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ANALYSIS OF ASSETS & LIABILITIES OF REGIONAL PARTIES, FY 2020-21 and 2021-22

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; Phone: 011-4165 4200

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Analysis of Assets & Liabilities of Regional Parties – FY 2020-21 & 2021-22

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), previously analysed the Assets and Liabilities reports of the Political Parties for the following years:

- Between **FY 2011-12 to 2015-16**, we analysed assets and liabilities declared by the **22 Regional Parties** in our [report dated 9th March, 2018](#),
- In our report on the Analysis of IT Returns: Assets and Liabilities of National Parties – FY 2016-17 & 2017-18 [dated 31st July, 2019](#), we analysed the total assets declared by the **7 National Parties** during **FY 2016-17** amounting to **Rs 3260.81 cr**, which increased by **6%** to **Rs 3456.65 cr** during **FY 2017-18**.
- We released a report on the analysis of the **assets and liabilities** declared by the **39 Regional Parties** in **FY 2016-17** and **41 Regional Parties** in **FY 2017-18**.
- ADR in its report dated [28th January 2022](#), analysed the assets and liabilities declared by the **7 National Parties** and **44 Regional Parties** in **FY 2019-20**
- ADR in its previous report dated [4th September 2023](#), analysed the assets and liabilities of National Parties – **FY 2020-21 & 2021-22**. The total assets declared by the **8 National Parties** during **FY 2020-21** amounted to **Rs 7297.618 cr** which increased by **20.99%** to **Rs 8829.158 cr** during **FY 2021-22**.

This report analyses the assets and liabilities declared by the **44 Regional Parties** in **FY 2020-21** and **37 Regional Parties** in **FY 2021-22**.

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.

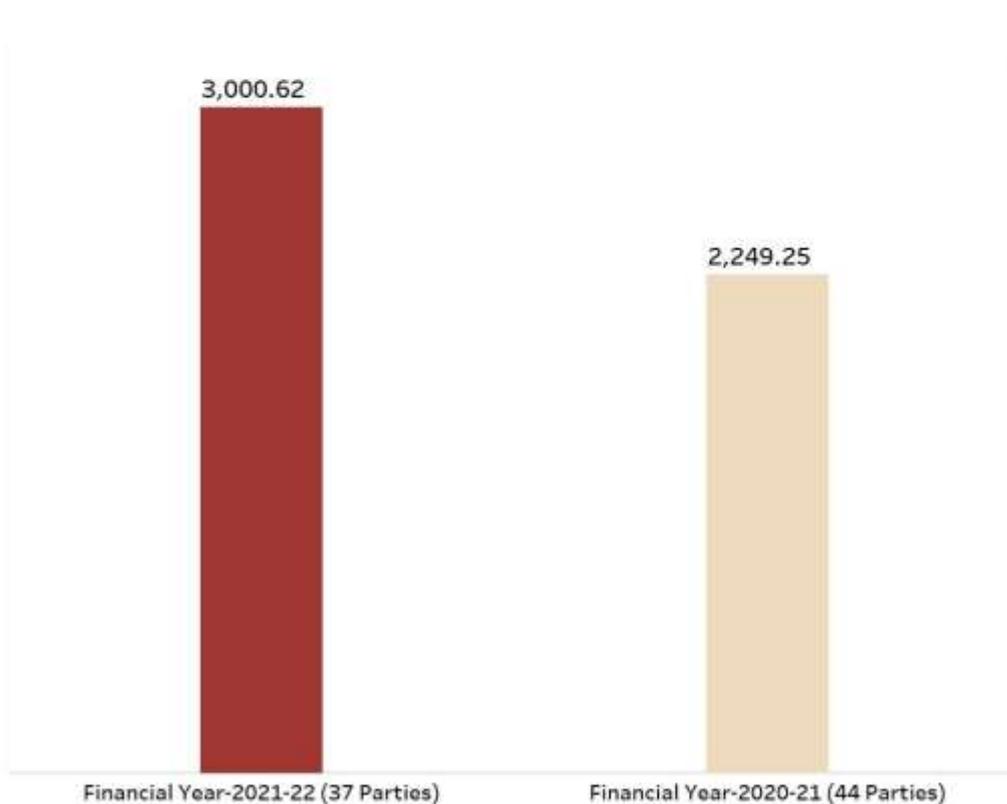
- **What information is captured in this report?**

The **assets, liabilities and capital** declared by the **45 Regional Parties** between **FY 2020-21 and 2021-22** were taken up for analysis in this report. However, complete information of **44 parties** and **37 parties** is available on the website of ECI for FY 2020-21 and FY 2021-22, 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.

