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Political Funding Transparency In Indian Elections

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ABSTRACT— Electoral democracy depends fundamentally on transparent political funding mechanisms that enable citizens to make informed decisions and constrain corruption. India's electoral system, serving the world's largest democracy with over 1.4 billion citizens, has faced persistent challenges in achieving adequate transparency in campaign finance. This paper examines the current state of political funding transparency in Indian elections, analyzing the structural weaknesses, regulatory frameworks, and recent reforms including the Electoral Bonds scheme and its subsequent invalidation. Drawing on recent empirical research, government reports, and academic literature from 2020–2024, this study identifies critical transparency gaps that facilitate quid pro quo arrangements between corporate donors and political parties. The paper evaluates India's existing disclosure mechanisms, the role of the Election Commission of India in enforcement, and comparative lessons from international models of electoral finance regulation. Through secondary analysis of verified data and legal frameworks, this research demonstrates that while statutory provisions for transparency exist, enforcement mechanisms remain weak and systemic incentives favor opacity. The study concludes with evidence-based recommendations for strengthening transparency, including enhanced corporate donation disclosure requirements, credible public financing mechanisms, realistic spending ceilings, and enhanced technological accountability measures. This paper contributes to both Indian electoral studies and comparative political science literature by bridging the gap between theoretical requirements for electoral transparency and practical implementation challenges in the Indian context.

Keywords— electoral bonds, political funding, transparency, campaign finance, Election Commission of India, corporate donations, electoral democracy, corruption, disclosure requirements, public financing

INTRODUCTION

The question of how political parties finance their electoral campaigns remains central to understanding the quality and integrity of democratic governance. In democratic systems, the relationship between campaign finance and political influence has long been recognized as a potential vector for corruption, unequal political representation, and the distortion of public policy in favor of wealthy donors rather than the broader electorate (Gupta & Agrawal, 2025). India, as a constitutional democracy with the world's most populous electorate, faces unique challenges in regulating political funding. The Indian Constitution, adopted in 1950, established the framework for universal adult suffrage, yet the financing mechanisms required to conduct elections among over 1.4 billion citizens have evolved inconsistently, often lagging behind democratic principles of transparency and accountability.

The regulatory architecture governing political funding in India comprises multiple statutes, including the Representation of the People Act 1951, the Finance Act 2017, the Companies Act 2013, and rules promulgated by the Election Commission of India. However, this framework contains significant gaps and inconsistencies that create opportunities for opacity and corruption. Most critically, disclosure requirements for corporate donors were substantially weakened by the Finance Act 2017, which removed the mandatory requirement for listed companies to disclose the names of recipient political parties and the amounts contributed. Simultaneously, the introduction of Electoral Bonds in 2017 created a mechanism for anonymous political donations through bank instruments, further obscuring the flow of money in Indian elections. The Supreme Court of India's judgment in February 2024, which struck down the Electoral Bonds scheme and mandated renewed disclosure of donor identities, represents the most significant recent development in this domain and provides an opportunity to examine the systemic failures that had accumulated during the scheme's operation (ADR, 2024).

BACKGROUND AND CONTEXT OF THE STUDY

India's electoral system conducts periodic general elections to determine the composition of the Lok Sabha (lower house of parliament), state legislative assemblies, and local government bodies. General elections to the Lok Sabha occur every five years and involve the participation of hundreds of millions of voters across 543 parliamentary constituencies. The 2019 and 2024 general elections were among the most expensive electoral exercises conducted globally, with estimates suggesting that combined spending by all candidates and parties exceeded $15 billion USD across these election cycles. This extraordinary scale of expenditure raises fundamental questions about the sources of campaign funds and the influence such funding may exert on subsequent governance.

