

Economic crimes in India and its effects

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Abstract: Misuse of public or private property comes under the category of economic offence. This includes theft of property, forgery, fraud, etc. In such cases, many agencies also investigate economic crimes. Agencies investigating economic offenses include Police, Economic Offenses Wing (EoW), CB-CID, Enforcement Directorate (ED) and Central Bureau of Investigation (CBI) etc. In this paper, economic crime and its impact have been studied in India.

Keywords: EoW, CB-CID, CBI, ED, Economics etc.

Introduction

This is the oldest and most prestigious publication brought out by the National Crime Records Bureau. The State Crime Records Bureau (NRB) collects data from the District Crime Records Bureau (JRRB) for reporting and the National Crime Records Bureau at the end of the year under reference is sent to. Separate data is collected from large cities (city with population of 10 lakh or more based on the last census). Some IPC District wise data on the items is collected and published separately. The first issue of 'Crime in India' pertains to the year 1953 and the latest issue of the report pertains to the year 2020. GIJN's 'Global Investigative Journalism Conference' is scheduled to take place in November 2021. A guide for journalists on 'Organized Crime Reporting' will be presented on the occasion. Key articles from the same guide will be presented for several weeks to come. This article focuses on 'money-laundering', that is, turning black money into white. It has been written by Paul Radu, co-founder of the Organized Crime and Corruption Reporting Project.

Over the past two decades, I have investigated countless major economic offenders. Most of them had the potential to be the best entrepreneurs in the world. He had enough resources and creativity. He also had the ability to think fast, network and lead. He also had the ability to take risks. Had he worked within the legal framework, he could have been the king of the business world. But instead he chose economic crime. Due to misuse of their skills, such people proved to be dangerous for this world.

Such economic offenders think big. Their business plans are quite simple. The more people who fall prey to them, the more money will come. The work of such economic offenders is spread over a very large geographical area. Since many cases are international, they also easily find avenues to avoid national laws.

Work Area

This report contains detailed information on the following:

Registered cases and their disposal and

Arrested persons and their disposal

Under the main items of the Indian Penal Code and special and local laws. The age group wise and gender wise details of the persons arrested under these crime heads are also available in the report. The report also has a chapter on crimes committed against some vulnerable sections of the society – women, children, SC/ST. The above crime statistics are presented in the format of diagram/map, format of tabular and map format.

Main area

An entire chapter has been devoted to Police Capability, Expenditure and Infrastructure. Similarly, information on police accidents and police firing and accidents has been given in separate chapters. Continuous efforts are being made to fulfill the requirements as per the time. Therefore, information on cyber crime and human trafficking is given in separate chapters. Economic offences, practice of recidivism and offenses in railways are given in separate chapters. In relation to the total population of abduction and kidnapping women and girls and children have been given separately.

In conducting data research and decision making

The Government of India has a very detailed, data bank on the above subject available only in this report. The data contained in this report is widely used by policy makers, NGOs, researchers and the general public. Keeping in view the prevalence, increasing use, dependency of various stakeholders on the information contained in the report, we have, through our own efforts, digitized all the issues of the report from 1953 to 2019 and made the same available on our website.

Economic Offenses Cell (EoW)

In a state where there is no agency to investigate economic offences, it is the police that investigates such cases. But in union territories like Delhi, there is an Economic Offense Wing (EoW) to investigate economic offenses. It is also called Economic Offenses Cell in Hindi. The Economic Offenses Wing investigates the case of fraud or misappropriation of more than one crore. It can automatically register a case in any major economic offence.

Enforcement Directorate (ED)

The Enforcement Directorate (ED) investigates an economic offense in which the Foreign Exchange Management Act (FEMA) is violated. It is an economic intelligence agency, which performs the responsibility of enforcing economic law and curbing economic crime in India. The Enforcement Directorate comes under the Revenue Department of the Ministry of Finance, Government of India. The main objective of the Enforcement Directorate is to enforce the two major Acts of the Government of India, the Foreign Exchange Management Act 1999 (FEMA) and the Prevention of Money Act 2002 (PMLA).

Central Bureau of Investigation (CBI)

Central Bureau of Investigation i.e. Central Bureau of Investigation (CBI) is a major investigative agency of India. Apart from investigating many crimes, the CBI also investigates economic offenses and corruption. CBI also has a separate Anti Corruption Unit. Apart from this, the government and the court also do the CBI. CBI also has a separate Anti Corruption Unit. Apart from this, the government and the court can also order the CBI to investigate economic crimes. Usually, the CBI investigates large amount of fraud or cases related to more than one state.

