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Here's how to make sure funding for elections doesn't lead to corruption, quid pro quo deals

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On January 2, 2018, then-finance minister Arun Jaitley attempted to overhaul and reform political financing in India, in what he later described in a [Facebook post](#) as “total clean money and substantial transparency coming into the system of political funding.” The government had announced the Electoral Bonds scheme to make India’s murky landscape of money and politics more transparent in line with the Bharatiya Janata Party (BJP) government’s anti-corruption campaign. In place of illegal cash, direct donations or funding via an electoral trust, individuals and corporations could now buy interest-free bearer bonds from authorised branches of the State Bank of India (SBI). Donors were promised anonymity by the government, and there was no cap on the number of bonds that could be bought.



PREMIUM

Seizure of money is common before elections, and the only way to curb it is by bringing in accountability and transparency in political funding (PTI)

Then, in February 2024, the Supreme Court (SC) scrapped the electoral bond system, deeming it unconstitutional. The top court upheld the public’s right to information about financial contributions to political parties. The SBI, following the court’s directive, furnished data to the

Election Commission of India (ECI) about the total number of bonds that were bought: between April 12, 2019 and January 24, 2024 about ₹12,757 crores of bonds were encashed by political parties; around 47.5% of it went to the ruling BJP.

“Elections cost money,” Jaitley had said in his defence of the scheme.

Between 2009 and 2019, [election spending](#) by national parties during Lok Sabha elections increased by about 129%. According to the report brought out by the Association of Democratic Reforms, all political parties spent an estimated ₹2,438.41 crore in the 2019 elections based on the disclosures made by all political parties to the ECI.

This does not take into account the cash, drugs, precious metals and alcohol seizures by the ECI. In the Lok Sabha election year of 2019, the ECI made seizures worth over ₹3400 crore by May, according to news reports. This is just “the tip of the iceberg,” according to retired Major General Anil Verma, who heads ADR. The New-Delhi based electoral watchdog was one of the petitioners in the Supreme Court to outlaw electoral bonds.

“The expenditures on elections have skyrocketed. Each time it increases. [Even though] there are limits to expenditures by individual candidates, it is more breached than followed,” said Verma. “Why do we need to spend so much on elections and political funding? We spend more than the United States does!”.

In India, and in other democracies, studies have found a correlation between money and electoral outcomes. The more money a candidate or a party spends during the election campaign, the more the electoral outcome is biased in their favour.

The funding drive

In India there are no restrictions on the amount of money a political party can raise. Additionally, there are no legal limits on how much it can spend.

The ECI limits expenditure for candidates fighting in Lok Sabha and assembly elections — up to ₹80 lakh in the former and up to ₹38 lakh in the latter. Verma points out that these limits are almost always breached, and actual expenditures are much higher.

Political financing in India needs bolder reforms in order to ensure transparency and accountability of political parties toward voters, Verma said.

Reforms would also help keep corruption, money laundering and influence over the functioning of the government in check.

Verma said that India should establish a public election fund for political funding to ensure democratic accountability and transparency, to which people could donate directly, and an independent body should be tasked to regulate it.

“Let the money be distributed to political parties from this fund,” he said.

After the SBI disclosed the electoral bonds data, Union finance minister Nirmala Sitharaman defended the scheme. She recalled Jaitley’s commitment to reforming electoral funding in India. “He [Jaitley] had said ‘this is better than the previous systems as the money is going from accounts to party’s accounts,’” Sitharaman said.

“A system which was not perfect, from a system which was completely imperfect, was brought in,” Sitharaman said.

What do other countries do?

In the United Kingdom (UK), where parties can raise as much funding as it wants to, but there are expenditure limits per election. Canada caps the amount a party can spend, depending upon the total voters in its electoral districts.

In the United States, federal law imposes different contribution limits on different types of donors, even though there are no limits on expenditure.

One of the controversies tailing India’s electoral bond scheme is lack of any disclosure about the identity of the donor and the quantum of donation received. For instance, it is only when the SC mandated that the SBI hand over all information pertaining to electoral bonds to the ECI that we came to know that a lottery company with allegations of past financial irregularities was the top donor, buying ₹1,368 crore worth of electoral bonds.

In the UK and Germany, political parties are required to disclose

donations from a single donor totalling more than 7,500 pounds and 10,000 euros respectively.

According to the United States Supreme Court, disclosure provides the American people with information and serves to deter corruption. And the court has upheld the constitutionality of disclosures regarding funding of political parties.

Brazil, for instance, has a cap on the amount of donation to a political party, where individuals may contribute to election campaigns up to 10% of their annual income in an effort to weed out graft, the Brazilian Supreme Court banned corporate funding of election campaigns in 2015, and has since enacted a public fund to finance political parties' election campaigns.

Austria, Belgium, Italy, Colombia, Spain and Mexico have legal limits on the amount of total spending in elections by candidates and political parties. Latvia prohibits donors to political parties and candidates from participating in any public tender or procurement processes — it is one of the very few countries to do so.

Previous attempts at transparency

In 2013, the then government, by the Congress-led United Progressive Alliance, introduced the [Electoral Trusts Scheme 2013](#), where trusts were set up by companies to disburse the contributions received from other companies and individuals to the political party of choice. “It is also kind of semi-opaque: there is no disclosure of [how much] money was flowing to which political party,” Verma said.

In March 2015, the Law Commission of India, led by Justice AP Shah, [submitted its report](#) on electoral reforms to the government. Later in that month, then Chief Election Commissioner HS Brahma called for a "strong law" to deal with the issue of political funding in order to bring a culture of "good accountability". The Law Commission's report suggested wide-ranging reforms, but most were not implemented. For instance, it was suggested that the ECI audit political funding of all parties, in each financial year, by a panel of chartered accountants nominated by the Comptroller and Auditor General (CAG). “It never happened,” Verma said.

In SBI's electoral data dump to the ECI, there are a few instances where companies bought electoral bonds that were worth more than the

companies' revenues or profits in the financial year, thereby raising questions about the management's financial prudence and risks of quid pro quo.

The commission also suggested amendments to the Companies Act, 2013, wherein any decision pertaining to political donations be taken up in the annual general meetings rather than by the board of directors.

“We cannot ban corporate funding. It is not illegal. And it happens in other democracies too. But there should be checks and balances. The board of directors cannot decide that the company should choose to donate to a political party. Shareholders' approval should be taken,” Verma said.

Rohit Inani is a Delhi-based reporter.