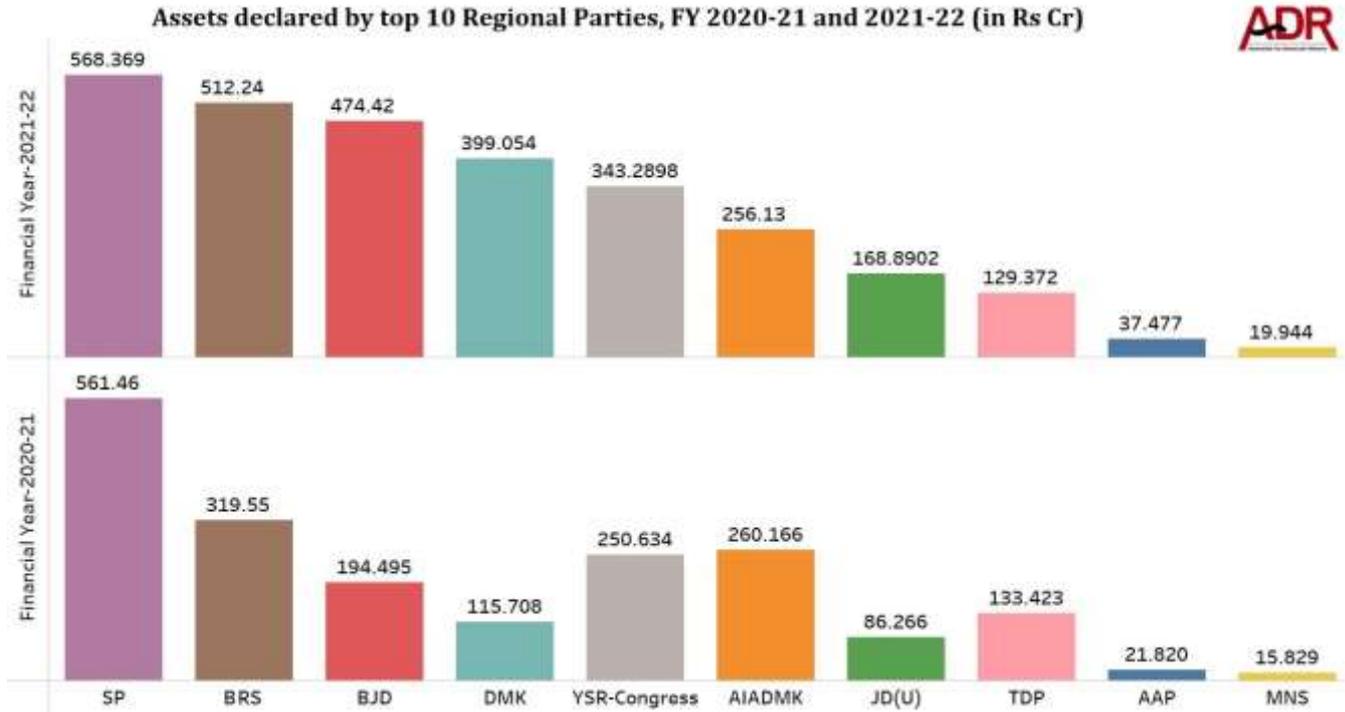
Declaration of assets by the Regional Parties – FY 2020-21 & 2021-22

- The **total assets** declared by the **44 Regional Parties** during **FY 2020-21** amounted to **Rs 2249.25 cr** while **37 Regional Parties** declared total assets of **Rs 3000.62 cr** in **FY 2021-22** (refer Annexure – 1).

