DAILY EDITORIAL ANALYSIS

TOPIC

POLITICAL FUNDING IN INDIA

Political Funding in India

Context

- Concerns over the finances of **Registered Unrecognised Political Parties (RUPPs)**, **rising political donations** and the continuing debate over electoral transparency have brought political funding back into focus.

About Political Parties in India and Electoral Finance

- **Political parties** are an integral feature of representative democracy. The constitutional basis of political parties is found **mainly in Article 19(1)(c)** which gives to the citizens the **freedom to organise associations.**
- They are registered under section **29A of RPA, 1951.**
- The procedure for **recognition and allotment of election symbols** is provided in the **Election Symbols (Reservation and Allotment) Order, 1968.**
- **Section 29B of the RPA** permits contributions to political parties. The income-tax status of political parties is mainly controlled by **Section 13A of the Income-tax Act, 1961** which is subject to stipulated restrictions pertaining to accounting, audit and transparency.
- Donors may receive deductions under **Sections 80GGB and 80GGC**, subject to the law.
- Thus, **political parties perform a public democratic function** while operating through a legal framework that is considerably less comprehensive than the regulatory regimes applicable to companies or other institutional entities.

Why Do Political Parties Need Funds?

- Political activity inevitably involves expenditure. Parties need resources for:
  - election campaigns and public meetings;
  - offices and organisational machinery;
  - communication and voter outreach;
  - research and policy work;
  - training of workers and candidates; and
  - increasingly, digital and social-media campaigning.
- The issue, therefore, is not whether parties should receive money, but **how that money is raised, disclosed and spent**.

Scale of Political Wealth

- **22 political parties had ₹18,742.31 crore** at their disposal around the Lok Sabha election (2024).
- Between the announcement and completion of the election, they raised another **₹7,416.31 crore**.
- After the election, **₹14,848.46 crore** reportedly remained with them, while their reported election-related expenditure during the campaign period was **₹3,861.57 crore**.
- The same analysis estimates that tax exemptions associated with political donations resulted in around **₹11,813 crore** in **foregone revenue** over the decade considered.
- It shows a sharp rise in stated donations among the parties studied, from **₹714 crore in 2015-16 to ₹7,203 crore in 2023-24.**
- These data indicate that **political funding** is no longer a peripheral electoral concern, but an **essential aspect of public accountability**.

Related Issues and Challenges

- **Registered Unrecognised Political Parties (RUPPs):** These are registered parties which do not meet the criteria for registration as a State or National party.

- According to the **Association for Democratic Reforms (ADR)**, income of RUPPs grew by 223% in FY 2022-23.
- Only 739 of the 2,764 RUPPs had submitted their financial records to the ECI.
- The ECI, in August 2025, stated that it had **delisted 334 RUPPs out of 2,854** as part of its **electoral-clean-up exercise**.
- However, **delisting and deregistration both are different measures.**
- The ECI's legal authority to deregister political parties is limited, and enforcement is a concern.

- **Transparency Deficit:** Political parties have a lot of money, but the framework for disclosure is fragmented.
  - Merely filing accounts does not necessarily ensure that the public can easily understand the **source, destination and ultimate beneficiaries of political money**.
  - It gained prominence after the **Central Information Commission's 2013 decision** concerning the **applicability of the RTI framework** to major political parties, which was resisted by the parties concerned.
- **Electoral Bonds:** The Electoral Bonds Scheme (2018) was conceived to bring about a **legitimate banking route** for political donations but with the name of the donor not being disclosed to the public.
- **Other Challenges:** These include the rising costs of elections, unequal access to financial resources, non-availability of scrutiny of party accounts, funding of inactive parties, and the lack of a single, publicly searchable database that offers comprehensive political-finance data.

Efforts and Measures

- **Judiciary:** The **Supreme Court** in Association for Democratic Reforms v. Union of India, **struck down the Electoral Bond Scheme** and the amendments to the law connected to it as illegal.
  - It stressed the right of the voter to transparency about political finance and proved that the manner of political funding might have direct ramifications for election openness.
  - Earlier judicial interventions have demonstrated the link between informed voters and free and fair elections.
- **Election Commission:** ECI has taken **action against inactive RUPPs,** and has pushed for election reforms several times.
  - **Article 324** gives it broad powers over the conduct of elections, although those powers remain subject to existing legislation.
- **Government and Legal Framework:** The principal safeguards include **Section 29A of the RPA**, Sections **29B and 29C**, the Election Symbols Order and **Section 13A of the Income-tax Act**.
  - Donor-side deductions are separately governed by **Sections 80GGB and 80GGC**.
- **Use of Technology:** A central digital platform can make political-finance disclosure more meaningful by allowing standardised, searchable and machine-readable reporting of donations, expenditure, audited accounts and compliance status.

Way Forward: Strengthening Electoral Integrity

- **Uniform Financial Disclosure:** All registered parties are required to upload audited accounts, donor information and spending data to a common, searchable site of ECI.
- **Independent Audit:** A stronger external audit of party accounts, with a proper legal framework, can enhance confidence.
- **Clear Standards on Deregistration:** Objective criteria should target parties that remain registered but frequently fail to contest elections.
- **Rationalisation of Tax Exemptions:** Tax advantages should be tied to real democratic and electoral action and not only to formal registration.
- **Stronger ECI Capability:** Article 324 provides the ECI with wide constitutional powers over elections; this should be supported by clear statute authorities and substantial investigative capacity.

- **Greater Public Disclosure:** Political finance should be transparent enough for citizens to understand who funds political organisations and how those funds are utilised.

Conclusion

- Money is necessary for political competition, but secrecy around money can weaken public confidence in that competition.
  - The objective should not be to prevent political parties from raising funds; it should be to ensure that citizens can reasonably know **where significant political money comes from and how it is used**.
- For Indian democracy, the larger principle is simple: **political finance must remain compatible with the voter's right to make an informed choice**.
  - Electoral reform will remain incomplete unless the financial side of politics receives the same seriousness as the conduct of polling itself.

Daily Mains Practice Question
[Q] **Examine the challenges associated with transparency and accountability in political finance in India. Suggest suitable reforms to strengthen the integrity of India's electoral system.**

Source: TH

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