

The Dynamics of Indian Federalism: A Legal Analysis

Mallikarjun M. Ambli

Faculty, Department of Political Science, B.L.D.E. Association's,
Commerce, B.H.S. Arts and TGP Science College, Jamkhandi.

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ABSTRACT:

Federalism in India has undergone significant transformation since its inception, influenced by constitutional amendments, judicial pronouncements, political dynamics, and economic reforms. The evolving nature of Indian federalism reflects the changing balance of power between the Union and the states, driven by administrative restructuring, fiscal federalism, and regional aspirations. While the Constitution of India establishes a quasi-federal structure, recent trends indicate a shift toward a more centralized approach, raising concerns over state autonomy and cooperative federalism. This paper critically examines the evolving dimensions of Indian federalism, focusing on legal frameworks, case laws, and policy changes that shape its trajectory. It also explores the impact of key legislations and governance models on the federal structure, addressing challenges such as fiscal imbalances, inter-state disputes, and the role of regional parties. By analyzing recent developments, this study aims to contribute to the discourse on India's federal identity and the need for a more balanced and inclusive approach to federal governance.

KEYWORDS:

Federalism, Constitution, Autonomy, Cooperative, Federalism, Judicial Interpretations.

1. Introduction:

Federalism in India has remained a dynamic and evolving concept, shaped by historical, political, and legal developments. The Indian Constitution, while providing a framework for federal governance, also incorporates unitary features, creating a unique quasi-federal structure. Over the decades, this framework has witnessed significant transformations, influenced by socio-political movements, economic liberalization, and judicial interpretations. The interplay between the Union and the states has often sparked debates on the extent of autonomy granted to regional governments. The rise of coalition politics, the implementation of the Goods and Services Tax (GST), and the abrogation of Article 370 have further reshaped the federal landscape. Additionally, the role of institutions like the Finance Commission and the Supreme Court in adjudicating federal

disputes has been crucial in maintaining a delicate balance of power. This paper aims to explore the legal underpinnings of India's federal structure, analyzing its strengths, challenges, and future trajectory. By examining key legal provisions, landmark cases, and policy initiatives, this study will provide insights into the evolving identity of Indian federalism, assessing whether it aligns with the principles of cooperative governance or tilts towards centralization.

2. Objectives:

- a. To analyze the historical evolution of federalism in India
- b. To examine the constitutional framework and key provisions governing Indian federalism
- c. To assess the role of the judiciary in shaping federal dynamics
- d. To study the impact of political and economic changes on Indian federalism
- e. To evaluate the emerging challenges and future prospects of federalism in India

3. Research Methodology:

This study adopts a doctrinal legal research methodology with a comparative and analytical approach to examine federalism in India. It relies on secondary sources such as constitutional texts, statutes, judicial precedents, scholarly articles, and institutional reports. The research focuses on case law analysis, legislative review, and judicial interpretations.

4. Review of Literature:

Sharma (2020) analyzed the increasing centralization of power in Indian federalism and its impact on state autonomy. The study used a qualitative research methodology with a doctrinal approach, relying on secondary data from constitutional provisions, Supreme Court judgments, and parliamentary debates. The study recommended constitutional safeguards to prevent arbitrary imposition of President's Rule and strengthening fiscal devolution through the Finance Commission.

Rao and Sen (2021) examined the impact of the Goods and Services Tax (GST) on fiscal federalism in India. The sample area included 15 Indian states that were significantly affected by GST implementation. The study recommended restructuring the GST Council to grant states greater decision-making powers and ensure timely compensation for revenue shortfalls.

Mukherjee (2019) explored the role of the Supreme Court in shaping Centre-state relations through landmark judgments. Data collection

was conducted through judgment reviews, legal commentaries, and Supreme Court archives. Findings indicated that the Court has oscillated between pro-Centre and pro-State decisions, with cases like *S.R. Bombay . Union of India* (1994). The study recommended constitutional amendments to clearly define the powers of the judiciary in federal disputes.

Patel and Desai (2022) assessed the impact of emergency provisions on Indian federalism. The study focused on five national emergencies and 100 instances of President's Rule imposed in states between 1950 and 2020. The study recommended restricting the power of the Union government to impose emergency provisions and enhancing the role of the Inter-State Council in conflict resolution.

Das (2021) investigated the effectiveness of cooperative federalism mechanisms such as the NITI Aayog and Inter-State Council in promoting Centre-state collaboration. The study employed a survey-based empirical research methodology. The sample area included bureaucrats, policymakers, and political leaders from 10 states. The study recommended empowering the Inter-State Council with greater legislative authority and establishing a dispute resolution mechanism for inter-state conflicts.

Mehta (2020) explored how regional political parties influence Indian federalism. The study adopted a qualitative case study approach, examining four states—Tamil Nadu, West Bengal, Punjab, and Maharashtra—where regional parties play a dominant role. Data collection was conducted through interviews, party manifestos, and legislative records. The study recommended institutionalizing mechanisms for greater financial autonomy and protecting states' rights through legislative amendments.