Total assets declared by the Regional Parties, FY 2020-21 & 2021-22 (in Rs Cr)



- The total **assets** declared by the **top 10 Regional Parties** during **FY 2020-21** amounted to **Rs 1959.351 cr** which increased to **Rs 2909.186 cr (by 48.48%)** during **FY 2021-22**.
- During **FY 2020-21**, the **highest assets** declared by **SP** totalled **Rs 561.46 cr** and increased by **1.23%** to **Rs 568.369 cr** during **FY 2021-22**, followed by **BRS** with total assets of **Rs 319.55 cr** in **FY 2020-21** and **Rs 512.24 cr** in **FY 2021-22**.



- During FY 2020-21 and 2021-22, the **total assets** of **DMK** (244.88%), **BJD** (143.92%) and **JD(U)** (95.78%) **increased by more than 95%**.
- In case of **AAP**, the **total assets increased by 71.76%** between FY 2020-21 and 2021-22, from **Rs 21.82 cr to Rs 37.477 cr**.
- **AIADMK** and **TDP** are the only parties among the top 10 parties to show a decrease in their declared annual assets by **1.55%** and **3.04 %** respectively. **AIADMK** assets decrease from **Rs 260.166 cr to Rs 256.13 cr** and **TDP** assets decrease from **Rs 133.423 cr to Rs 129.372 cr** between FY 2020-21 and 2021-22.

Details of various assets declared by the Regional Parties – FY 2020-21 & 2021-22

- The assets declared by Regional Parties fall under **6 major heads**: fixed assets, loans & advances, FDR/ deposits, TDS, Investments and other assets.
- **During FY 2020-21 and 2021-22**, the Regional Parties declared maximum assets under **FDR/Fixed Deposit** which amounted to **Rs 1716.526 cr** (76.32% of total assets) and **Rs 2220.67 cr** (74.01% of total assets) respectively, declared by the parties.
- **SP** declared the highest assets under the head of **FDR/Fixed Deposit** worth **Rs 426.297 cr** during **FY 2020-21** and **Rs 388.175 cr** during **FY 2021-22**.

Declaration of assets under various heads by Regional Parties, FY 2020-21 & FY 2021-22 (in Rs Cr)