Some Economic Offenders of India

Vijay Mallya

Vijay Mallya is the chairman and owner of UB Group and Kingfisher Airlines. In the year 2008, his net worth was 72 billion rupees. Vijay Mallya was ranked 42nd in the list of rich people. He took a loan of Rs 9000 crore from banks and fled to Britain.

He had no intention of repaying the loan. The Government of India has declared Vijay Mallya as the country's first economic fugitive criminal. The investigative agencies of India have got the right to confiscate all his properties.

Nirav Modi

Nirav Modi is an Indian businessman who does diamond business. Nirav Modi has done a scam of 11 thousand crores in association with Punjab National Bank. At this time he has fled the country. The Government of India has declared him an economic fugitive.

CBI has seized Nira Modi's Ahmednagar factory. Nirav Modi is accused of conspiring with the officials of the banks to make fake payment letters for foreign suppliers and cheated 11000 crores. After this information was revealed, the stock of Punjab National Bank has registered a decline of 8.5%.

Mehul Choksi

Mehul Choksi is the maternal uncle of Nirav Modi. Along with this, he is also his business partner. At this time he has left the country and is hiding abroad. Mehul Choksi and Nirav Modi together have done a scam of Rs 11000 crore with Punjab National Bank. Mehul Choksi is the Managing Director of Gitanjali Gems. The government has

collected diamonds, jewelry and gold worth 5100 crores by raiding the same workshops, showrooms, offices and houses.

The Fugitive Economic Offenders Bill introduced by the Government of India

The Fugitive Economic Offenders Bill 2018 empowers the government to take action against those who have committed economic offenses in India. After the passage of this bill, such economic offenders will be forced to return to India.

It would be easy to take action against them. It will be easy to recover lakhs and crores from them, under this bill, action will be taken against such economic offenders who have committed crime of more than 100 crores.

Have grabbed public money or taken loans from banks and are refusing to repay. Such criminals flee abroad and do not return to India. But after the implementation of this bill, it will be easy to catch those criminals and bring them back to India. The property of such criminals will be confiscated.

Impact of Crimes

Until a few decades ago, international organized criminals were difficult to identify. These men were several steps ahead of law enforcement agencies, investigative journalists and activists. But now the situation has changed. Journalists have launched international collaborative campaigns across the borders of their countries. Due to this things are slowly starting to change. However, criminals still get the benefit of vast resources. They are quick to adopt new technology. Due to this, such criminals stay a step ahead of law enforcement agencies in many cases.

It is important to focus on one more group and investors who finance other criminals. They get very good returns from such investments. Crime brings more opportunities for people accustomed to such a lifestyle. Investigative journalists need to better understand the financial ecosystem built around the crime. It is in such an environment that the 'criminal service industry' flourishes. The development of new techniques of money laundering and covert investing also takes place here.

Investigative journalists must be fully aware of the new technology of organized crime. They need to understand cryptocurrencies, blockchain, non-fungible tokens (NFTs) and other new tools. Time and money will have to be invested for this. These items are used in the business model of the 'criminal services industry'.

'Follow the Money' will soon be replaced by 'Follow the Code' (in the form of algorithm). But ultimately this entire illegal income shows up in the form of some 'property' and 'luxurious lifestyle'. This is what crime brings with it.

Result Analysis

A look at the National Crime Records Bureau (NCRB) data for the year 2015 shows a marginal increase in the number of economic crimes registered a year before that. But if one looks at the figures going back a decade, the figures are just the opposite.

The number of economic offenses such as fraud and criminal breach of trust has doubled in the past ten years. The crime rate i.e. incidents of crime per lakh people also shows the same trend. The crime rate for economic crimes was 6.6 in 2006, which increased to 11.9 in 2015.

According to Shankh Sengupta, partner at Trilegal Law Firm, the scope and importance of contracts (whether public or private) has increased significantly, due to which the availability of money is more at every level. Apart from this, more awareness and activism is being seen in the government offices regarding the issues of bribery and corruption.

NCRB data shows that a large number of government officials have been caught in cases of irregularities in the last ten years. The number of cases registered for routine departmental action in cases investigated by the CBI increased from 237 in 2006 to 272 in 2015 at a rate of 15 per cent. However, there has been a decrease in such cases since 2012.

