



FEDERALISM AND DEVELOPMENT PLANNING IN INDIA

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Abstract

After independence, the Government of India announced its Industrial Policy on 6th April 1948, which aimed at establishing a mixed economy through the combined efforts of the public and private sectors for the overall development of the country. The Constitution of India came into effect on 26th January 1950 and established a unique quasi-federal system, combining federal features with a strong unitary character. It divides powers between the Central and State Governments, while legislative subjects are distributed among the Union List, State List and Concurrent List. The Supreme Court acts as an impartial umpire in resolving disputes between the Centre and the States. At the same time, features such as a single Constitution, single citizenship, appointment of Governors by the Centre and emergency provisions reflect the unitary elements of the Indian system.

Planned economic development in India started with the establishment of the Planning Commission and the introduction of Five-Year Plans in 1951. While five-year plans were formulated at the central level, State Plans were prepared by State Governments with the Planning Commission's support and guidance. Programmes such as the Integrated Rural Development Programme (IRDP) and Jawahar Rozgar Yojana (JRY) further emphasized the importance of micro-level planning for balanced and inclusive development. In 2015, the Planning Commission was replaced by NITI Aayog, marking a revolutionary shift towards cooperative and competitive federalism, decentralisation and participatory planning. NITI Aayog advocate cooperative federalism by involving States as active partners in policy preparation and development planning. The evolution from centralised to decentralised and participatory planning reflects the changing nature of federalism in India. India's SDG score increased from 66 in 2020–21 to 71 in 2023–24, further highlighting the importance of State-specific planning. In this context, the present paper examines the federal features of the Indian Constitution, the evolution of economic planning, the significance of micro-level planning, the role of NITI Aayog in cooperative and competitive federalism, and the major challenges and future directions of federal planning in India.

Keywords: Federalism, Five-Year Plans, Planning Commission, Micro-Level Planning, NITI Aayog, Cooperative Federalism

1. Introduction:

When India attained Independence in 1947, it inherited the major characteristics of an underdeveloped economy. The economy was predominantly agrarian, with low agricultural productivity and traditional systems such as Zamindari, while industrialisation remained limited. Basic infrastructure in irrigation, power, transport and communication was inadequate, and essential services such as health, education, banking and finance were poorly developed. The country also faced serious challenges of food shortages, poverty, unemployment, rapid population growth and economic inequalities. In this context, economic planning was considered an essential instrument for mobilising scarce resources, determining development priorities and promoting balanced and inclusive national development.

In the post-independence period, the Government of India introduced the Industrial Policy Resolution of 6 April 1948, which laid the foundation for a mixed economy by assigning important roles to both the public and private sectors. The Constitution of India came into force on 26 January 1950, establishing the constitutional framework for governance and Centre–State relations. Subsequently, the Planning Commission was established on 15 March 1950, and the First Five-Year Plan was launched in 1951. The Planning Commission became the principal institution for formulating national development plans, identifying priorities and guiding the allocation of scarce resources. Within India's federal structure, State Governments prepared their development plans in the broader national planning framework, thereby linking national development priorities with State-level requirements.

Federalism and planning are therefore closely interconnected in India. Development in areas such as agriculture, health, education, infrastructure, rural development and employment requires coordination among the Union, States and local governments. During the early decades, India's planning process was predominantly centralised and top-down, with national priorities providing the broad framework for State-level development. Although this approach helped mobilise resources and establish national development priorities, the diverse economic, social and geographical conditions of the States gradually highlighted the need for greater flexibility and participation in the planning process.

The process of decentralisation gained further importance with the constitutional recognition of Panchayati Raj Institutions and Urban Local Bodies through the 73rd and 74th Constitutional Amendments. These developments strengthened the idea that development planning should not remain confined to the national and State levels but should also incorporate local needs and priorities through micro-level and district-level planning.

A major institutional change occurred when the Government of India replaced the Planning Commission with NITI Aayog on 1 January 2015. NITI Aayog was established as a policy think tank with greater emphasis on cooperative and competitive federalism, State participation, policy coordination, innovation, evidence-based planning and outcome-oriented development. Its initiatives such as the SDG India Index and Aspirational Districts Programme have further strengthened the use of measurable indicators and district-level performance in development planning.

Thus, India's planning system has gradually evolved from centralised planning towards a more flexible, participatory, cooperative and decentralised framework. This transition is important for understanding the changing relationship between federalism and planning in contemporary India. Against this background, the present paper examines the federal features of the Indian Constitution, traces the evolution of economic planning, discusses the significance of micro-level planning, analyses the role of NITI Aayog in cooperative and competitive federalism, and identifies the major challenges and future directions of federal planning in India. India's overall SDG score increased from 66 in 2020–21 to 71 in 2023–24 Which indicates the importance of State-specific planning.

