



“Federalism and Centre–State Relations in Contemporary India”

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Abstract

India's federalism is one of the most complicated experiments in democratic rule, exemplified by the unique combination of federal and unitary elements. This paper explores the changing centre–state dynamic in modern-day India, probing the tensions between cooperative federalism and centralising tendencies. By exploring recent constitutional evolution, policy measures, and judicial interpretations, this paper investigates how India's federal structure has evolved to face the challenges of the present while highlighting persistent areas of conflict. Recent case studies such as the implementation of Goods and Services Tax, abrogation of Article 370, and COVID-19 measures are used in the analysis to illustrate the intricate intermingling of constitutional structure and political practice. The conclusions are that although India's federal design has shown resiliency of remarkable proportions, there is, in recent years, a strengthening centralisation contrary to the underlying values of cooperative federalism.

Keywords: Federalism, Centre-State Relations, Cooperative Federalism, Constitutional Law, Indian Politics

Introduction

The Indian system of federalism is a unique constitutional structure that has undergone radical changes since independence from British rule in 1947. India's federalism differs from classical federal structures of the United States or Australia in a way that it is characterised and defined by scholars as "quasi-federal" (Wheare, 1963), incorporating both federal and unitary elements within a single constitutional framework. This particular form has been a strength as well as a source of contention, facilitating unity in diversity while at the same time producing tensions between governments at different levels.

The modern era, especially post-economic liberalisation of 1991 and the emergence of coalition politics, has seen considerable changes in centre–state relations. These have been further accelerated by globalisation, advances in technology, and changing political dynamics that have radically altered the character of Indian federalism. The revival of coalition politics at the center has brought regional parties to the central position of

power brokers against the trend of policy decision-making centralisation, but recent trends indicate a switch back to more centralisation.

This paper analyses the complex facets of modern centre–state relations in India, tracing how constitutional provisions crosslink with political realities to influence federal governance. Analysis includes legislative, administrative, and fiscal relations, while discussing recent case studies shedding light on the current state of Indian federalism.

Constitutional Framework of Indian Federalism

Historical Background

The Indian Constitution, which came into effect in 1950, created a federal system with a vastly different character from any other federation. Its framers, headed by Dr B.R. Ambedkar, drew upon various models of constitutions but reinterpreted them to fit India's peculiar situation, such as diversity in languages, economic inequality, and the urgency of national integration after partition (Austin, 1966).

The Constitution does not mention the word "federation" but institutes a Union of States, which is a reflection of the perception that Indian states exist by virtue of the Union and not as sovereign states that decided to federate. This was a conceptualisation with far-reaching effects on centre–state relations that instilled in them a structure which K.C. Wheare described as "quasi-federal due to its strong unitary bias (Wheare, 1963).

Constitutional Provisions

The constitutional provision relating to centre–state relations is mainly found in Parts XI and XII of the Constitution. Centre-State relations cut across 3 subjects, i.e., Legislative, Administrative, and Financial relations. At present, the Seventh Schedule marks the division of powers by three lists, i.e., the Union List (100 topics), State List (61 topics), and Concurrent List (52 topics), with residuary powers vesting in the Union.

This division of powers discloses the tendencies of centralisation inherent in the constitutional framework. The Union List contains important matters like defence, foreign affairs, currency, and inter-state trade, while the Concurrent List permits the Centre to enact laws over traditionally state subjects like education, forests, and economic planning. Article 254 lays down that in the event of a conflict between Union law and state law on concurrent matters, Union law shall govern.

Evolution of Centre–State Relations

The Nehru Era (1950-1964)

The first phase of centre–state relations was marked by the domination of the Indian National Congress at both the central and state levels, which kept open federal tensions at a low level. The vision of a strong centre leading national development by planning and industrialisation of Jawaharlal Nehru dominated this period (Brass, 1994). Planning Commission, set up in 1950, was the main agency of centralised economic coordination, but it worked more on the basis of consensus than constitutional power.

Coalition Politics and Resurgence of the Centre (1989-2014)

The advent of coalition politics changed the dynamics of centre–state relations radically. Regional parties acquired historical dominance at the national level, compelling the Centre to accommodate varied regional interests and adopt a more consultative mode of governance.

It also saw a number of major developments strengthening federal principles, such as the formation of the Inter-State Council in 1990, the Sarkaria Commission recommendations of 1988, and the growing assertiveness of state governments in challenging central policies by way of judicial review.

