FISCAL FEDERALISM AND TRANSPARENCY IN CONTEMPORARY INDIA (2014-2025): SAFEGUARDING STATE RIGHTS AND STRENGTHENING CENTRE-STATE RELATIONS - A CRITICAL ECONOMIC PERSPECTIVE

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Abstract

This study offers a critical economic perspective on fiscal federalism and transparency in contemporary India (2014–2025), examining how evolving Centre–State fiscal dynamics have impacted state autonomy, resource allocation, and intergovernmental trust. Key policy developments—such as the implementation of the Goods and Services Tax (GST), restructuring of Centrally Sponsored Schemes (CSS), and increasing reliance on Direct Benefit Transfers (DBTs)—have significantly shifted fiscal power towards the Centre, thereby raising concerns over the erosion of cooperative federalism. The declining share of untied funds, reduced role of the Planning Commission, and constraints on states' borrowing capabilities under the Fiscal Responsibility and Budget Management (FRBM) Act have further exacerbated vertical imbalances.

Through an economic analysis of budgetary trends, Finance Commission recommendations, and NITI Aayog reports, the paper assesses the transparency of fiscal transfers, the predictability of fund flows, and the accountability mechanisms in place. It argues that while reforms like GST have improved indirect tax efficiency, they have also undermined the fiscal independence of states due to central control over revenue-sharing mechanisms and delayed compensations. The study emphasizes the urgent need for institutional reforms, including the strengthening of the Inter-State Council, enhanced data transparency, and reformed transfer formulas that respect state-specific needs and fiscal capacities. Strengthening Centre–State dialogue and ensuring a transparent and equitable fiscal framework are imperative for sustaining India's cooperative and competitive federal structure. In this context, the study explores urgent and pivotal issues that carry considerable weight in today's rapidly evolving and globally integrated environment, emphasizing their relevance within the current international landscape.

Keywords: **Fiscal Federalism, State Autonomy, Goods and Services Tax, Fiscal Transfers, Economic Reforms and Cooperative Federalism.**

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The theme of the article

Fiscal federalism serves as a foundational pillar of India's constitutional and economic framework, enabling the equitable distribution of financial powers and responsibilities between the Union and State governments. From 2014 to 2025, India's fiscal landscape has undergone significant shifts, marked by the implementation of transformative reforms such as the Goods and Services Tax (GST), Direct Benefit Transfers (DBT), restructuring of Centrally Sponsored Schemes (CSS), and increased centralization of fiscal authority. While these reforms aimed to enhance efficiency and accountability, they have also triggered debates on fiscal autonomy, cooperative federalism, and transparency in financial governance. This period, particularly under the Modi-led government, has witnessed the strengthening of central institutions and fiscal consolidation efforts, often at the cost of state-level discretion and flexibility. The replacement of the Planning Commission with the NITI Aayog and the increasing reliance on conditional transfers and performance-linked incentives have shifted the fiscal bargaining space. Simultaneously, concerns over GST compensation delays, declining state revenue autonomy, and asymmetrical federal arrangements have raised alarms about the erosion of state rights.

Transparency, an essential component of fiscal accountability, has seen both progress and setbacks. While digitalization and real-time public finance monitoring have improved visibility, limited parliamentary scrutiny, opaque fund allocation, and politically motivated resource distribution have challenged institutional trust. This study critically examines the evolving nature of fiscal federalism and transparency from 2014 to 2025, assessing the economic implications of emerging Centre–State dynamics. It underscores the importance of strengthening intergovernmental fiscal dialogue, ensuring equitable devolution of resources, and reinforcing mechanisms that protect state autonomy. The analysis provides policy insights for recalibrating fiscal relations that are both efficient and democratic, aimed at fostering a balanced and resilient federal structure in India.

Statement of the problem

The period between 2014 and 2025 has witnessed significant shifts in India's fiscal federal framework, driven by landmark reforms such as the introduction of the Goods and Services Tax (GST), restructured Centrally Sponsored Schemes (CSS), the increasing use of Direct Benefit Transfers (DBT), and the declining role of the Planning Commission, replaced by the NITI Aayog. These structural changes, while aimed at efficiency and fiscal consolidation, have also raised concerns over the erosion of state autonomy, asymmetric fiscal relations, and weakening cooperative federalism. Despite constitutional guarantees, states increasingly face constraints in fiscal space and decision-making autonomy due to centralized tax administration, politically influenced fund allocation, and opaque fiscal transfers. The GST Council, although a platform for cooperative dialogue, has often tilted in favor of the Centre, leading to revenue shortfalls, delayed compensation, and financial unpredictability for states.

