

Analysis of Political Funding by Corporates through Electoral Bonds

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ABSTRACT

Electoral bonds were introduced in 2018 as a mode of funding for political parties in India. The scheme allowed individuals and companies to purchase bonds from the State Bank of India (SBI) and donate them to political parties. But the unique feature of electoral bonds is that the donor's identity remains anonymous, providing a level of confidentiality for political contributions. The electoral bond scheme was criticized by various stakeholders, including opposition parties, civil society organizations, and the Election Commission of India. The Supreme Court of India struck down the electoral bond scheme on February 15, 2024, deeming it unconstitutional. The court ruled that the scheme violated the right to information under Article 19(1)(a) of the Constitution. The Objective of the study is to find out % of total contribution in form of electoral bonds by companies raided and to find is there any significant difference in electoral bonds donated to political parties and Companies Raided. One-way ANOVA was used for the analysis. Results revealed that donations received by BJP are significantly different from donations received by other parties which can be seen in the comparison of different parties' donation.

Keywords: Electoral Bond, RBI, Donations, Political Parties, ED Raids, IT Raids.

Introduction

The introduction of electoral bonds in India marked a significant shift in the country's political funding landscape. Aimed at bringing transparency to campaign finance, electoral bonds were introduced as a mechanism to formalize donations to political parties. Unlike traditional methods of funding, such as cash donations, electoral bonds were designed to be traceable and accountable, ostensibly reducing the influence of black money in politics. These bonds were introduced in 2018 as a mode of funding for political parties in India. The scheme allowed individuals and companies to purchase bonds from the State Bank of India (SBI) and donate them to political parties.

The bonds were available in denominations of ₹1,000, ₹10,000, ₹1 lakh, ₹10 lakh, and ₹1 crore. The scheme was intended to promote transparency in political funding by allowing donors to remain anonymous.

Review of Literature

(Chettri 2025) critically examined the Electoral Bond Scheme (EBS), introduced through a series of amendments to existing laws and regulations, which was subsequently challenged before the Supreme Court of India. The study highlights how the regulatory framework of the state and prevailing trade regimes create opportunities for unethical negotiations between political actors and the business sector, fostering a nexus that undermines the integrity of electoral democracy. Chettri discusses key issues surrounding the EBS, including the Supreme Court's observations and the broader implications of

a system potentially facilitating quid pro quo arrangements. The paper underscores the urgent need for a transparent and accountable mechanism of political financing that safeguards citizens' electoral rights and reinforces the foundations of democratic governance in India.

(Manhas, Kumar & Kotwal, 2025) their study aimed to assess the implications of electoral bonds on the transparency of political funding in India. It analyzed the origins and background of the electoral bond scheme, the controversies surrounding its introduction, and its impact on the transparency of political donations. Employing a comprehensive review of existing literature alongside an analysis of recent developments, the research seeks to offer meaningful insights into the complex relationship between electoral bonds and transparency within the Indian political system.

(George, 2024) examined the Indian Supreme Court's unanimous ruling that declared electoral bonds unconstitutional. The judgment upheld citizens' right to know political funding sources over donor privacy. It also rejected claims that the bonds had curbed black money. The study explored implications for electoral integrity, ruling party finances, and compared donation laws in the UK, US, and Germany.

(Juyal, 2024) conducted a comprehensive study examining the evolution of electoral bonds, from their inception and implementation to their broader impact on the political landscape. The research critically assessed the initial objectives and expectations of the electoral bond scheme in comparison with its actual outcomes. Through this analysis, the study highlighted significant discrepancies and controversies associated with the scheme, ultimately illustrating how electoral bonds have diverged from their intended purpose and contributed to a landscape marked by unmet expectations.

(Ananda, 2023) proposed a research paper titled "Electoral bonds: a peril to democracy and transparent elections in India". The objective of the study was to critically evaluate the electoral bonds scheme by analyzing the various acts and statutes. It was observed that reducing cash donations was a commendable move, it nevertheless permitted political parties to take advantage by increasing the number of fake donors.

