

UNDERSTANDING FEDERAL ASYMMETRIES: GOVERNANCE AND REGIONAL DISPARITIES IN INDIA

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Abstract:

India displays enormous asymmetry characteristics, and the treatment of states under Indian federalism is based on the principle that some states are more equal and unequal than others. Unlike other sub-national units, there are special provisions and powers extended to the states like Nagaland, Mizoram and others in omnibus article 371. Concerns have been raised regarding the unequal representation of the states in the Upper House of the Indian Parliament. This is the case of political asymmetry, which is based on the territorial and demographic sizes of the constituent units. However, smaller states like Mizoram, Nagaland and Goa have only one seat in the Upper House, which furthers inter-state inequalities. Larger states with more representation in the Upper house continue to dominate the proceedings of the Parliament. The glaring gap between India's three most prosperous states and the three poorest states has increased. Falling fertility rates among the southern states of India are leading to their slow rate of population growth than the northern states of India. Yet, the central government have been allocating funds and resources to the states for quite a long time based on the population figures from the Census of 1971. This practice facilitates interstate migration from impoverished northern states to prosperous southern and western states of India by establishing disparities in wealth and demography among the states, putting fiscal pressure on the rich and less populous states of the south. Such inequalities throw another level of challenge to India's federal design in addressing the issues of taxes, fiscal transfers, issue of migration and others. The paper attempts to investigate what factual inequalities exist between sub-national units in India (regarding territorial size, population size, economic strength, etc.) and how are they reflected in their scope of autonomous sub-national decision-making?

Keywords: *Indian federalism, parliament, government, India, sub-nation*

Introduction

Federalism depends on a constitutionally defined distribution of power among a minimum of two governmental levels, a system of geographical representation that takes into account a wide range of identities and interests, as well as a separation of powers that includes an independent court, such as the Supreme Court, to resolve disagreements between different levels of government. Within the context of non-democratic environments, it is challenging to maintain these conditions. Federalism, according to the conventional understanding of the phrase, provides essential safeguards for democratic institutions by avoiding the tyranny of the majority and ensuring that minority continue to exercise some degree of autonomy. It is not possible to definitively state what the consequences of federalism are for democracy.¹

For more than seventy years, India's democratic federalism has been recognized for unifying the nation amidst extraordinary ethnic, linguistic, and religious diversity. The constitution of post-independence India grants substantial authority to its sub-national governments on several facets of daily governance. The reorganization of Indian states according to linguistic criteria took place in the middle of the 1950s. This was a politically astute decision that helped to reduce the number of possible disputes that may arise about linguistic identity. In spite of the fact that federalism has been the unifying factor that has successfully kept the greatest democracy in the world together, there are growing indicators that this tie is becoming weaker.²

Despite India's constitutional commitment to "one person, one vote" and balanced federalism, the twin mechanisms of frozen delimitation and population-weighted fiscal devolution have—with unintended consequences—deepened factual inequalities among states. States that successfully curbed population growth and built stronger per-capita economies now face shrinking shares of parliamentary seats and central transfers, undermining their sub-national autonomy, while high-growth, lower-income states gain disproportionate political and fiscal clout. This paradox raises a fundamental question about how institutional rules designed to ensure equality can, in practice, produce new forms of inequality.

Research Question:

What factual inequalities—territorial size, population growth, and fiscal capacity—undermine the scope of autonomous subnational decision-making in India, and how are these inequalities reinforced by delimitation and fiscal devolution rules?

Theoretical Framework and literature review

There were two noteworthy observations that Alfred Stepan had made. He emphasized that, in addition to the notion of 'coming together' that is associated with federalism organized in the United States, a number of countries, including India, have chosen various types of federalism in order to 'hold together' their different people inside a political union. In the second place, he proposed that the federal

systems that were established as a consequence of this were not uniform in their capacity to limit the influence of national majorities or the populace. Countries that exhibit severe "democratic restricting characteristics" have territorial interests that are much more strongly institutionalized. As a result, these countries limit the power of popular national majorities and impede policy-making processes due to the large number of prospective veto parties involved. On the other hand, more centralized federal institutions that are "democracy enabling" have improved the agility with which they execute changes to national policy or adapt to regional requirements. This is because circumstances often change in democracies that are still in their early stages of development. On the other hand, Stepan considered India to be a prominent example of the latter kind of federal systems that enable demos.³