Furthermore, schemes like DBT, though welfare-enhancing, have often bypassed state governments, marginalizing their role in policy implementation and planning. Transparency and accountability mechanisms in intergovernmental fiscal transfers remain limited, with states frequently unaware of the rationale behind fund allocation. Political alignment with the ruling party at the Centre also appears to influence the distribution of grants and project approvals, undermining fiscal neutrality and deepening regional inequalities. This study seeks to critically examine the economic consequences of these evolving fiscal trends, particularly their impact on state rights, fiscal autonomy, and Centre–State dynamics. It questions whether the existing federal structure truly supports cooperative and competitive federalism, or whether it contributes to a more centralized model of governance. The problem lies in reconciling national priorities with regional aspirations, ensuring fiscal transparency, and building a robust framework where states are not merely administrative arms of the Union, but equal partners in India's developmental journey. In this context, the study explores urgent and significant issues that are highly relevant in today's rapidly evolving and globally connected environment, emphasizing their importance within the current international landscape.

Objective of the article

The overall objective of the article is to critically examine the evolving dynamics of fiscal federalism and transparency in India (2014–2025), focusing on their impact on state autonomy, state rights, resource allocation, and intergovernmental trust. It aims to analyze key fiscal reforms and institutional mechanisms to assess transparency, accountability, and equity in Centre–State financial relations in India with the help of secondary sources of information and statistical data pertaining to the theme of the article.

Research Methodology of the article

This article adopts a qualitative and analytical research methodology based on secondary data sources. The study relies on an extensive review of official documents, including Union and State Budget reports, Finance Commission recommendations, NITI Aayog publications, Economic Surveys, Reserve Bank of India (RBI) bulletins, and policy papers released between 2014 and 2025. In addition, scholarly articles, parliamentary debates, think tank reports, and media analyses have been examined to understand the broader implications of fiscal reforms and Centre–State financial relations. Key fiscal developments such as the implementation of the Goods and Services Tax (GST), changes in the structure of Centrally Sponsored Schemes (CSS), and the increased use of Direct Benefit Transfers (DBTs) have been studied to assess their impact on state autonomy, fiscal transparency, and equity in resource distribution.

The research uses comparative data and statistical evidence to highlight trends in resource allocation, intergovernmental transfers, and fiscal decentralization. By triangulating data from multiple credible sources, the study aims to present a critical yet balanced perspective on how fiscal federalism has evolved during this period and how it has affected intergovernmental trust, accountability, and cooperative governance in India. The gathered statistical data and information will be thoroughly examined and interpreted to extract meaningful insights, which will form the basis for developing practical and evidence-based policy recommendations.

Fiscal Federalism in India (2014–2025): Transparency, State Rights, and Evolving Intergovernmental Dynamics

Fiscal Federalism in India (2014–2025) witnessed major reforms like GST and DBT that redefined Centre-State financial relations. While promoting transparency and efficiency, these changes also raised concerns over diminishing state autonomy. The evolving dynamics demand a balanced federal approach to strengthen cooperative governance. Between 2014 and 2025, fiscal federalism in India underwent significant transformations, shaped by critical policy shifts and a growing discourse around state autonomy, transparency, and equitable resource distribution. The introduction of the Goods and Services Tax (GST) in 2017 was a watershed moment, streamlining indirect taxation under a unified national framework. While it enhanced revenue efficiency GST collections increased from ₹7.19 lakh crore in 2017–18 to ₹20.14 lakh crore in 2023–24 it also limited state governments' fiscal discretion, raising concerns over vertical fiscal imbalances. The 14th Finance Commission (2015–2020) recommended an unprecedented 42% share of the divisible pool of taxes to states, up from 32%, empowering state governments with greater fiscal space. However, the 15th Finance Commission (2021–26) retained the devolution at 41% due to the creation of the Union Territories of Jammu & Kashmir and Ladakh. Despite these measures, centrally sponsored schemes (CSS) continued to dominate, accounting for nearly 40% of central transfers, thereby constraining state-specific policy innovation.

