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Federal System of the Union and the States

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Abstract:

Federalism is a foundational principle that structures the distribution of powers between a central authority (the Union) and constituent units (the States). This research article examines the concept, evolution, and functioning of the federal system, with special reference to constitutional design, division of powers, financial relations, and intergovernmental mechanisms. The study highlights how federal arrangements seek to balance unity with diversity, ensure effective governance, and accommodate regional aspirations while preserving national integrity. Using doctrinal and comparative approaches, the article evaluates strengths, challenges, and contemporary debates surrounding federal systems, particularly in the Indian constitutional context.

Keywords: *Federalism, Union–State Relations, Constitution, Division of Powers, Cooperative Federalism*

Introduction

Federalism is a system of government in which constitutional authority is divided between a central government and regional or state governments, each functioning within its own sphere of competence. This division of powers is not merely administrative but constitutional in nature, ensuring that both levels of government derive their authority directly from the constitution. Unlike unitary systems, where sovereignty is concentrated in a single central authority, federal systems emphasize

shared governance, autonomy of constituent units, and constitutional supremacy. The primary objective of federalism is to combine the advantages of unity and strength with the benefits of regional diversity and self-governance.

Federal systems have been widely adopted across the world as an effective response to the challenges posed by large geographical areas, plural societies, and complex socio-political conditions. Countries characterized by linguistic, cultural, ethnic, and economic diversity

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often find federalism suitable for accommodating regional aspirations while maintaining national cohesion. By distributing powers and responsibilities, federalism prevents excessive concentration of authority and promotes democratic participation at multiple levels of governance. At the same time, it enables the central government to act decisively on matters of national importance such as defence, foreign policy, and economic stability.

In the Indian context, federalism assumes a distinctive character shaped by historical experience, constitutional design, and political necessity. The Indian Constitution establishes a federal structure with a strong central government, leading scholars to describe it as quasi-federal in nature. While the States enjoy constitutionally guaranteed powers and autonomy, the Union is vested with overriding authority in certain circumstances to safeguard national unity, integrity, and effective governance. Over time, the concept of cooperative federalism has gained prominence, emphasizing collaboration, coordination, and mutual dependence between the Union and the States in policy formulation and implementation.

The functioning of Indian federalism is dynamic rather than rigid, evolving in response to changing political, economic, and social conditions. Administrative cooperation, fiscal arrangements, and judicial interpretation have significantly influenced Union–State relations. This

article seeks to explore both the theoretical foundations and the practical functioning of the federal system of the Union and the States, with particular emphasis on constitutional provisions, institutional mechanisms, and contemporary challenges. Through this analysis, the study aims to highlight the relevance of federalism in sustaining democracy, managing diversity, and ensuring balanced governance in a modern constitutional state.

Concept and Meaning of Federalism

The term *federal* is derived from the Latin word *foedus*, meaning agreement, covenant, or treaty. In its classical sense, federalism denotes a political and constitutional arrangement founded on mutual consent, where two or more levels of government agree to share power while retaining autonomy within their respective jurisdictions. Federalism, therefore, is not merely an administrative convenience but a constitutional principle that defines the structure and functioning of the state.

At its core, federalism is based on the idea of shared sovereignty. The constitution acts as the supreme legal authority that allocates powers and responsibilities between the central government and the regional or state governments. This allocation ensures that governance is decentralized, democratic, and responsive to regional needs while preserving national unity. Unlike confederations, where the central authority is weak, and unitary systems,

where all powers are centralized, federalism strikes a balance between unity and diversity.

The essential elements of federalism include:

Division of Powers: Powers are constitutionally divided between two levels of government—usually the Union (or Centre) and the States—so that each level functions independently within its assigned sphere.

Constitutional Authority: Both levels of government derive their powers directly from the Constitution and not from one another, ensuring equality of status within their respective domains.

Autonomy and Non-Subordination: Neither the Union nor the States are subordinate to each other in matters within their constitutional competence, reinforcing the principle of self-rule alongside shared rule.

Certain institutional features are widely recognized as essential for the effective functioning of a federal system. These include a written constitution that clearly specifies the distribution of powers; rigidity of the constitution, which prevents unilateral alteration of the federal balance; an independent judiciary to interpret the constitution and resolve inter-governmental disputes; and the supremacy of the constitution, which ensures that all organs of government operate within constitutional limits.

In practice, the nature of federalism may vary from country to country

depending on historical, social, and political factors. Some federations emphasize strong state autonomy, while others adopt a centralized or cooperative model. Nevertheless, the underlying principle remains the same: federalism seeks to harmonize national unity with regional diversity through constitutional means.