Contemporary Centralisation (2014-Present)

The restoration of single-party rule under the Bharatiya Janata Party after 2014 has initiated a new era in centre–state relations, marked by revived centralisation tendencies. The era has seen significant constitutional and policy reforms that have shifted the federal balance, such as the abrogation of Article 370, the implementation of the Goods and Services Tax, and responses to the COVID-19 pandemic.

Current Challenges in Centre–State Relations

Legislative Relations

The legislative aspect of centre–state relations has seen some serious tensions in recent times. States complain about fiscal independence, centralisation of authorities, equitable distribution of resources, roles of governance, jurisdiction of legislatures, and the necessity of maintaining federal principles, which indicate increasing state discontent with central policy.

The application of Article 356 (President's Rule) is still a controversial issue, although its application has come down after the S.R. Bommai judgment (1994). Nevertheless, apprehensions continue over the Centre's tendency to dismiss state governments or deny assent to the state legislation, especially when two or more political parties rule at the Centre and states.

The widening of the Concurrent List through amendments to the Constitution has also weakened state autonomy. Five subjects were shifted from the State List to the Concurrent List by the 42nd Amendment (1976), while later amendments have followed the same pattern. Some recent legislation in fields traditionally under the exclusive domain of the states, including agriculture and police reforms, has further aggravated these tensions.

Administrative Relations

Administrative relations between the Centre and the states have grown more intricate as a result of the expansion of centrally sponsored schemes and the role of central agencies. The expansion of centrally sponsored schemes, while providing resources to development, has in effect diminished state autonomy by subjecting state governments to central priorities and implementation modalities (Choudhry et al., 2016).

The growth of central probe agencies, especially the Central Bureau of Investigation (CBI) and Enforcement Directorate, has created new dimensions of centre–state conflict. The states have often charged misuse of these agencies for political ends, which has resulted in conflicts over their jurisdiction and autonomy.

The Modi government enacted legislation in 2023 that took control of services in Delhi, which is a classic example of the trend today towards centralisation on the part of the administration. This has broad implications for federal government, as it impinges on the freedom of elected state governments.

Financial Relations

Financial relationships represent arguably the most contentious element of centre–state relations in the modern era. The constitutional framework leaves the states in a structurally weaker position as they bear primary responsibility for subjects requiring substantial expenditure (such as agriculture, health, and education) while having limited revenue-raising capacity.

Changes in Financial Relations: 15th Finance Commission recommendations came into effect, reducing the states' share in central taxes, seen as taking away the fiscal autonomy of some states. This has widened existing fiscal federalism tensions.

The Finance Commission mechanism, designed to address vertical fiscal imbalances, has evolved considerably but continues to generate controversy. The 15th Finance Commission's recommendations reflected changing priorities, including performance-based incentives and emphasis on fiscal consolidation, but several states expressed dissatisfaction with their allocations.

Case Studies in Contemporary Centre–State Relations

The Goods and Services Tax (GST) Implementation

The implementation of GST in 2017 is one of the most critical federal reforms in recent India. The rollout of the GST embodied the spirit of cooperative federalism in spite of ongoing political suspicion, initially indicative of effective cooperative federalism. Subsequent developments have, however, uncovered frictions in the GST design.

A three Judge Bench of the Supreme Court, consisting of Justices Chandrachud, Surya Kant and Vikram Nath in the *U.o.I vs. Mohit Minerals* case held that the "recommendations" of the GST Council are only suggestive in nature. The judgment has far-reaching implications on federal relations, in that it elucidates that GST Council recommendations have no binding effect on state legislatures, which may undermine cooperative federal framework underlying GST implementation.

The GST regime has encountered some federal challenges:

Revenue Compensation Matters: The assurance of compensation to states for five years against loss of revenue turned into an issue when the Centre encountered financial difficulties, especially during the COVID-19

outbreak. Some states went to the Supreme Court regarding delayed payment of compensation, which exposed the weakness of federal fiscal arrangements.

Rate-Setting Controversies: Rate and exemption disputes have exposed the limitations of decision-making by consensus in the GST Council. States have frequently found themselves in conflict with the centre's desire for the most part with respect to petroleum product tax rates and liquor, which continue to be outside the GST purview.

Administrative Issues: The dual control system of GST administration has resulted in coordination issues and jurisdictional conflicts between central and state tax authorities, impacting both enforcement and compliance.

