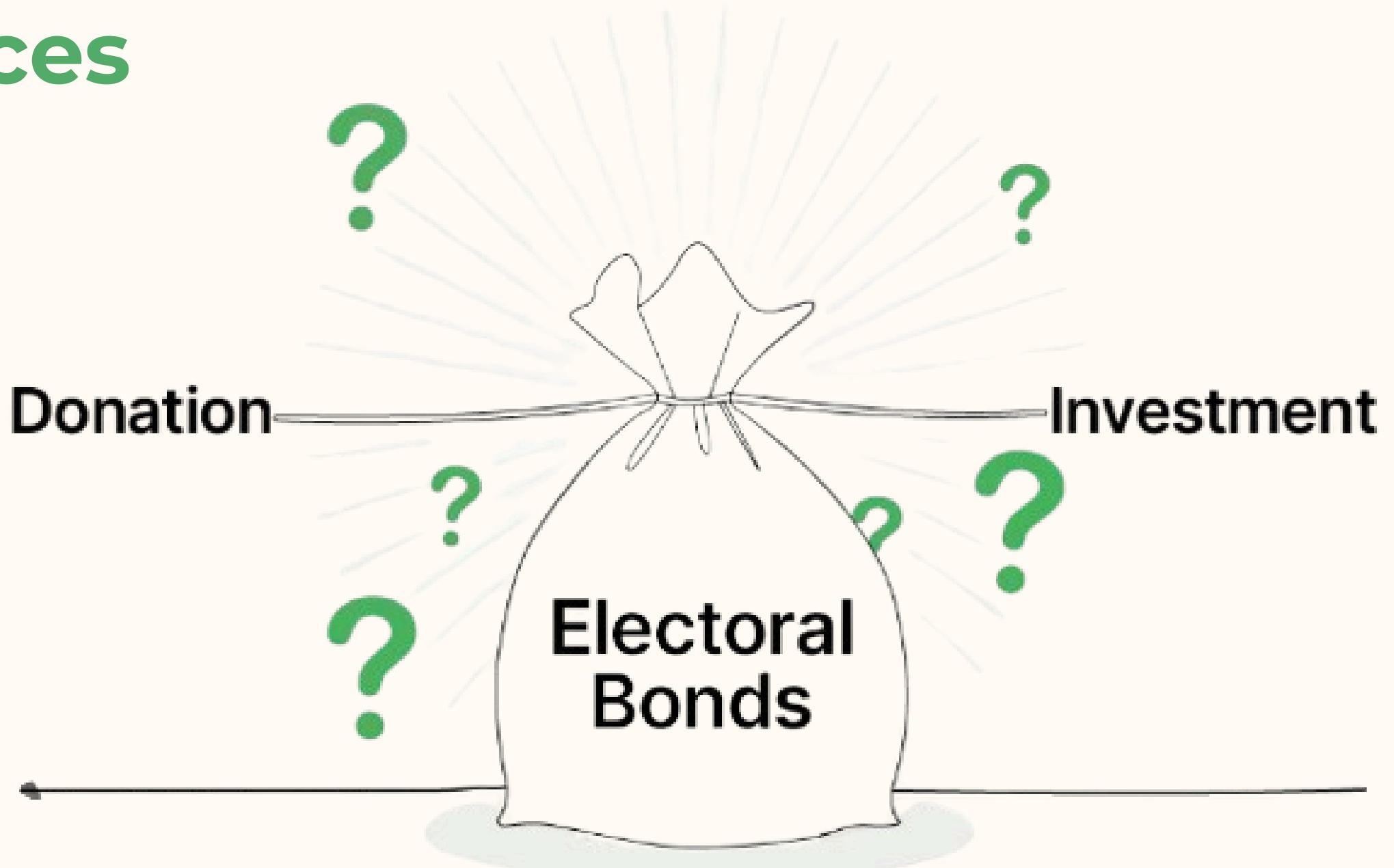


# **Electoral Bonds and Corporate Financial Performance: The Hidden Political Influence on Economic Consequences**



# What are electoral bonds?

Electoral bonds are financial instruments introduced in India in the 2017-18 Union Budget under the **Finance Bill**, to **facilitate transparent political funding**.

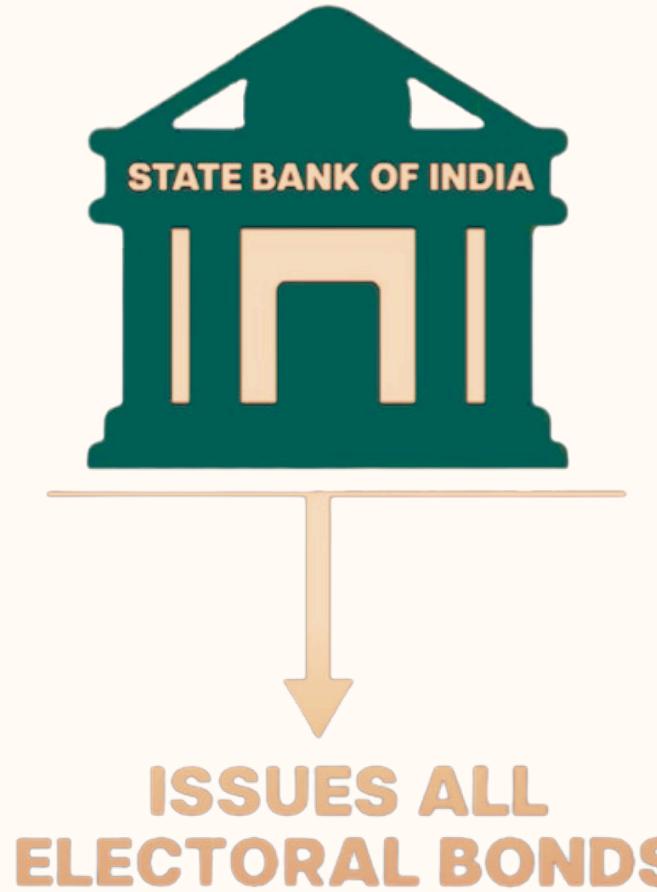
They are essentially **interest-free bearer bonds** that can be purchased from select State Bank branches by any **individual or entity**. These bonds can then be donated to **eligible political parties** or candidates **anonymously**, meaning the donor's identity is not disclosed publicly.

Initially, Electoral bonds like promissory notes, were bearer instruments, meaning they didn't record the buyer's information according to the Association for Democratic Reforms (ADR).



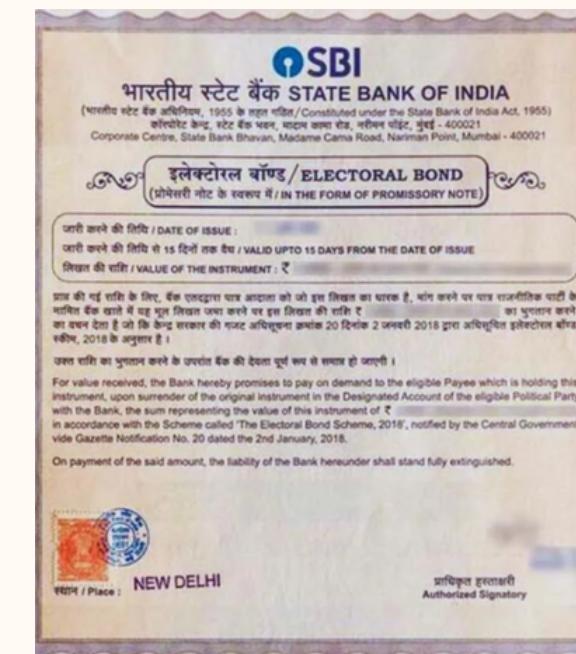
# More about electoral bonds

- The bonds are usually available for **purchase for 10 days** four times a year (Quarters), in January, April, July and October, and an additional 30 days in general election years.
- Electoral bonds have an expiry period with a validity of **15 days**.
- Failure to encash the amount **within 15 days** leads to the donation getting deposited into the **Prime Minister's Relief Fund**.



## Potential Issues and Challenges with this Scheme:

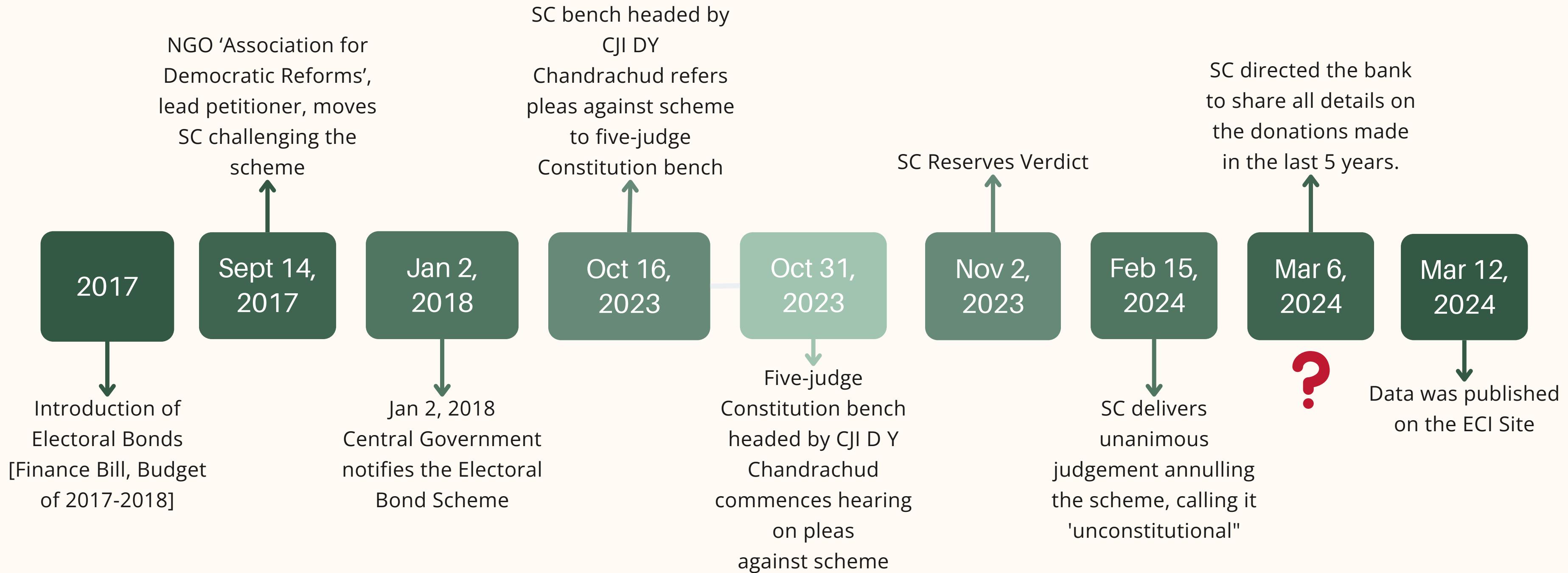
- 1) Violates Right to Information
- 2) Enables backdoor lobbying and quid pro quo
- 3) Opens doors to shell companies
- 4) Opaque instrument that is not entirely anonymous
- 5) Promotes corruption in some cases



