



# ORF ISSUE BRIEF

FEBRUARY 2014

ISSUE BRIEF # 69

## Corporate Funding of Elections: The Strengths and Flaws

Samya Chatterjee and Niranjana Sahoo

### Introduction

The nexus between business, politics and white collar crime is a phenomenon that has been witnessed in many countries across the globe. India is no stranger to this actuality as was evident during the recently revealed 2G and Coalgate scams. Political funding, especially corporate donations, is one of the primary causes of cronyism and corruption in the country and requires urgent reform. In light of this, there has been increasing focus on principles of transparency and accountability in corporate funding. With the Central Board of Direct Taxes (CBDT)<sup>1</sup> approving the setting up of an “Electoral Trust” and the new Companies Act, 2013 raising corporate donation limits to 7.5 percent of average net profits, the issue of corporate donations gains even greater relevance. The pernicious nexus between politicians and business houses, more than evident in these times, necessitates a thorough review of this dimension of funding India's democracy.

### The Background

Corporate funding in India has a history that goes back to the freedom movement. The corporate class was supportive of India's struggle for economic and political freedom during the first half of the 20th century. The Birlas were one of the leading donors of the Indian National Congress and the business class as a whole secured some leverage over the shaping of the Congress government's policy on regulation of the economy after Independence.<sup>2</sup> In the post-independence era, the business community has contributed the majority of donations towards poll spending even as the cost of fighting elections has seen an exponential rise.<sup>3</sup> Party membership fees, contributions of

candidates and their friends, quasi-state funding as well as a levy on parliamentary income only manage to raise a minuscule amount of funds required for contesting elections.

In the 1960s, the Congress and the Swatantra Party—the latter started by C. Rajagopalachari as a party advocating free enterprise—were the main beneficiaries of donations from big conglomerates such as the Tatas and the Birlas, who together accounted for 34 percent of total company contributions between 1962 and 1968.<sup>4</sup> In 1969, a complete ban was imposed on corporate funding to break the nexus between politics and business. The ban was revoked in 1985. The post-liberalisation period has witnessed a massive increase in corporate funding of elections through both the traditional route of contributing directly to political parties and through other institutional innovations like electoral trusts.<sup>5</sup>

This Issue Brief seeks to outline the history of corporate funding in India, legislations governing corporate funding, institutional innovations in corporate funding like electoral trusts and international experiences and their relevance in the Indian context. Given the increasing clamour for transparent and accountable corporate funding of political parties, the Brief also explores the perils of over-reliance on corporate funding.

## **Corporate Funding: A Brief Legislative History**

Corporate contributions in India have been routed through individuals, companies and industry groups. Contributions by companies to political parties are legal, subject to certain restrictions, and have to be declared in the company's accounts. The Representation of the People Act (RPA) of 1951 introduced limits on the amount that could be spent by candidates<sup>5A</sup> on election campaigns. Candidates who exceeded these limits faced the prospect of disqualification and annulment of their election bids. The Companies Act was amended in 1960 to provide a ceiling for donations to political parties. The ceiling was fixed at Rs. 25,000 or five percent of the average net profit of the company for the three preceding financial years, whichever amount was greater. The company making the contributions was mandated by law to ensure that its accounts contained the particulars of both the amount of donation and the names of the recipients. It made it necessary that contributions be authorised by the Memorandum of Associations (MOAs) of the companies.

During this period, most of the contributions came from individuals rather than big business groups. The individual contributions were often made with strings attached for illegal private gain—for example, obtaining permits, licenses and quotas—as well as insurance for opposition to private sector and building of effective rapport with senior party leaders, who also functioned as efficient fund-raisers.<sup>6</sup> The only opposition against these contributions during this period was the government-commissioned Santhanam Committee Report in 1962. It recommended a complete

ban on corporate funding of political parties because of public belief in the prevalence of corruption at high political levels, strengthened by the manner in which funds were collected by the parties, especially at the time of elections.<sup>7</sup>

In 1969, donations from corporate houses were banned via deletion of Section 293A of the Companies Act. The government headed by Prime Minister Indira Gandhi introduced the amendment to curb the harmful influence of big business on politics. Though this was the claimed rationale, the decision was also influenced by the rising popularity of the centre-right Swatantra Party, which was receiving considerable encouragement from the business community.<sup>8</sup> Following the ban on corporate donations, the only legal channel available to big business for the purpose of contribution was blocked. To beat the ban, political parties started raising funds by issuing souvenirs, in which advertisements were placed by the business houses. Business in India resorted to tax evasion, black-market operations and other illegal mechanisms due to political compulsions and the threat of selective raids and nationalisation. This period also saw the rise of “briefcase politics” which was the transfer of vast amounts of black money into the Congress party.<sup>9</sup>

