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## STUDY ON ELECTORAL BONDS IN INDIA

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### ABSTRACT:

India is the most populous and robust democracy globally. Elections are fundamental to preserving the foundation and core of democracy. Electoral bonds are negotiable instruments that can be purchased by individuals to donate funds to political parties. Any individual who is an Indian citizen and any corporation may obtain this electoral bond. This is a clandestine approach to providing monetary contributions to a political party. This essay will examine the effects of electoral modifications and their hidden aims on a viable democracy. The deception is intensified by the requirement that all electoral bonds be redeemed via a publicly disclosed bank account by the Election Commission of India. All electoral bond transactions are conducted digitally or by cheques. A foundational comprehension of the functioning of electoral bonds in India, along with an analysis of the minimum threshold, establishes the framework for the study. A concise summary of the particular tax advantages for investors is presented. The study reveals that awareness of electoral relationships remains consistent across all age groups, genders, and educational degrees. It was empirically determined that individuals did not regard electoral bonds as hazardous, nevertheless they were viewed unfavourably.

**KEYWORDS:** Democracy, Fair election, Bonds, State Bank of India, Transparency, India

## INTRODUCTION :

Before the introduction of electoral bonds, political parties relied on cash and illicit funding; hence, the Supreme Court submitted a petition on March 4, 2016, urging political parties to cease fundraising through cash and adopt electoral bonds instead. The Supreme Court subsequently cautioned the Indian government that funds acquired by political parties via electoral bonds could be utilised for unethical purposes, including terrorism and protests. In 2017, the Supreme Court established a new protocol for the issuance of electoral bonds under government oversight. Electoral bonds are employed to maintain opacity and to assist political parties in various manners. Reducing the utilisation of illegal currency and providing assistance to political parties. The extensive utilisation of electoral bonds may inhibit political parties primarily focused on fundraising from the general populace. Only registered parties that garnered a minimum of 1% of the vote in the general election are qualified to receive funding for elections.

During the presentation of the finance budget for 2017–2018, Finance Minister Arun Jaitley identified a section entitled "Transparency in Political Fundraising." This chapter elucidated the various methods of supporting political parties devoid of openness and anonymity. The finance minister subsequently embraced the perspective articulated in the chapter, asserting that electoral bonds, characterised by their opacity and provision of anonymity, represent an alternative approach to political financing. As a result, the electoral bonds were established in April 2017. The selling of 10,700 crores in electoral bonds in two tranches from 2017 to 2020 signified a significant expansion of electoral bonds in the economy and its peak achievement. The issuance of three tranches of funding to political parties under sections 80GG, 80C, and 80GGB continues alongside the ongoing sale and purchase of electoral bonds in India. This is undertaken to eliminate corruption and illicit funds from the country. A significant number of investors are profiting from income taxes under the specified section.

Fundamentals of Electoral Bonds in India: An Indian citizen is permitted to acquire electoral bonds. He or she is ineligible to be classified as a Non-Resident Indian (NRI). The exclusive method of investment is through Specific SBI Purchase. Any denomination may be utilised for the bond's value; however, purchases must be conducted exclusively through online payments, employing techniques such as NEFT, IMPS, DD, UPI, and BHIM. The bond should then be sold to the treasurer of any political party, regardless of whether it is at the state or national level. 2. Personal Bond Maturity pertains to the bond term of 15 to 30 days prior to expiration.

The treasurer of the party has a period of 15 days to redeem the bond prior to its expiration and invalidation. The bond may be utilised by political parties for campaigning, travel and accommodation, compensating staff salaries, disseminating ideologies, and various other purposes.

The advantages and drawbacks of electoral bonds: The extensive application of electoral bonds may inhibit political parties whose sole aim is to solicit funds from the general populace. Only registered parties that garnered a minimum of 1% of the vote in the general election qualify for election funding. Election bonds assist the government in fulfilling its goal of fully digitalising and securing electoral funds. Consequently, it is not legally mandated for donations over RS 2000 to be given using electoral bonds or checks. All electoral bond transactions are conducted electronically or by checks. Election bonds are presently the focus of numerous conflicts, frequently accompanied with the following constraints:

- An investor in electoral bonds will not get any interest payments.
- Electoral bonds can only be encashed within 15 days for investors and 30 days for holders.
- Some critics assert that the primary impetus for the introduction of electoral bonds was to suppress financial support for opposition parties.
- Financially robust companies are not adversely affected by electoral bonds. These enterprises seek to preferentially support one political party through financial contributions.
- To be eligible for funding via these bonds, a party must have garnered 1% of the total votes cast in the latest Lok Sabha or state assembly elections.

