

Transparency in Political Funding*

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Association for Democratic Reforms (ADR), a citizen-led, non-political and non-governmental organization which has been working for around 20 years with the objective of bringing electoral and political reforms, so as to improve democracy and governance in India.



To **reduce rising interplay of money and muscle power in Indian politics** and **promote voter awareness.**

Myneta.info (www.myneta.info) is an open data depository platform run by the Association for Democratic Reforms (ADR) which aims to empower Indian voters with election-related information. The following information is available on MyNeta.info:

- 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

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Political Finance & Problematic Areas

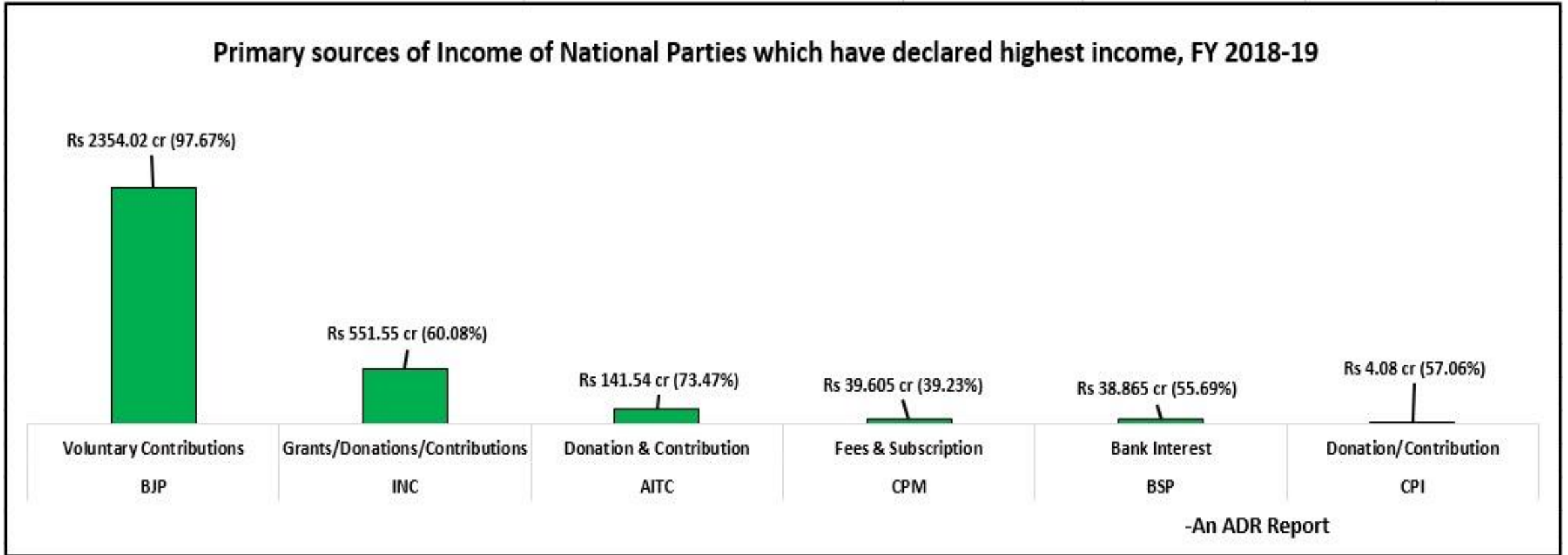
- Parties need **access to campaign finance** to reach out to voters, communicate relevant information and persuade them to vote for them.
- It is seen as necessary and unavoidable **costs of democracy**.
- However, **money** can become a **tool to unduly influence** the political process.
- Unequal 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

