

LOK SABHA



STUDY GUIDE



AGENDAS:

- 1) Discussion on the Regulation, Implementation and Utility of Foreign Funding of Institutions, with special emphasis on the Foreign Contribution (Regulation) Act (FCRA)**
- 2) Discussion on the formulation of a comprehensive and regulatory framework for the regulation of political parties in India, focusing on financial transparency, internal governance, annual membership disclosures and institutional accountability.**

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LETTER FROM THE EXECUTIVE BOARD

“The price good men pay for indifference to public affairs is to be ruled by evil men.”

— attributed to Plato

Read that again, not because we expect you to agree with it, but because, for the next few days, public affairs are yours.

It is 11:47 PM, and the House is still in session. The benches are restless, papers are scattered across the desks, and voices continue to rise as members demand answers and call for order. Then, your name is called.

You stand, and for the next few minutes, you are no longer simply a student at a conference. You are a Parliamentarian.

At that moment, knowing the topic is no longer enough. You need to understand the law behind it, the history that shaped it, the institutions that govern it, and the arguments your opponents may raise before they even make them. Most importantly, you need to understand why your own argument deserves to exist.

Parliament is often reduced to its noise: the interruptions, slogans, walkouts, and carefully prepared speeches. Yet democracy is not meant to be a performance. It is meant to be a process of discussion, disagreement, scrutiny, and deliberation.

That is the Parliament we want here.

We do not want you to simply speak more. We want you to think better.

Do not read this study guide merely as a textbook. Read it as a map. Go beyond the name of a law and explore the debates surrounding its provisions. Read committee reports, examine judicial interpretations, study relevant statistics, and question where those statistics come from.

Remember that you have not been given only a topic. You have been given a name, a party, a political history, and a seat in the House.

When you find an argument that you agree with, challenge yourself to find its weakness. Look for the strongest argument against it and ask yourself what question your argument cannot answer. Research is not simply the collection of facts; it is the process of understanding an issue deeply enough to turn those facts into meaningful arguments. Study the Parliamentarian you have been assigned. Understand what they have said, what they have supported, what they have opposed, and what they would never say.

For these few days, think like them, research like them, and argue like them.

When someone challenges your position, do not rush to defend yourself. Take the time to understand the challenge first. You may lose an argument, and that is not necessarily a failure. Someone should be able to find the weakness in your reasoning and make you reconsider something you thought you understood. The real test is what you do after that challenge. Do you simply repeat yourself, or do you think again?

Some documents are better read before they reach the floor. And when one finally does, remember that the most important detail may not be the one printed in bold.

Beneath the interruptions, disagreements, and occasional chaos of Parliament, there is something more important taking place: deliberation.

That is what we expect from you. We do not expect perfect speeches, manufactured outrage, or simply the loudest voice in the room. We expect research that can withstand questioning, arguments that can withstand opposition, and Parliamentarians who are willing to leave the room understanding an issue differently from when they entered it.

The system outside these walls may not always live up to that standard, but you do not have to reproduce its shortcomings. For these few days, you have been given a seat and the opportunity to use it meaningfully.

Do not waste it.

Until October,

Regards,

— The Executive Board



AGENDA I:

Discussion on the Regulation, Implementation and Utility of Foreign Funding of Institutions, with special emphasis on the Foreign Contribution (Regulation) Act (FCRA)

I. INTRODUCTION

THE TWO SIDES OF FOREIGN FUNDING

Foreign funding has played an important role in India's development. Since independence, foreign contributions have supported education, healthcare, research, environmental projects and social welfare.

Its benefits are visible across sectors:

1. Education
2. Scholarships
3. Research projects
4. Infrastructure development
5. Healthcare
6. Medical equipment
7. Rural healthcare centres
8. Rural & Social Development
9. Poverty reduction
10. Skill development
11. Women empowerment
12. Child welfare

But there was a problem: money could enter the country faster than mechanisms could track it.

In the early decades, foreign contributions were largely governed through:

- foreign-exchange regulations;
- income-tax laws;
- banking rules;
- trust and society registration laws.

There was no dedicated, comprehensive framework governing foreign contributions. By the late 1960s and 1970s, concerns grew that foreign money could potentially be used to influence political activity, affect elections, support movements against the State or promote foreign interests.

This eventually led to the Foreign Contribution (Regulation) Act, 1976.

The fundamental tension remains unchanged:

Foreign funding can strengthen genuine development — but foreign financial influence can also create governance and national-security concerns.

Globalisation has only made this question more important. Digital transactions, international philanthropy and transnational financial networks have increased both the usefulness and complexity of foreign funding.

FCRA therefore does not simply attempt to stop foreign money. It creates a framework through which such money can enter India with conditions, records and oversight.



II. HOW OTHER COUNTRIES REGULATE FOREIGN INFLUENCE

India is not alone in regulating foreign funding and influence.

United States — FARA, 1938

The Foreign Agents Registration Act requires certain persons and organisations acting under the direction of a foreign principal to register and disclose their political, lobbying or public-relations activities. Violations can attract civil or criminal penalties.

Australia — Foreign Influence Transparency Scheme Act, 2018

Requires registration of certain arrangements undertaken on behalf of foreign principals for political or governmental influence.

United Kingdom — Foreign Influence Registration Scheme

Under the National Security Act, 2023, the UK's scheme, enforced from 1 July 2025, creates a two-tier registration framework for specified foreign-influence arrangements.

Canada — Foreign Influence Transparency and Accountability Act, 2024

Provides for a public registry of certain arrangements involving foreign influence over political or governmental processes, with significant penalties for violations.

European Union

The EU's proposed transparency framework seeks greater disclosure of lobbying or advocacy undertaken on behalf of non-EU governments.

The approaches differ, but the broad international trend is clear:

Foreign funding and foreign influence are increasingly treated as transparency and governance issues, not merely financial transactions.

III. WHAT COUNTS AS “FOREIGN CONTRIBUTION”?

Section 2(1)(h) of the FCRA, 2010 defines foreign contribution as a donation, delivery or transfer from a foreign source of specified:

- articles;
- currency, Indian or foreign;
- securities.

Three points are particularly important:

1. Transfer remains foreign contribution

If a person receives a foreign contribution and subsequently transfers it to another person, it continues to be treated as foreign contribution for the recipient.

2. Interest is also covered

Interest earned on foreign contribution is itself treated as foreign contribution.

3. Ordinary commercial transactions are excluded

Money received from a foreign source in India as an ordinary fee or payment for goods or services in the normal course of business, trade or commerce is not treated as foreign contribution.

Under the Act, “person” includes an individual, Hindu Undivided Family, association and company.

In simple terms, FCRA governs how Indian individuals and organisations may receive, utilise, account for and report foreign money, securities or articles.

IV. THE THREE CORE FUNCTIONS OF FCRA

The Act essentially does three things :

1. Determines who may receive foreign contributions and under what conditions.
2. Regulates how those contributions are received, accounted for, utilised and reported.
3. Restricts specified foreign-funded activities that may affect sovereignty, security or public order.

The law originated in 1976, was replaced by the FCRA, 2010, and has subsequently undergone major amendments, including those in 2016, 2018, and 2020, with further changes proposed in 2026.

