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**Ravikar Yadav**  
Faculty Member, Department  
of Law, MJPRU, Bareilly,  
Uttar Pradesh, India

## **Electoral bonds in India: Unmasking the veil of anonymity in political funding and its impact on democracy, transparency, and accountability**

**Ravikar Yadav**

### **Abstract**

The Electoral Bond Scheme, introduced in India in 2018, represents a significant reform in political funding, aimed at formalizing donations, reducing cash-based contributions, and protecting donor privacy. This study critically examines the scheme's legal framework, institutional mechanisms, and its broader implications for transparency, accountability, and democratic equity in India. While the scheme channels political contributions through authorized banking channels, ensuring traceability and tax compliance, it simultaneously allows complete anonymity of donors, raising concerns about public oversight and the potential concentration of political influence among dominant parties. Through a detailed analysis of judicial interventions, including petitions by the Association for Democratic Reforms and Common Cause, the study explores constitutional debates surrounding the scheme, particularly regarding Articles 14, 19(1)(a), and 324. Expert opinions and civil society critiques highlight the risks of disproportionate corporate influence, erosion of electoral fairness, and the undermining of public trust in democratic processes. Comparative analysis with established democracies such as the United States, the United Kingdom, Germany, and Canada underscores the importance of mandatory disclosure, contribution caps, partial public funding, and independent regulatory oversight in maintaining transparent and equitable political financing.

**Keywords:** India, electoral bonds, political funding, transparency, accountability, democratic equity, corporate influence, judicial review, representation of the people act, electoral reform

### **Introduction**

#### **• Background of Political Funding in India**

Political funding has historically been a cornerstone of democratic processes, ensuring that political parties can finance campaigns, outreach programs, and organizational activities. In India, the system of political funding has evolved over decades, reflecting both the growth of democracy and the challenges inherent in ensuring transparency. Traditionally, political parties relied on individual contributions, corporate donations, and public fundraising, often in cash. While cash donations provided flexibility, they also facilitated opacity, unaccounted contributions, and corruption, undermining public trust in electoral processes. Recognizing these challenges, successive reforms, including the introduction of mandatory disclosures under the Representation of the People Act, 1951, and the Companies Act, sought to regulate political funding. However, loopholes persisted, particularly in accounting for anonymous donations and cash contributions exceeding prescribed limits.

#### **• Emergence of Electoral Bonds**

In this context, the Government of India introduced the Electoral Bond Scheme in 2018, aiming to modernize political financing and curb the influence of black money. Electoral bonds are financial instruments issued by designated banks, allowing donors to contribute to political parties without revealing their identity publicly. The underlying rationale includes safeguarding donor privacy, formalizing donations, and reducing cash-driven political transactions. Bonds can be purchased by any citizen or company incorporated in India and are redeemable only by registered political parties. While the scheme represents a significant innovation in political financing, it has also ignited debates regarding its impact on transparency, accountability, and democratic equity.

#### **• Significance of electoral bonds in Indian Democracy**

India's democracy is predicated on free and fair elections, transparency in political

**Correspondence Author:**  
**Ravikar Yadav**  
Faculty Member, Department  
of Law, MJPRU, Bareilly,  
Uttar Pradesh, India

processes, and accountability of elected representatives. Funding mechanisms directly influence electoral competitiveness and public perception of governance. By enabling anonymous donations, electoral bonds raise critical questions: Do they disproportionately benefit dominant political parties? Do they obscure the source of funding, thereby undermining transparency? Can the anonymity provisions be reconciled with principles of accountability and the right to information? These questions are central to understanding the democratic implications of electoral bonds.

#### • Objectives and scope of the study

This paper aims to critically examine the Electoral Bond Scheme in India, assess its legal and institutional framework, and evaluate its implications for transparency, accountability, and democratic governance. By analyzing judicial pronouncements, empirical data on political donations, and comparative international practices, the study seeks to provide a nuanced understanding of electoral bonds. The analysis also explores policy gaps and proposes reforms to balance donor anonymity with the imperatives of democratic oversight.

#### • Statement of the problem

While the Electoral Bond Scheme seeks to modernize political funding, its potential to facilitate opaque donations raises significant concerns. Critics argue that the scheme enables undue influence, favors ruling parties, and erodes public trust in the electoral process. Additionally, the absence of stringent disclosure requirements challenges the principles enshrined in the Representation of the People Act and undermines the Election Commission's oversight. This paper investigates these issues in depth, highlighting the tension between privacy for donors and transparency for the democratic system.