Major economic crimes committed in India in the last decade included the accounting fraud of Rs 7,314 crore of Satyam Computer in 2009 and the allocation of 204 coal mines, which were quashed by the Supreme Court in 2014. The loss of about Rs 1,123 crore in the false accounts case of Ricoh India in the year 2016 is the latest example of economic scam.

Let us briefly discuss its two aspects. First is economic offense and second is legal process. Vijay Mallya, Lalit Modi and Nirav Modi are some of the names that pop up when we talk about money laundering. There are many crimes related to money laundering. After the year 2014, the government of Prime Minister Narendra Modi has made the provisions of the law related to the prevention of money laundering strict. Despite this, many criminals fled abroad to avoid arrest by taking advantage of legal loopholes.

There are many methods of transfer of money from India to other countries. Money laundering is an art. In the case of P Chidambaram and his son Karti Chidambaram, shell companies were opened in various tax haven countries (where there is less tax or no tax compared to other countries). Modi issued notices to over two lakh shell companies in his last term, many of which are fake and fake.

He has no offices on foreign soil except the address, which is anonymous. Now take the example of Bermuda. Bermuda is one of the most expensive countries to live in, but has zero personal income tax as well as corporate tax, according to global tax guide Price Water House Coopers and Deloitte. Similarly, there are countries like Netherlands, Luxembourg, Caymen Islands, Singapore etc.

Even during the UPA regime, many politicians were caught on charges of economic offences. But the question is whether the Congress was serious in dealing with them. Narendra Modi is in a decisive position by securing a

majority of 340 seats in the Lok Sabha in the NDA government, which has started cracking down on economic offenders. Former Union Minister P Chidambaram is a classic example of this.

According to the court proceedings, the father and son duo were involved in serious offenses under the Prevention of Money Laundering Act (PMLA). Delhi High Court judge Sunil Gaur, who delivered the verdict on P Chidambaram's anticipatory bail application, came out with irrefutable remarks. It is alleged that when Chidambaram was the Finance Minister, he had given the approval of Foreign Investment Promotion Board to INX Media in the year 2007.

The government probe agency believes that the company was able to get clearance to get over-investment by using Chidambaram's son Karti Chidambaram. We do not need to put the merits and demerits of this matter here. CBI and Enforcement Directorate are investigating in this regard. Legal process is going on. The court will give its verdict on the basis of the allegations.

Corruption in the political field is an obvious weakness of our system. Those in power are often known to use discretionary authorities or exploit policy loopholes or dilute laws and use laws to favor vested interests. In return they have often benefited financially—using illegally obtained resources for both personal wealth accumulation and electoral money.

The Narendra Modi government has said that it will crack down on corruption by giving policy changes as well as giving investigative agencies a free hand to pursue cases against high profile politicians. If it acts as a deterrent to future corruption, it can help in removing systemic corruption.

Be it enacted by Parliament in the twenty-fifth year of the Republic of India as follows:-

1. Short title, extent and commencement.—(1) This Act may be called the Economic Offences (Limitation Not to Apply) Act, 1974.

(2) It extends to the territories to which the Code of Criminal Procedure, 1973 (2 of 1974) applies.

(3) It shall come into force on the first day of April, 1974.

2. Chapter 36 of the Code of Criminal Procedure, 1973 not to apply to certain offences.—Nothing contained in Chapter 36 of the Code of Criminal Procedure, 1973 (2 of 1974)—

(i) any offense punishable under any of the enactments specified in the Schedule, or

(ii) such offense plus any other offense triable under the provisions of that Code,

and the Court of jurisdiction may take cognizance of every offense referred to in clause (i) or clause (ii) as if the provisions of that Chapter had not been enacted.

