



ANALYZING THE IMPACT OF ELECTORAL BONDS ON INDIAN POLITICS

Sudhakar

Faculty of Department of Political Science, Koppal University, Koppal.

Abstract

This paper examines the Electoral Bond Scheme (2018–2024) from a political science perspective, with a focus on democratic accountability, transparency, and political equality. Drawing on data from Right to Information (RTI) disclosures, communications between the State Bank of India (SBI) and the Election Commission of India (ECI), and Supreme Court proceedings, the study reveals that while the scheme was introduced to curb black money in electoral funding, it has instead reduced transparency and disproportionately benefited the ruling party. The research analyzes donation patterns, party-wise distribution, and institutional responses, highlighting how the anonymity of donors under the scheme has intensified the nexus between corporate interests and political power. By employing descriptive statistics, content analysis, and comparative insights, the paper argues that the Electoral Bond scheme undermines the democratic ideals of openness, accountability, and political competition. Ultimately, it contends that the scheme contradicts the constitutional vision of political equality by prioritizing secrecy and enabling oligarchic influence over pluralistic democracy.

Keywords: *Electoral Bond Scheme, Indian Politics, Indian Election, Supreme Court.*

1. Introduction

For a long time, India's election funding has been unclear and included money that wasn't accounted for. Electoral Bonds were introduced in 2018 to try to move contributions to official banking channels. The plan was presented as a reform, but its anonymous character and absence of public donor information raised questions about the integrity of democracy. Political donations in India have always been murky, with money that can't be traced and informal ways to give. The Government of India started the Electoral Bonds (EBs) Scheme in 2018 to try to fix the system. The goal of these bonds was to let people make legal, tax-compliant contributions to political parties via the banking system. However, the plan has been heavily criticized for allowing anonymous contributions and concentrating finance among a small number of political groups. A fair and open election system is necessary for democracy. This means that political rivalry happens on an equal footing and that voters can see how political campaigns are funded. The Government of India introduced Electoral Bonds (EBs) in 2018, which changed the rules for political contributions in a big manner. The plan was to stop dark money and make contributions to political parties official. But the way it was made, with secrecy and little public scrutiny, has raised basic issues about the nature of Indian democracy.

This paper seeks to address the following research questions:

- How do Electoral Bonds affect democratic accountability and electoral competition?
- What is the impact of donor anonymity on citizen oversight?
- How does the scheme alter state-corporate-citizen relations?

2. Review of Literature

Political finance reform has been an evolving issue globally. Scholars such as Nassmacher (2001) emphasize the importance of transparent funding for democratic integrity. In India, various reforms - like Electoral Trusts and expenditure limits - have aimed to curb black money, but with limited success (Vaishnav, 2017). Electoral Bonds have been criticized for violating the principle of transparency (ADR,



2020). The Election Commission of India and the Reserve Bank of India have expressed concerns over the scheme's design. Existing literature indicates that reforms that anonymize donors might empower the wealthy and undermine electoral equality (Chhokar, 2022). However, supporters argue that banking channel-based donations reduce cash-based corruption. Political finance has been a longstanding subject of inquiry in democratic theory. Scholars such as Robert Dahl have emphasized that equal participation is compromised when financial power distorts electoral representation. In India, Vaishnav (2017) and Chhokar (2022) argue that political finance reforms have often reinforced elite capture.

3. Theoretical and Conceptual Framework

This study is informed by key Political Science theories:

- Democratic Accountability Theory: Citizens require donor transparency to make informed electoral decisions.
- Elite and Oligarchy Theories (C. Wright Mills, Mosca): Concentrated resources reinforce elite control over politics.
- Constitutionalism: Secrecy violates citizens' right to information (Art. 19(1)(a)).

4. Methodology

This paper uses a mixed-method approach combining quantitative and qualitative analysis.

Data Sources

Official ECI records, PIL documents, and RTI disclosures offer critical insights into elections, funding, and legal reform efforts. Civil society reports and media investigations reveal patterns in political financing, while statements from institutions like the RBI and ECI highlight official stances on transparency and governance.

Methods

Descriptive statistics will reveal trends in political donations, while content analysis of legal and official documents will trace the institutional discourse on electoral finance. Comparative analysis with global practices will highlight best practices and gaps in the Indian system.

Limitations

- Unavailability of donor-specific data due to anonymity
- Limited access to corporate lobbying records

5. Electoral Bonds Scheme: Features and Evolution

Launched in January 2018, the EB scheme allows any Indian citizen or company to purchase bonds from designated SBI branches and donate them to eligible political parties.

Key Features

- Bonds are issued in denominations from ₹1,000 to ₹1 crore.
- Valid for 15 days.
- Only parties with at least 1% vote share in Lok Sabha or State Assembly elections can receive them.
- Donor identity is confidential to the public but accessible to SBI and potentially the government.



