

Funding Democracy Fairly:

Proposing a Rawlsian Model of Electoral Funding in India

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THE RISE

A SARVODAY THERISE FOUNDATION PUBLICATION

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First published in October 2026
By Sarvodaya TheRise Foundation

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Please cite the work as follows:
Yadav, P. (2026). 'Funding Democracy Fairly: Proposing a Rawlsian Model of Electoral Funding in India.' *TheRise*. 1026(3)-1-70

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Executive Summary

In one of his last televised interviews in April 2004, Atal Bihari Vajpayee had warned the nation with remarkable foresight, *“Raajneeti bohot khatarnak stithi ki or jaa rahi hai. Jan-tantra dhan-tantra me badal raha hai. Ye desh ke liya accha nahi hai.”* (Politics is reaching a dangerous point. Democracy is transgressing into plutocracy. This is not good for the country). And contemporary India seems to be living through that prophetic warning.

Nowadays, the elections in India are increasingly fought on the power of the purse. Electoral contests based on ideological differences have taken a backseat. And most election manifestos fail to offer any substantive choice to the voters. ‘Free electricity’, ‘cash transfers to women’, ‘freebies’, ‘good governance’, ‘investment support’, ‘employment promises’, ‘infrastructure boost’, ‘farmers’ welfare’ etc., are stock phrases sprinkled across the poll promises of all serious political parties competing against each other. The electoral contests have thus been commoditized to a great extent;^[1] it is the money power that now acts as one of the foremost determinants of the efficacy of electoral campaigns, through narrative control, candidate selection, and the deplorable cash-for-votes dynamics.^[2]

On the spending side, the Bharatiya Janata Party (BJP), alone, accounted for nearly 45% of the total election-related expenditure by all the parties in the 2024 Lok Sabha elections.^[3] India had 70+ recognised parties contesting those elections.^[4] On the funding side too, it was the BJP that received over ₹6000 crores in donations in Financial Year (FY) 2024-25. This was nearly tenfold the amount received by the remaining five national parties combined.^[5]

Such stark inter-party inequalities in the electoral funding and expenditure landscape do not bode well for the promise of free and fair elections. If India has to come of age as a mature, multi-party, robust electoral democracy in a liberal economic structure, urgent institutional reforms advancing fair distribution of electoral funds are pertinent.

This white paper applies Rawlsian principles of 'justice as fairness' to the political funding landscape and suggests institutional reforms to balance donor liberty with collective responsibility to advance a dynamic electoral democracy.^[6] The proposals are aligned with the principles of stakeholder capitalism and Rawls' Difference Principle, while being grounded in the practicalities of Indian party politics. The ensuing reforms are to be seen in unison; as a package of reforms devised for funds mobilisation, fair distribution of electoral funds, reducing entry barriers for newer political entrants, supporting independent candidates, incentivising parties to widen their social base, and reducing systemic corruption germinating out of the compulsions of party funding. A few of the salient reforms proposed are as follows:

1. Mandate Corporate Political Responsibility to 0.5% of net profits.
2. Mandate Electoral Trusts as the only route of corporate funding.
3. Amend the Electoral Trust Scheme 2013 to incorporate fair distribution principles.
4. Establish a National Electoral Trust administered by the ECI.
5. Prescribe a statutory ceiling on election-related expenditure incurred by political parties.

A few of the above reforms have been suggested by various electoral reforms committees in the past, including the Dinesh Goswami Committee and the Indrajit Gupta Committee.

The challenges have also been highlighted in the 255th Report of the Law Commission, 2015. Accounting for these recommendations and challenges, the paper attempts to deliver a novel system of electoral funding that aligns with the economic and political realities of today. To corroborate the efficacy of these reforms in ensuring fairness, a few scenarios of fund flows have also been modelled using the Claude Sonnet 5.5 AI tool.

Chapter 1: Introduction

Indian democracy is essentially a party-led democracy. Different issues, ideas, ideologies, and interests fight for political power by contesting elections under the umbrella of different political parties. In terms of numbers, India's party system is matchlessly diverse. Whereas in most democracies like the USA, the UK, Canada, and Australia, political power keeps alternating between just two dominant parties, India's multi-party system has over 70 political parties of meaningful significance, classified as 'recognised political parties' by the Election Commission of India (ECI). As of August 2025, there were 6 National Parties and 67 state parties recognised by the ECI.^[4]

In a multi-party setup like this, it is expected that the diversity of political parties would ensure reasonable representativeness of diverse groups, communities, ideas, interests and ideologies in India's political power map. However, as things stand, India's party politics rarely offer substantive choice to its voters. There is an invisible consensus across the political spectrum on issues like boosting investments, pushing infrastructure-led development, generating employment, promising pro-poor welfare schemes, doling out freebies and cash transfers, ensuring citizen-centric governance, securing the borders, advancing India's global interests, and weeding out corruption. This trend has exponentially increased ever since India's economic structure was liberalised post-1991 reforms, and capitalism decisively established its hegemony over the Indian economy and society. The electoral contests across national and state assembly elections are today fought under this capitalist spectre. The politics of ideology is increasingly giving way to the politics of spectacle.^[7]

The most glaring outcome of this shift has been the commercialization, commoditization, and corporatization of Indian elections. Political consultancy firms have proliferated all across the landscape. Some estimates value India's political consultancy ecosystem at over ₹1,500 crore.^[8]

To win this electoral contest of spectacle, political parties routinely hire private survey agencies, market research firms, data analytics companies, public relations agencies, digital marketing agencies, event management agencies, logistics and hospitality agencies, broadcast production firms, social media content studios, merchandise printing companies and campaign strategy firms. The Bharatiya Janata Party's (BJP) own ECI filing shows that it spent over ₹611 crores on media ads alone during the 2024 Lok Sabha elections.^[9]

For contesting candidates, too, the dominance of purse has risen substantially. An Association of Democratic Reforms (ADR) report shows that 'crorepatis' constitute 93% of all the winning candidates in the 2024 Lok Sabha contest, a sharp rise from the earlier 58% in the 2009 Lok Sabha elections.^[10] Further, over 25% of the total election-related expenditure is estimated to be spent in the form of voter inducements.^[11] It essentially means that votes are simply bought out as commodities by wealthy players in an electoral contest that is increasingly divorced from issue-based and ideology-based mass mobilisations.

Most of the foretold dynamics are deplorable and threaten the very spirit of elections as an exercise of rational choice and free will by the electorate. However, these trends are also a reflection of the preferences, aspirations, life conditions, and worldviews of a society that is now deeply entrenched in the capitalist economic structure.

To win elections in this context requires massive fund mobilisation by all political parties, to the extent that such amounts are almost impossible to be mobilised through individual donations, membership fees, party levies on MPs and MLAs, interest accruals on party assets, and crowdfunding. As per the estimates of the Centre for Media Studies (CMS), the 2024 Lok Sabha Elections were perhaps the most expensive electoral event ever in human history. The expenditure of parties, candidates, and government totalled over ₹1.35 lakh crore.^[12] And here comes the role of 'big money' in Indian elections. Big corporate houses enter the landscape to fill the gap between the funds needed to fight a commercialized, commoditized contest and the funds mobilizable by traditional decentralised methods. The Association of Democratic Reforms (ADR) analysis shows that corporates account for over 92% of the total donation value received by National Parties.^[13] For the State Parties, this number is slightly more balanced at 62%.^[14] However, the overall trends unequivocally point toward the increasing corporatization of the political funding landscape in India.

This also means that big corporate houses increasingly enjoy disproportionate influence on all major political parties. And the lack of statutory funding mandates provides enough discretion to corporate houses to exercise this influence and advance their narrow self-interests.

The incumbency advantage emerges as an even more worrying trend. Political parties that win power, either in the Centre or in states, start acting as rent-seekers to corner excessive funds from the corporates. Contracts, levies, and enforcement powers become their rent-seeking instruments. ADR's Ghatak and Mukherjee, in their essay, highlight such a correlation, especially when a party comes to power in multiple states or when a party comes to power in a rich, industrialized state.^[15]

Over the past several decades, a clear pattern of incumbency advantage has emerged. In the period 2007-2011, when the Indian National Congress (INC) was at the peak of its political power, it earned about ₹1,500 crores, which was almost twice as much as was earned by the second- and third-richest parties combined (BJP and JD(S)) in the same period.^[16] Even starker, in FY 2024-25, the Bharatiya Janata Party (BJP), the party in power at the Centre and in multiple states, received more than ₹6,000 crores in electoral donations. This was almost 10 times the aggregate donations received by all other national parties combined during the same period.^[5]

In totality, the simultaneous commercialization, commoditization, and corporatization of elections, combined with the incumbency advantage, paint a murky picture for India's electoral politics: Whoever has the maximum economic power enjoys the maximum probability of winning elections. And whoever wins the elections enjoys the incumbency advantage to corner more economic power. This cycle deepens the concentration of economic and political power in a few hands. Electoral dynamism dries up, the political power map freezes, and the very spirit of free and fair elections gets endangered.

Over the past several decades, India's electoral funding landscape has gradually transformed into a more transparent one, thanks to the reforms pushed by civil society groups like ADR, progressive judicial pronouncements by the Supreme Court, annual reporting mandates by the Election Commission of India (ECI), taxation structures, and legislative reforms. In its *Union of India v. Association for Democratic Reforms, 2002* verdict, the Supreme Court categorically upheld voters' right to information about the candidates and their criminal, educational & financial particulars.^[17]

Similarly, Section 29C of the Representation of the People Act, 1951, inserted through a 2003 amendment, was a great leap forward in mandating political parties to disclose the particulars of any contribution in excess of ₹20,000. Taxation structures, too, incentivise transparency in donations to political parties. Sections 80GGB and 80GGC of the Income Tax Act, 1961 allow for tax relief against voluntary contributions made by Indian companies and individual taxpayers, respectively, to political parties. Further, corporate regulatory instruments like Section 182 of the Companies Act, 2013 mandate annual disclosures about contributions to political parties.

Very recently, the Supreme Court prioritised transparency over donor privacy in *Association for Democratic Reforms v. Union of India, 2024*, where it struck down the Electoral Bonds Scheme, finding it in violation of voters' right to information.
[18]

Such transparency-driven reforms have empowered Indian citizens and civil society groups to play as watchdogs against electoral funding malpractices. The annual ADR reports, the associated analytical commentaries, and the investigative media reports have all been made possible only due to the mandatory annual reporting and donation disclosure norms. And the figures coming out of these reports tell of a deeper malaise inflicting our political funding landscape - the inter-party funding inequality, amplified further by power politics, the corporate-politician nexus, and the lack of formal structures to channelise these fund flows.

As already pointed out in the preceding paragraphs, funds inequality fundamentally distorts the level playing field when electoral contests get commercialized, commoditized and corporatized. And this strikes at the very core

of free and fair elections, which the Supreme Court declared as part of the Constitution's basic structure in *Indira Nehru Gandhi v. Raj Narain (1975)*,

To strengthen the promise of free and fair elections and to transform India into a robust, mature, multi-party democracy within a liberal economic structure, the time has come to dovetail a generation of transparency reforms with another set of reforms - the fair distribution reforms.

The ensuing chapters will explore the extant electoral funding pathways, the potential of electoral trusts in distributing the funds fairly, the proposed reform architecture advancing fair distribution and its comparison with the reforms already proposed by various committees in the past, and the legal pathway to bring about such reforms.

Chapter 2:

Extant Political Funding Pathways

Broadly, there are three pathways of fund mobilisation by political parties in India: internal party revenue, state support, and private individuals & corporate funding. Of these, internal revenue generation largely happens through membership fees, party levies on MPs and MLAs, party publication sales revenue, crowdfunding through the sale of coupons, interest accruals on party assets, physical asset rentals, and sale of party assets. In general, this pathway accounts for about 10% of the total income of all national political parties.^[19]

The second pathway, i.e., state support, accounts for a negligible share in the financial strength of political parties. In India, there is no direct cash support to the political parties. Instead, in-kind assistance is provided by the ECI, such as equitable allocation of broadcasting slots to recognized political parties on cable television networks, radio, and other electronic media under Section 39A of the Representation of the People Act (RPA), 1951. In the past, several committees, including the Indrajit Gupta Committee, have recommended expanding the basket of in-kind assistance to include rent-free accommodation, rent-free office spaces, rent-free telephone communications, fuel for campaign vehicles, food packets for counting agents, etc.^[20] However, as things stand, the state support to political parties contesting elections is meagre.

