



Breaking the Entry Barrier

How E-TRAC Can Democratize Indian Election Finance

KARTIK SINGH | MAY 2026

PGP 9TH COHORT

TAKSHASHILA INSTITUTION

The E-TRAC System: A Policy Overview

E-TRAC (Electoral Transparency, Restrictions and **A**ugmented **C**ontributions) is a system which brings together several instruments to incentivize transparent campaign finance and reduce barriers to entry.



Transparency

Digital trails via ECI-monitored accounts, verified donors and electoral bonds.



Restrictions

Strict caps on individual and corporate donations to prevent oligarchy.



Augmentation

State-funded matching donations especially for small, diverse contributions.

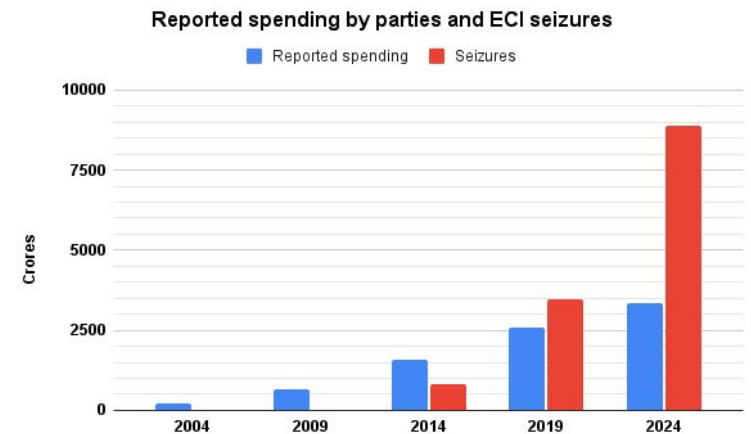
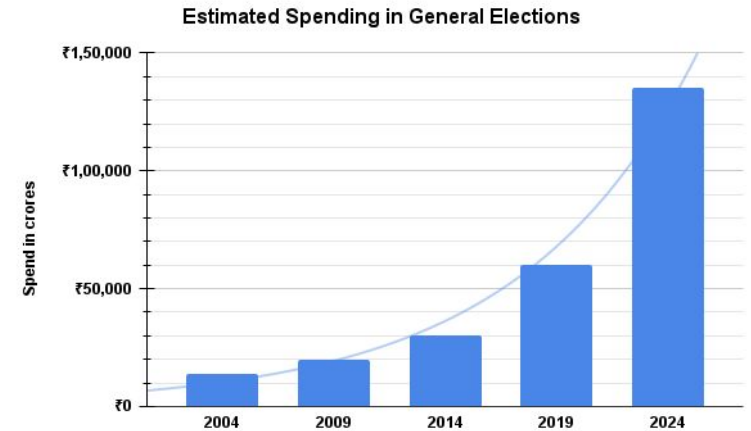
To be implemented over a period of 5 years, starting with a pilot in local body elections (at a cost of ₹150 crore), then scaling it to states (₹400 per medium sized state) and the Lok Sabha (₹2,500 crore).

The Crisis of Electoral Finance

Problem Definition

Over the last three general election cycles, election spending has increased exponentially from ₹30,000 crore (2014) to ₹1.35 lakh crore (2024), which is harming electoral outcomes by increasing barriers to entry.

The total spending per candidate has increased from about ₹6 crore to over ₹16 crore (adjusted for inflation) while the per capita average annual income in India is just over ₹2 lakh (2024). To be competitive, contesting candidates are compelled to spend disproportionately more. This increases barriers to entry and strengthens vicious cycles of corruption and concentration of power.



1. Monitored Candidate Accounts



Digital Accountability

Every candidate is assigned a unique ECI-monitored bank account for a specific election campaign.

- ✓ **Cash Verification:** Identity verified by Aadhaar or EPIC for all deposits or donations.
- ✓ **Digital Spending:** Only 1% permitted as petty cash; all other spends must be digital.
- ✓ **Public Scrutiny:** Account details publicized to the electorate.
- ✓ **Relinquishment:** Excess funds returned to ECI post-election.