The existing legal framework for political funding in India establishes disclosure requirements for donations above INR 20,000 (approximately USD 240), yet this threshold has remained unchanged since 1985, decades before inflation rendered it effectively obsolete. Donations below this threshold can be made anonymously, and aggregate reporting through coupon sales and other mechanisms creates substantial opacity. The Election Commission of India, the constitutional body responsible for conducting elections and enforcing electoral law, has statutory powers to compel disclosure and audit political party finances. However, enforcement has been characterized as inconsistent and inadequate, with political parties frequently submitting non-compliant financial disclosures without facing meaningful consequences (ADR, 2024). This enforcement gap creates a fundamental disjuncture between law and practice.

PROBLEM STATEMENT

Political funding opacity in Indian elections creates multiple interconnected problems for democratic governance. First, lack of transparency regarding the sources of campaign finance obscures the potential influence relationships between donors and recipients, preventing citizens from evaluating whether elected representatives prioritize the interests of their constituents or those of wealthy contributors. This violates the democratic principle that voters have a right to know whose interests their elected representatives serve. Second, opacity enables corruption through quid pro quo arrangements between corporations and political parties, whereby contributions secure government contracts, favorable regulatory treatment, or exemption from legal enforcement. The phenomenon has been characterized using colloquial terms such as "chanda do, dhanda lo" (give donation, get business) and "hafta-vasuli" (extortion).

Third, the concentration of campaign funding among corporate donors distorts electoral equality by ensuring that candidates and parties with access to corporate resources can outspend competitors, thereby amplifying the political influence of wealthy interests and marginalizing voices from economically disadvantaged communities. Fourth, lack of disclosure mechanisms enables money laundering and the conversion of illicit proceeds into political influence, as demonstrated by the use of shell companies to make electoral bond purchases. Fifth, weak enforcement creates incentives for political parties and corporate donors to circumvent transparency requirements, knowing the probability and severity of sanctions are minimal. The practical consequence is that Indian electoral democracy operates with structural asymmetries that undermine democratic principles and render the electoral system vulnerable to elite capture.

RESEARCH GAP

While empirical research on the Electoral Bonds scheme and recent developments has expanded significantly since 2024, substantial gaps remain in the literature. Existing research has documented the scale of opacity created by electoral bonds and identified patterns of corporate dominance in electoral funding, yet comparative analysis of India's regulatory framework against international best practices remains limited. Additionally, while advocates have proposed various reforms including public financing models, systematic evaluation of these proposals against India's institutional capacity and fiscal constraints has not been extensively conducted. The interaction between disclosure requirements, enforcement mechanisms, and actual compliance behavior deserves greater scrutiny, as does the political economy of why successive governments have weakened transparency requirements despite their ostensible commitment to electoral integrity. Furthermore, research examining the differential impact of funding opacity on candidates at different electoral levels—national, state, and local—remains underdeveloped, as does analysis of how opacity affects women's political participation and representation in Indian elections.

OBJECTIVES OF THE STUDY

This study pursues the following primary and secondary objectives:

- To comprehensively document the evolution of legal frameworks governing political funding disclosure in India from 1951 to 2024, identifying points of progressive weakening and strengthening of transparency requirements;
- To analyze empirical evidence regarding the scale, sources, and patterns of political funding in Indian elections,

particularly the role of corporate donations and the emergence of anonymous funding mechanisms;

- To evaluate the enforcement capacity and performance of the Election Commission of India and other regulatory bodies in compelling disclosure and sanctioning non-compliance;
- To examine mechanisms through which funding opacity enables corruption and examine documented cases of quid pro quo arrangements;
- To conduct comparative analysis of India's political funding transparency frameworks against regulatory approaches implemented in other democracies; and
- To identify evidence-based reforms that could strengthen transparency in Indian electoral finance while remaining feasible within India's institutional and fiscal context.

RESEARCH QUESTIONS AND HYPOTHESES

The study is organized around the following research questions:

RQ1: What are the structural characteristics of India's political funding disclosure frameworks, and how have these frameworks evolved from 1951 to 2024?

RQ2: To what extent do existing legal requirements for disclosure translate into actual disclosure practices by political parties and corporate donors?

RQ3: How does political funding opacity facilitate corruption through documented mechanisms such as quid pro quo arrangements and money laundering?