(Mohapatra, 2018) proposed a research paper titled "Electoral Bonds and Funding to Political Parties in India: A Critique". In the article the researcher discussed the salient features of the recent electoral bonds policy along with a multidimensional criticism. The intent associated with the scheme of electoral bond is to have cashless donations to political parties in a transparent and accountable structure. But the concerned scheme might not be able to cater to the primary concern of having corruption free electoral processes because of certain discrepancies.

(Rathee, 2023) Proposed a paper titled "Electoral Bonds Scheme & Election Finance: A Systematic Process to Imbalance the Electoral Level Playing Field". Objective of the paper was to constitutional analysis of the electoral bonds scheme. It was stated that the eligibility criteria for raising funds should be liberalized to include all the political parties, and candidates who have filed nomination papers. It would ensure equality of opportunity for raising funds is available to all the concerned prospective candidates.

(Khan et al., 2023) Proposed a paper titled "A Study on Electoral Bonds and Investor Perception". The purpose of the paper was to look at how a functional democracy is impacted by electoral changes and their covert objectives. The fraud is exacerbated by the need that all electoral bonds be redeemed through a bank account that the Election Commission of India has made public. All electoral bond transactions are done digitally or with cheques.

(George, 2024) The electoral bonds case had highlighted the importance of evolving a balanced regulatory framework for political funding in India. While the Supreme Court has rightly prioritized transparency as fundamental, balanced norms are also needed to maintain fair play and prevent harassment of genuine donors.

(Yadav & Yadav, 2024) The paper was based on collected information through various online and office line reports pertain to this topic like: (a) The Wire; (b) The Mint; (c) Livelaw (d) Bar and Bench. It is concluded that electoral bonds are being used to choke democracy and hamper transparency in political funding.

Research Gap

From review of literature, it can be found that lots of studies and articles have been published on electoral bonds but as per researcher's knowledge none of studies have been done regarding analysis of bonds purchased by companies who faced raids of ED, IT or any extortion. Further a study to find out

significant difference between donation received by political parties is also need of hour. So, proposed study is expected to fill research gap identified.

Research Objectives

- To find out % of total contribution in form of electoral bonds by companies raided
- To find is there any significant difference in electoral bonds donated to political parties and Companies Raided

Hypothesis

H₀: There is no significant difference between donations received in form of electoral bonds by top 5 political parties.

Research Methodology

Present study is exclusively dependent on data collected with reference to companies raided, bonds purchased by raided companies and donation received by political party in form of electoral bonds. For purpose of achieving stated objectives, percentage analysis and one-way ANOVA have been used. The period of study covered ranges from 12.04.2019 to 15.02.2024.

Data Analysis and Interpretation

For achieving first research objective, analysis is done with reference to finding out % of donations given by raided companies out of top 25 donators. First of all, a brief history of all raided companies is given as follows.