Evolution of the Federal System

The evolution of the federal system is closely linked to historical circumstances in which societies sought to achieve political unity without completely surrendering regional autonomy. Federalism emerged as a pragmatic solution to govern large territories, diverse populations, and complex socio-economic structures. Rather than concentrating all authority in a single central government, federal arrangements allowed different regions to retain their distinct identities while participating in a common political framework.

Historically, the United States is regarded as one of the earliest modern examples of federalism. The American federal system emerged after the failure of the Articles of Confederation, which had created a weak central authority. The adoption of the U.S. Constitution in 1787 established a stronger federal government while preserving significant powers for the states. This model influenced several other countries, including Canada and Australia, which adopted federal systems suited to their own historical and political

contexts. While Canada adopted a comparatively centralized federal structure, Australia emphasized greater autonomy for its states, demonstrating that federalism can take different forms depending on national needs.

In India, the evolution of federalism has been shaped by colonial administration and the imperatives of national integration. During British rule, governance was largely centralized; however, increasing demands for Indian participation and regional representation led to gradual decentralization. The Government of India Act, 1919 introduced the system of *diarchy* at the provincial level, marking the first formal step toward power-sharing between the centre and the provinces. This experiment, though limited, laid the groundwork for provincial autonomy.

The Government of India Act, 1935 represented a significant milestone in the evolution of Indian federalism. It proposed an all-India federation with a clear division of powers between the centre and the provinces and introduced federal features such as three legislative lists and provincial autonomy. Although the federal provisions of the Act were never fully implemented, its structural framework profoundly influenced the drafting of the Indian Constitution.

After independence, the framers of the Indian Constitution consciously adopted federal principles while ensuring a strong central authority. The traumatic

experience of Partition, concerns about national unity, and the need for socio-economic transformation compelled the Constituent Assembly to design a federation with a powerful Union. Consequently, the Indian federal system combined elements of both federal and unitary systems, leading scholars to characterize it as *quasi-federal*. Over time, however, democratic practice, judicial interpretation, and political developments have strengthened cooperative and flexible forms of federalism in India.

Thus, the evolution of the federal system reflects a continuous effort to balance unity with diversity, central authority with regional autonomy, and stability with adaptability. This historical development underscores the dynamic nature of federalism as a living constitutional principle rather than a rigid institutional arrangement.

Constitutional Framework of Union–State Relations

The Constitution lays down a comprehensive and detailed framework to regulate relations between the Union and the States. These relations form the backbone of the federal system, as they define the distribution of authority, responsibilities, and resources between the two levels of government. The constitutional framework seeks to maintain a balance between national unity and state autonomy while ensuring effective governance. Union–State relations under the Constitution are

broadly classified into legislative, administrative, and financial relations.

Legislative Relations

Legislative relations between the Union and the States are governed primarily by the distribution of law-making powers as provided in the Constitution. These powers are divided through three lists contained in the Seventh Schedule. The Union List includes subjects of national importance such as defence, foreign affairs, atomic energy, railways, and currency, over which only the Union Parliament has the authority to legislate. This ensures uniformity and central control in matters affecting the sovereignty and security of the nation.

The State List comprises subjects of regional and local significance such as police, public order, public health, agriculture, and local government. These matters are best handled by state governments as they are closely linked to local conditions and administrative convenience. The Concurrent List contains subjects of common interest to both the Union and the States, including education, criminal law, marriage, and forests. Both levels of government can legislate on these subjects; however, in the event of a conflict between Union and State laws, the Union law prevails. This constitutional arrangement reflects the strong federal character of the system while allowing flexibility and cooperation in shared areas of governance.

Administrative Relations

Administrative relations determine how laws enacted by the Union and State legislatures are implemented in practice. Generally, the States are responsible for administering laws passed by both the Union and State legislatures within their territorial jurisdiction. This decentralization of administration allows policies to be implemented in a manner suited to regional needs and conditions.

At the same time, the Constitution empowers the Union to issue directions to the States to ensure proper implementation of central laws and adherence to constitutional norms. In certain circumstances, the Union may assume greater administrative control to protect national interests or ensure constitutional governance. These provisions underline the principle of cooperative federalism, where the Union and the States work together through coordination, consultation, and mutual assistance rather than rigid separation of functions.

Financial Relations

Financial relations form a crucial aspect of federal governance, as they determine how resources are mobilized and shared between the Union and the States. The Constitution assigns major and elastic sources of revenue, such as income tax and customs duties, to the Union, while the States are granted limited taxation powers. As a result, States often depend on financial transfers from the

Union in the form of tax devolution, grants-in-aid, and other fiscal assistance.

