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EXPENDITURE ON ELECTION CAMPAIGNS

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INTRODUCTION

Elections are the essence of a democratic polity, giving sovereign right to every individual to exercise their right to choose the representatives they desire and deem fit to represent their interests. Elections have existed since ancient times; in the fifth century BCE, Athens permitted citizens to vote in public elections, though only a small portion of the populace was eligible (Manin, 1997). ¹Early precedents for representative systems were established by the Roman Republic, which also held elections for a number of positions. Due to monarchical control, elections were mostly non-existent in medieval Europe; however, by the 13th century, organizations such as the English Parliament started to change. The idea of consent-based governance was progressively advanced by Magna Carta ²(1215) and subsequent Enlightenment concepts. The American Revolution (1776) and the French Revolution (1789) established modern electoral democracy by promoting elected representation and popular sovereignty. During colonial rule, elections were first held in India in a restricted capacity, especially through The Government of India Act of 1935 and the Indian Councils Act of 1909 both increased legislative participation (Austin, 1999). India implemented universal adult suffrage in 1950 following its independence. With over 170 million voters, the first general elections ³in 1951–52, which were supervised by the newly established Election Commission of India, were a historic occasion and the largest democratic exercise in history (Guha, 2007).

However, in these modern times electoral politics have become quite capital intensive raising important questions about transparency, equity and sanctity of democracy. In India the financial scale of elections is exponential. According to the Centre for Media Studies (CMS), the 2019 Lok Sabha elections were the most expensive ever in Indian history, with a staggering ₹60,000 crore (approximately \$8 billion) reportedly spent across parties and candidates—a figure surpassing the cost of the 2016 U.S.

¹ Bernard Manin, *The Principles of Representative Government* (Cambridge University Press 1997).

² Ramachandra Guha, *India After Gandhi: The History of the World's Largest Democracy* (Picador India 2007).

³ Granville Austin, *Working a Democratic Constitution: The Indian Experience* (Oxford University Press 1999).

This trend comes up with a lot of implications as it fails to provide a level playing field to all the candidates which violates the right of other candidates to contest a free and fair elections. Above that it also promotes the politics of patronage and corruption.

The Examples from comparative democracies are instructive. A more transparent and accountable electoral system is produced in nations like the United Kingdom and Canada by strict campaign finance laws, independent oversight organizations, and real-time disclosure requirements. Despite having a strong electoral apparatus, India lacks comprehensive laws governing political finance and instead relies on judicial interventions and piecemeal reforms. Both the Election Commission and the Law Commission of India, in their 255th Report (2015), have underlined the necessity of a comprehensive legal framework ⁴to control electoral finance, guarantee fair competition, and limit the excessive influence of money power.

Therefore, it is not only an academic exercise but also a democratic necessity to analyse the nature, trends, and effects of election expenditure. It demands a closer examination of the ways in which money influences politics.

The expenditure done during the course of election plays a very crucial role in a country like India. Expenditure on election can be a significant factor as it can be used as a tool by parties in power to influence the result of the elections as the party in power will leave no stone unturned to reclaim their power. According to political budget cycles ideas, macroeconomic indicators like output, unemployment, and inflation exhibit a specific pattern during election years. Political parties frequently shift their positions in India as well to entice people for their ⁵advantages.

Research by Deepa S. Vaidya and K. Kangasabapathy [2] showed that the actual spending surpasses the planned predictions, which accounts for a large portion of the deficit increase before elections. (pdf expenses on elections⁶)

⁴ Election Commission of India, *Handbook for Returning Officers* (2023 Edition).

⁵ *Association for Democratic Reforms v Union of India* 2024 SCC OnLine SC 234.

