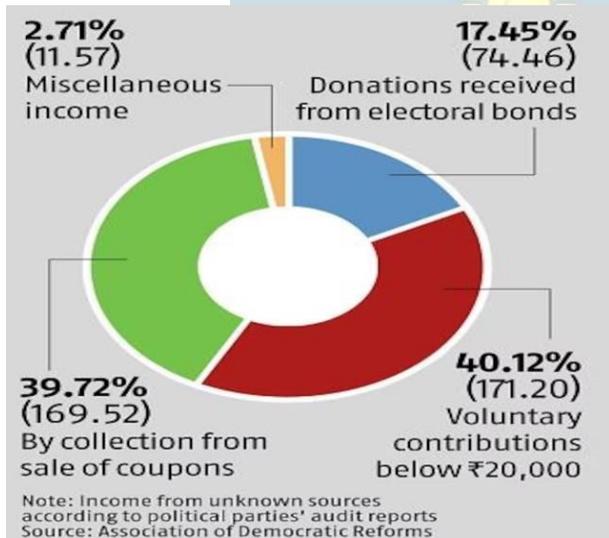
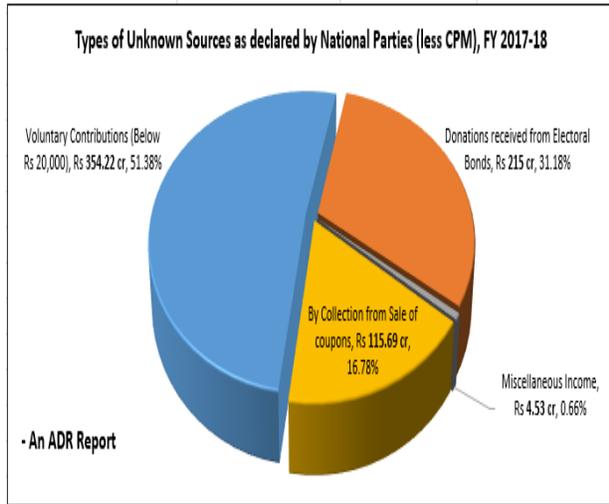


## Political donation/funding



### Battle in top court

**'Absolutely transparent': Centre tells apex court**  
 "...the methodology of receiving money is so transparent that it is impossible to get any money in black or unaccounted money."  
 — Tushar Mehta, solicitor general, appearing for the government

**Petitioners seek Constitution bench**  
 "Electoral bonds are the most opaque system... and a constitution bench is ideally suited to hear this."  
 — Kapil Sibal, representing the petitioner

**What the petitioners say**  
 The petitioners have claimed that electoral bonds are an anonymous route of funding that amounted to legitimising bribery. These donations enjoy 100% tax exemption and even foreign companies can donate through Indian subsidiaries

**Interim safeguards**  
 The Supreme Court in April 2019 introduced an interim "safeguard" by directing all political parties to submit details of receipts of EBs to the Election Commission in a sealed cover

## Flow of funds

A look at what the petition filed by the NGO says:

- The Finance Act of 2017 introduced the use of electoral bonds, which are exempt from disclosure under the Representation of the People Act, 1951, opening doors to unchecked, unknown funding to parties
- The amendments have removed the existing cap of 7.5% of net profit in the past three years on campaign donations by companies and have legalised anonymous donations

- Contribution received by any eligible political party in the form of electoral bonds will be exempt from income tax

The Election Commission vide letter dated May 26, 2017 and the RBI in letters on 31.01.2017, 14.09.2017, 27.09.2017 had objected to electoral bonds and advised against the issuance of electoral bonds as a mode for donation to political parties



Political parties in any country play an indispensable role in the democratic process.

They form the government and have the responsibility under our constitution of holding the government to account. It is thus essential that the parties are adequately funded in a manner which enjoys public confidence.

- The amendments made to the Representation of the People Act 1951 and other laws which provide for electoral bonds, provide complete anonymity to political donors.

The Hindu

## Regulating political funding

- As far back in 1910, the United States of America enacted the Publicity Act, which not only made all funding of political parties and candidates to be

disclosed, it also imposed limits on political contribution

- In 2014, the European Union enacted a Regulation of the European Parliament and of the Council on the funding of European political parties and European political foundations.
- Under this Regulation, there were limits set on the value of donations that parties and foundations may accept per year and per donor
- In the U.K., under the Political Parties, Elections and Referendums Act 2000, there are restrictions on the donations and loans a political party can accept, and requirements for the declaration of the source of the donations.

