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Role of Niti Aayog in Center-State Relations

KANWALJIT SINGH¹

ABSTRACT

This research paper explores the evolving role of NITI Aayog in strengthening Centre-State relations in India's federal structure. It begins by identifying the research problem concerning the effectiveness of cooperative federalism post the replacement of the Planning Commission with NITI Aayog. The study formulates a hypothesis that NITI Aayog, through its consultative and policy-driven approach, has contributed positively to Centre-State collaboration. Using a qualitative research methodology, the paper analyses institutional mechanisms, policy initiatives, and cooperative platforms facilitated by NITI Aayog. The objectives include examining the structural evolution of NITI Aayog, understanding its functional roles, and evaluating its influence on recent Centre-State dynamics. The research addresses key questions about its efficacy as a policy think tank and its influence on sub-national policy alignment. The paper further discusses major initiatives launched by NITI Aayog and critically assesses their impact on cooperative federalism. Recent trends in intergovernmental relations are also analyzed to determine the policy body's role in addressing developmental asymmetries and fostering inclusive governance. The study concludes with insights into the strengths, challenges, and future potential of NITI Aayog in enhancing Centre-State synergy in India's policy ecosystem.

Keywords: NITI Aayog, Cooperative Federalism, Centre-State Relations, Policy Think Tank, Governance Reform

I. INTRODUCTION

The term federalism is traced in different forms among various countries. But the scholars and eminent authors have considered United States as classical form of federalism. Since 2015 NITI Aayog has played a very important role in promoting cooperative federalism and development of both Centre and state. But in recent times the relations between states and center have been deteriorating with time and recent example of two CMs of Bihar and Telangana skipped NITI Aayog's meeting held last month.

My seminar topic will deal with concept of NITI Aayog & its role in Centre state relations and will also focus on cooperative federalism and recent problems which has led to shift from cooperative federalism to cohesive federalism.

¹ Author is a Phd Research Scholar at Rajiv Gandhi National University of Law, Punjab, India.

II. EVOLUTION OF NITI AAYOG

The NITI Aayog came into existence on 1st January 2015 before this there was planning commission which played a major role in Centre state relations. The word NITI is derived from Sanskrit which means morality, behavior, guidance etc. but the meaning in present context relates to Policy and the full name of the term NITI is National Institution for Transforming India. It is India's premier policy making institution and think tank that helps in economic growth of the country. The aim of this institute is to make a strong & powerful state that can help in building a strong nation. Which future helps India in becoming the major economy in the world.² The Institution i.e., NITI Aayog is divided into two hubs which are "Team India Hub" & "Knowledge and Innovation Hub".³ The first one i.e., Team India Hub deals with participation of Indian States and Union Government. The second part i.e., Knowledge and innovation hub acts as the think tank of the central government. NITI Aayog is also a state-of-the-art Research & Development center of the government which has ample number of resources which are essential knowledge and skills that will enhance the speed and innovation, advance the research process of policy implementation and helps in improving vision on government schemes and dealing with unforeseen issues. The main reason for formulation of NITI Aayog was development of the nation was main aim or agenda of the people in 2014 general Lok Sabha election and on this agenda and vision only the UPA government came into power.⁴ So, this requires the change in the institution guiding administration and active change in planning strategy of the Centre and state government.

It was earlier planning commission which was set up in 1950 as institution for guiding investment activity in a country. The planning commission at that time had two major roles to play i.e., To implement 5-year plan and other was to give finances to the states. The problem with the planning commission was in two aspects first was that the it doesn't able to match the new challenges of macro-economic management in India. Secondly it is not so conducive for fiscal relations between Centre & states. And moreover, it didn't match well with economic development in India.⁵ So, the solution to match India's fast development was National

² Admin (2024) *National Institution for Transforming India (NITI Aayog) - A brief overview*, BYJUS. Available at: <https://byjus.com/free-ias-prep/niti-aayog/> (Accessed: 14 June 2025).

³ Chari, S. (2022) *It's time to reset centre-state relations. onus rests on the central government*, ThePrint. Available at: <https://theprint.in/opinion/its-time-to-reset-centre-state-relations-onus-rests-on-the-central-government/1097759/> (Accessed: 14 June 2025).