Another political scientist, Arend Lijphart considered federalism to be one of the two fundamental attributes of a consensual, as opposed to majoritarian, form of democracy, particularly important for pluralistic societies. The consensual model prioritizes comprehensive involvement in governance and broad agreement on policies enacted by a central authority, rather than seeing majority rule as the fundamental aspect of democracy.⁴

Many federal systems feature an upper chamber in the legislature that represents the territorial sub-units within the federal framework. Numerous examples demonstrate that federal systems ensure equal participation for sub-units in this chamber, irrespective of their population levels. In these constitutional frameworks, often observed in 'coming together' federations where previously autonomous states have consolidated their sovereignty, smaller, less populous units exhibit over-representation relative to their population size. This measure indicates that Brazil, Argentina, and the United States exhibit significant demos-constraining characteristics by institutionalizing the veto power of frequently minor federal sub-units at the national level, thereby increasing their influence in national policy discussions. India is positioned towards the democratic end of the spectrum, implementing the one person, one vote principle in its upper house, the Rajya Sabha, which accurately reflects the composition of its lower house, the Lok Sabha.⁵

Instead of giving this power to state governments, which may be more likely to resist demands for state division, Article 3 of the constitution gives the central government the right to form new states or amend state borders. This authority is granted to the central government by a legislative majority. The unequal representation of states in the Rajya Sabha suggests that the creation of new states does not disrupt the current power equilibrium among all states in this upper chamber.⁶

Stepan contended that India's federal framework harmonizes cultural variety with efficient policymaking, in contrast to federal systems that are institutionally configured to distribute power territorially, thereby constraining decision-making by national majorities. In India, subnational or local governments, comprising states, union territories (UTs), and local self-governments (municipalities and

panchayats), demonstrate considerable institutional disparities and factual inequalities. The disparities are mostly determined by geographical dimensions, demographic composition, economic robustness, and other elements, which therefore influence their authority, financial resources, and decision-making independence.⁷

Moreover, India exhibits many asymmetrical traits, and the treatment of states under Indian federalism adheres to the premise that some states are more equal than others. In contrast to other subnational entities, states such as Nagaland and Mizoram are granted specific laws and authorities under the Article 371. No legislative legislation may be enacted in these states without the approval of their respective legislatures. This illustrates asymmetrical protections safeguarding the religious and social customs, customary laws, and processes of the Nagas and Mizos. Furthermore, owing to prevalent inter-state and existing cultural disparities, an additional subnational entity known as Union Territories has been established. Unlike other subnational bodies, Union Territories, like as Delhi, lack control over land, police, and civil service in decision-making, although possessing their own legislative body.⁸

The allocation of seats for the Lok Sabha and State Legislative Assemblies will occur according to the first Census conducted after 2026. The 2021 Census was initially postponed due to the COVID-19 pandemic and subsequently delayed by the Central government. Articles 82 and 170 of the Constitution stipulate that the distribution of seats in the Lok Sabha and State Legislative Assemblies, along with their segmentation into territorial constituencies, is required to be revised following each Census. The delimitation procedure is carried out by the Delimitation Commission, which was established through parliamentary legislation. The experiment was conducted subsequent to the 1951, 1961, and 1971 Censuses.⁹

Methodology and Research Design

This study draws on a mixed-methods comparative design to examine how India's delimitation rules and fiscal devolution mechanisms interact with demographic and economic disparities to shape subnational autonomy. First, it utilizes census data from 1971 and 2011 to calculate state-level population growth rates and to derive seat-to-population ratios under both the frozen-1971 and proposed delimitation scenarios (543 vs. 848 seats). These quantitative measures are complemented by fiscal data from the PRS Legislative Research "State of State Finances: 2023–24" report, which provides each state's revenue and capital expenditure, fiscal deficits, and central transfer shares expressed as percentages of GSDP. Historical context on inter-state economic divergence is drawn from the World Bank's *India Goes Global* volume (Purfield & Schiff 2006), while projections for seat redistribution rely on the models proposed by Vaishnav & Hinton (2019) and Rangarajan & Srinivasan (2023). Finally, qualitative insights from constitutional texts (Articles 82 and 170), journal articles (Tillin 2018), and leading media analyses (The Hindu, Indian Express) help situate the numerical findings within India's evolving federal framework.

