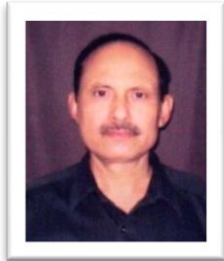


Corruption (Black Money) as A Challenge in the Different Fields of Government Sector: A Case Study in District Dehradun



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Abstract

Corruption in the Indian society has prevailed from time immemorial in one form or the other. The basic inception of corruption started with our opportunistic leaders who have already done greater damage to our nation. People who work on right principles are unrecognized and considered to be foolish in the modern society. Corruption in India is a result of the connection between bureaucrats, politicians and criminals. Earlier, bribes were paid for getting wrong things done, but now bribe is paid for getting right things done at right time. Further, corruption has become something respectable in India, because respectable people are involved in it. Social corruption like less weighing of products, adulteration in edible items, and bribery of various kind have incessantly prevailed in the society. Growing corruption In India as a Black money refers to funds earned on the black market, on which income and other taxes have not been paid. The total amount of black money deposited in foreign banks by Indians is unknown. Some reports claim a total exceeding US\$12.4 trillion are stashed in Switzerland. Other reports, including those reported by Swiss Bankers Association and the Government of Switzerland, claim that these reports are false and fabricated, and the total amount held in all Swiss banks by citizens of India is about US\$2 billion. In February 2012, the director of the Central Bureau of Investigation said that Indians have \$500 billion of illegal funds in foreign tax havens, more than any other country. In March 2012, the Government of India clarified in its parliament that the CBI Director's statement on \$500 billion of illegal money was an estimate based on a statement made to India's Supreme Court in July 2011.

Keywords: Black money, CBI, FDI, NGOs, RTI, etc.

Introduction

In today's scenario, if a person wants a government job he has to pay lakhs of rupees to the higher officials irrespective of satisfying all the eligibility criteria. In every office one has either to give money to the employee concerned or arrange for some sources to get work done. There is adulteration and duplicate weighing of products in food and civil supplies department by unscrupulous workers who cheat the consumers by playing with the health and lives of the people. In the assessment of property tax the officers charge money even if the house is built properly according to the Government rules and regulations. Political corruption is worst in India. The major cause of concern is that corruption is weakening the political body and damaging the supreme importance of the law governing the society. Nowadays politics is only for criminals and criminals are meant to be in politics. Elections in many parts of the country have become associated with a host of criminal activities. Threatening voters to vote for a particular candidate or physically prevent voters from going in to the polling booth—especially weaker sections of the society like tribal's, davits and rural woman occurs frequently in several parts of the country. Recently, the Government increased the salary of the M.P.'s from Rs.16, 000 to Rs.50, 000, that is 300% increase to the existing salary. But many of them are unhappy with rise and want the Government to increase the salary to a much more extent. This clearly shows how the politicians are in constant thirst for monetary benefits and not caring about the welfare of the people. Tax evasion is one of the most popular forms of corruption. It is mostly practiced by Government officials and politicians who lead to the accumulation of black money which in turn spoils the moral of the people.

Objective of Study

In India there are lots of government sectors which are involved in corruptive activities. Even in colonial India, numerous committees and efforts were initiated to identify and stop underground economy and black money with the goal of increasing the tax collection by the British Crown government. For example, in 1936 Ayers Committee investigated black money from the Indian colony. It suggested major amendments to protect and encourage the honest taxpayer and effectively deal with fraudulent evasion.

The objectives of the studies are:

1. To analyse the different sources of generating black money which are indicating the downward of Indian Economy as well as the society.
2. To develop the framework to understand the corruption regarding the different sectors of Indian Government.

Hypotheses

The following hypotheses which are linked to the objectives of the study are proposed

H₀. There is no difference between the government activities and growing corruption.

