



# INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

IN SCIENCE, ENGINEERING, TECHNOLOGY AND MANAGEMENT

Volume 10, Issue 9, September 2023



INTERNATIONAL  
STANDARD  
SERIAL  
NUMBER  
INDIA

**Impact Factor: 7.580**



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# INDIAN GOVERNMENT AND POLITICS

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**ABSTRACT:** Politics of India works within the framework of the country's Constitution. India is a parliamentary secular democratic republic in which the president of India is the head of state & first citizen of India and the prime minister of India is the head of government. It is based on the federal structure of government, although the word is not used in the Constitution itself. India follows the dual polity system, i.e. federal in nature, that consists of the central authority at the centre and states at the periphery. The Constitution defines the organizational powers and limitations of both central and state governments; it is well recognised, fluid (Preamble of the Constitution being rigid and to dictate further amendments to the Constitution) and considered supreme, i.e. the laws of the nation must conform to it

**KEYWORDS-**Indian, Government, Politics, Constitution, Prime Minister, Nation

## I. INTRODUCTION

There is a provision for a bicameral legislature consisting of an upper house, the Rajya Sabha (Council of States), which represents the states of the Indian federation, and a lower house, the Lok Sabha (House of the People), which represents the people of India as a whole. The Constitution provides for an independent judiciary, which is headed by the Supreme Court. The court's mandate is to protect the Constitution, to settle disputes between the central government and the states, to settle inter-state disputes, to nullify any central or state laws that go against the Constitution and to protect the fundamental rights of citizens, issuing writs for their enforcement in cases of violation.<sup>[1]</sup>

There are 543 members in the Lok Sabha, who are elected using plurality voting (first past the post) system from 543 single-member constituencies. There are 245 members in the Rajya Sabha, out of which 233 are elected through indirect elections by single transferable vote by the members of the state legislative assemblies; 12 other members are elected/nominated by the President of India. Governments are formed through elections held every five years (unless otherwise specified), by parties that secure a majority of members in their respective lower houses (Lok Sabha in the central government and Vidhan Sabha in states). India had its first general election in 1951, which was won by the Indian National Congress, a political party that went on to dominate subsequent elections until 1977, when a non-Congress government was formed for the first time in independent India. The 1990s saw the end of single-party domination and the rise of coalition governments. The latest 17th Lok Sabha elections was conducted in seven phases from 11 April 2019 to 19 May 2019 by the Election commission of India. That elections once again brought back single-party rule in the country, with the Bharatiya Janata Party (BJP) being able to claim a majority in the Lok Sabha.<sup>[2]</sup>

In recent decades, Indian politics has become a dynastic affair.<sup>[3]</sup> Possible reasons for this could be the party stability, absence of party organisations, independent civil society associations that mobilise support for the parties and centralised financing of elections.<sup>[4]</sup>

### Political parties and alliances

When compared to other democracies, India has had a large number of political parties during its history under democratic governance. It has been estimated that over 200 parties were formed after India became independent in 1947. And as per the current publication report dated 23 September 2021 from the Election Commission of the India, the total number of parties registered was 2858, with 9 national parties and 54 state parties, and 2796 unrecognized parties working in country.<sup>[5]</sup>

### Types of political parties

Every political party in India, whether a national or regional/state party, must have a symbol and must be registered with the Election Commission of India. Symbols are used in the Indian political system to identify political parties in part so that illiterate people can vote by recognizing the party symbols.<sup>[6]</sup>

In the current amendment to the Symbols Order, the commission has asserted the following five principles:<sup>[7]</sup>

1. A party, national or state, must have a legislative presence.
2. A national party's legislative presence must be in the Lok Sabha. A state party's legislative presence must be in the State Assembly.
3. A party can set up a candidate only from amongst its own members.
4. A party that loses its recognition shall not lose its symbol immediately but shall be allowed to use that symbol for some time to try and retrieve its status. However, the grant of such facility to the party will not mean the extension of other facilities to it, as are available to recognized parties, such as free time on Doordarshan or AIR, free supply of copies of electoral rolls, etc.<sup>21,22,23</sup>
5. Recognition should be given to a party only on the basis of its own performance in elections and not because it is a splinter group of some other recognized party.