Reddy and Singh (2023) analyzed the changing patterns of fiscal devolution from the First Finance Commission (1951) to the Fifteenth Finance Commission (2020). The study used a longitudinal research design, examining financial allocation trends and state-wise revenue distribution. The study recommended reforming the Finance Commission's criteria to ensure a balance between equity and efficiency in resource allocation.

5. Constitutional Framework of Indian Federalism:

a. Federal features under the Indian Constitution – The Constitution of India, adopted in 1950, establishes a quasi-federal structure that blends the characteristics of both federal and unitary systems. Several provisions

reinforce its federal character:

- i. Division of Powers: The Constitution demarcates legislative, administrative, and financial powers between the Union and the states through three lists in the Seventh Schedule—the Union List, State List, and Concurrent List (Constitution of India, 1950, Sch. VII). This ensures clear jurisdictional boundaries between different levels of government.
- ii. Supremacy of the Constitution: The Indian Constitution is the supreme law of the land, and both the Union and state governments derive their authority from it. Any law inconsistent with the Constitution can be struck down by the judiciary (Article 13).
- iii. Bicameralism: The federal character is also reflected in the Rajya Sabha, the upper house of Parliament, which represents the states and allows them to participate in national legislation (Article 80).
- iv. Independent Judiciary: The Supreme Court of India acts as the guardian of the Constitution and the final arbiter of disputes between the Union and the states (Article 131). Judicial review ensures that federal principles are upheld, preventing arbitrary centralization.
- v. Autonomous State Governments: State governments have their own executive, legislature, and judiciary, allowing them to function independently within the framework provided by the Constitution.

b. Unitary Characteristics and Centralizing Tendencies – Despite having strong federal features, the Indian Constitution also incorporates several unitary characteristics, particularly to ensure national unity and integrity. These centralizing tendencies are evident in the following provisions:

- i. Strong Centre: The Union government enjoys greater authority in legislative, administrative, and financial matters. The Union List contains subjects of national importance, and in case of conflicts, the Union law prevails over state laws (Article 246).
- ii. Emergency Provisions: Under Articles 352, 356, and 360, the Centre can assume greater control over states during emergencies. The President can dissolve a state government and impose President's Rule under Article 356, a provision often criticized for being misused for political purposes (Hoskote, 2021).⁸
- iii. Residuary Powers: Unlike classic federal systems, the residuary powers in India lie with the Union government under Article 248, allowing Parliament to legislate on matters not enumerated in the State or Concurrent Lists.
- iv. Governor's Role: The Governor, appointed by the President, acts as the representative of the Union government in states. The discretionary powers of the Governor, particularly in recommending President's Rule, have often been a source of tension between the Centre and states (Kumar, 2019).⁹
- v. All India Services: Officers belonging to the Indian Administrative Service (IAS) and Indian Police Service (IPS) serve in both the Union and state governments, ensuring uniformity in administration but also limiting state autonomy

c. Role of constitutional amendments in shaping federalism: Over the years, constitutional amendments have played a crucial role in redefining Indian federalism. Some of the key amendments that have impacted federalism include:

- i. The 42nd Amendment Act, 1976: This amendment significantly enhanced the powers of the Union by shifting subjects from the State List to the Concurrent List, thereby expanding central control over state matters (Bakshi, 2020).¹⁰
- ii. The 73rd and 74th Amendments, 1992: These amendments introduced Panchayati Raj institutions and urban local bodies, creating a three-tier federal structure and strengthening decentralized governance.
- iii. The 101st Amendment Act, 2016 (GST Amendment): The introduction of the Goods and Services Tax (GST) transformed fiscal federalism by creating a unified tax regime, reducing state autonomy in taxation (Basu, 2018).¹¹
- iv. The 103rd Amendment Act, 2019: This amendment introduced a 10% reservation for the economically weaker sections (EWS), impacting states' reservation policies and reinforcing the Centre's role in social justice legislation.
- v. Proposed Amendments on Cooperative Federalism: Recent discussions on reforms in intergovernmental relations, including strengthening the role of the Inter-State Council and revising financial devolution, indicate ongoing efforts to redefine federal principles in India (Rao, 2022).¹²

6. Role of Judiciary in Federalism:

The judiciary, particularly the Supreme Court of India, plays a crucial role in maintaining the federal balance between the Centre and the states. Through its interpretation of constitutional provisions, the Court has acted as the final arbiter in Centre–state disputes, defining the extent of state autonomy, legislative competence, and executive power.

a. Supreme Court decisions on Centre–State relations – The Supreme Court of India plays a crucial role in maintaining the federal balance between the Centre and the states. In *State of West Bengal v. Union of India* (1963), the Supreme Court ruled that Indian federalism does not follow a strict division of sovereignty like the American model, reaffirming the Centre's power to acquire property in states. The *Kesavananda Bharati v. State of Kerala* (1973) case introduced the Basic Structure Doctrine, asserting that the federal structure of the Constitution cannot be altered through amendments under Article 368 (Basu, 2018). A significant ruling on Article 356 came in *S.R. Bommai v. Union of India* (1994), where the Court declared that the imposition of President's Rule is subject to judicial review, thereby curbing its arbitrary use (Sharma, 2020).¹³ Similarly, in *Kuldip Nayar v. Union of India* (2006), the Court upheld