⁴ Undefined and Editor, I. (2022) *Niti Aayog's role in ensuring collaboration between States and Centre*, INSIGHTS IAS - Simplifying UPSC IAS Exam Preparation. Available at: <https://www.insightsonindia.com/2022/07/13/niti-aayogs-role-in-ensuring-collaboration-between-states-and-centre/> (Accessed: 14 June 2025).

⁵ https://s3-us-west-2.amazonaws.com/visionresources/current_affairs/92fc7-june-2019.pdf

Institution for transforming India in short known as NITI Aayog was formed in 2015 as think tank & advisory institution for government.

There is huge difference between the earlier planning commission and NITI Aayog:

1. Planning commission works with 5-year plan model whereas the NITI Aayog is based on intellectual power and guiding the stakeholders with partnership.
2. Planning commission which was only fund distributor now NITI Aayog acts as partner with the stakeholders specifically the states which are the agents for development of the nation.
3. As the Planning commission is based on top-down approach whereas the NITI Aayog is based on bottom-up approach.
4. The Planning commission formed for management of fiscal sovereignty of the states while the NITI Aayog now has the power to decide as how the funds to be allocated to the states without being obliged to follow from higher authority.
5. The planning commission which was earlier has more dominance of Centre government in planning for nation development but in NITI Aayog there is both state and Centre makes the development plan or development strategy for nation growth.
6. The approach adopted by the planning commission towards states was “one fit for all” on the other hand the NITI Aayog adopted specific approach called “states first” which consider each state superior to center.⁶

NITI Aayog was formed with the objective of realizing the goals of the cooperative federalism and have idea of Good Governance in India. Based on the idea of the strong nation have foundation with strong states. It enables the states to come at the same platform to discuss development strategy and work with states as team India on same platform towards nation development agenda. So, in this regards a number of steps have been taken by the NITI Aayog to preserve the idea of cooperative federalism with states/UT's and Centre on periodic basis. This can be seen in various ways like meeting of PM, Cabinet Ministers and CMs of all the states sharing best policy or strategy for development of the nation, also providing policy support, launching of the district level aspiration program for development of backward areas. By way of framing the laws which act as model for agriculture welfare and land ceilings, making reform in the market. More specifically focus on area development like north eastern

⁶ [Yojana Archive] niti aayog: *Redefining federalism* (2021) *Civildaily*. Available at: <https://www.civildaily.com/yojana-archive-niti-aayog-redefining-federalism/> (Accessed: 14 June 2025).

states and island development.⁷

NITI Aayog is playing an important role in providing technical advice to the Centre, states & UT's. It has also worked effectively in establishing various models and programs of development in infrastructure sector, IT field, establishment of PPP Model i.e., Public Private Partnership model of development like we see in Centre state partnership development model and also providing support to the UT's and to facilitate programs like SATH which means Sustainable Action for Transforming Human Capital program.

