



Amendments in Electoral Bond Scheme

For Prelims: Electoral bonds, Criminalization of Politics, Electoral Bond Scheme, Registered Political Party, Representation of the People Act, 1951

For Mains: Electoral Bonds, Elections Funding

Why in News?

Weeks ahead of elections in certain states, the Central Government has amended the [Electoral Bond Scheme](#).

What is the Electoral Bond Scheme?

- **Electoral Bonds:**
 - [Electoral bonds](#) are money **instruments like promissory notes**, which can be bought by companies and individuals in India from the State Bank of India (SBI) and donated to a political party, which can then encash these bonds.
 - The bonds are only redeemable in the designated account of a [registered political party](#).
 - A person being an individual can buy bonds, **either singly or jointly with other individuals**.
- **Electoral Bond Scheme:**
 - Electoral Bonds Scheme was launched in 2018 to to cleanse the political funding in India.
 - The central idea behind the electoral bonds scheme is to **bring about transparency in electoral funding in India**.
 - The government had described the scheme as an “electoral reform” in a country moving towards a “cashless-digital economy”.

What are the Amendments Made to the Scheme?

- **Additional Period of 15 Days:**
 - Introduced a new para, stating that an additional period of **fifteen days** shall be specified by the Central Government in the year of general elections to the Legislative Assembly of States and Union territories with Legislature.
 - In 2018, when the Electoral Bond Scheme was introduced, these bonds were made available for a period of 10 days each in January, April, July and October, as may be specified by the central government.
 - An additional period of 30 days was to be specified by the Central Government in the year of the General election to the House of People.
- **Validity:**
 - The Electoral Bonds **shall be valid for fifteen calendar days from the date of issue** and no payment shall be made to any payee Political Party if the Electoral Bond is deposited after expiry of the validity period.
 - The Electoral Bond deposited by an eligible Political Party in its account shall be credited on the same day.
- **Eligibility:**
 - Only the political parties registered under **Section 29A of the [Representation of the People Act, 1951](#)** which secured at least **1% of votes polled in the last General Election** to the Lok Sabha or the State Legislative Assembly are **eligible to receive Electoral Bonds**.

What are the Concerns Regarding Electoral Bonds?

- **Contradicting its Basic Idea:**
 - The central 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**.
 - For example, critics argue that the anonymity of electoral bonds is only for the broader public and opposition parties.
- **Possibility of Extortion:**
 - The fact that such bonds are sold via a government-owned bank (SBI) leaves **the door open for the government to know exactly who is funding its opponents**.
 - This, in turn, allows the possibility for the **government of the day to either extort money, especially from the big companies**, or victimise them for not funding the ruling party — either way providing an unfair advantage to the party in power.
- **A Blow to Democracy:**
 - Through an amendment to the [Finance Act 2017](#), the Union government has exempted political parties from disclosing donations received through electoral bonds.
 - This means the voters will not know which individual, company, or organization has funded which party, and to what extent.
 - However, in a representative democracy, citizens cast their votes for the people who will represent them in Parliament.
- **Compromising Right to Know:**
 - The [Supreme Court of India](#) has long held that the “right to know”, especially in the context of elections, is an integral part of the [right to freedom of expression \(Article 19\)](#) under the Indian Constitution.
- **Against Free & Fair Elections:**
 - The bonds provide no details to the citizens but said anonymity does not apply to the government, which can **always access the donor details by demanding the data from the State Bank of India (SBI)**.
 - This implies that the government in power can leverage this information and disrupt free and fair elections.
- **Crony Capitalism:**
 - The electoral bonds scheme **removes all pre-existing limits on political donations** and effectively allows well-resourced corporations to fund elections, subsequently paving

the way for crony capitalism.

- Crony Capitalism is an economic system characterized by close, **mutually advantageous relationships between business leaders and government officials**.

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](#)

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