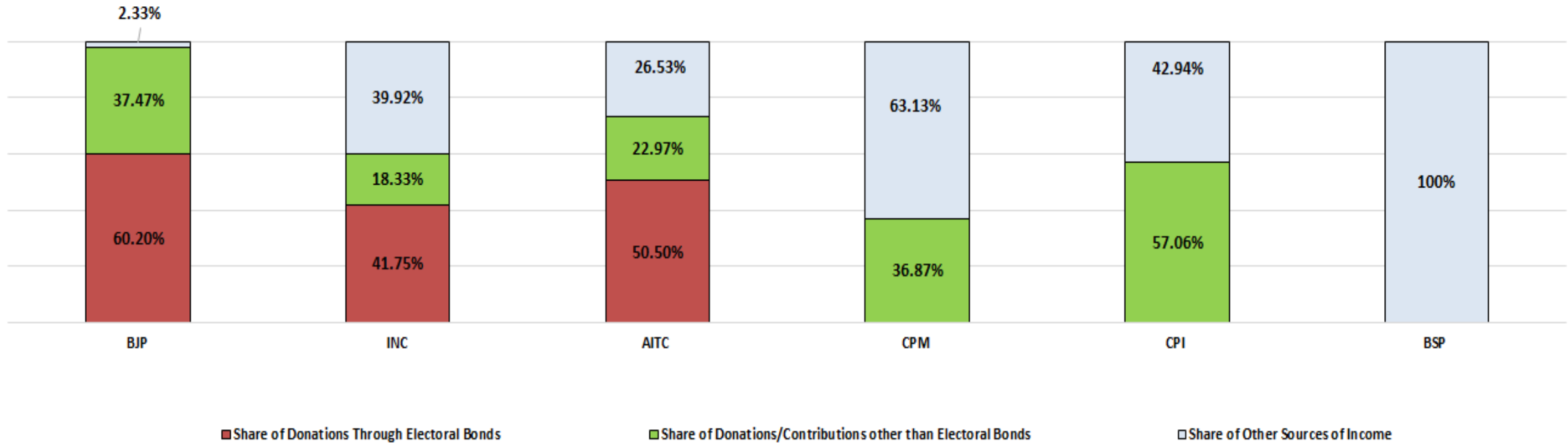
- **ECI's transparency guidelines lack statutory authority** and legal consequence for non-compliance.
- **Absence** of frequent and complete **scrutiny of financial disclosures** of parties by tax authorities.
- Section 77 of RPA, 1951 only regulates “individual” candidates’ and not parties’ expenditures.
- 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**.
- **53 per cent** of the funds cannot be traced and are from ‘**unknown sources**’ (latest ADR Report).
- **Rs 20,000 (\$280) limit easily evaded** as disclosure of donor is not required.



