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## **BALANCING POWER: ANALYSING CENTRE-STATE RELATIONS IN INDIA'S FEDERAL FRAMEWORK**

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### **ABSTRACT**

This paper examines the intricacies of India's federal structure, emphasizing the interplay between central authority and regional autonomy. Key constitutional provisions, such as Articles 249, 250, and 356, highlight the centralizing tendencies in India's federal framework. These articles illustrate how central authority can sometimes override regional autonomy, sparking debates over the balance of power. Historical episodes, including the Emergency period (1975–1977), demonstrate how political practices can overshadow constitutional ideals.

The paper explores landmark judicial rulings, fiscal policies, and the influence of regional parties. These elements offer insights into how Indian federalism has evolved over time, as seen in the shifting balance of power during events like the Emergency period and the rise of regional parties in the 1980s. Contemporary challenges, such as legislative conflicts and fiscal dependencies, are rigorously evaluated. The paper proposes strengthening cooperative federalism through institutional reforms and open dialogue. These measures aim to recalibrate the balance of power for a more harmonious framework. By offering a concise yet comprehensive overview, the study sheds light on the complexities of India's federal system.

**Keywords:** Indian federalism, centre-state relations, constitutional provisions, emergency provisions, cooperative federalism

## INTRODUCTION

The balance of power between India's central and state governments is central to its federal structure, which seeks to harmonize national unity with regional independence. The Indian Constitution outlines this balance through Articles 245 to 263, explicitly dividing powers between the Union and the states. However, in practice, these provisions often tilt towards centralization. For example, Article 356 allows the central government to impose President's Rule in states, suspending their autonomy under certain conditions. Similarly, Articles 249 and 250 enable the Union Parliament to legislate on state matters in specific scenarios, emphasizing the quasi-federal nature of the system.

This dynamic juxtaposition between theory and practice often challenges the federal ideal against centralizing imperatives.<sup>1</sup> A stark example is the Emergency period (1975–1977) under Prime Minister Indira Gandhi. During this time, the federal system was effectively set aside, and India functioned as a de facto unitary state. Democratic processes were suspended, power was concentrated in the central government, and state autonomy was curtailed, exposing the fragile nature of federalism during crises.

Such episodes disrupt the balance of power. They provoke critical questions about the resilience of India's federal framework in extraordinary circumstances.<sup>2</sup> This persistent tension between constitutional theory and political reality continues to shape India's federalism, illustrating how political practices can evolve beyond constitutional ideals to redefine centre-state relations.

## HISTORICAL EVOLUTION OF CENTRE-STATE RELATIONS IN INDIA

India's centre-state relations have evolved through distinct historical phases, moulded by the administrative centralization of colonial rule, the fervent calls for self-governance during the nationalist movement, and the meticulous drafting of the Indian Constitution. During the colonial era, both the East India Company and later the Crown implemented highly centralized governance. Calcutta served as the capital initially, later replaced by Delhi.

Periodic concessions, such as the Regulating Acts from 1773, marked the beginnings of centralized control. The Regulating Act of 1773 and Pitt's India Act of 1784 empowered the

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<sup>1</sup> INDIA CONST. arts. 249, 250, 356

<sup>2</sup> Granville Austin, *The Indian Constitution: Cornerstone of a Nation* 301-02 (1966)

Governor-General, weakening provincial autonomy. British “paramountcy” allowed princely states limited self-rule. The Government of India Act, 1919, introduced dyarchy, dividing provincial subjects into “transferred” (Indian ministers) and “reserved” (British officials). While modest, this marked a step towards federalism, with provinces gaining control over local issues, sparking calls for greater autonomy.<sup>3</sup>

The Government of India Act, 1935, was a watershed moment in federalism. It granted provinces substantial autonomy and established a Federal Court to adjudicate disputes. However, significant central powers, including emergency provisions, led Indian leaders to deem the framework inadequate.<sup>4</sup>

