

Political Funding: Money Power in Indian Elections

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Association for Democratic Reforms (ADR), a citizen-led, non-political and non-governmental organization which has been around for more than 20 years now. Our goal is to improve governance and strengthen democracy by continuous work in the area of Electoral and Political Reforms.

My Neta website (www.myneta.info) is an open data depository platform run by ADR which aims to empower Indian voters with the following information:

- Criminal, Financial and Educational information of candidates who have contested elections to State Assemblies, the Parliament and a few local bodies
- Details of Donations & Income-Expenditure statements of political parties

Election Watch

Started in 2002

Background details of candidates submitted to the Election Commission (via their affidavits) are analyzed and released in an effort to help citizens make an informed choice

Political Party Watch

Started in 2008

Analysis of Donations above Rs. 20k that are received by Political Parties (National & Regional) & IT Returns filed by them

ADR

Legal Advocacy

Filing complaints & PILs with Central Information Commission, Supreme Court/ High Court as well as other Central and State agencies

Communications & IT

Enhancing ADR's outreach offline and online

Introduction: Political Funding



Political Finance & Problematic Areas

- Parties need **access to campaign finance** to reach out to voters, communicate relevant information and persuade them to vote for them.
- It is seen as necessary and unavoidable **costs of democracy**.
- However, **money** can become a **tool to unduly influence** the political process.
- Unequal access to funding can **hurt** the **level-playing field**.
- Un-regulated political funding can result in **illicit finance flows**, co-optation of politics by **business interests** and wide-spread **vote buying**.
- This **distorting effect of money** on the democratic process **demand**s effective **regulation** and **implementation**.

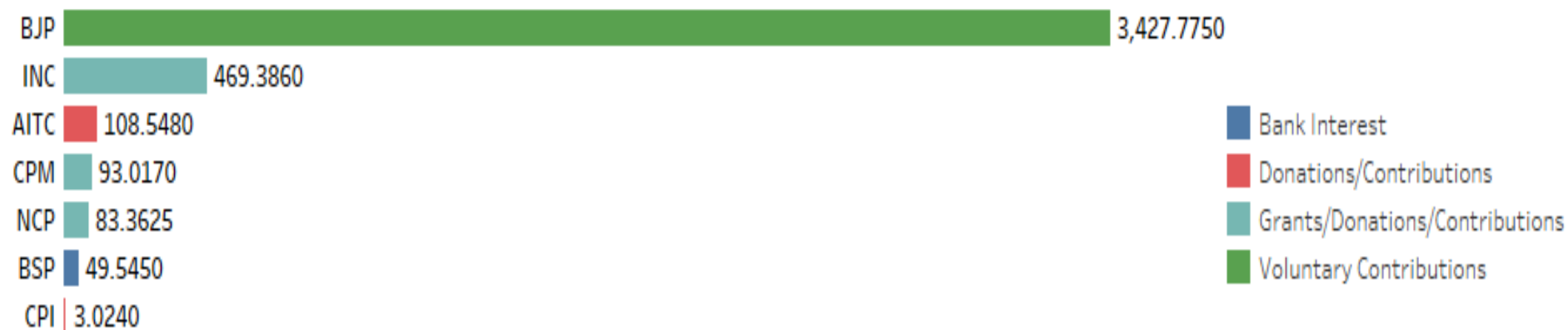


Political Finance regime in India – Issues and Challenges

- **ECI's transparency guidelines lack statutory authority** and legal consequence for non-compliance.
- **Absence** of frequent and complete **scrutiny of financial disclosures** of parties by tax authorities.
- Section 77 of RPA, 1951 only regulates “individual” candidates’ and not parties’ expenditures.
- No restriction on the amount that corporate entities may contribute to political parties.
- No requirement for corporates to report political contributions in profit and loss accounts.
- Parties need not reveal names of individuals/organizations who donated via **anonymous Electoral Bonds**.
- **Non-disclosure** provisions have **legalized anonymous donations**.
- **70 per cent** of the funds of National Parties cannot be traced and are from ‘**unknown sources**’ (ADR Report).
- **Rs 20,000 limit easily evaded** as disclosure of donor is not required.

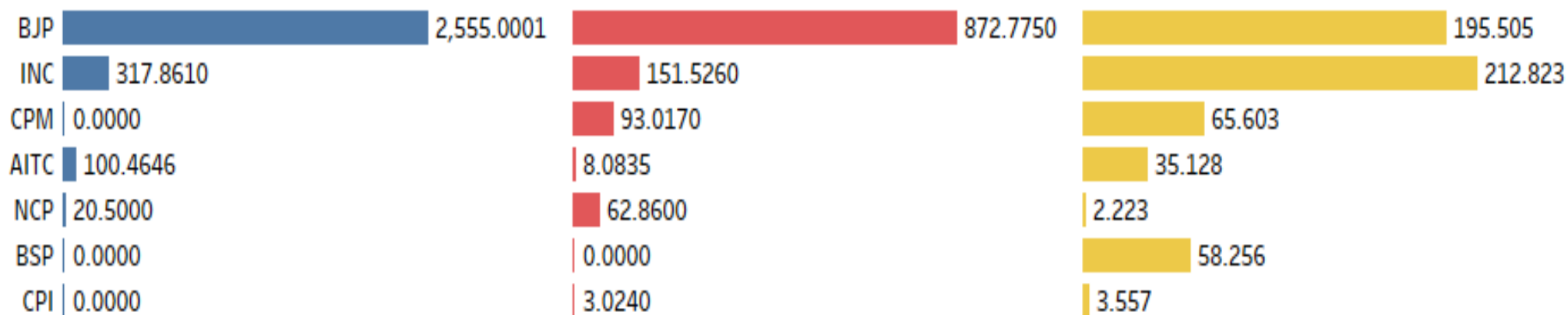


Primary sources of income of National Parties which have declared highest income, FY 2019-20 (In Rs Cr)



- **National Parties** that received **highest income from donations/contributions** include BJP – Rs 3427.775 cr, INC – Rs 469.386 cr, AITC – Rs 108.548 cr, CPM – Rs 93.017 cr and CPI – Rs 3.024 cr.
- Voluntary Contributions of **Rs 3427.775 cr declared by BJP** forms 94.60% of its total income during FY 2019-20.
- Declaration of **Rs 469.386 cr** under Grants/ donations/ contributions by **INC** forms the top most income of the party, contributing 68.80% of its total income during FY 2019-20.
- **AITC, CPM, NCP** and **CPI** declared the highest income from grants/donations/voluntary contributions worth **Rs 108.548 cr, Rs 93.017 cr, Rs 83.3625 cr** and

Share of income of political parties through Electoral Bonds, Donations/Contributions & other income, FY 2019-20 (in Rs Cr)

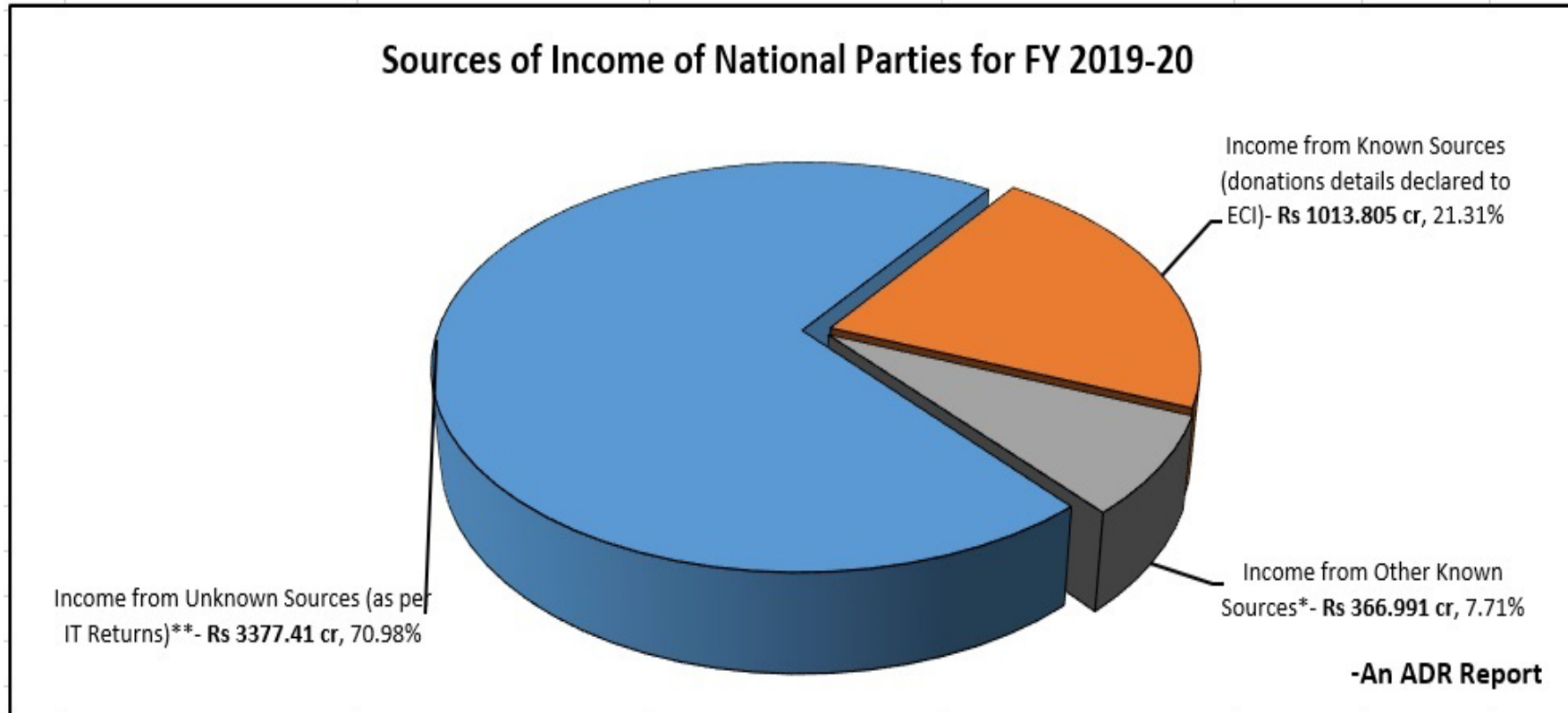


Share of donations through Electoral Bonds

Share of donations/contributions

Share of other sources of income

- BJP, INC, AITC and NCP collected **62.92%** (Rs 2993.826 cr) of their total **income from** donations through **Electoral Bonds**. BJP received Electoral Bonds worth **Rs 2555.0001 cr**, INC received **Rs 317.861 cr**, AITC received **Rs 100.4646 cr** and NCP received **Rs 20.50 cr**.
- 6 National Parties, declared receiving an income from **Donations/Contributions**, a total of **Rs 1191.285 cr**.
- **Rs 573.095 cr** was income generated through **other sources of income** by National parties during FY 2019-20.



- **Unknown sources** are income declared in the IT returns but without giving source of income for donations below Rs 20,000. Such unknown sources include **‘donations via Electoral Bonds’, ‘sale of coupons’, ‘miscellaneous income’, ‘voluntary contributions’, ‘contribution from meetings/morchas etc.**
- During FY 2019-20, National parties received **Rs 3377.41 cr** from **unknown sources**; **70.98%** of their total income of **Rs 4758.206 cr**.
- National parties collected **Rs 14,651.53 cr** from **‘Unknown Sources*’** between FY 2004-05 to 2019-20.