Article 370 Abrogation and Jammu & Kashmir

The abrogation of Article 370 in August 2019 and the following division of Jammu & Kashmir into two Union Territories is the most decisive constitutional reform affecting centre–state relations over the past several decades. This move significantly reshaped the federal scene by removing a state's special constitutional status and bringing it down to Union Territory status without legislative assembly representation initially.

The constitutional repercussions are deep-reaching:

Precedential Issues: The way the abrogation of Article 370 proceeded, without the approval of the state assembly (dissolved at that time), challenged questions regarding federal procedure and constitutional propriety. The argument that this contravened federal norms by unilaterally changing the constitutional status of a state was made.

Federal Consequences: While there were local elections in 2024, statehood remains to be restored, which reflects the ongoing federal tensions relating to this matter. Delay in restoration of statehood has consequences for the federal government and state autonomy.

Wider Federal Effect: Other states have complained about the precedent this sets for central intervention within states, especially regarding the possibility of similar constitutional amendments without state assent.

COVID-19 Response and Federal Coordination

The COVID-19 pandemic pushed India's federal structure to unprecedented limits, both unveiling strengths and vulnerabilities in centre–state coordination. The early response involved widespread invocation of central emergency powers under the Disaster Management Act, 2005, which virtually centralised decision-making power.

Centralised Decision-Making: The Centre's invocation of the Disaster Management Act to order nationwide lockdowns and policy actions cut over normal federal consultation protocols, provoking state government complaints regarding a lack of consultation and regional sensitivity.

Vaccine Distribution: The vaccine distribution strategy was a principal source of centre–state tension, with states calling for increased autonomy in procurement and distribution while the Centre retained centralised command over supply chains.

Economic Response: Differences regarding economic relief packages and their implementation underscored persistent differences over fiscal federalism and the sufficiency of central assistance to state-specific issues.

Judicial Interventions and Federal Balance

The Indian Supreme Court has played an important role in establishing and re-establishing centre–state relations through constitutional interpretation. In Union-state relation cases, the Court affirmed states' ability to tax minerals, regulate alcohol & sub-classify SC/ST categories, showing efforts of the judiciary to preserve federal balance.

Landmark Judgments

S.R. Bommai v. Union of India (1994): This historic verdict set significant checks on the application of Article 356, mandating objective testing of constitutional breakdown and judicial review of Presidential Rule declarations.

State of West Bengal v. Union of India (1963): The Supreme Court enunciated the doctrine that the Centre could not issue directions to states on subjects within legislative competence of the states in the absence of a constitutional mandate.

Mohit Minerals case (2022): The Court filled legislative gaps, made social media platforms accountable & intervened in a number of different federal controversies, including making it clear that GST Council suggestions are not obligatory for state legislatures.

Recent Federal Jurisprudence

Recent Supreme Court rulings reveal an effort to balance federal principles with national integration issues. The Court has tended to uphold state autonomy in matters of clear state competence while acknowledging legitimate central concerns in matters of national interest.

However, Justice Nagarathna sounded a note of caution. She saw the majority view as a "breakdown" of India's federal structure, which she said provides for "Union supremacy", indicating judicial recognition of tensions between federal balance and constitutional supremacy of the Union.

Institutional Arrangements for Federal Coordination

Inter-State Council

The Inter-State Council, established under Article 263, has been the key institutional mechanism for centre–state coordination since 1990. It has been hampered, however, by its advisory status and infrequent meetings. Recent efforts to revitalise the Council have had mixed success.

NITI Aayog and Planning Commission Transition

The abolition of the Planning Commission in favour of NITI Aayog in 2015 was presented as a step towards more cooperative federalism. The robust role of NITI Aayog in enabling cooperative federalism has been stressed, although critics point out that it has diminished power over resource allocation over its predecessor.

NITI Aayog's strategy focuses on competitive federalism in terms of state rankings and performance indicators, but states complained that such a mechanism is insufficient for dealing with complex federal problems involving heavy resource expenditure.

GST Council as Federal Innovation

The Centre should adopt a consultative style to build stronger fiscal federalism and resolve upcoming conflicts, as exemplified by the GST Council model. Even after recent court clarifications curtailing its binding status, the GST Council is an innovative way of federal coordination in matters of finance.

The GST Council is a constitutional body that functions by consensus and weighted voting, and it sets a model of cooperative federalism that may be applied to all centre–state interface areas.

