

ABSTRACT

This paper seeks to investigate if there is political consideration in central transfer given to states government. A panel data analysis, with the log-linear regression model, for 14 major states during the period of 1980-2008 has been done to examine political considerations influencing transfer of central grants to the states in India. The study mainly focuses on alignment effect, swing effect and role of election year as the major political factors affecting the net grants given to state governments. The empirical results show that non-aligned states get more grants compared to aligned state, and statistically significant swing effect indicates strategic political influence on central transfer.