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Democracy, Centralization, and the Crisis of Cooperative Federalism in India

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ABSTRACT

The distinctive nature of Indian federalism, which departs from classical federal models by embedding a "quasi-federal" structure that emphasizes central authority over state autonomy is analysed in this study. Drawing from constitutional provisions such as Articles 3, 356, and 280, the study explores the legal and political architecture that underpins Union–State relations in India. It argues that while the Constitution provides a federal framework through a division of powers across Union, State, and Concurrent Lists, it simultaneously equips the Centre with overriding powers that weaken genuine state sovereignty. The paper highlights key mechanisms of central dominance—such as the role of Governors, fiscal centralization, emergency provisions, and residuary powers—while also examining the countervailing force of political federalism manifested through regional parties, coalition politics, and institutional bodies like the Inter-State Council and GST Council. Special attention is given to the misuse of Article 356 and the evolving challenges posed by regionalism, identity politics, and fiscal asymmetries. Through a nuanced discussion of legal texts, landmark judgments, and political developments, the study reveals that India's federal structure functions within a dynamic tension between constitutional design and political practice, with democratic accountability and institutional cooperation being essential to preserving the federal spirit in a diverse polity.

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INTRODUCTION

India's federal structure is a unique experiment in political engineering, designed to accommodate its vast geographical expanse, demographic diversity, and complex historical legacy. Unlike classical federal systems such as those in the United States, Switzerland, or Australia—where the constituent units possess a significant degree of sovereignty and equal standing—the Indian model of federalism exhibits a deliberate and asymmetric tilt toward central authority. This structural choice, deeply embedded in the constitutional design, was born out of the historical exigencies prevailing at the time of independence, especially the trauma of partition, widespread communal strife, economic underdevelopment, and the need for national integration. The framers of the Constitution opted for a "quasi-federal" arrangement that granted the Union government extensive powers over legislation, administration, and finance, while formally retaining the federal division of powers. The term "quasi-federal," first articulated by the Supreme Court in the landmark *State of West Bengal v. Union of India* (1963), captures the hybrid nature of Indian federalism—a system where federal and unitary features co-exist but where the balance undeniably favours the Centre.

The federal arrangement in the Indian Constitution is primarily defined through the Seventh Schedule, which classifies legislative competencies into three distinct lists: the Union List, the State List, and the Concurrent List. While the Union List encompasses critical areas such as defense, foreign affairs, banking, and atomic energy—exclusively within the Parliament's jurisdiction—the State List includes public order, police, public health, agriculture, and local governance. The Concurrent List offers a shared space, enabling both Union and State legislatures to legislate on subjects like education, forests, marriage, and criminal law. However, even in this shared domain, Article 254 ensures that Union laws will prevail over state laws in the event of a conflict, unless the latter has received Presidential assent. Furthermore, the residuary powers, which in many federal systems are vested in the states, lie with the Union under Article 248. These constitutional provisions collectively position the Union as the paramount legislative authority, thereby diminishing the autonomy and sovereign domain of the states.

The deliberate centralization within the Indian federal system is further reinforced through emergency provisions, particularly Article 356. This controversial article empowers the President to assume control over a state's governance if there is a "failure of constitutional machinery." Although intended as a safeguard mechanism, its frequent invocation—especially during periods of political turbulence—has attracted criticism for enabling the Union to dismiss duly elected state governments on tenuous grounds. Notably, the Supreme Court's decision in *S.R. Bommai v. Union of India* (1994) sought to place limitations on the misuse of Article 356 by establishing the necessity of floor tests and judicial review. Despite these judicial checks, the article remains a potent tool for central intervention, and its use continues to ignite debates over federal ethics and democratic accountability.

Beyond the legal architecture, the political dimensions of Indian federalism reveal a complex interplay between central dominance and regional assertion. Political federalism—understood as the distribution of political power through democratic mechanisms, coalition politics, and intergovernmental negotiations—often serves to mediate or challenge the constitutional centralization. The rise of regional parties since the 1960s, especially following the decline of the Congress party's electoral hegemony, has fundamentally altered the federal balance. States such as Tamil Nadu, West Bengal, Andhra Pradesh, and Punjab have seen the emergence of powerful regional formations that not only assert local interests but also shape national policy when participating in coalition governments. The era of coalition politics (1996–2014) marked a notable shift, compelling the Centre to negotiate with states on key legislative and financial matters, thereby creating an informal layer of federal cooperation that transcended constitutional prescriptions.

