

Electoral Bond Scheme Vs Funding Process Before Electoral Bonds

Table of contents

Abstract	2
Need of funding of elections and regulation of funding	3
What is the Electoral Bond Scheme (EBs)	5
Stakeholders involved- ECI, SBI and political parties	5
What's the controversy and the Supreme Court's judgment	7
Electoral funding before electoral bonds	9
Why electoral bonds were introduced	10
Issues in electoral bond scheme	14
International practices	15
United Kingdom	16
Brazil	16
United States Of America	16
Australia	17
Conclusion	17

Abstract

Political funding has been a controversial issue since India's first general elections following independence and up until the last state legislative assembly elections of five states in 2023. Electoral bond scheme is also not unaffected from the heated controversies. Recently, in a landmark judgement in *Association for Democratic Reforms v. Union of India 2024*, the honourable Supreme Court of India declared the electoral bond scheme unconstitutional. It has sparked a national discussion on electoral bonds' transparency. This paper attempts to briefly review the political financing that has occurred in India since independence, as well as the difficulties that come with political donations in cash.

The paper sets out the background of EBs's introduction by the NDA government, and its significance for the world's largest democracy. This paper takes into account the role played by all the stakeholders involved and lacunas underlying. In addition, it examines the various electoral funding schemes around the world.

Finally, the paper proposes a number of measures to address EBs's shortcomings and not completely scrap it. In view of the increasing number of cases of black money and money laundering, it also recommended the need for continuance of such a scheme in the current electoral scenario of India.

Keywords- *Electoral bond scheme, political donations, transparency, unconstitutional*

Introduction

“Can any agency tell us how much money was spent in elections before 2014, it was Prime Minister Narendra Modi who brought electoral bonds and hence the source of the funding is known today” said PM Narendra Modi in an interview.¹

According to ADR sources, the Bharatiya Janata Party has received the highest amount of donations under the electoral bond scheme, and it is indisputable that the ruling party has always received a larger share as was the case with the Congress Party prior to 2014. The decrease in cash contributions received by political parties and thus the reduction of black money's role in today's electoral scenario is a major difference between funding prior to and after EBs. There is still a lack of robust research on the comparative analysis of electoral funding prior to and after the introduction of EBs. The current research on Political Financing in India focuses more on party donations, which makes it a purely policy issue; whereas this paper analyses the funding received by parties with their share of seats in

¹ [Hindustantimes.com](https://www.hindustantimes.com)

Parliament as well as the number of states that they rule, and thus gives an element of political legality to these findings.

The paper argues that although the Supreme Court decision declaring EBs unconstitutional is laudable, this scheme inevitably provides a transparent mechanism to comply with India's election financing requirements. At a time when the general elections are to be held within a few months, there is no better way forward. It first establishes the inadequacies of pre-EBs funding mechanisms, then discusses the various advantages of the EBs, and finally addresses the objections to EBs on moral and judicial grounds.

Need of funding of elections and regulation of funding

Political funding is the method that political parties use to raise funds to finance their regular activities and election campaigns.² Across the world, political parties need access to money in order to reach out to the electorate, explain their policies and receive inputs from people. Political parties require money to pitch their ideologies and objectives and take necessary action to get votes and win elections. One of the primary sources of this funding is voluntary contributions made by individuals. Besides this, corporations pay hefty donations to parties in different forms. Foreign aid is another source.³ It may be direct or indirect funding.

Parties spend the received donations on building organisation and infrastructure, on election rallies, food travel, accommodation, salaries of workers, for publicity in print, electronic, and digital media. As voting for cash has become a common norm during election campaigning, candidates use this money to distribute cash, gold, liquor, and other freebies such as mobile phones, TVs, mixies, and blankets. Also to avoid detection by the Election Commission, innovative methods of luring voters are used such as paying the utility bills of people and distributing coupons encashable after victory. Parties maintain their offices at national, state and regional levels to propagate their ideas for which they require money to conduct day-to-day functions. These all created a need for political party funding across the world.