⁶ Jay Gohil and others, 'Effect of Election Expenditure on Indian Economy' (2023) 10(3) *Journal of Emerging Technologies and Innovative Research*
https://www.researchgate.net/publication/369654981_EFFECT_OF_ELECTION_EXPENDITURE_ON_INDIAN_ECONOMY

The Election commission of India sees elections as a celebration of democracy and often refers to it as a *DANCE OF DEMOCRACY OR THE FESTIVAL OF DEMOCRACY*. In India a total number of 18 general elections have been held till now and which each passing election the cost of its process and of the election campaigns have been increasing⁷.

A near six-fold increase is observed in the total estimated expenditure (including the costs of conducting elections) incurred between 1998 (Rs 9,000 crore) and 2019 (Rs 55,000-60,000 crore) general election.

The exceeded the expenditure incurred in the U.S. Presidential election 2016 by roughly \$1.5 billion as estimated⁸

This ever-increasing election expenditure in India poses a lot of issues which have led to inconsistencies in the election process in India. Above that it has also led to violation of the basic principles of the constitution like - Democracy, Free and Fair elections, right to equality and Rule of Law.

NEGATIVE ASPECTS OF INCREASING ELECTIONS EXPENDITURE

Rising election expenditure is giving rise to serious concerns pertaining to right to Equality, Increasing Black Money, Corruption in Public Offices, Buying of Votes, Electoral Malpractices, Fading Credibility AND Relevance of Democracy as a form of government.

Right to Equality is a fundamental right enshrined in The Constitution of India. It Guarantees equal opportunity to participate⁹ in elections to each and every individual. Excessive expenditure in election campaigns by wealthier candidates. These candidates and Parties already in power incurs huge spending on Advertisements, Rallies, social media and Campaigns. This gives them an upper hand over other political parties and candidates which gives them a HeadStart and this makes it difficult for other candidates to cope up with privileged candidates. It discourages young, honest, and capable individuals from entering politics due to a lack of resources, thus shrinking the democratic space and diversity of

⁷ Centre for Media Studies, *Poll Expenditure: 2019 Lok Sabha Elections* (CMS Report, 2019) <https://www.cmsindia.org/> accessed 15 June 2025.

⁸ Election Commission of India, *Guidelines on Election Expenditure by Candidates and Political Parties* (ECI 2023) <https://eci.gov.in> accessed 15 June 2025.

⁹ Election Commission of India, *Expenditure Monitoring Guidelines* (ECI 2019) <https://eci.gov.in>

representation.

Unregulated flow of black money is one of the most pressing concern arising due to rising election expenditures. Candidates already in power spend a lot in order to regain their position try and for winning the elections. While exercising this they may even cross the limit prescribed bby the *Election Commission of India*. **In order to recover the expenditure occured the** elected candidates may resort to corrupt practices after coming to power such as bribery or misusing public fund. This effects the social, economic and political development of countries as it undermines good governance and accountability.

One of the most dangerous consequences ¹⁰of rising election expenditure is the **sharp increase in electoral malpractices**. As the cost of election increases candidates often adhere to unethical and illegitimate practices. These practices erode the confidence of general public from the minds of the people.

Vote Buying is one of the most prevalent electoral malpractices in India. In this the candidates try to get votes by the way of commodifying it. They donot see voting as a matter of a right, But they distribute cash and other Material incentives like - Cycles, Alcohol, food grains in order to get vote of the people which as a result increases election expenditure. Candidates already in power use their **money power to hire muscle** ¹¹**power** for intimidating opposition candidates, suppressing voters from marginalized communities, or **buying election officials and police complicity**.

Another concern which is arising in this contemporary era of politics has aggravated the hidden nature of political funding. While intended to create clean donation channels, in practice, they allow anonymous donations to political parties, making it difficult to trace the source of funds or prevent quid pro quo arrangements. Electoral bonds have been widely criticized by transparency watchdogs and the Election Commission ¹²itself for their potential to promote hidden and unfair influence in elections.

¹⁰ V. Raghunathan, Irrationality and Elections, *The Hindu* (Oct. 14, 2019), <https://www.thehindu.com>.