#### • Structure of the paper

The paper is organized into several sections. Following the introduction, it outlines the objectives and research questions, explores the legal and institutional framework of electoral bonds, critically analyzes their impact on Indian democracy, examines judicial and expert responses, and conducts a comparative study of global political funding models. The paper concludes with key findings, policy recommendations, and reflections on the future of transparent and accountable political financing in India.

#### Objectives of the study

The primary objective of this study is to critically examine the Electoral Bond Scheme in India and assess its implications for democratic transparency, accountability, and political funding. By analyzing the legal framework, judicial interventions, and policy debates surrounding electoral bonds, the study seeks to identify the strengths and limitations of this funding mechanism and its broader impact on India's electoral system. The research aims to explore whether electoral bonds promote ethical political financing or whether they undermine the principles of fair and transparent democratic governance. Additionally, the study intends to investigate the influence of anonymous donations on political equity, particularly in the context of dominant political parties and smaller opposition entities.

**The objectives of this study can be summarized as follows:-**

- **Examine the legal and institutional framework:** To analyze the provisions governing electoral bonds, including the Electoral Bond Scheme 2018, the Representation of the People Act, the Companies Act, and related regulations. This includes understanding the role of the Reserve Bank of India and the Election Commission in regulating political donations.
- **Evaluate the impact on transparency and accountability:** To assess how the anonymity of electoral bonds affects the transparency of political funding and accountability of political parties to the electorate.
- **Analyze judicial and expert opinions:** To review key Supreme Court judgments, legal debates, and expert commentaries regarding the constitutionality and democratic implications of electoral bonds.
- **Understand implications for democratic equity:** To explore whether the Electoral Bond Scheme disproportionately favors certain political parties, influencing electoral competitiveness and pluralism.
- **Provide Comparative Insights:** To examine political funding and disclosure mechanisms in other democratic countries, drawing lessons for India's regulatory and policy framework.
- **Recommend Policy Reforms:** To propose actionable solutions to strengthen transparency, accountability, and fairness in political financing while balancing donor privacy with democratic oversight.

By fulfilling these objectives, the study aims to contribute to scholarly discourse on political funding, enhance understanding of the Electoral Bond Scheme's implications, and provide evidence-based recommendations for reforming India's political financing landscape.

#### Research Questions

The study is guided by several research questions that aim to explore the multifaceted implications of the Electoral Bond Scheme in India. These questions focus on transparency, accountability, democratic equity, and legal compliance, providing a structured framework for analysis.

- **How do electoral bonds affect transparency in political funding?:** This question investigates whether the anonymity inherent in electoral bonds enhances or undermines the openness of political contributions. It examines the ability of citizens, civil society organizations, and regulatory authorities to access information on political donations and assess the influence of funds on electoral outcomes.
- **What is the impact of electoral bonds on democratic accountability?:** This question explores whether anonymous funding affects the responsibility of political parties towards voters and the broader democratic process. It also considers the potential for disproportionate influence by dominant donors or political entities and its effect on policy-making and governance.
- **Does the Electoral Bond Scheme align with the principles of the Representation of the People Act, 1951?:** This question evaluates whether the scheme conforms to the statutory objectives of fair and

transparent elections, including disclosure requirements and limits on political donations, and whether it raises any legal or constitutional concerns.

- **How have judicial interventions and expert opinions shaped the discourse on electoral bonds?:** This question examines key Supreme Court cases, petitions, and scholarly perspectives that critique or defend the scheme, highlighting judicial reasoning, public interest considerations, and policy implications.
- **What lessons can be drawn from international political funding practices?:** This question analyzes the mechanisms adopted by other democracies to regulate political donations, ensure transparency, and prevent undue influence, providing comparative insights for improving India's system.
- **What policy and regulatory reforms are necessary to balance donor anonymity with transparency and accountability?:** This question aims to identify actionable recommendations that can strengthen the Electoral Bond Scheme or supplement it with additional measures to ensure fair, transparent, and accountable political financing.

By addressing these research questions, the study seeks to provide a comprehensive understanding of the Electoral Bond Scheme's impact on India's democracy, highlighting both its potential benefits and risks.

