GLOBAL JOURNAL
OF MANAGEMENT AND BUSINESS RESEARCH - B: ECONOMIC & COMMERCE
Volume 26 | 2026
Article ID: GJMBR-258774
Language: English

Electoral Bonds at the Crossroads: Transparency, Rationality, and Reform Pathways A Critical Analysis of Political Finance Reform in India

Online First

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RECEIVED	ACCEPTED	ONLINE PUBLISHED	PEER REVIEW
2026-06-19	2026-06-29	2026-07-07	Double Blind

Abstract

Elections form the bedrock of the largest democracy in the world – India. Since Independence, as many as 15 Lok Sabhas have been formed through elections, the first one being held in 1951-52. Elections provide a way for people to assert their voice and opinion and choose the person whose priorities and ideas match with theirs the most. Elections in India are also a platform for the public to voice their resentment against a ruling party. By voting for other parties and helping elect a different government, citizens demonstrate that they possess ultimate authority. India has held 17 parliamentary elections till 2019. The 18th parliamentary election is scheduled for 2024. Elections are also held for the state assemblies. Elections have become expensive over the years. A report by the Center for Media Studies (CMS) has estimated the total expenditure on the general elections to be around sixty thousand crores (Center for Media Studies, 2019). The Government of India launched the scheme of Electoral Bonds to fund the engagement of political parties in elections. Besides violating the rights of voters, the scheme suffered from many serious flaws. It turned out to obliterate the fine distinction between the public and corporate finance. The Association for Democratic Reforms approached the Supreme Court of India to declare the scheme unconstitutional. Taking note of the serious flaws, the scheme was declared unconstitutional in March 2024 by the Supreme Court (SC)of India. The policymakers assert that the abolition of the Electoral Bond scheme is not in the national interest. The Review Petitions were filed in the SC (The Hindu, 2026). The SC refused to reconsider its decision, dismissing pleas that sought to revive or modify the scheme. As per the SC ruling, political parties can no longer receive anonymous corporate or individual donations via electoral bonds, and all contributions must follow existing disclosure norms under the Representation of the People Act and Income Tax laws. The ruling has reignited discussions on the need for transparent political financing, with experts calling for stronger disclosure mechanisms and caps on corporate donations. India now needs to reinvent the scheme, The Times of India (2024, April 16). In re-inventing the scheme, the experiences of countries funding political parties for elections may also be studied.

Political Funding | Electoral Bond Scheme | Corporate Finance | Election Finance Model | Transparency | Legal Challenges

AI USE STATEMENT
No generative AI was used for analysis or results.

FUNDING
No external funding was declared for this work.

CONFLICT OF INTEREST
The authors declare no conflict of interest.

DATA AVAILABILITY
Not applicable for this article.

ETHICS
No ethics committee approval was required for this article type.

CONSENT
Not applicable for this article.

TRIAL REG.
Not applicable.

Crossref DOI: 10.34257/GJMBRB258774

How to Cite: Mishra et al. (2026). Electoral Bonds at the Crossroads: Transparency, Rationality, and Reform Pathways A Critical Analysis of Political Finance Reform in India. Global Journal of Management and Business Research, Ahead of Print, 1-15. DOI: 10.34257/GJMBRB258774

AR Experience Web Page DOI
Print ISSN 0975-5853
Online ISSN 2249-4588
Under the strict compliance and defined process of

METADATA CONTINUATION

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ARCHIVAL RECORD

GJMBR · Vol 26 · 2026

Article ID GJMBR-258774 · DOI 10.34257/GJMBRB258774

Print ISSN 0975-5853 · Online ISSN 2249-4588

Global Journal of Management and Business Research - Section B
GJMBR

Electoral Bonds at the Crossroads: Transparency, Rationality, and Reform Pathways A Critical Analysis of Political Finance Reform in India

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Abstract

Elections form the bedrock of the largest democracy in the world – India. Since Independence, as many as 15 Lok Sabhas have been formed through elections, the first one being held in 1951-52. Elections provide a way for people to assert their voice and opinion and choose the person whose priorities and ideas match with theirs the most. Elections in India are also a platform for the public to voice their resentment against a ruling party. By voting for other parties and helping elect a different government, citizens demonstrate that they possess ultimate authority. India has held 17 parliamentary elections till 2019. The 18th parliamentary election is scheduled for 2024. Elections are also held for the state assemblies. Elections have become expensive over the years. A report by the Center for Media Studies (CMS) has estimated the total expenditure on the general elections to be around sixty thousand crores (Center for Media Studies, 2019). The Government of India launched the scheme of Electoral Bonds to fund the engagement of political parties in elections. Besides violating the rights of voters, the scheme suffered from many serious flaws. It turned out to obliterate the fine distinction between the public and corporate finance. The Association for Democratic Reforms approached the Supreme Court of India to declare the scheme unconstitutional. Taking note of the serious flaws, the scheme was declared unconstitutional in March 2024 by the Supreme Court (SC)of India. The policymakers assert that the abolition of the Electoral Bond scheme is not in the national interest. The Review Petitions were filed in the SC (The Hindu, 2026). The SC refused to reconsider its decision, dismissing pleas that sought to revive or modify the scheme. As per the SC ruling, political parties can no longer receive anonymous corporate or individual donations via electoral bonds, and all contributions must follow existing disclosure norms under the Representation of the People Act and Income Tax laws. The ruling has reignited discussions on the need for transparent political financing, with experts calling for stronger disclosure mechanisms and caps on corporate donations. India now needs to reinvent the scheme, The Times of India (2024, April 16). In re-inventing the scheme, the experiences of countries funding political parties for elections may also be studied.

