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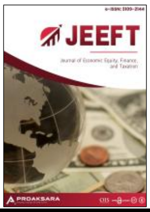

Corporate Political Funding in India: An Empirical Study about Corporate Donations, Foreign Donations & Electoral Bonds

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ABSTRACT

India has distinct laws and regulations that govern and direct corporate charities or donations to political parties including foreign donations. The Companies Act, 2013, the Income Tax Act, 1961 and Foreign Contribution (Regulation) Act, 2010, inter alia, regulates donations to political parties. In the last decade, India has witnessed several amendments pertaining to corporate's political funding have raised many questions, mainly after the Supreme Court judgment of Feb 15, 2024 striking down the Electoral Bonds Scheme. This literature review, legal analysis and empirical research based paper, intended to address issues related to corporate donations, foreign funding to political parties and Electoral Bonds. It is an attempt to understand why companies donate to political parties, is there any need to limit donations. It also aimed to check the validity of the Electoral Bonds and influence of foreign donations to Indian political parties on the Indian political autonomy. It is concluded that the companies are incorporated to make profits and hence there should be a limit on donations and such donations should be decided by shareholders and not by the directors. Foreign funding may influence political autonomy and policy making, hence it should be restricted. The Electoral Bond Scheme, being opaque, should be removed. This paper aimed to help governments and its legislative members in making laws and policies using the limited evidences collected by a survey of 100 Respondents in India in 2020 about Indian laws related to corporate's political funding, although it addresses a global concern about political donation.

Keywords: Corporate Political Funding, Electoral Bonds, Empirical, Donation, India.

1. INTRODUCTION

'Ubi Caritas Et Amor, Deus Ibi Est', a Latin maxim means 'where there is charity and love, God is there'. In India, companies are allowed to donate to political parties for a gracious cause. The Indian legal system governs corporate donation and charities to social organisations and political parties. The Companies Act, 2013 (the "2013 Act"), the Representation of the People Act, 1951 (the "RPA"), Foreign Contribution (Regulation) Act, 2010 (the "FCRA") and the Income Tax Act, 1961 (the "IT Act") are primary legislations that regulate or monitor donations to political parties.

In the last century, the 2013 Act has been amended several times. Section 182 of the 2013 Act discusses political funding, has released the donation restriction and allowed them to donate any amount. Prakash and Rajpurohit (2015) argued that this amendment may create nexus of politicians, bureaucrats and businessmen and may lead to white crimes. Another amendment allowed foreign companies, though its Indian subsidiary, to donate to any eligible political party which was prohibited earlier. The Finance Act, 2017 also introduced Electoral Bonds Scheme allowing anonymous donations by way of 'Electoral Bonds' to political parties; Sethia (2019) stated that Electoral Bond Scheme is likely to create opaqueness rather than transparency in political funding.

The Supreme Court's judgment of striking down Electoral Bond Scheme (Association for Democratic Reforms v. Union of India, 2024) and subsequent disclosures by the State Bank of India, has raised many questions pertaining to political funding. Several amendments in the last decade include removal of donation amount restriction, allowing foreign donation and allowing donation by way of 'Electoral Bonds' and later the Supreme Court's judgment of striking down Electoral Bond Scheme (Khakase & Somthankar, 2025) identified research problems which are instigated in this research paper.

This research, by conducting an empirical study, attempts to address a few concerns related to corporate donations, foreign funding to political parties and Electoral Bonds. This paper attempts to find out reasons for companies' political donation, constitutional validity of the Electoral Bonds and possible effects of foreign donations to Indian political parties. This empirical study of 100 Respondents in India, coupled with legislative analysis attempts to answer primary questions like why companies donate when their objective is to make profit? How does an opaque 'Electoral Bond Scheme' bring transparency to political funding?

2. LITERATURE REVIEW

In this non-exhaustive literature review, several literatures are reviewed and research gaps are identified. These literatures are briefed below.

2.1. Businesses & Politics

Businesses and politics are interlinked, both should support each other, but dominance of one would be detrimental to the economy (Kanstiya, 2014). In India, there are widespread practices of providing funding to political parties in lieu of getting benefits after winning the elections (Prakash & Rajpurohit, 2015). Political donations by companies in the post-independence period deteriorate Indian democracy and political practices (Prakash & Rajpurohit, 2015). Kanstiya (2014) referred the case of Jayantilal Koticha v. Tata Iron & Steel Co. (1957) case wherein the court has apprehended the fear of political donation by companies.

2.2. Donations by Companies

Section 182 of the 2013 Act allows the Board of Directors (BoD) to donate funds to political parties without shareholders' approval. Samya Chatterjee and Niranjan Sahoo (2014) have criticised this provision and stated that shareholders, the real owners of the company, should decide the utilisation or donation of their funds. Such decisions should be taken by shareholders' resolution in AGM (Chatterjee & Sahoo, 2014) similar to the Companies Act 2006 of the United Kingdom (UK Act) wherein shareholders decide on political donations (Arora et al., 2011).

The amendment of the Section 182 of the 2013 allowed any company having minimum three financial years of existence to donate any amount to any political party, directly or indirectly (Kalidas, 2019). Prior to this amendment, 7.5% of average profit of the preceding three years was a limit. On the one hand, political donations by companies reduce direct corruption; on the other hand, donors gain influential position over policy decisions and eventually lead to corrupt practices (Evertsson, 2013).