### **Legal and institutional framework of electoral bonds in India**

The legal and institutional framework of electoral bonds in India provides the foundation for their issuance, regulation, and monitoring. Understanding this framework is critical to evaluating the scheme's effectiveness in ensuring transparency, accountability, and fairness in political funding.

#### • **Introduction to the electoral bond scheme, 2018**

The Electoral Bond Scheme was introduced by the Government of India in 2018 as a financial instrument aimed at reforming political funding. Electoral bonds are essentially bearer instruments, similar to promissory notes, that can be purchased by any Indian citizen or corporate entity incorporated in India. Donors can buy bonds from designated branches of the State Bank of India (SBI) in denominations ranging from ₹1,000 to ₹1 crore. These bonds can then be donated to registered political parties, which are eligible to encash them through their verified bank accounts within a specified period.

#### **The stated objectives of the scheme include:**

- Reducing the circulation of unaccounted cash in political funding.
- Protecting the identity of donors while ensuring legitimate contributions.
- Streamlining the donation process through banking channels.

#### • **Key Legal Provisions**

The Electoral Bond Scheme operates within the larger legal framework of Indian election and corporate laws.

**A. Representation of the People Act, 1951 (RPA):** The RPA governs the conduct of elections in India, including

provisions on political funding and disclosure requirements. Sections 29C and 29B require political parties to maintain accounts of contributions and submit them to the Election Commission of India (ECI). While the RPA mandates disclosure for donations above ₹20,000, electoral bonds allow donors to contribute anonymously, bypassing direct disclosure to the public. This has raised debates regarding compliance with the transparency objectives of the RPA.

**B. Companies Act, 2013:** Under Section 182 of the Companies Act, corporate entities can contribute up to 7.5% of their average net profits over the preceding three years to political parties. Electoral bonds provide a mechanism for companies to fulfill these contributions while maintaining anonymity. Critics argue that this anonymity could facilitate disproportionate influence by corporate entities over political parties, potentially impacting policy decisions.

**C. Income Tax Act, 1961:** Donations made through electoral bonds are exempt from income tax for both the donor and the recipient political party, provided the party is registered under Section 29A of the RPA. This tax exemption encourages legal contributions but also raises concerns about the lack of transparency regarding fund sources.

### **Institutional Mechanisms**

#### **A. Role of the Reserve Bank of India (RBI)**

The RBI acts as the sole issuer of electoral bonds through designated SBI branches. It is responsible for ensuring that bonds are sold only to eligible donors and that the transactions are accurately recorded. While the RBI maintains records of bond purchases and encashments, these records are not publicly accessible, creating a gap in transparency.

#### **B. Role of the Election Commission of India (ECI)**

The ECI is responsible for monitoring the compliance of political parties with statutory financial disclosure requirements. However, under the current scheme, the ECI does not have real-time access to the identity of donors, limiting its capacity to assess the influence of anonymous contributions on party politics. This has been a focal point of judicial challenges against the scheme.

### **4. Features and Mechanisms**

#### **Key features of the electoral bond scheme include:**

- **Anonymity:** Donor identities are not disclosed publicly, though the bank maintains records.
- **Limited redemption period:** Bonds must be encashed within 15 days of issuance, reducing the risk of misuse.
- **Eligibility of political parties:** Only parties registered under the RPA and having secured at least 1% of votes in the last election are eligible to receive bonds.
- **Banking Channel:** The scheme ensures contributions are routed through banking channels, reducing cash-based political funding.

### **Criticisms and Legal Challenges**

**Despite its intended benefits, the electoral bond scheme has faced significant criticism:-**

- **Opacity in Funding:** The anonymity of donors reduces public visibility of political funding, potentially undermining transparency and accountability.

- **Favoring Dominant Parties:** Empirical evidence suggests that larger parties, particularly ruling parties, benefit disproportionately from electoral bonds due to access and influence over donor networks.
- **Judicial Scrutiny:** Petitions in the Supreme Court argue that the scheme violates the principles of free and fair elections under Articles 14, 19(1)(a), and 324 of the Constitution.

### Critical analysis of electoral bonds in India

The introduction of the Electoral Bond Scheme in 2018 was touted as a landmark reform in political financing, aimed at increasing transparency, reducing cash-based corruption, and protecting donor privacy. However, a critical examination reveals that while the scheme addresses certain challenges in political funding, it also introduces new complexities that may undermine the principles of transparency, accountability, and democratic equity.