**ELECTORAL BONDS ISSUED IN MULTIPLES**

₹1000  
₹10,000  
₹1 LAKH  
₹10 LAKH  
₹1 CRORE

# Timeline

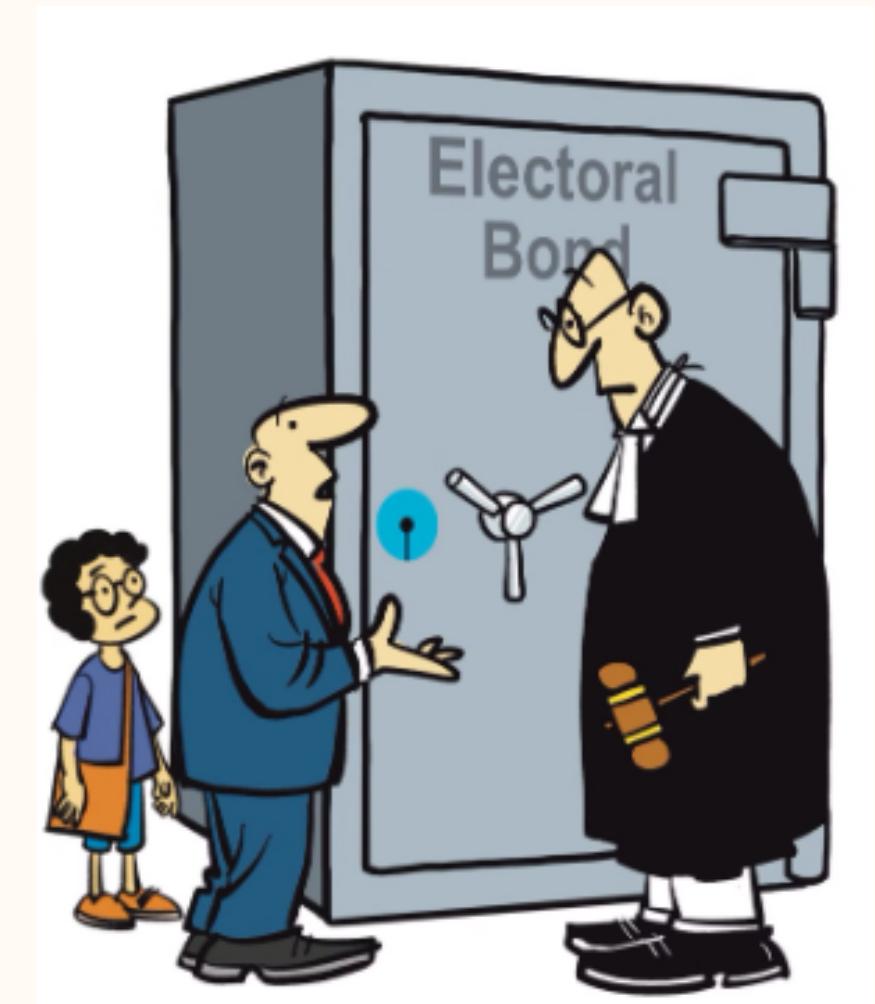


# The Supreme court Verdict

On February 15, 2024, the Supreme Court of India, led by Chief Justice DY Chandrachud, **unanimously ruled** the electoral bonds scheme and related amendments **unconstitutional**. They cited violations of the **Right to Information** and concerns about **potential corruption**.

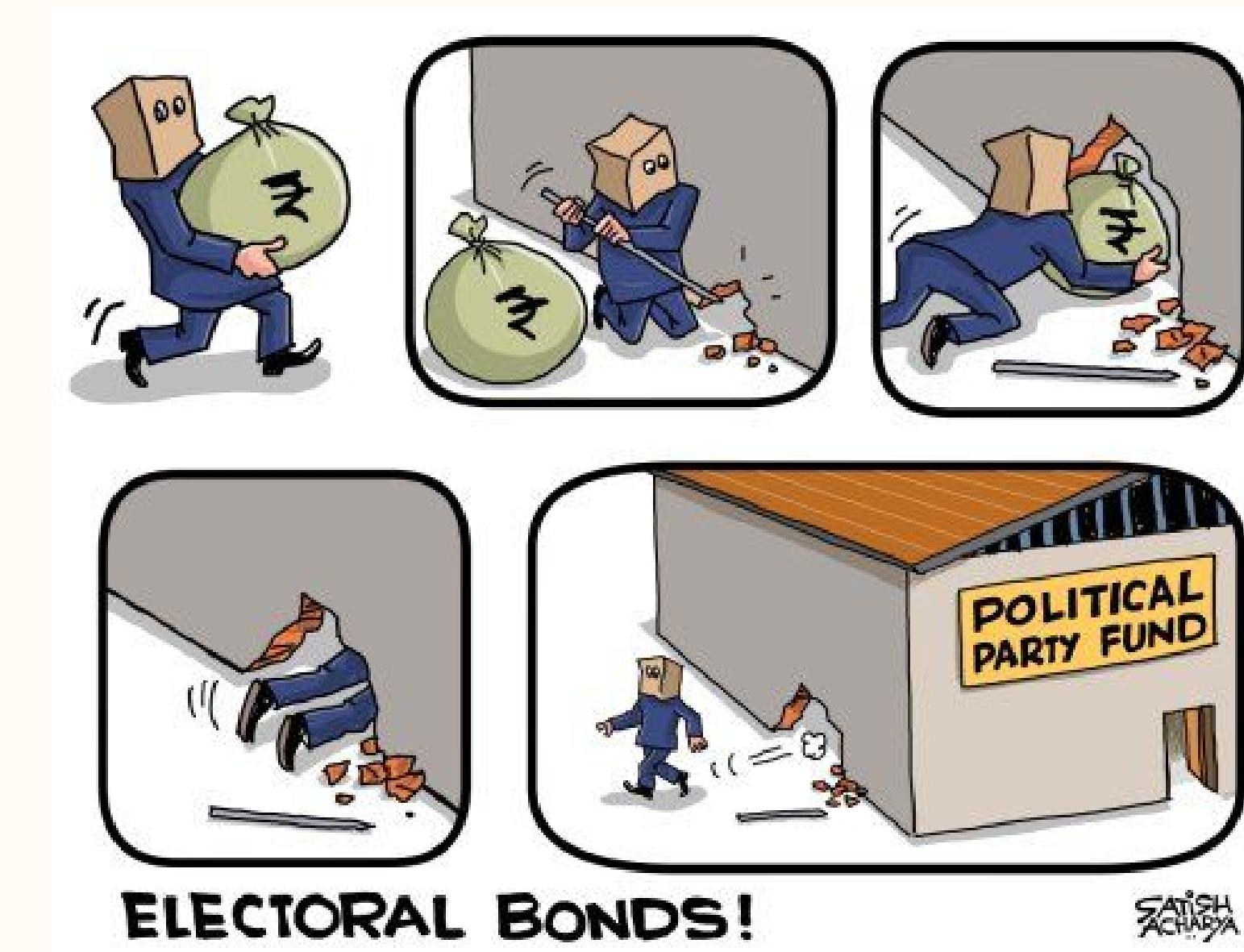
The State Bank of India was directed to provide **donor and recipient details** to the Election Commission by March 6, with publication mandated by March 13. Despite an **initial delay**, the details were eventually submitted and **made public**.

So now on ECI's website we can see the political funders over the last five years as per official data released by the [Election Commission of India \(ECI\)](#).



The dog ate the key,  
Your Honour!

# Literature Review (Primary and Secondary sources)



# Mittal, P., & Agarwal, V. (2021): Electoral Bonds: Efficacious Or A Camouflaged Road To Tyranny

## **OVERALL CRITICISM OF THE ELECTORAL BOND SCHEME**

### **Transparency Issues:**

- Information about party funding not accessible through RTI, raising questions about transparency.
- Difficulty in tracing original donors due to bearer nature of electoral bonds.

### **Money laundering/corruption Issues:**

- Cash donations below Rs 2,000 allowed, thus effectiveness in curbing black money doubted since money goes untraceable.
- Potential misuse for money laundering, converting black money to white.
- Rules for electoral bond windows breached multiple times, raising concerns about money laundering.
- Opening of illegal windows institutionalized, undermining purpose of limited windows to prevent money laundering.
- Significant amounts of electoral bonds created and donated, highlighting exploitation of loopholes.

### **Government Oversight and Information Security:**

- KYC details of purchaser needed, raising concerns about transparency and government access to donor information.

### **Corporate Donation Policy Changes and Tax Benefits:**

- Removal of 7.5% donation cap by amending Companies Act allows companies to donate large profits.
- Donors eligible for 100% tax deduction, leading to large amounts of money being used for political purposes.

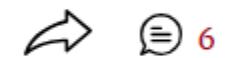
# WHY???

## 33 loss-making firms donated electoral bonds worth ₹582 crore, 75% went to [REDACTED] | Data

An analysis reveals that at least 45 companies that donated electoral bonds to the [REDACTED] have suspect funding sources

April 03, 2024 10:45 pm | Updated April 05, 2024 09:38 am IST

PRASENJIT BOSE, THE HINDU DATA TEAM



6

READ LATER

PRINT



## A study by 'The Hindu' and 'independent organisation subdivides 33 companies into four categories(A, B, C & D).

- 16 companies out of these 33 companies
- Paid zero or negative direct taxes in aggregate.
- Gives the idea that these companies could be acting as fronts for other firms or must have misreported their profit and losses.

**This raises the possibility of money laundering.**

- 6 companies out of these 33 companies
- Had positive net profits in aggregate from 2016-17 to 2022-23, but the amount they donated through the electoral bonds exceeds their net profit.

**Chances are there that these companies could be acting as fronts for other firms or must have misreported their profit and losses.**

- 3 companies had positive net profits but reported negative direct taxes in aggregate from 2016-17 to 2022-23.
- **Chances are there that they could have engaged in tax evasion.**

**REST OF THE COMPANIES**

# 18 of 19 Firms Marked 'High-Risk' by Finance Ministry That Bought Electoral Bonds Went Off Subsequent List



Sangeeta Barooah Pisharoty  
16/Mar/2024 • 5 min read



*The Finance Ministry had said in 2018 that additional documents to comply with the rules of the Prevention of Money Laundering Act (PMLA) had been given by a number of companies taken off the list but some questions about patterns of bonds and fortunes must be asked.*

[News](#) / [India](#) / Of 26 companies which faced agencies' heat, two-thirds bought electoral bonds after a knock on door

Premium

## Of 26 companies which faced agencies' heat, two-thirds bought electoral bonds after a knock on door

Total bonds bought by these 26 companies from April 2019 till February 2024 is Rs 5,179 crore; BJP encashed 37%, TMC 18%, Congress 12%.

