



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

Source: [TH](#)

Why in News?

A recent report by the **Association of Democratic Reforms (ADR)** an Indian **Non-governmental Organization (NGO)** established in 1999 situated in New Delhi sheds light on the significant role played by **Electoral Bonds** as the primary **source of donations for political parties in India**.

- Between **2016-17 and 2021-22**, the seven **national parties** and 24 **regional parties** received a **total donation of ₹9,188.35 crore** from Electoral Bonds.
 - The report analyzed donations received from **anonymous Electoral Bonds, direct corporate donations, contributions from MPs/MLAs, meetings, morchas, and collection by party units**.

What are the Key Highlights of the ADR Report?

- **Analysis of Donations and Funding Sources:**
 - The highest donations from Electoral Bonds, totaling **₹3,438.8237 crore**, were received **in 2019-20, the year of the general elections**.
 - The year **2021-22, which witnessed 11 Assembly elections**, saw donations worth **₹2,664.2725 crore through Electoral Bonds**.
 - Out of the total donations of ₹16,437.635 crore received by the 31 political parties analyzed, **55.90% came from Electoral Bonds, 28.07% from the corporate sector, and 16.03% from other sources**.
- **National Parties:**
 - National parties experienced a **significant surge in Electoral Bond donations, witnessing a 743% increase between FY 2017-18 and FY 2021-22**.
 - In contrast, **corporate donations to national parties increased by only 48%** during the same period.
- **Regional Parties and Electoral Bond Contributions:**
 - Regional parties also witnessed a substantial proportion of their donations coming from Electoral Bonds.
- **Power-Biased Donations of Electoral Bond:**
 - BJP, as the party in power, secures the **highest donation among national political parties**. More than **52% of the BJP's total donations were sourced from Electoral Bonds, amounting to ₹5,271.9751 crore**.
 - The Congress secured the second-highest Electoral Bond donations, with ₹952.2955 crore (61.54% of its total donations), followed by the Trinamool Congress with ₹767.8876 crore

(93.27%).

What are Electoral Bonds?

- **About:**
 - The electoral bonds system was introduced in 2017 by way of a Finance bill and it was implemented in 2018.
 - They serve as a means for individuals and entities to **make donations to registered political parties** while maintaining donor anonymity.
- **Features:**
 - **State Bank of India (SBI)** issues the bonds in denominations of **Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore.**
 - **Payable to the bearer on demand and interest-free.**
 - Purchased by **Indian citizens or entities established in India.**
 - Can be bought **individually or jointly with other individuals.**
 - **Valid for 15 calendar days from the date of issue.**
- **Authorized Issuer:**
 - **State Bank of India (SBI)** is the authorized issuer.
 - Electoral Bonds are issued through **designated SBI branches.**
- **Eligibility of Political Parties:**
 - 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.
- **Purchase and Encashment:**
 - **Electoral Bonds can be purchased digitally or through cheques.**
 - Encashment only through an authorized bank account of the political party.
- **Transparency and Accountability:**
 - Parties must disclose their **bank account with the [Election Commission of India \(ECI\).](#)**
 - Donations are made through banking channels, ensuring transparency.
 - Political parties are **obligated to explain the utilization of the funds received.**
- **Benefits:**
 - Enhanced **transparency in political party funding.**
 - **Accountability** in disclosing donation utilization.
 - **Discouragement of cash transactions.**
 - Preservation of **donor anonymity.**
- **Challenges:**
 - Electoral bonds are donations to political parties that hide the identity of the donors and recipients. They may compromise the **right to know**, which is part of the **right to freedom of expression under Article 19** of the [Constitution](#).
 - Anonymity may be compromised by government access to donor data. This implies that the **government in power can leverage this information and disrupt free and fair elections.**
 - Potential for unauthorized donations violating regulations.
 - Risk of crony capitalism and infusion of black money.
 - Crony Capitalism is an economic system characterized by close, mutually advantageous relationships between business leaders and government officials.
 - Loopholes regarding transparency for corporate entities and donation limits.
 - As per **Companies Act 2013**, a company can make a political contribution only if its **net average profit of three preceding financial years is at 7.5%**. The removal of this clause has **raised concerns of black money in political funding through shell companies.**

Way Forward

- Implement measures to **enhance transparency** in the Electoral Bond Scheme.
- Enforce **stricter regulations for political parties to disclose and** let the **ECI examine the donation** and make observation regarding both bonds and expenditure.
- Identify and **rectify loopholes in the Electoral Bonds** to prevent potential misuse, violation of

donation limits, and risks such as crony capitalism and black money infusion.

- Continuously monitor the Electoral Bond Scheme through judicial scrutiny, periodic review, and public engagement to address emerging concerns, adapt to changing landscapes, and ensure a more inclusive decision-making process

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