It is the third pathway that accounts for the mammoth share of the disclosed funds of political parties. Between 2018 and 2024, the individual and corporate contributions flowed in either through the direct contribution route, the electoral bonds route, or the electoral trusts route.

Counted together, the individual and corporate donations accounted for over 87% of the total disclosed funds received by national parties in Financial Year (FY) 2023-24. The Electoral Bonds route alone accounted for around 43% of the total disclosed receipts of national parties.^[19]

However, ever since the electoral bonds scheme was scrapped by the Supreme Court in 2024, the electoral trusts route has emerged as the most preferred pathway of political funding. While in FY 2023-24 the electoral trusts' donations amounted to ₹1218 crore cumulatively, in FY 2024-25 the trusts donated more than ₹3826 crore to political parties.^{[21][22]}

Cumulatively, the individual and corporate donations are, thus, the focus areas for any serious reform attempting to make the electoral funding landscape fairer and more transparent. These donations are governed by a maze of statutes. Direct voluntary contributions from individuals are governed under Sections 29B and 29C of the Representation of the People Act (RPA), 1951, and Section 137 of the Income Tax Act (IT), 2025. Direct voluntary contributions from companies that have been in existence for more than three years but are not government-owned are governed under Sections 29B and 29C of the RPA, 1951, Section 136 of the IT Act, 2025, and Section 182 of the Companies Act, 2013. The Electoral Trusts pathway emerges from the CBDT's Electoral Trusts Scheme, 2013.

Under Section 2(22AAA) of the Income Tax Act, 1961, and the Gazette notification of the Electoral Trusts Scheme, 2013, the CBDT recognises a few companies registered under Section 25 of the Companies Act, 1956 (or, correspondingly, Section 8 of the Companies Act, 2013) as "Electoral Trusts". These trusts then act as fund intermediaries between donors and political parties.

The functioning, fund receipt and disbursement, and regulatory compliance of the electoral trusts are governed by Rule 17CA of the Income Tax Rules, 1962. Read with Section 13B of the Income Tax Act, 1961, these rules enable donors to voluntarily contribute to the electoral trusts. In turn, these trusts are mandated to disburse a minimum of 95% of all the contributions collected in a Financial Year to the political parties registered under Section 29A of the RPA, 1951.

Compared to the electoral bonds and direct voluntary contribution options, these trusts hold immense potential to truly revolutionize the electoral funding landscape into an egalitarian one while still providing enough space for donors to contribute as per their choice. In fact, in 2024, in the aftermath of the Supreme Court verdict against the Electoral Bonds Scheme, the former Election Commissioner Ashok Lavasa had specifically highlighted the usefulness of the Electoral Trusts pathway in “*substantially fulfil(ing) the purpose and impact(ing) the right to information minimally*” vis-à-vis the Electoral Bonds Scheme.^[23] In FY 2024-25, more than 50% of the total funding received by all national parties came from the electoral trusts route.^[24] The BJP alone received ₹3157 crores (52% of its total fund receipt of ₹6088 crores) through the electoral trusts.^[22]

Within the electoral trusts themselves, a mammoth share of donations comes from the corporate houses (more than 96%, i.e., ₹3636 crore of the ₹3826 crore in FY 2024-25).^[24] The advantage of the electoral trusts mechanism for the corporate donors is two-fold: First, the donor-to-party link gets blurred as donation funds get pooled. This turns out to be a great boon for companies that operate across multiple states and have customers harbouring different ideologies. Second, they get rid of the compliance burden and paperwork that comes with direct contributions under Section 182 of the Companies Act, 2013.

For the voters, this mechanism reasonably upholds their right to information, as electoral trusts are required to disclose their fund disbursement makeup. Thus, electoral trusts have great potential to balance both: the donor's right to privacy and the voter's right to information.

The Supreme Court verdict in the *Association for Democratic Reforms v. Union of India (2024)* on electoral bonds had also taken a favourable view of the electoral trusts as a better pathway for political funding. Quoting directly from the verdict:

"..the existing legal regime provides another alternative in the form of Electoral Trusts through which the objective of curbing black money in electoral financing can be achieved..... an Electoral Trust is formed only for collecting political contributions from donors. An electoral trust can contribute to more than one party. To illustrate, if ten individuals and one company have contributed to an Electoral Trust and the donations are contributed to three political parties equally or unequally, the information about which of the individuals contributed to which of the political parties will not be disclosed. In this manner, the purpose of curbing black money in electoral financing will be met. At the same time, there would be no fear of consequences from political opponents because the information as to which political party were made is not disclosed."^[18]

But from the fair distribution perspective, the electoral trusts still have some distance to cover. The way electoral trusts disburse their funds very clearly reflects the power map of India. In FY 2024-25, Bharatiya Janata Party (BJP) accounted for nearly 83% of the total trust disbursements by all ten active electoral trusts combined (which stands at ₹3826 crores). Indian National Congress (INC) came a distant second, managing to get just 8% (i.e., ₹298 crores) of the total trust disbursements.^[22]

Another recognized national party, Aam Aadmi Party (AAP), received a meagre ₹16 crore through the electoral trust pathway. The All India Trinamool Congress (AITC), which was in near-absolute power in the state of West Bengal, too, was a beneficiary of this power play. It received nearly ₹102 crore via the electoral trusts – the maximum for any recognized state party. The rest of the parties cumulatively received about ₹250 crore from the electoral trusts.^[22]

We cannot have a multi-party democracy when electoral funds become the preserve of a select few, and that too of those who are already in power. Or else, free and fair elections risk getting reduced to a mirage in today's era of commercialized, commoditized, corporatized elections where who wins the election is increasingly mirrored in who spends how much.

The trends are worrying: the most electorally successful political party of the previous decade – the BJP – was also the one that accounted for 55% of the total election expenditure of ₹15,647 crore during FY14 and FY23, followed by the INC with a 30% share.^[25]

Political Parties that have remained out of power for long, but continue to hold enough voter base, must not be starved of funds. The representativeness of Indian democracy must not be sacrificed at the altar of an inherently unequal and unfair electoral funding landscape that prizes the powerful and condemns the weak. And this is why there is an urgent need to reform India's political funding landscape in the spirit of fair distribution.

Chapter 3:

A Rawlsian Funding Proposal

Fairness in political funding is the backbone of any dynamic electoral democracy. It provides an economic level playing field for various political outfits. It facilitates a buffet of fundamentally different ideas of governance to contest in the electoral battlefield. It significantly enhances the voters' choice. It prevents the entrenchment of a regime-specific economic-political nexus. It reduces the entry barriers for new players to fight elections. It secures a multi-party democracy in a country as diverse as India. It diminishes the corporate overhang over politics. And most of all, it provides a fair equality of opportunity for the marginalized sections to strive for political power.

Thus, any honest attempt at making Indian democracy fairer, more dynamic, and more representative of its diverse society must essentially involve making its political funding landscape more equitable and just. Political philosopher John Rawls defined a just system as one which works to the maximum advantage of the least advantaged. Justice, in his view, meant fairness; balancing liberty with equality.^[6] In the same breath, India's political funding landscape will be fair only when we have an institutional and legal architecture that works towards the benefit of the least advantaged legitimate political players while giving enough liberty to the behemoths to mobilize resources, expand their donor base, and pursue political power. While focusing on expanding voters' choice and electoral dynamism, any fair distribution architecture must also respect donors' choice to contribute to outfits that share their concerns and interests. In essence, this implies a careful balance between two overarching principles: individual and organisational political liberty, and collective democratic responsibility.

The ensuing paragraphs lay down a transformative proposal for rethinking India's political funding landscape, especially in the context of corporate donations, to:

1. advance substantive choice for voters in a multi-party democracy
2. respect donors' liberty to contribute their earnings to political outfits of their choice.
3. provide a fair equality of opportunity for the newer political outfits and independent candidates
3. discourage conditional corporate donations that perpetuate quid pro quo behaviour in governance, and
4. counteract disproportionate political influence of oligopolist corporates.

Consider a society that has contracted to constitute itself as a representative democracy. By implication, it must now devise a system that facilitates fair representation of its myriad communities, conflicting interests, diverse ideas, and opposing ideologies, in its process of choosing future decision-makers. For such a system to run, the society will have to allocate a part of its resources. And the way these allocated resources get distributed among legitimate contestants will determine how inclusive, participatory, and vibrant this exercise of choice will be.

In India, it is largely the private donations (individuals or corporates), regulated under different statutes, through which the society allocates financial resources for such political purposes. But as far as the distribution of these allocated resources is concerned, India does not have specific institutionalized pathways. The complex interplay of diverse choices of various donors is the sole factor determining how the political funds of Indian society finally get distributed among different legitimate political players. For a robust and mature multi-party democracy, India needs to move away from such ad hocism in its political funds allocation and distribution landscape,

To ensure some degree of stability and predictability in political funding, an institutionalized pool of financial resources specifically allocated for political activities within Indian society must be devised. It is proposed to create this pool through Corporate Political Responsibility mandates.

India's corporate profits are booming. Between FY20 and FY25, Indian corporates reported a CAGR of nearly 30%, outpacing India's GDP growth by three times. This is also visible in the booming Corporate Social Responsibility (CSR) landscape. In FY25, India's CSR mobilization crossed the ₹40,000 crore mark.^[26] And by 2035, it is touted to breach the ₹1.2 lakh crore mark.^[27]

It is to the credit of the legal mandate under Section 135 of the Companies Act, 2013 that such a large pool of philanthropic capital is accessible to India. According to this section, companies meeting a certain turnover or profitability criteria are mandated by law to allocate a minimum of 2% of their average profits of the previous three years for CSR purposes. Government companies (PSUs) contribute nearly 15% of the total CSR fund pool. The remaining 85%, i.e., nearly ₹34,000 crore in FY 2024-25, was sourced from private enterprises.^{[28][29][30]}

On similar lines, we can have a Corporate Political Responsibility (CPR) mandate by inserting *Section 135A in the Companies Act 2013*, as follows:

*1. Notwithstanding anything contained in any other provision of this Act, every company, other than a Government company and a company which has been in existence for less than three financial years, having a net worth of rupees five hundred crore or more, or a turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more during the immediately preceding financial year, shall contribute towards **Corporate Political Responsibility**.*

2. *The Board of every company referred to in sub-section (1) shall ensure that the company contributes, in every financial year, an **amount not less than 0.5% of the average net profits of the company** made during the three immediately preceding financial years, calculated in accordance with section 198 of the Companies Act, 2013.*
3. *Every contribution made in pursuance of this section shall be **made exclusively to electoral trusts** recognised under the Electoral Trusts Scheme, 2013.*
4. *The Board shall disclose the amount contributed by the company towards CPR in its Board's Report and specify the reasons for any failure to comply with the obligation under this section.*

Even if a **statutory CPR mandate of just 0.5%** of the average profits of the previous three years is imposed on the companies (other than government companies) satisfying the same criteria as that for CSR applicability, India would have over ₹8,400 crore at its disposal for the political and electoral activities of its legitimate political parties. And this fund pool would keep growing as the corporate sector grows. Thus, the proposed Section 135A would institutionalize the stability and predictability of funds that are needed to keep India's political landscape vibrant, dynamic, and representative of its diversity.

The next step is to institutionalize the fair distribution of these allocated financial resources to legitimate political players. Sub-section (3) of the above proposed Section 135A of the Companies Act 2013 acts as the link between the CPR fund pool and the fair distribution pathways. Electoral trusts provide an already-existing fund distribution channel, albeit with underutilized fair distribution potential.

