UNIT 14: SOCIAL PROBLEMS IN INDIA

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14.1 LEARNING OBJECTIVES

After reading this unit, you will be able to -

- identify some of the social problems faced in India.
- understand the ill effects of these social problems.
- understand the causes and consequences of these problems
- understand how to control them.

14.2 INTRODUCTION

Social Problems are unwanted social conditions, which is often objected by the by the society due to its harmful effects. India has indeed established its niche as a fast growing economy in the world, yet much is lost in the name of growth. In the present scenario the divide between rich and poor has expanded and various other issues pose as a threat –from an ever increasing corruption to the uncontrolled accumulation of black money, unchecked smuggling is some of the most terrifying and intimidating problems faced by this fast growing Indian economy.

India faces a large number of social problems although, these are not the only problems. In this unit we will discuss the causes and consequences of some of the major social problems in India like Corruption Black Money and Smuggling.

14.3 CORRUPTION

Corruption is a social evil found in all the societies of the world. It can be defined as the abuse of a public position of trust for private gain. The dictionary meaning of corruption is *'an inducement to wrong by bribery or the unlawful means: a departure from what is pure and correct'.* Scholars such as Mauro define corruption as 'the abuse of public office for private gain' while others such as Amoako refer to it as 'the antithesis of accountability and transparency' (in Kyambalesa 2006: 105). Corruption emerges from incompatibility in important respects of the economic and political systems. As such corruption is not only a criminal offence but rather a social problem which is harmful for the society at large. As a social problem, corruption is assessed in terms of structure, process and the consequences it has in the society.

India is regarded as one of the countries in which corruption has become very much widespread during the recent years. Corruption is one of the factors that have contributed to the degradation of the Indian politics. The Indian economy had to bear the brunt of the unfavourable effects of corruption. From a very long time, India has been affected by a large number of scams and scandals which has adverse consequences /outcomes for

the society and growth of the nation. From the Coalgate scam, to the 2G scam, to the CWG scandal and the Bofors scam, all brought forward the weaknesses of a government and a nation as a whole. Although, the government has changed at the centre, the problem of corruption has not been tackled efficiently. The ironical fact is that, some of the ministers have been involved in some of the biggest scandals, thereby highlighting the discrepancy of the government mechanism.



CHECK YOUR PROGRESS

Q.1 : What is Corruption?

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Q.2 : Mauro define corruption as the abuse of_____for private gain.

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Q.3 : Corruption emerges from _____in important respects of the economic and political systems.

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Q.4 : Name some of the scams that affected India?

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14.3.1 Causes of Corruption

Corruption is a complex phenomenon and various factors and forces have been held accountable for its widespread operation. According to C .B. Mamoria, a few of the causes of corruption are as follows:

- **Economic Insecurity** : one of the important causes of corruption is economic insecurity. The poor people indulge in corruption expecting to become rich and the rich people indulge in corruption for the fear of losing what they have. The rich have a craving for luxurious goods

and imported commodities, such as – dresses, telephone receivers, calculators, cosmetics, etc. This encourages smuggling on a massive scale.

- **High rate of Income Tax :** Tax rates are comparatively high in India and as such even the honest people are at times tempted to escape from it by making false returns of their property and income .Many of the officers are also equally corrupt and they thrive on bribery.
- **Meagre Salary being paid to the Government Servants :** Employees in some of the government departments are paid comparatively very less salary. This can be regarded as one of the reasons as to why corruption exist in administration. Clerks in the court, peons and attendees in all governments departments draw less salary and as such indulge in corruption expecting a little more income.
- **Emergence of New sources of Wealth and Power :** The modern political economic set up provides a chance for the politicians in power to make money through illegal means. . As Lincoln Steffens states, 'the politicians took bribes because business men gave them and businessmen gave them because they had to. ' This unholy understanding between the businessmen and the politicians always encourage corruption.
- **The System of Democracy :** The present style of functioning of democracy in India can also be held responsible for corruption. All parties, especially the ruling party spends crores of rupees on each election. It is the businessmen and the industrialists who has their own vested interest and sanction this money. They supply money to the party election in the form of 'black money'.
- **Social and Economic Modernisation :** Modernisation breeds corruption in industrial society. New loyalities and new identifications merge among individuals and groups.