Methodology

For micro level study we have taken District Dehradun whichever the result come will be applicable in urban and rural areas of Utrakhand as a whole. Descriptive research design has been used for the corruptive areas in Government sector availed by the corruptor has Determined and described. The present study is based on both primary and secondary data. Primary data will be collected through

well designed questionnaires and open Ended interviews with employee of Government sector, Banking Officials, Professionals and Income tax officer. Secondary data will be collected from annual reports, magazines, Newspaper, internet, review of corruption, statistical department of Utrakhand. I have taken the sample size of 100 employees in Government sector for my study .Sample area of the research will cover the full area of District Dehradun of Utrakhand. Analysis of data will be made by using various required statistical tools, Tables etc.

Analysis of the Study

Following analysis is done on the basis of data for the 100 individuals (Professionals, income tax officials and banking officials and politicians) in District Dehradun regarding the corruption through the black money and other corruptive activities.

Table - 1
Category of Individuals

Individuals	Nos.	Percentage
Banking Officials	20	20
Income Tax Officials	30	30
Politicians	10	10
Professionals	40	40
Total	100	100

Source: Field Survey

It is being identified that income tax officials (30%) and professionals (40%) have focused on the corruption through the government officials which are more in compression politicians and banking officials in district Dehradun according to the above table No 1.

