



Evolving Dynamics Of Federalism In India: A Legal Analysis Of Its Quest For A New Identity

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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)¹ 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 sample area was constitutional case laws from 1950 to 2019, with a sample size of 50 landmark cases selected based on their impact on Centre-state relations. Data was collected through content analysis of legal texts and judicial interpretations. Findings revealed that centralization has intensified due to the misuse of Article 356, the transfer of subjects to the Concurrent List, and financial constraints on states. 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)² examined the impact of the Goods and Services Tax (GST) on fiscal federalism in India. The study used a mixed-methods approach, combining quantitative analysis of financial data with qualitative interviews. The sample area included 15 Indian states that were significantly affected by GST implementation. The sample size was 200 respondents, including finance ministers, tax officers, and economists. Data collection involved state budget reports (2017–2020), interviews, and GST revenue data. Findings showed that while GST increased overall tax compliance, it reduced state autonomy over indirect taxation, leading to greater dependency on central revenue transfers. The study recommended restructuring the GST Council to grant states greater decision-making powers and ensure timely compensation for revenue shortfalls.

Mukherjee (2019)³ explored the role of the Supreme Court in shaping Centre-state relations through landmark judgments. A doctrinal research methodology was employed, focusing on case law analysis. The study examined 30 Supreme Court judgments from 1950 to 2018, selected based on their constitutional significance. 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. Bommai v. Union of India* (1994) strengthening

¹ Sharma, R. (2020). *Federalism and centralization in India: A constitutional analysis*. Indian Journal of Constitutional Studies, 15(2), pp.45-67.

² Rao, M., & Sen, P. (2021). *Fiscal federalism in India post-GST implementation: An assessment of state autonomy*. Economic and Political Weekly, 56(12), pp.89-102.

³ Mukherjee, A. (2019). *The role of the Supreme Court in defining Indian federalism: A case law approach*. Journal of Indian Public Law, 23(1), pp. 33-58.

federalism, while others like *Kuldip Nayar v. Union of India* (2006) upheld centralization. The study recommended constitutional amendments to clearly define the powers of the judiciary in federal disputes.

Patel and Desai (2022)⁴ assessed the impact of emergency provisions on Indian federalism. A historical-empirical approach was used, analyzing political events and legal documents. The study focused on five national emergencies and 100 instances of President's Rule imposed in states between 1950 and 2020. Data was collected from government records, legal databases, and interviews with retired judges. Findings revealed that Article 356 has been frequently misused for political gains, with states governed by opposition parties disproportionately affected. 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)⁵ 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. A sample size of 250 respondents was chosen based on experience in intergovernmental coordination. Data was collected through structured questionnaires and policy document analysis. Findings suggested that while NITI Aayog promotes policy discussions, its recommendations lack binding authority, limiting its impact. The study recommended empowering the Inter-State Council with greater legislative authority and establishing a dispute resolution mechanism for inter-state conflicts.

Mehta (2020)⁶ 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. A sample size of 40 policymakers and party leaders was selected based on their involvement in federal negotiations. Data collection was conducted through interviews, party manifestos, and legislative records. Findings revealed that regional parties have played a crucial role in securing greater financial grants and policy autonomy, yet they face constraints due to central laws and funding limitations. The study recommended institutionalizing mechanisms for greater financial autonomy and protecting states' rights through legislative amendments.

Reddy and Singh (2023)⁷ 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. A sample size of 28 states and 8 union territories was selected, with data collected from Finance Commission reports, state budgets, and economic surveys. Findings showed that while earlier Finance Commissions aimed at equitable distribution, recent commissions have favored performance-based devolution, often benefiting richer states disproportionately. The study recommended reforming the Finance Commission's criteria to ensure a balance between equity and efficiency in resource allocation.

⁴ Patel, V., & Desai, N. (2022). *Emergency provisions and their impact on federalism in India: A legal and political perspective*. South Asian Journal of Governance, 17(3), pp.112-130.

⁵ Das, S. (2021). *Cooperative federalism and inter-state relations: Evaluating NITI Aayog and Inter-State Council*. Indian Public Policy Review, 9(4), pp.55-78.

⁶ Mehta, K. (2020). *State autonomy and political federalism: The role of regional parties in India*. Asian Journal of Political Science, 28(1), pp.76-95.