Institutional mechanisms such as the Inter-State Council and the Goods and Services Tax (GST) Council reflect evolving efforts to institutionalize cooperative federalism. Established under Article 263, the Inter-State Council is envisaged as a forum for discussing and resolving intergovernmental disputes and promoting policy coordination. While underutilized in practice, the council represents an important acknowledgment of the need for federal dialogue. Similarly, the GST Council, formed after the 101st Constitutional Amendment, offers a rare model of fiscal federalism where both Union and state representatives jointly decide tax structures. However, the composition of the GST Council—with the Union government holding one-third of the votes and requiring a three-fourths majority for decisions—effectively grants the Centre veto power, once again highlighting the structural asymmetry embedded in cooperative frameworks. The financial architecture of Indian federalism further exemplifies central dominance. Articles 268 to 293 of the Constitution deal with the distribution of fiscal resources. While the states are granted certain tax powers—such as excise duty on alcohol and taxes on land and buildings—the most lucrative sources of revenue, including income tax, customs duties, and corporate tax, are controlled by the Union. The Finance Commission, established under Article 280, recommends the distribution of Union taxes and grants-in-aid to states. However, its recommendations, though technically advisory, often become contentious flashpoints between the Centre and states, especially when political alignments diverge. The vertical fiscal imbalance—where states bear the brunt of public expenditure responsibilities but have limited revenue-raising capacity—renders them dependent on transfers and grants, reinforcing their subordinate position in the federal structure.

The centralized financial model was further entrenched through the implementation of GST, which subsumed multiple state-level taxes under a single national framework. While GST was hailed for creating a unified market, its operational challenges, particularly delays in compensation payments and the lack of flexibility for states to set tax rates, have exacerbated tensions. The Supreme Court's judgment in *Union of India v. Mohit Minerals Pvt Ltd* (2022), which held that GST Council recommendations are not legally binding, reaffirmed the constitutional authority of state legislatures but also exposed the fragility of the consensus model that underpins fiscal federalism.

The role of the Governor adds another layer to the federal debate. Appointed by the President and acting as the Centre's representative, the Governor holds significant discretionary powers under Article 163. These include reserving state bills for Presidential assent, making recommendations for President's Rule, and, in certain cases, appointing chief ministers or dissolving assemblies. The political behavior of Governors—especially during periods of political instability—has raised concerns about their neutrality and has been seen as a mechanism for indirect central interference. Recommendations from the Sarkaria Commission (1988) and the Punchhi Commission (2010) have emphasized the need for codifying the Governor's role and ensuring impartiality, yet their suggestions remain largely unimplemented.

At the heart of India's federal challenge lies the question of balancing national unity with regional diversity. The linguistic reorganization of states in 1956 was a watershed moment that sought to align administrative boundaries with linguistic identities, recognizing the cultural specificity of regions. However, it also institutionalized regionalism as a legitimate political force. Over time, demands for autonomy, cultural recognition, and fair resource allocation have become pronounced, with regions like Telangana, Vidarbha, and Gorkhaland asserting distinct identities. While these movements underscore the vibrancy of India's democracy, they also test the resilience of its federal framework. Successful accommodation depends not merely on legal adjustments but on political responsiveness and institutional flexibility. Identity politics—centered on language, ethnicity, and religion—frequently intersects with federal concerns. The imposition of a uniform national language policy or central educational curriculum often invites resistance from states that view such moves as cultural homogenization. The opposition to Hindi imposition in Tamil Nadu, the citizenship debates in Assam, and resource-sharing disputes in Punjab and Karnataka exemplify the centrifugal tendencies that challenge federal cohesion. Addressing these demands requires a federalism that is not just legally decentralized but also culturally sensitive and politically inclusive.

Despite these structural asymmetries, Indian federalism remains a dynamic and evolving system. Its resilience lies in its ability to adapt to changing political contexts, judicial interventions, and public demands. The judiciary, particularly the Supreme Court, has emerged as a crucial arbiter in federal disputes, mediating between constitutional provisions and democratic imperatives. Landmark judgments—from *Kesavananda Bharati* to *Bommai* and *Mohit Minerals*—have sought to clarify and sometimes recalibrate the contours of federal power. However, the courts alone cannot ensure a balanced federal polity. The onus lies equally on political actors to respect federal norms, engage in genuine dialogue, and uphold the spirit of cooperative governance.

Review of Literature

The scholarly discourse on Indian federalism has evolved substantially over the decades, reflecting the country's shifting political, economic, and constitutional realities. The existing body of literature reveals a vibrant debate over the nature, structure, and functioning of Indian federalism—marked by tensions between central dominance and state autonomy. M. Jeyabrabha's research builds upon and critically engages with this evolving field, particularly in highlighting how constitutional provisions, political practices, and institutional mechanisms have shaped a uniquely Indian variant of federalism, often termed "quasi-federalism."