2.3. Electoral Bond Scheme

Electoral Bond Scheme is introduced by the Finance Act, 2017. Section 182(3A) of the 2013 Act, Section 31(3) of the RBI Act, 1934 and Section 13(1B) of the IT Act are amended to facilitate Electoral Bonds issuances without disclosing names of buyers. These amendments will increase opaqueness rather than transparency (Mohapatra, 2019). Hence, there is an intense need to introspect the Electoral Bonds Scheme (Kalidas, 2019). Electoral Bond Scheme is likely to pose a threat to funding transparency. It is also against the constitutional principle of political equality and one person one vote, hence it should be declared unconstitutional (Sethia, 2019). Legislative intent of the Finance Act 2017 was to bring transparency in political funding whereas removal of the upper limit of corporate donation and anonymous donations through Electoral Bonds will increase the flow of black money in the economy and defeat the legislative intent (Devi & Mustaq, 2020).

2.4. Foreign Funding

Section 29A of the RPA of 1951 and Section 2(e) of the FCRA restrict Indian political parties from accepting donations from foreign companies. The Finance Act, 2016 amended these provisions retrospectively and foreign companies are allowed to donate by means of their Indian subsidiaries (Kalidas, 2019). This retrospective amendment was done for benefits of Bharatiya Janata Party and Indian National Congress, prime beneficiaries. The FCRA amendment by the Finance Act, 2018 was aimed to legalise 25 donations from foreign sources (Srivas, 2018). Foreign donations were restricted by the FCRA to defend the country from threats to its sovereignty and influence of foreign intelligence agencies like the CIA (Reddy, 2013).

2.5. Need of Reforms

India has evidenced corporate-politico crimes and corporate scams. Political funding, especially corporate's political donations, is a primary cause of crony capitalism and corruption, hence, there is an urgent need for reforms (Evertsson, 2013). Political funding laws and practices in countries like the USA, the UK, Germany and France bring transparency and accountability in corporate funding. Indian laws should be made on these enactments (Arora et al., 2011; Chatterjee & Sahoo, 2014; Prakash & Rajpurohit, 2015). Electoral Bonds Scheme is likely to create political opaqueness (Mohapatra, 2019) and introspection is needed (Kalidas, 2019). There is a need of electoral reforms (Oberoi, 2008) including amendment to the RPA, 1951.

2.6. Supreme Court Judgment

In the case of Association for Democratic Reforms v Union of India (Electoral Bonds Case, 2021), the Supreme Court decided the matter on Feb 15, 2024 and struck down the Electoral Bond Scheme introduced by the Finance Act, 2017. The Supreme Court also directed the State Bank of India to disclose all transactions of Electoral Bonds.

2.7. Gap Analysis

There are several many research works on the subject, but lacks holistic study about corporate political funding in India. There is no study that carries out empirical research on the subject.

2.8. Theoretical and Conceptual Framework

This paper is based on the theoretical and conceptual framework of legal nature originated by deductive approach on 'Literature Review'.

2.8.1. Applicable Laws/ Acts

Relevant laws with recent amendments that govern the corporate political funding are discussed briefly hereunder.

A. The Companies Act, 2013

Company is defined under Section 2(20) of the 2013 Act means a company incorporated under this Act or under any previous company law. Body Corporate or Corporation is defined under Section 2(11) of the Companies Act, 2013 as including a company incorporated outside India, but excluding a co-operative society registered under any law relating to co-operative societies and any other body corporate (not being a company as defined under the Act) that the Central Government may specify by notification. The 2013 Act increased the funding cap for corporate donations under Section 182 to 7.5% of the net average profits earned by the company in the preceding three years from 5% in the Companies Act of 1956. The Finance Act, 2017 completely removed this limit. The Act further provided that the contribution should be resolved by the BoD.

B. The Representation of the People Act, 1951

Section 2(f) of the RPA defined 'political party' as means an association or a body of individual citizens of India registered with the Election Commission as a political party under section 29A. Section 29B of the RPA prohibited political parties from accepting contributions from any foreign source. Section 29C of the RPA stipulated the mandatory disclosure of donations received by political parties. The Finance Act 2017 has excluded 'Electoral Bonds' from this requirement by providing a *'proviso'* clause and explanation and amended the FCRA to allow foreign funds.

C. The Reserve Bank of India Act, 1934

Finance Act, 2017 has inserted Section 31(3) as notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bonds. Further, explained that electoral bond means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.

D. The Income-tax Act, 1961

Section 13A(1) (b) of the Income-tax Act, 1961 is altered by inserting the word "electoral bond" which took effect from April 1, 2018.

E. The Foreign Contribution Regulation Act, 2010

Sections 2(1)(h) and 2(1)(j) of the FCRA, 2010 define foreign contribution and foreign source respectively. Indian major political parties, in response to the public interest litigation filed by the Association for Democratic Reforms (Association for Democratic Reforms and Anr v. Union of India, 2013), passed Finance Act 2016, changing the definition of Foreign Source in the FCRA. Companies having foreign shareholding permitted as per Foreign Exchange Management Act, 1999 (the FEMA) are no more foreign source (International Commission of Jurists, 2020). In such way, it not only diluted its essence but also allowing retrospective free flow foreign funds from 2010 through Indian subsidiaries to political parties. Further, Finance Act 2018 retrospectively allowed foreign funds from 1976.