A political party shall be eligible to be recognized as a national party if:<sup>[7]</sup>

1. it secures at least six percent (6%) of the valid votes polled in any four or more states, at a general election to the Lok Sabha or, to the State Legislative Assembly; and .
2. in addition, it wins at least four seats in the House of the People from any State or States.
3. or it wins at least two percent (2%) seats in the House of the People (i.e. 11 seats in the existing House having 543 members), and these members are elected from at least three different states.

Likewise, a political party shall be entitled to be recognized as a state party, if:

1. it secures at least six percent (6%) of the valid votes polled in the state at a general election, either to the Lok Sabha or to the Legislative Assembly of the State concerned; and
2. in addition, it wins at least two seats in the Legislative Assembly of the state concerned.
3. Or it wins at least three percent (3%) of the total number of seats in the Legislative Assembly of the state, or at least three seats in the Assembly, whichever is more.<sup>25,26,27</sup>

Party proliferation

Although a strict anti-defection law had been passed in 1984, there has been a continued tendency amongst politicians to float their own parties rather than join a broad based party such as the Congress or the BJP. Between the 1984 and 1989 elections, the number of parties contesting elections increased from 33 to 113. In the decades since, this fragmentation has continued.<sup>[8]</sup>

## II. DISCUSSION

Alliances

- National Democratic Alliance (NDA) – Right-wing coalition led by BJP was formed in 1998 after the elections. NDA formed a government, although the government did not last long as AIADMK withdrew support from it resulting in 1999 general elections, in which NDA won and resumed power. The coalition government went on to complete the full five-years term, becoming the first non-Congress government to do so.<sup>[9]</sup> In the 2014 General Elections, NDA once again returned to powers for the second time, with a historic mandate of 336 out of 543 Lok Sabha seats. BJP itself won 282 seats, thereby electing Narendra Modi as the head of the government. In a historic win, the NDA stormed to power for the third term in 2019 with a combined strength of 353 seats, with the BJP itself winning an absolute majority with 303 seats
- United Progressive Alliance (UPA) – now renamed as I. N. D. I. A. alliance, Centre-left coalition led by Indian National Congress (INC); this alliance was created after the 2004 general elections, with the alliance forming the Government. The alliance even after losing some of its members, was re-elected in 2009 General Elections with Manmohan Singh as head of the government. The alliance has been in the opposition since the 2014 elections, with the INC being the principal opposition party, but without the official status of the Leader of the Opposition since they failed to win the minimum required seats.<sup>15,16,17</sup>

Corruption

India has seen political corruption for decades. Democratic institutions soon became federally owned, dissent was eliminated and a majority of citizens paid the price. India has consistently scored poorly on the Corruption Perceptions Index, with more than 39% of people paying bribes for public services. The political corruption in India is weakening its democracy and has led to the erosion of trust by the general public in the political system, as 89% of people in India recognize the widespread problem.<sup>[10][11]</sup>



#### Candidate selection

Indian political parties have low level of internal party democracy and therefore, in Indian elections, both at the state or national level, party candidates are typically selected by the party elites, more commonly called the party high command. The party elites use a number of criteria for selecting candidates. These include the ability of the candidates to finance their own election, their educational attainment, and the level of organization the candidates have in their respective constituencies.<sup>[12]</sup> Quite often the last criterion is associated with candidate criminality.<sup>[13]</sup>

#### Local governance

Panchayati Raj Institutions or Local self-government bodies play a crucial role in Indian politics, as it focuses on grassroot-level administration in India.

On 24 April 1993, the Constitutional (73<sup>rd</sup> Amendment) Act, 1992 came into force to provide constitutional status to the Panchayati Raj institutions. This Act was extended to Panchayats in the tribal areas of eight states, namely Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Maharashtra, Madhya Pradesh, Odisha and Rajasthan from 24 December 1996.<sup>[14]</sup>

The Act aims to provide a three-tier system of Panchayati Raj for all States having a population of over 2 million, to hold Panchayat elections regularly every five years, to provide reservation of seats for Scheduled Castes, Scheduled Tribes and Women, to appoint State Finance Commission to make recommendations as regards the financial powers of the Panchayats and to constitute District Planning Committee to prepare a draft development plan for the district.<sup>[14]</sup>