⁷ Reddy, P., & Singh, R. (2023). *The evolution of fiscal devolution in India: An analysis of Finance Commission recommendations*. Indian Economic Review, 40(2), pp.145-170.

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.

⁸ Hoskote, R. (2021). "Emergency Provisions and Federalism in India: A Critical Analysis." *Indian Journal of Constitutional Law*, 14(2), pp.85-102.

⁹ Kumar, R. (2019). "The Role of Governors in Indian Federalism: An Evaluation." *Journal of Indian Political Studies*, 12(1), pp.56-72.

- 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. This section examines key Supreme Court decisions, the interpretation of constitutional provisions (Articles 246, 356, 368, and related articles), and judicial trends in federal dispute resolution.

- 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. 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. The judiciary has shaped the nature of Indian federalism through several landmark decisions. 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

¹⁰ Bakshi, P. M. (2020). *The Constitution of India*. Universal Law Publishing.

¹¹ Basu, D. D. (2018). *Commentary on the Constitution of India*. LexisNexis.

¹² Rao, M. (2022). "Reimagining Cooperative Federalism in India: Challenges and Opportunities." *Economic and Political Weekly*, 57(19), pp.14-19.

¹³ Sharma, R. (2020). *Federalism and centralization in India: A constitutional analysis*. *Indian Journal of Constitutional Studies*, 15(2), pp.45-67.

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. However, it has also upheld state legislative powers where appropriate (Das, 2021).¹⁵ Article 356, which allows the President to impose President's Rule in states, has been frequently reviewed. The *S.R. Bommai* (1994) verdict was a turning point, limiting the Centre's power to dismiss state governments on political grounds (Patel & Desai, 2022). Under Article 368, which governs constitutional amendments, the judiciary has protected the federal structure from arbitrary changes. In *Kesavananda 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). Other key provisions include Article 131, which grants the Supreme Court original jurisdiction in Centre-state disputes, and Articles 200 and 201, which regulate the Governor's role in assenting to state legislation. In *Shamsher Singh v. State of Punjab* (1974), the Court clarified that the Governor must act on the aid and advice of the state government, preventing unnecessary interference from the Centre.
- 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. Bommai* (1994) and the *Government of NCT of Delhi* (2018) have ensured that 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), it upheld the Centre's authority over taxation, particularly after the 101st Constitutional Amendment (GST implementation), which reduced state revenue autonomy (Rao & Sen, 2021). 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. These factors have reshaped Centre-state relations, affecting governance, resource allocation, and state autonomy.

- 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. This has led to greater bargaining power for states, influencing policy decisions, fiscal allocations, and

¹⁴ Mukherjee, A. (2019). *The role of the Supreme Court in defining Indian federalism: A case law approach*. Journal of Indian Public Law, 23(1), pp.33-58.

¹⁵ Supra note.05

governance priorities. For instance, regional parties have successfully negotiated for special economic packages, infrastructure projects, and policy autonomy in various sectors. The rise of strong regional parties has reinforced the concept of asymmetric federalism, where different states enjoy varying degrees of autonomy. Regional parties advocate for more state autonomy, linguistic and cultural identity, and control over economic resources. Examples include Tamil Nadu's opposition to Hindi imposition, West Bengal's demand for greater financial autonomy, and Telangana's successful statehood movement. However, regionalism has also led to conflicts, such as inter-state disputes over river waters (e.g., Cauvery water dispute between Karnataka and Tamil Nadu).

- 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 and domestic investments, boosting their revenue streams. Competitive Federalism: States now compete to improve their business environments to attract investments, leading to innovation in governance and policy. Higher Tax Revenue: The introduction of GST and changes in the financial structure have allowed states to receive more revenue through tax devolution and grants.
- 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. The growing assertion of regional identities, driven by linguistic, cultural, and economic aspirations, has led to demands for greater state autonomy, special status, and even new state formations. 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. The growing economic disparity among states, coupled with challenges like revenue shortfalls and delayed fiscal transfers, further complicates fiscal federalism. To address these issues, there is an urgent need for constitutional and institutional reforms, such as revisiting the role of the Finance Commission, restructuring the GST framework to enhance state revenues, and strengthening the autonomy of local governance institutions. 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, fostering competitive federalism while deepening 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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