## Objectives

1. To analyse the correlation between electoral bonds and political party expenditure during elections.
2. To examine the impact of electoral bonds on the long-term sustainability of Indian democracy and political processes.
3. To investigate the legal challenges and judicial responses to the electoral bonds scheme in India.

## Review of literature

D. Ananda (2023): The revised electoral bonds plan entices corporations and enables money laundering. This article critically assesses the electoral bonds scheme by examining the relevant legislation and statutes. Nevertheless, the Indian judiciary neglected its responsibility as the protector and ultimate interpreter of the constitution by failing to adjudicate the matters awaiting resolution in court. Dr. A. Shaki George (2024): This paper analyses the recent verdict by the Indian Supreme Court that deemed electoral bonds unlawful. Electoral bonds were established in 2017 as a confidential mechanism for donors to finance political parties. The document delineates the functioning of electoral bonds through the State Bank of India. Donors may anonymously acquire bonds of differing denominations, immediately sending funds into the parties' accounts. Dhinesh Kumar (2024): The Supreme Court of India's pivotal ruling in February 2024, which deemed the Electoral Bond Scheme unlawful, signifies a crucial turning point in the discussion around political financing in the nation. This article examines the ramifications of this ruling, critically assessing the scheme's objectives, operating processes, and the reasoning for its unconstitutionality. Dr. Ravinder Kumar (2024): The introduction of electoral bonds in India has sparked significant debate. Many academics assert that electoral bonds promote openness in campaign financing by formalising donations and mitigating the impact of illicit funds. This study analyses the electoral bond system and its effects on transparency and accountability within the Indian political process. Ramesh Yadhav (2024): This article aims to succinctly explain and summarise the Supreme Court's Constitutional Bench ruling regarding electoral bonds in the case of *Association for Democratic Reforms v. Union of India*. The article also examines how the Supreme Court has reiterated principles regarding the evaluation of legislative actions, the balance of conflicting fundamental rights, the scope of rights, and the extent of informational privacy. Mr. Alok Prasanna (2019): "The Supreme Court's decisions in the Rafael Papers and Panama Papers Electoral Bonds cases demonstrate its acknowledgement of the necessity for transparency regarding press freedom and political party financing." The approach is inconsistent, and the Supreme Court has somewhat mitigated its position in the Electoral Bonds case. Dipanshi Singhal (2022): "India has been grappling with a significant corruption issue for many years, resulting in manipulation, inaccurate data, and other criminal practices." The government introduced a new instrument for addressing corruption related to political or election fundraising, which may become a legalised form of corruption that could result in economic degrowth due to the excessive extraction of funds from the public. Sri Sheela Reddy (2018): "Reestablishing the

deteriorating connections between political processes and citizen rights to fortify democracy.” Political parties must restructure and strengthen their connections with the populace without exploiting restrictive identities, and strive to enhance the efficacy of democracy. Electoral Bonds are banknotes that donors can purchase from the State Bank of India and donate to political parties. SK Salgoakar (2019) states that analysis and reports indicate a significant misuse of electoral funds, resulting in the common individual incurring substantial expenses without any advantages. Consequently, the author elucidates how capital invested in electoral bonds can be allocated for beneficial purposes, contributing to the nation's development and the welfare of its populace. National Law School Journal (2019): This magazine examines the challenges this conflict poses for electoral politics broadly, as well as the fundamental tension already evident in the Indian election funding system. This article contends that the Electoral Bonds Scheme has engendered a dystopian contribution system that is resistant to straightforward remedies. Reema Jain (2020): The NDA-led Government implemented election reforms via the Finance Bill, 2017, believing it to be an effective tool for eliminating political financing. The confidentiality of the donors and the 2013 amendment to Section 182 of the Companies Act, among other factors, underscore the questionable character of Indian politics. This essay will analyse the concealed objectives of election reforms and their impact on a functioning democracy. Ms. Barkha (2019): “The execution of this controversy stems from governmental negligence in failing to supply necessary documents, which enabled political parties to utilise the funds for personal gain without presenting the actual data and reports.” Electoral bonds are intended for political financing; nonetheless, they are exploited, resulting in the facilitation of corruption. The union administration has faced criticism for failing to implement timely mechanisms to assess these bonds. Mr. Akshat Bhushan (2020): “Analysis indicates that electoral funding comprises numerous voters and political parties that contribute to and invest in their preferred candidates.” Political parties utilise this strategy to reduce expenditures during elections. Occasionally, election bonds become prohibitively expensive, undermining investor trust and prompting investors to withdraw from the market. This research aims to investigate the accountability and transparency of political governments. Ms. Neena Sereesh (2019): “The matter of opaque finance necessitates substantial engagement.” The existing proposal is a significant advancement that, if executed with resolute resolve, can eliminate the future generation of dark money and furnish essential transparency and accountability in electoral expenditures. It is now evident that political parties have access to illicit funds, which must be promptly restricted for the sake of the Indian political system,