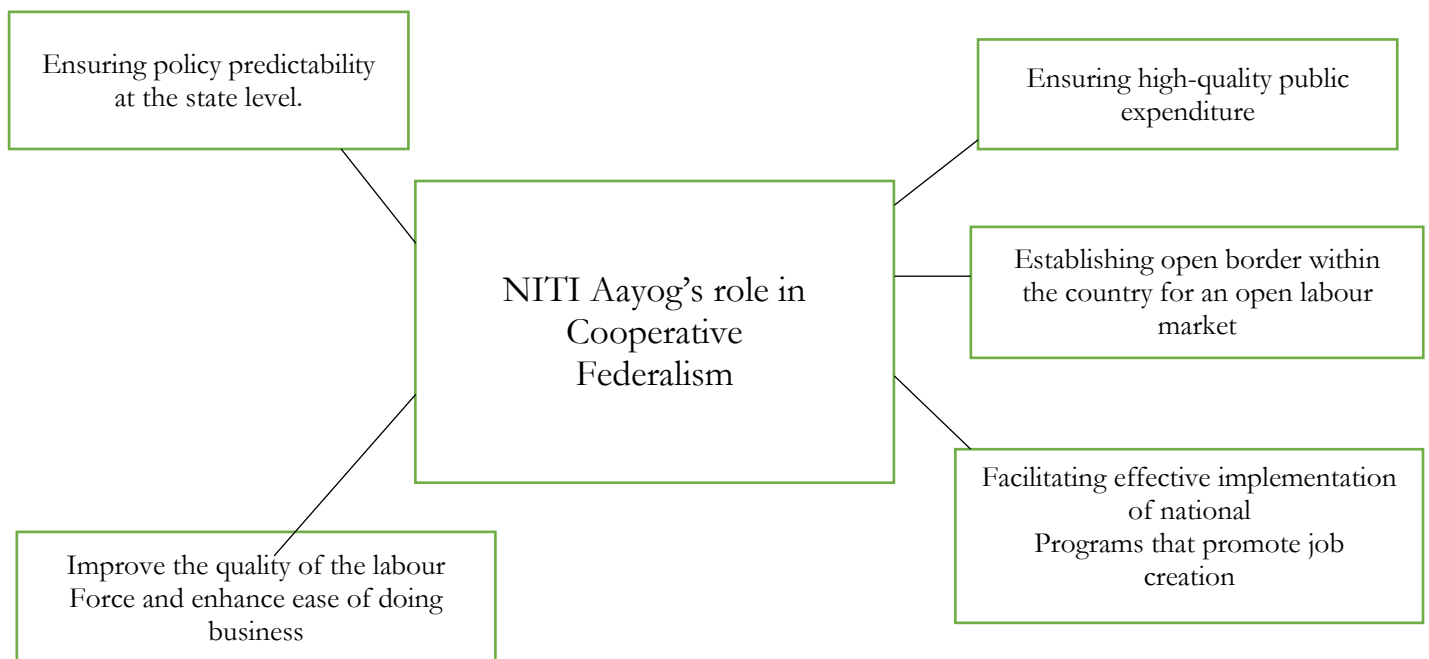
III. FUNCTIONS & OBJECTIVES OF NITI AYOOG

NITI Aayog has to perform various functions listed below in order to achieve the goal of cooperative federalism:

1. To provide with relevant strategic and technical advice to the center and the state government.
2. Spreading the best practices which are best suited for development of nation from within the country or outside.
3. Introduction of new policies and ideas which specifically issue based for welfare and growth of the country.
4. To cope up with the changing world situation and economies across the globe India need institute to guide for economic development.
5. For ensuring that the middle-class people are engaged and employed so that their potential is utilized in the development.
6. Use of the modern technologies for guiding and development purposes and help in good governance.
7. To design policies and programs which are necessary for the welfare and economic development of the nation state.
8. To preserve the basic idea of cooperative federalism.
9. Utilization of the Geo political and Geo economic strength of the Nonresident Indian for the growth and development of country.
10. To ensure that India plays an important role in discussions for development at global level.

⁷ (No date) *Cooperative federalism* | *niti aayog*. Available at: <https://www.niti.gov.in/cooperative-federalism> (Accessed: 14 June 2025).

11. NITI Aayog plays a very important role in the monitoring and evaluating the policy formulated by discussing with the ministers, CMs of the states and other stake holders also provides the direction and strategic inputs on the policy aimed for the welfare.⁸
12. Acts as the Think tank of the government by providing them with adequate knowledge and acts as innovation hub for the development of the country.



Objectives of NITI Aayog are as follows:⁹

1. For participation of the states actively and provide framework for the national agenda.
2. Promotion of cooperative federalism by way of well supported mechanism for states at equal basis.
3. To formulate strategy which is constructive and effective at village level and extend it future at higher level of government.
4. To formulate economic policy such that it very well mange the national security interest.
5. To make special policies for the welfare and upliftment of those sections of the society that may be at risk being neglected by the economic development.

⁸ (No date a) *Cooperative federalism* | *niti aayog*. Available at: <https://www.niti.gov.in/cooperative-federalism> (Accessed: 14 June 2025).

⁹ Admin (2024a) *National Institution for Transforming India (NITI Aayog) - A brief overview*, BYJUS. Available at: <https://byjus.com/free-ias-prep/niti-aayog/> (Accessed: 14 June 2025).