Under the CBDT's Electoral Trusts Scheme, 2013, such trusts are simply mandated to disburse at least 95% of their funds to political parties registered with the ECI under Section 29A of the RPA, 1951. It is proposed that the rules of the Electoral Trusts Scheme, 2013 (i.e., Rule 17CA of Income Tax Rules, 1962) be amended along the following lines to codify fair distribution principles into it:

1. *Notwithstanding anything contained in Section 29A of the Representation of the People Act, 1951, an electoral trust shall disburse **funds only to such political parties as are recognised** by the Election Commission of India under the Election Symbols (Reservation and Allotment) Order, 1968.*
2. *No electoral trust shall disburse, in any individual disbursement, more than **40% of the total funds disbursed by it in that disbursement to any one political party** recognised by the Election Commission of India under the Election Symbols (Reservation and Allotment) Order, 1968.*
3. *Every electoral trust shall disburse funds to **not less than 10 political parties recognised** by the Election Commission of India under the Election Symbols (Reservation and Allotment) Order, 1968,*
4. *Every electoral trust shall ensure that, in each individual disbursement, **not less than 4% of the total funds disbursed** in that disbursement is allocated to each political party recognised by the Election Commission of India under the Election Symbols (Reservation and Allotment) Order, 1968, to which such disbursement is made.*
5. *Every electoral trust shall allocate **not less than 2% of the total amount disbursed in each individual disbursement to the National Electoral Trust** administered by the Election Commission of India.*
6. *Every electoral trust shall, at the commencement of each financial year, **prepare and publicly disclose its proposed party-wise allocation of funds for that financial year.***

7. Such allocation plan shall be approved by a resolution of the Board of Trustees, adopted in accordance with the applicable procedures under the Companies Act, 2013, and other laws.
8. The allocation plan approved for a financial year **shall remain binding throughout that financial year** and shall not be altered during the period to which it relates.
9. Every electoral trust shall, at the end of each financial year, **publicly disclose a statement** specifying the total funds received, the identity of each donor and the amount received from each, the identity of each donee and the amount disbursed to each, the party-wise distribution of funds, and the expenditure incurred on administrative and other operational expenses.

With the CPR funds and the amended Electoral Trusts Rules now in place, other supportive reforms to strengthen this funding architecture must be brought in, while advancing individual and organisational political liberty at the same time. The following supportive reforms include a few novel propositions and a few already recommended by official committees in the past:

1. **Strengthen the statutory basis of electoral trusts:** Insert a Part IV-B in the Representation of the People Act, 1951 containing Section 29I, as clearly delineated in the 255th Report of the Law Commission (see Chapter 5).^[20]
2. **Fixing a reasonable ceiling on 'campaign expenditure' by political parties:** Insert Section 77A in the Representation of the People Act, 1951 empowering the Election Commission to limit campaign expenditure by registered political parties, along the lines of the Political Parties, Elections and Referendums Act, 2000 (PPERA) of the United Kingdom. This would include not just constituency-wise ceilings on party expenditure, but also ceilings on digital campaign expenditure and third-party expenditure such as:

“(1) The Election Commission shall fix constituency-wise ceilings on campaign expenditure by political parties registered under Section 29A of this Act for each general election or bye-election to the House of the People or a State Legislative Assembly.

(2) The Election Commission shall determine the attribution of campaign expenditure, including expenditure on electronic and digital campaigning, to constituencies.

(3) Expenditure incurred by a third party on a campaign that is authorised by, or publicly identifies itself with, a political party through the use of its name, election symbol or logo shall count towards that party’s applicable ceiling.”

3. Statutory ceiling on funding pathways other than the electoral trusts:

Limit the amount political parties can receive from each donor in each financial year through direct donations. This ensures a legal mandate to route most of the donations through the electoral trusts, while also reasonably incentivizing political parties to expand their social base and mobilize funds through decentralized methods like crowdfunding and small public donations. An amendment prescribing a ₹5 lakh threshold for direct contribution, while also giving the ECI room to revise it, seems reasonable in the present context. This can be achieved through amending Section 29B of the RPA, 1951 and Section 182 of the Companies Act, 2013, as follows:

a. Insert the following proviso after the existing proviso in Section 29B of the Representation of the People Act, 1951: *“Provided further that no political party shall accept, otherwise than through an electoral trust registered under Part IV-B of this Act, any contribution from a person to the extent that the total contributions received from that person during a financial year exceed five lakh rupees or such other amount as may be prescribed by the Election Commission of India.*

b. *Insert the following sub-section (1A) after sub-section (1) of Section 182 of the Companies Act, 2013: “(1A) Notwithstanding anything contained in sub-section (1), no company shall make or cause to be made, otherwise than through an electoral trust registered under Part IV-B of the Representation of the People Act, 1951, any contribution to a political party to the extent that the total contributions made to that political party by the company during a financial year exceed five lakh rupees or such other amount as may be prescribed by the Election Commission of India.”*

4. **Establish a National Electoral Trust funded by the 2% mandate on electoral trusts and administered by the ECI:** The National Electoral Trust has already been proposed in the 2015 ECI event “National Consultation on “Political Finance and Law Commission Recommendations”.^[31] But the novel proposition is to fund it through a mandatory contribution of at least 2% of the total amount disbursed in each individual disbursement by each registered electoral trust. Through this, the National Electoral Trust (NET) can be used to finance independent candidates and Registered-but-Unrecognized Political Parties (RUPPs) to fight elections. The NET can also be utilized to finance the other in-kind subsidies that have been proposed by the Indrajit Gupta Committee on State Funding of Elections (1998). A statutorily established NET, administered by the ECI with a clear purpose, can be brought about with the insertion of a new section 78C in the Representation of the People Act, 1951, as follows:

“(1) *The Election Commission shall establish and administer a National Electoral Trust to advance public funding of elections.*

(2) *The National Electoral Trust shall be funded by contributions received from electoral trusts registered under Part IV-B and shall support—*

- i. *eligible independent candidates and political parties registered under Section 29A but not recognised under the Election Symbols (Reservation and Allotment) Order, 1968*
- ii. *free political campaign access to public and private media*
- iii. *other in-kind election subsidies conducive to free and fair elections, as determined by the Election Commission.”*

The above reforms constitute a package that must be implemented in tandem with each other. The proposed Section 135A of the Companies Act, 2013 feeds into the amended Rule 17CA of the Electoral Trust framework, which in turn gets strengthened by a statutory backing proposed through the insertion of Part IV-B in the Representation of the People Act, 1951, and also funds the proposed National Electoral Trust established through the insertion of Section 78C in the Representation of the People Act, 1951. The other two reforms, fixing ceilings on party campaign expenditure and capping direct donations per donor per financial year, are part of broader reforms to limit the role of money power and incentivize parties towards decentralized funding models, respectively.

A visualisation of the dynamics that may play out with the implementation of these reforms and their evaluation is attempted in the following chapters.

Chapter 4:

Visualising the Reforms

The previous chapter has listed down a package of reforms with several intertwined dynamics. When considered as a whole, these reforms collectively infuse fairness in the political funding landscape. A visualisation of how the reformed dynamics may play out is laid down in this chapter.

Annual CPR Fund Pool

Considering the same sectoral composition as the CSR pool of FY2024-25, the proposed Section 135A of the Companies Act, 2013 will generate the CPR fund composition as follows:

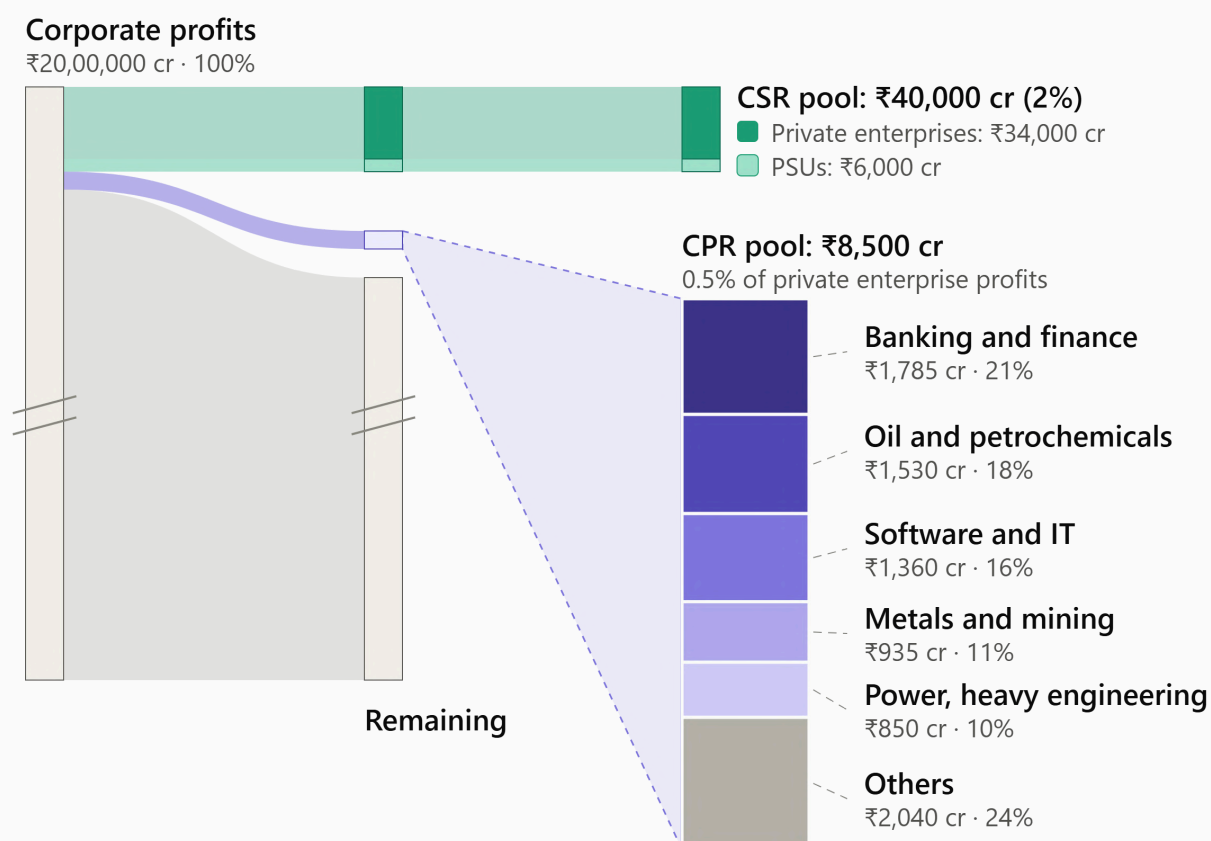


Figure 1: Sankey diagram illustrating fund allocation from corporate profits for CPR purposes. The numbers are approximate, and the sectoral composition of CPR is approximated from the sectoral composition data of CSRBox's India CSR Outlook Report 2025

The Dynamics of Electoral Trusts

As per the proposed amendments to Rule 17CA of Income Tax Rules 1962, Section 182 of Companies Act 2013, Section 29B of the Representation of the People Act 1951 and the insertion of a new Part IV-B in the Representation of the People Act, 1951, the electoral trusts will become the primary pathways to fund recognized political parties. Since the space of electoral trusts will be free and open for any group, it is expected that a few non-partisan electoral trusts will be created with the backing civil society groups like the ADR, Lok Prahari, Common Cause Foundation, PUCL etc., and a few partisan electoral trusts will be established with the backing of political parties. A few other electoral trusts reflecting political coalitions may also get established in due course of time. Let us illustrate the dynamics of the electoral trusts landscape with a few scenarios.

Suppose honest-minded civil society groups come together and establish an electoral trust named "*People's Electoral Trust*". The board would perhaps decide on a criterion of fund allocation that reasonably accounts for internal party democracy, alignment of the poll promises with constitutional ideals, democratic and open decision-making, social diversity of elected political representatives, and the geographical presence of the party. The fund allocation plan must also comply with the amended Rule 17CA.