¹¹ ADR, Criminal Background of MPs – 17th Lok Sabha, Association for Democratic Reforms (2019), <https://adrindia.org>.

¹² Comptroller and Auditor General (CAG), Report on Political Party Funding and Compliance, (2022), <https://cag.gov.in>.

Electoral Bonds

A democracy sustains itself on a free and fair election. India is a crowded democratic nation in the world. In 2018 the Indian government introduced a new scheme on electoral bonds to finance elections. Electoral bonds affect how elections will be funded and will facilitate the corporate bodies to hide the political funding by hiding details of the buyer of the bond and the beneficiary. The companies are enticed to use the new system of electoral bonds and to conduct money laundering. The critical evaluation of the scheme of the electoral bonds through the different acts and statutes is analysed in the current article. The Indian judiciary however, escaped to its duty as it was constitutionally charged to protect the constitution and the ultimate interpreter of the constitution by failing to offset the cases that were pending in court. The plan gives the ¹³ruling party an uneven playing field. Accountability in democracy is detrimental to anonymity and secrecy. The new financing system of elections devours transparency and free elections. The new election finance plan has made the Indian democracy even more worsened. The corporate donations blind the voters to the fact that the party that is ruling the country prefers the corporate donations.

In 2017, it introduced the electoral bonds as a method to allow anonymous donation to political parties. Nevertheless, the detractors believed that unrestricted and unaccounted corporate contributions to parties occurred because of that lack of transparency. This breached the right to information in the Indian Constitution given to the citizen. The article explains the process by which electoral bonds work through the state bank of India. Bonds purchases could be made anonymously by donors, the amount of money transferred into the accounts of the parties. Since 2018 and till 2022, a total of close to 2 billion dollars' worth of bonds was issued, 60 percent of which went to the ruling BJP. Money laundering and other forms of corrupt politics by big corporations were also cited as an issue facilitated by the system by opposition parties. Here, through analysis, the paper reveals how the Supreme Court judges, in their reasoning unanimously decided that the bonds violated the right of people to know where the political funds were being channelled. This right superseded considerations to safeguard the privacy of donors. The court also determined that the bonds have not helped to regulate black money as indicated. The State bank is therefore required to declare all the details related to bond transaction to the Election Commission. This information will be released prior to the upcoming elections in 2024 nationwide. There are implications that are discussed as regards

¹³ Beard, Charles A, 'The Political Parties of the United States' (1927) 6(3) *Social Forces* 452, <https://doi.org/10.1093/sf/6.3.452>.

this verdict and these include the financial implications on the ruling parties and the integrity of the Indian elections. Comparisons are drawn with the political donation laws in UK, US and Germany. The paper ends by insisting that as we aim to create fair, constitutional systems of political finance, there is always a need to strike a balance between transparency and justifiable privacy issues. This will enhance Indian democracy as voter awareness and control on donor intervention will be possible. The abstract tells the background situation, highlights, court arguments, implications and conclusions of the whole research paper. It also establishes the importance of the issue by indicating how the case had defended the ideals of the democracy as regards to transparency and accountability against the possible misuse of the funds, which are used in anonymous political contributions.

In India, the financing of political campaigns is a dark process. Unregulated political contributions to a large extent implied that the influence of black money and corporate presence in the elections was all pervading and not visible to the electorates. This obscured views of transparency and accountability on parties and candidates. In this regard, the Modi government tried to reform the political funding by announcing such electoral bonds in 2017. This was in a bid to clean up post-election finances, using transparency and high currency transactions as announced in that year in the Union Budget speech. A new Electoral Bond Scheme was under which the parties could receive the anonymously donated funds through the State Bank of India offices designated specially to accept the deposits. The bearer bonds would come in values starting as low as Rs 1000 and as high as 1 crore with a tenure of 15 days after which it had to be encashed by recipient parties. The plan was supported by the fact that it would allow legitimate donations by corporations, individuals and groups who preferred their privacy. The old system of cash equivalents was described as the one that generated black money and was susceptible to abuse. Electoral bonds which would work as bearer instruments would allegedly address it by transferring white money into the system in a transparent manner. Nevertheless, opposition parties, transparency lobbyists and constitutional professionals took issues with it right away. They claimed that the plan practically made unlimited, unreported corporate sponsorship of ruling parties legal and easy. When they were to be channelled through a government-owned bank, the state-owned SBI, the anonymity of donors was actually facilitated by the government itself as opposed to the earlier electoral trust structure operated by the private sector.

