

*Original Article*

## Organized Crimes including White Collar Crimes and Economic Crimes

Aditya Kapoor<sup>1</sup>, Onkar Lakhanpal<sup>2</sup>

<p><b>Author Affiliation</b> <sup>1,2</sup>8th Semester, Department of Law, Maharishi Markandeshwar (Deemed to be University), Mullana, Haryana 133207, India.</p> <p><b>Corresponding Author</b> <b>Onkar Lakhanpal</b>, 8th Semester, Department of Law, Maharishi Markandeshwar (Deemed to be University), Mullana, Haryana 133207, India. <b>E-mail:</b> <a href="mailto:adityakapoor244.ak@gmail.com">adityakapoor244.ak@gmail.com</a></p>	<p><b>Abstract</b></p> <p>White collar crimes are such crimes done by the most reputed people of their field and refers to financially motivated, non violent crimes committed by the businessman and government officials. In my research you will find out how the professionals are clever enough to commit the crimes like Cybercrime, Fraud, Ponzi schemes, Bribery, Embezzlement and many more. All the crimes like this MTIC, excise Fraud, money laundering comes under the category of the economic crimes. My research work is all about the organized crimes which have been done by the people belong to high level status, who just for fulfilling their concerns had committed such crimes very precisely and accurately that, no one will get to know about their acts but research shows that many got red handed by the police and have been traced and their profits which have been aroused out of those white collar crimes. If these white collar crimes or economic crimes are committed by some employee of a corporation then their masters will also be liable for those acts by the virtue of Vicarious Liability.</p> <p><b>Keywords:</b> White collar crimes; Organized Crimes; Cybercrime.</p>
---	---

**How to cite this article:**

Aditya Kapoor, Onkar Lakhanpal. Organized Crimes including White Collar Crimes and Economic Crimes. Indian J Law Hum Behav. 2019;5(2):163-167.

### Introduction

A very good morning to all my respected authorities or I will say, welcome everyone here in the state of crimes. I know everyone is very excited to know what is the report about? and what is going to be next in the phrases but before that I want to express my views about the topic Organized crimes including White Collar crimes and economic crimes, so what does that really mean? White collar crimes are such crimes done by the most reputed people of their field and refers to financially motivated,

non violent crimes committed by the businessman and government officials. In my research you will find out how the professionals are clever enough to commit the crimes like Cybercrime, Fraud, Ponzi schemes, Bribery, Embezzlement and many more. All the crimes like this MTIC, excise Fraud, money laundering comes under the category of the economic crimes. My research work is all about the organized crimes which have been done by the people belong to high level status, who just for fulfilling their concerns had committed such crimes very precisely and accurately that, no one will get

to know about their acts but research shows that many got red handed by the police and have been traced and their profits which have been aroused out of those white collar crimes. If these white collar crimes or economic crimes are committed by some employee of a corporation then their masters will also be liable for those acts by the virtue of Vicarious Liability.

### Vijay Mallya's Scam<sup>1</sup>

Let's not waste time of anyone present here we'll start with most delinquent activity or I will say the fraudulent activity in years done by the boss of Former Kingfisher Airlines Mr. Vijay Mallya. Mallya's case is not an example of genuine business failure but a clear case of alleged serious financial irregularities, frauds, fund diversions and misrepresentation of facts colluding with bank officials. If we start considering it from the very first phase and beginning, there is everything going smoothly. Vijay Mallya<sup>2</sup> used to take the loan from the nationalized bank and was using the money for his beneficiaries and development purposes and repaying the loan back arousing out of the profits but nothing certainly came up to be fine and everything got devastated, the procedure was very slow, Vijay Mallya the business tycoon also bought an IPL Team in the IPL Series named as Royal Challengers Bangalore. He got blind in his success and forget everything about there payment of the loan, doing development activities for his own Airlines, slowly and slowly his former Airline The kingfishers was smashing down by the other Airlines because it was not able to facilitate the customers as the other Airlines were doing it in a better way than the kingfisher and the other Airlines were taking the business from the hands of the Kingfisher airlines. Now it was such a bad time was going for the Vijay Mallya that he Could not handled the stress, so he took a loan of ₹10,000 crore from a nationalized bank by the misrepresentation of the facts that he needed the money for more growth of his business but the brutal truth was, he was in a money debt condition and he had also took loan from the private lenders though he took loan and as well as to complete his enjoyment purposes like enjoying with girls, throwing big parties regularly to maintain his status in the society and not to use the money to develop the business. He obtained such big amount of loan from the state bank by the help of some government officials, who had a charge of bribery on them. They took money from the so called Business Tycoon, The