### The need for disclosure

- We need public disclosure of funding because political parties are the pillars of representative democracy and transparent accounts are the key to preserving citizens' trust in parties and politicians, maintaining the rule of law and removing corruption in the electoral and political process.
- Limits on donations are imposed because unchecked large donations to political parties and their allies have the effect of bringing democracy into disrepute.

- The outcome of elections should not depend on which party has more money to campaign and woo, or buy voters.
- The separation of wealth from power is a basic condition of a democratic system

### The road ahead

- A key element of democracy is electoral justice.
- Electoral justice ensures that every action, procedure and decision related to the electoral process is in line with the law and that the enjoyment of electoral rights are protected.
- An electoral justice system upholds the rule of law and guarantees the democratic principle of holding free, fair and genuine elections.
- Electoral bonds which keep donor details undisclosed are volative of the democratic requirements of transparency and will undermine free and fair elections.
- Therefore, merely holding them unconstitutional is not enough.
- For a healthy democracy, it is absolutely necessary that we have a law that ensures full publication of all donations made to political parties.

- We need a separate legislation that mandates public disclosure of the identity of donors to political parties, candidates or political foundations which are above a certain nominal limit,
- the immediate reporting of large donations to the election commission, mandating that political party accounts be made public and reported to the election commission, auditing of accounts of political parties by an independent authority,
- Setting limits on funding and expenditure by political parties and mechanisms on enforcement of the law.

The Hindu

### RBI to increase risk weights for lending

- Seeking to rein in an observed rise in unsecured personal loans and credit cards, the Reserve Bank of India (RBI) directed banks and nonbanking financial companies (NBFCs) to reserve more capital for risk weights.
- The mandatory risk weight requirement has been increased by 25 percentage points.
- This would be applicable to unsecured personal loans, credit cards and lending to NBFCs.

### What has the RBI proposed?

- The idea is to address the notion of 'credit risk.'
- It refers to the risk entailed by a borrower being unable to meet their obligations or defaulting on commitments.
- 'Risk weights' are an essential tool for banks to manage this risk.
- This metric, in percentage factors, adjusts for the risk associated with a certain asset type. In other words, it is an indicator of the essential holding the lender should ideally have to adjust the associated risk.
- This is what the RBI has directed to be increased.
- The primary purpose of effective risk management by banks is to maximise their returns by maintaining credit risk exposure within acceptable parameters.
- Earlier, the RBI had raised concerns about the growth seen in consumer credit and increased dependency of NBFCs on bank borrowings. Now, it has directed that the risk weight for consumer credit exposure be increased by 25 percentage points to 125%, for all commercial banks and NBFCs.

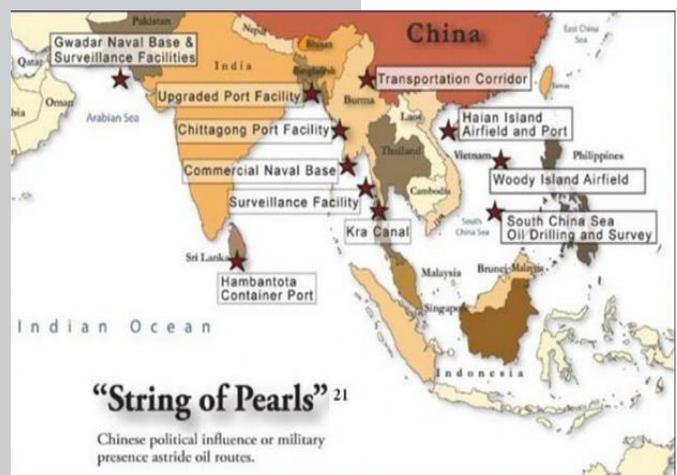
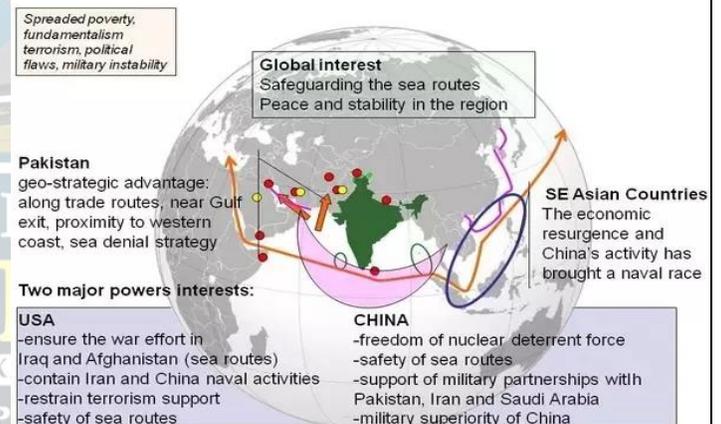
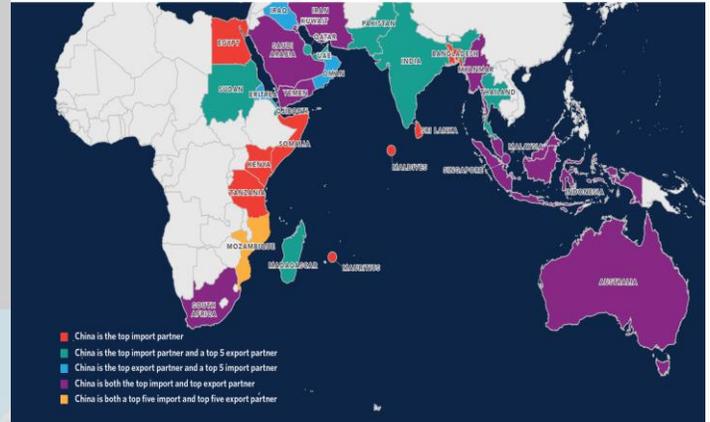
- This would apply to personal loans (and retail loans for NBFCs), excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery.
- At present, exposures in this realm mandate a risk weight of 100%.
- Credit card loans of scheduled commercial banks (SCBs) currently attract a risk weight of 125% while that of NBFCs attract 100%.
- The apex banking regulator has decided to increase the risk weight to 125% for NBFCs and 150% for SCBs.
- Lastly, bank credit to NBFCs, excluding core investment companies, also had their risk weights increased by 25 percentage points.
- This would, however, not apply to housing finance companies and loans to NBFCs classified into the priority sector

