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Money Laundering-A Negative Impact on Economy

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This issue is not only that of Pakistan rather it is faced by most of the third world countries. This needs eradication on national as well as on international level.

Civil society, judiciary, print and electronic media can play pivotal role for money laundering stoppage. This study is about the awareness of money laundering by businessmen; salary persons include government employees, lawyers, MNA's, inspectors. This cross sectional study was conducted from March 2012 to May 2012. A group of 51 persons took part in this study through a predesigned questionnaire which consists of five parts to meet the objectives, awareness, affects, laws, re-use of money laundering and corrective actions and we conclude that money laundering, an evil, can be eradicated through strict laws, government will to prevent, banking control with international help for the return of laundered money to its native country.

Keywords : Awareness, Affects, Laws, Welfare, Corrective actions.

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I. INTRODUCTION

“Money Laundering is termed as money illegally obtained from the national economy and kept abroad for vested interests. This money is consisted of kick-backs, under/over invoicing gains, casinos, real estates and cash carriage in big/small lots”

Whereas this menace is faced by many countries like Afghanistan, Iraq, Libya, Iran, UK; Pakistan is also included in money laundering process. Rather in Apex Court, proceedings are undertaken for writing letters to Swiss Banks for bringing said money in Pakistan but government is reluctant to write such letters as immunity is applied under constitution of Pakistan for President. Even contempt of court case is pending adjudication against Prime Minister of Pakistan for not writing letter.

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In Pakistan besides President many high ups are involved in money laundering. A law has been promulgated in 2009 whereby a person shall be guilty of offence of money laundering if the person :

- Acquires, converts, possesses, uses or transfers property knowing or having reason to believe that such property is proceeds of crime;
- Conceals or disguises the true nature, origin, location, disposition movement or ownership of property knowing or having reason to believe that such property is proceeds of crime (Ref: Gazette of Pakistan 2009)

Money laundering takes several different forms:

- Structuring
- Bulk cash smuggling
- Cash-intensive businesses
- Trade-based laundering
- Shell companies and trusts
- Bank capture
- Casinos
- Real estate
- Black salaries

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II. PROBLEM OF THE STUDY

Why money laundering is increased day by day and what are their effects on economy? And Is this money used for the welfare of the people of the economy?

III. OBJECTIVE OF THE STUDY

How it affects the nation and how much people aware of it. Economy's growth by preventing/controlling laundering money and use of this concealed money by legitimate means for the development and welfare of people.

IV. LITERATURE REVIEW

Ridley, N.

This deals with organized crime, money laundering, and terrorism. It traces the differing organized crime dynamics following the events of 1989, and discusses differing interpretations and concepts of organized crime. It then deals with international anti-

money laundering measures and perceptions. Linked to this are the similarities—and differences—between money laundering and terrorist financing? There is a growing nexus between organized crime and terrorism which should not be overestimated when meeting the challenge of terrorist financing. The analysis of money laundering that finances the 'new' terrorism of the post-9/11 era has been further hampered by remaining locked into static money laundering concepts. This results in intelligence oversights, particularly in the area of exploitation of offshore jurisdictions.[1]

Billy Steel

"Money laundering is called what it is because that perfectly describes what takes place - illegal, or dirty, money is put through a cycle of transactions, or washed, so that it comes out the other end as legal, or clean, money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income".[2]

Ignacio R. Bunye

The Financial Action Task Force (FATF), the international body established to fight money laundering and terrorist financing on a global scale, stressed that the economic and political influence of criminal organizations could weaken the social fabric, collective ethical standards, and the democratic institutions of society. The FATF also pointed out that criminal influence could likewise undermine countries' efforts in transitioning to democratic systems. Money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering, the FATF emphasized, enables criminal activity to prosper.[3]

V. METHODOLOGY

It was analytical study conducted from March 2012 to April 2012. A group of 51 people was take part in this study through predesigned questionnaire which was consist of four parts, one related to the demographic portion, 2nd related to awareness of money laundering, 3rd related to the laws applies or not for stop money laundering and 4th related to the affects of money laundering on business 5th related to the re-use of money laundering for the welfare of nation. Convenience sampling was used in our survey and 50 samples were selected from the population of the different cities of Pakistan.

