

State v. Federal Powers Navigating Federalism

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Abstract—“The essence of federalism lies in the constitutionally demarcated division of powers between the Centre and the States.”

Federalism operates as a constitutional balancing act, dispensing powers between the Centre and the States hold solidarity while respecting local autonomy. The Indian constitution establishes this framework through Articles 245–255 and the 7th time table, which divides legislative authority into Union, country, and Concurrent Lists, with a tilt toward a sturdy Centre. The doctrine of supremacy of Union law, in conjunction with interpretative doctrines inclusive of Pith and Substance, Colourable legislation, Repugnancy, and Territorial Nexus, ensures readability whilst overlaps arise.

Residuary powers vested inside the Centre in addition enhance valuable dominance, distinguishing India from classical federations. Administrative members of the family, inclusive of the position of the Governor and All India offerings, replicate an included structure, while financial relations via tax distribution, the Finance fee, presents-in-resource, and the GST regime shape monetary federalism.

Emergency provisions under Articles 352, 356, and 360 show the constitution’s ability to convert federalism right into a unitary model at some point of crises, elevating worries approximately misuse, particularly of President’s Rule. The judiciary acts as the constitutional sentinel, keeping federal balance via judicial overview and landmark rulings together with state of West Bengal v. Union of India and S.R. Bommai v. Union of India, whilst asserting federalism as a part of the fundamental shape. contemporary Centre country conflicts, evolving guidelines, and governance challenges highlight tensions within this framework. on the equal time, the shift closer to cooperative and competitive federalism, supported by means of establishments like NITI Aayog, reflects an adaptive method. A comparative attitude with federations together with US and Canada underscores India’s particular quasi federal character.

Ultimately, Indian federalism represents a dynamic equilibrium, continuously negotiating among centralized authority and kingdom autonomy, aiming to uphold constitutional beliefs while responding to political and socio-monetary realities.

Index Terms—Federalism, Article 245-255, Schedule VII, Doctrine-Pith & Substance, Colourable legislation, Repugnancy, Territorial Nexus, Residuary Power, Harmonious Construction, Emergency Provisions, President Rule, Judicial Review, Basic Structure, Co-operative & Competitive Federalism, Administrative & Financial Relations, Decentralization, State of west Bengal v. UOI, S.R.Bomai v. UOI.

I. INTRODUCTION

Federalism represents a fundamental precept of constitutional governance, designed to reconcile the need for a sturdy national framework with the upkeep of local autonomy. It embodies a device in which powers are constitutionally divided among distinctive ranges of presidency, ensuring both harmony and variety within a kingdom. inside the Indian context, federalism assumes a specific character, regularly defined as “quasi-federal,” due to the predominance of the Centre in the constitutional scheme.

The charter of India meticulously delineates the distribution of legislative, administrative, and monetary powers among the Union and the States by Articles 245–255 and the 7th schedule. at the same time as this division seeks to hold a stability, it simultaneously displays a planned tilt in want of the Union to guard national integrity and coordinated governance. This structural layout is in addition reinforced via the allocation of residuary powers to the Centre and the presence of strong institutional mechanisms.

At the equal time, the functioning of Indian federalism isn’t always simply restrained to textual provisions. it’s miles fashioned by using judicial interpretation, political practice, and evolving governance wishes. Doctrines inclusive of Pith and Substance, Repugnancy, and Territorial Nexus play a critical position in resolving conflicts among overlapping jurisdictions, whilst the judiciary acts because the final arbiter in keeping constitutional balance.

Moreover, the dynamics of Centre-state family members have passed through giant transformation over the years. The emergence of cooperative and aggressive federalism reflects a shift towards collaboration and coverage innovation, whilst tensions and disputes preserve to arise in areas of legislative and economic competence. establishments consisting of NITI Aayog and mechanisms like the goods and offerings Tax (GST) framework exemplify this evolving relationship.

This Research seeks to have a look at the complexities of Indian federalism by using studying the constitutional provisions, judicial doctrines, administrative and monetary preparations, and present-day demanding situations that define the interplay between the Centre and the States. It aims to focus on how federalism in India operates as a dynamic and adaptive gadget, continuously negotiating the stability between centralized authority and country autonomy in response to changing political and socio-economic realities.

II. REVIEW OF LITERATURE

- K.C. Wheare (1946) - Federal Government

In Federal Government, he defined federalism as a system where powers are constitutionally divided between central and regional governments, each being independent and coordinate in its sphere.

- Riker, William H. (1964) - Federalism: Origin, Operation, Significance

By presenting the "federal bargain theory," Riker transformed the study of federalism. He maintained that political agreements between central and regional authorities, frequently motivated by military or strategic concerns, give rise to federal systems.