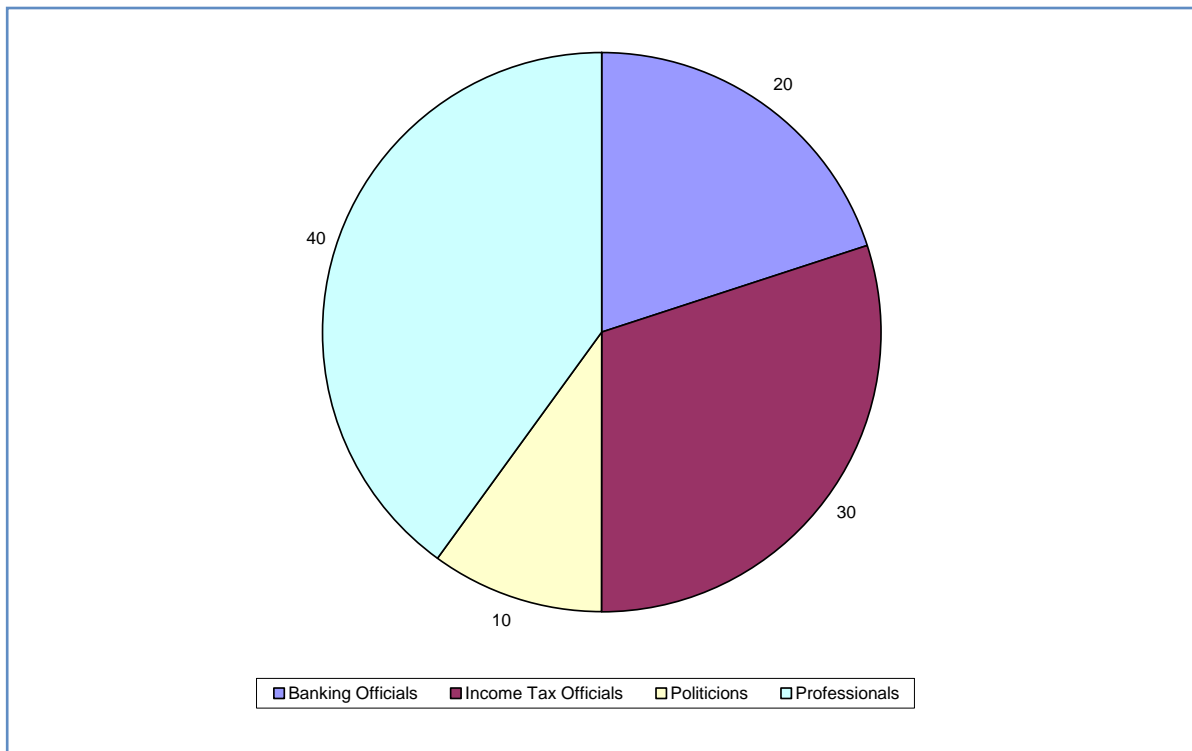


Table - 2
Age of Individuals

Age of Individuals	Banking Officials	Income Tax Officials	Politicians	Professionals	Total	Percentage
30-40	5	8	1	5	19	19
40-50	8	10	5	20	43	43
50-60	5	7	3	11	26	26
60 and above	2	5	1	4	12	12
Total	20	30	10	40	100	100

Source: Field Survey

It is being identified that the age of 40-50 (43%) and 50-60 (26%) have focused on the corruption through the government officials which are more in

compression of age of 30-40 and above 60 years in district Dehradun according to the above table No. 2.

Chart 2
Age of Individuals

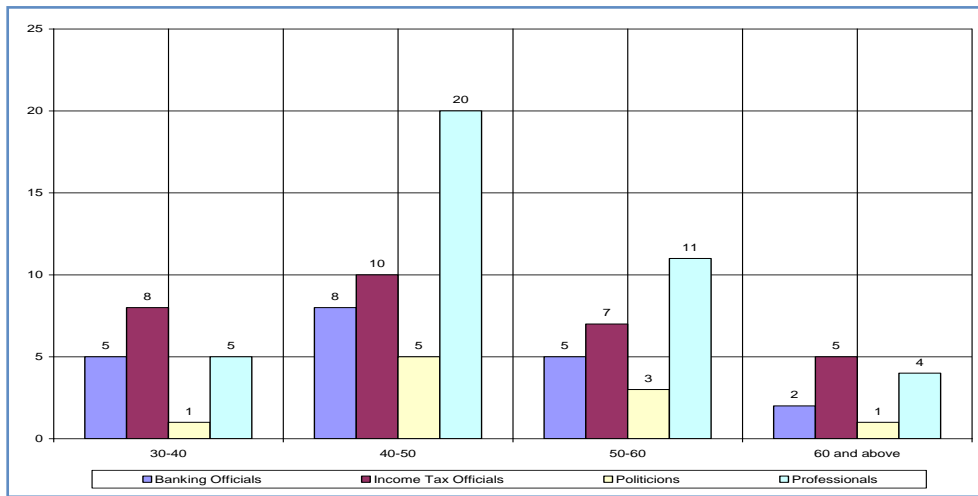


Table - 3
Is there Corruption through the Government Activities?

Particulars	Banking Officials	Income Tax Officials	Politicians	Professionals	Total	Percentage
Yes	18	29	10	38	95	95
No	2	1	0	2	5	5
Total	20	30	10	40	100	100

Source: Field Survey

It is being identified that most of the individuals (income tax officials, professionals, politicians and banking officials) like 95% said yes and have focused

on the corruption through the government activities in district Dehradun

Chart - 3
Is there Corruption through the Government Activities?