Keywords: *Political Funding, Electoral Bond Scheme, Corporate Finance, Election Finance Model, Transparency, Legal Challenges*

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DOI
10.34257/GJMBRB258774

1. Introduction

The purpose of this paper is to examine the rationale for opting for the Electoral Bond (EB) by the Government of India as an instrument to enable political parties to mobilize funds to finance elections at the central and state levels. The scheme introduced in 2018 was declared unconstitutional in March 2024 by the Supreme Court of India. The paper begins by providing the background of the Association for Democratic Reforms, which approached the Supreme Court of India, questioning the constitutional validity of issuing the EB. The paper then states the genesis of the EB, the process of how it was unveiled, and the arguments for declaring it unconstitutional. This follows an aggregate analysis of the scheme, pointing out its perils. Finally, the paper refers to the basic flaws in the scheme and concludes by suggesting the way forward.

The motivation to attempt this paper arose from the moment initiated by the Association for Democratic Reforms (ADR). The ADR was established in 1999 by a group of professors from the Indian Institute of Management (IIM), Ahmedabad. ADR's goal is to improve governance and strengthen democracy through continuous work in Electoral and Political Reforms. The ambit and scope of its work are in the following areas:

- Corruption and criminalization in the political process.
- Empowerment of the electorate through greater dissemination of information relating to the candidates and the parties, for a better and more informed choice.
- Need for greater accountability of Political Parties.

- Need for inner-party democracy and transparency in party functioning.

Appalled by the prospects of breeding corrupt electoral funding practices, the ADR took up the case of getting the electoral bond scheme declared unconstitutional by the Supreme Court of India.

2. Literature review

Public financing of parliamentary elections is a widely debated topic, with scholars examining its impact on electoral fairness, political competition, and governance. Research suggests that public funding can reduce the influence of private donors, thereby minimizing corruption risks and ensuring a level playing field for candidates. According to PRS Legislative Research (2008), many democracies regulate election financing through direct state subsidies, tax relief, and free media access to prevent undue influence from private entities and special interest groups. However, concerns remain regarding the effectiveness of these measures, as candidates may still seek alternative funding sources to circumvent regulations.

Studies also highlight the challenges associated with public financing, including the allocation of funds and transparency in expenditure. The introduction of electoral bonds in India, for instance, was aimed at enhancing transparency in political donations, yet critics argue that it may still allow undisclosed contributions (National Law Institute University Law Review, 2022). Additionally, the effectiveness of public financing depends on stringent enforcement mechanisms and oversight to prevent misuse. Comparative analyses of different countries' election financing models indicate that while public funding can promote democratic integrity, it must be complemented by robust disclosure requirements and accountability measures (PRS Legislative Research, 2008).

Overall, the literature underscores the need for a balanced approach to election financing, integrating public funding with strict regulatory frameworks to uphold democratic principles. Policymakers must ensure that financial mechanisms do not inadvertently favor incumbents or restrict political diversity, thereby maintaining electoral competitiveness and public trust in the democratic process (PRS Legislative Research, 2008; National Law Institute University Law Review, 2022).

The effects of electoral bonds on transparency have been the subject of numerous research. For example, Jha and Pal (2019) contend that although electoral bonds are intended to lessen black money in politics, their efficacy is compromised by the absence of donor disclosure. On the other hand, Sharma (2020) argues that by formalizing political contributions, electoral ties might improve accountability. Gupta's (2021) research examines how electoral bonds have changed the way political parties are funded, especially for larger organizations like the BJP. This prompt worries about the widening financial gap between parties, which could distort the political process.Public opinion on electoral bonds is often skeptical of their ability to advance transparency, according to studies like those conducted by Ananda (2023). On the other hand, little actual research has been done on how these beliefs affect voting behavior. Some academics, such as Rao (2021), concentrate on the legal implications of electoral bonds, challenging their validity and contending that they can go against the fundamentals of free and fair elections. Although this legal aspect is important, empirical research has not thoroughly examined it.

There are still several gaps in the expanding body of literature, such as a dearth of long-term studies that look at how electoral bonds affect political funding and election results. The impact of electoral ties on various Indian states, especially those with varied political environments and electoral procedures, has not been thoroughly examined. The efficacy and possible drawbacks of electoral bonds may be better understood by conducting comparative studies with other nations that have comparable political funding systems. To better understand how voter behavior and opinions of political parties are impacted by electoral bond knowledge, more research is required.Quantitative studies that link the use of electoral bonds to electoral outcomes, like party success rates and voter turnout, are hard to come by.

