Political Funding: Money Power in Indian Elections

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1. About ADR
2. Introduction to Pol. Finance
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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.

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 demands 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.
Income of National Parties, FY 2019-20

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
Income of National Parties, FY 2019-20

### Income of National Parties

- **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**.
  - **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.
Sources of Funding of National Parties, 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.
Year-wise corporate donations received by National Parties between FY 2012-13 and 2018-19

- FY 2018-19: Rs 881.26 cr
- FY 2017-18: Rs 421.99 cr
- FY 2016-17: Rs 563.19 cr
- FY 2015-16: Rs 76.94 cr
- FY 2014-15: Rs 573.18 cr
- FY 2013-14: Rs 224.61 cr
- FY 2012-13: Rs 82.04 cr

-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 crorepati (LS’19)
Parties with money guzzling campaigns select self-financing candidates.

8% winning chance for non-crorepatis
Electoral politics inaccessible to those deserving but not wealthy

21% winning chance for crorepati
Money rather than merit becomes determining factor in election outcomes.

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.

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.

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

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.

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

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.

- **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.
BJP: Entirely waive off the debt of all farmers with less than five acres of landholdings 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

<table>
<thead>
<tr>
<th>For Parliamentary Constituencies (PCs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earlier expenditure limit (2014)</td>
</tr>
<tr>
<td>Rs. 70 Lakh</td>
</tr>
<tr>
<td>Rs. 54 Lakh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For Assembly Constituencies (ACs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earlier expenditure limit (2014)</td>
</tr>
<tr>
<td>Rs. 28 Lakh</td>
</tr>
<tr>
<td>Rs. 20 Lakh</td>
</tr>
</tbody>
</table>

These limits will be applicable in all upcoming elections.
Election Expenditure Data 2017: Five States

- 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)
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.

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

State-wise expenditure incurred by National and Regional parties - Assembly Elections 2017

- An ADR Report
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
KEY FACTS ABOUT ELECTORAL BONDS

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**

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

99.775% of the bonds purchased during the fifteen phases encashed by the political parties within the validity period.
Details of Electoral Bonds sold & Redeemed Phases I-XIX

**BONDS SOLD**

<table>
<thead>
<tr>
<th>Denomination: Rs 1 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 8561 bonds (48.95%)</td>
</tr>
<tr>
<td>Value in Rs Cr: Rs 8561 cr (92.97%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Denomination: Rs 10 lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 6219 bonds (35.56%)</td>
</tr>
<tr>
<td>Value in Rs Cr: Rs 621.90 cr (6.75%)</td>
</tr>
</tbody>
</table>

**BONDS REDEEMED**

<table>
<thead>
<tr>
<th>Denomination: Rs 1 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 8549 bonds (49.31%)</td>
</tr>
<tr>
<td>Value in Rs Cr: Rs 8549 cr (93.049%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Denomination: Rs 10 lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 6135 bonds (35.38%)</td>
</tr>
<tr>
<td>Value in Rs Cr: Rs 613.50 cr (6.67%)</td>
</tr>
</tbody>
</table>

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.
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. Bhubaneshwar
   - 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)
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
Problematic Areas

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.
Controversies

The Hindu

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

January 23, 2020 06:02 IST

Updated: January 22, 2020 09:27 IST

Editorial

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.

The Wire

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.

The Wire

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

Journalist Nilin 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 Shariana Prithiaksh

HuffPost India

Electoral Bonds: SBI Branches Deny Information Under RTI About Buyers

This is a violation of people’s right to know, said activists Anjali Bhadrawaj and Amrita Johri, who filed the RTI application.

NewsClick

Politics India

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NewsClick
**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.
Unrecognised Parties

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.
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
Lok Sabha 2019 & State Assembly Elections 2021

**General Elections to Lok Sabha 2019**

- **Assam 2021**
  - Amount (In Rs Cr) = **27.09**

- **Kerala 2021**
  - Amount (In Rs Cr) = **22.88**

- **Tamil Nadu 2021**
  - Amount (In Rs Cr) = **236.69**

- **West Bengal 2021**
  - Amount (In Rs Cr) = **50.71**

- **Puducherry 2021**
  - Amount (In Rs Cr) = **5.52**
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+
State Assembly Elections 2022

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
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 Rs 200 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.
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.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Party Name</th>
<th>No. of times submission delayed to ECI (FY 2013-14 to 2019-20)</th>
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<tr>
<td>1</td>
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<tr>
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<td>INC</td>
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</tr>
<tr>
<td>7</td>
<td>BSP</td>
<td>0</td>
</tr>
</tbody>
</table>

• 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.
Legal Interventions

PIL in the SC against Electoral Bonds and removal of the 7.5% of the company’s aggregate limit to donate.

Petition against non-compliance by National Parties, of CIC’s 2013 judgment that brought National Parties under the ambit of the RTI Act and declared them as ‘public authorities’.

PIL in SC against amendments in the FCRA, 1976 and 2010.

PIL on the regulation and monitoring of Election Expenditure of the Political parties.

Petition of Lok Prahari – 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.

PIL in the SC against amendments in the FCRA, 1976 and 2010.

Supreme Court made it mandatory for candidates to declare sources of income of spouse and dependents in Form 26 of affidavits.
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, its 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!