To illustrate the real-world implications of these rules, this paper adopts a purposive case selection strategy, contrasting two archetypal pairs of states. Uttar Pradesh and Bihar represent high-growth, low-income cases: they have experienced rapid population increases and stand to gain additional seats and fiscal transfers under population-weighted formulas. Kerala and Tamil Nadu, by contrast, exemplify low-growth, high-income states that have successfully implemented family planning and achieved strong per-capita GSDP but face potential reductions in representation and smaller per-capita transfers. This juxtaposition illuminates how identical institutional rules produce diverging trajectories for states at opposite ends of India's demographic-economic spectrum.

Analytically, the study proceeds in three steps. First, descriptive statistics map each state's percentage change in population (1971→2011) alongside the corresponding change in parliamentary seats under the two delimitation proposals. Per-capita central transfer shares are then computed and plotted against per-capita GSDP to reveal misalignments between economic strength and fiscal allocations. Second, these quantitative patterns are interpreted through the lens of constitutional amendment histories and expert proposals such as degressive proportionality and TFR-adjusted formulas-to assess alternative designs' federal equity implications. Third, to connect institutional shifts to policy autonomy, the paper examines selected outcome indicators (e.g., infrastructure spending growth, health expenditure increases) reported in state budget documents, thereby tracing the causal logic from unequal representation and transfers to divergent capacities for autonomous decision-making. This integrated approach allows for a nuanced unpacking of the paper's core puzzle: how rules intended to uphold representation and fiscal fairness can, paradoxically, deepen state-level inequalities.

Institutional and Economic Inequalities in Indian Federalism

The main issue lies not in the links between the central and the states, but in the discrepancies among the states themselves. For example, in recent decades, there has been a considerable widening of the economic gap between the states of India. According to the findings of study carried out by Praveen Chakravarty and Vivek Dehejia, as of 2017, India's three richest states were three times more prosperous than its three least prosperous states. The growth of the population has been quite inconsistent. To a far lesser extent than in the north, the population in southern India is growing at a considerably slower rate than in the north. This is because birth rates are falling. The nonpartisan Finance Commission continues to depend on population data from the obsolete 1971 Census for a large percentage of the central government's resource transfer to the states. This transfer is made possible by the fact that the Finance Commission is impartial. Interstate migration is mostly driven by disparities in wealth and demography, with the majority of people moving from economically disadvantaged and younger northern states to more prosperous neighboring southern and western states. These discrepancies, when taken together, give

rise to new queries about the federal structure of India and have the potential to create a considerable split between the progressive and under performing regions of the nation.¹⁰

Concerns have arisen over the disproportionate representation of states in the Upper House of the Indian Parliament. This exemplifies political asymmetry, which is predicated on the geographical and demographic dimensions of the component entities. Nevertheless, smaller states like as Mizoram, Nagaland, and Goa possess just one member in the Upper House, exacerbating inter-state disparities. More populous states with more representation in the Upper House persist in dominating parliamentary proceedings. States such as Uttar Pradesh and Maharashtra possess bigger populations and territories, resulting in more extensive legislative assemblies and executive frameworks, so conferring more political influence and a wider capacity for decision-making. Smaller states and Union Territories, such as Goa, Sikkim, and the Andaman and Nicobar Islands, possess limited legislative assemblies and resources, resulting in less governance ability and reduced influence in national decision-making. Smaller states may lack the ability to execute large-scale infrastructure projects owing to resource limitations.¹¹

This unequal distribution of resources, uneven FDI, imbalanced development, and eventually falling short of revenue resources increases the inequalities between the sub-national units. As a result, states' autonomy, especially laggard ones, gets compromised as they become dependent upon the centre for implementing public policies. Furthermore, their economic backwardness creates differential efforts to bring health and education reform to their territories.¹²

Municipalities (urban local bodies) in larger cities like Mumbai or Bengaluru have more substantial revenue sources, including property taxes, municipal bonds, and user charges. This enables them to invest in urban infrastructure and services, giving them a higher level of operational autonomy. Rural local governments (Panchayats), particularly in underdeveloped regions, are more dependent on central schemes (like the Mahatma Gandhi National Rural Employment Guarantee Scheme) and state funding. As a result, they have limited autonomy in planning and executing local development projects.¹³

Understanding the factors that account for variations in infrastructure development among Indian states is essential. Potential factors encompass economic elements (such as gross regional products (GRP) and the ratio of gross capital formation to GRP), financial variables including interest rates, bond market yields, and foreign direct investment, demographic and cultural aspects like population density, caste systems, and urbanization rates, in addition to political and institutional considerations involving the alignment of central and state governments and governance-related issues, including corruption.¹⁴

The disparity in infrastructure levels among states has decreased over time; the research looked at three different categories of infrastructure: physical, social, and financial. Despite this, these three types of infrastructure continue to exhibit substantial variances. The states of Kerala, Himachal Pradesh, and

Karnataka have scored very well in all three infrastructure indices, but the states of Bihar, Uttar Pradesh, and Jharkhand have only performed poorly in comparison to other states.

