

CORRUPTION IN INDIA: A HISTORICAL OVERVIEW FROM POST INDEPENDENCE ERA TO 2010.

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ABSTRACT

*Corruption is the largest single element to be found most in India. All roads, from the maternity hospital to the crematorium, smell of corruption. No individual is free from it, no area can be found where corruption is not a ritual. The year 2010 was of Treasure Hunters in which the total loot of the public exchequer is estimated to exceed Rs 4 lakh crore. The paper is part of research work that was conducted in 2010 titled *The Problem of Corruption at Apex Level in India (An Empirical Study of the Attitude of Intellectuals of District Shopian, J & K)*. In this study interview of 50 intellectuals of district Shopian Kashmir India, was conducted to find out their opinion about the causes of corruptions and suggestion for remedies. This research paper was the first unit of the thesis that briefly highlighted the era of corruption in India from post independence era to 2010.*

The Era of Jawaharlal Nehru

The Second World War marked a watershed in the spread of corruption in India. For the British it was a struggle for survival, and in such situation, norms take a backseat. War supplies were needed the need of the day and in order to fulfill these requirements extensive financial power were delegated, procedure relaxed and contracts awarded on very liberal terms. Pretty contractors become millionaires overnight by adopting all sort of devious means and the government servants got their due share of moolah. It also showed the people how easy it was to make big money.

On the other hand there were all round shortages, essential commodities were rationed, numerous controls imposed, and a system of licenses and permits introduced. This opened floodgates of corruption and it became pervasive phenomena of daily life. How rapidly the situation deteriorated may be guarded from the fact that midway through the war the government

created the Delhi special police Establishment, the precursor of the Central Bureau of Investigation (CBI) in 1941 to control this epidemic.¹

Independent India's first major scandal to hit the headlines involved Krishna Menno's purchase of jeep in 1948 in his capacity as India's high commissioner to the UK. It is a very peculiar case and it remained a mystery as to why Menno got into this mess.

At the outbreak of Indo-pak hostilities, army urged required 4,000 jeeps in Kashmir. Only 1,000 vehicles could be obtained from America and rest was sought, through the war Officials, from London. After due negotiation an order was placed with an unknown firm in 1948 for supply of 2,00 old reconditioned, jeeps along with the spare for three years. The supply was start within week of placing the order and completed within five months.

A note should be made of two aspects of this deal first the supplier reneged on partially all major obligations. Two, his difficulties were accommodated to an abnormal extent. Krishna Menon did not get the contract examined by his finance and legal advisor. It was not in the standard form and contains no provision for security deposit, penalty or liquidate damages. The shipment of jeep was to start in August and completed by December 1948. In March 1949 two months after the declaration of ceasefire in Kashmir, only 155 of reconditioned vehicles landed in madras. Even this small batch was declared as unserviceable by Army. After this delivery there was no further supply.

According to the contract, sixty-five percent of the total payment was to be made after the receipt of inspection certificate for the reconditioned jeeps. But this amount was paid within one month of signing the contract and before any inspection had been done. Moreover the agency originally nominated to undertake inspection was changed at the instance of supplier. Despite the vehicles being old and reconditioned, only ten percent of them were actually examined. Whereas the Defense Minister had been told that spare4 for three would be supplied, they were scaled down to ten percent of the said quantity in contract.

Despite having burnet his figure in this context, Krishna Menon entered into several other similar transactions. These were for the supply of rifles, steel plants, Mitchel bombers and armored cars. All contracts suffered from similar infirmities and some none of them was ever fulfilled.²

Two cases may be briefly mentioned here to show the double standards that were adopted in dealing with corruption in high places. One was that of H.G Mudal, a publisher, who was elected to provisional parliament in 1950. Mugal entered into an agreement with Bombay bullion

Association to do some promotional work on its behalf among the members of parliament. When this matter was raised in the house, Nehru promptly set up a committee to enquire into the affair. T.T Krishnamachari was found guilty of misuse of his position as an MP, and recommended his expulsion from the house for having acted in manner derogatory to the dignity of house. Mungal resigned before the expulsion procedure could be completed. Nehru was in the lead in setting the highest norms for the parliament.³

The second case pertains to clerk in the high commission in London, who had lost some Gandhi memorial postage stamps. This petty officer was prosecuted and sentenced to imprisonment for this default. The public Accounts committee whose two reports indicated Krishna Menon had ignores, observed it as distressing to note the contrast in handling case of losses in the same department in as much as no action had been taken in present case (of jeep scandal)⁴

The Malviya-Serajuddin scandal erupted in 1963 after it had simmered for nearly seven years. K.D. Malviya was Nehru's minister for mines and fuel, and much of the credit for putting India on the world-map of oil-producing countries goes to him. Mohammed Serajudin on the other hand was the managing partner of a mining company, and had the distinction of being a generous contribution to the congress party.

