

Chapter-2

SUPREME COURT ON ELECTORAL BONDS IN INDIA: CORPORATE FUNDING, ECONOMIC POLICY AND DEMOCRATIC POLITY

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ABSTRACT

The research paper critically examines India's Electoral Bonds Scheme, introduced in the 2017 Union Budget and implemented in 2018 to regulate political funding. Designed to promote transparency and curb black money, electoral bonds allowed anonymous donation to political parties through the State Bank of India. Donors could claim tax deductions under Section 80GGB of the Income Tax Act, while political parties were expected to encash these within 15 days. While proponents argue that the scheme promotes cashless transactions and protects donor privacy, critics—including Election Commission of India and the Reserve Bank of India—have raised concerns over its opacity, potential for corporate influence and erosion of institutional accountability. The Supreme Court's 2024 ruling declared the scheme unconstitutional, sighting a violation of democratic principles and transparency Norms. The paper explores how amendments of Section 182 of the Companies Act, 2013 diluted earlier safeguards by removing disclosure requirements and allowing unlimited corporate donations. It also highlights, judicial and regulatory concerns about the bond's susceptibility to misuse and fraud. The research concludes by advocating for political funding reforms that balance transparency with donor privacy, ensuring democratic integrity, public accountability, and the prevention of undue corporate influence.

Keywords: Electoral Bonds, Political Funding, Transparency, Supreme Court of India, Corporate Donations Companies Act, 2013

INTRODUCTION

In 2018, India introduced an electoral bond as a financial instrument for political party donations. These bonds, issued in multiples of Rs. 1,000, 10,000, 1 lakh, 10 lakh, and 1 crore, are issued by State Bank of India branches and require the political party to credit the amount to their account. The main features and purpose of electoral bonds are- *firstly* the identity of the donor is not mentioned on the electoral bond, allowing anonymity for donors; *secondly* donations through electoral bonds were eligible for deduction from the total income of the donor for that year under Section 80GGB of the Income Tax Act; *thirdly* Electoral bonds were introduced to legitimize donations and bring transparency in funding to political parties and *fourthly* The electoral bonds had a validity period of 15 days during which they can be encashed by eligible political parties.

The Indian government introduced electoral bonds in 2018 to promote transparency in political funding. These anonymous instruments allow individuals and corporations to donate to registered parties without revealing their identities, sparking debates about

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