Granville Austin (1966; 2003) remains one of the seminal figures in Indian constitutional studies, famously describing the Indian Constitution as an embodiment of cooperative federalism and social revolution. According to Austin, while the Constitution grants the Union sweeping powers, especially during emergencies, it also envisions a degree of cooperation and coordination between the Centre and states. However, his optimistic portrayal of cooperative federalism has been challenged by scholars who argue that the central government often exercises disproportionate influence over state matters, especially in the post-independence era.

D.D. Basu (2001) and M.P. Jain (2003), in their authoritative commentaries, have examined the structural composition of Indian federalism. Basu notes that despite the formal classification of powers under the Seventh Schedule, the Union's overriding legislative authority—enabled through Articles 249, 250, 252, and residuary powers under Article 248—undermines genuine state autonomy. Jain reinforces this view by highlighting the role of Articles 356 and 365 in allowing the Union to dismiss state governments and take over state administration, a practice frequently used during Congress dominance to suppress opposition-led states.

This concern over the misuse of emergency provisions is extensively documented in the work of Vishwanath Rajwade (2017), who argues that Article 356 has historically been a tool of political manipulation rather than constitutional necessity. His analysis, drawing on empirical instances from 1950 to the 1990s, demonstrates how the Centre, under the pretext of constitutional breakdown, has repeatedly imposed President's Rule in states where it lost political control. The landmark Supreme Court judgment in *S.R. Bommai v. Union of India* (1994) introduced crucial safeguards by allowing judicial review and insisting on floor tests to prove legislative majority. Scholars such as Singh (2018) see this verdict as a turning point that curbed the arbitrary exercise of Article 356, reinforcing the judiciary's role in protecting federal norms.

The distribution of financial powers is another domain where scholars have noted asymmetry. Subhash C. Kashyap (2001) and Sudipta Kaviraj (2005) observe that the constitutional allocation of financial resources overwhelmingly favors the Union, thereby creating a vertical fiscal imbalance. The Centre retains control over the most productive sources of revenue—income tax, customs, excise—while states are relegated to lower-yield taxes. The Finance Commission, constituted every five years, is intended to address this imbalance through revenue-sharing and grants-in-aid. Yet, as B.R. Singh (2018) notes, its recommendations are often influenced by political considerations, and states frequently allege biased treatment based on political alignment with the Centre.

The introduction of the Goods and Services Tax (GST) further transformed India's fiscal landscape. Scholars like Arvind Elangovan (2014) and Sahoo & Pattanaik (2015) argue that while GST has streamlined taxation and created a unified market, it has also eroded states' fiscal autonomy. The GST Council, despite its federal composition, grants the Union government veto power due to the voting structure. The Centre's failure to compensate states during revenue shortfalls—especially during the COVID-19 pandemic—intensified tensions. The Supreme Court's ruling in *Union of India v. Mohit Minerals Pvt Ltd* (2022), affirming that the GST Council's decisions are not binding, was welcomed by scholars advocating stronger legislative independence for states.

The political dimension of federalism—particularly the role of coalition governments and regional parties—has also received scholarly attention. Sujit Choudhry, Madhav Khosla, and Pratap Bhanu Mehta (2016) assert that the rise of coalition politics in the 1990s marked the advent of a more functional federalism. Regional parties began to play a national role, compelling the Union government to consult with states and decentralize decision-making. Rajeev Bhargava (2009) further explores how political federalism compensates for the centralizing tendencies of constitutional federalism by creating spaces for intergovernmental bargaining and contestation.

Yet, political convergence—when the same party controls both the Centre and most states—tends to reduce federal dialogue and heighten centralization. This phenomenon has been noted by De (2018) and Baxi (1986), who caution against the erosion of cooperative federalism when opposition-ruled states are bypassed or subjected to fiscal and administrative constraints. The manipulation of centrally sponsored schemes and the strategic use of governors' powers to delay or obstruct state legislation are cited as recent examples of central overreach.

Governors, as centrally appointed heads of states, remain controversial figures in the federal schema. The Sarkaria Commission (1988) and Punchhi Commission (2010) both emphasized the need for neutrality and proposed reforms to limit the Governor's discretionary powers. Despite this, the role of Governors in recent political crises—such as in Arunachal Pradesh (2016) and Maharashtra (2019)—suggests that their actions often align with central interests. Scholars like Sharma (2022) argue that unless mechanisms are introduced to ensure accountability and transparency, the Governor's office will continue to weaken democratic federalism.

Another important strand of literature focuses on identity politics and regionalism. Authors like Rochana Bajpai (2009) and Rohit De (2018) underline how linguistic, ethnic, and religious identities have shaped India's federal map. The reorganization of states on linguistic lines in 1956, followed by demands for statehood in Telangana, Vidarbha, and Gorkhaland, illustrates the persistent salience of sub-national identities. While regional aspirations are not inherently anti-national, their suppression through centralization often leads to alienation and unrest. Rajeev Bhargava (2009) cautions that federalism must function not only as an administrative device but as a tool for cultural recognition and political inclusion.

