



Electoral Bonds

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Why in News

The **Supreme Court** flagged the **possibility of misuse of money** received by political parties through **electoral bonds** for ulterior objects like funding terror or violent protests.

The court also asked the government **whether there is any “control”** over how these donations were used by political parties.

Electoral Bond

- Electoral Bond is a **financial instrument for making donations to political parties**.
- The bonds are issued in multiples of Rs. 1,000, Rs. 10,000, Rs. 1 lakh, Rs. 10 lakh and Rs. 1 crore **without any maximum limit**.
- **State Bank of India** is authorised to issue and encash these bonds, which are valid for fifteen days from the date of issuance.
- These bonds are **redeemable in the designated account of a registered political party**.
- The bonds **are available for purchase by any person (who is a citizen of India or incorporated or established in India)** for a period of ten days each in the months of January, April, July and October as may be specified by the Central Government.
 - A person being an individual can buy bonds, either singly or jointly with other individuals.
 - Donor's name is not mentioned on the bond.

Key Points

- **Background:** The **Electoral Bond Scheme acts as a check against traditional under-the-table donations** as it insists on cheque and digital paper trails of transactions, however, several key provisions of the scheme make it highly controversial.

- **Misuse of Electoral Bonds as Pointed Out in the Supreme Court:**

- **Anonymity:** Neither the donor (who could be an individual or a corporate) nor the political party is obligated to reveal whom the donation comes from.
- **Asymmetrically Opaque:** Because the bonds are purchased through the **State Bank of India (SBI)**, the government is always in a position to know who the donor is.

This asymmetry of information threatens to colour the process in favour of whichever political party is ruling at the time.

- **Chanel of Blackmoney:** Elimination of a cap of 7.5% on corporate donations, elimination of requirement to reveal political contributions in profit and loss statements and also the elimination of the provision that a corporation must be three years in existence, undercuts the intent of the scheme.

A shell company can donate an unlimited amount anonymously to a political party giving it a convenient channel for business to round-trip its cash parked in tax havens for a favour or advantage granted in return for something.

- **Government's Defence:**

- **Conditions for Electoral Bonds:** Only parties registered under the **Representation of the People Act 1951** could receive donations through electoral bonds, and they also should not have secured less than 1% of the votes polled in the previous elections.
- **To Take on the Menace of Black Money in Politics:** Only white money is involved in the Bonds as the amounts are paid only through **cheque or demand draft**.

KYC norms are also followed.

- **Election Commission of India's Support:** ECI was not opposed to the bonds but was **only concerned about the aspect of anonymity**.

It also urged the court not to stay the bonds and said the **scheme is one step forward compared to the old system of cash funding**, which was unaccountable.

Way Forward

- There is a **need for effective regulation of political financing** along with bold reforms to break the vicious cycle of corruption and erosion of quality of democratic polity.
- It is **crucial to plug the loopholes in the current laws** to make the entire governance machinery more accountable and transparent.
- **Voters can also help bring in substantial changes** by demanding awareness campaigns. If voters reject candidates and parties that overspend or bribe them, democracy would move a step higher.

Source:TH