In 1956 Serajuddin's business had been raided on the suspicion of his evading income tax and excise duty a favorite hobby of Indian businessman. For seven years the case remained dominant, presumably under pressure from the political bigwigs. In 1963 on the basis of newspaper report, the parliament learnt that search of Serajuddin's office had revealed the receipt of money and expensive gifts by some ministers. S.N. Dwivedy, a crusading MP, wrote to prime minister, furnishing fact of the case. He also pointed that Serajuddin and his company had been issued licenses for the mining of major minerals in contravention of the industrial Policy Resolution.

After the issue was repeated in both the houses of parliament, Nehru constructed the Attorney General, who favored a full-fledged enquiry. But Nehru opted only for a quasi-judicial enquiry by sitting judge of Supreme Court. Though the enquiry report was never made publish, Malviya quit his cabinet post.⁵

The Era of Indira Gandhi

Indira Gandhi oft quoted remarks that corruption is a global phenomenon is supposed to show her casual and amoral attitude to graft. Actually her perceptions were very different when

she started her political career. After becoming the congress president in 1959, Indira Gandhi was greatly perturbed at the frequent corruption charges leveled against numerous congress ministers, both at the center and the states.⁶

If the way to hell is paved with good intention, Indira Gandhi's introduction of the license-quota-raj conform it to the hilt. It was in genuine pursuit of socialist goals that Indira tried to regulate and control economic activities in the private sector. It was to achieve these goals that she enacted the Monopolies and Restrictive trade (MRTP) Act in 1970, and Foreign Exchange Regulatory Act (FERA) in 1973. She also modified taxation policies with a view to reducing income disparities and mobilizing higher resources for the plans.

Though such measures failed to achieve the desire result, they nonetheless helped to bring the private business class and the government machinery in close contact. Whether it was the setting up of new industry, expansion of installed capacity, import of capital goods and raw material or released of foreign exchange, government clearances, permits and licenses were required at every stage. This invested the politicians and beaureaucrates with tremendous prestige and power of patronage, with disastrous effect for the country. The business class had money but little power; the political class had power but little money. So the two come together to their mutual advantage; the industrialists got his license to grow and expand and the politicians got money to fund elections and line his pocket.⁷

These well-intentioned measures represent a landmark in the spared of administrative and political corruption in India. Henceforth licenses, permits and clearance had to be obtained for setting up new industries, expanding the capacity of existing ones, import capital equipments and spares, and releases of foreign exchange for all these items. Complexity and elaborate import and export regulations were framed to keep a check on the outflow of foreign exchange and penalized those who violated the guidelines.

This regulation regime gave the government extensive powers of patronage, as also delay and extortion. And they were fully exploited by the politicians on the pretext of raising party funds, bureaucrats had their own share of the loot, and bribery became a pervasive phenomenon at all levels of the government.

Another development which led to the spread of corruption was the imposition of emergency in 1975. It not only traumatized the nation, it also eroded the institutional checks on the arbitrary exercise of state power. With the suspension of fundamental rights and other legal

safeguards available to the citizens, and delegation of excessive power to government functionaries, every pretty official become a potentate in his little territory, and the country came to be ruled by holders of tyrants. Real damage was done to the system when the government at the highest level started using the official machinery for manifestly unlawful activities.⁸

The Era of Rajiv Gandhi

During the regime of Rajiv Gandhi the first case to burst in open pertain to the PM's own direction to V.P Singh, his finance minister, to push all economic offenders in keeping with his cleansing campaign. In fact the Enforcement director of the Minister of finance had been already investigating some shady deals of Reliance Industries. Dhirubhai Ambhani, the reliance chief, was a no-holder-barred entrepreneur with a genius for cultivating friends in right place. The finance minister had gained access to evidence that Ambani had set up eleven front companies in the tax heaven, Isle of Man, for launching black money. Sometimes back he had floated an issue and fifteen per cent quota off share reserved for non-resident Indian's had been bought through the bank of credit and commerce International (BCCI). Through the reserve bank of India was fully aware of BCCI's fraudulent deals, yet it promptly cleared the transaction about the NRI purchases without any verification.

As luck would have it, Bhure Lal, a crusading bureaucrat, was heading the Enforcement directorate at that time. He had already taken stern action against the BCCI and managed to get six of its officers convicted for economic offences.

HBJ Pipeline

This was a controversy which catapulted into a scandal over the award of contract for the 1760 km-long gas pipeline. Snamprogetti, a public sector Italian firm which had done business with India for decades, was one of bidder for this contract. The project attracted attention owing to the pressure tactics of Snam's local representatives, Ottavio Quattrocchi, a close friend of the Gandhi. After Rajiv's enter into politic she had acquired considerable clout and bagged the Thai Vaishet deal, overriding the recommendations of two committees. As the HBJ pipeline bid by snamprogetti was found higher than others after repeated examinations by official committees, the PM himself intervened on Quattrocchi's behalf. In words of V.P Sing, then finance minister; Rajiv told me to re-evaluate the bid. I appointed a committee under the finance secretary. This committee also found bid expensive. Then the Prime Minister send me a set of points asking me to assess the Snamporgetti bid on that basis strangely enough these points suggested by him turned out to be those which were early sent to minister by Quattrocchi. When the minister didn't

work out, pressure was mounted on finance Ministry officials by the PMO to change the norms and undertake fresh evaluation.