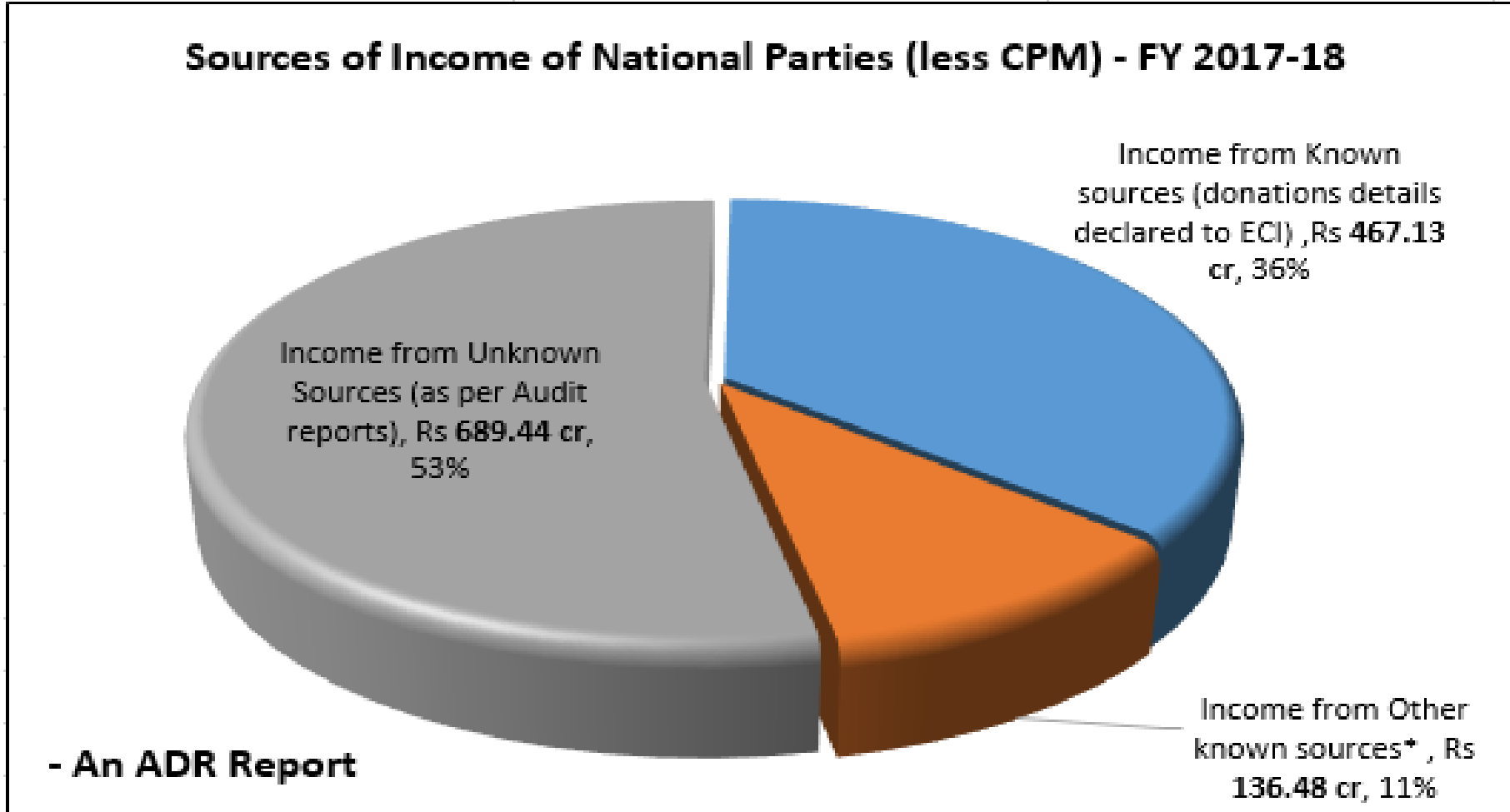


- **BJP** declared a total income of **Rs 2,410.08 cr** during FY 2018-19, an increase of **134.59%** from FY 2017-18.
- Income of **INC** increased by **360.97%** (**Rs 718.88 cr**) from **Rs 199.15 cr** during FY 2017-18 to **Rs 918.03 cr** during FY 2018-19.
- **6** National parties collected **83.50%** (**Rs 3088.43 cr**) of their total income from **Voluntary contributions** for FY-2018-19.
- National Parties that received **highest income from donations/contributions** include **BJP** – Rs 2354.02 cr, **INC** – Rs 551.55 cr, **AITC** – Rs 141.54 cr, **CPM** – Rs 37.228 cr and **CPI** – Rs 4.08 cr.

Share of Income of National Parties who have declared donations through Electoral Bonds, Donations/Contributions and Other income for FY 2018-19



