



Balalatha's



# CSB IAS ACADEMY

The Road Map to Mussoorie...

MAINS IMPACT– 2025 – 03/11/2024

## ELECTION EXPENDITURE

### SYLLABUS:

GS 2 > Polity > Election > Electoral reforms

### REFERENCE NEWS:

- The cost of elections in democracies worldwide has reached unprecedented levels. In the 2024 U.S. presidential and congressional elections, total expenditure is estimated at around \$16 billion (₹1,36,000 crores). In India, the general election expenditure for the Lok Sabha in 2024 was around ₹1,00,000 crores, according to the Centre for Media Studies (CMS).

### ELECTION EXPENDITURE LIMITS IN INDIA

- **Candidate Limits:**
  - **Lok Sabha:** ₹95 lakh in larger states, ₹75 lakh in smaller states.
  - **Legislative Assemblies:** ₹40 lakh in larger states, ₹28 lakh in smaller states.
  - These limits are periodically revised by the Election Commission (EC).
- **Political Parties:**
  - Currently, there are **no expenditure limits** on political parties during elections.

### REGULATION OF ELECTION EXPENDITURE IN INDIA

India's electoral process is governed by a comprehensive legal framework designed to ensure transparency and fairness in election financing. The primary statutes regulating election expenditure include:

- **Representation of the People Act (RPA), 1951:**
  - **Section 77:** Mandates that every candidate must maintain a separate and accurate account of all election-related expenses incurred or authorized from the date of nomination until the declaration of results.

- **Section 78:** Requires candidates to submit their election expense accounts to the District Election Officer within 30 days of the election results.
- **Companies Act, 2013:**
  - **Section 182:** Permits companies, other than government companies and those in existence for less than three financial years, to contribute any amount directly or indirectly to political parties. Such contributions must be authorized by a resolution passed at a meeting of the Board of Directors. The company is also required to disclose the total amount contributed in its profit and loss account for the relevant financial year.
- **Foreign Contribution (Regulation) Act (FCRA), 2010:** Prohibits political parties, candidates, and entities associated with elections from accepting foreign contributions, including funds, gifts, donations, or any financial assistance from foreign sources.

#### **INTERNATIONAL STANDARDS ON ELECTION FINANCING**

- **United States:**
  - **Financing Sources:** Primarily from individuals, corporations, and political action committees (PAC).
  - **Contribution Limits:** Limits are set for individual and PAC contributions to candidates. However, U.S. Supreme Court rulings allow unlimited spending through Super PACs, which can fund election campaigns without direct coordination with candidates.
  - **2024 Election Expenditure:**
    - Presidential Election: Approximately \$5.5 billion.
    - Congressional Elections: Approximately \$10.5 billion.
  - **Role of Super PACs:** Super PACs have contributed significantly to this expenditure, allowing large organizational donors to influence election spending.
- **United Kingdom:**
  - **Political Party Spending:** Each political party may spend up to £54,010 per constituency, totaling £35 million if contesting all constituencies.

- **Candidate Spending:** Limits of £46-49,000 during the long campaign period (five months before House of Commons term ends) and £17-20,000 during the short campaign period.

### CHALLENGES OF HIGH ELECTION EXPENDITURE:

- **Policy Manipulation:**
  - Heavy reliance on substantial donations often leads to **policy decisions favoring donors over the public interest**, compromising the integrity of governance.
- **Vote-Buying Practices:**
  - A significant portion of campaign funds is often allocated to illicit activities, such as distributing cash or goods to voters.
  - For instance, in the **2019 general election**, around **25% of total expenditure was reportedly used for illegal voter inducements** (source: Centre for Media Studies (CMS)).
- **Lack of Transparency and Accountability:**
  - ★ The use of instruments like electoral bonds has been criticized for enabling **anonymous donations**, reducing transparency in political financing.
  - For instance, between 2017–18 and 2020–21, political parties redeemed electoral bonds worth approximately **₹6,500 crore** (source: Association for Democratic Reforms (ADR)).
- **Erosion of Democratic Integrity:**
  - Excessive spending allows affluent candidates and parties to **dominate electoral narratives**, marginalizing those with limited resources, thus undermining the principle of equal opportunity in democratic participation.
- **Post-Election Corruption:**
  - Candidates who spend heavily in elections may engage in **corrupt practices to recover campaign expenses**, perpetuating a cycle of corruption that undermines public trust.
- **Exclusion of Qualified Candidates:**