* include voluntary contributions (< Rs 20,000), donations via Electoral Bonds, collection from Sale of Coupons etc.

Sources of Funding of National Parties, FY 2019-20

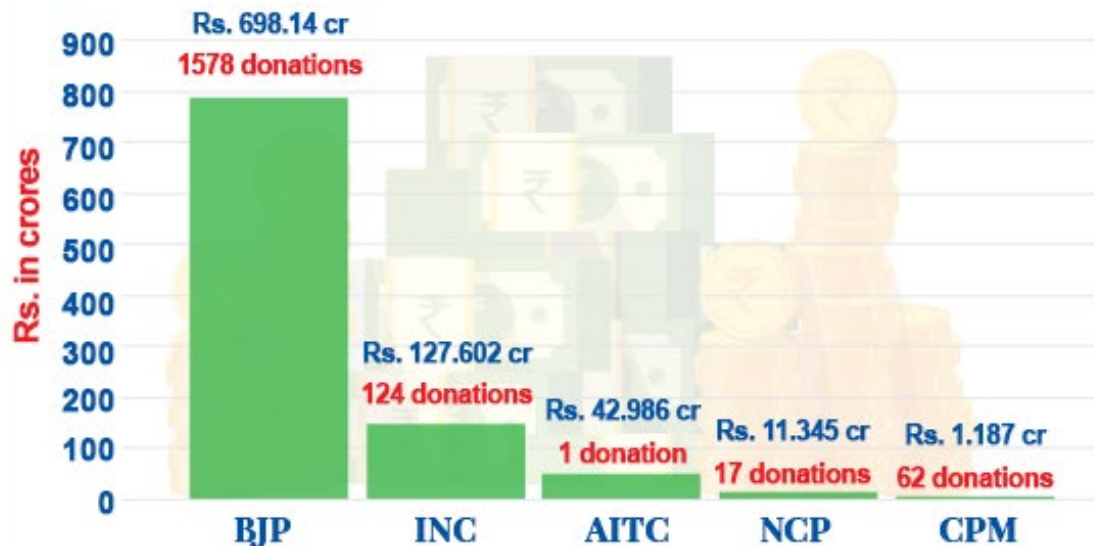
- **BJP** and **INC** received **Rs 2642.63 cr** or 78.24% and **Rs 526 cr** or **15.57%** respectively, of total income of National parties from **unknown sources**.
- In FY 2019-20, **70.98 per cent** of the total income of National parties cannot be traced and are from **‘unknown sources’**.
- Between FY 2004-05 and 2018-19, National parties collected **Rs 11,234.12 cr** from **‘unknown sources’**.
- **Non-disclosure** provisions have **legalized anonymous donations to the tune of Rs 6534.78 cr** via Electoral Bonds since March 2018.

Political Finance regime in India – Issues and Challenges

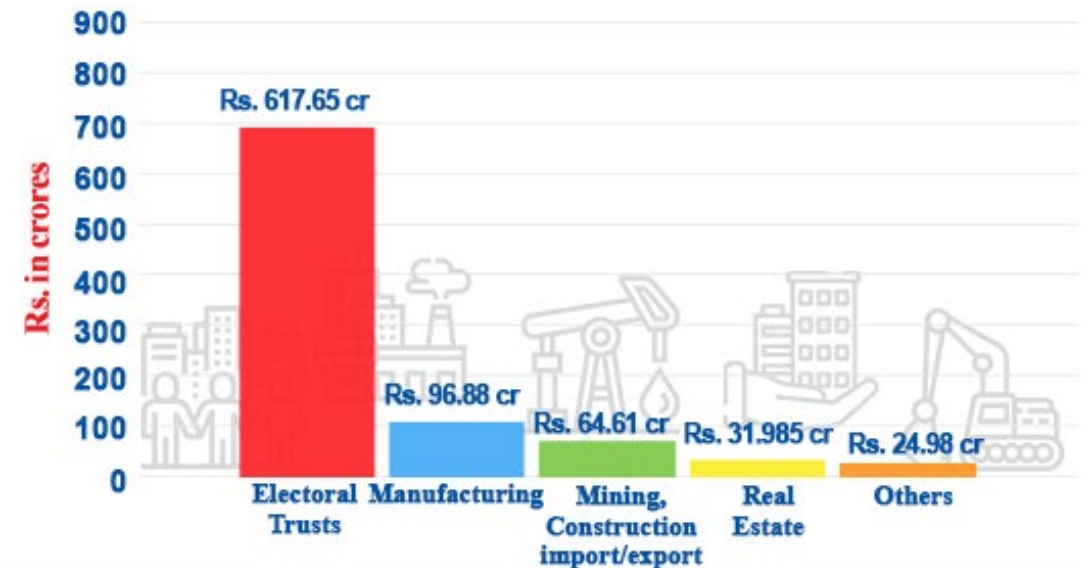
Unlimited Corporate Donations

- No limit on corporate donations to political parties (earlier limit of 7.5% removed after amendment to Section 182 of Companies Act 2013 in 2017).
- No requirement for corporates to report political contributions in profit and loss accounts.
- National parties received **Rs 881.26 cr** from corporates/business houses in **FY 2018-19**. Donations from corporates to National Parties increased by **133%** between 2004-12 and 2018-19.

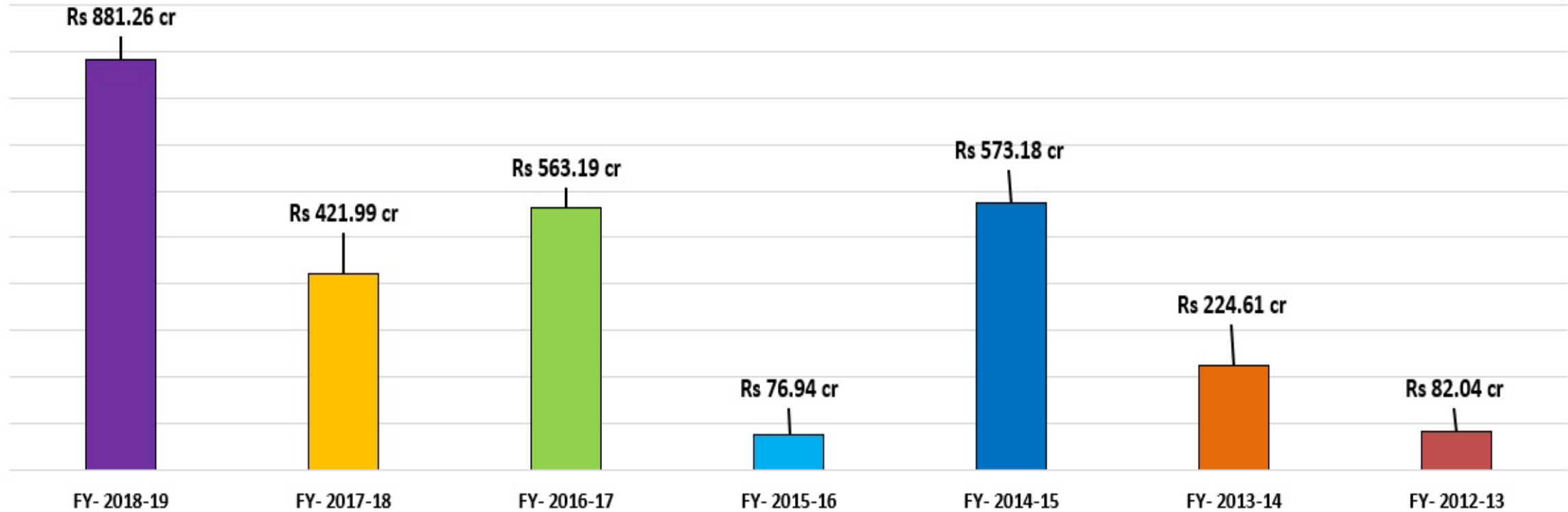
**Total Corporate Donations Recieved by National Parties
(FY 2018-19)**



**Sectors with top donations to National Parties
(FY 2018-19)**



Year-wise corporate donations received by National Parties between- FY 2012-13 and 2018-19

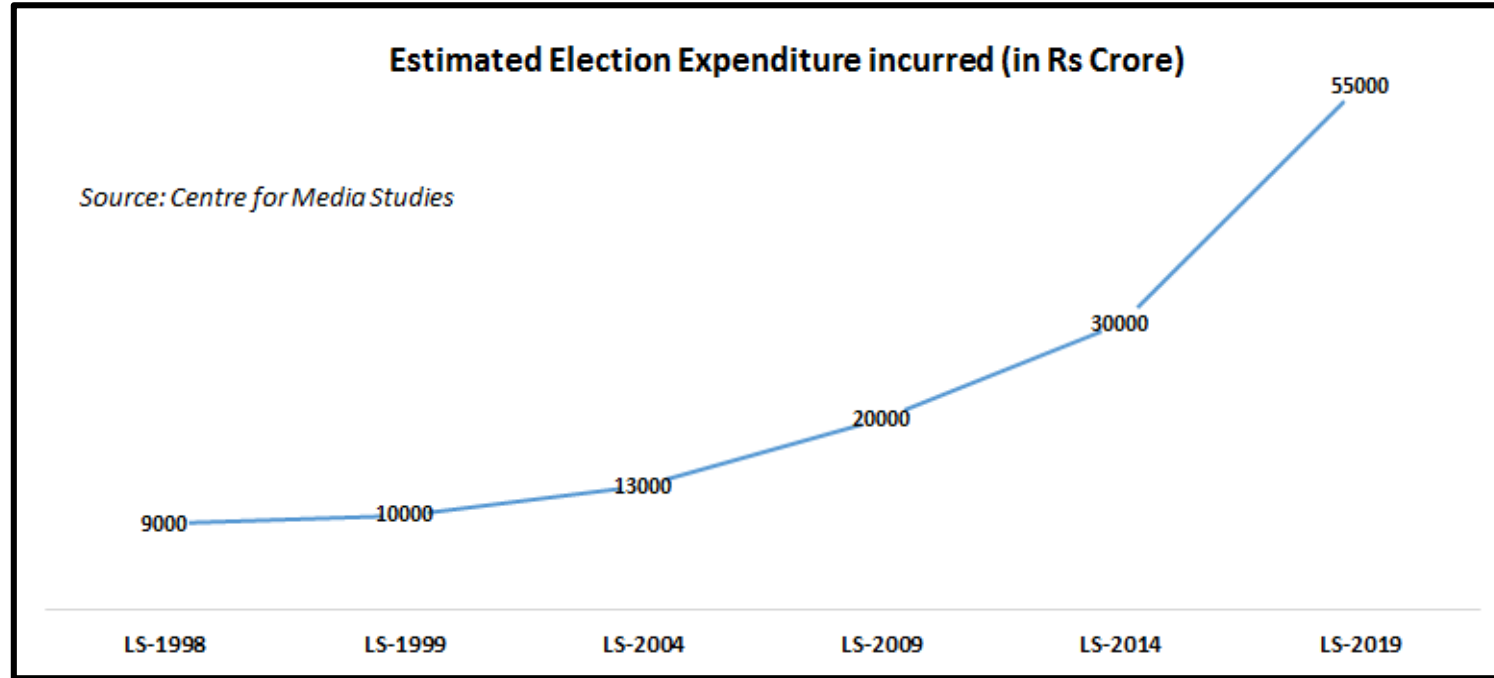


-An ADR Report

Political Finance & Elections

Money Power

- **Six-fold increase** in total estimated expenditure between 1998 and 2019 general elections. **Rs 700 per vote** spent in Lok Sabha 2019.