Though the contract did not go to samprogetti owing to V.P Sing's strong opposition, practically all senior officials dealing with the case had to pay the price.⁹

Bofors scandal

On 16 April 1987, the Swedish radio report that Bofors hit had paid large bribes through Swiss bank to senior Indian Politicians and key defense personals to win its largest defense contract. Coming as it did on heels of Fairfax, HDW and V.P Sing's resignation, all hell broke loose and Rajiv was faced with biggest threat to his survival in politics.

It was on March 1987 that India had signed a contract with Bofors, a sister company of Noble Industrialist, for the purchase of four hundred 155-mm, FH-77, howitzer at cost of US\$ 1.3 billion. In view of Rajiv's keenness to eliminate all middlemen in government contracts, this requirement was made clear to bofors before signing the contract. Bofors had given a loosely-worded undertaking to minister of defense to this effect but curious enough, this condition was not included in the contract itself.

The government's initial reaction to this embarrassing disclosure, as usual, was to dismiss the allegation as baseless and described them as part of a conspiracy against the prime minister. No one bothered to examine the nature of the charges, their implication or the intended target. At that junction it was not realized that the Swedish radio expose was only the begging of a series, and much more was likely to follow. Thus, no long-term strategy of damage control was prepared, nor the nature of the likely damage assessed. Consequently, every time a limited response to the specific charge was crafted.¹⁰

Post Nehru-Gandhi Era

The era on a stable one-party rule came to an end when the congress failed to win a majority in 1989 Lok Saba poll. Then follow two short spell of coalition governments headed by V.P Sing and Chandra Shekhar, and the mid-term poll of may-June 1991. The congress again failed to win an absolute majority and its last charismatic leader, Rajiv Gandhi, was assassinated when the elections were still in progress.

On 23 April 1992, the times of India Carrie a news item, broken asked to square up Rs. 500 corer. The news did not create any sensation, though it was the precursor to the biggest banking fraud in Indian History. What was important? In the course of reconciliation of accounts, State bank of India discovered an unreconciled sum of Rs. 500 core standing against

the name of its premier securities broker, Harashd Mehta. When Mehta was confronted with this situation, he was able to square his account within a fortnight. It was a remarkable feat, but from where did Mehta procure this huge amount.

The Jain hawala case stands a class apart in the history of financial scandals. In terms of money it was not a big affair. But it rocks the Indian political system, laid low several high-flying leaders and exposes soft underbelly of the Indian state.

Hawala it is a private banking system for transferring money from one country to another. Here deals are made by word of mouth, and operations are based on implicit trust. It is very reliable and speedy channel for handling all types and color of money, whether white or black and its network spans the whole globe. If an Indian wants send his black wealth abroad, he hands over the sum to a local hawala operator who give him a code which his foreign contact uses to collect the money from another hawala dealer at other end. The process is revised when foreign money is send to India. (The Jain brothers are popularly known as hawala dealers.)

This case was handed to CBI and in first phase, the CBI raided the house of some out – of-power politicians like Arif Mohammad khan and Dev La, later charge sheet against some of the big fishes like center minister, Balram Jakhar, S.C. Shukla and Madhavrao Scindia were raided. The list also includes the name of BJP president L.K Advani, former Union Minister Arjun Sing and yashwant Sinha and janta dal leader Sharad Yadav.

During the tenure of PM, P.V Narasima Rao did not get directly implicated in any dubious deal. But after demitting office in June 1996, he is faced with prosecution in three criminal cases. One common thread running through all these cases was role played by chandraswami. This colorful ‘Godman’ is a trickster fixer and a tantric, all rolled into one. A high political animal, he has been able to attract a galaxy of governors, ministers and international celebrates as his votaries. The 1988 income tax rides reveals his involvement in an international arms deal. The same year he swindled Lakhubhai Patha of \$1, 00,000. In 1990 he masterminded the St. Kitts forgery. In 1995 he arranged the payment of a large sum to Narasimha Rao by Surendar Jain of heal fame.¹¹

On 30 July, 1997 Laloo Prasad Yadav become India’s first former chief minister to go to jail on a corruption charges. He missed setting the dubious record of becoming the first serving chief minister to be sent behind bars by just for days.

Lalo was sent to jail for allegedly a major beneficiary of the Rs. 950- crore Animal Husbandry scandal in Bihar, popularly known as the fodder scam.¹²

PDS Scam

In Etawah district, stories about Mulayam Singh abound. Between 2004 and 2007, when he was the chief minister of Uttar Pradesh, Mulayam was sick of frequently driving the 250-odd km to Lucknow from his constituency Etawah. Being the chief minister of a state with an annual budget of over Rs 1 lakh crore in 2007 has its advantages. Mulayam built an airport in the village Saifai in Etawah. Three years later, he is at the centre of the PDS scam in which grain smugglers with the connivance of the state administration allegedly looted around Rs 60 crore.

