

1 Money Laundering-A Negative Impact on Economy

2 Iqra Ihsan¹ and Amir Razi²

3 ¹ University of Lahore, Pakistan.

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5

6 **Abstract**

7 This menace needs thorough probing whereby national money is remitted abroad thus
8 depriving national exchequer for meeting its people's lawful needs. These unlawful acts of
9 Heads of State, Government and high functionaries including agencies leave the country's
10 economy in dilapidated conditions. This money is snatched through kick-backs and unfair
11 means which we may discuss later on. This issue is not only that of Pakistan rather it is faced
12 by most of the third world countries. This needs eradication on national as well as on
13 international level. Civil society, judiciary, print and electronic media can play pivotal role for
14 money laundering stoppage. This study is about the awareness of money laundering by
15 businessmen; salary persons include government employees, lawyers, MNA's, inspectors. This
16 cross sectional study was conducted from March 2012 to May 2012. A group of 51 persons
17 took part in this study through a predesigned questionnaire which consists of five parts to
18 meet the objectives, awareness, affects, laws, re-use of money laundering and corrective actions
19 and we conclude that money laundering, an evil, can be eradicated through strict laws,
20 government will to prevent, banking control with international help for the return of
21 laundered money to its native country.

22

23 **Index terms**— Awareness, Affects, Laws, Welfare, Corrective actions.

24 **1 Introduction**

25 Money Laundering is termed as money illegally obtained from the national economy and kept abroad for vested
26 interests. This money is consisted of kick-backs, under/over invoicing gains, casinos, real estates and cash
27 carriage in big/small lots" Whereas this menace is faced by many countries like Afghanistan, Iraq, Libya, Iran,
28 UK; Pakistan is also included in money laundering process. Rather in Apex Court, proceedings are undertaken
29 for writing letters to Swiss Banks for bringing said money in Pakistan but government is reluctant to write such
30 letters as immunity is applied under constitution of Pakistan for President. Even contempt of court case is
31 pending adjudication against Prime Minister of Pakistan for not writing letter.

32 In Pakistan besides President many high ups are involved in money laundering. A law has been promulgated
33 in ??009

34 **2 ? Black salaries**

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

37 II.

38 **3 Problem Of The Study**

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

41 4 Objective Of The Study

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

45 5 IV.

46 6 Literature Review

47 7 Ridley, N.

48 This deals with organized crime, money laundering, and terrorism. It traces the differing "M organized crime
49 dynamics following the events of 1989, and discusses differing interpretations and concepts of organized crime. It
50 then deals with international anti-this are the similarities-and differences-between money laundering and terrorist
51 financing? There is a growing nexus between organized crime and terrorism which should not be overestimated
52 when meeting the challenge of terrorist financing. The analysis of money laundering that finances the 'new'
53 terrorism of the post-9/11 era has been further hampered by remaining locked into static money laundering
54 concepts. This results in intelligence oversights, particularly in the area of exploitation of offshore jurisdictions.
55 [1] Billy Steel "Money laundering is called what it is because that perfectly describes what takes place -illegal,
56 or dirty, money is put through a cycle of transactions, or washed, so that it comes out the other end as legal, or
57 clean, money. In other words, the source of illegally obtained funds is obscured through a succession of transfers
58 and deals in order that those same funds can eventually be made to appear as legitimate income". [2] Ignacio R.
59 Bunye

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

66 8 Methodology

67 It was analytical study conducted from March 2012 to April 2012. A group of 51 people was take part in this
68 study through predesigned questionnaire which was consist of four parts, one related to the demographic portion,
69 2nd related to awareness of money laundering, 3rd related to the laws applies or not for stop money laundering
70 and 4th related to the affects of money laundering on business 5th related to the reuse of money laundering
71 for the welfare of nation. Convenience sampling was used in our survey and 50 samples were selected from the
72 population of the different cities of Pakistan.

73 9 VI.

74 10 Results

75 About the money laundering 100% salary persons know about money laundering and 100% of businessmen know
76 about money laundering.88% salary persons and 65.4% businessmen suggested that money laundering can be
77 stopped through education awareness in educational institutes,12% of salary persons and 26.9% businessmen
78 suggested that money laundering cannot stopped through education awareness in educational institutes. And
79 7.7% businessmen did not know. About to stop money laundering through awareness in media 80% salary persons
80 and 69.2% businessmen suggested yes and 16%, 30.8% not suggested and 4%, 0% did not know respectively.