- Lok Sabha 2019 expenditure **exceeds US Presidential elections 2016** by \$1.5 billion and 2014 general elections by \$3 billion.
- Illegitimate flow of cash - **Rs 3475.76 crore** worth cash, liquor, drug/narcotics, precious metals, freebies etc. seized by the ECI at the end of elections.
- Growing **dependence of parties on wealthy candidates** (having the ability to self-finance election campaigns). 84% increase in crorepati candidates between 2009 and 2019.

Money Power: Issues & Challenges

16% ('09) to 29% ('19) crorepati candidates

High campaign expenditure hurts the level-playing field.

83% BJP & INC candidates were crorepatis (LS'19)

Parties with money guzzling campaigns select self-financing candidates.

21% winning chance for crorepatis

Money rather than merit becomes determining factor in election outcomes..

1% winning chance for non-crorepatis

Electoral politics inaccessible to those deserving but not wealthy

Rs 20.93 cr avg. assets per winner

Access to financial resources, an essential pre-requisite for securing party ticket.

25% of poll expenses – cash given to voters directly (CMS Study)

Abuse of money power in form of distribution of freebies, cash, paid news etc and making tall promises to unduly influence voters.

The law under Section 77 of the RPA is **silent on** the subject of **ceiling on expenditure by political parties**.

INDIA
TODAY

Is government sitting on ECI's proposal to fix expenditure limit on political parties?

Our second query linked to the first - If the EC had taken such a proposal/initiative what had been the outcome? In response, the ECI said, "The proposal is pending with the government." efforts have been made to compile the same and this is to inform you that proposal for a ceiling of election expenditure was sent on 09-04-2013 to the Law Commission, a copy was endorsed to

NATIONAL HERALD



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INDIA

BJP spent nearly ₹27000 crores in 2019 Lok Sabha polls, says report

According to a report released by the Centre for Media Studies, the BJP spent nearly ₹27000 crores in the recent Lok Sabha polls, which is about 45 % of the total expenditure

The law on candidates' expenditure limits **only covers** the period between candidates' date of nomination & the date of poll results.

regulation on election expenditure should be amended to extend from the date of notification of the elections to the date of declaration of results, given that many candidates file their nominations only on the last date of filing, to prevent the application of section 77 limiting their expenses. Campaigning commences before or at least once the ECI announces the date of elections, and the filing of nominations is often viewed only as a formality.

DECCAN
Chronicle

NATION, POLITICS

Nellore: Candidates rush to file nomination on last day

DECCAN CHRONICLE

Published Mar 26, 2019, 2:43 am IST

Updated Mar 26, 2019, 2:43 am IST

THE HINDU

VISAKHAPATNAM

Candidates file nomination papers amid fanfare

Money Power: Issues & Challenges

Under-reporting of election expenses, says Law Commission and former CEC Nasim Zaidi – winners report only 40-80% of their expenses to ECI

2.27.6 Therefore, there is clearly under reporting of election expenditure and opacity of political contribution. Part of the explanation lies in the lacunae in the law, and part in black money and poor enforcement. To this, we now turn.

hindustantimes

Candidates may not reveal actual expense: Poll experts

With politicians, who contested the February 15 assembly poll, getting busy in calculating their poll expenditure for submitting before the election commission, experts on Tuesday warned that the candidates might not reveal the actual amount spent

Only 2/464 MPs
exceeded exp. limit in Lok
Sabha elections 2019, as
per ADR Analysis

Weak disclosure norms – delayed submission of election expenditure reports by candidates. Several parties default each year in submission of their annual reports to ECI. No clarity about actions taken against non-compliance

Crony Capitalism: As campaign costs grows, the **nexus between politicians and big business houses** starts to become stronger.

Character of election support determines who most easily interacts with elected officials, as well as the policy priorities of those in office.

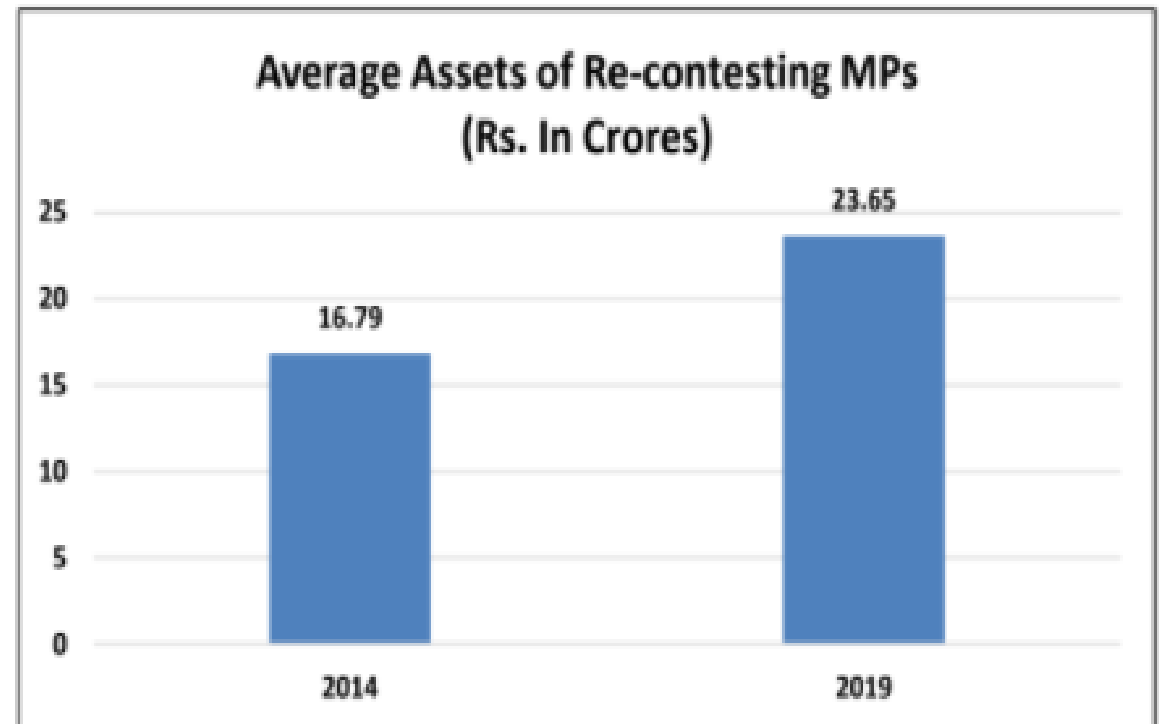
Proliferation of parties: Between 2010 & 2018, total no. of political parties increased twofold and is 2,360 as of 15th March 2019.

Quality of governance is compromised: Undue influence of money dissuades good people from joining both politics causing implications for public policy.

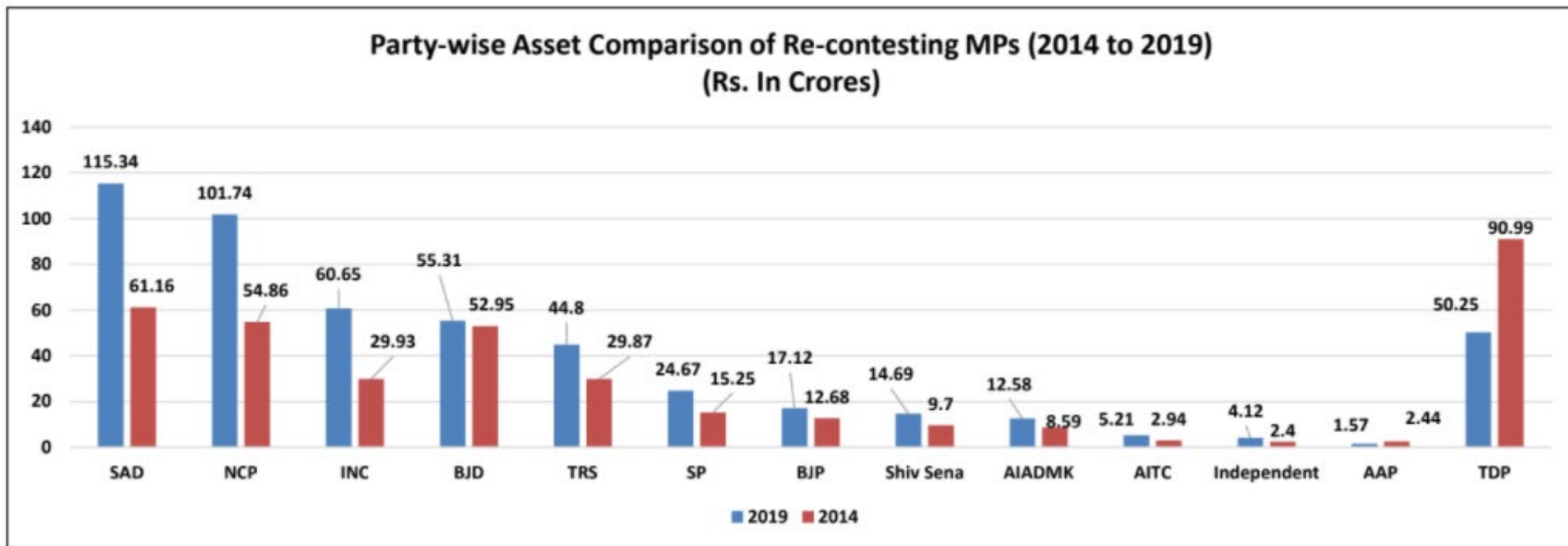
Assets Comparison of Re-contesting MPs in 2019 Lok Sabha

Summary of comparison for re-contesting MPs

- **Average Assets in 2014:** The average assets of these 335 re-contesting MPs fielded by various parties including independents in 2014 was **Rs 16.79 Crores**.
- **Average Assets in 2019 Elections:** The average asset of these 335 re-contesting MPs in 2019 is **Rs 23.65 Crores**.
- **Average Asset growth in 5 years (2014-2019):** The average asset growth for these 335 re-contesting MPs, between the Lok Sabha Elections of 2014 and 2019 is **Rs 6.86 Crores**.
- **Percentage growth in 5 years (2014-2019):** Average percentage growth in assets for these 335 re-contesting MPs is **41%**.



Assets Comparison of Re-contesting MPs in 2019 Lok Sabha



Freebies: Assembly elections 2022

- “Political freebies” could be anything from subsidies on basic needs such as food and clothing; free-of-cost essentials such as power and housing; schemes for enhancement of standard of living such as free education or travel; or even items of daily need like free WiFi, televisions, laptops.

Uttar Pradesh 2022

- **BJP:** free scooty to college-going female students, 2 additional cylinders of LPG to women on Holi and Diwali, Rs 1 lakh to a poor family on the wedding of their daughters, Rs 1,500 monthly pension to widows and destitute women. Free travel on public transport for women over 60.
- Free electricity to farmers for irrigation and job and self-employment opportunities to at least one member of each family.
- **Congress:** Free travel for women on every public bus. Three gas cylinders free of cost every year for women. Every girl student in 10+2 will receive a smartphone and a scooty would be given to every girl enrolled in undergraduate programmes.
- **SP:** Three litres of petrol and six kg of CNG to all auto-rickshaw drivers every month. One litre of petrol to all two-wheeler owners. Free scooters to all women frontline workers in the state.