- Future Gaming and Hotel Services Private Limited: Run by Santiago Martin, known as the "Lottery King," this company is the biggest buyer of electoral bonds, spending Rs 1,368 crore between October 2020 and January 2024. The company has been under investigation by various agencies, including the Enforcement Directorate (ED), for money laundering and other offenses since 2007. Despite these investigations, Future Gaming continued to purchase electoral bonds, notably buying Rs 290 crore worth between April and December 2023.
- Megha Engineering and Infrastructure Limited (MEIL): Based in Hyderabad, MEIL is a major player in government contracts, including the Rs 1.15 lakh crore Kaleshwaram Lift Irrigation Project. MEIL has faced scrutiny for financial irregularities, including raids by Income Tax officials in 2019. From April 2019 to November 2023, MEIL purchased Rs 980 crore in electoral bonds, and its affiliated companies spent an additional Rs 266 crore.
- Vedanta Limited: The Vedanta Group, led by Anil Agarwal, spent Rs 376 crore on electoral bonds between April 2019 and November 2023. The company has been implicated in environmental and legal controversies, including lobbying for favorable government decisions and facing a criminal conspiracy charge by the CBI in March 2020. Despite these challenges, the company has remained a significant donor through the electoral bond system.
- Hetero Pharma Group: Hetero Pharma, an Indian pharmaceutical giant with a global presence, purchased Rs 60 crore in electoral bonds over two years. In 2021, the Income Tax department uncovered Rs 550 crore in unaccounted income during a raid, seizing Rs 142 crore in cash. Hetero Pharma's involvement in electoral bonds continued with multiple purchases in 2022 and 2023.
- Hero MotoCorp: In October 2022, Hero MotoCorp made its first significant purchase of electoral bonds, spending Rs 20 crore. This occurred shortly after a raid by the Income Tax department at the company's offices and residences of its top executives. Despite the scrutiny, the company joined other large businesses in using electoral bonds to make political donations.
- Rashmi Group: Based in West Bengal, the Rashmi Group faced an Enforcement Directorate raid in 2022 over a Rs 73 crore loss to the exchequer, but it later received a clean chit from the Calcutta High Court. Before and after the raids, the company purchased Rs 95.5 crore in electoral bonds. The group entered the mining sector in 2023 after being allocated three mines in West Bengal by the Union Ministry of Coal.
- DLF Group: DLF, a real estate giant, purchased Rs 170 crore in electoral bonds between 2019 and 2022. After a series of controversies, including a land deal scandal and an ED raid in 2023, the company ceased bond purchases. DLF has been involved in various legal and financial disputes, including a probe into land deals with Robert Vadra, husband of Congress leader Priyanka Gandhi Vadra.

- **Reddy's Laboratories:** Reddy's Laboratories, a pharmaceutical company, bought Rs 84 crore worth of electoral bonds between 2019 and 2024. The company was raided by the Income Tax department in 2023, part of a wider crackdown on financial irregularities. Despite the raids, the company continued to donate heavily through electoral bonds.
- **Navayuga Engineering:** Navayuga Engineering purchased Rs 55 crore in electoral bonds, despite facing scrutiny from the Income Tax department. The company was involved in constructing a tunnel in Uttarakhand that collapsed in 2023, trapping 41 workers for 17 days, bringing it back into the spotlight.
- **Aditya Birla Group (Utkal Alumina and Grasim Industries):** Utkal Alumina, a subsidiary of Hindalco, bought electoral bonds worth Rs 145.3 crore between 2019 and 2023. The company faced pollution charges in Odisha in 2019. Another Aditya Birla Group company, Grasim Industries, also purchased electoral bonds worth Rs 33 crore.
- **United Phosphorus (UPL Limited):** UPL Limited bought electoral bonds worth Rs 60 crore, despite being under investigation for tax evasion and financial misconduct. The company faced an Income Tax raid in 2020 and continued to make significant political donations thereafter.
- **Aurobindo Pharma:** Hyderabad-based Aurobindo Pharma purchased Rs 52 crore in electoral bonds between 2021 and 2023. The company's director, Sarath Reddy, was arrested in 2022 for money laundering in the Delhi liquor policy case.
- **Chennai Green Wood Private Limited:** Owned by a Rajya Sabha MP, this company bought Rs 105 crore worth of electoral bonds. It is part of the Ramky Group, which has been linked to financial investigations involving Andhra Pradesh Chief Minister YS Jagan Mohan Reddy.
- **Rungta Sons Private Limited:** Rungta Sons bought Rs 50 crore in electoral bonds in 2021 and 2024. The company, which operates in forestry and mining, was raided by the Income Tax department in December 2023.

The report highlights the overwhelming influence of corporate entities in political donations through electoral bonds, raising concerns about transparency and the potential impact of such contributions on government policies and decisions. Of the 18,871 bonds purchased during the study period, 96.91% were bought by businesses, amounting to Rs 11,780 crore. The remaining 3.09% were purchased by individuals.