To maintain fiscal balance and equity among States, the Constitution provides for independent constitutional bodies such as the Finance Commission, which recommends the distribution of revenues between the Union and the States and among the States themselves. These arrangements aim to reduce regional disparities, strengthen state finances, and promote balanced development. Financial relations, therefore, play a decisive role in shaping the functioning and effectiveness of the federal system.

Role of the Judiciary in Federalism

The judiciary plays a pivotal role in preserving and strengthening the federal structure by acting as the guardian of the Constitution. An independent and impartial judiciary is essential for maintaining the balance of power between the Union and the States. In a federal system, constitutional courts are entrusted with the responsibility of interpreting constitutional provisions, resolving disputes between different levels of government, and ensuring that the distribution of powers is respected in both letter and spirit.

One of the most significant functions of the judiciary in a federal system is the adjudication of Union–State and inter-state disputes. When conflicts arise regarding legislative competence, administrative authority, or financial powers, constitutional courts provide

authoritative interpretations that prevent encroachment by one level of government upon the domain of another. Through such decisions, the judiciary upholds the autonomy of States while simultaneously safeguarding the supremacy of the Constitution.

Judicial review is another crucial instrument through which the judiciary maintains federal balance. By examining the constitutionality of laws and executive actions of both the Union and the States, courts ensure that neither exceeds its constitutionally prescribed limits. This power of review acts as a check on arbitrary use of authority and reinforces the principle that all organs of government are subject to constitutional constraints.

In the Indian context, the Supreme Court has played a decisive role in shaping federalism through its interpretations of constitutional provisions relating to Union–State relations. Judicial doctrines and landmark judgments have emphasized that federalism forms part of the basic structure of the Constitution, thereby protecting it from arbitrary alteration. Through its role as the final interpreter of the Constitution, the judiciary has contributed to the evolution of cooperative federalism by promoting harmony, coordination, and constitutional morality between the Union and the States.

Thus, the judiciary serves not merely as a dispute-resolution mechanism but as a stabilizing institution that ensures the

smooth functioning of the federal system. Its role is central to maintaining constitutional supremacy, protecting democratic values, and sustaining the delicate balance between unity and regional autonomy.

Cooperative and Competitive Federalism

Modern federalism has gradually moved away from a rigid separation of powers toward a more flexible and collaborative model of governance. In this context, the concepts of cooperative and competitive federalism have gained significant importance. These approaches recognize that effective governance in a complex and interdependent society requires coordination, partnership, and innovation among different levels of government rather than strict compartmentalization of authority.

Cooperative federalism emphasizes collaboration and mutual dependence between the Union and the States. Under this model, both levels of government work together in policy formulation, implementation, and administration to achieve common national goals. Shared responsibilities in areas such as education, health, environmental protection, and social welfare illustrate the cooperative dimension of federalism. Instead of viewing their powers in isolation, the Union and the States engage in consultation, coordination, and consensus-building. This approach strengthens

national unity while respecting regional diversity and administrative expertise.

In contrast, competitive federalism focuses on fostering healthy competition among States to improve governance, attract investment, and promote economic growth. By encouraging States to innovate, reform administrative practices, and enhance service delivery, competitive federalism seeks to improve overall efficiency and accountability. Competition among States in areas such as industrial development, infrastructure creation, ease of doing business, and social indicators can lead to better outcomes for citizens. However, such competition must operate within a cooperative framework to avoid widening regional disparities.

Institutional mechanisms play a crucial role in promoting both cooperative and competitive federalism. Bodies such as inter-state councils, national policy forums, and consultative platforms provide opportunities for dialogue, coordination, and conflict resolution between the Union and the States. These institutions enable sharing of best practices, harmonization of policies, and collective decision-making on issues of national and regional importance.

Together, cooperative and competitive federalism represent complementary dimensions of modern federal governance. While cooperation ensures unity, coordination, and constitutional balance, competition stimulates innovation, efficiency, and development. The

successful functioning of a federal system depends on maintaining an appropriate balance between these two approaches, guided by constitutional values, mutual respect, and the spirit of federal partnership.

Challenges to the Federal System

Despite its many advantages, the federal system faces several structural, political, and administrative challenges that can affect its effective functioning. These challenges arise from the inherent tension between the need for a strong central authority and the demand for greater autonomy by the States. Managing this balance is essential for preserving the spirit of federalism and ensuring harmonious Union–State relations.