3. Methodology

The debates and discussions in the Indian Parliament, government reports and papers, claims made by civil society groups, corporate records, and secondary sources of information are the main sources that the study draws on.

Intense legislative debate resulted from the Finance Bill, 2017, which introduced electoral bonds in India. Bonds bought through the State Bank of India would guarantee cleaner and more traceable donations, according to the government, which was led by Finance Minister Arun Jaitley, who supported the plan as a reform to stop black money in political finance (Lok Sabha Debates, 2017). P. Chidambaram and other opposition leaders, however, denounced the use of the Money Bill route under Article 110, claiming that it circumvented institutional safeguards and Rajya Sabha scrutiny (Rajya Sabha Debates, 2018).

The debates were dominated by concerns about transparency. Parliamentarians emphasized that the Election Commission and citizens were unable to get donor identities, resulting in an informational imbalance that benefited the ruling parties (Election Commission of India, 2019). The opposition further cautioned that changes to the Companies Act, 2013, will undermine democratic protections by allowing unrestricted corporate and even international contributions (Rajya Sabha Debates, 2019).

The plan "seriously compromises transparency" in political finance, according to the Election Commission's own submission to Parliament (Election Commission of India, 2019). This viewpoint was repeated in discussions in both Houses. The Supreme Court's decision to declare the program unlawful in 2024–2026, confirming many of the opposition's objections, was predicted by these parliamentary discussions (Supreme Court of India, 2024).

Chief Justice D.Y. Chandrachud headed a five-judge Supreme Court of India Constitution Bench that unanimously overturned the Union Government's 2018 Electoral Bonds (EB) Scheme on February 15, 2024. According to the Supreme Court of India (2024), "information about funding to a political party is essential for a voter to exercise their freedom to vote effectively." The Court concluded that the plan infringed the voters' fundamental right to information under Article 19(1)(a) of the Constitution. Concerns regarding accountability and transparency were raised by the scheme's facilitation of anonymous corporate payments to political parties.The ADR, Common Cause, and the Communist Party of India (Marxist) were among the petitioners who said that the plan allowed for the disproportionate influence of money power in elections, legitimized electoral corruption, and institutionalized opacity in political funding.

3.1. Policy implications

The study evaluates the morality of election financing, the legitimacy of issuing electoral bonds, and corporate subscriptions to them. The study helps to strengthen corporate governance procedures by distinguishing between public and corporate financing.

3.2. The genesis

To establish "transparency in electoral funding," Finance Minister Arun Jaitley recommended electoral bonds in his Budget Speech on January 31, 2017. "The country has not been able to evolve a transparent method of funding political parties, which is vital to the system of free and fair elections," stated the finance minister, even after 70 years of independence, Jaitley (2018, February 1). The finance minister mentioned the two previous changes that had been implemented. The one about a tax exemption given to businesses that made donations by openly declaring them in their financial records. The second concerned notifying the Election Commission of India (EC) of any monetary donations that political parties received of more than ₹20,000. According to the finance minister, "political parties continued to receive most of their funds through anonymous donations, which were shown in cash", but not much changed as a result.

The finance minister suggested financing through EB in response to political parties' unwillingness to accept monetary contributions made anonymously and their disapproval of checks and other transparent payment methods. Donors may acquire these electoral bonds from approved institutions using solely digital payments and checks. The proposed amendment stated that the electoral bonds must be "redeemable within the prescribed time limit from issuance of the bond" and "redeemable only in the designated account of a registered political party." Additionally, the finance minister set a ₹2,000 cap on the amount of monetary donations from a single individual. Specific amendments to the Income Tax Act and the RBI Act were suggested in the Finance Bill that was introduced with the Budget to institutionalize electoral bonds. To provide the central government with the authority to "authorize any scheduled bank to issue the electoral bond," the RBI Act of 1934 was changed. A bond issued by any scheduled bank under the program announced by the national government was referred to as an electoral bond. The Income Tax Act 1961 change removed the need to name the party in the firm's books and made contributions made through electoral bonds eligible for deduction under Section 88GGB, just like other company donations.