In the era of license-permit raj,<sup>10</sup> prices for licenses or other permits were quoted in terms of the number of briefcases expected. Prices were quoted either as a set fee or levied as a percentage of the benefits. Businesses that contributed amounts to party funds often received concessions and amassed wealth during this period. Those who refused to toe the line were often at the investigation end of the Revenue Intelligence Department or the Enforcement Directorate. Donations were more in the nature of extortions and clearly based on *quid pro quo*. According to one observer, “[A]s elections grew more and more costlier and as the role of money in gathering votes became more important, the government came more and more to resemble a bargain basement, where a rise in sugar prices, an increase in export subsidies, and an import license for a scarce material, would be exchanged for cash donations to the party.”<sup>11</sup>

Liberalisation of the economy and coalition politics have compelled industry to increase political contributions across the spectrum.<sup>12</sup> Industry has tried to achieve this by floating neutral trusts (more commonly referred to as electoral trusts) to channel funds that could be diverted towards political purposes. In the pre-liberalisation era, the focus was on seeking favours from the government for securing licenses, permits and quotas; post-liberalisation the objective of political funding is to seek protection from the entry of multinational corporations, besides other favours.<sup>13</sup>

Another way adopted by political parties to raise funds is through party manifestos issued on the eve of elections—they declare their support for key reforms to woo prospective donors. Conversely, they may also defer taking a stand on key reforms for the same aim. The decline of the permit-license-quota raj has bolstered the collective bargaining capacity of big business in relation to

political parties. The quid-pro-quo nature of political funding, which leads to influencing government policies in favour of certain big corporations (also referred to as “crony capitalism”), has led to malpractice of governance and skewed the level playing field for business.

In 1993, for the first time, Indian industry became publicly concerned about the issue of political funding.<sup>14</sup> A Task Force to study political funding by corporate houses set up by the Confederation of Indian Industry (CII) recommended that corporate contributions be made tax-deductible and that shareholder confirmation of board decisions on political contributions be mandatory. The Task Force also made an interesting proposal to levy a tax on industry to finance campaigns. Funds could be raised either by a cess (earmarked tax) on excise duty or through contributions by industry to an election fund pool managed by the state. The funds would be distributed to the political parties through a formula based on the number of seats as well as the vote share.<sup>15</sup> This model of funding would reduce the *quid pro quo* form of political contributions and insulate the executive from the pressures of corporate houses in policy making.

### **The Companies Act, 2013**

According to provisions of the new Companies Act, 2013, funding from corporates shall not exceed 7.5 percent (against the earlier 5 percent limit) of the net average profits earned in the preceding three years. It further provides that the contribution should be authorised by a resolution passed by the Board of Directors.<sup>16</sup> One of the criticisms levelled against the provision of a resolution is that only a minuscule number of people can decide how to utilise the funds for political purposes as opposed to the thousands of shareholders who are the real owners of the company. One way to counter this criticism to some extent would be to require the resolution to be passed at the Annual General Meeting (AGM) of the company, rather than merely by the Board of Directors.

In the United Kingdom for example, the shareholders of a company have a definite say over how funds are spent for political purpose in what is commonly referred to as the “shareholder approach”. British companies are required to disclose to their shareholders the political contributions that are made in their name; without the consent of shareholders, political donations are not allowed at all. If a company has made a political donation of over £2,000, then the directors' annual report to the shareholders must include the name of who received the donation and the amount.<sup>17</sup>

The Companies Act in its present form fails to recognise the demands of the shareholders in the company to have a say in distribution of corporate funds, which the Supreme Court of India has upheld. Advertisements, brochures and souvenirs released by or on behalf of political parties, or if not directly released by a political party or meant for a political purpose but financed through corporate funding, will be considered as contributions by companies for a political purpose. The Act

has no provisions on the role of a regulator for listed corporations. Ideally, the Securities and Exchange Board of India (SEBI) should be appointed as the regulator to which all donations should be reported. SEBI should also have the authority to audit such donations.