V. INDIA'S FIVE-PILLAR APPROACH

The guide's proposed India position can be understood through five principles:

1. Sovereign Regulation

A sovereign state has the right to regulate financial flows entering its territory and understand how foreign money moves through domestic institutions.

2. Transparency, Not Prohibition

FCRA does not prohibit legitimate foreign charity, research or humanitarian assistance. It subjects such funding to registration, designated banking channels and reporting.

3. Democratic Accountability

Foreign-funded influence over policy, elections or public opinion cannot easily be scrutinised if its financial source is invisible. Disclosure therefore forms part of accountability.

4. Foreign Influence as a Global Security Concern

Foreign financing of political activity, lobbying, disinformation or other influence operations is increasingly treated internationally as a national-security concern.

5. India in the Global Trend

India's regulation of foreign influence is part of a broader international movement towards transparency and monitoring of foreign-funded activity.

VI. REGISTRATION AND PRIOR PERMISSION

There are two principal mechanisms through which organisations can receive foreign contributions:

- Registration
- Prior permission

Organisations receiving foreign contributions must operate through the designated FCRA banking framework, including the SBI New Delhi account requirement, allowing transactions to be centrally tracked.

Registration certificates are valid for five years and require renewal.

Financial Discipline

Organisations must:

- disclose the purpose for which foreign contribution is received;
- use the funds for the approved purpose;
- limit administrative expenditure to 20% of annual foreign contribution under the current framework;
- file annual FC-4 returns, including donor, receipt, utilisation and audit information.

The underlying objective is straightforward: foreign money should be traceable from receipt to utilisation.

VII. WHERE CAN FOREIGN CONTRIBUTIONS BE USED?

The framework permits foreign contributions for areas including:

1. Human Development
2. Education, healthcare and social welfare.
3. Community & Rural Development
4. Rural development, sanitation, livelihoods and water access.
5. Environmental & Cultural Protection
6. Environmental conservation, culture and heritage.
7. Humanitarian Work
8. Disaster relief, rehabilitation and emergency response.
9. Religious & Knowledge Activities
10. Faith-based welfare, scientific research and academic collaboration.

The central requirement is that funds be used consistently with the purpose for which they were received.

VIII. FCRA 1976 —THE BEGINNING

The Foreign Contribution (Regulation) Bill, 1973 was introduced in the Rajya Sabha by Home Minister K. Brahmananda Reddy on 29 December 1973.

It was referred to a Joint Committee on 19 February 1974, consisting of 60 members — 20 from the Rajya Sabha and 40 from the Lok Sabha, chaired by Manubhai Shah.

The legislation received Presidential assent on 31 March 1976 and became the FCRA, 1976 (Act No. 49 of 1976). It came into force on 5 August 1976.

Its objective was to regulate the acceptance and utilisation of foreign contributions and foreign hospitality, while preventing foreign influence over political and public institutions.

Major features included:

- regulation of foreign contributions;
- restrictions on political parties, candidates, legislators and specified public officials;
- registration requirements for organisations;
- designated banking arrangements;
- disclosure of the purpose of funding;
- regulation of foreign hospitality;
- government powers over approval and transactions;
- record maintenance, inspection and audit;
- penalties and account-related action.

The Act did not completely prohibit foreign funding. Its stated purpose was to regulate it while allowing legitimate charitable and developmental activity.

IX. FCRA 2010 — A STRONGER FRAMEWORK

The FCRA, 2010 retained the basic philosophy of the 1976 law while introducing greater control and accountability.

Key changes:

- Certain political or politically oriented organisations, as well as specified organisations involved in news and current-affairs broadcasting, were restricted from accepting foreign contributions.
- Foreign contributions could only be transferred to another person who was authorised under FCRA.

The Act also introduced:

1. five-year validity for registration;
2. renewal requirements;
3. suspension and cancellation mechanisms;
4. separate accounts for foreign contributions;
5. greater banking and reporting requirements;
6. rules regarding assets of defunct organisations;
7. penalties for false information and violations.

A significant financial rule allowed up to 50% of foreign contribution for administrative expenses, with higher expenditure requiring prior approval.

The law also required banks to report specified large foreign transactions to the Central Government.

The objective was to ensure that foreign contributions remained traceable, purpose-specific and accountable.

X. FCRA 2020 — GREATER CONTROL

The 2020 amendments significantly tightened the framework.

Public Servants

Public servants were added to the category prohibited from receiving foreign contributions.

Transfer of Funds

Foreign contribution could no longer simply be transferred onward to another person or organisation.

Aadhaar / Identification

Applicants for registration, prior permission or renewal were required to provide identification details of office-bearers, directors and key functionaries, with passport/OCI documentation for foreign nationals.

SBI FCRA Account

Foreign contributions had to be received through the designated FCRA account at the State Bank of India, New Delhi, with separate accounts permitted for utilisation.

Government Restrictions

The government received greater ability to restrict utilisation of unutilised funds where violations were suspected.

Renewal

Renewal could involve government checks concerning:

- fictitious or benami organisations;
- certain prosecutions or convictions;
- communal tension or specified activities;
- diversion or misuse of funds.
- Administrative Expenses

The permissible administrative expenditure was reduced from 50% to 20%.

Surrender and Suspension

The amendment introduced provisions concerning voluntary surrender of registration and extended the potential period of suspension.

The overall effect was to give the government greater control over the receipt and utilisation of foreign contributions.

XI. FCRA 2026 — THE CURRENT PROPOSED CHANGES

The Foreign Contribution (Regulation) Amendment Bill, 2026 was introduced in the Lok Sabha on 25 March 2026 and referred to a Joint Parliamentary Committee on 12 August 2026.

Meanwhile, revised FCRA Rules, 2026, notified on 22 June 2026, are already in force.

The proposed changes particularly address an issue that earlier frameworks did not fully resolve.

What happens to assets created using foreign contributions when an organisation's FCRA status ends?

1. DESIGNATED AUTHORITY

The Bill creates a Designated Authority to deal with foreign contributions and assets of organisations whose FCRA registration is:

cancelled;

surrendered; or

has ceased.

The Authority may take possession, supervise, manage and safeguard such assets, directly or through an Administrator.

Where necessary in the public interest, it may also manage the organisation's activities.

Where an asset has been created using both foreign and domestic funds, it may initially vest as a whole, while the organisation can seek return of a distinct portion created from other sources.

2. PROVISIONAL VESTING

When registration is cancelled, surrendered or ceases, foreign contribution and relevant assets may temporarily vest in the Designated Authority.

If the organisation obtains fresh registration, renewal or restoration within the prescribed period, the assets can return to it.

3. PERMANENT VESTING

If the organisation fails to regain its FCRA status within the prescribed period, or becomes defunct/inoperative, vesting may become permanent.

The assets may then be used for public purposes, transferred to government bodies or disposed of.

Sale proceeds and unutilised foreign contributions would go to the Consolidated Fund of India.

Former functionaries would not be permitted to acquire an interest in permanently vested assets.

4. PROTECTION OF RELIGIOUS SITES

The Bill provides specific protection for places of worship that become permanently vested.