3.3. Presenting the scheme

"The first impression I got from this announcement in Budget 2017–18 was that a devious way had been designed for funnelling company donations to the ruling party," said Subhash Chandra Garg, the former finance secretary, who was in Washington, DC, on the day the program was unveiled (Garg, 2023). The announcement was harshly criticized. The opposition thought that the plan would give the ruling party exclusive access to all political money. Officials from the Reserve Bank of India (RBI) saw electoral bonds similar to bearer bonds and were concerned that they would be misused for money laundering. The EC believed that the funding source for the Electoral Bonds was opaque. In July 2017, the concerned budget division called a meeting with the Reserve Bank of India and an EC official. The RBI's requirements were satisfied, but the EC refused to participate in any decision-making. In theory, the EC opposed electoral bonds. Only those political parties that received one percent of the total votes cast in the most recent national or state election were deemed eligible. These electoral bond plan characteristics were authorized by the minister, and the letter was sent to the Prime Minister's Office (PMO) for deliberation. The PMO agreed with the idea. One of the EC Members expressed concerns that the electoral bond program might promote political financing by shell companies before the proposal was forwarded to the Law Ministry. The plan was presented to the EC by the Finance Secretary. The PMO was notified by the Finance Secretary about the presentation to the EC, which said nothing more about it until the Communist Party of India (CPI) filed a petition in the Supreme Court in 2018. In its affidavit filed in court, the EC expressed opposition to the electoral bond plan. With the RBI on board, the main component of the electoral bond program was authorized at the highest level of government in late August or early September. The government-approved scheduled banks were to issue the bonds in tangible form. The governor of the RBI, however, expressed doubts about banks other than the RBI issuing bonds. The Governor of the RBI desired that the bonds be issued digitally. It was believed that these plans would eliminate the donor's anonymity regarding political parties. Following a protracted debate, the RBI Governor stated, "The RBI should let it be if the government decides to issue electoral bonds in the script through the State Bank of India (SBI)" during a Committee of the Central Board meeting. The Reserve Bank of India (RBI) never offered feedback on the proposed electoral bond program or officially approved it. The Ministry of Law took issue with the reasoning behind the one percent vote share threshold that determines whether political parties are eligible to receive electoral bond money. Nevertheless, the condition was considered to be handled as a policy problem rather than a legal one by the Ministry of Law. After that, the Law Ministry acquiesced to the demands made by the Department of Economic Affairs (DEA). Nonetheless, the ADR filed a writ to the Supreme Court against the electoral bonds even before the announcement. The stay was not granted by the Court. The sale of bonds was to be available for some time every quarter in the calendar region, for an extra thirty days before the national general election, and for an extra thirty days in the states where assembly elections were scheduled. The Supreme Court reduced the period from 45 days to 40 days on April 12, 2019, in an interim decision. Its interim ruling required political parties to provide information in an envelope to the EC about which corporation or individual gave which particular electoral bonds to which party to guarantee the integrity of election funding. The ADR filed petitions before the SC in September 2017 contesting the Finance Act's modifications. According to the petitions, the acts were illegally approved as money bills to evade the Rajya Sabha's inspection. According to Supreme Court Observer reports, the petitioners further contended that the election Bond Scheme encouraged non-transparency in political fundraising and would result in widespread election malfeasance. The Supreme Court's ruling was disputed by the ADR. However, the court declined to issue a stay. Notification of the plan began on January 2, 2018. The Electoral Bond Scheme was modified on November 7, 2022, to increase the number of bond-sale days from 70 to 85 during the year when assembly elections were scheduled. This modification was made just before the elections in Gujarat and Himachal Pradesh.

3.4. Challenging the constitutional validity

On October 16, 2023, the ADR filed a petition challenging the electoral bond program's constitutionality, which permitted anonymous contributions to political parties. Five justices made up the Constitutional Bench, which was established by the Chief Justice of the Supreme Court. A five-judge Constitution bench led by the Chief Justice of the Supreme Court began considering arguments against the plan on October 31, 2023. On November 2,

Table 1. Electoral bonds purchased by individuals (₹ crore)

Name of the Individual	Name of the Party	Electoral Bonds Purchased
Lakshmi Niwas Mittal	BJP	35
Rahul Bhatia	AITC*	20
Rajesh M Agrawal	Congress	20
Inder Thakurdas Jaisinghani	BJP	14
Rajesh Mannalal Agrawal	BJP, BRS**	13
Harmesh Rahul Joshi	BJP	10
Rahul Jagannath Joshi	BJP	10
Raju Kumar Sharma	BJP	10
Saurabh Gupta	BJP	10
Anita Hemant Shah	BJP	8
Kiran Mazumdar Shaw	BJP	4

Source: The Economic Times, Hyderabad, 25 March 2024, p.3.

**All India Trinamool Congress; **Bharat Rastra Samithi*

following three days of back-to-back hearings, the SC postponed rendering a decision. The Supreme Court ruled on February 15, 2024, that the Electoral Bond program was unconstitutional.

The Supreme Court ruled that the Election Bond Scheme and the Finance Act 2017 provisions, which revised the Representation of People Act 1951 and the Income Tax Act 1961, were unconstitutional because they violated citizens' right to information under Article 19(1)(a) of the Constitution by withholding information about political party funding. Article 14 of the Constitution was deemed to be violated and arbitrary by the Finance Act 2017 revisions to the Companies Act 2013 provisions allowing business organizations to support political parties indefinitely. The court ruled that anonymous electoral bonds violated both Article 19(1)(a) and the right to information. Additionally, the EC was directed by the Supreme Court to post-electoral bond donation records on its website by March 13, 2024, and to obtain this information from the State Bank of India. The State Bank of India asked the Supreme Court on March 4, 2024, for an extension of time until June 30, 2024, to give the EC of India access to information on electoral bonds. The State Bank of India was mandated to provide information on electoral bonds by the close of business on March 12, 2024, after the Supreme Court rejected SBI's request for an extension of the deadline on March 11, 2024.

4. Aggregative analysis

With 81% of the total unknown income of national parties over the fiscal years 2019–20 and 2021–2022, electoral bond income was a major contributor. This indicates a significant dependence on electoral bonds as the main unreported financing source. The Bharatiya Janata Party (BJP), the ruling party, received the majority of the private donations. The electoral bonds that each individual has acquired are shown in Table 1.