**Perhaps they're just genuinely good, patriotic companies, willing to do whatever it takes to help our country thrive. Only if we could ask the companies themselves.....**

# ELECTION FUNDING MODELS IN OTHER COUNTRIES

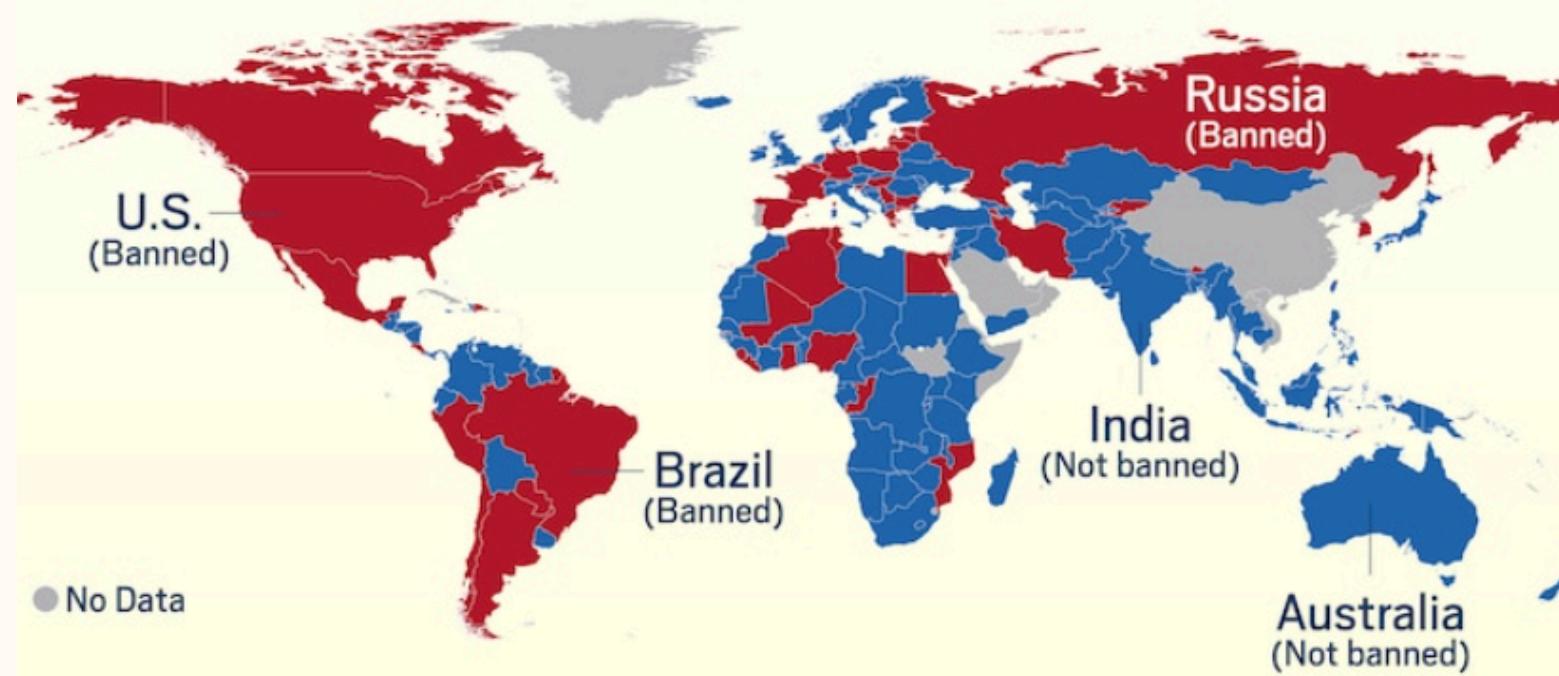
a) Table Shows Permissible Corporate & Foreign Donations and if they are Taxed.

COUNTRY	PERMISSIBLE DONATIONS	TAXABLE	CORPORATE DONATIONS	FOREIGN DONATIONS
CANADA	1500 Dollars	NO	NO	NO
ISRAEL	2,000 INS per household	NO	NO	NO
GERMANY	10,000 Euros	YES (50 PERCENT)	YES	YES
BRAZIL	10% of last annual declared income	NO	NO	NO
JAPAN	10,000,000 Yen	NO	NO	NO
UNITED STATES OF AMERICA	No cap after the Supreme Court judgment	NO	YES	NO

## ELECTION FUNDING MODELS IN OTHER COUNTRIES

Direct funds from corporates to political parties are banned in 48 of 172 countries

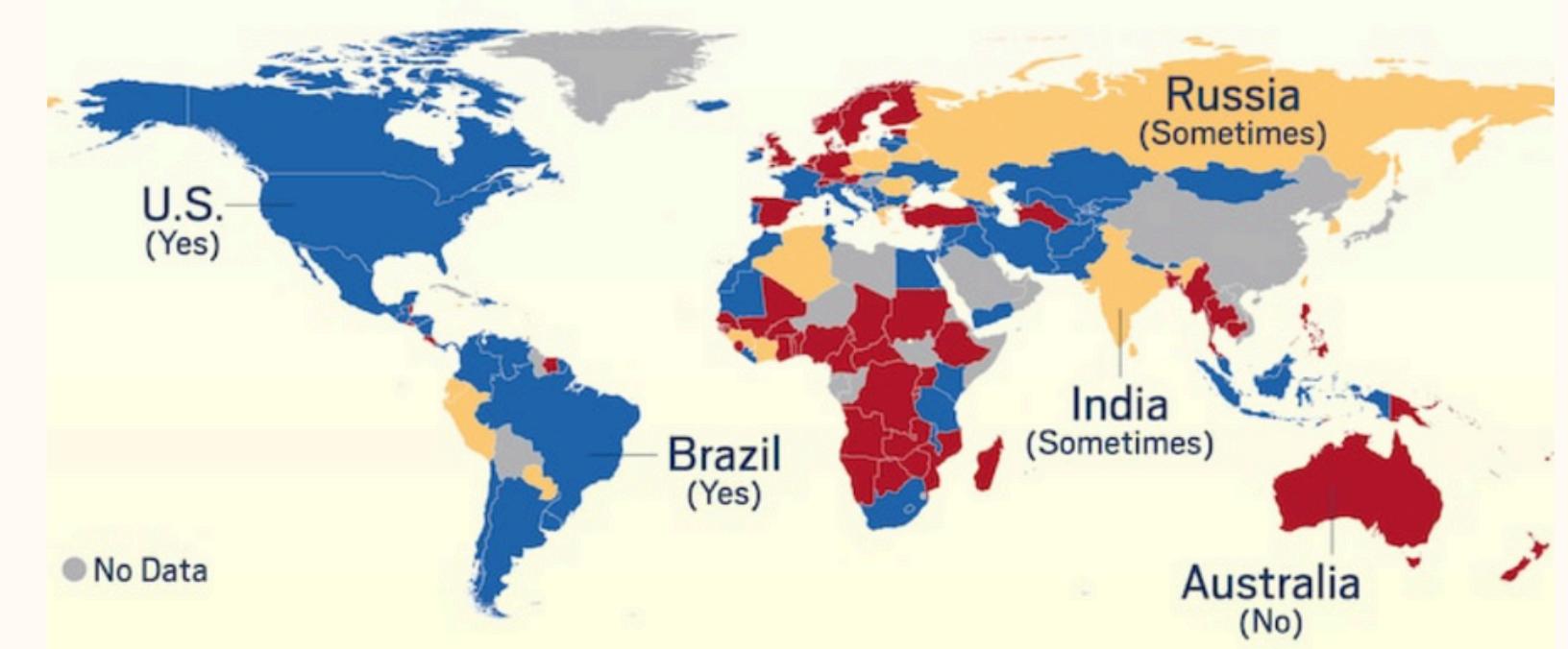
Not banned      Banned



Source: The International Institute for Democracy and Electoral Assistance  
Graphics: Samrat Sharma & Mudita Singh

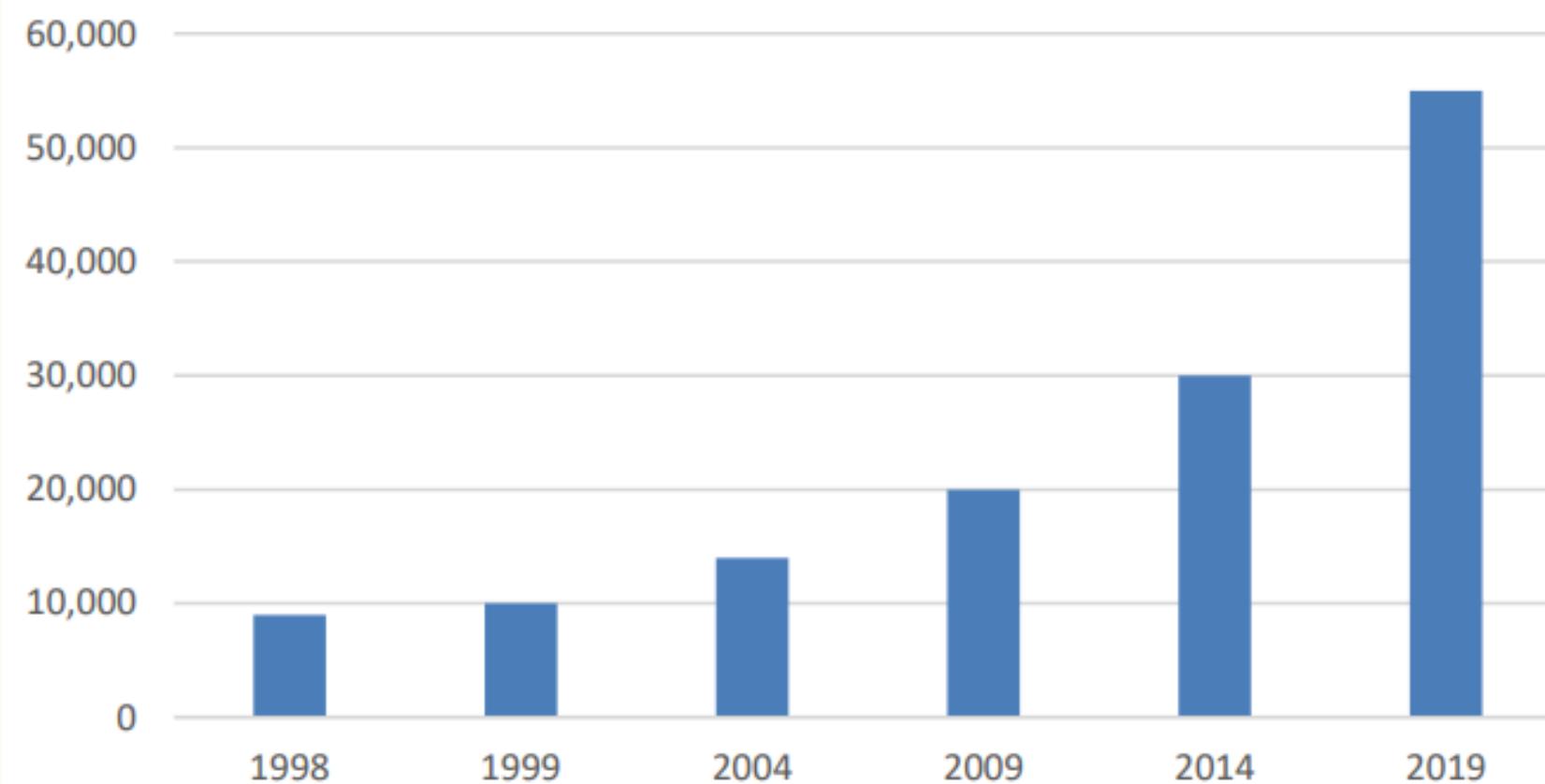
Political donations do not need to necessarily go through banking process in 79 of 163 countries