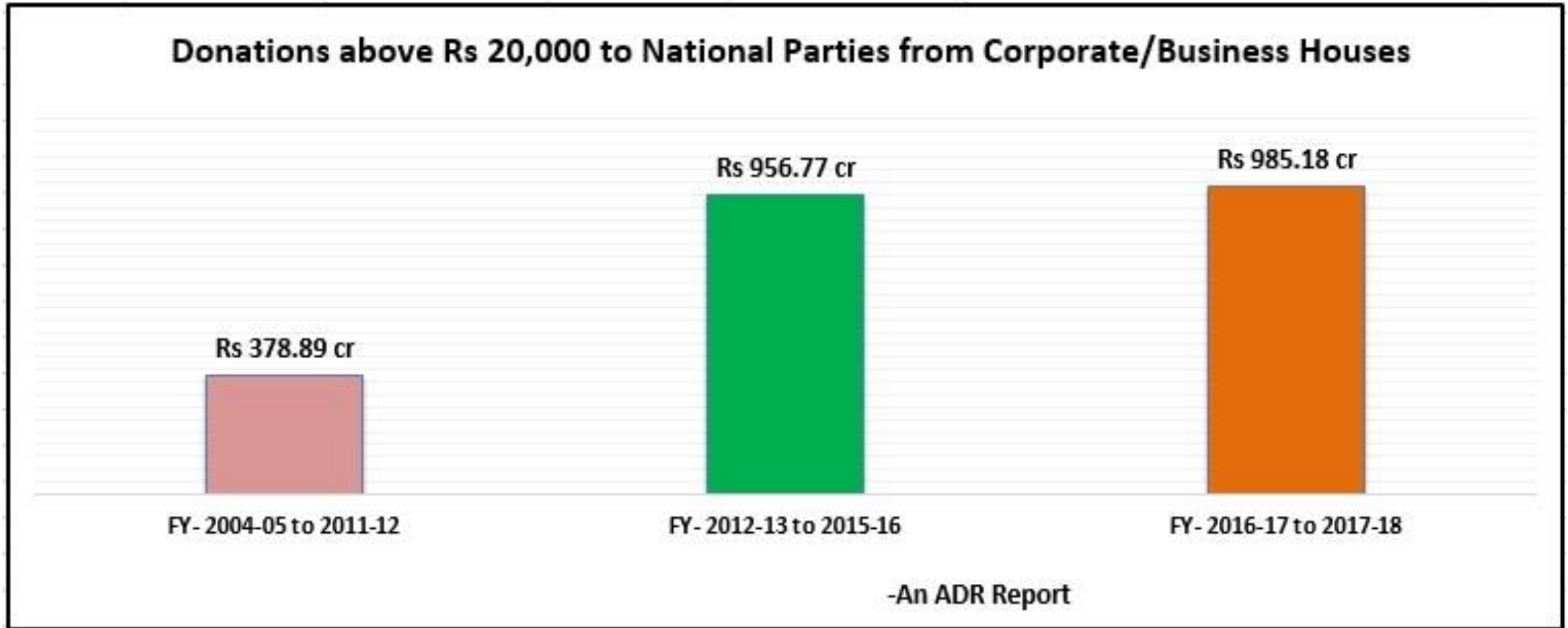
- During FY 2018-19, **BJP**, **INC** and **AITC** declared income from Contribution through Electoral Bonds, a total of **Rs 1931.43 cr.**
BJP – Rs 1450.89 cr (60% of total income), INC – Rs 383.26 cr and AITC – Rs 97.28 cr.
- INC** also received **Rs 322.59 cr** and **Rs 94.596 cr** from Collection from **Sale of Coupons/Publications** and **Electoral Trusts**, respectively.
- Rs 1157 cr** was income generated through **other contributions** by National parties during FY 2018-19.



- National parties collected **Rs 8721 cr (87.21 bn)** from ‘**Unknown Sources***’ between FY 2004-05 to 2017-18.
- During FY 2017-18, National parties received **Rs 689.44 cr** from **unknown sources**; **53%** of their total income.
- **BJP** and **INC** received **Rs 553 cr** or **80%** and **Rs 119.91 cr** or **17%** respectively, from **unknown sources**.