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democracy, and national development. Anil Verma (2024): "To enhance transparency in the financial dealings of political parties, particularly during elections when the influence of illicit funds is purportedly substantial, the expenditure statement should adhere to a format akin to the donations report, which is submitted annually to the Election Commission of India and encompasses the dates of contributions." 20 seconds Only registered political parties that secured a minimum of one percent of the votes. Dr. Abhishek Sharma (2023): Political parties impact the government of the nation; thus, transparency in their organisation, operations, and, notably, their funding sources is essential. The political parties, by accepting funds from individuals or organisations, will be obligated to formulate policies advantageous to the contributors, so undermining effective government. Dr. Vikash Kumar (2020): Free and fair elections are essential for the success of democracy. Political stability can be achieved by active political engagement of the populace. throughout accordance with constitutional principles and the directives of the election commission, free and fair elections are conducted at regular intervals throughout India. This article assesses the necessity, problems, and obstacles associated with election changes in India. Bhaswat Prakash (2024): This study analyses the recent Supreme Court of India verdict that deemed electoral bonds unlawful. This infringed against the citizen's right to information as stipulated by the Indian Constitution. The document delineates the operation of electoral bonds through the State Bank of India. Donors could anonymously acquire bonds of several denominations, transferring funds straight into the parties' accounts. Shashank Patel (2024): This landmark ruling was broadly acknowledged and commended, notwithstanding the Supreme Court's mandate to reveal the identities of the donors. Political parties have already reaped the advantages of contributions. What is the necessity of revealing the identities of donors from prior transactions who complied with the legally authorised procedures? This article presents a comprehensive review of legal principles and precedents pertaining to the same subject. Vrinda Bhardwaj 2021: The Indian political system is plagued by illicit fundraising, corruption, communalism, and the criminalisation of politics. According to the ADR report, during the Financial Year 2004-05 to 2018-19, national parties earned Rs11,234 crores in contributions from unidentified sources. The State recommended reforms to limit questionable electoral funding by banning contributions from a single anonymous donor to Rs2000 (down from Rs20,000) and implementing Electoral Bonds (E-bonds).

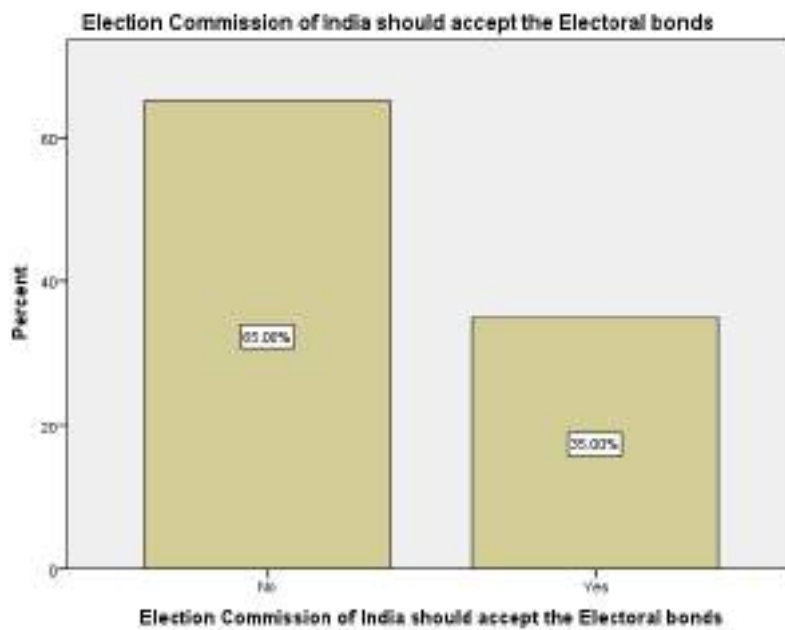
## **Methodology**

The methodology employed is empirical research. The data has been gathered via a questionnaire, with a sample size comprising 214 participants. The study employs a convenience sampling method for data collection. The samples were gathered from various locations within and surrounding Chennai. The independent variables include gender, age, educational qualifications, occupation, and living area. The variables that depend on other factors are The Election Commission of India ought to endorse the Electoral bonds. The presence of electoral bonds significantly impacts the choice to endorse a specific political party. The Electoral bonds facilitate the receipt of undisclosed donations by political parties, thereby favouring larger political entities at the expense of their smaller counterparts.