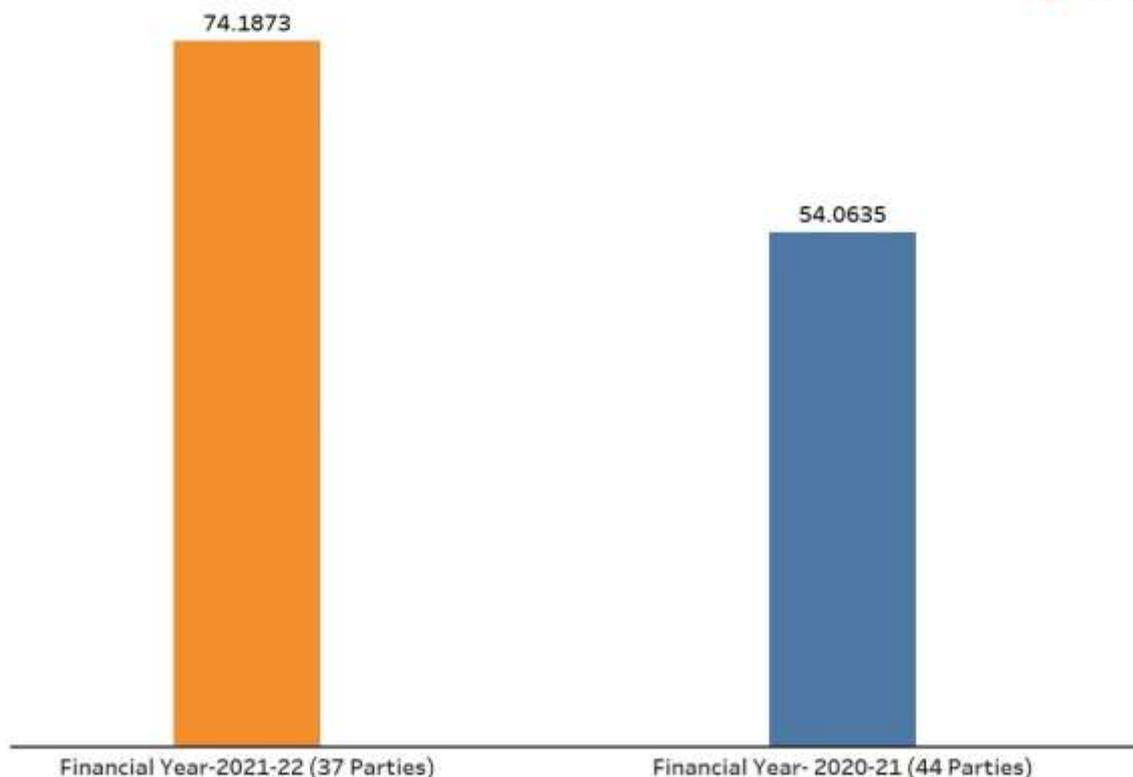


- The second highest was assets declared under **Fixed Assets** and amounted to **Rs 308.244 cr** in FY 2020-21 and **Rs 328.846 cr** during FY 2021-22.
- **RLD** declared the highest assets under **Investments** worth **Rs 8.711 cr** in FY 2020-21 and **Rs 6.881 cr** in FY 2021-22.

Declaration of liabilities by the Regional Parties – FY 2020-21 & 2021-22

- The **total liabilities** declared by the **44 Regional Parties** during **FY 2020-21** amounted to **Rs 54.0635 cr** while **37 Regional Parties** declared total liabilities of **Rs 74.1873 cr** in **FY 2021-22** (Refer Annexure – 2).

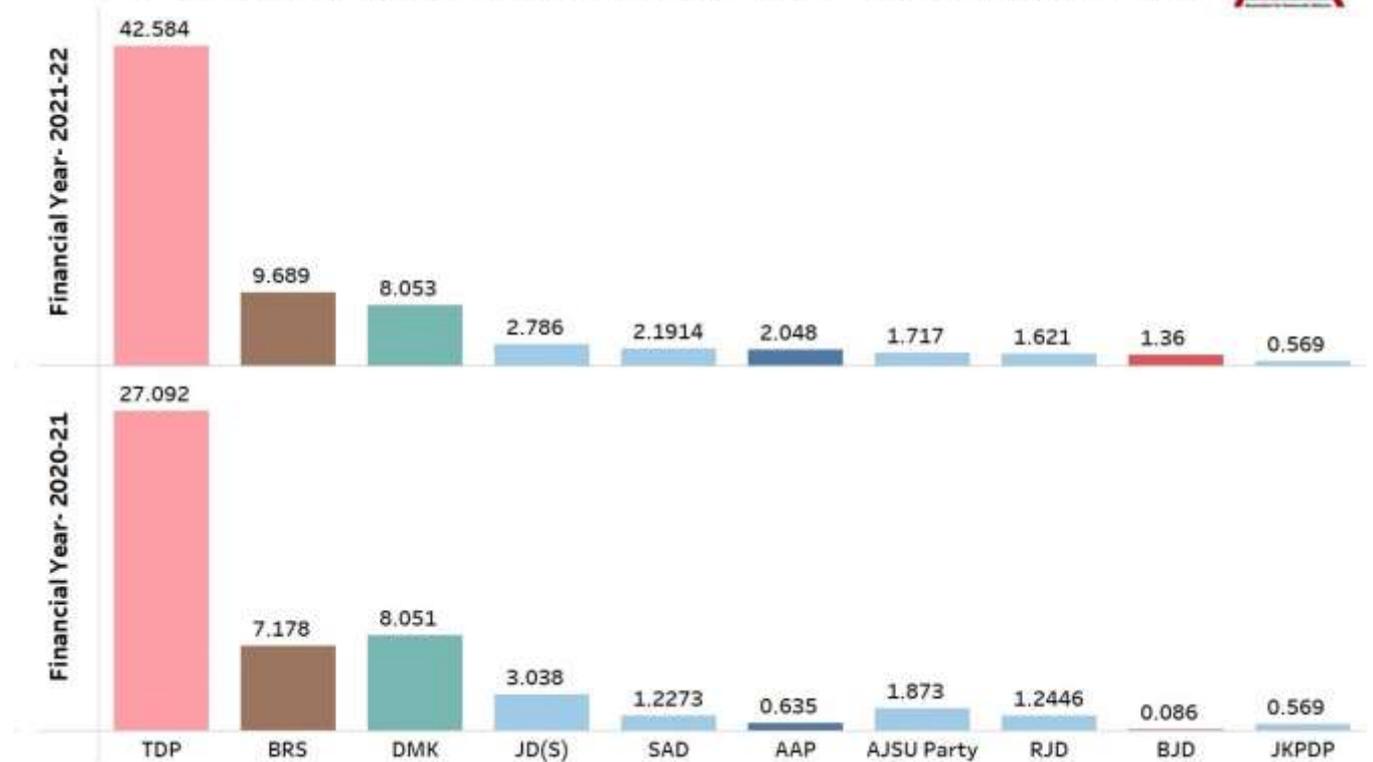
Total of liabilities by the Regional Parties – FY 2020-21 & 2021-22 (in Rs Cr)



