

Behind The Veil Of Electoral Bond Scheme: Revealing The Donor-Beneficiary Dynamics

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Introduction

On February 15, 2024, a landmark decision by the Supreme Court of India reverberated across the nation as it struck down the controversial Electoral Bonds (EB) Scheme.^[1] This decision was the result of the legal fight that began in 2017 when the then Union Finance Minister, Arun Jaitley introduced the scheme. Initially, the objective of the proposed scheme was to bring reform in political funding in India by creating a mechanism to cleanse the political funding in the country. However, its constitutionality was challenged before the Supreme Court, leading to the striking down of the scheme, and subsequently, the Hon'ble Court ordered, the SBI to submit all the details and specifics of the purchase of the bonds since 2019 to the Election Commission of India (ECI).

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Background of Electoral Bond Scheme

The Electoral Bond Scheme has its roots in the Finance Act of 2016[2], which made amendments to the Foreign Contribution Regulation Act 2010[3] and enabled foreign companies with a majority interest held by Indian citizens to donate to political parties. In the same way, the Finance Act of 2017[4] laid the groundwork for the implementation of the Electoral Bond Scheme. The above modifications were intended to address the age-old problem of black money in Indian politics and usher in a new era of transparency.

Understanding Electoral Bonds

Broadly, electoral bonds worked as promissory notes and contained no information about the transacting parties. They could be purchased in different denominations only from specified branches of the State Bank of India over a period of seven days each four times during the year.[5] Only the SBI kept records of the purchaser, with the buyer's Know Your Customer details remaining unknown. The bond had to be encashed by political parties that met specified criteria within 15 days of the receipt.[6]

Legal Challenges and Constitutional Review

Despite its initial promise of transparency, the electoral bond scheme has faced strong opposition, with various stakeholders expressing concerns about its impact on transparency, accountability, and the democratic process. Non-governmental organizations like the Association for Democratic Reforms (ADR) and Common Cause, along with the Communist Party of India (Marxist), challenged the scheme in the court of Law. They argued that the amendments facilitating the scheme were passed as money bills[7] to avoid scrutiny by the Rajya Sabha, raising constitutional concerns.

Supreme Court Intervention

The legal turmoil reached its peak when the Supreme Court of India deliberated on the constitutionality of the Electoral Bond Scheme. Chief Justice D.Y. Chandrachud, leading a five-judge Constitution Bench,[8] heard arguments from both sides over three days. The core issue of the debate revolved around finding a balance between transparency in political funding and the privacy rights of donors. Petitioners argued that voters have a fundamental right to know about the funding sources of political parties, while the Union government argued that anonymity was necessary to protect donors from potential repercussions.

Landmark Judgment and Consequences

In a unanimous decision, the Supreme Court declared the Electoral Bond Scheme unconstitutional, citing its violation of voters' right to information. This ruling echoed concerns raised by critics regarding the opacity and potential for abuse inherent in the scheme. As a result, the sale of electoral bonds was immediately stopped, and the State Bank of India was instructed to provide details of all bonds purchased since April 12, 2019, to the Election Commission of India (ECI).[\[9\]](#)

The Disclosure Unveiled

In compliance with the Supreme Court's order, the State Bank of India disclosed details of electoral bonds, including unique bond numbers but withheld the KYC details and full bank account numbers of political parties, to the Election Commission of India on March 21, 2024. With the full list of electoral bonds data, including unique alpha-numeric codes, submitted to the Election Commission of India (ECI), a clearer picture emerges regarding the donors and beneficiaries involved.[\[10\]](#) The data released outlines the top contributors to the electoral bonds scheme. Leading the pack is Sebastian Martin's Future Gaming and Hotel Services, whose astounding donation of Rs 1,365 crore highlights the magnitude of corporate involvement in political funding. Following closely behind are Megha Engineering & Infrastructures, Reliance-linked Qwik Supply Chain, Vedanta Limited, and RP-Sanjiv Goenka Group's flagship thermal plant company, Haldia Energy Ltd.

Mapping the Donor-Beneficiary Nexus

The Bharatiya Janata Party (BJP) emerges as the primary beneficiary of the electoral bonds scheme, accreting donations exceeding Rs 6,000 crore over the past four years. Hyderabad-based Megha Engineering leads the donors to the BJP, followed by Qwik Supply, Vedanta, and Bharti Airtel. Other notable contributors include Madanlal Ltd., Keventers Foodpark Infra, and DLF Commercial Developers. Trailing behind the BJP is the All-India Trinamool Congress (TMC), with significant contributions from Future Gaming and Hotel Services, Haldia Energy, Dhariwal Infra, and MKJ Enterprises.

The Congress party secures the third spot in the beneficiary list, with Vedanta emerging as its top contributor, followed by Western UP Transmission Co, MKJ Enterprises, and Yashoda Super Speciality Hospital.

Tracing the Flow of Funds

Digging into the specifics of corporate donations to political parties reveals intriguing patterns. Future Gaming and Hotel Services, the top donor company, allocates its largest sum to the TMC, followed by contributions to the DMK, YSR Congress Party, and the BJP. Megha Engineering and Infrastructure Ltd. direct its primary contribution towards the BJP, with substantial amounts also flowing to the BRS, DMK, YSRCP, and Telugu Desam party.

Qwik Supply Chain's donations predominantly favour the BJP, with nominal sums allocated to Shiv Sena and Nationalist Congress Party (NCP) Maharashtra. Vedanta Ltd. exhibits a similar trend, with significant donations to the BJP, Congress, and Biju Janata Dal (BJD). Haldia Energy Ltd. focuses its contributions primarily on the TMC, with supplementary donations to the BJP and Congress.

Conclusion

The disclosure of electoral bond data sheds light on the inner workings of political financing in India, emphasizing the need for greater transparency and oversight in the electoral process. While the path toward electoral reform may be challenging, the Supreme Court's ruling serves as a call to action for concerted efforts toward creating a political environment grounded in integrity, fairness, and public trust, laying the groundwork for an inclusive democracy. However, this decision has raised questions about the future of corporate funding in Indian politics. Moving forward, the controversy highlighted the broader need for policymakers to address the loopholes exposed by the electoral bond scheme and implement reforms that uphold democratic principles and safeguard the integrity of the electoral system.

[1] *Assn. for Democratic Reforms v. Union of India* [2024 SCC OnLine SC 150]

[2] The Finance Act, 2016 [Act No. 28 of 2016]

[3] Foreign Contribution Regulation Act 2010 [Act no. 42 of 2010]

[4] The Finance Act, 2017 [Act No. 7 of 2017]

[5] S.O. 29(E), the Electoral Bond Scheme, 2018

[6] Regulation 6, The Electoral Bond Scheme, 2018

[7] Article 110, The Constitution of India, 1950

[8] CJI Chandrachud, with Justices [Sanjiv Khanna](#), [B.R. Gavai](#), J.B. Pardiwala, and Manoj Misra

[9] Writ Petition (C) No. 880 of 2017

[10] <https://www.eci.gov.in/disclosure-of-electoral-bonds>

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