

## 1. Govt Policy on Funding Political Parties' Bad News for Democracy

### Context:

- The Government decided to Issue Electoral Bonds as a Money Bill. This was unconstitutional because electoral bonds are not covered by the definition of 'money bill' in the Constitution.

### What is Electoral Bonds?

- Electoral bonds are a transparent and a legal instrument, wherein a donor has to purchase these electoral bonds from select branches of the State Bank of India (SBI) through a KYC bank account for electoral bonds.
- The electoral bond, which will be a **Bearer Instrument, will not carry the name of the payee** and can be bought for any value, in multiples of Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh or Rs 1 crore.

### Eligibility for availing Electoral Bonds:

- Electoral bonds may be purchased by a citizen of India, or entities incorporated or established in India.
- **Only the registered Political Parties which have secured not less than one per cent** of the votes polled in the last Lok Sabha elections or the State Legislative Assembly are eligible to receive the Electoral Bonds.

### Why it was Introduced?

- Electoral bonds were introduced **to stop cash funding of political parties** because most political parties were taking large donations in the form of cash.
- While introducing electoral bonds, the individual donations or cash donation to any political parties have been **reduced from ₹20,000 to ₹2,000**, in a way making it difficult for political parties to receive cash funding.
- This system has ensured that cash cannot be used to purchase electoral bonds and cash cannot be donated to political parties in higher amount.
- The real purpose of these electoral bonds is to **ensure clean money and tax paid money comes into political parties** and not some slush funds or corrupt money.

### Concerns regarding the Electoral Bond scheme:

- The Election Commission (EC) saying that the electoral bonds as proposed would have serious impact on the transparency aspect of funding of political parties, with the

**possibility of shell companies being created only for making donations and warned it could increase the use of black money.**

- **Coupled with the removal of cap (7.5%) on Foreign Funding**, electoral bonds invite foreign corporate powers to impact Indian politics.
- Electoral bonds make electoral funding even more opaque. It will bring more and more black money into the political system.
- Companies no longer need to declare the names of the parties to which they have donated so shareholders won't know where their money has gone.
- With electoral bonds there can be a legal channel for companies to round-trip their tax haven cash to a political party.
- If this could be arranged, then a businessman could lobby for a change in policy, and legally funnel a part of the profits accruing from this policy change to the politician or party that brought it about.
- **Out of the bonds worth ₹220 crore sold in 2017-18, as much as ₹210 crore (95%)** was donated to the BJP.
- Observers had expressed an apprehension, at the introduction of the scheme, that it had the potential of choking the funding for all opposition parties, and may give a huge undue advantage to the ruling party.
- They have in **favour to the Ruling Party as the donor bank** and the receiver bank know the identity of the person. But both the banks report to the RBI which, in turn, is subject to the Central government's will to know.

### **Conclusion:**

- To summarise, it is a scheme which two constitutional authorities—EC and RBI—have said will encourage money laundering and lead to increased use of black money for political funding through shell companies.
- So, more scrutiny is needed regarding the scheme in its implementation.