Investigators say it could amount to much more. No direct connection has been established to the chief minister's office, but it is under his watch that this happened. Between 2004 and 2007, food grains meant for the poor were smuggled outside the state as well as to countries like South Africa, Bangladesh and Nepal. The full extent of the scam hasn't been revealed yet. A probe by the CBI, Economic Offences Wing (EOW) and sit is on. The state government initially refused the agency permission to prosecute its officials under Section 198 of the Indian Penal Code-200-odd government officers are involved-until a high court order forced the administration to cooperate. Over 7,000 firs have been filed. According to the state government estimates, two or three new jails would have to be built in Uttar Pradesh if the court indicts all those named in the food grain fraud.

Transparency International ranks Uttar Pradesh as among the top four most corrupt states in India. Mulayam is no stranger to allegations of graft. In 2007, the Supreme Court initiated a CBI probe into corruption charges against him, pointing out that "in this case, voluminous documents, including several sale deeds, income tax returns, assessment orders and several photographs of the properties allegedly acquired by Mulayam Singh Yadav and his family members have been filed". When the PDS scandal broke, Mulayam defended himself, blaming Mayawati for the mess. "When the matter was brought to my notice, I had ordered an inquiry by the EOW and punished the guilty also by placing some of them under suspension," says Mulayam. "The present Government is trying to bury the scandal," alleges BJP leader Rajnath Singh. "Why does it not take action against the corrupt? I doubt whether the corrupt will be punished by the present regime."¹³

Recent Corruption Scams

November 2010 could well go down in the history of independent India as a watershed month in terms of corruption exposes and the social and political impact they made. Revelations about multiple corruption scandals took in their sweep politicians, governments, the

administrative and defence services as also national and international corporate houses and generated a sense of disquiet across the country.

In the process, political heavyweights such as Maharashtra Chief Minister Ashok Chavan of the Congress and Union Minister for Telecommunications A. Raja of the Dravida Munnetra Kazhagam (DMK) were forced to resign, while Karnataka Chief Minister B.S. Yeddyurappa of the Bharatiya Janata Party (BJP), the main opposition party at the Centre, fought a fierce tactical battle to continue in office.

The silence and inaction of Prime Minister Manmohan Singh in responding to allegations of corruption in 2G spectrum allocation involving A. Raja was questioned by the Supreme Court itself. Both Houses of Parliament came to a standstill from day one of the winter session, with the Opposition demanding a Joint Parliamentary Committee (JPC) probe into the allegations on 2G spectrum allocation.

In the midst of all this, several instances of corruption involving senior and middle-level bureaucrats and their illicit liaisons with corporate entities were alleged in the media along with the unraveling of scams in advancing housing loans, involving real estate corporations and public sector bankers and insurance companies. Meanwhile, investigations into dubious deals firmed up under the leadership of politicians and officials for the development of infrastructure for the Delhi Commonwealth Games and for other areas relating to the conduct of the Games also continued apace.

Questionable connections between sections of the media and corporate lobbyists were also in focus during these days. In short, it was as if the floodgates of corruption exposes had been opened.

These corruption scandals exposed were unprecedented in terms of scale, depth and hideousness. According to the report of the Comptroller and Auditor General (CAG), which went into the allegations on 2G spectrum allocations, the notional loss to the exchequer on account of manipulations and transgressions amounted to a whopping Rs.1.76 lakh crore.¹⁴

The Adarsh Housing Society Scam

The first Indian to welcome US President Barak Obama at Mumbai airport on November 6 was the Maharashtra chief minister Ashok Chavan. He was sacked minutes after Obama left India because of his direct involvement in the Adarsh Housing Society Scam in which flats meant for Kargil heroes and widows were virtually stolen by powerful politicians, bureaucrats and defence officers who abetted construction on disputed army land. Chavan's relatives owned three

flats in Adarsh. He was confident that his mentors—a guru, Sir Sathay Sai Baba of Puttaparthi, and Rahul Gandhi—would save him. Chavan was self-delusional. It was the judiciary that forced the political class to move. On December 22, division bench of Justice B.H. Marapalla and Justice U.D Salvi hearing the case noted, “Everybody who was supposed to clear a file has been gifted (a flat in Adarsh).” Adarsh was not the only scandal in the year of the Treasure Hunters. The total loot of the public exchequer in 2010 is estimated to exceed Rs 4 lakh crore.¹⁵

According to revenue department and society officials, the society’s official list of members has a name Bhagwati Manoharlal Sharma. Sharma, 77, was Chavan’s mother-in-law and died in July this year while she was staying with the Chavan family at the chief minister’s Official residence “Varsha”.

When the scam broke out over the prime property in Mumbai’s Colaba area, supposedly owned or in possession of the Army, and having been converted into a high-rise Adarsh Society with apartments going to ex-service officers and individuals, Chavan sought a detailed report from the authorities concerned.

The plot was to the society by the state government, which claimed ownership of the plot. It was reserved for kargil war widows and military veterans.

A former Member of Parliament who crossed over from Shiv Sena to the Congress, Kanhaiyalal Gidwani, was instrumental in getting the land for the society from the government. He himself got three flats in the society at a price of Rs 70-80 lakh each, when the market price for the same flat in Colaba area was not less than Rs 7-8 crore.

