



CURRENT AFFAIRS



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ELECTORAL BONDS SCHEME

This article covers "Daily Current Affairs", and the topic details "Electoral Bonds". This topic has relevance in the "Polity and Governance" section of the UPSC CSE exam.

For Prelims:

What is the Electoral Bonds Scheme?

What are its features?

For Mains:

GS2: Polity and Governance

Why in the news?










Recently, the Supreme Court announced that it had scheduled a hearing for the petitions contesting the electoral bonds scheme on October 31.

About Electoral Bonds:

- The electoral bonds scheme, **introduced in the 2017 Union Budget**, is a **mechanism for making anonymous political donations to political parties**.
- Individuals and organisations can use these **interest-free** bearer instruments to contribute funds to **eligible political parties**.
 - An eligible Political Party is duly registered under Section 29A of the **Representation of the People Act, 1951**.
 - It has garnered **at least one per cent of the votes** cast in the most recent General Election for the House of the People or the Legislative Assembly.
- These bonds are available in various denominations, including Rs 1,000, Rs 10,000, Rs 1 lakh, Rs 10 lakh, and Rs 1 crore, and can be acquired from **authorised branches of the State Bank of India (SBI)**.
- A donor must pay via a cheque or digital payment method to purchase these bonds, as **cash transactions are prohibited**.
- Once received, political parties have the option to **redeem these bonds within 15 days** and utilise the funds for their electoral expenses.
- **No limit exists on the number of bonds an individual or company can acquire.**
- If a political party fails to redeem any bonds within the specified 15-day period, the SBI transfers the funds into the **Prime Minister's Relief Fund**.

Rationale Behind the Electoral Bonds Scheme:

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-  Transparency in Political Funding
-  Reducing Cash Transactions
-  Encouraging Legitimate Funding
-  Discouraging Black Money
-  Reducing Corruption
-  Enhancing Accountability
-  Protecting Donor Privacy
-  Streamlining Donations
-  Supporting Democratic Processes

Rationale Behind the Electoral Bonds Scheme

- **Transparency in Political Funding:** The scheme was introduced to promote transparency in political funding by shifting away from anonymous, cash-based donations.
- **Reducing Cash Transactions:** To reduce the use of cash in political donations, a prevalent practice and often associated with unaccounted funds.
- **Encouraging Legitimate Funding:** To encourage legitimate and transparent contributions to political parties, making it easier for donors to contribute funds through a formal mechanism.
- **Discouraging Black Money:** The scheme aimed to discourage the use of black money in political donations by introducing traceable financial instruments.
- **Reducing Corruption:** The scheme sought to reduce corruption and the influence of vested interests in political parties by promoting clean and accountable funding sources.
- **Enhancing Accountability:** By linking the issuance of electoral bonds to legal bank accounts and KYC (Know Your Customer) requirements, the scheme aimed to enhance accountability.
- **Protecting Donor Privacy:** While increasing transparency, the scheme also sought to protect the privacy of donors by allowing them to contribute without revealing their identities to the public.
- **Streamlining Donations:** To create a standardised and streamlined process for political donations, making it easier for individuals and organisations to contribute.
- **Supporting Democratic Processes:** Ultimately, the scheme's goal was to support the democratic process by ensuring that political parties have access to funding from legitimate and disclosed sources, reducing the potential for corruption and black money in politics.

Criticisms:

- **Removal of Donation Cap:**
 - Before the introduction of electoral bonds, there was a cap on the maximum amount a company could donate to a political party, which was set at 7.5 per cent of the average net profits of the company in the preceding three years.

- Critics argue that the government's decision to eliminate this limit has opened the doors to unlimited funding by corporate entities.
- **Anonymity vs. Transparency:**
 - Critics contend that the anonymity of donors under the electoral bonds scheme has made the political funding process even more opaque, contrary to the scheme's purported goal of enhancing transparency.
- **Government's Knowledge of Donors:**
 - There are concerns that the sale of these bonds through a government-owned bank, the State Bank of India (SBI), could allow the government to discern the identities of those funding opposing political parties.
 - This raises the potential for extortion, especially from major corporations, or victimisation of companies not supporting the ruling party, thereby providing an unfair advantage to the party in power.
- **Distribution Discrepancy:**
 - Critics have pointed out that more than 75 per cent of electoral bonds have been attributed to the party in power at the Centre.
 - This has led to concerns about an uneven distribution of funds among political parties.
- **Limited Accessibility for Common Citizens:**
 - One of the arguments for introducing electoral bonds was to enable common citizens to fund political parties of their choice easily.
 - However, as of 2022, over 90 per cent of the bonds have been issued in the highest denomination (Rs 1 crore), indicating limited accessibility for the general public.

Sources:

[SC to hear petition challenging electoral bonds: What is the scheme and its criticisms? | Explained News – The Indian Express](#)

Q1. With reference to the Electoral Bonds Scheme, consider the following statements:

1. The electoral bonds scheme was introduced in the 2021 Atmanirbhar Bharat Package.
2. It is a mechanism for making anonymous political donations to political parties.
3. They are interest-free bearer instruments to contribute funds to all political parties.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) None

Answer: (b)

Q2. Consider the following statements:

1. There is a limit on the number of electoral bonds a company can acquire, capped at 25% of the company's profit.
2. Once received, political parties have to redeem these bonds within 30 days.
3. If a political party fails to redeem bonds within the specified period, funds get transferred into the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund.

How many of the abovementioned statements are correct?

- (a) Only one
- (b) Only two
- (c) All three

(d) None

Answer: (d)

Q3. Discuss the concept of the Electoral Bonds Scheme. Examine the potential challenges and critiques associated with the scheme and suggest measures to improve its effectiveness further.

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