6. Review of the policy formulated and initiatives for the long-term benefit and propose any suggestions for the better implementation.
7. To encourage partnership and give advice to different stakeholders and Think tanks across the globe as well as other research institution like education etc.
8. To create or generate knowledge, innovation and entrepreneurial support system by way of shared community resources available nationally and internationally through experts.
9. To speed up the accomplishment of the progressive agenda by providing a platform for resolution of inter sectoral and inter department issues.
10. To maintain the state-of-the-art research center and do research on good governance so that the development should be in sustainable and equitable.
11. Effectively supervise or monitor the policy and programs initiated which also include the identification of the any loophole or ambiguity in the success of the plan.
12. Focuses on the development and betterment of technology capacity for discharged programs.
13. Understanding other activities needs which are essential for the implementation of the national plans and agenda.

7 pillars of good governance on which NITI Aayog is based:

1. States/UTs led growth: India's as a nation is seen in terms of growth by its states and UT's. As the driver of the economic growth and prime executor of the regional policy of development states plays a very important role.
2. Pro people centric: for the fulfillment of the aspirations and needs of the citizens and society.
3. Work on other social indicators: the work done other than economic development is also visible like in Mizoram performance of infant mortality rate in one such example.
4. Participation from grassroot level: it is more citizenry approach by aiming at inter district and inter state development.
5. Inclusion of all: The people from all sections of the society i.e., irrespective of the caste, creed, color, race, etc.
6. Based on Equality principle: giving equal opportunity to all the citizens specially the youth.

7. Transparency: Government being more visible and responsive led to achieving the goal of transparency.

IV. MAJOR INITIATIVES

1. For regional development

The NITI Aayog has constituted the NITI Forum for North East states and proposals for dividing it into the sectors are implemented by the states in partnership with North east council. The forum is also working for the development and upliftment of the islands situated in India which is helped by relevant authorities under the guidance of the ministry of Home Affairs. It is also proposed that like NITI Forum for the welfare and development of the North eastern states other regional council of states could also be seen to be formed in coming time.

2. Various other Indicators

NITI Aayog believes in promotion of competitive federalism by pushing its sectors which are working in public domain. The indicators on water, education, health, technology & innovation and most importantly SDGs have attracted attention in positive term of SDGs India Index. For example, performance of the states in health care sector outcome attracts the attention through performance of the states in health besides the yearly based report on health and governance. On similar footing is the composite water management index under which the performance of the states is assessed on based on how states tackle water related issues. Other similar index is school education quality on which the performance-based grading method is judged of every state.¹⁰

3. Policy inputs

NITI Aayog has since incorporated is engaged in providing fresh policy related inputs for the effective implementation by the both Centre and state government agencies. The recent example is the involvement of NITI Aayog in drafting national medical commission bill and other bills for reforming education system and etc. in India. There is recently release of NITI Aayog document named “strategy for new India @ 75”¹¹ it is a 7-year strategy filled with suggestions. Based on the suggestions the Centre government have passed the certain

¹⁰ Define Cooperative Federalism (no date) GKToday. Available at: <https://www.gktoday.in/upsc-questions/define-cooperative-federalism-what-is-the-role-of/> (Accessed: 14 June 2025).

¹¹ [Yojana Archive] niti aayog: Redefining federalism (2021a) Civildaily. Available at: <https://www.civildaily.com/yojana-archive-niti-aayog-redefining-federalism/> (Accessed: 14 June 2025).

amendments in agriculture sector recently in 2020 but as result the government backstep its amendment.

4. Various other development programs

The NITI Aayog has initiated various programs for development one such is the aspirational district program which aims at raising the human development indicators in the district level by focusing on governance improvement through governmental agencies. It has also focused on innovation ecosystem across the country through Atal Innovation Mission also known as (AIM).¹² It is the flagship innovation policy of the NITI Aayog for promotion of the innovation and entrepreneurship across the country. The scheme AIM also focuses on the school going students through helping them by Atal tinkering labs¹³ which develops the startup fostered by Atal incubation centers.

NITI Aayog has also been closely linked with the monitoring and designing of the Ayushman Bharat program. It has also played a role in scheme called POSHAN Abhiyaan which was launched by the government with the aim to provide nutritional status of an individual or household by effective governance.

