

Demonetisation - Impacting Elections

S Y Quraishi



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For far too long, Indian politics has seen extensive use of money power to influence the voters and win elections.

Traditional wisdom with regard to polls in India has it that distribution of money and liquor on the night before polling decides the representatives of the people. There is a strong evidence that over the years free and fair elections have been sacked in bags of currency notes being peddled to the nation by our political parties.

An analysis by Association of Democratic Reforms (ADR) shows that among the affidavits declared by candidates in the 2011 assembly elections in Tamil Nadu, West Bengal, Kerala, Puducherry and Assam, 576 candidates (16 per cent of the 3,547 analyzed), were crorepatis (multi-millionaires) and yet 50 per cent of the candidates had never filed income tax returns. The situation cannot be different in other states.

The seed of corruption sown in elections eventually germinates in corruption in administration in the country. When candidates and political parties spend crores of rupees in election campaigns, they have to generate enough funds by hook or by crook when they come to power. The 'collection drive' that follows inevitably leads to a

politician-bureaucracy nexus. When the two most important instruments of governance join hands in this unholy alliance, corruption spreads in all directions, horizontally and vertically, and seeps into every sphere of life. The lowest functionaries like a constable or *patwari* when accosted, have a stock answer, "*Ooper tak dena hai*" (we have to pay up to the top).

State Funding of Polls

Not that political leaders are happy with rampant use of money in elections. They have expressed concerns about it. However, in the absence of a serious discussion to find a solution, it seems their concern is mere lip service. The problem has been discussed in parliamentary debates, committees have been constituted and the only refrain we hear is that there should be state funding of elections as a solution to the problem.

The most famous committee on this subject was the Indrajit Gupta Committee set up in 1999 which consisted of many political stalwarts like Dr Manmohan Singh, Mr Somnath Chatterjee and the like. The committee suggested only partial state funding of elections and that too with a condition that there must be genuine inner party democracy – which no party is willing to consider.

The author is the former Chief Election Commissioner of India and the author of the book "An Undocumented Wonder - The Making of the Great Indian Election".

The ECI has been deeply concerned about the use of money to bribe voters ahead of polls. In my inaugural press conference on taking over as chief election commissioner (CEC), I had given myself two challenges — abuse of money and voter apathy. Two new divisions were created to addressing these issues seriously. Both met with significant success, one achieving the highest-ever voter turnouts ever since and the other unearthing crores of rupees and goods including liquor. Our proactive steps led to some landmark achievements including unseating and disqualifying a sitting MLA in Uttar Pradesh and countermanding two Rajya Sabha elections in Jharkhand.

Working in tandem, voter education program sought to educate and motivate voters not to accept money for votes. The National Voters Day -NVD- on 25 January every year since 2011, the biggest voter enrolment programme in the world, administered a pledge to the new voters, mostly youth, for ethical voting. Almost 140 million voters have so far taken this pledge.

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It is a fact that democracy cannot function without money to contest elections. However, money cannot be allowed to dominate the process so much that only the rich can contest and hijack the political system.

The law, therefore, prescribes a ceiling on expenditure of the candidates — though strangely not on the expenditure of the political parties. The absence of a ceiling on political parties' expenditure negates the whole logic of a ceiling and creates conditions of financial indiscipline. To outdo their rivals, all



parties spend thousands of crores of rupees. In the 2014 general elections, the amount spent on campaigns was estimated at a staggering Rs 30,000 crore.

Where does this money come from? The sources could be: corporate funds, small donations, sale of coupons and membership fee, besides interest on deposits, rental and revenue income. There is no transparency in the source of most donations. As much as 75-80 percent of all funds are shown as

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cash donations without disclosing the source. This is a serious matter. It may be foreign money or from crime, drug or real estate mafia.

Cash-for-votes notoriety as a regular feature in our elections was conveyed by US diplomatic cables, leaked by WikiLeaks. A cable quoted a confidante of a Union Minister from Tamil Nadu distributing up to ₹5,000 per voter in a by-election in

2009. After his victory, the politician announced that his formula was a sure winner. This notorious "Thirumangalam formula" became our biggest challenge.