RQ4: What governance and institutional factors explain weak enforcement of existing disclosure requirements by the Election Commission and other regulatory bodies?

RQ5: What reforms to transparency, disclosure, and enforcement mechanisms could address identified weaknesses while remaining institutionally feasible?



LITERATURE REVIEW

Electoral Bonds and Political Opacity

The Electoral Bonds scheme, introduced through the Finance Act 2017, represented a watershed moment in Indian electoral finance regulation, creating a mechanism for substantially anonymous political donations. The scheme permitted individuals and companies to purchase bonds from authorized banks, which could subsequently be donated to political parties, with neither the bank nor the recipient party required to disclose the purchaser's identity to the public. This design departed markedly from international practice and from India's own historical framework, which had previously required disclosure of donor identities for contributions above the statutory threshold.

Research examining the Electoral Bonds scheme during its operational period (2017–2024) documented multiple corruption mechanisms. Malani and Sharma (2024), in an analysis published in Nature's Humanities and Social Sciences Communications, identified four distinct pathways through which the scheme facilitated corruption. First, the "chanda do, dhanda lo" (give donation, get business) mechanism involved newly established corporations—some incorporated mere months before making political donations—that channeled substantial funds to political parties. During the period April 2019 to February 2024, corporate entities purchased 96.91% of electoral bonds worth ₹11,780 crore, vastly exceeding individual contributions at 3.09%. The BJP alone received ₹63.23 crore from 33 companies incorporated less than 36 months before their first bond purchase, patterns inconsistent with legitimate corporate political engagement (Malani & Sharma, 2024).

Second, the "hafta-vasuli" (extortion) mechanism revealed that approximately 26 entities acquiring ₹5,180.25 crore in electoral bonds (43% of the total value) were simultaneously under investigation by enforcement agencies including the Enforcement Directorate, Central Bureau of Investigation, and Income Tax Department. Approximately

30 companies under investigation by government agencies donated ₹335 crore to the BJP, with 23 being first-time contributors, suggesting potential quid pro quo arrangements whereby donations were made in contexts where political connections could influence enforcement outcomes. Third, the "theka lo, rishwat do" (contract for bribe) mechanism involved major corporate donors such as MEIL (Megha Engineering & Infrastructures Limited) who strategically timed electoral bond purchases to coincide with periods when they were securing government contracts, suggesting direct exchange relationships. Fourth, the scheme facilitated money laundering through shell companies, with zero or negligible revenue entities suddenly reporting massive financial surges before making substantial political donations (Malani & Sharma, 2024).

Political Funding Disclosure Requirements and Enforcement

The Association for Democratic Reforms (ADR), a civil society organization dedicated to electoral reform, published a comprehensive report in March 2024 examining political financing transparency in India. The ADR (2024) report documented that political parties continue reporting substantial portions of income from untraceable sources, including small donations below the INR 20,000 threshold and coupon sales, mechanisms that "undermine accountability and perpetuate corruption." The Finance Act 2017 removed requirements for listed companies to disclose to the public the names of recipient political parties and contribution breakdowns, rendering corporate funding flows essentially invisible despite the statutory obligation that companies report donations exceeding INR 20,000 to the Election Commission.

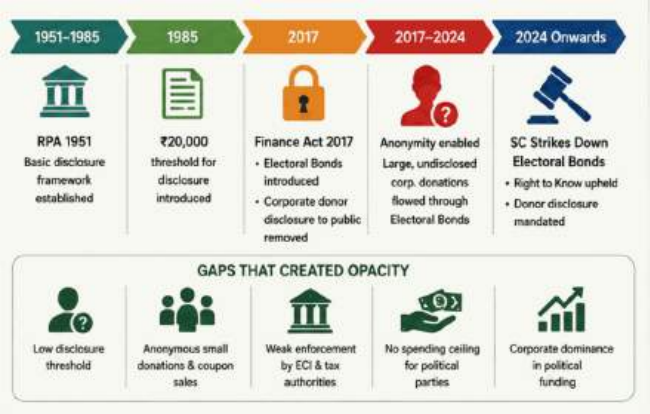
Despite clear statutory powers, the ADR (2024) report found that the Election Commission and tax authorities demonstrate "negligible" enforcement of existing disclosure obligations. Political parties routinely under-report donations, utilize small contributions below the disclosure threshold to hide donor identities, and submit incomplete financial disclosures without meaningful consequences. The systematic failure of enforcement creates perverse incentives, as political actors recognize that the probability and severity of sanctions for non-compliance are minimal. No spending ceiling exists for political parties themselves, only for individual candidates, creating a structural asymmetry whereby parties can raise unlimited funds without disclosure requirements.