Legislative Changes

The scheme was enabled by amending four key laws:

- **Income Tax Act** (removed the 7.5% corporate donation cap)
- **Companies Act** (allowed anonymous and unlimited donations)
- **RPA 1951** (enabled parties to accept bonds)
- **FCRA** (permitted foreign-origin companies with Indian subsidiaries to donate)

1. Key Milestones Timeline

Date	Event
Jan-17	Finance Bill introduces bonds via Money Bill route (Supreme Court Observer)
Jan 2, 2018	Electoral Bond Scheme notified
Nov-22	Bond sale days increased from 70→85
Feb 15, 2024	Supreme Court strikes down scheme

6. Data Tables & Findings

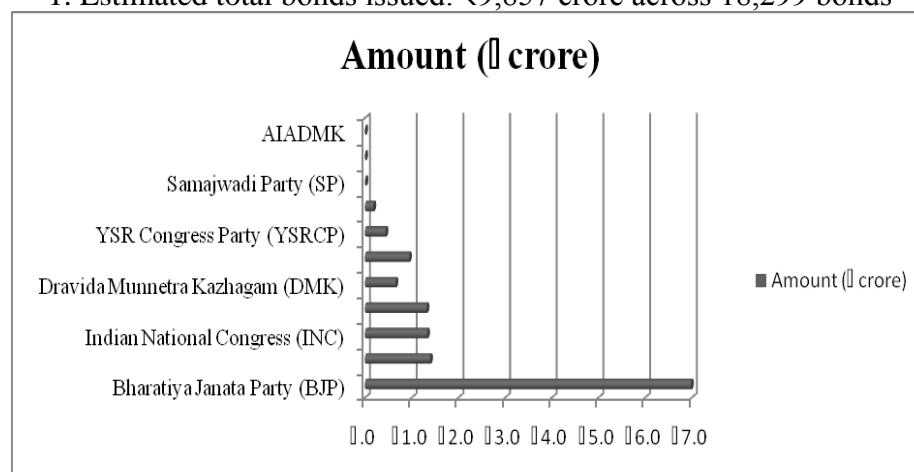
2. Amounts Encashed by Major Political Parties (Apr 2019-Jan 2024)

Party	Amount (₹ crore)
Bharatiya Janata Party (BJP)	6,986.50
All India Trinamool Congress (TMC)	1,397.00
Indian National Congress (INC)	1,334.35
Bharat Rashtra Samithi (BRS)	1,322.00
Dravida MunnetraKazhagam (DMK)	656.5
Biju Janata Dal (BJD)	944.5
YSR Congress Party (YSRCP)	442.8
Telugu Desam Party (TDP)	181.35
Samajwadi Party (SP)	14.05
Akali Dal	7.26
AIADMK	6.05
Others	< 1 each

Source: The Guardian, The New Indian Express, ADR and SBI

6.2 Total Bonds Issued (Mar 2018–Apr 2022)

1. Estimated total bonds issued: ₹9,857 crore across 18,299 bonds



Source: The Guardian, The New Indian Express, ADR and SBI.



6.3 Corporate Donors

3. Top Contributors to BJP (Apr 2019–Jan 2024)

Donor	Amount (~₹ crore)
Megha Engineering & Infrastructures Ltd	584
Qwik Supply Chain Pvt Ltd	375
Vedanta Ltd	230
Bharti Airtel Ltd	197.4
Madanlal Ltd	175.5

Source: ADR,SBI.

6.4 Regional Parties

4. Income from 'Unknown Sources' and Bonds (FY 2021–22)

Party	Total Income (₹ crore)	Unknown Source %	From Bonds (%)
DMK	318.75	96%	93.26%
BJD	307.29	95%	—
BRS	218.11	70%	—

Source: ADR, SBI, South First

6.5 Electoral Bond Donations & Major Donors

Category	Detail
Total bonds issued (Mar 2018–Apr 2022)	₹9,857 crore across 18,299 bonds
BJP encashments (Apr 2019–Jan 2024)	₹6,060.5 crore (approx 60% of total)
TMC encashments	₹1,609.5 crore
INC encashments	₹1,421.8 crore
Top corporate donors (2019–2024)	Future Gaming ₹1,368 crore; Megha Engineering ₹966 crore; Qwik Supply ₹410 crore; Vedanta, Airtel, Essel
“Lottery King” (Future Gaming)	₹1,368 crore; ₹540 crore to TMC; ₹509 crore to DMK; ₹100 crore to BJP; ₹50 lakh to Congress
SC decision date	Electoral Bond scheme declared unconstitutional on 15 February 2024
Supreme Court order for SBI data	SBI directed on 18 March 2024 to submit donor-recipient details

Source: Financial Times, The Guardian, TIME, Reuters and SBI.