Transparency in intergovernmental fiscal transfers saw mixed results. While the adoption of the Public Financial Management System (PFMS) and Direct Benefit Transfers (DBTs) improved traceability and reduced leakages saving ₹2.73 lakh crore by 2022 (as per the Ministry of Finance) states often faced delays and opacity in fund disbursements. The increasing role of NITI Aayog in performance-based grants further blurred accountability mechanisms, as it lacks constitutional status unlike the erstwhile Planning Commission. Furthermore, the COVID-19 pandemic accentuated fiscal stress among states. Their combined fiscal deficit rose to 4.1% of GDP in 2020–21, against the FRBM target of 3%. The widening gap between revenue responsibilities and financial resources reignited debates over fiscal decentralization and cooperative federalism. Hence, while India's fiscal federal structure evolved substantially during 2014–2025, critical issues remain around transparency, timely fund flows, and genuine fiscal empowerment of states.

India's Fiscal Reform Journey (2014–2025): Unifying Taxation, Enhancing Transfers, and Strengthening Fiscal Discipline

India's fiscal reform journey (2014–2025) focused on unifying taxation through GST, improving welfare delivery via DBTs, and ensuring fiscal discipline through FRBM reforms. These measures aimed to boost transparency, efficiency, and Centre–State fiscal balance. Between 2014 and 2025, India underwent a transformative fiscal reform journey aimed at unifying taxation, enhancing efficiency in fiscal transfers, and strengthening fiscal discipline. One of the most significant milestones was the implementation of the Goods and Services Tax (GST) in July 2017, which replaced a complex web of central and state taxes with a unified indirect tax regime. As of Fiscal Year 2023–24, average monthly GST collections crossed ₹1.6 lakh crore, indicating improved tax compliance and buoyancy. The GST Council, a federal body, became a vital platform for Centre–State collaboration, although tensions around compensation for revenue loss highlighted challenges in cooperative federalism. To improve welfare targeting and reduce leakages, the Direct Benefit Transfer (DBT) system was expanded significantly. By 2024, over ₹34.8 lakh crore had been transferred directly into beneficiaries' accounts under 400+ schemes, reducing corruption and enhancing transparency. The Aadhaar-enabled payment system and Jan Dhan Yojana accounts played a pivotal role in this success.

Fiscal consolidation was prioritized through amendments to the Fiscal Responsibility and Budget Management (FRBM) Act, setting targets for reducing fiscal deficit and public debt. While the pandemic in 2020 necessitated a temporary relaxation of fiscal norms (fiscal deficit rose to 9.2% of GDP in Fiscal Year21), the government gradually returned to consolidation, with a targeted fiscal deficit of 5.1% in Fiscal Year 26, as per the Union Budget 2024–25. Reforms in Centrally Sponsored Schemes (CSS) also rationalized fund flows and promoted outcome-based monitoring. Moreover, the 15th Finance Commission (2021–26) recommended greater grants for performance-based outcomes and reduced untied grants, enhancing accountability. Overall, this decade reflects a critical shift toward transparency, fiscal prudence, and cooperative mechanisms, though persistent challenges around vertical devolution and fiscal autonomy of states remain.

Ensuring Fiscal Transparency and Accountability: The Role of Finance Commission and NITI Aayog in Centre-State Relations in India

In India's federal structure, the Finance Commission and NITI Aayog play pivotal roles in promoting fiscal transparency and accountability in Centre-State financial relations. The Finance Commission (FC), a constitutional body under Article 280, is tasked with recommending the distribution of tax revenues between the Centre and the States. The 15th Finance Commission (2021–26) recommended a vertical devolution of 41% of the divisible pool of central taxes to states an essential mechanism for fiscal equity and transparency. Additionally, the Commission emphasized performance-based incentives and grants tied to reforms in power sector efficiency, health outcomes, and local body governance. NITI Aayog, established in 2015 replacing the Planning Commission, acts as a policy think tank and coordinates with states to foster cooperative federalism. Unlike its predecessor, it does not allocate funds but evaluates program performance, promotes transparency through real-time data via platforms like the Aspirational Districts Programme, and encourages data-driven decision-making.

