

Analysis of Income of Political Parties in Bihar

Importance of financial transparency

Political parties act as a link between the citizens and the government and therefore it is a given that the parties must be accountable to the public at large. Political parties are the major stakeholders in a democracy and they seek to undertake activities that are in the interest of the general public. As per the records available with the Election Commission of India, there are 6 national parties and 46 recognized state parties in India. In addition to this, there are 1139 unrecognized parties in India.

Political parties have multiple sources of funding and thus accountability and transparency becomes all the more important. It is essential to have comprehensive and transparent accounting methods and systems which would reveal the true financial position of the parties.

Central Information Commission's order number CIC/AT/A/2007/01029 & 1263-1270, according to which public authorities (Income Tax Departments) holding Income Tax returns of political parties, were directed to make these returns available to the appellant (ADR). Association for Democratic Reforms (ADR) had obtained copies of the IT Returns and Assessment Orders of various political parties through the filing of RTI applications.

Total Income of Major Parties of Bihar from FY 2004-05 to FY 2010-11

- INC, being one of the major parties has shown the highest income amongst the National Parties. Its total income for the 7 financial years is Rs 2,00,871.74 lakhs.
- BJP has shown the second highest income amongst the National Parties. Its total income for the 7 financial years is Rs 99,476.67 lakhs
- INC had shown a 125% increase in income between FY 2007-08 and FY 2008-09 but a dip of -34.32% between FY 2009-10 and 2010-11 while BJP had shown an increase of 77.75% between FY 2007-08 and FY 2008-09 but a dip of -34.88% between FY 2009-10 and FY 2010-11
- Of the Regional Parties, JDU, being the ruling party, showed the maximum total income with Rs 2,667.79 lakhs followed by RJD with Rs 2,117.89 lakhs

Party	Total Income (Rs. In Lakhs)							Total (Rs. In Lakhs)
	FY- 2004-2005	FY- 2005-2006	FY- 2006-2007	FY- 2007-2008	FY- 2008-2009	FY- 2009-2010	FY- 2010-2011	
JD (U)	50.93	133.84	54.51	21.84	931.47	1133.04	342.16	2,667.79
BJP	10,412	3,834	8,249	12,378	22,002	25,800.75	16,800.92	99,476.67
INC	22,207	12,493	16,936	22,081	49,688	46,757.87	30,708.87	2,00,871.74
RJD	367.60	255.41	119.08	215.20	405.01	444.69	310.90	2,117.89

Table: Total Income declared by Major Parties in Bihar in their (ITR) from FYs 2004-2005 to 2010-2011.

Top 3 sources of income of Major Parties of Bihar from

FY 2004-05 to FY 2010-11

- For INC, the maximum income is derived from Sale of Coupons (Rs1,55,377.18 lakhs)
- Both the National Parties have Donations/Contributions as one of their 3 main sources of income: BJP – Rs 82,000.50 lakhs and INC – Rs 27,250.48 lakhs
- The two regional parties have also listed contributions/ donations as one of the main sources of come: JD(U): Rs 2,600.59 lakhs and RJD: Rs 1,298.72 lakhs
- Interest collected is the also one of the highest sources of income for the parties: INC Rs 10,473.33 lakhs, BJP collecting Rs 7,527.83 lakhs followed by JD(U) collecting Rs 39.66 lakhs

FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		
Party	Top 3 Source of Income	Amount (Rs in Lakhs)
Janata Dal United	Receipt from contribution Coupon sales & Membership fees	2,600.59
	Interest from Bank	39.66
	Sale of Publications	26.91
Bharatiya Janata Party	Voluntary contributions	82,000.50
	Interest	7,527.83
	Aajwan Sahayog Nidhi	6,280.64
Indian National Congress	Sale of coupons	1,55,377.18
	Donations	27,250.48
	Interest	10,473.33
Rashtriya Janata Dal	Donations	1,298.72
	Income from Chunav Kosh	293.00
	Anudan Received	168.82

Table: Top 3 sources of income of Major Parties in Bihar in their (ITR) from FYs 2004-2005 to 2010-2011.

Top 3 items of expenditure of Major Parties in Bihar from

FY 2004-05 to FY 2010-11

- The maximum expenditure for INC has been towards Election expenses of Rs 92,506.40 lakhs followed by expenses towards Aid(Rs 17,116.47 lakhs)
- Publicity is one the top three items of expenditure for BJP spending approximately Rs 35,720.64 lakhs. Travelling (Rs 18,889.46 lakhs) and meeting (Rs 10,456.60 lakhs) are the other two main items of expenditure for BJP.
- For JD(U),contribution to candidates (Rs 678.06 lakhs) and helicopter hiring charges (Rs 581.35 lakhs) are the top two items of expenditure followed by advertisement (Rs 468.95 lakhs)
- RJD spent the maximum on Advertisement/ website expenses (Rs 548.61 lakhs) followed by election expenses (Rs 442.07 lakhs) and Travelling & Conveyance (Rs 432.32 lakhs)

FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		
Party	Top 3 Items of Expenditure	Amount (Rs in Lakhs)
Janata Dal United	Contribution to candidates/ Donation	678.06
	Helicopter Hiring Charges	581.35
	Advertisement	468.95
Bharatiya Janata Party	Advertising & Publicity	35,720.64
	Travelling	18,889.46
	Meeting	10,456.60
Indian National Congress	Election Expenses	92,506.40
	Aid to Other Expenses	17,116.47
	Travelling & Lodging	10,749.25
Rashtriya Janata Dal	Advertisement / Website Expenses	548.61
	Election Expenses	442.07
	Travelling & Conveyance	432.32

Table: Top 3 items of expenditure of Major Parties in Bihar in their (ITR) from FYs 2004-2005 to 2010-2011

Issues related to disclosure of financial statements by political parties

Sections 13A of the Income Tax Act clearly indicates that the object is to ensure that there is transparency in the process of financial functioning of the political parties. ADR, while gathering the income tax returns of political parties by filing of RTIs in the respective Income Tax department/circle, has come across various instances where many state/regional parties recognized by ECI have not filed their income tax returns.

Political parties have been exempted from paying tax, however, to claim such exemption, they have to maintain audited accounts and comply with provisions of the Income Tax Act. Some regional parties have defaulted on this account on a regular basis. They have been openly flouting the provisions of the Income Tax Act and are not filing their annual income returns, which is a violation of the mandatory provisions laid down in law. Many of these parties are major regional parties in their respective state/region and their financial position is not known.

Need for a strict mechanism for reporting financial information

To ensure that there is financial transparency and accountability on the part of the political parties, there must be a strict mechanism with respect to reporting of financial information. The procedures and reporting framework must be standardized to ensure that a true picture of the financial position of the political parties is revealed to the general public. Institute of Chartered Accounts of India (ICAI) has put forward a set of recommendations on the request of the Election Commission of India (ECI). These recommendations relate to a standardized and comprehensive reporting framework of financial statements of political parties. ADR feels that there is a dire need for these recommendations to be implemented at the earliest.

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