

Major Scams in India since 1947: A Brief Sketch

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"I would go to the length of giving the whole congress a decent burial, rather than put up with the corruption that is rampant." - Mahatma Gandhi.

This was the outburst of Mahatma Gandhi against rampant corruption in Congress ministries formed under 1935 Act in six states in the year 1937.¹ The disciples of Gandhi however, ignored his concern over corruption in post-Independence India, when they came to power. Over fifty years of democratic rule has made the people so immune to corruption that they have learnt how to live with the system even though the cancerous growth of this malady may finally kill it. Politicians are fully aware of the corruption and nepotism as the main reasons behind the fall of Roman empire,² the French Revolution,³ October Revolution in Russia,⁴ fall of Chiang Kai-Shek Government on the mainland of China⁵ and even the defeat of the mighty Congress party in India.⁶ But they are not ready to take any lesson from the pages of history.

JEEP PURCHASE (1948)

The history of corruption in post-Independence India starts with the Jeep scandal in 1948, when a transaction concerning purchase of jeeps for the army needed for Kashmir operation was entered into by V.K.Krishna Menon, the then High Commissioner for India in London with a foreign firm without observing normal procedure.⁷ Contrary to the demand of the opposition for judicial inquiry as suggested by the Inquiry Committee led by Ananthasayanam Ayyangar, the then Government announced on September 30, 1955 that the Jeep scandal case was closed. Union Minister G.B.Pant declared "that as far as Government was concerned it has made up its mind to close the matter. If the opposition was not satisfied they can make it an election issue."⁸ Soon after on February 3, 1956 Krishna Menon was inducted into the Nehru cabinet as minister without portfolio.

In 1950, A.D. Gorwala, an eminent civil servant was asked by Government of India to recommend improvements in the system of governance. In his report submitted in 1951 he made two observations: "One, quite a few of Nehru's ministers were corrupt and this was

common knowledge. Two, even a highly responsible civil servant in an official report as early as 1951 maintained that the Government went out of its way to shield its ministers" ⁹

CYCLE IMPORT (1951):

S.A. Venkataraman, then the secretary, ministry of commerce and industry, was jailed for accepting a bribe in lieu of granting a cycle import quota to a company.¹⁰

B.H.U. FUNDS (1956)

In one of the first instances of corruption in educational institutions, Benaras Hindu University officials were accused of misappropriation of funds worth Rs 50 lakh." ¹¹

MUNDHRA SCANDAL (1957)

Less than a year after the government of India nationalized the life insurance in 1956 -on the grounds that it was not being managed well—the Life Insurance Corporation (LIC) produced independent India's first scam. It was the media that first hinted there might be a scam involving the sale of shares to LIC, Feroz Gandhi sources the confidential correspondence between the then Finance Minister T.T. Krishnamachari and his principal finance secretary, and raised a question in Parliament on the sale of fraudulent' shares to LIC by a Calcutta-based Marwari businessman named Haridas Mundhra.¹²

It was said that T. T. Ksishnamachari had who pressurized the government-owned Life Insurance Corporation of India to buy shares worth Rs 1.24 crore in six mainly dud companies owned by Haridas Mundhra. LIC did so dutifully, bypassing its own investment committee. When the then Prime Minister Jawaharlal Nehru's son-in-law Feroze Gandhi, disclosed the deal in 1958, leading to a nationwide furor.¹³ Pandit Jawaharlal Nehru, set up a one-man commission headed by Justice M.C. Chagla to investigate the matter when it becomes evident that there was a prima facie case. Chagla concluded that Mundhra had sold fictitious shares to LIC, thereby defrauding the insurance behemoth to the tune of Rs. 1.25 crore. Mundhra was sentenced to 22 years in prison. The case compelled T.T. Krishnamachari to resign as finance minister. ¹⁴

TEJA LOANS (1960)

Around the time the sixth decade of the last century dawned, there descended on the Delhi scene a strikingly impressive couple: Dr Dharma Jayanti Teja and his attractive wife. The word soon spread that the couple was very special, and almost immediately it became the toast of the town. As it happened, Dr Teja was the first of the species that later came be known

as the 'hugely successful NRIs.' He was said to have lived for a long time overseas, worked very hard almost from scratch, and earned a fortune by the dint of sheer enterprise and drive."