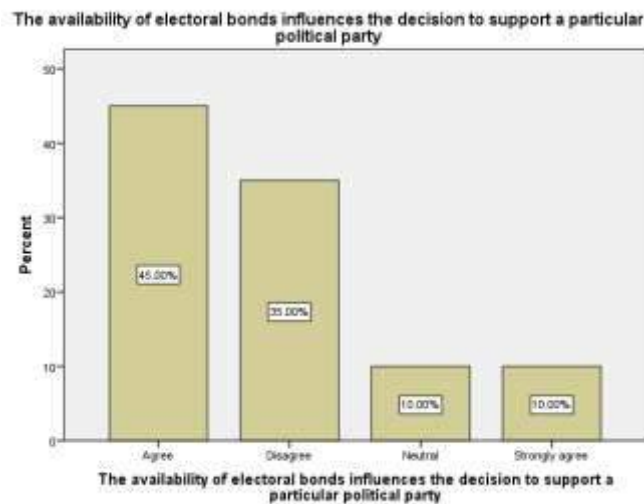
## Data and Analysis

**Figure 1**



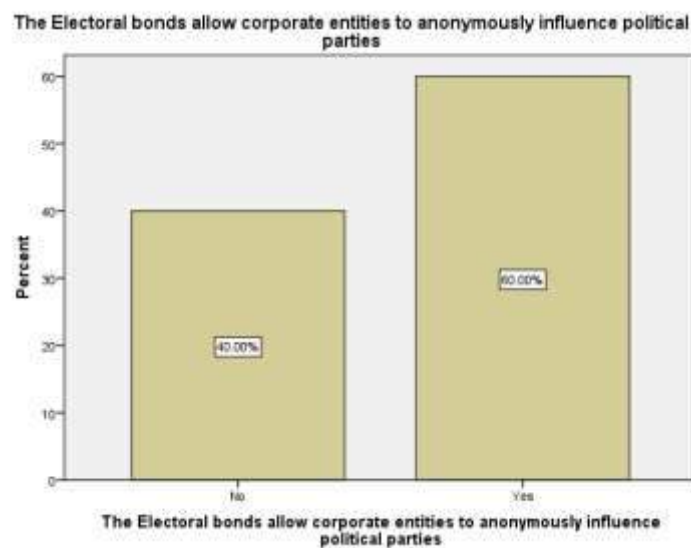
**Legend:** The graph shows whether the election commission of India should accept the electoral bond or not.

**Figure 2**



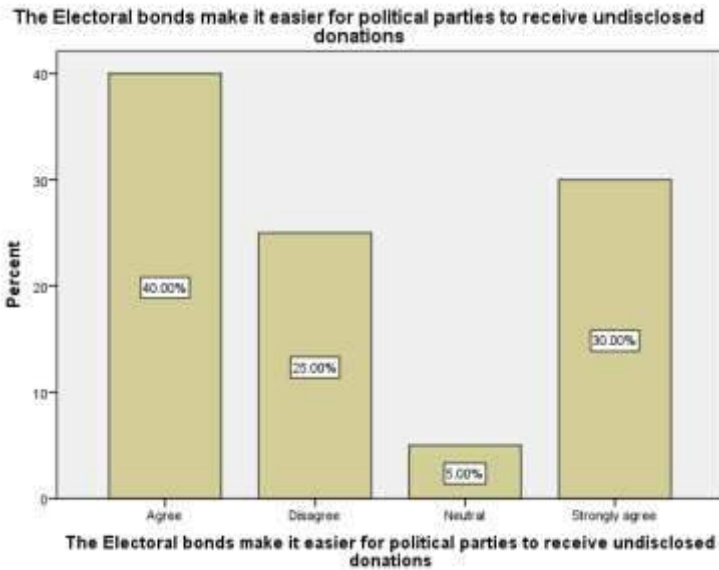
**Legend:** The graph shows whether the availability of electoral bonds influences the decision to support your particular political party.

**Figure 3**



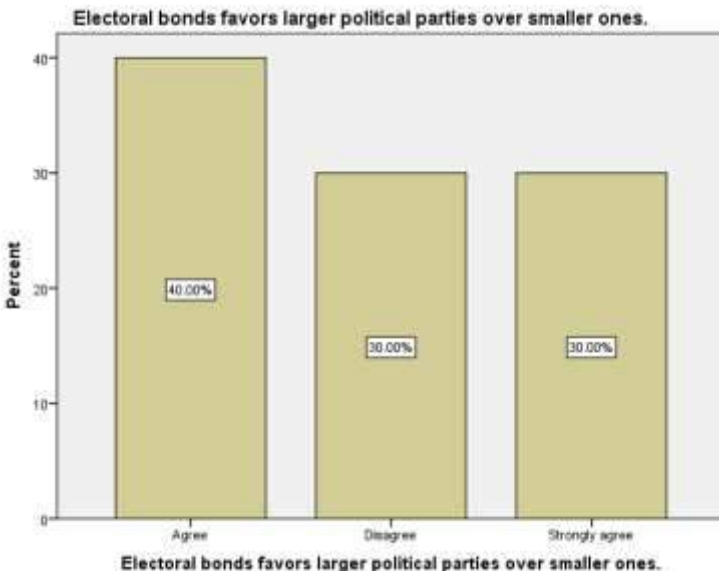
**Legend:** The graph shows whether the electoral bonds allow corporate entities to anonymously influence political parties.

