

Date: 7<sup>th</sup> October, 2019

# **ANALYSIS OF ASSETS & LIABILITIES OF REGIONAL PARTIES**

## **– FY 2016-17 and 2017-18**

A Report by  
Association for Democratic Reforms

Association for Democratic Reforms  
T-95, II floor, C.L. House, Gautam Nagar  
New Delhi – 110 049  
Email: [adr@adrindia.org](mailto:adr@adrindia.org); Phone: 011-4165 4200

## Table of Contents

<b>Analysis of Assets &amp; Liabilities of Regional Parties – FY 2016-17 &amp; 2017-18</b> .....	3
Introduction .....	3
<b>Detailed Report</b> .....	3
Declaration of assets by the Regional Parties – FY 2016-17 & 2017-18 .....	4
Details of various assets declared by the Regional Parties – FY 2016-17 & 2017-18 .....	5
Declaration of liabilities by the Regional Parties – FY 2016-17 & 2017-18.....	5
Details of various liabilities declared by the Regional Parties – FY 2016-17 & 2017-18.....	6
Capital/ Reserve Funds declared by the Regional Parties – FY 2016-17 & 2017-18.....	7
<b>Observations of ADR</b> .....	8
<b>Recommendations of ADR</b> .....	8
<b>Disclaimer</b> .....	9
<b>Contact Details</b> .....	9
<b>Annexure – 1</b> .....	10
<b>Annexure – 2</b> .....	11

## Analysis of Assets & Liabilities of Regional Parties – FY 2016-17 & 2017-18

### Introduction

There are a set of **accounting standards** set for commercial, industrial and business enterprises and these accounting standards are issued by the **Institute of Chartered Accountants of India (ICAI)**. Political parties fall under the non-commercial, non-industrial or non-business entity. Thus, the **standard accounting formats** of the other entities are **not applicable** to political parties.

The **Election Commission of India (ECI)** requested the **ICAI** for recommendations to bring **uniformity** in the accounting and auditing practices of political parties. Thus, the “*Guidance note on Accounting & Auditing of political parties*” or the “*Accounting guidelines*” were formulated in **February, 2012** by the ICAI on the request of the ECI, in order to **improve accounting** and auditing standards of political parties and **improve transparency** in their finances. These guidelines lay down **principles** of recognition, measurement and disclosure items of income, expenditure, assets and liabilities in the financial statements of political parties.

Association for Democratic Reforms (ADR), in its previous [report dated 9<sup>th</sup> March, 2018](#), analysed the **assets and liabilities** declared by the **22 Regional Parties** between **FY 2011-12 to 2015-16**. Recently, ADR also released a report on the Analysis of IT Returns: Assets and Liabilities of National Parties – FY 2016-17 & 2017-18 [dated 31<sup>st</sup> July, 2019](#). The total assets declared by the **7 National Parties** during **FY 2016-17** amounted to **Rs 3260.81 cr** which increased by **6%** to **Rs 3456.65 cr** during **FY 2017-18**.

This report analyses the **assets and liabilities** declared by the **39 Regional Parties** in **FY 2016-17** and **41 Regional Parties** in **FY 2017-18**.

## Detailed Report

### Frequently asked questions

- **What is a balance sheet?**

**Balance sheet** contains information on three main financial aspects of the entity, which is a political party in this case.

a) The “**Assets**” of the party are resources such as cash, their bank investments, movable and immovable properties, vehicles, etc.; b) The “**Capital**” or “**Reserve Fund**” portion of the balance sheet is the accumulated wealth of the political party which is essentially assets minus any liabilities of the party; c) The “**Liabilities**” of a political party includes borrowings from banks, unsecured loans, access to overdraft facilities, etc.

- **What is special about assets and liabilities/ income & expenditure of political parties?**

The accounting standards were created keeping in mind the nature of activities of the entities, be it commercial, industrial or business. While political parties do not perform any commercial activities, the purpose of the accounting standard i.e. maintain uniformity in presentation is kept intact by merely modifying the terminology such as “income and expenditure” in the place of “profit and loss”.

- **What are ECI’s transparency guidelines?**

**Article 324 of the Constitution** empowers the ECI with **plenary powers** which was established in the **Supreme Court judgement** (AIR 1978 SC 851) by stating that the Commission has the **powers to fill any legal vacuum** so as to promote free and fair elections. The [transparency guidelines](#), circulated in 2014, were lawful instructions issued after consultation with all recognised parties and hence are binding. These guidelines were formulated to improve financial transparency in political parties and strongly advised the parties to follow the ICAI guidelines formulated and circulated in February, 2012.