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Tejas threw lavish and glittering parties and they themselves were entertained by Delhi's rich and famous people. Politicians and bureaucrats were as anxious to befriend the Tejas as they were to cultivate men and women of power and influence. Consequently, they had little difficulty in gaining access to Jawaharlal Nehru who, as a respecter of achievers, was happy to welcome them. This boosted their stock so much that there was a scramble to be on their right side.

At this juncture the good doctor let it be known that he had earned the money he needed or wanted. He now wanted to do something for his motherland. Since shipping was his forte, he had made elaborate plans to expand exponentially India's puny maritime fleet. If only the government could see its way to make some initial investment, and he would work wonders. Some bureaucrats, particularly in the directorate general of shipping -- dubbed by Teja 'abominable no men' - expressed deep reservations about his claims. Inevitably, the matter was referred to the Cabinet. Nehru told his colleagues: 'Thoda kuch de do (Give him a little something).' ¹⁶

The government machine translated this into over a crore of rupees. Today this amount would be laughingly dismissed as chickenfeed, but in those days it was substantial. It enabled Teja's Jayanti Shipping Company to buy a number of ships from Japan by the simple expedient of paying only the first instalment on them and launching these ships both ostentatiously and profitably. Possession of them enabled him to hypothecate them to acquire more ships or raise money. Jayanti's earning soared, and so did Teja's reputation as an entrepreneur extraordinary. His lavish and jet-set lifestyle -- flitting from his villa in south of France the Waldorf Astoria hotel in New York and rushing back to Delhi on way to Tokyo -- added to his mystique.

By the time Indira Gandhi became prime minister, Teja was both an international celebrity and a national icon. If this evoked admiration and envy among many, it also bred anger of those who were opponents of Nehru and felt that Teja, while flourishing because of the prime minister's patronage, had acquired undue, perhaps sinister, influence in the highest circles. But Teja was unconcerned. As power passed to Mrs Gandhi after Lal Bahadur

Shastri's death, Ram Manohar Lohia, the principal Nehru-baiter, demanded in Parliament as to what was Teja doing at Tashkent during Shastri's talks with President Ayub Khan of Pakistan. The then foreign minister, Swaran Singh, brought the House down by declaring: 'The hon'ble member's impression is a case of mistaken identity. There was a Teja at Tashkent but he is a Foreign Service officer, J S Teja. posted to our embassy in Moscow This did not prevent Lohia from insinuating that Teja had gifted a sable coat to Indira Gandhi when she was 'nothing more than her father's daughter.'¹⁷

Soon after becoming prime minister, Indira Gandhi went on an official visit to the United States. Dharma Teja was among the Indian tycoons that had gravitated to Washington and New York for the occasion. I had a nodding acquaintance with him, but I met him at some length for the first time at a dinner at the home of G Parthasarathi, India's ambassador to the United Nations at that time. It was a relaxed occasion because the prime minister had already left. The food was excellent and I particularly praised the jumbo prawns. Teja concurred with me but insisted that I should taste the even better prawns at his place in the south of France. I thanked him, but said there was no way I could stop by in France on way back home after finishing my work in New York. The next morning he startled me by phoning me to say that he was sending me a first class plane ticket to Nice so that I could join him and his wife there even for a day to share a seafood meal. I thanked him profusely, but declined the invitation. Sooner or later the bubble was bound to burst and it did so not with a whimper but with a bang. Teja's Japanese suppliers discovered, to their dismay that installments of payments due from him were no longer coming in. They therefore wanted to foreclose the sales of ships.