## 1. Claimed Advantages of Electoral Bonds

### A. Formalization of Political Funding

Electoral bonds channel political contributions through official banking systems, reducing the circulation of unaccounted cash. Before the introduction of bonds, political funding in India was heavily reliant on cash donations, which often evaded regulatory oversight. By leveraging banking channels, the scheme ensures that all donations are traceable to a financial transaction, albeit not publicly to the donor level.

### B. Protection of Donor Privacy

One of the key features of electoral bonds is the anonymity they offer donors. Proponents argue that this protects individuals and corporations from political retaliation, social pressures, or harassment. By maintaining confidentiality, the scheme encourages lawful and larger donations, promoting the financial viability of political parties.

### C. Ease and Efficiency of Donations

The process of purchasing and donating electoral bonds is straightforward and accessible through designated banks. Donors can make contributions in multiple denominations, ensuring flexibility and efficiency in political funding.

### D. Legal Compliance and Tax Benefits

Electoral bonds are issued under the Reserve Bank of India and comply with provisions of the Representation of the People Act, Companies Act, and Income Tax Act. Donations made through bonds are tax-exempt, creating incentives for transparent financial contributions instead of cash-based donations that evade taxation.

## 2. Criticisms and Challenges

### A. Anonymity and Lack of Transparency

The anonymity of electoral bonds has been the most significant criticism. While the RBI maintains records of donors, this information is not publicly disclosed, making it impossible for voters and civil society to know who is funding political parties. This opacity undermines the democratic principle of accountability and raises concerns about hidden influences on policy-making.

### B. Favoring dominant political parties

Empirical analyses of donations since 2018 indicate that ruling parties have disproportionately benefited from

electoral bonds. Large corporate donors, who may prefer discretion, tend to channel contributions to parties with greater political influence, creating an imbalance in electoral competitiveness and disadvantaging smaller parties.

### C. Undue Influence of Corporations and Wealthy Donors

By allowing anonymous corporate donations, electoral bonds may facilitate undue influence by powerful business entities. Critics argue that this can skew policy-making in favor of donors rather than the electorate, eroding the ethical foundation of democracy.

### D. Circumvention of Existing Disclosure Norms

Before the introduction of bonds, the Representation of the People Act required disclosure of contributions above ₹20,000. Electoral bonds effectively bypass this requirement, leading to legal debates over whether the scheme undermines existing transparency mechanisms.

### E. Judicial and Civil Society Critiques

Multiple petitions in the Supreme Court have challenged the constitutionality of electoral bonds. Organizations such as the Association for Democratic Reforms and Common Cause argue that the scheme violates Articles 14, 19(1)(a), and 324 of the Constitution by diminishing transparency and accountability in political financing.

## 3. Empirical Evidence and Trends

Since the launch of electoral bonds, several patterns have emerged:-

- **Concentration of Funding:** A significant proportion of bonds have been purchased and encashed by parties currently in power, reflecting a concentration of resources.
- **Corporate Dominance:** Large corporate donors, including public and private sector companies, dominate the funding landscape through bonds.
- **Decline in Smaller Donations:** Smaller parties and grassroots contributors find it difficult to leverage the scheme due to its banking-oriented structure and preference for large donations.

These trends indicate that while electoral bonds streamline funding, they also risk creating financial asymmetry among political parties, thereby impacting the fairness of the electoral process.

## 4. Democratic Implications

### A. Impact on Electoral Competitiveness

Transparency in funding is essential for ensuring a level playing field in elections. The anonymity of electoral bonds can distort competition by channeling disproportionate resources to dominant parties, undermining smaller parties' ability to contest effectively.

### B. Public Trust and Accountability

Voter confidence in democracy is closely linked to transparency in political funding. When contributions are anonymous, citizens are unable to assess the influence of private donors on party policies or candidate behavior, leading to a perception of opacity and reduced accountability.



### C. Ethical Considerations

The ethical dimension of electoral bonds is debated widely. While donor privacy is important, complete anonymity raises questions about whether elected representatives are beholden to undisclosed entities rather than the electorate.

### 5. Balancing Advantages and Risks

**The Electoral Bond Scheme represents a double-edged sword:-**

- On one hand, it modernizes political financing, reduces cash-based corruption, and provides tax incentives for lawful contributions.
- On the other, it enables opaque funding, favors dominant parties, and risks undue corporate influence, raising concerns about democratic equity.