Language, education, and citizenship have emerged as flashpoints where regional identities collide with national policies. The imposition of Hindi, centralization of educational curriculum, and laws like the Citizenship Amendment Act (2019) have triggered resistance from southern and northeastern states. Scholars argue that a truly federal polity must accommodate such diversity through asymmetrical arrangements—special provisions under Article 371, Sixth Schedule autonomy, and differentiated policy regimes.

The literature emphasizes that the vitality of Indian federalism depends on institutional renewal and political will. Institutions like the Inter-State Council and Zonal Councils, though constitutionally envisaged, remain underutilized. The challenge lies not in constitutional design alone but in the practice of federalism—how governments interact, negotiate, and build consensus. As Baxi (1967) and Choudhry et al. (2016) suggest, federalism in India is a living mechanism that must evolve with changing socio-political conditions and democratic expectations.

Distribution of Powers

The Indian federal system relies on a carefully designed distribution of legislative powers between the Union and the states. The allocation of subjects into Union, State, and Concurrent Lists, as laid out in the Seventh Schedule of the Constitution, forms the structural basis for legislative authority. This scheme does not produce symmetry between levels of government. Instead, it privileges central control, reflecting the historical context in which the Constitution was drafted.

The Union List, enumerated in List I of the Seventh Schedule, contains subjects over which Parliament exercises exclusive jurisdiction (Rajwade, 2017). These include areas of national importance such as defence, foreign affairs, atomic energy, banking, and currency. The breadth and strategic nature of the Union List position the Centre as the principal law-making authority on matters deemed essential for national sovereignty and economic stability (Sahoo & Pattanaik, 2015).

List II, sometimes called the State List, is about things that are important to the area or region. It covers things like public order, the police, public health, agriculture, and local governance. States have full power over these areas unless the Constitution says otherwise. But such exclusivity is not permanent. Articles 249 and 250 allow Parliament to make laws on State List matters only when the Rajya Sabha approves a resolution saying it is in the national interest or when there is a proclaimed emergency. These rules make it easier for states to work together and make it harder for the federal government to protect state power (Elangovan, 2014).
The Concurrent List, often known as List III, has

topics that both the Parliament and state legislatures may make laws over. Some examples include marriage and divorce, education, adoption, forestry, and criminal law. Article 254 says that if both the Union and a state make laws on the same topic and there is a disagreement, the Union legislation wins unless the state law has been approved by the president. This structure permits collaborative governance while prioritising Union primacy in instances of interpretative disagreement (Singh, 2018). Article 248 gives the federal government more authority by giving it the residuary powers. In India, the Union has residuary powers, which is different from previous federal systems like the United States, where the states have these powers. Parliament may establish legislation about things that aren't on any of the three lists. The rationale for this design is predicated on the need to adapt to future changes, especially in domains like as technology and economic regulation, which may not have been anticipated during the Constitution's formulation. In Union of India v. H.S. Dhillon (1972), the Supreme Court confirmed this concept by saying that Parliament might make laws for things that weren't specifically included in the Union List.

When two jurisdictions or claims are in disagreement, there has to be a way to settle the dispute. The Constitution gives us both institutional and procedural ways to deal with these kinds of problems. Article 131 gives the Supreme Court the power to settle disputes between the Union and the states. This article gives the Court original jurisdiction, which means it may hear matters that deal with issues of legal competence and constitutional interpretation. For instance, in the case of State of Rajasthan v. Union of India (1977), the Court made a decision on how far parliament might go in firing state governments, which made it clear how far the federal government could go (Sahoo & Pattanaik, 2015).

The Inter-State Council, which was set up under Article 263, is meant to do more than only settle conflicts. It is also meant to encourage cooperation and settle problems between governments via conversation and deliberation. Although underutilised, its presence signifies an acknowledgement that not all issues need judicial resolution; some may be resolved via collaborative federal methods. The States Reorganisation Act of 1956 set up Zonal Councils, which do a similar job, particularly when it comes to border concerns, moving between states, and managing the economy (Rajwade, 2017). In places where both the state and federal governments have the same power, political coordination is needed to minimise duplication and policy disagreement. The 101st Constitutional Amendment created the Goods and Services Tax (GST) Council, which is an example of cooperative federalism in action. It has members from both the Centre and the states, and it provides suggestions for tax rates and structures. Even though decisions need three-fourths of the votes, the Union has one-third of the votes, which gives it the right to veto. This shows the larger trend of central predominance that is even present in groups that work together (Singh, 2018).