The Election Commission and various members of civil society have argued that funding and donations by companies to political parties should be made subject to audits and disclosures. All the audited reports by independent auditors should be made public. The practice of rotation of the appointed auditors (as practiced for companies in India) must be duly instituted for all political parties—something which the Indrajit Gupta Committee on State Funding of Elections and the Standing Committee of Parliament on Finance, curiously enough, refused to accept.<sup>18</sup> Thus, while the new Companies Act has brought major improvement with regard to transparency in corporate funding, it has left many grey areas that have ample scope to make corporate donations murkier.

### **Institutional Innovations in Corporate Funding: A Glance at Electoral Trusts**

The most interesting innovation in India in terms of corporate funding is the model of electoral trusts floated by corporate houses. This innovation is an adaptation of the German model of funding political parties wherein funds are contributed by a particular business house on a non-partisan basis: it is a formula-based model of contributing to campaign spending. The Tatas were the first business house to start using this model in India in 1996. Other business houses have also adopted the model on similar lines since then, notably the Aditya Birla Group and the Bharati Group. During the general elections of 2009, over 36 corporate donors contributed more than Rs. 1 crore each to political parties across the spectrum, with at least three corporate donors contributing more than 10 crores to the principal political parties.<sup>19</sup>

One of the reasons for the growing popularity of electoral trusts is the anonymity offered: there is no compulsion to disclose to which parties the contributions have been made, which could be a source of trouble if the party the business house is backing fails to win elections. The funding is applicable to all political parties above a certain representation in Parliament and legislative assemblies. The electoral trust administered by the Tata group funds political parties that have at least a minimum three percent seats in the Lok Sabha. The objective of the electoral trust is to donate money to political parties in a transparent, non-discretionary and non-discriminatory manner. The fund is administered by two or three eminent public figures, usually former Supreme Court or High Court judges or lawyers. Other factors considered by the group while disbursing funds among the political parties include suggestions from its Advisory Board as well as the overall business interests of the contributing companies in each State. Consequently, this may result in the company financing one political party in a State and its rival in another.

Recently, the Central Board of Direct Taxes (CBDT) notified the Electoral Trust Scheme, 2013, according to which an electoral trust shall be a company registered for the purposes of Section 25 of the Companies Act, 1956. The scheme further stipulates that 95 percent of contributions received by the electoral trust, in any financial year, shall be distributed to political parties registered under Section 29A of the Representation of People Act, 1951 within the financial year itself. It is also mandatory that no contributions shall be received in cash and only cheques will be accepted.

Electoral trusts could go a step further by funding political parties to conduct various activities, apart from only winning elections. The lack of commitment to a healthy functioning of political parties, an essential feature of representative democracy, needs to be given more consideration. Funds from trusts should help in better management of political parties as entities as well as require carrying out social reforms and sensitising citizens, building strong organisational values and leadership. Considering them merely as tools for winning elections betrays both the necessity of funding political parties as well as being part of the process to ensure a transparent and accountable political system.

## Lessons from International Experiences

How have advanced democracies handled the proverbial hot potato that is corporate funding? Corporate funding of elections is widely prevalent in the United States and countries of the European Union (the United Kingdom, Germany and France). The history and practice of corporate funding in these countries warns us of the pitfalls of excessive reliance on such donations. The campaign finance structure followed in the US is primarily through the route of donations. These were previously often raised through soft money (fundraising dinners for politicians which have been documented as contributing millions of dollars) and issue advocacy advertising (ostensibly fighting for issues but primarily supporting or opposing specific candidates).

The Bipartisan Campaign Reforms Act, 2002 (BCRA, 2002) in the US banned both these practices.<sup>20</sup> However, in 2009, a Supreme Court decision in the Citizens United Case (*Citizens United v Federal Election Commission* (FEC), 558 U.S. 310 (2010)) removed limits on contributions to political parties by trade unions and corporations, which has overturned 100 years of legislation regulating donations and has made US politics excessively dependent on big corporate donors. In the recent 2012 US presidential elections, total spending during the election cycle exceeded \$6 billion. Much of this funding has come from super Political Action Committees (PACs).<sup>21</sup>

There are strict public disclosure legislations on both federal candidates and political committees. Donations by corporations to political parties are disclosed by respective political parties and disseminated by the media to ensure greater public awareness. The regulating agency to monitor

campaign finance in the United States is the Federal Election Commission, an independent agency set up in the backdrop of the Watergate Scandal in the early 1970s. The Commission has been entrusted with broad investigative powers that include the authority to take deposition of witnesses, subpoena documents and answers to questions, and enforce the subpoenas in US courts. Matters are settled either through a conciliation agreement or through litigation in US District Courts. The multi-stage enforcement process and regular hearing delays have acted as deterrents to violations of campaign finance laws.

