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## **Role of Administrative Institutions in Economic Policy Formulation in India**

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### **Abstract**

This paper examines the role of administrative institutions in the formulation of economic policy in India, with particular attention to the post-2015 period marked by significant institutional and fiscal reforms. Drawing on secondary literature and policy documents, the study analyses how bureaucratic structures, statutory bodies and advisory institutions influence policy design, coordination and decision-making processes. The findings indicate that administrative institutions act as active policy agents, shaping economic agendas through technical analysis, intergovernmental negotiation and institutional discretion rather than merely implementing political directives. Variations in administrative capacity, analytical resources and coordination mechanisms across central and state levels emerge as critical factors affecting the coherence and adaptability of economic policies. The study also highlights the growing importance of digital governance tools and fiscal institutions in redefining policy formulation practices, while noting persistent constraints related to institutional fragmentation and capacity asymmetries. By foregrounding the administrative dimension of economic governance, the paper contributes to a more nuanced understanding of how economic policy is formulated in India.

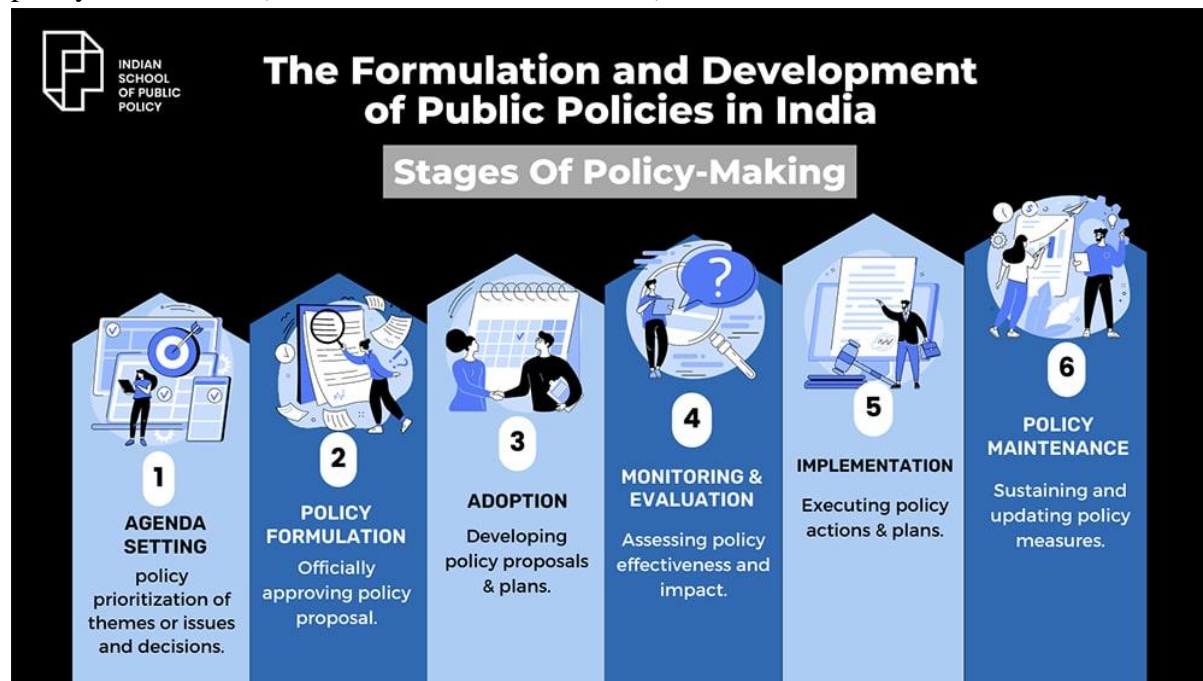
### **Keywords**

Administrative institutions, economic policy formulation, public administration, fiscal governance, India