- The **liabilities** declared by the **top 10 Regional Parties** during **FY 2021-22** amounted to **Rs 72.618 cr**, an increase of **42.41%** from **FY 2020-21**.

- During FY 2021-22, the **highest liabilities** were declared by TDP worth Rs 42.584 cr, an increase of 57.18% from FY 2020-21, wherein TDP declared the **highest liabilities** worth Rs 27.092 cr.
- Between FY 2020-21 and 2021-22, the **total annual liabilities** declared by BJD and AAP showed an increase of 1481.40% and 222.50%, respectively.
- Between FY 2020-21 and 2021-22, the **total annual liabilities** declared by JD(S) and AJSU Party showed a decrease of 8.29% and 8.33% respectively.

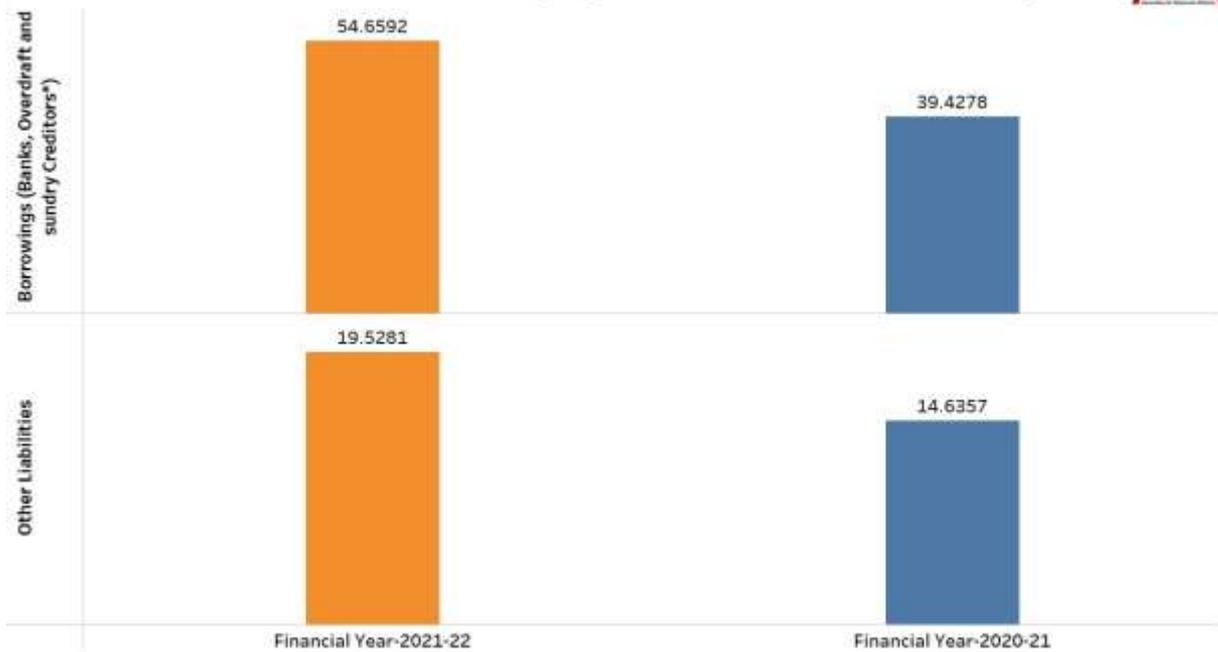
Liabilities declared by top 10 Regional Parties, FY 2020-21 and 2021-22 (in Rs Cr)