Others who had accepted these ships as securities for financing Teja were also up in arms. Crews of various Jayanti ships complained that they were not getting their wages. Investigations showed that Teja's financial empire was a mirage. Through his elaborate scam he had taken the Indian government as well as the Japanese shipyards for a ride. In any case, there was no way the government loan to Teja could be recovered. Consequently, the public sector Shipping Corporation of India took over and assimilated Jayanti Shipping. Teja was tried for massive fraud and sentenced to imprisonment for seven years. At the same time the word went round that his comely wife was at first his private secretary. She was cruising with him and his first wife, a foreigner, when the latter died on board in mysterious circumstances. What became of the lady nobody knows. Teja, however, died soon after being released from jail.¹⁸

PARTAP SINGH KAIRON SCAM (1963)

Partap Singh Kairon was Chief Minister of Punjab from 1956 to 1964. While he is credited for much of the developments the state achieved, the controversy about his corrupt actions in promoting the economic interests of his sons, relatives and cohorts transcended beyond the epoch of the first Prime Minister of India.¹⁹ Partap Singh Kairon had been charged by senior members of the Congress Assembly Party, of dictatorial attitude and of charges of corruption, nepotism and favouritism. The judgment of the Punjab High Court in Kamal Murder Case in which strictures were passed against Kairon and his cohorts for concocting the case was glaring.²⁰

An inquiry commission set up under an ex-Chief Justice of the Supreme Court, Shri SR Das, to look into the allegations of political corruption made against Pratap Singh Kairon, under the Commissions of Inquiry Act, 1952. In India, ad-hoc inquiries, which is their popular description - are more likely to be used for the latter two purposes, though in discussing their utility and limitations we cannot exclude any other purpose from consideration. Section 3 of the Commissions of Inquiry Act makes it clear that a Commission of Inquiry may be appointed by the appropriate Government for the purpose of "making an inquiry into any definite matter of public importance and performing such functions and within such time as may be specified in the notification."

The Act confers on the Commissions constituted under it wide powers which include, in addition to those of a civil court, powers to require any person, subject to any privileges he may claim under the law, to furnish relevant information on the subject matter of the inquiry and to enter any building and seize any books of accounts or documents or take extracts or copies there from. As to procedure, according to section 8 of the Act, "the Commission shall, subject to any rules that may be made in this behalf, have power to regulate its own procedure (including the fixing of places and times of its sittings and deciding whether to sit in public or in private) and may act notwithstanding the temporary absence of any member or the existence of a vacancy among its members." ²¹

The scope of an Inquiry Commission has been well described by Shri Das in the Kairon Inquiry Report (p 18). The inquiry to be made by the Commission differs from a civil litigation or a criminal proceeding before an ordinary court of law. In a civil action, there is a plaintiff and a defendant and a lis or issue between them which the plaintiff may choose to abandon. In a

criminal case, there is a prosecutor and an accused and a charge which the prosecutor may withdraw, with or without the permission of the court as prescribed in the Code of Criminal Procedure. In both cases the issue or charge has to be determined in the court by a judgment or order which becomes binding and enforceable as between the parties. In an inquiry under the Commissions of Inquiry Act, however, there is no plaintiff or prosecutor, there is no defendant or accused and there is no issue or charge to be adjudicated upon by the Commission by a judgement or order which will be binding and enforceable.²²

The Das Commission's Inquiry into the allegations against Sardar Pratap Singh Kairon has brought to light certain shortcomings of the inquiry procedure. First, the initiative in the appointment of a Commission rests entirely with the executive. It is not an unwarranted presumption that the executive will not take this initiative to inquire into its own actions—that is what most inquiries are—unless forced to do so by strong outside pressure. Such pressure may come from the Press, a group of determined individuals or opposition legislators.