NITI Aayog's Health Index and SDG India Index have enabled benchmarking state performance, ensuring accountability in public expenditure and outcomes. Together, these institutions have redefined Centre-State fiscal dynamics. While the FC ensures predictable and rule-based revenue transfers, NITI Aayog promotes evidence-based policymaking. For instance, between Fiscal Year 2015 and Fiscal Year 2021, the total central transfers to states grew from ₹5.2 lakh crore to ₹10.6 lakh crore, reflecting the increased importance of formula-based transfers and cooperative planning. However, concerns persist about growing centralization in fund flows, particularly through off-budget borrowings and CSS restructuring. To strengthen fiscal federalism, both institutions must continue to uphold principles of transparency, decentralization, and accountability. Enhanced data sharing, periodic audits, and empowering states in policy design will be vital in achieving equitable and efficient fiscal governance in India.

Centralization and Asymmetric Federalism in India: Examining the Erosion of State Autonomy through Finance Commission Trends and State-Level Responses

India’s federal structure has witnessed increasing centralization over the past decade, especially through the recommendations and actions of Finance Commissions (FCs) and shifting patterns of fiscal devolution. The 14th Finance Commission (2015–2020) increased the states’ share of the divisible pool from 32% to 42%, ostensibly promoting fiscal autonomy. However, this was offset by a concurrent reduction in the number and funding of Centrally Sponsored Schemes (CSS), and an increase in conditional transfers that limited states' discretion over resource allocation. The 15th Finance Commission (2021–2026) maintained the 42% share, later adjusted to 41% post the bifurcation of Jammu & Kashmir. However, it also introduced performance-based incentives and tied grants (over ₹4.36 lakh crore in grants were linked to health, education, and local governance), which further eroded states’ flexibility. States like Kerala and Tamil Nadu have criticized such performance-based criteria as biased, favoring fiscally stronger or demographically advantageous states, and undermining the spirit of cooperative federalism.

Furthermore, the increasing role of NITI Aayog—lacking constitutional authority compared to the Planning Commission—and the dominance of the GST Council (where states have only a one-third vote) have tilted fiscal and policy control toward the Centre. For example, during the COVID-19 pandemic, states bore 63% of total health expenditure, while the Centre retained most fiscal powers over borrowing limits and vaccine procurement. State-level resistance has also grown. Punjab, West Bengal, and Chhattisgarh have demanded compensation for revenue losses under GST and protested against delays in fiscal transfers. This trend reflects rising tensions in India’s asymmetric federalism, where structural inequalities and central discretion threaten the autonomy and fiscal health of states. Thus, India’s federal system is increasingly centralized, demanding urgent reforms to safeguard state rights and ensure equitable fiscal federalism.

Crisis and Contestation: The Breakdown of Cooperative Federalism and the Political Economy of Inter-State Rivalry in India During COVID-19

The COVID-19 pandemic starkly exposed the fragility of India's cooperative federalism, highlighting inter-governmental tensions and widening Centre-State asymmetries. While India's Constitution mandates a federal structure with a strong Centre, the pandemic revealed a drift towards centralized decision-making, undermining the spirit of federal cooperation. The sudden imposition of the national lockdown in March 2020 without adequate consultation with States epitomized the top-down approach. States bore the primary burden of health service delivery, migrant welfare, and economic management, yet faced fiscal constraints due to a delayed release of GST compensation. According to the Comptroller and Auditor General (CAG), ₹2.35 lakh crore of GST compensation was pending by the end of FY2021, severely affecting States' ability to respond to the crisis. Inter-state rivalry became pronounced, particularly over resource allocation and migrant worker management. States like Maharashtra and Tamil Nadu, hit hardest by the pandemic, demanded more fiscal support, while others like Uttar Pradesh and Bihar criticized uneven distribution of central resources.

The Centre's control over medical supplies, vaccines, and oxygen distribution during the second wave led to further distrust. For instance, Delhi and Maharashtra alleged inequitable oxygen allocation in 2021, while central guidelines restricted states' ability to procure vaccines independently. The political economy dimension deepened contestation. Opposition-led states accused the Centre of partisan allocation and communication, with states such as Kerala, West Bengal, and Punjab alleging discrimination in funding and vaccine access. Moreover, the Centre's over-reliance on tools like the Disaster Management Act, 2005 bypassing state legislatures exacerbated institutional imbalances. In essence, COVID-19 transformed India's cooperative federalism into a contested terrain marked by fiscal centralization, politicized decision-making, and weakened intergovernmental trust posing significant challenges to India's federal equilibrium.

