

## **Some Aspects of Corruption and Crime in India: A Macro-Theoretic Study**

### **Abstract**

In this thesis, we have examined some of aspects of corruption and crime in India in macro-theoretic frameworks that we hope capture all the relevant salient features of India. First, it inquiries into how corruption manifested in the form of tax evasion affect growth, inflation and the well-being of the rich and the poor in India. This constitutes the content of Chapter 2. Second, it focuses in Chapter 3 on bank frauds, which are confined principally to the PSBs and rising at an alarming rate in India at the present. Finally, in Chapter 4, it seeks to shed light on the linkage between corruption and crime in India.

Chapter 2 reveals that in India the rate of growth of real GDP is a decreasing function and the rate of inflation is an increasing function of, among others, the rate of growth of the rate of tax evasion. It also shows that tax evasion benefits the rich and increases the poverty and destitution of the masses manifold.

Chapter 3 points out that the frauds illegally diverted a large part of the PSB loans from the creation of the targeted assets to the purchase of other domestic or foreign assets. Using a macro-theoretic model suitable for India, it shows that if the illegally diverted part of the PSB loans is used to purchase foreign assets, the GDP will contract substantially causing immense misery to the workers and the small and medium producers. This chapter also considers another issue. The stock of nonperforming assets (NPAs) as a fraction of bank advances started rising in the PSBs since the onset of recession from 2011-12. However, Indian private banks did not face this problem. Initially, the RBI allowed the PSBs to hide a large part of these NPAs. However, when these hidden NPAs assumed a substantial value, the RBI tightened the norms for defining NPAs and forced the PSBs to disclose all their NPAs. As a result, PSBs' NPAs increased sharply in 2015. The RBI adopted punitive measures against the PSBs, raised the bogey of PSBs becoming insolvent and made the people apprehensive of losing all their savings parked with the PSBs. In this scenario, the study in this chapter shows, there will take place a large contraction in GDP; PSBs' business, profit and equity prices will fall significantly giving the government an excuse to sell them off to the capitalists at throwaway prices. Carefully scrutinizing all evidences, our study concludes that in all likelihood, the scenario delineated above is a conspiracy hatched by the capitalists to monopolize the banking sector giving hefty donations to the government officials.

The study in Chapter 4 is based on the hypothesis that the capitalists in the capitalist countries and their satellites like India own the political parties and wield the State Power. It follows from this hypothesis that the criminals who commit crimes and get away with them are employees of the capitalists.

In India, quite a large part of the GDP is produced by the small producers. This study shows how the capitalists by using the criminals can make the output of the small producers shrink and grab their land.