The US experience clearly points that relying excessively on corporate funding can turn the political process into a plutocracy, which in itself is an indictment of the reliance on corporate donations. Banning corporate money in political finance has been one way of preventing business from distorting the political processes. However, such an approach could be counterproductive by inhibiting the diversity of parties within a democracy or by driving donations under the table as the Indian case has demonstrated. Rather than the enforcement of bans, there are more effective mechanisms to prevent illicit influence on parties and candidates, including the introduction of ceilings on (corporate) donations and creating an effective regulatory body.

What constitutes 'donations', to begin with? The definition varies from country to country. The United Kingdom provides the most exhaustive definition that includes loans, sponsorships, gifts of money and property, subscriptions and affiliation fees, money spent on behalf of a party or even lending of money other than at commercial rates. Furthermore, there are no caps on donations though there are specific limits on the expenses of political parties and candidates. The principle of transparency has been enshrined in the country's PPERA 2000 [Political Parties, Elections and Referendums Act, 2000], which has ensured a far greater public scrutiny of donations in recent times. Companies are required to seek shareholder approval before making donations and this has accelerated a decline in corporate donations. The regulatory body in the United Kingdom is the Election Commission, which has been entrusted with widespread executive and investigative powers. The Election Commission reports directly to Parliament on all funding-related matters.

In France, all political contributions from legal entities—including corporations—are banned. It is based on the principle of ensuring equality in politics and, consequently, the trend of exorbitant costs in contesting elections has been curbed. For example, France's two 2007 presidential finalists spent a collective \$54 million (out of a maximum legal limit of \$49 million each).<sup>22</sup> Individual contributions as a form of private funding is allowed but must be made one year prior to the elections. The enforcement agency in France is the National Campaign Accounts and Political Funding Committee (CNCCPF), which verifies the compliance of political parties with regulations governing their financing. Failure to comply with both the substantive and procedural rules of election campaign financing can attract fines as well as render candidates ineligible for public office

for a year. The Committee also has the power to administer the system of donation receipts, monitor the compliance of financial proxies (individual and financial associations), and inform the public prosecutor of any malpractices that might need to be subjected to criminal proceedings. On the disclosures front, French law mandates that all financial matters must be overseen by authorised financial representatives.

In Germany, political donations are reported not by amounts, i.e., the source of each and every donation, but by categories, i.e., individuals and corporations. Corporate donations are not tax deductible. Furthermore, disclosure legislations are restricted to the big donors—their names, addresses and the amount of donations starting from a specified limit. The treasurer of a political party is responsible for the implementation of disclosure provisions. Additionally, every political party appoints a certified accountancy firm to audit their accounts. The financial report of every political party is submitted to the speaker of the federal parliament and eventually published in a parliamentary paper. Apart from individual countries, multilateral organisations like the Council of Europe have framed a series of guidelines governing the corporate funding of elections.<sup>23</sup>

Following are some of the key trends that emerge from these international experiences:

- Ceilings on corporate donations; a regulatory agency with both investigative and executive powers;
- A pro-active media which publishes donations and expenditures periodically to ensure effective public scrutiny, compliance of disclosure requirements (donations irrespective of the amount as well as donors must be reported); and,
- Authorised financial representatives for auditing the accounts of political parties.

Transparency in political funding is the key principle which must be imbibed by both political parties and donors. Another interesting example emerges from France which has banned corporate donations but permits individual contributions; this strategy has curbed the campaign finance contests witnessed in both the US and UK. The UK practice of presenting a report to the Parliament on all funding-related issues is worth emulating in India.

## The Road Ahead

Given its growing role and disproportionate influence on democratic processes, corporate funding of political parties is increasingly being subject to transparency and accountability tests. It is in this regard that a recent report by Transparency International (TI) calls for curbing private interests from



subverting the democratic process through the purchase of controls and favours.<sup>24</sup> The stance taken by TI is that companies as well as their employees or agents should not make direct or indirect contributions to obtain any leverage in their business transactions.<sup>25</sup> Any political contribution made should be subject to transparency, i.e., they should be publicly disclosed by the company. Importantly, companies should list all donations and publish their policy on political donations (defined broadly to include donations to parties, candidates, and third parties). The irony, however, is that most companies are opting out of handing over controls and decisions on political financing. A review of Standard & Poor's 100 companies revealed that only one-third had board oversight of their political spending.<sup>26</sup>

Corporate funding of political parties, despite a long history in India, is yet to adopt the best practices across the world. Two important principles are lacking in the Indian context: a) transparency; and b) shareholder approach. In the interest of transparency, it would be desirable if the members of the Board of Directors are also made to disclose their affiliations, if any, to political parties at the AGM which considers the proposals for political contributions.