Even while the Constitution provides for a separation of powers, in fact, the central government typically has more authority than the states. National programs like Ayushman Bharat, NEP 2020, and changes to agriculture have had an effect on State List issues without enough input from the states. Tensions develop when policy decisions reflect consistent national goals but overlook regional variation or administrative capabilities. Conflicts over water allocation, language policies, and reserve quotas often reveal the constraints of legislative federalism and the need for institutional discussion. India's federal system, although officially allowing decentralisation, operates under a constitutional framework that emphasises unity and central power. The legislative lists, residual powers, and dispute resolution processes operate within a framework intended to harmonise variety with unity. The Union still has the last say, but how well the federal government works relies on how people in institutions use, interpret, and negotiate these powers in real life.

Relations Between Governments

For a federal system to work, it needs more than just a constitution that clearly divides powers. It also needs ways to handle interactions between different levels of government. In India, where the Constitution gives the Union a lot of power over the states, it is very important to have institutional structures for communication and coordination. These institutions don't work against central authority; instead, they provide a location for collaboration, dispute resolution, and policy harmonisation to happen (Sahoo & Pattanaik, 2015). The Inter-State Council and the Zonal Councils are two of the most important tools for encouraging organised debate. The rules that regulate the financial relationship between the

Centre and the states are just as significant. They determine how much autonomy the states really have (Elangovan, 2014). The Constitution's Article 263 says that the Inter-State Council should look into and provide advice on conflicts between states, talk about things that are important to all states, and suggest ways to better coordinate policies and administrative processes. The provision is optional, but the Council was eventually set up in 1990 by a Presidential decree. The Prime Minister is the Chairperson, and there are also Union Ministers and Chief Ministers from all states and Union Territories that have legislatures (Rajwade, 2017). This arrangement shows that there is an attempt to provide a place where political leaders from both levels may talk directly about policy matters that affect both levels of government (Singh, 2018).

The Council has had a limited effect, even though it has a wide range of responsibilities. It hasn't convened often, and its suggestions aren't legally binding. But don't underestimate its potential. Structured and ongoing communication is needed to deal with problems like water conflicts, coordinating internal security, and making sure that development policy is the same across the board. For instance, the disagreements between Tamil Nadu and Karnataka over sharing rivers or the problems with irrigation in Punjab and Haryana show that we need a place where people can talk things out and come to an agreement instead of going to court. The Inter-State Council is one of the few organisations that may do this job according to the Constitution, however it is not used very often. The Zonal Councils, which were set up by the States Reorganisation Act of 1956, also work as advisory organisations to encourage collaboration across regions. The Union Home Minister is in charge of each council, which is made up of Chief Ministers and Governors from different states. Zonal Councils, on the other hand, are focused on specific regions and deal with things like inter-state migration, border conflicts, economic planning, and keeping the peace. For example, the North-Eastern Zonal Council has been utilised a lot to deal with cross-border insurgencies and plan counter-terrorism measures among governments that share international borders (Sahoo & Pattanaik, 2015).

Zonal Councils let people from different regions work together to solve problems without needing the Union to step in on each one. This may be quite useful in a nation with a lot of different people, where states in the same area may have comparable problems with administration and growth. But, like the Inter-State Council, these groups don't have the power of law to make their suggestions happen. Their efficacy relies on political will and institutional dedication rather than legal obligation. We need to look at how well each of these institutions work in light of the financial relationship between the Centre and the States, which determines how much money states have to carry out policy. The Constitution does provide for a federal distribution of resources under Articles 268 to 275, but the vertical imbalance in fiscal authorities is still quite large. The Union has jurisdiction over most of the taxes that bring in a lot of money, such income tax, business tax, and customs charges. States, on the other hand, depend on taxes that are less broad, including property tax and excise tax on alcohol.

Every five years, the Finance Commission is set up under Article 280. Its job is to suggest how taxes should be divided between the Union and the states and to decide on grants-in-aid. People frequently agree with its suggestions, but they are not required to follow them. People frequently disagree about the formulas utilised, specifically the weight given to population versus performance measures. States with lower birth rates or greater per capita earnings frequently don't like formulas that reward population growth instead of good administration (Rajwade, 2017). The 101st Constitutional Amendment included the Goods and Services Tax (GST), which made financial power even more concentrated. The Union has one-third of the votes on the GST Council, which was set up to make sure that everyone has a say in decisions. This means that the Union has frequently had a say in establishing rates and distributing income. In subsequent years, the promise of complete reimbursement for losses caused by GST was not entirely delivered, which many states unhappy. During the COVID-19 epidemic, delays in paying GST compensation made people trust the government less and made them think that the government was in charge of the economy (Sahoo & Pattanaik, 2015).