#### Role of political parties

On 22 May 2004, Manmohan Singh<sup>[15]</sup> was appointed the Prime Minister of India following the victory of the INC and the left front in the 2004 Lok Sabha election. The UPA ruled India without the support of the left front. Previously, Atal Bihari Vajpayee<sup>[16]</sup> had taken office in October 1999 after a general election in which a BJP-led coalition of 13 parties called the National Democratic Alliance emerged with a majority. In May 2014, Narendra Modi of BJP was elected as the Prime Minister. In the 2019 Lok Sabha elections, Prime Minister Modi once again emerged as a dominant force, leading the Bharatiya Janata Party (BJP) to an extraordinary victory.<sup>18,19</sup>

#### Political issues

##### Law and order

Terrorism, Naxalism, religious violence and caste-related violence are important issues that affect the political environment of the Indian nation. Stringent anti-terror legislation such as TADA, POTA and MCOCA have received much political attention, both in favour and against, and some of these laws were disbanded eventually due to human rights violations.<sup>[17]</sup> However, UAPA was amended in 2019 to negative effect vis-à-vis human rights.

Terrorism has affected politics in India since its conception, be it the terrorism supported from Pakistan or the internal guerrilla groups such as Naxalites. In 1991 the former Prime Minister Rajiv Gandhi was assassinated during an election campaign.<sup>[18]</sup> The suicide bomber was later linked to the Sri Lankan terrorist group Liberation Tigers of Tamil Eelam, as it was later revealed the killing was an act of vengeance for Rajiv Gandhi sending troops in Sri Lanka against them in 1987.<sup>[18]</sup>

The Godhra train killings and the Babri Masjid demolition on 6 December 1992 resulted in nationwide communal riots in two months, with the worst occurring in Mumbai with at least 900 dead.<sup>[18][19]</sup> The riots were followed by 1993 Bombay bombings, which resulted in more deaths.

Law and order issues, such as action against organised crime are issues which do not affect the outcomes of elections. On the other hand, there is a criminal-politician nexus. Many elected legislators have criminal cases against them. In July 2008, the Washington Post reported that nearly

a fourth of the 540 Indian Parliament members faced criminal charges, "including human trafficking, child prostitution, immigration rackets, embezzlement, rape and even murder".<sup>[20]</sup>

##### State of democracy

From 2006 to 2022 the situation of Indian democracy worsened. Indians lost state identity caused by the naxalite rebellion, little state presence in tribal areas and tensions between Hindus and minorities. The rebellions are a sign of the governments loss of power. Tendencies abusing Hindu overweight in politics are observed causing a loss of secular structures in the government. Interreligious riots were observed. Political freedoms are limited since funding of

NGOs, such as amnesty international, got more difficult due to the "Foreign Contribution Regulatory Act", though the constitution guarantees freedom of association. Hindu-nationalist groups created a climate of intimidation over the country. Freedom of press is through the intimidation of journalists by police, criminals and politicians.<sup>[21]</sup>

#### President of India

On 25 July 2022, Droupadi Murmu was sworn in as India's new president, becoming India's first tribal president. Although it is largely a ceremonial post, Murmu's election as tribal woman was historic.<sup>[22]</sup>

#### Vice President of India

Like the president, the role of the vice-president is also ceremonial, with no real authority vested in him/her. The vice-president fills in a vacancy in the office of president (till the election of a new president). The only regular function is that the vice-president functions as the ex officio Chairman of the Rajya Sabha. No other duties/powers are vested in the office. The current vice-president is Jagdeep Dhankhar.<sup>[23]</sup>

#### The Prime Minister and the Union Council of Ministers

#### State governments

India has a federal form of government, and hence each state also has its own government. The executive of each state is the governor (equivalent to the president of India), whose role is ceremonial. The real power resides with the chief minister (equivalent to the prime minister) and the State Council of Ministers. States may either have a unicameral or bicameral legislature, varying from state to state. The chief minister and other state ministers are also members of the legislature.<sup>[24]</sup>