Their management must be entrusted to an appropriate person or authority, while their religious character must be preserved.

Thus, although control may change, the religious character of the place is specifically protected.

5. REVISION AND JUDICIAL APPEAL

The Designated Authority may revise its orders, generally within 90 days.

An aggrieved person may appeal to the District Judge within 90 days.

This creates two levels of review: revision by the Authority; judicial appeal.

6. AUTOMATIC CESSATION

Proposed Section 14B introduces the concept of an FCRA certificate automatically “ceasing” when its validity expires in specified circumstances. Once ceased, the organisation cannot receive or utilise foreign contribution until renewal.

This differs from:

Cancellation — government action under Section 14;

Surrender — voluntary giving up of the certificate under Section 14A.

7. RATIONALISED PUNISHMENT

The Bill proposes reducing the maximum imprisonment for certain FCRA violations from five years to one year.

Criminal liability for key functionaries remains in specified circumstances, while a functionary may avoid liability by establishing lack of knowledge or due diligence.

8. COORDINATED INVESTIGATIONS

The proposed amendment to Section 43 would require prior Central Government approval before an investigation for an FCRA offence is initiated. This creates an additional layer of central oversight over FCRA investigations.

XII. FCRA RULES 2026

The Rules notified on 22 June 2026 introduce additional compliance requirements.

Activity & State-Specific Registration

Organisations must specify:

the purposes/activities for which they intend to receive foreign contribution;

the States/UTs in which they intend to operate.

The Rules provide 105 approved purposes across five broad categories: religious, cultural, economic, educational and social.

Additional fees apply for each additional purpose and State/UT, and subsequent changes require government approval.

Faith-Based Activities

Religious activities remain covered, including religious education and documentation of tribal faith practices, while proselytisation is excluded from the permitted framework.

Minimum Utilisation

For renewal, an organisation must have utilised at least ₹10 lakh of foreign contribution over the previous two financial years for its stated purpose.

Enhanced Reporting

Registration and renewal forms require more information, including: activities undertaken;

foreign contribution utilised during the previous three financial years;

social-media accounts;

publications;

relevant positions held by key functionaries.

Key functionaries include directors, partners, trustees, Karta of an HUF and others responsible for management.

The result is a substantially more detailed disclosure framework.

XIII. FCRA IN NUMBERS

The scale of foreign funding demonstrates why regulation matters.

FCRA-registered associations received approximately:

- ₹16,306.04 crore in 2019–20
- ₹17,058.64 crore in 2020–21
- ₹22,085.10 crore in 2021–22

This represented an increase of approximately 35.4% over the three-year period.

As of March 2023:

- 16,383 associations had valid FCRA registration;
- 14,966 had submitted annual returns for 2021–22.

Between January 2023 and March 2024, the MHA disposed of:

- 8,306 renewal applications;
- 2,154 new-registration applications;
- 296 prior-permission applications.

The figures demonstrate the scale of the regulatory system and the volume of government oversight.

Cancellations

Between 2020 and March 2023, the MHA cancelled 1,811 FCRA registrations.

The highest numbers included:

1. Tamil Nadu — 219
2. Maharashtra — 207
3. West Bengal — 193

Between January 2023 and March 2024:

1. 6,293 of 8,306 renewal applications were granted;
2. 2,013 were denied;
3. 1,209 of 2,154 new registrations were granted;
4. 945 were denied;
5. only 39 of 296 prior-permission applications were granted.

Geographic Concentration

In 2021–22, reported foreign contributions included approximately:

1. Delhi — ₹5,802.62 crore
2. Karnataka — ₹3,140.73 crore
3. Tamil Nadu — ₹2,507.23 crore
4. Maharashtra — ₹2,178.85 crore

Delhi accounted for roughly 26% of the state-wise dataset.

However, receipt in a State does not necessarily mean the money was spent there; organisations may operate across multiple regions.

Similarly, funds received are not necessarily funds utilised. Previous years' contributions can be spent later, making direct year-to-year comparisons difficult.

XIV. SPECIAL CASES AND CONTROVERSIES

Regulation can fail in two directions: organisations can misuse foreign funds, but regulators themselves can also misuse their powers.

Greenpeace India Society

In 2015, the MHA suspended and subsequently cancelled Greenpeace India's FCRA registration.

The government cited alleged violations including excessive administrative expenditure, transfer of foreign contribution to a non-FCRA organisation through salary payments, certain legal expenditures, changes in activities/location and disclosure issues.

Greenpeace challenged the cancellation in court.

The case illustrates the central tension between regulatory enforcement and organisational independence.

East Coast Research and Development Trust

In another 2015 case, the MHA cited adverse reports and inspections before cancelling the organisation's FCRA registration.

The same government response stated that the registrations of other organisations were suspended and their accounts frozen.

Ritwick Dutta Case

The CBI registered a case concerning alleged FCRA violations involving Ritwick Dutta, associated with the Legal Initiative for Forest and Environment. The FIR alleged that approximately ₹41 lakh was received as foreign contribution in 2013–14 and formed the basis of subsequent allegations. Importantly, the case remained at the FIR stage in the material provided; the allegations had not been proved in court.

SECMOL / Sonam Wangchuk

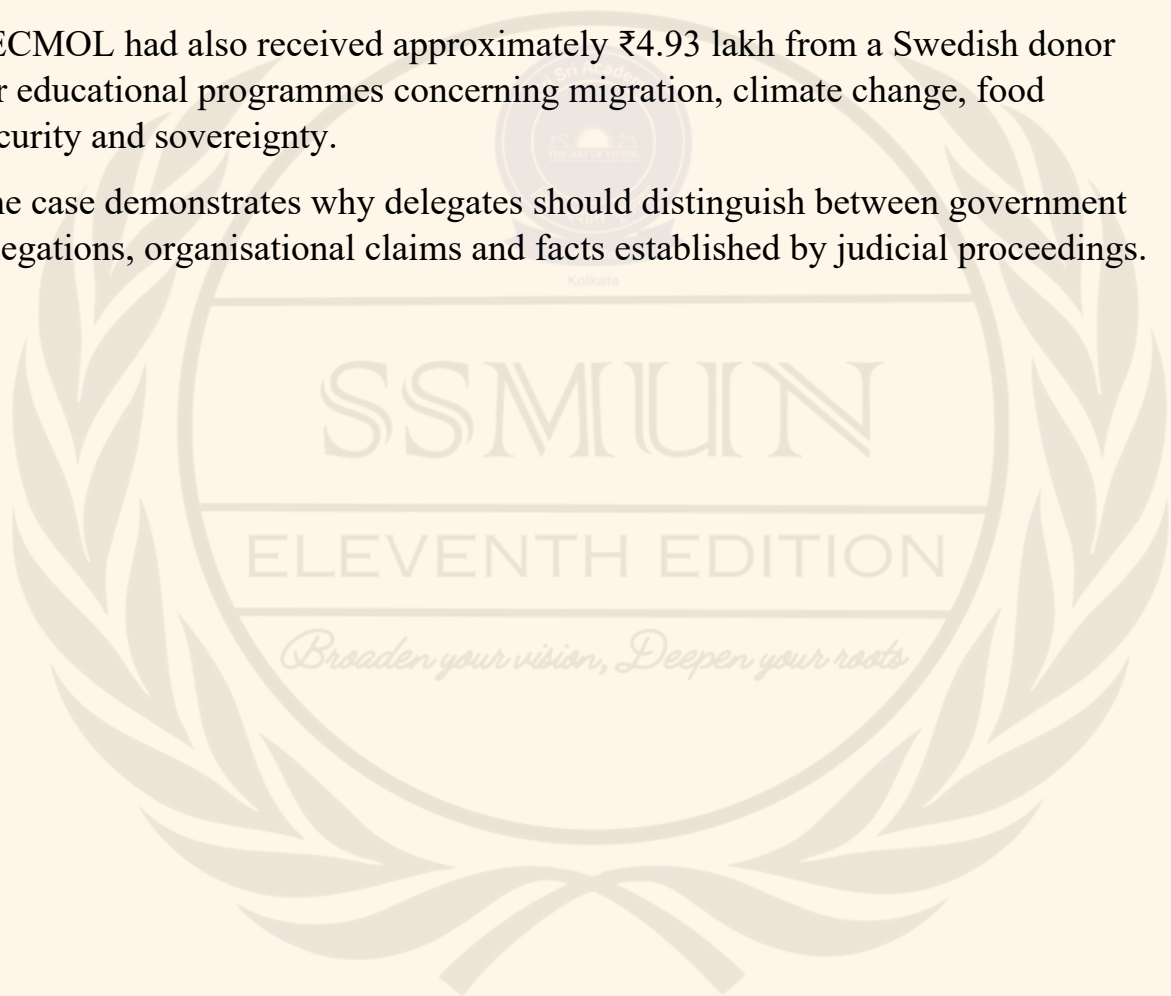
The government cancelled the FCRA registration of the Students' Educational and Cultural Movement of Ladakh (SECMOL) in September 2025.

