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Association for Democratic Reforms v. Union of India

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Introduction

Date of Judgement: 15 February, 2024

Case citation: Association for Democratic Reforms and Anr. Vs. Union of India and Ors. (2024) 3 S.C.R. 417; 2024 INSC 209

Bench: Five Judges Bench: CJI. DY Chandrachud, Justices Sanjiv Khanna, B.R. Gavai, J.B. Pardiwala, and Manoj Mishra.

Petitioner: Association for Democratic Reforms (ADR)

Respondent: Union of India (UOI)

In a landmark ruling on 15 February 2024, the Supreme Court of India declared the Electoral Bonds Scheme unconstitutional, reinforcing the democratic precept that the voters are entitled to transparency in political financing. The undertaking turned into initiated by the affiliation for Democratic Reforms (ADR), a distinguished civil society business enterprise. The constitution Bench concluded that the Electoral Bonds Scheme violated the voters' right to statistics undern Article 19(1)(a) of the Indian Constitution, which is important for keeping the integrity of free and fair elections. This judgment represents a pivotal moment in India's constitutional records, specially concerning political funding and electoral reforms.

Factual background of the case : The central government introduced the Electoral Bonds Scheme in 2018 through a series of legislative amendments enacted through the Finance Act, 2017. These changes amended the key provisions of the Representation of the People Act, the Companies Act, the Income Tax Act, and the (Foreign Contribution Regulation Act) FCRA. The Scheme permitted

individuals, corporations, and entities to buy electoral bonds from the State Bank of India and donate them to political parties without revealing the identity of the donor. The anonymous status granted by this mechanism directed legal scrutiny. Petitioners argued that this transparency undermined democratic accountability and enabled unchecked corporate and foreign influence in Indian elections.

Issues

The Court considered the following key questions:

1. Does the Electoral Bonds Scheme infringe the citizens fundamental right to know under Article 19(1)(a)?
2. Is the mechanism of anonymous political donations constitutionally valid in a democratic society?
3. Whether the amendments to key laws through a Money Bill were procedurally and substantively valid?
4. whether or not the Electoral Bonds Scheme became justified as a device to scale down black

Observations

1. The courtroom observed that the Electoral Bonds Scheme critically undermined transparency in political funding, therefore impeding the citizens' proper to facts. The judgment reiterated that, as set up in in advance cases like Union of India v. affiliation for Democratic Reforms (2002), electorate have a proper to information approximately political events, which enables them to make an knowledgeable choice at the polls. The court also cited that the anonymity granted by means of the Scheme created a disparity in political influence, with corporate donors keeping disproportionate power over political selection-making.
2. The court docket rejected the Union authorities's arguments defending the confidentiality and the financial policy nature of the scheme, pointing out that the Electoral Bonds Scheme changed into now not an monetary coverage however a degree at once affecting the electoral procedure. It further criticized the justification of curbing black money, ruling that the Scheme failed the proportionality check because it did not effectively cope with this purpose without infringing on citizens' rights.

3. In regard to corporate funding, the court discovered that allowing unlimited company donations violated the principle of “one character, one vote” through disproportionately empowering organizations to influence elections. The judgment additionally addressed the privacy concerns, emphasizing that whilst donor privacy is important, it must not override the general public’s proper to facts approximately political investment.
4. The courtroom held that the restrictive means test of the doctrine of proportionality isn't happy and that there are other manner apart from electoral bonds to attain the purpose of curbing black money, even assuming it to be a legitimate objective. The infringement to the proper to statistics isn't always justified, the courtroom held. Acknowledging the right of informational privacy extends to economic contributions that's a aspect of political affiliation, leader Justice Chandrachud found out that a double proportionality trendy turned into carried out to balance the conflicting rights to facts and to informational privacy.
5. Rejecting the Union's argument that Clause 7(4)(c) of the electoral bond scheme balances the two rights, the courtroom said that the supply tilts the balance in favour of the proper to informational privateness because the suitability prong of the proportionality standard is most effective partially fulfilled. chief Justice Chandrachud for that reason held that the union authorities has did not establish that the measure followed in clause 7(4)(1) of the electoral scheme is the least restrictive measure.

As a consequence, the amendments to the profits Tax Act, the representation of Peoples Act, the corporations Act had been held to be unconstitutional.

While the Court noted serious concerns regarding the passage of these amendments as a Money Bill, it chose not to address the validity of that legislative route, citing the pending decision in *Rojer Mathew v. South Indian Bank*.

Implications of the judgment

The ruling has wide-ranging consequences for Indian electoral democracy:

1. **Transparency in Funding:** Political parties are now required to disclose the identity of donors, reinforcing public trust in the electoral process.

2. **Curtailing Corporate Influence:** By reinstating donation caps and mandatory disclosures, the decision limits disproportionate corporate sway over politics.
3. **Empowering the Electorate:** The judgment empowers voters by upholding their right to access critical information about the financial backing of political entities.
4. **Strengthening Electoral Integrity:** This verdict, following earlier ADR-led decisions on candidate disclosures, marks a significant leap toward cleaning up political finance in India.
5. **Data Disclosure Orders:** The Supreme Court directed the State Bank of India to provide detailed information on bond transactions to the Election Commission, which must publish the data promptly.

Conclusion

This choice reaffirms that electoral democracy has to be underpinned by way of transparency, mainly in matters of political finance. The supreme court judgment in *Association for Democratic Reforms v. Union of India* now not simplest protects the fundamental rights of residents but additionally restores duty in political funding mechanisms. with the aid of emphasizing informed vote casting and financial openness, the court has taken a definitive step closer to strengthening the democratic material of India.