81 64% and 46.2% salary persons and businessmen said yes that money is used in evil manner for terrorism.20%
82 and 42.3% salary persons and businessmen said yes that money is not used in evil manner for terrorism.16%
83 and 11.5% did not know about this awareness. (Table -1) Money Laundering-A Negative Impact on Economy
84 money laundering measures and perceptions. Linked to ear About the affects of money laundering,88% salary
85 persons and 96.2% businessmen said "yes" it means that the money laundering affect on national income.8%
86 salary persons said "no" and 4% and 3.8% did not know.84% of salary persons and 84.6% businessmen said "yes"
87 that tax saving is a money laundering offence.16% and 15.4% salary and businessmen said that tax saving is
88 not money laundering offence.88% and 96.2% salary persons and businessmen said "yes" it means that money
89 laundering affect the national business.8% salary persons said that money laundering did not affect the national
90 income.4% and 3.8% salary persons and businessmen did not know how it affect on national business. About
91 the affect of foreign investment in country due to money laundering,76% salary persons and 73.1% businessmen
92 said that it affect the foreign investment.20% and 23% said "no" it does not affect on foreign investment.4% and
93 3.8% did not know about it, respectively.

94 Pakistan is put on blacklist due to money laundering, 60%salary persons and 53.8% businessmen said "yes".
95 40% and 38.5% said that Pakistan is not in the blacklist due to money laundering. And 7.7% businessmen did
96 not know about it. (Table - About the laws of money laundering,96% salary persons and 84.6% businessmen

97 said "yes" that it apply all of us. And 4%, 15.4% said it does not apply. About presence of the international
98 forum to eradicate money laundering in our country,68% salary persons and 80.8% businessmen said "yes" there
99 is an international forum.16%,19.2% said there is no international forum and 16%salary persons did not know
100 about it.88% salary persons and 92.3% businessmen said the state bank of Pakistan play pivotal role for stopping
101 money laundering through banking.8%,3.8% said "no" and 4%,3.8% did not know about it, respectively.80% salary
102 persons and 76.9% businessmen said "yes" there are anti-money laundering laws in Pakistan.20%,19.2% said "no"
103 there are not anti-money laundering laws in Pakistan and 3.8% businessmen did not know about laws of money
104 laundering. (Table -3) About the corrective measures can be taken in hand to prevent this money laundering 12%
105 of salary persons and 7.7% businessmen said that through Tax money can be prevent,28%,26.9% said that there
106 would be corruption free system,28%,11.5% said that adopt proper channel by using registered money launders
107 to prevent money,28%,38.5% said that solid anti money laundering laws should be implemented,4%,15.4% said
108 that state bank and FIA should take action to prevent money. About the responsibility of Government to stop
109 this money laundering,4% salary persons and 7.7% businessmen said there should be a taxpaying stream.4%,3.8%
110 said there should be Fiscal & monetary policy to stop money laundering.24%,7.7% said that there should be a
111 direct action against laundered persons.28%,15.4% said that there should be efficient banking system and records
112 to stop money laundering.16%,23.1% said that the government should contact with international community and
113 verify all records.4%,23.

114 **11 Analytical Results**

115 In the cases regarding the awareness about money laundering, in results there is no association. This shows that
116 businessmen and salary persons (Government employees, lawyers and MNA's) both respondents are on same side
117 that they are unsatisfied about the awareness of money laundering through education and media. The following
118 table shows the statistical figures of cases/ questions related to the awareness about money laundering. In which
119 it's cleared that the results are no association because P-Value of all cases is greater than 0.05 (Table ??).

120 **12 Table 6: There is no association between occupation and 121 awareness of money laundering**

122 **13 Cases**

123 **14 Chi-square value P-value**

124 Can this laundered money be stopped and used through education awareness in educational institutes?

125 **15 .121**

126 Can we stop money laundering through awareness in media?

127 **16 .298**

128 Can this money be used in evil manner for terrorism?

129 **17 .229**

130 Under the affects of money laundering on business, in results there is no association which means that the
131 salary persons respondents and businessmen respondents both are unsatisfied or at neutral at the edge of money
132 laundering affects on business. The Table 7 shows the chi-square and P-value of the cases in which the P-value
133 is greater than 0.05. .

