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## **UNIT 4 ADMINISTRATIVE INSTITUTIONS – NITI AAYOG AND FINANCE COMMISSION**

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### **Structure**

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### **4.0 OBJECTIVES**

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After studying this Unit, you should be able to:

- Discuss the composition and functions of the NITI Aayog; and
- Explain the composition and functions of the Finance Commission.

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### **4.1 INTRODUCTION**

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Development is integral to the aims and activities of the government especially in the developing countries. Development administration concentrates on the needs and desires of the people. It is concerned with formulation of plans, programmes, policies and projects and their implementation. It plays a central role in carrying out planned change i.e. it is concerned with planning, co-ordination, control, monitoring and evaluation of plans and programmes. It is not only concerned with the application of policies as determined by the political representatives in existing situation but also with introducing efforts to modify existing situations so as to serve the cause of the masses. Development administration thus becomes a means through which the government brings quantitative and qualitative changes in an economy.

Government is engaged in not only fixing priorities but also making efforts to realise them. The essence of development administration is to bring about change through integrated, organised and properly directed governmental action.

The State plays a leading role in bringing about development through its administrative system. Development administration is an effort towards planned transformation of the economy involving not only the sphere of administration but also formulation of policies and indeed the society. It is an effort at the synchronisation of changes in all spheres of development-economic, political, social and cultural. Thus, development is not only viewed in terms of growth process, but it includes a process of social change. For this change, many institutions existed in our country. In this context, this Unit will highlight the structure and functions of the NITI Aayog and the Finance Commission.

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## **4.2 NATIONAL INSTITUTE FOR TRANSFORMING INDIA (NITI AAYOG)**

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Since 1950, Government of India has attempted to bring about a rapid social and economic growth in the entire country through planned effort. The prime institution to carry out this task was the Planning Commission, which was formed in 1950 and was functioning till the end of 2014. Thereafter, on January 1 2015, the Planning Commission got replaced by the National Institute for Transforming India, known as, NITI Aayog.

### ***Composition***

The composition of the NITI Aayog is, as follows:

- 1) Chairperson: Prime Minister of India
- 2) Vice-Chairperson: appointed by the Prime Minister
- 3) Governing Council comprising the Chief Ministers of all the States and Lt.Governors of Union Territories
- 4) Regional Councils that are formed to address specific issues or contingencies impacting more than one state or region. These are formed

for a specified tenure. The Regional Councils are chaired by the Prime Minister and comprise of the Chief Ministers and Lt. Governors of the respective statesregion.

- 5) Full time members
- 6) Part-time members: maximum of 2 members from any leading universities/ research organisations/other relevant institutions in an ex-officio capacity.Part time members are appointed on a rotational basis.
- 7) Ex-officio members: maximum of 4 members of the Union Council of Ministers nominated by the Prime Minister.
- 8) Chief Executive Officer: appointed by the Prime Minister for a fixed tenureand is of the rank parallel to the Secretary to the Government of India.
- 9) Experts, specialists, and practitioners with relevant domain knowledge, asspecial invitees nominated by the Prime Minister
- 10) Secretariat

### ***Seven Pillars of NITI***

There are seven pillars based on, which the NITI Aayog works:

- 1) Pro-people
- 2) Pro-activity
- 3) Participation
- 4) Empowerment
- 5) Inclusion
- 6) Equality
- 7) Transparency

The same are being depicted in the following chart.

<b>Pro-People</b>	<b>Pro-Activity</b>	<b>Participation</b>	<b>Empowerment</b>	<b>Inclusion</b>	<b>Equality</b>	<b>Transparency</b>
Fulfil aspirations of society as well as individuals	In anticipation of and response to citizens needs.	Involvement of Citizenry	Women in all aspects	SC, ST, OBC, minorities, poor, and disadvantaged	Opportunity for the Youth	Government visible and responsive

### ***Functions***

Based on these pillars, NITI Aayog performs the following functions:

- 1) Evolves a shared vision along with active involvement of States on national development priorities and strategies.
- 2) Fosters cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognising that strong States make a strong nation.
- 3) Develops mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
- 4) Ensures that the interests of national security are incorporated in economic strategy and policy.
- 5) Pays special attention to the sections of society that may be at risk of not getting benefited adequately by the economic progress of the country.
- 6) Designs long term policies and programmes and equally monitor their progress and efficacy. The lessons learnt through monitoring will be used for making necessary mid-course corrections and incorporating improvements.
- 7) Encourages partnerships between educational and policy research institutions.
- 8) Creates a knowledge, innovation, and entrepreneurial support system through a collaborative community of national and international experts, practitioners, and other partners.
- 9) Offers a platform for resolution of inter sectoral and inter departmental issues in order to accelerate the implementation of development agenda.
- 10) Maintains a state-of-the-art Resource Centre that can be a repository on good governance and best practices for sustainable and an equitable development and, enables its dissemination and accessibility to stakeholders.
- 11) Identification of the needed resources, so as to strengthen the scope of delivery and probability of success of programmes; and for monitoring and evaluating purposes too.
- 12) Focus on technology up-gradation.
- 13) Capacity building for effective implementation of programmes and initiatives.

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### 4.3 FINANCE COMMISSION

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Article 280 requires that the President of India should appoint a Finance Commission within two years from the commencement of the Constitution and thereafter once in every five years or even earlier, if necessary. It also specifies broadly the Terms of Reference (ToR) of the Finance Commission and its composition.

#### *Composition*

Article 280 has fixed the total strength of Finance Commission by specifying that it should consist of a Chairperson and four other members. The Finance Act 1951, Section (3) specifies the qualifications for the Chairperson and members. According to the Act, 'the Chairperson of the Commission shall be selected from among persons, who have or had experience in public affairs. The other members shall be selected from among persons who:

- 1) are or have been or qualified to be appointed, as a Judge of a High Court; or
- 2) have expertise in financial and accounts matters; or
- 3) are profound administrators; or
- 4) have expertise in economics.

#### *Functions*

It shall be the duty of the Finance Commission to make recommendations to the President pertaining to the following matters:

- 1) The distribution between the Union and the States of the net proceeds of taxes revenues and the allocation between the States of the respective shares of such proceeds. By doing so it redresses the vertical imbalances between the taxation powers and expenditure responsibilities of the centre and states respectively and equalisation of all public services across the states.
- 2) The principles that should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States by way of grants-in-aid of their revenues.

- 3) The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.
- 4) The continuance or modification of the terms of any agreement entered into by the Government of India with the Government of any State specified in Part 'B' of the First Schedule under clause (i) of Article 278 or under Article 306.
- 5) The Commission shall use the latest Census for drawing the population data while making its recommendations.
- 6) Any other matter referred to it by the President.

### ***Procedure of Working***

The work of the Finance Commission starts soon after the Government announces its composition and terms of reference. In the first phase the Commission addresses letters to the State Governments, asking them to submit estimates of their expenditure and revenue for over the next five years. Once the estimates are received, the Commission scrutinises these estimates and calls for the concerned officers from the States to its Headquarters in Delhi for clarifications. The estimates of different States are then revised accordingly, as per. The Commission then undertakes tour in all States in the subsequent phase. Normally, the Commission hears the Chief Minister and the Finance Minister of each State vis-à-vis the financial estimates delved upon. Here, the State can submit a memorandum outlining their needs and demands. The Commission also hears and receives memoranda pertaining to finances from industry and bankers. This then is followed by the final phase, wherein, the Commission meets in Delhi to finalise the report of each and every State. It submits its report to the President of India a few months before the annual budget presentation. The President then recommends the same for consideration and implementation by the Union Cabinet.

### ***Fifteenth Finance Commission***

The Fifteenth Finance Commission was constituted by the Government of India after

getting approval from President of India through a notification in The Gazette of India on November 27, 2017. Nand Kishore Singh was appointed, as the Commission's Chairperson, along with full-time and part-time members.

The Commission was set up to give recommendations for devolution of taxes and other fiscal matters for five fiscal years, commencing 1 April 2020. The main tasks of the Commission were to strengthen cooperative federalism, improve the quality of public spending, and help fiscal stability.

The Chairperson felt that there is a need to reappraise the formula of devolution of revenues from Union to states. Commission strives to balance equity and efficiency that urban and rural local bodies requested for economic growth.

We have already discussed the role and functions of Finance Commission in BPAC 111 on Public Finance and Administration.

#### **Activity**

- 1) Let us know about your perceptions in the setting up of NITI in place of Planning Commission.
- 2) How do you find the devolutions of finances between Union and states happening in India?

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#### **4.4 CONCLUSION**

In this Unit we have studied the composition and functions of the NITI Aayog which has also helped us in understanding the meaning of planning. We have examined the structure of the Commission and its office. The composition and functions of the Finance commission have also been examined. We gained some insight into the working process of the above discussed institutions also.

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#### **4.5 REFERENCES**

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