However, in an open and diverse society like India, there is a reasonable possibility that such non-partisan trusts may not inspire relatability with the ideas and interests of a large number of donors. There is also a possibility that many political parties may not get enough funds from such trusts. Hence, they may seek to promote the establishment of electoral trusts aligned with their party interests and ideological orientations.

So, for example, the BJP may promote a "*Bharatiya Electoral Trust*" disbursing majority of its funds to the BJP and its allies. Similarly, the INC may have an "*Indian Electoral Trust*" aligning with its ideology and majorly supporting it and its allies financially. For that matter, this inter-party race in the funding landscape would begin and most political parties would eventually have some or the other electoral trust affiliated to themselves in such a manner that the maximum share (i.e., 40%) of the funds would be cornered by those very parties that back such electoral trusts.

Let us foresee a proliferation of electoral trusts in this manner. For instance, there would be a "*Samajwadi Electoral Trust*" disbursing 40% of its funds to the Samajwadi Party, a "*Karunanidhi Electoral Trust*" affiliated to DMK, a "*Vaampanth Electoral Trust*" affiliated to CPI(M), a "*Shiv Electoral Trust*" affiliated to Shiv Sena, a "*Bahujan Electoral Trust*" for BSP, and so on.

Then there would also be a few electoral trusts established by different interest and community groups like the farmer groups, the trader groups, the youth groups. For example, there may be a "*Kisan Electoral Trust*" propped up by the farmers to support political parties that represent, protect, and promote their interests. Such trusts would be expecting CPR funds from the corporates working in their domains. The "*Kisan Electoral Trust*" may, perhaps, be funded by Farmer Producer Organisations (FPOs). There may be a "*Vyapari Electoral Trust*" with the state goal of supporting parties that advance trader and business interests, there may be a "*Yuva Electoral Trust*" to support youth-centric parties, and so on.

In essence, a marketplace of electoral trusts will emerge. And each of these electoral trusts will have a publicly disclosed allocation plan for a specific year.

A proliferation of electoral trusts with diverse fund allocation plans will not only respect the CPR fund donors' choice of donation but also infuse fairness and transparency in the formalised pathways of political funding. Such a model will also provide space for economic coalitions of political parties, and encourage greater intra-coalition equality across coalition partners.

The dynamics of electoral trusts is visualised as below:



Figure 2: Illustrative allocation of funds by the civil society-backed "People's Electoral Trust". The allocation takes into account various parameters like internal party democracy, geographical party presence, alignment with constitutional ideals, etc.

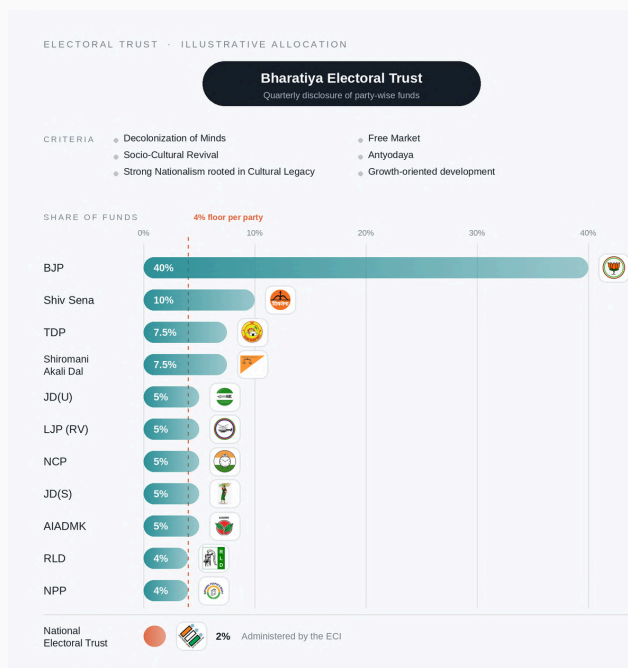


Figure 3: Illustrative allocation of funds by the BJP-affiliated "Bharatiya Electoral Trust". The allocation takes into account various parameters like party stance on decolonization, free market principles, growth-oriented development, socio-cultural revival etc.

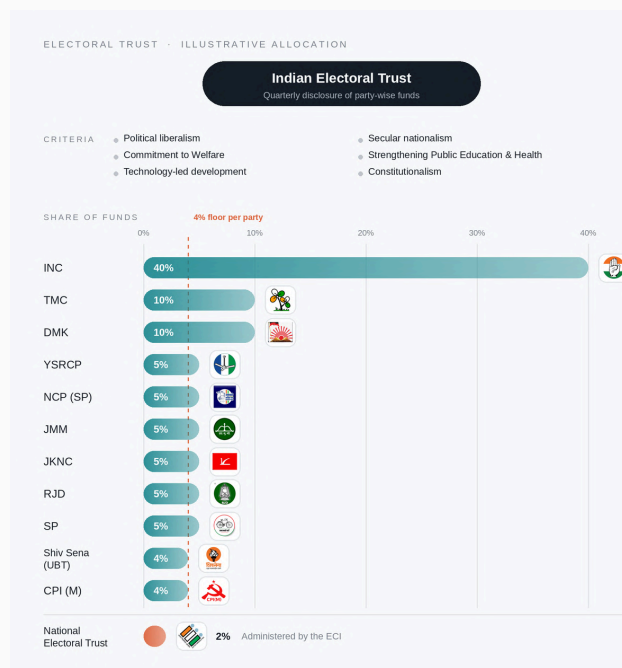


Figure 4: Illustrative allocation of funds by the INC-affiliated "Indian Electoral Trust". The allocation takes into account various parameters like party stance on political liberalism, secular nationalism, commitment to welfare, public education systems etc.



Figure 5: Illustrative allocation of funds by the BSP-affiliated "Bahujan Electoral Trust". The allocation takes into account various parameters like party stance on reservation, tribal welfare, scientific temper, Ambedkarism, Substantive Equality etc.



Figure 6: Illustrative allocation of funds by the farmer-centric "Kisan Electoral Trust". The allocation takes into account various parameters like party stance on farmers' welfare, farm loan waivers, international agricultural trade, etc.

Supposing that India has just these five electoral trusts (*People's, Bharatiya, Indian, Bahujan, and Kisan*) and assuming a rational-choice political hedging strategy is adopted by the corporates, the CPR funds would flow into each party via these trusts in a pattern that looks something like this:

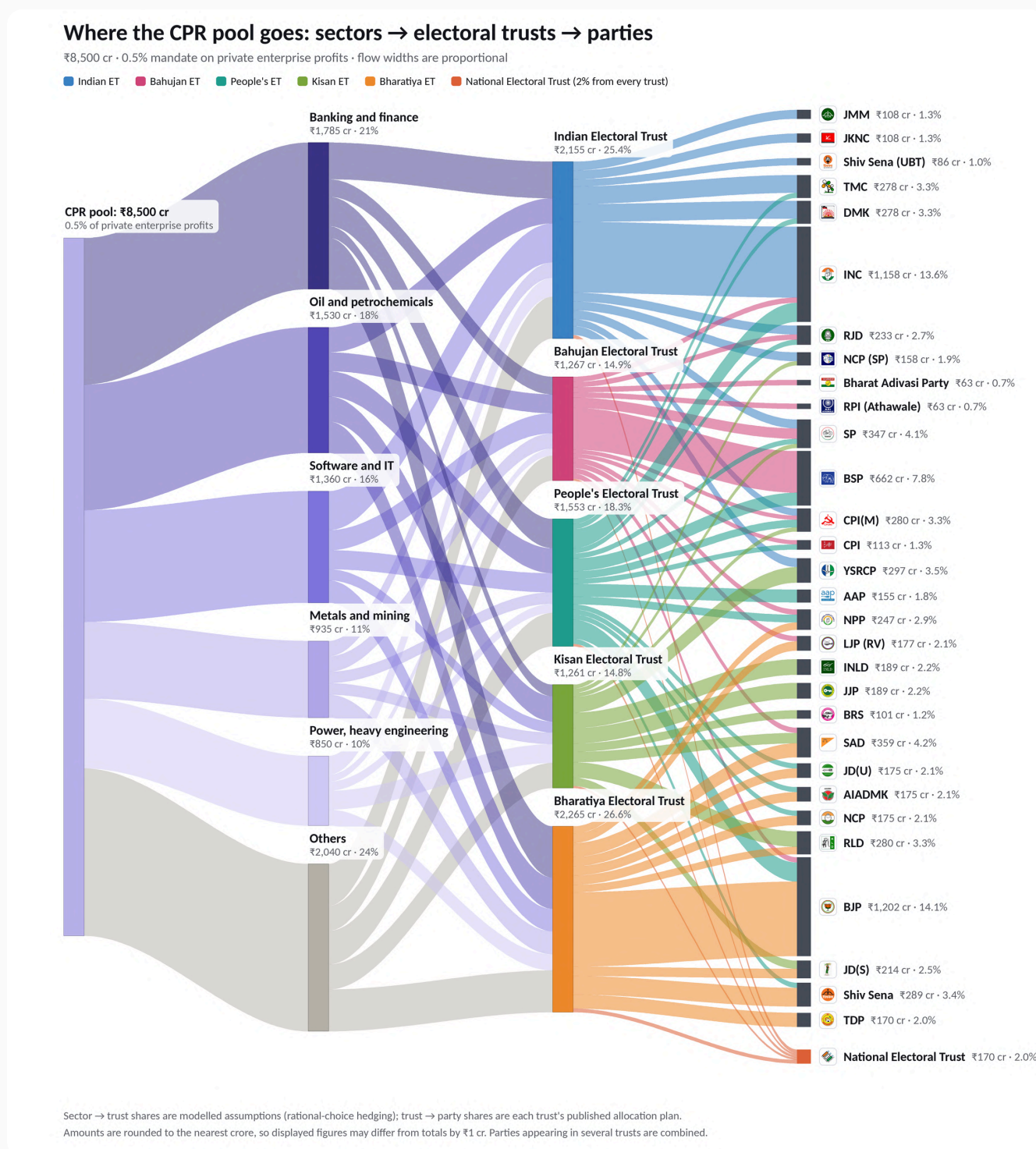


Figure 7: Illustrative Sankey diagram of fund flow from corporates wielding CPR funds into various political parties through an electoral trust intermediary architecture. The fund flow not just becomes more transparent and formalized, but also more fairly distributed. (Created using Clause Sonnet 5.5 AI model.)

Assumptions made in the above Figure 7 Sankey fund flow illustration:

1. Every corporate sector decides fund allocation to different electoral trusts on a rational-choice logic.
2. Every sector funds all five trusts, because leaving one out invites flak. No sector puts more than 35% into any single trust, which keeps its tilt defensible. Each also gives People's Electoral Trust 13–20% as a visible sign of commitment to fair elections.
3. Banking and finance leans to Bharatiya (35%) for its free-market stance, with Indian (25%) as the hedge for constitutionalism and stable regulation. Kisan gets the least (8%), since loan waivers hurt lenders.
4. Software and IT leans to Indian (35%) for liberalism, constitutionalism and fair business practices, which MNC-linked firms favour. Kisan gets a token 10%, partly because it lists agri-tech among its aims.
5. Power and heavy engineering splits the largest shares between Indian and Kisan (27% each) for land-acquisition goodwill. Bharatiya gets 23% for market reforms. Bahujan gets only 10% because it has the least say over land.
6. Oil and petrochemicals is near-even, with a slight tilt to Bharatiya (25%) because energy pricing is a strategic policy matter. Kisan gets 20% because of ethanol blending and pipeline land.
7. Metals and mining gives the most to Bharatiya (30%) for growth and market policy. Bahujan and Indian get 20% each because mines sit in tribal belts, where Bahujan's tribal-welfare agenda decides whether clearances stay smooth. Kisan and People's get 15% each. Kisan matters for land and water rights.
8. Others is a diversified evenly: 25% each to Indian and Bharatiya, 20% to People's, and 15% each to Bahujan and Kisan.