The housing society indeed paid Rs 16 crore to the government to purchase the plot plus Rs 8 crore to the Mumbai Metropolitan Region Development Authority towards development charges. However, there are security concerns and the defence ministry has launched its own inquiry into the matter. 3,dozen veteran’s beneficiaries. Over three dozen military veterans are among the beneficiaries of the scam, reports DHNS from Mumbai. Former Army chiefs General (Retd) Deepak Kapoor, former Navy chief Admiral (Retd) Madhavendra Singh, as well as state bureaucrats and politicians, including a former union environment minister, and their relatives have been allotted flats. Former state chief secretary D K Sankaran’s son Sanjoy is among the allottees. The society, originally meant to be a six-storey structure to house Kargil war heroes and widows, turned into a 31-storey tower now.¹⁶

The Adarsh Housing Society scam in Maharashtra not only exposed the nexus between politicians, the builders' lobby and defence officials but also showed that senior politicians and defence officials had no qualms in sullyng the image of the Army and even ignoring its martyrs in their quest for greater affluence.

2G Spectrum

If land was exploited by the corrupt, the skies were open to political plunder as well. On November 14, the DMK, unable to withstand the heat from a belligerent Opposition, a hostile Congress and an angry media, ordered Andimuthu Raja to resign as telecom minister. Raja was accused of favouring select telecom companies- Swan Telecom, Unitech, S-Tel, Datacom Solutions, Idea, Spice, Systema, Tata and Loop-in acquiring 2G spectrum licences in a valuation game which is estimated to have cost the country a notional Rs 1.76 lakh crore. "As a lawyer, I will abide by the law, not evade it," Raja said. His slogan during the 2009 Lok Sabha polls was "*Oru kilo arisi oru rupa, oru hello 50 paisa*" (One kg rice at one rupee, a hello on the phone at 50 paise). The Niira Radia tapes exposed how much his hellos cost the country. Veteran Congress leader of Tamil Nadu EVKS Elangovan says "Karunanidhi must've been aware of things."

In power, there is no free lunch. So what did the telecom companies give Raja and Radia in return of the favours? The CBI and the ED are investigating a money trail that leads to the Cayman Islands, the Virgin Islands, the Bahamas and Mauritius. "Raja represents a front for a number of undesirable organizations. He is a front for anti-national agents," says Subramanian Swamy, Janata Party president. There may be political exaggeration in the accusation.

Raja stuck to his chair for 400 days after the scam surfaced. A CBI official claims that the minister used this time to manipulate or destroy evidence. No incriminating documents were found when the agency raided his house on December 8. According to one source, documents were also destroyed at Radia-owned Vaishnavi Communications office in Delhi. Employees had burned thousands of documents to prevent them from falling into the hands of the CBI. "The Government should constitute an Integrity and Ethics Commission urgently to check corruption and initiate stringent action against corrupt practices," says ASSOCHAM President Dilip Modi.

Commonwealth Game

The climate of venality spawned a variety of hunters who sought to seize what they could. Public anger began to mount. When Suresh Kalmadi, the most visibly tainted face of the 2010 Commonwealth Games, walked into a Delhi restaurant on a late October weekend, he was

surrounded and heckled by diners who called him a thief. The CBI and Central Vigilance Commission (CVC) estimate that the 66-year-old Congress Rajya Sabha MP caused a loss of Rs 5,000-8,000 crore of public money through financial and administrative malfeasance. In 2003, the Indian Olympic Association estimated the Games would cost the country Rs 1,620 crore. By 2010, the bill had risen to Rs 11,500 crore. With other additional expenditure, the Games expenditure was estimated to be around Rs 30,000 crore, making the 2010 Commonwealth Games the most expensive sporting event ever. CBI sources says that of the Rs 665 crore spent on overlays, around Rs 200 crore was stolen. Following the CVC report on financial misdemeanors, the CBI raided the IOA offices and arrested close Kalmadi aides T.S. Darbari, Sanjay Mahindroo and treasurer Jayachandran.

Some of the statistics are stunning. The infrastructure cost for the CWG was Rs 2,904 crore but Rs 5,503 crore was released. Where did the extra money go? The CVC investigated 16 Games-related projects totaling Rs 2,477 crore and found that corrupt officials and contractors tampered with initially discounted tenders. The organising committee inflated bills by at least 30 per cent. The CBI raided Kalmadi's residences in Delhi and Pane. "I am innocent till proven guilty. I have not taken any decision alone," Kalmadi says.

Many more careers and reputations tumbled as other skeletons of corruption fell out of hidden closets. In Mumbai, private financier Rajesh Sharma, chief of Money Matters (India), and senior bank officials were arrested in a bribes-for-loans affair. The arrests have made corporate India uneasy. Though the licence raj has ostensibly ended, lobbyists are still needed for project clearances. "We need to be clear about what is defined as corruption. In an economy where competition and enterprise are driven by individual endeavors, and there is no strong government hand, these things flourish," says P. Shankar Raman, executive V-P (finance), L&T. Following these arrests, the market value of LIC Housing Finance shares plummeted from Rs 10,159 crore to Rs 2,365 crore. Investors lost Rs 2,300 crore in a day. "There are enough regulatory bodies in the country but they don't have the teeth to enforce regulations," says Richard Rekhy, CEO, and KPMG, one of the largest of audit, tax and advisory services firms in the world.