A nuanced assessment requires acknowledging the scheme's potential benefits while addressing its structural vulnerabilities through policy and legal reforms.

### Judicial and expert responses to electoral bonds in India

The Electoral Bond Scheme, since its inception in 2018, has faced substantial judicial scrutiny and criticism from legal experts, civil society organizations, and election analysts. These responses highlight concerns regarding transparency, accountability, and the broader implications of anonymous political funding on India's democratic framework.

#### 1. Judicial Interventions

##### A. Association for Democratic Reforms (ADR) vs. Union of India

One of the key challenges to the Electoral Bond Scheme was filed by the Association for Democratic Reforms (ADR), a prominent organization advocating electoral transparency. The petition argued that the scheme violated:

- **Article 14:** The right to equality, as it disproportionately benefits larger political parties over smaller ones.
- **Article 19(1)(a):** The right to freedom of speech, as voter knowledge about political funding is essential for informed decision-making.
- **Article 324:** The Election Commission's mandate to conduct free and fair elections, compromised by opaque funding.

The Supreme Court, while not immediately striking down the scheme, emphasized the need for monitoring mechanisms to ensure the scheme does not undermine democratic principles. The matter remains under judicial review, reflecting ongoing concerns about transparency.

##### B. Common Cause vs. Union of India

In another petition filed by the public interest organization Common Cause, the challenge focused on the anonymity of donors and its impact on electoral fairness. The petitioners argued that the Electoral Bond Scheme renders disclosure norms under the Representation of the People Act ineffective, thereby eroding public trust in political financing. The Supreme Court sought responses from the government while noting the potential conflict between donor privacy and democratic accountability.

### C. Key Judicial Observations

While the judiciary has yet to deliver a conclusive verdict striking down the scheme, several interim observations have emerged:

- The importance of transparency in political funding for a healthy democracy.
- Recognition of donor privacy as a legitimate concern but not at the expense of public oversight.
- The need for regulatory oversight to prevent disproportionate influence by dominant parties or corporate donors.

These judicial interventions underscore the tension between legal permissibility and democratic ethics, positioning the scheme at the center of ongoing constitutional debates.

#### 2. Expert Opinions

##### A. Constitutional and Legal Experts

Legal scholars argue that while electoral bonds may curb cash donations, the scheme undermines fundamental principles of transparency and equality. According to experts:

- **Transparency is central to electoral integrity**, and complete anonymity compromises the electorate's ability to make informed decisions.
- **Equity among parties is threatened**, as larger parties tend to attract more anonymous donations, skewing the political playing field.
- **Legal loopholes exist**, particularly in reconciling the scheme with existing disclosure norms under the Representation of the People Act.

##### B. Election analysts and economists

Election analysts emphasize the empirical trends that indicate a concentration of funding towards ruling parties. Economists and political scientists argue that this could lead to policy capture, where political decisions disproportionately favor major donors rather than public interests. These observations highlight the broader governance implications of the scheme.

##### C. Civil society and media perspectives

Civil society organizations and media investigations have repeatedly questioned the anonymity provisions. Reports indicate that political donations via electoral bonds surged significantly after 2018, with the majority going to parties in power, reinforcing concerns about unequal influence. Critics assert that this trend diminishes public oversight and undermines democratic accountability.

#### 3. Balancing judicial concerns with policy objectives

**The government defends the scheme on the grounds that:-**

- Electoral bonds reduce cash-based political funding and formalize contributions.
- Donor anonymity is essential to protect individuals and corporations from political retaliation.
- Transparency is maintained through banking records accessible to regulatory authorities.

However, judicial and expert responses collectively

highlight that the scheme's design favors certain political entities and limits public scrutiny, potentially conflicting with the principles of free and fair elections.

#### 4. Implications of judicial and expert critiques

**The critiques have several implications:-**

- **Legal Reform:** There is a need to reconcile the scheme with disclosure requirements and democratic accountability.
- **Electoral Fairness:** Monitoring mechanisms should ensure that funding does not disproportionately advantage certain parties.
- **Public Trust:** Enhancing transparency could restore voter confidence in the political process, balancing donor privacy with democratic oversight.