134 **18 .965**

135 Can Pakistan be put on blacklist due to money laundering?

136 **19 .365**

137 In the case of laws apply for reduction of money laundering; in results there is no association which is directing
138 to the dilemma that there are no anti-money laundering laws used to reduce the money laundering. The Table
139 8 is showing the chi-square and P-value of the cases which are greater than 0.05. .

140 **20 .612**

141 In the case of welfare items, in results there is no association which are directing to the dilemma that laundered
142 money is not used for the welfare items and salary persons and businessmen both are on the same way of sharing
143 information. The Table 9 is showing the chi-square and P-value of the cases which are greater than 0.05.

21 .256

144 In the case of corrective measures to stop money laundering, in results there is no association which are directing
145 to the dilemma that laundered money is not used for the welfare through reduce taxes, and salary persons and
146 businessmen both are on the same way of sharing information. The

148 22 VIII. Recommendations And Conclusion

149 There are some ways to reduce this menace Awareness be spread on gross root level where everybody should
150 be hold enough to say "Nip the evil in the bud" this is possible when printed and electronics media plays its
151 constructive role.

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

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

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

160 23 IX.

161 24 Conclusion

162 According to our study we conclude that the responses from the occupation it is clear that people are aware about
163 the money laundering. In this study we discover that there is no association between occupation and awareness
164 of money laundering it means they both are known about money laundering. . In this study we discover that the
165 money laundering is having an effect on national income and it also affects the foreign investment. According to
166 both respondents, there are some anti-money laundering laws that can prevent the money laundering. According
167 to both respondents we can re-use the laundered money for the welfare of nation. Government can also stop
168 the money laundering through tax saving, efficient banking record system and develop awareness in nation by
169 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. ^{1 2}

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

Figure 1:

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Global Journal of Management	Questions	Do you know about money laundering?	Can this laundered money be stopped and used through	Yes	No	F	100	0	%	88	3	Do	%	Yes	F	26	Do	
				Fre								not	0	100	0	No		
				que								know	0	%	F	17		
				ncy								%	F		65.4	7		
				25								0	0					
				22								12	0					
	education awareness in educational institutes?																	
	Can we stop money laundering through awareness in media?			20	80	4						16	1	4	18	69.2	8	30
	Can this money be used in evil manner for terrorism?			16	64	5						20	4	16	12	46.2	11	42.

Figure 2: Table no :1 Awareness of money laundering between Salary Persons (govt.employees,lawyers,MNA's) Businessmen

2

Figure 3: 2)

no

Questions	Salary Persons				Business											
	Yes	No	Do not know	Yes	No	Do not know	Yes	No								
Is there any money laundering affect on national income?	22	88	2	8		1	4	25	96.2		0	0				
Is saving tax is a money laundering offence?	21	84	4	16		0	0	22	84.6		4	15.				
Does money laundering affect national business?	22	88	2	8		1	4	25	96.2		0	0				
Does money laundering affect foreign investment in our country?	19	76	5	20		1	4	19	73.1		6	23.				
Can Pakistan be put on blacklist due to money laundering?	15	60	10	40		0	0	14	53.8	10	38.5	2				

Figure 4: Table no :2 Affects of money laundering on business

24 CONCLUSION

no

Questions	Salary Persons				Businessmen			
	Yes	No	Do not know	Yes	No	Do not know	Yes	No
	Frequency	% F	% F	Frequency	% F	% F	Frequency	% F
Is there any international forum to eradicate money laundering?	17	68.4	16.4	16	21	80.8	5	19.2
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
Are there any anti-money laundering laws framed in Pakistan?	20	80.5	20.0	0	20	76.9	5	19.2
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. (%)				
Questions	Yes	No	Do not know	Do not know	Yes	No	Do not know	Yes
Does the money laundering laws apply all of us?	24	96.1	4.0	0	22	84.6	4	15.4

Figure 5: Table no :3 Laws apply for reduction of money laundering

Questions	Salary Persons				Businessmen			
	Yes	No	Do not know	Yes	No	Do not know	Yes	No
	Frequency	% F	% F	Frequency	% F	% F	Frequency	% 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
Can this money be used in development projects of the country?	18	72.6	24.1	4	15	57.7	11	42.3

Figure 6: Table - 4 Re-use of money laundering for the welfare of nation

7

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?		

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

8

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?		

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

9

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?		

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

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Figure 10: Table 10 : There is no association between occupation and Government action to stop money laundering.

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193 bunye2000@gmail.com.,articles may be,

toting-