



“Bringing Transparency in Electoral Funding in India”

Collective inputs from circle “Transform India with Modi”

A community of over 200,000 Citizens engaged in Participative Governance

(Current State, Issues, Root Causes and Proposed Solutions)

August 30, 2015

Electoral Funding in India

Executive Summary

It is the best known secret of Indian politics. And it comes as no surprise that India's national, state and regional parties earned Rs.4,662 crore in the seven years between 2004 and 2011, mostly in form of donations and contributions, but there is a huge cover of secrecy and lack of transparency in who gave the money to them, a report released by two NGOs have claimed.

To bring some transparency into political funding, the Representation of People Act of 1951 says that political parties must declare details of contributions of more than Rs. 20,000. This report though points out major loopholes, like parties declaring every single contribution of Rs. 20,000 made by any person at one time. But if several donations totalling to more than Rs.20,000 are made by one person or company in one year, then parties interpret it differently. That leaves them the option of breaking up donations into amounts less than Rs. 20,000.

The 200,000+ strong “Transform India with Narendra Modi” online community has come together to collectively identify the key issues, root causes and solutions for the state of Electoral Funding in India and the community expects that the associated authorities like the Central Election Commission (CEC) and any others will work towards implementing the identified solutions.

Issues Identified:

1. Business as a community is the source of funding not citizens leading to disproportionate representation for this section of the society
2. Quid-pro-quo is defined between business and parties as prelude to funding
3. Audited financial statements are not released by the parties
4. Black Money is the primary source of funding
5. The details of the funding is not made public
6. No receipts are issued for collections made
7. Details of how much has been spent is not disclosed
8. Some election funds also get diverted to personal expenses of politicians
9. Candidates at times buy tickets of certain parties and many times this money does not even go to the party
10. Limits on spends set by election commission are not realistic and not followed.

Root Causes Identified:

1. Lack of centralized guideline on fund sources
2. No laws to force the parties to disclose the amount of funding collected

3. Some businesses are happy to fund political campaigns so that they could ask for favours once the party in in power
4. Cost of fighting an election is so high that only the rich or the criminals can do it
5. No limit on the number of parties contesting elections hence overall spends rise
6. Political parties do not need to file income tax returns
7. Political parties lack systems, processes and controls when it comes to receipt and disbursement of funds
8. Muscle power and threatening tactics are used sometimes to force businesses to donate
9. Lack of political will to take any steps in this direction

Solutions Identified:

1. All parties in existence should submit their audited accounts on the website and file IT returns
2. The sources of revenues should be recorded and disclosed
3. After elections the expenses with details of the source of fund should be filed within 6 months
4. All parties should maintain proper accounts with details of receipt and expenditure and it should be published every year after audit by appropriate authority appointed by the election commission
5. Political donations to various political parties should be routed through the election commission of India
6. Compulsory registration of donors should be enforced
7. Issuance of a receipt for donations should be made compulsory
8. Every party should be asked to disclose the amount they have spent on their campaign
9. Cash donations should be completely banned
10. The funds from all parties could be managed centrally through the election commission of India
11. An election deduction can be introduced so a small percent is deducted from every citizen's payroll and directed to the political party of his/her choice. If no choice is identified by citizen, such funds are put in a central pool and allocated based on number of candidates and other criteria.

Electoral Funding in India – a few citizen posts and comments:

1. Corporate Sector funding of election for different political parties are done all over the world and I'm not sure how this can be stopped. In any case this should be made mandatory for every corporate sector to declare how much they have contributed for each party. No corporate sector should be allowed to fund individual leaders. If any corporate body or HNW individual fail to declare their contribution but later found guilty law be made to punish them, instead of asking the political parties to declare their source of funding. Law exist for foreign funding of political parties which must be implemented with letter n spirit – **Sanjeeb Kumar Roy**
2. Transparency through public disclosure of corporate donations & high value donations as well as filing of income tax returns should be mandatory for all political parties – **Inderneel Basu**
3. Electoral representation is a political business and involves every similar tactics and practices as involved in commercial trades and allied business, therefore political funding should be equally treated and evaluated at par with business funding and all those rules and regulations be equally deployed as yard stick to access and audit on political funding – **Ghanshyam Gola**
4. Money spend during elections is root cause of corruption. Such expenditure results in price rise post elections. This must stop and people contesting may only use radio, TV channels or social media which should be free to individual candidates. Besides no other facility must be provided to anyone from tax payers account – **Ramesh Gaur**
5. Electoral funding by government to the political parties should not be allowed at any cost. If this is passed in the parliament, all political parties will be eager to pass such legislation. And they can periodically increase the contribution from the government coffers as they will not finding it difficult to pass any resolution as all political parties will vote enmass. A case in point is when the salaries and allowances of MPs/MLAs, etc. are increased with rapid frequency – **Gopalakrishnan C**
6. Election time is also is the time for spending the 'black money' by political parties and their candidates. State funding of elections can be a good option. This can happen only when the election commission or the fund allocating authority is out of bounds for political parties. Party spending will have to be open to scrutiny by Public/ Authorities and should be under the ambit of RTI. All donations and spending should be through bank account. Poll expenditure will have to be under one entity only, either the party or candidate. Curbs should be placed on advertisements, in all forms – **Shivananda Nayak**
7. There is no harm arranging & getting funds / donations from willing citizens. All parties, small or big require funds to run a party & also to contest election. However, it should be fully transparent. It is also true, all big corporate donate funds to all

parties, where in power or not to take advantages in future. But it should always be through proper channel / transparent way – **Nand Lal Pamnani**

8. Most of funds received by the political parties are by donation from the various corporations and seldom from individuals. It then becomes an unrecorded obligation by the party to take care of the Corporation if it comes to power. For Corporations it is Stocks & Share game "SATTA". This has been happening repeatedly before every election. The party also keep receiving 'gratification' from individuals and Corporates for seeing to their 'conveniences'. This then generates corruption as it is in our Country. I suggest once a corpus fund is built by the party it should be managed by fund manager specialists who should invest these into market to generate more funds. Also such funds may also be diverted for various social works through party backed NGOs. Thus the party would save much on tax as also it will develop the much needed goodwill in the public. – **Sushil Paul**
9. In order to curb misuse of election funds, individuals and business houses should be free to donate to political parties. There should not be limit. Amount contributed should be a deductible business expense. Political parties should have their accounts audited and these should be available to public under RTI. This would expose big donors to a party. Let us start recognising true situation. this is one way of curbing corruption. Mr Narender Singh's suggestion that candidates should be selected by the Election Commission is very funny and I hope it was only made to humour the readers – **Raj Bhatia**