



Electoral Bonds

For Prelims: [Electoral Bonds](#), [Supreme Court \(SC\)](#), [Representation of the People Act, 1951](#), [Election Commission of India \(ECI\)](#), Finance Act 2017, Articles 19, 14, and 21.

For Mains: Electoral Bonds and challenges associated with it, Salient features of the Representation of People's Act, Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Source: TH

Why in News?

Recently, the [Supreme Court \(SC\)](#) has referred petitions challenging the [2018 Electoral Bonds Scheme](#) to a five-judge Constitution Bench.

- While the Centre has termed the scheme “a big step towards electoral reform” which “will ensure transparency” and “accountability”, petitioners have contended that it affects transparency in political funding.

Note

The court has agreed to focus primarily on two critical issues related to the **electoral bonds scheme**:

- The **legality of anonymous donations** to political parties and the **infringement of citizens' right to information** about political party funding, potentially promoting corruption.
- These issues relate to the violation of constitutional **Articles 19, 14, and 21**.

What are Electoral Bonds?

- **About:**
 - The electoral bonds system was **introduced in 2017** by way of a Finance bill and it was implemented in 2018.
 - They serve as a means for individuals and entities to make donations to registered political parties while maintaining donor anonymity.
- **Features:**
 - [State Bank of India \(SBI\)](#) issues the bonds in denominations of Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore.
 - Payable to the bearer on demand and interest-free.
 - Purchased by Indian citizens or entities established in India.
 - Can be bought individually or jointly with other individuals.
 - Valid for 15 calendar days from the date of issue.

- **Authorized Issuer:**
 - SBI is the authorized issuer.
 - Electoral Bonds are issued through designated SBI branches.
- **Eligibility of Political Parties:**
 - Only the political parties registered under Section 29A of the [Representation of the People Act, 1951](#) and have secured not less than 1% of the votes polled in the last general election to the [House of the People](#) or the Legislative Assembly, are eligible to receive electoral bonds.
- **Purchase and Encashment:**
 - Electoral Bonds can be purchased digitally or through cheques.
 - Encashment only through an authorized bank account of the political party.
- **Transparency and Accountability:**
 - Parties must disclose their bank **account with the [Election Commission of India \(ECI\)](#).**
 - Donations are made through banking **channels, ensuring transparency.**
 - Political parties are obligated to explain the utilization of the funds received.
- **Benefits:**
 - Enhanced transparency in political party funding.
 - Accountability in disclosing donation utilization.
 - Discouragement of cash transactions.
 - Preservation of donor anonymity.

What are the Concerns Related to the Electoral Bond Scheme?

- **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 i.e. to **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.
- **Favoritism towards Rich Corporates:**
 - The Electoral Bonds Scheme has **opened the floodgates to unlimited corporate donations to political parties** and anonymous financing by Indian as well as foreign companies which can have serious repercussions on the Indian democracy.
 - Donations made under this scheme by corporate and even **foreign entities enjoyed a 100% tax exemption,** benefiting wealthy corporations.
- **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](#).**
 - The Centre had made multiple amendments by way of two **Finance Acts— Finance Act, 2017 and Finance Act, 2016,** both passed as money bills.
 - The petitioners challenged the amendments as being “**unconstitutional**”, “**violative of doctrines of separation of powers**” and **violative of an array of fundamental rights.**
- **Against Free & Fair Elections:**
 - 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.

Legal Insights

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