Yes      No      Sometimes

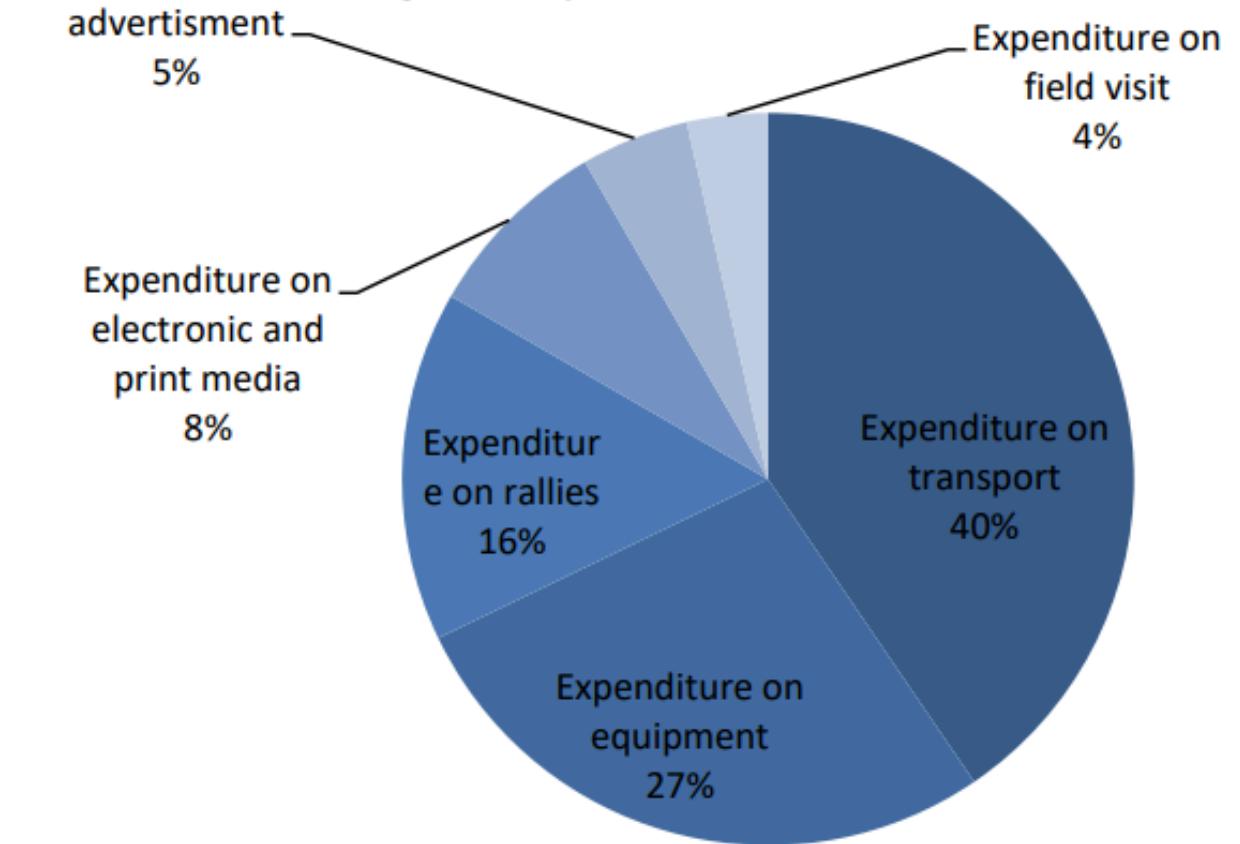


Source: The International Institute for Democracy and Electoral Assistance  
Graphics: Samrat Sharma & Mudita Singh

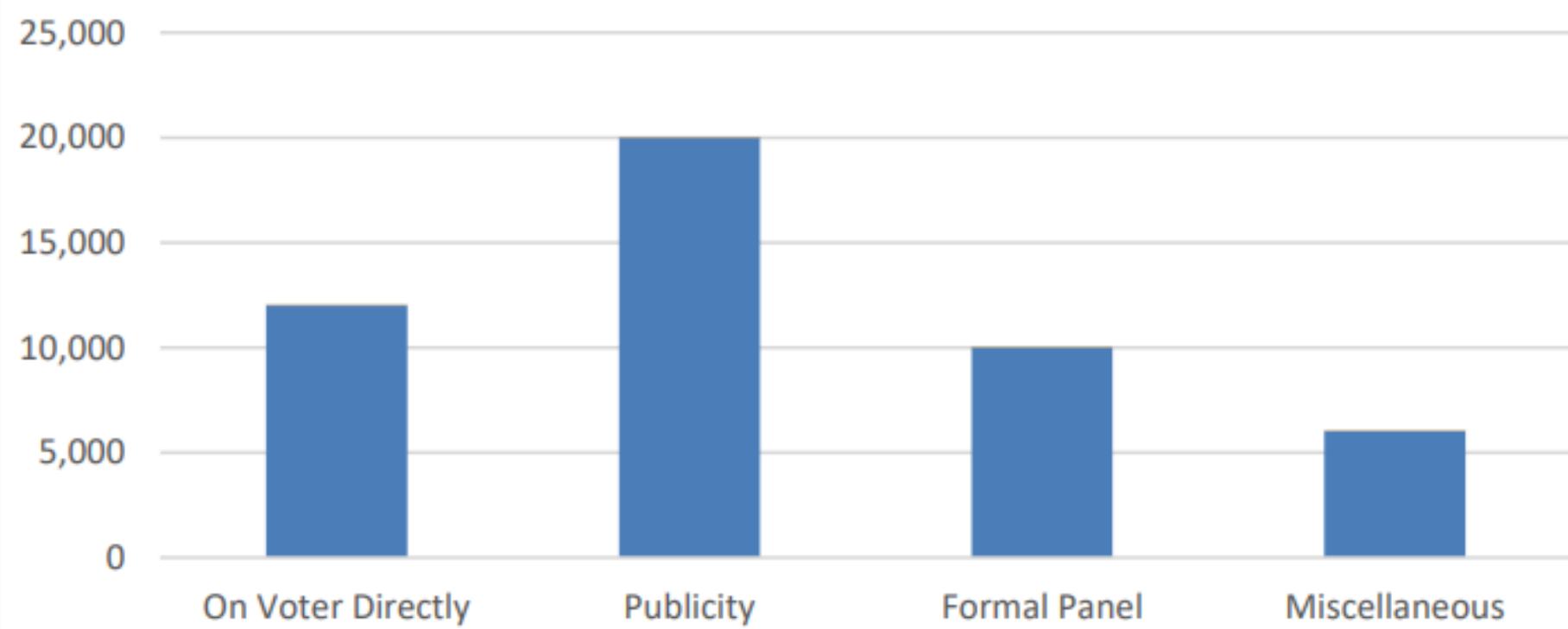
**ESTIMATES OF EXPENDITURE BETWEEN 1998-2019(in crores) (Fig-I) (Report of ADR dated Jan 21, 2020)**



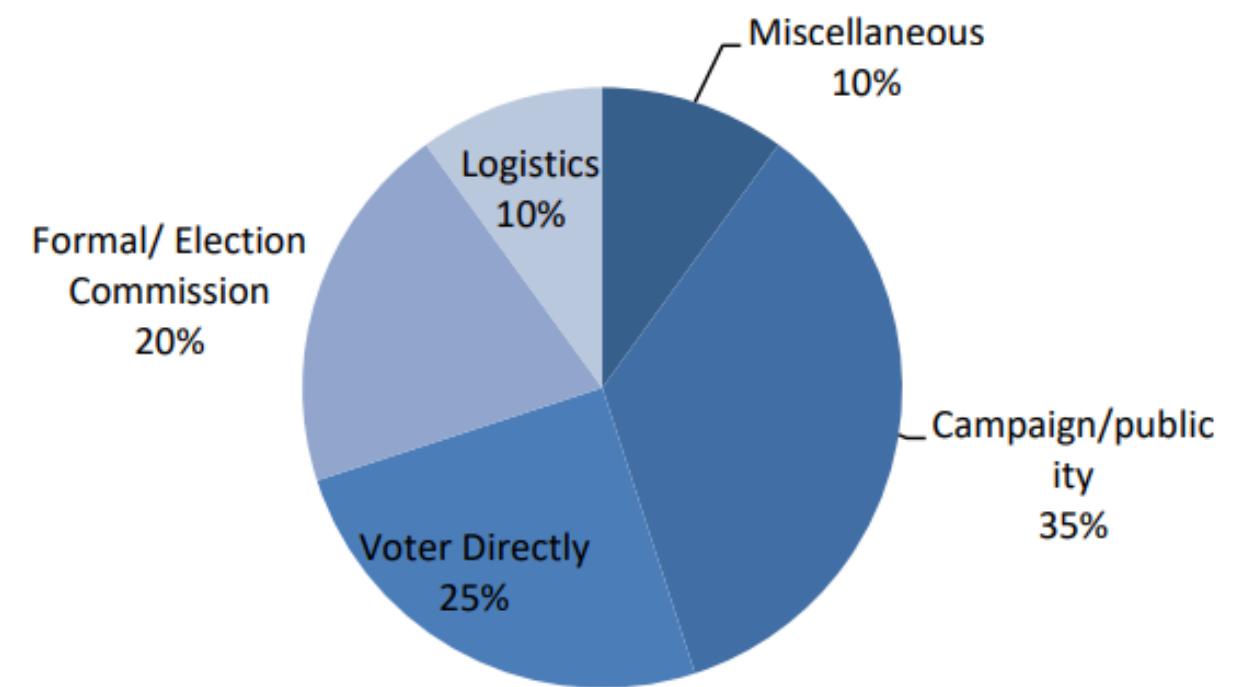
**COMPONENTS OF ELECTION EXPENDITURE (Fig-IV) (Report of ADR dated Jan 21, 2020)**



**ESTIMATES OF EXPENDITURE IN 2019 (in crores)**  
**(Fig-III) (Report of ADR dated Jan 21, 2020)**



**EXPENDITURE IN LOK SABHA 2019 POLLS**  
**(Fig-II)(Centre for Media Studies, 2019 report)**



# Electoral bonds: Day after SC criticism, SBI submits data to Election Commission

FM Sitharaman on Electoral Bonds data: 'I don't want the industry to be 'badnaamed' like this...'

What are India's electoral bonds, the secret donations powering Modi's BJP?

Electoral Bonds: Companies that need govt contracts also the most generous

Did the electoral bonds scheme enable extortion? 

**Electoral Bonds Are a Threat to Indian Democracy**

Electoral bonds boon or bane for India's political funding system?

Electoral bonds issue: 'Are all 1,300 companies thieves?'

