CHAPTER III

SECTION OF THE PROBLEM

3.1 NARCOTIC DRUGS AND MONEY LAUNDERING : THE CONCEPT

According to the Narcotic Drugs and Psychotropic Substance Act 1985, the narcotics drugs are classified into three such as opium and its derivatives, cannabis and its derivatives and cocaine and its derivatives. This study is focused only on opium and opiates like heroin and morphine. “Opium” means the coagulated juice of the opium poppy. “Opium poppy” means the plant of the species *Papaversomniferum* L. It is an annual plant growing in many countries around the world with moderate climate. It has white to red flowers and round to elongated capsules with dark violet seeds. Licit cultivation gives more economic benefit not only to India and also to the cultivators. The illicit cultivation of opium and heroin give ten times more economic benefit to the traders. The money laundering is also connected with opium trading. The money launderers collect the money from these illegal sources and convert it into legal sources through real estate, textiles and electronics etc.

3.2 STATEMENT OF THE PROBLEM

The subject of the study is “Narcotic Drugs and Money Laundering: A study on illicit drug trade among opium cultivators in India”. This attempt is to analyze the various issues connected with opium trade such as cultivation, transportation, distribution and money related issues such as investment, income, profit, financial transaction and money laundering.
3.3 OBJECTIVES OF THE STUDY

The following are the main objectives of the present study

1. To scrutinize the money transaction in illegal trade associated with drugs.
2. To examine the licit cultivation of opium in India.
3. To examine the extent and nature of diversion of opium from licit channel to illicit channel.
4. To examine the illicit production of opium.
5. To scrutinize the transportation and distribution of opium and opiates.

3.4 THE RESEARCH VARIABLES

Based on the review in Indian and global context, the variables are as follows;

3.4.1 Dependent variables
1. Money turnover related variables
   1.1 Investments
   1.2 Profits
   1.3 Losses

2. Money transaction related variables
   2.1 Mis-utilization of Banking and Non Banking Channels
   2.2 Multi Accounts and their Misuse
   2.3 Hawala Circuits
   2.4 Online Transactions
3.4.2 Independent variables

3. Smuggler’s personnel profile

3.1 Age
3.2 Gender
3.3 Native Place

4. Cultivation related variables

4.1 Legal cultivation
4.2 Illegal Cultivation
4.3 Type of Crop/Drug

5. Illicit trade related variables

5.1 Sales of Drugs
5.2 Country of Origin
5.3 Country of Sale
5.4 Mode of Smuggling
5.5 Dealing with Chemicals (Acetic Anhydride.)

6. Trade route related variables (State, National and International level)

6.1 By air
6.2 By sea
6.3 By other courier services
6.4 Methodology of Smuggling
7. Legal issues

7.1 Arrests

7.2 Enforcement related issues

7.3 Litigation related Issues

7.4 Punishment

7.5 Busted opium cultivation land

Research questions

The following are some of the research questions that the study attempts to answer.

1. How much money is invested by the licensed cultivators to produce opium in one hectare?

2. How much opium is produced per hectare?

3. What is the income and profit of opium in one hectare?

4. What is the purification process in heroin preparation?

5. What are the investment, income and profit of heroin trade?

6. How much money is involved in diversion, illicit opium cultivation and heroin trade?

7. What are the methods used by the traders for financial transaction?

8. How are they utilizing the banking and non banking channels for money transaction?

9. What are the methods of diversion by the licensed opium cultivators?
10. What is the involvement of brokers, smugglers, distributors, abusers, politicians in the diversion?

11. How the produced opium and opiates are to be transported?

12. What are the routes of transportation by road from the origin places to destination places?

13. What is the process of street and district level distribution of opium, which is produced in your district and transported from other places?

14. How much opium and heroin were seized?

15. Whether there is any significant difference between the seizure of opium and heroin?

16. Whether there is any significant difference between the years, between the states and between the years and states which is related to opium seizure?

17. Whether there is any significant difference between the years, between the states and between the years and states which is related to heroin seizure?

18. What are the difficulties faced by the law enforcement when their tracing on illegal opium trade?