The action followed protests and violence in Leh, although the government stated that the cancellation was not linked to the violence.

The government's stated concern included a ₹3.5 lakh deposit into the FCRA account, which it considered inconsistent with FCRA rules.

SECMOL had also received approximately ₹4.93 lakh from a Swedish donor for educational programmes concerning migration, climate change, food security and sovereignty.

The case demonstrates why delegates should distinguish between government allegations, organisational claims and facts established by judicial proceedings.



XV. BRIBERY WITHIN THE FCRA SYSTEM

The regulatory system itself has also faced allegations of corruption.

In May 2022, the CBI arrested 14 people, including six serving government officials, in an alleged FCRA bribery case.

The CBI alleged that officials facilitated favourable clearance of NGO applications in exchange for bribes. The investigation covered approximately 40 locations, and around ₹3.21 crore in cash was reportedly recovered along with documents and electronic devices.

Another case involved Parmod Kumar Bhasin, a Senior Accountant who had previously worked in the FCRA Division, alongside other officials.

The allegations concerned favourable processing of FCRA applications in exchange for illegal payments, including alleged use of intermediaries/hawala channels.

These cases highlight an important point:

Oversight itself requires oversight.

A strong regulatory framework must not only prevent misuse by organisations; it must also maintain accountability within the regulatory machinery.

XVI. RELIGIOUS ORGANISATIONS AND THE FCRA DEBATE

FCRA applies to voluntary religious organisations receiving foreign contributions, not to one particular religion.

Christian missionary organisations became a major point of debate following the proposed 2026 changes.

Two concerns were particularly prominent:

1. Asset Vesting

The proposed framework could allow assets to vest in a Designated Authority following cancellation or surrender.

Supporters argue that assets created from regulated foreign contributions should remain protected for public purposes.

Critics argue that this could give the government excessive control over long-established charitable institutions.

The framework provides special treatment for places of worship by requiring their religious character to be maintained.

2. Proselytisation

The 2026 Rules permit specified religious education and documentation of faith traditions while excluding proselytisation.

Christian representatives have expressed concern that the language could create uncertainty around legitimate religious and charitable activity and increase government scrutiny.

These concerns form part of the wider constitutional debate between foreign-funding regulation, freedom of religion and civil-society independence.

In July 2026, senior Catholic clergy, including representatives of the Catholic Bishops' Conference of India, reportedly met Home Minister Amit Shah to discuss proposed changes.

The delegation sought safeguards concerning:

- non-retrospective application;
- lawfully acquired assets;
- transitional arrangements;
- procedural protections.

The government stated that the proposed changes would not be applied retrospectively.

The larger issue is therefore not simply “Government vs missionaries.” It is the question of how foreign funding can be regulated without unnecessarily interfering with legitimate religious and charitable activity.



XVII. THE CENTRAL DEBATE — REGULATION VS INDEPENDENCE

The modern FCRA debate is not really about whether foreign funding should be regulated.

The real question is:

How much regulation is necessary, and when does regulation become excessive control?

The government's position is that foreign contributions require monitoring because they may affect national interest, public accountability and political or public activity.

The regulatory framework has progressively introduced:

- identification of key functionaries;
- designated SBI banking channels;
- restrictions on transfers;
- lower administrative-expense limits;
- greater reporting requirements;
- stronger cancellation and suspension powers.

These measures are intended to improve monitoring, transparency and accountability.

But stronger regulation can also create practical difficulties.

Large organisations may have the staff and resources to handle extensive compliance requirements. Smaller organisations may struggle with:

- audits;
- record keeping;
- administrative costs;
- renewal procedures;
- restrictions on transferring funds to grassroots partners.

The reduction of the administrative-expense limit from 50% to 20% can also affect organisations with substantial operational costs.

Similarly, restrictions on transferring foreign contributions can affect organisations operating through smaller partner organisations and grassroots networks.

XVIII. CONCLUSION — FINDING THE BALANCE

The FCRA sits at the intersection of two legitimate democratic interests: National sovereignty and transparency

versus

institutional independence and freedom of legitimate civil-society activity.

Foreign funding can finance education, healthcare, research, humanitarian relief and social development. At the same time, foreign financial influence can create legitimate concerns regarding political activity, national security and institutional accountability.

The challenge for policymakers is therefore not simply to make FCRA stricter.

It is to create a system that is:

1. transparent;
2. predictable;
3. proportionate;
4. resistant to misuse;
5. accountable in its own enforcement;
6. capable of protecting national interests;
7. sufficiently flexible for legitimate organisations to function.

The ultimate question for the committee is:

How can India prevent the misuse of foreign funding without making legitimate foreign-funded work so difficult that the very institutions serving society are weakened?



AGENDA II

Discussion on the formulation of a comprehensive and regulatory framework for the regulation of political parties in India, focusing on financial transparency, internal governance, annual membership disclosures and institutional accountability.

I. INTRODUCTION — THE PARTY BEHIND THE BALLOT

India's political diversity is reflected in the sheer number of political parties: **6 recognised National Parties, 67 recognised State Parties and 2,854 Registered Unrecognised Political Parties (RUPPs).**

Political parties form the basic organisational structure through which citizens participate in representative democracy. From national leadership to state headquarters and grassroots workers, parties provide channels through which local grievances can reach institutions of government.