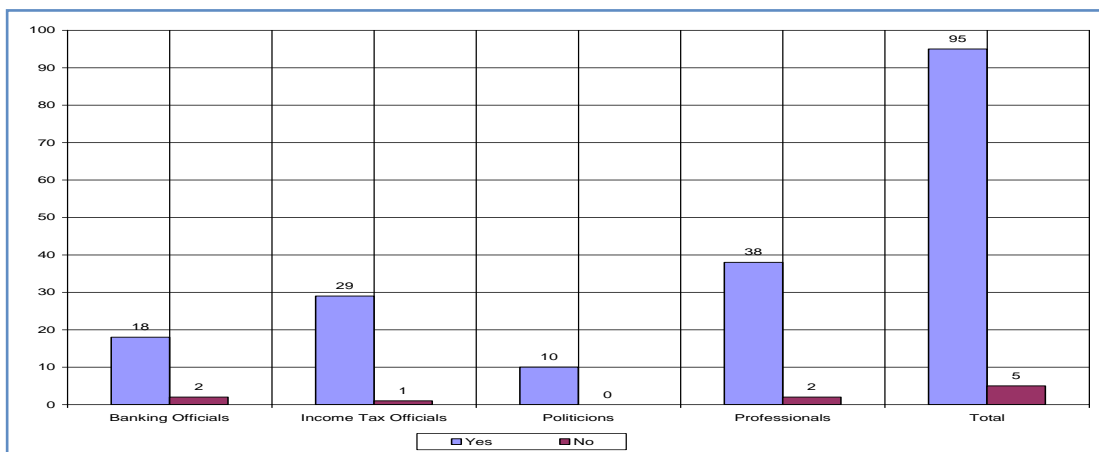


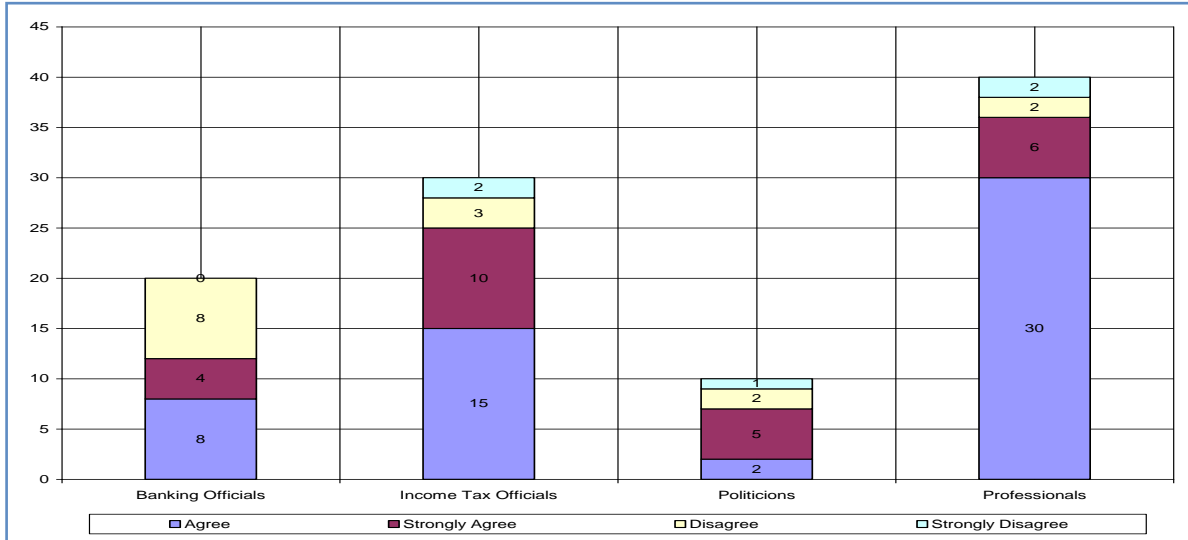
Table 4
Bank Generates Black Money

Particulars	Banking Officials	Income Tax Officials	Politicians	Professionals	Total	Percentage
Agree	8	15	2	30	55	55
Strongly Agree	4	10	5	6	25	25
Disagree	8	3	2	2	15	15
Strongly Disagree	0	2	1	2	5	5
Total	20	30	10	40	100	100

Source: Field Survey

It is being identified that most of the individual are agree 55% and strongly agree 25% for the corruption through the banks regarding the black money in district Dehradun according to the above table No 4.

Chart 4
Bank Generates Black Money



Anova Test

It is very clear said through the individual's perception of the District Dehradun that government

activities are the indication of growing corruption in India, so there is no difference between the government activities and growing corruption.