**Electoral Bonds explained: Transparency and anonymity in political funding**

"Everyone will regret it...": PM Modi defends electoral bonds scheme; accuses Oppn of spreading lies

# Electoral Bonds: The Safeguards of Indian Democracy Are Crumbling

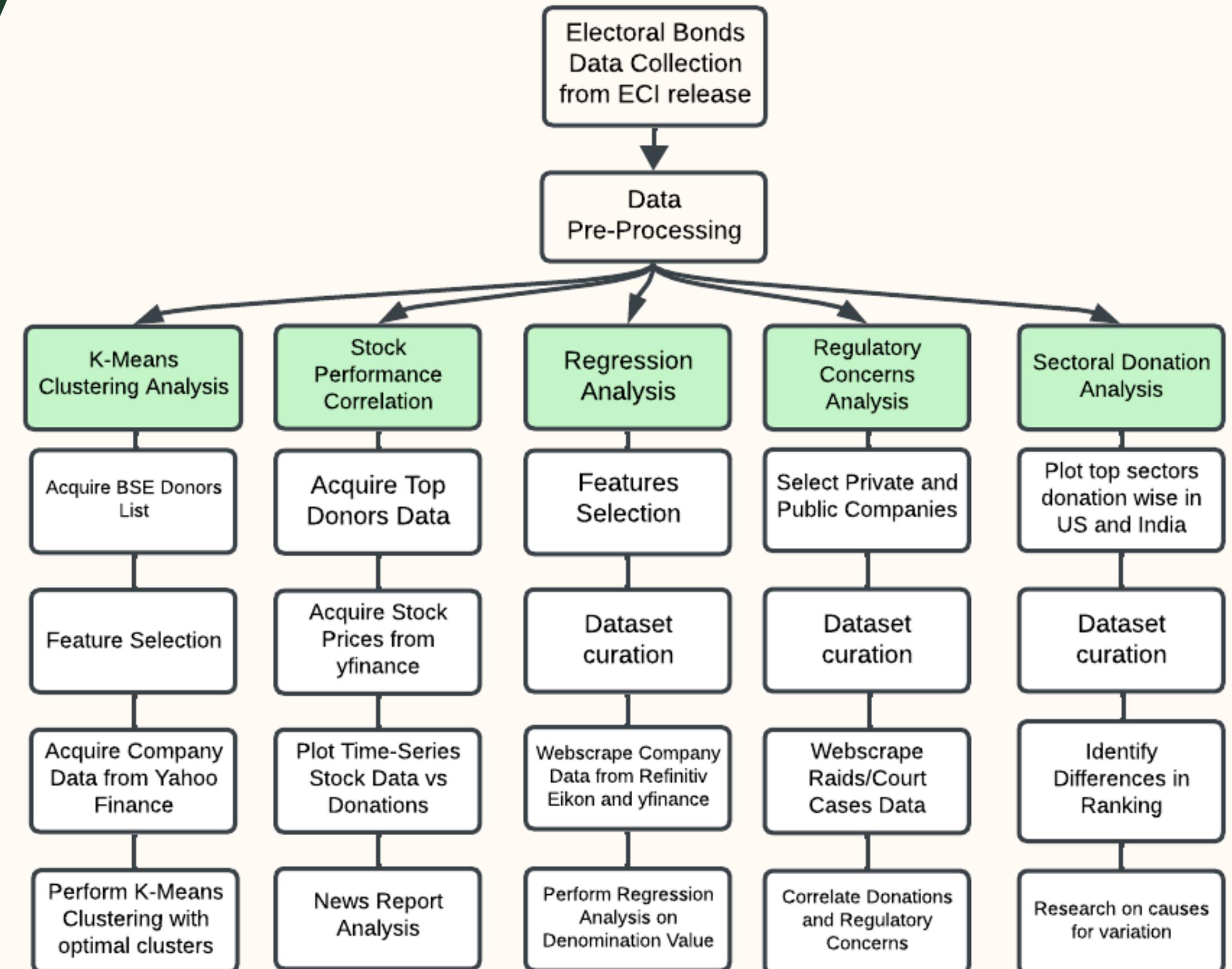
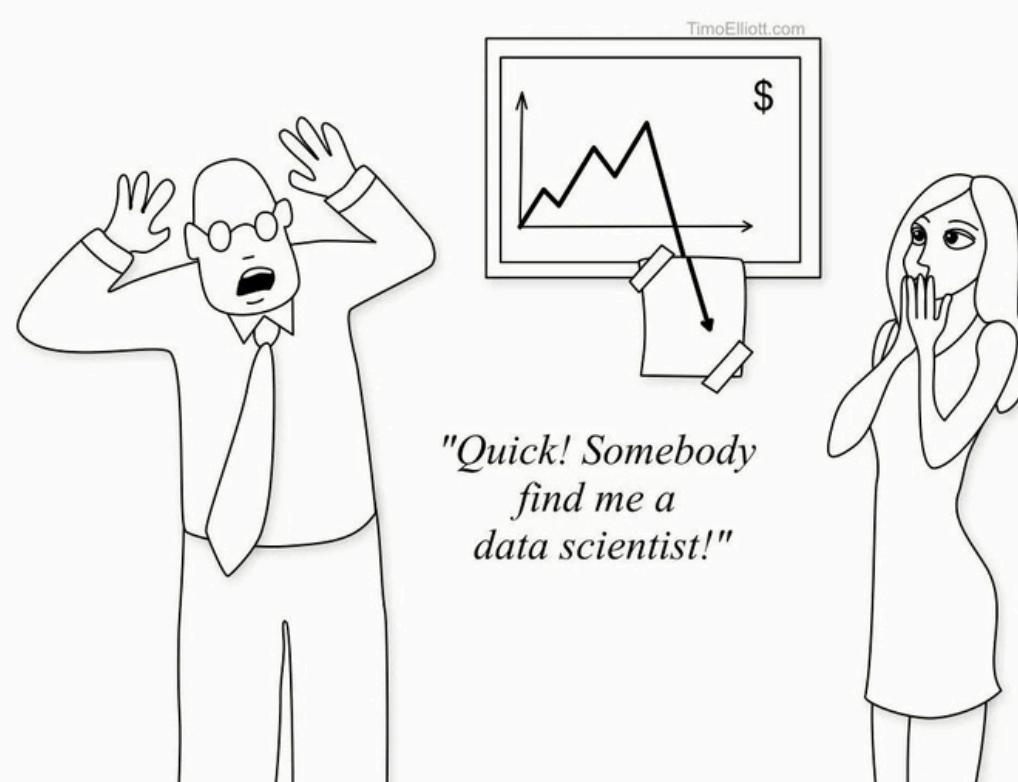
It's biggest scam of independent India: Jairam Ramesh on electoral bonds scheme

# Research Motivation and Insights

- Can we group donating companies into clusters based on factors such as market capitalisation to piece together the common trends and identify outliers?
- Can we see any visible correlation between donor companies' donations and stock performance?
- What factors influence a company's decision to contribute towards electoral bonds?
- Do raids and court cases have any role to play in a company's willingness to purchase electoral bonds?
- How does the electoral bond landscape in India, compare to that of the USA?



# Methodology



# Data preprocessing

buyer									
	Sr No.	Date of Encashment	Name of the Political Party	Account no. of Political Party	Prefix	Bond Numbe	Denominations	Pay Branch Code	Pay Teller
0	1	12/Apr/2019	ALL INDIA ANNA DRAVIDA MUNNETRA KAZHAGAM	*****5199	OC	775	1,00,00,000	800	2770121
1	2	12/Apr/2019	ALL INDIA ANNA DRAVIDA MUNNETRA KAZHAGAM	*****5199	OC	3975	1,00,00,000	800	2770121
2	3	12/Apr/2019	ALL INDIA ANNA DRAVIDA MUNNETRA KAZHAGAM	*****5199	OC	3967	1,00,00,000	800	2770121

to track party wise data

18871 rows

purchaser										
	Sr No.	Reference No (URN)	Journal Date	Date of Purchase	Date of Expiry	Name of the Purchaser	Prefix	Bond Numbe	Denominations	Issue Branch Code
0	1	0000120190412000001166	12/Apr/2019	12/Apr/2019	26/Apr/2019	A B C INDIA LIMITED	TL	11448	10,00,000	1
1	2	0000120190412000001166	12/Apr/2019	12/Apr/2019	26/Apr/2019	A B C INDIA LIMITED	TL	11447	10,00,000	1
2	3	0000120190412000001166	12/Apr/2019	12/Apr/2019	26/Apr/2019	A B C INDIA LIMITED	TL	11441	10,00,000	1

to track company wise data

20421 rows

- **Merging** of datasets
- **Cleaning** the format of variables **to desired formats** for computational analysis
- **Converting** to **datetime**
- **Filtering** datasets based on conditions
- **Grouping** the datasets by parties or companies
- **Removing null values** from the dataset

# Preliminary Data Analysis

- Total donated amount through Electoral Bonds:

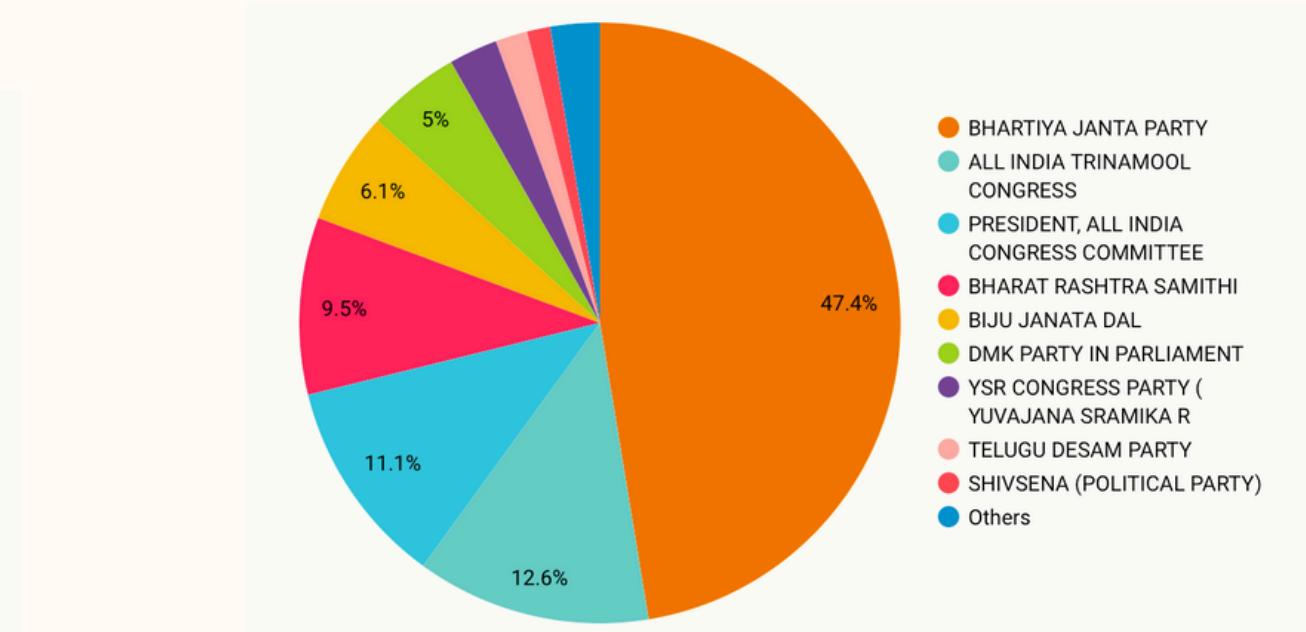
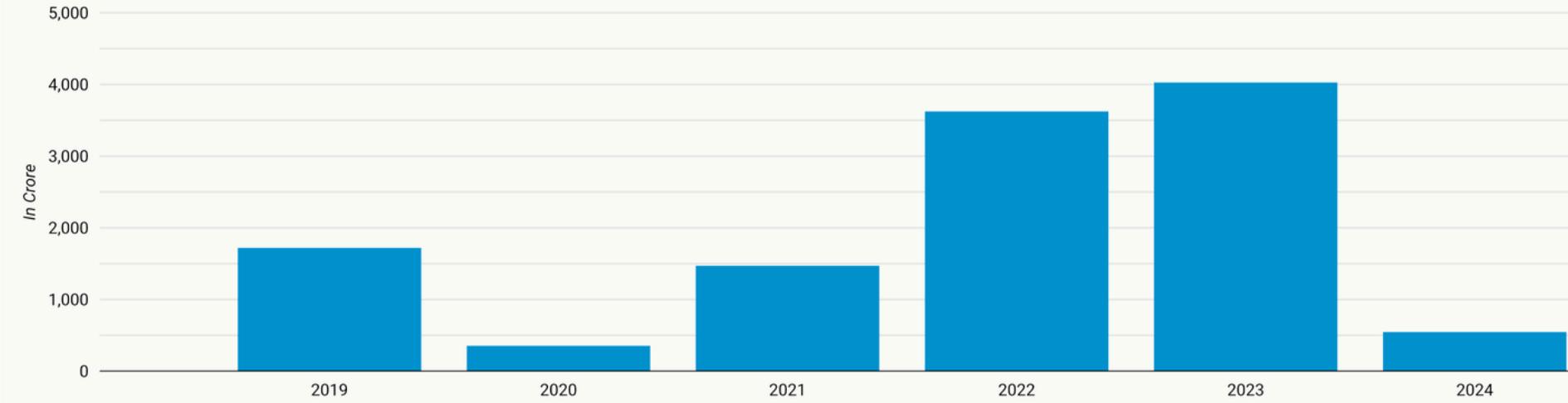
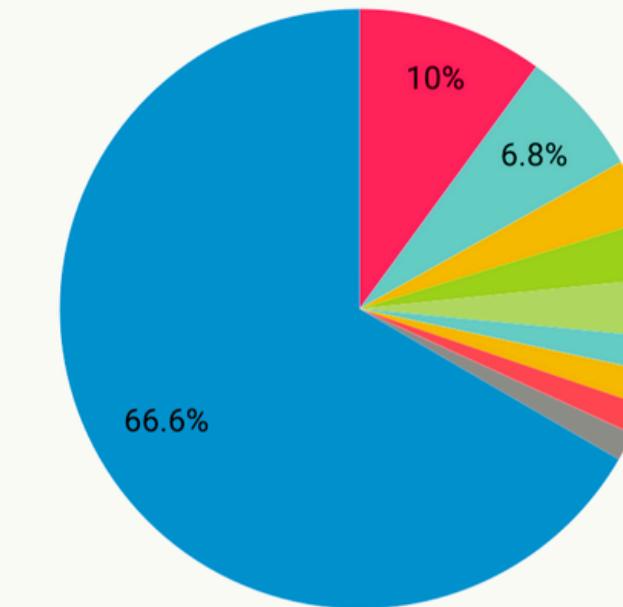
**Rs. 12,146Cr (121458783000)**