- **Hawala case**

The 'hawala' case indicting three central ministers and the leader of the opposition, among others, underscores the fact that unless we introduce

transparency in the electoral process through some system like state funding, the democratic process itself could be seriously threatened.

This operates on the basis of 'trust'. An alternative remittance system which emerged even when the traditional banking system was not there. Its origin is traced back to India and Pakistan. The money basically moves from one country to another country without physical movement of cash on the basis of trust. There is no trail left behind for the investigators as Hawala involves no paperwork. In the modern times hawala has been put to intensive exploitation and misuse. This is why all illegal transactions done through hawala are called black hawala. Curbing the gen of black wealth may go a long way in cutting the source of hawala.



CHECK YOUR PROGRESS

5 : The present style of functioning of _____ in India can also be held responsible for corruption.

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6 : Why do politicians take bribe according to Lincoln Steffens?

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14.3.2 Prevention of Corruption

The need of the hour is to tackle with the issue of corruption for which strict rules at all levels of government undertakings, to an awareness among the people against the spread of corruption, needs to be maintained by the government. As such, both preventive and punitive measures need to be taken to minimise corruption.

The central government thus, instituted the ***Santharam Committee*** on the Prevention of corruption in 1964. This committee in its report stated that, "corruption cannot be eliminated or even satisfactorily reduced unless preventive measures are planned and

implemented in a sustained and effective manner. Preventive action must include administrative, legal, social, economic and educative measures". (As quoted by C .B.Mamoria, p.865). The Committee recommended the following measures.

Prevention of corruption Act 1947 Bribe takers must be punished and certain sections of the IPC can act useful. The central government introduced 'The Prevention of Corruption Act' for the effective prevention of bribery and corruption. The act however, failed to reach the target social evil. As such, other strong actions need to be taken against both the bribe giver and bribe taker.

- A thorough study of the extent possible, scope and modes of corruption should be under regarding department, undertaking or ministry. The study must also suggest preventive remedial for the same.
- Administrative delays should be reduced to avoid corruption from taking place.
- Citizens should be educated in order to understand their rights, responsibilities and procedures of the government.
- The government must take efforts to increase the salary of the employees besides making necessary provisions for housing, medical facilities for the government employees.
- Officials should not have any dealings with a person claiming to act on behalf of an industrial house unless he is properly authorised to do so.
- Companies and businessmen should be obliged to keep detailed accounts of expenditure.
- The officers of the administrative posts should be selected with care. The officers selected should have a great sense of integrity.

Apart from these recommendations by the committee there are some other suggestions which can be made to prevent corruption are-

- Taxation laws must be modified and licenses and permit system must be thoroughly reviewed.

- Enforcement of law should be without any sense of fear or favour and thus law enforcing authorities must ensure this.
- Mass communication and media must play a more positive role in encouraging honesty and condemning corruption.
- Bureaucratic corruption must be reduced by stringent enforcement of punative measures against bribe-taking.



CHECK YOUR PROGRESS

7 : When was Santharam Committee set up?

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8 : What did Santharam Committee state in the report?

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9 : Administrative delays should be reduced to avoid corruption from taking place.

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10 : Citizens should be educated in order to understand their rights, responsibilities and procedures of the government.

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11 : What does the Prevention of corruption Act 1947 deal with?

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14.4 BLACK MONEY

14.4.1 Defining Black Money

Black money is a problem with a difference. It has both social and economic consequences. Black money can be defined as the money which is earned through illegal activities. It is the money

earned through any illegal activity controlled by country regulations. Such form of money is usually earned by secretive/underground economic activities and as such these forms of money generally exempts being taxed. Recipients of black money must hide it, spend it only in the underground economy, or attempt to give it the appearance of legitimacy through money laundering.

