3.1 **Introduction:**

Corporate entities of all sizes, across the global are easily susceptible to crime at any point of time. Many corporations are complicit in violating human rights and environment. As the free trade market continues to push forward the global economy, holding corporations accountable for their poor practices become difficult. Unfortunately corporations are working harder than ever to cover abuses instead of preventing them. For any state or country stable economy is necessary. Corporate gives stable economy. They help any state or country for better future. Corporate brings employments. Infrastructure in any Country. In 21st century the Corporate phenomenon is necessary. At the same time corporate has their Social responsibility also towards the society, State, Country. For any state or country corporate big industries are necessary then corporate should not forget that if the Customer is not there in market than their product is worthless. Now a days in newspaper we see one or more corporate scandal involving politicians also by committing fraud false statement. Environment crime and so on, the list is not come to an end. By taking the money of middleclass society they are become billionaire. Many industries for the sake of profits by giving low cost of product to the customer deceive the customer’s faith. In hazardous industries not follows’ the norms of Security and the poor worker lost their life also some time. It all comes under the roof of corporate crime the person should be punish.

The present scenario of Corporate Crime is very worst. To show the scenario of local and global the researcher put present some scam or scandal of Corporate.
3.2 Types of Corporate illegal behavior which constitute Crime

- Financial fraud
- Security scam
- Manufacturing violation (Food adulteration)
- IPO scam
- Environment scam
- Violation of safety rules in hazardous industries
- Tax Evasion.

The above list is the brief classification of Corporate Crime. Following is a list of alleged scams and scandals in India, since independence. These include political, financial & corporate.

3.2.1 Financial Scandal of Corporate

A lot of scams are being discovered in India. It looks like the corruptions in India can never come to an end. If one corruption is exposed another one start somewhere. There are a number of corporate financial fraud, bribe taken by many politician to help corporate. Accounting fraud by many companies have come into light now days. One of the major havoc that is created in present times is because of mysterious disappearance of corporation of the 5651 companies listed on Bombay stock exchange 2750 have vanished. It means that one out of two companies that come to stock exchange to raise crores of rupees from investors loot and run away.

Following are some examples of accounting fraud, cheating from the investors, fake stamp paper and in stock market fraud that is security scams………..

3.2.1(A) 2G Spectrum scam

- Name of the Company: 2G Spectrum
- Year: 2010
- ₹: Crore-176000

(64)
**Brief facts of the 2G Spectrum Scam.**

Swan Telecom Pvt.Ltd Less than three years after it was incorporated, made a windfall gain, selling a 45 percent stake to Dubai based Emirates Telecommunications Corporations PJSC, which operates under the Etisalat brand, for over ₹ 4000 crore. In the intervening three years former telecommunication minister A Raja and corporate lobbyist Nira Radia joined hands to bend rules defy recommendation of the regulators and the Ministry of finance to allot licence in 15 telecom circles to Swan Telecom. Unitech wireless, Datacom and Aircel, according to a top secret document in possession prepared by the income taxe department base on telephone intercepts.

The Conversation Seems to suggest that the Minister Mr. Raja and Radia too have equity interests in Swan and her associates as to be put on the board. The document said without elaborating the licences were sold to swan and five others Companies including Unitech Wireless on first come first served basis in 2008 at a valuation deciede in 2001 disregarding the Urging of the telecom regulation to auction the licenees to the highest bidder.

On Scrutiny the government auditor found Swan and some of the other companies that were allotted licences had Suppressed facts or given misleading information.

None of the companies had the minimum paid up capital required to apply for a Universal Access Service Licence

The fact that the Department of Telecommunication could not confirm the correctness of the document supplied by the applicants companies suggested that process of verification of applications before grant of bulk UAS licences in January 2008 was weak.

3.2.1(B) Stayam Computer Fraud

Fraud is a worldwide phenomenon that affects all continents and all sectors of the economy. Fraud encompasses a wide-range of illicit practices and illegal acts involving intentional deception or misrepresentation.
Background of Stayam Computer Fraud

Ironically, Satyam means “truth” in the ancient Indian language “Sanskrit” Satyam won the “Golden Peacock Award” for the best governed company in 2007 and in 2009.

From being India’s IT “crown jewel” and the country’s “fourth largest” company with high profile customers, the outsourcing firm Satyam Computers has become embroiled in the nation’s biggest corporate scam in living memory. Mr. Ramalinga Raju (Chairman and Founder of Satyam; henceforth called ‘Raju’), who has been arrested and has confessed to a $1.47 billion or Rupees. 7,800 crore fraud, admitted that he had made up profits for years. According to reports, Raju and his brother, B. Rama Raju, who was the Managing Director, “hid the deception from the company’s board, senior managers, and auditors some of critical event for Sayaym Between 1987 and 2009. The case of Satyam’s accounting fraud has been dubbed as “India’s Enron”.

Satyam Timeline

June 24, 1987: Satyam Computers is launched in Hyderabad

1991: Debuts in Bombay Stock Exchange with an IPO over-subscribed 17 times.

2001: Gets listed on NYSE: Revenue crosses $1 billion.

2008: Revenue crosses $2 billion.

Dec 16, 2008: Satyam Computers announces buying of a 100 per cent stake in two companies owned by the Chairman Ramalinga Raju’s sons–Maytas Properties and Maytas Infra.

The proposed $1.6 billion deal is aborted seven-hours later due to a revolt by investors, who oppose the takeover. But Satyam shares plunge 55% in trading on the New York Stock Exchange.
December 23: The World Bank bars Satyam from doing business with the bank’s direct contracts for a period of 8 years in one of the most severe penalties by a client against an Indian outsourcing company. In a statement, the bank says: “Satyam was declared ineligible for contracts for providing improper benefits to Bank staff and for failing to maintain documentation to support fees charged for its subcontractors.” On the day the stock drops a further 13.6%, it is lowest in more than four-and-a-half years.

December 25: Satyam demands an apology and a full explanation from the World Bank for the statements, which damaged investor confidence, according to the outsourcer. Interestingly, Satyam does not question the company being barred from contracts, or ask for the revocation of the bar, but instead objects to statements made by bank representatives. It also does not address the charges under which the World Bank said it was making Satyam ineligible for future contracts.

December 26: Mangalam Srinivasan, an independent director at Satyam, resigns following the World Bank’s critical statements.

December 28: Three more directors quit. Satyam postpones a board meeting, where it is expected to announce a management shakeup, from December 29 to January 10. The move aims to give the group more time to mull options beyond just a possible share buyback. Satyam also appoints Merrill Lynch to review ‘strategic options to enhance shareholder value.’

January 2, 2009: Promoters’ stake falls from 8.64% to 5.13% as institutions with whom the stake was pledged, dump the shares.
January 6, 2009: Promoters’ stake falls to 3.6%.

January 7, 2009: Ramalinga Raju resigns, admitting that the company inflated its financial results. He says the company’s cash and bank shown in balance sheet have been inflated and fudged to the tune of INR 50,400 million. Other Indian outsourcers rush to assure credibility to clients and investors. The Indian IT industry body, National Association of Software and Service

On January 7, 2009, Mr. Raju disclosed in a letter, to Satyam Computers Limited Board of Directors that “he had been manipulating the company’s accounting numbers for years.” Mr. Raju claimed that he overstated assets on Satyam’s balance sheet by $1.47 billion. Nearly $1.04 billion in bank loans and cash that the company claimed to own was non-existent. Satyam also underreported liabilities on its balance sheet. Satyam overstated income nearly every quarter over the course of several years in order to meet analyst expectations. For example, the results announced on October 17, 2009 overstated quarterly revenues by 75 percent and profits by 97 percent. Mr. Raju and the company’s global head of internal audit used a number of different techniques to perpetrate the fraud. As Ramachandran pointed out, “Using his personal computer, Mr. Raju created numerous bank statements to advance the fraud. Mr. Raju falsified the bank accounts to inflate the balance sheet with balances that did not exist. He inflated the income statement by claiming interest income from the fake bank accounts. Mr. Raju also revealed that he created 6,000 fake salary accounts over the past few years and appropriated the money after the company deposited it. The company’s global head of internal audit created fake customer identities and generated fake invoices against their names to inflate revenue. The global head of internal audit also forged board resolutions and illegally obtained loans

for the company.” It also appeared that the cash that the company raised through American Depository Receipts in the United States never made it to the balance sheets.