Details of various liabilities declared by the Regional Parties – FY 2020-21 & 2021-22

- The liabilities declared by Regional Parties fall under **2 major heads**: borrowings (from banks, overdraft facilities and sundry creditors) and other liabilities.
- During FY 2020-21, the Regional Parties declared Rs 39.4278 cr as “**borrowings**” while declared Rs 14.6357 cr as “**other liabilities**” from various sources.
- During FY 2021-22, the highest liabilities were “**borrowings**” where the parties declared a total of Rs 54.6592 cr while Rs 19.5281 cr was declared under “**other liabilities**”.
- TDP declared **highest liabilities** during FY 2020-21, amounting to Rs 22.665 cr under “**borrowings**”.
- During FY 2021-22, TDP declared **highest liabilities** under “**borrowings**” amounting to Rs 39.469 cr.
- AIFB, JCC(J) and PDA declared **nil total liabilities** for the FY 2020-21 and 2021-22.

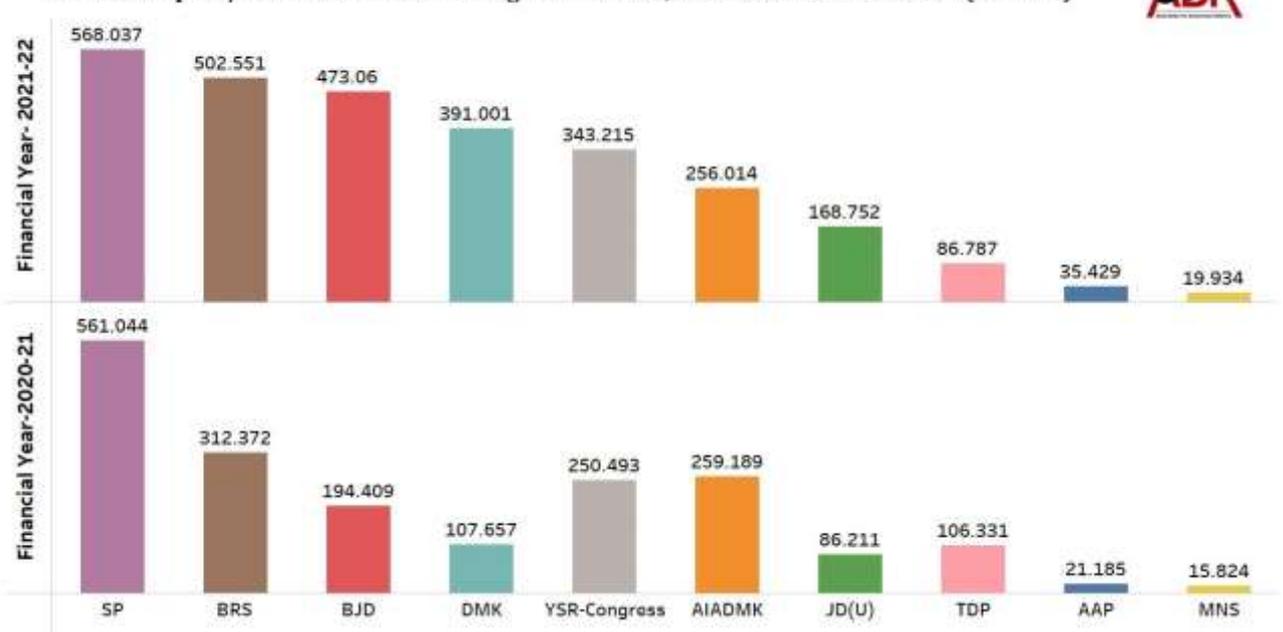
Declaration of liabilities under various heads by Regional Parties – FY 2020-21 & 2021-22 (in Rs Cr)



Capital/ Reserve Funds declared by the Regional Parties – FY 2020-21 & 2021-22

- The total **Capital/ Reserve fund** set aside by the Regional Parties during **FY 2020-21** was **Rs 2195.191 cr**, and **Rs 2926.434 cr** for **FY 2021-22**, after adjusting for liabilities for the respective years, from the total assets of the parties.
- For **FY 2021-22**, **SP** declared the highest capital of **Rs 568.037 cr** followed by **Rs 502.551 cr** of **BRS** and **Rs 473.06 cr** of **BJD**.
- During **FY 2020-21**, **MNS** declared the lowest capital fund of **Rs 15.824 cr** followed by **AAP (Rs 21.185 cr)** among the top 10 regional parties.
- The reserve funds of **DMK increased by 263.19%** from **Rs 107.657 cr** in **FY 2020-21** to **Rs 391.001 cr** in **FY 2021-22**, while that of **BJD increased by 143.33 %**. In case of **TDP**, the reserve funds **decreased by 18.38%** between **FY 2020-21** and **2021-22**.