The regulation of political funding finds its place in the political philosophy of **John Rawls**. He argues that “It is necessary to prevent those with greater property and wealth, and the greater skills of organisation which accompany them, from controlling the electoral process to their advantage.” India's democratic process is infatuated with lack of transparency and accountability resulting in quid-pro-quo business-politics relationship. The steady influx of ‘black money’ or illegal money into the country's political system is a bitter reality today. This can be extracted from the fact that nearly two-thirds of political donations of registered

² www.wintwealth.com

³ drishti.ias

political parties are from so-called ‘unknown’ sources.⁴ The electoral activities fuelled by black money causes serious problems for the security and governance of the nation. The most worrisome trend is the growing role of money in India’s electoral democracy. Arguably, India’s general election is set to be the world’s most expensive at more than \$14 billion.⁵ As elections are becoming expensive, the parties are finding their financial sources in the form of “interested money” from corporates. This, coupled with the major role played by the state in regulating the economy has resulted in cronyism.

Buying votes by giving cash, alcohol, drugs, and others, is also a widespread practice. The cash seized by the expenditure observers of the Election Commission of India reached over Rs. 1760 Crores in recently held elections in five states in 2023.⁶

Also, parties prefer to choose the candidates who can finance themselves and therefore give rise to wealthy candidates, thereby negatively affecting the competition within parties for candidature. So, meritorious individuals find it difficult to contest and give entry to criminals in politics with a strong financial background. According to an ADR report, 44% of sitting MPs face criminal charges and 5% are billionaires.⁷

Parties in India lack internal democracy and are mostly controlled by a handful of families therefore controlling the party finances and even using it for personal expenses. The electoral funding takes away a level playing field between the parties, where bigger parties get a larger share of the donations.

Many committees appointed by successive governments have discussed various proposals to regulate political funding. Venkatachaliah Committee Report (2002) and the 255th Law Commission Report (2015) have suggested regulatory frameworks dealing with transparency, disclosure and internal democracy of parties. The CII Taskforce Report (2012) suggested for the imposition of a democracy, a cess of 0.2 percent of the income be paid by individuals and corporates to finance election expenses.

⁴ newindianexpress

⁵ adrindia

⁶ pib.gov.in

⁷ thehindu

What is Electoral Bond Scheme (EBs)

- First pronounced by the Finance Minister Shri Arun Jaitley in the Union Budget 2017-18, Electoral Bond was a bearer instrument in the nature of a Promissory Note and an interest free banking instrument to cleanse the system of political funding in the country.⁸
- According to the **Electoral Bond Scheme, 2018**, individuals (who are citizens of India) and domestic companies can donate these bonds- for any value, in multiples of Rs.1,000, Rs.10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore —from the Specified Branches of the State Bank of India (SBI) — to political parties of their choice, which have to redeem them within 15 days.⁹
- The purchaser would be allowed to buy Electoral Bond (s) only on due fulfilment of all the extant KYC norms and by making payment from a bank account. It will not carry the name of the payee.¹⁰
- The amount of bonds not cashed within the validity period of fifteen days shall be deposited by the authorised bank to the Prime Minister Relief Fund (PMRF).¹¹ The Electoral Bond(s) shall be encashed by an eligible political party only through a designated bank account with the authorised bank.¹²
- It allows donation only to the political parties registered under **section 29A of the Representation of the Peoples Act, 1951** and which secured not less than one percent of the votes polled in the last general election to the House of the People or a Legislative Assembly.¹³
- The Electoral Bonds under the Scheme shall be available for purchase for a period of 10 days each in the months of January, April, July and October, as may be specified by the Central Government.¹⁴

⁸ adrindia

⁹ adrindia

¹⁰ pib.gov.in

¹¹ adrindia

¹² pib.gov.in

¹³ pib.gov.in

¹⁴ pib.gov.in

Stakeholders involved- ECI, SBI, and political parties

State Bank of India (SBI)

With a quarter of the market and a head office in Mumbai, it is the biggest bank in India, catering to more than 48 crore people. The Bank's basic values are ethics, transparency, and service and Indians have trusted it the most for millennia. Therefore, the Government of India has authorised the State Bank of India (SBI), in the XXIX Phase of sale, to issue and encash Electoral Bonds through its 29 Authorised Branches.¹⁵

An RTI filed by a transparency activist Commodore (retd) Lokesh Batra to the State Bank of India (SBI) revealed that as of March 21, 2024, only 25 political parties had opened current accounts for electoral bonds.¹⁶

In a recent case in the Supreme court, the bank said details of purchases made at the branches are not maintained centrally at any one place. The data related to the issuance of the bond and the data related to the redemption of the bond was kept recorded in two different silos. "No central database was maintained to ensure the donors' anonymity", the bank said.