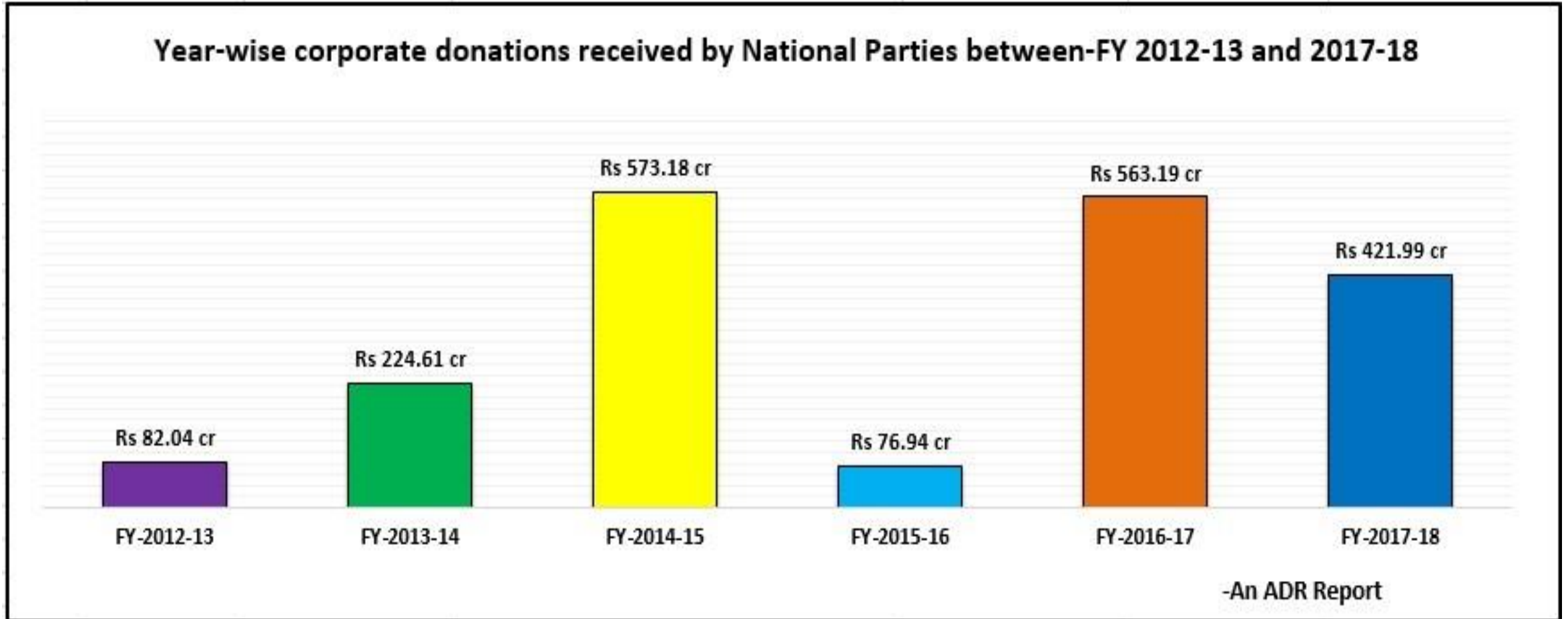
* include voluntary contributions (< Rs 20,000), donations via Electoral Bonds, collection from Sale of Coupons etc.

Corporate Donations to National Political Parties*: Year-wise trends



- Donations from corporates to National Parties **increased by 160%** from the period 2004-12 to 2016-18 (less BSP).
- **FY 2012-13 to 2017-18** (less BSP), donations from corporates to National Parties **increased by 414%**.