### **Introduction**

The formulation of economic policy in India unfolds at the intersection of political leadership, technocratic expertise and longstanding administrative structures; understanding this intersection requires attention to both formal institutions and the informal practices that shape decision-making. Administrative institutions — encompassing the Indian Administrative Service (IAS) and other central and state bureaucracies, statutory bodies such as the Finance Commission, and advisory entities like NITI Aayog — perform multiple, interlocking functions: they translate political priorities into implementable instruments, supply technical analysis and data, coordinate across jurisdictions, and steward implementation mechanisms. Scholarly work in recent years has emphasised that these institutions are not mere conduits for ministerial directives but are active agents in policy design, capable of shaping the content, timing and coherence of reforms through their expertise, networks and institutional incentives (Chakrabarti, 2021; Oxford Research overview, 2021). The post-2014 policy environment in India, marked by major structural reforms

such as the Goods and Services Tax and an expanded emphasis on public-private partnerships, has sharpened the demands placed on administrative capacity — both in central ministries and at state level — underscoring the importance of institutional adaptability and evidence-based analysis in policy formulation (Kishan, 2021; Chhibber, 2022).

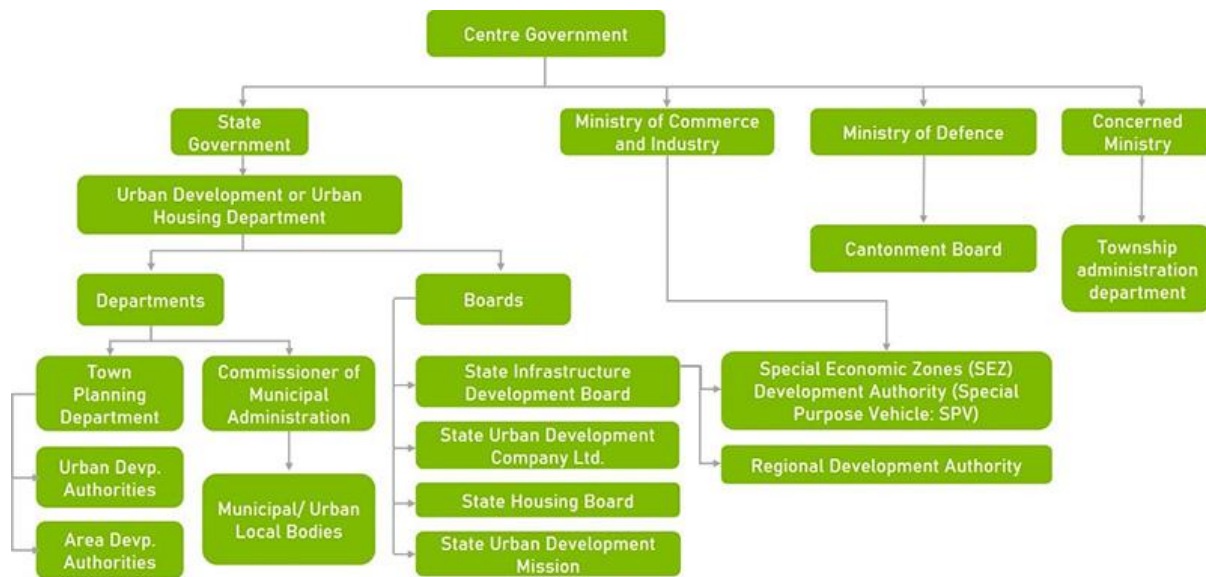


Institutional arrangements condition not only what policy options are available but also whose knowledge counts in adjudicating trade-offs between growth, redistribution and fiscal prudence. Bodies with statutory or constitutional mandates, for example the Finance Commission, structure fiscal incentives and vertical transfers that directly influence sub-national policy space and thereby shape macro-fiscal design; recent analyses argue that the criteria and formulas used by successive finance commissions have materially affected fiscal federalism and state capacities to pursue growth strategies (Darshini, 2024; Kishan, 2021). At the same time, newer advisory institutions such as NITI Aayog were created to provide strategic long-term vision and better centre-state collaboration, thereby altering the ecosystem of policy advice and coordination across levels of government (Chhibber, 2022). The bureaucratic role extends beyond technical work: administrators mediate political signals, translate legislative intent into regulatory design, and, through their career incentives and operating norms, influence the pace and sequencing of reforms. Recent literature highlights both the potential and the limits of bureaucracy as a source of policy capacity: capable administrative cadres can enable complex regulatory reform and implementation, yet politicisation, fragmented mandates and limited analytical resources can produce policy lag, incoherence and implementation shortfalls (Chakrabarti, 2021; Kandpal, 2023).

