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Dr. Rinu Saraswat

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Dr. Rinu have 5 yrs of teaching experience in renowned institutions like Jagannath University and Apex University. Participated in more than 20 national and international seminars and conferences and 5 workshops and training programmes.

Dr. Nitesh Saraswat

E.MBA, LL.M, Ph.D, PGDSAPM
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More than 25 Publications in renowned National and International Journals and has authored a Text book on Cr.P.C and Juvenile Delinquency law.

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BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

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With this thought, we hereby present to you

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NAVIGATING THE CORPORATE-POLITICAL NEXUS: A LEGAL INQUIRY INTO INFLUENCE, ETHICS, AND REGULATION

AUTHORED BY - SWANAND GHARPURE & SNIGDHA SARMA

Abstract

The intricate relationship between corporations and politics, often termed as the "corporate-political nexus," significantly influences modern governance and policy-making. This research paper delves into the legal frameworks, ethical considerations, and socio-economic implications of corporate involvement in politics, particularly through political donations, lobbying, and indirect support. Using a comparative approach, the study examines the regulations governing corporate political activities across various jurisdictions, including the U.S., the U.K., and India, with a special focus on transparency and accountability mechanisms. The research aims to address three core questions: (1) To what extent do existing laws regulate corporate influence in politics? (2) How does this influence affect democratic processes and public trust? (3) What legal reforms are necessary to balance corporate rights with public interest? Drawing on case studies, empirical data, and legal theories, the paper argues that unchecked corporate influence can undermine democratic values, while a balanced regulatory framework can enhance corporate accountability. The findings advocate for stricter disclosure requirements, the creation of independent oversight bodies, and international cooperation to curtail undue corporate influence on political institutions, thereby safeguarding democratic integrity.

Keywords: Accountability, Corporate Influence, Democracy, Political donations, Regulatory framework

A. Introduction

The corporate-political nexus denotes the complex and often symbiotic relationship between corporations and political entities, where mutual influence serves strategic interests. Corporations leverage political channels to shape policies, regulatory frameworks, and public sentiment, often through lobbying, campaign contributions, and targeted corporate social responsibility (CSR) initiatives. Lobbying has become a key mechanism for corporations to influence legislation and regulatory policies, ensuring a favourable business environment. Political donations are another tool corporations use to align themselves with candidates or parties whose policies support their interests, gaining access to decision-makers and securing regulatory concessions. Regulatory capture is a prominent issue, where regulatory bodies, originally intended to oversee industries, become swayed by those industries, often resulting in policies that favour corporate profit over public welfare.

Through CSR, companies can align themselves with social or environmental causes, gaining goodwill and indirectly influencing political agendas. Public-private partnerships add another layer to this nexus, allowing corporations to work with governments on large-scale projects. While beneficial for economic development, these partnerships can blur the line between public interest and corporate gain, leading to questions around transparency and accountability. This complex nexus underscores the need for robust legal frameworks to safeguard democratic integrity and ensure an equitable balance between corporate power and political influence.

B. History of Corporate Political Nexus

The corporate-political nexus, or the interplay between corporate and political entities, has shaped economic and political landscapes throughout history, both globally and in India. This relationship has seen corporations wield influence over policy-making, regulation, and even public opinion, often in pursuit of mutual benefit. Understanding its historical evolution sheds light on contemporary issues surrounding corporate influence and the challenges it poses to democratic integrity.

- **Global History**

  Globally, the corporate-political nexus dates back to early mercantilist empires of the 17th century. Companies such as the British East India Company and the Dutch East India Company were granted extensive privileges by their respective governments. These corporations acted as instruments of colonial expansion, often wielding quasi-governmental power, including military and administrative authority, to control vast territories and resources. Their influence over state policies exemplifies an early form of corporate-political symbiosis, where economic interests drove political action and vice versa.