During the drafting of the Constitution, the framers sought a union that balanced central authority with regional identities. Ethnolinguistic diversity and strong regional forces shaped a federation where states retained considerable power despite centralization.<sup>5</sup> Granville Austin’s *The Indian Constitution: Cornerstone of a Nation* provides an insightful analysis of these debates, highlighting how leaders like Jawaharlal Nehru, Sardar Vallabhbhai Patel, and B.R. Ambedkar envisioned governance models to unify the nation without undermining regional identities. Some leaders, like P.S. Deshmukh and Azad, supported a strong centre, driven by concerns over partition and linguistic state demands. Nehru and Patel were cautious but recognized the importance of preserving national unity without proposing an overpowered centre.<sup>6</sup>

Leaders like Pattabhi Sitaramayya advocated for linguistic states to improve governance and cultural preservation. His leadership in the Vishal-Andhra movement and role in the JVP Committee were pivotal in the linguistic reorganization of states, culminating in the landmark States Reorganization Act of 1956. This Act addressed regional aspirations, fostering cultural recognition and belonging while ensuring national unity. Sitaramayya’s advocacy underscored the principle that accommodating diversity strengthens federalism. His contributions, along with those of other leaders, shaped a constitution that balances centralization with regional autonomy, fostering cooperative federalism.<sup>7</sup>

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<sup>3</sup> Gov’t of India Act, 1919

<sup>4</sup> Gov’t of India Act, 1935

<sup>5</sup> Ronald L Watts, *Comparing Federal Systems* 55 (3rd ed. 2008)

<sup>6</sup> Granville Austin, *The Indian Constitution: Cornerstone of a Nation* (Oxford University Press 1966)

<sup>7</sup> Austin, *The Indian Constitution*, at 5

India's federal framework has since proven resilient, uniting a linguistically diverse society and enabling governance of a vast and complex nation. Despite skepticism at independence in 1947, the federation has thrived for over six decades, supported by a growing economy and an influential global role.<sup>8</sup>

## LEGAL FRAMEWORK GOVERNING CENTRE-STATE RELATIONS

The Indian Constitution divides powers between the Union and State governments to balance national unity with regional autonomy. This division is primarily achieved through the Union, State, and Concurrent Lists outlined in the Seventh Schedule, which governs the distribution of legislative and executive powers. Additionally, fiscal federalism plays a crucial role in shaping the degree of state autonomy and their capacity to address local needs effectively.

The Seventh Schedule categorizes legislative subjects into three lists. The Union List, comprising 97 subjects, grants exclusive powers to the central government on national concerns such as defense, foreign policy, and atomic energy. These areas require uniformity for effective governance. The State List, with 66 subjects, empowers state governments to legislate on matters directly affecting citizens, including police, public health, and agriculture. This allocation reflects the federal principle of regional autonomy, enabling states to address local needs, such as implementing tailored public health programs or addressing region-specific agricultural challenges. The Concurrent List, containing 47 subjects, allows both Union and state governments to legislate on shared concerns, such as marriage, bankruptcy, and criminal law. However, the supremacy of central legislation in cases of conflict underscores the Union's dominant role in the federal hierarchy. This interplay of autonomy and central authority defines India's quasi-federal system.

India's federal structure blends decentralization with unitary features, ensuring states retain autonomy over local matters while permitting central intervention when national interests or emergencies arise. Provisions such as Articles 249 and 250 highlight this balance. Article 249 allows Parliament to legislate on state subjects if the Rajya Sabha deems it necessary in the national interest, enabling unified action on issues like public health. Similarly, Article 250 permits central legislation on state subjects during a national emergency, temporarily centralizing authority to address crises effectively. While these provisions safeguard national

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<sup>8</sup> Ronald L Watts, *Comparing Federal Systems* 56 (3rd ed. 2008)

unity, they also reveal a unitary bias, granting the Union government significant sway over traditionally state-controlled areas.

This inherent tension between central authority and state autonomy often leads to disputes. For instance, central legislation affecting agricultural markets or state policing has frequently sparked resistance, with states arguing such moves encroach upon their powers. These conflicts highlight the delicate balance within India's federal framework, where efforts to maintain national cohesion can sometimes clash with the principle of regional self-governance. Addressing this dynamic remains an ongoing challenge in fostering harmonious centre-state relations.