Figure 4



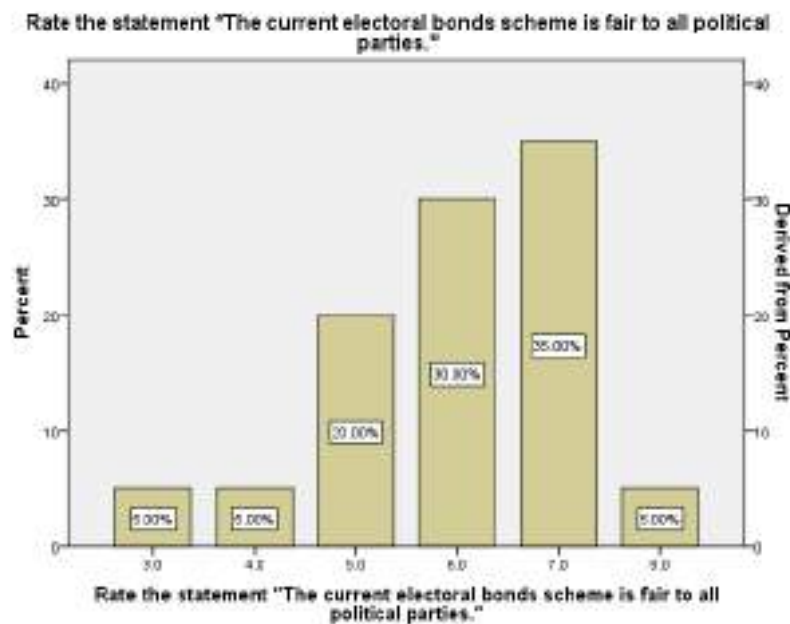
**Legend:** The graph shows whether the electoral bond makes it easier for political parties to receive undisclosed donations.

Figure 5



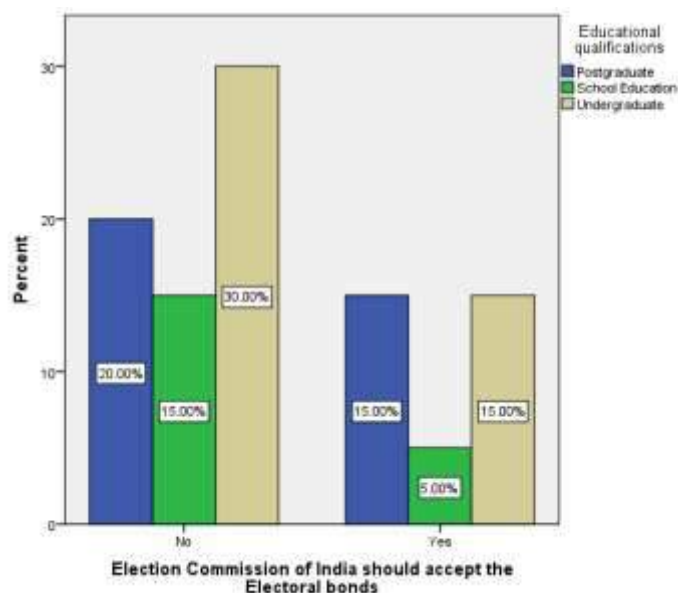
**Legend:** The graph shows whether electoral bonds favours large political parties for smaller ones.

**Figure 6**



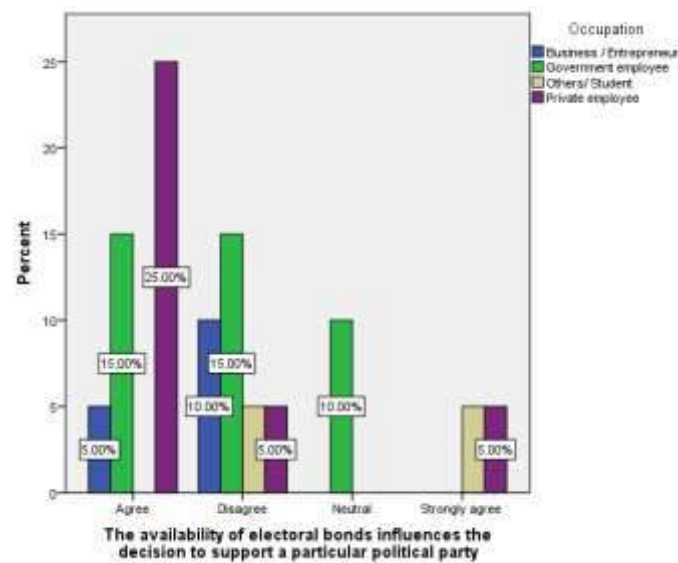
**Legend:** The graph shows the rating of the statement that “the current bonds scheme is fair to all political parties.”