- High campaign costs deter capable individuals from entering politics, limiting the diversity and quality of leadership, as many **cannot compete with financially powerful opponents.**
- **Inadequate Reporting:**
- Discrepancies between reported and actual expenditures hinder effective monitoring and enforcement of election laws.
- For instance, in 2019, **the BJP and Congress** declared official election expenditures of **₹1,264 crore and ₹820 crore**, respectively, though CMS reports suggest actual expenditure was **closer to ₹50,000 crore.**
- **Rising Expenditures:**
  - Election costs in India have surged over the years. The **2019 Lok Sabha elections** saw expenditures exceeding **₹55,000 crore**, a significant increase from **₹9,000 crore in 1998** (source: Association for Democratic Reforms (ADR)).
- **Media and Advertising Expenses:**
  - A substantial portion of funds is directed toward media campaigns and advertising, inflating overall election costs. Approximately **35% of total expenditure** in 2019 was allocated to campaigns and publicity (source: CMS).
- **Unequal Competition:**
  - Disparities in financial resources create an uneven playing field, **disadvantaging smaller parties and independent candidates** who cannot compete with the financial power of major parties.
- **Resource Misallocation:**
  - Funds diverted to electioneering could be better utilized for public welfare and development projects, thus impacting socio-economic development.
- **Public Disillusionment:**
  - The perception of money-driven politics erodes public trust in democratic institutions and processes, potentially leading to political apathy.

#### **PROPOSED REFORMS TO ADDRESS ELECTION EXPENDITURE IN INDIA:**

- **State Funding of Elections:**
  - **The Indrajit Gupta Committee (1998) and the Law Commission (1999)** recommended partial state funding for elections, where the government could

bear some expenses for recognized political parties. However, practical implementation remains complex, with no clear mechanisms outlined.

- **Simultaneous Elections:**
  - Simultaneous elections aim to streamline the electoral process by holding national and state elections at the same time, **reducing repetitive costs** associated with separate campaigns and logistics.
  - But, raises issues related to federalism and constitutional amendments. Additionally, simultaneous elections might reduce campaign costs but would not prevent illegal cash distributions to voters.
- **Electoral Commission's Suggested Reforms (based on the EC's 2016 report on 'Proposed Electoral Reforms):**
  - **Inclusion of Party Financial Assistance in Candidate Limits:** Amending laws to include party contributions within the candidate's expenditure limits.
  - **Ceiling on Party Expenditure:** Setting a ceiling at the candidate limit multiplied by the number of party candidates contesting the election.
  - **Appointment of Additional Judges:** For quick disposal of election-related cases in High Courts to enforce compliance and act as a deterrent.
- **Ban on Government Advertisements Prior to Elections:**
  - Enforcing a ban on government advertisements during the six months leading up to elections to reduce the advantage held by the ruling party and promote fair competition among candidates.
- **Enhancing Transparency in Political Donations:**
  - Mandating comprehensive disclosure of all political donations, including those made through instruments like electoral bonds, to ensure transparency and accountability in political funding.
- **Strengthening Monitoring and Enforcement Mechanisms:**
  - Empowering the Election Commission of India with greater authority and resources to monitor election expenditures effectively and enforce compliance with expenditure limits and reporting requirements.
- **Public Awareness and Voter Education:**

- Initiating campaigns to educate voters about the implications of high election expenditures and the importance of transparency and accountability in the electoral process.

**CONCLUSION:** Rising election costs in India challenge democratic integrity and transparency. Reforms like state funding, simultaneous elections, and stricter enforcement by the Election Commission can help address these issues. With public awareness and bipartisan support, India can move towards a fairer and more accountable electoral system.

**PRACTICE QUESTION:**

**Q. "High election expenditure poses significant challenges to India's democratic processes and governance". Discuss the challenges posed by high election expenditure in India and suggest reforms to address these issues. (10 marks, 150 words)**

**APPROACH:**

**Introduction :**

- Start with a brief reference to the high costs of elections globally and in India

**Body :**

- Discuss the challenges posed by high election expenditure in India
- significance of the guidelines
- Suggested reforms to address election expenditure issues.