SBI also mentioned that between April 12, 2019, and February 15, 2024 (date of SC judgement), 22,217 electoral bonds were used for making donations to various political parties.¹⁷

Parties

Political parties in any country play an indispensable role in the democratic process. They form the government and have the responsibility under our constitution of holding the government to account. It is thus essential that the parties are adequately funded in a manner which enjoys public confidence.

In the 2017–18 budget, electoral bonds were added in an effort to cleanse the political donations to Indian political parties. There are about 2,600 political parties in India, therefore EBs set requirements for parties to be eligible for the scheme in order to deter new political parties from being formed merely to raise money.

Donors gave anonymously to political parties using EBs. Parties were aware of the donors' identities, but the general public was not, which made the scheme vulnerable to quid pro quos.

¹⁵ pib.gov.in

¹⁶ auth.scribd.com

¹⁷ thehindubusinessline

Donors

The Electoral Bond Scheme made Indian citizens and companies eligible for donations via electoral bonds. As per **Section 29C of the RPA**, political parties are required to give the EC details (such as name, address, PAN number, mode of payment and date of donation) of donors contributing Rs 20,000 and above under a Contribution Report and **Section 293A of the Companies Act**, restricted the company donations to 5 percent of its average net profit over the past three years.¹⁸

It means parties are not required to reveal the name of donors who donate less than 20,000 or those who donate via electoral bonds. Donors were issuing multiple receipts of Rs 19,999 each in order to evade disclosure under the Rs 20,000 limit on cash donations. It resulted in huge funding via cash donations as well as electoral bonds from unknown sources to a political party and affecting the public trust in the scheme.

What's the controversy and the Supreme Court's judgement

The goal of introducing electoral bonds was to bring transparency in political financing in India. Nevertheless, there has been a great deal of debate around electoral bonds since their introduction, with many questioning whether they have achieved their intended goals or have instead facilitated opacity in political financing.

Under the scheme, funds are transparently transferred from an individual or business entity to a bank account; the donor's identity cannot be identified, not even through the RTI (**Right to Information**) process. This eroded the public trust and made the scheme completely opaque. However, since the SBI comes under the ruling government's ambit, the latter can know who is donating to which political party. It is one of the questions that critics have pointed out, and they argue that this information could give government leverage in influencing a prospective donor to not buy election bonds for opposition parties. The issue of allowing foreign corporations to purchase electoral bonds has also been brought up. Many people thought that this would give rise to leverage for external agencies in influencing the government's work, its relations with countries and companies' investment policies. We will study into detail about other issues surrounding EBs in the next section.

In September 2017 and January 2018, two Non-Governmental Organisations—Association for Democratic Reforms (ADR) and Common Cause— and the Communist Party of India (Marxist) filed petitions in the Supreme Court challenging the amendments introduced in RoPA, Income Tax Act, Companies Act, RBI Act etc to launch the electoral bond scheme.

¹⁸ [deccanherald](https://www.deccanherald.com)

In order to avoid a higher scrutiny by the Rajya Sabha, it is argued that financial acts have been illegally passed as money bills.

The Election Commission of India (ECI) had warned the Union Government on 26 May 2017, against the “repercussions/impact on the transparency aspect of political finance/funding.”

On 12 April 2019, a bench led by Chief Justice Ranjan Gogoi, with Justices Deepak Gupta, and Sanjiv Khanna directed all political parties to submit details to the ECI but it refrained from imposing a stay on the implementation of the scheme. In early 2021, ADR approached the Court seeking a stay on the scheme, but the Bench led by Chief Justice S.A. Bobde, with Justices A.S. Bopanna, and V. Ramasubramanian denied any stay.