The 19th century industrial revolution marked a shift in this relationship. With the rise of powerful industrialists in the United States and Europe, such as J.P. Morgan and John D. Rockefeller, corporate influence over politics intensified, notably during the U.S. Gilded Age. Wealthy industrial magnates held significant sway over political decisions, leading to economic policies that favoured monopolies and unrestricted corporate growth. This period sparked public outcry, resulting in the first antitrust regulations, such as the U.S. Sherman Act of 1890, designed to prevent monopolistic practices and limit corporate control over government.

In the 20th century, the influence of corporations on politics became more structured. The U.S., in particular, saw the emergence of powerful lobbying groups and think tanks funded by corporations. The "revolving door" phenomenon—where officials transition between government and corporate roles—further entrenched corporate influence within public policy. Globally, multinational corporations began lobbying for trade liberalization, culminating in frameworks like the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), which facilitated global corporate influence by reducing barriers to international trade.

- **History in India**

India's corporate-political nexus has a unique trajectory influenced by colonialism and post-independence policies. During British rule, British-owned corporations exercised significant control over Indian resources and markets, often influencing colonial administration to serve British economic interests. Post-independence, India's adoption of a mixed economy limited corporate influence on politics due to the dominance of public sector undertakings (PSUs) and stringent regulations on private enterprise. However, prominent industrial families, like the Tatas and Birla, maintained connections with political leaders, subtly influencing economic policies.

The liberalization of the Indian economy in 1991 marked a pivotal moment in the corporate-political relationship. Economic reforms that encouraged private and foreign investment led to an upsurge in corporate lobbying, as companies sought favourable regulatory conditions in an increasingly competitive market. The rise of private capital and foreign direct investment (FDI) gave corporations greater leverage, gradually formalizing their role in policy-making processes. A significant development came with the introduction of electoral bonds in 2018, which allowed corporations to make anonymous donations to political parties, further entrenching corporate influence in politics.

C. FINANCING IN POLITICAL PARTIES

Political parties are essential political entities in modern democracy. They play an important role in organizing modern democratic societies and promoting political plurality. Political Parties serve crucial tasks in modern liberal democracy. Parties play a crucial role in integrating individuals and groups into politics, mobilizing the public during elections, and representing social interests. Political parties play a crucial role in the recruitment of political elites by nominating and choosing candidates for public positions.

The traditional method of party financing, mainly or almost solely based on membership fees, is no longer sustainable for most political parties in modern democracies. Private financing alternatives, whether from within or outside the party, come with their own challenges. For instance, contributions made by parliamentarians from their allowances to their party could represent a hidden form of public funding, potentially conflicting with their independence and constitutionally guaranteed free mandate—especially when these payments are effectively obligatory. Additionally, other private sources, like donations, risk creating improper connections between financial contributions and specific political decisions. In this setting, even the mere perception of misuse may be enough to damage public trust in the political system and its representatives, ultimately weakening the legitimacy of democracy.

D. EVOLUTION OF PARTY FUNDING IN INDIA

Political parties fulfil several essential functions, such as:

1) integrating and mobilizing citizens;
2) articulating and aggregating interests;
3) formulating public policy;
4) recruiting political leaders; and
5) organizing Parliament and government.

To carry out these functions effectively, secure electoral victories, or serve as a robust opposition, political parties and their candidates require substantial financial resources. India's approach to addressing this financial need has been mixed.

Historically, political parties in India have relied on private donations and membership dues for funding. Corporate contributions were permitted under specific restrictions and had to be disclosed in company accounts. The Representation of the People Act (RPA) of 1951 also set limits on campaign spending.[1]

By the 1960s, concerns arose within policy circles about a connection between black money and political fundraising. "Black money" refers to funds on which taxes have not been paid or money generated through illegal means. The Santhanam Committee on the Prevention of Corruption (1964) and the Wanchoo Direct Taxes Enquiry Committee (1971) highlighted the issue of black money infiltrating politics. This illicit money was generated by businesses and individuals evading corporate and income taxes, driven by the high-tax, heavily regulated, and protectionist policy framework established from the 1950s. Some of this black money was funnelled to political parties and candidates in exchange for favourable policy decisions.