Table 1: Bonds purchased by Corporates and Individual

Sector-wise Electoral Bonds purchased between 12 April 2019 to 15 February 2024			
Sector	Amount	Number of bonds purchased	Percentage Share (Amount)
Corporate/Business Houses	1,17,80,02,97,000	16631	96.91%
Individual	3,75,48,35,000	2240	3.09%
Grand Total	1,21,55,51,32,000	18871	100%

Source : Association for Democratic Reforms (ADR)

As research question was about analysis of raided companies, a list of top 25 companies who donated funds to political parties is given. In table those companies who were raided have been highlighted.

Table 2: Top 25 Corporate Donors

Details of Top 25 donors who contributed through Electoral Bonds between 12 April 2019 to 15 February 2024				
S.No.	Donor Name	Number of bonds purchased	Amount	Percentage Share (Amount)
1	Future Gaming And Hotel Services Private Limited	1368	13,68,00,00,000	11.254%
2	Megha Engineering And Infrastructures Limited	966	9,66,00,00,000	7.947%
3	Qwik Supply Chain Private Limited	410	4,10,00,00,000	3.373%
4	Vedanta Limited	429	4,00,65,00,000	3.296%

5	Haldia Energy Limited	395	3,77,00,00,000	3.101%
6	Essel Mining And Inds Ltd	238	2,24,50,00,000	1.847%
7	Western Up Power Transmission Company Li Mited	220	2,20,00,00,000	1.810%
8	Bharti Airtel Limited /Bharti Airtel Limited Airtel Current Ac-Gco*	216	1,98,00,00,000	1.629%
9	Keventer Foodpark Infra Limited	204	1,95,00,00,000	1.604%
10	Mkj Enterprises Limited	324	1,92,42,00,000	1.583%
11	Madanlal Ltd.	199	1,85,50,00,000	1.526%
12	Yashoda Super Speciality Hospital	162	1,62,00,00,000	1.333%
13	Utkal Alumina International Limited	148	1,45,30,00,000	1.195%
14	Dlf Commercial Developers Limited	130	1,30,00,00,000	1.069%
15	Jindal Steel And Power Limited	123	1,23,00,00,000	1.012%
16	B G Shirke Construction Technology Pvt L Td	117	1,17,00,00,000	0.963%
17	Dhariwal Infrastructure Limited	115	1,15,00,00,000	0.946%
18	Avees Trading And Finance Pvt Ltd	117	1,12,50,00,000	0.926%
19	Torrent Power Limited	210	1,06,50,00,000	0.876%
20	Birla Carbon India Private Limited	105	1,05,00,00,000	0.864%
21	Chennai Green Woods Private Limited	105	1,05,00,00,000	0.864%
22	Rungta Sons P Ltd	100	1,00,00,00,000	0.823%
23	Ifb Agro Industries Limited	95	92,30,00,000	0.759%
24	Dr Reddys Laboratories Limited	84	84,00,00,000	0.691%
25	Prarambh Securities Pvt Ltdpropiet	78	78,00,00,000	0.642%
Total		6658 Bonds	Rs 6312.67 cr (51.93%)	

Source : Association for Democratic Reforms (ADR)

Further amount of donation by raided companies was found in relative terms as follows:

A sum of donations made by all raided companies was totalled and divided by total donations during this period.

Table 3: Donations by Raided Companies

Details of donor companies who have been raided				
S.No.	Donor Name	Number of bonds purchased	Amount	Percentage Share (Amount)
1	Future Gaming And Hotel Services Private Limited	1368	13,68,00,00,000	11.254%
2	Megha Engineering And Infrastructures Limited	966	9,66,00,00,000	7.947%
3	Vedanta Limited	429	4,00,65,00,000	3.296%
4	Dlf Commercial Developers Limited	130	1,30,00,00,000	1.069%
5	Chennai Green Woods Private Limited	105	1,05,00,00,000	0.864%
6	Rungta Sons P Ltd	100	1,00,00,00,000	0.823%
7	Ifb Agro Industries Limited	95	92,30,00,000	0.759%
8	Dr Reddys Laboratories Limited	84	84,00,00,000	0.691%
	Total	3277	32,45,95,00,000	26.70%

From above table it can be analysed that out of total bonds purchased by top 25 donors, 49 % bonds were purchased by raided companies. If donation in monetary terms is calculated, it was found that out of total amount of total amount donated, 27.55% was donated by companies raided.