1b. Review of Literature:

The literature on federalism and planning in India shows a gradual shift from centralised planning towards decentralised and cooperative approaches. Swenden and Saxena (2017) argued that the Planning Commission contributed to centralisation in Centre–State relations, while Dholakia and Sudarshan (1987) stressed the importance of local-level data, public participation and administrative capacity for effective planning. Recent studies and NITI Aayog initiatives emphasise cooperative and competitive federalism, State participation, evidence-based policy and outcome-oriented development. Initiatives such as the SDG India Index and Aspirational Districts Programme highlight the growing role of States and districts in development planning. However, differences in State capacity, fiscal resources and local institutions continue to limit effective decentralised planning.

2. Objectives of the Study:

1. Examine the federal features of the Indian Constitution and their relevance to development planning.
2. Trace the evolution of India's planning process from the Planning Commission to NITI Aayog.
3. Examine the role of micro-level planning in promoting decentralised and participatory development.
4. Analyse the contribution of NITI Aayog to cooperative and competitive federalism in India.
5. Identify the major challenges and future directions of federal planning in India.

2. Federal Features in Indian Constitution:

Constitution of India came into effect from 26th January 1950. Indian constitution establishes a unique Quasi _federal system which is often called federal in structure but unitary in spirit.

2.1 Division of Legislative Powers: Under Article 246, the Legislative Powers are divided between the central and the state Governments into the Union List, State List and Concurrent List.

2.2. Constitutional Supremacy: The Constitution is the highest law in India. Both the Centre and the States get their powers from it and neither of them go beyond it.

2.3. Independent Judiciary: The Supreme Court of India is the single integrated and the independent judiciary in India. It ensures that laws follow the Constitution. It settles the disputes between the Centre and the States.

2.4. Bicameralism at the Union Level: The Rajya Sabha represents States at the national level. It gives States a voice in Parliament, even though representation is not equal for all States.

2.5. Financial Federalism: Article 280 provides for the Finance Commission that recommends the distribution of the taxes and grants between the Centre and States. This is closely linked to the development planning because the States need funds to implement the planning and the Government

2.6. Unitary Features: The Single Constitution, Single Citizenship, appointment of Governors by the Centre and the emergency provisions are the unitary features of the Indian Constitution.

2.7. Cooperative Federalism: Indian federalism is increasingly based on cooperation. Development requires joint action by the Centre, State and local bodies. Today, Niti Aayog is promoting this idea of 'Team India' working together.

3.Planning in India:

Economic Planning means the method of achievement of desired goals in a desired time. In a country like India, planning is important because the resources are limited and main objectives of Planning in India are the following.

1. Economic Growth.
2. Better Standard of Living.
3. Development of Agriculture and Industry.
4. Development of Infrastructure and Services.
5. Reduction of Poverty.
6. Reduction of Unemployment and Inflation.
7. Reduction of Inequalities at Regional and Individual Level

After independence, the Planning Commission was set up in 1950 and the First Five Year Plan started in 1951. Twelve Five-year plans were implemented. Niti Aayog was established in the place of planning commission in 2015.

In the first phase of planning from 1951 to 1965, the Government gave importance to the development of industry, infrastructure and agriculture. In the second phase from 1966 to 1991, the Government focused more on poverty, employment and social development. In the third phase, after 1991, the Government gave importance to economic reforms with the objectives of Liberation, Privatisation and Globalisation. In 2015, the NDA Government established Niti Aayog in the place of the Planning Commission for the transformation, decentralisation and development of the country.

4. Concept and Importance of Micro-Level Planning in India:

The idea of economic Planning existed in India even before independence. Several Planning proposals were put forward during that time. M.N. Roy prepared the People's Plan and the Gandhian Plan was drafted by S.N. Agarwal. The Indian National Congress also established the National Planning Committee. In addition, the Bombay Plan was proposed by a group of leading industrialists. After independence, the Planning Commission was established in 1950 and the First Five Year Plan was launched in 1951. India followed Five Year Plans for decades with 12 Five Year Plans.

Indian Planning was mostly on centralized planning. The Planning Commission played a crucial role in preparing the development plans and guiding the resources allocation. The major objectives of planning were economic growth and development, poverty reduction, employment generation and social justice. Initially, it was assumed that the benefits of economic growth would gradually reach the poorer sections of the society through the trickled own effect. However, this approach didn't produce the desired results in India.

In the early stages, the Government introduced Community Development Programs Various Area Development Programs. Although these programs led to the development of different regions, certain sections of the society remained excluded from the benefits of economic growth and development because of the deep-rooted socio-economic inequalities in India. Later, the Government adopted the Target group approach to ensure that the benefits of economic growth and development reach the disadvantaged sections more directly. Government programs like IRDP and JRY reflected this approach.