- J. Elazar (1987) – Exploring Federalism

Elazar conceptualized federalism as a “covenantal relationship” combining self-rule and shared rule. He emphasized cooperation and mutual trust between levels of government. He highlighted the concept of Co-operative federalism, introduced normative and philosophical understanding of federalism.

- Barry R. Weingast (1995 onwards) – Market-Preserving Federalism.

Weingast introduced the concept of “market-preserving federalism”, arguing that decentralization promotes economic efficiency and growth by limiting

central overreach. He Linked federalism with economic performance. Mainly focused on institutional incentives and governance efficiency. Considers “federalism as an economic system”.

- Granville Austin (1966): The Indian Constitution: Cornerstone of a Nation

Austin describes Indian federalism as “co-operative federalism,” emphasizing that the Constitution was framed to maintain national unity while simultaneously accommodating regional diversity. Austin argues that the Indian model is unique because it combines a strong Centre with meaningful State autonomy.

- Rajeev Dhavan: The Constitution of India: Miracle, Surrender, Hope - 2000

Dhavan argues that excessive centralisation threatens the democratic spirit of the Constitution and weakens State autonomy. He frequently critiques the misuse of constitutional provisions such as Article 356 and stresses the need for constitutional morality in Centre-State relations.

- Arend Lijphart (1977) – Democracy in Plural Societies

Lijphart linked federalism with power-sharing in divided societies, proposing consociational democracy as a way to manage conflicts. He connected minority protection with conflict management

III. CONSTITUTIONAL FRAMEWORK OF FEDERALISM:

The Constitution of India establishes a federal system with a strong Centre. The distribution of powers between the Union and the States is primarily governed under Articles 245–255 (Legislative Relations) and the Seventh Schedule of the Constitution.

Article 245 – Extent of laws made by Parliament and by the Legislatures of States

Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State. No law made by Parliament shall be deemed invalid on the ground that it would have extra-territorial operation.

Article 246 – Subject-matter of laws made by Parliament and by the Legislatures of States
Parliament has exclusive power to make laws with respect to matters in List I (Union List).

Parliament and State Legislatures have power to make laws with respect to matters in List III (Concurrent List).

State Legislatures have exclusive power with respect to matters in List II (State List).

Parliament has power to make laws for any part of India not included in a State.

Article 247 – Power of Parliament to provide for the establishment of certain additional courts.

Article 248 – Residuary powers of legislation

Parliament has exclusive power to make laws on matters not enumerated in the Concurrent List or State List.

This includes the power of imposing taxes not mentioned in either list.

Article 249 – Power of Parliament to legislate with respect to a matter in the State List in the national interest

If the Rajya Sabha passes a resolution by a two-thirds majority of members present and voting that it is necessary in the national interest, Parliament may legislate on matters in the State List.

Article 250 – Power of Parliament to legislate with respect to any matter in the State List if a Proclamation of Emergency is in operation

While a Proclamation of Emergency is in operation, Parliament may make laws on any matter in the State List.

Parliament may provide for the establishment of additional courts for better administration of laws made by Parliament.

Article 251 – Inconsistency between laws made by Parliament under Articles 249 and 250 and laws made by State Legislatures

Where there is inconsistency, the law made by Parliament prevails.

Article 252 – Power of Parliament to legislate for two or more States by consent and adoption of such legislation by any other State.

When two or more States pass resolutions requesting Parliament to legislate on a State List matter, Parliament may do so, and other States may later adopt that law.

Article 253 - Legislation for giving effect to international agreements
Parliament has power to make laws for implementing treaties, agreements, conventions, or international decisions, notwithstanding anything in the distribution of legislative powers.

Article 254 -Inconsistency between laws made by Parliament and laws made by the Legislatures of States

If a State law conflicts with a Parliamentary law on a Concurrent List subject, the Parliamentary law prevails. A State law that has received Presidential assent may prevail in that State, but Parliament may later override it.

Article 255 - Requirements as to recommendations and previous sanctions

Legislation is not invalid merely because a required recommendation or sanction was not obtained beforehand, provided it is eventually obtained.

Seventh Schedule:

The Seventh Schedule divides legislative subjects into three lists:

- List I - Union List

Parliament has exclusive power over subjects such as, Defence, Foreign Affairs, Citizenship, Railways, Banking Currency, Atomic Energy, Telecommunications. List II – State List

- List II - State List

State Legislatures have exclusive power over subjects such as,

Public Order, Police, Public Health, Agriculture, Local Government, Land Markets and Fairs.