Corporate Donations to National Political Parties*: Year-wise trends

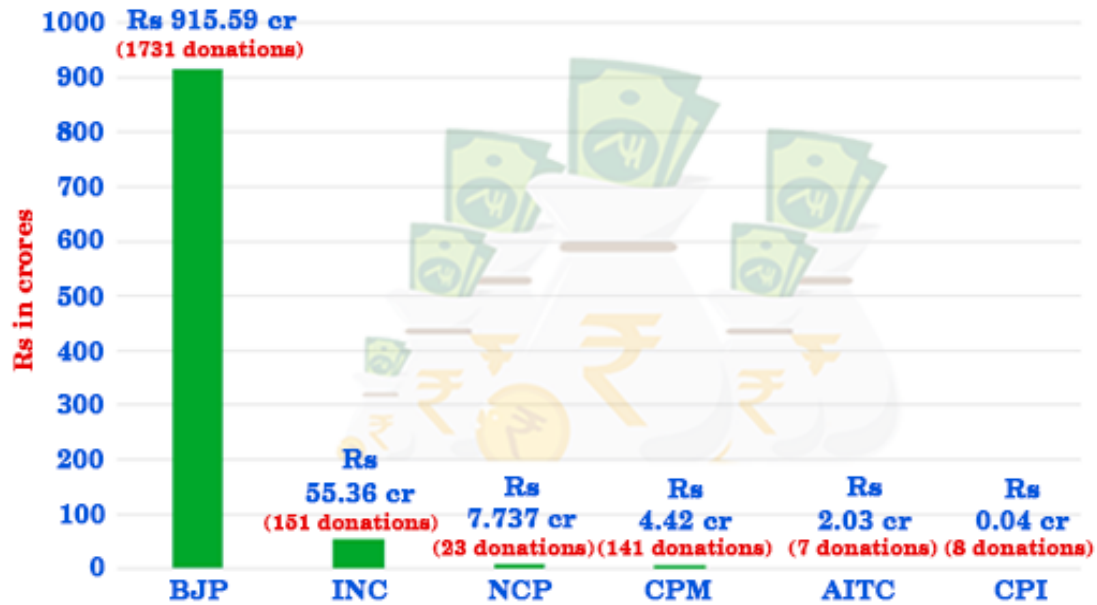


- National parties have received the maximum corporate donations of **Rs 573.18 cr** in the **FY 2014-15** (during which the Lok Sabha elections were held), followed by **FY 2016-17** with **Rs 563.19 cr** and **FY 2017-18** with **Rs 421.99 cr**.
- Corporate donations received in **FY 2016-17** and **FY 2017-18** constituted **29%** and **21.73%** respectively, of the total corporate donations received **between FY 2012-13 and 2017-18**.

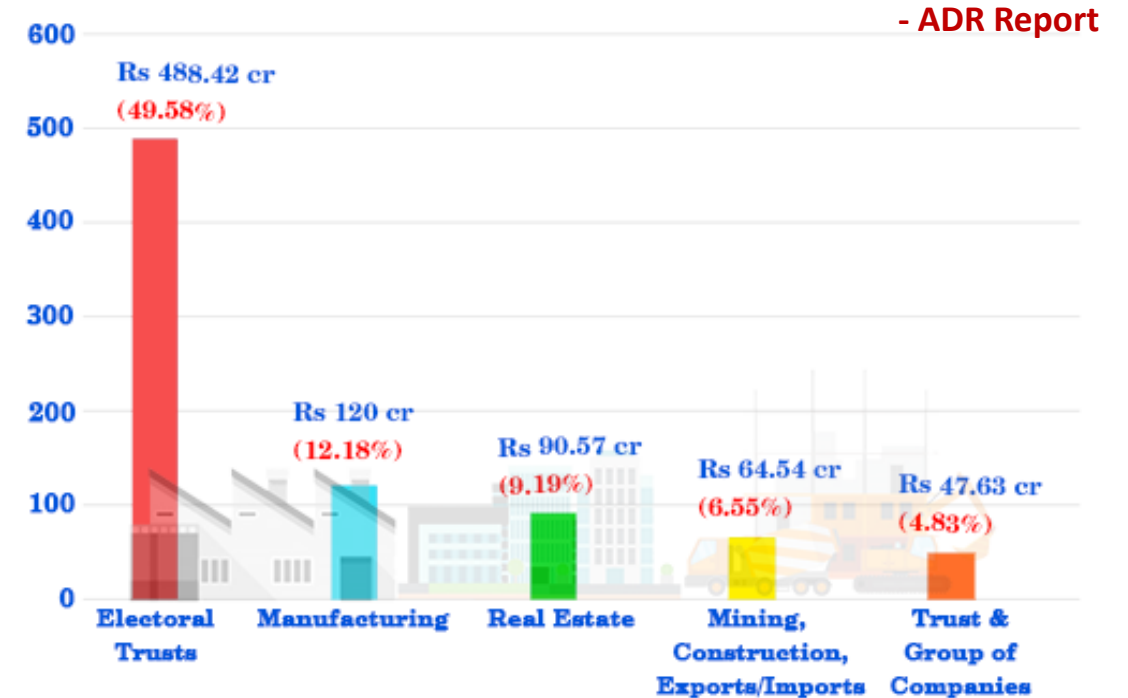
* Known donations above Rs 20,000

Corporate Donations to National Political Parties*: Party & Sector-wise

**Total Corporate Donations received by National Parties
(FY 2016-17 & 2017-18)**



**Share of donations from top 5 sectors to National Parties
(FY 2016-17 & 2017-18)**



- ADR Report

- **BJP** received **Rs 915.59 cr** from **1731 corporate donors**, **93%** of the total corporate donations to national parties.
- **INC** received **Rs 55 cr** from **151 corporate donors** constituting **5.62%** of the total.
- Between FY 2016-17 and 2017-18, **Electoral Trusts** were the **biggest donors to the National Parties**, contributing **Rs 488 cr**.
- **Real Estate sector** – second highest overall contributor in FY 2016-17 with **Rs 49.94 cr** while **Manufacturing sector** in FY 2017-18 with **Rs 74.74 cr**.