The growing emphasis on decentralisation and the people's participation in development further strengthened the need for planning at the grassroots level. The 73rd and 74th constitutional amendments along with the increasing demands from the States for more autonomy and flexibility in planning highlighted the importance of micro level planning in India.

4.1. Meaning of Micro Planning: Micro Planning means planning at the local level like Villages, Mandals and Districts based on local needs and conditions.

4.2. Objectives of Micro Planning: The following are the objectives of micro Planning.

1. Identification of the local needs.
2. Use of local resources.
3. Increasing the community participation.
4. Reducing regional inequalities.
5. Improving targeting of schemes.
6. strengthening the local governance and improving accountability.

4.3. Decentralisation and Local Participation: Micro Planning is closely linked with decentralisation. The 73rd and 74th constitutional amendments strengthened the Panchayats and Municipalities. District Planning Committees were created to prepare district level plans.

4.4 Village Level Planning: At the village level, Gram Sabhas help to identify local issues like water, roads, sanitation and etc....

4.5. Problems of Micro Planning: The problems of micro planning include the following.

1. Lack of funds.
2. Limited technical skills.
3. Poor data availability.
4. Administrative dependence.
5. Low participation in practice.

6. Political interference.
7. Weak coordination.

5. Niti Aayog and Federal Planning in India:

Niti Aayog was set in 2015 as a policy think tank to replace the Planning Commission. It focuses on strategy, innovations and cooperation rather than controlling funds.

5.1. Cooperative Federalism: It aims to strengthen cooperation between the centre and the States. Its Governing Council includes the Chief Ministers and the Union representatives and creates a platform for discussion. Improve by comparing performance and learning from each other in areas like health, education and infrastructure.

5.3. Strategic Planning: It doesn't simply allocate the plan funds It focuses on policy, advance, research and long-term strategy.

5.4 Competitive Federalism:

NITI Aayog also promotes competition among States and Union Territories through performance indices and rankings. It has included:

1. SDG India Index
2. State Health Index
3. India Innovation Index
4. School Education-related performance assessments
5. Water-management assessments

5.5 Bottom Up Planning: It also talks about building plans from village level and upwards. It works with decentralised ideas.

5.6 Niti Aayog and States: It works closely with the States by sharing best practices and giving policy support. It promotes collaborative approach.

6. A Comparative Analysis between Planning Commission and Niti Aayog

Table 1: Planning Commission and Niti Aayog: A Comparative Analysis

S. No.	Planning Commission:	Niti Aayog
1	It was established in 1950	It was established in 2015, replacing the Planning Commission
2	It was based on centralized planning approach.	It follows a public policy think tank approach with more flexibility
3	Its main role was preparing Five Year Plans and guide resource allocation	It is cooperative and flexible. Its main role is policy advice and strategy
4	It had strong financial control over plan funds.	It has no control in fund allocation
5	It fixed Five Year Plans	It is flexible long-term planning
6	It was centre driven planning framework. State participation is limited	State Participation is More. Greater District-level focus
7	It focuses on planning and execution.	It focuses on policy, innovations
8	It has the planning authority.	It is based on cooperative federalism. And act as is an advisory institution.
9	Mainly top-down direction	Greater bottom-up orientation

7. Statistical Evidence of Decentralised and Cooperative Planning

Statistical evidence is useful for understanding the changing approach to federal planning. Two important sources are the SDG India Index and the Aspirational Districts Programme.

7.1 SDG India Index

The SDG India Index provides a framework for assessing the performance of States and Union Territories against Sustainable Development Goals.

Table 2: India's SDG Performance

Indicator	2020–21	2023–24	Change
India's overall SDG Index score	66	71	+5
States/UTs classified as Front Runners	22	32	+10
Highest State/UT score	—	79	—
Lowest State/UT score	—	57	—

Source: NITI Aayog, SDG India Index 2023–24.

India's overall SDG score increased from 66 in 2020–21 to 71 in 2023–24. The increase indicates improvement in aggregate SDG performance. At the same time, the variation between State/UT scores demonstrates that development outcomes remain uneven across India.

The highest score reported for States/UTs in the 2023–24 Index was 79, while the lowest was 57, representing a 22-point range.

The statistical evidence supports the importance of State-specific planning. Since States have different development outcomes, a uniform development strategy may not always be appropriate. The use of State rankings also illustrates the principle of competitive federalism, where comparative performance can encourage governments to identify weaknesses and adopt better practices.

7.2 Aspirational Districts Programme

Table 3: Aspirational Districts Programme

Particulars	Status
Aspirational Districts	112
Population covered	About 25 crore / 250 million
Key Performance Indicators	49
Broad thematic areas	5
Ranking	Monthly delta ranking
Core approach	Convergence + Collaboration + Competition

Source: NITI Aayog, Government of India.

The programme monitors 112 districts using 49 indicators. NITI Aayog's 2024–25 Annual Report states that monthly data are captured on these 49 indicators and emphasises the programme's data-driven approach.