F. The Finance Act 2017

The Finance Act, 2017, introduced Electoral Bonds, **s**urprisingly under notion of Transparency in Electoral Funding, by which anonymity or opacity in corporate's political funding is allowed, implies hazy legislative intent. This Act also has taken away the restriction of political funding of 7.5% cap of 3 year average profit. Electoral Bonds has the same meaning as in Electoral Bond Scheme introduced by the Finance Act, 2017. A like a promissory note, Electoral Bond is a bearer demand payable financial instrument which is used anonymously by individuals and corporations incorporated in India to make donations to political parties in denominations ranging from Rs 1,000 to Rs 1 crore without having any cap on the donation amount but political parties have encash the bond within 15 days.

2.8.2. Applicable Legal Doctrines

A few legal doctrines which are relevant to political funding and legal amendments are discussed hereunder:

A. Doctrine of Political Equality

In India, universal suffrage is based on the constitutional principles of political equality or one person one vote. It is likely that huge political funding by individuals or companies create privileged positions among the other voters, impeding the concept of political equality. Sethia (2019) also believes that the principle of political equality should be maintained in India and large corporate donations would imbalance the principle of political equality.

B. Informed Vote

The roots of a distinct right to informed vote, lies in the right to know which is has a long jurisprudential background, not only in India but globally. In India, right to know can be traced back to section 123 of the Indian Evidence Act 1872, then Article 19 of the Indian Constitution and further the Freedom of Information Act, 2002 that is replaced by the Right to Information Act, 2005. The doctrine of right to informed vote, first expounded by the Supreme Court in Union of India v Association for Democratic Reforms (2002) and later elaborated in PUCL v Union of India (2003) has its antecedents in other penumbral rights under article 19(1)(a) - primarily the right to know and the freedom to vote. By applying doctrine of Informed Vote, Corporate Political Funding which is mostly anonymous or undeclared or now made by means of opaque Electoral Bonds, questioned about validity and applicability of doctrine of Informed Vote in Corporate Political Funding.

C. Quid Pro Quo Relationship & Disclosures

It is observed that companies donating to political parties create *Quid Pro Quo* Relationship between them. This leads to or tends to lead or provides opportunity to lead to privileged treatment to donors creating privileges, nepotism or corruption. Here, it is important to emphasize that the *quid pro quo* relationship between the donor and the donee must be restricted, any malpractices arising from the donor–donee relationship should be prevented, and complete disclosure of the donor–donee relationship and all relevant transactions must be ensured.

D. Political Independence

Political independence is another crucial subject. Without doubt, *Quid pro Quo* relationship will lead to influence to whatever extent, smaller or larger; benefits may be negligible or substantial. In other words, political independence is at stake, or at least large donations create reasonable possibility or suspicion of loosing political independence (Sethia, 2019). On the other hand, election campaigning in a country like India is an expensive affair. As a result of the ban, parties will lack the legal source for their funding needs which may lead to money laundering, corruption and other illegitimate forms of raising money.

E. Foreign Interest

Political donation by foreign sources raises two concerns, why are they paying? And if there is a reason to pay, will it lead to *Quid pro quo* relationship importing foreign interest in Indian politics and then policy making. Foreign donations to Indian political parties were banned to avoid international intervention. Lifting up of restrictions, may make India susceptible to foreign interest. To illustrate, the practice of USA, the Supreme Court in Buckley v. Valeo (1976) and more recently, Citizens United v. Federal Election Commission (2010) has imposed ban on receipt of donations from foreign interest to political parties and candidates and had laid down the policy framework for political funding,

F. Corporate Personality

'Corporate personality' or 'Legal Personality' of a company, is the heart of the dispute, lays a question about the company's right to participate in electoral process or influence election by way of funding. *Prima facie*, election is a process in which natural persons are involved and elect their representative and hence, undue influence of companies shall not be entertained; though judicial decisions on the subject matter are divided. In Jayantilal Ranchhoddas Koticha vs Tata Iron And Steel Co. Ltd (1958) case, it has been held that what an individual can lawfully do, a corporation can also do the same. This statement is not so obvious, it opens simple questions but complex to answer, like, a company does not have a right to vote unlike natural persons. Then why should it be allowed to fund political parties? Though, questions are grave, legislative intent and legislations answer it, "companies can fund the political parties unless these are prohibited." It answers the question but reasonableness and 'conflict of interest' is still hazy.

G. Conflict of interest of Directors and Shareholders

Shareholders are the real owners of the company and directors are appointed by them to manage the operations of the company on their behalf with utmost integrity, honesty and in the best interest of the company, shareholders and in the manner not prejudicial to the public interest. When directors donate money to a political party without shareholder's approval, it can be against the interest of the shareholders or the company, if there is no fiduciary benefit or *Quid pro Quo* Relationship. If the political donation is made with *Quid Pro Quo* Relationship or fiduciary expectation, it is against the public interest.

3. RESEARCH METHODS

In Re: Association for Democratic Reforms v Union of India (Electoral Bonds Case, 2021), the Supreme Court decided the matter on Feb 15, 2024 and struck off the Electoral Bond Scheme. This raised several questions related to the Electoral Bonds and political funding. Hence, this paper intended to study the prevailing laws related to donations made by companies to Indian political parties. The specific objectives of this paper are to identify the reasons why companies donate a portion of their profits to political parties; examine whether directors have the authority to donate shareholders' funds for political purposes; assess whether companies that donate to one political party face harassment from others; explore the reasons for permitting foreign political donations in India; evaluate the impact of foreign political donations on Indian politics, public policies, and laws; examine whether the Electoral Bonds scheme enhances transparency in the electoral and political system; determine the need for reforms in corporate laws governing political donations; and propose possible reforms for consideration by the government. Methodology is based on empirical research, legal analysis and literature analysis. This analytical study has used both primary data collected by way of Questionnaire and Interview; and secondary data by way of literature reviews, laws and cases from various publications including but not limited to journals, periodicals.