### What are the chief concerns?

- The primary concerns relate to the impact on capital adequacy and the bank's overall profitability.
- S&P's latest report states that slower loan growth and an increased emphasis on risk management will likely support better asset quality in the Indian banking system.

## Maritime security and global south

Figure 12. China's Trading Partners in the Indian Ocean Region





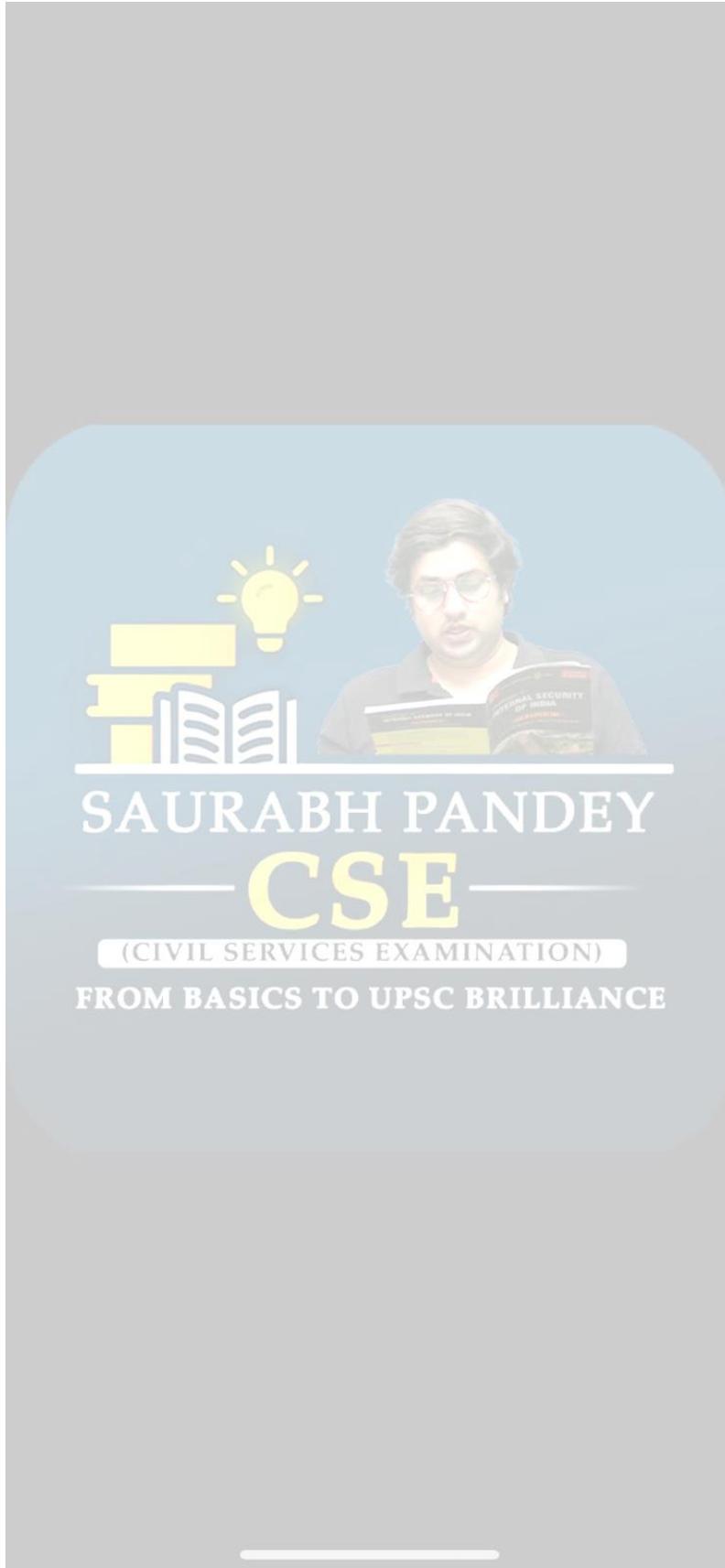
- With Ukraine's growing use of asymmetrical tactics against Russia in the Black Sea or China's deployment of maritime militias in the South China Sea, there is an unmistakable element of improvisation.
- The radical new tactics at sea involve the use of greyzone warfare, land attack missiles, and combat drones.
- It is instructive, however, that the bulk of the demand for maritime security in recent years has come from states facing unconventional security threats, such as illegal fishing, natural disasters, marine pollution, human and drug trafficking, and the impact of climate change.
- These are difficult to fight using only military means. States must instead be prepared to commit capital, resources, and specialist personnel over prolonged periods to meet security needs.
- Throughout its G20 presidency, India has sought to emphasize the concerns of the Global South in discussions to find solutions to the most pressing issues in the maritime domain.
- Yet, there is no functioning template to fight non-traditional threats at sea
- There is a widespread perception in the Global South that the zero sum competition among powerful nations in the has been to the detriment of the developing world.
- The cross jurisdictional linkages between these diverse areas make them challenging to manage.
- Rising sea levels, marine pollution, climate change, and natural disasters have had a disproportionate impact on less developed states, placing them in a position of vulnerability.
- Worryingly, littoral states in Asia and Africa have unequal law enforcement capabilities and lack the security coordination required to jointly combat maritime threats.
- Many have varying security priorities and are not always willing to leverage partner capabilities to combat threats such as piracy, armed robbery, and maritime terrorism