3.2.1(C) Chit fund Scam

Cases of Fraud and Cheating by the Chit Fund Companies

NEW DELHI: ‘Chit Fund’ companies indulging in cheating of investors are to be proceeded against under the Chit Funds Act 1982 and the Prize Chits & Money Circulation Schemes (Banning) Act, 1978 under which investigations are to be carried out by the State Police authorities.

Giving this information in written reply to a question in the Lok Sabha, Shri Sachin Pilot, Minister of Corporate Affairs, said that violations of the provisions of the Companies Act, 1956 by such companies are to be investigated by agencies under the Ministry of Corporate Affairs including the Serious Fraud Investigation Office (SFIO).

Thus, while cases of fraud and cheating by the Chit Fund Companies are under investigation by Police Authorities and the Securities and Exchange Board of India (SEBI), in respect of 63 such companies, SFIO is also investigating matters relating primarily to violations of Companies Act, 1956.

3.2.1(D) LIC Housing Finance Scam

The CBI has unearthed a fake housing scam and has arrested the CEO of LIC Housing Finance, as well as top executives of certain public sector banks and financial institutions, for receiving illegal payment to facilitate large-scale corporate loans.

3.2.1(E) The Solar Scam

The scam involved a private financial services company, its Chief Managing Director and other associates, who allegedly bribed senior officials of public sector banks and financial institutions to facilitate the sanction of large-
scale corporate loans. They also reportedly gathered confidential business information from financial institutions.

The Team Solar Energy Company floated by the main accused Biju Radhakrishnan and Saritha Nair, directors of the company, allegedly collected advance amounts from large number of people and investors by offering to make them business partners, or in the guise of installing alternate sources of energy and failed to deliver the goods. The company awarded a “Virgin Earth Golden Feather Environment Award” to several prominent people of Kerala to gain media coverage and credibility.

The scam came to light when one of the customers who had paid for the installation filed a case against the company. The arrangement has defrauded several agencies and people to the tune of crores of rupees and at least one lady actor was used as “brand ambassador” to lure gullible people. There were widespread protests across the state, mainly by Leftist youth groups, after an interview with an industrialist was aired on television, which alleged fraud by the company. The incident drew much attention because most of those who lost big money were all influential people.

The total amount involved in the scam, calculated on the basis of complaints, is less than 10 crore (US$1.5 million) but the aggressive protests by Leftist political parties and the modus operandi used by the company has made the scam notorious.

3.2.1(F) Bhansali Scam (1995)

Businessman Chain Roop Bhansali invited investments in his financial outfits CRB capital Markets, CRB Share Custodial Services between 1992 and 1996, later transferring the money to fictitious companies. CRB Capital Markets raised Rs.176 crore, CRB Mutual Funds Rs.230 crore and fixed deposits earned him Rs.180 crore. He also raised around Rs.900 crore from markets. Bhansali would pay the interest on investments by borrowing from the market, but he went bust in the 1995 stock market crash and busted in turn.
The Bhansali scam resulted in a loss of over ₹ 1,200 crore (₹ 12 billion). He first launched the finance company CRB Capital Markets, followed by CRB Mutual Fund and CRB Share Custodial Services. He ruled like a financial wizard from 1992 to 1996 collecting money from the public through fixed deposits, bonds, and debentures. The money was transferred to companies that never existed. CRB Capital Markets raised a whopping ₹ 176 crore in three years. In 1994 CRB Mutual Funds raised ₹ 230 crore and ₹ 180 crore came via fixed deposits. Bhansali also succeeded to raise about ₹ 900 crore from the markets. However, after 1995 he received several jolts. Bhansali tried borrowing more money from the market. This led to a financial crisis. It became difficult for Bhansali to sustain himself. The Reserve Bank of India (RBI) refused banking status to CRB and he was in the dock. SBI was one of the banks to be hit by his huge defaults.

3.2.1(G) Telgi Scam (1991)

He paid for his own education at Sarvodaya Vidyalaya by selling fruits and vegetables on trains. He is today famous (or infamous) for being the man behind one of the biggest scams that rocked India. The fake stamp racket involving Abdul Karim Telgi was exposed in 2000. The loss is estimated to be ₹ 171.33 crore (₹ 1.71 billion), it was initially pegged to be ₹ 30,000 crore (₹ 300 billion), which was later clarified by the CBI as an exaggerated figure. In 1994, Abdul Karim Telgi acquired a stamp paper license from the Indian government and began printing fake stamp papers. Telgi bribed to get into the government security press in Nasik and bought special machines to print fake stamp papers. Telgi’s networked spread across 13 states involving 176 offices, 1,000 employees and 123 bank accounts in 18 cities.

Counterfeiter Abdul Karim Telgi printed fake stamp paper and appointed 300 agents to sell them in bulk in banks, foreign investors, insurance companies and stock market players, earning around 200 crores a month. The Telgi scandal
had political implications; a narco test allegedly revealed the involvement of Maharashtra political leaders like chhagan bhujbal. On June 28, 2007, Telgi was awarded 13 years of rigorous imprisonment and fined ₹ 202 crore along with his 42 accomplices.

3.2.1(H) The Great Cobbler Scam - $600 Million Shoes Scam

A lot of scams are being discovered in India. It looks like the corruptions in India can never come to an end. If one corruption is exposed another one start somewhere. It reminds one of the biggest multi million dollars scam in Indian History which was nicknamed The Great Cobbler Scam. Actually what really happened in this Great Cobbler Scam was that various businessmen and politicians had siphoned around $600 million US dollars from a scheme that was floated by the Government of India meant to benefit the poor cobblers of Mumbai. Instead it went into the pockets of wealthy elite peoples who used this money to built luxury homes for themselves and also brought luxury cars, boats, arts...etc.

The money of the scheme was meant to provide low interest loans and tax concessions to the Mumbai’s poorest - cobblers who work 16-hours a day for less than $2. Not a single penny reached these cobblers.

The modus operandi of the mastermind was to float a cooperative society of cobblers to avail of soft government loans through various schemes.

Several bogus societies of cobblers were formed only for the purpose of availing these soft government loans.

The people involved in this racket were Saddrudin Daya, former sheriff of Mumbai and owner of Dawood Shoes, Rafique Tejani, owner of Metro Shoes, Kishore Signapurkar, proprietor of Milano Shoes, and Abu Asim Azmi, president of Samajwadi Party’s Mumbai unit and partner in Citywalk Shoes, Beside them various officials of banks and financial institutions were also involved in this multi million dollars Cobbler Scam.
The Banks whose officials were involved in this scam are: Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait.

This scam cost the Government of India around $600 million US dollars. This was one of the worst scams in India that cheated the poorest people of the society and benefited a lot of rich and elite people. This is one of the causes that poverty in India is difficult to eliminate.

3.2.1(I) Sukhram telecom Scam

Sukh Ram was Telecom Minister in P V Narasimha Rao’s cabinet. In 1996 the Central Bureau of Investigation seized from his official residence ₹ 3.6 crores in cash concealed in bags and suitcases, which he had collected in connection with irregularities in awarding a telecom contract. He was convicted on 18 November 2011, and sentenced to three years’ rigorous imprisonment by a Delhi court in 2002.

Sukh Ram’s conviction and his 5-year rigorous imprisonment sentence, pronounced on 19 November 2011, came at a time when the country had witnessed countrywide agitations and indefinite fast by the anti-corruption crusader Anna Hazare.

As a coincidence, Sukh Ram, the former union minister of telecommunications, will be lodged in the Tihar Prisons Jail No. 1, the same as the one in which another former minister of telecommunications, A. Raja, is being lodged as an undertrial in what is widely known as the multi-core rupees 2G Spectrum scam. The November 2011 sentencing of Sukh Ram is not related to 2G Spectrum Case but is related to the fraudulent procedures followed in the purchase of polythene-insulated jelly-filled cables for the department of telecommunication of which he was minister. Sukh Ram has earlier been sentenced for amassing assets disproportionate to his known sources of income.