VI. RESULTS

About the money laundering 100% salary persons know about money laundering and 100% of businessmen know about money laundering.88% salary persons and 65.4% businessmen suggested that money laundering can be stopped through education awareness in educational institutes,12% of salary persons and 26.9% businessmen suggested that money laundering cannot stopped through education awareness in educational institutes. And 7.7% businessmen did not know. About to stop money laundering through awareness in media 80% salary persons and 69.2% businessmen suggested yes and 16%, 30.8% not suggested and 4%, 0% did not know respectively.

64% and 46.2% salary persons and businessmen said yes that money is used in evil manner for terrorism.20% and 42.3% salary persons and businessmen said yes that money is not used in evil manner for terrorism.16% and 11.5% did not know about this awareness. (Table-1)

Table no:1 Awareness of money laundering between												
Questions	Salary Persons (govt.employees,lawyers,MNA's)						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	F	%	F	%	F	%	F	%	F	%	F	%
Do you know about money laundering?	25	100	0	0	0	0	26	100	0	0	0	0
Can this laundered money be stopped and used through education awareness in educational institutes?	22	88	3	12	0	0	17	65.4	7	26.9	2	7.7
Can we stop money laundering through awareness in media?	20	80	4	16	1	4	18	69.2	8	30.8	0	0
Can this money be used in evil manner for terrorism?	16	64	5	20	4	16	12	46.2	11	42.3	3	11.5

About the affects of money laundering,88% salary persons and 96.2% businessmen said “yes” it means that the money laundering affect on national income.8% salary persons said “no” and 4% and 3.8% did not know.84% of salary persons and 84.6% businessmen said “yes” that tax saving is a money laundering offence.16% and 15.4% salary and businessmen said that tax saving is not money laundering offence.88% and 96.2% salary persons and businessmen said “yes” it means that money laundering affect the national business.8% salary persons said that money laundering did not affect the national income.4%

and 3.8% salary persons and businessmen did not know how it affect on national business. About the affect of foreign investment in country due to money laundering,76% salary persons and 73.1% businessmen said that it affect the foreign investment.20% and 23% said “no” it does not affect on foreign investment.4% and 3.8% did not know about it, respectively.

Pakistan is put on blacklist due to money laundering, 60%salary persons and 53.8% businessmen said “yes”. 40% and 38.5% said that Pakistan is not in the blacklist due to money laundering. And 7.7% businessmen did not know about it. (Table-2)

Table no:2 Affects of money laundering on business

Questions	Salary Persons						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	Freq ncy	%	F	%	F	%	F	%	F	%	F	%
Is there any money laundering affect on national income?	22	88	2	8	1	4	25	96.2	0	0	1	3.8
Is saving tax is a money laundering offence?	21	84	4	16	0	0	22	84.6	4	15.4	0	0
Does money laundering affect national business?	22	88	2	8	1	4	25	96.2	0	0	1	3.8
Does money laundering affect foreign investment in our country?	19	76	5	20	1	4	19	73.1	6	23.1	1	3.8
Can Pakistan be put on blacklist due to money laundering?	15	60	10	40	0	0	14	53.8	10	38.5	2	7.7

About the laws of money laundering,96% salary persons and 84.6% businessmen said “yes” that it apply all of us. And 4%, 15.4% said it does not apply. About presence of the international forum to eradicate money laundering in our country,68% salary persons and 80.8% businessmen said “yes” there is an international forum.16%,19.2% said there is no international forum and 16%salary persons did not know about it.88% salary persons and 92.3% businessmen said the state bank of