- How many companies donated electoral bonds?

**1320**

- How many companies donated only to one party?

**1060**



# K-Means Clustering

To begin our analysis, we performed clustering based on the market cap of each company and the total amount donated through electoral bonds

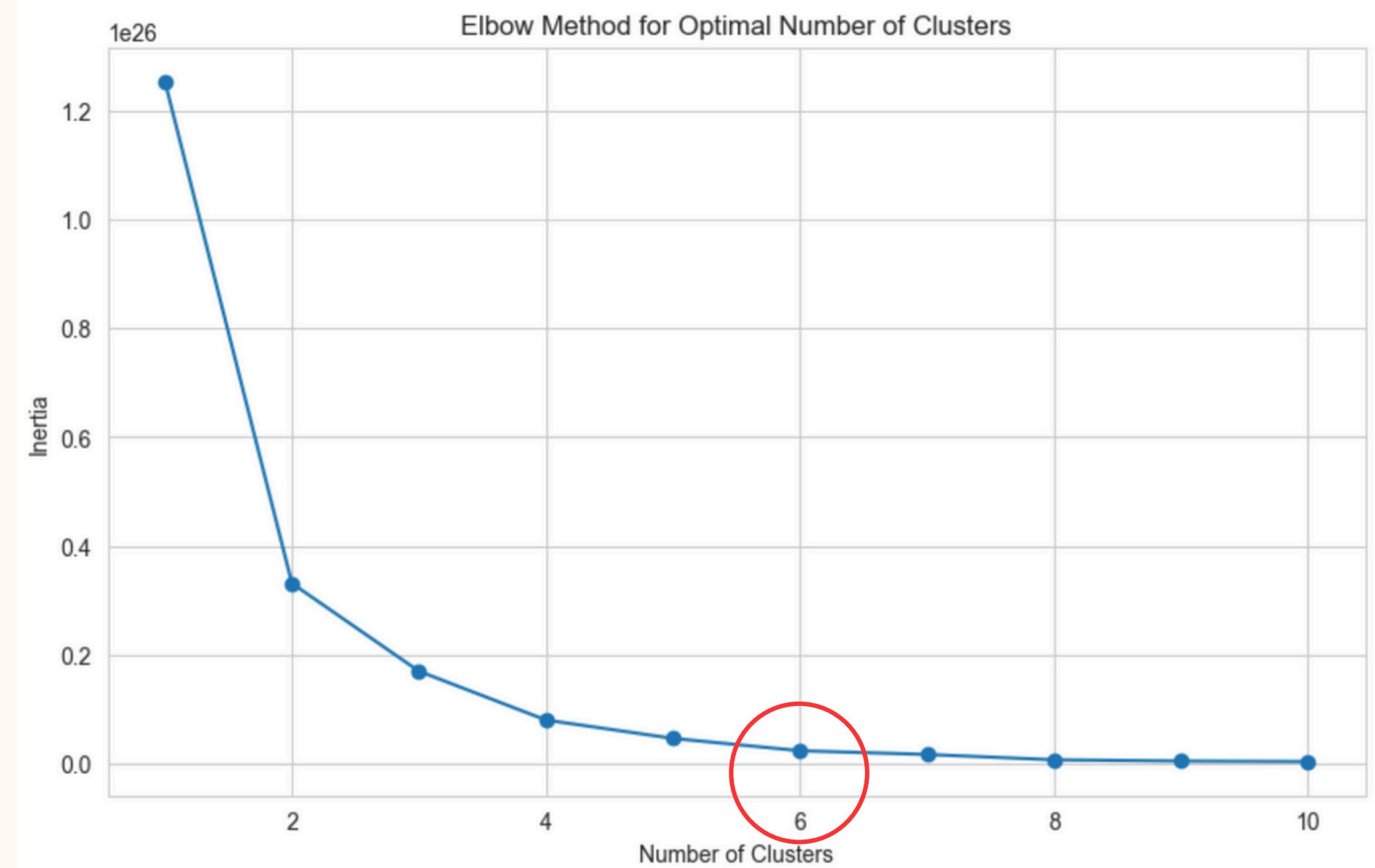
**to detect any outliers.**

**6** is the optimum number of clusters based on the elbow plot.

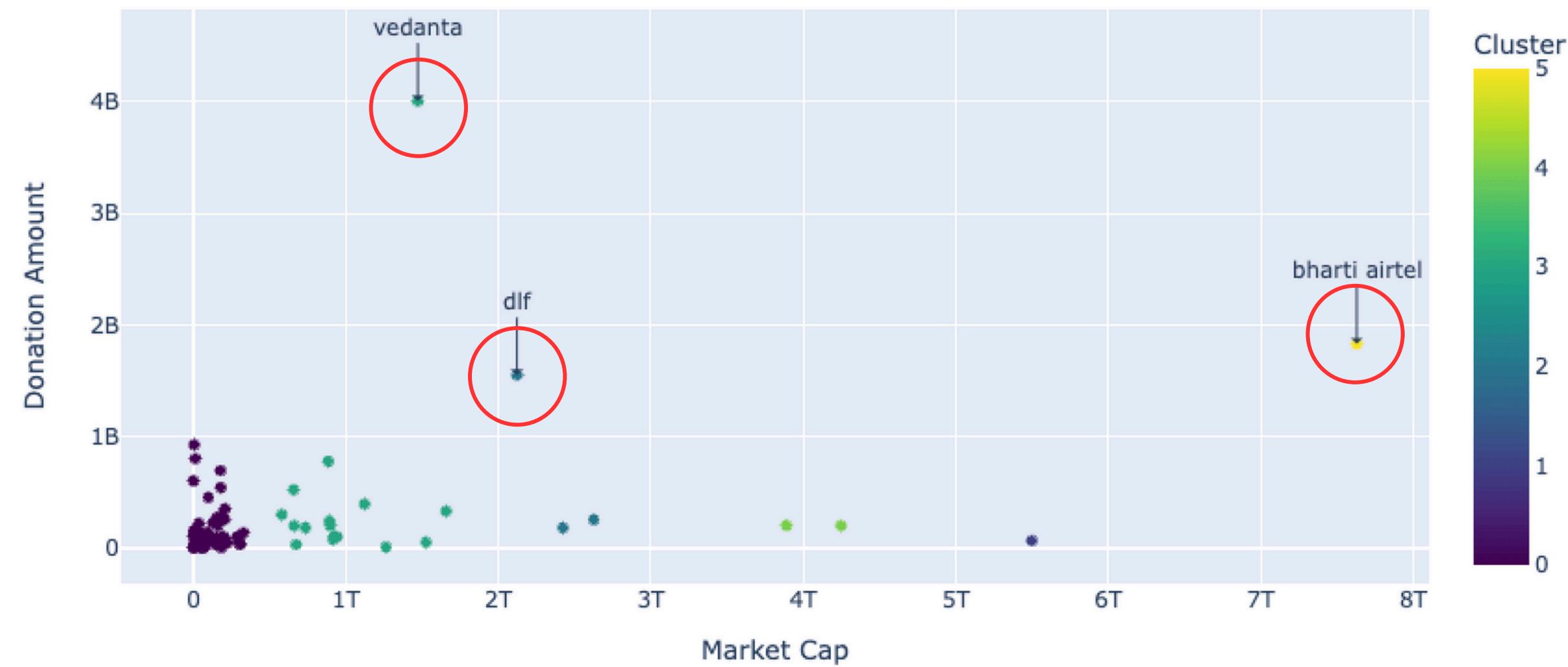
## Data

- Donation wise data from ECI
- Filtered listed companies using BSE data
- Market cap taken from Google Finance

Final number of companies = 78



## Clusters of Companies based on Market Cap and Donation Amount



3 major outliers -

- **Vedanta** - mcap = 1.5 T , donations = 4 B
- **DLF** - mcap = 2.2 T, donations = 1.5 B
- **Bharti Airtel** - mcap = 7.6 T, donations = 1.83 B

Cluster	mcap	Denominations
0	1.010929e+11	1.493145e+08
1	5.500169e+12	6.557500e+07
2	2.389846e+12	6.600000e+08
3	9.866643e+11	4.692812e+08
4	4.068343e+12	2.000000e+08
5	7.629887e+12	1.830000e+09

# Stock Performance Correlation

## Delhi Land and Finance (DLF)



**After Rs 170 crore to BJP, DLF got 'clean chit' in Vadra land deal from Haryana government**

The real estate group did not donate to any political party besides the BJP.

**Recalling Robert Vadra-DLF land deal which BJP milked politically in 2014 — and which the party now says was clean**

# Stock Performance Correlation

## Vedanta Limited



**Vedanta wins arbitration against govt in \$1.1 billion cost disallowance case**

Updated - August 27, 2023 at 04:34 PM. | New Delhi

**Vedanta-Owned Company Evaded Thousands of Crores of Mining Royalties Owed to Rajasthan Govt**



Mahim Pratap Singh  
26/Jul/2021 • 5 min read



In July 2022, Vedanta bought electoral bonds worth Rs 45 crore, followed by a whooping 110-crore investment in electoral bonds in November 2022. A month earlier, in [October 2022](#), Cairn Oil and Gas had received an extension for its Rajasthan block in Barmer till May 2030, from the Ministry of Petroleum & Natural Gas.