Money laundering according to the Black Law's of lexicon means not only converting illegal money to legal money, but also concealing the source of illegal wealth. Simply stated the process of money laundering basically implies, cleaning of the money earned through illegal activities like extortion, drug trafficking etc.

Money Laundering allows the criminals to hide and legitimise the illegally acquired money. According to a recent estimate, the world wide money laundering activity amounts to roughly 1 billion dollar per year.

It was during the Second World War that terms such as Black market and black money came to appearance. It was due to the imposition of various controls on distribution and prices a clandestine market had sprung up in which things were still available, but at prices higher than the controlled ones. The term black money became current to describe the money received or paid in such a black market deals. Mamoria states that, "Today the term black money is generally used to denote un accounted money or concealed income and/or undisclosed with, as well as money involved in transactions wholly or partly suppressed".



CHECK YOUR PROGRESS.

12 : Define black money

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13 : Define money laundering.

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14 : According to a recent estimate, the world wide money laundering activity amounts to roughly_____ per year

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15 : How did the term black money emerge?

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14.4.2 Causes of Black Money

The causes of black money can be many. Some of them are listed below

- **High rate of tax :** the disproportionate increase in tax instigate few people to evade tax and accumulate black money. There is an argument that if income tax is reduced , there is a likelihood that people will not hide their actual income
- **Different rates of Excise duty :** the government has fixed rates of excise duty. On the basis of quality, the products are classified into different grades and tax duties are levied on the basis of classification made by the manufacturer. Manufacturers most of the time downgrade a product to lower excise duty charges , thereby helping in generating black money.
- **Inflation :** inflation is one of the major causes of black money. In a scenario of inflation, prices of certain goods like petrol increase and the people who posses money start paying from their unaccounted money. They may also divert resources from production to speculation, thereby causing inflation.
- **Quota system and scarcity :** the government has a fixed quota for import, export and exchange. This quota often misused to make black money. When there is scarcity of essential goods, individuals are compelled to pay more for acquiring them at a higher price rather than in the controlled price. This gives scope to black money. The extra payment which is paid by the customer is added to black money.

- **Elections in a democratic system :** Elections are a part of democratic process. However, nowadays they have become a costly affair and as such, most of the times candidates spend more than the legally permissible amount. The elections are believed to be generally financed by black money holders. There is an understanding and network of alliances between politicians and the businessman's. The businessman in lieu of political patronage and economic concessions sponsor money to the politicians in the elections. The concessions help them in generating more and more black money.
- **Real estate transaction :** people amass huge amount of money through real estate transactions. It is a profitable business now to purchase land or house at a cheaper rate and sell it at a higher rate to the manipulating parties at a very less stamp duty. This becomes a major source of black money.



CHECK YOUR PROGRESS

16 : How do elections act as a cause of black money?

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17 : How does high rate tax generate black money?

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14.4.3 Effects And Consequences Of Black Money

Black money generally has adverse economic as well as social consequences. It damages the economic development of a nation by hampering with the developmental programmes and plans. Due to tax evasion the exchequer loses huge amount of money which could otherwise have been used for developmental activities. It adds to inflation and the government loses control over the economy, thereby resulting in economic instability.

The social consequences of black money are also severe. Black money increases social inequality and increases problems such smuggling, bribery etc. The government may not get enough revenue to undertake social service programme for upliftment of the poor. This leads to shift in income and wealth. Needless to say it also contributes to growing unemployment and poverty.

14.4.4 Prevention Of Black Money

Black money is a problem which should be handled carefully. The following measures can be suggested to reduce the circulation of black money.

- The standards of public morality should be raised. As such, politicians, ministers, civil servants, intellectuals and the media people must play an important role by setting up examples for the other people to follow them by taking up right actions such as by paying up taxes.
- The spending of public expenditure, especially public sector projects must undergo a stringent monitoring.
- Tax system must be realistic. Unduly high rate of tax are counter-productive. It would lead to tax evasion – whether it is income tax, wealth tax, capital gains tax or transfer tax on real estate, thereby further instigating the creation of black money. Thus, this should be avoided.
- Tax collection must be made more efficient and there should be a provision of rewarding honest officers so that people are encouraged to follow honest methods.
- Attractive disclosures should be given for voluntary disclosure of income (VDS).
- A thorough overhauling of economic intelligence unit must be made. Trusted officials must be recruited for this department.
- Administrative corruption at different levels must be discouraged and stringent measures for controlling it should be introduced.