Pakistan play pivotal role for stopping money laundering through banking.8%,3.8% said “no” and 4%,3.8% did not know about it, respectively.80% salary persons and 76.9% businessmen said “yes” there are anti-money laundering laws in Pakistan.20%,19.2% said “no” there are not anti-money laundering laws in Pakistan and 3.8% businessmen did not know about laws of money laundering. (Table-3)

Table no:3 Laws apply for reduction of money laundering

Questions	Salary Persons						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	Freq ncy	%	F	%	F	%	F	%	F	%	F	%
Does the money laundering laws apply all of us?	24	96	1	4	0	0	22	84.6	4	15.4	0	0

Is there any international forum to eradicate money laundering?	17	68	4	16	4	16	21	80.8	5	19.2	0	0
Can state bank of Pakistan play pivotal role for stopping money laundering through banking?	22	88	2	8	1	4	24	92.3	1	3.8	1	3.8
Are there any anti-money laundering laws framed in Pakistan?	20	80	5	20	0	0	20	76.9	5	19.2	1	3.8

About the re-use of money laundering, 80% salary persons and 46.2% businessmen said that laundered money can be used for the welfare of the people of Pakistan. 20%, 53.8% said the laundered money cannot be used for the welfare of the people of

Pakistan. 72% salary persons and 57.7% businessmen said that this money can be used in development projects of the country, 24%, 42.3% said this money cannot be used in development projects of the country and 45 salary persons did not know about it. (Table-4)

Questions	Salary Persons						Businessmen					
	Yes		No		Do not know		Yes		No		Do not know	
	Frequency	%	F	%	F	%	F	%	F	%	F	%
Can this laundered money be used for the welfare of the people of Pakistan?	20	80	5	20	0	0	12	46.2	14	53.8	0	0
Can this money be used in development projects of the country?	18	72	6	24	1	4	15	57.7	11	42.3	0	0

About the corrective measures can be taken in hand to prevent this money laundering 12% of salary persons and 7.7% businessmen said that through Tax money can be prevent, 28%, 26.9% said that there would be corruption free system, 28%, 11.5% said that adopt proper channel by using registered money launders to prevent money, 28%, 38.5% said that solid anti money laundering laws should be implemented, 4%, 15.4% said that state bank and FIA should take action to prevent money. About the responsibility of Government to stop this money laundering, 4% salary persons and 7.7%

businessmen said there should be a taxpaying stream. 4%, 3.8% said there should be Fiscal & monetary policy to stop money laundering, 24%, 7.7% said that there should be a direct action against laundered persons. 28%, 15.4% said that there should be efficient banking system and records to stop money laundering. 16%, 23.1% said that the government should contact with international community and verify all records. 4%, 23.1% said that remove the corruption, 20%, 19.2% said that we should develop awareness in nation by media. (Table-5)

		Salary persons		Businessmen	
		F	%	F	%
What corrective measures can be taken in hand to prevent this money laundering?	i. Tax	3	12.0	2	7.7
	ii. corruption free system	7	28.0	7	26.9
	iii. adopt proper channel by using registered money launders	7	28.0	3	11.5

	iv.	solid anti money laundering laws should be implemented	7	28.0	10	38.5
	v.	state bank and FIA should take action	1	4.0	4	15.4
What is the responsibility of Government to stop this money laundering?	i.	taxpaying stream	1	4.0	2	7.7
	ii.	fiscal & monetary policy	1	4.0	1	3.8
	iii.	direct action against laundered	6	24.0	2	7.7
	iv.	efficient banking system and records	7	28.0	4	15.4
	v.	govt. contact with international community and verify	4	16.0	6	23.1
	vi.	remove corruption	1	4.0	6	23.1
	vii.	develop awareness in nation by media	5	20.0	5	19.2

VII. ANALYTICAL RESULTS

In the cases regarding the awareness about money laundering, in results there is no association. This shows that businessmen and salary persons (Government employees, lawyers and MNA's) both respondents are on same side that they are unsatisfied

about the awareness of money laundering through education and media. The following table shows the statistical figures of cases/ questions related to the awareness about money laundering. In which it's cleared that the results are no association because P-Value of all cases is greater than 0.05 (Table 6).