Status of Capital/Reserve Funds of 10 Regional Parties, FY 2020-21 and 2021-22 (in Rs Cr)



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 the due date such as a year, 1-5 years or payable after 5 years.
2. **Details of fixed assets** received as **donations** by the parties should be declared such as the 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, the 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.
5. For **FY 2020-21**, Audit reports of **9 regional parties** namely **IUML, JKNC, JKNPP, UPPL, LJSP, MNF, RLSP, RSP and UDP** are **unavailable** and AIMIM party statement is incomplete on the website of the ECI. While **38** parties have **delayed their submission** by several days, ranging from **1 day to 590 days**.
6. For **FY 2021-22**, audit reports of **17 regional parties** namely **AIMIM, BPF, HSPDP, IUML, IPFT, JKNC, JKNPP, LJSP, MNF, MPC, RLSP, RLTP, RSP, SHS, SKM, UDP and ZNP** are unavailable on the website of the ECI, at the time of preparation of this report. **17** parties have **delayed their submission** by several days, ranging from **2 days to 346 days**.

Recommendations of ADR

1. **Changing of auditors every three years:**
 - a. The amended **Companies Act, 2013**, which came into force on 29th 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 **170th 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.

Disclaimer

Source for the data used in the report are the Audited accounts submitted by the political parties to the Income Tax Department and the Election Commission of India. These can be accessed from myneta.info/party and <https://eci.gov.in/candidate-political-parties/annual-audit-reports/annual-audit-reports/>. 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. The data can be accessed from the websites of the ECI. 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 parties should be treated as correct. Association for Democratic Reforms (ADR), National Election Watch (NEW) and their volunteers are not responsible or liable for any direct, indirect special, or consequential damages, claims, demands, losses of any kind whatsoever, made, claimed, incurred or suffered by any party arising under or relating to the usage of data provided by ADR through this report.

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Contact Details

<p>Media and Journalist Helpline +91 80103 94248 Email: adr@adrindia.org</p>	<p>Maj. Gen Anil Verma (Retd.) Head National Election Watch, Association for Democratic Reforms +91-87997-18472 anilverma@adrindia.org</p>	<p>Prof Jagdeep Chhokar IIM Ahmedabad (Retd.) Founder Member National Election Watch, Association for Democratic Reforms jchhokar@gmail.com</p>	<p>Prof Trilochan Sastry IIM Bangalore Founder Member, National Election Watch, Association for Democratic Reforms +91 94483 53285 tsastry@gmail.com</p>
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Annexure – 1