- **What information is captured in this report?**

The **assets, liabilities and capital** declared by the **43 Regional Parties** between **FY 2016-17 and 2017-18** has been taken up for analysis in this report. However, complete information of **39 parties** and **41 parties** is available on the website of ECI for FY 2016-17 and FY 2017-18, respectively. The **assets** include fixed assets, loans & advances, deposits made, investments, etc. while the **liabilities** include bank borrowings, sundry creditors, overdrafts, other liabilities, etc. The **capital/ reserve fund** is the amount set aside by the parties after subtracting liabilities from the total assets, every year, for party expenditure.

**Declaration of assets by the Regional Parties – FY 2016-17 & 2017-18**

- The **total assets** declared by the **39 Regional Parties** during **FY 2016-17** amounted to **Rs 1267.81 cr** while **41 Regional Parties** declared total assets of **Rs 1320.06 cr** in **FY 2017-18** (refer Annexure – 1).

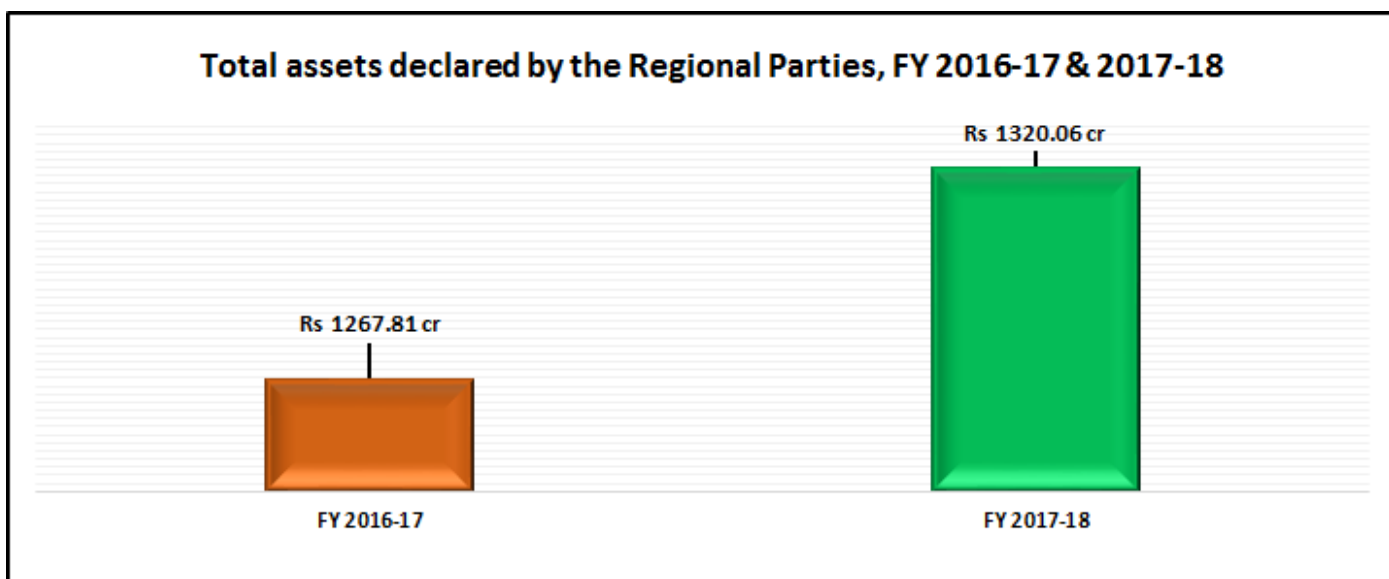


Chart: Total assets declared by the Regional Parties, FY 2016-17 & 2017-18

- The **average assets** declared by the **top 10 Regional Parties** during **FY 2016-17** amounted to **Rs 117.07 cr** which increased to **Rs 125.25 cr** during **FY 2017-18**.
- During **FY 2016-17**, the **highest assets** declared by **SP** totalled **Rs 571.12 cr** and increased by **2.13%** to **Rs 583.29 cr** during **FY 2017-18**, followed by **DMK** with total assets of **Rs 183.36 cr** in **FY 2016-17** and **Rs 191.64 cr** in **FY 2017-18**.

