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ECI Committee on Expenditure Limit

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Why in News

Recently, the **Election Commission of India** (ECI) has constituted a **committee to examine the issues concerning the expenditure limit for a candidate.**

Key Points

- **About the Committee:**

It has been tasked with **assessing the change in the number of electors** across states/UTs and the **change in the Cost Inflation Index (CII)** and their bearing on expenditure pattern of candidates in recent elections.

- **Background:**

- **Political parties** in the feedback to the Commission had **asked for an increase in the expenditure** of Bihar assembly elections to meet the **increased digital campaign expenses** amid the **Covid-19 pandemic**.
- The Ministry of Law and Justice notified an **amendment in Rule 90 of Conduct of Elections Rules, 1961**, which **enhanced the existing expenditure limit by 10%**, applicable with **immediate effect**.

- **Earlier Revisions:**

- The expenditure limit was **last revised in 2014** while the same was done for **Andhra Pradesh and Telangana in 2018**, following their **bifurcation in 2014**.
- After that, the limit has not been increased **despite an increase in the electorate** from 834 million in 2014 to 921 million in 2020 and an **increase in the Cost Inflation Index** from 220 in 2014 to 301 in 2020.

Expenditure Limit

- It is the **amount an election candidate can legally spend for their election campaign** and has to account for, which **includes expenses on** public meetings, rallies, advertisements, posters, banners vehicles and advertisements.

- These **limits range from Rs. 20 lakh to Rs. 28 lakh for assembly elections and from Rs. 54 lakh to Rs. 70 lakh for Lok Sabha elections.**
- Under **Section 77 of the Representation of the People Act (RPA), 1951**, every candidate shall keep a **separate and correct account of all expenditure** incurred between the date on which they have been nominated and the date of declaration of the result.
- All candidates are required to **submit their expenditure statement to the ECI within 30 days** of the completion of the elections.
- An **incorrect account or expenditure beyond the cap can lead to disqualification** of the candidate by the ECI **for up to three years**, under **Section 10A of RPA, 1951.**
- The limit prescribed by the ECI is **meant for legitimate expenditure** because a lot of money in elections is spent for illegitimate purposes.
- It has often been **argued that these limits are unrealistic** as the **actual expenditure** incurred by the candidate is **much higher.**
- In **December 2019**, a **private member's bill** was introduced in the Parliament which **intended to do away with the cap on election spending** by candidates.
 - The move was taken on the ground that the **ceiling on election expenses ends up being counterproductive** by encouraging candidates to under-report their expenditure.
- There is **no cap on a political party's expenditure**, which is often **exploited by candidates of the party.**
 - However, **all registered political parties** have to **submit a statement of their election expenditure to the ECI within 90 days** of the completion of the elections.
- **State Funding of Elections:**
 - In this system, the **states bear the election expenditure of political parties** contesting the Election.
 - This can **bring transparency in the funding process** as public finance can limit the influence of interested donors' money and thereby help curb corruption.

- **Recommendations on State Funding:**
 - **Indrajit Gupta Committee (1998):** It suggested that state funding would **ensure a level playing field for poorer political parties** and argued that such a move would be in public interest.

It also recommended that state funds should only be given to **recognised national and State parties** and funding should be given in the form of free facilities provided to these parties and their candidates.
 - **Law Commission Report (1999):** It stated that a state funding of elections is ‘desirable’ provided that political **parties are prohibited from taking funds from other sources.**
 - **National Commission to Review the Working of the Constitution (2000):** It **did not support** the idea but mentioned that an appropriate framework for the regulation of political parties needs to be implemented before state funding is considered.
- The **ECI is not in favour of state funding** of elections on the grounds that it would **not be able to prohibit or check candidates’ and other expenditures** over and above what is provided for by the state.

Cost Inflation Index

- It is **used to estimate the increase in the prices of goods and assets year-by-year due to inflation.**
- It is **calculated to match the prices to the inflation rate.** In simple words, an increase in the inflation rate over time will lead to a rise in the prices.
- Cost Inflation Index = **75% of the average rise in the Consumer Price Index** (urban) for the immediately preceding year.

Consumer Price Index compares the current price of a basket of goods and services (which represent the economy) with the cost of the same basket of goods and services in the previous year to calculate the increase in prices.
- The **Central Government specifies CII by notifying in the official gazette.**

Source: PIB