Freebies: Assembly elections 2022

Punjab 2022

- **BJP:** Entirely waive off the debt of all farmers with less than five acres of land-holdings in the state. All villages will have a 24x7 power supply. Free electricity up to 300 units to each household and above it, the electricity tariff will be Rs 3 per unit for domestic purposes.
- The **Shiromani Akali Dal** and **Bahujan Samaj Party** alliance also promised 400 units of free power.
- **Congress:** Promised to reduce cable TV charges from Rs 400 to Rs 200 per month per household. Rs 1,100 per month for needy women and eight free cooking gas cylinders every year. The party also promised free education for all needy students in government schools, colleges and universities while SC scholarship will continue. The party also promised Rs 5,000 for needy girls who pass class 5, Rs 10,000 for those who clear class 10, and Rs 20,000 and a computer for those who pass class 12. If the Congress returns to power, the party promised one lakh government jobs.
- **AAP** promised Rs 1,000 per month to women if they form the government.
- **Shiromani Akali Dal (Badal)** president Sukhbir Singh Badal announced Rs 2,000 monthly grant to women heads of blue card holder families.

Freebies: Assembly elections 2022

Manipur 2022

- **BJP** : Free of cost, accidental insurance will be given to the tune of Rs 5 lakh to all fishermen of the state. Scholarships will be given to all children of small and marginal farmers as well as landless farmers.”
- Free scooties to all college-going meritorious girls in Manipur. Girls from EWS and backward sections will get an educational incentive of Rs 25,000. Free laptops to all meritorious students passing Class XII.

Uttarakhand 2022

- The **Congress** promised 4 lakh jobs, Rs 40,000 yearly assistance to 5 lakh families and free electricity.
- **BJP** assured three free cooking gas cylinders a year.
- **AAP** to provide 300 units of free electricity every month and a 24-hour power supply to every household. Will give Rs 5,000 per month to every household until employment is provided to a member. Rs 1,000 will be given to women above 18 years of age.

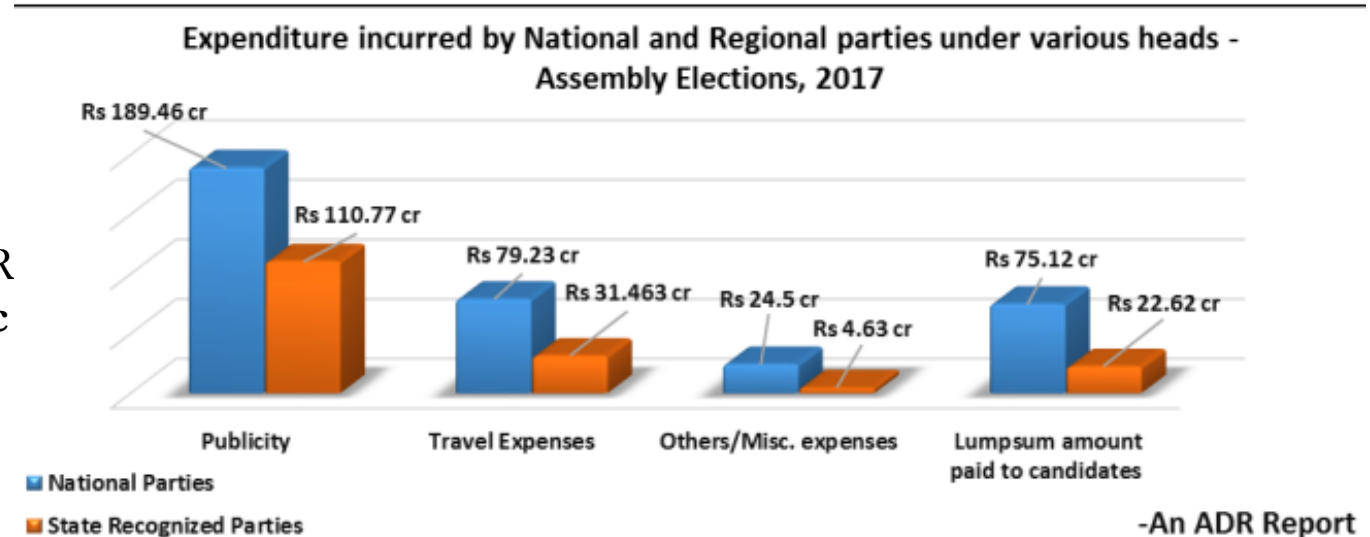
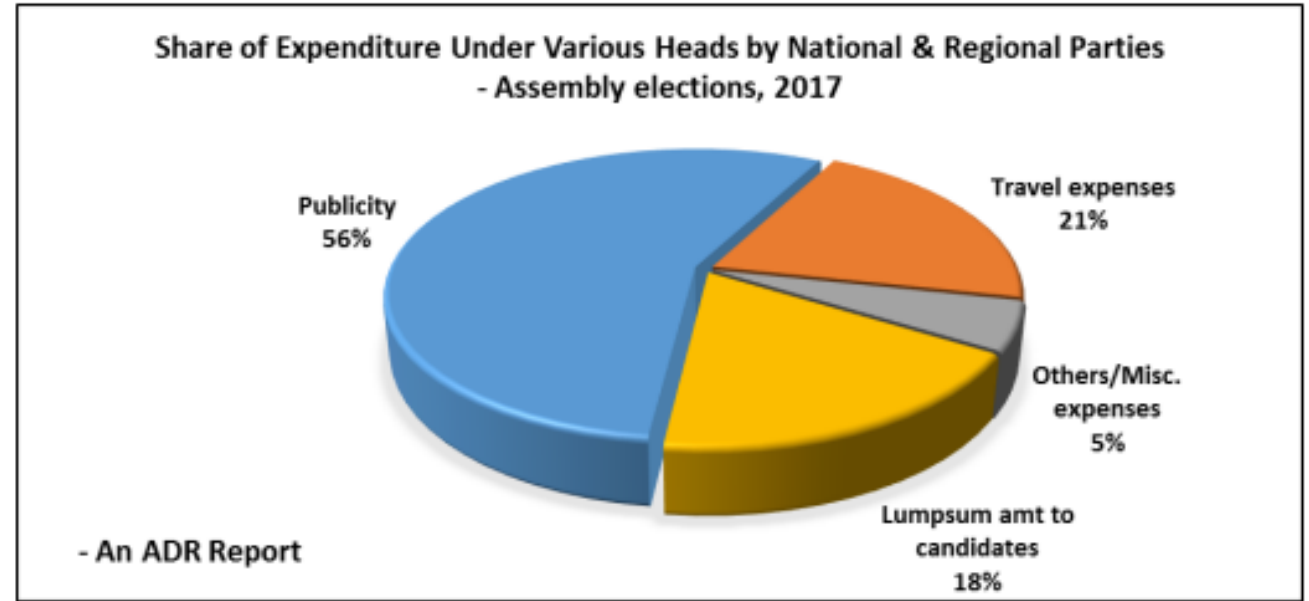
Hike in Candidates' Expenses

For Parliamentary Constituencies (PCs)	
Earlier expenditure limit (2014)	Enhanced expenditure limit now
Rs. 70 Lakh	Rs. 95 Lakh
Rs. 54 Lakh	Rs. 75 Lakh

For Assembly Constituencies (ACs)	
Earlier expenditure limit (2014)	Enhanced expenditure limit now
Rs. 28 Lakh	Rs. 40 Lakh
Rs. 20 Lakh	Rs. 28 Lakh

These limits will be applicable in all upcoming elections.

- Data from expenditure statements of **7 National Parties** and **16 Regional Parties**.
- The election expenditure reports of political parties contain information on the funds collected at the Central Headquarters of the party as well as at the state level.
- National and Regional parties **collected** a total of **Rs 1503.21 cr** and incurred a total **expenditure** of **Rs 494.36 cr**.
- **Publicity:** Rs 189.46 cr (National); Rs 110.77 cr (Regional)
- Expenditure on Publicity: **56% of total expenditure**
- Break-up (National Parties) : **Media Advertisement** (Rs 133.33 cr); **Publicity Materials** (Rs 28.13 cr) & **Public Meeting** (Rs 27.98 cr)



Election Expenditure Data 2017: Five States

National parties: Rs 1314.29 cr (funds collected),
Rs 328.66 cr (expenses).

BJP collected maximum funds of Rs 1214.46 cr
(92.4% of the total funds collected by National
Parties)

BSP declared that the party collected no funds at
the Central nor State levels for the 5 state Assembly
elections.

Political Parties	Funds Collected by National parties - Assembly Elections 2017 (Rs in crores)						Total funds
	Central Office	State Units					
		Goa	Manipur	Punjab	Uttar Pradesh	Uttarakhand	
BJP	1194.21	16.77	0	1.13	1.95	0.4	Rs 1214.46 cr
INC	34.417	14.187	0.583	18.26	23.676	5.39	Rs 96.51 cr
CPI	0.96	0.048	0.12	0.085	0.07	0.025	Rs 1.31 cr
NCP	0.5	0.6	0.009	0	0	0	Rs 1.11 cr
CPM	0.2	-	0.035	0.27	0.04	0.12	Rs 0.665 cr
AITC	0.227	-	0	0	-	-	Rs 0.23 cr
BSP	0	-	-	0	0	0	Rs 0 cr
Total	Rs 1230.51 cr	Rs 31.61 cr	Rs 0.75 cr	Rs 19.75 cr	Rs 25.74 cr	Rs 5.93 cr	Rs 1314.29 cr