Findings: Electoral Bonds and Democratic Functioning

6.1 Skewed Political Competition

Over **60% of funds** via Electoral Bonds have gone to the ruling party (BJP), especially during election cycles. This concentration of resources weakens **oppositional pluralism**, a key tenet of democracy.

6.2 Anonymity and State Surveillance

While donors remain anonymous to the public, the State (via SBI) retains access to transactional records. This asymmetry raises fears of **surveillance authoritarianism**, where ruling elites can access but shield information.



6.3 Rise of Political Cronyism

Corporate actors fund political parties with potential policy returns. This transactional logic leads to **clientelist relationships**, undermining democratic responsiveness.

6.4 Citizens' Right to Know

The Supreme Court held that the scheme violates **Article 19(1)(a)**—freedom of expression—since the right to information about political funding is essential for informed electoral choices.

Election Commission of India (ECI)

Privately opposed the scheme, citing a "serious blow to transparency." Publicly constrained due to executive pressure.

Reserve Bank of India (RBI)

Warned that the bonds may become "bearer securities," undermining fiscal discipline.

Judiciary

In a landmark **2024 ruling**, the **Supreme Court of India** declared the Electoral Bond scheme unconstitutional, emphasizing democratic accountability and electoral fairness.

Civil Society and Media

Civil society organizations exposed the correlation between government contracts and bond donations. Investigative reports showed that shell companies were often used as intermediaries.

A. Undermining Political Equality

Smaller parties and independent candidates lack access to elite donors, reducing electoral choice and reinforcing political monopoly.

B. Decline of Democratic Norms

The use of a Money Bill route, and lack of Parliamentary debate, signals executive dominance over democratic deliberation.

C. Corporate Capture of the State

Corporate donations are likely to affect policy outcomes, creating a 'pay-to-play' democracy.

7. Recommendations

1. Reinstate public disclosure requirements for all donations above ₹20,000.
2. Make the Election Commission financially and legally independent of the executive.
3. Provide matching funds to all eligible parties to ensure fairness.
4. Disallow the use of the Money Bill route for electoral reform laws.
5. Establish a Parliamentary Committee on Political Finance, including opposition leaders and civil society members.

8. Conclusion

The Electoral Bond Scheme reflects a critical moment in India's democratic trajectory where state institutions, corporate interests, and political power intersect in potentially undemocratic ways. By obscuring financial flows and undermining political competition, the scheme contradicts the spirit of



constitutional democracy. The recent Supreme Court judgment offers a window of opportunity to reimagining political finance grounded in transparency, pluralism, and citizen empowerment. Political Science must engage with such institutional questions not just as legal reforms, but as core issues of democratic theory, citizenship, and power.

References

1. Association for Democratic Reforms. (2024). *Electoral Bond Data Analysis*.
2. Chhokar, J. S. (2022). *Money and Politics in India: A Dangerous Nexus*.
3. Dahl, R. A. (1989). *Democracy and Its Critics*. Yale University Press.
4. Election Commission of India. (2018–2023). *Annual Reports*.
5. Mills, C. W. (1956). *The Power Elite*. Oxford University Press.
6. Supreme Court of India. (2024). *ADR v. Union of India*.
7. Vaishnav, M. (2017). *When Crime Pays: Money and Muscle in Indian Politics*. Yale University Press.
8. Wright, T. (2019). *The BJP and the Future of Indian Democracy*. *Journal of Democracy*, 30(4).
9. Deccan Herald. (2024, March 17). 80 % of DMK's electoral bonds came from 'Lottery King' Martin. Retrieved from <https://www.deccanherald.com>
10. Electoral Bonds. (2025). In Wikipedia. Retrieved July 2025, from https://en.wikipedia.org/wiki/Electoral_bonds
11. Elections 2024 Indian general election. (2025). In Wikipedia. Retrieved July 2025, from https://en.wikipedia.org/wiki/2024_Indian_general_election
12. Future Gaming donates Rs 540 cr to TMC... (2024, March 22). *Business Standard*.
13. India's top court asks SBI... (2024, March 18). *Reuters*.
14. Lottery king splurged... (2024, March 21). *Reporters' Collective*.
15. Vedanta, Airtel, Essel among top funders... (2024, March 14). *Reuters*.
16. Why India's Supreme Court... (2024, February 15). *Time Magazine*.
17. Top 10 buyers... (2024, March 15). *Reuters*.
18. "Financial Times" <https://www.ft.com/content/521b4fb2-6f9f-48ae-8884-d4c0170609fe>.
19. "The Guardian" <https://www.theguardian.com/world/2024/mar/15/narendra-modi-bjp-given-570m-under-scheme-allowing-anonymous-donations>.
20. "TIME" <https://www.nytimes.com/2024/03/15/world/asia/india-election-donations.html>.
21. "Reuters" <https://www.reuters.com/world/india/what-were-indias-electoral-bonds-how-did-they-power-modis-party-2024-02-16/>.