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## **Electoral Bonds and Political Transparency**

Political transparency has always been a crucial aspect of any democratic society. It ensures that the public has access to information about the financial resources behind political parties and their election campaigns. In an attempt to address the issue of transparency in political funding, electoral bonds were introduced as financial instruments in several countries, including India. However, the effectiveness of these bonds in achieving political transparency has been a subject of debate.

There have been ongoing debates and measures taken to address the concerns regarding anonymity and potential misuse of electoral bonds. One measure taken is the implementation of a mandatory Know Your Customer (KYC) process for the purchase of electoral bonds. This is to ensure that only eligible entities purchase the bonds, and their identities are verified. However, this measure has been criticized for being insufficient in addressing the issue of anonymity, as the names of bond purchasers are not publicly disclosed.

To tackle the issue of potential misuse of electoral bonds, the government has proposed the introduction of amendment bills to the Foreign Contribution Regulation Act (FCRA). The proposed amendments would limit the use of foreign funds by political parties and make it mandatory for them to disclose the source of any foreign contributions.

Additionally, there have been calls to strengthen disclosure norms, including regular auditing and publishing of political party accounts. The Election Commission of India has been implementing these measures to ensure compliance with transparency standards. However, the debate is ongoing, and more reforms may be needed to enhance transparency in political funding and the effectiveness of these measures in enhancing political transparency remains a subject of debate.

This blog explores the concept of electoral bonds and dig into the pros and cons of their impact on political transparency.

### **Understanding Electoral Bonds:**

Electoral bonds are instruments that allow individuals and eligible companies to make donations to political parties. These bonds can be bought from designated banks and subsequently donated to registered political parties. The rationale behind electoral bonds is to provide a strong and legitimate means of political funding, ensuring transparency and accountability.

### **The Pros:**

#### **1] Channeling Legal Contribution:**

Electoral bonds provide a legal and transparent channel for political contributions. They enable individuals and companies to make donations to political parties without resorting to illicit or undisclosed methods.

#### **2] Reducing Cash-based Donations:**

By promoting electronic donations through bonds, electoral bonds aim to reduce the circulation of unaccounted cash in political funding. This can help curb corruption and increase financial accountability.

#### **3] Encouraging Citizens Participation:**

Electoral bonds allow any Indian citizen to contribute to political parties, giving them a direct stake in the democratic process. This fosters inclusivity and strengthens public engagement in governance.

### **The Cons:**

#### **1] Anonymity and Lack of Disclosure:**

One major criticism of electoral bonds is the anonymity they provide to donors. The lack of disclosure raises concerns about the influence of undisclosed corporate donations on political parties and policies, potentially undermining transparency.

1] A. Shaji George, The Unconstitutional Nature of Electoral Bonds in India, ResearchGate, 28<sup>th</sup> March 2024, [https://www.researchgate.net/publication/378299703\\_The\\_Unconstitutional\\_Nature\\_of\\_Electoral\\_Bonds\\_in\\_india\\_impacts\\_on\\_Political\\_Transparency\\_and\\_the\\_Democratic\\_Process](https://www.researchgate.net/publication/378299703_The_Unconstitutional_Nature_of_Electoral_Bonds_in_india_impacts_on_Political_Transparency_and_the_Democratic_Process)

2] Bhumika Indulia, Analysis and Anatomy of Electoral Bond Judgement, SCC Online, 29<sup>th</sup> March 2024, <https://www.sconline.com/blog/post/2024/02/20/analysis-and-anatomy-of-electoral-bond-judgement/>

3] Rasal Singh, Electoral Bonds: Balancing Act Between Political Funding Privacy and Democratic Transparency, Association of Democratic Reforms, 29<sup>th</sup> March 2024, <https://adrindia.org/content/opinion-electoral-bonds-balancing-act-between-political-funding-privacy-and-democratic>

## **2] Unequal Influence:**

Electoral bonds have faced scrutiny for potentially giving undue influence to wealthy individuals and corporations, who may have the means to make significant donations. This raises questions about the fairness and equality of political funding.

## **3] Loopholes and Potential Misuse:**

Critics argue that electoral bonds can be misused by shell companies or undisclosed entities to funnel black money into political parties. This poses a threat to transparency and accountability, as the true sources of funding remain hidden.

## **Finding the Balance:**

Achieving a balance between political funding and transparency is a complex task. While electoral bonds aim to bring accountability to political donations, certain reforms can enhance their effectiveness

- 1] Strengthening disclosure norms to ensure that political parties publicly declare all donations received through electoral bonds.
- 2] Regular auditing of political party finances to deter misuse and ensure compliance with transparency standards.
- 3] Encouraging citizen awareness and public funding to hold parties accountable.

## **Conclusion:**

Electoral bonds have been introduced with the intention of promoting transparency in political funding. While they offer advantages such as legalizing contributions and reducing cash-based donations, the anonymity they provide and potential for misuse have raised concerns. It is crucial to address these challenges through strong disclosure norms, auditing mechanisms, and citizen vigilance. By striking a balance between political funding and transparency, electoral bonds can truly contribute to a more accountable and inclusive democratic process.

1] A. Shaji George, The Unconstitutional Nature of Electoral Bonds in India, ResearchGate, 28<sup>th</sup> March 2024, [https://www.researchgate.net/publication/378299703\\_The\\_Unconstitutional\\_Nature\\_of\\_Electoral\\_Bonds\\_in\\_india\\_impacts\\_on\\_Political\\_Transparency\\_and\\_the\\_Democratic\\_Process](https://www.researchgate.net/publication/378299703_The_Unconstitutional_Nature_of_Electoral_Bonds_in_india_impacts_on_Political_Transparency_and_the_Democratic_Process)

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