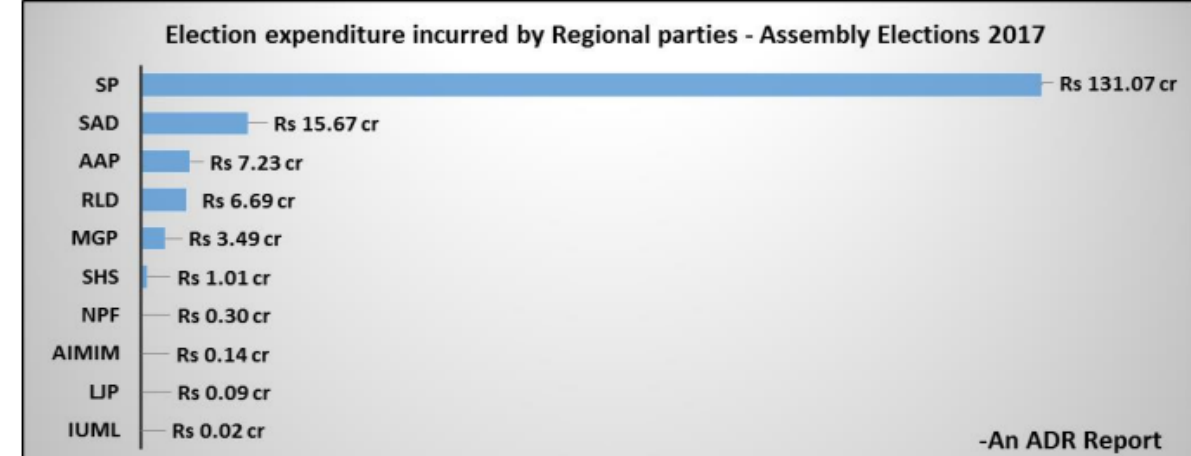
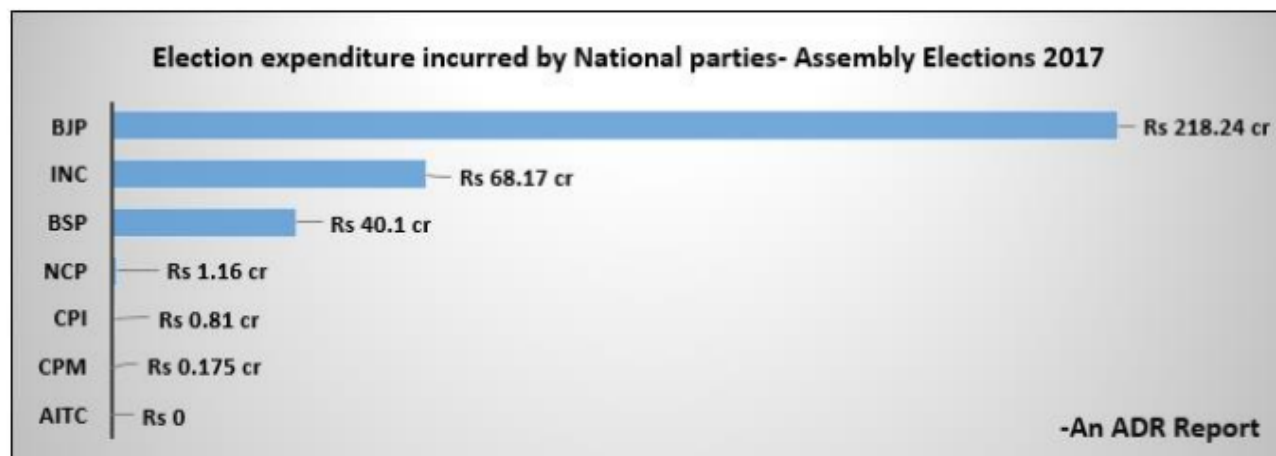
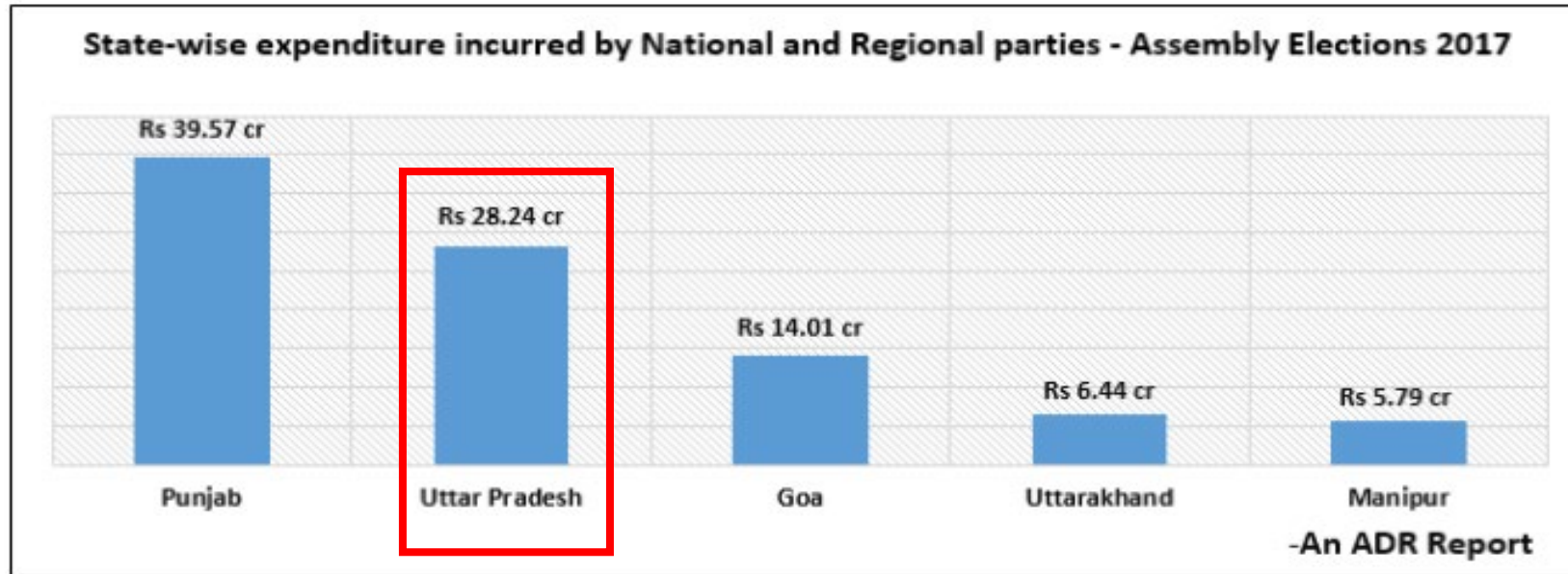
Political Parties	Funds Collected by Regional parties - Assembly Elections 2017 (Rs in crores)						Total funds
	Central Office	State Units					
		Goa	Manipur	Punjab	Uttar Pradesh	Uttarakhand	
SHS	115.71	0.15	-	0	0	0	Rs 115.86 cr
AAP	28.32	2.01	-	7.02	-	-	Rs 37.35 cr
SP	15.03	-	-	-	0	0	Rs 15.03 cr
SAD	0	-	-	13.09	-	-	Rs 13.09 cr
MGP	3.52	0	-	-	-	-	Rs 3.52 cr
RLD	3.34	-	-	-	0.04	0	Rs 3.38 cr
NPF	0.15	-	0.33	-	-	-	Rs 0.48 cr
AIMIM	0.15	-	-	-	0	-	Rs 0.15 cr
IUML	0.02	-	-	0	0.015	-	Rs 0.04 cr
LJP	0.03	-	0	-	-	-	Rs 0.03 cr
Total	Rs 166.27 cr	Rs 2.16 cr	Rs 0.33 cr	Rs 20.11 cr	Rs 0.05 cr	Rs 0 cr	Rs 188.92 cr

Regional Parties collected a total of **Rs 188.92 cr**
and incurred an **expenditure of Rs 165.7 cr**.

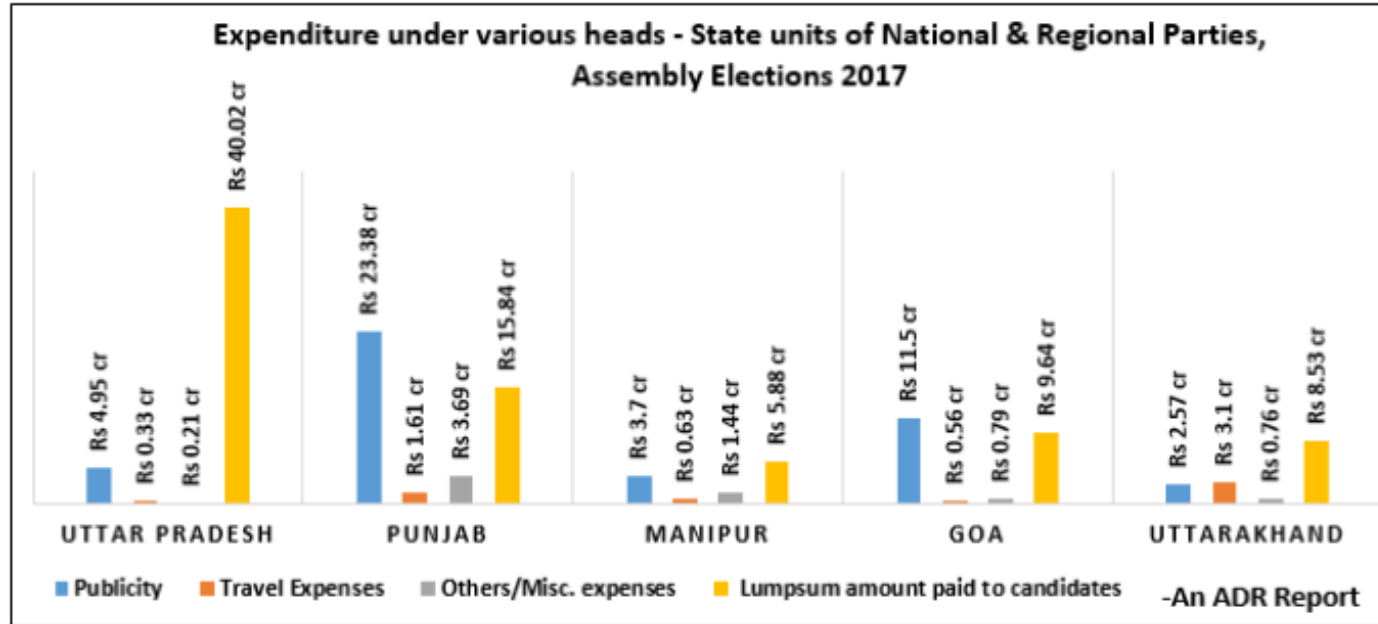
Among the **Regional Parties**, SHS collected the
maximum funds of **Rs 115.86 cr**.

AAP collected second highest funds worth **Rs 37.35 cr**

Election Expenditure Data 2017: Five States

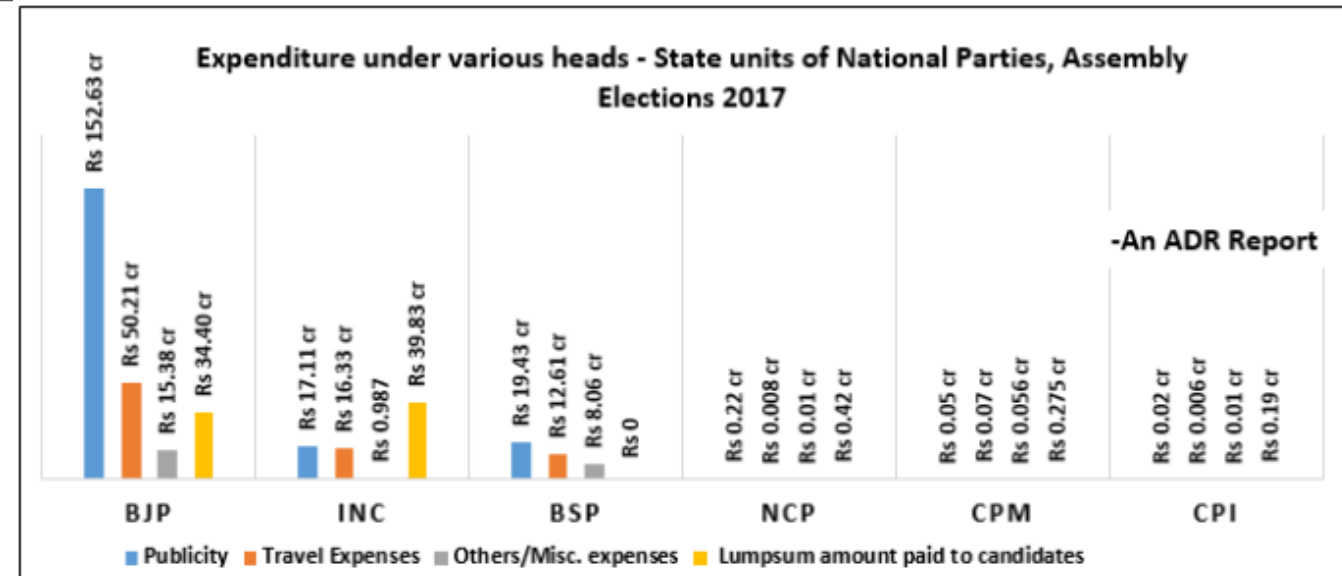


Election Expenditure Data 2017: Five States



National Parties spent 51.44% (Rs 189.46 cr) of the total expenditure on **publicity** and 6.65% (Rs 24.50 cr) of total expenditure on 'Miscellaneous expenses'.