In 1968, Prime Minister Indira Gandhi banned corporate donations to political parties, officially aiming to prevent major business groups from wielding undue influence over politics. However, it is speculated that another motive behind the ban was her concern that corporate interests might fund right-wing opposition parties. A specific focus of the ban was the Swatantra Party, which advocated for free-market principles. By the late 1960s, this party had gained some influence in certain regions and opposed the ruling Congress party's socialist policies.

In 1974, the Supreme Court ruled in *Kanwar Lal Gupta v. Amar Nath Chawla* that party spending on a candidate's behalf should count toward the candidate's election expenses to determine if expenditure limits were exceeded. Parliament responded in 1975 by amending the Representation of the People Act (RPA), modifying Explanation 1 to Section 77(1) so that only authorized candidate expenses counted, leaving party and supporter expenditures unlimited. This amendment effectively weakened the expenditure limits by restricting them to direct candidate expenses.

[1] Ramadevi, V. S. & Mendiratta, S. K., *How India Votes: Election Laws, Practice and Procedure* 378–80, 391–95 (Butterworths India 2000).

In 1979, political parties were exempted from income and wealth taxes, provided they submitted annual returns with audited accounts, disclosed donations of Rs. 10,000 (around $1,430 at the time), and identified donors. In the 1980s, a key development was the 1985 amendment to the Companies Act, which reinstated corporate donations to political parties under Section 293A. This allowed companies to donate up to 5% of their average net profit over the previous three years, with board approval and mandatory disclosure in annual accounts.

In 1990, the National Front government established the Dinesh Goswami Committee on Electoral Reforms. The Committee recommended limited state support for election expenses, including fuel, microphone rentals, voter identity slips, and additional copies of electoral rolls. It also proposed that unauthorized spending by independent supporters be penalized, similar to practices in the United Kingdom. The committee also recommended banning corporate donations to political parties. However, this created a gap in campaign finance, as it proposed no adequate substitute for corporate funding through public financing.

In 1993, Indian industry began to address political funding concerns. The Confederation of Indian Industry (CII) formed a Task Force, which suggested making corporate donations tax-deductible and requiring shareholder approval for board decisions on such contributions. CII also proposed state-funded elections, with financing either through a special excise duty tax or contributions from industry to a state-managed election fund pool. Money would be distributed to parties through a formula. This proposal, in effect, proposed a tax on industry to finance campaigns.[2]

The 1998 Indrajit Gupta Committee on State Funding of Elections recommended partial state funding, primarily in kind. It proposed providing free broadcast time on state-owned TV and radio, along with requiring private channels to offer sufficient free airtime to recognized national and regional parties during elections. To ensure balanced representation, the Committee suggested regulating private channels and cable operators to present a fair view of all parties. For in-kind support, the Committee recommended that the government supply political parties with limited amounts of resources, including petrol and diesel, paper for

[2] Interview with R. C. Bhargava, then Chief Executive Officer, Maruti Udyog, & Chairman, CII Task Force (Dec. 8, 1995).

campaign materials, postage stamps, copies of electoral rolls, loudspeakers, telephone access, and refreshments on counting day[3].

Since 1999, significant changes have been made to enhance the transparency of candidates' backgrounds, specifically in terms of legal, financial, and educational information. This shift toward greater disclosure began to take shape in November 2000, when a public interest petition was filed by the Association for Democratic Reforms, a non-governmental organization dedicated to democratic accountability. The Delhi High Court, in response to this petition, issued a directive to the Election Commission of India to collect data on the criminal records of all candidates. This directive also required the Election Commission to make this information publicly available, allowing voters to access not only criminal background details but also a comprehensive account of each candidate's educational qualifications, assets, and liabilities. Furthermore, this mandate extended to include the financial details of the candidate's spouse and dependents, providing a fuller picture of the candidate's financial standing.