Grounded theory approach has been used on the available literature and with inductive approach has been used empirical research data to conclude the paper. It is a kind of applied, analytical, and exploratory research, relying on both primary and secondary sources of data. The primary data was gathered between December 14 to December 20, 2020 by a survey using structured questionnaires and unstructured interviews in India. Responses from 90 participants via paper questionnaires and Google Forms were collected whereas, 10 respondents, were interviewed. These 100 responses were analysed using emic research perspective and ethno methodological approach. Deductive research was applied to existing literatures, whereas inductive method was used to derive outcomes from empirical evidences.

The sampling plan involved purposive and convenience sampling applied to randomly stratified samples. Using a mixed-method approach, the study integrates both qualitative and quantitative methods, and the data collected was analysed using Microsoft Excel and Google Forms. Stratified Sample size of 90 is used for data collection through structured Questionnaire as shown in Figure 1. 20 Respondents have participated from each of four strata namely Employers, Employees, Political & Social Workers and Academicians (including Law professionals/ students). Rest 10 Respondents are from other professions.

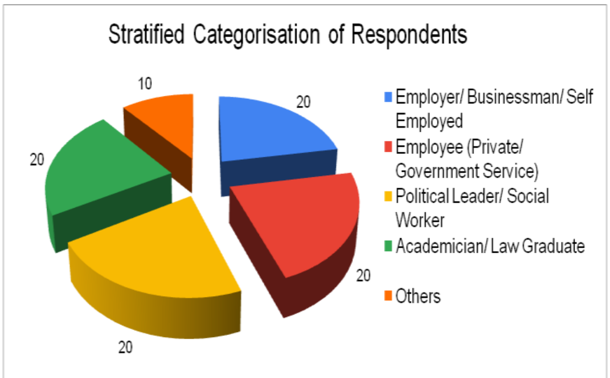

Figure 1. Stratified Categorisation of Respondents
Source: Compiled by the Researcher

4. RESULTS AND DISCUSSION

4.1. Findings from the Structured Questionnaire & Google Form

This survey was conducted in India from 14th to 20th of December 2020 to understand public opinions regarding the practices, laws and apprehensions about Corporate Political Funding and to find answers for the research questions framed in this study. Google Forms and the paper Questionnaire were used to collect responses in this survey. The result is depicted in figure 2 below.

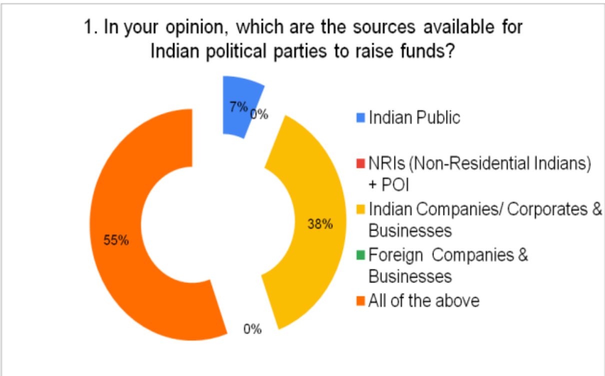

Figure 2. Sources of Political Funding
Source: Compiled by the Researcher

As shown in Figure 2, 55% of the Respondents answered that political parties in India can raise funds from 'All the Above' options which means most of the Respondents are aware that the company can raise the funds from Indian public, Non-Residential Indian, Indian Companies and Foreign companies. Second largest group comprising 38% of Respondents believed that political parties only raise funds from Indian companies and not from other sources.

Interestingly Figure 3 reflects that almost all Participants (93%) were of the opinion that 'Companies/ Corporates & Businesses' are the largest financial contributors to Indian political parties.

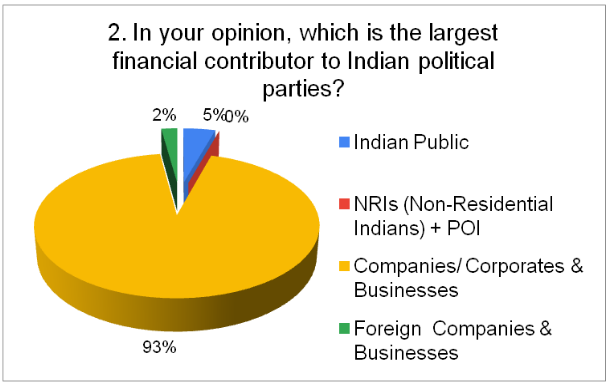

Figure 3. Largest Donor to the Political Parties in India

Source: Compiled by the Researcher

According to Figure 4, 56 Participants that 64% had opined that Indian companies are allowed to donate to Indian political parties. Second largest sample size, 20% Respondents chose the "Don't know/ Can't Say" option. 16% Respondents denied the companies are allowed donate to political parties.