Regional parties spent highest on **Publicity** (Rs 110.77 cr or 65.36% of total) followed by Rs 31.46 cr or 18.56% of total on **travel** and Rs 22.62 cr as **lumpsum amount to candidates** (13.35% of total expenditure).



Recommendations

Mandatory for all political parties to submit their statements of expenditure in the format given by the ECI, within the prescribed time limit. **Political parties not submitting on time or in the prescribed format should be heavily penalized.**

Details of all donors who contribute to national and regional parties exclusively for their election campaigns **must be declared** in the public domain irrespective of the amount donated.

A format similar to the donations report along with the date of donations, submitted to the ECI on an annual basis, has to be prescribed for the expenditure statement so as to bring in more transparency in the finances of the political parties especially during elections when it is said that black money plays a major role.

Expenditure must be limited to transactions via cheque/DD/RTGS so as to reduce use of black money in elections, as per the transparency guidelines issued by the ECI.

Similar to the shadow observers of the ECI for monitoring expenditure of candidates, there must also be **observers for monitoring the expenditure of political parties.**

Electoral Bonds Scheme, 2018



WHAT ARE ELECTORAL BONDS?



Can be issued by
a notified **bank**



Available only in
specified **denominations**



The bearer bonds will
ensure **anonymity**



Can be bought with
a **cheque** or
electronic money

TheQuint.com

GoI had notified the Electoral Bond Scheme, 2018 vide [Gazette Notification No. 20](#) dated 02nd January, 2018

Does not carry the name of the buyer or payee (**anonymous**), **no ownership information** is recorded and the holder of the instrument (i.e. political party) is presumed to be its owner.

Every political party in its income tax return (ITR) will have to disclose the amount of donations it has received through electoral bonds to the Election Commission

Only registered political parties that have secured **not less than one per cent** of the votes polled in the last general election to the House of the People or the Legislative Assembly, as the case may be are eligible to receive electoral bonds

Bonds not encashed within the validity period of fifteen days shall be deposited by the authorised bank to the **Prime Minister Relief Fund**

**Electoral Bonds Sold and
Redeemed during the
nineteen phases
(March 2018 – January
2022)**

**Total Amount of
Electoral Bonds Sold**

**17,488 bonds
worth Rs 9208.2376 cr
(as of Jan 2022)**

**Total Amount of
Electoral Bonds
Redeemed**

**17,337 bonds
worth Rs 9187.554 cr**

99.775% of the
bonds purchased
during the fifteen
phases encashed by the
political parties within
the validity period

**151 bonds worth
Rs 20.6836 cr
(0.22%) deposited
in the PMRF**

Details of Electoral Bonds sold & Redeemed Phases I-XIX

39.33%

of the total value of electoral bonds purchased in two months alone – **March 2019** (phase VIII) and **April 2019** (phase IX) – period of general elections

39.35%

of the total value of electoral bonds redeemed in **March 2019** (phase VIII) and **April 2019** (phase IX) – period of general elections

BONDS SOLD

Denomination: Rs 1 crore

Number: 8561 bonds (48.95%)
Value in Rs Cr: Rs 8561 cr (92.97%)

Denomination: Rs 10 lakhs

Number: 6219 bonds (35.56%)
Value in Rs Cr: Rs 621.90 cr (6.75%)

BONDS REDEEMED

Denomination: Rs 1 crore

Number: 8549 bonds (49.31%)
Value in Rs Cr: Rs 8549 cr (93.049%)

Denomination: Rs 10 lakhs

Number: 6135 bonds (35.38%)
Value in Rs Cr: Rs 613.50 cr (6.67%)

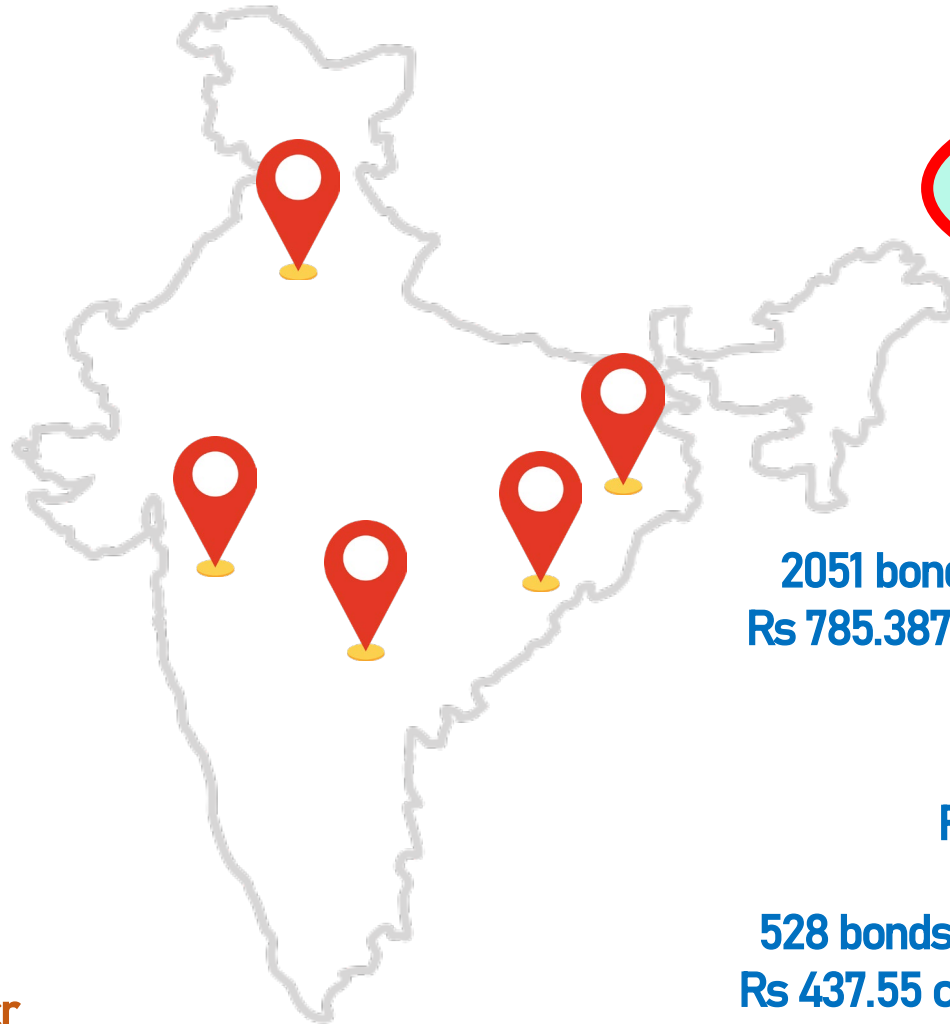
Top five cities with highest (by amount) sale and encashment of Electoral Bonds – Phases I-XIX

City-wise Electoral Bonds Sold

1. Mumbai 3749 bonds
Rs 2636.8763 cr
2. Kolkata 5402 bonds
Rs 2156.1185 cr
3. New Delhi 2216 bonds
Rs 1263.6407 cr
4. Hyderabad 2013 bonds
Rs 1233.87 cr
5. Chennai 1146 bonds
Rs 838..2009 cr

City-wise Electoral Bonds Redeemed

1. New Delhi 11428 bonds
Rs 6287.3215 cr
2. Hyderabad 1624 bonds
Rs 825.0529 cr
3. Kolkata 2051 bonds
Rs 785.3876 cr
4. Bhubaneswar 888 bonds
Rs 604.50 cr
5. Chennai 528 bonds
Rs 437.55 cr



Total donations via Electoral Bonds declared by Political Parties, FY 2019-20

Rs 3441.324 cr

(total donations via electoral bonds
declared by parties for FY 2019-20)

4 National Parties – BJP, INC, NCP &
AITC – declared donations worth **Rs
2993.826 cr** via electoral bonds

14 Regional Parties – TRS, YSR-C, BJD,
DMK, SHS, AAP, JDU, SP, TDP, JDS,
SAD, AIADMK, RJD & JMM – declared
Rs 447.498 cr via electoral bonds

Period Covered: **April 2019 to March 2020**
(Phases IX – XIII)

Rs 3429.5586 cr

(total electoral bonds redeemed by
political parties during FY 2019-20, as per
SBI)

ADR's petition challenging Finance Act, 2017; Electoral Bonds & Removal of company's limit to donate

1. This petition, filed on 4th Sept'17, challenges the Finance Act, 2017 which was enacted as a money bill which introduced the Electoral Bonds Scheme, 2018.
2. On 5th March, 2019 ADR filed an application for stay against the sale/purchase of electoral bonds for Lok Sabha 2019 elections. **ADR had contended that enormous amount of corporate funding would be received by political parties during the general elections** and this would play a critical role in the elections.
3. In response to ADR's application, the SC in its [interim order](#) dated 12th April, 2019 directed **all political parties to submit details of donations received via Electoral Bonds to the ECI in a sealed cover** on or before 30th May 2019.

The aforesaid information was analysed by ADR, which raised several questions on the execution of the Scheme.

ADR filed another application in the SC on **29th November 2019** to bring on record certain vital documents which have surfaced recently and have a strong bearing on the instant case.

On 26th October, 2020 ADR and Common Cause filed a third application for an urgent listing of the petition before the Supreme Court of India before the Bihar Legislative Assembly Elections, 2020.

On 9th March, 2021, ADR and Common Cause filed a fourth application for stay on any further purchase of Electoral Bonds before the upcoming state elections in West Bengal, Tamil Nadu, Kerala, Puducherry and Assam as it would further increase the illegal, illicit and anonymous political funding.

On 23rd August, 2021, ADR and Common Cause filed fifth application for an urgent listing of the petition before the Supreme Court of India seeking a direction to the Centre not to open any further window for sale of electoral bonds

Final Status: SC declined to stay the operation of the Electoral Bonds Scheme.
Next hearing date: **To be decided**

69*

registered unrecognised parties that submitted details to ECI in sealed cover complying with SC's interim order, the reqd. vote share details of only **43 parties** were available to assess their eligibility.

10

Reg. Unrecognised parties that submitted their details in sealed cover to the ECI were **registered in March and April 2019**. **None of these had contested any elections before the 2019 General Elections.**

Only 1 registered unrecognised party of the 43 parties analysed **found eligible to receive electoral bonds**, as per the Electoral Bond Scheme, 2018.

The vote share of the remaining **42 parties** range between **0.86%** and **0.0003%.**

No scrutiny by any authority at any stage prior to redemption of Electoral Bonds by political parties not eligible to encash bonds under the Electoral Bond Scheme, 2018.

There was **little or no demand for bonds of lower denominations**, like Rs 10,000 or Rs 1 lakh, suggesting that **max donations are made by corporates** and not by salaried individuals/small businessmen.

As per ADR analysis, **majority of the Electoral Bonds were received by the governing party – 67.98%** - In the last three FYs.

**After counting the repeated party names (Bharatiya Rashtriya Morcha & Rashtriya Republican Party) once.*

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EDITORIAL

Return of bonds: On Supreme Court refusal to stay electoral bonds scheme

JANUARY 22, 2020 00:02 IST
UPDATED: JANUARY 22, 2020 01:27 IST

POLITICAL FUNDING

Electoral bonds: Voters don't need to know where political parties get their funds from, says Centre

The Supreme Court said it will deliver a judgement in the case against the use of electoral bonds for political funding on Friday.