Vijay mallya. As he offered such big amount to bank employees that were not able to deny a such big amount and they helped the Vijay Mallya by passing his loan of ₹10,000 crore. The very important thing for the repayment of the loan is the Guarantee, which can be either a movable property or immovable property or the other person against whom the loan is granting. The bank officials who were alluding with the Vijay Mallya make the Vijay mallya himself as the guarantor of his own loan therefore in any case of non repayment of the loan, no one will be responsible for the repayment of the loan back to the Bank, hence all the credibility of the repayment of the loan will end up to the Mr. Vijay Mallya only. At the time of the repayment of the loan, Mallya was not able to repay the loan, so left the country went to United Kingdom and hid there by leaving all his property in India and took all the money of the Innocent Indians with himself. After that all the government employees who helped him to pass his loan regard to such a big amount were arrested and charged of Bribery, Fraud, Misrepresentation of Facts and all were suspended of the jobs they were doing in the nationalized banks. They were also put behind the bars to set an example for the bank employees not to commit such type of fraudulent behavior again, rest coming back to the Vijay mallya, he flew to the United Kingdom, tried to escape from the credibility of repaying the loan back to the bank, as it was the money of the innocent Indian people who could have never Imagined that this big massacre could happen to them in any instance and they have lost their precious saved money. As the matter of facts, we all know that India has a extra tradition treaty with the United Kingdom, so India can bring the criminals of India back in India from the United Kingdom. So now a days India is trying to bring the Mallya back In India, for the time in being the Indian government has seized all the assets of Vijay Mallya, when he will come back he will get back all his assets back.

*Judgment stated:* A judgment comes from the court of united kingdom that Vijay Mallya is entitled to pay a fine of ₹1000 crore to India. Rest he is in the United kingdom only and saving himself fro, not paying the loan to the bank.

### Nirav Modi's scam<sup>3</sup>

It will not be true I will say that the Mallya's scam was the largest scam of the century, no its that true, the one more name is here to get add on above the Mallya's scam. *The Nirav Modi scam*, Nirav named

as a brand himself grown up in Belgium, sharp minded, clever thinking and many more qualities but had a greedy tongue for money. He came up to Bombay in 1999 to his uncle to learn the diamond business and just after the 2 years of training he learnt everything about the diamond business but not only the diamond business just everything like Fraud, cheating, diversions of fund, bribery etc many more bad things that a fraud person should know to these fraudulent activities to cheat people and to loot their money. All this started from the scheme called "buyerscredit". Buyers credit means to take a loan from a foreign bank for a short period of time included with the interest, it's whole a very lengthy procedure but very important to understand the scheme of Nirav Modi, how he used this scheme to befool the Punjab National Bank. So starting it with the buyers credit scheme, we will take an example if a person wants to buy something from International market, like diamonds which cost ₹1000 crores, so the person in India will take loan from foreign bank as for the saving the right of both the seller and buyer. There is a procedure through which all this work happens which starts this way, a person seller in India orders some item worth ₹1000 crore and applies loan from the foreign bank, then that foreign bank will give instruction to bank here situated here in India to take some collateral from person who is applying loan for the loan, so that if he is not able to pay the loan back his collateral property will be seized and sold to get in accordance for the repayment of the loan. Now what will be the next step, it is when the bank in India gets the collateral to secure the loan payment send a (Letter of Undertaking) which will consist of the assurance that the person who has applied for the loan, will definitely return it back with interest in fixed period of time, if not then his collateral will be auctioned and money will be obtained from that source and repayment of the loan will be done, in all this case, the Indian bank will be the guarantor of the loan and will pay the loan from his side, if he will not be able to pay the loan back. After getting the (LOU) from the Indian bank, the foreign bank transfers the money in the Indian bank thus the procedure is complete. Now the big twist came up in the life of Nirav Modi which devastated everything in his life, revealed the truth about his frauds done by him, the money laundering acts done by him. Nirav Modi placed an application of loan of ₹11,000 crore in Punjab National Bank as Buyers credit for buying the diamond from the international market. Earlier he used to get the loan from the Bank, without depositing the collateral in the bank with the help of 2 bank officials who