During the time under reference, the BJP was the primary recipient of donations made through electoral bonds. Donations to the party increased dramatically from ₹210 crores in 2017–18 to ₹2,555 crores in 2019–20, with some volatility in the following years. This pattern demonstrates the BJP's robust financial support via electoral bonds. The BJP received 47.46 percent of the share of EBs during the period under reference. The funds that the BJP received as donations through electoral bonds between 2017–18 and 2022–2023 are displayed in Table 2.

The biggest amount of money was channelled into the category of bonds with a denomination of about one crore, where 12,999 bonds were sold, accounting for 54.13 percent of the total number of bonds. These bonds made up a staggering 94.25 percent of the total capital, or ₹12,999 crore, in terms of money. This pattern emphasizes how important big donations are to the way that EBs finance politics.

The sale of EBs fluctuated between denominations across 27 stages between March 2018 and July 2023, revealing differing preferences among contributors on the amounts of their contributions. 24,012 EBs were sold for a whopping ₹13,791.89 crore in total.

The largest winner was the BJP, which unveiled the electoral bond plan in 2019. Several firms donated a total of around ₹6,000 crore to it. Notably, businesses like Megha Engineering, Qwik Supply Chain, Vedanta, and Bharti Airtel were among the top donors to the BJP. Nine corporations made contributions to the BJP, totalling more than ₹100 crores, with Megha Engineering topping the list with ₹519 crores. Future Gaming and Hotel Services, as well as Birla Carbon India, were other noteworthy contributors.

Future Gaming and Hotel Services, owned by lottery king Sebastian Martin, was the scheme's largest donor, having bought bonds valued at ₹1,365 crore, according to SBI statistics. Megha Engineering & Infrastructures, placed second, gave ₹966 crore, while Qwik Supply Chain, affiliated with Reliance, bought bonds valued at ₹410 crore. The top five buyers of electoral bonds spent more than ₹3,446 crore between April 2019 and February 2024. They included huge industrial conglomerates, a lottery corporation operating in various states, and a company that developed the Kaleshwaram dam. The Enforcement Directorate has been investigating Future Gaming and Hotel Services Pvt Ltd and other related companies since 2019. In May 2023, raids were conducted in Coimbatore and Chennai to investigate allegations of violating the Prevention of Money Laundering Act (PMLA). The business was accused of selling lottery tickets issued by the Sikkim government in Kerala, HT Correspondent (2024, March 15).

Table 2. Electoral bonds to the BJP (₹ crore)

Fiscal Year	Donations Received
2017–18	210.00
2018–19	1,450.89
2019–20	2,555.00
2020–21	22.38
2021–22	1,033.70
2022–23	1,294.15

Source: https://indiacsr.in/analysis-political-party-electoral-bonds/

Table 3. Denomination-wise sale of electoral bonds

Denomination	No. of Electoral Bonds Sold	Amount
₹1 Crore	12,999 (54.13%)	12,999 (94.25%)
₹10 Lakhs	7,618 (31.72%)	761.80 (5.52%)
₹1 Lakh	3,088 (12.86%)	30.88 (0.22%)
₹10 Thousand	208 (0.86%)	0.21 (0.001%)
₹1 Thousand	99 (0.41%)	0.21 (0.001%)
Total	**24,012**	**13,791.89**

Source: https://indiacsr.in/analysis-political-party-electoral-bonds/

Table 4. Top donors of political parties

Party	Top Donor	Percentage Donation
Bharatiya Janata Party	Megha Engineering and Infrastructure Ltd	9.6
All India Trinamool Congress	Future Gaming	33.7
Indian National Congress	Vedanta Ltd	8.8
Bharat Rastra Samithi	Megha Engineering and Infrastructure Ltd	16.1
Biju Janata Dal	Essel Mining	22.6
Dravida Munnetra Kazhagam	Future Gaming	78.7
Yuvajana Sramika Rythu Congress Party	Future Gaming	45.7
Telugu Desam Party	Shirdi Sai Electricals Ltd	18.3
Shiv Sena	B G Shirke Construction Technology Pvt Ltd	53.3
Rashtriya Janata Dal	IFB Agro Industries Ltd	47.6
Aam Aadmi Party	Avees Trading Finance Pvt Ltd	15.3
Janata Dal (Secular)	Rithwik Projects Pvt Ltd	23.0
Sikkim Krantikari Morcha	Future Gaming and Hotel Services Pvt Ltd	30.1
Nationalist Congress Party	Qwik Supply Chain	32.3
JanaSena Party	Western UP Power Transmission Co Ltd	47.6
Samajwadi Party	Keventer Foodpark Infra Ltd	71.2
Janata Dal (United)	Megha Engineering and Infrastructure Ltd	71.4
Jharkhand Mukti Morcha	Vedanta Ltd	37.0
Shiromani Akali Dal	Fastway Transmissions Pvt Ltd	68.9
Sikkim Democratic Front	Future Gaming and Hotel Services Pvt Ltd	90.9
Maharashtrawadi Gomantak Party	V M Salgaocar Corporation Pvt Ltd	63.6
Jammu and Kashmir National Conference	Bharti	100.0
Goa Forward Party	Goa Carbon Ltd	57.1