Approach needed

## Current Affairs 29<sup>th</sup> November 2023 by Saurabh Pandey

- Sea power is increasingly about generating prosperity and meeting the aspirations of the people.
  - India's Maritime Vision 2030 sets out a creative model.
  - This 10-year blueprint for the maritime sector envisages the development of ports, shipping, and inland waterways as a way of generating growth and livelihoods.
  - Dhaka's inaugural official document on the IndoPacific details guiding principles and objectives that demonstrate a developmental approach to maritime security, focused on the provisioning of goods and services, and the protection of marine resources.
  - The talk in Africa, too, is about a thriving Blue Economy and a secure maritime domain.
  - The sharp uptick in illegal unreported and unregulated fishing has been aided by faulty policies that encourage destructive fishing methods such as bottom trawling and seine fishing.
  - Environmentalists highlight three specific anomalies: lenient regulations that allow for the misuse of resources; lax implementation of the law by security agencies; and the harmful impact of subsidies that states offer to incentivize smaller fishermen to shift to motorized trawling.
  - Among the proposals that set out ways to deal with maritime challenges is India's IndoPacific Oceans Initiative.
  - It rests on seven pillars including maritime ecology, marine resources, capacity building, disaster risk reduction, and maritime connectivity. It acknowledges that countries need collective solutions to their common problems, especially since they remain economically interdependent.
  - Implementing a collaborative strategy is challenging since it requires maritime agencies to improve interoperability, share intelligence, and agree on a regional rules based order.
  - States must adapt to an integrated form of maritime security operations and overhaul regulatory frameworks to align domestic regulation with international law an unappealing proposition for many that continue to prioritise sovereignty and strategic independence over collective action.
  - Unsurprisingly, consensus eludes the Global South.
- [The Hindu](#)

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