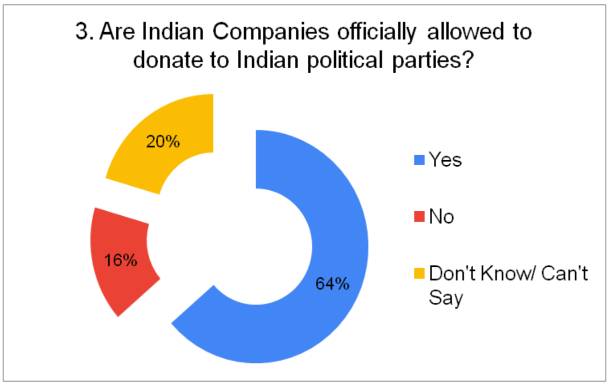

Figure 4. Political Funding by Indian Companies

Source: Compiled by the Researcher

Figure 5 depicts that 60% of the Participants were not aware of the extent of profit any company can donate to a political party. This question was simplified by removing legal verbatim like 'average of profit earned in preceding three years'. Still, 38% opted for 5% of Profit, this may be due to their knowledge or they expect it to be.

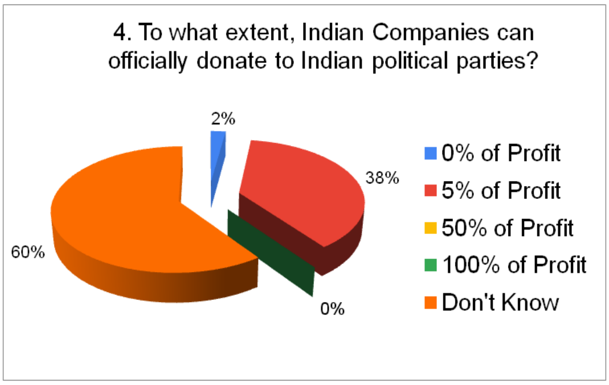

Figure 5. Extent of Donation by Indian Companies

Source: Compiled by the Researcher

Figure 6 pictorially outlined that the Respondents were not fully clear if the political donation will affect the financial health of the company, though 46% agreed that donation will affect the companies negatively. Remainders were also divided equally between “Don’t Know/ Can’t Say” and “No”.

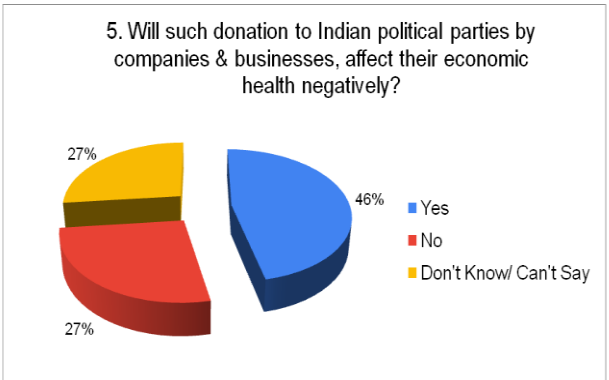

Figure 6. Effect of Political Funding on Indian Companies
Source: Compiled by the Researcher

Opinions of the Participants about a question: why the companies would be paying the donation to political parties is portrayed in Figure 7. When the Participants were asked this question, 43 % of Respondents replied that companies are paying donations either because of expecting some future gain or of having affinity towards political parties. 29% Respondents replied that corporate donations for future gains and 27% believed it is done because of the director’s political affinity.

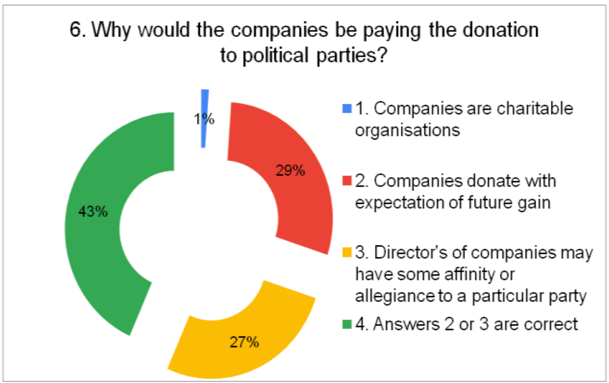

Figure 7. Reasons of Political Donation by Companies
Source: Compiled by the Researcher

Figure 8 illustrates that around half of the Participants (42%) have chosen the “Don’t Know/ Can’t Say” option on asking if the foreign companies are allowed to donate to Indian political parties. Over one-third Participants (36% Respondents) accepted that the foreign companies are allowed to donate to Indian political parties. 22% Respondents denied this.

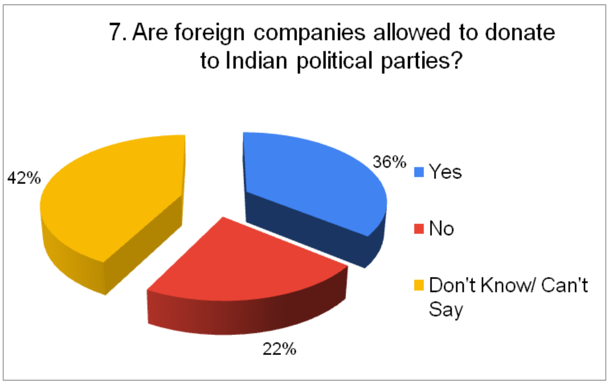

Figure 8. Donation by Foreign Companies
Source: Compiled by the Researcher

Figure 9 presents the responses related to the effect of foreign donation. 61%, majority of the Respondents opined that foreign donation will affect government policies, domestic businesses and undue influence leading to corruption. 10%, 12% and 14% of Respondents believed that foreign donations either will negatively affect corruption, government policies or domestic business respectively. Miniscule that is 3% Respondents believed there will be no negative effect.

