

Electoral Bonds [UPSC Notes for GS II]

Electoral Bonds

Context: The present government continuing their war against both the problems (black money and corruption) has proposed a set of reforms related to political funding like issuing of Electoral Bonds.

The Electoral bonds are instruments/securities which will be used henceforth to donate funds to the political parties. These bonds will be on the lines of bearer bonds or promissory notes wherein the issuer (bank) will be the custodian and will pay the one who holds the bonds (political party). The features of electoral bonds and the process involved are:

- These bonds will be issued by notified banks.
- The donor may approach these banks and purchase the bonds.
- The donor shall be permitted to buy the bonds through cheque/digital payment. Hence the identity of the donors will be protected (if the donors are identified, they may get caught up in political rivalry-especially if the donor is a businessman).
- The donor will donate these bonds to the political party.
- The political party has to encash it into the account which is registered with the Election Commission of India.

Importance of the Electoral Bonds

- They ensure that the funds being collected by the political parties are accounted money or clean money.

Concerns with respect to Electoral Bonds:

Even though the Electoral Bond Scheme acts as a measure against the old under-the-table donations since bonds are through cheques and digital paper trails of transactions, there are many key provisions of the scheme that are causes of concern.

Anonymity: There is no obligation on the part of the donor (individual or corporate) or the political party to reveal from where the donations come from.

Transparency: It will also go against transparency, a fundamental principle in political financing. Companies will no longer have to declare the names of the political parties to which they have donated, so shareholders won't know where their money has gone.

- There are possibilities of making electoral bonds a convenient channel for black money. The following provisions are controversial in that sense:
 - Doing away with the 7.5% cap for corporate donations.
 - No need for companies to reveal their political contributions in their profit and loss statements.
 - The requirement that companies should be in existence for 3 years before making political contributions undermines the scheme's intent. This makes it easy for dying, troubled or shell companies to make an unlimited donation anonymously.
- Since the bonds are bought through the State Bank of India (SBI), the government is always in a position to know who the donor is. This asymmetry of information threatens to favour whichever political party is ruling at the time.
- The Election Commission of India had asked that the limit for reporting the donations (which is Rs 20000) should be brought down to Rs 2000, but instead the government has reduced the maximum contribution by cash to Rs 2000.
- It could become a convenient channel for business to **round-trip their cash parked in tax havens to political parties** for a favour or advantage granted in return for something.

Hence, there are a few issues related to the usage of electoral bonds. Then, what is the way out of this?

- As per T S Krishnamurthy (Former CEC), the government will not know how many times, the bond had been sold in the market before being encashed by the political party.
- Indrajit Gupta Committee suggested an Election Fund can be set up by the EC and donations to various political parties are collected by ECI (with compulsory PAN number).
- State funding of elections can also be an alternative.