2. Transparent Electoral Bonds

Reintroducing the bond mechanism with radical transparency:

- ✓ **Identity Disclosure:** No anonymity. All bond purchases tied to Aadhaar/EPIC.
- ✓ **Denominations:** Multiples of ₹1k, ₹10k, ₹1L up to a ₹10L cap.
- ✓ **Verified Use:** Bonds only accepted by monitored candidate accounts for specific election campaigns.
- ✓ **Tax Incentives:** Tax exemptions maintained to encourage formal over informal funding.



3. Matching Donations

Matching Formulas

Source	Tier	Mechanism	State Match
Individual	< ₹2,000	Cash/Bond	1:1 (100%)
Individual	≤ ₹20,000	Cash/Bond	10:1 (10%)
Individual	> ₹20,000	Bond Only	10:1 (10%)
Corporate	Any	Bond Only	10:1 (10%)

Eligibility: Triggered only after 1,000 unique donors or 0.2% of voters.

Limits: Only up to a limit of ₹1 crore will be funded via matching donations.

Payback & Wealth Tiers

Candidate Wealth	Matching?	Payback Rule
> ₹10 Cr (Ext. Wealthy)	No Match	N/A
₹1 – ₹10 Cr (Wealthy)	Yes	Full Payback
₹20L – ₹1 Cr (Medium)	Yes	50% Payback
< ₹20L (Low Wealth)	Yes	No Payback

Vote Payback: Sliding scale (25% to 100%) if votes < 1/6th threshold.

Surety bonds: To avoid defaults.

The State augments funding to reward candidates who reach a diverse donor base.

4. Contribution & Spending Restrictions

Individual Caps

₹1 Lakh

Lok Sabha (Per Election)

₹40,000

State Assembly

Corporate Caps

₹10 Lakh

Lok Sabha (Per Election)

₹4 Lakh

State Assembly

Account Spending

₹3 Crore

Lok Sabha Cap

₹1.2 Crore

State Assembly Cap

Corporate Anchor

Total corporate donations to a candidate **cannot exceed** the total amount collected from individual donations. This forces candidates to focus on the electorate over oligarchs.

The Integrated E-TRAC Solution

How the components synergize to reform the campaign finance ecosystem:

Transparency

Monitored accounts + Verified Bonds + Mandatory Disclosures create a bulletproof digital audit trail, removing anonymous money.

Level Playing Field

Matching donations provide public funding, empowering serious but non-wealthy candidates to be competitive against elites.

Focus & Control

Restrictions on Corporate-to-Individual ratios and strict spending caps limit runaway costs and re-center the voter in candidate focus.

Adoption Incentives

Tax exemptions and state matching funds provide powerful "carrots" for candidates and donors to transition to the formal system.

State Costs and Capacity Requirements

₹2.5K Cr

FOR LOK SABHA ELECTIONS

₹400 Cr

FOR A STATE ASSEMBLY
ELECTION

₹150 Cr

FOR MUNICIPAL ELECTIONS IN A
LARGE METRO CITY

Based on ~4 eligible candidates per seat

Administrative Capacity

- ✓ Monitoring 8,000+ candidate accounts.
- ✓ Managing the Digital Bond portal.
- ✓ Triggering and auditing Matching Disbursements.
- ✓ Verifying Payback Surety Bonds.

Leverages existing banking and ECI infrastructure.

Managing Unintended Consequences



Shadow Funding

Candidates may still use funds outside the system. Mitigated by CAG audits and State Funding in Kind.



Party Spending

Parties may spend on behalf of candidates. Current laws restrict this to general propaganda.



Extraction Risk

Low-wealth candidates extracting state funds via small donor loops. Mitigated by ECI monitoring.