The development of physical, social, and financial infrastructure is influenced by a variety of elements depending on the context. On the other hand, fiscal and demographic variables are more relevant to social and financial infrastructure, but economic factors have a higher impact on both physical and financial infrastructure. There is a complementary relationship between these three categories of infrastructure. Both the social and financial infrastructures are better off when there is an increase in the assets of the physical infrastructure. The growth of the financial sector has a favorable impact on the progress of both the physical and social infrastructure. This is because having access to credit and financial instruments at prices that are affordable is essential for investments in both public and private infrastructure construction.¹⁵

Fiscal Inequalities

Based on previous research, it has been determined that the starting development levels, economic structure, and unequal development of infrastructure are the primary variables that contribute to the disparities in growth rates that exist across states. The disparities in economic growth that may be seen among the states of India can be partially explained by the varied levels of development that exist in the physical infrastructure (transportation, energy, and information), social infrastructure (education and health), and financial infrastructure (financial institutions).¹⁶

Not all the states have the same financial resources. Even in central tax devolution, the share of the low-income states has decreased over time. The structural problems like high poverty rate, low human development index and narrow revenue base only widen the gap between developed and low-income states. Even the subsidies extended by the Central government benefit those well-irrigated, urbanised and rich states.¹⁷

India's fiscal landscape reflects deep economic disparities between states, shaped by historical and structural factors. For decades, central resource allocation was based on the **1971 Census**, which disproportionately benefited more populous northern states. Although the basis for horizontal devolution shifted to the **2011 Census**, wealthier southern and western states, such as Maharashtra, Tamil Nadu, and Gujarat, continue to feel disadvantaged. These states argue that despite successful population control and higher economic output, they are penalized under a population-based devolution model. In contrast, poorer northern states, such as Bihar and Uttar Pradesh, continue to receive higher allocations due to their larger populations, even though their economic performance remains weak. This fiscal imbalance fuels interstate migration from poorer to wealthier states, creating further strain on the social and economic infrastructure of the more prosperous regions.¹⁸

The dependence on central transfers establishes a hierarchy in fiscal independence. Less affluent

states with diminished revenue bases and lesser levels of industrialization remain significantly reliant on the central government for financial support. States like as Bihar and Jharkhand has little budgetary resources to autonomously invest in infrastructure, healthcare, and education, making them more susceptible to central political control. In contrast, affluent states possess enhanced budgetary autonomy. Maharashtra and Tamil Nadu, with elevated industrial production and substantial tax resources, exhibit more policy freedom in formulating and executing social programs, infrastructural projects, and economic initiatives independently of national assistance. This gap perpetuates a cycle in which affluent states retain economic and political authority, while impoverished states remain fundamentally reliant on centre.¹⁹

Political Asymmetry

Political asymmetry is ingrained in the institutional structure of Indian federalism, especially regarding the representation and power of the Rajya Sabha. Smaller states like Mizoram and Nagaland possess equal representation in the Rajya Sabha, despite their reduced populations, resulting in an imbalance where these states have disproportionate influence in legislative affairs. The Rajya Sabha's legislative power is limited; it cannot vote on financial legislation, lacks involvement in confidence motions, and in instances of impasse, the Lok Sabha's superior numerical strength finally wins. As a result, bigger states like as Uttar Pradesh and Maharashtra have more political influence in national decision-making due to their significant representation in the Lok Sabha. This institutional mismatch guarantees that national policies mostly align with the interests of larger populous states, while smaller states remain politically disadvantaged despite their official presence in the Rajya Sabha.²⁰