- List III - Concurrent List

Both Parliament and State Legislatures can legislate on subjects such as:

Criminal Law, Criminal Procedure, Marriage and Divorce, Education, Forests, Labour Welfare, Electricity, Economic and Social Planning

IV. OBJECTIVE OF THE STUDY:

1. To explore the constitutional provisions that regulate the division of powers between the Union and the States in India, with special emphasis on Articles 245–255 and the Seventh Schedule of the Constitution.
2. To examine the fundamental principles and theoretical foundations of federalism that influence the structure and functioning of Centre–State relations in India.
3. To assess the scope and extent of legislative, administrative, and financial powers vested in both the Union and State governments under the constitutional framework.
4. To analyze the constitutional and judicial mechanisms designed to resolve disputes and conflicts between the Centre and the States, ensuring the effective functioning of the federal system.
5. To evaluate how the Indian Constitution seeks to maintain equilibrium between national integrity and state autonomy through its allocation of powers.
6. To investigate the constitutional provisions that permit the Union government to legislate on matters within the State List, particularly in situations involving national interest, emergencies, or international obligations.
7. To study important judicial decisions and constitutional developments that have shaped the evolution of Indian federalism and influenced the balance of power between the Centre and the States.
8. To examine the role of cooperative federalism in promoting effective governance and addressing contemporary socio-economic and political challenges.
9. To identify the key issues and challenges arising from Centre–State power dynamics and evaluate their impact on democratic governance and constitutional functioning.
10. To recommend measures for enhancing the effectiveness of federal governance and strengthening cooperative relations between the Union and the States in accordance with constitutional values and principles.

V. PROBLEM STATEMENT

The Indian Constitution establishes a federal system by dividing powers between the Union and the States through Articles 245–255 and the Seventh Schedule. While this framework seeks to balance national unity with state autonomy, conflicts often arise regarding the exercise of legislative powers and the extent of central authority. The increasing role of the Union in matters traditionally within the State domain has raised concerns about the preservation of federal principles.

Therefore, this study examines whether the constitutional distribution of powers effectively maintains a balance between federal authority and state autonomy in India.

Research Problem

To what extent does the constitutional framework governing the distribution of powers between the Union and the States in India ensure a balance between federal authority and state autonomy, and what challenges arise in the practical functioning of Indian federalism?

VI. DISTRIBUTION OF LEGISLATIVE POWERS

The distribution of legislative powers is a fundamental feature of the Indian federal system. The Constitution of India establishes a clear division of legislative authority between the Union and the States through Articles 245–255 and the Seventh Schedule. This constitutional arrangement seeks to maintain a balance between national unity and regional autonomy by assigning specific fields of legislation to different levels of government. As observed by M.P. Jain, the distribution of powers is designed to enable both the Union and the States to function independently within their respective spheres while ensuring effective governance throughout the country.

Article 245 defines the territorial extent of legislative powers, empowering Parliament to make laws for the whole or any part of the territory of India, while State Legislatures may make laws for their respective States. Article 246 provides the basic framework for legislative competence by dividing subjects into three lists under the Seventh Schedule: the Union List, the State List, and the Concurrent List.

The Constitution also authorizes Parliament to legislate on matters contained in the State List under certain exceptional circumstances under Article 249-253. The Supreme Court has played a significant role in interpreting the constitutional distribution of legislative powers. In *State of West Bengal v. Union of India*, the Court held that India is not a result of an agreement among sovereign States and that the Constitution establishes a strong Union, thereby affirming the supremacy of the Centre within the federal structure.

In *Union of India v. H.S. Dhillon*, the Supreme Court clarified the scope of Article 248 and held that Parliament possesses exclusive authority over residuary matters. The judgment reinforced the dominant position of Parliament in areas not specifically allocated to the States.

Similarly, in *Hoechst Pharmaceuticals Ltd. v. State of Bihar*, the Court explained the relationship between the three legislative lists and emphasized that the entries in the Seventh Schedule represent fields of legislation. The Court also elaborated on the doctrine of repugnancy under Article 254, affirming that Parliamentary legislation prevails over conflicting State laws on Concurrent List subjects.

A landmark development in Indian federalism came through *S.R. Bommai v. Union of India*, where the Supreme Court recognized federalism as part of the Constitution's basic structure. The judgment emphasized that Centre-State relations must be governed by constitutional principles and that the autonomy of States forms an integral component of India's federal framework.

VII. DOCTRINES INVOLVED:

➤ DOCTRINE OF PITH AND SUBSTANCE:

Doctrine of Pith and Substance is a principle of constitutional interpretation used to determine the true nature and character of legislation when there is an apparent conflict regarding the legislative competence of Parliament and the State Legislatures.

According to this doctrine, the court examines the substance, essence, or dominant purpose of the legislation rather than its form or incidental effects. If the law, in its pith and substance, falls within the powers assigned to the legislature that enacted it, the law will be valid even though it may incidentally encroach upon matters assigned to another legislature.