#### Political families

Since the 1980s, Indian politics has become dynastic, possibly due to the absence of a party organization, independent civil society associations that mobilize support for the party, and centralized financing of elections.<sup>[4]</sup> One example of dynastic politics has been the Nehru–Gandhi family which produced three Indian prime ministers. Family members have also led the Congress party for most of the period since 1978 when Indira Gandhi floated the then Congress(I) faction of the party.<sup>[25]</sup> The ruling Bharatiya Janata Party also features several senior leaders who are dynasts.<sup>[26]</sup> Dynastic politics is prevalent also in a number of political parties with regional presence such as All India Majlis-e-Ittehadul Muslimeen (AIMIM), All India Trinamool Congress (AITC), Bharat Rashtra Samithi (BRS), Desiya Murpokku Dravida Kazhagam (DMDK), Dravida Munnetra Kazhagam (DMK), Indian National Lok Dal (INLD), Jammu & Kashmir National Conference (JKNC), Jammu and Kashmir Peoples Democratic Party (JKPDP), Janata Dal (Secular) (JD(S)), Jharkhand Mukti Morcha (JMM), National People's Party (NPP), Nationalist Congress Party (NCP), Pattali Makkal Katchi (PMK), Rashtriya Janata Dal (RJD), Rashtriya Lok Dal (RLD), Samajwadi Party (SP), Shiromani Akali Dal (SAD), Shiv Sena (SS), Telugu Desam Party (TDP) and Yuvajana Shramika Rythu Congress Party (YSRCP).<sup>[27]</sup>

### III. RESULTS

Political funding in India is a major concern under need for electoral reforms in India. The financing of the world's most extensive electoral process remains a perplexing issue, as the involvement of businesses in supporting both disclosed and undisclosed expenditures during elections has been a matter of public knowledge for a considerable period.<sup>[1]</sup>

On 21 December 2020, the Central Information Commission issued a verdict that political parties cannot be classified as "public authorities" and hence the disclosure of information regarding the funding of political parties is not mandatory for voters and citizens.<sup>[2]</sup>

#### Political Parties

As per a notification dated 23 September 2021 released by the Election Commission, there exist eight National Parties and over 60 State Parties. It also recognizes and mentions an approximate count of 3,000 Registered Unrecognised Political Parties (RUPP). RUPPs encompass newly established parties, those unable to attain a sufficient vote share in State Assembly or Lok Sabha elections to attain state party status, or those that have abstained from participating in elections since their registration.<sup>[3]</sup>

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## Income

As of 2023, Electoral Bonds emerged as the primary means of income for political parties.<sup>[4]</sup>

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## Taxation

Contributions or donations solely in the form of a bank cheque or digital payments to a registered (under Section 29A of the Representation of the People Act, 1951) political party, including electoral trust, in India during the financial year are eligible for deduction in taxable income under Section 80GGC of the I-T Act, 1969. Donations in the form of cash amounting more than ₹2,000 are deemed ineligible for deduction under this provision.<sup>[5]</sup>

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## Expenses

According to the Centre for Media Studies estimations, 2019 Indian general election was expected to see an expense of ₹55,000 crore (\$8.6 billion)<sup>[6][7]</sup>

Expenditure Division of the Election Commission of India publishes the declared expenditure filed by the political parties in public domain.<sup>[8]</sup>

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## Disclosures

Section 29C of the Representation of the People Act, 1951 stipulates specific requirements for public disclosures on the donations received and expenditure made by political parties.

According to a report by ADR, regional political parties garnered an approximate sum of Rs 108 crore during the fiscal year 2015-16 through donations exceeding Rs 20,000. It is noteworthy that this threshold mandates the disclosure of funding sources. Among 16 regional political parties that have publicly acknowledged receiving donations exceeding Rs 20,000, it has come to light that 9 parties, namely Shiv Sena, Aam Aadmi Party, Pattali Makkal Katchi, YSR Congress Party, All India United Democratic Front, Indian Union Muslim League, Maharashtra Navnirman Sena, Shiromani Akali Dal, and Desiya Murpokku Dravida Kazhagam, have neglected to disclose the Permanent Account Number (PAN) details of 1,567 donations. These parties have collectively amassed a substantial sum of Rs 6.79 crore through such undisclosed contributions or "unknown sources".<sup>[9]</sup>

During the financial years of 2014-15 and 2015-16, a collective of 26 regional political parties have failed to submit their donations report to the Election Commission of India (ECI). Among these parties, 21 have neglected to file their reports for both financial years, while the remaining five (AIUDF, DMDK, JD(S), PMK and Shiv Sena) have submitted their report for 2014-15 but have failed to do so for 2015-16.<sup>[9]</sup>

A comprehensive study conducted by the Association for Democratic Reforms reveals that 69% of financial resources and contributions acquired by political parties during the period spanning from 2004-05 to 2014-15 originated from undisclosed origins. Income from "unknown sources" is the major chunk of revenue generated by political parties as per their mandatory disclosures.<sup>[10]</sup>