Around ₹300 crore of unaccounted cash was seized by the commission during the 2014 election. Cash seizure across all assembly elections since 2014 has been at an all-time high. Bihar, for instance, registered the highest seizure of cash (₹19 crore) during the assembly polls in 2015. In Tamil Nadu, the figure crossed ₹100 crore.

The public perception of the politicians today is that they are all corrupt.

Such an image of politicians is not good for democracy. We have had an impressive line-up of honest politicians in the country. In fact, India has grown into a major power mainly due to the great political leaders we have had.

It has often been suggested that the presence of black money in large quantities, especially in the real estate sector, prevented India from suffering many of the ill effects of the global financial crisis of 2008, but the pernicious effect of money power in elections in India has no such upside. The demonetisation of high denomination notes of Rs. 500 and Rs. 1,000 announced by the Prime Minister came at the right time, just

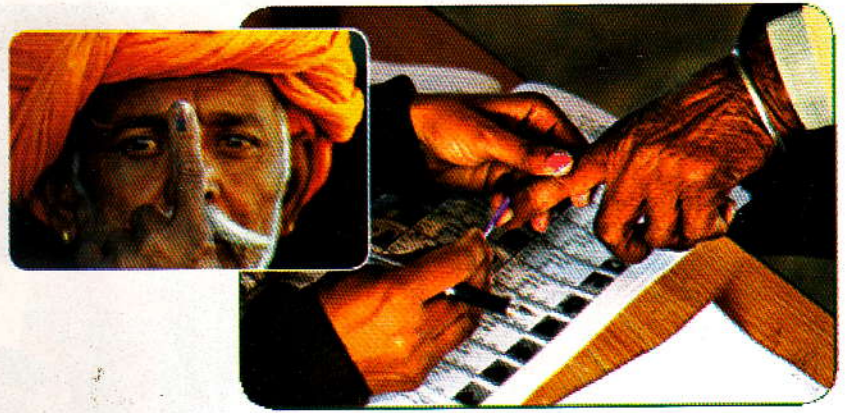
ahead of five state elections. Parties and candidates who were ready with the sackful of notes for public bonanza were fixed not knowing what to do with that money.

I personally felt that this move would have a big impact on the ongoing polls, as this is the time that black money is in the distribution pipeline. Even fake money from across the borders that also increases its tentacles during the polls would be hit.

Earlier, disbursement of money to various areas used to be done closer to the date of polling, and after the imposition of the model code of conduct. When the ECI started cracking down, political parties moved up the disbursement date. That's why announcement of demonetisation a few weeks before the elections hit the money distribution plans at the right time.

In my book, *An Undocumented Wonder - The Making of the Great Indian Election*, I have detailed 40 different ways in which we found black money being disbursed in polls. I have no doubt that new ways would be found to do so again, but it may take time and these set of polls might escape being deluged with illicit money.

The lessons learnt in elections must be remembered when consolidating the gains of demonetisation. Just a couple of days after the demonetisation decision announced by the Prime Minister I had expressed my fear in a newspaper article that to hurt the move, a money-laundering industry will mushroom with the complicity of bank officials. This turned out to be a right forecast. I had cautioned that the government must watch out for the omnipresent touts and colluding bank officials. This advice was based on experience. Once our ((EC's) Expenditure vigilance team intercepted a vehicle carrying over Rs. 2 crore. We were told that the money was going to refill the ATM. So we let it off with our apology. The



next day, another team caught a vehicle with double the amount with the same explanation. When a third vehicle was interrupted with Rs.11 crore, we decided to investigate and found that the van was not accompanied by an armed guard and did not follow other security protocols as mandated. I immediately spoke to Governor of Reserve Bank of India, D Subba Rao who was shocked to hear of this mode of money laundering and ordered an investigation.

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In the last set of Assembly polls concluded in May 2016, we saw an unprecedented step when the ECI was forced to cancel elections to two Tamil Nadu assembly seats, Aravakurichi and Thanjavur, for the uncontrolled use of money. The poll panel then wrote to the government seeking permanent legal powers to countermand polls on credible evidence of the use of black money.

Although the Law Ministry has rejected this proposal, I am hopeful the Prime Minister will consider it in pursuance of his war against black money.

The BJP's economic affairs cell chief, Gopal Krishna Agarwal, said the demonetization drive would address, at least for the duration of this set of polls, the problem of electoral financing from the supply side. "Till now, there was pressure on political parties to give an account of their spending in polls, but on circulation of this money, regulation was not effective. This will hit the supply side and will bring down the volume of spending quite significantly," he said.