In the decided case, *State of Bombay v. F.N. Balsara* The Supreme Court upheld the Bombay Prohibition Act, observing that its primary objective was the regulation of intoxicating substances, a matter falling within the State List. Any incidental effect on Union subjects did not affect its validity.

➤ Doctrine of Colourable Legislation:

The Doctrine of Colourable Legislation is founded on the principle that a legislature cannot indirectly accomplish what it is constitutionally prohibited from doing directly. The court looks beyond the form of legislation to determine its real purpose and effect.

Case: *K.C. Gajapati Narayan Deo v. State of Orissa*

The Supreme Court explained that the doctrine applies when a legislature, while appearing to act within its authority, actually seeks to exercise powers beyond its constitutional limits. In this case, the legislation was ultimately held to be valid.

➤ Doctrine of Repugnancy:

The Doctrine of Repugnancy operates under Article 254 when Parliament and a State Legislature enact laws on the same subject within the Concurrent List and the provisions are inconsistent. In such cases, the Parliamentary law prevails, and the conflicting portion of the State law becomes inoperative.

In the decided Case: *M. Karunanidhi v. Union of India* The Supreme Court laid down the conditions for determining repugnancy and held that a conflict exists only when both laws cannot operate simultaneously

➤ Doctrine of Territorial Nexus:

The Doctrine of Territorial Nexus is a principle in Indian Constitutional Law which states that a State Legislature may make laws concerning persons, properties, or activities located outside its territorial boundaries if there exists a sufficient territorial connection (nexus) between the State and the subject matter of the law.

The doctrine acts as an exception to the general rule that a State Legislature can legislate only within its territorial jurisdiction.

As per Article 245(1) of the Indian Constitution, the Centre and the State have the power to formulate laws for their respective jurisdictions. The Constitution provides the power of extraterritorial operation to the Centre, but the same is not provided to the State.

In *Wallace Bros. And Co. Ltd. v The Commissioner Of Income Tax (1948)*, a company incorporated in the United Kingdom also carried out its business in India through a sleeping partner. The firm made a staggering profit in that accounting year. The income tax authorities sought to levy a tax upon the respondent company. This order of the Income Tax Authority was challenged by the respondent before the Bombay High Court, but it was held that the doctrine of territorial nexus is operative in this case and hence the levying of such tax is valid.

It was also mentioned in the judgement that a major part of the income which was taxed was extracted from British India and it was considered as a sufficient ground to establish a territorial nexus.

This case is one of the very first cases which clearly define what an extraterritorial operation is and what conditions are required to be satisfied in order to enforce a legislation in extraterritorial jurisdictions.

Case: *State of Bombay v. R.M.D. Chamarbaugwala*
The Supreme Court upheld a State law regulating prize competitions conducted outside the State because participants and activities had a significant connection with the State.

The Doctrine of Territorial Nexus reflects the flexible nature of Indian federalism. While States are territorially limited, the doctrine allows them limited extra-territorial authority where genuine connections exist. Thus, it balances: State autonomy, and Constitutional limitations on legislative power

➤ **Doctrine of Harmonious Construction:**

The Doctrine of Harmonious Construction requires courts to interpret constitutional provisions and legislative entries in a manner that reconciles apparent conflicts and gives effect to all provisions wherever possible.

The Doctrine of Harmonious Construction is a rule of interpretation used by courts when there is a conflict between two provisions of a statute or the Constitution. The doctrine states that provisions should be interpreted in such a way that both provisions are given effect, and neither becomes redundant or meaningless.

When two legal provisions appear inconsistent or contradictory, the court attempts to interpret them together so that: both survive, both operate effectively, and conflict is minimized.

The doctrine is based on the principle that the legislature does not intend contradiction within the same law.

Case: *Calcutta Gas Company v. State of West Bengal*
The Supreme Court emphasized that legislative entries should be interpreted harmoniously so that the powers of both Parliament and State Legislatures are respected.

VIII. RESIDUARY POWER

Residuary powers refer to the authority to legislate on matters that are not specifically mentioned in the Union List, State List, or Concurrent List under the Seventh Schedule of the Constitution. In India, these powers are vested exclusively in Parliament under Article 248 of the Constitution and Entry 97 of the Union List.

The framers of the Constitution deliberately assigned residuary powers to the Union to ensure that the Central Government could effectively deal with new and unforeseen matters that may arise due to social, economic, scientific, and technological developments. This arrangement reflects the Constitution's preference for a strong Centre while maintaining the federal character of the Indian polity.

Article 248 grants Parliament exclusive authority to make laws concerning subjects that are not enumerated in any of the three legislative lists. It also empowers Parliament to impose taxes that are not mentioned in either the State List or the Concurrent List. Consequently, whenever a question arises regarding a matter not expressly included in the Seventh Schedule, the legislative competence belongs to Parliament unless the Constitution provides otherwise.