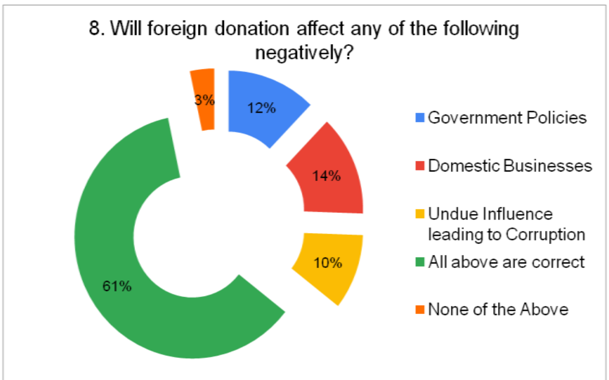

Figure 9. Effect of Foreign Donation
Source: Compiled by the Researcher

Figure 10 delineates the decision makers in Companies for political donation. 69% of Participants agreed that the Director or Chairman takes a decision related to political donation. 18% Respondents answered shareholders decide about the political donation whereas 13% replies top management do. Not a single Respondent answered that employees make decisions related to political donation.

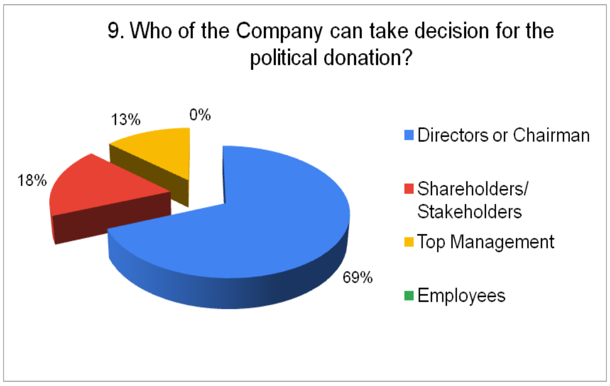

Figure 10. Deciders in Companies for Political Donation
Source: Compiled by the Researcher

Figure 11 portrayed, 71% of the Participants were of the opinion that the shareholders/ stakeholders loose the money because of the political donation made by a few decision makers. 22% of Participants were not aware and 7% replied that political donation will not affect shareholder's money.

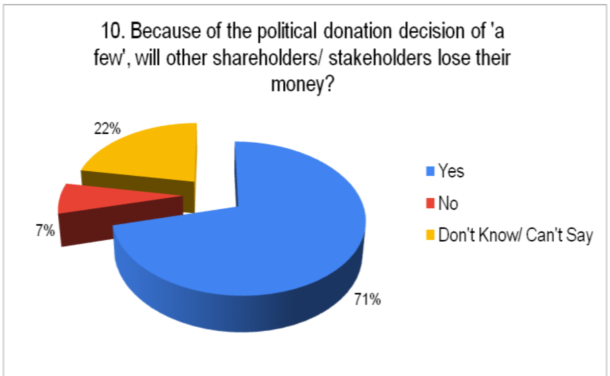

Figure 11. Effect of Political Donation on Shareholders of Donor Companies
Source: Compiled by the Researcher

Suggestions of Respondents for protection of stakeholders are elucidated in Figure 12. Answering to this question, half of the Participants opined that decisions related to political donations should be taken by all stakeholders including shareholders and Directors. There were two other interesting outcomes. 31% Respondents mentioned that the decisions should be taken by shareholders whereas only 7% supported the decision making power of the directors in relation to political donations.

Figure 12. Suggestions for Protection of Stakeholders
Source: Compiled by the Researcher

Figure 13 depicts the responses of Participants related to their knowledge about Electoral Bonds. "Do you know about 'Electoral Bonds'?", when asked to Respondents, the largest chunk of Respondents replied with "No". 20% Participants were not sure and 39% Respondents knew what 'Electoral Bonds' are.

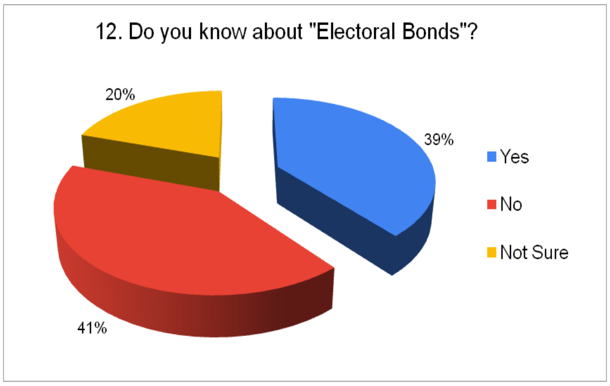

Figure 13. Electoral Bonds
Source: Compiled by the Researcher

Figure 14 reflects the opinions of Respondents about transparency of 'Electoral Bonds'. 49% of Participants did not know if 'Electoral Bonds' will negatively affect the "Transparency" in Politics. Second largest, 43% Participants were of the opinion that 'Electoral Bonds' will affect political transparency negatively or lead to opaqueness.

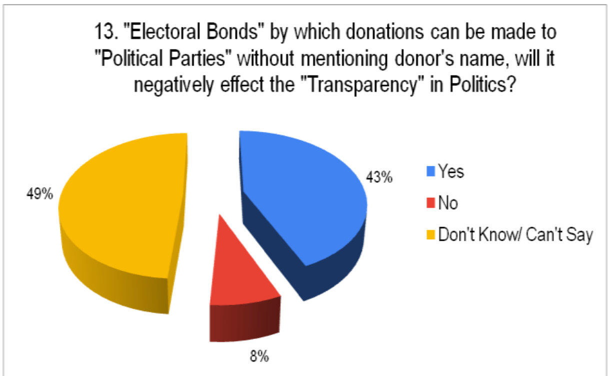

Figure 14. Effect of Electoral Bonds on Political Transparency
Source: Compiled by the Researcher

Figure 15 reflects that 60% Participants were of the opinion that the 'Corporate Political Donation' should be limited to 10% of the profit of the company. 22% Participants opined that political donation should not be more than 20% of the company's profits. After drawing an average trend-line for all 90 responses, 20.9% is the maximum threshold of profits that should be donated to political parties.