Further to strengthen the study, analysis of top 5 political parties receiving donation in form of electoral bonds was done with regard to donation received in form of electoral bonds. One way was used to do the analysis.

Results

Party Name	N	Mean	Sum	S.D.	MAX.	Min
All India Congress	216	601	129859	1053	11165	100
All India Trinamool Congress	227	699	158616	1484	15460	50.0
Bharat Rashtra Samithi	148	703	104026	2066	19290	30.0
Biju Janata Dal	177	438	77550	535	4000	10.0
Bjp	231	2094	483753	3143	33830	700

Note: Donation (Rs. in lakhs)

Source: Own Computation

One-Way ANOVA

F	df1	df2	p
Amount of Donation Welch's 16.7	4	451	<.001
Fisher's 26.9	4	994	<.001

Above analysis depicts that P value is less than 0.05 therefore null hypothesis is rejected it indicated that there is a significant difference in donation given to top 5 parties. This result can be linked with results of first objective which revealed analysis results of raided companies.

It can be interpreted that ruling party intentionally

Comparison		Mean Difference	SE	df	T	ptukey
PartyName	Party Name					
All India Congress	All India Trinamool Congress	-97.55	183	994	-0.5330	0.984
	Bharat Rashtra Samithi	-101.68	205	994	-0.4948	0.988
	Biju Janata Dal	163.06	195	994	0.8352	0.920
	BJP	-1492.97	182	994	-8.1916	<.001
All India Trinamool Congress	Bharat Rashtra Samithi	-4.13	203	994	-0.0203	1.000
	BIJU JANATA DAL	260.62	193	994	1.3497	0.660
	BJP	-1395.42	180	994	-7.7540	<.001
Bharat Rashtra Samithi	Biju Janata Dal	264.74	214	994	1.2343	0.731
	BJP	-1391.29	203	994	-6.8624	<.001
Biju Janata Dal	BJP	-1656.03	192	994	-8.6093	<.001

It can be seen that P values for other than BJP are more than .05 whereas, P value is less than .05 for BJP. It indicates that the donations received by BJP are significantly different from donations received by other parties which can be seen in the comparison of different parties' donation.

Suggestions for Improved working of Electoral Bond

Based on the above analysis, some suggestions are given below to improve the working of electoral bond.

- **Transparency in Donor Identity**

Introduce mechanisms that ensure disclosure of donor identities for bonds above a certain threshold, while keeping smaller donations anonymous. This could help balance transparency with privacy for smaller contributors.

- **Audit and Public Reporting of Donations**

Political parties should be required to publicly disclose the total amount received via electoral bonds, along with detailed audits by independent agencies. This would enhance accountability without compromising sensitive donor information.

- **Limit Contributions from Corporates**

Reinstate a cap on corporate donations (e.g., a percentage of annual profit) and restrict donations from foreign-controlled or owned companies. This would reduce the risk of undue corporate influence.

• **Cap on Political Parties' Receipts**

Place a ceiling on how much a political party can receive through electoral bonds in any given year. This would encourage the parties to diversify their funding sources and reduce the possibility of favouritism towards a small group of large donors.

By implementing these suggestions, India can create a more transparent, accountable, and fair system for political donations through electoral bonds, reducing the risks of corruption and undue influence on political decision-making.

Conclusion

The ban on electoral bonds is a significant step towards improving electoral funding transparency in India. However, it is only the first step, and there are still challenges ahead in terms of implementation, enforcement, and political will. By implementing measures to improve electoral funding transparency, India can reduce the risk of corruption in political funding and promote a more transparent and accountable democratic system.

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