The significance of residuary powers has increased with the emergence of modern fields such as information technology, cyber law, digital transactions, and space research, many of which were not contemplated when the Constitution was drafted. Parliament derives its authority to legislate on such matters through its residuary power.

Union of India v. H.S. Dhillon

This is the leading case on residuary powers. The Supreme Court held that if a subject does not fall within the State List, Parliament has the authority to legislate on it under Article 248 and Entry 97 of the

Union List. The Court emphasized that residuary powers are intended to strengthen the legislative competence of Parliament and ensure that no subject remains outside the scope of governmental regulation.

IX. ADMINISTRATIVE RELATIONS:

Between the Centre and the States

Administrative relations in India are governed by Articles 256–263 of the Constitution. These provisions establish coordination between the Union and the States while ensuring effective implementation of laws and policies. The Indian Constitution creates a federal system with a strong Centre, enabling the Union to exercise certain supervisory powers over State administration.

Centre's Control Over States

Under Article 256, States are required to ensure compliance with Parliamentary laws, and the Union may issue directions for their implementation. Article 257 empowers the Centre to issue directions to States in matters affecting national interests. Further, Article 355 imposes a duty on the Union to protect States against external aggression and internal disturbances. In cases of constitutional breakdown, Article 356 permits the imposition of President's Rule.

Case: S.R. Bommai v. Union of India -The Supreme Court held that federalism is part of the Constitution's basic structure and that President's Rule is subject to judicial review.

1.Role of All India Services

The All-India Services, established under Article 312, include the IAS, IPS, ensures administrative uniformity, Promotes national integration.

Facilitates coordination between the Centre and the States.

Enhances efficiency in governance. and IFoS. Officers are recruited by the Union but serve both the Centre and the States.

2.Role of the Governor

The Governor is the constitutional head of a State and serves as a link between the Centre and the State Government. Appointed by the President, the Governor performs executive, legislative, and discretionary functions.

Acts on the advice of the State Council of Ministers.

Reserves Bills for the President's consideration under Article 200.

Reports constitutional breakdowns that may justify action under Article 356.

Facilitates communication between the Centre and the State.

Case: Nabam Rebia v. Deputy Speaker

The Supreme Court ruled that the Governor's discretionary powers are limited and must be exercised within constitutional boundaries.

X. FINANCIAL RELATIONS

Concept of Fiscal Federalism:

Financial relations between the Centre and the States form an essential component of Indian federalism. The Constitution provides a framework for the distribution of financial resources to ensure balanced development and effective governance. The provisions relating to financial relations are primarily contained in Articles 268–293. Fiscal federalism seeks to maintain financial autonomy for States while enabling the Union to support them through revenue-sharing and grants.

Tax Distribution:

The Constitution divides taxation powers between the Union and the States.

1. Taxes Levied and Collected by the Union

The Union Government has exclusive power to levy taxes such as:

Income Tax (except agricultural income), Customs Duties, Corporation Tax, Central Excise Duties

2. Taxes Levied by the States

States can impose taxes on:

Land and buildings, Agricultural income, State excise duties, Stamp duties on certain transactions

Certain taxes are shared between the Centre and the States to ensure equitable distribution of revenue. This arrangement helps States meet their financial requirements and promotes cooperative federalism.

Finance Commission:

An important institution in India's fiscal federal framework is the Finance Commission, established under Article 280 of the Constitution.

The Finance Commission is appointed by the President every five years and serves as a

constitutional mechanism for maintaining financial equilibrium between the Centre and the States.

Its primary function is to recommend the distribution of tax revenues between the Union and the States, determine the principles governing grants-in-aid, and suggest measures to improve the fiscal position of State Governments. Through these recommendations, the Finance Commission plays a significant role in reducing regional imbalances and promoting cooperative federalism.

Grants-in-aid provided under Article 275. These grants are designed to assist States that face financial difficulties or require additional resources to meet developmental needs. Grants-in-aid help economically weaker States improve public services, implement welfare schemes, and achieve balanced economic growth.

They serve as an important instrument through which the Union supports States in fulfilling their constitutional and administrative obligations.

GST:

Goods and Services Tax (GST) through the 101st Constitutional Amendment Act, 2016. GST replaced multiple indirect taxes levied by both the Centre and the States with a unified tax regime, thereby creating a common national market. The administration of GST is coordinated through the GST Council, established under Article 279A, which comprises representatives from both the Union and State Governments. The GST Council is responsible for making recommendations regarding tax rates, exemptions, and other policy matters, thereby fostering cooperative decision-making in fiscal governance.