#### Comparative analysis of political funding: Lessons for India

A comparative analysis of political funding mechanisms in established democracies provides valuable insights into how transparency, accountability, and fairness can be ensured. By examining the models of countries like the United States, the United Kingdom, Germany, and Canada, India can identify best practices and potential reforms to strengthen its electoral funding framework.

##### 1. United States: Disclosure and Regulation

The U.S. has a well-defined legal framework for political donations, governed primarily by the Federal Election Campaign Act (FECA) and regulated by the Federal Election Commission (FEC). Key features include:

- **Mandatory Disclosure:** All donations above a specified threshold must be publicly disclosed, including the identity of the donor.
- **Limits on Contributions:** Individuals and organizations are subject to contribution caps to prevent undue influence.
- **Super PACs and Dark Money:** While disclosure rules exist, independent political action committees (PACs) and non-profits known as "dark money" entities can obscure the source of funding, drawing parallels with concerns in India.

##### Lessons for India

- Mandatory disclosure of donations promotes accountability and informs voters.
- Caps on contributions prevent disproportionate influence by wealthy individuals or corporations.
- Transparency measures must be robust to address loopholes, such as the "dark money" phenomenon.

##### 2. United Kingdom: Transparency and Public Oversight

The UK's political funding system is governed by the Political Parties, Elections and Referendums Act (PPERA) 2000 and overseen by the Electoral Commission. Key features include:

- **Disclosure Requirements:** Parties must report all donations above £7,500, including donor identities.
- **Public Funding:** Partial public funding reduces reliance on private donations and promotes equitable access.
- **Regulatory Enforcement:** The Electoral Commission

monitors compliance and can impose penalties for non-disclosure.

##### Lessons for India

- Combining private donations with public funding can ensure a level playing field.
- Strong regulatory oversight by an independent body enhances transparency.
- Clear reporting norms prevent manipulation and maintain public trust.

##### 3. Germany: State funding and limits on private contributions

**Germany adopts a hybrid model of public and private funding:**

- **State Funding:** Political parties receive substantial public funding proportional to votes received in the previous election, reducing dependence on large private donations.
- **Private Donations:** Donations above €10,000 must be disclosed, with smaller amounts aggregated in annual reports.
- **Transparency and Audit:** Independent audits ensure compliance and maintain financial transparency.

##### Lessons for India

- State funding reduces reliance on private donations, limiting the influence of corporate or individual donors.
- Comprehensive auditing ensures accountability and deters misuse.
- Proportional public funding can help smaller parties remain competitive.

##### 4. Canada: Limits and Disclosure

**Canada regulates political contributions through the Canada Elections Act:-**

- **Contribution Caps:** Individuals can donate only up to a set limit annually to political parties or candidates.
- **Mandatory Disclosure:** All contributions must be reported to Elections Canada, including donor identity for contributions above CAD 200.
- **Public Financing:** Eligible parties receive per-vote subsidies, reducing dependency on large private donations.

##### Lessons for India

- Annual caps on contributions prevent undue influence.
- Mandatory disclosure fosters transparency and voter awareness.
- Public financing ensures smaller parties can compete effectively in elections.

##### 5. Comparative Insights for India

**From the analysis of these countries, several key lessons emerge for India:**

- **Mandatory Disclosure of Donors:** Public access to donor information strengthens accountability and voter awareness.
- **Contribution Limits:** Capping donations prevents dominance by wealthy individuals or corporate entities.
- **State Funding:** Partial public funding reduces dependency on large private contributions and promotes fairness.

- **Independent Oversight:** A strong regulatory authority, akin to the Electoral Commission in the UK or Elections Canada, is crucial for monitoring compliance.
- **Balanced Anonymity:** While donor privacy is important, it must be balanced with mechanisms that maintain transparency and public trust.

## 6. Implications for India's Electoral Bond Scheme

The comparative analysis underscores that India's Electoral Bond Scheme, while innovative, diverges from global best practices:

- **Excessive Anonymity:** Unlike other democracies, India allows complete donor anonymity, limiting transparency.
- **Limited Public Oversight:** While the RBI and Election Commission maintain internal records, there is no public disclosure, unlike the U.S., UK, and Canada.
- **Imbalance among parties:** The scheme may favor ruling parties disproportionately, in contrast to systems with state funding and contribution limits that promote equity.

