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# Federalism in Practice: The Centre-State Relationship in India's Constitutional Framework

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## ABSTRACT

*This paper piece analyses the centre-state relation of the federal structure of India based on the Constitution. Indian federalism, which has been referred to by scholars like K.C.Wheare as 'quasi-federal', is a style of having a highly centralised authority bureaucracy to cater for its massive diversity yet decentralising to foster unity. The structure regarding federal polity has its roots in colonialism, most evidently reflected in the Government of India Acts of 1919 and 1935, but during the constitution-making process needed to be developed a proper post-independence integration.*

*Some of the most fundamental principles of the correspondent legislation and regulation are applicable at the constitutional level of Indian federalism regarding the legislative, administrative, and financial division of power.*

*Some system dynamics have been influenced by judicial constructions at the federal level. Till recent judgements like Kesavananda Bharati and S.R. Bommai, federalism is the base of the constitution and also controls misuse of power like Article 356. Nevertheless, there are some difficulties now—fiscal gaps, the political use of emergency measures, and the governor's questionable position.*

*According to the document, they recommend a revamp of cooperative federalism; the recommendations include the constitutional provision of financial control to the states, the establishment of effective dialogue among states, and the involvement of the judiciary. It ends on the note of contractual dynamism required to sustain the federal balance in India while catering to sociopolitical and economic claims.*

**Keywords:** *Federalism, Constitution, Centre-State.*

## I. INTRODUCTION

The working of the Indian federation in terms of the Constitution aims at safeguarding the interests of states as the nation's dominant. This dual framework becomes necessary to penetrate the enormously diversifying structure of this country and keep it intact. Articles 245 to 263 of

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Part XI of the Constitution outline the legislative, administrative, and financial ties between the Union and the States so that both coordinate with each other as well as exercise control over each other.<sup>3</sup>

Unlike the American type of federations, the Indian federal structure is more centralist, as described by K.C. Wheare as 'quasi-federal'.<sup>4</sup> The peculiar structure gives evidence of the savants' design to protect the territorial whole from fragmentation occasioned by the division and integration of the Indian states.<sup>5</sup>

During the debates in the Constituent Assembly, B.R. Ambedkar, the main architect of the Constitution, said, quite aptly, "The Constitution simply is unitary and federal depending on time and circumstances."<sup>6</sup>

This paper seeks to analyse these relations by presenting constitutional provisions of India and judicial rulings while discussing various contemporary issues to comprehend the overall framework of India's federal structure.

## II. HISTORICAL BACKGROUND

This paper traces its origin to the British colonial administrative structure. More power was vested in the provincial governments through the limited exposition of the responsible government by the *Government of India Act, 1919* but Britain still kept controls in her hands. This setting paved the way for the division of power but was criticised as having weaker or no autonomy at the provincial level.<sup>7</sup>

The pivotal milestone in achieving the federal system is the *Government of India Act 1935*. In its place, the Act created a federal structure with three divisions of federal, provincial, and concurrent lists and provided for provincial self-rule. Nevertheless, the federal element was not realised to a significant extent because of the dominance of the Governor General and the exclusion of Indians in central administration. Structurally, while the provision of this Act had its weaknesses, it was used to provide the model for the federal structure viably formed in the Indian Constitution.<sup>8</sup>

While drafting the Constitution, the Constituent Assembly entered into huge debates to achieve a proper federal-unitary equilibrium. After the experience of partition, along with the accession

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<sup>3</sup> The Constitution of India, Art. 245–263.

<sup>4</sup> K.C. Wheare, *Federal Government*, Oxford University Press, 1946.

<sup>5</sup> Constituent Assembly Debates, Vol. VII, pp. 43–45, discussion on federal structure and integration challenges.

<sup>6</sup> Constituent Assembly Debates, Vol. XI, p. 976.

<sup>7</sup> The Government of India Act, 1919.