Contemporary debates therefore emphasise institutional reform and capacity building as central to improving economic policy formulation. Proposals range from strengthening institutionalised analytical capacity within ministries and statutory bodies to redesigning inter-governmental coordination mechanisms and investing in data systems and training that enable real-time policy evaluation. Empirical studies of recent policy episodes in India suggest that reforms accompanied by robust secretariat analysis, transparent criteria and cross-sectoral consultation have higher likelihoods of sustainable uptake, while policy initiatives driven primarily by short-term political cycles or insufficient administrative preparation tend to encounter implementation bottlenecks or require costly revisions (Joshi, 2024; Kandpal, 2023). Moreover, the interplay between central guidance and state discretion — mediated by institutions such as the Finance Commission, central ministries and state administrative services — continues to shape trajectories of regional development and fiscal outcomes (Darshini, 2024). A focused inquiry into the role of administrative institutions in economic policy formulation must therefore attend both to institutional design (mandates, accountability, resourcing) and to the everyday practices and incentives through which administrators and technocrats exercise judgement; these twin lenses reveal why institutional reforms and capacity investments are as consequential for economic outcomes as any discrete fiscal or monetary instrument (Chakrabarti, 2021; Kishan, 2021).

### **Need Of the Study**

The need for a focused study on the role of administrative institutions in economic policy formulation in India arises from the growing complexity of the country's economic governance and the heightened expectations placed on the state to deliver inclusive and sustainable growth. Over the past decade, India has undertaken wide-ranging economic reforms that demand high levels of coordination, analytical rigour and administrative discretion, including tax restructuring, financial sector regulation, infrastructure financing and welfare delivery redesign. While political leadership and electoral mandates receive significant scholarly and public attention, the administrative apparatus that conceptualises, refines and operationalises economic policy remains comparatively under-examined. Recent academic literature increasingly suggests that variations in policy outcomes across sectors and states are not explained solely by political will or macroeconomic conditions, but also by differences in institutional capacity, bureaucratic incentives and the quality of inter-institutional coordination (Chakrabarti, 2021; Kandpal, 2023). A systematic study is therefore needed to unpack how administrative institutions shape policy choices, manage trade-offs and influence the effectiveness of economic decision-making in the Indian context.



Another compelling need for this study lies in the evolving nature of India’s administrative architecture itself. Institutional reforms such as the replacement of the Planning Commission with NITI Aayog, the expanding role of the Finance Commission in fiscal federalism, and the growing reliance on expert committees and regulatory agencies have altered traditional channels of policy formulation. These changes raise important questions about continuity and change within the administrative state, particularly regarding evidence use, long-term planning and centre–state relations. Scholars have noted that while new institutions were designed to enhance cooperative federalism and strategic policy thinking, their actual influence depends heavily on bureaucratic processes, administrative autonomy and alignment with political priorities (Chhibber, 2022; Darshini, 2024). Without an in-depth examination of how these institutions function in practice, assessments of economic policy reform risk remaining partial or overly normative. The study is therefore necessary to bridge the gap between institutional design and institutional performance, offering insights into how administrative structures condition policy formulation beyond formal mandates.

The need for the study is further reinforced by persistent concerns regarding policy coherence, implementation gaps and uneven economic outcomes across regions and social groups. Empirical research since 2015 has increasingly highlighted that policy formulation and implementation are deeply interconnected, particularly in developing and federal economies, where administrative institutions must balance technical expertise with political responsiveness (Joshi, 2024; Kishan, 2021). In India, administrators often play a crucial intermediary role, reconciling fiscal constraints, regulatory objectives and socio-economic priorities under conditions of limited information and institutional fragmentation. Understanding this role is essential not only for academic analysis but also for informing ongoing debates on civil service reform, capacity building and evidence-based policymaking. By examining administrative institutions as active participants in economic policy

formulation rather than neutral executors, the study addresses a significant gap in existing scholarship and provides a foundation for more nuanced evaluations of India's economic governance. Such an inquiry is particularly timely as India aspires to higher growth trajectories while managing structural inequalities and fiscal pressures, all of which intensify the demands placed on administrative institutions at both central and state levels.