**Conclusion :**

- Conclude accordingly.

**MODEL ANSWER:**

The rising cost of elections in democracies is a growing concern. In 2024, U.S. presidential and congressional elections are estimated to cost \$16 billion (₹1,36,000 crores), while **India's 2024 Lok Sabha elections cost approximately ₹1,00,000 crores (source: Centre for Media Studies)**. Such high expenditures pose significant challenges to India's democratic processes and governance.

**Challenges Posed by High Election Expenditure in India:**

- **Policy Manipulation**
  - Heavy dependence on substantial donations often leads to policy decisions that favor major donors over the public interest, compromising the integrity of governance.
- **Vote-Buying Practices**

- Campaign funds are frequently allocated to illicit activities like cash or goods distribution. In 2019, around 25% of election expenditure was reportedly used for illegal voter inducements (source: Centre for Media Studies (CMS)).
- **Lack of Transparency and Accountability**
  - Electoral bonds, designed for anonymous donations, reduce transparency in political financing. Between 2017–18 and 2020–21, political parties redeemed electoral bonds worth approximately ₹6,500 crore (source: Association for Democratic Reforms (ADR)).
- **Erosion of Democratic Integrity**
  - Excessive spending allows affluent candidates and parties to dominate electoral narratives, marginalizing those with fewer resources and undermining equal opportunity in democratic participation.
- **Post-Election Corruption**
  - Candidates who incur high campaign costs may engage in corrupt practices post-election to recover their expenses, perpetuating a cycle of corruption that undermines public trust.
- **Exclusion of Qualified Candidates**
  - High election expenses deter capable individuals without substantial financial backing from entering politics, limiting diversity and the quality of leadership.
- **Rising Election Expenditures**
  - Campaign costs have surged over the years, with 2019 Lok Sabha election expenditures exceeding ₹55,000 crore, a significant rise from ₹9,000 crore in 1998 (source: ADR). A large portion of these funds was spent on media and advertising, which accounted for about 35% of the 2019 campaign expenditure (source: CMS).

#### **Suggested Reforms to Address Election Expenditure Issues:**

- **State Funding of Elections**
  - The Indrajit Gupta Committee (1998) and the Law Commission (1999) recommended partial state funding for recognized political parties. This could alleviate candidate expenses, though implementation remains complex due to undefined mechanisms.

- **Simultaneous Elections**

- Holding national and state elections at the same time could reduce repetitive costs in campaigning and logistics. However, this proposal requires constitutional amendments and may not curb illegal cash distributions.

- **Electoral Commission's Suggested Reforms (2016)**

In its report, "Proposed Electoral Reforms" (2016), the Election Commission of India suggests:

- **Inclusion of Party Assistance in Candidate Limits:** Amend laws to count party contributions within candidate expenditure limits.
- **Ceiling on Party Expenditure:** Set a ceiling for party spending based on the candidate limit multiplied by the number of candidates.
- **Appointment of Additional Judges:** Increase judges in High Courts for swift resolution of election-related cases.
- **Ban on Government Advertisements Prior to Elections**
  - Enforcing a ban on government advertisements during the six months leading up to elections would help reduce the ruling party's advantage and ensure fair competition among all candidates.
- **Enhancing Transparency in Political Donations**
  - Mandating comprehensive disclosure of all political donations, including those through electoral bonds, would increase accountability in political funding and limit anonymous contributions.
- **Strengthening Monitoring and Enforcement Mechanisms**
  - Empowering the Election Commission of India with greater authority and resources would improve its ability to monitor election expenditures effectively and enforce compliance with expenditure limits.
- **Public Awareness and Voter Education**
  - Educating voters on the implications of high election expenditures and the importance of transparency can drive public demand for cleaner and more accountable electoral processes.

High election expenditures challenge democratic values and transparency. Implementing reforms such as state funding, simultaneous elections, and stronger



enforcement mechanisms, as recommended in the ECI's "*Proposed Electoral Reforms*", can help mitigate these issues. With public awareness and bipartisan support, India can advance toward a fairer, more accountable electoral system.