Schedule

(see section 2)

1. The Indian Income-tax Act, 1922 (11 of 1922)
[1a. Clause (a) of section 63 of the Copyright Act, 1957 (14 of 1957)]
2. The Income-tax Act, 1961 (43 of 1961)]
[2a. The Interest-tax Act, 1974 (45 of 1974)]
[2b. The Hotel-Income Tax Act, 1980 (54 of 1980)]
[2c. Expenditure-tax Act, 1987]
3. The Companies (Profits) Surtax Act, 1964 (7 of 1964)
4. The Wealth-tax Act, 1957 (27 of 1957)
5. The Gift-tax Act, 1958 (18 of 1958)
6. The Central Sales-tax Act, 1956 (74 of 1956)
7. The Central Excise and Salt Act, 1944 (1 of 1944)
[7a. CHAPTER V OF THE FINANCE ACT, 1994.]
8. The Medicinal and Cosmetic Preparations (Excise) Act, 1955 (16 of 1955)
9. The Customs Act, 1962 (52 of 1962)
10. The Gold (Control) Act, 1968 (45 of 1968)
11. The Import and Export (Control) Act, 1947 (18 of 1947)
12. The Foreign Exchange Regulation Act, 1947 (7 of 1947)
13. The Foreign Exchange Regulation Act, 1973 (46 of 1973)
14. The Issue of Capital (Control) Act, 1947 (29 of 1947)
15. The Indian Stamp Act, 1899 (2 of 1899)
16. The Emergency Crisis (Goods) Insurance Act, 1962 (62 of 1962)
17. The Emergency Crisis (Factory) Insurance Act, 1962 (63 of 1962)
18. The Emergency Crisis (Goods) Insurance Act, 1971 (50 of 1971)
19. The Emergency Crisis (Undertaking) Insurance Act, 1971 (51 of 1971)
20. The General Insurance Business (Nationalisation) Act, 1972 (57 of 1972)
[21. The Industries (Development and Regulation) Act, 1951 (65 of 1951)]

Impact on the national economy

Economic offenses cause significant damage to the general economy of the country, adversely affecting the growth and development of the nation.

At the international level, it undermines the nation's confidence in its financial credibility and stability, thus undermining its global competitiveness.

And furthermore, becoming unattractive to investment from within as well as outside. Where there is a high level of economic crime, the government and bureaucracy are also considered corrupt and weak. Some of the major impacts on the national economy that can be caused by economic crimes are:

- increase in inflationary pressure
- Unequal distribution of resources and creation of elite
- Marginalization of Tax Base
- generation of black money
- building a parallel economy
- neglect of development works/efforts
- become a haven for corruption
- Illegal business flourishes, affecting license business
- The resources of financial and commercial institutions are diverted and distorted
- weakens the morale and commitment of citizens
- The poor/weakest are still at risk
- The country's economic balance is at stake

An important consequence for the above is diversion and investment of illicit money (black money) earned by committing such crimes in furtherance of such offenses and under the hegemony of criminal syndicate regime. Threats to public safety, and ultimately national security, would appear imminent as an end result.

Conclusion

National laws and regulations are not sufficient to deal with and respond to challenges that are cross-border in nature and involve multiple jurisdictions and multiplicity of laws. Globalization and the rise in global economic crimes require a global response. Currently, the measures that are in place are all at the national level, but all these measures differ from country to country. Thus, it becomes even more important for countries to increase cooperation among the world's law enforcement agencies. Trace the source of funds, including the origin of funds, combating money laundering through reduction of bank secrecy and confiscation of assets are the most important issues. Legislation on confiscation and confiscation of properties acquired through criminal activities and sharing available technology on the subject would be a step in the right direction.

To collect information about crimes like economic offences, specific types of fraud, concealment of property, evasion of taxes etc. and, where necessary, to investigate such offences. To collect information about persons and groups inciting disobedience to the Constitution of India and disobedience to public servants and to investigate such offences. In this way, for criminal groups and corrupt politicians under money laundering, these four things are presented as a complete package- 1. Offshore companies, 2. Proxy people, 3. Bank collusion, 4. Fake contracts and invoices. Various types of offenses come under economic offences, such as refusing to repay by taking a large amount of loan from banks for business business. After taking action, leaving the country and running away. Along with this, money laundering, doing hawala business illegally, trying to convert black money into white, tax evasion, making shell companies etc. Three big economic criminals in front of our country today are Vijay Mallya, Nirav Modi and Mehul Choksi. Such crimes are committed by taking advantage of the rules. It also includes bank officers and other officials. Such economic offenders should be put behind the bars.

Suggestions and New Activities:

Though our achievements make us proud, they do not satisfy us. The presentation of the report has been continuously improving over the years. Therefore, very recently, a large number of sketches and maps have been included in the report. We would be very grateful for the improvement in the content and presentation of the report to make it more useful to the stakeholders. We welcome suggestions from users to make our work more excellent.

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