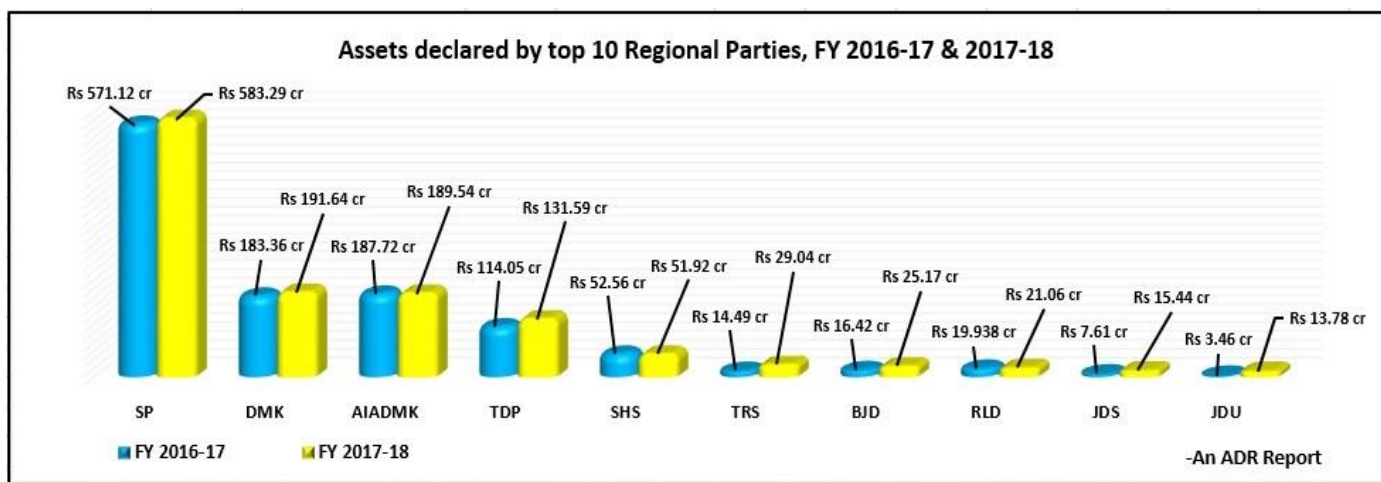


Chart: Assets declared by top 10 Regional Parties, FY 2016-17 and 2017-18

- During FY 2016-17 and 2017-18, the **total assets** of **JDU** (298.3%), **JDS** (102.9%) and **TRS** (100.4%) **increased by more than 100%**.
- In case of **BJD**, the **total assets increased by 53.30%** between FY 2016-17 and 2017-18, from **Rs 16.42 cr** to **Rs 25.17 cr**.
- **SHS** is the only party among the top 10 parties to show a **decrease** in their declared annual assets by **1.2%**, from **Rs 52.56 cr** to **Rs 51.92 cr** between FY 2016-17 and 2017-18.

#### Details of various assets declared by the Regional Parties – FY 2016-17 & 2017-18

- The assets declared by Regional Parties fall under **6 major heads**: fixed assets, loans & advances, FDR/ deposits, TDS, Investments and other assets.
- **During FY 2016-17 and 2017-18**, the Regional Parties declared maximum assets under **FDR/Fixed Deposit** which amounted to **Rs 809.52 cr** (63.85% of total assets) and **Rs 859.89 cr** (65.14% of total assets) respectively, declared by the parties.
- **SP** declared the highest assets under the head of **FDR/Fixed Deposit** worth **Rs 482.23 cr** during **FY 2017-18** and **Rs 468.05 cr** during **FY 2016-17**.

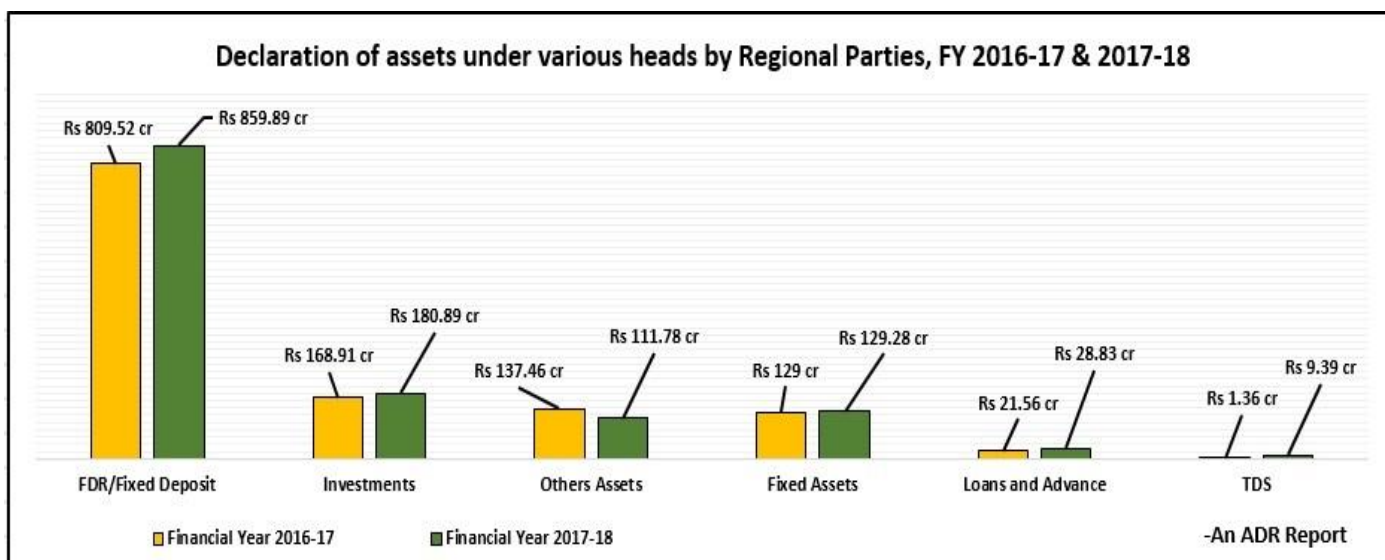


Chart: Total assets declared by Regional Parties under various heads, FY 2016-17 and 2017-18