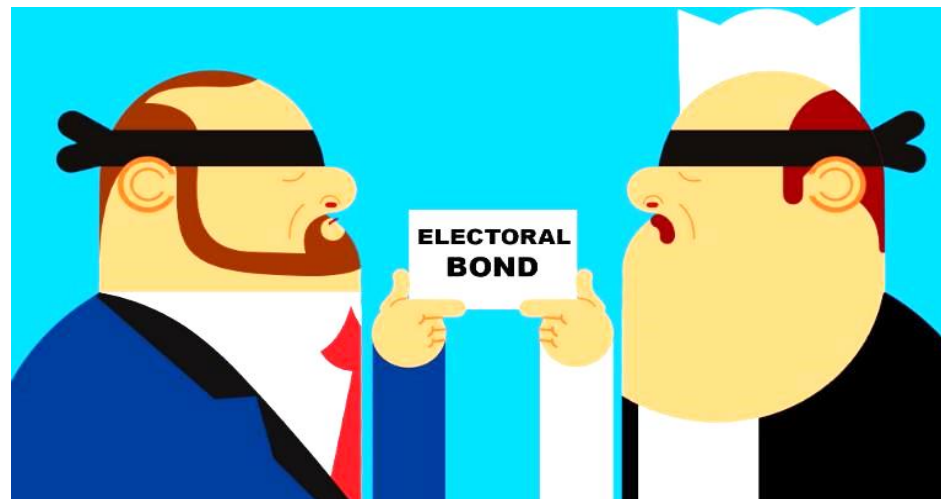
* Known donations above Rs 20,000

Donations via Anonymous Electoral Bonds

- As of January 2020, a total of **12,452 electoral bonds** worth **Rs 6210.39 cr** were purchased while **12,312 bonds** worth **Rs 6190.14 cr** were redeemed by political parties.
- **45.79%** of the total bonds purchased were in the denomination of **Rs 1 crore** while **39.44%** were in the denomination of **Rs 10 lakhs** reinforcing the belief that these are primarily purchased by corporates.
- In FY 2018-19, of 6 National Parties, only **BJP, INC** and **AITC** have declared receiving an income from Electoral Bonds, a total of **Rs 1931.43 cr**. **BJP** received Electoral Bonds worth **Rs 1450.89 cr**, **INC** received **Rs 383.26 cr** and **AITC** received **Rs 97.28 cr**.

**₹ 2256.4
Crores**

Most bonds in terms of value purchased in **April 2019**, the longest sale cycle.



58.32%

March & April 2019 accounted for a whopping **₹ 3622 crores** of the total value of electoral bonds purchased.

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.
- National and Regional **political parties regularly delay/default on the submission of their annual audit accounts and contributions reports.** Though the 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 FY 2018-19)
		Annual Audit Report
1	Bharatiya Janata Party (BJP)	6
2	Indian National Congress (INC)	6
3	Nationalist Congress Party (NCP)	6
4	Communist Party of India (CPI)	5
5	Communist Party of India (Marxist) (CPM)	0
6	All India Trinamool Congress (AITC)	0
7	Bahujan Samaj Party (BSP)	0

- For FY 2018-19, **32** and **29** of the **54 Regional Parties** have **not declared their Annual Audit reports and Contributions reports respectively**, with the ECI.
- Since FY 2012-13, **contributions** declared by National parties amounting to almost **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.



**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 Political
Parties, of CIC's
2013 judgment that
brought National
Parties under the
ambit of the RTI Act
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**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.**

Need for 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 (\$280).
- **'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.

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 (5 million).
- 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.

Thank You !