



WHITE PAPER ON

Economic Offences

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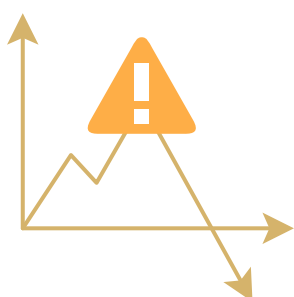
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Introduction

Economic offences are a distinct category of crimes under criminal offences and comprise of both white collar crime (refers to financially motivated nonviolent crime) and blue collar crime (refers to crime committed by an individual from a lower social class as opposed to white collar crime). They are generally committed by persons of a certain social status during the course of their occupation as a deviation from their occupational role or as a typical activity. Almost all economic crimes are similar to the various other offences and organised crimes and have very serious impact on various segments of the society, national economy and national security. This white paper focuses on the economic offences in India.

The modus operandi of economic offenders is becoming increasingly sophisticated each day. While the traditional criminals steal small to large sums of money by using brute force and conventional criminal tools and techniques, economic offenders steal large sums of money by using the appropriate technology and communications to carry out their unlawful commercial transactions, disturb databases and machinate massive frauds. The victims of economic offences are generally ignorant and naive, often remain unaware of the fact that they have been cheated.



Impact of Economic Offences

Economic offences lead to significant damages to the economy of the country unfavourably affecting the growth of the Nation. They have several visible and invisible implications and can therefore be either cognizable or non-cognizable. They generally go beyond causing financial loss for individuals / organisations, ruining the economic well-being of the society / nation, damaging the national economy, and also have very serious economic and national security implications. The major impacts caused by economic crimes in a nation are:

- Economy is paralysed
- Morale and commitments of the citizens is reduced
- Corruptions increase
- Prevalent use of black money
- Uneven distribution of required resources
- Developmental efforts blocked

Areas of Coverage of Economic Crimes

Economic offences cover a very vast area and this includes:

- Tax evasion (following illegal methods to stop paying tax)
- Illicit trafficking of contraband goods
- Smuggling
- Evasion of excise duty
- Theft of cultural objects
- Money laundering
- Foreign contribution manipulations
- Land grabbing and real estate frauds
- Trade in human body parts (transplantation of human organs)
- Illicit drug trafficking (narcotic drugs and psychotropic substances)
- Fraudulent bankruptcy
- Corruption and bribery of public servants (kickbacks and bribes)
- Bank frauds
- Insurance frauds



Areas of Coverage of Economic Crimes

- Employment racketeering
- Illegal foreign trade
- False travel documents racketeering
- Credit card frauds
- Terrorist activities
- Illicit trafficking of fire arms and explosives / gun running
- Human trafficking
- Theft of intellectual property, computer / cyber-crime / software piracy
- Stock market manipulations, insider trading
- Company frauds
- Counterfeiting money
- Financial embezzlement / misappropriation / scams
- Money laundering
- Copyright infringement
- Identity theft
- Forgery
- Irregularities in invoicing and letters of credit
- Sports betting / match fixing
- Illegal waiver of farm and rural loans, etc.

Enforcement

All economic offences have their relevant acts / legislations, amendments, and the concerned enforcement agencies to deal with them. The following table provides the list of economic crimes, the acts / legislations / amendments and the enforcement agencies dealing with them in India.