used to take bribery from him. But his time this couldn't happen because the one of his 2 agents, the one agent was the deputy manager of the bank got retired and the new person appointed in place of that deputy manager disapproved the loan because there was no collateral or security for the loan was offered by Nirav Modi, hence in that case Nirav Modi asked the deputy manager that was getting the loan like this before, without submitting the collateral or any security. Then that deputy manager with his all report and bank officials complaint against the Nirav Modi in the court that he had been taking loan from bank in the name of Buyers Credit without submitting any collateral and not repaying the loan back, so it all became the responsibility of the Punjab National Bank to repay the loan to the Foreign banks. After hearing a suit filed in his name, Nirav Modi flew to Abroad, in order to not to repay the loan back to the bank. He is an anti Indian person who endangered the Indian and their respects for his own selfish motives. The day before Nirav Modi has sent an E-mail in which he has conveyed that he will not return a single penny to the Punjab National Bank, no one can catch him.

*Judgement stated:* The case is still pending in the court as Nirav Modi has not yet come back to India as he has done such a shameful act which disgraced Indian pride. His lawyers are saying that he hadn't done anything wrong but everyone knows the truth. Judge has ordered to seize his property worth ₹5000 crore for the repayment of the loan to the Punjab National Bank which could be later given to the foreign bank with interest.

#### **Harshad Mehta's Scam: India's biggest stock market Scam<sup>4</sup>**

Harshad Mehta, a son of a peon living a middle class life, graduated from Lala Laj Pat Ray college and had worked in various companies but for not so long as he always wished to be the richest person in the world. He left the companies and started paying interest in the Stock market and joined B Ambalal broker and worked there for sometime, though he had a very sharp brain, he learned all the work from B Ambalal broker. Later after learning the work he became the stock broker of the JL Shah and Nandlal Seth, earned much profits from there also and sharpening the skills of the broker. In 1984 he made established 2 companies with his brother namely Grow more Research and Asset management and became the broker of BSE and started his career of broker over there. Suddenly became of *Red Bull*

of India also called as the Amitabh Bachan of Stock Market. How this all happened ? how he became so popular and so rich that he started affording the most expensive cars and porch sea facing bungalow. I will tell you how, this all happened because of the loop holes in the banking system. There was guideline by the reserve bank of India there should be some money deposited by every bank to the government as government securities. but every was not able to maintain that security in the RBI which is also called as the Government bond. So to overcome this situation, one bank im exchange of government securities take short term loan from the other bank. But there were many loopholes in this procedure, which were very well known by the Harshad Mehta and he took advantage of the same so basically what he did was that, he worked as a broker between the seller and purchaser bank he took the securities from the seller bank and keep it to him only for sometime saying that he will be finding the purchaser bank and took money from the purchaser bank and keep it to himself for sometime saying that that it will take time to find the seller bank, and when the seller bank asks for the money he took the other purchaser bank and deal with them, gets the money from there and give it to the first seller bank. This way he runned the cycle throughout, no bank was able to know to whom it was selling the securities and the other bank also didn't know from whom it was purchasing the securities, this all happened because all the cheques were issued in the name of harshad Mehta not the bank respectively. So the harshad Mehta was single handedly having a lots of money in his own hand, which he used in the stock market, he used the whole money in manipulating the stock market, that no one could ever thought, he invested in ACC, Videocon etc many more company. His manipulations reached to highest limits that a stock of ACC Ltd of Rs reached to Rs 9000 so this way he earned all this big amount of profit. After that he crossed his limits, at first he was acting as a broker, paying good taxes to the government, all went good. But after that he started the forgery, when seller bank gives the securities to the purchaser bank, it doesn't mean that it is giving the actual securities, it used to give a bank receipt only. Later after Harshad Mehta made fake bank receipts and started giving it to the purchaser bank and took money and invested it in the Stock market again. But suddenly stock market crashed and all the investors suffered loss and Harshad Mehta was one of them who suffered loss and he failed to return the money back to the banks. On 23 April 1992, Mrs. Sucheta Dalal in her newspaper Times