**Vedanta lobbied to weaken environmental regulations during pandemic: OCCRP report**

<https://thewire.in/government/vedanta-successfully-lobbied-indian-govt-to-weaken-environmental-regulations-report>

<https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/vedanta-lobbied-to-weaken-environmental-regulations-during-pandemic-occrp-report/articleshow/103261427.cms?from=mdr>

# Stock Performance Correlation

## Bharti Airtel



**Bharti group's Rs 150 crore bond donation to BJP coincided with Modi government's telecom u-turn**

Eutelsat OneWeb, which is in prime position to get satellite spectrum without an auction, is owned by Bharti Enterprises, UK government, SoftBank, among others.

On November 9, Bharti Airtel Limited bought electoral bonds worth Rs 100 crore, and donated the entire amount to the BJP. Four days later, on November 13, the BJP encashed all the bonds.

Eight days later, on November 21, as mentioned earlier, OneWeb became the first company to get satellite authorisation from India's space regulator. With this, it became the only company qualified to get satellite spectrum from the government.

# Stock Performance Correlation

## Torrent Power Limited

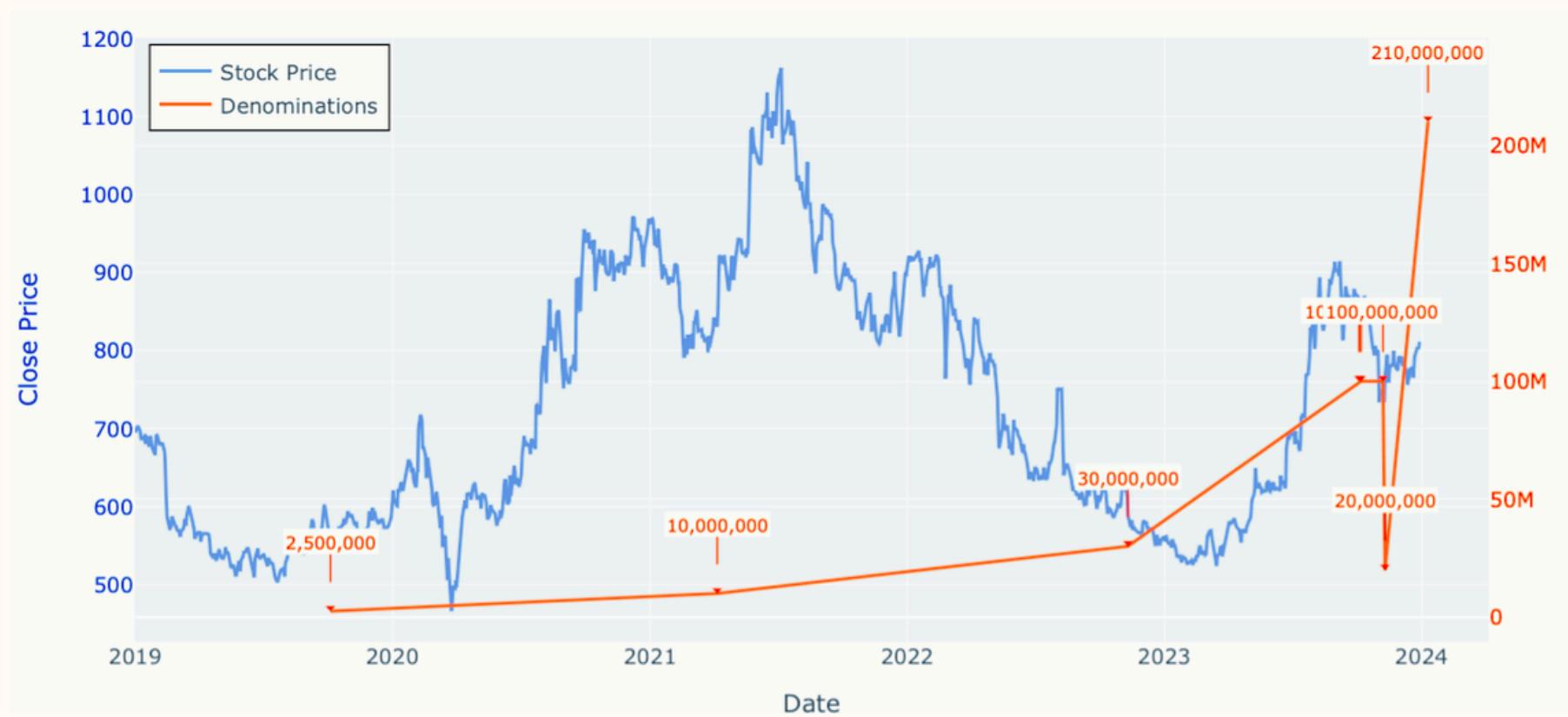


### Why One Of India's Biggest Electoral Bond Donors Is A Touchy Topic In Bhiwandi

Data released by the Election Commission of India show that one tranche of bonds worth Rs 7.5 crore was purchased by TPL in May 2019 and encashed by the BJP three days later. The same month, the Maharashtra [government ordered](#) the Bhiwandi municipal corporation not to recover property tax worth Rs 285 crore (including interest and fine) from Torrent Power. The reason given was that such recovery of property tax would lead to higher tariffs and was not in the interest of citizens. A Shiv Sena-BJP alliance was running the state government at the time.

# Stock Performance Correlation

## Natco Pharma Limited



### Natco Pharma receives favourable verdict in patent infringement case

In May this year, Natco had announced that the corporation had filed a patent suit against it in the Delhi High Court.

PTI | DECEMBER 05, 2022 / 07:18 PM IST

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### Natco Pharma gets warning letter from USFDA for Telangana plant

The inspection was conducted by USFDA from October 9- 18, last year.

# Regression Analysis



- Lasso regression is a popular machine learning technique used for feature selection and model regularization.
- In this study, we aim to apply **Lasso regression** to predict the 'Total Donation Amount' of companies using various financial and non-financial variables.

# FINDINGS

```
 9 # Calculate the R^2 score
10 r2_score = lasso.score(X_test, y_test)
11
12 # Display the R^2 score
13 print("Using the Lasso model, and the selected features, the R^2 score is:", r2_score)
Executed at 2024.05.09 02:34:49 in 14ms
```

Using the Lasso model, and the selected features, the R^2 score is: 0.7420143573298361

- An R^2 score of **0.742** suggests that the Lasso regression model explains approximately 74.2% of the variance in the 'Total Donation Amount' based on the independent variables included in the model.
- Suggests higher total donation amounts for companies facing legal issues, making frequent donations, having higher leverage, closer to the verge of bankruptcy, stronger accountability measures, higher valuations, and larger market capitalizations.

The coefficients of the Lasso model and their importance are:

Feature	Coefficient
Missing	0
Count	9
9 Unique values	
raid/court cases	4.127334e+08
Total Donation Frequency	1.275190e+08
de	1.066679e+08
CAM	3.158804e+06
pe	9.009102e+05
mcap	9.244505e-05
eps	-7.418278e+03
CCR	-3.072690e+06
contracts	-1.630741e+08

# Regulatory Concerns Analysis

	C1	C2	C3	C4
1	company_name	event_type	date	description
2	FUTURE GAMING AN...	ELECTION	2019-04-11...	Arunachal Pradesh   Andhra Pradesh   Odi...
3	FUTURE GAMING AN...	ELECTION	2019-10-21...	Haryana   Maharashtra
4	FUTURE GAMING AN...	ELECTION	2019-11-30...	Jharkhand
5	FUTURE GAMING AN...	ELECTION	2020-02-08...	Delhi
6	FUTURE GAMING AN...	DONATION	2020-10-21...	6000000000
7	FUTURE GAMING AN...	DONATION	2020-10-27...	9000000000
8	FUTURE GAMING AN...	ELECTION	2020-10-28...	Bihar
9	FUTURE GAMING AN...	ELECTION	2021-03-27...	West Bengal   Assam
10	FUTURE GAMING AN...	DONATION	2021-04-05...	4900000000
11	FUTURE GAMING AN...	ELECTION	2021-04-06...	Kerala   Puducherry   Tamil Nadu

Average Donated Amount /  
Frequency Before the first instance of  
EVENT

'Court Cases /  
Raids' or  
'Contract'

Average Donated Amount / Frequency After  
the first instance of EVENT

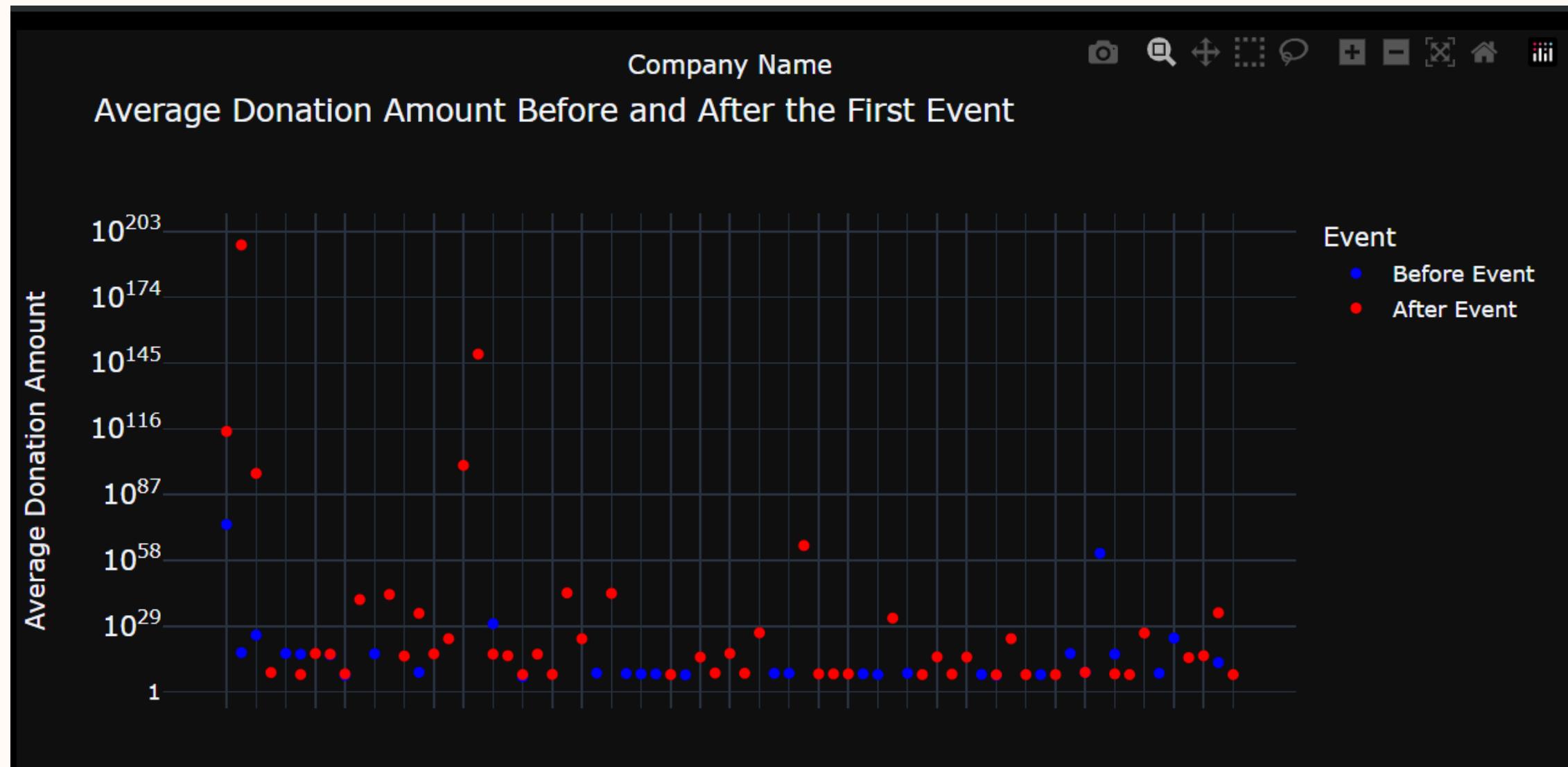
Delta of Average Donated Amount /  
Frequency of Before and After