The assumed sector-wise CPR funds allocation to various electoral trusts based on the above assumptions is as follows:

Table 1: The Assumed Sector-wise Allocation of CPR funds to Electoral Trusts

Total CPR pool ₹8,500 cr

Source Sector of the CPR funds	Indian Electoral Trust	Bahujan Electoral Trust	People's Electoral Trust	Kisan Electoral Trust	Bharatiya Electoral Trust
Banking and finance (₹1,785 cr)	25%	12%	20%	8%	35%
Oil and petrochemicals (₹1,530 cr)	20%	15%	20%	20%	25%
Software and IT (₹1,360 cr)	35%	18%	17%	10%	20%
Metals and mining (₹935 cr)	20%	20%	15%	15%	30%
Power, heavy engineering (₹850 cr)	27%	10%	13%	27%	23%
Others (₹2,040 cr)	25%	15%	20%	15%	25%

Funding Evenness

If we analyse the fund flow shown in Figure 7, it is observed that political funds are more evenly distributed across various political parties. Comparing the above illustrative fund flow with the funds actually disbursed by various electoral trusts to political parties in FY 2024-25^[24], the following observations are made:

Table 2: Funding Evenness Comparison (Actual FY25 vs. Modelled)

Each comparison is done in percentage terms. Hence, the different amounts of funds being disbursed under the actual and modelled scenarios do not affect the comparison

Measure	Actual FY 2024-25 Disbursement	Modelled Fund Flow (Figure 7)
Share of the party receiving maximum funds	~ 83%	~ 14%
Share of the top 5 parties receiving maximum funds	~ 97%	~ 45%
Herfindahl-Hirschman Index (HHI) (sum of squared shares) (less = more even)	0.69	0.064
Effective number of financially relevant parties (1/HHI)	1.45	15.63

The data for actual fund disbursement has been taken directly from the ADR's Analysis of Contribution Reports of Electoral Trusts - FY 2024-25. For the modelled fund disbursement scenario, data has been taken from the Sankey fund flow illustration (Figure 7). It is important to note that the modelled fund distribution depends fundamentally on the sector-to-trust fund donation pattern and the trust-to-party fund disbursement pattern. Hence, before reading deeper into the comparison shown in Table 2, caution must be exercised that the numbers are contingent on the assumptions made in Table 1 and the trust-to-party plans shown in Figures 2, 3, 4, 5 and 6. The Herfindahl-Hirschman Index (HHI) is comparable across the two columns because percentages put both scenarios on one scale. Different totals and different numbers of receiving parties don't matter. The inverse of HHI gives the effective number of parties that receive amounts of some relevance.

The 2% contribution to National Electoral Trust

In the *Figure 7* Sankey illustration, the National Electoral Trust (NET) receives ₹170 crore. Under the proposed Section 78C of the Representation of the People Act, 1951, the National Electoral Trust, administered by the ECI, is specifically mandated to advance public funding of elections and support independent candidates and Registered-but-Unrecognized Political Parties (RUPPs). The ECI can publicly disclose a criteria-based formula to transparently allocate the funds collected in the NET for different purposes, and thence, advance the ideal of public funding of elections as recommended in the Indrajit Gupta Committee of 1998.

The ₹5 lakh cap for direct donations

Presently, there is no cap on the amount that may be contributed through direct donations. Section 29C of the Representation of the People Act, 1951 merely requires disclosures on donations exceeding ₹20,000 threshold.

The proposed amendment to Section 29B of the Representation of the People Act, 1951 and the Section 182 of the Companies Act 2013 would cap the direct donation amount to ₹5 lakh, which in turn will create two separate pathways for donation-based funding of political parties. One would involve large amounts but small numbers. Such donations would be sourced from large corporates, high-net-worth individuals and the 0.5% legal mandate of CPR, but would be routed through the fair distribution channel of electoral trusts. The other pathway would be the direct one, involving small amounts but large numbers. Such donations would be sourced from local MSMEs, party sympathizers and ground workers. This would essentially encourage political parties to strengthen grassroots connect, empower local party units for fund mobilization, widen their social base, and keep themselves accountable to their broad base of small donors.

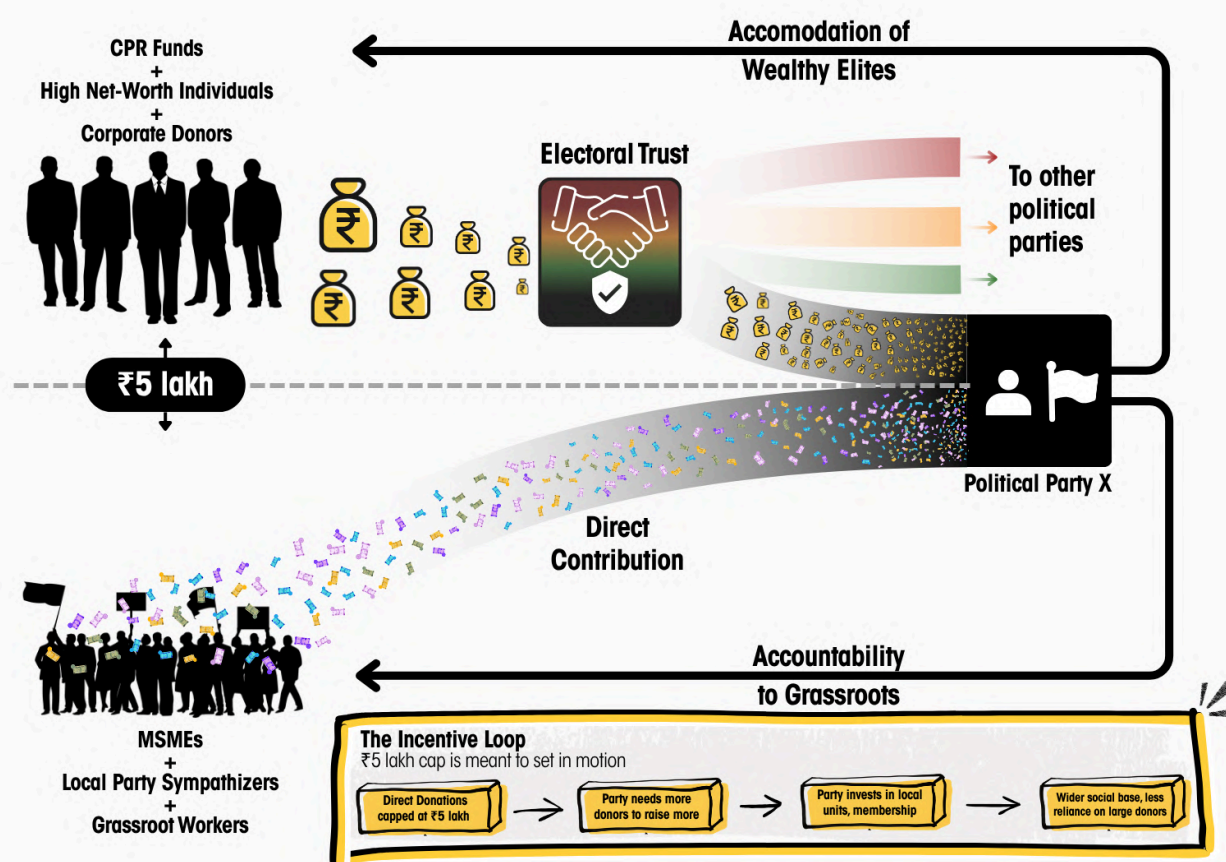


Figure 8: Illustrative effect of the ₹5 lakh donation cap on internal party dynamics, accountability to grassroots and reduction of disproportionate corporate influence on party policies.

Chapter 5: Evaluating the Reforms

In the past, several committee reports have recommended a multitude of reforms in the political funding landscape, including the 1990 Dinesh Goswami Committee, the 1993 Confederation of Indian Industry (CII) Task Force, the 1998 Indrajit Gupta Committee, the 1999 Law Commission Report No. 170, the 2008 Second Administrative Reforms Commission Report No. 4, and the 2015 Law Commission Report No. 255.

This chapter will give a summary snapshot of the broad recommendations given by these committees in the context of political funding. The novel reforms proposed in this paper will then be compared with the relevant recommendations of these committees. The proposed reforms will also be evaluated independently against the ideals of free and fair elections, voter centricity, political liberty, political pluralism, transparency of funding, progressive reduction of money power, prevention of undue political influence, and democratisation of party structure.

A Summary Snapshot of Reforms Recommended by Various Committees

Various committees have approached election finance reforms from different perspectives, including election expenditure, corporate donations, state funding, cash support, in-kind subsidies, and disclosure requirements. Since the scope of this white paper is limited to fair political funding reforms, the committee recommendations relevant only to this aspect of the wide gamut of electoral reforms will be dealt with here.

1. The 1990 Dinesh Goswami Committee

In Chapter VIII of the Committee Report, state funding of elections is viewed favourably. However, it suggested limiting state assistance to only the candidates set up by recognized parties, and that too, only in-kind. To start with, it recommended state assistance in kind in respect of vehicle fuel, copies of electoral rolls, microphone hire charges, and issuance of voter identity slips. In this respect, it recommended empowering the ECI to work out the manner and mode of state assistance. Further, it recommended against any annual financial assistance to political parties.^[32]

Regarding corporate donations, it advocated for a complete and total ban on donations by companies.^[32]

In terms of election expenditure, it suggested a few amendments to Section 77 of the Representation of the People Act, 1951 to ensure third-party and unauthorised election expenditure comes within the regulatory purview.^[32]

2. The 1993 Confederation of Indian Industry (CII) Task Force

This was the first major exercise by India's corporate world to suggest reforms in the country's election financing. It suggested four major reforms:

- a. Corporate political contributions be made tax-deductible. This was eventually implemented with the insertion of Section 80GGB in the Income Tax Act, 1961, in 2003.
- b. Mandatory shareholder approval of board decisions about political contributions. While Section 182 of the Companies Act, 2013 devised a statutory architecture to mandate board resolution for any political contribution, shareholder approval remains unrealized.

- c.State funding of elections with funds raised through two pathways:
election cess and corporate contributions to an election fund pool.
- d.Formulaic distribution of funds collected in the election fund pool by the
ECI.^[20]

3. The 1998 Indrajit Gupta Committee

The core mandate of this committee itself was to examine the pattern of state funding in other countries and to explore the possibility of its implementation in India. It strongly favoured state funding of elections, albeit in a phased manner. It observed a “full justification constitutional, legal as well as on the ground of public interest” to go for state funding of elections. Akin to Dinesh Goswami Committee’s recommendations, this committee, too, recommended limiting state assistance to recognized parties and their contesting candidates exclusively. Similarly, it endorsed the earlier proposition of preferring in-kind assistance over cash support. In terms of disclosure, it went a step further and suggested linking any kind of state assistance to financial transparency and auditing measures by the political parties.^{[20][33]}

Another important suggestion of this committee was to set up a centrally governed Election Fund, similar to what the CII Task Force proposed. However, unlike the CII proposition, this committee recommended that this Fund be financed through the Centre and states together, envisaging it as a federal pool of funds to support state funding.^[20]

4. The 1999 Law Commission Report No. 170

This Report recommended prioritising internal democracy, transparency, audit and reporting mechanisms for political parties before implementing state funding.

It highlighted the superfluity of state funding in reducing money power and undue corporate influence unless it is backed by other supportive expenditure and disclosure reforms.^[34]

5. The National Commission to Review the Working of the Constitution (NCRWC), 2002

In its report, NCRWC picked up the baton from the 1999 Law Commission report and reflected its wariness of full state funding as an effective model to curb undue political influence, money power, black money, and political corruption.^[35] Instead, the focus once again shifted towards stricter disclosure norms. It called for a foolproof legal and regulatory framework to strictly enforce financial transparency, regular auditing, and internal democracy standards within the political parties. It also stressed the timely and accurate declaration of assets and liabilities by contesting candidates.