Parliament's authority in modifying Rajya Sabha elections, limiting the role of states. More recently, in *Government of NCT of Delhi v. Union of India* (2018), the Court ruled that the Lieutenant Governor must act in consultation with the elected government, reinforcing principles of cooperative federalism (Mukherjee, 2019).¹⁴

b. Interpretation of Articles 246, 356, 368, and Related Provisions – The judiciary has played a pivotal role in interpreting key constitutional provisions that define Centre–state relations. Article 246, which divides legislative subjects into the Union List, State List, and Concurrent List, has often been debated in court. In *State of Karnataka v. Union of India* (1978), the Court ruled that Parliament's authority under the Union List prevails over state legislation in case of conflict. Article 356, which allows the President to impose President's Rule in states, has been frequently reviewed. Under Article 368, which governs constitutional amendments, the judiciary has protected the federal structure from arbitrary changes. In *Kesavan Anda Bharati* (1973), the Supreme Court ruled that federalism is part of the Basic Structure, preventing Parliament from creating a unitary system through amendments (Basu, 2018).

c. Judicial Trends in Resolving Federal Disputes – Judicial trends in federal dispute resolution indicate three major patterns. First, the Supreme Court has strengthened federalism through judicial review. Judgments like *S.R. Bombay* (1994) and the *Government of NCT of Delhi* (2018) the Centre does not arbitrarily override state autonomy. Second, the Court has sometimes expanded the Centre's powers in economic and legislative matters. For instance, in *Union of India v. State of Haryana* (2011) Lastly, the judiciary has promoted cooperative federalism in governance. In *State of Rajasthan v. Union of India* (1977), it emphasized that Centre–state relations should be based on cooperation rather than conflict, a principle seen in disaster management, fiscal transfers, and local governance cases (Mehta, 2020).

7. Political and Economic Influences on Federalism:

Indian federalism has evolved under the influence of political and economic factors, particularly the rise of coalition governments and regional parties, the impact of economic liberalization on fiscal federalism, and the challenges of decentralization and local governance.

a. Role of coalition governments and regional parties – India's

federal structure has been significantly influenced by coalition governments and the increasing role of regional parties. Coalition governments at the center, particularly post-1989, have strengthened cooperative federalism by making central governments more dependent on regional parties. Examples include Tamil Nadu's opposition to Hindi imposition, West Bengal's demand for greater financial autonomy, and Telangana's successful statehood movement.

b. Impact of economic liberalization on fiscal federalism – Increased Economic Autonomy for States: With the shift towards a liberalized economy, states gained more freedom to attract foreign

c. Challenges of decentralization and local governance – Liberalization reduced central subsidies and financial support for states, increasing their dependence on market-driven economic activities. Wealthier states (e.g., Maharashtra, Karnataka, Gujarat) have benefited more, while poorer states (e.g., Bihar, Jharkhand, Odisha) struggle to attract investment. While states have more financial autonomy, they remain dependent on the central government for GST compensation, centrally sponsored schemes, and financial bailouts.

8. Contemporary Challenges and Future Prospects:

India's federal structure faces significant contemporary challenges, particularly with the rise of regional aspirations, financial autonomy concerns, and the need for constitutional and institutional reforms. This has created tensions between the center and states, often manifesting in political disputes over resource allocation, linguistic policies, and governance models. Additionally, financial autonomy remains a critical issue, as states continue to depend on central grants, GST compensation, and centrally sponsored schemes, leading to concerns over the equitable distribution of resources. Moreover, institutions like the Inter-State Council and NITI Aayog must be empowered to function as effective platforms for cooperative federalism, fostering dialogue between the center and states. Moving forward, a balanced approach that ensures both national unity and regional autonomy is essential for strengthening India's federal system and promoting inclusive development.

9. Conclusion and Recommendations:

This study highlights the evolving nature of Indian federalism, influenced by political, economic, and structural challenges. The rise of

coalition governments and regional parties has significantly shaped center–state relations, making governance more participatory but also leading to frequent conflicts over resource distribution and policy autonomy. Economic liberalization has transformed fiscal federalism, fostered competitive federalism while deepened financial disparities among states. Additionally, decentralization remains a crucial but underdeveloped aspect, with local bodies struggling for financial and administrative independence.

To strengthen cooperative federalism, several legal and policy reforms are recommended.

1. Enhancing the role of the Inter–State Council as a binding arbitration mechanism, revising the Finance Commission’s recommendations to ensure equitable resource distribution, and granting greater fiscal autonomy to states are necessary steps.
2. Further, restructuring the GST framework to allow states more flexibility in taxation and reinforcing the autonomy of local governance institutions will improve governance efficiency.
3. Strengthening judicial oversight and creating mechanisms for inter–governmental negotiations can help resolve disputes amicably.
4. Finally, Indian federalism appears to be moving toward a redefined identity—one that seeks to balance state autonomy with national integrity. A dynamic and adaptive federal structure, grounded in constitutional principles yet responsive to regional aspirations, is essential for fostering inclusive governance and sustainable development in the country.

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