Descriptive							
Is there Corruption through the Government Activities							
		Statistic	Bootstrap				
			Bias	Std. Error	95% Confidence Interval		
					Lower	Upper	
Banking officials	N	20	0	4	13	29	
	Mean	1.1000	-.0015	.0686	1.0000	1.2609	
	Std. Deviation	.30779	-.03874	.12811	.00000	.44898	
	Std. Error	.06882					
	95% Confidence Interval for Mean	Lower Bound	.9559				
		Upper Bound	1.2441				
	Minimum	1.00					
Maximum	2.00						
Income tax officials	N	30	0	5	21	39	
	Mean	1.0333	.0000	.0339	1.0000	1.1111	
	Std. Deviation	.18257	-.04475	.11478	.00000	.32026	
	Std. Error	.03333					
	95% Confidence Interval for Mean	Lower Bound	.9652				
		Upper Bound	1.1015				
	Minimum	1.00					
Maximum	2.00						
politicians	N	10	0	3	4	16	
	Mean	1.0000	.0000	.0000	1.0000	1.0000	

	Std. Deviation		.00000	.00000	.00000	.00000	.00000
	Std. Error		.00000				
	95% Confidence Interval for Mean	Lower Bound	1.0000				
		Upper Bound	1.0000				
	Minimum		1.00				
	Maximum		1.00				
Professionals	N		40	0	5	31	50
	Mean		1.0500	-.0004	.0343	1.0000	1.1290
	Std. Deviation		.22072	-.02411	.09228	.00000	.34072
	Std. Error		.03490				
	95% Confidence Interval for Mean	Lower Bound	.9794				
		Upper Bound	1.1206				
	Minimum		1.00				
Maximum		2.00					
Total	N		100	0	0	100	100
	Mean		1.0500	-.0007	.0222	1.0100	1.1000
	Std. Deviation		.21904	-.00845	.05034	.10000	.30151
	Std. Error		.02190				
	95% Confidence Interval for Mean	Lower Bound	1.0065				
		Upper Bound	1.0935				
	Minimum		1.00				
Maximum		2.00					

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

ANOVA

Is there Corruption through the Government Activities?

		Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	(Combined)	.083	3	.028	.571	.635	
	Linear Term	Unweighted	.042	1	.042	.855	.357
		Weighted	.016	1	.016	.328	.568
		Deviation	.067	2	.034	.693	.503
	Quadratic Term	Unweighted	.065	1	.065	1.344	.249
		Weighted	.065	1	.065	1.346	.249
		Deviation	.002	1	.002	.040	.841
	Cubic Term	Unweighted	.002	1	.002	.040	.841
		Weighted	.002	1	.002	.040	.841
Within Groups		4.667	96	.049			
Total		4.750	99				

Bootstrap for Multiple Comparisons

Dependent Variable: Is there Corruption through the Government Activities

(I) Individuals	(J) Individuals	Mean Difference (I-J)	Bootstrap ^a			
			Bias	Std. Error	95% Confidence Interval	
					Lower	Upper
Banking officials	Income tax officials	.06667	-.00098 ^b	.07593 ^b	-.07002 ^b	.22652 ^b
	politicians	.10000	-.00078 ^b	.06835 ^b	.00000 ^b	.26121 ^b
	Professionals	.05000	-.00073 ^b	.07568 ^b	-.08520 ^b	.20511 ^b
Income tax officials	Banking officials	-.06667	.00098 ^b	.07593 ^b	-.22652 ^b	.07002 ^b
	politicians	.03333	.00021 ^b	.03394 ^b	.00000 ^b	.11158 ^b
	Professionals	-.01667	.00025 ^b	.04807 ^b	-.11285 ^b	.07630 ^b
politicians	Banking officials	-.10000	.00078 ^b	.06835 ^b	-.26121 ^b	.00000 ^b
	Income tax officials	-.03333	-.00021 ^b	.03394 ^b	-.11158 ^b	.00000 ^b
	Professionals	-.05000	.00004 ^b	.03421 ^b	-.12941 ^b	.00000 ^b
Professionals	Banking officials	-.05000	.00073 ^b	.07568 ^b	-.20511 ^b	.08520 ^b
	Income tax officials	.01667	-.00025 ^b	.04807 ^b	-.07630 ^b	.11285 ^b
	politicians	.05000	-.00004 ^b	.03421 ^b	.00000 ^b	.12941 ^b