The charges against Kairon, which in many cases were found to be true by the Das Commission, were first presented to the executive in 1959. But the late Prime Minister preferred a Congress Party inquiry and satisfied himself that the charges were baseless. He drew attention to this inquiry and its findings while announcing the appointment of the Das Commission. The first paragraph of the Memorandum submitted to the President by those who framed the charges against Kairon reads as follows: "being highly aggrieved by the misdeeds and blatant acts of corruption and gross misrule of the present Punjab Chief Minister, Sardar Pratap Singh Kairon, and being further aggrieved by the partisan handling by the present Prime Minister. Shri Jawaharlal Nehru, of the series of complaints containing documentary proof, (we) approach the President of India with this Memorandum praying for a public inquiry...." Loopholes for the Executive Even while announcing the inquiry Pandit Nehru made an elaborate statement, the burden of which was that there was no need for an inquiry, and that, in any case, Sardar Kairon was indispensable to the Punjab, but that there were some people who insisted on having an inquiry and they had approached the President directly and that, therefore, the Government had been forced to have an inquiry."²³

The Das Commission's task was to enquire into the charges made in the Memorandum submitted to the President. The Commission was confronted with a vital phrase in the Memorandum; it was required to interpret the words 'and his family' occurring therein. Two

interpretations were suggested: Pratap Singh Kairon's family and Surindar Singh Kairon's family. The Commission accepted the former, remarking. "It must be remembered that the Memorandum is not a statute, deed or other legal document which must be construed strictly. It is neither more nor less than a catalogue of grievances against Sardar Pratap Singh Kairon and should, therefore, be read and understood as an informal document in that light. The language employed in this inartistic document must be construed according to its apparent tenor and intention."²⁴

The inquiry by the Das Commission into allegations of corruption and misuse of power by the ex-Chief Minister of Punjab has once again focussed attention on the limitations of investigations conducted under the Commissions of Inquiry Act. First, the initiative in the appointment of a commission of inquiry rests entirely with the executive. It is not an unwarranted presumption that the executive will not institute an inquiry into its own actions that is what most inquiries are unless forced to do so by strong outside pressure. Second, it is open to the executive to define the terms of reference of a Commission in such a manner as to defeat, to the maximum extent possible, the purpose of the inquiry. Further, under the Commissions of Inquiry Act the executive is not obliged to make public the findings of Inquiry Commissions. Nor are the findings binding on the executive. The executive's response may vary from outright rejection of an inquiry report to slack corrective action taking advantage of the shortness of public memory."²⁵

PATTANAİK OWN GOAL (1965):

A front ranking freedom fighter, daring pilot, dedicated industrialist, towering politician and the architect of modern Orissa. Bijayananda Pattanaik, affectionately called "Biju Babu" has earned the epithet of 'Emperor of Kalinga' by his countrymen. The name of Kalinga was so dear to the heart of Biju Babu that he set up Kalinga tubes, Kalinga Airways, Kalinga Iron work, Kalinga Refractories and the Kalinga, a daily Oriya Newspaper. In 1951 he established the international Kalinga prize for popularisation of Science and Technology among the people and entrusted the responsibility to the UNESCO.

Archival sources says that in 1961 when congress won 82 seats under the leadership of Biju Patnaik, some old stalwarts of state politics like Mahtab became scared. Hahtab framed some allegations against patnaik. He published Biju's corruption and opportunism through news papers when he took loan of Rs.6.5 lakhs from the state government to inSt3.11 a

synthetic oil project. Many party leaders also strongly opposed Biju because in the name of congress organization. They alleged that in personal interest patnaik made many omission-commission during providing loans to install a synthetic Oil project and providing governmental support. . After Mahtab became the members of Parliament in 1962, he used all his efforts to implicate Biju and Biren on corruption charges. Mahtab organised the opposition parties and dissident congress leaders against Biju and Biren. They sent a series of reports to the Central government, the President of India, the Prime minister and the congress High command against both of them. Regarding the sale of the low-shaft furnace at Barbil to the Industrial Development Corporation, the report revealed that "even a proper technical valuation of the plant and machinery" had not been undertaken before the transaction was put through. It cited the audit report of the Accountant General for 1960-61 that the profits of the plant "had become inflated on account of the change in the method of calculation of depreciation and by the manner in which the value monished goods had been arrived at" and added that there was no evidence that the profitability of the plant had been examined before taking it over. Moreover, the two auditors who were appointed to make air assessment of the depreciated book value of the assets were also auditors for the Kalinga Industries Ltd. and their sister concern, the Kalinga Tubes Ltd." ²⁶