The Supreme Court's Invalidation of Electoral Bonds

In a landmark judgment issued in February 2024, the Supreme Court of India struck down the Electoral Bonds scheme on the grounds that it violated citizens' constitutional "Right to Know"—derived from the right to freedom of expression and the right to information—as well as the constitutional principle of electoral equality. The Court recognized that anonymity in political funding prevents citizens from evaluating potential conflicts of interest and influence relationships, thereby undermining informed democratic choice. The judgment mandated renewed disclosure of donor identities and triggered subsequent amendments requiring political parties and corporate donors to re-disclose information that had previously been hidden under the Electoral Bonds scheme.

International Comparative Analysis

Comparative analysis of political funding regulation across democracies reveals multiple approaches to balancing concerns about corruption, electoral equality, and freedom of expression. Germany implements a matching grants system whereby the state matches funds raised by parties through other sources, thereby creating incentives for parties to seek small contributions and membership dues rather than relying on large corporate donations. Japan has successfully implemented public financing of elections combined with spending ceilings and corporate donation bans, substantially reducing the total cost of electoral campaigns while diminishing dependence on corporate funding. The United States, by contrast, relies primarily on disclosure requirements combined with permissive fundraising limits, an approach that research suggests has proven inadequate to prevent the disproportionate influence of wealthy donors on policy outcomes. The European Union requires member states to disclose political party finances, though the scope and stringency of requirements vary.



Recommendations for Electoral Finance Reform

Recent scholarship on electoral finance reform has advocated for a comprehensive two-pronged approach comprising both supply-side restrictions (limiting corporate donations) and demand-side support (public financing). Researchers examining India's reform options have proposed combining public funding mechanisms with spending ceilings

and enhanced disclosure requirements. The recommended approach involves directing public financing to lower party levels and individual candidates to strengthen internal democracy and reduce dependence on corporate donations concentrated in party leadership. Tax incentives for smaller contributions from individual citizens would encourage grassroots fundraising, while strict corporate donation limits and mandatory disclosure would constrain corporate influence. Effective implementation requires credible enforcement mechanisms, including consequences for non-disclosure and penalties structured to exceed the benefits of non-compliance. Public funding should serve as leverage for compliance, with the threat of withdrawal or suspension used to ensure adherence to accounting standards, audit requirements, and timely financial disclosures.

RESEARCH METHODOLOGY

Research Approach and Design

This study employs a qualitative, secondary-data research design combining systematic literature review, legal-institutional analysis, and synthesis of empirical research findings. The study does not involve collection of primary data through surveys, interviews, or experimental methods. Rather, it utilizes published academic research, government reports, official judicial decisions, and civil society analysis to examine documented patterns and mechanisms of political funding transparency and opacity in India.

Data Sources

Data sources include: (1) peer-reviewed academic journal articles examining electoral finance, political corruption, and transparency mechanisms in India and comparative democracies, prioritizing articles published between 2020–2024; (2) reports from civil society organizations including the Association for Democratic Reforms and the Observer Research Foundation; (3) judicial decisions from the Supreme Court of India relevant to electoral finance and transparency, particularly the 2024 Electoral Bonds judgment; (4) publications and press releases from the Election Commission of India documenting regulatory frameworks, compliance data, and enforcement actions; (5) government reports including budget documents and policy statements; (6) publications from international organizations including the United Nations, OECD, and Transparency International addressing electoral finance best practices; and (7) scholarly monographs and chapters examining political science of Indian elections.