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

b. Based on 993 samples

In Terms of Government activities and growing corruptions. The government seems to more careless in terms of growing corruption. The mean satisfaction level is up to the mark for the significant variation between the Government activities and growing corruption at 95% confidence level since the value of P.E. is more than .05

Sources of Black Money

Indian corporate invariably under invoice their exports and over invoice their imports from tax heaven countries such as Singapore, UAE, Hong Kong, etc. Thus the promoters of the public limited companies, who hold rarely more than 10% of share capital, earn black money abroad at the cost of majority shareholders and tax income to the Indian government. Politicians, political parties and corrupt higher officials of government and its institutions take bribes from foreign companies and park/invest the money abroad in tax havens for transferring to India when needed. Many times locally earned bribes/funds/collections are also routed abroad through hawala channels for evading from Indian tax authorities and consequent legal implications. The Vodaphone tax case is a glaring example where foreign multinational companies also evade tax payments in India by making transactions with shell companies registered in tax haven countries

Return of Black Money from Abroad

The unlawfully acquired money kept abroad is routed back to India by round tripping processes. Round tripping involves getting the money out of one country, say India, sending it to a place like Mauritius and then, dressed up to look like foreign capital, sending it back home to earn tax-favored profits. Foreign Direct Investment (FDI) is one of the legal channels to invest in Indian stock and financial markets. As per data released by the Department of Industrial Policy and Promotion (DIPP), two topmost sources of the cumulative inflows from April 2000 to March 2011 are Mauritius (41.80 per cent, US\$ 54.227 billion) and Singapore (9.17 per cent, US\$ 11.895 billion). Mauritius and Singapore with their small economies cannot be the sources of such huge investments and it is apparent that the investments are routed through these jurisdictions for avoidance of taxes and/or for concealing the identities from the revenue authorities of the ultimate investors, many of whom could actually be Indian residents, who have invested in their own companies. Investment in the Indian Stock Market through Participatory Notes (PNs) or Overseas Derivative Instruments (ODIs) is another way in which the black money generated by Indians is re-invested in India. The investor in PNs does not hold the Indian securities in her/his own name. These are legally held by the FIIs, but s/he derives economic benefits from fluctuation in prices of the Indian securities, as also dividends and capital gains, through specifically designed contracts. Foreign funds received by charitable organizations, non-government organizations (NGOs) and other associations need not disclose the Indian beneficiary. Gold imports through official channel and smuggling is a major conduit to bring back the black money from abroad and convert in to local black money as the gold commands insatiable demand among the rural investors particularly. Also fictitious high value round

trip transactions via tax heaven countries by diamonds and precious stones exporters and importers is a channel for to and fro transactions outside the country. Also, fictitious software exports can be booked by software companies to bring black money in to India as tax exemptions are permitted to software companies,

Black Money in Swiss Banks

In early 2011, several reports Indian media alleged Swiss Bankers Association officials to have said that the largest depositors of illegal foreign money in Switzerland are Indian. These allegations were later denied by Swiss Bankers Association as well as the central bank of Switzerland that tracks total deposits held in Switzerland by Swiss and non-Swiss citizens, and by wealth managers as judiciaries of non-Swiss citizens.