There was one unusual instance of corruption. While Adarsh, the CWG and other scams largely involved powerful cabals, Ketan Desai, president of the Medical Council of India, was the lone ranger of graft. His modus operandi was to ask for bribes in return of government recognition for private medical colleges. After the CBI arrested him for accepting Rs 2 crore as payola for one such deal, raids conducted in Delhi, Punjab, Mumbai and Ahmedabad revealed

that Desai and his family owned 10 houses, two commercial properties in Mumbai and gold worth Rs 39 lakh.

During the Adarsh hearing, Justices Marlapalle and Salvi asked, "Why has no FIR been registered except the one on the missing files in the case? Don't tell us committees will be formed to conduct inquiries. Committees are formed and dissolved, nothing happens." Nothing happens because a corrupt system closes its ranks to protect its own. India remains stuck in the purgatory of corruption.¹⁷

Indian Premier League (IPL)

On April 16, 2010, the usually natty Lalit Modi wore a crumpled suit at a press conference in Delhi. There were neither gangling starlets nor fawning cricketers around. After being ousted from the Indian Premier League (IPL) chairmanship by arch enemy Shashank Manohar, Modi had just finished a gruelling session with Income Tax officials probing the money trail on the IPL bids. The war between the BCCI and Modi had just begun.

December 27, 2010: Lalit Modi's lawyer Mehmood Abdi got a stay from the Bombay High Court against the BCCI disciplinary committees from prosecuting Modi, arguing that by appointing two disciplinary committees against his client-one comprising of Shashank Manohar, Arun Jaitley and Chirayu Amin, and the other of Jyotiraditya Scindia, Jaitley and Amin-the BCCI flouted its own laws. The cricket body's war against Modi isn't going too well. The BCCI accuses Modi of financial bungling amounting to Rs 473 crore and his relatives of making money through IPL bids. In an interview to London's Evening Standard, Modi said, "There were no bidders for the teams. So who could I convince? I'm not going to be able to convince people that I don't know. If friends and family had not bid, we wouldn't have had an IPL in the first place." The Bombay High Court also cleared the participation of the banned teams in the IPL-Kings XI Punjab and Rajasthan Royals who allegedly profited through Modi-giving BCCI a bloody nose.

The BCCI complains Modi misused its money, running up taxi bills of Rs 40 lakh. The Enforcement Directorate says Lalit Modi may have violated the Foreign Exchange Management Act by giving 72 overseas players a minimum auction guarantee of Rs 62.69 crore each and paying Rs 200-300 crore to South African sports companies and sponsors without the RBI's permission. Abdi says he wants an enquiry panel consisting of former judges of High Court or Supreme Court. "We don't want an in-house enquiry by the BCCI because most of the actions taken by Modi had the BCCI's approval. BCCI members are potential witnesses. If they inquire

into the matter, it violates the principle of natural justice". Modi's billion-dollar baby, the IPL was born in 2007 after India won the Twenty20 World Cup. It had all the Hollywood ingredients of a rollercoaster story: Bollywood, cricket stars, tycoons and cheerleaders. In its first season, IPL made over Rs 1,000 crore; its brand value is Rs 18,000 crore today.¹⁸

Land Scam

Real estate besmirched the reputation of Karnataka's Chief Minister B.S. Yeddyurappa as well. In June 2010, Yeddyurappa was preparing for a spotlight moment, ordering a bespoke Italian suit from Bangalore fashion designer Prakash Lamba as a change from his usual white safari suit to preside over the two-day Global Investors Meet in Bangalore from which he expected to raise at least \$66.3 billion as investments for Karnataka. In private, Yeddyurappa was taking decisions that would blow up in his face. On November 17, 2010, Karnataka Lok Ayukta Santosh Hegde announced there was enough evidence to establish a prima facie case against Yeddyurappa. The Opposition released documents - around 2,000 of them - alleging that Yeddyurappa flouted rules to get prime land worth Rs 500 crore allotted to family members; his sons BJP MP B.Y. Raghavendra and Vijayendra became beneficiaries of state largesse after their father became the Karnataka deputy chief minister in 2006. Raghavendra was allotted a government plot in Bangalore under the MP's quota and paid Rs 10 lakh for the land whose market value was over Rs 2 crore. Yeddyurappa also denotified the Bangalore Development Authority (BDA) land which his sons and son-in-law Sohan Kumar allegedly grabbed at throwaway prices. Yeddyurappa's daughter Umadevi was allotted two acres of government land to set up a BPO. Some of his family members were allegedly allotted five acres in Shimoga to build a hospital, and two acres for a factory in Bangalore. In March 2010, 11 more acres in Bangalore worth crores were denitrified in Vijayendra and Raghavendra's favour against the advice of the BDA and the Urban Development Department. Later, his kin returned the land following a judicial inquiry. Five previous chief ministers gave similar deals to their relatives including Dharam Singh and H.D. Deve Gowda's son H.D. Kumaraswamy who is yet to return the land allotted to him.