The introduction of GST has had a profound impact on fiscal federalism in India. On the one hand, it has simplified the indirect tax system, improved tax compliance, enhanced revenue collection, and strengthened economic integration across the country. On the other hand, concerns have been raised regarding the reduction of States' independent taxation powers and their increasing dependence on compensation from the Centre. These concerns have generated debates about the extent of fiscal autonomy available to States under the GST regime. In *Union of India v. Mohit Minerals Pvt. Ltd.*, the Supreme Court held that the recommendations of the GST Council are not binding on either the Centre or the States, thereby reaffirming the federal nature of the Constitution and

preserving the autonomy of State Governments in fiscal matters.

XI. EMERGENCY PROVISIONS AND THEIR IMPACT: TRANSITION FROM FEDERALISM TO UNITARISM

The emergency provisions of the Indian Constitution represent a distinctive feature of the country's federal structure. These provisions empower the Union Government to exercise extraordinary authority during exceptional situations that threaten the security, stability, or financial integrity of the nation. The Constitution provides for three forms of emergencies: National Emergency under Article 352, President's Rule under Article 356, and Financial Emergency under Article 360. While India generally functions as a federal system with a division of powers between the Centre and the States, the declaration of an emergency can significantly alter this balance by concentrating powers in the hands of the Union Government.

A National Emergency may be declared when the security of India is endangered by war, external aggression, or armed rebellion. During such a period, Parliament is empowered to legislate on matters included in the State List, and the executive authority of the States becomes subject to the control and directions of the Union Government. The Centre may also exercise greater influence over financial matters. As a result, the autonomy ordinarily enjoyed by the States is considerably reduced, and the federal distribution of powers becomes highly centralized.

President's Rule under Article 356 may be imposed when the constitutional machinery of a State fails to function in accordance with constitutional requirements. In such circumstances, the President assumes the functions of the State Government, and Parliament acquires the authority to legislate on behalf of the State Legislature. The Governor administers the State on behalf of the President. This provision effectively places the State under the control of the Union and represents one of the strongest manifestations of central authority within the constitutional framework.

The Constitution also envisages a Financial Emergency under Article 360, which may be proclaimed if the financial stability or credit of India is threatened. During its operation, the Union Government may issue directions to States concerning

financial administration and expenditure. It may also require reductions in salaries and allowances of government officials. Although a Financial Emergency has never been declared in India, the provision demonstrates the Constitution's Readiness to centralize financial control when national interests demand it.

Dr. B. R. Ambedkar observed that the Indian Constitution is federal under normal circumstances but is capable of assuming a unitary form during emergencies whenever the situation requires.

The judiciary has played an important role in ensuring that emergency powers are exercised within constitutional limits. In *S.R. Bommai v. Union of India*, the Supreme Court affirmed that federalism is part of the basic structure of the Constitution and held that the imposition of President's Rule is subject to judicial scrutiny. Likewise, in *Minerva Mills Ltd. v. Union of India*, the Court emphasized that constitutional principles and limitations must continue to operate even during emergency situations.

XII. ROLE OF THE JUDICIARY IN MAINTAINING FEDERAL BALANCE

The judiciary plays a crucial role in preserving the federal structure of the Indian Constitution by ensuring that both the Union and the States function within their constitutionally assigned spheres. As the guardian and interpreter of the Constitution, the Supreme Court is entrusted with the responsibility of resolving disputes between the Centre and the States, protecting constitutional supremacy, and maintaining the balance of power within the federal framework. Through the powers of judicial review and constitutional interpretation, the judiciary has significantly contributed to the evolution and strengthening of Indian federalism.

JUDICIAL REVIEW:

Judicial review empowers the courts to examine the constitutional validity of legislative and executive actions undertaken by both the Union and State Governments. If any law or governmental action is found to be inconsistent with the provisions of the Constitution, the judiciary has the authority to declare it unconstitutional and void. This power ensures that neither the Centre nor the States exceed the limits of their constitutional authority. Judicial review thus acts

as a safeguard against arbitrary exercises of power and protects the federal distribution of powers established by the Constitution.

COURT INTERPRETATION:

The judiciary also performs the function of constitutional interpretation. Since the Constitution is a living document, ambiguities and conflicts often arise regarding the scope of legislative and executive powers. The courts interpret constitutional provisions, particularly those relating to Centre–State relations, legislative competence, and federal principles. Through such interpretation, the judiciary clarifies the boundaries of authority between the Union and the States and ensures harmonious functioning of the federal system. The doctrines of pith and substance, repugnancy, territorial nexus, and colourable legislation have largely been developed through judicial interpretation to resolve conflicts relating to legislative competence.

In the decided case, *State of West Bengal v. Union of India* (1963)

Facts of the Case:

The dispute arose when Parliament enacted the Coal Bearing Areas (Acquisition and Development) Act, 1957, which authorized the Union Government to acquire land containing coal deposits. The Government of West Bengal challenged the constitutional validity of the Act, arguing that Parliament could not compulsorily acquire property belonging to a State without its consent. The State contended that the federal structure of the Constitution granted a degree of sovereignty to the States and protected them against such acquisition by the Union.