In terms of expenditure, the Commission was critical of the lack of realism in setting expenditure caps.

Regarding corporate donations, the Commission's stance was permissive. It suggested permitting corporate donations within higher prescribed limits while making them transparent. Further, it was through the suggestions of this Commission that the idea of electoral trust as a mechanism for fair distribution was seeded for the first time.^[35]

6. Implementing a Slew of Reforms: The 2003 Amendment

Many of the reforms that had been officially recommended over the past several decades were finally implemented, either in full or in part, through the Election and Other Laws (Amendment) Act, 2003.

For instance, partial state funding was realized through the insertion of Section 39A, Section 78A, and Section 78B in the Representation of the People Act, 1951. Similarly, disclosure and transparency mechanisms were strengthened through the insertion of Section 29B and Section 29C, and the amendment of Section 169 of the same Act. The election expenditure front was also tightened up with the removal of the highly contentious Explanation appended to Section 77(1), which had acted as a loophole for third-party expenditure since several decades. Tax exemptions for political contributions were also brought in through the insertion of Section 80GGB and Section 80GGC in the Income Tax Act, 1961.

Subsequently, the statutory framework regarding corporate donations for political purposes was clarified further with the legislation of the Companies Act in 2013, especially through Section 182 of this Act.

7. The 2015 Law Commission Report No. 255

Being drawn up after the implementation of several of the earlier suggested reforms, Report No. 255 of the Law Commission continues to be the most relevant, authoritative and comprehensive document on electoral reforms as of today.

With regard to political financing, it rejected the idea of complete state funding, and instead, suggested advancing the idea of indirect state subsidies for reasons stated below in brief:

- a. Lack of enough resources to divert from other alternative uses like poverty alleviation, public health, education, etc.
- b. No clear picture on the cost of financing elections due to weak contribution and expenditure disclosures.
- c. State assistance may invite uninterested and opportunistic candidates

- d. State assistance may invite uninterested and opportunistic candidates
- e. Inadequate campaign finance reform, transparency provisions, and inner-party democracy render state funding superfluous for curbing money power and black money.
- f. Possible reduction of party incentives to maintain their social base and generate funds through political mobilisation.
- g. Risk of the party system getting frozen if state assistance is given based on past performance or present representation (as is done in the UK, Italy, Germany, etc.). Newer political entrants and independent candidates get discouraged, and electoral dynamism reduces.^[20]

The report emphasized utilizing the provisions of Section 78B of the Representation of the People Act, 1951 to expand the basket of in-kind subsidies. Further, in the context of election expenditure, it recommended amending Section 77 of the 1951 Act to extend the starting time period of the regulation of election expenditure to the 'date of notification of elections' (instead of the present 'date of nomination').^[20]

Concerning corporate donations, it suggested greater transparency and accountability by shifting the power to decide on political contributions from the Board of Directors to the Annual General Meeting of the company (i.e., shareholder approval).^[20]

In terms of disclosure, the report suggests stringent, transparent, and timely disclosure of accounts of election expenses and contribution reports. It also proposes amending Section 29C of the Representation of the People Act, 1951, to mandate maintenance, audit, and publication of accounts by political parties, and such other reforms needed to strengthen the disclosure norms.^[20]

As already highlighted in Chapter 3, the Law Commission report also laid great emphasis on giving a statutory basis to the regulation of Electoral Trusts through the insertion of Part IV-B. The same is being reiterated here verbatim and must be read in tandem with the relevant recommendation of Chapter 3:^[20]

"Part IV-B: Regulation of Electoral Trusts

Section 29I:

(1) Electoral Trusts entitled to accept contributions – *Subject to the provisions of the Companies Act, 2013 and the Income Tax Act, 1961, an Electoral Trust approved by the Central Board of Direct Taxes under the Electoral Trusts Scheme, 2013 may accept any amount of contribution voluntarily offered to it by any person or company other than a Government Company:*

Provided that no Electoral Trust shall be eligible to accept any contribution from any foreign source defined under clause (e) of section (2) of the Foreign Contribution (Regulation) Act, 1976.

Provided further that all words and phrases used in this Part shall have the same meaning as assigned to them in section 29B.

(2) Maintenance, audit, publication of accounts by electoral trusts – (a) *Each Electoral Trust shall maintain accounts clearly and fully disclosing all the amounts received by it and clearly and fully disclosing the expenditure incurred by it. The accounts shall be maintained according to the financial year. Within six months of the close of each financial year, each Electoral Trust shall submit its accounts, duly audited by a qualified and practicing chartered accountant from the panel of Chartered Accountants, selected by the Comptroller and Auditor General to the Election Commission.*

(b) The Election Commission shall make publicly available, on its website, the audited accounts submitted by all electoral trusts under sub-section (1).

(c) The Election Commission shall also keep these accounts on file for three years after their submission and shall make them available for public inspection on payment of a prescribed fee.

(3) Declaration of contribution received by the Electoral Trusts – (a) The treasurer of an Electoral Trust or any other person authorised by the trust in this behalf shall, in each financial year, prepare a report in respect of the following, namely:

- 1. the contribution received by such electoral trust from any person in that financial year, with the name, address, and PAN of such persons. Provided that the Electoral Trust or any other person authorised by the Trust in this behalf shall not receive any donation in cash and without the name, address and PAN (if any);*
- 2. the contribution to political parties from electoral trusts in that financial year with date, amount, mode of payment and name of political party. Provided that the electoral trusts shall not make any contribution to political parties in cash other than by bank account transfer.*

(b) The report under this sub-section (2) shall be in such form as may be prescribed.

(c) The report for a financial year under sub-section (1) shall be submitted by the treasurer of an Electoral Trust or any other person authorised by the Trust within six months of the close of each financial year to the Election Commission.

(4) Disclosure of contribution reports submitted by Electoral Trusts by the Election Commission – (a) The Election Commission shall make publicly available, on its website, the contribution reports, submitted by all Electoral Trusts under sub-sections (2) and (3) of this section.

(b) The Election Commission shall also keep these reports on file for three years after their submission and shall make them available for public inspection on payment of a prescribed fee.

(5) Penalty. – (a) Where the Electoral Trust fails to submit a report in the prescribed form within the time specified under sub-sections (2) or (3) of this section, then, notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), such Electoral Trust:

- 1. shall not be entitled to any tax relief for such financial year under the Income-tax Act, 1961; and*
- 2. shall be liable to a penalty of twenty-five thousand rupees for each day of non-compliance and so long as the non-compliance continues. Provided that if such default continues beyond the period of ninety days, the Election Commission may ban the electoral trust from receiving any donations in future, after giving a reasonable opportunity.*

(b) If the Election Commission finds on verification, undertaken whether suo motu or on information received, that the statement of accounts filed under this section is false in any particular, the Election Commission shall impose a fine up to a maximum of fifty lakh rupees on such Electoral trust.

(c) If the Electoral Trust has received funds from an impermissible donor, it shall be liable to a penalty that is five times the amount so accepted by the Trust.

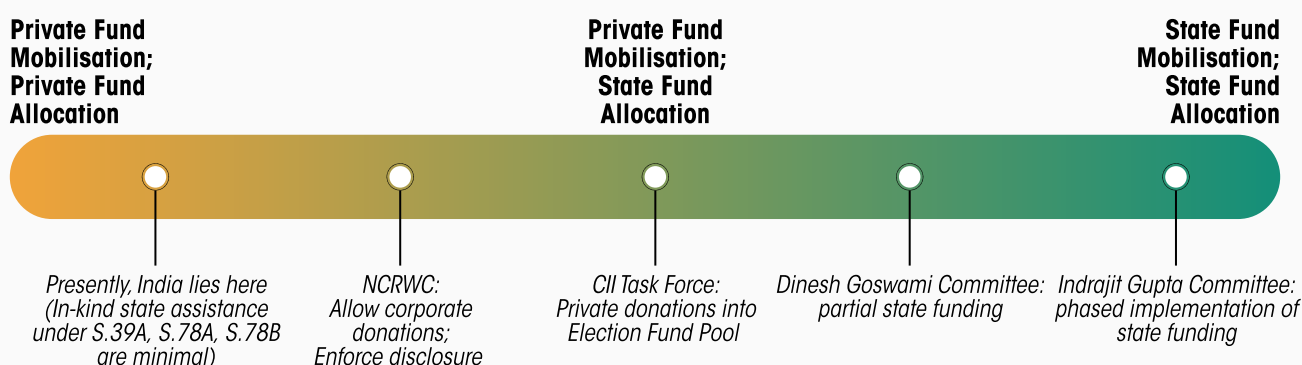
Explanation. – For the purpose of this section, “impermissible donor” refers to:

- a. a government company, as defined in section 29B;*
- b. a company that does not comply with the requirements of sub-section (1) section 182 of the Companies Act, 2013;*
- c. any foreign source defined under clause (e) of section 2 of the Foreign Contribution (Regulation) Act, 1976”*

Now that the summary snapshot of the various committee reforms has already been laid out, we must compare and evaluate the reforms proposed in this paper.

A Comparative Analysis of the Proposed Reforms vis-à-vis Other Committee-Recommended Reforms

A cursory scrutiny of all the reforms recommended by various committees makes it clear that different models of electoral funding (mobilisation and allocation) essentially lie on a spectrum, with absolute private funding and absolute state funding at its two extremes.



In many ways, the reforms suggested in this white paper draw on the best of both worlds while also attempting to be pragmatic enough to ensure wider political acceptability, better administrative feasibility, and greater funding equity. Further, the fact that CSR has largely been successful in terms of fund mobilization and compliance over the past ten years provides a stronger justification for the reforms proposed herein.

Unlike any of the reforms recommended by committees in the past, the reforms proposed in this document do not consider political financing as a binary choice between private funding and state funding. Instead, the matrix of fund mobilization and fund allocation is diffused across a complex interplay of market forces, donor choices, political machinations, corporate priorities, regulatory restrictions, and statutory mandates.

It draws on the suggestion of the 1993 CII Task Force to mobilize political funds through cess and individual contributions. The Corporate Political Responsibility (CPR) (its conceptual basis and its implementation) combines the suggestions of the CII Task Force with the success of Corporate Social Responsibility (CSR). In the proposed reformed funding model, corporate funds would continue to be the major source of political financing in India. However, these corporate funds would not be entirely discretionary. On the contrary, for the most part, it would be expected that the legally mandated CPR funds would eventually become the anchor of corporate contributions for political purposes.

However, unlike CII's suggestion of a state-administered Election Fund Pool for fund allocation across different parties, the model here relies upon an open approach of electoral trusts. A landscape with a multitude of electoral trusts with diverse fund allocation plans would essentially mean that the state does not get the ultimate say in deciding which political forces should be funded and by how much. Instead, the complex interplay of social and rational choices of various actors would be the determining factor for fund distribution across different political parties. And yet, the 40% ceiling, the 4% floor, and the minimum of 10 beneficiaries infuse plurality and fairness into this reasonably open electoral trust-based fund allocation model.

At the same time, the disproportionate fiscal burden that the Indrajit Gupta Committee imposes on Indian taxpayers through the government-funded Election Fund Pool is avoided through this 'CPR-financed Electoral Trust-allocated' funding model.

Nevertheless, the idea of in-kind partial state funding, which finds mention in all the electoral reform committees, continues to be advanced by these reforms.

The proposed National Electoral Trust, funded through a 2% mandate on all registered electoral trusts, is the fundamental instrument that would provide room for in-kind state assistance. In addition, the proposition that the National Electoral Trust would support independent candidates and RUPPs would prevent the party system from getting frozen, a concern that was rightfully highlighted by the 2015 Law Commission report. This way, the National Electoral Trust would essentially be funding political pluralism and electoral dynamism in India.

