

Electoral Bonds In India

Electoral Bonds – Significance and Issues involved

Mooted for the first time in the Union Budget, 2017, Electoral bonds were to be bearer bonds that is they would not be registered in the name of a specific owner but will pay to whosoever owns them. One can purchase these bonds from an authorized bank using cheques or digital payment methods and make donations to political parties using these bonds, which can be redeemed in the accounts of a political party.

What are Electoral bonds?

- Electoral bonds are designed as bearer instruments like Promissory notes that carry no information about the owner but yield to the holder or bearer of the bond. The details of the donor are not made public but are available only with the bank.
- It can be purchased by an Indian citizen or a body incorporated in India.
- A political party registered under RoPA, 1951 that secures at least one percent of votes polled in state elections or Lok Sabha elections will be allotted an account by the Election Commission of India, into which the bonds can be redeemed within 15 days of purchase.
- Donations made through these bonds are exempt from taxes.
- The bonds will be issued in multiples of Rs 1000, Rs 10,000, Rs 1 Lakh, Rs 10 Lakh and Rs 1 Crore and can be bought by the donor with a KYC compliant account.

- They cannot be purchased by paying cash. The maximum amount that a political party can receive as donation in cash is capped at Rs 2000. Electoral bonds thus permit them to raise higher sums.

Why is electoral bonds needed?

- They provide a transparent mechanism for political parties to raise finances in order to meet election expenditures. Since the donor buys electoral bonds after furnishing KYC details to the bank, it is a more transparent tool than cash.
- The ADR (Association for Democratic Rights) states that 69% of political funding in India comes from unknown sources. In this context, Electoral bonds provide an alternate, transparent route for parties to raise funds.
- It also preserves anonymity of donors which is essential as they need to be protected against any post-poll intimidation or harassment by political opponents.
- Besides, the life of these bonds is only 15 days which limits the scope for misuse. Also political parties are supposed to disclose the contributions received through electoral bonds to the Election Commission. Therefore, the bonds help in cleaning up the system of electoral finance in India.
- The bonds also offer tax advantage to donors, thus making them an attractive tool for political donations.

Concerns raised against Electoral Bonds

- RBI's autonomy – The government had to amend RBI act in order to issue these bonds as bearer bonds have the characteristics of currency notes which are issued solely by the central bank. The amendment however will amount to fragmenting of the notes issuing power of the RBI particularly at a time when its autonomy is being questioned over its tacit acceptance of Demonetization.
- No Transparency – The bonds are not registered in the name of a specific person as a result donations through electoral bonds continue to provide anonymity to donors.

- Could be used as conduit for money laundering and hoarding black money – Since these bonds continue to provide anonymity to holders, they can be misused much like the Indira Vikas Patras floated as development bonds in 1987 that fell into disrepute owing to similar reasons.
- These will also facilitate round tripping that is rerouting of illicit funds that originate in India, back into the country through a tax haven. Here, it must be noted that India ranks at 19 in a list of 180 countries that figured in the Paradise paper leaks that listed out individuals and companies that moved finances to off-shore locations to evade taxes. Electoral bonds offer secrecy and will encourage such tax evasion.
- Anti- democratic – Law Commission in its 255th report pointed out that secrecy and anonymity provide fertile grounds for lobbying and capture of governments by big donors. Electoral bonds therefore will be instruments that ensure ‘government of the few’.
- Non- disclosure to Election Commission – While RoPA,1951 specifies that donations received by political parties in sums greater than Rs 20,000 be disclosed to the tax authorities, the Finance Bill,2017 explicitly provides an exemption from this clause to electoral bonds. This mars the very purpose of cleaning up electoral finance.
- Not enough secrecy – Another concern raised by political parties against electoral bonds is that the incumbent government can easily find out donor details using KYC details shared with banks. This could make the instruments unpopular.
- Further the scheme was introduced through Finance bill,2017 and as such was not debated in the upper house.

What further reforms are needed in Indian Electoral Finance?

- The cap of Rs 2000 for cash donations provides an opportunity for flow of black money into elections. This should be eliminated altogether. Election Commission has suggested that parties be made to disclose contributions

received in cash for smaller sums in case they exceed 20% of total funds raised. This can be considered.

- An intrusive scrutiny of election expenditure incurred by parties and candidates is required so as to ensure detection of black money in the system.
- To prevent parties from flouting expenditure norms, Election commission should permit higher expenditure limit for candidates.
- A shorter campaign period will limit expenses incurred by parties. Simultaneous elections should also be explored for the same reasons.
- National Electoral Fund, as suggested by former Chief Election Commissioner S.Y Quraishi, to which all donors can contribute is another plausible alternative.
- To bring all parties on a level playing field and to make private donations less relevant, state funding of elections can also be explored.

Electoral bonds are one of a kind instrument introduced in the country to clean up the political system. While they raise concerns, they are better than cash and introduce more transparency in electoral finance. The need is to pair them with other reforms needed in the electoral system to bring down the role of money power in Indian politics.

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