This transparency mandate faced multiple challenges but was ultimately upheld by the courts. On March 13, 2003, the judgment was reaffirmed, further cementing the requirement for these disclosures. Following this, on March 27, 2003, the Election Commission issued an official order implementing the High Court's judgment, making it mandatory for candidates to declare their criminal, educational, and financial information before elections. This marked a crucial step toward greater accountability in the electoral process, ensuring that voters could make informed decisions based on the backgrounds of those running for public office.

A landmark development in campaign finance reform followed shortly after. In September 2003, the National Democratic Alliance (NDA) government passed the Election and Other Related Laws (Amendment) Act. This legislation introduced comprehensive reforms in campaign finance, aiming to regulate election spending, improve transparency, and ensure accountability. Among its provisions, the Amendment Act sought to formalize disclosures, regulate candidate spending, and address the influence of money in politics. This Act represented a major step in curbing the potential for corruption and ensuring that elections remained fair, with candidates held to higher standards of transparency.

[3] Report of the Committee on Electoral Reforms (Indrajit Gupta Committee), Ministry of Law & Just., Legis. Dep't, Gov't of India, at 11–45, 55–56 (1998).

The Election and Other Related Laws (Amendment) Act, passed by the National Democratic Alliance (NDA) government in September 2003, marked a major step forward in campaign finance reform. This Act introduced full tax deductions for both corporate and individual donations to political parties under **Sections 80GGB and 80GGC of the Income Tax Act**. However, corporate donations remained capped under **Section 293A of the Companies Act**, limiting contributions to 5% of a company's average net profits over the past three years. By making these contributions tax-deductible, the law encouraged transparent, check-based donations. The Act also imposed new disclosure requirements for political parties. Under **Section 29-C of the Representation of the People Act** (RPA), parties must submit a list of donations above Rs. 20,000 (about $450) to the Election Commission using Form 24-A. Failure to disclose this information would result in the loss of their tax exemption. Additionally, **Section 13-A of the Income Tax Act** was amended to require disclosure of donations exceeding Rs. 20,000, doubling the previous threshold of Rs. 10,000.

While the tax incentive promotes transparency, it is unclear if it fully compensates for the potential loss of donor anonymity. Also, tax-deductible status is limited to contributions made directly to political parties, not individual candidates, which could reduce donation amounts since donors may lack assurance that their contributions will go directly to preferred candidates. The 2003 Act also modified Explanation 1 to **Section 77(1) of the RPA** to broaden what counts as candidate expenses. Now, spending by parties or independent supporters on behalf of a candidate must be reported and included within the candidate's spending cap. However, some loopholes persist. For example, travel expenses for the top 40 leaders of a national party (or top 20 leaders of a state party) to campaign in a candidate's constituency are exempt from these limits. Another gap permits unlimited spending by parties and supporters on promoting the party's agenda, as long as it doesn't directly endorse any specific candidate, allowing significant party-driven expenses to remain uncapped.

E. IMPACT OF PARTY FINANCING AND ELECTION EXPENDITURE LAWS

In April 1969, the Indian government imposed a ban on corporate donations to political parties, citing concerns that such financial contributions would allow large business groups to wield undue influence over the political process. This move, while intended to reduce the power of corporate interests in politics, was enacted without providing an alternative form of public funding, unlike in other democracies where state funding had been introduced to fill the gap. As discussed in Part II, this lack of public funding left political parties with a significant challenge in financing their operations and election campaigns. The result was that many parties, faced with the scarcity of adequate legal funding sources, began turning to illicit means of raising money, particularly black money[4].

Since 1948, black money had been steadily increasing in the Indian economy. Black money refers to funds generated through tax evasion or illegal activities, and its rise was a consequence of India's high tax rates and a highly regulated economic system. The country's tax policies, with their steep rates, created strong incentives for businesses and individuals to evade taxes. Simultaneously, India's "**license-quota-permit raj**" system, which existed from the 1950s to the 1990s, required businesses to obtain government permits and licenses for virtually every form of economic activity. This extensive regulation provided bureaucrats and politicians with considerable discretionary power, which they could, and often did, use to their advantage by accepting bribes in exchange for the allocation of licenses or other privileges. In this environment, a corrupt nexus formed between business groups and political parties, with illicit funds from black money being funnelled into party coffers. The ban on corporate donations thus had an unintended consequence: it entrenched the influence of business groups over the political system in a far more opaque and clandestine manner.

