



Study of Latest Election reforms as Electoral Bond, its Significance and Denominations

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Abstract : Electoral Bond is a financial instrument for making donations to political parties. These are issued by Scheduled Commercial banks upon authorisation from the Central Government to intending donors, but only against cheque and digital payments (it cannot be purchased by paying cash). These bonds shall be redeemable



in the designated account of a registered political party within the prescribed time limit from issuance of bond. Electoral Bond is an effort made to cleanse the system of political funding in India. The scheme of electoral bonds addresses the concerns of donors to remain anonymous to the general public or to rival political parties.

Further, in accordance with the suggestion made by the Election Commission, the maximum amount of cash donation that a political party can receive is stipulated at Rs. 2000/- from one person, pursuant to the announcement in Union Budget 2017-18. However, Political parties will be entitled to receive donations by cheque or digital mode from their donors. Every political party would have 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 fulfilment of these conditions.

As per Section 29C(1) of The Representation of People Act, 1951, the political party needs to disclose the details of non-governmental corporations and persons who donate more than Rs. 20,000 to it in a financial year. Vide the Finance Bill 2017, it has been specified that no report needs to be prepared in respect of the contributions received by way of an electoral bond.

This reform is expected to bring about greater transparency and accountability in political funding, while preventing future generation of black money.

Electoral Bond :

Electoral bonds will be issued by a notified bank for specified denominations. If you are keen to donate to a political party, you can buy these bonds by making payments digitally or through



cheque. You are then free to gift the bond to a registered political party. The bonds will likely be bearer bonds and the identity of the donor will not be known to the receiver.

The party can convert these bonds back into money via their bank accounts. The bank account used must be the one notified to the Election Commission and the bonds may have to be redeemed within a prescribed time period.

But this does not sound like a bond, you say? What's the principal and where's the interest? The electoral bond is more like a bail-bond than a Government or corporate bond. Electoral bonds are essentially like bearer cheques. The issuing bank will remain the custodian of the donor's funds until the political party redeems the bond. So, only the RBI will most likely be allowed to issue these bonds, to be sold through notified banks.

"India is the largest democracy in the world. However, despite strengthening various institutions for the last seven decades, India has not been able to evolve a transparent political funding system. Elections and political parties are a fundamental feature of Parliamentary democracy. Elections cost money. The round the year functioning of the political parties involves a large expenditure. Parties run offices throughout the country. Staff salaries, travelling expenses, establishment cost are regular expenditures of political parties. There has not been a single year where election either for the Parliament or State Assemblies have not been held. Besides expenditure of individual candidates, political parties have to spend money on election campaigns, publicity, tours, travels and election related establishments. These expenditures run into hundreds of crores. Yet there has not been a transparent funding mechanism of the political system.

Conventional system of political funding : The conventional system of political funding is to rely on donations. These donations, big or small, come from a range of sources from political workers, sympathisers, small business people and even large industrialists. The conventional practice of funding the political system was to take donations in cash and undertake these expenditures in cash. The sources are anonymous or pseudonymous. The quantum of money



was never disclosed. The present system ensures unclean money coming from unidentifiable sources. It is a wholly non-transparent system. Most political groups seem fairly satisfied with the present arrangement and would not mind this status-quo to continue. The effort, therefore, is to run down any alternative system which is devised to cleanse up the political funding mechanism.

Denominations: Electoral bonds can be purchased for any value in multiples of Rs.1,000, Rs.10,000, Rs.10 lakh, and Rs.1 crore from any of the specific...

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