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The Big Picture: Regulating Anonymous Donations

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The Election Commission has urged the government to slash the cap on anonymous donations to political parties from the present Rs20,000 to Rs2,000 to usher in more transparency. In a letter to the Legislative Department of the Law Ministry, the Election Commission pointed out that while its demand to cap cash donations to parties to Rs 2,000 per person has been accepted, another demand to cap anonymous donations to Rs 2,000 is still pending. The poll panel had written to the government in the middle of 2017 to amend Section 29C of the Representation of the People Act, 1951, to put a cap on anonymous donations. The letter sent is a reiteration reminding the government that its demand has not yet been acted upon.

DRISHTI INPUT

Union Budget 2017-18, proposed to make changes related to donations made to political parties and maintaining the anonymity of donors. Changes made were as follows-

- The maximum amount of cash donation, a political party can receive is Rs2000 from one person.
- Political parties are entitled to receive donations by cheque or digital mode from their donors.
- Amendment to the Reserve Bank of India Act enabled the issuance of electoral bonds.
- Every political party has to file its return within the time prescribed in accordance with the provision of the Income-tax Act. Existing exemption to the political parties from payment of income-tax would be available only subject to the fulfillment of these conditions.

Regarding donations by companies to political parties, the amendments to the Finance Bill provided

- Confidentiality to corporates and removal of the limit on funding as regards to the proportion of profit previously limited at 7.5 percent.
- In addition, the Bill also proposed that contributions to parties will have to be made only through a cheque, bank draft, electronic means, or any other instrument notified by the central government.

Issues Related to Election Funding

- 75% of the donors to a political party are anonymous. The source of money could be crime, drug or ill-intentioned foreign money, which cannot be tracked.
- Consequently, the money that is received in cash is not audited properly and therefore becomes a source of malfeasance.
- In order to weed out cash donation, the concept of the electoral bond was brought in. However, the element of anonymity remained. That is, an anonymous person can fund a political party without the name being disclosed.
- This is a very big issue because affluent people can fund a political party and in return influence the laws and policies in their favour.
- The electoral bond scheme helps to keep the identity of the donor a secret. Therefore, the donor's political affiliation is kept secret and therefore protected. Though the donor wants anonymity, the public at large wants transparency.

How to Resolve the Issue?

- **The state funding of the elections can be scrutinized. It has following benefits-**
 - Public funding can limit the influence of interested money and thereby help curb corruption.

- Public funding can increase transparency in party expenditure.
- If parties and candidates are privately funded, it may lead to crony capitalism.
- Issues of public funding of elections
 - This will encourage spawning of new parties every now and then.
 - Further, it will burden the exchequer.
- However, former election commission chairman S.Y. Qureshi has suggested state funding of the political parties instead of state funding of elections.

State funding of elections - where the state bears the election expenditure of political parties contesting the Election.

State funding of political parties - where political parties are assisted financially in their functioning.

So, basically, state funding of political parties is a regular and permanent affair while state funding of elections will be periodic as they are done only during the elections.

- As for the burden on the state exchequer, a National Election Fund can be created where people can donate anonymously. And at the end of the five years, the collected amount can be given to respective political parties based on performance. 70% of the European countries have this system.
- Auditing of expenditure done by every political party is a must.
- Even the smallest of donation should be done through digital means. This will ensure transparency and traceability.

Conclusion

- Experts believe the electoral bond or cash payment below Rs 2000 move will not have a much significant effect on the upcoming general elections. So, measures should be taken to regulate anonymous donations immediately.
- Steps should be taken to generate awareness among voters about the ill-powers of money in elections.
- A conscious effort must be made to monitor political expenditure. Preferably, on a monthly basis by Election Commission.