**Figure 7**



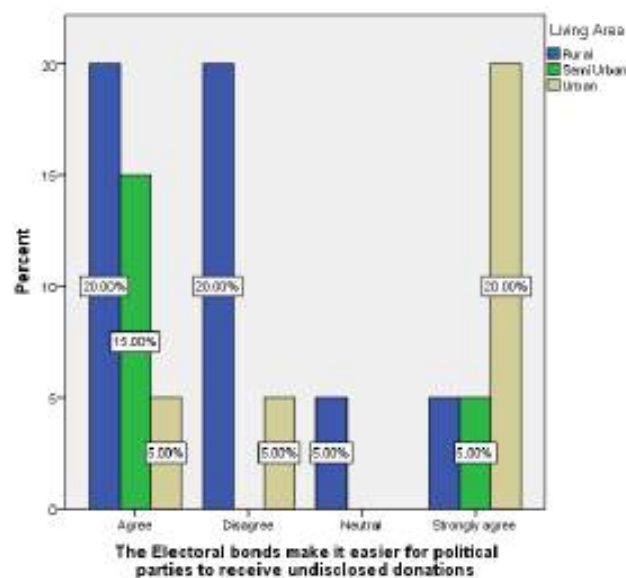
**Legend:** The graph represents educational qualification and whether the election commission of India should accept the electoral bonds.

**Figure 8**



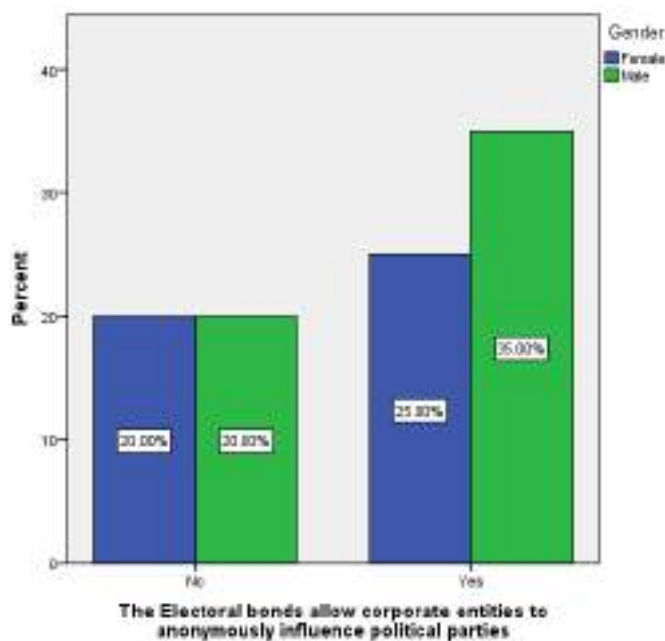
**Legend:** The graph represents occupation and whether the availability of electoral bonds influences the decision to support your political party.

**Figure 9**



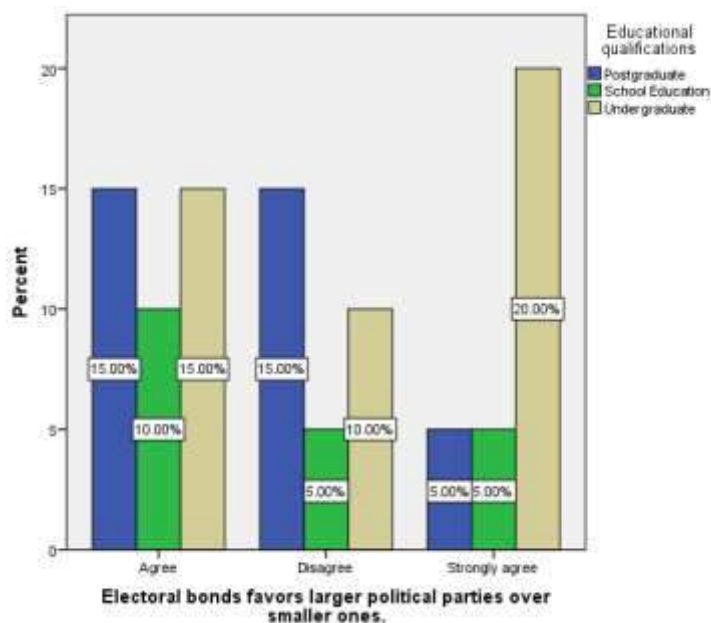
**Legend:** The graph represents living areas and whether the electoral bonds make it easier for political parties to receive undisclosed donations.