One of the major challenges confronting federal systems is the centralization of power. Although federalism is based on the principle of shared authority, excessive concentration of powers in the Union can undermine the autonomy of States. In certain circumstances, constitutional provisions enabling central intervention may be perceived as encroachments on state jurisdiction, leading to friction and mistrust. Persistent centralization can weaken the federal spirit and reduce the effectiveness of decentralized governance.

Another significant challenge is fiscal imbalance between the Union and the States. While the Union controls major and elastic sources of revenue, the States are entrusted with substantial expenditure

responsibilities, particularly in social and developmental sectors. This imbalance often makes States dependent on central transfers, grants, and assistance, which may affect their financial autonomy and policy flexibility. Addressing fiscal disparities remains crucial for ensuring equitable development and strengthening cooperative federalism.

Political conflicts and regionalism also pose serious challenges to the federal structure. Differences in political ideologies, party alignments, and regional interests can lead to strained Union–State relations. In some cases, strong regional identities and demands for greater autonomy may give rise to political confrontation, threatening national unity if not managed through constitutional and democratic means.

Additionally, administrative overlap and coordination issues create operational challenges in federal governance. The overlapping responsibilities of the Union and the States in several policy areas can lead to duplication of efforts, inefficiency, and lack of accountability. Effective coordination mechanisms and clear delineation of roles are essential to overcome these administrative difficulties.

Addressing these challenges requires adherence to constitutional morality, mutual respect between the Union and the States, and continuous dialogue through institutional mechanisms. A cooperative approach, guided by democratic values and constitutional principles, is vital for

sustaining a resilient and balanced federal system.

Contemporary Developments

In recent years, federalism has undergone significant transformation in response to globalization, economic liberalization, technological advancement, and changing governance needs. These developments have reshaped the nature of Union-State relations by introducing greater interdependence, flexibility, and innovation in federal governance. Modern federalism is increasingly characterized by dynamic collaboration rather than rigid constitutional compartmentalization.

One of the most notable contemporary trends is decentralization and the empowerment of sub-national governments. Greater emphasis has been placed on strengthening States and local bodies to improve governance delivery and democratic participation. The expansion of local self-government institutions has brought decision-making closer to the people, enabling more responsive and accountable administration. This shift reflects the recognition that effective governance requires participation at multiple levels.

Economic reforms and fiscal restructuring have also played a crucial role in redefining federal relations. Market-oriented reforms, changes in taxation systems, and evolving fiscal arrangements have increased the role of States in economic planning and development. Fiscal reforms aimed at

improving transparency, efficiency, and revenue sharing have encouraged greater coordination between the Union and the States, while also highlighting the need for fiscal discipline and accountability.

Technological advancements have further influenced contemporary federalism by enhancing administrative efficiency and inter-governmental coordination. Digital governance platforms, data-sharing mechanisms, and technology-driven service delivery systems have facilitated closer cooperation between different levels of government. These developments have enabled real-time coordination, improved policy implementation, and greater transparency in governance.

Overall, the emphasis in contemporary federalism is increasingly on collaborative governance and shared accountability. The Union and the States are expected to function as partners in development, jointly addressing national challenges while respecting constitutional boundaries. This evolving approach underscores the adaptability of federalism as a constitutional principle capable of responding to changing socio-economic realities.

Conclusion

The federal system of the Union and the States represents a carefully crafted constitutional arrangement designed to balance unity with diversity in a large, complex, and plural society. By constitutionally distributing powers

between the Union and the States, federalism enables effective governance while accommodating regional aspirations, cultural diversity, and local needs. This balance is essential for maintaining national integrity without undermining the autonomy and identity of constituent units.

The study of the federal system reveals that its success does not depend solely on constitutional provisions or institutional structures. While a written constitution, division of powers, independent judiciary, and financial arrangements provide the formal framework, the practical functioning of federalism is equally shaped by political will, democratic maturity, and the spirit of cooperation between different levels of government. Constructive Union–State relations, guided by mutual respect and constitutional morality, are crucial for ensuring stability and good governance.

In the Indian context, federalism has evolved dynamically through judicial interpretation, political practice, and socio-economic change. The increasing emphasis on cooperative and competitive federalism, decentralization, and collaborative governance reflects the adaptability of the federal system to contemporary challenges. At the same time, issues such as centralization, fiscal imbalance, and administrative coordination highlight the need for constant vigilance and reform.

Strengthening federal institutions, promoting dialogue through constitutional

mechanisms, and ensuring equitable resource distribution are essential for sustaining democracy and inclusive development. Ultimately, a resilient federal system contributes not only to effective governance but also to the preservation of democratic values, social justice, and national unity. As a living constitutional principle, federalism must continue to evolve in response to changing realities while remaining anchored in the core ideals of the Constitution.

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