Furthermore, capping the private (individual as well as company) contributions to political parties on a per-donor, per-financial-year basis prevents electoral trusts from being bypassed by direct funding pathways. The cap also addresses concerns raised in the 2015 Law Commission Report that state funding could disincentivise political parties from broadening their social base. The initial cap of ₹5 lakh (or, as prescribed by the ECI) would inherently incentivize old political parties and encourage newer political entrants to mobilize funds through public support. This would also mean a reduction in the undue influence of corporates over Indian politics, something that increasingly and worryingly afflicts Indian politics in contemporary times.

Mandating a cap on private (individual as well as company) contributions while still relying majorly on corporate funds for political purposes (through CPR-based mechanisms and other corporate donations to electoral trusts) is essentially a lesson from the experience of the 1969 ban on company donations for political purposes. In 1969, under the Indira Gandhi government, a new Section 293A was inserted in the Companies Act, 1956. This section imposed a ban on companies making contributions to any political party or to any political person for any political purpose.

However, as the 2015 Law Commission report notes, “in the absence of any alternative model for raising funds, it greatly increased illegal, under-the-table, and black money donations.”^[20] It showed how, contrary to the expectation of curbing black money and political corruption, a total ban on company donations increased the black economy and money power in Indian politics. And hence, drawing on these lessons, the reforms proposed in this document provide space for company donations through a CPR mandate, the electoral trust pathway, and capped private direct donations.

Regarding election expenditure, it is proposed that the UK's PPERA, 2000, must inspire party-wide campaign expenditure ceilings in India, including for digital campaign expenditure. Further, the ECI must be empowered to fix such ceilings autonomously. However, due to the limited scope of this paper, the expenditure aspect of the election financing landscape has not been dealt with as extensively as the funding aspect.

A Comparative Analysis of the Proposed Reforms vis-à-vis Funding Models of Other Nations

Any evaluation of electoral funding reforms would be incomplete without comparing them with the electoral funding models of other nation-states. However, such a comparison has limited relevance due to the wide differences in party systems, electoral systems, forms of government, economic stages of development, social diversity, etc., across such nation-states. Therefore, the following comparative analysis is laid out relatively briefly.

In the United States, it is largely the Political Action Committees (PACs) affiliated with different contesting candidates that raise funds for the electoral battles.

Although there are fundraising limits on traditional PACs, such limits are usually bypassed through Super PACs. Unlike traditional PACs, Super PACs do not give money directly to candidates and political parties. Instead, they act as independent expenditure-only committees that indirectly support or oppose candidates through independent spending.^{[36][37]}

The provision of public funding for presidential candidates is available in the USA. However, it is minimal and voluntary in nature. Due to the stringent spending limits and restrictions on private fundraising, all presidential candidates since the 2012 presidential election have opted out of the public funding system. The USA model is thus almost completely dependent on private contributions from individuals and companies.

Similarly, in the United Kingdom, private funding dominates the financing landscape. Provisions like 'Short Money' and 'Cranborne Money' exist, but they are restricted to opposition parties based on a formulaic distribution. More importantly, such public funds cannot be used to fund political campaigns. Instead, they must be utilized strictly for policy research and the discharge of Parliamentary duties.^[38] In addition, the UK also provides certain in-kind state support, like free airtime on public broadcasting networks, quite similar to India.^[39]

In Italy, the public funding system was gradually phased out between 2014 and 2017 due to a spate of corruption scandals emerging from disproportionate reimbursements of political expenses, embezzlement of such funds for personal purposes by party leaders, and the fiscal austerity measures prompted by the 2011–12 Eurozone sovereign-debt crisis.^[40] Yet, state funding provisions continue minimally through a provision enabling individual taxpayers to allocate 0.2% of their personal income tax to political parties (called the '2x1000 earmarks').^[41]

On the other side of the political funding spectrum lie Australia, Germany, and Sweden. They follow a relatively expansive public funding model. Australia follows a post-election vote-based reimbursement model. The funds are directly reimbursed on a per-vote basis to the candidates and political parties that receive a minimum of 4% of first-preference votes.^[42]

Germany, too, links the public funding of political parties to their electoral performance, subject to an eligibility threshold based on the percentage of votes received in the European, *Bundestag* (federal), and state elections.^[36] In addition, they have a matching grant system where they match 45% of the private funds received by a political party with public funds, subject to an inflation-adjusted annual ceiling on the total public funding to all political parties combined.^[43]

Sweden has an even stronger public funding system. It directly funds the political parties based on their parliamentary representation share and the vote share. Political parties without any parliamentary seats can also receive funds provided they cross the threshold of 2.5% share in nationwide votes. In-kind assistance in the form of office space, free advertising, etc. also exists. To supplement public funds, the country also sanctions political lotteries for private fundraising.^[44]

The reforms proposed in this document are uniquely novel compared to the political funding systems in these countries. This is because of our unique conditions, experiences, and aspirations. Firstly, we have a multi-party system with immense regional diversity in a federal polity. Hence, state funding based on mere representation and vote share would limit electoral dynamism and disproportionately favour national parties over small-but-significant regional parties. For our purposes, freer-but-regulated fund flows serve better.

Secondly, India's experience with legally mandated CSR-based fund mobilization for social purposes has been reasonably positive. Hence, instead of traditional tax- or cess-based fund mobilization as done in other countries, novel mechanisms like the proposed CPR can be explored.

Thirdly, Indian anti-corruption institutions are yet to become adequately autonomous to act upon widespread political corruption. Relying mainly on tax-based public funding and state-led fund allocation can risk Italy-like corruption scandals and an explosion of the black economy beyond the present levels.

Fourthly, in an evolving society like India, the party system needs to be extremely dynamic to cater to the rapidly changing aspirations of Indian citizens. In a rapidly urbanizing India, newer political entrants like the Aam Aadmi Party could successfully transition from a RUPP (registered-unrecognized political party) to a recognized national party due to a void that legacy parties could not fill. Similarly, there are other RUPPs like the Aazad Samaj Party (K) of Chandrashekhar Azad 'Ravan' that claim to represent the historically marginalized sections of Indian society.^[45] For such independents and legitimate RUPPs, a state funding model based on a certain representation-based or vote-based threshold would be a travesty of Rawlsian justice. The proposed National Electoral Trust is devised as a dedicated mechanism for supporting such political startups.

Fifthly, India is still a developing economy with politically vulnerable institutions. A PAC-like funding model imitated directly from the USA does not suit the needs of a society that still harbours the largest population of multi-dimensionally poor people. The PAC model is inherently inflationary in nature. Each PAC and Super PAC competes to outraise the other in terms of funds.

Such a model works well in the capitalist society of the USA, which can afford undue corporate influence on its politics. However, a USA-like unregulated funding model, if implemented in India, risks deepening political entrenchment, institutional capture by big corporates, crony capitalism, and a shift of policy focus away from welfare and poverty alleviation programs.

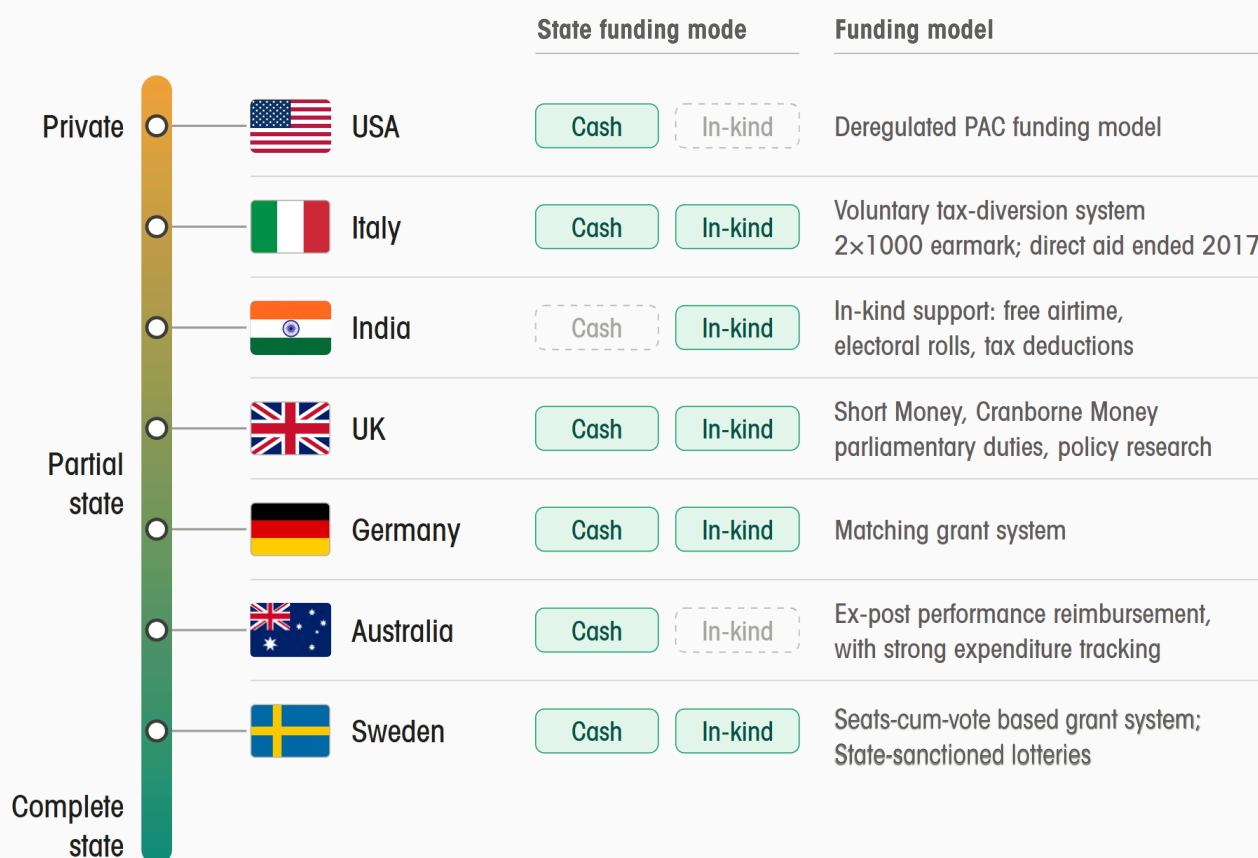


Figure 9: A summary snapshot of diverse funding models adopted by different nation-states across the spectrum of political funding.

All in all, a balanced funding model that combines corporate fund mobilization with state regulations, small private donations, and a state-administered small fund pool works best in Indian conditions, especially when it is guarded by expenditure-limiting and disclosure mandates.

Evaluating the Proposed Reforms

Beyond the comparative analysis, the proposed reforms must also be evaluated against the certain touchstones of free and fair elections. Only then will these proposals be of any relevance to the larger democratic experiment that this nation undertook for itself seven decades ago. Of particular significance in our times are the ideals of voter centricity, political liberty, political pluralism, funding integrity, prevention of undue political influence, and democratisation of party structure.

1. Voter centricity

Voters lie at the heart of any electoral exercise, for it is in them that real power and legitimacy resides. As far as political funding is concerned, voter centricity can be understood in two contexts: informational power and substantive choice.

Informational power implies the right of the voter to have information about the sources of funding for any political party. It is a fundamental right under Article 19(1)(a), as reiterated by the Supreme Court in the *Association for Democratic Reforms v. Union of India, 2024*.^[18]

Having knowledge about the financial supporters of any party greatly facilitates voters in making a reasoned decision regarding their vote. It also keeps the corporate-politician nexus in check and prevents the abuse of power by public office-holders through policy tweaks, contractual favours, etc. In this context, the proposed reforms reasonably advance transparency in funding and voters' informational power. Mandatory routing of political contributions above ₹5 lakh (or as prescribed by the ECI) through electoral trusts, and stringent disclosure of fund allocation plans by the electoral trusts keep every significant contribution traceable.

The second aspect of voter centricity: substantive choice, essentially means that voters must have real choice while electing their representatives. In the electoral marketplace, there must be a multitude of politically significant players. And the ideas and interests represented by such political players must be reasonably different from each other to offer a choice of any consequence to the voters.