On 16 October 2023, again a petition was filed. A Bench led by Chief Justice D.Y. Chandrachud, with Justices J.B. Pardiwala, and Manoj Misra, referred the case to a five-judge Constitution Bench.

On 31 October 2023, a five-judge Constitution Bench led by CJI Chandrachud, with Justices Sanjiv Khanna, B.R. Gavai, J.B. Pardiwala, and Manoj Misra were set up. Petitioners argued that the electoral bonds scheme increased corporate funding, black money circulation, and corruption. They claimed that voters have a right to know how the political parties get their funding. The Union contended that the scheme was designed to guarantee confidentiality and the right to privacy of the donors, who were otherwise exposed to retribution from political parties that they didn't fund.

On 15 February 2024, the Court unanimously struck down the Union's 2018 Electoral Bonds (EB) Scheme. The Bench held that the Scheme violated the voters' right to information enshrined in **Article 19(1)(a)** of the Constitution. The Court also directed that the sale of electoral bonds be stopped with immediate effect. SBI was directed to submit details of the Electoral Bonds purchased from 12 April 2019 till date, to the ECI. This will include details of the purchaser as well as the political parties that the bonds were given to. Further, the Court ordered the ECI to publish the information shared by SBI on its official website.¹⁹

¹⁹[scobserver](#)

Electoral funding before electoral bonds

Political parties had multiple sources of funding such as voluntary donations via cash or through electoral trusts, sale of coupons etc. In the original version of the Companies Act, 1956, there was no restriction on corporate donations to political parties. In 1960, Parliament amended the law to insert **Section 293A** to restrict corporate contribution to political parties to Rs 25,000 or 5% of the average net profit during the preceding three financial years. In 1969, following the Santhanam Committee's report, Congress banned corporations from making donations but the ban was reversed 1985. In 2013, under the new Companies Act, the cap on corporate donation was increased to 7.5%. The amendment to Companies Act in 2017 allowed unlimited contribution by any company to make political donations.²⁰ A number of scandals involving tens of billions of dollars have dominated the news, highlighting the need for a transparent financing mechanism.

Election finance in India pre-2017²¹

Regulation	Provision	Governing law
Contributions to candidates /political parties	No limits on individual contributions. Corporate contributions to candidates/political parties capped at 5% of the company's average net profits during the three immediately preceding financial years. Ban on foreign contributions to candidates/political parties	Companies Act, 1956 Foreign Contribution Regulation Act, 1976
Disclosure of contributions received	Each party submits to the Income Tax Authority a report of contributions in excess of Rs 20,000 from individuals or companies.	Representation of the People Act, 1951
Civil Penalties	An MP/MLA/MLC convicted of bribery shall be disqualified.	Representation of the People Act, 1951

²⁰ [timesofindia](#)

²¹ [prsindia](#)

Regulation	Provision	Governing law
Criminal Penalties	For corporate contributions breaching the specified limits, the company shall be fined up to 3 times the amount contributed.	Companies Act, 1956
	Any person who accepts or assists in accepting any foreign contribution shall be punishable with imprisonment up to five years, or with fine, or with both.	Foreign Contribution Regulation Act, 1976

Before the introduction of the Electoral Bonds (EB) Scheme in 2018, there was an **Electoral Trusts (ET) Scheme**, introduced in 2013 by the Central Board of Direct Taxes (CBDT)²². Electoral Trust is a Section 25 Company, created for receipt of the voluntary contributions from any person and for distributing the same to the respective political parties, registered under Section 29A of the Representation of People Act, 1951²³. The contributions made by companies and persons/individuals are exempted from tax as per Section 80GGB and Section 80GGC of the Income Tax Act, 1961. Even after this scheme was implemented, huge amounts of money continued to be channelled by corporations to influence policies of lawmakers in their favour. It has necessitated a comprehensive reform in political funding in India to bring transparency and strengthen the spirit of free and fair elections.