James Nason of Swiss Bankers Association in an interview about alleged black money from India suggests "The (black money) figures were rapidly picked up in the Indian media and in Indian opposition circles, and circulated as gospel truth. However, this story was a complete fabrication. The Swiss Bankers Association never said or published such a report. Anyone claiming to have such figures (for India) should be forced to identify their source and explain the methodology used to produce them. In August 2010, the government revised the Double Taxation Avoidance Agreement to provide means for investigations of black money in Swiss banks. This revision, expected to become active by January 2012, will allow the government to make inquiries of Swiss banks in cases where they have specific information about possible black money being stored in Switzerland. According to White Paper on Black Money in India report, published in May 2012, Swiss National Bank estimates that the total amount of deposits in all Swiss banks, at the end of 2010, by citizens of India were CHF 1.95 billion (INR 92.95 billion, US\$2.1 billion). The Swiss Ministry of External Affairs has confirmed these figures upon request for information by the Indian Ministry of External Affairs. This amount is about 700 fold less than the alleged \$1.4 trillion in some media reports.

2015 HSBC Leaks

In February 2012, Central Bureau of Investigation (CBI) director A P Singh speaking at the inauguration of first Interpol global programme on anti-corruption and asset recovery said: "It is estimated that around 500 billion dollars of illegal money belonging to Indians is deposited in tax havens abroad. Largest depositors in Swiss Banks are also reported to be Indians". In a hint at scams involving ministers, Singh said: "I am prompted to recall a famous verse from ancient Indian scriptures, which says – In other words, if the King is immoral so would be his subjects" The CBI Director later clarified in India's parliament that the \$500 billion of illegal money was an estimate based on a statement made to India's Supreme Court in July 2011.

In February 2015, Indian Express released the list of 1195 Indians account holders and their balances for the year 2006-07 in HSBC's Geneva branch. The list was obtained by French newspaper Le Monde and included the names of several prominent businessmen, diamond traders and

politicians. The number of Indian HSBC clients is roughly double the 628 names that French authorities gave to the Indian Government in 2011. Indian government said it will probe this matter. The balance against the 1195 names stood at Rs. 25,420 crore. (Quarter of a trillion Rupees or about 4 billion USD) The list which had names of dictators and international criminals was simultaneously published by news organisations in 45 countries including The Guardian, UK; Haaretz, Israel; BBC, London. HSBC had helped its clients evade taxes and said in a statement that "standards of due diligence were significantly lower than today."

SIT on Black Money

Noted jurist and former law minister Ram Jethmalani along with many other well known citizens filed a Writ Petition (Civil) No. 176 of 2009 in the Supreme Court of India seeking the court's directions to help bring back black money stashed in tax havens abroad and initiate efforts to strengthen the governance framework to prevent further creation of black money. In January 2011, the (SC) asked why the names of those who have stashed money in the Liechtenstein Bank have not been disclosed. The court argued that the government should be more forthcoming in releasing all available information on what it called a "mind-boggling" amount of money that is believed to be held illegally in foreign banks. The SC on 4 July 2011, ordered the appointment of a Special Investigating Team (SIT) headed by former SC judge BP Jeevan Reddy to act as a watch dog and monitor investigations dealing with the black money. This body would report to the SC directly and no other agency will be involved in this. The two judge bench observed that the failure of the government to control the phenomenon of black money is an indication of weakness and softness of the government. The government subsequently challenged this order through Interlocutory Application No. 8 of 2011. The bench (consisting of Justice Altamas Kabir in place of Justice B Sudershan Reddy, since Justice Reddy retired) on 23 September 2011 pronounced a split verdict on whether government plea is maintainable. Justice Kabir said that the plea is maintainable while Justice Nijjar said it is not. Due to this split verdict, the matter will be referred to a third judge.

Double Taxation Agreement

Indian Government has repeatedly argued before the Court that it cannot divulge the names. It has further argued that the privacy of individuals would be violated by the revelation of data. These arguments are only designed to stall the revelation of names of some favoured entities. BJP leader Dr. Subramanian Swamy said that DTA was not a valid reason for not revealing names of the accounts of Indians held in foreign banks. DTA is about declared (white) incomes of entities so that tax may be levied in one or the other country and not in both. Black income is not revealed in either of the two countries so there is no question of double taxation. Further, this data would not be available to either of the two countries to be exchanged. It is no wonder then that till date, no data has been supplied to India by any of the countries with which this treaty has been signed. In brief, DTAA is about white incomes and not black

incomes, so it is disingenuous to say that in future no data would be given to us if names are given to courts.