- The second highest was assets declared under **Investments** and amounted to **Rs 168.91 cr** in FY 2016-17 and **Rs 180.89 cr** during FY 2017-18.
- **DMK** declared the highest assets under **Investments** worth **Rs 171.484 cr** in FY 2017-18 and **Rs 162.07 cr** in FY 2016-17.
- It is to be noted that the **only asset category** to show a **reduction** in value was **“Other Assets”**. During FY 2016-17, parties declared other assets of **Rs 137.46 cr** while for FY 2017-18, it stands at **Rs 111.78 cr**.

#### Declaration of liabilities by the Regional Parties – FY 2016-17 & 2017-18

- The **total liabilities** declared by the **39 Regional Parties** during **FY 2016-17** amounted to **Rs 40.33 cr** while **41 Regional Parties** declared total liabilities of **Rs 61.61 cr** in **FY 2017-18** (Refer Annexure – 2).

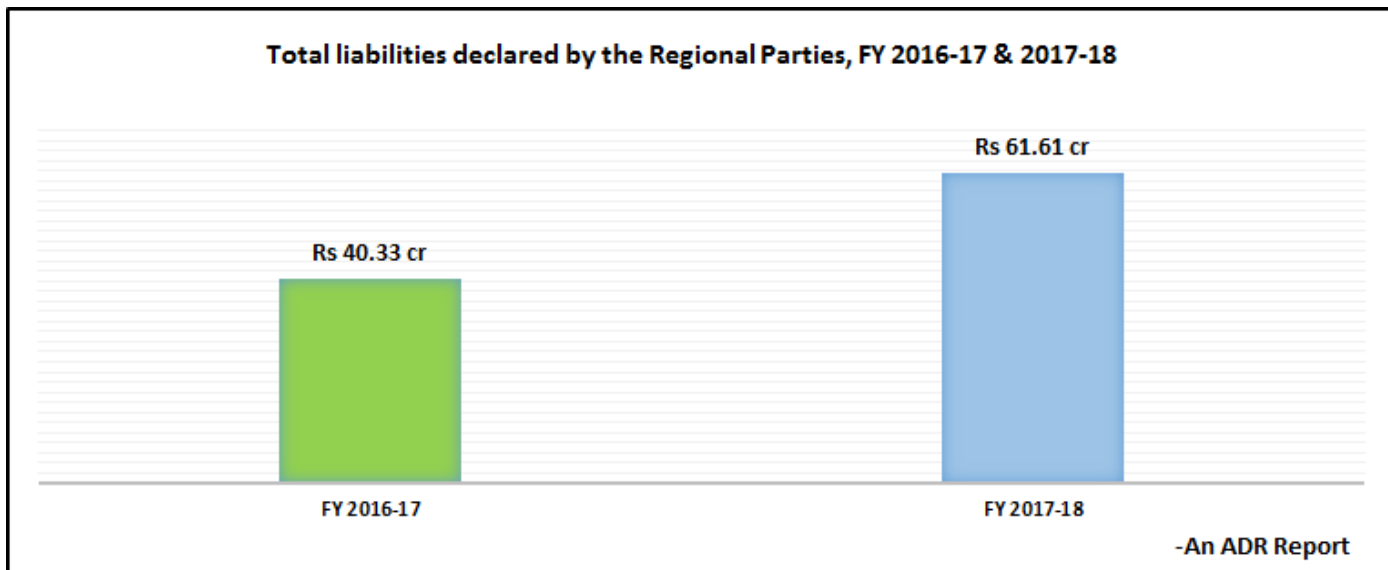


Chart: Total liabilities declared by the Regional Parties, FY 2016-17 and 2017-18

- The **average liabilities** declared by the **top 10 Regional Parties** during **FY 2017-18** amounted to **Rs 5.84 cr**, an **increase of 47.47%** from **FY 2016-17** (less IUML).
- During **FY 2017-18**, the **highest liabilities** were declared by **TDP** amounting to **Rs 22.71 cr**, an **increase of 190%** from the previous financial year, while in **FY 2016-17**, **DMK** declared the **highest liabilities** worth **Rs 8.05 cr**.
- Between **FY 2016-17** and **2017-18**, the **total annual liabilities** declared by **YSR-C** and **SAD** showed an **increase of 48.86%** and **34.77%** respectively.
- **AAP** is the only party among the top 10 parties to show a **decrease** in their declared annual liabilities by **21.31%**, from **Rs 1.22 cr** to **Rs 0.96 cr** between **FY 2016-17** and **2017-18**.