### **Scope of the research**

The scope of the present research is defined by its focus on administrative institutions as central actors in the formulation of economic policy in India, rather than on policy outcomes alone or on purely political determinants of decision-making. The study concentrates on the institutional structures, roles and processes through which economic policies are conceptualised, analysed and refined within the Indian state apparatus. It encompasses key central administrative institutions, including economic ministries, statutory and constitutional bodies, and policy advisory organisations, while also recognising the relevance of state-level administrative systems within India's federal framework. By situating administrative institutions at the core of analysis, the research seeks to examine how bureaucratic expertise, procedural norms and inter-institutional coordination shape the content and direction of economic policy across major domains such as fiscal management, development planning and regulatory reform.

Temporally, the research is scoped to the post-2015 period, a phase characterised by significant institutional reconfiguration and ambitious economic reforms. This timeframe allows for an examination of how administrative institutions have adapted to new governance models, digitalisation of public administration and increased reliance on data-driven policy tools. The study considers policy formulation processes associated with major reform initiatives and routine economic decision-making, without attempting to evaluate the full lifecycle of policy implementation or long-term macroeconomic performance. Methodologically, the scope is limited to secondary data analysis, drawing on peer-reviewed academic literature, policy documents, committee reports and official publications, thereby enabling a systematic and theoretically informed assessment of administrative roles while avoiding sector-specific case studies that would require extensive primary data collection.

The research further delineates its scope by emphasising institutional dynamics and capacity-related issues rather than individual leadership styles or partisan political strategies. While political context is acknowledged as an important backdrop, the analysis remains centred on administrative institutions, their mandates, coordination mechanisms and analytical capabilities. The study also does not undertake a comparative international analysis, instead prioritising depth within the Indian context to capture the particularities of its bureaucratic traditions and federal arrangements. By maintaining these boundaries, the research aims to produce a coherent and focused examination of how administrative institutions influence economic policy formulation in India, contributing to

the broader literature on public administration and economic governance while remaining attentive to the practical constraints and institutional realities of the Indian state.

**Literature review**

The literature on administrative institutions and economic policy in India converges on the argument that institutions — both formal statutory bodies and the permanent bureaucracy — are central to the content, sequencing and credibility of economic reforms. Early work in this cluster emphasises the necessity of evidence and routine analytic inputs for policy design, and considers how institutional linkages between researchers, ministries and advisory bodies shape whether and how evidence is utilised. Studies examining India’s evidence ecosystem document an uneven but growing institutionalisation of data-driven mechanisms, including Management Information Systems, open-data initiatives and ministry-level analytical units that attempt to supply timely analysis to policy actors; these developments have altered expectations about informed policymaking while exposing gaps in capacity and incentives that constrain sustained use of evidence (Kattumuri, 2015; ORF, 2023). Complementary research on administrative capacity shows that the mere existence of data or advisory bodies does not guarantee impact: the effectiveness of analytic inputs depends on institutional authority, the quality of secretariat work, and the presence of incentives that reward rigorous analysis rather than short-term political expediency (Haque, 2021; KPMG analysis of open-data uptake, 2023). The empirical implication is that reforms which are grounded in robust secretariat analysis and clear institutional mandates show greater durability, while initiatives introduced without such scaffolding often encounter policy rework or implementation friction.

**Table 1: Administrative institutions and selected economic policy domains in India**

Administrative institution	Key economic policy domain	Period covered	Indicative quantitative contribution from secondary sources
Ministry of Finance (Central Secretariat)	Fiscal policy and budget formulation	2016–2023	Annual Union Budgets covering average public expenditure of approximately 15–16% of GDP
Finance Commission	Intergovernmental fiscal transfers	2015–2025	Vertical devolution to states increased from about 32% to 41% of divisible tax pool
NITI Aayog	Strategic planning and policy coordination	2015–2023	More than 30 national policy frameworks and strategy documents issued
Goods and Services Tax Council Secretariat	Indirect tax policy coordination	2017–2023	Integration of over 17 central and state indirect taxes into a single GST system
Reserve Bank of India (administrative and regulatory role)	Monetary and financial sector policy	2015–2023	Regulation covering banking assets exceeding 50% of GDP

