

Analysis of Income of Political Parties in India

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 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 1112 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 Parties for FY 2007-08, 2008-09 and 2009-2010

- INC, being the ruling party has shown the highest income amongst all the national parties. Its total income for the three financial years is ₹ 1185.2 crore.
- BJP, being the main opposition party, has shown the second highest income amongst the national parties. Its total income for the three financial years is ₹ 601.8 crore.
- Total Income - BSP (₹ 308.7 crore), CPI(M) (₹ 195.8 crore), NCP (₹ 102.2 crore) and CPI (₹ 3.7 crore)
- INC and BSP have shown a dip in their total income from 2008-2009 to 2009-2010.
- SP (Uttar Pradesh) has the highest total income amongst the three regional parties analyzed for the three financial years i.e. ₹ 99.4 crore followed by AIADMK (Tamil Nadu) with ₹ 25.2 crore.
- JD(U) (Bihar)-₹ 20.8 crore, J&K NC (J & K)-₹ 20.4 crore, SAD (Punjab) - ₹ 15.9 crore, BJD (Odisha)- ₹ 3.1 crore

Party	Total Income (Rs. In crore)			Total (Rs in Crore for three years)
	2007-2008	2008-2009	2009-2010	
National Parties				
Indian National Congress	220.8	496.9	467.5	1185.2
Bharatiya Janata Party	123.8	220	258	601.8
Bahujan Samaj Party	69.7	182	57	308.7
Communist Party of India(Marxist)	59.7	62.8	73.3	195.8

Party	Total Income (Rs. In crore)			Total (Rs in Crore for three years)
	2007-2008	2008-2009	2009-2010	
Nationalist Congress Party	17.4	40	44.8	102.2
Communist Party of India	1.2	1.2	1.3	3.7
Regional Parties				
Samajwadi Party	32.3	39	28.1	99.4
AIADMK	2.9	12.5	9.7	25.2
Janata Dal (United)	0.2	9.3	11.3	20.8
J & K National Conference	3.3	11.7	5.4	20.4
Shiromani Akali Dal	8	1.5	6.3	15.9
Biju Janata Dal*	0.3	2.8	n/a	3.1

Table: Total Income declared by Parties in their (ITR) for FYs 2007-2008 to 2009-2010. *Figures not available for 2009-2010.

Top 3 sources of income of Parties for FY 2007-08, 2008-09 and 2009-2010

- For INC, the maximum income is derived from Sale of Coupons (₹ 924.4 crore) along with NCP which derived ₹ 89.8 crore from sale of coupons.
- Most parties have Donations/Contributions as their main source of income: BJP - ₹ 520.3 crore, BSP - ₹ 231.1 crore, CPI (M) - ₹ 95.6 crore.
- Donations are the major source of income for parties – SP (₹ 61.9 crore), SAD (₹ 7.9 crore), J&K NC (₹ 15 crore)
- JD(U) (₹ 20.5 crore from coupon sales) and AIADMK (₹ 7.9 crore from Nomination Fees)

FY 2007-2008, 2008-2009 and 2009-2010 (combined)		
Party	Top 3 sources of income	Amount (Rs in Crore)
Indian National Congress	Sale of coupons	924.4
	Donations	167.9
	Interest	58.6
Bharatiya Janata Party	Voluntary contributions	520.3
	Interest	36.6
	Aajiwan Sahayog Nidhi	26.9
Bahujan Samaj Party	Contributions	231.1
	Membership	65.4
	Interest	11
Communist Party of India(Marxist)	Voluntary contributions	95.6
	Levy	72.6
	Interest & dividend	12.2
Nationalist Congress Party	Receipt From Sale Of Coupons	89.8

FY 2007-2008, 2008-2009 and 2009-2010 (combined)		
Party	Top 3 sources of income	Amount (Rs in Crore)
	Donation	10.6
	Others Income	0.7
Communist Party of India	Party fund, education fund, donation	1.6
	Interest	0.8
	Membership fee	0.7
Samajwadi Party	Donations	61.9
	Interest	32.9
	Membership Fees	4.1
Shiromani Akali Dal	Membership Fees & Donation	7.9
	Party Funds	7.6
	Bank Interest	0.3
Janata Dal (United)	Receipt from contribution Coupon sales & Membership fees	20.5
	Sale of Publications	0.2
	Interest from Bank	0.07
AIADMK	General Secretary Nomination Fee	7.9
	Interest Receipts	7.8
	Membership Subscription	5.4
J & K National Conference	By Special fund contributions	15
	By Membership fee	1.3
	Fixed Deposits (Accrued)	1.1
Biju Janata Dal*	Voluntary Contributions/Donations	3
	Membership Fees	0.1

Table: Top 3 sources of income of National Parties in their (ITR) for FYs 2007-2008 to 2009-2010. *Figures not available for 2009-2010.

Top 3 items of expenditure of Parties for FY 2007-08, 2008-09 and 2009-2010

FY 2007-2008, 2008-2009 and 2009-2010 (combined)		
Party	Top 3 items of expenditure	Amount (Rs in Crore)
Indian National Congress	Election	635
	Aid to other	77.7
	Publicity	76.9
Bharatiya Janata Party	Advertising & Publicity	236.2
	Travelling	106.9
	Meeting	61.2
Bahujan Samaj Party	Purchases	88.4
	Publicity	23.7
	Construction	10.3

FY 2007-2008, 2008-2009 and 2009-2010 (combined)		
Party	Top 3 items of expenditure	Amount (Rs in Crore)
Communist Party of India(Marxist)	Salaries	31.1
	Relief & donation	20.7
	Meeting & conference	19.1
Nationalist Congress Party	Election Expenses	58.5
	Publicity Expenses	20.4
	Tour and Travelling	5.9
Communist Party of India	Salaries	0.6
	Election & publicity	0.6
	Travelling & conveyance	0.2
Samajwadi Party	Travelling & conveyance	49.02
	Advertisement	11.69
	Help	1.73
Shiromani Akali Dal	Advertisement	9.67
	Travelling & Conveyance	3.36
	Depreciation	0.85
Janata Dal (United)	Contribution to candidates/ Donation	4
	Helicopter Hiring Charges	2.87
	Advertisement	2.26
AIADMK	Advertisement & Publicity	18.08
	Printing & Stationery	4.33
	Meeting & Procession Expenses	1.83
J & K National Conference	Election Expenses	1.63
	To Publicity	0.97
	To Salary	0.24
Biju Janata Dal	Not Available	

Table: Top 3 items of expenditure of Ruling Parties in their (ITR) for FYs 2007-2008 to 2009-2010

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 return 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 dire need for these recommendations to be implemented at the earliest.