India's constitutional framework further entrenches political asymmetry under Article 371, which confers unique safeguards to some states, notably in the Northeast. States such as Nagaland and Mizoram has the constitutional power to reject legislative legislation that contradicts their customary customs and social frameworks. No parliamentary legislation may be enacted in these states without the express approval of the state legislature. This asymmetric configuration aims to maintain cultural and socio-economic variety; nevertheless, it also engenders uneven political dominance across nations. Although smaller northeastern states possess veto authority on specific matters, bigger states with enhanced representation in the Lok Sabha persists in dominating national policy results, hence perpetuating a twofold layer of political imbalance.²¹

Delimitation and Political Representation

According to Article 81, every state is required to have representatives that are proportional to its population, and those legislators are then distributed among districts that are about equivalent in size. As indicated by the Thirty-First Amendment in 1973, proportional representation is not required for the states with populations of less than six million people or for the union territories (UTs) that are managed

centrally by the government of India. Instead, congress has the authority to select how seats are distributed in these areas.²²

According to the constitution, the total number of seats in the Lok Sabha is also governed. There were a maximum of 520 elected members, with 500 coming from India's states and 20 coming from the Union Territories, according to the Seventh Amendment, which was written in 1956. As a result of amendments made in accordance with the Fourteenth Amendment (1962), the Thirty-First Amendment (1973), and the Goa, Daman, and Diu Reorganisation Act (1987), the Lok Sabha is now allowed to have a maximum composition of 552 members. Twenty members come from the Union Territories, 530 members come from the states, and two representatives from the Anglo-Indian community are nominated by the president. All of these seats in the Lok Sabha are currently held by a maximum of 545 members of parliament.²³

Following the completion of each census, the proportionate reallocation of seats is mandated by Article 82 of the Constitution, which also mandates the use of recently updated demographic facts. The allotment of seats was postponed until after the 2001 Census as a result of the Forty-Second Amendment, which was passed in 1976 during the twenty-one-month Emergency period that Prime Minister Indira Gandhi was in charge of. It was Gandhi's desire to push for family planning laws by ensuring that states that achieved decreased fertility rates and, as a result, curtailed population expansion would not be penalized for their actions. This was one of the key motivations for the freeze.²⁴

In 2002, Parliament extended the reallocation freeze by enacting the Eighty-Fourth Amendment, delaying it until the next decennial census, scheduled for 2031. The Eighty-Seventh Amendment (2003) allowed for redistricting within states based on 2001 population data, while keeping the total number of seats assigned to each state constant. By 2031, the demographic data utilized for the allocation of parliamentary seats to each state will be outdated by sixty years.²⁵

The allocation of seats for the Lok Sabha and State Legislative Assemblies will occur following the first Census conducted after 2026. The 2021 Census was initially postponed due to the COVID-19 pandemic and subsequently delayed by the Central government. Articles 82 and 170 of the Constitution mandate the recalibration of seat allocation in the Lok Sabha and State Legislative Assemblies, along with the division into territorial constituencies, following each Census. The delimitation procedure is carried out by the Delimitation Commission, which is established through parliamentary legislation. The experiment was conducted subsequent to the 1951, 1961, and 1971 Censuses.²⁶

What are the issues?

The allocation of seats was determined based on the 1971 Census to advance population control measures. The population increase in our country during the last fifty years has been disparate, with states like Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan seeing more substantial expansion than others

such as Kerala, Tamil Nadu, Karnataka, and Andhra Pradesh. Two ideas about the next delimitation exercise, predicated on the anticipated population of several states by 2026, have been deliberated in the public sphere. The first option is to maintain the current 543 seats and redistribute them among the several States, while the second option is to augment the total to 848 seats with a corresponding increase allocated to the States.

In both situations, it is apparent that the southern states, the smaller northern states like as Punjab, Himachal Pradesh, and Uttarakhand, together with the northeastern states, are at a disadvantage relative to the northern states of Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan. This may violate the federal principles of our country and might create discontent among the citizens of states likely to see a decrease in their representation. This undermines the basis of seat distribution based on the 1971 Census, disadvantaging governments who have successfully implemented population control regarding their political significance.