Although convicted and sentenced by different courts in three different but related cases, Sukh Ram has avowed to fight his case in higher courts.
3.2.1(J) Indian Coal Mining Scam

The coal mining controversy or “coalgate” scandal has gripped the nation’s attention for the past few weeks and has highlighted the irregularities in the handling of the nation’s coal deposits.

India is one of the largest producers of coal with regions such as Orissa, Chhattisgarh and Jharkhand being coal-rich. The state-owned Coal India Limited (CIL) is the only organisation selling coal in India.

When the UPA government came to power in 2004 and was planning to increase India’s power capacity, it found that the CIL would not be able to produce enough coal required for the power plants.

So, the government started allotting more mines to both private and state-owned players, to help them generate power for their own use.

A draft report from government auditors that was leaked in March 2012 estimated that the loss to India between 2004 and 2010 because of the selling of coal deposits without open bidding was about $210bn (£133bn).

Coal block allocation

Allocation of coal blocks to private Companies for capative use (meaning using to fulfill a specific need for the country) commenced in 1993. After the coal Mines (Nationalisation) Act, 1973 was amended.

This was done with objective of

- Attracting private investments
- Economy grew in size

Policy of allocation Since 1993

- Captive coal block was being done on the basis of recommendeation made by an inter Ministreal Screening Committee which also had representatives of State governments.

But in the wake of CAG report alleging misappropriation in allocation of blocks
Allegations

- Indian government now led by prime Minister Manmohan Singh was providing the nation’s coal reserves to private as well as State run organization in an arbitrary menner rather than following the protocol of auctioning them publically and providing it to highest bidder.

A draft report from government auditors that was leaked in March 2012 estimated that the loss to India between 2004 and 2010 because of the selling of coal deposit without open bidding was about $ 210 billion.

Deepening

The impact of the loss to the government it emerged that 58 companies have allegedly failed to develop their coal field after winning licences without proper bidding.

The coal mining Controversy has become to be known as the “Mother of all Scams” costing the Indian exchequer hundreds of billions of pounds.

3.2.2 Security Scams

3.2.2(A) Harshad Mehta Scam

In April 1992,a shortfall in the Government securities held by the SBI caused panic on Dalal street. He was known as the ‘Big Bull’. However, He triggered a rise in the Bombay Stock Exchange in the year 1992 by trading in shares at a premium across many segments. Investments revealed that Rs.4000 crore was swindled in a scam involving top officers of many nationalised and foreign banks, as well as stockbrokers, bureaucrats and politicians. Stock markets shut down in panic and share prices plummeted by over 40 percent, causing a loss of market value to the tune of 100,000 crore. Harshad Mehta used ready forward deals between banks to secure short –term loans against government securities, earning commissions worth of crores. He bribed officials of Bank of Karad and the metropolitan Cooperative bank to issue fake bank receipts which
were sold to other banks who lent money to Mehta assuming that they were lent against government securities.

Taking advantages of the loopholes in the banking system, Harshad and his associates triggered a securities scam diverting funds to the tune of ₹ 4000 crore (₹ 40 billion) from the banks to stockbrokers between April 1991 to May 1992. Harshad Mehta worked with the New India Assurance Company before he moved ahead to try his luck in the stock markets. Mehta soon mastered the tricks of the trade and set out on dangerous game plan. Mehta has siphoned off huge sums of money from several banks and millions of investors were conned in the process. His scam was exposed, the markets crashed and he was arrested and banned for life from trading in the stock markets

3.2.2(B) Ketan Parekh Scam (2001)

After the UTI was bailed out by the government with ₹ 4800 crore of taxpayers money, it purchased huge bulks of manipulated share fours from Ketan Parekh. The 2001 stock market crash prompted the Security Exchange Board of India to inspect the books of Parekh. The CBI arrested him on charges of defrauding The Bank Of India of about $30 million. As hundreds went bankrupt and eight investors committed suicide, the markets lost ₹ 1,15,000 crore to the scam.

Mr. Ketan Parekh followed Harshad Mehta’s footsteps to swindle crores of rupees from banks. A chartered accountant he used to run a family business, NH Securities. Ketan however had bigger plans in mind. He targeted smaller exchanges like the Allahabad Stock Exchange and the Calcutta Stock Exchange, and bought shares in fictitious names. His dealings revolved around shares of ten companies like Himachal Futuristic, Global Tele-Systems, SSI Ltd, DSQ Software, Zee Telefilms, Silver line, pent media Graphics and Satyam Computer (K-10 scripts).
Mr. Ketan Parekh borrowed ₹ 250 crore from Global Trust Bank to fuel his ambitions. Ketan along with his associates also managed to get ₹ 1,000 crore from the Madhavpura Mercantile Co-operative Bank.

As per the to RBI regulations, a broker is allowed a loan of only ₹ 15 crore (₹ 150 million). There was evidence of price rigging in the scripts of Global Trust Bank, Zee Telefilms, HFCL, Lupin Laboratories, Aftek Infosys and Padmini Polymer.

3.2.2(D) IOP Scam

When the Securities Exchange Board of India (Sebi) started scanning an entire spectrum of IPOs launched over 2003, 2004 and 2005, it ended digging up more dirt and probably prevented a larger conspiracy to hijack the market.

It involved manipulation of the primary market—read initial public offers (IPOs)—by financiers and market players by using fictitious or benaami demat accounts. While investigating the Yes Bank scam, Sebi found that certain entities had illegally obtained IPO shares reserved for retail applicants through thousands of benaami demat accounts. They then transferred the shares to financiers, who sold on the first day of listing, making windfall gains from the price difference between the IPO price and the listing price.

An IPO is the first sale of an entity’s common shares to public investors. When an entity wants to enter the market, it makes its share available to common investors in form of an auction sale. Each application for an IPO has to be within a cut-off figure, which is eligible for allotment in the retail investors’ category. But in this case, financiers and market players illegally cornered these retail investors’ shares.

3.2.2(D)(i) Scam detected

The IPO scam came to light in 2005 when the private ‘Yes Bank’ launched its initial public offering. Roopalben Panchal, a resident of Ahmedabad, had
allegedly opened several fake demat accounts and subsequently raised finances on the shares allotted to her through Bharat Overseas Bank branches.

The Sebi started a broad investigation into IPO allotments after it detected irregularities in the buying of shares of YES Bank’s IPO in 2005.

An Income Tax raid on businessman Purushottam Budhwani accidentally found he was controlling over 5,000 demat accounts. Sebi finds this suspicious. On December 15, Sebi declared results of its probe, how a few people cornered a large chunk of YES Bank IPO shares. On January 11 this year, Sebi discovered huge rigging in the IDFC IPO. Roopalben Panchal was found to be controlling nearly 15,000 demat accounts. It was found that once they obtained these shares, the fictitious investors transferred them to financiers. The financiers then sold these shares on the first day of listing, reaping huge profits between the IPO price and the listing price. The Sebi report covered 105 IPOs from 2003-2005. The Sebi probe covered several IPOs dating back to 2005, 2004 and 2003 to detect misuse. These included the offerings of Jet Airways, Sasken Communications, Suzlon Energy, Punj Lloyds, JP Hydro Power, NTPC, PVR Cinema, Shringar Cinema and others. A lot more dubious accounts across several IPOs are expected to tumble out in the next few days. It also detected similar irregularities in the IDFC IPO, in which over 8 per cent of the allotment in the retail segment was cornered by fictitious applicants through multiple demat accounts.

Roopalben Panchal of IndiaBulls Securities is allegedly the mastermind of the scam. Finance Ministry officials are expected to act against her soon.

**3.2.2(D)(ii) This different from Harshad Mehta’s scam**

The securities scam involved price manipulation in the secondary market, read stocks. Whereas in this case, the manipulation happened in the primary market—even before the shares (IPOs) entered the stocks market. This time, fraudsters targeted the primary market to make a quick buck at the expense of
the gullible small investors. Direct Participants (DPs) used retail applicants’ shares for reaping benefits in the stock market.