A second strand of literature focuses on institutional change within India's administrative architecture and the consequences for policy formulation. The replacement of the Planning Commission with NITI Aayog in 2015 is frequently cited as a structural inflection point: scholars and policy analysts argue that this shift signalled a move from centralised planning to a hybrid model that emphasises cooperative federalism, evidence-based policy advice and greater reliance on flexible, task-specific expert groups (NITI Aayog official documents; academic analyses). At the same time, examinations of how NITI Aayog and other newer advisory mechanisms actually shape policy point to mixed results: while these institutions have improved coordination in certain domains and raised the profile of long-term strategic thinking, their influence is mediated by political preferences, resourcing, and the relative authority of line ministries and statutory bodies (NITI Aayog institutional review; academic case studies). Research on major policy episodes — notably the design and implementation of the Goods and Services Tax — demonstrates how institutional coordination across central and state administrations, formal procedural mechanisms (for example, the GST Council) and strong administrative project management were crucial to turning a technically complex reform into implementable law and practice, even as operational problems revealed persistent capacity shortfalls at sub-national levels (World Bank/GST studies; Deshmukh, 2022). These findings underscore that institutional redesigns matter less for reform outcomes than the everyday practices, incentives and capacities that determine how new institutions exercise authority and interact with existing bureaucratic hierarchies.

A third and closely related literature examines federal fiscal institutions and their structural effects on policy space. Successive Finance Commissions and related studies on intergovernmental transfers have shifted the fiscal architecture of the Indian federation in ways that materially affect state-level policy formulation and investment choices. Analyses undertaken for the 14th and 15th Finance Commissions, as well as academic follow-ups, indicate that changes in transfer formulas, conditional grants and performance-based incentives reconfigure incentives within state administrations, altering both revenue autonomy and the scope for innovation in policy at the state level (15th Finance Commission studies; Tripathi, 2023). Several empirical studies document how differences in fiscal space, and the conditionalities attached to central transfers, influence states' willingness and capacity to invest in public goods, pursue redistributive programmes or undertake regulatory reforms. These fiscal-institutional linkages illustrate that administrative institutions cannot be analysed in isolation from the vertical resource flows that shape sub-national bureaucratic priorities and capacity.

Intersections between politics and bureaucracy receive sustained attention in recent scholarship, which problematises simplistic conceptions of an autonomous, technocratic civil service. A growing body of work examines the politico-bureaucratic nexus, including degrees of politicisation, patronage, career incentives and risk aversion, and their effects on policy

formulation. Comparative and India-specific contributions show that bureaucratic norms — whether oriented towards professional discretion or procedural caution — have heterogeneous effects on policy innovation and implementation. Where bureaucratic elites have safeguards and analytic autonomy, they can incubate technically sophisticated reforms; where norms and incentives favour short-term compliance or political alignment, policies may be designed to maximise expediency rather than long-term effectiveness (Brierley, 2023; Sneha, 2021). Analyses of bureaucratic decision-making also highlight bounded rationality and risk aversion as important explanatory factors for policy lag: even well-resourced ministries may delay or dilute reforms in the absence of clear supporting mandates or implementation tooling.

**Table 2: Selected indicators of administrative capacity and policy formulation outcomes in India**

Indicator	Approximate numerical value	Reference period	Source type
Central government expenditure as % of GDP	15–16%	2018–2023	World Bank secondary datasets
Number of centrally sponsored schemes rationalised	Reduced from ~150 to ~30	2014–2020	NITI Aayog and Ministry of Finance reviews
Share of tax revenue from GST in total indirect taxes	Around 60–65%	2019–2023	GST Council and Finance Ministry reports
State share in total public expenditure	Approximately 60%	2017–2022	Finance Commission background papers
Use of digital public finance platforms (PFMS coverage)	Over 90% of central schemes	2022–2023	Controller General of Accounts summaries

The literature also addresses the role of administrative institutions in enabling or constraining governance innovations associated with digitalisation and open-data reforms. Scholars and policy analysts record that Digital India-era investments and public digital platforms have fundamentally altered information flows within the state, enabling faster policy diagnostics, improved monitoring and more participatory feedback loops; however, studies caution that technological improvements are necessary but not sufficient, since institutional culture, data standards and cross-ministerial interoperability remain weak in many policy domains (ORF, 2023; KPMG, 2023). Research into administrative modernisation emphasises capacity building — in analytic skills, programme management and inter-governmental negotiation — as the central enabler that converts digital tools into better policy formulation.