**Figure 10**



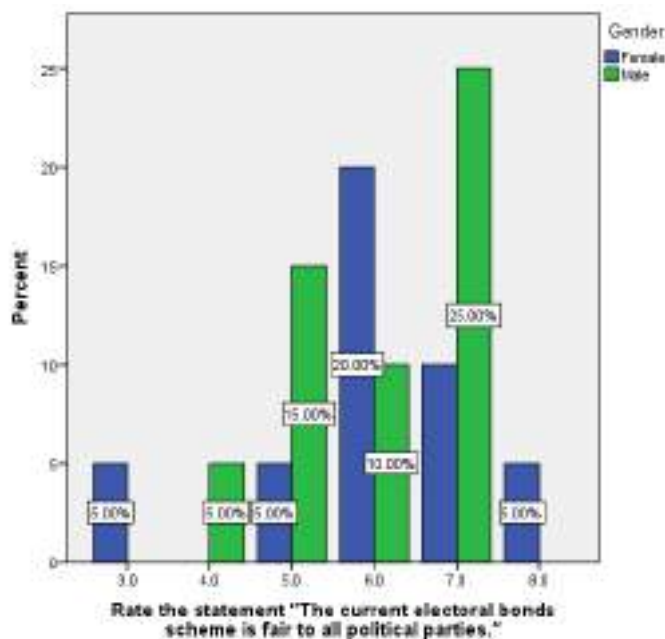
**Legend:** The graph represents gender and whether elect bond allow corporate entities to anonymously influence political parties.

**Figure 11**



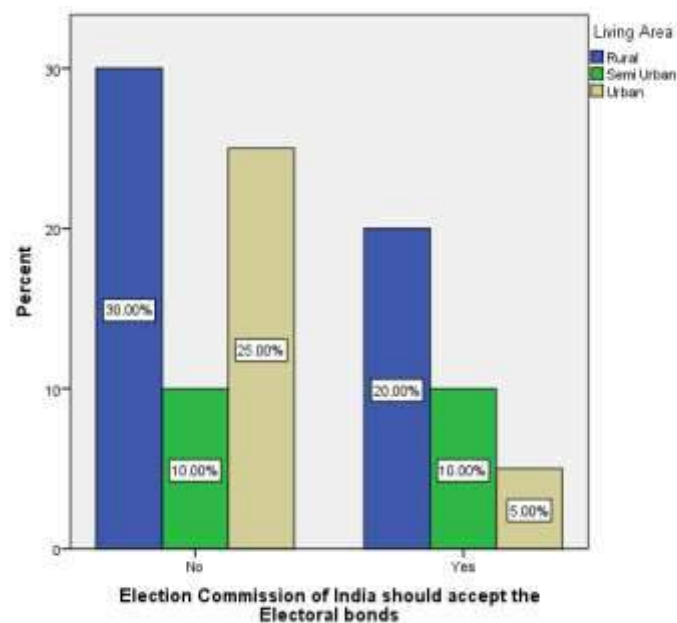
**Legend:** The graph represents educational qualification and whether electron bonds favours, larger political parties over smaller ones.

**Figure 12**



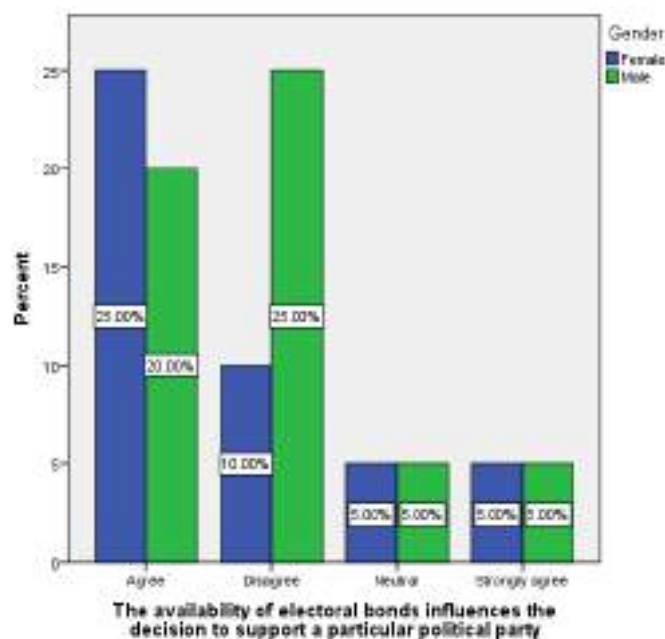
**Legend:** The graph represents gender and whether the current electoral bonds scheme is to all political parties.