These claims will be proved right only if the follow up action on the long pending electoral reforms proposals is taken without further delay.

Dr. Trilochan Shastry of the Association of Democratic Rights (ADR), an election watchdog, said that while there would be an impact on the funds available for disbursement, it could encourage parties to promise freebies from the exchequer to balance out matters. "There is a Supreme Court directive to the Election Commission on this, but it needs to be monitored closely," he said.

Demonetisation and the subsequent developments, even if not originally intended, have a bearing on electoral reforms. After demonetisation threw up huge logistical challenges, the government's campaigns to promote e-banking, e-wallet etc have come on everybody's lips. This, again, is a positive development to end black economy. When even a rickshaw puller or vegetable seller is told

to stop cash transactions, this will lead to establishment of a stronger banking system and higher level of financial inclusion.

However, this has led to an inevitable demand that exemption of cash donations to political parties below Rs 20,000 must also be dispensed with straight away. This will take care of the non-transparency of 80 per cent of political funding which all political parties have shown as cash donations. This amounts to an average Rs 1,000 crore per year.

Another development is the Prime Minister's directive to his party legislators to disclose all their bank transactions since November 8. Many questions were raised. My reaction is that instead of criticising it and suggesting what the PM could have done better, why not welcome it as a first positive step towards the financial transparency of politicians? Another great move of the government is to pass an Act to curb benami property deals and the subsequent crackdown. This should also have a salutary

effect on the black money in elections as this is the biggest source of illicit election funding.

The unprecedented step of demonetization may hopefully turn out to be a blessing in disguise for conducting free and fair elections, where cashless transactions will ensure higher level of transparency and scrutiny. I hope the time for long-pending electoral reforms has finally come. □

(E-mail: syquraishi@gmail.com)

NORTH EAST DIARY

BIOTECHNOLOGY PROJECTS IN ARUNACHAL PRADESH

The Government will set up 50 Biotech Laboratories in Senior Secondary Schools of Arunachal Pradesh under the scheme Biotech Labs in Senior Secondary Schools (BLISS) to encourage young dynamic students and Rs. 75 to 100 crores have been earmarked for implementing the projects.

A State Level Biotech Hub will also be set up in the State for conducting high-end researches and training North Eastern Region Researchers and students, to create and train employable manpower. For protection of indigenous traditional knowledge of the State, an Intellectual Property(IP) Cell will be set up in the State Science and Technology Council. Five centres of excellence will also be established in different areas of Biotechnology in the State.

Setting up biotechnology labs in the schools will directly benefit more than ten thousand students and teachers of the state towards promoting education in biotechnology and attracting billion young students with multidisciplinary research areas. The outreach programme will immensely help in generating awareness and enhancing literacy and promoting public understanding of biotechnology in the state. The outreach programme will have direct benefit to more than five lakh people including students in the state, towards understanding biotechnology comprehensively/ holistically.

These projects will lead to more than 1500 natural dye extraction units, 100 banana fibre and extraction units, more than 150 fruit processing units, more than 300 mushroom production entrepreneurs, 200 medical and aromatic cultivation units, and more than 50 orchid cultivation entrepreneurs and more than 100 vermi-culture entrepreneurs.

Implementation of Biotechnology projects will also lead to developing market linkages to facilitate entrepreneurs for marketing their produce that will help in income generation, sustainable Socio-techno-economic development in rural tribal areas at large. The Project will also lead to biotechnological implementation and sustainable utilization, development and conservation of bio resources of the State.

NORTH EASTERN INSTITUTE OF AYURVEDA AND HOMOEOPATHY AT SHILLONG

The North Eastern Institute of Ayurveda and Homoeopathy (NEIAH), was inaugurated in Shillong, Meghalaya recently. It is the second Ayurvedic College in the North East Region with a Homeopathy college and the only Central Academic Institute of Ayush.

This Institute will cater to the needs of all the states of the North East. The establishment of this Institute will solve the problem of scarcity of doctors in remote areas of the North Eastern regions to a great extent as it will produce quality medical graduates in the stream of Ayurveda and Homeopathy and thereby it will suitably help in implementing and improving the execution of national health policies.