Issue:

Whether Parliament had the authority to acquire property belonging to a State Government without the consent of that State.

Judgement:

The Supreme Court rejected the arguments of the State of West Bengal and upheld the validity of the legislation. The Court held that the Indian Constitution does not establish an agreement among sovereign States. Rather, it creates a Union in which both the Centre and the States derive their powers from the Constitution itself. The States are not sovereign entities and do not possess rights independent of the Constitution. Consequently, Parliament possesses the

authority to acquire State property if such power can be traced to a constitutional provision.

S.R. Bommai v. Union of India (1994)

Facts of the Case

The case arose from the dismissal of several State Governments under Article 356 of the Constitution. The Union Government had imposed President's Rule in various States on the ground that the constitutional machinery in those States had failed. The affected State Governments challenged the proclamations, arguing that Article 356 had been misused for political purposes and that the Centre had acted arbitrarily.

Issue:

Whether the President's satisfaction under Article 356 is subject to judicial review and whether the imposition of President's Rule can be challenged before the courts.

Judgement:

A nine-judge bench of the Supreme Court held that the President's proclamation under Article 356 is subject to judicial review. The Court ruled that the President's satisfaction is not absolute and can be examined to determine whether it was based on relevant material. If the proclamation is found to be unconstitutional or mala fide, the Court may strike it down. The Court further held that the proper place to test whether a government enjoys majority support is the legislative assembly and not the Governor's subjective assessment.

Most importantly, the Supreme Court declared that federalism forms part of the basic structure of the Constitution and therefore cannot be destroyed even through constitutional amendments.

XIII. DOCTRINE OF BASIC STRUCTURE

The Doctrine of Basic Structure is a constitutional principle developed by the Supreme Court to ensure that Parliament does not alter the essential features of the Constitution while exercising its amending power under Article 368. Although Parliament has the authority to amend the Constitution, it cannot destroy or damage its basic structure.

The doctrine was established in *Kesavananda Bharati v. State of Kerala*, where the Supreme Court held that Parliament's amending power is limited by the Constitution's fundamental features.

One of these fundamental features is federalism, which provides for the distribution of powers between the Union and the States. The Supreme Court in *S.R. Bommai v. Union of India* recognized federalism as part of the basic structure of the Constitution. The Court emphasized that States are constitutional entities with independent powers and cannot be reduced to mere administrative units of the Centre.

As a result, Parliament cannot amend the Constitution in a manner that abolishes the federal system, destroys State autonomy, or converts India into a completely unitary State. This limitation ensures the preservation of the constitutional balance between the Centre and the States.

The doctrine was further strengthened in *Minerva Mills Ltd. v. Union of India*, where the Court held that Parliament's amending power itself is subject to constitutional limitations.

Thus, the Doctrine of Basic Structure acts as a safeguard against excessive constitutional amendments and protects federalism as one of the core features of the Indian Constitution.

XIV. CENTRE STATE CONFLICTS: CONTEMPROARY ISSUES

1. Political Conflicts:

Political conflicts between the Centre and the States are a common feature of Indian federalism, particularly when different political parties are in power at the two levels of government. Such conflicts often arise over issues relating to policy implementation, distribution of financial resources, administrative control, and governance priorities. States sometimes contend that the Centre interferes excessively in matters falling within their jurisdiction, while the Union Government justifies its actions on grounds of national interest, uniform development, and constitutional responsibility. These political differences can affect cooperative federalism and lead to tensions in Centre-State relations.

2. Use and Misuse of Article 356:

Article 356 empowers the President to impose President's Rule in a State if the constitutional machinery of the State is deemed to have failed. During President's Rule, the elected State Government may be dismissed, and Parliament assumes the legislative functions of the State. Although this

provision was intended to address exceptional situations, it has often been criticized for being used as a political tool by the Centre to remove opposition-led State Governments. The frequent imposition of President's Rule was viewed as a threat to State autonomy and the federal structure of the Constitution. In *S.R. Bommai v. Union of India*, the Supreme Court held that the proclamation of President's Rule is subject to judicial review and cannot be exercised arbitrarily. The Court further declared that federalism forms part of the basic structure of the Constitution, thereby imposing constitutional limitations on the use of Article 356.

3. Policy Disagreements

Policy differences between the Centre and the States often lead to constitutional and political disputes, particularly in areas where both levels of government possess legislative authority.

➤ Education:

Education is included in the Concurrent List, allowing both Parliament and State Legislatures to enact laws on the subject. Conflicts arise when States disagree with centrally formulated policies such as the National Education Policy, language requirements, curriculum frameworks, or national entrance examinations like NEET. While the Centre seeks to maintain uniform educational standards across the country, States frequently argue for greater flexibility to address regional and local needs.