"The names of my family members are being dragged into imagined corruption cases to cover up their (Opposition's) own misdeeds," says Yeddyurappa, responding to the Opposition's charges of corruption.

The Opposition also alleges that the chief minister took a bribe of Rs 20 crore from the Bellary-based South West Mining Ltd; supporting documents claim that the money was allegedly deposited into the bank accounts of Raghavendra, Vijayendra and Sohan Kumar.¹⁹

Politicians and Corruption

Political corruption refers to misuse of public power by political office-holders for private profit. Misuse implies the doing of something improper. And the essence of improper is the replacement of a public motive by a private one. Political corruption is a process which “violates and undermines the norms of the system of public order.” Even when the motivation is ruled under coruscate objectives, if private gain is secured at public expense, political corruption promenades high. The gain may be personal; it may benefit a family or group.²⁰

At the time of independence, Mahatma Gandhi had suggested that congress party, which led the independence movement, should be disbanded. His rationale was that gotten India its independence, the congress party leaders would occupy position of power. In this new role, they would want a return for the sacrifices made during the freedom movement. They would likely become corruption-porn. Despite Gandhi’s suggestion, the congress leaders chose not to disband the party. Corruption soon got into the body politics of India with many Congress leaders at the centre of it. Since then it has progressively gotten worse. Indeed, there is widespread belief that the politicians are not only corrupt by themselves but are also responsible for corrupting the civil service in their quest for money, whether for raising election funds or for their own coffers.²¹

Leaving aside the bird of passage, there have been only four prime ministers of India who have served at least one full term in office. And the tenure of each one of them marked a distinct stage in the pilgrim’s progress towards graft land.

Nehru was by far the cleanest of them all. Yet his inordinate tolerance of corruption among his ministers legitimized it in politics. But whereas Nehru held aloof from even fund collection for party, Indra Gandhi placed herself at the centre of activity and took direct charge of building her war chest. She thus institutionalized political corruption and turned it into an ongoing, round the year, all-pervasive activity. It was during her time that foreign companies were drawn into the net of fund raising. Rajive Gandhi carried the exercise so far that he exposed himself to the charge of personal bribery, thus doing irreparable damage to the high office he held, P.V Narsimha Rao took the process to its logical end, crime cases on charge of corruption and other wrongdoings. One only hopes that the next full-term prime minister does not rule this country from Tihar Jail.²²

In response to increasing corruption, Indian government set up Santhanam Commission in 1962 to investigate corruption in civil service. In its report in 1964, the Commission recommended that the politicians should also be covered by the Prevention of Corruption act, which until then applied only to the civil servants. Not surprisingly, the then congress government rejected this suggestion. However, the Supreme Court in a judgment ruled that the ambit of Prevention of corruption Act indeed did extend to politicians and legislators.

Despite the court's ruling and its subsequent acceptance by the government, the Act has not been particularly effective in combustion political corruption. The problem lies in another requirement of the Act, namely, determining the appropriate authority for giving sanction to prosecute. If there is prima facie case for prosecuting a civil servant, some higher authority such as the Cabinet Secretary has to give sanction before the prosecution proceeding can begin. The problem arises in determining who is the higher authority in case of a state politician, say, a cabinet minister. Is it his boss, the chief minister? Who is to say that the boss himself may not be a party to crime? This anomaly made the Supreme Court ruling and its acceptance by the government virtually meaningless.

Eventually, the speaker of legislature was designated as the sanctioning authority. While the speaker is an independent authority, the position is still embedded in the politics. Thus, it is not surprising that hardly any ruling party politician or for the matter a legislator has even been convicted on corruption charges in over 60 years of independent India. Indeed, over the year the rot has gotten deeper to the point that the politics is attracting unsavory element into public service, as discussed in the next section.²³

Bureaucracy and Corruption

Different researchers have investigated the impact of corruption on different Macro variables. Consider first the impact of corruption on overall economic activity. Samuel P. Huntington contends that an honest, centralized, but rigid bureaucracy may cause more damage to the economy than a dishonest, over centralized and rigid bureaucracy. A dishonest bureaucracy may lubricate or minimize waiting periods and economic activity through the acceptance of bribes. Bardhan notes that bureaucrats and private agents may negotiate their way to an efficient outcome. In other words, the bargaining process may lead to giving the contract to the highest bidder in bribes. A highest bidder may be the one who can afford to provide the services at the least cost.