Contemporary Trends and Analysis

Centralisation vs. Cooperative Federalism

The Indian Constitution framers noted that the Indian scheme was that of 'Cooperative Federalism,' which implies a wish for a federal spirit. But current trends point towards drift from this aspiration towards more centralisation.

Evidence of growing centralisation includes:

- Increased centrally sponsored schemes with elaborate central guidelines
- Increased growth of central agencies and their widened jurisdictions
- Constitutional amendments curtailing state autonomy (e.g., implementation of GST)
- Administrative steps impacting state government functioning

Regional Party Power and Federal Dynamics

In spite of centralising forces, regional parties remain an important part of national politics. Coalition-based governance offers a chance to re-establish trust and re-balance the federal arrangement in India, hinting at prospects for federal resurgence through political means.

The power of regional parties has been witnessed in:

- Modification of policies to respond to regional issues
- Enhanced state representation in national decision-making institutions

- Increased assertiveness of state governments in opposing central policies
- Electoral politics that necessitate central parties to yield to local interests

Economic Federalism and Development

Key principles that guide fiscal federalism in India are: The Centre and the States must be independent, and neither must be unduly dependent on the other for finance. Structural imbalances of India's fiscal federal order, however, continue to establish dependence relations that undermine federal autonomy.

Modern challenges to economic federalism are:

- Vertical fiscal imbalance that necessitates perpetual central transfers
- Conditional grants that restrict state policy independence
- Inter-state competition for central investment and projects
- Developmental level disparities that impact federal balance

Future Prospects and Recommendations

Strengthening Federal Institutions: Federalism needs to be evaluated not just on legislative functions but also on how well it is able to enforce democratic values of equality, liberty, dignity, and fraternity. Such an enlarged conception of federalism indicates imperative for institutional reforms that transcend mere formal power allocation.

Inter-State Council Revitalisation: Periodic meetings and enhanced mandate for the Inter-State Council can make federal coordination more effective. The Council must be given authority to resolve emerging federal problems in a proactive manner instead of responding reactively.

Second Chamber Reform: Rajya Sabha reforms to more faithfully represent state interests and offer more effective federal scrutiny of legislation might bolster state voice in national policy.

Financial Relations Reform: Closing vertical fiscal imbalances by giving states greater revenue authority and more stable transfer mechanisms would diminish state reliance on central largesse.

Technological Governance and Federalism: Digital governance projects offer federalism opportunities and challenges. Initiatives such as the Digital India programme have the potential to improve centre–state coordination, but they also have the risk of introducing new mechanisms of centralised control over governance procedures.

Constitutional Reforms

Long-term federal stability can necessitate constitutional reforms to deal with:

- More definitive demarcation of centre–state responsibilities in new areas
- Improved procedures for federal amendment-related constitutional changes

- Intensified mechanisms for resolution of federal disputes
- Better representation of state interests in interpreting the constitution

Conclusion

Contemporary India's federal structure reflects a complex interplay between constitutional design, political dynamics, and evolving governance challenges. While the constitutional framework established in 1950 created a strong foundation for federal governance, subsequent developments have revealed both the resilience and limitations of India's quasi-federal system.

The analysis of recent developments, including GST implementation, Article 370 abrogation, and pandemic responses, demonstrates that India's federalism continues to evolve in response to changing circumstances. However, current trends suggest increasing centralisation that challenges the foundational principles of cooperative federalism envisioned by the Constitution's framers.

GST is both a unifier and a disruptor, a testament to India's evolving federal structure, exemplifying the broader tension between national integration and federal autonomy that characterises contemporary centre–state relations. This tension is likely to intensify as India faces new challenges requiring coordination between different levels of government.

The path forward requires balancing legitimate central interests in national coordination with respect for state autonomy and federal principles. The ongoing tensions between the Centre and states over issues ranging from the allocation of financial resources to fixing of Goods and Services Tax (GST) rates has once again brought to the fore issues that require sustained attention and innovative solutions.

Success in managing centre–state relations will depend on political leadership's commitment to federal principles, institutional reforms that strengthen federal coordination mechanisms, and constitutional interpretations that balance national unity with regional autonomy. The future of Indian democracy itself may well depend on achieving this delicate federal balance in an increasingly complex governance environment.

The evidence suggests that while India's federal structure has demonstrated remarkable adaptability over seven decades, contemporary challenges require renewed commitment to federal principles and innovative approaches to centre–state cooperation. Only through such commitment can India maintain its unity while respecting its diversity, fulfilling the federal vision embedded in its constitutional design.

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