of India exposed all the scam of Harshad mehta, all the banks got to know about the fake bank receipts made by the Harshad Mehta, on 9 november 1992 he got arrested by the CBI and he was charged of 600 civil action suits and 70 criminal suits. He was kept in prison for long, he died over there on 31<sup>st</sup> December. Though it was the biggest stock market scam of the India, it stunned the whole India and people of India over here. Government made new authorities like SEBI to authorize the proper transaction of the Banks and filled the loopholes. The reported who exposed the Harshad Mehta's scam was awarded Padamshree Bhushan by late Sh. Abdul Kalam, the EX-president of India for her courage to expose the scam and after that she exposed many other scams also.

## 2G Spectrum<sup>5</sup>

Going to talk about the biggest scam of the century, which can be concluded in the both the categories as white collar crime and economic crime as well. Yes I am talking about 2g spectrum scam in which there were many government ministers were included and made a loss of about 1.76 lakh crore to the Indian government according to a report made by the CAG of India. Before starting about the facts about the case, we will first understand, what is spectrum ? basically spectrum are the electromagnetic waves which carries the data in the form of signal from one place to another. This spectrum is considered as a natural resource because it has been there before the existence of the government and only the government has the ownership over all the resources and moreover to avoid the traffic jam in the Spectrum and stopping the disputes in the companies and stop their fights, government decided to sell the spectrum and earn money to fill up the treasure for the development of the society by building buildings, giving employment opportunities to the people etc. In May 2003, A Raja was appointed as the telecom Minister of India and later after his appointment, in august 2007 the process of allotment of 2g Spectrum was initiated by the U.P.A government which means that the spectrum will be sold to the companies. There were 2 ways initiated for sale which were *Auction and sale by fixed price by the telecommunication department of India*. So the telecommunication minister A Raja decided to sell the spectrum through a policy called the first come first which means, which company comes first will buy the spectrum at price fixed by A Raja. On 1 october 2007 DOT received 507 applications from 46 firms to buy the spectrum. On



November 2007 the Prime minister of India wrote a letter to the DOT regarding the sale of the Spectrum that there should be fair conduction of the sale of the spectrum, there shouldn't be any corruption done by anyone. not this after the prime minister, the finance minister of India wrote a letter to DOT concerning about the procedure adopted by the DOT for the sale of the Spectrum, saying that there should be no ireegularities in the sale system. In 2008 many companies bought the Spectrum such as Swami Telecom, Tata ltd, Docomo and many other companies also. But because of the irregularities of the DOT, every one suspected them and had a doubt whether everything is fine or not. In 2009, CUC directs the CBI to enquire about all this matter is and directed to do inquiry in all the matter. On 14 November the telecom minister resigned and Kapil sibal took his place and became the new telecom minister later. After that a case was registered in the name of the ex telecom minster A Raja, the court ordered the judicial custody of A Raja, later after on 14 march, Special court was established for the trial of this case as it was a very sensitive case. The CAG of India made a report and submitted it in the court stating that there was a loss of 1.76 lakh crore to the government while selling the spectrum to the companies, it was heard that all the minister of the UPA government were together in the scam done by the A Raja and hided it because they all were bribed by the companies to sell the spectrum at low rates.<sup>6</sup> In 2012 supreme court in a judgment stated that there is scam in all

the case and *ordered to cancel all the licenses of the spectrum given by the government to the companies*, but surprisingly A Raja was acquitted by the Special CBI judge on 21 December 2017. Leaving the topic of the scam coming to the point of A Raja acquittal by the Special CBI judge was a very shocking thinking, this thing strikes the mind that what made him acquittal from the case. If he was innocent then why the Supreme court cancelled the licenses of the companies. The very next turning point come out In the case comes when the kapil Sibal, Telecom minister stated his Zero loss theory according to which there was no loss to the government while selling of the spectrum to the companies and A raja was innocent and hadn't had any liability on him that's why he was acquitted by the CBI court and It is believed that an appeal will be done on the acquittal of the A Raja, so that he will be put behind the bars again.

#### References

1. Internet media and newspaper
2. Punjab National bank journal
3. International law journal
4. Newspaper
5. I.A no. 34 of 2012
6. Supreme court cases