## **EVOLUTION OF CENTRE-STATE RELATIONS SINCE INDEPENDENCE**

The evolution of centre-state relations in India reflects the dynamic interplay of political, constitutional, and developmental imperatives. Federalism has adapted over time to address national security, regional aspirations, and economic development. The framers of the Constitution envisioned federalism as a mechanism to unify the nation while respecting its cultural and linguistic diversity. However, the immediate needs of post-independence nation-building necessitated an early centralization of power. A strong Union government was deemed essential to ensure stability and drive economic growth. This centralization was further reinforced by the adoption of economic planning, which placed significant financial and developmental control in the hands of the centre.

Initially, the Indian National Congress institutionalized a cooperative model of federalism. By consulting and accommodating regional leaders, the party integrated provincial legitimacy within the national framework while allowing central oversight. The use of Congress "observers" to mediate factional disputes exemplified this balancing act, maintaining regional autonomy alongside central authority.

By the 1960s, the system began to strain as Congress lost its dominance in state elections, ushering in a more fragmented and competitive political landscape. Indira Gandhi's tenure marked a decisive shift toward centralization. Her consolidation of power and the imposition of Emergency (1975–1977) temporarily transformed India into a unitary state, overriding federal norms and curtailing state autonomy. Although her defeat in 1977 led to a brief revival of federal cooperation, this period underscored enduring tensions between the centre and states.

The rise of regional parties in the 1980s ushered in a new phase of centre-state relations. These parties' growing influence compelled successive central governments, including those led by the Bharatiya Janata Party, to adopt a more collaborative approach to federalism. Despite this shift, conflicts over state autonomy, financial control, and legislative authority have persisted. These challenges underscore the intricate balancing act required to maintain national unity while respecting regional diversity within India's federal framework.

This evolving dynamic continues to shape India's governance, emphasizing the importance of a flexible and adaptive federal system capable of addressing the complexities of a diverse nation.

### **FINANCIAL RELATIONS AND THE ROLE OF FISCAL FEDERALISM**

The Finance Commission, established under Article 280 of the Constitution, serves as a cornerstone of India's fiscal federalism. It is tasked with ensuring the equitable distribution of financial resources between the Union and the states. Its primary responsibilities include recommending the division of central tax revenues among states and providing grants-in-aid to address regional imbalances and promote balanced development.

To fulfill these responsibilities, the Finance Commission evaluates a range of criteria, including population, income levels, geographic area, and economic disparities. This approach aims to create a formula that accommodates the unique needs and capacities of each state. By fostering equity, this mechanism enables less-developed states to access essential resources for growth while preserving a degree of fiscal autonomy.

However, the advisory nature of the Finance Commission's recommendations often leaves states dependent on the central government for implementation. This reliance can exacerbate tensions in centre-state relations, particularly when states perceive central decisions as undermining their financial autonomy. Such dependency underscores the inherent challenges within India's fiscal framework, where the balance of power remains tilted towards the centre.

Despite these challenges, the Finance Commission continues to play a critical role in fostering cooperative federalism. By addressing diverse developmental needs and promoting equitable resource distribution, it remains an essential institution for navigating the complexities of India's fiscal and federal structure.

## **GST AND REVENUE SHARING: CHALLENGES AND IMPLICATIONS**

A significant issue in centre-state financial relations is the Goods and Services Tax (GST) and its revenue-sharing mechanisms. Introduced in 2017 to establish a uniform tax system, GST replaced multiple state taxes, consolidating revenue collection under central oversight. While the central government assured compensation for revenue losses, delays in these payments have strained relations. States argue that such delays compromise their fiscal autonomy, exacerbating their reliance on the Union government.

The GST Council, comprising central and state finance ministers, was designed to foster consensus on tax-related matters. However, recurring disputes over revenue shortfalls have highlighted the states' dependence on central funds. These tensions underscore broader concerns about the centralization of fiscal power and its impact on the states' financial sovereignty. The debates surrounding GST reveal the challenges of balancing a uniform taxation framework with the principles of cooperative federalism, emphasizing the need for more equitable and timely revenue-sharing practices.