**By adopting lessons from global practices, India could consider:-**

- Partial public funding of elections to support smaller parties.
- Mandatory disclosure of contributions above a reasonable threshold while protecting donor privacy below it.
- Contribution caps for individuals and corporations to prevent undue influence.
- Strengthening the Election Commission's oversight and audit powers for electoral funding.

## Findings

Based on the comprehensive analysis of the Electoral Bond Scheme, judicial interventions, expert opinions, and comparative global practices, several key findings emerge regarding its impact on India's political funding landscape and democratic processes.

### • Anonymity vs. Transparency

The primary finding is the tension between donor anonymity and transparency. While the scheme protects donor identities, it significantly limits public access to information regarding political funding. This anonymity has the potential to obscure the source of donations, reducing the electorate's ability to assess the influence of private entities on political parties and policy-making. Unlike global practices where disclosure is mandatory above certain thresholds, India's scheme lacks similar transparency mechanisms.

### • Disproportionate Benefit to Dominant Parties

Empirical evidence indicates that ruling parties have disproportionately benefited from electoral bonds since their inception. Larger political entities attract significant corporate and individual donations, potentially creating an imbalance in electoral competitiveness. Smaller parties and grassroots movements face challenges in leveraging this funding mechanism due to both structural and financial constraints.

## • Legal and Constitutional Ambiguities

Judicial scrutiny reveals unresolved tensions between the Electoral Bond Scheme and the principles enshrined in the Constitution and the Representation of the People Act. While donor privacy is recognized as important, the absence of public disclosure raises concerns regarding equality among parties, fairness in elections, and democratic accountability. The ongoing litigation underscores the need for legal clarification and possible reforms to reconcile privacy with transparency.

## • Risk of Corporate Influence

The scheme allows anonymous corporate donations, which may facilitate undue influence over political parties and policy decisions. Experts highlight that without proper monitoring, corporate entities can disproportionately shape political agendas, raising ethical and democratic concerns.

## • Global Comparative Insights

Comparative analysis with democracies such as the U.S., UK, Germany, and Canada reveals that mandatory disclosure, contribution caps, and partial public funding enhance transparency, equity, and public trust. India's current approach diverges from these best practices, emphasizing the need for regulatory and policy reforms to align electoral funding with democratic principles.

## • Impact on public trust and democratic integrity

The lack of transparency associated with electoral bonds can erode public trust in political processes. Voter confidence is closely linked to the perception of fair and accountable elections. Without mechanisms for disclosure and monitoring, electoral bonds risk undermining the ethical and democratic foundations of Indian elections.

## Recommendations

Based on the analysis of the Electoral Bond Scheme, judicial scrutiny, expert opinions, and comparative international practices, several recommendations emerge to strengthen transparency, accountability, and fairness in India's political funding system. These recommendations aim to balance donor privacy with democratic oversight, ensuring that political financing supports equitable electoral competition and maintains public trust.

### Enhance transparency without compromising donor privacy

While protecting donor identity is important, complete anonymity undermines public oversight. A balanced approach could involve:

- **Mandatory Disclosure Above Thresholds:** Contributions above a certain limit (e.g., ₹10 lakh) should be disclosed to the Election Commission, while smaller donations could remain confidential.
- **Periodic Reporting:** Political parties should submit detailed reports of bond encashments to the Election Commission, which could aggregate data for public access without revealing individual donors.

### Introduce Contribution Caps

To prevent disproportionate influence by wealthy individuals or corporate entities:

- **Individual and Corporate Limits:** Set annual caps on contributions to political parties, similar to the U.S. and Canadian models.
- **Proportional Allocation:** Encourage equitable distribution of funds across parties to maintain a level playing field, particularly for smaller and emerging parties.

### Strengthen Regulatory Oversight

The Election Commission and RBI play a crucial role in monitoring electoral bonds, but oversight could be further enhanced:

- **Independent Audits:** Periodic audits of political party finances, including bond donations, to ensure compliance with legal norms.
- **Real-Time Monitoring:** The Election Commission could maintain access to anonymized donor data, enabling detection of irregular patterns without breaching privacy.
- **Penalties for Non-Compliance:** Implement stringent penalties for parties failing to report or misusing funds received via electoral bonds.

### Introduce Partial Public Funding

**To reduce dependence on private donations and ensure fair competition:-**

- **State Funding Provisions:** Provide per-vote subsidies or partial funding for eligible parties, similar to Germany and Canada.
- **Support for Smaller Parties:** Allocate a portion of public funds specifically to smaller or emerging parties to promote political pluralism and democratic equity.