V. RECENT TRENDS IN CENTRE - STATE RELATIONS

Many thinkers and philosophers have commented on Indian federalism some as termed India as not federal at all. But some researchers have nomenclature Indian federalism for example Ivor Jennings calls Indian federalism with centralized tendencies, Morris Johnsen's termed Indian federalism as bargaining federalism and Kc ware calls India as Quasi Federalism i.e., almost federal in nature. Some other thinkers have also termed India as asymmetrical federalism as we can clearly see in India the difference between the states among each other like UP has a greater number of seats in Rajya Sabha then Bihar. So asymmetrical as two level at Centre and state level. There is also another idea of Granville Austin calling India as cooperative federalism i.e., cooperation between Centre and state for the welfare of the nation. But in recent times we have seen that federalism is put under the test in NITI Aayog governing council meeting. The meeting was attended by 23 chief ministers, 3 lieutenant governors and 2 administrators and Union ministers. This was the 1st physical meeting of the NITI Aayog governing council since the onset of the pandemic with the 2021 meeting held

¹² Sharma, L. (2022) *Suman Bery writes: Niti Aayog's role in ensuring collaboration between States and Centre, Free UPSC IAS Preparation Syllabus and Materials For Aspirants*. Available at: <https://blog.forumias.com/suman-berly-writes-niti-aayogs-role-in-ensuring-collaboration-between-states-and-centre/> (Accessed: 14 June 2025).

¹³ Robinson, P. (2025) *IAS Abhiyan, www.iasabhiyan.com*. Available at: <https://www.iasabhiyan.com/niti-aayog/> (Accessed: 14 June 2025).

via video conferencing. As we know NITI Aayog governing council is the part of team India of NITI Aayog Headed by PM and CMs of various states. PM Modi at the meeting made a strong case for modernizing the farm sector by using technology so that India can become self – sufficient and a global leader in the agriculture sector. PM also spoke about India's upcoming presidency of the G-20 in 2023 and asked the states to set up dedicated teams for G-20 with a view to deriving maximum possible benefit from the initiative.

Governing council discussed four key agenda items:

1. Crop diversification and achieving self sufficiency in pulses, oilseeds and other Agri-commodities.
2. Implementation of the National Education Policy in school education
3. Implementation of NEP in higher education
4. Urban governance

Fractured Cooperative Federalism

Nitish Kumar CM of Bihar skipped the 4th such central meeting although he doesn't specifically comment on NITI Aayog meeting. But on the other hand, KCR Rao CM of Telangana skip the Meeting of NITI Aayog by calling it an "Institution useless" he had announced its boycott to protest against the discriminating trend of the Centre towards states. He also wrote a letter to the PM and said that the country can develop only when states develop. A strong and economically vibrant states alone can make the nation strong.¹⁴

Federalism cooperative or coercive?

Amitabh Kant former CEO of NITI Aayog:

The NITI Aayog has always acted as a bridge between the central and state governments, bringing both together to address implementation issues. NITI Aayog has promoted competitive federalism where it has ranked states through a variety of indices. These indices ranged from SDGs, export preparedness, innovation health, school education, water and energy. NITI also highlighted state best practices, enabling states to learn from one another.

Prof Balveer Arora – Centre for multilevel Federalism

There is a dialogue deficit between the Centre and the States which is essential for cooperative federalism. The NITI Aayog meeting showed that dialogue between the Centre and the States

¹⁴ [Yojana Archive] niti aayog: Redefining federalism (2021a) Civildaily. Available at: <https://www.civildaily.com/yojana-archive-niti-aayog-redefining-federalism/> (Accessed: 14 June 2025).

is not frequent and open enough. There is a tendency to project cooperative federalism as a success when states are made to toe the Central policy line.

Pronab Sen- Economist

After the scrapping of the planning Commission there is no clarity on how funds for various schemes are allocated to states.

VI. CONCLUSIONS

The transformation from the Planning Commission to the NITI Aayog marked a significant shift in India's approach to economic planning and federal governance. This research has explored the dynamic and evolving role of NITI Aayog in shaping Centre-State relations within the broader context of cooperative federalism.