Apart from the YES Bank fraud, Sebi reportedly has definite data about two IPOs where retail allotments were rigged, but market observers believe the scam is far bigger. The Yes Bank and IDFC cases are only a tip of an iceberg, say analysts. The Sebi probe has identified more operators and some market intermediaries involved in the misuse of the initial allotment process in public offerings dating back to ’04-05. The Income-Tax Department in Ahmedabad has found that two major accused, Panchal and Sugandh Investments, have together made ₹ 60.62 crore in 18 months. Role of Depository Participants Suzlon Energy IPO: ₹ 1,496.34 cr (September 23-29, 2005) Key operators used 21,692 fictitious accounts to corner 3,23,023 shares which is equal to 3.74 per cent of the total number of shares allotted to retail individual investors. Jet Airways IPO: ₹ 1899.3 crore (Feb 18-24, 2005) Key operators used 1,186 fake accounts for cornering 20,901 shares which is equal to 0.52 per cent of the total number of shares allotted to retail investors. National Thermal Power Corporation IPO ₹ 5,368.14 crore (Oct 7-14, 2004). 12,853 afferent accounts were used for cornering 27,50,730 shares representing 1.3 per cent of the total number of shares allotted to retail investors. Tata Consultancy Services IPO: ₹ 4,713.47 crore 14,619 ‘benami’ accounts were used to corner 2,61,294 shares representing 2.09 per cent of the total shares allotted to retail individual investors.

3.2.3 Tax Evasion is a Criminal Offence

Tax Evasion has always been a criminal offence in India. President Pranab Mukherjee hits out at Multi National Companies for their ‘intent to dodge tax’. He slammed multinational companies saying they only looked for oversees locations with an intention to dodge taxes, raising eyebrows at a time when the country is desperately wooing foreign capital to plug a widening current account deficit.
Addressing a function at the National Academy of Direct Taxes (NADT), In
opinion of Mukherjee more than three-fourths of business transactions nowadays
took place through the units of Multi National Companies. “Their basic objective
is to locate a unit in countries where the rates of tax are the lowest. Many
are not physically located in a country but operate with an objective to evade
and avoid tax in the tax havens.”

Jammu Kashmir government detects 3,045 cases of tax evasion in
2009-10. The Jammu and Kashmir government has detected 3,045 cases of
evasion of tax by various trade and business houses in the state in 2009-10.

Revealing this in its report on state finances for the year ended March
31, 2010, In the opinion of Comptroller and Auditor General (CAG) of India
has that 2,357 cases of evasion of tax were detected by the Commercial Tax
Department and 688 cases of evasion of tax were detected by Passenger Tax
Department in 2009-10.

MUMBAI:

The sales tax department on Wednesday said that it has detected cases
of tax evasion to the tune of ₹ 900 crore in the past six months.
The department has also identified and acted against 980 hawala dealers for
issuing fake invoices. Such dealers issue the fake bills (ones without dispatching
goods) for a commission. Department officials attributed the increase in the
offensive against tax evasion to improved intelligence data-gathering mechanism,
where tax-related information is shared on an online platform.

3.2.3(A) CBI arrests CMD of realty firm Eldeco in graft case

The Central Bureau of Investigation on Friday arrested the chairman and managing
director of realty firm Eldeco, SK Garg, in connection with its probe into a
graft case in which some senior income tax officials were nabbed by the agency.
The matter pertained to a survey carried out by I-T officials in connection with
complaints of alleged tax evasion by Eldeco. The agency had recovered ₹ 30 (80)
lakh from Kunal Singh’s Hauz Khas residence which was allegedly given as bribe by Bajaj to settle a tax evasion case against Eldeco.

3.2.3(B) ₹ 19k cr service tax, central excise duty frauds in 2008-11: CAG

In opinion of Comptroller and Auditor General “In central excise, a total 3,690 cases of fraud or presumptive fraud were found during 2008-11 by the department involving duty of ₹ 8,497.06 crore. In service tax, 6,655 cases involving tax of ₹ 10,662.24 crore were detected during the same period.”

3.2.3(D) Tax Evasion Is a National Sport In India

“It’s illegal, but it’s rampant in India to avoid paying tax.”

Arun Kumar, author of “The Black Economy in India” India loses 14 trillion rupees ($314 billion) from tax evasion annually, depriving it of funds for investment in roads, ports, and power,. General government tax revenue is an estimated 18 percent of India’s $1.5 trillion in gross domestic product, the lowest among the four BRIC nations, International Monetary Fund data show.

In India tax Compliance is worse, In our criminal Justice system, there is rigorous imprisonment for a pick pocket stealing ₹ 10 even the authorities spend thousands of rupees in legally prosecuting him & the thief spends a year or more as punishment behind bars. Where as thre is no commensurate investigation nor legal prosecution nor punishment for corporate thieves, evading tax to the true of crores of rupees. In contrast ,those tax thieves pay a part of that booty to the ministers and political parties and get crores a rupees tax exemption, incentive from the government . Government is rewarding corporate criminals. The tax officials of central and state government are hand in glove with these corporate criminals and traders. For a price they are helping corporate and traders in evading tax. In the case of Eldeco firm greft case CBI had arrested four senior income tax department official, including director (investigations) kunal singh besides Eldeco MP Pankaj Bajaj in connection with an alleged graft case.
The CBI spokesperson had expressed his opinion, “The senior level officials of the private company (Eldeco) along with a chartered accountant (Jaiswal) based in Kanpur contacted several officials of I-T department to settle their I-T evasion matter by illegal means and allegedly paid huge amount of bribe to the said officials.

3.2.3(E) Consequences of Tax Evasion

Central and State both government have failed to collect the full, actual tax dues from Corporate and traders. As result the government don’t have enough money in their coffers even to provide basic needs like health care, education, safe drinking water, etc to the poor and needy.

- For every ₹100 tax evade
  - One poor patient is dying without medical care
  - 10 poor persons lack education
  - 100 persons don’t safe drinking water
  - 100 persons barely survive on a single pice meal per day
  - 20 person strave

Most of the government officials minister and people’s representatives who have deliberately failed in their duties of tax collections and welfare of poor citizens.

3.2.4 Environment Crime

The brightest jewels in India’s industrial crown. But impressive industrial growth figures fail to hide the grim realities of environmental pollution. While, the state governments are only bothered about industrial growth, the civil society is struggling to draw public attention to the impending danger to the environmental and public health.

Many of industrial units dealing with chemicals and fertilizers dump their sludge along the roadside. Chimneys emit gases that make breathing difficult. “Industrial units never stop polluting, and people cannot stop working for them. So, it is a treadmill that ends only with a painful death.
A few hours of travelling northwards of Mumbai will take you to the Vapi Industrial Estate of southern Gujarat. At Kolak village, about 15 km away from the estate, you will get statistics of a very different kind. The Sixty people have died of cancer in the village in the past 10 years, while 20 others are fighting a losing battle. factories of the estate, which produce pesticides, agrochemicals, organ chlorines dyes and dye intermediates, have been dumping untreated effluents in the river. Most residents of the village are fisher folk who eat fish from the river. Worker who work in ship breaking yard their life is without any dignity due to a living being. Everyday for 8-10 hours he inhales toxic fumes from the abandoned ships that he breaks.

The Industrial estates of Gujarat are cesspools of filth and environmental health hazards. Yet the government is blindly promoting industry.

Gujarat has more than 90,000 industrial units, according to the state government. About 8,000 of these units are polluting, also says the state government. Major polluting industries are located in the Vadodara Petrochemical Complex, Nandesari, Ankleshwar, Vapi, Vatva and Hazira near Surat. The Gujarat Industrial Development Corporation (GIDC) was managing 270 industrial estates as on March 1996, and its activity plan for the year 1998-99 included sanctioning of eight new ones. “About 70 per cent of the investment in Gujarat since the 1970s has been in the chemicals sector,” says R C Trivedi, former chairperson of the Gujarat Pollution Control Board (GPCB).

