

# Electoral Bonds Scheme

## [UPSC Notes]

### What is an Electoral Bonds?

Electoral Bonds are financial instruments that can be used by a person, who is a citizen of India or incorporated or established in India to donate to political parties.

- Electoral Bonds were introduced during the 2017 union Budget. Such bonds, which are sold in multiples of Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore, can be bought from authorized branches of the State Bank of India.
- The donor can give the bond to any political party. In turn, political parties have to redeem Electoral Bonds within 15 days.
- Only the Political Parties registered under Section 29A of the Representation of the People Act, 1951 (43 of 1951) and which secured not less than one percent of the votes polled in the last General Election to the House of the People or the Legislative Assembly of the State, shall be eligible to receive the Electoral Bonds.
- The Electoral Bonds shall be encashed by an eligible Political Party only through a Bank account with the Authorized Bank.
- The bonds will be available for purchase for a period of 10 days each at the beginning of every quarter, i.e. in January, April, July, and October as specified by the Central Government.
- An additional period of 30 days shall be specified by the Central Government in the year of the Lok Sabha elections.
- The main aim of the electoral bond scheme was to bring transparency in electoral funding in India.
- As per the government, Political parties were receiving most of their funds through anonymous donations which are shown in cash. Thus Electoral Bonds were aimed to cleanse the system of political funding in India.

### How does Electoral Bond Works?

- Notified banks are chosen only.
- These banks will issue Electoral Bonds
- The donor buys Electoral Bonds using digital payments/cheques
- Donors are given the part of the bond within a certain timeframe

- The party deposits the bond in an account, and its details are with the electoral commission

## How Electoral Bonds will ensure transparency?

Now that Electoral Bonds are introduced, all the donations made to a party would be accounted for in the balance sheets without exposing the donor details to the public.

- the amount of money that a political party could accept in cash from anonymous sources has been reduced from Rs 20,000 to Rs 2,000.
- Thus it will ensure black money is not used for funding of elections and the use of Electoral Bonds in its place will ensure transparency.

## Benefits of Electoral Bonds

The benefits of Electoral Bonds are as follows:

- It ensures transparency and helps the political parties to operate in a transparent way with the election commission, general public, and regulatory authorities at large.
- Donations done through the Electoral Bonds will be credited only to the party bank account.
- Cash will not be encouraged, as the purchase will be possible only through a certain number of notified banks and also through digital payments and cheques.
- Groups of individuals, NGOs, individuals, and other trusts can donate via Electoral Bonds without disclosing their details. In this way, the identity of the donor will be safe.

## What are the issues faced by the Electoral bond scheme?

The main criticism of the Electoral Bonds scheme is that it does the exact opposite of what it was meant to do: bring transparency to election funding.

- As per the expert's view that if the Electoral Bonds scheme had been introduced to bring about greater transparency, the government must not restrain from allowing details of such donations to be made public.
- while Electoral Bonds provide no details to the citizens, the said anonymity does not apply to the government of the day, which can always access the donor details by demanding the data from the State Bank of India (SBI).
- The majority of funds received by dominant political parties and shareholders of a company will not know, to whom the fund is being donated.

- Before the Electoral Bonds scheme was announced, there was a cap on how much a company could donate to a political party: 7.5 percent of the average net profits of a company in the preceding three years. However, the government amended the Companies Act to remove this limit, opening the doors to unlimited funding by corporate India, critics argue.
- The Finance Act 2017, which introduced the system of Electoral Bonds for the purpose of electoral funding, was passed as the Money Bill. Through an amendment to the Finance Act 2017, the Union government has exempted political parties from disclosing donations received through Electoral Bonds. Before the introduction of Electoral Bonds, political parties had to disclose details of all their donors, who have donated more than Rs 20,000. According to transparency activists, the change infringes the citizens 'Right to Know' and makes the political class even more unaccountable.

## What is the View of the Supreme Court and Election Commission on Electoral Bonds?

Below we have discussed the Supreme Court and Election Commission on Electoral Bonds

- In 2019 the Supreme Court asked all the political parties to submit details of donations received through Electoral Bonds to the ECI. It also asked the Finance Ministry to reduce the window of purchasing Electoral Bonds from 10 days to five days.
- The Election Commission told the Supreme Court of India that while it was not against the Electoral Bonds Scheme, it did not approve of anonymous donations made to political parties.