### Leverage Technology for Transparency

**Digital tools can enhance monitoring and public awareness:**

- **Online Reporting Platforms:** Develop a secure portal for political parties to report bond encashments, accessible to regulators.
- **Data Analytics:** Use data analytics to detect trends in political funding, ensuring compliance and preventing concentration of resources among dominant parties.

### Encourage civil society participation

**Civil society organizations and media play an essential role in monitoring political funding:-**

- **Independent Watchdogs:** Support organizations like the Association for Democratic Reforms to analyze funding patterns and raise public awareness.
- **Public Engagement:** Encourage civic education campaigns on political financing, highlighting the importance of transparency and accountability.

### Legal reforms and constitutional alignment

**To address ambiguities in the electoral bond scheme:-**

- **Legislative Review:** Amend the scheme to align with the Representation of the People Act, ensuring disclosure norms are compatible with donor privacy.
- **Judicial Compliance:** Implement mechanisms that respond to Supreme Court observations, balancing donor confidentiality with democratic oversight.

### Conclusion

The Electoral Bond Scheme, introduced in India in 2018, represents a significant innovation in the country's political

funding landscape. Designed to formalize donations, reduce cash-based transactions, and protect donor privacy, the scheme has fundamentally altered the dynamics of political financing. By channeling contributions through banking systems, it provides a legal and traceable mechanism for donations to registered political parties. However, a detailed examination of its implications reveals a complex interplay between transparency, accountability, and democratic equity.

### • Impact on transparency and public oversight

One of the most critical challenges posed by electoral bonds is the lack of transparency. While contributions are routed through official banking channels, the anonymity afforded to donors prevents public scrutiny of political funding. Unlike international best practices where donor identities and contributions above specific thresholds are disclosed, India's scheme does not provide voters with access to this information. This opacity raises concerns about the electorate's ability to make informed decisions and assess the influence of private entities on political parties and policy-making.

### • Disproportionate advantage to dominant parties

Empirical evidence suggests that ruling and larger political parties have disproportionately benefited from the Electoral Bond Scheme. Wealthy individuals and corporate donors tend to channel contributions to parties with greater political influence, thereby creating an imbalance in electoral competitiveness. Smaller and emerging parties often struggle to leverage the scheme due to its banking-oriented structure and preference for large donations. This concentration of resources undermines political pluralism and raises questions about equitable representation in the democratic process.

### • Legal and Constitutional Dimensions

The Electoral Bond Scheme has faced significant judicial scrutiny, with multiple petitions challenging its constitutionality. Critics argue that the scheme violates the principles of equality under Article 14, the right to information under Article 19(1)(a), and the Election Commission's mandate under Article 324 of the Constitution. While donor privacy is a legitimate concern, the lack of public disclosure compromises democratic accountability. The ongoing judicial interventions highlight the need for legal clarity and potential reforms to reconcile privacy with transparency and fairness.

### • Risks of Corporate Influence

By permitting anonymous corporate contributions, the scheme potentially allows private entities to exert undue influence over political parties and legislative agendas. This raises ethical concerns about policy capture and the prioritization of donor interests over public welfare. Experts and civil society organizations have emphasized that unchecked corporate funding can distort the democratic process and compromise the ethical foundations of governance.

### • Lessons from Global Practices

A comparative analysis of political funding models in the U.S., UK, Germany, and Canada underscores the importance of mandatory disclosure, contribution caps,



partial public funding, and independent oversight. These mechanisms ensure transparency, equitable competition, and public trust in democratic processes. India's Electoral Bond Scheme, by contrast, diverges from these practices in its allowance of complete anonymity and limited public oversight, highlighting the need for reforms aligned with global best practices.

### • Policy Implications and Recommendations

To safeguard democratic integrity, India must address the structural challenges posed by the Electoral Bond Scheme. Recommendations include:

- Introducing disclosure thresholds for large contributions.
- Imposing annual caps on individual and corporate donations.
- Strengthening the Election Commission's regulatory and audit powers.
- Providing partial public funding to support smaller parties.
- Leveraging technology for reporting and monitoring.
- Encouraging civil society participation in oversight.
- Aligning the scheme with constitutional principles and the Representation of the People Act.

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