Referring to the charge that the retention by Patnaik of the source of supply of iron ore to the plant was mala fide, the report pointed out that after expansion the plant would require an annual supply of ore of the value of Rs. 2.8 million, which meant that Patnaik's concern had assured itself of a ready market. To cap it all, even after the take-over of the plant by the Industrial Development Corporation, its control de facto remained in the hands of Balan, Secretary of the Kalinga Industries Ltd., who became director in charge of the ironworks. In short, the report placed on record. that the low-shaft furnance had been technically giver over to the Government while the original owner retained actual control, that its book value had been inflated and that finally the Patnaik concern had assured itself as a supplier of the source material Taking all these factors into account, the report said that the bona fides of the deal was in doubt. Similarly, the report concluded that in the grant of mining leases for manganese and iron ores, Patnaik "was specially favoured" by a Government headed by himself. Considerations of space come in the way of giving the CB.L findings in greater detail. Suffice it to say that the C.B.I, upheld most of the charges levelled against the Orissa leaders; in the

case of the others, the report said, inadequacy of data prevented it from pronouncing an opinion. That brings in the question of tampering with official files to destroy evidence of malfeasance.

NAGARWALA SCANDAL (1971)

On May 24, 1971, 60 lakh (US\$113,400) was withdrawn from the State Bank of India, Parliament Street branch, and given to a "Bangladesh ka babu" (Hindi for "man from Bangladesh") after the chief cashier. Ved Prakash Malhotra, got a call purportedly from Indira Gandhi then Prime Minister of India asking him to do so. ²⁷

Later it was discovered that former army captain, Rustom Sohrab Nagarwala, then attached to Indian intelligence or R&AW, collected the money from Malhotra, by "mimicking the voice of Mrs. Indira Gandhi", presumably for being diverted to the Mukti Bahini in its guerrilla liberation campaign from West Pakistan. Nagarwala, it was later alleged, was about to leave that same evening for Nepal. He was arrested, however, after Malhotra went in person to collect a receipt from P. N. Haksar, Indira Gandhi's personal secretary, informing him that the requested payment was done. A stunned Haksar informed Malhotra that Mrs Gandhi had instructed nothing of the sort and urged him to inform the police immediately. The opposition parties suspected that the money belonged to Indira Gandhi. They also alleged that it was not an isolated case. The investigating officer, D. K. Kashyap, investigating the case was killed in a car attack. Nagarwala was sentenced for four years and died in prison in February, 1973. This was due to deliberate neglect of his increasing ill-health, a point in fact later confirmed in an official enquiry.

A Commission of Inquiry was set up by Janata Party under Justice P. Jagan Mohan Reddy on June 9, 1977, to probe into the Nagarwala case. Justice Jaganmohan Reddy listed four "incontrovertible facts" - one of them being the fact that Indira Gandhi did not have any account in that branch - but concluded that they were not sufficient to hold that the money belonged to her. "There were several lacunae," he said, and listed them. "To supply an answer to these (lacunae) would force me to leave the safe haven of facts which required to be established by evidence and enter the realm of conjectures and speculation." ²⁸

28 MARUTI SCANDAL (1974)

It is said that when grandson of Pt. Jawahar Lal Nehru and youngest son of Indira Gandhi, the then Prime Minister Mr. Sanjay Gandhi failed to get a degree in College, he along

with his "Bhabhi" launched a private limited company named 'Maruti Technical Services In 1974 Indian Prime Minister Mrs. Indira Gandhi's name came up in the Maruti scandal, where her son and daughter in law (wife of Rajiv Gandhi) was favoured with a licence to make passenger cars in the then highly restrictive-environment. Private limited' (MTSPL) on November 16, 1970. The stated purpose of this company was to provide technical know-how for the design, manufacture and assembly of a wholly indigenous motor car". To enrich himself, Sanjay Gandhi joined the England based Roll-Royce company, as an internship and learnt all about new generation cars. After completion of internship he came back to India with a dream and perhaps nudged his mother to help him propel his dream to the next level. As a result, circa 1971, Prime Minister Indira Gandhi's cabinet proposed the production of a 'People's car', a vehicle which had to be cheap, affordable, efficient and more importantly, indigenous.