# Results

TRIDENT LIMITED: 1.0

The number of companies (out of 69) with positive delta in average donation amount: 47

The number of companies (out of 69) with positive delta in average donation frequency: 43



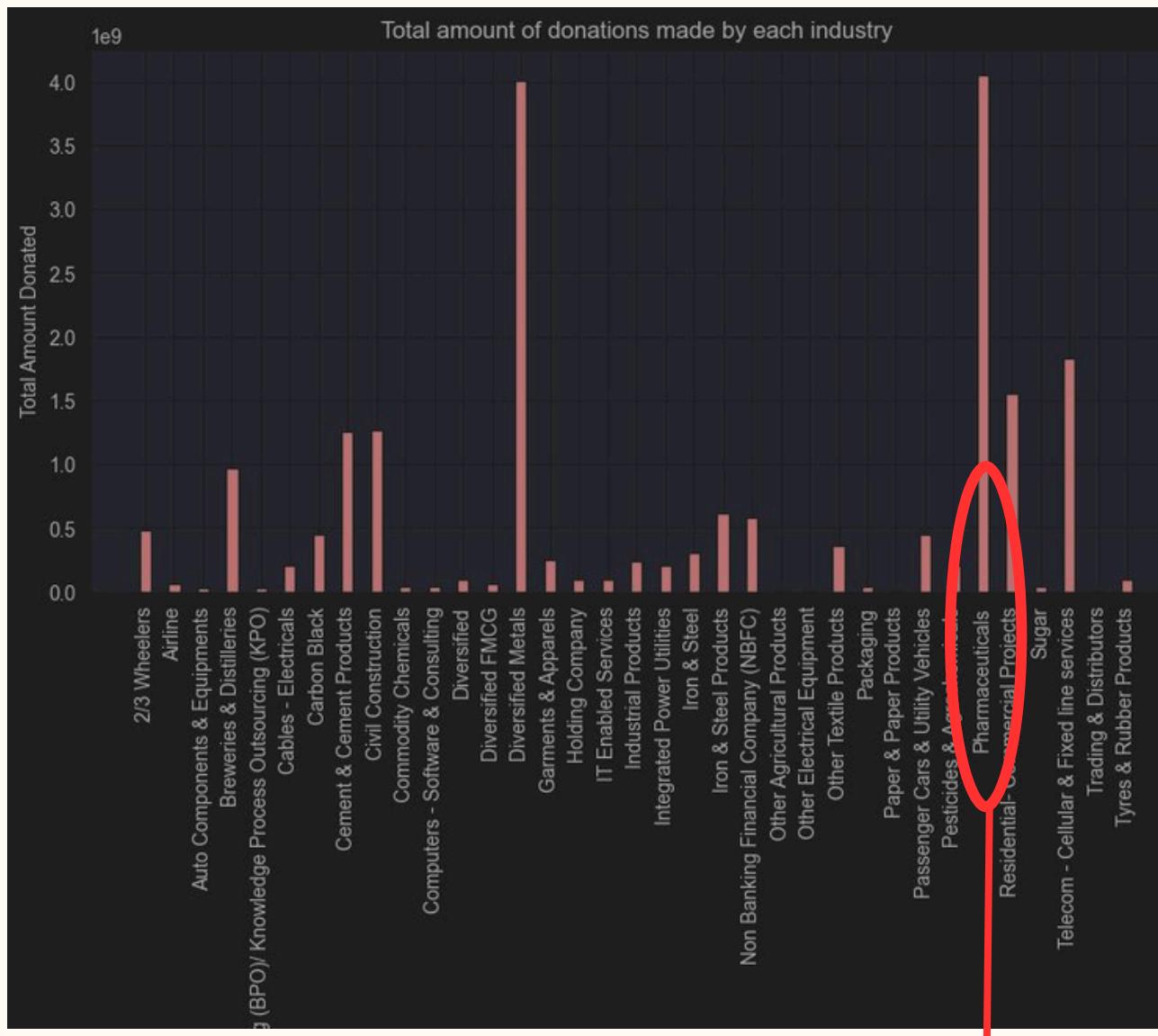
- **Out of all the companies, 69 had an instance of 'EVENT TYPE' - 'COURT CASES / RAIDS' or 'CONTRACTS'**
- **And out of those companies, majority of them increased donations after the event**

\*Each gridline represents a company

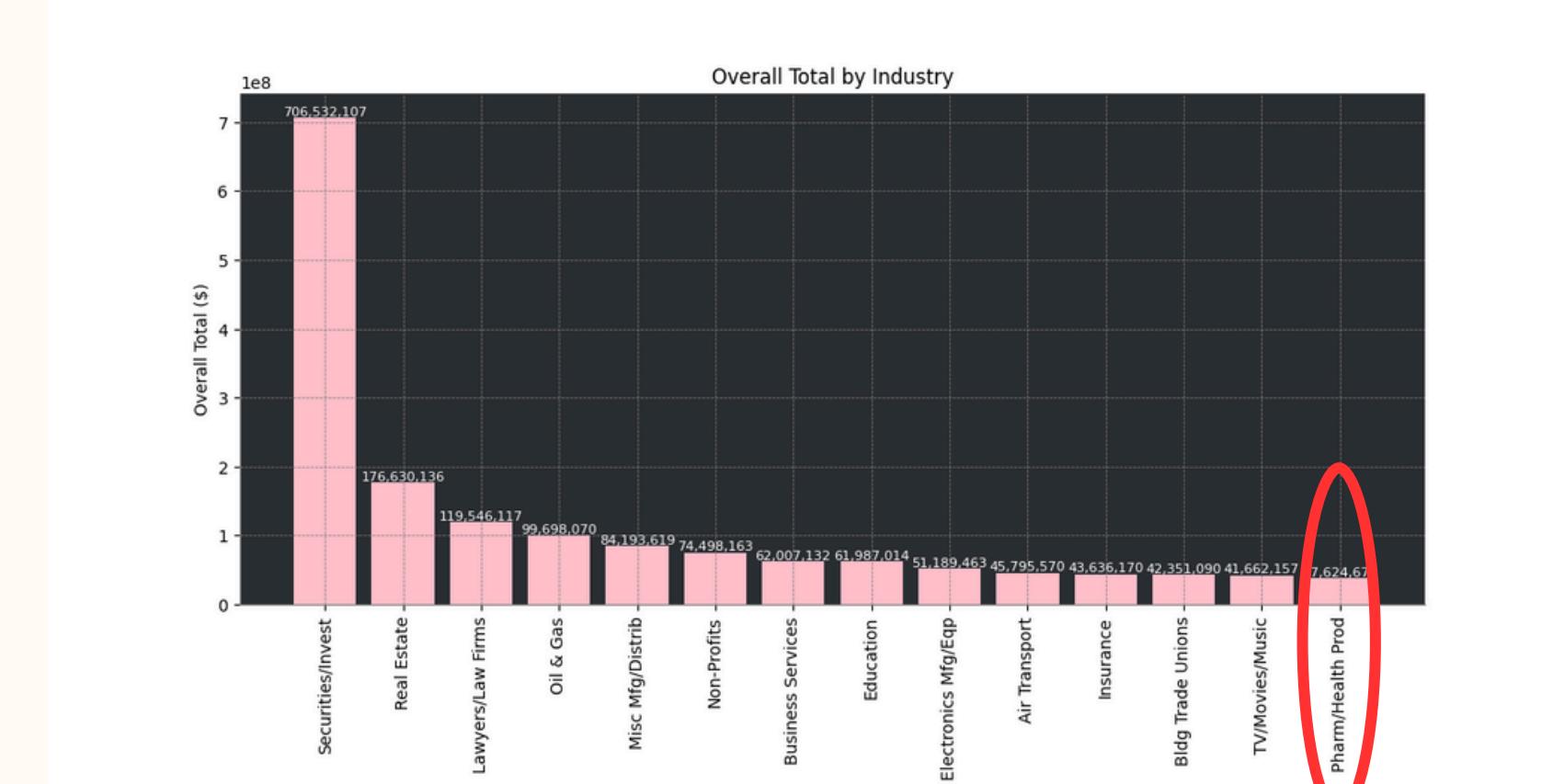
# Comparative Sectoral Donation Trends



# Comparative Sectoral Donation Trends



Pharma



In a striking contrast, the Pharma sector emerges as the top donor in India, yet it ranks as the lowest in the U.S.

# Unpacking Regulatory Influence on Donation Dynamics



**Decentralized Regulation in India**  
State-level control over drug approvals may create opportunities for Pharma companies to influence policy through substantial donations.



**Centralized Regulatory Body in US**  
In contrast, the U.S. boasts a stringent, uniform regulatory framework under the FDA. This makes such contributions less strategic.

## According to the Drug and Cosmetics Act 1940

handled by the DCGI. Whereas, the approvals for setting up manufacturing facilities, and obtaining licenses to sell and stock drugs are provided by the respective State Governments.

This stark difference highlights how regulatory frameworks shape corporate donation strategies. In India, donations can be a tactical move to gain regulatory favor, whereas in the U.S., stringent central oversight reduces the influence of such contributions.

# Key Findings

## Debt Influence

- Companies with high debt/leverage are seemingly more likely to purchase electoral bonds.
- Potentially seeking favourable policies from the political parties they support. These companies could be hoping for policy changes or government interventions that might ease their financial burdens or improve their operating conditions.

## Legal Cooling

- There seems to be a large correlation between raids/regulatory concerns involving a company and their willingness to purchase electoral bonds.
- This could be an attempt to gain temporary easing from regulatory bodies and receive projects/contracts.

## Favourable Industry Environment

- Pharmaceuticals and Mining are state/centrally controlled industries in India, thus the purchase of electoral bonds was extremely large by these companies.
- These sectors inherently require many approvals/licenses and permits, with high barriers to enter and function within.

# Limitations

## 1. Focus on Public Companies Due to Data Constraints

- **Limited Scope**
- **Potential Bias:** Might skew our understanding as private entities could have different donating behaviors

## 2. Exclusion of Tax Data in Regression Analysis

- **Lack of Comprehensive Tax Data:** Unable to incorporate tax data as a variable in our regression analysis due to the unavailability of detailed tax records.

## 3. Unreported Internal Incidents

- **Incomplete Picture**
- **Hidden Information:** Significant internal reports and legal issues within companies often remain unreported, limiting our analysis.

THE NAME IS BOND, ELECTORAL BOND



Thank you.