



Electoral Bonds

For Prelims: Electoral bonds

For Mains: Electoral Bonds, Elections Funding, Criminalization of Politics, Issues Arising Out of Design & Implementation of Policies

Why in News?

The [Supreme Court](#) will take up for hearing a pending plea challenging the Electoral Bond Scheme, 2018.

- Two NGOs — Common Cause and Association for Democratic Reforms (ADR) — have challenged the scheme, **alleging that it is “distorting democracy”**.

What are Electoral Bonds?

- These 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 **only redeemable in the designated account of a [registered political party](#).**
- The bonds are **available for purchase by any citizen of 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.
- The **donor's name is not mentioned** on the bond.
 - Donors who contribute less than Rs. 20,000 to political parties through purchase of electoral bonds need not provide their identity details such as PAN, etc.
- The central idea behind the electoral bonds scheme was **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”**.

Why have electoral bonds attracted criticism?

- **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 Indian Supreme Court 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:** 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).
 - 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: 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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