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## Challenges

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### Tax Evasion

All political parties including RUPPs are "entitled" to acquire contributions from both the general public and various organizations, while simultaneously benefiting from tax exemption as stipulated by the Income Tax Act. It is important to note that any donations received by the political party are entirely exempt from income tax, thereby affording the donor the opportunity to claim income tax exemption for the donated amount.<sup>[3]</sup>

As of 2023, tax evasion is a major concern among approximately 3,000 RUPPs in India. There were around 2,300 such parties in March 2019. Since the year 2001, there has been an increase of 300 percent in the number of RUPPs. Election Commission and the income tax authorities often report and take action against those found with "financial irregularities". During its verification drive, the Election Commission discovered that the existence of these parties, in and of itself, does not pose a significant problem. However, the extensive financial fraud in which these organizations are implicated gives rise to apprehensions regarding various financial transgressions, encompassing tax evasion and illicit money transfers. The magnitude of the sums involved in these illicit activities could potentially reach billions of rupees.<sup>[3]</sup>

EC investigations have revealed that numerous such political parties are engaged in either evading substantial amounts of income tax or participating in money-laundering activities. For instance, Jan Raajya Party of Uttar Pradesh is currently under investigation for suspected efforts to legitimize illicit funds following the demonetization in November

2016. Additionally, there are indications that certain organizations have served as intermediaries for gathering donations intended for purposes unrelated to electoral activities.<sup>[3][11]</sup>

The Election Commission furnished the I-T department with details of 2,174 Registered Unrecognized Political Parties that have failed to furnish their mandatory annual financial reports. In September 2022, the Income Tax Department conducted raids on 23 RUPPs across 110 locations.<sup>[3]</sup>

In September 2022, a kite selling shop — the premises of Sardar Vallabhbhai Patel Party at Dattapada Road in Borivali, Mumbai was subject to a raid conducted by officials of Income Tax Department. The president of the party, Dashrath Bhai Parekh claimed that all financial contributions were legal and the crores of rupees in party's income came from the donors of his political party comprise philanthropic entities, commercial enterprises, textile manufacturers, diamond traders, and real estate professionals.<sup>[3]</sup>

Jantawadi Congress Party located at Swadeshi Mills Road in Chunabhatti, Mumbai was also found in financial wrongdoings. The party witnessed a remarkable surge in its donation revenue from ₹2,000 in FY 2018–19 to ₹5.83 crore in the next FY 2019–20. Party president Santosh M. Katke resides at the Mhada Colony Slums in Wadala, Mumbai. He was allegedly involved in money laundering activities.<sup>[3]</sup>

It is noteworthy that the auditor of both political parties — Sardar Vallabhbhai Patel Party and Jantawadi Congress Party — was Kashyap Kumar Ishwarbhai Patel. Furthermore, Patel's appointment as auditor for both parties occurred on the same date of 5 January 2021, and the letters of appointment issued by both parties share the same reference number. The Election Commission has raised concerns regarding the possibility that the two parties are under the control of the same group of individuals.

Abdul Mabood, the party president of Apna Desh Party in Sultanpur (Uttar Pradesh) was investigated by tax authorities for receiving donations of nearly ₹100 crores and found that his associate Abdul B. Razak Pathan "misused" Mabood's PAN card without his knowledge. Razak established a bank account in Gujarat with the intention of facilitating this fraud.<sup>[3]</sup>

Jan Raajya Party in Kanpur was investigated and feud between its co-founders Ravi Shankar Yadav and Omendra Bharat was revealed. It was found that Bharat is known to have later joined the Aam Aadmi Party. In November 2016, Arunesh Kumar Singh, the incumbent party president at the time, lodged a First Information Report (FIR) against Yadav, accusing him of engaging in financial misdeeds. The FIR was registered at the Naubasta police station in Kanpur.<sup>[3]</sup>

Bharatiya Rajnitik Vikalp Party was registered in Bihar's Bakhtiyarpur but all its financial transactions were carried out in Delhi NCR. This political party actively promotes the financial advantages of contributing and donating to its funds by highlighting the income tax exemption benefits associated with such donations. In 2019–20, the political party successfully amassed a substantial sum of ₹25.44 crore.<sup>[3]</sup>