The situation worsened with the amendments made in 1975, which delinked party spending from candidate spending in the calculation of campaign expenditure limits. Before this change, spending by political parties on behalf of candidates had been included in the total election expenditure, ensuring that parties and candidates stayed within the established limits. However, after 1975, the cap on campaign spending applied only to individual candidates, not the political parties that supported them. This change triggered an electoral arms race, where political parties, desperate to outspend their competitors, began to allocate substantial amounts of money towards their campaigns. To attract voters, parties often resorted to offering inducements such as free liquor, expensive gifts, and other material benefits during election time. The absence of a limit on party spending meant that there was no clear ceiling on how much money could be used to sway voters.

[4] Y. Dev Kar, *An Empirical Study of the Transfer of Black Money from India, 1948–2008*, 46 *Econ. & Pol. Wkly.* 45, 47–54 (Apr. 9, 2001).

At the same time, the ban on corporate donations made it difficult for parties to raise legal funds, leaving them with few options for securing the vast sums of money required for these escalating campaigns. This environment of high electoral demand coupled with limited legal channels for raising funds naturally led to a greater reliance on black money. The underground flow of illicit funds into political campaigns became an increasingly entrenched part of the election process, exacerbating corruption and diminishing the transparency and fairness of India's political system. The combination of the corporate donation ban, the delinking of party and candidate spending limits, and the growing demand for election funds created a perfect storm that pushed Indian politics further into the grip of black money, undermining efforts to create a more transparent and accountable electoral system.

The 2003 amendments to election laws had unintended effects. They required party spending for candidates to count toward expenditure limits but didn't raise the ceiling enough. A 1999 survey showed major parties spent 4–6 times the limit, pressuring candidates to under-report expenses. Parties, in turn, falsely labeled campaign spending as general propaganda. This institutionalized evasiveness and reinforced dishonesty in the political system.

The loophole allowing unrestricted party spending remained, leading to relentless fundraising. While the 2003 reforms introduced tax incentives for disclosed contributions, they failed to curb black money in political funding. Most donations still bypassed legal channels due to India's regulated economy, especially in sectors like real estate. Business donors, wary of government influence, preferred secrecy, sustaining the long-standing trend of undisclosed political contributions.

The available data on party income and expenditures in recent years supports the conclusion that a substantial portion of political funding continues to flow through illegal channels. For example, in the 2008-09 period, just before the April-May 2009 general election, the Congress Party reported an income of Rs. 4,970 million (approximately $110 million) and expenditures of Rs. 2,750 million (about $61 million)[5]. Similarly, the BJP reported an income of Rs. 2,200 million (around $49 million) and expenditures of Rs. 1,960 million (about $44 million)[6].

[5] **Association for Democratic Reforms**, *Sources of Funding of National Political Parties: FY 2004-05 to 2011-12*, at 5 (2012), https://adrindia.org/research-and-report/political-party-watch/combined-reports/sources-funding-national-political-parties.

[6] Association for Democratic Reforms, *Income, Expenditure and Donations of National Parties of India – An All India Report (Between FY 2004-05 and 2011-12)*, at 8 (2012), https://www.adrindia.org/research-and-report/political-party-watch/combined-reports/analysis-total-income-national-parties-be.

Together, these two parties won 322 seats in the election, highlighting the significant financial backing required for political success in India. This data further underscores the continued reliance on opaque funding sources, as the legal and transparent donation channels still fail to adequately meet the financial needs of political campaigns.