The 'CPR-funded, Electoral Trust-allocated' model expands the voter choice on both the fronts. A legally mandated CPR-based political fund mobilization ensures that corporate do not wield the asymmetric discretionary funding power. Thus, political players get the room to position themselves on contentious issues more freely, without worrying much about fund mobilization. The Electoral Trust-based fund allocation to different political parties further encourages diversity in the political arena. The cocktail of 40% ceiling, 4% floor, and a minimum 10 recognized party beneficiaries is essentially prioritizing political pluralism over political homogeneity. It would eventually end up opening the electoral contest to more players of consequence, and thus expand voter choice substantively.

2. Political Liberty

Political liberty is one of the most basic pre-requisites for any democracy. Among many other things, it involves the the freedom to express support or opposition for a political cause. Beyond the right to vote in a free and fair election, and the freedom of speech, expression, and assembly, this involves the freedom to financially support a political group representing a certain idea, interest, or ideology.

In this sense, the proposed reforms allow for maximum political liberty while respecting the Rawlsian principle of fairness and difference principles.

The cap on direct contribution upto ₹5 lakh (or as prescribed by the ECI) allows for total political liberty to individual and company donors to support the politics of their calling.

Beyond this cap, the electoral trust model also provides enough liberty to a large donor to express support for a political party. Since the electoral trust space would be open, there are reasonable chances of several electoral trusts propping up that contribute the maximum 40% of their funds to a single political party. The donors identifying with a particular political party can choose the corresponding electoral trust as the destination of their donations. The allocation of the remaining 60% of the funds can still be explained within the political liberty framework, as a financial commitment to the broader democratic atmosphere where politics is allowed to be pursued freely.

3. Political Pluralism

As already discussed in the first point, the 'CPR-funded, Electoral Trust-allocated' model is inherently pluralistic in approach. It encourages diffusion of financial resources across a multitude of legitimate political players. Table 2 in Chapter 3 reflects this in the measure of 'effective number of parties' (i.e., inverse of the Herfindahl-Hirschman Index). More even fund distribution also implies less funding uncertainty for each party and more room for each party to decide on its political position on various issues.

The proposed reforms bring in political pluralism through two more pathways. First, the National Electoral Trust pathway. This allows new political startups to test their luck in the political arena in a fairer manner. A few of them, like the Aam Aadmi Party, would eventually succeed and graduate into the recognized party status.

The other pathway through which political pluralism, especially the coalition culture, is advanced is through electoral trusts. These trusts make it possible to have financial equivalents of political coalitions. Unlike the present funding model that overtly concentrates financial resources within a select few political parties, the mandates proposed for the electoral trusts are such that the financial power is compulsorily distributed across a multitude of parties. This provides the scope for electoral trusts to reflect coalition alliances and inter-party political relationships. For example, including a small party in the '*Bharatiya Electoral Trust*' (see Chapter 3) would indicate its political closeness to the BJP. Similarly, including a party in the '*Bahujan Electoral Trust*' (see Chapter 3) would mean its identification with the Bahujan politics.

This also means that even small coalition partners who presently have to be asymmetrically dependent on their larger allies for many resources can gain some autonomy through financial empowerment. For instance, the example of '*Bharatiya Electoral Trust*' (see Chapter 3) (which exemplifies the financial equivalent of the National Democratic Alliance (NDA)) shows that all funds would flow not just to the BJP, but also to its smaller allies like the LJP(RV) and the JD(U). More resources at the disposal of smaller allies means more autonomous decision-making and political positioning of these allies.

Essentially, the electoral trust-based funding would reduce the power differential between political behemoths and parties representing the interests of numerically small electorates. And in turn, this would supercharge true coalition politics, where the pulls and pushes of various coalition partners end up making the government decision-making process more consultative and less authoritative, and by implication, more reasoned and representative.

Political pluralism, in terms of federalism, would also gain impetus. Adequate funds would be flowing into regional parties through various electoral trusts, saving them from fund starvation and enhancing their autonomy. Autonomy of regional politics from national politics would also mean deepening of democracy and its decentralisation closer to the grassroots.

4. Funding Integrity

Recent news reports reveal that political funding, especially to the RUPPs, has become a major pathway for money laundering and tax evasion. Three Gujarat-based RUPPs (Bharatiya National Janata Dal, Swatantrata Abhividyakti Party, Garib Kalyan Party) reportedly received over ₹1,870 crore in bogus political donations, much beyond the annual reported receipts of all national parties except the BJP. [46][47] Hence, funding integrity in the political financing landscape is of utmost importance to preserve electoral trust and prevent exchequer loss.

The proposed reforms make unlimited contributions per-donor per-financial year illegal. The cap of ₹5 lakh (or as prescribed by the ECI) on direct contributions limits the possibility of political funding as a route for tax evasion. Channelizing the donations beyond this amount through the electoral trusts prevents illegal money from flowing into the political parties. Mandatory public disclosures by companies, electoral trusts, and political parties further reduce the scope of funding illegalities in this landscape.

4. Prevention of Undue Political Influence

Corporates account for over three-quarters of India's cumulative political funding. And within the corporate world, the inequality of profits is rising. A 2020 report highlighted that 20% of the most profitable firms of India corner more than 70% of the national profits.

Disproportionate corporate influence on politics risks transforming our democracy into a plutocracy. And so, the foreboding of plutocracy seems real and challenging to thwart.

The reforms proposed here tilt back the balance of political influence towards the people. By legally mandating a CPR mechanism for political funds mobilization, the scope of discretionary funding that lets big corporates wield disproportionate political influence gets minimized.

The CPR funds mandate also reduces the possibility of conditional corporate donations to parties in power, and by implication, the quid pro quo behaviour within the government.

The over-reliance on a few corporates also gets diffused as the legal mandate gives an objective criteria to decide the eligible CPR donors.

In the long run, the menace of money power also gets addressed to some extent. The proposed ceiling on party expenditure, the stringent disclosure norms to be followed by electoral trusts, and the ₹5 lakh cap (or as may be prescribed by the ECI) on private donations limit the money power influence from the supply side. In-kind state assistance through the National Electoral Trust would help limit the money power from the demand side.

5. Democratisation of Party Structure

A representative democracy becomes truly democratic only when the engines of representative democracy, i.e., the political parties, become democratic. Democratisation of party structure has two connotations: the democratisation of the party system, and the organizational democratisation of parties.

As highlighted earlier, the democratisation of party system is undoubtedly advanced if electoral trusts are legally mandated to be fair in their allocation through ceilings and floors. The organizational democratisation of parties also gains impetus through the proposed reforms (refer to *Figure 8* of previous chapter). The direct contribution route is proposed to have a ceiling on the amount, not on the number of donors. And corporates will already be donating large sums through the electoral trust route. So, if parties need more funds, they must look towards the grassroots and expand their support base.

This would, in turn, strengthen local leaders and party workers who will not just remain the party's foot soldiers, but also become its critical fund mobilizers, collecting those crucial extra funds from the grassroots and small businesses which could significantly fuel the party's electoral firepower.

The proposed reforms are, thus, expected to advance several ideals of a free and fair elections, and essentially promote a multi-party, fair, people-oriented, robust and mature democracy within the post-1991 liberal economic structure of India. Pursuing such reforms through legal amendments and policy changes must, therefore, be the foremost task of all those Indians passionate about preserving this beautiful gift that our Constitution-makers handed over to us.

Conclusion

Political funding is a contentious issue to deal with. All democratic countries across the world continuously grapple with the challenge of sustaining a balanced and representative political ecosystem that keeps the forces of political corruption, corporate-politician nexus, and unfair electoral contests in check while keeping political fund flows as open as possible. Each country has devised its own system of political funding, suited to its unique conditions.

India, as a democratic society, has evolved quite dizzyingly since the 1991 economic reforms. Before the liberalization, privatization, globalization (LPG) reforms, India's party system was one-party dominant, and the economic structure was a deeply regulated one. Electoral expenditures were also limited, although the political class could often find loopholes to breach their statutorily set expenditure ceilings. However, the decade of the 1990s completely transformed India's political and economic landscape. The Congress hegemony fragmented, the party system got regionalized, the corporate sector boomed, and so did its entanglement with the country's political system. A series of electoral funding reform committees set up during the 1990s and the 2000s, including the Dinesh Goswami Committee, the Vohra Committee, the CII Task Force, the Indrajit Gupta Committee, the Law Commission Report No. 170, and the NCRWC, all point towards the enormous amounts of effort that the nation put in to grapple with the monstrosity of the challenge that the corporate-politician nexus posed to India's electoral system. Nonetheless, by the turn of the millennium, the political disruption of the 1990s and the post-LPG economic shock had considerably settled down into a new normal. So did the demands for electoral reforms.

By the late 2000s, a slew of reforms had been brought about in the political financing landscape through the collective efforts of the judiciary, civil society, Parliament, and the ECI. However, such efforts were directed more towards transparency and disclosure instead of fund mobilization and electoral expenditure limitation. Progressive judicial pronouncements like the *Union of India v. Association for Democratic Reforms (2002)*, supported by laws like the *Election and Other Laws (Amendment) Act, 2003* and stringent ECI mandates on political parties, transformed financial transparency, contribution reporting, and company disclosures into instruments that a vigilant civil society could use to highlight, and eventually curb, black money and money power in Indian politics.

However, since the early 2010s, the corporate-politician nexus has grown brazenly strong. Civil society reports, such as those of ADR, have helped little in generating adequate public consciousness against the growing use of money power and the looming shadow of corporates over Indian politics. Neither did the regressive and opaque scheme of the Electoral Bonds help people reclaim politics.

The Electoral Bonds Scheme was eventually struck down by the apex court in 2024 on the grounds that it violated voters' right to information and posed quid pro quo risks under the shadow of donor confidentiality. The data that emerged from the Supreme Court-mandated Electoral Bonds disclosure corroborated what had already been suspected - the ruling parties across various states and the Centre were being heavily funded by corporates. Apart from undue corporate influence and money power, the challenge of fair distribution of political funds has also come to the fore through this disclosure.

Transparency and disclosure mandates have clearly not worked to reduce money power or to make the electoral contest fairer.

In the present times, a strict state funding model is not feasible given the financial constraints of the public exchequer. Neither can the purely private funding model deliver a fair, people-focused electoral democracy, especially in an atmosphere where electoral contests have been heavily commoditized, commercialized and corporatized.

In 2024, the Supreme Court itself gave some guidance on what could be better models of political funding in the Indian context, giving its thoughts on the Electoral Trust mechanism.

This white paper has thus attempted to build upon the Supreme Court's favourable view of the Electoral Trusts, specifically from the lens of fairer distribution of political funds. Further, the challenge of fund mobilization in an increasingly expensive electoral landscape has also been dealt with through the proposition of a CPR mandate. The success of the 2013 CSR mandate has fed into this concept of CPR. However, the concept, by itself, is surprisingly powerful. Legally mandating the corporates to contribute funds for political purposes takes away from them the disproportionate power they wielded through discretionary contributions. It is observed that such a mandate would also reduce the tendency of quid pro quo transactions and misuse of state authorities for rent-seeking by the ruling parties.

Linking CPR funds with a regulated Electoral Trust model, while backing up the reform with certain ceilings on private contributions and party-wide expenditure, holds immense potential to make India's electoral landscape fairer.

This white paper also lays down the requisite legal amendments needed to bring about the proposed reforms.

Towards the end, the paper also undertakes a comprehensive evaluation of these proposals against the reforms proposed by various electoral reform committees in the past. Benchmarking the proposals against the extant political funding models of other countries further brings out the novelty and suitability of these reforms for Indian conditions.

In conclusion, the reforms proposed in this white paper are not just normatively sound in curbing undue corporate influence, expanding voters' choice, and respecting donors' liberty; they are also pragmatically devised by accounting for the contemporary political and corporate dynamics. With the collective resolve and enlightened intentions of our lawmakers, it can be reasonably hoped that political financing reforms along the lines proposed in this paper will see the light of day.

* * *

"We know now that government by organized money is just as dangerous as government by organized mob."

- Franklin D. Roosevelt

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