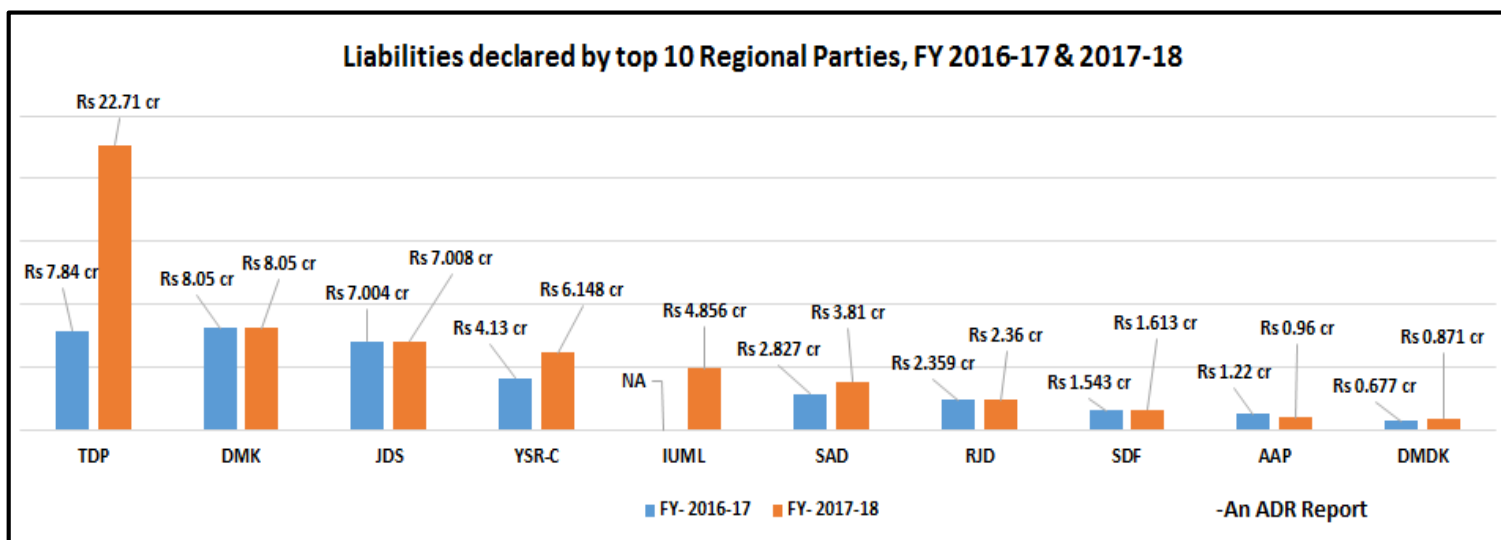


Chart: Top 10 Regional parties with highest liabilities, FY 2016-17 & 2017-18

### Details of various liabilities declared by the Regional Parties – FY 2016-17 & 2017-18

- The liabilities declared by Regional Parties fall under **2 major heads**: borrowings (from banks, overdraft facilities and sundry creditors) and other liabilities.
- **During FY 2016-17**, the Regional Parties declared **Rs 31.99 cr** as **“borrowings”** while declaring **Rs 8.34 cr** as **“other liabilities”** from various sources.

- During FY 2017-18, the highest liabilities were “**borrowings**” where the parties declared a total of **Rs 49.44 cr** while **Rs 12.17 cr** was declared under “**other liabilities**”.

