

Why there was never a scam in electoral bonds

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The outpouring on electoral bonds began with a bang, but ended with a whimper

Instead of cash donations, parties, under the electoral bond scheme, could now take money in bonds. These were purchased through SBI. This was money that had to be properly accounted for. Source: News18

The electoral bonds are gone now. But we have to ask what was achieved by this moral panic. Did it make anything better? No, every party will now go back to a cash system. But they got a “win” against the Modi government. Not an electoral win, mind you. They just got some headlines, some retweets and some viral videos. In other words, they got to scratch their itch and nothing more.

Was the BJP government using central agencies to extort money from companies through electoral bonds? Let us look at the data. A simple check shows that the Enforcement Directorate (ED) carried out over 3,000 raids since 2014. Just 26 companies that were raided also bought electoral bonds. And of these 26 companies, only 16 bought them close to the time they were raided. And from the companies which were raided and also bought electoral bonds, how much money went to the ruling BJP? Just 37 per cent. The other 63 per cent went to the opposition. What kind of “extortion” is this?

It gets even more silly. The BJP’s overall share of electoral bonds purchased between 2019 and 2024 is 47 per cent. Among companies that were raided by central agencies, the BJP’s share drops to 37 per cent. In other words, companies that faced action were in fact less likely to donate to the ruling BJP. Again, how is this “extortion?”

So where did the idea of a “scam” in electoral bonds come from? It came from the media ecosystem of the opposition on the internet. Since 2014, they have failed to make a single charge of corruption stick to the Modi government. With electoral bonds, these people had promised too much to their audiences. For the last ten years, they have floated all sorts of conspiracy theories about one or two big business houses funding the BJP. They have repeated these theories too many times now. For many supporters of the opposition, these theories are now a matter of religious faith. They were sure they would finally get the proof they had been waiting for.

But that did not happen. When the files were opened, the big names they wanted to see just weren’t there. How did they deal with the disappointment? By moving goalposts. They quickly revised the charge of big business houses funding the BJP. Now it is a charge of extortion. If that doesn’t work, some elements are already working on a backup charge of money laundering. For those committed to irrational hatred against the Modi government, electoral bonds are the “biggest scam in the world.” But what kind of scam exactly? Nobody knows. You can fill in the blanks any way you want.

The media is also at fault here for not asking the right questions. Why did the BJP get the largest share of electoral bonds? Simply because it is also the largest political party in India. It has its own majority in the Lok Sabha. At any point, it has chief ministers in a dozen states. Back when the Congress had such power, they also had more money than any opposition party. That is only natural.

So the real question is this. Did the BJP receive donations that were disproportionately high compared to its political power? The answer is clearly no. The BJP got 47 per cent of the donations from electoral bonds. The TMC which rules just one state got 13 per cent. The BRS which used to rule Telangana got nearly 10 per cent. The BJD which rules Odisha got 6 per cent. The DMK has only Tamil Nadu, but it got 5 per cent.

Ironically, the Congress got 11 per cent, which is less than the TMC. So if there is a lesson here, it is for the Congress. The Congress still considers itself the main opposition party in India. But the data from electoral bonds shows that nobody believes it can take on the BJP. The TMC may be limited to a single state. But they are able to fight the BJP better. Even in the opposition ranks, people are betting on winners, rather than losers.

This data also puts another conspiracy theory to rest. No, the BJP government was not secretly tracking donations to opposition parties. If it was, opposition parties would not have put so much faith in electoral bonds. The year 2021 was the most crucial for the TMC, when there were elections in West Bengal. But in the financial year 2021-22, the TMC got more than 99 per cent of its income (in donations above Rs 20,000) from electoral bonds. Clearly, the opposition realized it had nothing to fear.

In fact, look at the pattern. The first year of the electoral bond scheme was 2017-18. That year, the TMC did not use the scheme at all. That is understandable, because it was something new. But the very next year, which was 2018-19, the TMC got almost 69 percent of its donations from electoral bonds. By 2019-20, they raised it to 92 percent. And then to over 99 percent in the last three financial years! That is a startling vote of confidence by the opposition in the electoral bond scheme.

And the TMC was not alone in this. The DMK went the same way. They did not use electoral bonds at all in the first two years of the scheme. But in 2019-20, they got 94 percent of their funding through electoral bonds. In the last two financial years, this has risen to over 99 percent. Almost the same goes for the BJD. They even hit a perfect 100 percent in 2021-22. It seems that successful opposition parties such as the TMC, the BJD and the DMK have no problems with electoral bonds. There are other opposition parties which are frustrated and failing. They have to float conspiracy theories to inspire the party faithful.

This reminds us of one very special theory from former RBI governor Raghuram Rajan. In December last year, the Income Tax Department raided a Congress MP and recovered several hundred crores in cash. But in Rajan's world, the Congress MP was really a victim of the electoral bond scheme. The ruling party will get clean money, the opposition will have to use dirty cash, he explained. Then at the time of the election, the government can just raid the opposition and take their money away. Nice theory, but never mind the actual data. The TMC and DMK are both part of the INDIA bloc. Why not ask them?

Yes, the electoral bond scheme was not perfect. But think about what it was supposed to replace. Instead of cash donations, parties could now take money in bonds. These were purchased through SBI. This was money that had to be properly accounted for. This was money on which taxes had been paid. It was supposed to be a step forward. But now, everything will go back to cash. Worse, nobody will ever trust a guarantee by the Indian state again. The identities of the donors had been protected by a law passed by parliament. But as we have now seen, a court verdict can make that meaningless.

Those who are still spreading rumours over electoral bonds need to answer some obvious questions. First of all, define your accusation. If the ruling party was using agencies to "extort" money from companies, why would those companies give 63 per cent of their money to the opposition? During the ten years of UPA, the Enforcement Directorate carried out just 112 raids. This rose to over 3,000 in the Modi years. And just 26 companies which were raided even bought any electoral bonds. The correlation is almost non-existent. So where is the story here? If there was something for opposition parties to fear, why did they keep increasing their faith in electoral bonds?

The outpouring on electoral bonds began with a bang, but ended with a whimper. But whether on electoral bonds, or the now repealed farm laws, this is what much of opposition politics has been over the last ten years. It has been about bitterness. The country deserves better.

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