Source: The Economic Times, Hyderabad, 25 March 2024, p.3

Table 5. Top corporate donors accounting for 85 percent of donations

Top Corporate Donor	Total Contribution (₹ crore)	Share of Top Three Parties in Total Funding (%)	Party	Top Contribution (₹ crore)
Future Gaming and Hotel Services Pvt Ltd	1365	87.8	AITC	542
Megha Engineering and Infrastructure Ltd	966	89.4	BJP	584
Qwik Supply Chain Pvt Ltd	410	100	BJP	375
Vedanta Ltd	400	98.7	BJP	230.2
Haldia Energy Ltd	377	100	AITC	281
Bharti Airtel Ltd	247	99.4	BJP	236.4
Essel Mining & Industries Ltd	224	100	BJD	174.5
Western UP Power Transmission Co Ltd	220	95.5	AITC	110
Keventer Foodpark Infra Ltd	195	94.6	BJP	144.5
MKJ Enterprises Ltd	192	85.4	Cong	91.6

Source: The Economic Times, Hyderabad, 25 March 2024, p.3

5. Transparency, Accountability, and Electoral Finance

The impact of the EB Scheme on constitutional values, democratic integrity, and openness has drawn a lot of criticism. The plan, according to academics and civil society organizations, distorts the voting process and compromises the fairness of political competition. Jha and Pal (2019) point out that although the program was designed to reduce black money in politics, donor identities were essentially hidden. According to Sharma (2020), anonymity allowed wealthy people and companies to exert disproportionate influence, casting doubt on the integrity of democratic processes.While Kumar (2022) emphasizes the disadvantages experienced by smaller parties, which solidified political monopolies, Gupta (2021) shows that the ruling party profited disproportionately from bond donations. The legal implications are highlighted by Rao (2021), who speculates that electoral bonds would go against the constitution's guarantees of free and fair elections. While Ananda (2023) records considerable popular mistrust, Bhattacharya (2022) cites ongoing litigation as proof of judicial concern. Sen (2023) emphasizes the need for increased public knowledge, while Chakrabarty (2022) places India's model in a comparative global perspective, pointing out that, in contrast to Germany and Canada, India's framework promoted anonymity with negative consequences for political integrity. Investigations that went beyond scholarly criticism exposed alarming trends of corporate involvement and purported blackmail. It was discovered by organizations including the Income Tax Department, the Central Bureau of Investigation (CBI), and the Enforcement Directorate (ED) that companies under investigation bought electoral bonds, with the ruling party cashing a sizable amount. According to reports, some companies made donations in the aim of postponing or stopping inquiries, while others used their gifts to land lucrative government contracts. For example, after donations, 38 corporate organizations reportedly received 179 government projects valued at ₹3.8 lakh crore. In one prominent instance, IRB Infra Limited bought bonds soon after being awarded the Outer Ring Road contract in Telangana (The Hindu, 2024, March 24).According to Rajan and Lamba (2023), these trends encourage cronyism by enabling voters to draw links between state advantages and corporate donations. Concerns about transparency dominated the discussion. Bypassing rigorous legislative examination, the Finance Act of 2017 established electoral bonds through a Money Bill. Transparency in political funding was drastically changed by amendments that exempted political parties from revealing donor identities in reports to the Election Commission of India. The Election Commission itself stressed the value of transparency (The Hindu, 2024, March 17). Critics like Sethi (2018) and Venkataramakrishnan (2018) said that anonymity purposefully hindered transparency, impeding voters' right to know, while supporters like Chishti (2018) claimed that anonymity prevented bias by the administration. This criticism was reaffirmed by Rajan and Lamba (2023), who claimed that electoral bonds actually make cronyism worse rather than better.In the end, the plan went against the constitutional need that voters be aware of financing sources in order to make informed electoral decisions. The plan had serious structural problems. While ignoring regulatory scrutiny by the Reserve Bank of India and the Securities and Exchange Board of India, it sought to incorporate election funding into commercial banking channels. This made it harder to distinguish between corporate and public finance. There was a lack of coherence and rigor in the consultation process between the Finance Ministry, Prime Minister's Office, RBI, Election Commission, and Law Ministry. The plan, which lacked constitutional protections, went against democratic ideals by reducing institutional checks and balances and undercutting people' right to know. When combined, these criticisms show that the Electoral Bonds Scheme posed serious hazards to democratic governance, transparency, and constitutional integrity in addition to failing to meet its declared goals.

5.1. EBs: Amendments in the laws

Following the amendment of at least four statutes, three of which the court ruled to be illegal, the electoral bond program was created. Unlike previous practices, when only profit-making corporations could give a set amount of their income, the program permitted even loss-making enterprises to donate. The reforms made it easier to establish front organizations through which political parties might receive anonymous funds. The RBI and the ECI, among others, expressed concern that this would result in the creation of dark money and occult political funding. It is disclosed that "A staggering ₹2,717 crore has been spent by nineteen companies that the Ministry of Finance designated as 'high risk' due to their violations of the Prevention of Money Laundering Act in 2018." Up to eighteen of the nineteen corporations that had purchased electoral bonds were absent from the next yearly lists of "high-risk" companies. The question arises whether their removal from the list was due to their financial support of the ruling party.