Tamil Nadu-based political party, Kongunadu Makkal Desia Katchi reported donations amounting to Rs22.64 lakh 2018–19. However, in the subsequent year, its income surged to ₹15.77 crore, primarily due to a donation of ₹15 crore from the Dravida Munnetra Kazhagam (DMK). The party had contested the 2019 Lok Sabha elections in alliance with the DMK. It remains unclear how the smaller party utilized the significant contribution from the DMK, as neither its audit report nor its election expenditure statement for the 2019 Lok Sabha polls were available on the website of the chief electoral officer, Tamil Nadu. While such transactions are not prohibited, it raises questions about whether the DMK donors were aware that a substantial portion of their donation would be further donated to an unrecognized party in the state.<sup>[3]</sup>

Bhartiya National Janta Dal, a regional political party registered in Gujarat, received a donation of ₹1.47 lakh and ₹1.62 lakh in the fiscal years 2016-17 and 2017–18, respectively. In 2018–19, there was a significant increase in the donation which amounted to ₹4.32 crore. Notably, ₹4.23 crore was reported as being spent on "other charitable objects," without any accompanying details. This lack of transparency raises concerns about the legitimacy and accountability of this party's financial practices.<sup>[3]</sup>

Rajasthan's Shashakt Bharat Party is headquartered in Chittorgarh. Remarkably, within a year of its establishment in November 2019, the party received substantial sum of over ₹2.67 crore from a diverse pool of 159 donors located throughout the nation. It is worth noting that this period coincided with the onset of the COVID-19 pandemic in India, which undoubtedly presented unique challenges and circumstances. Records shows this Party allocated an amount exceeding ₹1.42 crore towards activities categorized as 'election/general propaganda' and additionally, an expenditure of over ₹97 lakh was dedicated to 'administrative costs'. Further in 2020–21, the Party had tremendously increased its financial resources, accumulating an impressive sum of over ₹6.9 crore. Out of this total, an amount of ₹4.31 crore was

allocated towards 'election/general propaganda' activities. It is important to highlight that this financial allocation occurred despite the absence of any elections taking place in Rajasthan during this specific timeframe.<sup>[3]</sup>

During the Corona Pandemic, the auditor of Garvi Gujarat Party revealed expenditures of an amount exceeding ₹4.0 crore in FY 2019–20. The auditor's report merely mentioned that they did not observe the actual execution of the party's programs or activities. In the year 2022, the income tax department conducted a raid on the premises of the political party's office.<sup>[3]</sup>

The audit report of the Jan Sangharsh Virat Party indicates that the address in Ahmedabad, whereas the registered office listed on the Election Commission website is situated in Sant Ravidas Ward, Sagar district of Madhya Pradesh. Interestingly, the audit report bears the countersignatures of three individuals who hold the positions of president, secretary, and treasurer. However, the identities of these individuals have not been disclosed. The audited profit and loss account for the FY 2019-20 includes a mention of an indirect income amounting to ₹1.42 crore and indirect expenses totaling ₹1.38 crore, without providing any specific details. This was also during the pandemic period. Based on this information, the Election Commission deduces that the auditor lacks knowledge regarding the sources and destinations of the aforementioned funds.<sup>[3]</sup>

The Election Commission's initiative to weed out the RUPP ecosystem has brought to light the involvement of numerous fake political parties in the acceptance of fraudulent donations through cheques or banking channels, subsequently returning the funds in cash after deducting their commission and funneling the money through various intermediaries. Primarily, this practice results in a financial loss for the government, as both these parties and their donors can seek exemptions from income tax. Furthermore, apart from the revenue loss, there exists a potential risk of fund diversion and money laundering.<sup>[3]</sup>

#### Non-Disclosure

A significant majority of the RUPPs failed to submit their contribution report for the fiscal year 2019–20, with a staggering 92 per cent of them being non-compliant. In the preceding fiscal year of 2018–19, a total of 199 RUPPs claimed income tax exemptions amounting to ₹445 crore. Subsequently, in the fiscal year 2019–20, 219 RUPPs claimed income tax exemptions worth ₹608 crore. It is worth noting that out of these 219 RUPPs, 66 of them did not fulfill the requirement of submitting their contribution report. Furthermore, for the year 2019, a substantial number of 2,056 RUPPs have yet to file their annual audited accounts. Among the 115 RUPPs located in Assam, Kerala, West Bengal, Tamil Nadu, and Puducherry, which underwent elections in early 2021, only 15 have successfully submitted their election expenditure statement.<sup>[3]</sup>

