress in Centre–State relations is political centralization. The dominance of national political parties and the increasing role of the Union government in areas traditionally managed by States have weakened the federal equilibrium.

Policy initiatives designed and implemented at the central level often leave limited scope for States to tailor policies according to local needs.

5.2 Use of Constitutional Provisions

Provisions such as Article 356, which allows the imposition of President's Rule in States, have historically been misused for political purposes. Although judicial scrutiny has reduced arbitrary use, concerns regarding federal interference persist.

Similarly, the discretionary powers of Governors have emerged as a contentious issue, often leading to constitutional confrontations between the Centre and State governments.

6. Research Methodology

This study adopts a doctrinal and analytical research methodology. Primary sources include constitutional provisions and judicial decisions, while secondary sources consist of books, journal articles, government



reports, and contemporary commentaries. The paper critically evaluates legal and constitutional developments to assess their impact on Centre–State relations in India.

7. Scope of the Study

The study focuses on contemporary developments in Centre–State relations, particularly post-2014 trends. It does not aim to provide a historical narrative in detail but emphasizes recent legal, political, and fiscal challenges affecting Indian federalism.

8. Role of the Governor and Constitutional Controversies

8.1 Constitutional Position of the Governor

The office of the Governor occupies a critical position in India’s federal structure. Appointed by the President under Article 155 of the Constitution, the Governor acts as the constitutional head of the State and functions as a link between the Union and the State governments. While the Governor is expected to act on the aid and advice of the Council of Ministers, the Constitution grants certain discretionary powers that have become a major source of Centre–State tension.

The discretionary powers of the Governor include the appointment of the Chief Minister, reservation of Bills for the consideration of the President, recommendation for the imposition of President’s Rule, and decisions regarding legislative procedures in case of hung assemblies. These powers, though constitutionally sanctioned, are often perceived as instruments through which the Centre influences State governance.

8.2 Politicization of the Governor’s Office

In contemporary India, the role of Governors has frequently attracted criticism for perceived political bias. Allegations of partisanship, delay in giving assent to State Bills, interference in the functioning of elected governments, and selective use of discretion have contributed to strained Centre–State relations. The frequent involvement of Governors in political disputes raises concerns about the erosion of constitutional morality. Instead of acting as neutral constitutional authorities, Governors are often seen as representatives of the ruling party at the Centre, thereby undermining the federal spirit.

8.3 Judicial Observations on the Governor’s Role

The judiciary has repeatedly emphasized that the Governor’s office must function within constitutional limits. Courts have stressed that discretionary powers should be exercised sparingly and in accordance



with democratic principles. Despite such judicial guidance, recurring disputes indicate the need for clearer constitutional conventions or legislative reforms to prevent misuse of gubernatorial authority.

9. Fiscal Federalism and Economic Centralization

9.1 Nature of Fiscal Federalism in India

Fiscal federalism refers to the financial relations between different levels of government, including taxation powers, revenue sharing, and grants-in-aid. In India, fiscal arrangements are characterized by vertical and horizontal imbalances. While States are responsible for significant public expenditure, the Centre controls major sources of revenue. This structural imbalance has historically resulted in financial dependence of States on the Union, thereby affecting their autonomy and bargaining power.

9.2 Goods and Services Tax and Federal Concerns

The introduction of the Goods and Services Tax (GST) marked a significant shift in India's fiscal federalism. While GST aimed to create a unified national market and simplify taxation, it also curtailed States' independent taxation powers. Disputes over compensation to States, delays in payments, and lack of fiscal flexibility during economic crises have intensified Centre-State tensions. Although the GST Council is envisaged as a platform for cooperative federalism, concerns remain regarding the dominance of the Centre in decision-making processes.

9.3 Role of the Finance Commission

The Finance Commission plays a crucial role in maintaining fiscal balance by recommending tax devolution and grants to States. However, disagreements over the criteria for revenue sharing, especially population-based parameters, have led to dissatisfaction among certain States. The increasing use of centrally sponsored schemes with conditional funding further limits States' discretion in utilizing financial resources, reinforcing the perception of fiscal centralization.