But scale creates its own problems.

Large political organisations can face challenges involving **financial management, internal decision-making, corruption, red tapism, criminal influence and internal power struggles.** These concerns raise a larger question: *how much transparency and accountability should be expected from an institution that influences public power?*

The Election Commission of India (ECI) regulates several aspects of political parties, particularly during elections. Yet a party does not exist only during an election. Between elections, it continues to make decisions regarding **membership, leadership, finances, internal organisation and political activity.**

This creates the central issue of the agenda: whether India requires a more comprehensive framework establishing common standards of **financial transparency, internal governance, membership disclosure and institutional accountability,** while accounting for differences between national, regional and emerging parties.

II. THE EXISTING LEGAL FRAMEWORK

India currently regulates different aspects of political parties through several laws, rules and ECI directions. However, there is no single comprehensive framework governing the internal functioning of political parties.

Existing mechanisms include election laws, financial reporting requirements, anti-defection provisions and codes of electoral conduct.

The ECI receives and observes financial reports and other disclosures, but questions remain regarding **enforcement, penalties and transparency between elections**.

The issue before the House is therefore not simply whether regulation should exist, but whether existing mechanisms should be strengthened, consolidated or supplemented.

III. REPRESENTATION OF THE PEOPLE ACT, 1951

The **Representation of the People Act, 1951 (RPA)** is one of the principal laws governing elections and elected representatives.

1. Qualifications and Disqualifications

Section 8 provides for disqualification in specified circumstances, particularly following certain convictions.

2. Registration of Political Parties

Under **Section 29A**, political parties may register with the ECI. Their constitutions must conform to constitutional principles and democratic functioning.

ECI requirements also address aspects such as:

- organisational structure;
- office-bearers;
- membership;
- internal decision-making.

3. Candidates and Nominations

The Act regulates nomination, scrutiny and withdrawal of candidature.

33 deals with presentation of nomination papers.

4. Election Expenditure

Candidates are required to maintain and submit accounts of election expenditure within prescribed limits. Political parties are also subject to financial disclosure requirements under applicable ECI directions.

5. Electoral Conduct

The Act regulates voting, polling and counting and addresses **corrupt practices and electoral offences**.

Section 123 includes practices such as bribery, undue influence and certain prohibited electoral appeals.

6. Election Disputes

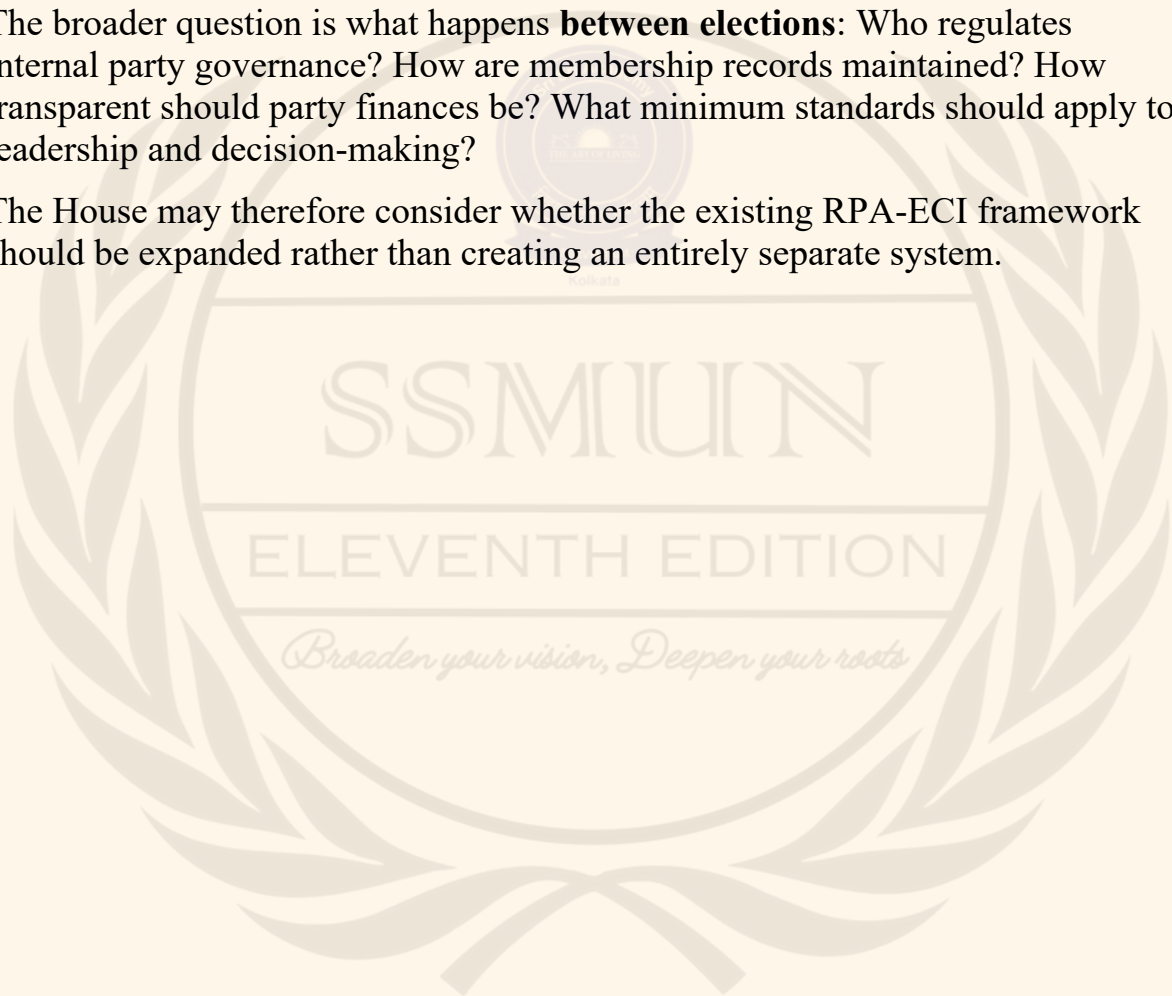
Election petitions provide a mechanism through which election results may be challenged and elections may, where legally justified, be declared void.

Why does this matter?

The RPA provides the foundation for electoral regulation, but its primary focus remains **elections, candidates and electoral conduct**.

The broader question is what happens **between elections**: Who regulates internal party governance? How are membership records maintained? How transparent should party finances be? What minimum standards should apply to leadership and decision-making?

The House may therefore consider whether the existing RPA-ECI framework should be expanded rather than creating an entirely separate system.



IV. ELECTION SYMBOLS ORDER, 1968

The Election Symbols (Reservation and Allotment) **Order, 1968** governs the recognition of political parties and the reservation and allotment of election symbols.

Recognition as a National or State Party carries institutional significance, while symbols provide voters with a consistent electoral identity.

The framework therefore connects **party recognition, electoral identity and organisational status**.