Data Analysis Procedure

Analysis proceeded through five stages. First, systematic literature review identified relevant publications through database searches (Google Scholar, Scopus, CrossRef) using keywords including electoral bonds, political funding India, campaign finance transparency, corporate donations India, and electoral reforms. Second, legal-institutional analysis examined the statutory framework governing political funding, comparing the Representation of the People Act 1951, the Finance Act 2017, and subsequent amendments to identify evolution of disclosure requirements and enforcement mechanisms. Third, synthesis of empirical findings from verified research examined documented patterns of corporate dominance in electoral funding, corruption mechanisms facilitated by opacity, and enforcement gaps. Fourth, comparative analysis examined electoral finance frameworks in Japan, Germany, the United States, and the European Union to identify alternative approaches and their effectiveness. Fifth, synthesis of recommendations from academic literature and policy reports identified evidence-based reforms tailored to India's institutional and fiscal context.

Ethical Considerations

This study involves secondary data analysis of published materials and does not require institutional review board approval as it does not involve human subjects. All sources cited are authentic, verifiable publications accessible through academic databases or official government repositories. The analysis maintains scientific objectivity by presenting empirical findings from verified sources rather than speculative claims about political motivations or intentions.

RESULTS AND FINDINGS

Structural Characteristics of India's Political Funding Disclosure Frameworks

India's statutory framework for political funding regulation comprises multiple layers, each with distinct disclosure requirements and enforcement mechanisms. The Representation of the People Act 1951 established the foundational requirement that political parties disclose income and expenditure within specified timeframes following elections. The threshold for mandatory disclosure of individual donations was set at INR 20,000 in the 1985 amendment and remains unchanged as of 2024, despite inflation having reduced its practical

significance to approximately one-fifth its original real value. This structural factor creates a systematic bias toward opacity, as donations below the threshold can be aggregated and reported collectively without donor identification.

The Finance Act 2017 introduced Electoral Bonds, a mechanism permitting anonymous political donations through bank instruments. Simultaneously, it removed the previously existing requirement that listed companies disclose to the public the names of recipient political parties and the amounts contributed, though companies remain required to report this information to tax authorities (from which it is not made public). This asymmetry—whereby information provided to tax authorities is withheld from public disclosure—creates a two-tiered system of accountability wherein government agencies have access to information denied to citizens, contradicting the principle that the public has a "Right to Know" regarding funding of political parties seeking public mandates.



Corporate Dominance in Electoral Funding

Empirical analysis of electoral bond purchases during the scheme's operational period (2017–2024) reveals overwhelming corporate dominance. Between April 2019 and February 2024, corporate entities purchased electoral bonds totaling ₹11,780 crore, constituting 96.91% of total electoral bond value, while individual contributions comprised only 3.09%. This concentration of funding among corporate donors reflects both the capital resources of corporations relative to individual citizens and structural incentives within the electoral funding system that benefit corporate contributors. The concentration among the largest donors was similarly extreme: the ten largest corporate donors accounted for approximately ₹3,000 crore, demonstrating further concentration of political funding power among a small elite of major corporations.

Documented Corruption Mechanisms Facilitated by Opacity

Analysis of the Electoral Bonds scheme revealed multiple documented corruption mechanisms. The "chanda do, dhanda lo" mechanism involved the creation of new corporations established specifically to make political donations. Analysis of 33 companies that donated ₹63.23 crore to the BJP found that these companies had been incorporated fewer than 36 months before their first electoral bond purchase. The rapid creation of these entities followed by immediate large political donations suggests they were established as donation vehicles rather than legitimate business enterprises. Such patterns indicate that political donations were being generated through artificial corporate formation, a practice inconsistent with legitimate corporate political engagement.