Critics stated that the anonymity of donors is against the basic right of a citizen to know who

was financing parties who sought their favour. The Representation of People Act required the declaration of any donation that was worth Rs 20,000 and above. Electoral bonds were called a regressive move towards democratic accountability because they created limits on transparency and donors by diluting them. The bond scheme went under subscription in March 2018 despite the growing criticism. As on October in the same year, bonds over Rs 1000 crore were bought but the ruling BJP mopped up more than 95 per cent of this sum. The 2019-20 bonds worth Rs 5000 crore were circulated and it is said that most of the bonds were bought by big corporations. Elections are around the corner in 2024 and as such, focus on electoral bonds has been intensified. The opposition parties have said that the scheme has only boosted the war chest of the ruling party at the expense of their fundraising.

Its constitutionality started being challenged by the Supreme Court on the basis of petitions filed shortly after the announcement. The scheme was declared illegal and arbitrary by the Court and this was a breakthrough in terms of transparency. The latter however, only works effectively when full disclosure of bond transactions has been achieved to determine who offered how much money to which candidate. This is also necessary to guarantee that the elections are free and fair since they should be known by the general populations about donors that aim to influence the policies and the government.

Supreme Court Ruling Declaring Bonds Unconstitutional

India Supreme Court passed the landmark decision scrapping Electoral Bond Scheme as unconstitutional and unlawful. The five-judge bench by a majority of 4:1, held the scheme to be a grave danger. Subdued transparency of political finance violating in essence the right of individuals to information. The electoral bonds mechanism had enabled the anonymous donations to political parties. Introduced in through the amendments to Finance Act and Representation of People Act, in 2017 it provided an opening window by uncontrolled corporate donations to serving parties. The government said that it would enhance transparency and decrease the black money in the election funding. Nonetheless, the donation of more than Rs 16,000 crores was made through the election.

In 2018-early 2022, they were given bonds to the tune of 95 percent to BJP. Various constitutive challenges on the scheme were brought in 2017 by different public interest litigation writs (PILs). NGOs that were involved in petitioning were those that were involved in electoral reforms such as the Association of Democratic Reforms (ADR) together with

opposition political parties. The cases held that disclosure requirements in the political process need to be eliminated. The donations were unconstitutional because they violated the right to know that is provided in Article 19(1)(a) of the Constitution. Article 19(1)(a) enjoys the constitutional right to speak and express. The highest Court of the United States has freedom of information about the issues of public importance and the candidates: they understood this as the right of getting information.¹⁴

COMPARISONS TO POLITICAL DONATION RULES IN OTHER DEMOCRACIES

The current debate over the electoral bonds in India sparked the controversies regarding the regulation of political financing in the world democracies. Comparison to the yardstick in US, UK, Canada or Germany was common. Most democracies require the disclosure of funding in political contributions that exceed a reasonable threshold unlike in India. This was crossed through public pronouncements. As an example, the US law obligates campaigns to make a periodic disclosure. Contributions aforementioned of over 200 dollars as well as donor information to the Federal Election Commission. This reportage is obligatory even when donors want to remain anonymous. The UK rejects foreign donations and limits the annual donation of individuals to 500 – 2500 pounds. Party donations with more than 500 pounds must be at constituency or national level. In Canada there is no contribution allowed except by people who are citizens or permanent residents. Donations by corporations, unions and foreigners are not allowed. The highest limit of donation to a party is limited to 1600 dollars a year. Any donation beyond 200 dollars needs to be disclosed. France limits donations by individuals to a party to a yearly amount of SO7500 and corporate donation to SO15000.