In a cross-sectional study, Paolo Mauro rejects corruption as enhancing the efficiency of an economic system. Mauro analyzes the impact of bureaucratic and institutional efficiency, as well as corruption, on investment and economic growth and finds a significant negative association between corruption and investment, as well as a negative relation between corruption and economic growth.²⁴

Bureaucracy in modern India owes its origins to the country's colonial history. While it is based on the Weberian paradigm that depersonalization of the service is paramount if bureaucratic modes of coordination are to be insulated from family–friendship and other modes, such a structure requires sustaining incentives, rewards and control systems. The Indian civil service has failed in all of those respects: salaries are low compared to the private sector; a commission investigating the pay structure of civil servants cited resource constraints growing out of bureaucratic sprawl as the primary reason for “capitulation” salaries. Internal controls have been equally problematical: collusion and sharing of gains takes place at all levels. Furthermore, the civil service is not only corrupt but “.has created a steel frame around [itself] that even the might of the state can't dismantle”. Instead of carrying out the business of the government, bureaucrats are “file pushers” who wait for the force of money to move the file to its required destination. The investigating and prosecuting agencies are not independent and contend with frequent political interference.²⁵

Judiciary and Corruption

The Greek philosopher Socrates (470-399 BC) described four qualifications for a judge: he should be able to hear courteously; answer widely; consider soberly and decide impartially. Through the ages, it has been assumed that judges by and large live up to these qualifications. The belief has persisted despite credible evidence of serious deficiencies and deviations in individual cases.

It is unfortunate that in recent years there have been widely reported allegation of judicial misconduct and a disconcerting compromise of integrity and impartiality. The judges as a family having registered no adequate response to this menacing development serious instances were brought to light nor by any mechanism forged by the judiciary itself but by courageous members of the bar generally supported by prestigious associations and bar councils.²⁶

The Indian judiciary has an impressive record and its credibility used to be very high till recently. The Executive and the Legislature are way behind even today. Speeches heard recently in Parliament indicate the concern of the people at large that all is not well with the judiciary. A

few corrective measures are absolutely necessary to restore its health and make the institution more effective and accountable.

Without the Judiciary, there can be no rule of law. Unless its house is in order, it cannot exercise effective control over the Executive and the Legislature. The people of India have a tremendous stake in the judiciary which is the only hope and last resort for all oppressed citizens. More than power, it is the moral authority that sustains the judiciary.

The few instances of doubtful integrity of judges of High Courts in the North, the West and the South, widely reported and commented upon in the media last year and the ongoing prosecution of a former Judge of the Delhi High Court underline the need for a constitutional mechanism to weed out from the Judiciary members suspected of moral turpitude. The Prevention of Corruption Acts, 1947 and 1988, have not succeeded in checking corruption. A.P. Bharucha as Chief Justice of India frankly admitted that there was corruption in the ranks of the judiciary to some extent, mostly at the lower levels. The constitutional provision for impeachment of judges of High courts and of the Supreme Court is impracticable. The disease of judicial corruption has, therefore to be tackled by other methods before it assumes the proportions of an epidemic.²⁷

Corruption in Business Sector

The prevalence of the corruption in the private sector in India is a function of the environment created by the top management or the owners and the government laws and regulation. It is common to manipulate accounts and conduct transactions off the books to evade taxes and generate black money. It is a truism in Indian businesses that one needs reliable and pliable finance in the accounting staff to ensure the confidentiality of such transactions. One of the largest corporations in the country has a single-client (itself) audit firm with the located in the head office of this corporation. Routinely in small businesses, companies report inflated cost (to reduce tax liability) through stratagems such as our reporting of employ wages. These account manipulations are at the expense of the government then in the case of taxes, and often at the expense of the stockholders of the firm itself.

In such a permissive environment, it is hard to expect purchasing departments to be clean. One of the most common areas of corruption in the private sector is the purchasing department in their dealing with private sector supplies. A business purchases a large variety of items including raw material, supplies and services. Sweetheart dealing involving gifts, override commissions,

one-time kickback and the like, are all common in India, and not uncommon in more industrially advanced countries like US.²⁸

Most financial scandals in India have involved firm defrauding stockholders. Despite the plethora of company laws and regulations agencies such as the securities and exchange board (SEBI) and the company Law Board, the incidence of insider trading company executives and front-ending by brokers is common. A few years ago, even the head of the Bombay Stock Exchange was nabbed in case of insider trading. The man was excusing himself frequently from business meeting to make phone calls to place trading orders. Other scandals involving brokers and government-owned financial institutions have shaken the market from time to time.

The proof of insider trading has been difficult to obtain under the interpretation of the current regulations. SEBI found the managing director of ABS industries guilty in 1996 having his brother-in-law buy ABS shares after his return from Germany where he had negotiated a joint venture with Bayer. The purchases took place in September 1996 and the negotiations with Bayer were announced on 1 October 1996. However, the appellate tribunal overturned the SEBI verdict on the grounds that there was no proof that profit motive led to trading on price sensitivity information or that others could not have done as the Managing director had done. In short, SEBI was bypassed and the decision made it difficult to prove insider trading.²⁹

Another area where government and inter-business conflicts come into play is debt collection. Bank can create equitable mortgages where loans are made on basis of the papers ownership of a property but registrar of the property is not notified. This permits the borrower to sell the property outright leaving no security to the loan. The process of debt recovery even in normal circumstances is lengthy and cumbersome despite or perhaps because so many entities can be involved. In short, the extent of corruption multiplies several-fold when one considers the interaction of private businesses and individuals with the government departments.³⁰

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