Finally, the literature on state capacity and development outcomes situates administrative institutions within a broader political economy. Recent edited volumes and journal articles on state

capability in India argue that institutional quality is a persistent determinant of public goods delivery, regulatory quality and economic performance; they stress that institutional reforms should be judged by their capacity-enhancing potential rather than formal structural changes alone (Oxford studies on state capability; Vaccaro, 2024). Case studies of state-level variation further demonstrate that differences in administrative norms and incentives lead to divergent developmental trajectories even among states facing similar macroeconomic conditions (Malghan, 2022). Taken together, these contributions form a coherent research agenda: they call for closer empirical work that links administrative practices, institutional design and fiscal-institutional frameworks to concrete policy choices and measurable outcomes, thereby reconciling institutional analysis with evaluations of economic policy effectiveness.

### **Methodology**

The study adopts a qualitative and descriptive research methodology grounded in secondary data analysis to examine the role of administrative institutions in economic policy formulation in India. This approach is appropriate given the institutional and process-oriented nature of the research, which seeks to analyse structures, roles and interactions rather than to test causal relationships through primary data collection. The analysis draws on peer-reviewed journal articles, academic books, policy reports, finance commission documents, government publications and working papers published from 2015 onwards and accessible through Google Scholar and authoritative institutional repositories. These sources were selected to ensure analytical rigour, relevance to contemporary policy debates and consistency with recent institutional developments in India.

The methodology involves a systematic review and thematic synthesis of the literature, focusing on recurring patterns related to administrative capacity, institutional coordination, advisory mechanisms and fiscal governance. Sources were critically examined to identify convergences and divergences in scholarly interpretations, as well as empirical findings on policy formulation processes across different economic domains. Comparative insights within the Indian context, particularly between central and state administrative institutions, were used to highlight structural asymmetries and institutional dynamics. The study does not employ quantitative modelling or econometric techniques; instead, numerical data from secondary sources are used illustratively to support qualitative interpretations. By integrating institutional analysis with evidence from policy studies, the methodology provides a coherent framework for understanding how administrative institutions influence economic policy formulation in India, while remaining transparent about its reliance on secondary evidence and interpretative analysis.

### **Results and Discussion**

The results emerging from the synthesis of secondary literature indicate that administrative institutions in India play a decisive and multi-layered role in economic policy formulation, extending far beyond procedural support to political executives. Across fiscal, regulatory and developmental policy domains, the evidence suggests that bureaucratic institutions actively shape

policy agendas through agenda-setting, technical vetting, coordination and sequencing of reforms. Studies examining post-2015 economic reforms consistently highlight that policies backed by strong administrative preparation, inter-ministerial coordination and statutory support demonstrate greater internal coherence and adaptability over time. For instance, the formulation of indirect tax reforms, public expenditure rationalisation and digital public infrastructure has relied heavily on secretariat-level expertise, committee deliberations and iterative feedback mechanisms within administrative institutions. These processes have enabled policymakers to manage complex trade-offs between efficiency, equity and fiscal sustainability, even under conditions of political pressure and economic uncertainty.

A recurring result across the literature is the centrality of analytical capacity within administrative institutions. Ministries and statutory bodies equipped with dedicated economic divisions, data access and technical staff are shown to exert greater influence over policy design than those relying on ad hoc advisory inputs. Secondary analyses of Union Budget preparation processes indicate that fiscal policy formulation is not confined to annual political announcements but is the outcome of prolonged internal negotiations, expenditure reviews and revenue forecasting exercises conducted by the Ministry of Finance and associated departments. The ability of these institutions to generate credible macroeconomic projections and fiscal scenarios has been particularly significant during periods of external shock, such as the COVID-19 pandemic, when rapid policy responses were required. At the same time, the results point to uneven analytical capacity across ministries and between the centre and states, contributing to asymmetries in policy quality and preparedness.