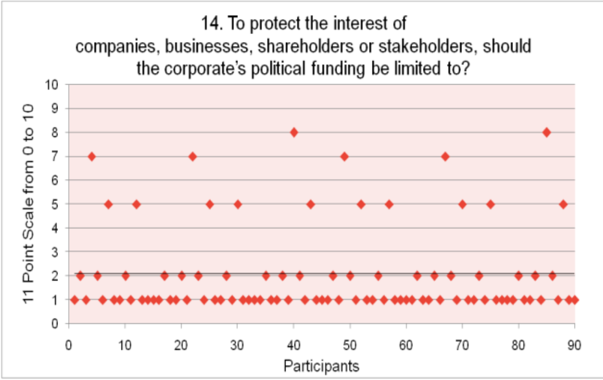

Figure 15. Suggestive Profit Threshold for Corporate Political Funding

Source: Compiled by the Researcher

Figure 16 records the responses of Respondents related to the donation threshold. Considering cumulative approach, 74 Participants that are 82% opined that companies should limit their donation to 20% of their profit. 11% Respondents suggested the profit limit of 50% whereas 5% and 2% suggested the limit of 70% and 80% respectively.

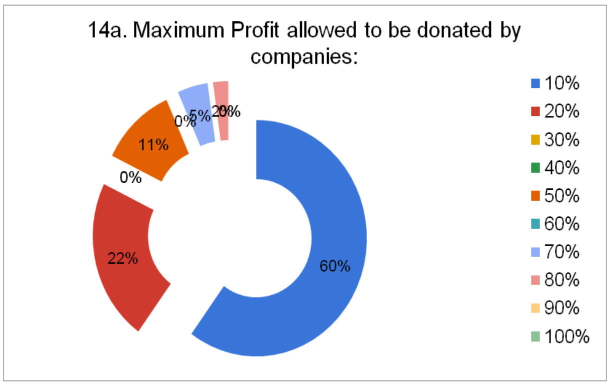

Figure 16. Profit Limitation for Companies to Donate

Source: Compiled by the Researcher

When asked for suggestions to the respondents, the most refrained as it was an optional question of the survey. Eight Participants have given their suggestions about this survey and political funding which were recorded in Google Form. Suggestions from the respondents were a deeply critical regarding corporate political funding and have highlighting significant regulatory, ethical, and economic concerns. While respondents proposed various corrective measures, their inputs collectively underscore a pressing need for systemic change to protect democratic integrity.

Several notable suggestions emerged from the responses. The demand for equitable and merit-based allocation was one such suggestion. One respondent advocated for a state-mandated mechanism where funds are distributed equally among all recognised political parties, aiming to level the competitive playing field. Conversely, other respondents proposed a merit-based allocation model, arguing that corporate donations should strictly correlate with a party's formal agenda, published manifesto, and proven track record in governance and development. This perspective suggests that funding should be a reward for substantive policy performance rather than a tool for political patronage. Importantly, such distribution is possible only when donation will not be paid directly to parties, but, through the government or association of parties which will receive funds and distribute among parties.

There was also an urgent need expressed for transparency and regulatory reform. Respondents explicitly pointed out that current Indian regulations contain significant gaps that political parties readily exploit to circumvent mandatory financial reporting, making it ambiguous and aids in "quid pro quo" relationships and corrupt practices. Specific criticisms included the rampant use of fake or shell companies to route black money into the political system. Respondents emphasised that without strict, enforceable disclosure norms, the true sources of funding will remain hidden, perpetuating the current opaque politico-socio-economic ecosystem.

The systemic nexus and undue influence formed another key theme. A few respondents argued that corporate funding is primarily deployed to secure political favours, influence policy decisions, and extract economic benefits, creating a "quid pro quo" relationship. Several respondents described this as a deep-rooted "nexus" that is virtually uncontrollable due to a shared dependency, where all major political parties, despite their intense ideological and policy differences, remain financially united in their reliance on corporate capital. This mutual dependence, the respondents suggest, is the primary reason why "crony capitalism" is flourishing and meaningful reforms are stalled.

Finally, respondents pointed to unaccounted money flow in election campaigns. They asserted that undisclosed and unregulated cash inflows drastically inflate election campaign expenditures. This excessive, non-transparent spending contributes to black economy that ultimately places a significant strain on the national economy, diverting resources away from productive public welfare.

4.2. Findings from Unstructured Interviews and Telephonic Conversations

Findings through unstructured interviews & telephonic conversation are discussed hereunder. 10 Respondents from the legal background having political knowledge were interviewed telephonically and their responses to unstructured communication were noted. The findings of this survey are segmented into a few heads as mentioned hereunder.

On the subject of sources of political funding and rationale, all the respondents agreed that political parties heavily rely on corporate donation. Respondents have agreed with the existence of the "quid pro quo" relationship between the corporate donors and political parties. With regard to the extent of corporate political donation, all respondents were of the opinion that "companies are incorporated for making profit," hence they do not need to donate funds. In fact, they are doing it voluntarily and hence it should not be considered as coercive. But all had agreed that there should be some threshold so that political donation shall be restricted.