Nowhere more so than in the nearly 400-km stretch between Vapi in southern Gujarat and Vatva in northern Gujarat, called the golden corridor, an industrialist’s dream come true. This stretch has become a hot bed of pollution. “In the golden corridor, we have created a number of potential disasters similar to the Bhopal gas tragedy. The time-bomb is ticking very fast,” says Achyutbhai Yagnik, secretary of Setu, an Ahmedabad-based ngo. Another example of an environmental nightmare is Alang, the largest shipbreaking yard of the world, situated 50 km from Bhavnagar. The 11-km coastline of the yard has been severely polluted due to scrapping of hazardous ships.
3.2.4(A) Waste: solid and hazardous

Factories have been dumping thousands of tonnes of hazardous wastes in the open. Not only has this polluted the groundwater but it has also damaged fertile lands. Take the case of Bajwa, a village in Vadodara district where industrial waste has been accumulating for the past 30 years and there is barely any agricultural land to be proud of in terms of productivity. Now, industries are constructing landfill sites. But even in the construction and planning of these, environmental health has not been kept in mind. One example is GIDC’s Nandesari Industrial Estate north of Vadodara. Plans of a site to dump toxic wastes are severely flawed and there are fears of a major ecological disaster. Environment impact assessments by the National Productivity Council, Gandhinagar, in 1997-98 and 1997-98 showed high levels of lead contamination in the groundwater of Nandesari. Samples taken nearby the gidc dump contained 38.25 milligramme per litre (mg/l) of lead, whereas the permissible limit is a mere 0.05 mg/l for drinking water. The groundwater has been severely contaminated to a depth of about 60 metres, the study says.

“Disposal of untreated mercury-contaminated effluent from caustic manufacturers has contaminated large tracks of land in Nandesari in Gujarat,” says a draft Sectoral Environment Report submitted in 1997 by the Union ministry of environment and forests to the World Bank.

3.2.4(B) Systems that do not work

There is no pressure from the implementing agencies over industrialists. They do not have an initiative to meet the environmental norms. This has certainly helped huge industries find ways to flout environmental norms. Today, industrialists first invest money in a project and then plead in the court that they cannot stop the work on environmental grounds as they have already made the investment. “In most of the cases, the court relaxes some of the norms. As a result, what happens is that the pollution remains, but the conditions disappear.
3.2.4(C) River Weeping Black tears

The 1994-95 annual report of the Gujarat Pollution Control Board (gpcb) says that the chemical oxygen demand (cod) level in the Amlakhadi river is 11,007 milligramme /litre (mg/l) when the prescribed gpcb level is only 250 mg/l. Even the biological oxygen demand (bod), which stands at 442 mg/l, far exceeds the gpcb limit of 30 mg/l. Moreover, a study conducted by environment pressure group, Greenpeace, has found toxic metals such as lead, mercury, chromium and zinc in the effluents released into the Amlakhadi. During monsoon, the effluents sometimes overflow and destroy the farmlands.

3.2.4(D) Chemical rain

Dombivli is an industrial township in Thane district of Maharashtra. Any taxi driver can point it out to you from a distance. This small town with a big industrial estate, comprising some 50 chemicals units manufacturing dye intermediaries, is perpetually engulfed in smog. For the 100,000 residents, life is worse than hell. “The factories emit gases at night. They discharge effluents openly into the drain passing through theirr colony. Any complaint against them will only mean that they lose their jobs,”

Though the Maharashtra Industrial Development Corporation (MIDC) is supposed to establish a common effluent treatment plant (CETP) and the industrial units have to treat their effluents, visits to at least 15 units showed that they discharge effluents in open drains. Hazardous wastes in the shape of a sludge are dumped in open fields besides residential colonies. people from within the industrial area, says the most common problems are respiratory and skin disorders.

3.2.4(E) There is not any kind of attention

The rivers are polluted. The sea is polluted up to five kilometers Agriculture has become less productive in many industrial areas. Yet there is hardly any notable movement or protest against industrial pollution. And if there is any,
it either fizzles out in face of an insensitive government or people involved abandon it half way. “Except jeevan sanghrash the battle to survive, there is no other battle in the state,” Reasons are following ;

1) The state is depending more on industry now.

2) A large portion of the population is working in industries, so a sustained movement against it is really difficult.

3) As part of its economic reformation, the state government has waived the mandatory permission of the district collector before converting agriculture land into industrial use.

4) Recession increases pollution. industrialists are totally against pollution control norms as such and the economic recession has just provided the right excuse.

5) Due to The economic recession has adversely affected the industrial sector and the government is trying hard to bring in more investments,

6) Small-scale chemicals industrial units of Mumbai, the first to be hit by the economic recession, are now being used by big chemicals factories outside Mumbai for illegal discharge of their untreated effluents into the sea. It helps the sick small-scale industrial units earn some quick money.

In recent years, it has been seen that chemicals factories in remote areas of Maharashtra, who do not want to spend much on effluent treatment, are selling their effluents as ‘chemicals’ to these sick units, which, in turn, dump the effluents into the sea.

This is a very organised crime and basically aimed at saving money on pollution control, companies that earn around Rs 4,000-5,000 per tanker of effluent disposed.
3.2.4(F) Coca-Cola and Water Use in India: “Good Till the Last Drop”.

This plant is the best example of above discussion. The marketing executive who came up with Coca-Cola’s popular slogan in 1908 most likely never expected it would be taken so literally. However, a hundred years ago there probably weren’t many who imagined a term like “water wars” could exist in a region that experiences annual monsoons. The company’s controversial practices in India continue involving the over-exploitation of limited water resources and the contamination of groundwater supplies in the State of Kerala. Ever since Coca-Cola opened a bottling plant on their land in 2000 they have been faced with chronic drought and polluted water. In 2006 these residents of a small impoverished community in southern India began a pitched campaign to evict Coca-Cola from their land which led to fierce battles with local authorities.

Irrigation wells have run dry, thanks to Coke drawing up to 1.5 million litres of water daily through its deep wells to bottle Coke, Fanta, Sprite, and the drink the locals call without irony, “Thumbs Up.”

Matters worse, the bottling plant was producing thousands of gallons of toxic sludge High levels of pesticides were also reportedly found in the soft drink produced in the region. The Kerala plant was temporarily closed due to the popular protest.

Coca-Cola has shifted their operations to other areas of southern India and continues to produce their fizzy drink in a region that regularly faces chronic drought. More than one hundred years since the slogan was first used, “Good Till the Last Drop” continues to have lasting relevance.

3.2.5 Violation of safety norms in hazardous industries.

Labour include, Lether production, Fire crackers, Pestiside and etc…. which are called hazardous.

India’s tanning industry has started tackling environmental issues but its progress on worker safety is woeful.
Profiteering, negligence, and corruption lead to deaths in factory explosion. An example of such as Bhopal Gas tragedy, Worker who works in firecracker industry at Shivakasi in pesticide production.

Illness and deaths linked to toxic tanning chemicals appear worryingly common. Tanning is one of the most toxic industries in the world because of the chemicals involved. Chrome, known for its cancer-causing abilities, is used in huge amounts as are acids, natrium and ammonium salts. A study showed 69,000 tons of chrome salts are used annually in 1,600 Indian tanneries. But despite the dangers, workers can still be seen labouring without adequate protective gear.

3.2.5(B) Fire cracker Industry

Many industries run in shivakashi some factory operating illegally. Though their licences were suspended by the state’s explosives department for flouting safety regulations. Some company stocking excess explosives and being overstaffed.

The firework industry in the Sivakasi region is responsible for about 90 percent of India’s total firecracker production and currently employs 125,000 workers directly and about 200,000 indirectly. Violation of safety regulations in the fireworks industry in Sivakasi and other parts of India has caused frequent accidental explosions.

According to the Petroleum and Explosives Safety Organisation, a government monitoring body, nearly 250 have died in fire accidents in Sivakasi over the last 10 years, including 23 last year. But, not one factory owner has been punished. Nor has the government made any serious effort to ensure that workers are given proper safety training.

Worker were not told any safety training they were not told about material used.
The industry is experimenting with high-risk chemicals such as potassium chlorate and potassium per-chlorate, which are vital ingredients of Chinese crackers, whose emphasis is on aerial display. Unregulated experiments are leading to accidents, many of which go unreported. A wrong combination of Potassium nitrate can result in a catastrophe affecting the whole neighbourhoods. Some of the unregistered units operate in the night hours in violation of rules as electric sparks could trigger accidents.

<table>
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<td>2005-2006</td>
<td>24</td>
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Source: Chief Controller of Explosives, Nagpu 6(ft.)

Many reasons, According to a report in the Frontline dated April, 29 – May 12, 2000, by M. Mahalakshmi, has been attributed for these mishaps: - negligence on the part of workers; incomplete skill up-gradation for colour pellet manufacture; lack of effective supervision; minor violations owing to bunching of demand/supply orders before Deepavali.