A company by the name of Maruti Motors Limited was incorporated on June 04, 1971 with Sanjay Gandhi as its first managing Director and Ms. Sonia Gandhi, to provide technical know-how for the design, manufacture and assembly of a 'wholly indigenous motor car'. The company's story provides valuable insights into the mind of Sonia Gandhi, who is often credited with much innocence and gullibility by those around her. The birth of MTSPL, preceded that of another company, Maruti Limited, which was to avail of the former's 'know-how' to produce the cars.²⁹ The Articles of Association of MTSPL named Sanjay and Sonia Gandhi as the first and permanent directors of the company, who between them held 20 shares of Rs 10 each, In other words, its paid-up capital was Rs 200 at the time of its launch. On November 21, 1970, just days after its incorporation, MTSPL entered into an agreement with Sanjay Gandhi, who owned 50 per cent of it.³⁰

Under this agreement, Sanjay agreed to render 'technical know-how to the company for a consideration of Rs 3 lakh. In June 1971, Maruti Limited was incorporated under the Companies Act and Sanjay Gandhi became its Managing Director. On December 15, 1971, MTSPL allotted 1500 equity shares of Rs 10 each to Sanjay Gandhi. On June 2, 1972, MTSPL entered into an agreement with Maruti Ltd, according to which MTSPL was to be paid Rs 5 Lakh in lump sum by the latter for providing the technical know-how."³¹

This document describes MTSPL, of which Sanjay and Sonia Gandhi were the only directors, as a technical company which has the capability of imparting technical know-how for

the design, manufacture and assembly in India of a wholly indigenous motor car'. It was also entitled to an annual technical fee of two per cent of the net sales of motor cars. Six weeks after this agreement, Maruti Ltd paid the promised Rs 5 lakh to MTSPL. Later, MTSPL kept its word and paid Sanjay Gandhi, its half owner, Rs 3 lakh in order to purchase technical know-how from him! ³²

Reports suggest, the company or the man himself had no prior experience of building a car, had a working prototype, or even a tie-up with a car maker. They did not even forward any design proposals, yet, under the leadership of his mother, the Congress government awarded Maruti the contract and an exclusive production license to manufacture India's first indigenously built people's car. The Congress government even used the test model to put it out as a showcase of progress, only to be criticized by the public. Some say, with help from influential friends like senior Congress leader Sri. Bansi Lal, who was the Chief Minister of Haryana back then, Sanjay acquired or maybe procured some land in Gurgaon. Widespread criticism of the Indira government's decision to award the car contract to Sanjay's company was swept under the sheets, when in 1971, the Bangladesh Liberation War and India's victory over Pakistan made the issue take a back seat. In the meanwhile, Sanjay contacted Volkswagen AG for a possible tie-up to jointly manufacture the Beetle in India. What happened to his decision to refine and build on his indigenous effort? We don't know.

The next move came about a year later. MTSPL appointed the owner of its other half, Sonia Gandhi as its managing director. This happened at an 'extraordinary general meeting of share holders' held on January 25, 1973. Suffice it to say that Sanjay and Sonia Gandhi, the two directors, were also the only share-holders of the company at that time. Soon thereafter, MTSPL signed an agreement with Sonia Gandhi as per which she was to remain the managing director of the company for five years. She was to get a salary of Rs 2000 per month and one per cent commission on the net profits of the company, subject to a limit of 50 per cent of her annual salary plus perquisites.