Imbalanced Federal Dynamics and Their Impact on State Public Finance, Social Spending, and Regional Inequality in India

India's federal structure has witnessed increasing centralization of fiscal powers, particularly in the post-2014 era, resulting in imbalanced federal dynamics that adversely impact state public finance, social spending, and regional equality. The 15th Finance Commission's recommendation to reduce the share of divisible tax pool to states from 42% (14th FC) to 41% (to account for Jammu & Kashmir's reorganization) was accompanied by greater central discretion in transfers, undermining predictability and fiscal autonomy. Statistical evidence reveals that between 2014 and 2022, the share of Central Sector Schemes (CSS) in total Union expenditure increased from 30.7% to nearly 45%, while Centrally Sponsored Schemes (CSS) witnessed stagnant or declining allocations. Meanwhile, untied transfers to states reduced as a percentage of GDP from 6.4% in 2015–16 to 5.8% in 2021–22 curbing states' flexibility in funding welfare schemes.

This centralization disproportionately impacts poorer states. For example, Bihar, with a poverty rate of 33.7% (NITI Aayog MPI, 2021), depends heavily on fiscal transfers. Yet, its per capita public expenditure on health remains just ₹1,506 (2020–21), compared to ₹3,705 in Tamil Nadu and ₹4,216 in Kerala, leading to underinvestment in social sectors. Moreover, GST compensation cessation in June 2022 created further fiscal stress. According to RBI's "State Finances: A Study of Budgets 2022–23," states like Punjab, Rajasthan, and West Bengal face high debt-to-GSDP ratios (over 35%), limiting their capacity for capital and social sector spending. The growing asymmetry in fiscal federalism exacerbates regional inequality, erodes intergovernmental trust, and undermines cooperative federalism. Without structural reforms in tax devolution and greater fiscal autonomy for states, the vision of inclusive and balanced development across India remains compromised.

Analyzing the Broader Implications of Fiscal Reforms and Centre–State Financial Relations in India

Fiscal reforms and Centre–State financial relations are pivotal in shaping India's economic stability and development. Over the years, reforms aimed at fiscal consolidation, revenue augmentation, and expenditure management have significantly impacted intergovernmental fiscal dynamics. India's fiscal discipline improved markedly post-1991 economic reforms. The fiscal deficit, which was 8.4% of GDP in 1990-91, was brought down to 3.4% in 2022-23, aligning with the Fiscal Responsibility and Budget Management (FRBM) targets. Such reforms have enhanced the credibility of public finances, enabling greater investment in infrastructure and social sectors. Centre–State financial relations are primarily governed by the Constitution, with taxation and grants playing crucial roles. The Central government primarily derives revenue from income tax, corporate tax, and Goods and Services Tax (GST), introduced in 2017, which has unified indirect taxation across states. GST's introduction increased the share of States' revenue from indirect taxes from about 27% in 2016 to approximately 40% in 2022, empowering States financially.

However, fiscal decentralization faces challenges. States rely heavily on Central transfers about 55% of their revenue in 2022 mainly through the Finance Commission's grants and shared taxes. This dependency raises concerns about fiscal autonomy, especially during economic downturns like the COVID-19 pandemic, which reduced States' own revenue sources by an estimated 20-25%. Reforms such as the 14th Finance Commission's recommendations have increased States' share in Central taxes from 29% to 42%, boosting their fiscal capacity. Yet, issues persist regarding debt sustainability; State borrowings surged from 23% of GDP in 2014 to 31% in 2022, raising concerns over fiscal prudence. In short, fiscal reforms have strengthened India's financial framework, but continued efforts are needed to balance fiscal discipline with adequate fiscal autonomy for States, ensuring sustainable and inclusive growth.

Key Fiscal Reforms and Their Impact on State Autonomy, Transparency, and Equity in India

India's fiscal reforms have significantly shaped the landscape of intergovernmental finance, influencing state autonomy, fiscal transparency, and equity. The introduction of the Goods and Services Tax (GST) in 2017 marked a major overhaul, unifying indirect taxes across states and subsuming multiple levies. GST increased the share of states' revenue from indirect taxes from approximately 27% in 2016 to about 40% in 2022, thereby enhancing their financial independence and reducing dependence on central transfers (GST Council, 2022). This shift has empowered states to better plan and implement regional development projects. Changes in the structure of Centrally Sponsored Schemes (CSS) have also impacted fiscal decentralization. Traditionally, CSS were designed with rigid guidelines, often limiting states' flexibility. Recent reforms aim at greater devolution of funds and responsibilities, promoting more tailored policy implementation. For example, the 15th Finance Commission recommended increasing the states' share of central taxes from 42% in 2015-16 to 41% in 2020-21, providing states with greater fiscal space and autonomy.