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RIGHTS

RTI Reveals Electoral Bond Scheme Passed After Only 'Informal Discussion' Among Officials

Though the law ministry had reservations about allowing the particular amendment to the Companies Act, it made an exception for the electoral bonds scheme.

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ANALYSIS RIGHTS

Taxpayers, Not Donors or Parties, Are Bearing the Cost of Printing Electoral Bonds: RTI

The government has incurred a cost of Rs 1.43 crore on printing low-denomination bonds, of which only 117 have been sold.

HUFFPOST

CORONAVIRUS NEWS POLITICS ENTERTAINMENT TECHNOLOGY BOOKS LIFE

NEWS 26/11/2019 9:53 AM IST | Updated 26/11/2019 9:54 AM IST

Electoral Bonds: The Documents That Reveal The Lies The Modi Govt Told

Journalist Nitin Sethi has uploaded all the documents obtained by transparency activist Lokesh Batra through RTI, which formed the basis of the six-part investigative series published last week by 'HuffPost India'.

By Sharanya Hrishikesh

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Electoral Bonds: SBI Branches Deny Information Under RTI About Buyers

This is a violation of peoples' right to know, said activists Anjali Bhardwaj and Amrita Johri, who filed the RTI application.

[NewsClick Report](#) 11 Jan 2020

Recommendations

ADR proposes that the **Electoral Bond Scheme, 2018 should be entirely scrapped.**

The **principle of anonymity** of the bond donor enshrined in the Electoral Bond Scheme, 2018 must be **done away with.**

A **list of all political parties eligible to receive donations through electoral bonds as per the eligibility criteria mentioned in the Electoral Bond Scheme, 2018 should be compiled** and regularly updated on the basis of the vote share secured by the parties.

Express **penalties**, apart from losing tax benefits, should be imposed on political parties **for any non-compliance** with the disclosure provisions.

Political parties that remain inactive over a prolonged period, do not take part in any election and continue to receive donations through electoral bonds should be **de-listed by the ECI** from time to time to ensure that such parties are unable to benefit from the Electoral Bond Scheme, 2018.

The **ECI should be entrusted with the responsibility** to oversee that **no political party ineligible to receive donations through electoral bonds is able to encash them.**

All political parties must provide all **information on the funds from electoral bonds under the RTI.**

Political parties in compliance with CIC's order must be brought **under the ambit of RTI Act, 2005.**

Unrecognised Parties

Unrecognised Parties

Status of submission of annual audit, contribution reports and election activity of Registered
**Unrecognised Political Parties of UP, Punjab, Uttarakhand, Goa & Manipur during
FY 2019-20**

(23rd September, 2021) **889 unrecognised political parties** registered in the following five states:
Punjab (**767**), UP (**66**), Uttarakhand (**37**), Goa (**10**) and Manipur (**9**).

104 such unrecognised political parties have been analysed whose aforesaid details were
available in the public domain.

Of these, 95 parties are of UP, 7 of Punjab and two of Uttarakhand.

Of these 104 parties, audit data is available for 90 unrecognised parties and the contribution
reports/donations data is available for only 36 parties.

While **only 62 unrecognised parties contested any Parliamentary or state assembly election(s)
since 2017**, the remaining 42 parties did not contest any Parliamentary and state assembly
elections during this period.

Out of **889**
reg. unrecog. parties
of UP, Punjab,
Uttarakhand, Manipur
& Goa

90
unrecognised parties
audit details are
available for FY
2019-20

36
unrecognised parties
contribution reports
are available for FY
2019-20

Unrecognised Parties

Total no. of unrecognised parties whose audit reports are available in the public domain (State CEOs websites)			
State	Total Unrecognised Parties (as of 23rd September, 2021)	Audit data available for FY 2019-20	
		No. of Parties	Share of availability
Uttar Pradesh	767	82	10.69%
Punjab	66	6	9.09%
Uttarakhand	37	2	5.41%
Goa	10	Not available on CEO website	-
Manipur	9	Not available on CEO website	-
Grand Total	889 Parties	90 Parties	10.12%

102 of the 270; 37.77% registered unrecognised parties (pan-India) analysed **did not contest any Parliamentary and state assembly elections since 2017.**

Audit reports of only 230 or **8.23%** of the total 2,796 registered unrecognised parties are available in the public domain for FY 2019-20.

Contribution reports of only 160 or **5.72%** of the total 2,796 registered unrecognised parties are available in the public domain for FY 2019-20.

Total no. of unrecognised parties whose donation reports are available in the public domain (State CEOs website)			
State	Total Unrecognised Parties (as of 23rd September, 2021)	Contributions/Donations data available for FY 2019-20	
		No. of Parties	Share of availability
Uttar Pradesh	767	32	4.17%
Punjab	66	4	6.06%
Uttarakhand	37	Not available on CEO website	-
Goa	10	Not available on CEO website	-
Manipur	9	Not available on CEO website	-
Grand Total	889 Parties	36 Parties	4.05%

Recommendations

255 parties were **de-listed** in 2016 from the list of **registered unrecognised parties as they were no longer in existence or functioning**. This exercise should continue so as to weed out all political parties which do not contest in any election for more than 5 years.

The **websites of the state CEOs should be regularly updated** to provide details of status of submission of audit reports and contribution reports by unrecognised parties.

As mentioned in the transparency guidelines, the **list of reports/statements filed by these parties shall be compiled and uploaded on the CEO's website within 24 hours of the due date**. This list shall be periodically updated by the CEO office, within 3 days of receipt of statement/report from any political party.

Regulation of registration of political parties is crucial to avoid money laundering, corrupt electoral practices and abuse of money power. ECI should impose strict norms for the registration of an association of persons as a political party apart from taking the stringent step of de-listing those parties which fail to adhere to the rules.

IT scrutiny of unrecognised parties should be taken up, especially of those which do not contest in elections but declare receipt of voluntary contributions.

Search & Seizure



General Elections to Lok Sabha 2019

Assam 2021

Amount (In Rs Cr) =
27.09

Amount (In Rs Cr) = **844**

Kerala 2021

Amount (In Rs Cr) =
22.88

Puducherry 2021

Amount (In Rs Cr) = **5.52**

West Bengal 2021

Amount (In Rs Cr) = **50.71**

Tamil Nadu 2021

Amount (In Rs Cr) =
236.69

State Assembly Elections 2022



Uttar Pradesh 2022

Amount (In Rs Cr) =
307.92+



Goa 2022

Amount (In Rs Cr) = **12.73**



Manipur 2022

Amount (In Rs Cr) =
167.83+



Punjab 2022

Amount (In Rs Cr) =
510.91



Uttarakhand 2022

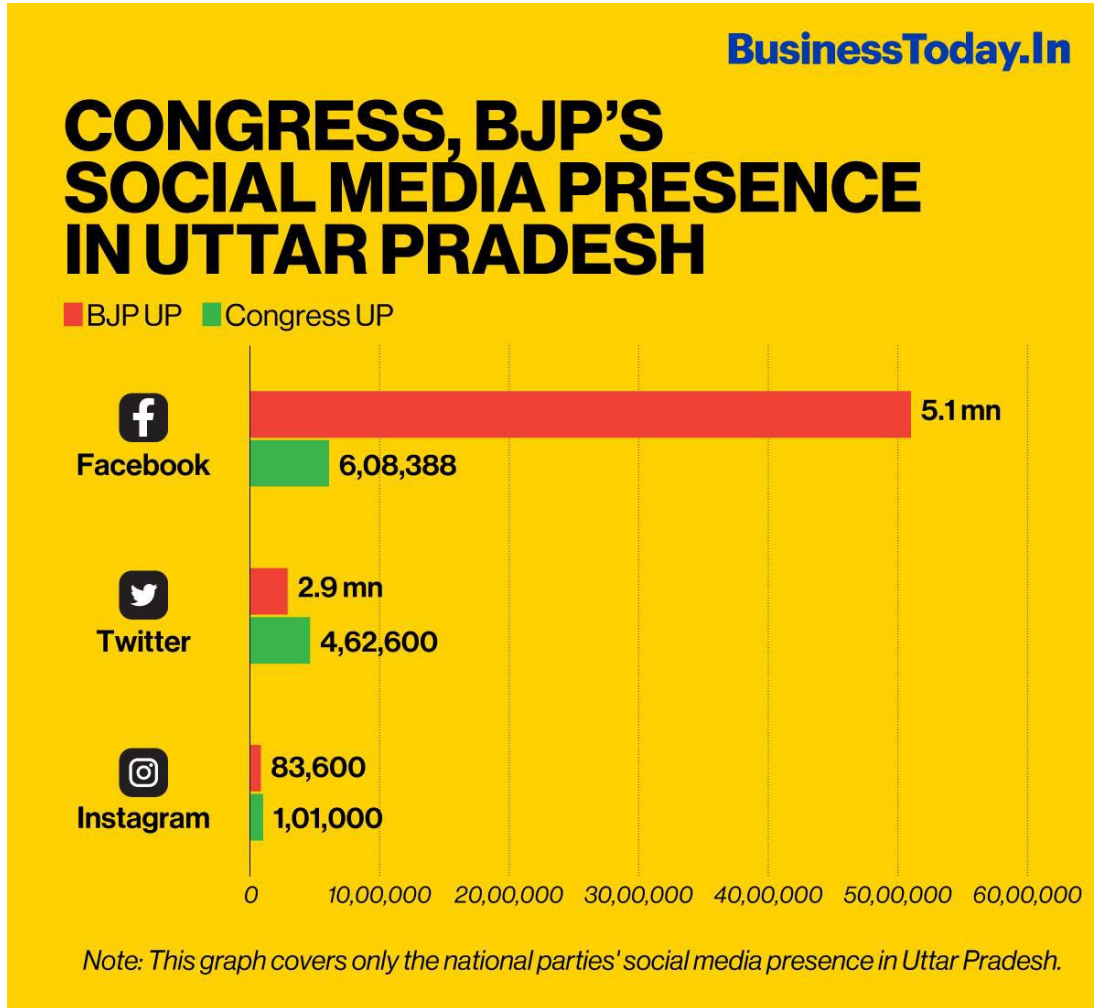
Amount (In Rs Cr) = **18.81**

Recommendations

- Maintain an offline and online database of cases relating to search and seizure containing the specific offence of seizures, status/ outcome and follow-up of FIRs, cases and the complaints lodged on real time basis, list carrying names of specific political parties and candidates involved etc. This information should be made available in the public domain by the ECI.
- All States and Union Territories should file a 'Status Report' before the ECI regarding handling cases of illegal seizures lodged by the EC during each election.
- The EC should be intimated by the CBDT and Income Tax Department pursuant to the conduct of each raid relating to the cases of search and seizure.
- The EC, the CBDT, CBIC, the Income Tax Department, the Ministry of Finance and the Law enforcement agency i.e. Police should jointly devise a mechanism to deal with seizure of cash and other prohibited items, tracking the source of the illicit cash and other seizures, collating comprehensive data on raids conducted, prosecution of culprits during each election, status of each FIR/complaint lodges/ cases filed, tracking system etc.
- Cash seized during elections should be classified as 'election and non election-related' and hence an account of it should be separately maintained by the concerned department.
- The DEOs and State CEOs should also submit a 'Status Report' to the Commission regarding search and seizure matters in their respective states/constituencies. Such information should also be available on the State CEOs website.
- The Commission should work towards creating 'Voter Awareness' regarding the use of money or muscle power along with candidates/political parties that have cases of search and seizure registered/pending against them so that there can be a reduction in the criminality of politics of our country.
- Training should be provided to State CEO offices/DEO offices regarding the implementation of the SOP on search and seizure. This will enable the functionaries of the commission to follow the guidelines laid down in the SOP more efficiently.