The amount which a person could donate in total is limited by EUR1 million per year in Germany in all parties. For businesses it is not allowed to be more than 1.5 million per year. Above-argent donations more than to 50 thousand euros have to be reported publicly.

The electoral bonds scheme in India gave absolute anonymity to purchasers of the electoral bonds compared to these democracies. Unlimited donations by foreign firms to the political campaigns. The Supreme Court held that this was not in tandem with international standards

¹⁴ Smith, John, 'ELECTORAL BONDS: A PERIL TO DEMOCRACY AND TRANSPARENT ELECTIONS IN INDIA, CENTRAL AND EASTERN EUROPEAN ONLINE LIBRARY

<https://www.cceol.com/search/article-detail?id=1108742>

of transparency. By its ruling, India is once again coming to terms with other democracies.

Nevertheless, more sensible limits that would bar the harassments of genuine individual donors might still be needed as it requires all large contributions to be transparent.

CURRENT LEGAL FRAMEWORKS

In India the issue of increasing election expenditures is regulated through various Laws, Statutes and rules and regulations made by The Election Commission of India (ECI). While these frameworks aim to promote transparency, they remain marred with limitations and loopholes that allow candidates and political parties to bypass intended controls. Some of these frameworks

1. Representation of the People Act, 1951 (RPA, 1951)

The Representation of peoples act, 1951 is a major legislation regulating the process of elections in India. In relation to the topic of expenditure incurred in the election process Section 77 provides that that every candidate must maintain a true and correct account of all expenditures incurred. The accounting begins from the date of nomination till the declaration of results. Above that this legislation also provides for formats and registers for maintaining day-to-day accounts of expenses. And Requires candidates to maintain a separate bank account exclusively for election-related transactions.

While Representation of the People Act, 1951 provides for certain legal frameworks, These provisions only applies to individual candidates and not to the political parties. Expenditures incurred by parties, supporters, or third-party donors on behalf of candidates are often not reflected in official accounts unless explicitly authorized.¹⁵

REFORMS THAT CAN BE DONE IN ORDER TO CURB THIS ISSUE-

The existing legal framework says that only candidates are subject to spending limits; parties can spend unlimited amounts, often on behalf of candidates. There is a dire need to amend this framework in order to impose a ceiling on political parties as well and this limit can be set based on share of votes, number of candidates or size of electorate.

¹⁵ *Representation of the People Act 1951* <https://legislative.gov.in>

To address the growing menace of excessive election expenditure in India, a comprehensive set of legal, institutional, financial, and technological reforms is urgently required. First and foremost, the **Representation of the People Act, 1951** should be amended to impose expenditure ceilings not only on candidates but also on **political parties**, as most campaign spending is routed through parties under the guise of general promotion. Additionally, **third-party expenditures**, including those by influencers, contractors, or interest groups that directly benefit a candidate, must be accounted within the candidate's official spending. Strict **penal provisions** should be enforced for misreporting or exceeding limits, including powers for the **Election Commission of India (ECI)** to initiate summary trials, impose fines, or disqualify candidates without waiting for prolonged court processes (Law Commission Report 255, 2015¹⁶).

