Electoral Bonds Scheme

What is the issue?

The Supreme Court will take up for hearing a pending plea challenging the Electoral Bond Scheme filed by two NGOs.

What are electoral bonds?

- Electoral bonds are an instrument through which anyone can donate money to political parties.
- Only political parties registered under Section 29A of the Representation of the People Act, 1951 and which secured not less than 1% of votes polled in the last general election to the House of the People or the Legislative Assembly of the State, are eligible to receive electoral bonds.
- The bonds, which are sold in multiples of Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore, can be bought from authorised branches of the State Bank of India via cheque or digital mechanism (cash is not allowed).
- The donor can then give this bond to the parties of their choice.
- The political parties can choose to encash such bonds within 15 days of receiving them and fund their electoral expenses.
- Electoral bonds can be bought only during specific windows of time.

When were electoral bonds introduced and why?

> *An amendment of the Income Tax (IT) Act provided for the reduction in the amount of money that a political party could accept in cash from anonymous sources from Rs 20,000 to Rs 2,000.*

- In the 2017 Budget, the government announced a new scheme of electoral bonds.
- **Transparency**- The central idea behind the electoral bonds scheme was to bring about transparency in electoral funding in India.
- **Anonymity**- The process ensures that the name of the donor remains anonymous.
- **Easy funding**- Electoral bonds allow common people to easily fund political parties of their choice.

Why have electoral bonds attracted criticism?

- **Anonymity**- Critics argue that the anonymity of electoral bonds is only for the broader public and opposition parties.
- Selling the bonds via a government-owned bank (SBI) leaves the door open for the government to know exactly who is funding its opponents.
- **Privacy**- Privacy of the donor is compromised as the bank will know their identity.

- **Unfair advantage**- It allows the possibility for the government of the day to either extort money from big companies, or victimise them for not funding the ruling party providing an unfair advantage to the party in power.
- More than 75 % of all electoral bonds have gone to the party which is in power at the Centre.
- **Nexus**- Electoral bonds open up another route to further the unholy nexus between corporate houses and political parties.
- **Higher denominations**- One of the arguments for introducing electoral bonds was to allow common people to easily fund political parties of their choice but more than 90% of the bonds have been of the highest denomination (Rs 1 crore).
- **Cap on donation**- Before the electoral bonds scheme was announced, there was a cap on how much a company could donate to a political party (7.5 % of the average net profits of a company in the preceding three years).
- However, the government amended the Companies Act to remove this limit, opening the doors to unlimited funding by corporates.
- Even loss-making companies or shell companies can now be used to purchase electoral bonds.
- **Opacity**- Under Section 13A of the IT Act, companies contributing through electoral bonds will not even be required to keep records of such donations.
- The RPA Act has been amended to exempt parties to inform EC of any amount received above Rs 2,000, if made through electoral bonds thus resulting in complete financial opacity.
- **Foreign funds**- The Foreign Contribution Regulation Act, 2010 has been amended to exempt from scrutiny foreign funds received by political parties with retrospective effect from 1976.
- **Black Money-** The amended Companies Act allows any foreign company registered in India to make contributions through bonds to political parties despite doubts about who or where its real owners are.
- The Election Commission and the Reserve Bank of India had in 2017 advised against the issuance of electoral bonds as a mode for donation to political parties.

What about the petition filed against electoral bonds scheme?

- A PIL was filed by NGO Association for Democratic Reforms in 2017 on the alleged issue of corruption and subversion of democracy through illicit and foreign funding of political parties and lack of transparency in the accounts of all political parties.
- It had filed an interim application in March this year before the assembly polls in West Bengal and Assam seeking that window for sale of electoral bonds be not reopened.
- It had alleged that as per data on electoral bonds for 2017-18 and 2018-19, the ruling party had received more than 60% of total electoral bonds issued to date.
- In 2019, the Supreme Court directed the political parties to furnish all details of funds received through electoral bonds to the poll panel in a sealed cover in response to EC's affidavit.
- In January 2021, the apex court had refused to grant an interim stay on the scheme and sought responses from the Union government and the EC.
- Recently, the Supreme Court agreed to urgently hear a petition challenging the funding of political parties through electoral bonds issued by the government.

References

1. https://indianexpress.com/article/explained/explained-how-electoral-bonds-work-why-criticism-7856583/

2. https://www.thenewsminute.com/article/sc-agrees-list-plea-against-electoral-bonds-hearing-162595
3. https://economictimes.indiatimes.com/news/politics-and-nation/view-electoral-bonds-and-fcra-amendments-pave-the-way-for-unaccounted-political-funding/articleshow/63553978.cms?from=mdr