## **FISCAL DEPENDENCY OF STATES ON THE UNION GOVERNMENT**

Many developing democracies, including India, Indonesia, Mexico, Brazil, Argentina, South Africa, Pakistan, and Malaysia, have adopted federal or decentralized governance systems. However, none have fully embraced a competitive model of fiscal federalism. Despite recommendations from multilateral institutions like the World Bank, which advocate aligning revenue-raising powers with expenditure responsibilities, reforms in these nations remain limited. Developing countries often decentralize expenditure responsibilities without granting substantial taxation powers to subnational governments.

In India, state-level fiscal structures have created significant financial dependence on the central government. States rely heavily on central grants and allocations to fund their projects and services, which restricts their decision-making autonomy. This dependency becomes particularly pronounced when states lack adequate revenue sources and must rely on conditional grants or borrowings from the centre.<sup>9</sup>

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<sup>9</sup> Jason P. Sorens, *Secession Risk and Fiscal Federalism*, 46 PUBLIUS 25, 25-50 (2016), <https://www.jstor.org/stable/24734702>

The political implications of this financial dependence are profound. The central government can influence state policies by attaching conditions to fund allocations. In practice, India's federal framework often exhibits a unitary tilt, where states aligned with the ruling party at the centre tend to receive preferential treatment. Conversely, opposition-ruled states may face challenges in accessing central funds, undermining the spirit of federalism. This disparity compels states to conform to central policies to secure essential resources, thereby limiting their policy autonomy.

Constitutional provisions such as Articles 249 and 250 further illustrate this unitary bias. These articles allow the centre to legislate on state subjects during exceptional circumstances, reinforcing the imbalance in fiscal federalism. The reliance on central allocations limits states' budgetary sovereignty, hindering their ability to address region-specific challenges effectively.

To strengthen India's federal structure, fostering a model of cooperative federalism is essential. This involves respecting state autonomy and establishing equitable financial arrangements that empower states to independently address local priorities. Such reforms would promote harmonious centre-state relations while preserving the federal balance envisioned in the Constitution.

## **CENTRE-STATE DYNAMICS DURING THE COVID-19 CRISIS**

The handling of the COVID-19 crisis highlighted critical tensions within India's federal structure, particularly in fiscal federalism. The pandemic posed unprecedented challenges, exposing entrenched disparities in centre-state relations. Centralized decision-making and resource allocation strained these relations, as states—primarily responsible for public health and essential services—relied heavily on central grants to address the crisis.

These grants often came with restrictive conditions, limiting states' ability to tailor responses to local needs. This dependency impeded swift action and amplified existing fiscal imbalances, revealing inherent weaknesses in the federal framework. For example, while the central government imposed national lockdowns and announced economic relief packages, states frequently criticized the inadequate financial support provided to address localized economic impacts. The initial lack of clarity in financial aid allocation sparked disagreements over resource distribution. States such as Kerala and Maharashtra, which faced significant caseloads, advocated for greater autonomy in managing funds and formulating relief measures.



The distribution of financial aid, including GST compensation, became a major flashpoint. Delays in compensation payments further strained states already grappling with fiscal deficits due to GST implementation. This financial stress magnified the challenges of managing the pandemic, with states arguing that the existing fiscal framework hindered their ability to respond effectively to localized crises.<sup>10</sup>

These disputes underscore the persistent tension between a centralized fiscal approach and the need for state autonomy in managing resources during emergencies. The reliance on central funding, combined with limited flexibility for states, has intensified demands for a more balanced and cooperative federalism model. Such a model would prioritize equitable resource distribution and respect for state-level autonomy, ensuring that states are better equipped to navigate national emergencies.

## **ASYMMETRICAL FEDERALISM AND EMERGENCY PROVISIONS**

India's federal structure faces inherent challenges in balancing central authority with state autonomy. A key issue lies in the extensive powers vested in the Union government, particularly through emergency provisions that allow the centre to assume control of state functions.<sup>11</sup> While designed to maintain national stability, these provisions can undermine regional autonomy when invoked under contentious circumstances.<sup>12</sup>

One prominent example is the use of President's Rule, often criticized for its potential misuse.<sup>13</sup> A frequently cited case is the dismissal of Kerala's elected communist government in 1959, a highly controversial decision by the central government. This incident remains a pivotal example of how Article 356 can be leveraged to curb regional political autonomy, raising concerns about the erosion of federal principles.