➤ Law and Order

Law and order is primarily a State List subject, making it the responsibility of State Governments. However, disputes arise when the Centre deploys central security forces, issues directions concerning internal security, or when central investigative agencies such as the Central Bureau of Investigation conduct investigations within a State. Several States have opposed such interventions, claiming that they infringe upon their constitutional authority and administrative independence.

➤ Governor's Assent Controversies:

One major area of conflict concerns the role of Governors in withholding or delaying assent to Bills passed by State Legislatures under Articles 200 and 201 of the Constitution. Several States have alleged

that Governors, appointed by the Union, have acted in a politically partisan manner by indefinitely delaying assent to State laws.

The conflict became prominent in States such as Tamil Nadu, Kerala, and Punjab, where disputes arose over pending Bills and executive interference. Critics argue that such delays weaken democratic federalism and undermine the autonomy of elected State governments. The Supreme Court has increasingly emphasized that Governors must act within constitutional limits and cannot obstruct the legislative process indefinitely.

➤ GST Compensation Disputes after COVID-19:

The introduction of the Goods and Services Tax (GST) significantly altered India's fiscal federal structure by subsuming several State taxation powers into a unified tax regime. During the COVID-19 pandemic, States faced severe financial stress and demanded timely GST compensation from the Union government.

Several States argued that delayed compensation payments violated the spirit of cooperative federalism because States had surrendered substantial fiscal autonomy under the GST framework. The dispute revealed structural tensions within fiscal federalism, particularly regarding revenue dependence of States on the Centre and the functioning of the GST Council.

➤ NEET and State Autonomy in Education:

The implementation of the National Eligibility cum Entrance Test (NEET) has also generated significant debate concerning State powers over education. Several States, particularly Tamil Nadu, have argued that NEET disadvantages rural and government-school students and interferes with State-specific educational policies.

Opponents contend that a centralized entrance examination undermines State autonomy in regulating medical admissions and weakens the federal principle in education administration. Supporters, however, argue that NEET promotes uniform standards and transparency in professional education across India. The controversy illustrates the continuing tension between national uniformity and regional diversity in India's federal structure.

XV. CRITICAL ANALYSIS

The Indian Constitution establishes a federal system that distributes powers between the Union and the

States while providing a strong position to the Centre. This structure has helped maintain national unity and administrative efficiency in a diverse country. Through provisions such as residuary powers, emergency powers, and legislative supremacy in certain areas, the Constitution enables the Union Government to address issues of national importance effectively.

However, the strong central bias of the Constitution has often led to concerns regarding State autonomy. Provisions such as Article 356, Parliament's power to legislate on State List subjects in specific circumstances, and the allocation of residuary powers to the Centre have been criticized for limiting the independence of States. The misuse of President's Rule in the past highlighted the potential for excessive central intervention in State affairs.

Financial relations also reveal tensions within the federal framework. Although mechanisms such as the Finance Commission and GST promote cooperation, many States argue that increasing financial dependence on the Centre affects their fiscal autonomy. Similarly, policy disagreements in areas such as education, law and order, and taxation continue to generate Centre-State conflicts.

The judiciary has played a significant role in maintaining the federal balance. In *S.R. Bommai v. Union of India*, the Supreme Court recognized federalism as part of the basic structure of the Constitution and restricted the arbitrary use of Article 356. Through judicial review and constitutional interpretation, the courts have ensured that both the Centre and the States function within their constitutional limits.

Thus, while the Indian Constitution favours a strong Centre, it also seeks to preserve State autonomy. The effectiveness of Indian federalism depends on cooperation, mutual respect, and adherence to constitutional principles by both levels of government.

XVI. CONCLUSION

Federalism is a system that balances power between the Central (Federal) Government and the State Governments. It ensures that both levels of government function within their constitutional limits while working together for the welfare of the people. In India, the Constitution clearly distributes powers through the Union, State, and Concurrent Lists. While

the Centre possesses stronger powers to maintain national unity and stability, States retain authority over matters of local importance. Judicial doctrines such as the Doctrine of Pith and Substance and decisions of the Supreme Court of India help resolve conflicts between the Centre and States. The judiciary has played a vital role in preserving this balance through judicial review and constitutional interpretation. Landmark decisions such as *Kesavananda Bharati v. State of Kerala*, *State of West Bengal v. Union of India*, and *S.R. Bommai v. Union of India* have strengthened federal principles and protected the constitutional distribution of powers.

Therefore, successful federalism depends on cooperation, mutual respect, and a balance between national interests and regional autonomy, ensuring effective governance and constitutional harmony.

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