- and the weather conditions such as heat, the velocity and direction of wind, and the humidity during the months of July to August contributed to the blasts.

### 3.2.5(C) Pesticide Production

Not a Healthy Work Environment Given that pesticides are biologically active compounds, designed to be toxic to at least some living things, it is not

(89)
surprising that health hazards for the people who manufacture, formulate, and package pesticides exist.

Workers are among those at highest risk for any adverse health affects associated with exposure. It is important to remember that information about these hazards is difficult to obtain. They are difficult for epidemiological studies to document for several reasons.

First, there is often a long interval (sometimes decades) between the time when exposure occurs and the time when a disease becomes evident.

Second, good information about the identity of the chemicals to which a worker has been exposed and how much exposure has occurred is often nonexistent or difficult to obtain.

Third, the number of exposed workers is often small, making studies with the statistical power to accurately measure the increased hazard difficult.

3.2.5.4 Bhopal Gas tragedy

Dow (formerly Union Carbide) (Bhopal, India)

**Company details:** Union Carbide India Limited, Bhopal-India.

**Main products:** Pesticides, Battery cells, Bulk Chemical Intermediaries.

At the time of the disaster Warren Andersen was CEO of the corporation. Today the company is merged with DOW and Ravi Muthukrishnan is the CEO. The Indian operations mainly supply chemicals to industry and only a few end consumer products. After the merger with Union Carbide DOW emerged as the largest chemical corporation in the world. The group headquarters of DOW is in Midland-Michigan, USA.

**Location of damage:** Bhopal, India

**Company Activity:** Chemical production. Primarily methyl iso cyanate production for pesticide manufacture

(90)
Type of incident: December 3rd 1984. Accident that led to leak of gases, chiefly methyl isocyanate (MIC), mono methylamine, carbon monoxide and possibly 20 other chemicals. Type of damage: Loss of life. More than 8,000 people died in the first 3 days. 520,000 people were exposed to poisonous gases. 150,000 victims are still chronically ill, with even now one person dying every two days.

Range of damage,

amount of loss: Conservative figures are at least 20,000 thousand dead. The gas leak killed many thousands instantly. Of the affected people who survived the initial leak, many died over the years due lack of proper care. Improper diagnosis led to ineffective medical treatment. The improper diagnosis was due to refusal by Union Carbide India Limited (UCIL) to disclose all the details regarding the leaked gases. Misinformation and lying by the company Led to confusion, making treatment difficult. Victims were made further vulnerable by the delay in providing timely medical aid. Late and inadequate compensation compounded the situation and more lives were lost. Today the survivors suffer from lung fibrosis, impaired vision, bronchial asthma, TB, breathlessness, loss of appetite, severe body pains, painful and irregular menstrual cycles, recurrent fever, persistent cough, neurological disorders, fatigue, weakness, anxiety and depression. Tens of thousands of children born after the disaster suffer from growth problems and far too many teenage women suffer from menstrual disorders. In the years following the disaster, the birth rate was three times, perinatal mortality as two times and neonatal mortality was one and a half times more than the comparative national figures. TB is several times more prevalent.
in the gas-affected population and cancer cases are on the rise. Chromosomal aberrations in the exposed population indicate a strong likelihood of congenital malformations in the generations to come. Some of this is already apparent. A third generation of victims is emerging. These are the children born to parents born after the gas leak and they are suffering from various abnormalities.

**Responsibility:** The storage of huge volumes of MIC in a densely inhabited area was itself in contravention of company policies strictly practised in its other plants. 67 tons were stored in Bhopal against a permissible maximum in Europe of only 0.5 tons. The company ignored protests and built large tanks in a crowded community. MIC is required to be stored at extremely low temperatures, but the safety measures were reduced to cut operating costs. The air conditioning plant was ‘expensive’ to run and cost-cutting measures (saving USD 50 per day) led to less than optimal conditions in this critical area. The company cut down the size of the preventive maintenance staff to save money and then provided insufficient training even to this reduced few. Safety training was slashed to 2 weeks as against the standard 24 weeks. Routine maintenance was neglected and critical equipment, which should have been replaced every 6 months, was often replaced only after 2 years. Scrubber systems were inadequate. The company never created any Disaster Management Plans for the community who lived around the factory. State authorities are also culpable for failing to implement the law. The proposition to store large volumes of MIC on site led to a public outcry, but the company ‘managed’ the government and got it built. Pollution control measures and
mandatory safety measures were not met as many departments of
the governments failed in their duties.

Behavior of company: Initially the company attempted to conceal the nature of the damage by saying that gas was just potent tear gas and refused to release data on the gas mixture, thereby preventing proper diagnosis and treatment. After the Bhopal leak the company went against the advice of experts and reopened operations to use the 15 tons of MIC in one tank. 400,000 people left town and many stayed away for a month due to this dangerous action.

Legal outcome: The legal processes have only been marginally effective due to government’s friendly attitude towards industry. Company complicity in making deals with government is known but remains difficult to prove. Judgment was made without meaningful participation from the affected people who were not party to the negotiated settlement between the government and the company. Later the Supreme Court, strangely, also issued an opinion explaining why the settlement was adequate, even though the obvious reality was starkly contradictory. Although the court allowed the criminal case to be reopened and directed the Government to purchase medical insurance for the 100,000 presently asymptomatic persons who may later develop symptoms, very little has been actually implemented on the ground. The courts passed pious orders that the government ignored.

Final Greenpeace statement:

The Bhopal accident led to some changes in the way large corporations operate. In Europe and the US laws were
promulgated to prevent such disasters. India too passed some laws. But in practice nothing changed. The company was allowed to sell and leave, and the final merger with Dow is almost a final break. It continues to evade responsibility and even today denies access to the gas leak data as an infringement of corporate secrets. The most basic principles of justice have been denied. Misinformation and lying has been the norm. Profits are pursued irrespective of the costs to humans and environment.

Today there is a move to remedy this gross injustice. A recent victory in the US Second Circuit Court Of Appeals in a decision that affirms the environmental damage claims of the survivors is likely to have far reaching consequences for Dow:²

Union Carbide’s doctor of Health, Safety and Environmental Affairs, Jackson B. Browning, described the gas a few days after the disaster as “nothing more than a potent tear gas”.

3.2.6 Adultration of food is also a Corporate Crime

Adultration and contamination of food item also have a prominent place in the list of corporate crime.

Supreme Court in his one Judgement observed:

Right to life also includes right to pure food, beverages. The right to life and human dignity also encompasses the right to have food articles and beverages which are free from harmful residues such as pesticides and insecticides, the Supreme Court has said. A bench of justices K S Radhakrishnan and A K Sikri also asked the Food Safety and Standards Authority of India (FSSAI) to “gear up their resources with their counterparts in all the states and union territories and conduct periodical inspection and monitoring of major fruits and vegetable markets.”

² Source: Factsheet on the Union Carbide Disaster in Bhopal, Greenpeace, 2002
“Enjoyment of life and its attainment, including right to life and human dignity encompasses within its ambit availability of articles of food, without insecticides or pesticides residues, veterinary drugs residues, antibiotic residues, solvent residues, etc, any food article which is hazardous or injurious to public health is a potential danger to the fundamental right to life guaranteed under Article 21 of the Constitution of India. A paramount duty is cast on the States and its authorities to achieve an appropriate level of protection to human life and health.

There are Certain examples of food Adulteration which is very harmful for human health. It is very heinous crime committed by many manufacturer for earning more profit at the cost of customer health. Delhi based NGO Srishti which focused of food safety and quality. It pointed out the incidence of contamination through out the food chain from production, marketing to the consumption and

According to an ICMR bulletin reports residue data on pesticides on sample of fruits vegetables, cereals, pulses, grains ,oil ,eggs, meat, butter and cheese in India indicates their presence in sizeable amount this in turn affects the health of consumers.

Various studies Conducted have shown that very high level of extremely toxic pesticides has been found in human blood ,fat and milk sample in India/Last year to one’s utter surprise it was found that many brands of so called ‘pure’ and ‘safe’ bottled drinking water and also colod drinks Contains deadly pesticide beyond acceptable limits.