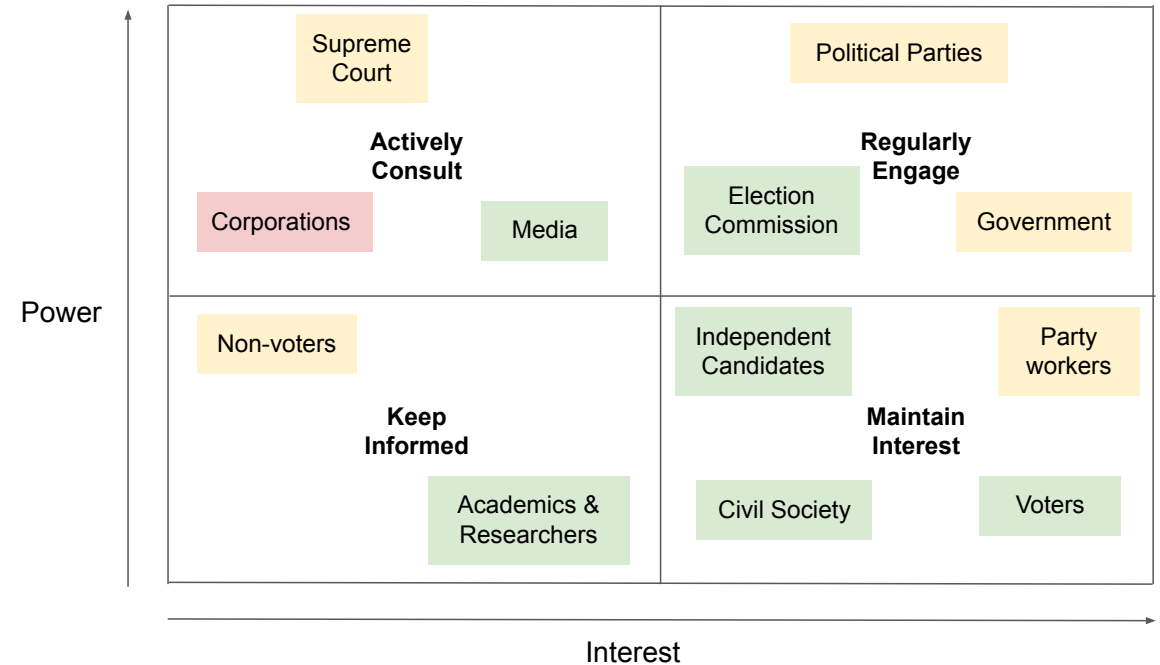
Stakeholder Impact: Winners vs. Losers

🏆 The Winners

- **Non-Wealthy Candidates:** Level playing field for popular but poor candidates.
- **Common Voters:** Transparency on who funds their representatives.
- **Small Donors:** Multiplied impact of their contributions.

🚫 The Losers

- **Quid Pro Quo Corporations:** Transparency kills illegitimate benefit seeking.
- **Shadow Financiers:** Matching funds incentive pulls money into formal system.
- **Wealthy Candidates:** Monopolies of wealth are dismantled.



Phased Implementation Roadmap



PHASE 1: LOCAL PILOT

Pilot: Municipal elections (e.g., BMC Mumbai).

Outcome: Smoothened rough edges, voter and candidate surveys, adoption.

2 YEARS ~ ₹150 Cr/Local body



PHASE 2: STATE

Scaling: Pilot in 2–3 average-sized State Assembly elections.

Outcome: Increase in non-wealthy entrants and improved campaign transparency levels.

2 YEARS ~ ₹400 Cr/State



PHASE 3: NATIONAL

Full Rollout: All State and Lok Sabha (General) Elections.

Outcome: Increase in non-wealthy entrants, improved campaign transparency levels and reported spend aligns with estimates.

1 YEAR ~ ₹2,500 Cr/Lok Sabha

Conclusion

E-TRAC is a fundamental shift from a
Wealth-Driven democracy to a **Support-Driven** one.

"By rewarding transparency and augmenting grassroots contributions, this approach avoids the transitional gains trap that arises from the entrenchment of wealth in India's electoral politics."