The issue extends beyond tax distribution. The Union has a lot of power on state priorities because of grants and centrally supported programs. Even though these kinds of programs frequently deal with things on the State List, including health and education, they come with rules that states must follow that are set by the central government. This limits the options that states have for policy and changes the character of federalism from working together to following rules. When you look at all of India's institutional systems for interstate interactions, they show an uneven dynamic (Singh, 2018). On paper, groups like the Inter-State Council and Zonal Councils are meant to make it easier for the federal government to talk to each other. However, their limited jurisdiction, inconsistent operation, and lack of enforcement capability limit their power in reality. This mismatch is made worse by financial dependence, as the Union controls most sources of income and uses subsidies and programs to set conditions (Rajwade, 2017). These forums need to become active places for making policy, not just places for people to talk about it, if federalism is going to work as a cooperative system instead of a hierarchical one. Political decentralisation has to go together with flexibility in finances and administration. Otherwise, nominal autonomy will continue to be subjugated to economic reliance and institutional inertia.

Challenges to Federalism

The provision for President's Rule under Article 356 of the Indian Constitution introduces one of the most contentious features of Indian federalism. The article permits the President to assume the functions of a state government when "the Government of the State cannot be carried on in accordance with the provisions of the Constitution." Although framed as a safeguard against constitutional breakdown, its practical application has revealed a pattern of overreach that raises structural questions about the federal balance between the Union and the states.

The drafters of the Constitution borrowed Article 356 from Section 93 of the Government of India Act, 1935, but with significant hesitation. During the Constituent Assembly Debates, members such as H.V. Kamath and K.T. Shah expressed concern that such a provision could become a tool for political control. Their apprehensions were not theoretical. In the decades following independence, Article 356 became a method through which the ruling party at the Centre often removed elected state governments on grounds that were legally tenuous or politically motivated (Elangovan, 2014).

Between 1950 and 1994, Article 356 was used over ninety times. The pattern of its invocation often coincided with changes in political alignments at the Union level. For instance, after the Congress party lost power in several states in 1967, President's Rule was imposed in many of them under the pretext of administrative breakdown (Sahoo & Pattanaik, 2015). Similarly, in 1977, following the Janata Party's victory at the Centre, nine Congress-ruled states were placed under President's Rule. These instances suggest that the provision, though legally grounded, has often been used to bypass democratic outcomes. he constitutional threshold for invoking Article 356 remains vague (Rajwade, 2017). The phrase "failure of constitutional machinery" lacks precise definition, giving the Union executive considerable discretion. Although the President acts on the advice of the Council of Ministers, the absence of objective legal standards has facilitated misuse. The judiciary, for many years, adopted a deferential stance. In State of Rajasthan v. Union of India (1977), the Supreme Court upheld the use of Article 356 on the ground that the President's satisfaction was not justiciable. This ruling effectively shielded the executive from judicial scrutiny, leaving state governments vulnerable to partisan intervention (Singh, 2018).

The momentous decision in S.R. Bommai v. Union of India (1994) marked a turning point. The Supreme Court said that the announcement of President's Rule may be reviewed by the courts. The Court said that the President's satisfaction had to be based on objective evidence, and that if it was based on bad faith or irrelevant reasons, the proclamation would be unlawful. The important thing is that the judgement put in place protections including floor tests, parliamentary approval, and a limited time period until reapproved. This ruling made the use of Article 356 more orderly and stopped state governments from being removed at random.

Even while the courts are being careful, politicians are nonetheless using Article 356 in ways that make federalism harder. The Union government fired the elected administrations of Arunachal Pradesh (2016) and Uttarakhand (2016) because they weren't working properly. In both occasions, the courts stepped in to bring back the state assemblies. This showed that the Governor or the Centre should not be able to dictate what the legislative majority is.
The Governor's job of suggesting President's Rule makes the federal system even more complicated. The President chooses the Governor, who is usually on the same side as the dominant party in the Centre. The Governor is in charge of state constitutionalism. However, numerous times, people have said that the Governor's reports aren't fair. The Sarkaria Commission (1988) and the Punchhi Commission

(2010) both suggested rules for Governors to follow so that they may do their jobs fairly, although these rules have not been followed by everyone. The lack of ways to hold the Governor accountable makes the imbalance under Article 356 much worse (Sahoo & Pattanaik, 2015).

The clause also has an effect on the continuation of democracy. When President's Rule is in effect, the elected government is put on hold, Parliament gets the right to make laws, and the Union gets the power to carry out laws (Sahoo & Pattanaik, 2015). The disruption it creates to representative institutions is significant, even if it was meant to be a temporary fix. It makes it such that state policy is set by central authorities who don't have to worry about being elected in that state. This goes against the idea that federalism should be based on democratic decentralisation. To maintain equilibrium between essential intervention and political exploitation, the use of Article 356 must be restricted to extraordinary situations. The legal criteria set out in Bommai must be strictly adhered to. Governors' reports must be based on facts that can be checked, not guesses or political calculations. The only way to find out whether the majority supports something is via floor testing. Above all, the Union must show prudence and remember that short-term electoral advantages can't make up for long-term damage to federal values (Singh, 2018). Federalism in India is not just a matter of written rules; it must also work through respect for institutions and political maturity. Article 356 is still needed in the Constitution, but it has to be watched carefully so it doesn't become a tool for central control. The Indian federal system is technically organised by a constitutional separation of powers, yet it works in a setting where many identities overlap and interact. Regionalism and identity politics arise not as anomalies but as manifestations of political assertion grounded on linguistic, cultural, ethnic, and economic disparities. These dynamics provide structural obstacles to federal unity, especially when regional interests clash with national strategy, undermine the authority of central institutions, or oppose standardised administrative arrangements (Rajwade, 2017).