Why electoral bonds were introduced

According to a 2014 analysis by the think tank CMS, unaccounted sources have contributed to more than half of the projected Rs 1.5 lakh crore in electoral expenditures over the previous five years.²⁴ It led to allegations that illicit activities and shell companies were operating behind closed doors to push their agendas in the political arena of India. As per Association for Democratic Reforms (ADR), the total funds received by six national political parties between 2004-2005 and 2011-2012 was Rs 4,895.96 crore of which only 8.9% was from known donors and around 75.5% were anonymous contributions²⁵. It was thought that the large amount of unidentified political contributions was undermining the spirit of free and fair elections and posing a threat to India's security. EBs was introduced to cleanse the political funding and wash off the “black money” with “white money”.

²² [drishti ias](#)

²³ [arthapedia](#)

²⁴ [business-standard](#)

²⁵ [adrindia](#)

ADR revealed at the same time that cash accounted for the vast majority of political donations. Between 2008 and 2012, the Congress received 90.38% of its entire funding in cash, while the BJP received over 67% of its overall funding in cash. This means that companies give money via cash to avoid financial scrutiny and in result they're going to benefit from policies by the parties and cause a **quid pro quo effect**.

During this time, political parties were founded only to accept funds rather than to run for office as once former Chief Election Commissioner Y.S. Quraishi had noted that 75% of registered political parties in the country have never contested an election.²⁶

While defending the electoral bond scheme, the late Arun Jaitley, the then finance minister, said²⁷ In the last seven decades, India has not been able to evolve a transparent political funding system. Elections and political parties are a fundamental feature of Parliamentary democracy. Therefore the NDA government led EBs envisages total clean money and substantial transparency in the system of political funding.

Recently, at the India Today Conclave²⁸ Union Home Minister Amit Shah said that the electoral bonds do not represent black money, but the scheme was introduced to "**wipe out black money**" from the political funding process.

State Funding of Elections

It is an election funding mechanism where the state (government) gives funds to political parties or candidates for contesting elections. In recent decades, the system of public funding of political parties either full or partial, has become the most common electoral reform in many countries across the world. The Latin American countries were the first to introduce state subsidies for political parties. It was Uruguay that introduced state subsidies in the 1920s, which was later borrowed by Costa Rica and Argentina.²⁹ A majority of European countries (86 percent) provide state subsidies to political parties, with Germany and the UK being the leading examples.³⁰

State funding works as a public service to the whole community, not only to the people who donate to political parties and candidates' coffers. It also aims to thwart corruption and encourage diversity among candidates. The reason for such a huge inclination towards state funding derives from the theoretical basis put forward by political finance analysts to mitigate

²⁶ [newindianexpress](#)

²⁷ [livemint](#)

²⁸ [Business today](#)

²⁹ [papers.ssrn.com](#)

³⁰ [idea.int](#)

“the importance of private money” by keeping “the big money out of politics”. Public finance protects the political process from direct, quid-pro-quo kickbacks or corruption³¹. It also aims at cutting the growing costs of elections, reduce the dependency on “interested money,” enhance political competition by providing a level playing field for smaller and newer political entrants, and institutionalise transparency and accountability in the democratic processes.

Various government reports have suggested state funding in the Indian electoral scenario. The Indrajit Gupta Committee (1998) endorsed state funding of elections, seeing “full justification constitutional, legal as well as on ground of public interest” in order to establish a fair playing field for parties with less money.³² It confined state funding only to national and state parties not to independent candidates. The committee also restricted the manner of funding i.e. only be given in kind.

Again in 1999 Law Commission of India report concluded that total state funding of elections is “desirable” so long as political parties are prohibited from taking funds from other sources. The Commission concurred with the Indrajit Gupta Committee that only partial state funding was possible given the economic conditions of the country at that time.

Anti- corruption political finance analysts strongly favours the shift in our election financing from the influence of “big money” to the role of “state money”. As elections are a must in democracy and election expenditures are inevitable, therefore these recommendations rightly suggest state funding mechanisms. It is the right time for the stakeholders involved in the election regulations of India to take these recommendations into consideration.