#### False Identity

Election Commission has initiated a drive in May 2022 to cleanse the political landscape as it was observed that a significant proportion of the RUPPs had exhibited minimal electoral engagement. In the 2019 Lok Sabha elections, a mere 673 parties participated, representing less than 30% of the total RUPPs. Similarly, in the 2022 Uttar Pradesh Legislative Assembly election, only 265 RUPPs out of over 800 registered parties contested in the poll.<sup>[3]</sup>

The commencement of the clean-up initiative involved the authentication of information furnished by the parties, including their address and particulars of office-bearers, while also considering their electoral engagement or absence thereof. In May 2022, the Election Commission removed 87 non-existent RUPPs from its registry of registered parties, whose addresses were discovered to be fraudulent through either physical verification conducted by the respective chief electoral officers or through reports of undelivered letters or notices from the postal authority.<sup>[3]</sup>

In June 2022, a total of 111 registered political parties were removed from the list due to their failure to comply with the legal obligation of informing the Election Commission about their authentic communication address. Subsequently, in September 2022, an additional 86 non-existent political parties were delisted by the electoral authority. Furthermore, 253 political parties were declared inactive and subsequently removed from the list as they had not participated in any elections, either at the assembly or Lok Sabha level, during the years 2014 and 2019. These parties also neglected to respond to any correspondence or notices sent to them by the Election Commission. Overall, since May 2022, a total of 537 political parties have been delisted by the Election Commission due to their failure to comply with various legal requirements. Nevertheless, this action primarily signifies that these parties are deprived of obtaining a symbol, thereby rendering them ineligible to participate in elections, a circumstance that a considerable number of them do not engage in regardless. Despite this limitation, these parties persist in their existence and retain the ability to receive funds and enjoy the benefits of income tax exemption. In order to revoke this exemption, an amendment to the Income Tax Act would be necessary.<sup>[3]</sup>



Another issue of concern relates to the potentiality of these registered political parties assuming the role of "proxies" or "surrogates" for other well established political parties, engaging in informal alliances to acquire illicit funds or the "black money" and restricting the utilization of campaign spaces, names, and symbols.<sup>[3]</sup>

#### Controversies

In 2018, the Modi-government with the support of opposition Congress changed the legal provisions which enforced prohibition of foreign funding to Indian political parties. Both parties were found guilty in the Court ruling for violating the norms. From an amendment in the previously existing stricter laws of Foreign Contribution (Regulation) Act, 2010, political parties in India are presently granted immunity from the scrutiny of their historical foreign funding sources. This newfound privilege enables them to accept political contributions from foreign-residing Indians, as well as foreign business entities with their subsidiaries established within India.<sup>[12]</sup>

#### IV. CONCLUSION

Electoral Bond is a mode of funding to political parties in India. The scheme of Electoral Bond was introduced in The Finance Bill, 2017 during Union Budget 2017-18 when the maximum limit of cash donation to political parties was capped at ₹2,000 by Union Minister for Finance and Corporate Affairs, Arun Jaitley in a move to enhance the transparency of political party financing.<sup>[1]</sup> He proposed to amend the Reserve Bank of India (RBI) Act in order to facilitate the issuance of electoral bonds by banks for the purpose of political funding.<sup>[2]</sup> The proposal by Finance Minister also suggested taking action against political parties that fail to submit their tax returns. Although these parties are exempt from paying income tax, the act of filing returns could potentially enhance transparency within the system.

Electoral Bonds were introduced specifically as an integral component of the Union Budget and hence classified as a Money Bill. According to the Indian Constitution, Money Bills are legislation that are exempt from the requirement of being "passed" in the Rajya Sabha, as the upper house is only permitted to offer commentary on such bills introduced in Lok Sabha.<sup>[3]</sup>

Although introduced in early 2017, the Department of Economic Affairs in Ministry Of Finance notified the Electoral Bond Scheme 2018 in a Gazette on 2 January 2018.<sup>[4][5]</sup> According to an estimate, a total of 18,299 electoral bonds equivalent to a monetary value of ₹9,857 crore, were successfully transacted during the period spanning from March 2018 to April 2022.<sup>[6]</sup>