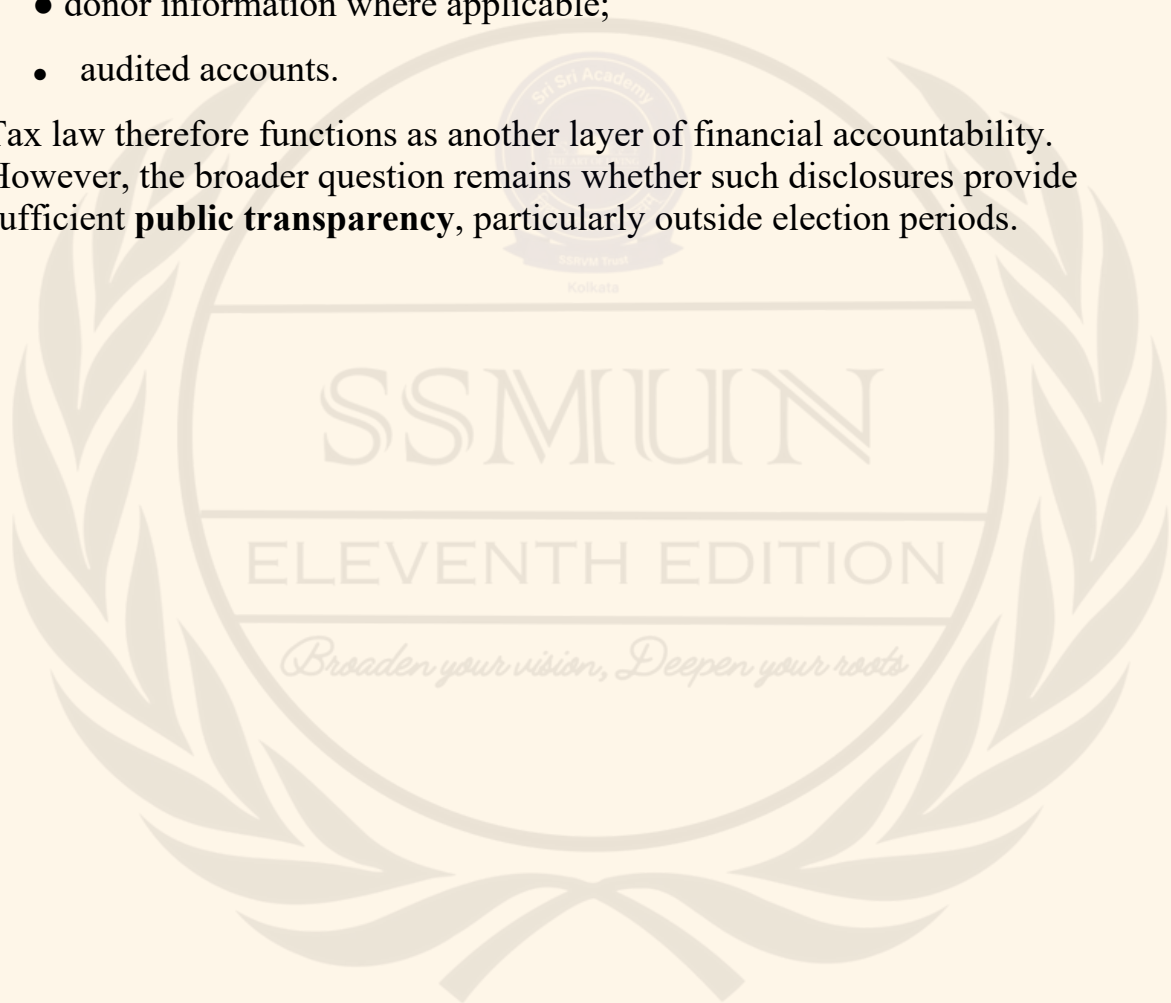
V. INCOME-TAX ACT, 1961 — SECTION 13A

Section 13A provides tax-related treatment for political parties subject to specified conditions.

These include requirements concerning:

- proper books of account;
- records of contributions;
- donor information where applicable;
- audited accounts.

Tax law therefore functions as another layer of financial accountability. However, the broader question remains whether such disclosures provide sufficient **public transparency**, particularly outside election periods.



VI. ANTI-DEFECTION LAW — THE TENTH SCHEDULE

Political defection refers broadly to a legislator leaving or changing political allegiance after being elected.

Historically, frequent defections created instability and uncertainty, sometimes shifting political power without a corresponding change in the electorate's mandate.

The **Tenth Schedule**, introduced in **1985**, established the anti-defection framework.

It applies to:

- Members of Parliament;
- Members of State Legislative Assemblies;
- certain nominated and independent members.

Grounds for Disqualification

A member may face disqualification for:

1. **Voluntarily giving up membership of a political party**, or
2. **Voting or abstaining contrary to the party's direction**, without permission or subsequent condonation.

The Speaker or Chairman decides defection petitions, subject to the constitutional framework and judicial review.

Merger Exception

A merger is protected where **at least two-thirds of the members of the legislature party agree to the merger**.

“Aaya Ram, Gaya Ram”

The phrase became associated with **Gaya Lal**, a Haryana MLA who changed political allegiance multiple times in 1967, symbolising the era of frequent defections.

Earlier instances of political switching also contributed to the debate. The **Chavan Committee Report of 1969** highlighted the scale of defections during the period following the 1967 elections, strengthening demands for legislative intervention.

The Larger Question

The anti-defection law attempts to balance two competing principles:

individual legislative independence

versus

party mandate and political stability.

The House may consider whether existing provisions adequately preserve both.



VII. ELECTORAL BONDS AND POLITICAL FUNDING

Political parties require substantial financial resources for campaigns, organisation and political activity. Traditional sources include individual and corporate donations, alongside limited forms of state support.

This creates a fundamental democratic question:

Who funds political power, and how much should the public be allowed to know?

Concerns surrounding political funding include **unaccounted cash, corporate influence, unequal access to resources, and potential policy capture**

Electoral Bonds

The Electoral Bond Scheme was introduced in **2018 through the Finance Act, 2017**, with the stated objective of moving political contributions towards formal banking channels and reducing cash-based political funding.

The scheme involved amendments to the **Representation of the People Act, Companies Act and Income Tax Act**.

How the system worked

- The **State Bank of India (SBI)** was the authorised issuer.
- Eligible Indian citizens and companies could purchase bonds through KYC-compliant accounts.
- Recipient political parties generally needed at least **1% of votes in the most recent election** to qualify.
- Bonds were valid for **15 days**.
- Donors purchased bonds from SBI and transferred them to eligible parties.
- Parties deposited the bonds through their designated bank accounts.
- Donor identities were not publicly disclosed.

The Transparency Debate

Supporters of the scheme argued that it encouraged banking-channel transactions and reduced cash-based contributions.

Critics raised concerns about **donor anonymity, corporate influence and the public's ability to identify the sources of political funding.**

The debate also involved **Article 19(1)(a)** and the argument that voters require information about financial interests influencing political parties.

Changes to corporate donation rules, including removal of the earlier **7.5% profit-related ceiling**, also generated concerns regarding the possibility of unlimited corporate contributions and the use of entities primarily for political funding.

The ECI and RBI had expressed concerns during the development of the framework.

Concentration of Political Funding

Political funding can affect the relative resources available to political parties. Concentration of funding among larger parties may create concerns about **unequal electoral competition and influence over public policy.**

The broader issue is not simply how much money enters politics, but whether financial power can translate into disproportionate political influence.