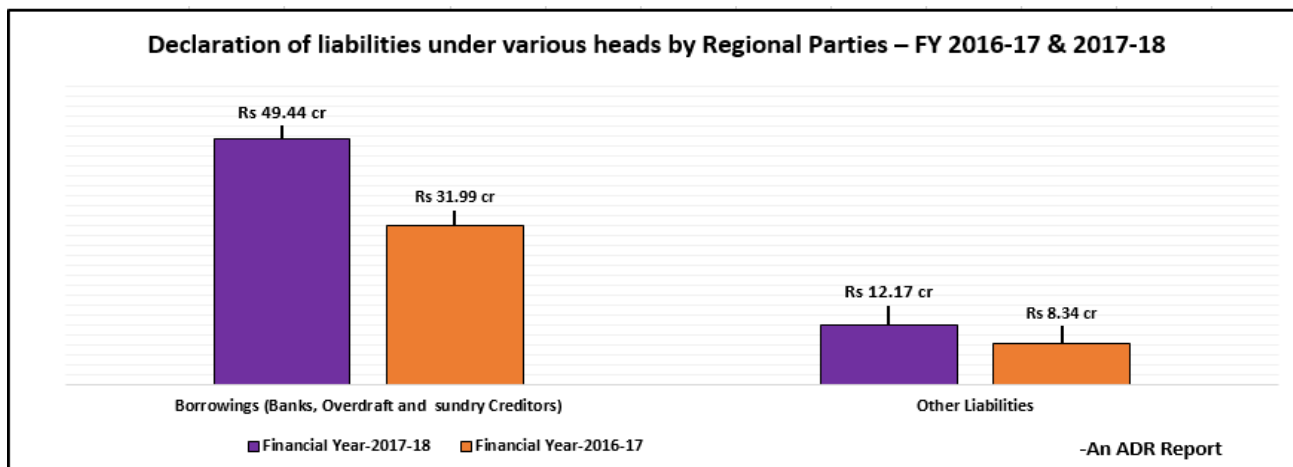


Chart: Total assets declared by Regional Parties under various heads, FY 2016-17 and 2017-18

- **DMK** declared **highest liabilities** during FY 2016-17, amounting to **Rs 7.877 cr** under “**borrowings**”.
- During FY 2017-18, **TDP** declared **highest liabilities** under “**borrowings**” amounting to **Rs 22.56 cr**.
- **LJP, HSPDP, ZNP, PPA, SKM, MPC, MNF and NPP** have declared **nil total liabilities** for the FY 2016-17 and 2017-18.

#### Capital/ Reserve Funds declared by the Regional Parties – FY 2016-17 & 2017-18

- The total **Capital/ Reserve fund** set aside by the Regional Parties during FY 2016-17 was **Rs 1227.59 cr**, and **Rs 1258.45 cr** for FY 2017-18, after adjusting for liabilities for the respective years, from the total assets of the parties.
- For FY 2017-18, **SP** declared the highest capital of **Rs 583.22 cr** followed by **Rs 189.41 cr** of **AIADMK** and **Rs 183.59 cr** of **DMK**.
- During FY 2016-17, **JDU** declared the lowest capital fund of **Rs 2.887 cr** followed by **MNS (Rs 8.218 cr)** among the top 10 regional parties.
- The reserve funds of **JDS** increased by **1281.97%** from **Rs 0.61 cr** in FY 2016-17 to **Rs 8.43 cr** in FY 2017-18, while that of **JDU** increased by **357.64%**. In case of **SAD**, the reserve funds **decreased by 339.62%** between FY 2016-17 and 2017-18.

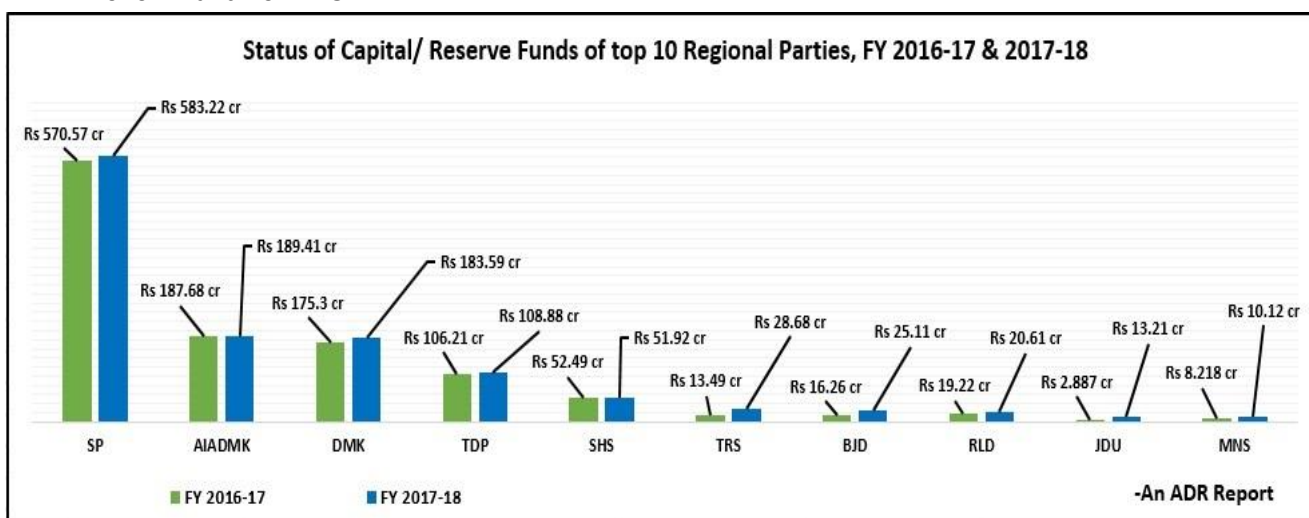


Chart: Status of Capital/reserve funds of Regional Parties, FY 2016-17 and 2017-18