<sup>8</sup> The Government of India Act, 1935.

of Indian princely states, it was deemed inevitable to have a powerful centre. The evolution of the decentralisation concept in India is expressed in the words of Jawaharlal Nehru and his speeches; he stressed that “a weak centre would mean the disintegration of the country.”<sup>9</sup>

On the other hand, members such as K. Santhanam and N. Gopaldaswami Ayyangar argued for an adequate measure of bigness to states. Santhanam famously argued:

”As in a strong union, there is no absorbing centre, and yet the independent units are as necessary to it as an aggregate in the units themselves; so in a true federal spirit, there has to be genuine respect for the units and their sovereignty, at least as much as for the strength of the union.”<sup>10</sup>

The rationale for establishing this unique framework within the federation was succinctly articulated by the Chairman of the Drafting Committee, Dr. B.R. Ambedkar. He pointed out that the Indian federal structure is unitary in part and federal in the other to meet the extreme contingencies. He also stressed that the overemphasis of the centre was to cater for diversity in India and security threats from outside.<sup>11</sup>

They also highlighted challenges related to the system in which the governor remained under the influence of the colonial powers. Some critics, including H.V. Kamath, did not approve of the political autonomy given to the governor, given the belief that the centre would meddle in the state’s business. In response, Ambedkar assured the Assembly that the provisions were carefully crafted to maintain federal harmony, stating:

“The Governor is not a representative of the Centre but is a constitutional office bearer working under well-laid down Constitution provisions.”<sup>12</sup>

This led to federalism befitting India, a combination of decentralised power for states with enough central authority to bring unity, stability, and over-central planning growth. This framework remains unchanged, reflecting how India's Centre and states continuously strive to assert the federal balance outlined in the Constitution.

#### **(A) Constitutional Provisions:**

The division of powers between the central government and the states is governed by a well-defined framework in Parts XI and XII of the Indian Constitution. This framework is present at the legislative, administrative, and financial levels, but with the assistance of emergency

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<sup>9</sup> Constituent Assembly Debates, Vol. IX, p. 207 (Speech by Jawaharlal Nehru).

<sup>10</sup> Constituent Assembly Debates, Vol. VII, pp. 43–45 (Statement by K. Santhanam).

<sup>11</sup> Constituent Assembly Debates, Vol. XI, pp. 976–979 (Remarks by Dr. B.R. Ambedkar).

<sup>12</sup> Constituent Assembly Debates, Vol. VIII, pp. 143–145 (Remarks by Dr. B.R. Ambedkar).

measures for any happenstance situation.<sup>13</sup>

**(B) Legislative Relations:**

The Seventh Schedule of the Constitution, which divides legislative authority between the Union and the states, includes the following:

- **Union List:** Areas of special national concern such as military, diplomacy, and atomic issues, as these have to be consistent all over the nation. On these matters, the Parliament has the power of sole legislation (as per Article 246, clause 1).
- **State List:** It applies to sectors such as police service, public health, and the ministry of agriculture, for example, which perform optimally at that level. But if they are required, Parliament has the power to act on these matters with conditions like, in a state of emergency, or concurrence with state legislatures (Articles 249 & 250).
- **Concurrent List:** It includes areas such as education, forests, and marriage laws, where both the Union and the states have the authority to legislate. In cases of conflict between Union and state laws, the Union law prevails. (Article 254).

The drafters of the Constitution held comprehensive discussions on these provisions. Dr. B.R. Ambedkar clarified that the division of subjects aimed to uphold the spirit of decentralising power to the states while including a provision for Union dominance to ensure national unity. He remarked: “This means that the Centre must be supreme to legislate on issues that cut across state jurisdictions or of national concern.”<sup>14</sup>

Additionally, Article 248 grants Parliament the authority to legislate on matters not enumerated in any of the lists, further empowering the Centre.

**(C) Administrative Relations:**

Administrative relations, governed by Articles 256 to 263, outline the responsibilities and interactions between the central government and states:

- **Obligations of States and Directions by the Union (Article 256):** States are obligated to implement Parliamentary laws, and to ensure compliance, the Union is empowered to issue directions.
- **Control over State Actions (Article 257):** The Centre may direct the states regarding the construction and maintenance of communication infrastructure and ensure

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<sup>13</sup> The Constitution of India, Parts XI and XII.

<sup>14</sup> Constituent Assembly Debates, Vol. VII, p. 48.

compliance with treaties and agreements.

The Constitution also provides mechanisms for cooperation:

1. **Inter-State Council (Article 263):** A platform that addresses inter-state and centre-state issues, promoting cooperative federalism.
2. **All-India Services (Article 263):** Services such as IAS and IPS are shared between the Union and the states, ensuring standardisation and integration of administration.

