

Black money: Indians and NRIs partners in crime

Despite condemning black money, non-resident Indians have only helped to increase it. According to Aman Agarwal, professor of finance at the Indian Institute of Finance, New Delhi, the total amount of black money globally is estimated between \$2.1 and 2.5 trillion. This is roughly about seven percent of the world's GDP.

Indians have stashed away - hold your breath - no less than \$1.4 trillion in black money in Swiss banks, according to a Swiss Banking Report quoted by Naman Sood. Indians are trailed by Russians at \$470 billion, Britons at \$390 billion, Ukrainians at \$100 billion and Chinese at \$96 billion. This means that Indians have more black money than the four largest depositors that follow them.

Black money in India has been variously estimated by economists between five and 48 percent of the economy. Economist Shanker Acharya estimated it at 20 percent of the GDP while Arun Kumar put the figure at 40 percent. Who keeps their illegal cash abroad? Politicians, businessmen, babus and criminals. With the liberalisation of the foreign exchange rules, businessmen have fewer reasons to keep their ill gotten gains abroad.

'Let us bring back our money,' says M.R. Venkatesh, an NRI in the US. 'It is one of the biggest loots witnessed by mankind - the loot of the 'aam aadmi' (common man) since 1947 by his brethren occupying public offices. What is even more depressing is that this ill-gotten wealth of ours has been stashed away abroad into secret bank accounts located in some of the world's best known tax havens. And to that extent, the Indian economy has been stripped of its wealth.'

But how have the NRIs contributed to increasing the quantum of black money? In an exclusive interview, Agarwal said Indian workers in Arab countries cannot transfer money back home due to local laws. So 'hawala' is the only route -- by handing cash to local 'agents' for delivery to their families in India. The other method is buying gold and bringing it to India. No wonder huge gold markets or 'souks' have come up in these countries. Due to the bulk of gold for higher amounts, NRIs bring in diamonds.

NRIs in Eastern Africa faced tight exchange control regulations until mid-1990s so they sent their cash to Britain and the US as 'a lifeboat'. They deposited it in banks or purchased properties with this money. NRIs from Britain used the 'hawala' route to send money to their families for a better exchange rate and less hassles with banks for their relatives.

Agarwal adds that some NRIs in the US transferred money by 'hawala' 10 years ago after India's nuclear tests at Pokhran because they feared that they may be pressurised to leave the US.

After 9/11, a new element of financing terrorist operations has crept in -- black money transfers, in addition to financing drugs. Terror groups are using 'wire money transfer' channels and credit cards to send money for terror strikes in India. So the Indian government set up the Financial Intelligence Unit - India (FIU-IND) in 2004 for receiving, processing, analysing and disseminating information relating to suspect financial transactions.

All banks and finance companies are bound every month to inform FIU-IND about all cash transactions of over Rs.1 million and its equivalent in foreign currencies; all cash transactions below

Rs.1 million and its equivalent in foreign currencies; all cash transactions in forged or counterfeit currency notes and all suspicious transactions.

This unit has unearthed an impressive number of underhand dealings as detailed in its annual report and has been granted more powers to track down more. Now Indian outlets of foreign wire transfer services and casinos have also been ordered to report their transactions every month.

Banks and finance companies now implement strict rules to identify everyone who operates or opens an account with them. This concept, 'Know Your Customer', has been advocated by Agarwal for some time. He has also devised a CD-ROM Principle for India's Black Money where C stands for pay Cash Carry Certificates; D for Delays, Deficiencies and Denial of certificate; and ROM for Rest on Mat as cases are never taken up and gather dust!

Comments Agarwal, 'Unfortunately, the least respect for law and the maximum violation of law is the order of the day by some people in authority - as they are charged with the responsibility of enforcing laws on mafia groups, gangs, and/or nexus of the two. The former enjoys the constitutional security and the later is outside the framework of the law. A common man does not question either of them.'

Both Indians and NRIs are partners in this crime.

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