## Observations of ADR

1. Regional Parties failed to adhere to the ICAI guidelines that direct parties to **declare details** of the financial institutions, banks or **agencies from whom loans were taken**. The guidelines specify that the parties should state the “*terms of repayment of term loans*” on the basis of due date such as a year, 1-5 years or payable after 5 years.
2. **Details of fixed assets** received as **donation** by the parties should be declared such as original cost of the asset, any additions or deductions, depreciation written off, cost of construction, etc. The same should also be declared of fixed assets purchased by the political parties - **not all Regional Parties declared this information**.
3. Details of loans given by the parties in cash/ kind should be specified and if it constitutes more than 10% of the total loans, nature and amount of such loans should be declared specifically by the parties - **not declared by all Regional Parties**.
4. **ICAI guidelines**, on auditing of political parties which were also **endorsed by the ECI** in order to improve transparency in the finances of political parties, **remain guidelines only** and have not been actively taken up by the political parties as a mandatory procedure to disclose details of their income. These guidelines were meant to **standardize the format** of financial statements of parties apart from **improving disclosure** of income, expenditure, assets and liabilities of the unique association, political parties. Details of disclosure included:
  - a. Classification and disclosure of details of donors (individuals, companies, institutions and others);
  - b. Revenue from **issuance of coupons** of different **denominations** to be disclosed separately;
  - c. Computation of income/ expenditure by **Accrual method** of accounting and not cash-flow method of accounting, where the former method provides more scope for transparency;
  - d. **Valuation of fixed assets**, annually, to have a clear idea of appreciation/ depreciation.

## Recommendations of ADR

1. **Changing of auditors** every three years:
  - a. The amended [Companies Act, 2013](#), which came into force on 29<sup>th</sup> Aug, 2013, stated that **no Company** shall have an auditor for **more than 5 years** but this rule was **not applied** for political parties. Once a firm/person is responsible for auditing of accounts of parties for long duration, there is a possibility that finances of parties could be made **as opaque as possible**.
  - b. Indian laws do not permit **foreign auditing firms** to operate directly in India but might have a **tie-up with domestic auditing firms**. This becomes a worrisome factor if the domestic firm is auditing Indian parties' accounts. By having no provision to change auditors frequently, **foreign companies** might have a **bird's eye view** of the parties' internal accounting.
  - c. The accounts of political parties should be “audited by a qualified and practicing Chartered Accountant **from a panel** of such accountants maintained for the purpose by the **Comptroller and Auditor General**.” This differs from the current practice where political parties **choose their auditors** entirely on their own.
2. As the income-expenditure statements of political parties are **assessed rarely** (even those of National Parties), authenticity of the accounts submitted **remains doubtful**. When the authenticity is not verified, the auditors who might be **under-reporting** the accounts, remain **out of purview of punishment**. With online submission of IT Returns, political parties do not submit details of income, expenditure and assets and liabilities as attachments. Thus, the IT department too does not have enough information on the finances of political parties. **Annual scrutiny of documents submitted by political parties is recommended**.



3. The **170<sup>th</sup> Law Commission report** recommended the introduction of **Section 78A** in the Representation of the People Act, 1951 and proposed penalties for political parties defaulting in the maintenance of accounts. This needs to be introduced and implemented.
4. **Section 276CC of the IT Act** penalizes individuals who fail to submit their IT returns. Similar **legal provisions** should be applicable to political parties too. Supreme Court judgement in Common Cause vs. Union of India & ors. had stated that when parties default in filing their returns, prima facie they violate provision of the IT Act. For **FY 2016-17**, Audit reports of **5 regional parties** namely **AJSU, AIFB, JKNPP, RSP, GFP & UDP** are **unavailable** and are incomplete for 3 parties (**IUML, KCM & AIMIM**) on the website of the ECI. While **29** parties have **delayed their submission** by several days, ranging from **13 days to 299 days**.
5. For **FY 2017-18**, Audit reports of **5 regional parties** namely **JKNC, PDA, RSP, UDP & MGP** are unavailable and are incomplete for 2 parties (**KCM & AIMIM**) on the website of the ECI, till the date of preparation of this report. While **23** parties have **delayed their submission** by several days, ranging from **1 day to 279 days**.

### Disclaimer

Source for the data used in the report are the Audited accounts submitted by the Regional Political Parties to the Income Tax Department and the Election Commission of India. These can be accessed from [myneta.info/party](http://myneta.info/party) and <https://eci.gov.in/candidate-political-parties/annual-audit-reports/annual-audit-reports/>

For other research reports on political party funding, kindly visit <http://adrindia.org/research-and-report/political-party-watch>

ADR does not add or subtract any information, unless the EC changes the data. In particular, no unverified information from any other source is used. While all effort has been made to ensure that the information is in keeping with what is mentioned in the statements submitted by the political parties, in case of discrepancy between information in this report and that given in their statements, the information reported by the political parties should be treated as correct. Association for Democratic Reforms, National Election Watch and their volunteers are not responsible or liable for any damage arising directly or indirectly from the publication of this report.