However, the position of the Governor continues to be problematic in administrative relations. In addition to being the state's chief representative of authority, the Governor, being an appointee of the President, is expected to enforce compliance with Union laws. Critics have seen this role as a way of direct interference in state affairs; this was echoed in the Sarkaria Commission Report and the Punchhi Commission Report.<sup>15</sup>

#### **(D) Financial Relations:**

Articles 268 to 293 govern financial relations, highlighting revenue-sharing and fiscal cooperation:

- **Distribution of Taxes (Articles 268-269):** Others, like stamp duty and excise, are central taxes but are devolved to the states.
- **Grants-in-Aid (Article 275):** The Centre gives special grants to the state for special needs.
- **Consolidated and Contingency Funds:** The Union and states tend to preserve these funds to regulate their spending.<sup>16</sup>

The contemporary financial relationship turned a new page with the passage of the 101st Amendment Act of 2016, which introduced GST to replace multiple taxes. The Goods and Services Tax Council, in which both the Union and the states participate, serves as a prime example of cooperative federalism.<sup>17</sup> However, the disputes over the payments in question in recent years have shown that this mechanism has become insufficient.

#### **(E) Emergency Provisions:**

Emergency provisions under Articles 352, 356, and 360 allow the Centre to assume greater authority during crises:

- **National Emergency (Article 352):** In cases of war, external aggression, or armed

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<sup>15</sup> Sarkaria Commission Report on Centre-State Relations (1988); Punchhi Commission Report (2010).

<sup>16</sup> Art. 266-267, The Constitution of India.

<sup>17</sup> The Constitution (101st Amendment) Act, 2016.

rebellion, it grants the Centre expanded legislative powers, including authority over state subjects.

- **President's Rule (Article 356):** Imposed when a state government fails to function in accordance with the provisions of the Constitution.
- **Financial Emergency (Article 360):** Enables the Centre to guide the states on fiscal affairs during a critical and unfavourable economic accounts period.

These provisions, in accord with the framers' objective of continued national integration, have however been concretised and criticised as facilitating centralism. In *S.R. Bommai & Ors v. Union of India and Anr.* (1994), the Supreme Court ruled that such powers must be exercised with caution and discretion, and they remain subject to judicial review.<sup>18</sup>

### III. JUDICIAL INTERPRETATION

In fact, through due process and the rule of law, the judiciary has assisted in charting centre-state relations and made sure that it incorporates the constitutional principles to fit the new socio-political development. Thus, over time, by the world's highest and the state's apex court, many uncertainties have been resolved, federation features upheld, and central dominating authority restricted.

#### (A) Federalism as a Basic Structure:

The basic structure doctrine, established in *Kesavananda Bharati v. State of Kerala* (1973), continues to be a fundamental principle in Indian constitutional law. The Supreme Court pointed out that federalism is an inherent principle of the Constitution that may not be amended even to alter the Constitution. Justice H.R. Khanna observed:

He pointed out that "The very idea of federalism is contained in the arrangements about the allocation of powers between the Centre and States, a balance which has to be struck to preserve the unity of the states and the integrity of the nation."<sup>19</sup>

#### (B) Supremacy of the Union in Legislative Matters:

In *State of West Bengal v. Union of India* (1963), the Supreme Court held that Parliament possesses the legislative authority to enact laws on matters of national importance. The Court ruled that although local governments are sovereign within their territorial confines, Union sovereignty is crucial for the nation's stability.<sup>20</sup>

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<sup>18</sup> *S.R. Bommai v. Union of India*, (1994) AIR SC 1918.

<sup>19</sup> *Kesavananda Bharati v. State of Kerala*, AIR 1973 SC 1461.

<sup>20</sup> *State of West Bengal v. Union of India*, AIR 1963 SC 1241.

**(C) Judicial Review of Emergency Provisions:**

Unfortunately, Article 356, which allows for the imposition of the President's Rule, has been widely misused. In *S.R. Bommai v. Union of India* (1994), the Supreme Court laid down specific guidelines to prevent such misuse, stating that:

- Surprisingly, the announcement of the President's Rule is not immune from being challenged in the courts.
- Again, the number of the House of Legislative Assembly should define most parts of the government and not the governor's report as a white paper.<sup>21</sup>

This judgement was pro-federalist as it limited central interference with state administration.