3.2.6.1 Some examples are

3.2.6(A) Adulteration in Dal

New Delhi: A city court has upheld a year-long jail term to a grocer, caught selling adulterated ‘arhar dal’ by mixing a banned colouring agent ‘metanil yellow’, known for its brain damaging potentials. Delhi by a magisterial court,
following his conviction under various provisions of Prevention of Food Adulteration Act (PFA) on March 12, 2010.

“PFA prohibited use of any colouring matter to food article except specifically permitted. Dal arhar did not fall in the category of those permitted food article. Also, metanil yellow was absolutely a prohibited colour.”

3.2.6(B) food samples found adulterated after milk

New Delhi: In a shocking revelation, the Food Safety Standards Authority of India (FSSAI) has found that around 13% of food stuff is contaminated across the country. The results of the study came a day after another survey found that milk, an important nutritional component, was found to be adulterated across almost all major cities. As per the data released by the FSSAI, the high percentage of adulteration in food samples puts a question mark on the safety measures taken by the health ministry. The testing showed adulteration rates as high as 40% in Chhattisgarh, 34% in Uttarakhand, 29% in Uttar Pradesh, 23% in Rajasthan and 20% in West Bengal and Himachal Pradesh. Besides, nearly 17% of the food samples tested in Bihar and Chandigarh, 16% in Nagaland, 15% in Punjab, Madhya Pradesh and Orissa, 14% in Haryana, 12% in Tamil Nadu and 10% in Maharashtra were found to be adulterated. Interestingly, adulteration rates in Delhi were low at 4%, while in Karnataka it was just 5%. FSSAI examined over 1.17 lakh samples of food articles and tested them in 2010. The result was shocking that around 13% of the samples were found to be contaminated. If we take a look at studies on food adulteration in the previous three years, the rates have shown a steady increase. In 2008, 94,000 samples were examined of which over 8,300 were found to be adulterated (8.79%). In 2009, 1.13 lakh samples were examined of which 11.14% were adulterated. In 2010, 1.17 lakh samples were examined of which over 14,000 samples (12.65%) were adulterated.
3.3 Corporate Crime at Globe

Many corporations are complicit in violating human rights and the environment. As the free trade market continues to push forward the global economy, holding corporations accountable for their poor practices becomes difficult. Unfortunately, corporations are working harder than ever to cover abuses instead of preventing them.

This does not have to be the reality. People can use their purchasing power to endorse Fair Trade and pressure companies and boycott those that violate human rights and the environment. In doing so there is potential to pressure these companies to put people ahead of profits.

Global Exchange has compiled a list of the top ten “most wanted” corporations of 2013 based on issues like unlivable working conditions, corporate seizures of indigenous lands, and contaminating the environment.

Fraud is a worldwide phenomenon that affects all continents and all sectors of the economy. Fraud encompasses a wide-range of illicit practices and illegal acts involving intentional deception or misrepresentation. According to the Association of Certified Fraud Examiners (ACFE, 2010), fraud is “a deception or misrepresentation that an individual or entity makes knowing that misrepresentation could result in some unauthorized benefit to the individual or to the entity or some other party.” In other words, mistakes are not fraud.

As the saying goes, “all politics are local.” But all politics are also increasingly global, as local communities make the links between day to day survival and the transnational nature of corporate power. With free trade replacing the cold war as the driving force in international politics, a series of problems—the widening gap between rich and poor, environmental ruin and cultural destruction can all increasingly be traced to corporate-led globalization. Therefore, it should come as no surprise that human rights abuses, once committed primarily by repressive governments, are increasingly carried out in the corporate interest.
“Free” trade and economic globalization have no more brought freedom and democracy to most of the world’s people, than did the cold war before it.

3.4. Global cases of corporate frauds and accounting failures

Financial scandals have plagued significant role in society since before the Industrial Revolution. During the last few decades, there have been numerous financial frauds and scandals, which were milestones with historical significance. For instance, in the 1970s, the equity funding scandal was uncovered.

3.4.1 A Sample of Cases of Corporate Accounting Frauds in the USA

1) Adelphia Communications: Founding family collected $3.1 billion in off-balance-sheet loans backed by company. Earnings were overstated by capitalization of expenses and hiding debt.

2) AOL Time Warner: Barter deals and advertisements sold on behalf of others were recorded as revenue to keep its growth rate high. Sales were also boosted via “roundtrip” deals with advertisers and suppliers.

3) Bristol-Myers Squibb: Inflated 2001 revenues by $1.5 billion by “channel stuffing,” forcing or giving inappropriate incentives to wholesalers to accept more inventory than they needed, to enable company to meet its 2001 sales targets.

4) CMS Energy: Executed “round-trip (buy and sell)” trades to artificially boost energy trading volume and revenues.

5) Enron: Tops the list of biggest US corporate collapses. Company boosted profits and hid debts totalling over $1 billion over several years by improperly using partnerships. It also manipulated the Texas power and California energy markets and bribed foreign governments to win contracts abroad.

6) Qwest Communications: Inflated revenues using network capacity “swaps” and improper accounting for long-term deals. The SEC is investigating whether the company was aware of his actions, and possible improper use of company
funds and related-party transactions, as well as improper merger accounting practices.

7) **WorldCom** : To cover losses, top executives overstated earnings by capitalizing $9 billion of telecom operating expenses and thus overstating profits and assets over five quarters beginning 2001. Founder Bernard Ebbers received $400 million in off-the-books loans.

8) **Xerox** : Overstated earnings for five years, boosting income by $1.5 billion, by misapplication of various accounting rules.


Other frauds of significant interest include ZZZZ Best (1986), Phar-Mor (1992), Cendant (1998), Waste Management (1998), Sunbeam (2002), Parmalat (2003), along with a host of others. According to “Accounting Scandals,” the long list reached a critical mass in 2002 in the U.S. Perhaps no financial frauds had a greater impact on accounting and auditing than Enron and WorldCom. In the case of WorldCom, for example, it can be seen that in 2002 WorldCom filed the largest bankruptcy in accounting history, revealing that management fraudulently misstated earnings. Arthur Andersen, WorldCom’s auditor, failed to notice US$3.85 billion shifting of funds to cover up revenue shortages. The Enron case also showed a similar pattern of earnings management. Enron had “aggressive earnings targets and entered into numerous complex transactions to achieve those targets.” Arthur Andersen, a well-known accounting firm, let the line between consulting and auditing blur. The collapse of large companies worldwide (HIH insurance, Enron, WorldCom) have sparked lively interest in the amount of consultancy fees that external auditors receive in addition to audit fees. In the Australia environment, HIH insurance paid Andersen A$1.7 million for audit services and A$1.6 million for consultancy services for the 1999–2000 financial year. As a consequence, it has been argued that the role of external auditors
has been subject to the influence of the board of directors of the company. As Jennings concluded, “The Enron collapse showed a similar relationship between Andersen and Enron. In fact, while the Enron/Andersen relationship was extreme, its individual components provide indications of how a relationship can become so muddled that auditor independence is sacrificed.” The above evidence shows that auditors were not independent and this can lead to low-quality financial reporting.

In general, it can be claimed that the above accounting scandals occurred because of ‘integrated’ factors, such as, lack of auditor independence, weak law enforcement, dishonest management, weak internal control, and inability of CG mechanism in monitoring management behaviors. Unfortunately, it is also true that most frauds are perpetrated by people in positions of trust in the accounting, finance, and IT functions.

Consequently, there should be alternative tools to detect the possibility of financial frauds. ‘Forensic’ accounting can be seen as one of such tools. As Pearson states, “An understanding of effective fraud and forensic accounting techniques can assist forensic accountants in identifying illegal activity and discovering and preserving evidence.” Hence, it is important to understand that the role of a forensic accountant is different from that of regular auditor. It is widely known that an auditor determines compliance with auditing standards and considers the possibility of fraud. Some regulators have apparently noticed the need for forensic accounting. For example, the Sarbanes- Oxley Act (SOX), the Statement on Auditing Standards-99 (SAS 99), and the Public Company Accounting Oversight Board (PCAOB) have not removed the pressures on CFOs to manipulate accounting statements (Gornik et al, 2005). The PCAOB recommends that an auditor should perform at least one walkthrough for each major class of transactions. However, SAS 99 does not require the use of forensic specialists but does recommend brainstorming, increased professional skepticism, and
unpredictable audit tests. Thus, a ‘proactive’ fraud approach involves a review of internal controls and the identification of the areas most subject to fraud.