If one assumes an estimated expenditure of Rs. 33 million ($750,000) per victorious candidate—about one-third to one-half of the Election Commission's estimate of Rs. 70–100 million per candidate—the combined expenditure on just the winning candidates would exceed the total income reported by the two major parties (Congress and BJP). This suggests that the actual cost of winning elections, when including all candidate-related expenses, far surpasses the publicly declared income of the political parties, further highlighting the reliance on unofficial and illicit funding sources to cover the financial shortfall. This gap indicates that even with the declared income, the financial reality of running competitive campaigns is largely sustained through opaque means, which may not be reflected in official reports or legal disclosures.[7] This indicates an under-declaration of income by parties, a feature common across parties. There are three major sources of funds that account for this gap:

- Off-balance sheet cash donations by big and medium businesses in exchange for a quid pro quo,
- Similar donations in unaccounted cash from wealthy individuals, and
- Money illegally raised by politicians.[8]

Since 2014, India has undergone significant changes in party financing and election expenditure laws, affecting electoral transparency, accountability, and fairness. The introduction of electoral bonds, amendments to the Foreign Contribution (Regulation) Act (FCRA), removal of corporate donation limits, and various Supreme Court judgments have shaped the political financing landscape. While these reforms aimed to regulate and streamline political funding, they have also raised concerns regarding transparency, corporate influence, and fairness in electoral competition.

One of the most controversial changes in political financing was the introduction of the **Electoral Bond Scheme, 2017**, which allowed individuals and corporate entities to donate

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[7] M. Merchant, *How Much Does Your Lutyens MP Cost You? Times of India* (Dec. 11, 2011).
[8] M. Merchant, *Who Will Watch the Watchmen? Times of India* (July 14, 2011).

anonymously to political parties through electoral bonds issued by the **State Bank of India (SBI)**. These interest-free bonds, available in denominations ranging from ₹1,000 to ₹1 crore, were introduced as an alternative to cash donations to curb black money in elections. The government defended the scheme, arguing that it brought political funding into the formal banking system and ensured cleaner transactions[9].

However, the **anonymity of donors** has been the most contentious aspect of the scheme. Under the previous system, political parties had to disclose details of donations above ₹20,000. With electoral bonds, this requirement was removed, enabling donors to contribute unlimited funds without public scrutiny. This lack of transparency has led to concerns that the scheme enables corporate lobbying, money laundering, and political favouritism. Unlike in traditional donations, where funding patterns could be tracked, electoral bonds prevent voters from knowing who funds political parties, thereby affecting informed decision-making in elections.

Further, the scheme appears to disproportionately **benefit the ruling party**. Reports suggest that a significant percentage of electoral bond donations have gone to the party in power at the central level, raising concerns about potential quid pro quo deals between businesses and the government. Since the bonds are purchased through SBI, a public sector bank, critics argue that the ruling party might have access to donor details, creating an **uneven playing field** where opposition parties lack equal financial resources[10].

Additionally, there have been allegations that **shell companies and foreign entities** could misuse the scheme to funnel unaccounted money into elections. Although electoral bonds are technically meant for Indian entities, the **2016 and 2018 amendments to the Foreign Contribution (Regulation) Act (FCRA)** have allowed foreign-owned Indian companies to donate, potentially increasing foreign influence in Indian politics. This raises concerns about **policy decisions being influenced by foreign interests** rather than by public welfare[11].

The Supreme Court has actively scrutinized the scheme, with petitions arguing that it violates the **Right to Information (RTI) and Article 19(1)(a) of the Constitution (freedom of speech and expression)**. Critics argue that in a democracy, the people have a right to know who is

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[9] Election Commission of India, *Report on Electoral Bonds and Political Finance* (2020).
[10] Association for Democratic Reforms, *Report on Electoral Bonds and Political Donations* (2022)
[11] International Commission of Jurists, *India's FCRA Amendments: A Threat to Democracy?* (2020).

funding political parties, as this influences government policies and decisions. In recent hearings, the Court has expressed concerns over the opacity of the scheme, questioning whether it aligns with the constitutional principles of transparency and accountability.