**(D) Residuary powers and federal supremacy:**

In *Union of India v. H.S. Dhillon* (1972), the Supreme Court upheld the Union's residuary power under Article 248. In its judgement, the Court determined that any matter not specified in the State or Concurrent List would automatically be under the jurisdiction of Parliament. This decision emphasised the overarching pre-eminence of the Union in legislative matters, particularly concerning vague or undefined subject areas.

**(E) Financial Relations and GST Disputes:**

The GST issue, along with the compensation matters that preceded and followed it, has raised numerous legal concerns. In *Union of India v. Mohit Minerals Pvt. Ltd.* (2022), the Supreme Court, while reaffirming the advisory nature of the GST Council, clarified that the Council's recommendations are not legally enforceable in the States.<sup>22</sup> This judgement also helped to understand the fact that GST is centralised while at the same time maintaining the state sovereignty of each state.

**(F) Water Disputes and Inter-State Coordination:**

Inter-state water disputes have posed a challenge to the efficacy of judicial participation. In the *State of Karnataka v. State of Andhra Pradesh* (2000), the Court ruled that the tribunals established under the Inter-State Water Disputes Act are binding in such cases. At the same time, it emphasised that political negotiations and cooperative mechanisms must be developed to resolve such disputes amicably.<sup>23</sup>

**(G) Legislative Competence and concurrent list conflicts:**

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<sup>21</sup> *S.R. Bommai v. Union of India*, AIR 1994 SC 1918.

<sup>22</sup> *Union of India v. Mohit Minerals Pvt. Ltd.*, 2022 SCC Online SC 657.

<sup>23</sup> *State of Karnataka v. State of Andhra Pradesh*, AIR 2000 SC 3104.



In *M. Karunanidhi v. Union of India (1979)*, the Supreme Court settled the issue, ruling that while Union law governs matters in the Union List, it prevails only in cases where there is a conflict with state law.<sup>24</sup> The judgement was rather clear on the fact that states can only legislate as they may wish, provided it doesn't conflict with any parliamentary legislation.

### **(H) Strengthening Cooperative Federalism:**

The Ministry of Defence has supported integrated audits of customer functions across the defence entities. In *NCT of Delhi v. Union of India (2018)*, the Supreme Court affirmed that the Lieutenant Governor of Delhi must act in accordance with the directions of the elected government, except in matters directly under the control of the Union.<sup>25</sup> This judgement emphasised the value of democracy as well as sovereignty within the Constitution.

## **IV. CHALLENGES AND CRITICISMS**

While the constitutional framework provides a robust structure for centre-state relations, several challenges persist:

### **1. Overreach of Central Authority:**

Some cases where the Union has dominated the states, especially through governors, are issues of controversy. Appointments and removal of governors, which many people believe is done on political grounds, erode federalism principles.

In *B.P. Singhal v. Union of India (2010)*, the apex court ruled on the aspect of the unconstitutional nature of the removal of governors and hailed the issues of fairness.<sup>26</sup>

### **2. Misuse of Article 356:**

The tapping of the President's Rule has always been an issue of debate. Opposition-ruled states have accused the central government of using this provision to politically topple elected governments. The Sarkaria Commission has deplored this tendency and suggested that such recourse be allowed only in an exceptional fashion.<sup>27</sup>

### **3. Fiscal Imbalance:**

There is very limited state autonomy in the financial and fiscal matters of the states, as the control over the major sources of revenue lies with the union. The centre's grants and loan finance often cause an imbalance in development at the state level. The 15th Finance

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<sup>24</sup> *M. Karunanidhi v. Union of India*, AIR 1979 SC 898.

<sup>25</sup> *NCT of Delhi v. Union of India*, AIR 2018 SC 414.

<sup>26</sup> *B.P. Singhal v. Union of India*, (2010) 6 SCC 331.

<sup>27</sup> *S.R. Bommai v. Union of India*, AIR 1994 SC 1918; Sarkaria Commission Report on Centre-State Relations (1988).

Commission noted that there were glaring inequalities in the distribution of funds and called for equal distribution of the same.<sup>28</sup>

#### **4. Emerging Federal Tension:**

Some of the issues that have raised tensions include the passage of the so-called farm laws without sufficient engagement with the states and the disagreement on the compensation for the GST. Chief ministers of several states have commented that the Centre should practice the concept of cooperative federalism in spirit as well as form.<sup>29</sup>

### **V. REFORMS AND RECOMMENDATIONS**

To address the challenges and strengthen centre-state relations, the following reforms are proposed:

#### **1. The Return of the Governor's Role:**

The governors should not align themselves with the centre-mindedness but rather be the centre facilitators. The Punchhi Commission in 2010 wanted rational and transparent Paramounts' selection and dismissal formula to maintain their independence.<sup>30</sup>

#### **2. Cooperative federalism and its enhancement:**

Such organs as the Inter-State Council should be brought back into operation and enhanced in their ability to offer forums for dialogue. Its functions also include consolidating dispute ratings of centre-state relations as well.