Digital Election Campaigns

Digital Campaign Expenses



Storyboard18 | Over Rs 6,500 crore to go towards media spends in UP elections

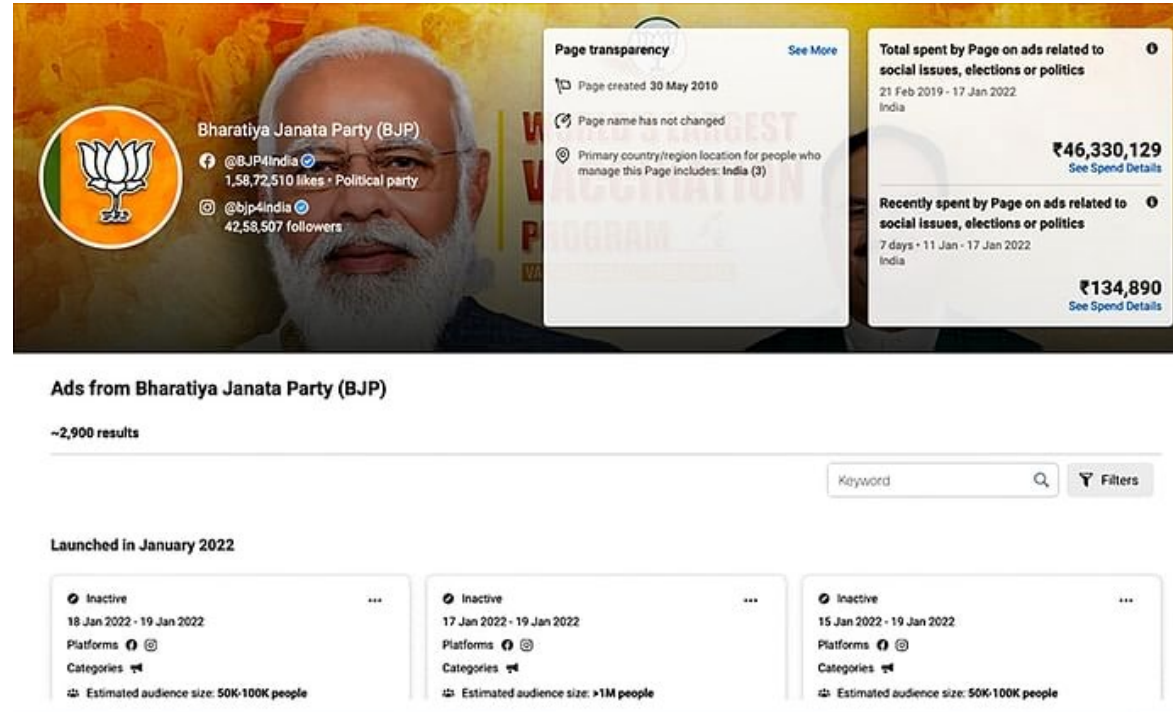
TV will take the lead in terms of media spends. With 65% of the state's population being rural, experts suggest there will be massive focus on language media across television, digital and print.

The **BJP** is said to have a media spend budget between Rs 725 cr and Rs 800 cr followed by **SP** with a budget of Rs 250 crore and then the **BSP** at Rs200 crore and the **INC** at Rs 150 crore.

Facebook Ad Library shows **Uttar Pradesh to be the highest spender** on the platform in the last 30 days. This is followed by Punjab, Goa and Uttarakhand.

UP alone has seen political parties spend Rs 3 crore in ads on FB in the last 30 days, while the amount in Punjab is over Rs 1.38 crore; Goa Rs 46 lakh; and Uttarakhand over Rs 32 lakh between 27 December 2021 and 27 January 2022.

Digital Campaign Expenses



The **BJP** remains the most dominant spender on digital ads. The official handles of BJP, “BJP4UP” and “BJP4India” together have spent more than Rs 93 lakh in advertisements through Facebook.

The **Congress** is not far behind and is the **second biggest digital ad spender**, with its maximum spending in Punjab. The official handle of the Indian National Congress of Punjab, “INCPunjab” has in the last 30 days spent over Rs 47 lakh 32 thousand in Facebook advertisements. The party also has 715 ads in Facebook’s ad library.

Digital Campaign Expenses

On Facebook, the **top two ad spenders for Goa are the TMC and AAP**. The TMC is running two main advertisements for Goa, one in the name of “Goenchi Navi Sakal” and “AITC Goa”. Both these pages together have spent about Rs 23 lakh in the last 30 days.

AAP too has some ads in Goa and Uttarakhand. While in Goa the AAP spent over Rs 3 lakh 39 thousand in the last 30 days in digital ads, in Uttarakhand where it is also contesting elections, the party has spent just about Rs 88,000 in digital campaigns.

Parties like **SP and BSP from UP have hardly any presence among digital campaigners**. However, some individual candidates from SP, BSP and Akali Dal in Punjab are carrying out their personal campaigns on social media through Facebook.

While Google ad reports do not break down spends to specifics, the ad transparency report shows Uttar Pradesh spending Rs 2.87 crore towards political advertising between February 19, 2019 and the present date.

Digital Campaign Expenses: Monitoring Challenges

- Chief Election Commissioner Sunil Arora said, “Holding free and fair elections is one of the biggest challenges facing the Indian democracy due to prevalent abuse of money power”.
- A former bureaucrat in her article titled “Weathervane of democracy” in *The Hindu* dated April 16, 2019, pointed out how electoral malpractice has appeared in new forms. She stated that, “Voter bribery and manipulation through the media have become the techniques of unethically influencing voters in place of voter intimidation and booth capturing.....Misuse of media is difficult to trace to specific parties and candidates”.
- The rapidly changing nature of election campaigns that spend more on micro-targeting (easier to hide) on digital sphere have thrown up new challenges in monitoring and estimation of actual election expenditure of political parties and candidates.
- Election campaigning starts prior to the notification of polls, which also involves advertising in media particularly social media, public interactions and other activities directly targeted at key voter groups

Digital Campaign Expenses: Monitoring Challenges

- Groups like Association of Billion Minds (ABM) which is just one among many, allegedly executed the election campaign for the BJP on social media as reported by (Bansal, Sathe, Khaira, & Sethi, 2019). Several pages on Facebook which made no direct reference to the party/candidates and had million followers were updated and their ownership was transferred to ABM. These pages were then modified to act as party mouthpieces and propagated false news, inflammatory content and poll propaganda in the run up to the Lok Sabha elections.
- Recent revelations about Facebook charging BJP less is also a case in point. Reliance-Funded Firm Helped Boost Pro-BJP Talking Points on Facebook Through Ads, found the Reporter's Collective Report.
- Social media algorithms/analytics and the use of proxies to spread political messages make it hard to track spending or influence on digital media and largely go unaccounted. The 'viral' political content, issue based advertisements or covert advertising on other platforms such as WhatsApp or TikTok, paid trends on Twitter that could influence voters and work to benefit of parties/candidates are hard to attribute to any party's/candidate's campaigning and remain outside the purview of scrutiny.
- Parties and candidates also fail to provide a separate account for their social media expenses, and often combine it with all other expenses under electronic media.

Need for transparency in Political Funding

Weak Compliance & Accountability

- Nearly all forms of organized activity are regulated by proper laws. However, the word “political party” is rarely used in the Constitution, and there is **no comprehensive law for political parties**.
- None of the six political parties have complied with the CIC’s 2013 order.** The commission issued show-cause notices to the political parties for non-compliance, hearings on November 21, 2014 and consequently on the 7th of January, 2015, but all the parties were conspicuously absent from both the hearings.
- Political parties regularly delay/default on the submission of their annual audit accounts/contributions reports.** While law recommends suspension of tax relief of parties in such cases, however, not a single case can be cited where a parties’ tax relief was withdrawn.

S. No.	Party Name	No. of times submission delayed to ECI (FY 2013-14 to 2019-20)
		Annual Audit Report
1	BJP	7
2	INC	6
3	NCP	6
4	CPI	5
5	CPM	0
6	AITC	0
7	BSP	0

- For FY 2019-20, **17** and **26** of the **54 Regional Parties** have **not declared their Annual Audit reports and Contributions reports respectively**, with the ECI.
- For FY 2012-13 to 2017-18, **contributions** declared by National parties of **Rs 15 cr** have **incomplete/erroneous PAN details**.
- Despite EC having overarching powers, there are almost no provisions with respect to penalties on defaulters. Once a political party is registered, **EC has no powers to review the registrations** for having violated the undertaking given at the time of registration.

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disproportionate
asset increase of the
MPs & MLAs.
Supreme Court
made it mandatory
for candidates to
declare sources of
income of spouse
and dependents in
Form 26 of
affidavits.**

Transparency in political finance

- To guarantee independence of parties from undue influence of big donors, ensure that they compete on **equal footing**, and that they practice transparency in political financing.
- [UN Human Rights Committee in General Comment No. 25](#) (The right to participate in public affairs, voting rights, and the right to equal access to public service) adopted in 1996. Transparency and accountability in political financing is integral to such a framework.
- [255th Law Commission of India Report](#): Openness in political finance reporting **reduces** the prevalence of **black money**, bribery and crony capitalism in electoral politics.
- Huge contributions though legal, can result in “**institutional corruption**” which may compromise the political morality norms of a republican democracy.
- Transparency and accountability in political funding **promote electoral participation of women and other marginalised groups** given their unequal access to funds.

The Way Forward

Transparency & Disclosure

- Bring **political parties under RTI**, 2005 in compliance with CIC's 2013 order.
- **Abolish cash donations** altogether.
- Disclose names, addresses and PAN details of donors and donation amount even for contributions less than Rs 20,000.
- **'Electoral Trusts Companies' scheme 2013** should be amended to have a **retrospective effect**.
- Sources of **funds (above Rs 20,000) received** by parties **during the election period to be reported** as part of their election expenditure statement.
- **If state funding is adopted**, it **should be preceded by reforms** such as decriminalisation of politics, inner-party democracy, electoral finance reform, transparency and accountability in political funding etc.
- **Status of submission** of reports by political parties should be made available on ECI website.

The Way Forward

Ensuring Compliance & Accountability

- Requirement of a **law regulating political parties**, party constitution, organization, internal elections, candidate selection etc.
- **Penalty (fine) for non-compliance, de-recognition** in extreme cases while penalty for filing false information should be up to a maximum of fifty-lakh rupees.
- Electoral Trust(s) that fail to submit annual report of contributions in the prescribed format should **not be entitled to tax relief** for such financial year and should be fined.
- Continuation of non-compliance beyond 90 days should result in **banning** the trust from receiving donations in future.

Empowering the ECI

- **Power to ECI to de-recognize political parties** and/or impose strict penalties in case of non-compliance.
- ECI **transparency guidelines** need to be given **statutory backing**.
- **Scrutiny of financial documents** submitted by parties to be conducted annually by a body approved by CAG and ECI.
- Political parties **inactive over a prolonged period, do not take part in any election and continue to receive donations through Electoral Bonds** should be **de-listed by the ECI** from time to time.

Thank You !