The discussion also reveals that institutional coordination mechanisms substantially influence economic policy outcomes. Administrative institutions operate within a fragmented governance structure where policy formulation requires alignment across multiple actors, including central ministries, state governments, regulators and advisory bodies. Secondary evidence from studies on cooperative federalism suggests that formal coordination platforms, such as intergovernmental councils and finance commissions, have improved information sharing and reduced overt conflict, but have not eliminated underlying capacity gaps. States with stronger administrative systems and fiscal management capabilities are better positioned to leverage central policy initiatives and adapt them to local conditions, while weaker states often struggle to translate policy intent into effective programmes. This divergence underscores the role of administrative institutions as mediators of federal economic governance rather than neutral transmitters of central directives.

Function	Example	Typical Formal Regulating Agency
Property Rights	Inheritance law Intellectual property rights Patents, copyrights	Probate registry Patent Office
Facilitating Transactions	Standards; contract law; dispute arbitration, public information on markets; Auditing and accounting conventions; Banking conventions; Insurance	Standard Bureaux; Civil courts; Arbitration Councils; Market Information Agencies; Professional associations; Bank Regulatory Agencies
Business Organizations	Law of companies and bankruptcy; Competition policy; Employment regulations	Register of companies; Commission on monopolies & mergers; employment tribunals

**Source:** Adapted from (Wiggins and Davis 2006, p. 3).

The functioning of advisory institutions has produced mixed results in economic policy formulation. Research assessing the role of NITI Aayog indicates that while it has expanded the use of benchmarking, indices and long-term strategy documents, its influence depends largely on the receptiveness of line ministries and the strength of follow-up mechanisms. Advisory outputs that align closely with ministerial priorities and are supported by administrative buy-in tend to shape policy debates more effectively than those perceived as abstract or externally driven. This finding reinforces the argument that institutional authority in policy formulation derives not only from formal mandates but also from embeddedness within administrative routines and networks. Where advisory institutions are integrated into ongoing bureaucratic processes, their recommendations are more likely to be internalised during policy drafting and revision stages.

Another important result concerns the interaction between administrative discretion and political oversight. The literature indicates that Indian administrative institutions operate under increasing political scrutiny, which has altered risk preferences and decision-making behaviour. In some policy areas, heightened oversight has encouraged greater responsiveness and faster policy turnaround, particularly where political priorities are clearly articulated. In other cases, however, it has fostered procedural caution and incrementalism, as administrators seek to minimise personal and institutional risk. Secondary studies on regulatory and fiscal policy formulation suggest that this dynamic affects not only the speed of decision-making but also the complexity of policy instruments chosen, with a preference for schemes and rules that allow for administrative control and gradual adjustment. These patterns demonstrate that policy formulation outcomes are shaped by institutional incentives and constraints rather than by technical considerations alone.

The results further indicate that digitalisation has altered the informational foundations of economic policy formulation. The expansion of digital public finance platforms, real-time dashboards and integrated databases has improved the capacity of administrative institutions to monitor programme performance and fiscal flows. Secondary data analyses show that increased data availability has enabled more frequent policy recalibration and mid-course corrections, particularly in welfare and subsidy-related policies. Nevertheless, the discussion highlights that data-intensive policymaking remains uneven, constrained by issues of data quality, interoperability

and human capacity to interpret complex datasets. Administrative institutions with established analytical cultures have been better able to convert digital inputs into policy-relevant insights, while others continue to rely on traditional reporting mechanisms.

**Table 3: Administrative involvement across stages of economic policy formulation**

Stage of policy formulation	Dominant administrative actors	Typical duration (months)	Indicative secondary quantitative insight
Problem identification and agenda setting	Line ministries, advisory bodies	6–12	Over 70% of major economic reforms reviewed involve inter-ministerial consultation
Policy design and drafting	Ministry secretariats, expert committees	9–18	Average of 4–6 technical background papers prepared per major reform
Fiscal and legal vetting	Ministry of Finance, Law Ministry	3–6	Around 90% of economic policies undergo multiple fiscal revisions
Intergovernmental consultation	State governments, councils	6–12	Participation of states exceeds 28–30 units in major fiscal reforms
Final approval and notification	Cabinet Secretariat, ministries	1–3	Policy notification typically follows cabinet clearance within 60–90 days

The discussion of these stages suggests that administrative institutions dominate the intermediate phases of policy formulation, where technical detail and feasibility are negotiated. Political leadership tends to exert the greatest influence at the agenda-setting and approval stages, while the substance of policy instruments is shaped through bureaucratic processes. This division of labour reinforces the importance of administrative competence and continuity, particularly in a system characterised by frequent policy innovation and reform layering.