Merits of Electoral bonds

- The conventional system of political funding was to take donations in cash by the corporations to convert their black money into legal money. The sources were anonymous or pseudonymous. The quantum of money was never disclosed. The system ensured unclean money coming from unidentifiable sources, in short it was a wholly non-transparent system. In order to address the issue of non-transparency and put an end to the influence of black money in Indian politics, electoral bonds were issued. Its goal was to make it public who is giving to whom and how much.
- Funding via cash was a problem because there developed a nexus between politicians and criminals or sometimes criminals themselves becoming politicians. Criminals with a healthy

³¹ peoplebrandeis.edu

³² prsindia.org

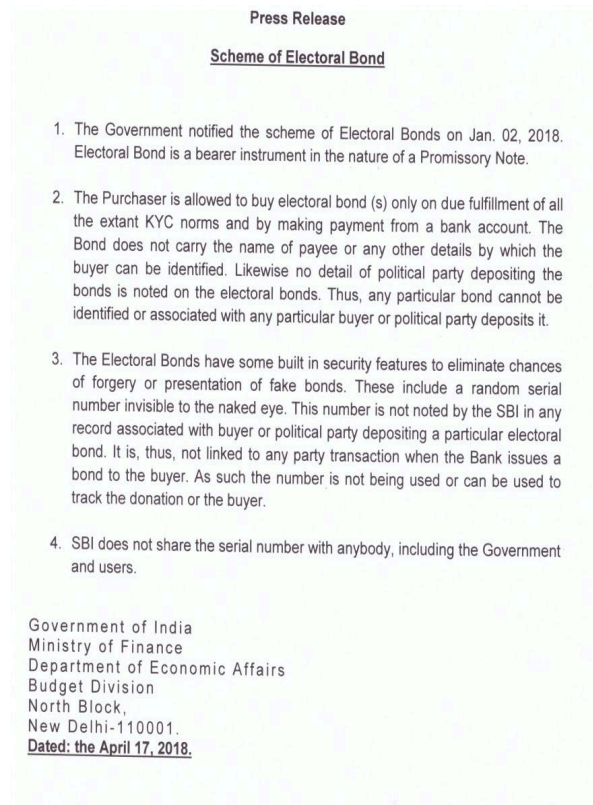
financial backup won the elections and criminalised the politics of India.

- Prior to the launch of EBs, parties were not required to disclose the entire amount of donations they had received. Under the electoral bond scheme, it mandated the parties to declare their total donations. Additionally, it mandated the donor firms to reveal in their accounts the amount of political bonds they had bought. The process was carried out via a specified bank only by a banking instrument to ensure the system of checks and balances.³³
- With the goal of encouraging clean financing and digitalizing the system, it offered a tax benefit to donors paying via cheque and made online transactions to the political parties free.
- To launch EBs, Foreign Contribution Regulation Act has been amended, which allowed foreign contributions. Because many corporations had opened their shell companies in the tax haven countries and used electoral funding to convert their black money into white. So it was needed to make foreign contributions legal not just to curb black money but also to have a good source of funding for vast expenses of Indian politics.
- Earlier the donations made in the denominations of less than ₹20,000 were shown as unknown sources, which accounted for approximately 70% of political contributions. For donations of more than ₹20,000, the identity of the donor was revealed which resulted in harassment of the donor by the party to whom it did not contribute. So EBs made the donor identity a secret affair for their safety.
- To avoid the scrutiny, donors were paying the large amounts in the small transactions of ₹19,999 which made it a very cumbersome process. Therefore the cash donation limit was reduced from ₹20,000 to ₹2,000 to easily manage accounts of small amounts.
- The limit of corporate donations to 7.5% has been removed. The rationale behind it was that India is the largest democracy in the world and therefore regular elections are must, which cost money. The round-the-year functioning of parties also requires a lot of expenditure. There are many corporations who can contribute more willingly. So putting a ceiling is irrational and restrictive.
- It had created equal grounds for all the candidates whether rich or poor, to contest the elections. Because now donors can pay to any party of their choice and promote a very open and level playing field for all in the elections.