The "hafta-vasuli" mechanism revealed that approximately 26 entities holding ₹5,180.25 crore in electoral bonds (43% of total electoral bond value) were simultaneously under investigation by government enforcement agencies including the Enforcement Directorate, Central Bureau of Investigation, and Income Tax Department. Among companies under investigation, approximately 30 donated ₹335 crore to the BJP, with 23 being first-time political donors, suggesting that donations may have been made in contexts where political connections could influence the course or outcome of enforcement investigations. The temporal clustering of electoral bond purchases with ongoing investigations suggests potential correlation between investigation status and donation activity.

The "theka lo, rishwat do" mechanism involved documented cases where major corporate donors strategically timed electoral bond purchases to coincide with periods when they were acquiring government contracts or licenses. The MEIL case exemplified this pattern, with electoral bond purchases correlating temporally with the acquisition of major infrastructure contracts from government agencies. Such timing patterns suggest quid pro quo arrangements whereby corporate donations secured access to government contracts or favorable regulatory treatment.

The money laundering mechanism involved shell companies reporting minimal or zero revenue in financial statements, then suddenly executing large electoral bond purchases. Shell company analysis revealed entities with no evident business operations nonetheless accumulating substantial capital before making political donations, patterns consistent with money laundering through the financial system. The Electoral Bonds scheme, by permitting anonymous donations, created an ideal mechanism for converting illicit proceeds into legitimate political influence without risk of detection.

Enforcement Gaps and Compliance Gaps

Despite statutory requirements for disclosure of donations above INR 20,000 and corporate donations above INR 20,000, compliance analysis reveals substantial gaps between legal requirements and actual practice. Political parties frequently submit financial disclosures that under-report donations through various mechanisms, including aggregation of donations below the disclosure threshold from the same donor, utilization of coupon sales mechanisms that permit anonymous aggregate reporting, and submission of delayed or incomplete disclosures. The Election Commission, despite statutory authority to compel compliance, has not systematically sanctioned non-compliance, creating perverse incentives that render disclosure requirements effectively voluntary. Political parties that submit non-compliant disclosures face minimal consequences, encouraging continued non-compliance as a rational strategic choice.

DISCUSSION

The findings of this study demonstrate that political funding opacity in Indian elections results from a combination of statutory gaps, enforcement failures, and institutional design choices that systematically favor opacity over transparency. The statutory framework contains multiple pathways through which significant funding can flow without disclosure: donations below INR 20,000 remain anonymous; corporate donations can be obfuscated through shell companies and multiple funding vehicles; and until the 2024 Supreme Court judgment, electoral bonds permitted entirely anonymous funding through bank instruments. While statutory requirements for disclosure exist, the enforcement infrastructure to compel compliance remains inadequate, creating gaps between law and practice. Most fundamentally, political parties and corporate donors have demonstrated consistent willingness to circumvent transparency requirements when the probability and severity of sanctions are minimal—a rational response to weak enforcement incentives.

The documented corruption mechanisms reveal how opacity enables quid pro quo arrangements between corporate donors and political parties. When citizens cannot know who funds political parties, they cannot evaluate potential conflicts of interest or hold elected representatives accountable for prioritizing donor interests over constituent interests. The "chanda do, dhanda lo" mechanism operates through corporate donations secured by subsequent government contracts, fundamentally perverting the electoral system whereby access to elected officials becomes a commodity purchasable through donations rather than a right distributed equally among all citizens. The "hafta-vasuli" mechanism whereby companies under investigation make political donations suggests a reverse extortion scenario wherein companies make donations to mitigate enforcement pressure, rendering electoral democracy a mechanism through which political parties extract resources from corporations facing government investigations.

The concentration of electoral funding among corporate donors has profound implications for democratic equality and representation. When 96.91% of electoral bond funding originates from corporations while individuals contribute 3.09%, the electoral system becomes structured around the interests of corporate entities rather than individual citizens. Candidates and parties without access to corporate funding resources are systematically disadvantaged, unable to compete with competitors who have secured corporate backing. This creates barriers to entry for candidates from economically disadvantaged communities, disproportionately affects women's political participation, and skews electoral outcomes toward candidates preferred by corporate elites. The electoral system thereby ceases to operate as a mechanism for democratic will formation and instead functions as a mechanism for aggregating corporate preferences.