The development of Indian federalism has been characterised by persistent declarations of regional identity. The 1956 linguistic restructuring of states was a direct result of regional mobilisation. The demand for the formation of Andhra Pradesh from the Telugu-speaking regions of the Madras Presidency, which resulted in the death of Potti Sriramulu during a hunger strike, compelled the Union to relinquish its previous hesitance. The States Reorganisation Act recognised the need of aligning state borders with linguistic and cultural characteristics, therefore integrating regional recognition into the federal framework. But creating linguistic states didn't end regionalism; it made it a part of the system. Regionalism often expresses itself via requests for more autonomy. In Tamil Nadu, the Dravida movement once wanted to break away from India, but then it changed into a platform for strong regional self-government. The DMK and AIADMK are two of the most powerful regional parties in Tamil Nadu. This shows that people in Tamil Nadu are still against what they see as central control over things like education, language policy, and how money is distributed. The Anandpur Sahib Resolution of 1973 in Punjab also advocated for changing the way the Centre and the states work together so that the states have more authority over their own affairs. The paper showed underlying complaints about autonomy, identity, and resource allocation, even if it wasn't fully acted on (Sahoo & Pattanaik, 2015).

These migrations are not just motivated by emotional ties to region or culture. Economic differences between governments may lead to regional mobilisation. States that feel that they aren't getting their fair share of resources or infrastructure investment rally political support behind regional identity (Elangovan, 2014). The desire for a separate Vidarbha in Maharashtra or Telangana in Andhra Pradesh was supported in part by the fact that the government was not paying enough attention to the area and was not giving it enough power. Telangana became a state in 2014, but many areas still argue about fair taxes, sharing water, and running the government well. Resistance to perceived cultural absorption may also help people build their regional identity. North-eastern states like Nagaland, Manipur, and Mizoram have seen long-lasting movements based on ethnic differences and worries about changes in the population. The constitutional reaction has included Article 371's unique provisions, Sixth Schedule autonomy for tribal regions, and federal arrangements that aren't the same for everyone. These steps are meant to bring together areas with different cultural and historical paths without pushing everyone to be the same. But there are still problems with citizenship rules, military presence, and resource management that show that nominal autonomy hasn't totally fixed underlying structural issues (Rajwade, 2017).

The triumph of regional parties in elections changes federal politics even more. Regional parties, on the other hand, are based on ethnic, linguistic, or sub-national identities and represent local concerns. National parties, on the other hand, tend to push for the same policies across the board (Singh, 2018). Their presence in coalition administrations, notably from 1996 to 2014, changed the balance of power such that states had to be consulted more. But when regional parties aren't allowed to help make decisions for the Union, or when centrally enforced policies damage state jurisdictions without enough discussion, conflict comes back (Sahoo & Pattanaik, 2015). Language, education, and citizenship are some of the policy areas that commonly cause conflict between regional identity and national goals. For example, southern states, notably Tamil Nadu, have been against the development of Hindi as a national language for a long time. States that want to protect their regional heritage or linguistic diversity have fought against education changes that are seen as encouraging standard curriculum. The Citizenship Amendment Act (2019) faced significant resistance in certain northeastern states, where identity politics is intricately linked to ethnic demographics and historical migratory trends. These examples show how weak federal consensus may be when people feel that their identity claims are being ignored.

Even with these difficulties, regionalism doesn't necessarily hurt national unity. In many circumstances, it makes democratic involvement stronger by letting local goals be met via constitutional methods. The Constitution lets governments be flexible by allowing things like Article 3, which lets new states be formed, and Article 371, which lets special rules be made. The Union can meet regional needs without using force thanks to these instruments. But for them to work, politicians need to be involved in a timely manner and respect the needs of the area, not just follow the law. Identity politics poses a challenge to federalism alone when exclusionary assertions try to delegitimise other groups, provoke violence, or repudiate constitutional authority. When regional needs are expressed using the language of common constitutional values—dignity, equality, and representation—they may enhance the federal system. However, when identification serves as a conduit for discrimination, sectarianism, or separatist discourse, it undermines the stability of the system (Elangovan, 2014).