Further, more transparency is required in terms of making the list of donors and donations irrespective of whether the donations come from the public or companies.<sup>27</sup> The same standard ought to apply in the context of electoral trusts, which are being increasingly favoured by corporations given the anonymity they offer. In the context of the “shareholder approach”, it is necessary that Indian companies move towards a more democratic approach of “shareholder approval” from the current practice of a resolution by a board of directors authorising political contributions. This approach, followed in the United Kingdom, also incorporates the principles of transparency and decentralisation by rendering decision making on political contributions more broad-based rather than leaving it to a small coterie.

Another alternative towards corporate funding that could be considered is the setting up of a political party fund under the auspices of the Election Commission of India to which all companies can contribute. The amount could be disbursed to political parties for specified purposes such as research and organisational reforms, aided by an advisory committee of representatives of political parties and a few eminent persons. This model, can also counter the criticism that funds by corporate houses to political parties are only meant for securing the company's business interests rather than a genuine commitment to the pursuit of a healthy democracy and transparent election funding, which ought to be the objective of corporate funding.

**Endnotes:**

1. A recent notification by the Central Board of Direct Taxes (CBDT) approved the setting up of “Electoral Trust” Companies, which would get tax benefits for funds given to political parties. The companies would be registered under Section 25 of the Companies Act, 1956. The objective of the Electoral Trusts Scheme is to streamline the process and make more transparent in the funding of political parties by the corporate houses.
2. Venkatesan, V., Chequered Relations, Frontline, available at <http://www.frontline.in/navigation/?type=static&page=flonnet&rdurl=fl1616/16160100.html>, Volume 16, 1999, last visited on March 14, 2013.
3. In 1967, the general elections in India cost the exchequer Rs. 1.79 crore. In 1999, the general elections cost increased to Rs. 880 crore. In 2004, it jumped to Rs. 4500 crore and in 2009, the amount was almost double that of 2004.
4. Supra, note 2.
5. According to the Association for Democratic Reforms, during 2007-08 and 2011-12, the Indian National Congress was the highest beneficiary of corporate donations, i.e., Rs. 1662 crore, followed by the Bahujan Samaj Party (Rs. 1226 crore) and the Bharatiya Janata Party (Rs. 852 crore).  
A There is no limit on election spending by a political party.
6. Supra, note 3.
7. Sachar, Rajinder, “Clean Politics demands no corporate funding to Political Parties”, *Mainstream Weekly*, available at <http://www.mainstreamweekly.net/article1322.html>, Vol XLVII, No 19, 1999.
8. The Swatantra Party was formed in 1961 by C Rajagopalachari as a strong and articulate right to counter the socialist policies of the Indian National Congress by espousing economic liberalism. Its main objective was to increase the participation of the private sector in the Indian economy. To see more on the politics of the ban on corporate donations, refer to Jha, Prem Shankar, Time to rock the vote, *Tehelka*, available at [http://archive.tehelka.com/story\\_main50.asp?filename=Ne100911coverstory.asp](http://archive.tehelka.com/story_main50.asp?filename=Ne100911coverstory.asp) and Mantri, Rajeev, Narendra Modi as the Anti-Nehru, *Livemint*, available at <http://www.livemint.com/Opinion/DCrr6B9v1MvR6QTEMGDcJM/Narendra-Modi-as-the-antiNehru.html>.
9. Kochanek, Stanley A., Briefcase Politics in India: The Congress Party and the Business Elite, *Asian Survey*, Vol. 27, No. 12 (Dec., 1987), p. 1290.
10. License-permit raj refers to the period prior to liberalisation in India when licenses and permits were required to set up as well as expand businesses in India. During this period, quotas and permits were handed out to cronies who were willing to pay kickbacks.
11. Supra note 10p. 1291.
12. In the pre-liberalisation era, most of the contributions were towards one political party since it was the era of one-party dominance. Post-liberalisation, the emergence of coalition governments has made it necessary for corporates to contribute to multiple political parties.