5.2. Electoral bonds: The cash donations

The flow of unreported cash donations was not much affected by the ₹2,000 cash donation ceiling reduction since contributors may still divide up big sums of money into smaller, untraceable payments. Parties disclosing big electoral bond revenue suggest that the program gained traction as a major source of fundraising, but one that added more anonymity rather than necessarily decreasing cash donations. The data raises concerns over the usage of shell companies for donations since it surprisingly shows a low number of significant corporations among the donors. The scheme has not achieved its claimed objectives of raising financial transparency and decreasing the influence of money in politics. A Delhi-based firm named Hub Power gave ₹95 lakh using electoral bonds in April 2019, during the Lok Sabha elections. The GST department of the Delhi government has admitted that Hub Power was a fictitious business that was purportedly founded "to commit fraud," according to The Economic Times (2024, March 18). The shell companies have been used to route corporate profit-making companies' books, leading to EB funding by tiny companies, many benami entities with no discernible business, Frontline (2024, April 19).

5.3. Electoral bonds: The SBI

The SBI attempted to mislead the Court and postpone providing information by claiming that it would take four more months to gather data, a process that it eventually finished in a matter of hours. The Court's three-week deadline for disclosure was stressed, and this delay was significant since it attempted to stretch the revelation past the election date, compromising voters' access to knowledge. Moreover, the integrity of the electoral bond system may be jeopardized if the alphanumeric code is recorded on the parts of the depositor and buyer and is intended only as a security measure rather than an audit trail. This move by the government-owned bank SBI may have compromised the integrity of the election process by giving the governing party access to private information, The Hindu (2024, March 29). It is feared that the ruling party in power may misuse such bonds by pressurizing banking officials to learn the names of donors and recipients, thwarting donations of large sums to the Opposition through these bonds.

5.4. The way forward

What else if not Electoral Bonds? Reinventing the EB scheme is necessary. Electoral spending should be made clean. It should minimize incumbency bias. An upper limit on electoral funding needs to be imposed. The elections shouldn't be financed by foreign or illicit funds. To quote the ADR, "Quid Pro quo," in which gifts are made in exchange for government favours, ought to be closely monitored. It is necessary to establish fairness using a limit on minimum expenditure and openness about the matter. It is important to guarantee transparency by placing restrictions on both individual and corporate donations, The Times of India (2024, March 27). Corrupt election finance ruins socioeconomic change, negatively affecting the public and eroding their confidence in democracy, The Hindu (2024, March 30). The consultation process among the various agencies should be designed with due care and cohesiveness. The scheme should not operate as a 'good relations tax', amounting to the donors contributing a bit instead of the tax exemptions granted to them. In re-inventing the scheme, the experiences of countries funding political parties for elections may also be studied.

6. Political Finance in Democracies: International Innovations and Lessons for India after Electoral Bonds

One of the most contentious topics in democratic administration is the funding of political parties and election campaigns. Excessive reliance on private funding raises questions about political equality, policy capture, corruption, and democratic accountability, even though political parties need significant financial resources to organize voters, convey policy alternatives, and run for office (Nassmacher, 2009). As a result, the majority of developed democracies have implemented hybrid finance schemes that incorporate regulated private donations, governmental subsidies, expenditure constraints, transparency requirements, and independent oversight.

The discussion about creating an election funding system that simultaneously safeguards donor openness, political rivalry, and electoral integrity has resurfaced since the Supreme Court of India invalidated the country's election Bond Scheme in 2024. Comparative experience shows that there is no universally recognized model; instead, democratic regimes have developed institutional structures that are in line with their political cultures and constitutional traditions.

6.1. Public Financing with Democratic Accountability

Many people believe that Germany has one of the most well-balanced political financing systems. Membership fees, private donations, corporate contributions, and significant public financing are the sources of revenue for political parties. Nonetheless, state subsidies make up a sizable amount of party revenue and are correlated with electoral success as well as the parties' capacity to raise modest contributions and membership dues (Scarrow, 2007).

The constitutional tenet that political parties serve an essential public role in representative democracies is the foundation of the German model. State sponsorship is therefore justified as a way to maintain political competitiveness while avoiding undue reliance on affluent interests. Subject to legal caps, public subsidies are determined based on the number of votes won in state, federal, and European elections.

The pairing of modest private contributions with governmental resources is a unique invention. This discourages an over-reliance on big corporate contributors while promoting citizen participation. Corporate donations are still legal, but there are very strict criteria for disclosure. Extremely large contributions are promptly reported to the President of the Bundestag and promptly published, while donations above statutory thresholds must be made public. Additionally, audited annual financial accounts that include information on donors, assets, liabilities, income, and expenses must be submitted by all recognized political parties (Nassmacher, 2009).