CHECK YOUR PROGRESS

18 : Why is it necessary to avoid an excessive high rate of tax?

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19 : Administrative corruption at different levels must be discouraged and _____for controlling it should be introduced.

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14.5 SMUGGLING

Smuggling is one of the worst social evils. It can be defined as the illegal transfer of goods, valuables or other articles across a country's border that is transferring them by violating the customs legislation. This is an unlawful sort of business.

In context of India, smuggling has become a profitable business in India for many years now. In fact, many international criminal syndicates like the Mafia are behind this degraded activity. As far as India is concerned, the most favoured item is smuggling of gold. In fact, India has become a dumping ground of gold because there is considerable difference in the price of good in international market and in Indian markets. International smugglers like Walcott had been ferrying gold and other illegal imports into India from many years.

Smugglers in India are not only smuggling goods into the country, but, also smuggling goods out of the country. Goods such as silver and narcotics are smuggled out of India. In the present scenario, even illegal immigrants are trafficked from India to other countries.



CHECK YOUR PROGRESS.

20 : Define smuggling

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21 : The most favoured item of smuggling in India is _____.

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14.5.1 History Of Smuggling

Smuggling can be counted among the oldest forms of deviance. Legislation on smuggling dates back to at least 14th century, when the Statute of Treasons of 1351 made it a crime to import fake/forged money. It is since then that smuggling laws were gradually expanded over to cover other goods as well.

Further, economic and political realities have historically influenced the control of smuggling. Adam Smith and other free market economists, spoke against the state control of the capitalist economy and approved of smugglers as approved rational free-market entrepreneurs. . However, efforts were taken to control smuggling by introducing strict laws and penalties against the smugglers. But, still it proved to be ineffective in controlling smuggling and it continued to be practiced widely.

14.5.2 Causes Of Smuggling

There are various causes of smuggling. Some of the causes are discussed here as under.

- There is a strong desire to become rich overnight through unlawful means. This is in a way root cause of smuggling. In the present era a person's value is judged by their wealth and as such, everyone strives to become rich. As such, at times smuggling is preferred as it brings wealth at once.

- At times a great difference exists between the price of one thing in different countries. The price of gold, silver, opium and other drugs or narcotics always vary in different countries. Thus, smugglers engage in smuggling expecting a large amount of profit.
- The corrupt government officers of the land and sea custom departments and of the other agencies of the government, meant for checking the illegal business of smugglers, also support the smuuglers expecting money in exchange.
- Smuggling also gives rise to social vices. The smugglers offer large bribes to the custom officials and police officers. Thus the practice of smuggling causes social evils like bribery and lust for money.
- The shortage of goods smuggled to other countries encourages black marketing. It results in the rise of price of the smuggled goods when there is scarcity of these goods in the local market, and it is the poor stratum that is affected by it.



CHECK YOUR PROGRESS

22 : Smuggling also gives rise to _____

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23 : The shortage of goods smuggled to other countries encourages ___

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14.5. 3 Adverse Effects Of Smuggling

Smuggling's adverse effects are countless. It causes an irreparable loss to the national economy. The wealth of one country is unlawfully transferred to other countries. Smuggling of gold reduces the gold reserves in a country. Further, it also gives birth to other social evils such as bribery and corruption.

14.5.4 Remedies/ Prevention

Smuggling is a growing problem and as such, the government must adopt some draconian measures to check this growing menace.

- Framing strict laws which would thereby introduce the provision of checks and balances thereby instilling a sense of fear in the smugglers.
- The check posts on the borders should be strengthened with appointment of dutiful and honest officials.
- Severe punishments and penalty should be introduced for smugglers.
- Awareness among the public should be introduced to discourage them from buying smuggled goods.