The conflict emerges when democratic and federal ideals seem to be in opposition throughout the delimitation process as proposed. Nevertheless, they may be happily resolved by assigning equal significance to each.²⁷

Expanding the Lok Sabha Using 2026 Population Projections

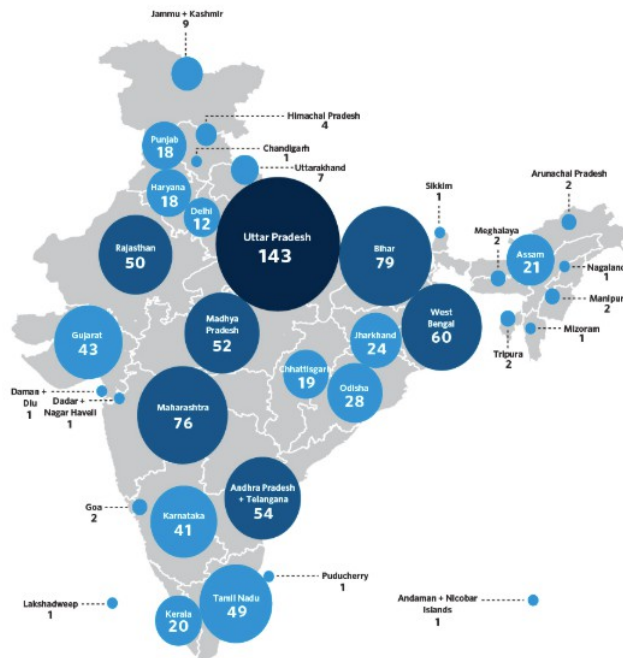


Figure 1

Source: Milan Vaishnav and Jamie Hinton, "India's Emerging Crisis of Representation," Carnegie Endowment for International Peace, March 14, 2019, <https://carnegieendowment.org/2019/03/14/india-s-emerging-crisis-of-representation-pub-78588>.

A delimitation process that only accounts for revised population statistics may disproportionately

advantage high-growth states by augmenting their parliamentary representation, while diminishing the political clout of governments that have effectively managed population growth. This transition prompts apprehensions over the equilibrium of authority within India's federal framework. States that have attained population stability are concerned about being punished with less parliamentary representation, which might weaken their influence on national legislation and resource distribution. Representation and federalism should not be seen as zero-sum scenarios. The advancements achieved by southern states in several socio-economic metrics stem from historical and political influences that transcend the last fifty years. Moreover, economic contributions from various areas manifest in diverse ways—some states focus on capital accumulation and resource exportation, while others provide labor, which is equally vital to the national economy.²⁸

At the same time, the politics of the current moment complicates the delimitation debate. The increasing perception of central interference in state affairs, particularly through Raj Bhavans, has heightened regional anxieties. Dismissing concerns over federalism as mere distractions risks alienating states that already feel sidelined. The political and cultural apprehensions surrounding delimitation must be acknowledged and addressed through open and transparent discussions. It is imperative for political parties to rise above short-term electoral calculations and engage constructively in this debate. Given the heightened rhetoric on both sides, achieving this will be challenging, but considering the stakes—the very resilience of Indian democracy—this task is of utmost importance.²⁹

To address these concerns, scholars and policymakers have suggested alternatives such as increasing the overall number of Lok Sabha seats to ensure fairer representation without reducing existing seats for any state. Degressive proportionality, where more populous states have a higher population per representative than smaller states, is another proposed approach, similar to models used in the European Parliament. Strengthening the Rajya Sabha's role in representing state interests has also been suggested as a counterbalance to population-based representation in the Lok Sabha. Additionally, aligning fiscal federalism with demographic achievements can ensure that states with successful population control measures are not disadvantaged in financial devolution.³⁰

The impending delimitation exercise, therefore, necessitates a nuanced approach that balances democratic representation with federal equity. Transparent and inclusive discussions will be crucial to ensuring that the process does not deepen regional disparities but rather upholds the integrity of India's federal democracy.³¹

Impact on Subnational Decision-Making

The fiscal environment in India has seen substantial transformation in recent years. The gross fiscal deficit (GFD) of the central government was 5.6% of GDP in 2023-24, a decrease from 6.4% in the prior year, and is anticipated to decline further to 5.1% in 2024-25. Concurrently, the states collectively

reported a budget deficit of 3.0% of GSDP for 2023-24, sustaining this level for 2024-25. Despite advancements, the deficits of the states remain a significant factor in India's overall fiscal health. States with elevated budget deficits in 2023-24 include Punjab, Jammu & Kashmir, and Rajasthan.³²