The Aspirational Districts Programme represents a clear movement from traditional input-oriented planning towards results-based governance. The programme does not merely ask how much money has been spent. It also examines whether measurable improvements are taking place in health, education, agriculture, infrastructure, financial inclusion and skills.

This represents a shift:

Input-Based Planning → Output-Based Planning → Outcome-Based Planning

7.3 Evidence of Multi-Level Planning

The Aspirational Districts Programme also demonstrates cooperation between different levels of government. States are described by NITI Aayog as the main drivers, while the Union Government, district administrations and development partners participate in implementation.

Thus, the programme provides an example of:

Union Government + State Government + District Administration + Local Stakeholders
working towards common development objectives.

Analytical Discussion

The transition from Planning Commission to NITI Aayog should not be interpreted as the disappearance of planning. Rather, it represents a transformation in the nature, institutional structure and methodology of planning.

The Planning Commission was closely associated with national Five-Year Plans, plan priorities and resource allocation. NITI Aayog, in contrast, primarily functions as a policy and knowledge institution, providing strategic and technical inputs and supporting cooperative federalism. The earlier model emphasised resource mobilisation and allocation within a national plan framework. The contemporary model places greater emphasis on policy coordination, State participation, innovation, monitoring and development outcome

The transformation can therefore be summarised as:

Centralised Planning → Decentralised Policy Framework

Plan Allocation → Policy Coordination

Uniform Priorities → State-Specific Strategies

Expenditure Monitoring → Outcome Monitoring

Central Direction → Cooperative Federalism

8. Challenges and Future Directions of Federal Planning in India

Despite the institutional transformation, several challenges continue to affect the effectiveness of federal planning.

8.1 Unequal State Capacities

States differ considerably in administrative capacity, revenue generation, infrastructure and human resources. Less-developed States may require greater technical and financial support.

8.2 Fiscal Imbalances

The effectiveness of federal planning depends substantially on the availability and predictability of financial resources. Vertical imbalances between the Union and States and horizontal differences among States remain important issues.

8.3 Weak Local Planning Capacity

Many local governments continue to face shortages of technical personnel, planning expertise, financial resources and reliable data. Strengthening local capacity is therefore essential for meaningful decentralisation.

8.4 Inadequate Local-Level Data

Evidence-based planning requires reliable and timely data at village, block and district levels. Digitalisation can improve data collection and monitoring, but data quality and institutional capacity remain important concerns.

8.5 Centre-State Coordination

Cooperative federalism requires continuous consultation and institutional trust. Differences between the Union and States over policy priorities, finances and implementation can affect development outcomes.

8.6 Need for Greater Participatory Planning

Development planning should involve:

1. Local governments
2. Citizens
3. Civil society organisations
4. Universities
5. Research institutions
6. Private sector
7. Community organisations
8. Greater participation can improve the relevance and legitimacy of development policies.

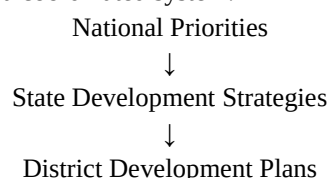
8.7 Strengthening District Planning

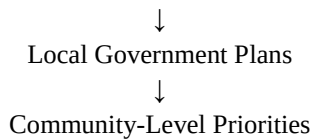
District planning should become an effective bridge between local needs and State-level strategies. District plans should be:

1. Evidence-based
2. Participatory
3. Outcome-oriented
4. Financially realistic
5. Integrated with Sustainable Development Goals

8.8 Future Direction: Multi-Level Planning

The future of Indian planning should be based on a coordinated system:





Such a system would combine national objectives with local flexibility.

8.9 Strengthening Cooperative and Competitive Federalism

Cooperation should remain the foundation of Centre-State relations, while healthy competition can encourage innovation and better performance. Competition should not be an end in itself; rather, it should promote better development outcomes and improved public service delivery.

8.10 Digital and Data-Driven Planning

Future planning should increasingly use:

- a. Real-time data
- b. GIS-based planning
- c. Digital dashboards
- d. Appropriate applications of artificial intelligence
- e. Social and economic indicators
- f. Outcome monitoring
- g. Citizen feedback

These tools can make planning more transparent, responsive and evidence-based.

9. Conclusion:

This paper is important for understanding the changing role of federalism in India's development planning and its importance for effective governance. Although planning has become more cooperative and decentralised, several problems remain, including differences in the financial resources, institutional capacity, technical knowledge, data availability, and planning capabilities of States and local governments. The author suggests that NITI Aayog and governments at all levels should provide stronger implementation support, improve the capacity of States and local governments, and strengthen coordination and monitoring. Greater attention should also be given to the different needs of States and local areas. These measures can make development planning more effective and help achieve balanced, inclusive, and sustainable development.

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