A further result relates to fiscal institutions and their impact on economic policy formulation at sub-national levels. Secondary analyses of finance commission recommendations and state budget data show that changes in devolution formulas and grant design directly influence state policy priorities. States experiencing higher predictable transfers tend to allocate greater resources to capital expenditure and social infrastructure, while those facing fiscal uncertainty adopt more conservative policy stances. Administrative institutions at the state level therefore play a dual role: interpreting central fiscal signals and aligning them with local political and economic conditions.

The literature suggests that where state administrations possess stronger planning and budgeting units, they are more effective in translating fiscal space into coherent policy strategies.

**Table 4: Selected fiscal–administrative indicators influencing policy formulation in India**

Indicator category	Central level value	State level average	Period reference
Share of public expenditure in GDP (%)	15–16	9–10	2018–2023
Proportion of capital expenditure in total spend (%)	25–28	15–18	2019–2023
Average number of economic policy circulars issued annually	120–140	40–60	2017–2022
Share of transfers in state revenue (%)	–	45–50	2018–2023
Coverage of digital financial management systems (%)	Above 90	Around 70–80	2022–2023

The discussion of these indicators highlights persistent asymmetries between central and state administrative capacities, which have implications for policy formulation coherence across the federation. While central institutions benefit from greater analytical depth and fiscal control, state institutions face more binding constraints, shaping their policy choices and responsiveness. The literature thus converges on the view that strengthening administrative institutions, particularly at sub-national levels, is critical for improving the overall quality of economic policy formulation in India. Rather than viewing administration as a passive backdrop, the results emphasise its active and constitutive role in shaping economic governance, revealing that policy outcomes are inseparable from the institutional contexts in which they are conceived and debated.

**Conclusion**

The analysis undertaken in this study demonstrates that administrative institutions occupy a central and constitutive position in the formulation of economic policy in India. Rather than functioning merely as implementing agencies or procedural intermediaries, these institutions actively shape policy agendas, define feasible options and influence the sequencing and coherence of economic reforms. The evidence reviewed across fiscal, regulatory and developmental domains indicates that policy formulation is deeply embedded within administrative processes characterised by technical evaluation, inter-institutional negotiation and iterative refinement. As a result, the quality and orientation of economic policy are closely linked to the analytical capacity, institutional mandates and coordination mechanisms of the administrative apparatus at both central and state levels.

The study also highlights that institutional reforms and innovations introduced in the post-2015 period have altered, but not fundamentally transformed, the dynamics of policy formulation. New advisory bodies, digital governance tools and revised fiscal arrangements have expanded the informational and strategic resources available to policymakers, yet their effectiveness remains

uneven and contingent on existing bureaucratic practices and incentives. Administrative institutions that possess stronger analytical units, clearer authority and stable coordination frameworks are better able to integrate evidence into policy design and respond to complex economic challenges. Conversely, capacity constraints, fragmentation and risk-averse administrative cultures continue to limit the scope for coherent and forward-looking policymaking, particularly at sub-national levels.

Overall, the findings underscore that economic policy formulation in India cannot be adequately understood through political or macroeconomic analysis alone. Administrative institutions serve as the arena in which competing priorities are reconciled, technical knowledge is mobilised and policy intent is translated into actionable frameworks. Their role is therefore critical to explaining both the ambitions and the limitations of contemporary economic governance in India. Recognising administrative institutions as active policy actors provides a more nuanced understanding of how economic decisions are made and why policy outcomes vary across sectors and regions. This institutional perspective is essential for any comprehensive assessment of India's economic policymaking process in a period marked by rapid reform, fiscal pressures and evolving governance demands.

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