Assets declared by Regional Parties, FY 2020-21 and 2021-22 (in Rs cr)			
Regional Political Party	Financial Year- 2021-22	Financial Year- 2020-21	% change in assets
SP	568.369	561.46	Rs 6.909 cr, (1.23%)
BRS	512.24	319.55	Rs 192.69 cr, (60.30%)
BJD	474.420	194.50	Rs 279.925 cr, (143.92%)
DMK	399.054	115.708	Rs 283.346 cr, (244.88%)
YSR-Congress	343.2898	250.634	Rs 92.6558 cr, (36.97%)
AIADMK	256.130	260.166	Rs -4.036 cr, (-1.55%)
JD(U)	168.8902	86.266	Rs 82.6242 cr, (95.78%)
TDP	129.372	133.423	Rs -4.051 cr, (-3.04%)
AAP	37.477	21.82	Rs 15.657 cr, (71.76%)
MNS	19.944	15.829	Rs 4.115 cr, (26.00%)
RLD	16.2901	19.8417	Rs -3.5516 cr, (-17.90%)
JD(S)	13.273	14.1826	Rs -0.9096 cr, (-6.41%)
JJP	10.814	6.6587	Rs 4.1549 cr, (62.40%)
JMM	8.229	7.298	Rs 0.9308 cr, (12.75%)
NDPP	7.386	7.341	Rs 0.045 cr, (0.61%)
RJD	5.930	5.697	Rs 0.233 cr, (4.09%)
SDF	5.916	6.602	Rs -0.686 cr, (-10.39%)
AIFB	4.363	4.3399	Rs 0.0231 cr, (0.53%)
SAD	3.589	4.17	Rs 0.581 cr, (-13.93%)
CPI(ML)(L)	3.050	2.806	Rs 0.244 cr, (8.70%)
PMK	2.903	3.70	Rs -0.797 cr, (-21.54%)
GFP	2.545	2.0342	Rs 0.5108 cr, (25.11%)
INLD	1.773	2.014	Rs -0.2413 cr, (-11.98%)
NPF	1.669	1.766	Rs -0.097 cr, (-5.49%)
AJSU Party	0.877	0.86	Rs 0.017 cr, (1.98%)
DMDK	0.8620	4.24	Rs -3.378 cr, (-79.67%)
MGP	0.369	0.3737	Rs -0.0047 cr, (-1.26%)
KC-M	0.3464	0.342	Rs 0.0044 cr, (1.29%)
JKPDP	0.277	0.312	Rs -0.035 cr, (-11.22%)
AIUDF	0.117	1.15	Rs -1.033 cr, (-89.83%)
JCC(J)	0.0939	0.095	Rs -0.0011 cr, (-1.16%)
AGP	0.0763	0.144	Rs -0.0677 cr, (-47.01%)
AINRC	0.0382	0.03	Rs 0.0082 cr, (27.33%)
PPA	0.0228	0.0194	Rs 0.0034 cr, (17.53%)
PDA	0.0066	0.007	Rs -0.0004 cr, (-5.71%)
PDF	0.0006	0.0031	Rs -0.0025 cr, (-80.65%)
UPPL	0.618	NA	-
SHS	NA	191.82	-
BPF	NA	1.605	-
SKM	NA	0.289	-
HSPDP	NA	0.0509	-
RLTP	NA	0.048	-
ZNP	NA	0.0436	-
IPFT	NA	0.0146	-
MPC	NA	0.0015	-
Total	Rs 3000.62 cr	Rs 2249.25 cr	-

Annexure – 2

Liabilities declared by Regional Parties, FY 2020-21 & 2021-22 (in Rs cr)		
Regional Political Party	Financial Year-2021-22	Financial Year-2020-21
TDP	42.584	27.092
BRS	9.689	7.178
DMK	8.053	8.051
JD(S)	2.786	3.038
SAD	2.1914	1.2273
AAP	2.0478	0.635
AJSU Party	1.717	1.873
RJD	1.621	1.2446
BJD	1.36	0.086
JKPDP	0.569	0.569
SP	0.3317	0.416
PMK	0.289	0.289
INLD	0.1674	0.1624
JD(U)	0.139	0.055
RLD	0.1383	0.078
AIADMK	0.116	0.977
YSR-Congress	0.0753	0.141
JJP	0.0625	0.0241
DMDK	0.062	0.1425
CPI(ML)(L)	0.05	0.017
GFP	0.031	0.0285
SDF	0.022	0.0354
AINRC	0.0182	0.012
PDF	0.0159	0.0219
AIUDF	0.015	0.036
AGP	0.0115	0.0851
MNS	0.01	0.0049
MGP	0.0077	0.0001
KC-M	0.0022	0.1518
NPF	0.002	0.006
PPA	0.0018	0.0008
JMM	0.0006	0.374

Liabilities declared by Regional Parties, FY 2020-21 & 2021-22 (in Rs cr)		
Regional Political Party	Financial Year-2021-22	Financial Year-2020-21
AIFB	0	0
JCC(J)	0	0
NDPP	0	0.006
PDA	0	0
UPPL	0	NA
SHS	NA	0.0051
BPF	NA	0
IPFT	NA	0
HSPDP	NA	0
MPC	NA	0
RLTP	NA	0
SKM	NA	0
ZNP	NA	0
Total	Rs 74.1873 cr	Rs 54.0635 cr