10. Central Agencies and State Autonomy

10.1 Expanding Role of Central Investigative Agencies

The growing involvement of central investigative agencies in matters concerning State governments has become a contentious issue in Indian federalism. States have frequently alleged that such agencies are used as tools for political pressure, thereby encroaching upon State jurisdiction. While the Centre justifies such interventions on grounds of national interest and uniform enforcement of law, States argue that excessive interference undermines their constitutional authority over public order and police.



10.2 Federal Implications of Administrative Control

The increasing reliance on Union agencies and regulatory bodies in areas traditionally governed by States reflects a broader trend of administrative centralization. This phenomenon weakens the autonomy of State institutions and disrupts the federal balance envisioned by the Constitution. The absence of effective consultation mechanisms before central intervention exacerbates mistrust between the Centre and the States.

11. Cooperative and Competitive Federalism: Rhetoric and Reality

11.1 Cooperative Federalism

Cooperative federalism emphasizes collaboration and shared responsibility between the Centre and States. It recognizes that effective governance in a complex society requires coordination rather than rigid division of powers. Institutional mechanisms such as inter-state councils, development councils, and policy forums are intended to promote dialogue and consensus-building. However, the effectiveness of these mechanisms depends largely on political will and mutual respect for constitutional boundaries.

11.2 Competitive Federalism

Competitive federalism encourages States to compete with each other to improve governance, attract investment, and enhance economic performance. While competition can foster innovation and efficiency, it may also widen regional disparities if not accompanied by adequate support for less developed States. In practice, competitive federalism in India often operates within a centrally defined policy framework, limiting States' ability to independently design development strategies.

11.3 Tension between Cooperation and Centralization

The coexistence of cooperative and competitive federalism with increasing centralization creates inherent contradictions. While the Centre promotes cooperation rhetorically, unilateral policy decisions and fiscal controls undermine genuine federal collaboration.

This paradox raises questions about the sincerity of federal commitments and the sustainability of the current governance model.

12. Judicial Trends and Contemporary Federal Disputes

12.1 Judicial Intervention in Centre–State Conflicts

The judiciary continues to play a crucial role in resolving Centre–State disputes. Courts have intervened in matters relating to legislative competence, fiscal arrangements, and executive authority, often acting as



arbiters of federal balance. Judicial scrutiny has provided a measure of protection to State autonomy, yet the effectiveness of such intervention depends on consistent enforcement and timely adjudication.

12.2 Limits of Judicial Protection

Despite constitutional safeguards, judicial remedies alone cannot address structural imbalances in federal relations. Excessive reliance on litigation may further politicize federal disputes and strain institutional relationships. Therefore, judicial intervention must be complemented by political dialogue and institutional reforms to restore federal harmony.

13. Challenges to the Future of Indian Federalism

13.1 Democratic Accountability

Centralization of power risks weakening democratic accountability by distancing decision-making from local populations. States, being closer to the people, play a vital role in addressing region-specific issues and ensuring participatory governance. Erosion of State autonomy may reduce the responsiveness of governance systems and alienate regional communities.

13.2 Regional Aspirations and National Unity

India's diversity necessitates accommodation of regional aspirations within the national framework. Failure to respect federal principles may fuel regional discontent and undermine national unity. A balanced federal structure is essential to manage diversity and maintain social cohesion in a pluralistic society.

14. Conclusion

Indian federalism stands at a critical juncture. While the Constitution provides a robust framework for balancing unity and diversity, contemporary developments reveal increasing stress in Centre–State relations. Political centralization, fiscal dependence, administrative intervention, and constitutional controversies have collectively challenged the federal equilibrium. A strong Centre may be necessary to address national concerns, but excessive centralization risks undermining democratic values and State autonomy. Revitalizing federalism requires adherence to constitutional morality, strengthening of cooperative institutions, and respect for the autonomy of States. The future of Indian democracy depends on restoring trust and balance in Centre–State relations, ensuring that federalism remains a living and dynamic principle rather than a constitutional formality.



15. Contribution to Knowledge

This study contributes to existing literature by providing a comprehensive contemporary analysis of Centre–State relations in India. It integrates constitutional theory with recent political, fiscal, and administrative developments to highlight emerging stress points in Indian federalism. By examining the interplay between legal frameworks and governance practices, the paper offers insights into the evolving nature of federalism and suggests the need for institutional reforms to preserve constitutional balance.

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