Political finance should maintain equality of political opportunity without allowing financial power to influence democratic competition, according to the German Constitutional Court's repeated emphasis (Kommers & Miller, 2012).

6.2. Regulation through Expenditure Controls

The United Kingdom depends more on stringent control of campaign spending than on substantial public funding. Legally binding caps on campaign expenditures by political parties and individual candidates are the main novelty (Fisher, 2015).

A thorough regulatory structure overseen by the Electoral Commission was established under the Political Parties, Elections and Referendums Act of 2000. Foreign and illegal donations are forbidden, and donations exceeding certain limits must be made public. The British approach aims to lessen inequality resulting from differences in financial resources by restricting campaign expenditure instead than just regulating fundraising.

Transparency and accountability in party financing have been greatly improved by the Electoral Commission's independent scrutiny.

6.3. Encouraging Citizen-Based Political Finance

The impact of corporate funding on electoral politics has gradually decreased in Canada. Only individual contributions under specified annual ceilings are permitted by federal statute, which forbids direct corporate and trade union payments to political parties (Young, 2018).Through large tax credits for political contributions and reimbursement of election expenses for parties and candidates receiving minimal electoral support, the Canadian model promotes widespread citizen participation. As a result, rather than relying on a small number of affluent donors, political parties rely on a vast number of relatively little contributors.

This strategy has reduced perceptions of excessive corporate control over public policy while significantly enhancing openness.

6.4. Strict Limits and Public Reimbursement

France combines significant public funding with strict spending regulations. While individual contributions are subject to legal caps, corporate contributions to political parties are forbidden. Candidates who meet certain electoral criteria are eligible for partial reimbursement of campaign expenses, and campaign expenditures are closely monitored (Williams & Joly, 2019). Campaign accounts are examined by an impartial body, and infractions can lead to monetary fines, refund loss, or disqualification from public office. This combination of post-election reimbursement and spending caps aims to both encourage equity and deter excessive campaign spending.

6.5. Public Funding and Democratic Trust

Perhaps the deepest dedication to public financing is found in the Nordic democracies, especially in Sweden and Norway. The majority of political parties' financial resources come from large annual governmental grants (Biezen& Kopecký, 2017). Dependency on expensive election campaigns is lessened by high levels of institutional trust. Comprehensive transparency rules, such as the release of yearly accounts and donor information, still apply to political parties. The public's high level of trust in democratic institutions and relatively low levels of corruption are results of these arrangements.

6.6. Transparency without Spending Limits

Judicial rulings, most notably Citizens United v. Federal Election Commission (2010), have significantly broadened the scope of independent political spending, even if the Federal Election Commission's disclosure rules are still quite stringent.Public financing for the presidency is still available, but it has lost most of its significance because big contenders are discouraged from participating due to expenditure caps. As a result, independent political committees (Super PACs) now contribute significantly to campaign funding, sparking ongoing discussion about how wealth affects democratic representation (Hasen, 2016).

6.7. Implications for India

India may rethink political funding within a framework that balances transparency with acceptable fundraising standards in the wake of the Supreme Court's ruling rejecting the Electoral Bond Scheme.

India could implement partial public funding based on vote share instead of just legislative representation, according to international experience. Similar to Germany, matching awards for modest individual contributions would promote public participation while lowering reliance on wealthy donors. Election openness would be strengthened without deterring regular political contributions if donations beyond reasonable levels were required to be disclosed in real time.Stronger digital technology-based spending monitoring systems, uniform party account auditing, expanded authority for the Election Commission of India, and incentives for political parties to broaden their sources of funding are all equally crucial.

7. Conclusion

Despite being launched with the purported goal of reducing black money in politics, the Electoral Bonds Scheme eventually failed to preserve the fundamental democratic governance values of accountability and transparency. Anonymity in donations has been shown by academics to distort fair competition, benefit ruling parties, and solidify disparities in political rivalry (Jha & Pal, 2019; Sharma, 2020; Gupta, 2021; Kumar, 2022). Legal analysis also highlighted the scheme's incompatibility with the constitution's provisions of free and fair elections, casting doubt on its legality under Article 19(1)(a) (Rao, 2021; Bhattacharya, 2022). Comparative viewpoints show that India deviated from international norms that promote political financing transparency to protect democratic integrity (Chakrabarty, 2022).

Concerns about cronyism were strengthened by evidence of corporate quid pro quo and excessive influence, which also eroded public confidence in institutions (Rajan & Lamba, 2023). Widespread mistrust was supported by public opinion research, underscoring the need for increased understanding and civic participation (Ananda, 2023; Sen, 2023). In terms of structure, the plan avoided regulatory supervision, lacked coherent coordination among important institutions, and blurred the line between public and private finance. When considered collectively, these criticisms show that the Electoral Bonds Scheme not only failed to accomplish its goals but also presented serious threats to constitutional democracy.

Its judicial invalidation highlighted the need to integrate electoral finance reforms with democratic values and institutional safeguards by reiterating the importance of transparency and the right of voters to know. No well-established democracy depends solely on unidentified private funding. Instead, successful political finance systems share the traits of accountability, openness, and regulatory monitoring.

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