Cases	Chi-square value	P-value
Can this laundered money be stopped and used through education awareness in educational institutes?	4.223	.121
Can we stop money laundering through awareness in media?	2.420	.298
Can this money be used in evil manner for terrorism?	2.946	.229

Under the affects of money laundering on business, in results there is no association which means that the salary persons respondents and businessmen respondents both are unsatisfied or at neutral at the

edge of money laundering affects on business. The **Table 7** shows the chi-square and P-value of the cases in which the P-value is greater than 0.05.

Table 7: There is no association between occupation and affects of money laundering on business

Cases	Chi-square value	P-value
Is there any money laundering affect on national income?	5.765	.065
Is saving tax is a money laundering offence?	.004	.952
Does money laundering affect national business?	2.173	.337
Does money laundering affect foreign investment in our country?	.071	.965
Can Pakistan be put on blacklist due to money laundering?	2.016	.365

In the case of laws apply for reduction of money laundering; in results there is no association which is directing to the dilemma that there are no anti-money

laundering laws used to reduce the money laundering. The **Table 8** is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 8: There is no association between occupation and laws apply for reduction of money laundering

Cases	Chi-square value	P-value
Does the money laundering laws apply all of us?	1.868	.172
Is there any international forum to eradicate money laundering?	4.514	.105
Can state bank of Pakistan play pivotal role for stopping money laundering through banking?	.401	.818
Are there any anti-money laundering laws framed in Pakistan?	.981	.612

In the case of welfare items, in results there is no association which are directing to the dilemma that laundered money is not used for the welfare items and salary persons and businessmen both are on the same

way of sharing information. The **Table 9** is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 9: There is no association between occupation and re-use the laundered money for the welfare items of nation

Cases	Chi-square value	P-value
Can this laundered money be used for the welfare of the people of Pakistan?	6.246	.012
Can this money be used in development projects of the country?	2.725	.256

In the case of corrective measures to stop money laundering, in results there is no association which are directing to the dilemma that laundered money is not used for the welfare through reduce taxes,

and salary persons and businessmen both are on the same way of sharing information. The **Table 10** is showing the chi-square and P-value of the cases which are greater than 0.05.

Table 10: There is no association between occupation and Government action to stop money laundering.		
Cases	Chi-square value	P-value
What corrective measures can be taken in hand to prevent this money laundering?	4.111	.391
What is the responsibility of Government to stop this money laundering?	7.106	.311

VIII. RECOMMENDATIONS AND CONCLUSION

There are some ways to reduce this menace

Awareness be spread on gross root level where everybody should be hold enough to say **“Nip the evil in the bud”** this is possible when printed and electronics media plays its constructive role.

Centralization policy for according approval mega and small development projects be enacted forthwith and strict vigilance control on approving authorities be envisaged. Thus money laundering will be prevented up to maximum level.

Laws be legislated in parliament and judiciary be made strong to have strict control on money laundering.

International laws be formulated and particularly on banking system only then money laundering can be controlled. For example, if one billion rupees money is laundered and deposited in fore+ign bank, either that bank should refuse to deposit such illegitimate money or be remitted back to the native country’s government for its legitimate use on national level.

IX. CONCLUSION

According to our study we conclude that the responses from the occupation it is clear that people are aware about the money laundering. In this study we discover that there is no association between occupation and awareness of money laundering it means they both are known about money laundering. . In this study we discover that the money laundering is having an effect on national income and it also affects the foreign investment. According to both respondents, there are some anti-money laundering laws that can prevent the money laundering. According to both respondents we can re-use the laundered money for the welfare of nation. Government can also stop the money laundering through tax saving, efficient banking record system and develop awareness in nation by media. So the five elements on which the whole study is consisted are the ways to improve the laws against money laundering and reduce this evil crime.

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