One of the most debated reforms is the introduction of **partial state funding of elections**. As recommended by the **Indrajit Gupta Committee (1998)**, such a model—wherein parties or candidates receive public funds based on prior vote ¹⁷share—can reduce dependence on private donors and black money. Further, the recent **Supreme Court judgment in ADR v. Union of India (2024)** declared the anonymous **electoral bonds** scheme unconstitutional, calling for full disclosure of political donors. Going forward, all donations above ₹2,000 should be made through traceable, digital means, and parties should be required to undergo **independent annual audits**, with reports made publicly available on the ECI website (ADR Reports, 2023).¹⁸

Institutionally, the ECI's powers must be expanded. It should be granted quasi-judicial authority to enforce compliance, freeze accounts, and penalize parties or candidates violating expenditure norms. Additionally, ECI's monitoring mechanism should be enhanced through an expanded network of **Expenditure Observers, Flying Squads, and Surveillance Teams**, backed by real-time reporting infrastructure. Technological reforms such as the use of **AI and Big Data** can aid in tracking social media ad spending and campaign financing. Candidates and parties should be mandated to maintain **digital accounts of election expenses**, updated daily and published on a **public dashboard**, following the example ¹⁹of the **U.S. Federal Election Commission**.

¹⁶ Law Commission of India, *255th Report on Electoral Reforms* (2015)

¹⁷ Indrajit Gupta Committee, *Report on State Funding of Elections* (1998)

¹⁸ Association for Democratic Reforms, *ADR India* <https://adrindia.org>

¹⁹ *Association for Democratic Reforms v Union of India* (2024) SC

To counter surrogate advertisements and paid news, stringent pre-certification and disclosure requirements for all political ads on digital and traditional platforms must be introduced. Platforms like Meta's **Ad Library** model can serve as a blueprint. Moreover, the ECI should strengthen its **SVEEP (Systematic Voters' Education and Electoral Participation)** initiative to include voter education on the dangers of vote-buying and excessive spending. Civic participation can also be encouraged through **whistleblower protection schemes**, incentivizing citizens to report illegal election spending.

Ultimately, without curbing the influence of money²⁰ in elections, the democratic process risks being hijacked by wealth and muscle power. A transparent, accountable, and technologically robust election finance system is vital to uphold the sanctity of Indian democracy.

Conclusion: Expenditure on Election Campaigns

As a conclusion, increasing cost of elections has come to draw new lines of the modern electoral processes and these increased cost not only brings in questions relating to equity, transparency and fairness of the elections but also those concerning free and fair elections. Though crucial in access to the voters and communicating the policy initiatives to the voters, over the years, campaign financing has been increasing exponentially. Such expansion is indicative of the rising price of media outreach, evidence, political consultation, travel arrangements and employee, yet it is also an illustration of more systemic worries. A large campaign spending is even capable of blocking democratization of representation because it leans towards those who have sufficient financial support and pushed aside those at the grassroots or those with less competitive power at election time.

The strength of money in elections has also the ability to affect the amount of trust held in the way democracy is run. Faith in political institutions can be pierced when voters get an impression that more money provides an opportunity to influence the actions of political institutions by contributing to the campaigns of those running or holding office. This perception brings about political apathy and disengagement by citizens particularly when the donations made to political campaigns are not well regulated or decried. Disclosure of campaign finances is thus essential in the promotion of accountability and maintenance of the integrity of elections.

²⁰ Election Commission of India, *Official Website* <https://eci.gov.in>

In addition, the exaggerated focus on fundraising activities may disorient the candidacy of a candidate by the need to satisfy donors rather than to actively take part in policymaking. Elite domination may distort policymaking so that governance does not represent the needs and preferences of the wider citizenry. Particularly in the developing democracies, high costs of elections may also create an opening to corruption, purchase of votes and wastage of public funds, degrading the essence of democracies even further.

It should, however, be recognized that expenditure incurred in campaigns when the operation is carried out as required by democrats and within the boundaries set is extremely essential in the process of democratic participation. With adequate financing, candidates are able to broadcast their messages far and wide, reach the various constituencies as well as encourage political debate. A balance between the possibilities of running effective campaigns and limiting wasteful or unethical expenditures can be achieved at the level of public funding models, limits to spending, and the presence of an effective monitoring system.