The Supreme Court's February 2024 judgment striking down the Electoral Bonds scheme represents recognition that anonymous funding fundamentally violates democratic principles. The Court's rationale—that citizens have a constitutional right to know who funds the political parties they vote for—articulates the foundational principle that democratic accountability requires transparency regarding funding relationships. The judgment mandates renewed disclosure of electoral bond donor identities, a corrective step that restores basic transparency. However, the judgment alone is insufficient to address systemic opacity if implementation is weak or if political actors discover alternative mechanisms through which to obscure funding flows.

IMPLICATIONS OF THE STUDY

For Electoral Democracy and Governance

The findings have direct implications for the quality and integrity of India's electoral democracy. If political funding opacity enables systematic corruption through quid pro quo arrangements between corporate donors and political parties, then government policies, resource allocation, and regulatory decisions may reflect donor interests rather than constituent interests or public welfare considerations. This distortion of policy outcomes undermines the legitimacy of democratic governance, as citizens cannot trust that their elected representatives are acting in their interests rather than in the interests of corporate benefactors. The concentration of electoral funding among corporate entities creates structural biases in policy making toward corporate profit

maximization and against the interests of economically disadvantaged citizens.



For Institutional Reform and Policy Making

The research identifies critical institutional reforms required to enhance transparency and constrain corruption in Indian electoral finance. Current enforcement mechanisms are inadequate to compel compliance with existing disclosure requirements, requiring either enhanced institutional capacity within the Election Commission or external accountability mechanisms. The statutory threshold for mandatory disclosure (INR 20,000) requires updating to reflect inflation and current economic conditions, as does the scope of corporate donation disclosure requirements. Public financing mechanisms, if implemented thoughtfully, could reduce parties' dependence on corporate funding and thereby reduce incentives for quid pro quo arrangements. Spending ceilings coupled with transparent accounting would constrain the total financial resources available for capture through corruption.

For Comparative Electoral Studies

This study contributes to comparative electoral studies by documenting how statutory disclosure requirements, when inadequately enforced, fail to constrain elite capture and corruption. The case of India demonstrates that disclosure requirements alone are insufficient to achieve transparency and electoral equality; instead, credible enforcement mechanisms with meaningful sanctions must accompany statutory requirements. The study also illustrates how political actors strategically exploit ambiguities and gaps in statutory frameworks—such as the use of shell companies, the structuring of donations below disclosure thresholds, and the creation of specialized donation vehicles—thereby demonstrating the necessity of comprehensive regulatory design that anticipates and closes such loopholes.

LIMITATIONS

This study employs secondary data analysis of published research and verified sources, which constrains the scope of investigation. First, the analysis necessarily relies on published empirical research, which may be incomplete or may lag behind current developments in electoral finance practices. Political actors discovering new methods to obscure funding flows may operate ahead of academic documentation, creating lags between practice and analysis. Second, detailed documentation of individual corruption cases relies on investigation reports from government enforcement agencies, which may themselves be subject to political influences that affect the comprehensiveness and impartiality of investigation. Third, this study does not examine the differential impacts of funding opacity on candidates at different electoral levels (national, state, and local), nor does it systematically analyze impacts on women's political participation or representation of marginalized communities, which constitute important limitations for understanding the full scope of opacity's consequences.

Fourth, quantitative analysis of funding patterns relies on data disclosed through official channels, which by definition excludes anonymous or undisclosed funding. The scale of actual opacity is therefore necessarily underestimated by any analysis based on disclosed data. Fifth, international comparative analysis draws on structural features of other electoral systems, but the feasibility of transferring specific regulatory mechanisms across national contexts depends on institutional capacities, fiscal resources, and political willingness that vary significantly across democracies. Lessons from Japan or Germany may not be directly applicable to India without substantial modification and context-specific adaptation.