³³ pib.gov

Issues in electoral bond scheme

- The scheme claimed to cleanse the electoral funding in order to end criminalisation of politics but according to ADR survey³⁴ Currently, nearly 44 percent of all Members of Parliament (MPs) and Members of Legislative Assemblies (MLAs) face serious criminal charges. This implies that EBs has failed up to an extent in curbing the role of black money into Indian politics.
- Corporates do not need to tell whom they contributed, therefore in order to gain favour in governmental policy, they mostly donated to the parties in power at the central and state levels. It allowed companies to make donations even after incurring losses or a raid. Several loss making companies donated for this reason in the hopes of turning a profit later on. Additionally, under the scheme, parties do not need to reveal which corporations donated and how much. It granted them total protection from public investigation, which has played a significant role in the defamation of electoral bonds as quid quo pro.
- Common Cause, an NGO, has filed a petition before the Supreme Court, which mentions, "For every ₹1,000-crore worth of electoral bonds, contracts worth at least 100 times that amount have been given to the companies that bought those electoral bonds."³⁵In favour of quid quo pro, contracts were awarded to companies without them being eligible thus compromising with the quality of infrastructure.
- The Indian taxation system charges a lump sum amount on profits of corporations and also there is corporate social responsibility in addition to taxes. So firms started using this mechanism of funding to evade tax. It was a win -win situation for both the firms as well as



³⁴[adrindia](http://adrindia.org)

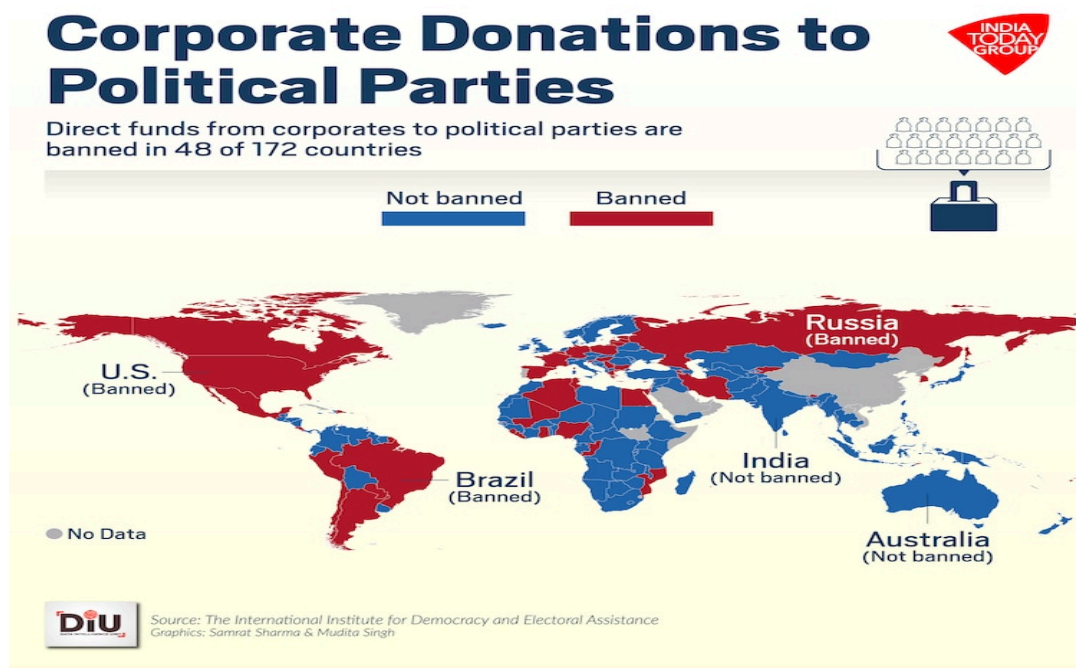
³⁵indiatoday.in

political parties.

