



## Increased Election Expenditure Limit

**For Prelims:** Election Commission of India (ECI), Cost Inflation Index,

**For Mains:** Representation of the People Act (RPA), 1951, private member's bill

### Why in News

Recently, the **expenditure limit** for candidates for Lok Sabha constituencies was increased from **Rs 54 lakh-Rs 70 lakh** (depending on states) to **Rs 70 lakh-Rs 95 lakh**, by the [Election Commission of India \(ECI\)](#).

- Further, the spending limit for Assembly constituencies was hiked from **Rs 20 lakh-Rs 28 lakh** to Rs 28 lakh- Rs 40 lakh (depending on states).
- In 2020, the ECI had formed a [committee in 2020 to study the election spending limit](#).

### Key Points

- **About:**
  - The enhanced amount of Rs 40 lakh would apply in **Uttar Pradesh, Uttarakhand and Punjab** and ₹28 lakh in **Goa and Manipur**.
  - Apart from a 10% increase in 2020 due to the [Covid-19 pandemic](#), the last major revision in spending limits for candidates was carried out in 2014.
  - The committee found that there has been an increase in the number of electors and **Cost Inflation Index** since 2014 substantially.

### 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.
- **Election 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.
  - 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 grounds 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**.

### 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.

### Way Forward

- **[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.

**[Source: TH](#)**