Budget 2017 - Election Funding

What is the present condition of electoral funding in India?

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- According to the Association of Democratic Rights, 69% of the total income reported by the country's six national and 51 regional parties, during for the period of 2004-05 and 2014-15, came from **unknown sources.**
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- Only 16% came from named donors and the remaining 15% accrued from other sources such asset sale, and membership fees.
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- On the other side, more than three-fourth of the 1,900 parties registered with the Election Commission– haven't contested elections for years.
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- Each of them is a possible platform to launder illegal money.
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- The lack of transparency and accountability in relation to political donations also breed the ground for rent-seeking and corruption.
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- Businesses, small and big, contribute funds to a political party or its candidate with the expectation that the favour would be returned. They influence policy and government actions when their friendly political party comes to power.
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- This is not unique to India, but unlike many mature democracies there is no institutional framework to deal with the problem.
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What are the provisions in the budget?

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1. Maximum amount of cash donation, a political party can receive, will be

Rs.2000/- from one person.

2. Political parties, however, will be entitled to receive donations by cheque or digital mode from their donors.

3. Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.

4. Exemption from payment of income-tax to the political parties would be available only if they fulfil these conditions.

What are the shortcomings?

- The ceiling in the ceiling to Rs. 2,000 is unlikely to stop the disguising of huge, off-the-books cash donations from corporate houses and vested interests as small contributions from ordinary party workers and sympathisers.

- Also this will not reduce the proportion of cash from unverifiable sources in the total donations received.

- Ordinary citizens are encouraged to make payments using digital means. But the political parties are being allowed to accept donations up to Rs 2,000 in cash.

- There is no cap on the amount a party may receive in cash as a donation.

- The details of the electoral bonds scheme are not known yet.

- But the FM said that these bonds will be bearer in character to keep the donor anonymous. The problem with political financing is that 75-80% of the declared income of political parties comes from unknown sources. The current move is also against transparency.

What should be done?

- Transparency in political financing will happen when the political establishment realises that the only way to get out of the shackles of big and black money is to become open.
- The government can do this by revising its affidavit in the Supreme Court to say all political parties should be under the purview of the RTI Act, thus honouring the Central Information Commission's 2013 decision.
- A level playing field for all stakeholders in a multi-party democracy should be ensured. The more competitive a democracy gets, the better it is for the people of the country.
- Therefore the idea of a National Election Fund should be revisited.
- Such a fund could be declared as the only channel through which businesses and individuals can contribute to political parties.
- Like the finance commission decides how to distribute central transfers to states, the Election Commission or any institution created for the purpose of administering the fund can decide how the donations are shared among parties.
- Such an initiative will have to be supported by other measures such as stricter audits for books of accounts maintained by political parties and cracking down on parties that exist only on paper.

Source: The Indian Express, Hindustan Times