The difficulty with Indian federalism is not the presence of regional identities, but rather the ability of institutions to integrate them without undermining collective unity (Sahoo & Pattanaik, 2015). The Constitution offers mechanisms for this accommodation; but, political actors must practise moderation, participate in discourse, and refrain from the exploitation of identity for transient electoral gain. If there isn't this kind of discipline, federalism might turn into a fight for clashing loyalties instead of a way for different levels of government to work together (Singh, 2018). The introduction of the Goods and Services Tax (GST) in 2017 was a major change in India's tax system (Rajwade, 2017). It got rid of a complicated system of indirect taxes and replaced it with a single system that was meant to make compliance easier and establish a single economic market. The GST system has made tax collection more logical, but it has also prompted worries about the undermining of fiscal federalism. The change in who has the power to tax, who depends on income, and how institutions are set up has changed the balance between the Union and the states. This has raised problems about autonomy, negotiation, and accountability in India's federal system.

Before GST, states could only tax items at the point of sale. The Union taxed services and manufactured goods via customs, excise, and service tax. The Constitution (One Hundred and First Amendment) Act, 2016, introduced a new system that combined most of these taxes into one. The official reasons for this were consistency, openness, and efficiency. However, putting tax authority in one place meant that federal principles had to be rethought. States consented to relinquish a significant portion of their indirect tax sovereignty in return for guaranteed reimbursement and collaborative decision-making via the GST Council. The Union Finance Minister is the Chairperson of the GST Council, which is made up of state finance ministers. To make a decision, three-fourths of the votes must be in favour, and the Union must have one-third of the votes (Elangovan, 2014). Even though unanimity has been the norm, the Union has effective veto power because of the structural asymmetry in voting power (Sahoo & Pattanaik, 2015). This changes how the federal government negotiates. While states have a say in decisions, the Centre still has the most power. Fiscal autonomy is made further harder by reliance on revenue. The

GST (Compensation to States) Act of 2017 set up a way for states to be paid for any deficit in GST income for five years, starting with 2015–16 and assuming a 14% growth rate (Singh, 2018). This formula was meant to protect state income throughout the changeover. But the Union's delay in giving out compensation amid the economic downturn of 2019–20 and the pandemic made things worse. Instead of getting direct payments, states were requested to borrow money from the market or from a special Reserve Bank of India facility. Even though states lost their capacity to tax, this change put the financial pressure on them. The GST system also makes it harder for governments to change tax rates based on what their regions require. States used to use indirect taxes as a flexible way to support local businesses or keep track of their money. States can't adjust rates or make exclusions on their own under GST. Uniformity throughout the nation limits the ability to attempt new things in the economy in different areas. For example, agricultural states that want to exclude certain farm-related commodities or states that rely heavily on tourism and want to cut taxes on hospitality cannot do so without Council agreement.

GST has more effects on vertical fiscal imbalance. The Constitution already gives the Union control over high-yield revenue streams including income tax, customs charges, and corporation tax. States depend a lot on payments from the Finance Commission and Centrally Sponsored Schemes (Sahoo & Pattanaik, 2015). States have less freedom to plan and carry out their plans since GST takes up about 60% of state-level indirect taxes and its money is allocated according to a formula. When states don't have the money to carry out their own development plans, the notion of cooperative fiscal federalism becomes harder to keep going (Elangovan, 2014). Smaller states and Union Territories have more problems than they should. Their economies are small, thus they rely nearly solely on GST income and compensation. Any delay or shortage makes it harder for them to pay wages, keep important services running, or put money into infrastructure. For instance, Himachal Pradesh and Goa have openly said that they are worried about not being able to satisfy their financial responsibilities without monthly pay.

CONCLUSION

Legal challenges have also emerged. In Union of India v. Mohit Minerals Pvt Ltd (2022), the Supreme Court ruled that the GST Council's decisions are not binding and that Parliament and state legislatures retain their legislative competence under Article 246A. The judgment affirms that cooperative federalism under GST is a political mechanism, not a legal mandate. This has reaffirmed the legislative autonomy of states but also exposed the fragility of the consensus model. GST, as an institutional experiment, reflects both the potential and the limitations of India's federal design. It requires states to act collectively on fiscal matters without equal weight in decision-making. It demands compliance with uniform tax rates while restricting revenue autonomy. It promises compensation but delivers it conditionally and inconsistently. These contradictions undermine the constitutional ideal that states must possess meaningful financial autonomy to function as genuine units of governance. Unless corrective mechanisms are adopted—such as a transparent compensation formula, equitable revenue-sharing, and greater voting parity in the GST Council—the structure risks deepening fiscal dependency and political alienation. The success of fiscal federalism rests not only on institutional coordination but on genuine respect for state capacity and autonomy within a shared constitutional framework.

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