Allegations of Institutional Misuse

Another concern raised in public debate involved companies facing investigations by agencies such as the **ED, CBI or Income Tax Department** subsequently making substantial political donations.

Such cases have generated allegations that investigative powers could create pressure on potential donors, particularly those supporting opposition parties. These are allegations and require case-specific evidence. At a constitutional level, however, the issue raises questions concerning **Article 14, institutional independence and free and fair elections.**

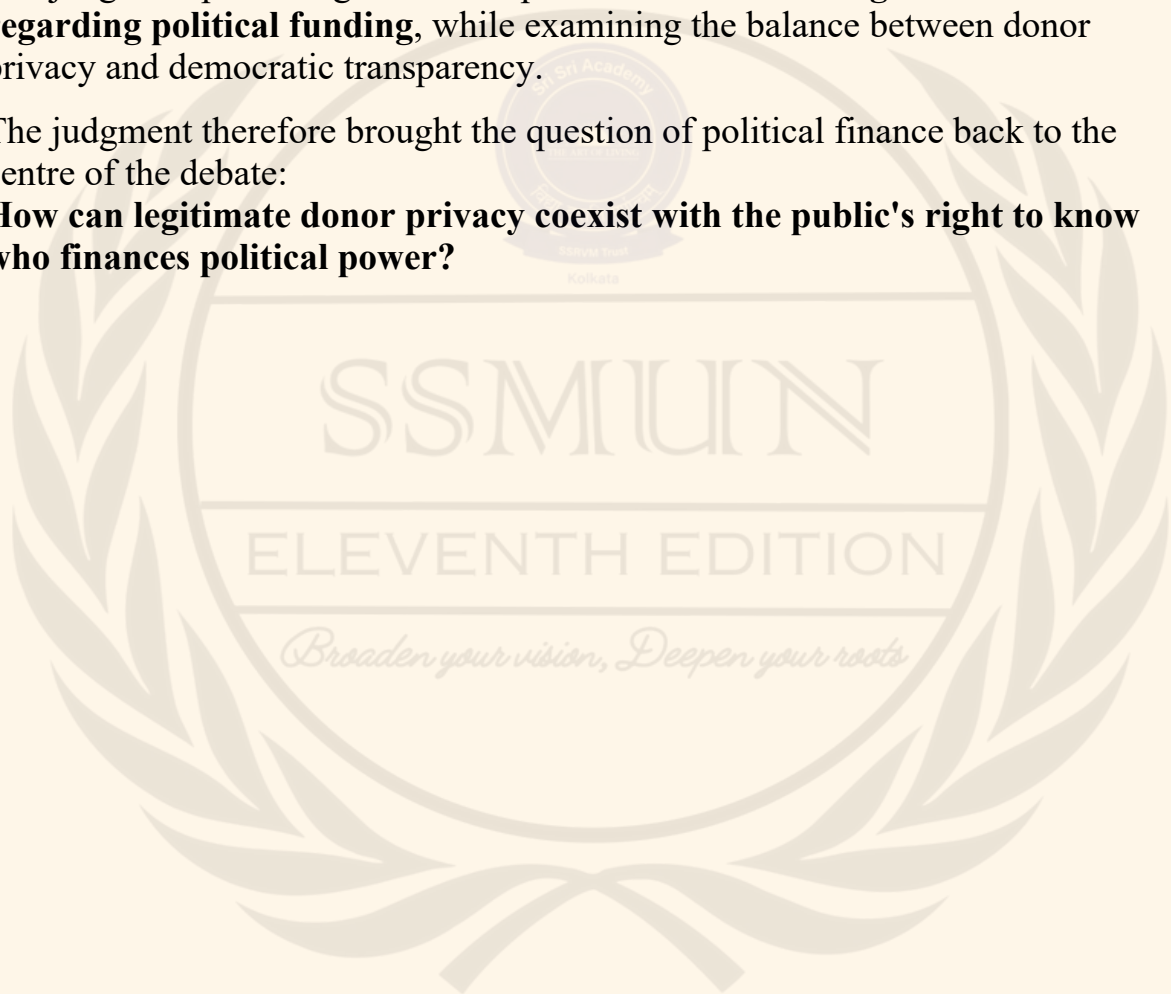
VIII. THE SUPREME COURT AND ELECTORAL BONDS

In **2024**, the Supreme Court struck down the Electoral Bond Scheme and related amendments.

The judgment placed significant emphasis on the **voter's right to information regarding political funding**, while examining the balance between donor privacy and democratic transparency.

The judgment therefore brought the question of political finance back to the centre of the debate:

How can legitimate donor privacy coexist with the public's right to know who finances political power?



IX. POSSIBLE REFORMS TO POLITICAL FUNDING

The House may examine proposals including:

1. **Mandatory disclosure** of donations above a prescribed threshold, including donor identity, amount and mode of payment.
2. **Restrictions on corporate donations**, including restoration of limits and safeguards against shell or loss-making entities.
3. Establishment of an **Election Finance Commission** under or alongside the ECI for auditing and monitoring political finance.
4. A **real-time public database** of political donations.
5. **Whistleblower protection** for individuals exposing financial irregularities.
6. **Partial state funding** linked to electoral performance.
7. Independent **judicial and parliamentary oversight** where misuse of investigative agencies is alleged.

The objective would be to balance **transparency, privacy, political competition, institutional independence and constitutional accountability**.

X. MODEL CODE OF CONDUCT

The **Model Code of Conduct (MCC)** is a set of guidelines issued by the ECI for political parties, candidates and governments during elections.

Its purpose is to promote **free, fair and peaceful elections** and prevent the misuse of official machinery or electoral influence.

Nature of the MCC

The MCC is primarily **non-statutory**. However, conduct prohibited by the MCC may also violate existing electoral or criminal laws.

The ECI may issue:

- explanations and notices;
- warnings and advisories;
- censure;
- corrective directions;
- referrals for legal action where another law has been violated.

The MCC generally comes into operation from the **announcement of the election schedule until completion of the election process**.

Historical Development

The MCC originated with the **1960 Kerala Assembly elections**, was circulated more widely during the **1962 elections**, and gradually evolved. Enforcement was strengthened significantly in **1991**.

Its constitutional basis is connected with **Article 324**, which vests the ECI with superintendence, direction and control over elections.

XI. KEY MCC PROVISIONS

General Conduct

Parties and candidates should:

- avoid speeches promoting hatred or communal tension;
- refrain from caste or religious appeals;
- criticise policies and performance rather than making personal attacks;
- avoid bribery, intimidation and impersonation;
- respect private life;
- avoid using places of worship for campaigning;
- comply with applicable laws.

Meetings

Campaign meetings require appropriate permissions and coordination with authorities concerning **police, traffic, public safety and loudspeakers**.

Processions

Organisers must coordinate routes, timings and permissions, while ensuring that processions do not obstruct or provoke other groups.

Polling Day

Parties and candidates must respect:

- voter freedom;
- secrecy of voting;
- restrictions around polling stations;
- rules governing campaign material and voter slips;
- prohibitions on unlawful inducements and distribution of liquor.