On 7 November 2022, the Electoral Bond scheme was amended to increase the sale days from 70 to 85 in a year where any assembly election may be scheduled. The decision on Electoral Bond (Amendment) Scheme, 2022 was taken shortly prior to the assembly elections in Gujarat and Himachal Pradesh, while the Model Code of Conduct was implemented in both the states.<sup>[7]</sup>

Ahead of 2019 General Elections, Congress has announced its intention to eliminate electoral bonds, If the party is elected to power.<sup>[8]</sup>

#### Features

Electoral Bond is a type of instrument that functions like a Promissory Note and an interest-free banking tool. Any Indian citizen or organization registered in India can buy these bonds after fulfilling the KYC norms laid down by the RBI. It can be procured by a donor solely through the means of cheque or digital payments in various denominations, such as one thousand, ten thousand, one lakh, ten lakh, and one crore from specific branches of the State Bank of India (SBI). Within a span of 15 days of issuance, these electoral bonds can be redeemed in the designated account of a legally registered political party under the Representation of the People Act, 1951 (u/s 29A) which got at least 1% of the votes in the last election. The stanches of bonds will be available for purchase for 10 days in the month of January, April, July, and October with an additional time-frame of 30 days in the year of General Elections for Lok Sabha.<sup>[4][5][9]</sup>

Electoral bonds features anonymity since it bears no identification of the donor and the political party to which it is issued.<sup>[10]</sup> In the event that the 15-day deadline is not met, neither the donor nor the receiving political party receives a refund for the issued electoral bonds. Rather, the fund value of electoral bond is remitted to the Prime Minister Relief Fund.<sup>[11]</sup>

#### Need

Enforcing donation amount exceeding ₹2,000 via the banking system would mean the declaration of assets by political parties and also enable their traceability. It was argued by the government that this reform of electoral bonds is



expected to enhance transparency and accountability in the realm of political funding, while also preventing the creation of illegal funds for future generations.<sup>[12]</sup>

Investigations conducted by the Election Commission and Income Tax Department have revealed that public funds, managed by the Public Works Department (PWD) and other governmental entities, are being illicitly diverted and reintroduced into the political sphere. Addressing the issue of "black money" in electoral processes, Arun Jaitley said, according to available reports at that time, a substantial sum of Rs 1,500 crore has been confiscated as a direct outcome of proactive measures implemented by the Election Commission and revenue authorities.<sup>[13]</sup>

#### Timeline

On 28 January 2017, the finance ministry in an correspondence with the Reserve Bank of India (RBI) sought comments on the proposed amendments in The Finance Bill, 2017. The necessity of amendments to RBI Act was realized. Next day, on 30 January 2017, the RBI replied by expressing its severe apprehensions, contending that the electoral bond scheme was susceptible to illicit financial activities, lack of transparency, and possible exploitation.<sup>[14]</sup> HuffPost India reported that the government overlooked the RBI concerns and went ahead with its announcement during Budget Session in Parliament on 1 February 2017.<sup>[15]</sup>

#### Impact on existing regulations

- The monetary contribution limit that any registered political party in India can receive from an individual has been restricted to ₹2,000 – representing a reduction to 10% of the previous threshold of ₹20,000.<sup>[16]</sup> This was done through the Finance Act, 2017.<sup>[11]</sup>
- Introduction of electoral bonds has effectively abolished the ceiling on contributions made by corporations, which was earlier limited to 7.5% of the organization's average net earnings over the preceding three-year period.<sup>[14]</sup> An amendment to the Companies Act, 2013 ensured this change.<sup>[11]</sup>
- The scheme resulted in the elimination of the mandatory obligation for individuals or corporations to provide comprehensive information regarding their political contributions. Instead of reporting a comprehensive breakdown of political donations within their annual financial reports, companies would now be solely required to disclose a consolidated sum for purchase of electoral bonds.<sup>[14]</sup> Relevant provisions under the Income Tax Act, 1961 were amended in this regard.<sup>[11]</sup>
- The Foreign Contribution Regulation Act (FCRA) was amended by the government, with the support of the opposition, to broaden the definition of a "foreign" entity, with the explicit aim of expanding the scope of firms that could lawfully make political contributions.<sup>[14]</sup>

The consequences of these modifications were both evident and lamentable. Any person, corporation, or interest group could now donate an unrestricted amount of funds to any political party without disclosing any amount, and no individual, citizen, journalist, or civil society representative would be able to establish any connections.<sup>[14]</sup>

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