On the question of shareholders' money being donated by directors, participants unanimously agreed that profits of a company are "shareholders' money" and directors should donate only after taking consensus of the shareholders. The current law, allowing directors to decide on political donations, should be restricted, and such decisions need to be resolved in a shareholders meeting. Regarding the corporate political donation threshold, all participants agreed to impose some threshold on corporate donation. But they were divided about the limit. Half of the participants were of the opinion that the limit of 5% average profit of preceding three years should be reinstated. The rest were divided between 7.5% and 10% caps. Although, no participant opined to have a threshold above 10% of average profit of preceding three years.

On foreign political funding, when asked, all respondents opined that such foreign funding should be restricted, as it may curb the political autonomy and independence in policy making of the country. Finally, on electoral bonds, respondents were of the opinion that electoral bonds, an anonymous way of political donations, will create "opacity" or "opaqueness" in corporate political funding. There is one benefit to donors in that they don't have to disclose their names, but without disclosing, they will not be entitled to tax rebates or benefits. Therefore, the electoral bond scheme must be revisited.

5. CONCLUSIONS

Politics is good, but politicians are not. This has been widely observed throughout the globe, and India is not an exception. This study focussed on the amendments related to the political funding laws in the last decade and sought public opinions about these laws, briefly discussed underneath. The Finance Act, 2016 not only allowed foreign donation to Indian political parties, which was earlier restricted by enactment of the FCRA of 1976, but also made this effective retrospectively from 2010. Two years later, the Finance Act, 2018 made it retrospective from 1976. The Companies Act, 2013 relaxed the limit to 7.5% of previous three years' average profits from 5%, which was a threshold laid down by the 1956 Act. This threshold was further completely removed by the Finance Act, 2017.

The Finance Act, 2017 also introduced the Electoral Bond Scheme, allowing anonymous donation to eligible political parties. Nevertheless, this scheme was struck down by the Supreme Court on February 15, 2024. This empirical study addressed these vital concerns related to corporate donations, foreign funding to political parties, and electoral bonds. The findings of this study reveal that political parties are substantially dependent on corporate donations as a significant source of financial support for their electoral and organisational activities. At the same time, the responses indicate a widespread perception that corporate political contributions often give rise to a quid pro quo relationship between corporate donors and political parties, whereby financial contributions may influence governmental decisions, policy formulation, or regulatory actions in favour of the donors.

The study further highlights the need to revisit the legal framework governing corporate political donations. Respondents observed that companies are established primarily for carrying on business and generating profits for their shareholders rather than making political contributions. Since companies, unlike natural persons, do not possess voting rights, respondents questioned the rationale for allowing unrestricted corporate political funding. In addition, they expressed the view that corporate profits belong to shareholders, while the Board of Directors acts merely as a trustee or fiduciary. Consequently, decisions regarding political donations should not rest solely with the Board of Directors but should instead require the approval of shareholders through a general meeting, thereby ensuring greater accountability and protecting shareholders' financial interests.

Another significant finding of the study relates to the extent of permissible corporate donations. A considerable number of respondents recommended introducing a statutory ceiling on corporate political contributions by restricting such donations to a maximum of 10 per cent of the average net profits earned during the preceding three financial years. Such a limitation, according to the respondents, would strike a balance between allowing legitimate political participation by corporations and preventing excessive financial influence over the political process.

The empirical findings also demonstrate strong public concern regarding foreign funding of Indian political parties. Respondents overwhelmingly supported restricting or prohibiting foreign donations, considering them a potential threat to India's political autonomy, sovereignty, and independence in public policy formulation. They argued that political decision-making should remain free from external financial influence to safeguard national interests and democratic integrity.

Finally, the study found significant dissatisfaction with the Scheme of Electoral Bonds. Respondents believed that the scheme has increased opacity in political funding by enabling anonymous donations and reducing transparency in the political finance system. The absence of public disclosure regarding donors and recipients was perceived as undermining accountability and public confidence in the electoral process. Consequently, respondents strongly recommended that the Electoral Bond Scheme be revisited and discontinued, and that a more transparent and accountable mechanism for political funding be introduced to strengthen democratic governance in India.

De facto, political donation takes away the profit of a company, eventually declining shareholder value. This raises the question of why companies are being negatively impacted by political donations, as profits are diverted away in this manner. After studying the Indian history of political donations and legislative provisions, the following reforms are suggested. The political donation limit should be restored to 5% of the previous three years' average profit, as it was under the 1956 Act. All political donations should be resolved by the shareholders in an annual general meeting or extraordinary general meeting. Foreign companies should not be allowed to make political donations, and their influence should be restricted in the interest of sovereignty and legislative independence.

The nexus between political parties and companies may lead to corrupt practices, degrading political autonomy and the constitutional framework of "one person, one vote." Transparency in politics and a framework to curb political corruption are therefore suggested. The striking off of the Electoral Bond Scheme by the Supreme Court is praiseworthy, yet there remain other areas where electoral reforms are needed. Since the electoral system is the backbone of democracy, the Supreme Court should form a committee to suggest electoral reforms in the nation. It is also suggested that further detailed studies and surveys be carried out on political funding, reforms in company law, and the political system, among other related areas. The process of reform must start from the home, that is, from the heart of political and bureaucratic power, bringing transparency in the electoral and political system, and we remain hopeful.

6. REFERENCES

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