The study began by identifying the research problem—understanding the impact and effectiveness of NITI Aayog in enhancing coordination between the central and state governments. Through a detailed examination of its evolution, functions, major initiatives, and the recent trends in Centre-State dynamics, it is evident that NITI Aayog has emerged as a key institutional platform fostering collaboration, policy alignment, and shared development goals.¹⁵

Unlike its predecessor, the NITI Aayog does not follow a top-down planning model. Instead, it emphasizes a bottom-up approach, encouraging the active participation of states in national development strategies. This shift is exemplified by mechanisms such as the Governing Council, thematic task forces, and the promotion of competitive and cooperative federalism. Through such frameworks, NITI Aayog has strengthened consultative processes and provided states with a greater voice in policy formulation.

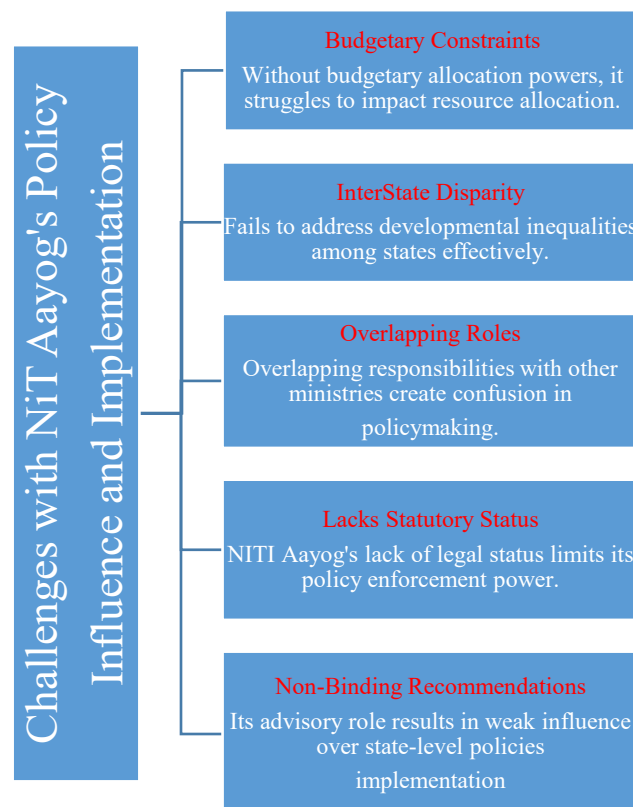
Moreover, the Aayog's initiatives, such as the Aspirational Districts Programme, SDG localization, and sectoral reforms, have underscored its commitment to inclusive and sustainable development across states. These efforts are instrumental in addressing regional disparities and aligning state-level policies with national objectives.

However, the research also reveals certain limitations. NITI Aayog lacks financial powers, which restricts its ability to directly incentivize states. Furthermore, its advisory nature means that its recommendations are not binding. These factors sometimes dilute its influence in

¹⁵ <https://vajiramandravi.com/static/vajiramandraviweb/pdf/new/Yojana-Summary-May-2021.pdf>

critical policy areas, particularly when political divergence exists between the Centre and States.¹⁶

In conclusion, NITI Aayog plays a vital role in reinforcing Centre-State relations by fostering dialogue, collaboration, and a shared vision for development. It symbolizes a shift towards a more participatory and consensus-driven federalism. Nevertheless, for NITI Aayog to fully realize its potential, there is a need to strengthen its institutional authority, enhance state-level engagement, and ensure that cooperative federalism translates into tangible and balanced outcomes across all states. Future reforms should aim at equipping the Aayog with more structured powers and resources, thereby enabling it to function not only as a think tank but also as an effective catalyst for India's federal governance.



¹⁶ VisionIAS (2025) *10 years of NITI Aayog: Current affairs: Vision IAS, Current Affairs* | Vision IAS. Available at: <https://visionias.in/current-affairs/monthly-magazine/2025-02-22/polity-and-governance/10-years-of-niti-aayog> (Accessed: 14 June 2025).

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4. “Doctrine of Due Process of Law” (Legal Service India - Law, Lawyers and Legal Resources); <https://www.legalserviceindia.com/legal/article-6747-doctrine-of-due-process-of-law.html>; accessed October 30, 2022
5. (YouTube 2022); <https://www.youtube.com/watch?v=5AQPxKFN-v0>; accessed October 30, 2022