Proposals to Prevent Indian Black Money

Even in colonial India, numerous committees and efforts were initiated to identify and stop underground economy and black money with the goal of increasing the tax collection by the British Crown government. For example, in 1936 Ayers Committee investigated black money from the Indian colony. It suggested major amendments to protect and encourage the honest taxpayer and effectively deal with fraudulent evasion Current Proposals In its white paper on black money, India has made the following proposals to tackle its underground economy and black money. Baba Ramdev also known as Yoga guru outlined his policy prescription that involves replacement of most direct and indirect levies with a banking transaction tax and de-monetization of currency notes of Rs 500 and Rs 1,000 to help prevent Indian black money, ease inflation, improve employment generation and also lower corruption.

Measures to Control Corruption

There are some specific measures to control increasing corruption.

1. The Right to Information Act (RTI) gives one all the required information about the Government, such as what the Government is doing with our tax payments. Under this act, one has the right to ask the Government on any problem which one faces. There is a Public Information Officer (PIO) appointed in every Government department, who is responsible for collecting information wanted by the citizens and providing them with the relevant information on payment of a nominal fee to the PIO. If the PIO refuses to accept the application or if the applicant does not receive the required information on time then the applicant can make a complaint to the respective information commission, which has the power to impose a penalty up to Rs.25, 000 on the errant PIO.
2. Another potent check on corruption is Central Vigilance Commission (CVC). It was setup by the Government to advise and guide Central Government agencies in the areas of vigilance. If there are any cases of corruption or any complaints thereof, then that can be reported to the CVC. CVC also shoulders the responsibility of creating more awareness among people regarding the consequences of giving and taking of bribes and corruption.
3. Establishment of special courts for speedy justice can be a huge positive aspect. Much time should not elapse between the registration of a case and the delivery of judgment.
4. Strong and stringent laws need to be enacted which gives no room for the guilty to escape.
5. In many cases, the employees opt for corrupt means out of compulsion and not by choice. Some people are of the opinion that the wages paid are insufficient to feed their families. If they are paid better, they would not be forced to accept bribe.

The one thing that needs to be ensured is proper, impartial, and unbiased use of various anti-

social regulations to take strong, deterrent, and timely legal action against the offenders, irrespective of their political influences or money power. Firm and strong steps are needed to curb the menace and an atmosphere has to be created where the good, patriotic, intellectuals come forward to serve the country with pride, virtue, and honesty for the welfare of the people of India.

Conclusion

Political corruption is worst in India. The major cause of concern is that corruption is weakening the political body and damaging the supreme importance of the law governing the society. Nowadays politics is only for criminals and criminals are meant to be in politics. Elections in many parts of the country have become associated with a host of criminal activities. Threatening voters to vote for a particular candidate or physically prevent voters from going in to the polling booth – especially weaker sections of the society like tribal's, dalits and rural woman occurs frequently in several parts of the country. Tax evasion is one of the most popular forms of corruption. It is being identified that most of the individuals (income tax officials, professionals, politicians and banking officials) like 95% said yes and have focused on the corruption through the government activities in district Dehradun. It is being identified that most of the individual are agree 55% and strongly agree 25% for the corruption through the banks regarding the black money in district Dehradun. It is mostly practiced by Government officials and politicians who lead to the accumulation of black money which in turn spoils the moral of the people. CBI has registered over 1,450 cases of alleged corruption during the years 2010, 2011 and 2012 (till March 31, 2012), it has registered 1,451 cases under the prevention of Corruption Act, 1988.

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