**Figure 13**



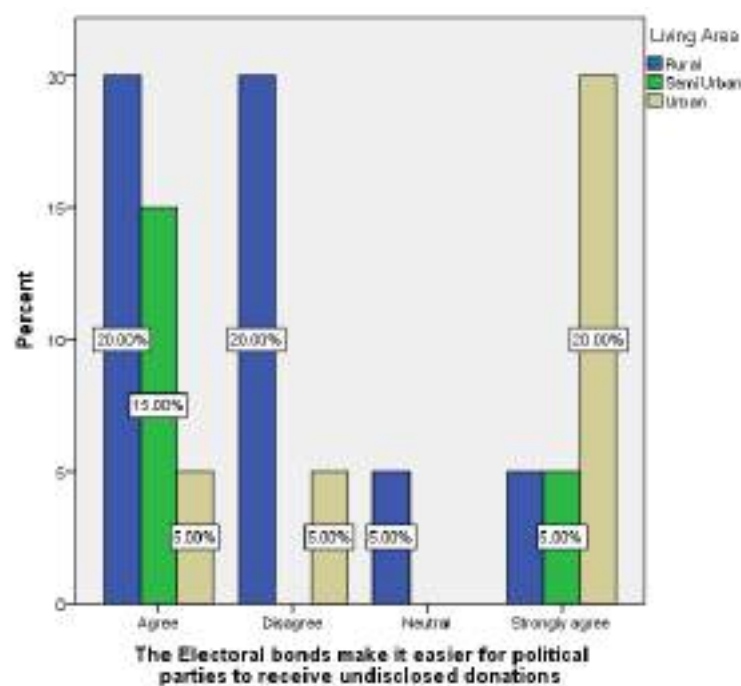
**Legend:** The graph represents living area and whether election commission of India should accept the electoral bond or not.

**Figure 14**



**Legend:** The graph represents gender and whether the availability of electoral bonds influences the decision to support a particular political party.

**Figure 15**



**Legend:** The graph represents electoral bonds and makes it easier for political parties to receive undisclosed donations.



## Result

The graph distinctly illustrates that 65% of the respondents reject the statement (fig 1). The graph distinctly illustrates that 45% of the respondents concur with the statement, while 35% express dissent regarding it (fig 2). The graph distinctly illustrates that 60% of the respondents affirm the statement, while the remainder dissent (fig 3). The graph distinctly illustrates that 40% of the respondents concur with the statement, while 30% expressed strong agreement with it (fig 4). The graph distinctly illustrates that 40% concur with the statement while 30% dissent from it (fig 5). The graph distinctly illustrates that 35% of the respondents assigned a rating of 7 out of 10 to the statement (fig 6).

## Discussion

Electoral bonds are the fastest method of raising money for elections, according to surveys and data collections, for the purposes of campaigning, developing ideology, speeches, paying salaries to various employees and personnel working in the offices, and many other uses. The qualifications of an investor don't matter much to their perception levels. It was found that the risk compatibility of an investor in relation to electoral bonds elucidates that as per investors electoral bonds are not risky investments. But primarily various factors like government and other litigations, may still showcase them as risky. The analysis also states that the total sales of electoral bonds happen only through Major denominations.

## Conclusion

In light of this, it can be inferred conclusively that electoral bonds are effectively promissory notes that anybody may buy to support political parties. This is a remarkable approach to give cash or money from dubious sources to a political party. Selling electoral bonds may help political parties raise a sizable sum of money. Election bonds are frequently used, which may help slow down political parties whose sole goal is to gather money from the general public. Despite being one of the greatest methods for financing politics, electoral bonds are currently the subject of various heated discussions. It can be said that electoral bonds are very beneficial, perceivably less risky yet red investment mechanisms. In conclusion, while electoral bonds may have been a step toward formalising political funding, reforms are essential to enhance transparency, ensure fairness, and uphold democratic principles in India's electoral processes. The scheme has faced criticism from civil society, opposition parties, and various transparency

watchdogs, who argue that the anonymity it provides fosters a culture of unchecked donations and corporate influence over political parties. Despite the government's insistence on its merits, the system, as it currently stands, fails to meet the necessary transparency and accountability standards expected in a democracy. However, there are also a number of issues of these bonds that are seriously affecting economic growth, simultaneously contributing non-transparency.

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