CHECK YOUR PROGRESS

24 : Describe the adverse effects of smuggling

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25 : The check posts on the_____should be strengthened with appointment of _____.

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26 : Enlist remedies for smuggling?

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14.6 LET US SUM UP

- Social Problems are unwanted social conditions, which is often objected by the by the society due to its harmful effects.

- India faces a large number of social issues although; these are not the only issues, and some of the major problems.
- Some of the social problems existing in India are corruption, black money and smuggling.
- Corruption can be defined as the abuse of a public position of trust for private gain.
- Corruption emerges from incompatibility in important respects of the economic and political systems.
- India is regarded as one of the countries in which corruption has become very much widespread during the recent years.
- Corruption is one of the factors that have contributed to the degradation of the Indian politics.
- India has been affected by a large number of scams and scandals which has adverse consequences /outcomes for the society and growth of the nation.
- Some of the well known scams are- Coalgate scam, to the 2G scam, to the CWG scandal and the Bofors scam.
- Causes of corruption can be many- Economic Insecurity, High rate of Income Tax, Meagre Salary being paid to the Government Servants, Emergence of New sources of Wealth and Power, The System of Democracy, Social and Economic Modernisation.
- The central government instituted the *Santharam Committee* on the Prevention of corruption in 1964.
- Black money can be defined as the money which is earned through illegal activities.
- Money Laundering allows the criminals to hide and legitimise the illegally acquired money.
- Causes of Black money- High rate of tax, Different rates of Excise duty, Inflation, Quota system and scarcity, Elections in a democratic system, Real estate transaction.
- Black money generally has adverse economic as well as social consequences.

- Tax system must be realistic.
- The standards of public morality should be raised.
- Smuggling is one of the worst social evils.
- This is an unlawful sort of business.
- smuggling has become a profitable business in India for many years now.
- As far as India is concerned, the most favoured item is smuggling of gold
- Causes of smuggling- desire to become rich overnight, price difference of goods, corrupt officials.
- Smuggling causes an irreparable loss to the national economy.
- Frame strict laws for control of smuggling.
- Severe punishments for smugglers
- Increase public awareness.



14. 7 FURTHER READING

1) Jorge I. Domínguez, Smuggling, Foreign Policy, No. 20 (Autumn, 1975), pp. 87-96+161-164. Available at http://www.jstor.org/stable/1148128

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3) Robert Wade, Corruption: Where Does the Money Go?, Economic and Political Weekly, Vol. 17, No. 40 (Oct. 2, 1982), p. 160, Available at http://www.jstor.org/stable/4371424

4) Sachin Chaudhuri, Facade of Black Money, Economic and Political Weekly, Vol. 20, No. 28 (Jul. 13, 1985), p. 1153. Available at http://www.jstor.org/stable/4374568

5) Sachin Chaudhuri, Laundering Black Money, Economic and Political Weekly Vol. 16, No. 3 (Jan. 17, 1981), pp. 41-42, Available at http://www.jstor.org/stable/4369411

14.8 ANSWER TO CHECK YOUR PROGRESS

Ans to Q. No. 1 : Corruption can be defined as the abuse of a public position of trust for private gain. The dictionary meaning of corruption is *'an inducement to wrong by bribery or the unlawful means: a departure from what is pure and correct'.*

Ans to Q. No. 2 : Mauro define corruption as the abuse of public office for private gain.

Ans to Q. No. 3 : Corruption emerges from incompatibility/ indiscretion /irregularity /misdemeanour in important respects of the economic and political systems

Ans to Q. No. 4 : Some of the scams which affected India are Coalgate scam, 2G scam, CWG scandal and the Bofors scam.

Ans to Q. No. 5 : The present style of functioning of democracy in India can also be held responsible for corruption.

Ans to Q. No. 6 : According to Lincoln Steffens politicians take bribes because bribes because business men give them and businessmen give them because they have to give.

Ans to Q. No. 7 : Santharam Committe on the Prevention of corruption was constituted in 1964.