Party in Power

The ruling party is subject to specific restrictions concerning:

- use of government machinery;
- official vehicles and resources;
- public funds;
- official visits combined with campaigning;
- partisan use of government facilities.

Government Announcements

New schemes, projects, grants or major announcements that could influence voters are restricted during the MCC period, while essential services and ongoing administration continue.

Government Advertising

Public money should not be used for partisan propaganda or to promote the electoral interests of the ruling party.

Manifestos

Manifestos should respect constitutional principles and avoid promises that promote hatred or division. Parties are expected to provide appropriate reasoning and, where relevant, indicate how major promises are to be financed.

XII. ENFORCEMENT AND EMERGING CHALLENGES

The ECI monitors compliance through observers, complaints, and other mechanisms.

However, several challenges remain:

- the MCC is primarily non-statutory;
- concerns regarding consistency of enforcement;
- social media misinformation;
- deepfakes and targeted political propaganda;
- digital campaign spending;
- money power;
- government announcements during election periods.

Possible reforms include:

- stronger and more transparent enforcement;
- publicly accessible complaint and decision records;
- clearer digital campaign rules;
- stronger safeguards for governmental neutrality;
- internal MCC compliance mechanisms within political parties;
- greater voter awareness;
- faster resolution of violations.

The effectiveness of the MCC ultimately depends on **impartial enforcement, political cooperation and public awareness.**

XIII. CONCLUSION — ACCOUNTABILITY BEYOND ELECTION DAY

Political parties are not temporary electoral vehicles. They are institutions through which political power is organised, contested and exercised.

India already possesses several regulatory mechanisms: the **RPA, Election Symbols Order, tax provisions, Anti-Defection Law and Model Code of Conduct**. Yet these mechanisms address different parts of the larger system.

The question before the House is therefore whether India should develop a more comprehensive framework capable of addressing **financial transparency, internal governance, membership records and institutional accountability throughout the political cycle—not merely during elections**.

The challenge is to create regulation that strengthens democratic accountability without unnecessarily restricting legitimate political activity.

A system in which elections are free but political institutions remain opaque cannot fully answer the demands of democratic governance.

NOTE TO DELEGATES

This guide is your **starting point, not your script**.

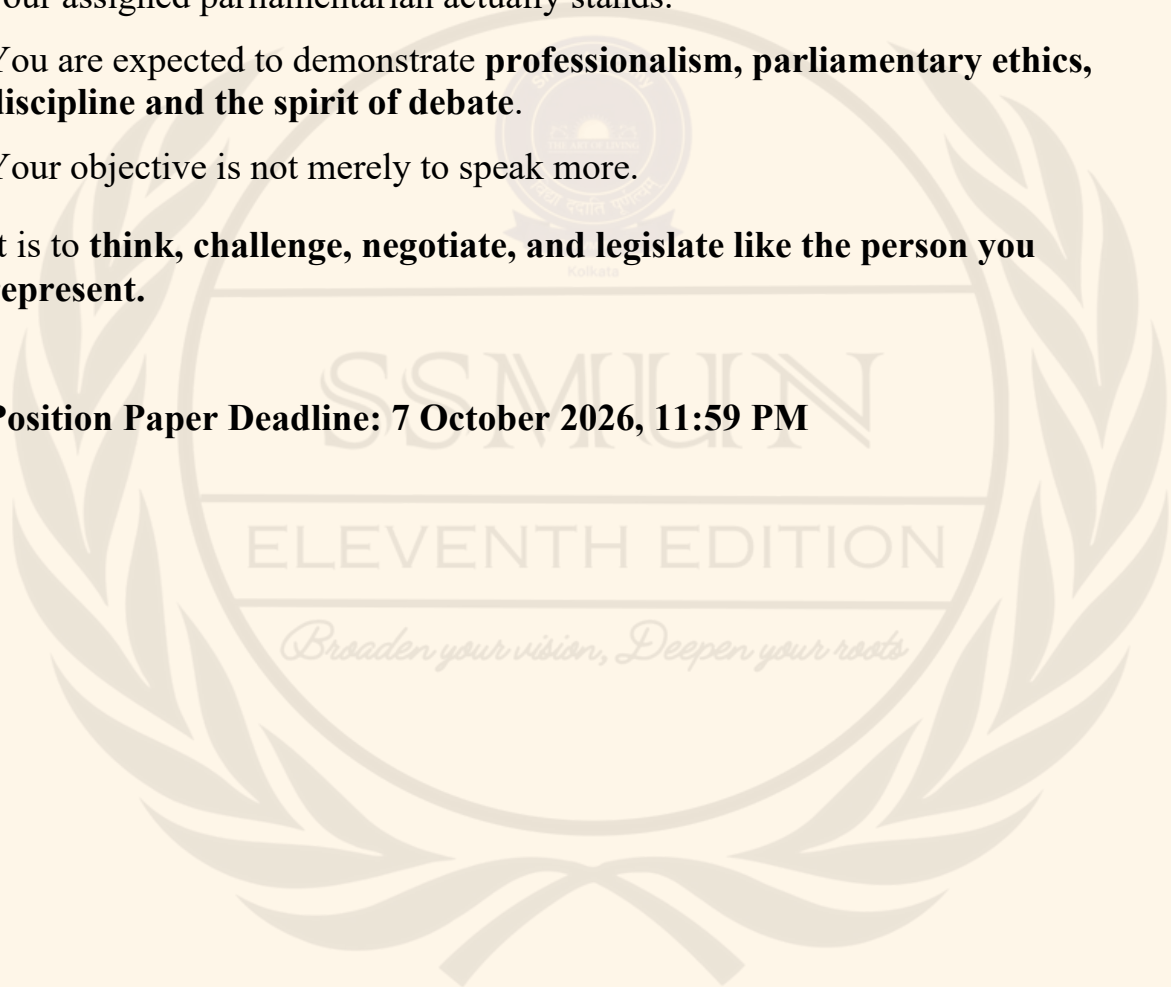
Do not simply read out the material. Understand the issue behind it. Research beyond the guide, examine your party's ideology and record, and identify where your assigned parliamentarian actually stands.

You are expected to demonstrate **professionalism, parliamentary ethics, discipline and the spirit of debate**.

Your objective is not merely to speak more.

It is to **think, challenge, negotiate, and legislate like the person you represent**.

Position Paper Deadline: 7 October 2026, 11:59 PM



QUESTIONS FOR THE HOUSE

Foreign Funding / FCRA

1. Does the existing FCRA framework adequately distinguish legitimate foreign contributions from activities that may threaten sovereignty, public order or national interest?
2. What safeguards should govern registration, prior permission, renewal and cancellation of FCRA registrations?
3. What statutory framework should govern assets remaining after cancellation, expiry or surrender of registration?

Political Party Regulation

4. Should political parties be required to publicly disclose their sources, receipt and utilisation of funds between election cycles?
5. Should minimum statutory standards govern the appointment, tenure and removal of political party office-bearers?
6. Should parties be required to submit authenticated annual membership records to an independent authority?

The House must ultimately confront one central question:

How should India regulate the institutions that seek to govern India?

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