



Electoral Bonds

For Prelims: Electoral Bonds, Political Parties, Representation of the People Act 1951

For Mains: Effects of Electoral Bonds on the election process, Issues Arising Out of Design & Implementation of Policies

Why in News?

Recently, the [State Bank of India \(SBI\)](#) shared data reporting that **Donations to political parties through electoral bonds (EBs)** have crossed the Rs 10,000-crore mark.

- In the 21st sale of EBs conducted in July 2022, **parties received another Rs 389.5 crore from EB purchases.**
- The total amount collected by parties has gone up to **Rs 10,246 crore since 2018 when the EB scheme was introduced.**

What are Electoral Bonds?

- **About:**
 - **State Bank of India is authorised** to issue and encash these bonds.
 - Electoral bonds are **purchased anonymously by donors** and are **valid for 15 days from the date of issue.**
 - As debt instruments, these can be **bought by donors from a bank**, and the [political party](#) can then encash them.
 - These can be redeemed **only by an eligible party by depositing the same in its designated account** maintained with a bank.
 - The bonds are issued by SBI in denominations of **Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh and Rs 1 crore.**
 - The bonds are available for purchase by any citizen of India for a **period of ten days each** in the months of **January, April, July and October** as may be specified by the **Central Government.**
- **Eligibility:**
 - Only the political parties registered under Section 29A of the [Representation of the People Act, 1951](#) and have **secured not less than 1% of the votes** polled in the last general election to the [House of the People](#) or the **Legislative Assembly**, are eligible to receive electoral bonds.

Why are Electoral Bonds a Concern for India?

- **Contradicting its Basic Idea:**
 - The central criticism of the electoral bonds scheme is that **it does the exact opposite of what it was meant to do** i.e. to bring **transparency to election funding.**
 - For example, critics argue that the **anonymity of electoral bonds is only** for the broader public and opposition parties.

- **Possibility of Extortion:**
 - The fact that such bonds are **sold via a government-owned bank (SBI)** leaves the door open for the **government to know exactly who is funding its opponents.**
 - This, in turn, allows the possibility for the government of the day **to either extort money**, especially from the big companies, or victimise **them for not funding the ruling party** — either way providing an unfair advantage to the party in power.
- **A Blow to Democracy:**
 - Through an amendment to the [Finance Act 2017](#), the Union government has exempted political parties from disclosing donations received through electoral bonds.
 - This means the **voters will not know** which individual, company, or organization has funded which party, and to what extent.
 - However, in a [representative democracy](#), citizens cast their votes for the people who will represent them in Parliament.
- **Compromising Right to Know:**
 - [The Indian Supreme Court](#) has long held that the **“right to know”**, especially in the context of elections, is an integral part of the [right to freedom of expression \(Article 19\)](#) under the [Indian Constitution](#).
- **Against Free & Fair Elections:**
 - Electoral bonds **provide no details to the citizens.**
 - The said **anonymity does not apply to the government of the day**, which can always access the donor details by demanding the data from the State Bank of India (SBI).
 - This implies that the **government in power can leverage this information and disrupt free and fair elections.**
- **Crony Capitalism:**
 - The electoral bonds scheme **removes all pre-existing limits on political donations** and effectively allows **well-resourced corporations to fund elections** subsequently paving the way for crony capitalism.
 - **Crony Capitalism:** An economic system characterized by **close, mutually advantageous relationships between business leaders and government officials.**

Way Forward

- There is a need for **effective regulation of political financing** along with **bold reforms to break the vicious cycle of corruption** and **erosion of quality of democratic polity.**
- It is crucial to **plug the loopholes in the current laws** to make the entire governance machinery more **accountable and transparent.**
- Voters can also help bring in substantial changes by **demanding awareness campaigns.**
 - If voters **reject candidates and parties that overspend or bribe them**, democracy would move a step higher.

[Source: IE](#)