Ans to Q. No. 8 : Santharam Committe stated that , corruption cannot be eliminated or even satisfactorily reduced unless preventive measures are planned and implemented in a sustained and effective manner.preventive action must include administrative,legal, social, economic and educative measures.

Ans to Q. No. 9 : Administrative delays should be reduced to avoid corruption from taking place.

Ans to Q. No. 10 : Citizens should be educated in order to understand their rights , responsibilities and procedures of the government.

Ans to Q. No. 11 : Prevention of corruption Act 1947 deals with effective prevention of bribery and corruption.

Ans to Q. No. 12 : Black money can be defined as the money which is earned through illegal activities. It is the money earned through any illegal activity controlled by country regulations. Such form of money is usually earned by secretive/underground economic activities and as such these forms of money generally exempts being taxed.

Ans to Q. No. 13 : according to the Black Law's of lexicon, money laundering means not only converting illegal money to legal money, but also concealing the source of illegal wealth. Simply stated the process of money laundering basically implies, cleaning of the money earned through illegal activities like extortion, drug trafficking etc.

Ans to Q. No. 14 : According to a recent estimate, the world wide money laundering activity amounts to roughly 1 billion dollar per year.

Ans to Q. No. 15 : It was during the Second World War that terms such as Black market and black money came to appearance. It was due to the imposition of various controls on distribution and prices a clandestine market had sprung up in which things were still available , but at prices higher than the controlled ones . The term black money became current to describe the money received or paid in such a black market deals.

Ans to Q. No. 16 : Elections , which are a part of the democratic process, is a costly affair nowadays. The elections are believed to be generally financed by black money holders. . There is an understanding and network of alliances between politicians and the businessman's. The businessman in lieu of political patronage and economic concessions sponsor money to the politicians in the elections. The concessions help them in generating more and more black money.

Ans to Q. No. 17 : High rate of tax can generate black money because, the disproportionate increase in tax instigate few people to evade tax and accumulate black money.

Ans to Q. No. 18 : An excessive high rate tax should be avoided because, an unduly high rate of tax are counter-productive. It would lead to tax evasion – whether it is income tax, wealth tax, capital

gains tax or transfer tax on real estate, thereby further instigating the creation of black money.

Ans to Q. No. 19 : Administrative corruption at different levels must be discouraged and stringent measures for controlling it should be introduced.

Ans to Q. No. 20 : Smuggling can be defined as the illegal transfer of goods, valuables or other articles across a country's border that is transferring them by violating the customs legislation.

Ans to Q. No. 21 : The most favoured item of smuggling in India is gold.

Ans to Q. No. 22 : Smuggling also gives rise to social evils.

Ans to Q. No. 23 : The shortage of goods smuggled to other countries encourages black marketing.

Ans to Q. No. 24 : The adverse effects of smuggling are countless. It causes an irreparable loss to the national economy. The wealth of one country is unlawfully transferred to other countries. Smuggling of gold reduces the gold reserves in a country. Further, it also gives birth to other social evils such as bribery and corruption.

Ans to Q. No. 25 : The check posts on the borders should be strengthened with appointment of dutiful and honest officials.

Ans to Q. No. 26 : Some remedies for smuggling are -firstly there should be strict laws framed, which would thereby introduce the provision of checks and balances thereby instilling a sense of fear in the smugglers. Secondly , the check posts on the borders should be strengthened with appointment of dutiful and honest officials. Thirdly, severe punishments and penalty should be increased for smugglers and lastly, awareness among the public should be introduced to discourage them from buying smuggled goods.



14.9 MODEL QUESTIONS

A) Short Questions (Answer each question in about 150 words)

Q1: What are the causes of corruption according to C .B. Mamoria?

Q2: Describe the Hawala Case?

B) Long Questions (Answer each question in about 300-500 words)

Q1: How can corruption be prevented?

Q2: What are the causes of Black money?

Q3: Describe the economic and social consequences of black money?

Q4: Describe some of the measures for prevention of black money?

Q5: Write a short note on history of Smuggling?

Q6: Enlist some of the causes of smuggling?

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