### Contact Details

<p><b>Media and Journalist</b> <b>Helpline:</b> +91 80103 94248, Email: <a href="mailto:adr@adrindia.org">adr@adrindia.org</a></p>	<p><b>Maj. Gen Anil Verma (Retd.)</b> Head – ADR/NEW +91 11 4165 4200 +91 88264 79910 <a href="mailto:anilverma@adrindia.org">anilverma@adrindia.org</a></p>	<p><b>Prof Jagdeep Chhokar</b> IIM Ahmedabad (Retd.) Founder Member- ADR/NEW +91 99996 20944 <a href="mailto:jchhokar@gmail.com">jchhokar@gmail.com</a></p>	<p><b>Prof Trilochan Sastry</b> IIM Bangalore Founder Member- ADR/NEW +91 94483 53285 <a href="mailto:tsastry@gmail.com">tsastry@gmail.com</a></p>
--	--	---	--

## Annexure – 1

Assets declared by Regional Parties, FY 2016-17 and 2017-18 (Rs in cr)			
Regional Political Party	FY 2016-17	FY 2017-18	% change in assets
SP	571.12	583.29	2.1%
DMK	183.36	191.64	4.5%
AIADMK	187.72	189.54	1.0%
TDP	114.05	131.59	15.4%
SHS	52.56	51.92	-1.2%
TRS	14.49	29.04	100.4%
BJD	16.42	25.17	53.3%
RLD	19.938	21.06	5.6%
JDS	7.61	15.44	102.9%
JDU	3.46	13.78	298.3%
SDF	11.49	11.68	1.7%
MNS	8.23	10.13	23.1%
AAP	6.15	6.068	-1.3%
RJD	5.579	5.81	4.1%
INLD	5.978	5.628	-5.9%
SAD	3.14	3.06	-2.5%
LJP	4.43	2.89	-34.8%
PMK	2.63	2.59	-1.5%
NPF	2.277	2.113	-7.2%
JMM	2.33	1.98	-15.0%
BPF	1.557	1.379	-11.4%
JKPDP	0.77	0.88	14.3%
DMDK	0.677	0.87	28.5%
JVM(P)	0.48	0.769	60.1%
YSR-C	0.187	0.608	225.1%
AGP	0.537	0.54	0.6%
AIUDF	0.203	0.228	12.3%
RLSP	0.137	0.124	-9.5%
NPP	0.059	0.08	35.6%
AINRC	0.025	0.026	3.6%
GFP	0.019	0.024	26.3%
ZNP	0.016	0.016	0.0%
HSPDP	0.016	0.015	-6.3%
PPA	0.013	0.014	7.7%
MNF	0.02	0.011	-46.0%
SKM	0.007	0.0077	10.0%
MPC	0.004	0.0029	-27.5%
AJSU	NA	0.6500	-
AIFB	NA	4.224	-
IUML	NA	5.16	-
JKNPP	NA	0.01	-
MGP	0.788	NA	-
JKNC	39.33	NA	-
<b>Total</b>	<b>Rs 1267.81 cr</b>	<b>Rs 1320.06 cr</b>	<b>4.12%</b>

## Annexure – 2

Liabilities declared by Regional Parties, FY 2016-17 & 2017-18 (Rs in cr)		
Regional Party	FY- 2016-17	FY- 2017-18
TDP	7.84	22.71
DMK	8.05	8.05
JDS	7.004	7.008
YSR-C	4.13	6.148
IUML	NA	4.856
SAD	2.827	3.81
RJD	2.359	2.36
SDF	1.543	1.613
AAP	1.22	0.96
DMDK	0.677	0.871
AJSU	NA	0.648
JDU	0.577	0.568
JKPDP	0.509	0.565
RLD	0.718	0.45
TRS	1	0.36
AIADMK	0.039	0.128
RLSP	0.137	0.124
INLD	0.128	0.095
SP	0.55	0.07
BJD	0.16	0.06
JVMP	0.038	0.042
PMK	0.03	0.04
AIUDF	0.015	0.015
BPF	0	0.014
JMM	0.57	0.013
AINRC	0.013	0.012
MNS	0.012	0.01
AGP	0.005	0.01
NPF	0.002	0.002
SHS	0.07	0.001
LJP	0	0
GFP	0.097	0
ZNP	0	0
HSPDP	0	0
PPA	0	0
MNF	0	0
SKM	0	0
MPC	0	0
AIFB	NA	0
JKNPP	NA	0
NPP	0	0
MGP	0.015	NA
JKNC	0	NA
<b>Total</b>	<b>Rs 40.33 cr</b>	<b>Rs 61.61 cr</b>