#### **3. This paper examines the concept of financial empowerment of states:**

Union has to guarantee the remission of GST compensation promptly and also work to come up with ways to increase states' fiscal power. The recommendations that are made by the finance commissions should reduce both the vertical and horizontal imbalances.<sup>31</sup>

#### **4. Removal of Judicial Oversight when it Comes to Emergency Provisions:**

Thus, trying to employ S.R. Bommai's decision as the basis for clear guidelines to avoid improper application of the emergency provisions needs to be developed. Judicial review should continue to be robust in its ability to act as a check and balance to powerfully formulated decisions made by the executive branch.<sup>32</sup>

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<sup>28</sup> 15th Finance Commission Report (2021).

<sup>29</sup> Press Trust of India, "GST compensation issues strain Centre-state ties," (2021).

<sup>30</sup> Punchhi Commission Report on Centre-State Relations (2010).

<sup>31</sup> 15th Finance Commission Report (2021).

<sup>32</sup> *S.R. Bommai v. Union of India*, AIR 1994 SC 1918.

### 5. Balanced Policy Making:

The Union should engage states in policymaking, especially where policies affect the Concurrent List. Consultation is often a consideration for conflict management and will reduce hairs in governance.

## VI. CONCLUSION

The centre-state relationship is a constitutional construct in India and is as amorphous as the India it seeks to represent and govern. Although the Constitution bestows a federal framework, it has a considerable unitary predisposition to promote national coherence and administration. This mix is known as quasi-federalism, which makes provision for both decentralisation and centralisation based on the nature and character of the issues India has gone through since gaining its independence.<sup>33</sup>

While the constitutional provisions on legislative, administrative, and financial relations appear satisfactory, the issues related to the course of their actual application continue to raise concerns as regards the vertical balance of powers. Judicial interpretations specifically through high-abjudged cases such as *S.R. Bommai v. Government of India (1994)*<sup>34</sup> and *State of Kerala v. Kesavananda Bharati Sripadagalvaru & Ors (1973)*<sup>35</sup>, enhancement of the federal principles in the State of Kerala, and checking any possible misuse of centralised power. Still, the seven safeguards exist: misuse of Article 356, fiscal indigency of the states, contentious position of the governor, and so on, have raised the question of debate and discussion on the merit of the federal structure.

The newly emerging model of cooperative federalism appears to be the path to better centre-state relations. Recent inter-governmental institutions like the GST Council and the recent resurrection of the Inter-State Council show how effective working and cooperation are possible to be achieved.<sup>36</sup> But cooperative federalism in particular has to work on respect, trust, and common values of the Constitution between the Centre and the states.

The emphasis on the federal structure of the Indian government is still maintained, though the state's development continues. Various measures due to constitutional provision and under judicial control are needed for a flexible yet feasible federal structure while meeting the socio-political and economic necessity of the country. As Dr. B.R. Ambedkar aptly remarked:

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<sup>33</sup> K.C. Wheare, *Federal Government*, Oxford University Press, 1946.

<sup>34</sup> *S.R. Bommai v. Union of India*, AIR 1994 SC 1918.

<sup>35</sup> *Kesavananda Bharati v. State of Kerala*, AIR 1973 SC 1461.

<sup>36</sup> The Constitution (101st Amendment) Act, 2016; Article 263, The Constitution of India.

“federalism is not a question of organisational compartmentalisation but of structure that is necessary to contain diversity and facilitate homogeneity in a democracy.”<sup>37</sup>

The future of centre-state relations councils will be shaped by the willingness of both levels of government to accept change, settle differences through negotiations, and promote new forms of governance in the 21st century. In this way, India can make certain that the policy of decentralisation remains unhampered, making the federal structure one of the most successful worldwide examples.

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<sup>37</sup> Constituent Assembly Debates, Vol. IX, p. 207 (Remarks by Dr. B.R. Ambedkar).