13. Krishna, Gopal, Politics of Funding of Elections and Electoral Reform, Think India Quarterly, available at <http://www.thinkindiaquarterly.org/ArticleDetails.aspx?ArticleId=357&Id=44>, Volume 15, Number 1, 2012, last visited on April 10, 2013.
14. The Dinesh Goswami Committee on Electoral Reforms set up by the National Front Government in 1990 proposed a ban on corporate funding. This led to a paucity of funds for political parties since the committee did not propose an equivalent form of public funding.
15. Gowda, M.V. Rajeev and E. Sridharan, Reforming India's Party Financing and Election Expenditure Laws, Election Law Journal, Volume 11, Number 2, 2012, p. 228.
16. Section 182 of the Companies Act, 2013, 2011.
17. If shareholders in British companies do not approve a political donation resolution, then the company cannot make political contributions during the relevant period. Also, directors of British companies who make unauthorised political donations are personally liable to the company for the amount spent plus interest, and must compensate the company for any loss or damage as a result of the unauthorised donation or expenditure.
18. Treat funding to political parties as expenditure: ICAI, Business Line, available at <http://www.thehindubusinessline.com/industry-and-economy/economy/article1127792.ece>.
19. Analysis of Income Tax Return Filed and Donations received by political parties, A Report by National Election Watch and Association for Democratic Reforms, available at <http://adrindia.org/sites/default/files/Report%20donations.pdf>, last visited on March 27, 2013.
20. The BCRA was introduced to regulate political financing by banning the use of issue advocacy and soft money which had increasingly become tools to bypass campaign finance limits and led to exorbitant costs of contesting elections.
21. Political Action Committees in the United States are organised for the purpose of raising and spending money to elect and defeat candidates. PACs are controlled by companies, trade associations, unions as well as issue groups. Contributions are pooled by individuals and distributed to candidates, political parties and other PACs. Other avenues of expenditure include independent spending on political activities. According to the Center for Responsive Politics, in the 2012 US elections, the two major party presidential nominees have reported raising a combined total of \$285.2 million from small donors giving less than \$200 which came from at least 1,425,500 individuals. Just 61 donors (individuals and institutions) giving an average of \$4.7 million each to Super PACs matched the total contributions of these small donors. Super PACs have been criticised for the anonymity they grant to their donors as well as running negative campaigns against rival candidates.
22. Crumley, Bruce, France's Stringent Election Laws: Lessons for the America's Free-for-All Campaigns, available at <http://world.time.com/2012/04/20/frances-stringent-election-laws-lessons-for-the-americas-free-for-all-campaigns/>, last visited on October 27, 2013.
23. Principles governing corporate funding of elections include: a reasonable balance between public and private funding; fair criteria for the distribution of state contributions to parties; strict rules concerning private donations; a threshold on parties' expenditures linked to election campaigns; complete transparency of accounts; and the establishment of an independent audit authority and meaningful sanctions for those who violate the rules. Since private financing, especially donations,

create opportunities for influence and corruption, it must be accompanied by the following rules: a) ban on donations from companies domiciled in offshore centres; b) strict limitations on donations from legal entities; c) a legal limit on the maximum sum of donations; and d) a ban on donations by religious institutions.

24. Standards on Political Funding and Favours, Transparency International Policy Position, p. 3, available at [http://www.transparency.org/whatwedo/pub/policy\\_position\\_no\\_01\\_2009\\_standards\\_on\\_political\\_funding\\_and\\_favours](http://www.transparency.org/whatwedo/pub/policy_position_no_01_2009_standards_on_political_funding_and_favours), last visited on March 2, 2013.
25. Any political contribution is made subject to the principle of transparency, i.e., it should be publicly disclosed by the company. Companies should list all donations and publish their policy on political donations (defined broadly to include donations to parties, candidates and third parties).
26. Supra, note 23, p. 4.
27. In India, donations below Rs. 20,000 need not be reported. Political parties have often resorted to this route to justify donations of a dubious kind.

#### ABOUT THE AUTHORS

**Niranjan Sahoo** is a Senior Fellow at Observer Research Foundation, New Delhi. His interests include diverse but interrelated policy issues concerning governance reforms (service delivery, corruption, electoral reforms with specific reference to campaign finance, land acquisition, R&R) equity and social exclusion. He has authored a book, *Reservation Policy and its Implementation Across Domains in India*, published by ORF-Academic Foundation.

**Samya Chatterjee** was till recently a Research Assistant at ORF.



**Observer Research Foundation,**  
20, Rouse Avenue, New Delhi-110 002  
Phone: +91-11-43520020 Fax: +91-11-43520003  
[www.orfonline.org](http://www.orfonline.org) email: [orf@orfonline.org](mailto:orf@orfonline.org)