The interplay of fiscal and political asymmetry profoundly influences the autonomy of subnational governments in India. Affluent states like as Maharashtra, Tamil Nadu, and Gujarat has enhanced budgetary capability and more political representation, enabling them to autonomously devise and execute economic and social policies. These states can execute infrastructure initiatives, provide social welfare, and address regional need independently of national support. Their increased presence in the Lok Sabha affords them a more influential role in formulating national policy. Conversely, economically disadvantaged states such as Bihar, Jharkhand, and those in the north- eastern region have systemic limitations in decision-making attributable to their con- strained budgetary resources and diminished political clout. Their diminished revenue bases and elevated poverty rates render them more dependent on central payments for essential infrastructure and social services. This reliance limits their capacity to implement autonomous policy agendas and renders them more susceptible to changes in central government objectives. Smaller states and Union Territories, such as Goa, Sikkim, and the Andaman and Nicobar Islands, have distinct challenges due to their restricted legislative authority and constrained budgetary resources, which hinder their ability to undertake extensive development projects. Consequently, the autonomy in decision-making among India's subnational administrations is markedly inconsistent, exacerbating the overarching economic and political inequalities within the federal framework.³³

Although macroeconomic stabilization is primarily a function of the federal government, subnational deficit controls significantly impact both macroeconomic stability and fiscal management. This is because public spending in a federal system like India involves both the central and state governments as co-equal partners. Both levels of government experience fiscal imbalances, and fiscal stability in a large federation depends on managing deficits at both the central and state levels. In the pre-Fiscal Responsibility and Budget Management Act (FRA) period, states collectively ran fiscal deficits comparable to those of the central government. From 1998–1999 to 2003–2004, the average fiscal deficit across all states was approximately 4.5% of gross domestic product (GDP), while the central government's fiscal deficit stood at 5.2% of GDP during the same period. Given the federal structure, where both levels of government are responsible for substantial public expenditure, achieving overall fiscal consolidation is impossible unless both the central and state governments work together to reduce their deficits.³⁴

This reluctance to recognize India's changing demographics has incurred a price. Indian states have seen markedly divergent growth rates over the last four decades, attributable to varying-though

gradually converging-fertility rates. States experiencing sluggish population increase, like Kerala and Tamil Nadu, contend that they should not be penalized for managing population growth more effectively than states with rapidly increasing populations, like as Bihar and Uttar Pradesh. The northern states contend that they have been disadvantaged; the principle of “one person, one vote” is fundamental to democratic representation.³⁵

Conclusion

In summary, India's subnational and local governments reflect a complex matrix of institutional differences and factual inequalities that impact their scope of decision-making. Larger, wealthier, and more populous states and municipalities generally enjoy greater autonomy, while smaller, weaker ones remain more dependent on the central government for financial resources and administrative guidance. This paper began with a central puzzle: why do institutional rules ostensibly designed to ensure “one person, one vote” and equitable fiscal devolution instead deepen factual inequalities among Indian states? Our analysis has shown that the freeze on delimitation since 1971, combined with population-weighted formulas for central transfers, systematically advantages high-growth, lower-income states while penalizing slower-growing, higher-income states. Quantitative comparisons of population shifts and seat-to-population ratios under the 543-seat and 848-seat scenarios revealed stark divergences: Uttar Pradesh and Bihar stand to gain substantially in both parliamentary representation and per-capita transfers, whereas Kerala and Tamil Nadu risk diminished political voice and smaller fiscal shares despite outperforming on key development indicators.

These findings carry important implications for India's federal design. First, they underscore that frozen or simplistic population-based rules can distort democratic representation and undermine the fiscal autonomy of states that have successfully managed population growth. Second, they reveal that fiscal devolution mechanisms, when tied rigidly to demographic figures, may fail to account for historical socio-economic contributions, creating perverse incentives and eroding public trust in federal fairness. Third, our case comparisons illustrate how unequal representation and transfers translate into divergent capacities for autonomous policy implementation, affecting sectors as fundamental as health and infrastructure.

To uphold both democratic equality and federal equity, policymakers should consider moving beyond the current freeze and one-dimensional formulas. Adopting a degressive-proportionality model—or increasing the Lok Sabha's overall size to preserve existing state seat shares—would prevent penalizing successful family-planning states. Simultaneously, aligning central transfer formulas with both demographic and development indicators (such as per-capita GSDP or TFR adjustments) can reward effective governance without eroding fiscal space. By recalibrating delimitation and devolution rules in

this manner, India can reinforce the twin pillars of its constitutional architecture: fair representation and subnational autonomy.

End notes-

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