Thank You

Questions and Discussion

Disclaimers

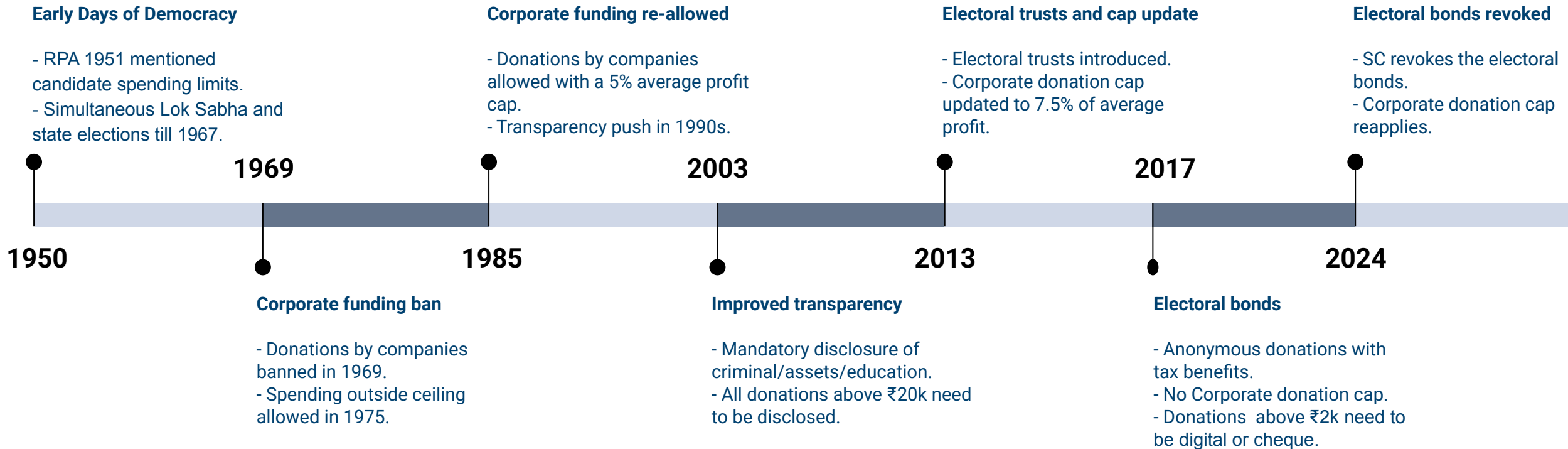
Anti-Plagiarism disclaimer

I attest that the work presented is my own original work, with the exception of any text and references that have been acknowledged as part of the citations in the policy brief.

Generative-AI disclaimer

The layout and some of the visuals in this presentation were prepared with the support of AI-based tools. The content is based on the policy brief and some of the research in the policy brief was done with the help of AI-based tools.

Appendix I: History of Political Finance



Appendix II: Key Literature & Reports

Report / Year	Key Recommendation
Dinesh Goswami (1990)	Deletion of Section 77 loopholes; corporate donations ban; state assistance in kind only (fuel, paper, etc.)
CII (1993)	Corporate donations tax deductible; shareholder confirmation needed; tax on industry for elections.
Indrajit Gupta (1998)	Partial state funding (in kind) via State Fund; mandatory audit by CAs.
Law Commission (1999)	Deletion of Section 77 loopholes; Section on maintenance, audit and publishing of party accounts.
NCRWC (2002)	Deletion of Section 77 loopholes; disclosure of assets and liabilities by candidates; Increase spending limits.
ECI (2004)	No surrogate advertisements; code and monitoring for Cable/TV advertisements; Audit of accounts by CAG.
CVC (2010)	Creation of a State Fund; incentivizing small donors via tax incentives; overall cap for party and candidate spends.
Law Commission (2015)	Mandatory CAG-panel audits; disclosure of all donations above ₹20,000; expand state funding.

Appendix II: Independent Literature

Author / Year	Unique Contribution
E. Sridharan (2009)	Public funding via basic slab + vote share + matching grants.
Rajendra Kondepati (2011)	Matching grant triggered by minimum donor count; ban on corporate funds.
ADR & NEW (2011)	Party spending ceiling; Audit by CAG; Limit on donations by individual, company, org.
Jay Panda (2016)	5x matching for individual ₹1,000 donations to benefit popular non-wealthy candidates.
Santhosh & Gowda (2017)	National Election Fund; ₹50 per vote polled; matching for PAN-verified small donors.
Milan Vaishnav (2018)	Parties to go digital; Review candidate limits upwards; Audit by CAG.

Appendix III: Analysis of Alternatives

Alternatives	Political Acceptability (0.30)	Effectiveness (0.25)	Cost (0.15)	Administrative feasibility (0.15)	Transparency (0.15)	Score
Status quo	0.8	0.2	0.5	0.5	0.5	0.515
Greater Transparency	0.5	0.5	0.5	0.8	0.8	0.59
Matching Donations	0.8	0.8	0.2	0.5	0.5	0.62
Electoral Bonds	0.5	0.8	0.5	0.5	0.8	0.62
State Funding In Kind	0.5	0.8	0.5	0.2	0.5	0.53

E-TRAC: A Hybrid Approach

The proposed solution is a hybrid of high-scoring alternatives for high effectiveness and transparency while being politically acceptable.

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