- It preferred the right to privacy over right to information. The Honourable Supreme Court recently ruled unanimously in a Pil filed by Jaya Thakur and ADR, that it was unconstitutional and violated citizens' right to information.
- When the electoral bonds scheme was first launched back in 2018, the government never mentioned about the existence of secret unique alpha-numeric numbers on the bonds, until an investigation by Ex Quint journalist Poonam Agarwal³⁶, revealed it. In a press release dated 17 April 2018, the finance ministry accepted that “it included a random serial number invisible to the naked eye”.³⁷ This has created a havoc among the public that the party in rule can know who funds opposition but opposition does not know who funds the ruling party.

International practices

In the midst of arguments concerning whether the electoral bonds have made corruption easier, it is important to recognize that political fundraising is a challenging process everywhere in the globe. Corruption is also possible in political environments where money is involved. Of the 172 countries examined by the inter-governmental group, the International Institute for Democracy and Electoral Assistance, political funds from corporations can be directly passed over to political parties in 124 countries.³⁸



39

³⁶ thequint.com

³⁷ twitter.com

³⁸ indiatoday.in

³⁹ indiatoday.in

As of now, only two Southern Asian countries namely Iran and Bhutan have banned corporate donations to political parties which means most of the countries accept that democracy requires election and elections require money. Therefore different regulations have been evolved across the world to keep a check on election financing.

United Kingdom

The Representation of the People Act 1983(RPA) and the Political Parties Elections and Referendums Act (PPERA) 2000 deal with election regulations. It provides for specific provisions of **state funding and services** but at the same time there are restrictions on what this money can be used for. It allows private funding but there are restrictions on the sources (mainly allowing UK based individuals and organisations). The legislation ensures public disclosure of all information required to be reported by political parties. In Uk also, there is public disquiet at private funding but there is little evidence of public favouring increased public funding.

Brazil

It is the world's fourth largest democracy and around more than 70% of the population are registered voters. For such a large democracy, election expenses are huge. At present, private corporations constitute the largest funders of political parties. There is no doubt that the capture of state by economic groups results from the combination of expensive electoral campaigns and the need to have them funded by private companies. Their legislation prohibits receiving donations from foreign governments. Political parties are eligible for **free air time** for 45 days⁴⁰. The federal constitution expressly provides for **submission of accounts to Electoral Courts** to ensure transparency regarding origin and transparency of all financial resources used by parties.

United States Of America

Like India, America's electoral financing system is based on private fundraising but it emphasises on **public transparency**. Money received by political parties has to be disclosed on a regular basis. In addition to party funding, an individual candidate is allowed to accept up to USD 3,300⁴¹ from a person for any election. But this money should not be from foreign nationals, corporations. American system of funding is transparent but compromised on many aspects. Therefore, the American Supreme Court at times favoured public disclosure of election finances and people's freedom of speech.

⁴⁰ [read.oecd](#)

⁴¹ [timesofindia.indiatimes](#)

Australia

Before regulating any electoral spending, Australia focused on reducing the cost of elections. It introduced **compulsory voting**⁴² which eliminates the requirement for excessive spending on seeking voter support, thereby controlling the funding to the parties. By doing away with the culture of gift giving and vote buying one can reduce the cost of elections. This is a very effective way to reduce election expenses across the world.

Conclusion

Election funding process across the world is complex and corruptive. India being the largest democracy in the world has been quite a successful one in terms of vibrancy and regulations. The recent Supreme Court judgement is acceptable to all the parties of India but now the question is what should be the way possible after the abolishing of EBs.

It would have been better to cleanse the issues in electoral bonds rather than completely ending the scheme. In fact the choice has now to be consciously made between the existing system of substantial cash donations which involves total unclean money and is non-transparent and the new scheme which gives the option to the donors to donate through entirely a transparent method of cheque, online transaction or through electoral bonds. While all three methods involve clean money, the first two are totally transparent and the electoral bonds scheme is a substantial improvement in transparency over the present system of no-transparency.

The Government is willing to consider all suggestions to further strengthen the cleansing of political funding in India. It has to be borne in mind that impractical suggestions will not improve the cash denominated system. Hence significant research needs to be done in a comparative way to find a possible and sustainable solution for India's electoral financing.

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⁴² orfonline.org

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