3.4.2 A Sample Of Cases Of corporate Accounting Frauds Overseas

1) Adecco International (Switzerland) :
The world’s largest international employment services company, it was formed in Switzerland in 1996. The company confirmed existence of weakness in internal control systems and accounting of Adecco staffing operations in certain countries, especially in the U.S. Manipulation involved IT system security, reconciliation of payroll bank accounts, accounts receivable and documentation in revenue recognition. These irregularities forced an indefinite delay in the company’s profit figures, which eventually caused a significant decline in the company’s stock prices in Switzerland and the U.S.; and intervention of the SEC.

2) Ahold NV (The Netherlands) :
Company is the world’s third largest food retailer and food services group after Wal-Mart and Carrefour. Ahold U.S.A. is the regional office in the U.S. On July 27, 2004, the Dutch parent company announced that the SEC brought charges against four former executives of its U.S. food services operations relating to accounting fraud and conspiracy. U.S. executives were accused by the SEC of orchestrating an accounting fraud that battered the food distributor and its Dutch parent company by inflating the company’s earnings by roughly $800 million over a two-year period. The invented cost savings technique recorded fictitious rebates known as “promotional allowances” that never existed, to give the appearance of cost savings, which in turn boosted profits. Executives also faced charges of filing false documents with the SEC.

3) Asea Brown Boveri (Sweden)
The Swedish-Swiss firm Asea Brown Boveri was seen as “a paradigm of European capitalism at its best.” In 2002, it suddenly turned into a “Swedish version of Enron.” Company discovered that after CEO Percy Barnevik resigned,
he secretly cashed in a $148 million severance package for himself and his successor, Goran Lindahl.

4) Elan (Ireland) A pharmaceutical company listed on Nasdaq. In January 2004, company admitted improperly using off-balance-sheet vehicles, placing it under SEC investigation. It also suffered a setback on a drug developed to treat Alzheimer’s disease. The CFO and Chairman left the company, but were retained as consultants.

5) Global Crossing Ltd. (Bermuda) One of the hottest telecom companies and only five years old, it engaged in “network capacity swapping activities” with other carriers to inflate revenues. It then shredded documents related to these accounting practices.

6) Nortel Networks Corp. (Canada) The Canadian company, headquartered in Ontario, is the largest telecom equipment maker and provider in North America. Company remained tied up in a long SEC review of its financial results for 2001-2003, and the first-half of 2004, due to material weaknesses in internal controls. Several top executives were fired as securities regulators performed investigations. In 2004, the company delayed restating its financial results for the third time, as it underwent investigations. Former top executives are suspected of committing accounting irregularities, aimed at inflating earnings, which helped make the company the largest telecom equipment supplier. Under investigation is the appropriateness of the company’s reserve accounts, whether there was an intentional inflation of reserves, which would be released to earnings in later years and the company’s questionable bonus program.

7) Parmalat (Italy) Parmalat, a global food and dairy conglomerate, is Italy’s eighth-largest company and the No. 3 provider of dairy (and cookie-maker) in the US. In Dec. 2003, a bank account with Bank of America holding 3.9 billion was revealed not to exist. More than 50 individuals were investigated. They were suspected of committing fraud and false financial accounting, which contributed to the company’s bankruptcy. The company acknowledged a multi-billion-dollar
gap in its balance sheet accounts. Parmalat’s jailed founder estimated the size of deficiency in its finances at $10 billion, and admitted that he shifted $620 million from the company’s coffers to unprofitable travel businesses that were controlled by his family.

8) Royal Dutch/Shell Group

Shell, the third largest oil company, is a global group of energy and petrochemical companies, operating in more than 145 countries. In July 2004, the company reported paying a total of $150 million in fines to the SEC and its British counterpart, the Financial Services Authority, following investigations into the company’s overstatement of its oil and gas reserves. Since Jan. 2004, the company was subject to intense criticism and scrutiny when executives made the first of four restatements related to its oil and gas reserves. Shell agreed with Britain’s FSA’s findings that it abused the provisions of the FSM Act. It paid 17 million pounds in fines, the largest theregulator has ever levied. Shell also agreed to an SEC order that finds that the company violated antifraud reporting, recordkeeping and internal control provisions of US federal securities laws. The company also was investigated by the US Department of Justice and by Netherlands regulators.

9) Vivendi Universal (France)

The SEC accused this Paris-based company of misleading investors in its news releases and financial statements. Management was engaged in misconduct trying to meet earnings goals and intentionally violated certain accounting principles to inflate profits. For 18 months, senior executives refused to acknowledge the company’s liquidity problems and earnings shortfalls. Its former CEO transformed the company from a water utility into a film and media empire but saddled it with huge debts ($33 billion), which were difficult to pay. On Dec. 23, 2003, the company agreed to pay $50 million to settle accusations by the SEC and it did not have to revise any financial statements.

It induced a crisis of confidence in financial reporting practice and effectiveness of CG mechanisms. Accordingly, a number of efforts have been
conducted to prevent the possibility of similar scandals in the forthcoming future.”


The corporate scandals of the last few years came as a ‘shock’ not just because of the enormity of failures, but also because of the discovery that ‘questionable’ accounting practice was far “more insidious and widespread than previously envisioned.” A definite link between these accounting failures and poor CG, thus, is beginning to emerge. For instance, Badawi (2003) very aptly observes: “Adelphia, for example, was given a very low 24% rating by Institutional Shareholder Services on its CG score. In Europe, Parmalat and Royal Ahold were ranked in the bottom quartile of companies in the index provided by Governance Metrics International.” Similarly, the Corporate Library had issued early failure warnings in respect of both WorldCom and Enron. An increasing number of researchers now are finding that poor CG is a leading factor in poor performance, manipulated financial reports, and unhappy stakeholders. Corporations and regulatory bodies are currently trying to analyze and correct any existing defects in their reporting system. In addition, discussion on the relevance of forensic accounting in detecting accounting scandals has emerged in recent year.

The fraud cases described above implies that these corporations have failed to supply accurate information to their investors, and to provide appropriate disclosures of any transactions that would impact their financial position and operating results. To quote Razaee, “The recent accounting scandals have induced a crisis of confidence in financial reporting practice and effectiveness of Corporate Governance mechanisms. Accordingly, a number of efforts have been conducted to prevent the possibility of similar scandals in the forthcoming future.”
3.5 The Top Ten Corporate Criminals list

The Top Ten Corporate Criminals list is a guide to learn about what companies like Nike, Shell, Syngenta, and others you might have heard less about are doing to undermine human rights and the environment.

1. **Shell/ Royal Dutch Petroleum** for contamination of the air and waterways of the Niger Delta and disenfranchising native Ogoni villagers by putting their health, safety, property, and well-being at stake.

2. **Nike** for exploiting workers in sweatshops, failing to provide safe work environments and contracting with cotton factories that use slave labor.

3. **Ahava** for operating and profiteering on confiscated Palestinian lands, violating international law, and misleading consumers of the exact location where their products are being made.

4. **Syngenta** for marketing harmful pesticides to farmers, contaminating waterways, and failing to assume responsibility for harm done to people exposed to their chemicals and the declining bee populations.

5. **Blackwater International (Xe Services)** for profiteering from sending private weapons and under-qualified contractors abroad, creating opportunities for violence and law evasion.

6. **Barrick Gold** for contaminating waterways in Latin America and failing to uphold safety promises to nearby residents.

7. **Herakles Farms** for imposing unwanted palm oil farms in Cameroon, seizing local farmlands, and mono-cropping.

8. **Nestlé** for unnecessarily marketing infant formula to nursing mothers, pushing bottled water sales, and failing to stop child labor in cocoa fields.

9. **Clear Channel Communications** for monopolizing media outlets, reducing diversity, censoring content and pushing a political agenda.
10. **SNC Lavalin** for making major campaign contributions, bribing authorities for contracts, and misusing public funds.

   **(Dis)honorable Mention: POSCO** for efforts to confiscate villager lands, scheming with governmental leaders to coerce and harass villagers to build a private sea port and steel mine against the community’s will.

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