Before 2016, corporate donations were subject to a **7.5% cap** on a company's average net profits for the last three years. However, the **Finance Act, 2016 and 2017** removed this ceiling, allowing unlimited corporate contributions to political parties. Additionally, companies were no longer required to disclose details of their political donations in financial statements, further reducing transparency.

These changes have led to an **exponential rise in corporate donations**, with concerns about quid pro quo arrangements between businesses and political parties. The removal of donation limits allows large corporations to influence policy decisions in exchange for financial contributions, leading to an uneven political playing field where smaller parties struggle to compete with well-funded rivals.

Another major shift occurred with amendments to the **Foreign Contribution (Regulation) Act (FCRA) in 2016 and 2018**, allowing political parties to receive foreign donations indirectly. Earlier, foreign companies could not fund Indian political parties. However, the amendments redefined "foreign companies" to include entities registered in India with foreign ownership, thereby legalizing foreign donations.

Critics argue that these changes undermine India's **political sovereignty**, as foreign entities can now legally influence elections and policymaking. The retrospective application of the amendments also allowed parties to escape legal scrutiny for previously illegal foreign donations, raising ethical concerns about political favouritism and foreign interference in domestic governance.

F. CONCLUSION

In conclusion, systemic reforms are needed to help India break free from the corrupt equilibrium in its electoral and campaign finance systems. To determine what reforms might be effective, it's essential to first understand the political-economic context in which elections and campaign finance operate in India.

A key aspect of this context is that, despite over two decades of economic liberalization, Indian businesses continue to be highly susceptible to discretionary government actions at both central and state levels. Although the licensing powers of the government have diminished over time, there are still numerous regulatory checkpoints, particularly when it comes to starting, operating, or expanding a business. Examples include the need for land acquisition approvals and environmental clearances for setting up new industrial facilities. Interviews with industry CEOs over the years have revealed that these regulatory requirements have become points of pressure, where businesses are often extorted for payments—especially in sectors like mining, real estate development, and large industrial projects.

Due to this vulnerability to regulatory control and potential extortion, businesses are generally averse to alienating the political parties in power or those likely to assume power. As a result, businesses tend to keep their political contributions secret. Even with the introduction of tax-deductible donations in 2003, which was intended to encourage transparency, the practice of making unreported, black money donations in exchange for political favors or to curry favor with parties has not significantly diminished. Maintaining the confidentiality of donations is seen as more important than the potential tax benefits, as it helps businesses avoid reprisals from political parties that might penalize them for supporting their opponents. This culture of secrecy around political contributions continues to perpetuate the reliance on illicit funding sources in the Indian political system.

Some countries have successfully reduced the influence of big business and wealthy donors on political parties and politicians. One effective strategy has been encouraging parties to rely more on grassroots small-sum donors, which helps make political parties more democratic and transparent. Public subsidies, including indirect subsidies such as tax deductions and credits, have played a crucial role in achieving this shift. Canada stands out as the most successful example among Anglo-Saxon democracies in this regard. Since 1974, Canada has promoted small-sum donations by introducing tax credits for individual donors only. These credits allow individuals to offset small political donations to parties and candidates against their tax liability. In addition, Canadian political parties are required to disclose their sources of income and the identities of their donors, ensuring greater transparency and accountability in political financing.[12]

While corporate donations can support democratic processes, their potential for undue influence highlights the need for stronger regulation. Stricter disclosure requirements, donation caps, and measures to prevent illicit funding are essential to reduce corruption. Encouraging grassroots donations and enhancing transparency can democratize the process and limit the influence of large corporations. Ultimately, a combination of legal controls, ethical governance, and cultural change is necessary to protect democratic integrity and ensure fair political financing.

[12] K. Nassmacher, *Introduction: Political Parties, Funding and Democracy*, in *Funding of Political Parties and Election Campaigns* 12–13 (Int'l IDEA 2003).
The Funding of Political Parties in the Anglo-Saxon Orbit, in *id.* at 37–45.