The increased use of Direct Benefit Transfers (DBTs) since 2013 has enhanced transparency and aimed at equitable resource distribution. The DBT scheme, covering programs like LPG subsidies, MGNREGA wages, and PDS, has reduced leakages and targeted subsidies directly to beneficiaries. As of 2022, over ₹2.5 lakh crore ($33 billion) was transferred through DBTs, improving efficiency and reducing corruption (Ministry of Finance). While these reforms have strengthened fiscal transparency and promoted equity, challenges remain. States' reliance on central transfers still accounts for around 55% of their revenue, limiting fiscal autonomy. Moreover, the increased borrowing by states, which reached 31% of GDP in 2022, raises concerns over fiscal sustainability. In short, fiscal reforms like GST, flexible CSS, and DBTs have advanced fiscal transparency and equity, but ensuring sustained state autonomy and fiscal discipline remains crucial for balanced growth.

Strengthening Federal Balance and Transparency in India: Policy Reforms for Equitable Fiscal Devolution and Institutional Accountability

India's federal structure is undergoing significant challenges due to increasing centralization and diminishing fiscal autonomy of states. Between 2014 and 2025, policy shifts such as the implementation of the Goods and Services Tax (GST), restructuring of Centrally Sponsored Schemes (CSS), and the growing role of institutions like NITI Aayog have altered the contours of Centre–State financial relations. While these reforms aimed at efficiency and uniformity, they often undermined the fiscal independence of states, leading to regional imbalance and governance asymmetries. To strengthen the federal balance, policy reforms must prioritize equitable fiscal devolution. This includes revising Finance Commission mandates to ensure greater weightage to criteria like population, fiscal effort, and development needs. Transparent and rule-based allocation mechanisms should replace ad hoc discretionary transfers, enabling states to plan long-term development strategies.

Institutional accountability also requires enhancement. Strengthening the Finance Commission's independence, granting legislative backing to the Inter-State Council, and ensuring NITI Aayog operates with participatory federalism are key. Moreover, publishing timely, disaggregated fiscal data can foster transparency and empower state governments and citizens alike. Finally, the need for cooperative federalism must be institutionalized through formal frameworks that encourage dialogue, reduce fiscal disputes, and align national and sub-national priorities. By recalibrating the federal architecture with accountability, equity, and transparency at its core, India can ensure inclusive growth and preserve the constitutional vision of balanced federalism.

Conclusion

The period from 2014 to 2025 has been pivotal in shaping India's fiscal federalism, marked by comprehensive reforms aimed at enhancing efficiency, transparency, and fiscal discipline. The introduction of the Goods and Services Tax (GST), restructuring of Centrally Sponsored Schemes (CSS), and expansion of Direct Benefit Transfers (DBTs) have collectively transformed the intergovernmental fiscal landscape. While these measures have contributed to improved tax compliance, reduced leakages, and targeted welfare delivery, they have also raised concerns regarding the erosion of state autonomy and the equitable distribution of resources. The centralization of fiscal powers, exemplified by the dominance of the GST Council, NITI Aayog's increasing role, and conditional transfers, has contributed to asymmetric federal relations, often marginalizing state governments and deepening regional disparities. Despite increased revenue shares for states, their dependence on central transfers and borrowings remains significant, limiting fiscal independence and constraining social and infrastructure spending in less developed regions.

The COVID-19 pandemic further exposed vulnerabilities within the federal framework, highlighting the need for more robust, transparent, and participatory fiscal institutions. To safeguard cooperative federalism, India must undertake institutional reforms that bolster the independence of the Finance Commission, institutionalize the Inter-State Council, and enhance data transparency. Reforms should also prioritize equitable fiscal devolution that considers states' specific needs and capacities, promoting balanced regional development. Ultimately, strengthening Centre–State relations through transparent, rule-based fiscal transfers and institutional accountability is essential for fostering a resilient federal structure capable of addressing contemporary challenges. By recalibrating fiscal federalism with a focus on autonomy, transparency, and inclusivity, India can ensure sustainable growth, reduce regional inequalities, and uphold the constitutional mandate of a cooperative and balanced federation in a rapidly globalizing environment.

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