The asymmetry in India's federal framework highlights the tension between ensuring national unity and respecting state-level governance. Addressing these challenges requires a careful recalibration of powers to safeguard the spirit of federalism while maintaining the constitutional balance between the centre and states.

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<sup>10</sup> G. Bhaskar, Fiscal Federalism and the COVID-19 Crisis in India, 55 ECON. & POL. WKLY. 20, 21 (2020)

<sup>11</sup> INDIA CONST. arts. 352–360

<sup>12</sup> INDIA CONST. art. 356

<sup>13</sup> K.C. WHEARE, FEDERAL GOVERNMENT 37-38 (1964)

## **THE FARM LAWS CONFLICT: LESSONS FOR FEDERALISM**

The Farm Laws of 2020 highlighted deep tensions between India's central authority and state autonomy, raising critical questions about the trajectory of Indian federalism. The laws—the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, and the Essential Commodities (Amendment) Act—sought to deregulate the agricultural sector by encouraging private investment and fostering inter-state trade. However, they faced widespread opposition, particularly in agrarian states like Punjab, Haryana, and Uttar Pradesh, where farming holds profound socio-political significance beyond its economic role.

The crux of the conflict lay in the division of legislative authority between the Union and the states. The central government invoked its powers under the Concurrent List (Schedule VII of the Constitution), arguing that trade and commerce in agricultural products transcend state boundaries, justifying Union regulation. Conversely, state governments asserted that agriculture is primarily a State List subject, granting them the authority to regulate agricultural markets, including mechanisms like the Minimum Support Price (MSP). Farmers feared these laws would dilute the MSP system, exacerbating their economic vulnerabilities.

This contention was not merely theoretical but took concrete forms. States such as Punjab and Rajasthan passed counter-legislation to neutralize the impact of the central laws, marking a rare act of defiance. This federal rift escalated into mass farmer protests, culminating in a nationwide movement. The widespread dissent eventually led to the repeal of the Farm Laws in 2021, reflecting the central government's acknowledgment of the political and constitutional complexities involved.

The Farm Laws episode underscores the fragility of India's federal balance, particularly when national economic reforms intersect with entrenched regional interests. It highlights the need for a more consultative and cooperative approach to policymaking in sectors deeply connected to state jurisdictions. Such an approach would ensure that reforms are not only constitutionally sound but also socially inclusive. The conflict also revealed the asymmetrical nature of Indian federalism, where centralizing policies often clash with the diverse needs of regional governments. While the Union viewed the laws as essential for agricultural modernization,

state governments leveraged the issue to consolidate regional power.<sup>14</sup> Ultimately, the episode demonstrated the ongoing challenges of reconciling central authority with state autonomy in a federal system.

## CONCLUSION

In conclusion, the relationship between India's central and state governments embodies a dynamic interplay between centralized authority and regional autonomy. The Constitution provides a robust foundation for federal governance, yet evolving political, economic, and social challenges continually test this delicate balance. Recent disputes over fiscal policies, legislative powers, and emergency provisions highlight the critical need for cooperative federalism. Mutual respect and collaboration between the centre and states are essential to address these challenges effectively.

Strengthening inter-state institutions and fostering transparent, inclusive dialogues can help build a more balanced federal structure. Such measures would not only enhance the democratic fabric of India but also ensure that federal principles evolve in alignment with the nation's changing needs. A deliberate effort to uphold constitutional boundaries and prioritize cooperative dialogue will be vital for sustaining federal equilibrium and ensuring harmonious centre-state relations in the years to come.

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<sup>14</sup> Samar Singh, *Farm Laws and Federalism: A Case Study of the 2020 Protest in India*, 55 ECON. & POL. WKLY. 12, 13-15 (2021)