Enforcement

Sl.No.	Economic Crime	Acts / Legislations / Amendments	Enforcement Agencies
1	Tax Evasion	Income Tax Act	Central Board of Direct Taxes
2	Smuggling / Illicit Trafficking of contraband goods	Customs Act 1962 Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA), 1974	Central Board of Direct Taxes
3	Excise Duty Evasion	Central Excise Act, 1944	Collectors of Central Excise
4	Theft of Cultural Objects	Antiquity and Art Treasures Act, 1972	Police / State Crime Branch Crime Investigation Department (CB-CID) / Central Bureau of Investigation (CBI)
5	Money Laundering	Foreign Exchange Regulation Act (FERA), 1973; Money Laundering Act, 2002	Directorate of Enforcement
6	Foreign Contribution Manipulations	Foreign Contribution (Regulation) Act (FCRA), 1976	Police / CBI
7	Land Grabbing / Real Estate Frauds	Indian Penal Code (IPC)	Police / State CB-CID / CBI
8	Trade in Human Body Parts	Transplantation of Human Organs Act, 1994	Police / State CB-CID / CBI
9	Illicit Drug Trafficking	Narcotic Drugs and Psychotropic Substances Act 1985 & NDPS Act, 1988	Narcotics Control Bureau (NCB) / Police / State CB-CID / CBI
10	Fraudulent Bankruptcy	Banking Regulation Act, 1949	Police / CBI
11	Corruption and Bribery of Public Servants	Prevention of Corruption Act, 1988	State / Anti-Corruption Bureau / Vigilance Bureau / CBI
12	Bank Frauds	IPC	Police / State Vigilance / CB CID / CBI
13	Insurance Frauds	IPC	Police / State Vigilance / CB CID / CBI
14	Racketeering in Employment	IPC	Police / State CB-CID / CBI
15	Illegal Foreign Trade	Import and Export (Control) Act, 1947	Directorate General of Foreign Trade / CBI
16	Racketeering in False Travel Documents	Passport Act, 1920 / IPC	Police / State CB-CID / CBI
17	Credit Card Fraud	IPC	Police / State CB-CID / CBI
18	Terrorist Activities	IPC and related Acts	Police / State CB-CID / CBI
19	Illicit Trafficking in Arms	Arms Act, 1959	Police / State CB-CID / CBI
20	Illicit Trafficking in Explosives	Explosives Act, 1884 and Explosive Substances Act, 1908	Police / State CB-CID / CBI
21	Theft of Intellectual Property	Copyright Act, 1957 (Amendments 1984 and 1994)	Police / State CB-CID / CBI
22	Computer Crime / Software Piracy	Copyright Act, 1957 / I. T. Act, 2000	Police / State CB-CID / CBI
23	Stock Market Manipulations	IPC	Police / State CB-CID / CBI
24	Company Frauds	Companies Act, 1956 / IPC MRTTP Act, 1968	Police / CBI / Serious Fraud Investigation Office (SFIO)

Table Source: <http://ncrb.gov.in/CD-CII2013/Chapters/9-Economic%20offences.pdf>

Enforcement

Economic crimes are rapidly evolving and this necessitates the compulsive need for constant review and amendment of laws to equip the enforcement agencies to deal with the evolving crimes.

The recent surge in economic offences is in the sectors drastically affected by technological advances. For example, the extensive use of the internet and smart phones provide cyber criminals endless possibilities to plan, target and execute economic crimes, and exit the scene with the least evidence. Tackling economic offences therefore require thorough knowledge about:

- The various categories of economic offences
- The legal frameworks
- Identifying economic offenders
- Identifying loopholes in the existing systems
- Preventing economic offences
- Loss recovery methods
- Conducting investigations
- Indicting criminals

Economic crimes in all countries are linked to various other offences and organised crimes. They have a very serious bearing on the national economy and national security. Although economic crimes have rapidly proliferated in all countries, the proliferation is more intense and prominent in countries that are in the process of economic, social or political development.

Economic Crimes in India

Economic crimes are not a new phenomenon in India. Economic offenders have deceitfully exploited the shortcomings in various areas and swindled several thousands of crores. They constantly explore to take advantage of the weakness / loopholes while looking for new areas to subvert the systems.

Economic crimes have rapidly risen in various sectors since the early 1990s and have devastated millions of investors, numerous organizations - banks, insurance companies etc.



Measures against Economic Offences

The volume of economic offences is growing rapidly despite the various counter measures taken by governments the world over. Therefore, economic offences need urgent, tougher and more stringent measures such as:

- Revamping the laws governing economic offences
- Freezing all assets of the economic offenders
- Tightening bail provisions
- Creating exclusive courts
- Simplifying court procedures
- Public notification on the economic offenders
- Coordinated and concerted action by the various agencies dealing with this menace
- Declaring diversion of funds as illegal

Conclusion

Economic offence is an international menace that erodes the growth of a nation. When countries unite to work on their economic development, they must equally focus on curbing down the crimes. Controlling white collar crimes is a challenge because it is carried out by the influential people who can withhold the law enforcement against them. Unless white collar crimes are objected by the public, the hazards of economic offences cannot be controlled.

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About the Author

Mohammed Samiuddin spearheads the branding aspects & managing client relationships of ITMR. His passion includes speaking on cyber security threats, data security practices and new technological areas.

About ITMR

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