RECOMMENDATIONS AND FUTURE RESEARCH

Policy Recommendations

Drawing on the findings and international comparative evidence, this study recommends the following policy reforms:

Immediately update the statutory disclosure threshold from INR 20,000 to INR 250,000 (or indexed to inflation) to reflect current economic conditions and eliminate the structural bias toward opacity created by the outdated threshold;

Reinstate mandatory public disclosure by listed companies of the names of recipient political parties and contribution amounts, with penalties for non-disclosure sufficient to exceed the benefit of non-compliance;

Establish a public electoral financing system combining state funding of parties and candidates with spending ceilings and corporate donation limits, drawing on models implemented in Japan and Germany;

Implement tax incentives for individual political contributions to encourage grassroots fundraising and reduce dependence on corporate funding;

Establish spending ceilings for political parties (not merely candidates) and mandate quarterly financial reporting rather than post-election reporting to enable real-time monitoring;

Enhance Election Commission capacity and authority for enforcement through additional institutional resources, statutory authority to impose penalties, and required justification for any non-prosecution of non-compliance;

Implement technological accountability measures including blockchain-based or cryptographically verified donation registries to render double-reporting or falsification technically infeasible; and

Establish independent oversight mechanisms such as periodic third-party audits of political party finances and publication of audit findings to supplement Election Commission enforcement.

CONCLUSION

Political funding opacity in Indian elections represents a fundamental challenge to the integrity and legitimacy of electoral democracy. While statutory disclosure requirements exist on paper, systematic enforcement gaps, statutory design flaws, and political actors' strategic exploitation of regulatory ambiguities ensure that substantial political funding occurs beyond public scrutiny. The Electoral Bonds scheme (2017–2024) exemplified the risk that electoral finance mechanisms can be deliberately structured to maximize opacity and enable corruption, facilitating documented patterns of quid pro quo arrangements between corporate donors and political parties. The Supreme Court's February 2024 judgment striking down the Electoral Bonds scheme and mandating renewed disclosure represents important recognition that citizens have a constitutional right to know who funds political parties.

However, judicial intervention alone cannot resolve systemic problems in electoral finance regulation. Effective reform requires comprehensive statutory revision to address disclosure threshold obsolescence, reinstatement of corporate donor disclosure requirements, and implementation of credible enforcement mechanisms with meaningful sanctions. International comparative evidence from Japan, Germany, and other democracies demonstrates that combination of public financing, spending ceilings, corporate donation limits, and mandatory disclosure can effectively constrain elite capture of electoral processes and reduce the distortionary influence of corporate money in politics. India's scale, institutional complexity, and fiscal constraints require careful adaptation of international models rather than direct transplantation, but the fundamental principles of transparency, equality, and accountability provide proven foundations for reform.

Electoral transparency remains foundational to democratic governance because informed citizens making electoral decisions constitute the core mechanism through which democracies constrain the abuse of power. Without knowledge of who funds political candidates and parties, voters cannot evaluate potential conflicts of interest, hold elected representatives accountable, or exercise meaningful democratic choice. The documented corruption mechanisms revealed by analysis of the Electoral Bonds scheme demonstrate concretely how opacity enables systematic corruption that distorts policy outcomes in favor of corporate donors and wealthy interests. The political will to implement comprehensive transparency and enforcement reforms remains contingent on sustained civic engagement, civil society advocacy, and recognition by elected officials that democratic legitimacy ultimately depends on public confidence that electoral processes serve the interests of citizens rather than narrow corporate elites.

This study has documented the current state of political funding transparency in Indian elections, identified structural gaps and corruption mechanisms, and synthesized evidence-based reform recommendations. Implementation of these recommendations would require sustained political commitment and institutional reform, but the stakes could not be higher: the integrity of the world's largest democracy depends on ensuring that electoral processes genuinely aggregate citizen preferences rather than serving as a mechanism for corporate purchase of political influence.

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