This was incorporated on February 22, 1974, and Sonia Gandhi acquired 5000 shares in it. She entered into an agreement with this company on September 28, 1974, in regard to her appointment as its MD. But this agreement was not implemented and she did not draw any salary. In the same year, an opposition led uprising against the government caused widespread disturbance in the country, affecting the economy badly. Sanjay's mother then

declared a National Emergency, enforced martial law, censored the freedom of press and suspended many such privileges in the name of national security. The situation demanded all of Sanjay's attention and his Maruti project was eventually put on the backburner. The Congress party eventually fell flat on its face during the 1977 general elections and Maruti was liquidated in 1977, by the new Janata Dal government. Perhaps no case symbolized the misuse of public money as much as that involving Sanjay Gandhi's Maruti car. The equivalent of millions of dollar from the treasury went into supporting Sanjay Gandhi venture between 1970 and 1975, and yet no 'People Car' appeared on the streets of India." ³³

A commission of inquiry headed by Justice A. C. Gupta, which probed the 'Maruti scandal', submits its report. In a huge report issued on 31st May, 1979, Justice Gupta said: The affairs of Maruti (Companies)appeared to have brought about a decline in the integrity of public life and sullied the purity of administration. From the interest taken in Maruti's progress by men from the Prime Ministers secretariat and the way even matters connected with the country's defence were subordinated implicit obedience, one is left in no doubt as to the origin of the power that made such a state of affairs possible. Sanjay Gandhi exercised only a derivative power; its source was the authority of the Prime minister ³⁴

The commission further noted, "She tendered her resignation on January 21, 1975. It is surprising that Ms Sonia Gandhi who did not have any technical qualification should be appointed managing director of a technical company. Quite a large sum of money was paid to her on account of her salary and perquisites during the period she remained the managing director of the company." The Gupta Commission also recorded the fact that A Banerjee, Income- Tax Officer, disallowed part of the remuneration to Sonia Gandhi as excessive "because she had no qualifications to be able to render any technical service to the company". The commission also spoke about the rough and ready methods used by Maruti Ltd against the dealers who wanted to back out. "One of the dealers, Mr. S. C. Agarwal, who terminated his agency was threatened by Sanjay Gandhi that he would be sent to jail. Mr. Agarwal had to apologize by touching Sanjay's feet. Mr. Om Prakash Gupta of Hapur who had asked for payment of interest due to him on his security deposit was arrested under the Maintenance of Internal Security Act." Witnesses also told the commission that MT SPL did not have any technically qualified person or specialist on road rollers. The commission, therefore, concluded: "Maruti Technical Services was not competent to render technical know-how in

respect of Maruti cars. There is no evidence that it had the know how in respect of road rollers." ³⁵

It could've been resurrected after Congress came back to power in the year 1980, however, whilst flying a two-seater aircraft near Delhi's Safdarjung Airport, Sanjay decided to perform a loop over his office, lost control, and in contrast to his meteoric rise in the power circles of the country, fell nose down to his death.

SOLANKI EXPOSE (1992)

At the World Economic Forum, Madhav Sinh Solanki, then the external affairs minister, slipped a letter to his Swiss counterpart asking their government to stop the probe into the Bofors kickbacks. Solanki resigned when India Today broke the story. In the Bofors kickbacks case, the five year limitation under Swiss law on criminal prosecution expired on 31 March this year. Since then, the Swiss authorities have been making noises about refreezing the five Swiss accounts which were fazed after the CBI registered an FIR in January, 1990. The developments in t the Delhi High Court this year have further served to gladden the hearts" of the beneficiaries of the kickbacks.

In March, the Delhi High Court quashed the non-bailable warrants of arrest against Win Chaddha, issued by the special "judge in Delhi, in March 1990, on the ground that the warrants were "without jurisdiction" and that Mr. Chaddha was not evading arrest. No small part in this order was played by the CBI, which had been arguing all this while that Win Chaddha was required to face trial but later changed its tune and said that he was required only to "assist in the investigation". The FIR and the CBI probes which had also been challenged in the petition under Section 482 Cr.P.C. were however u held. An appeal against this order by the CBI was rejected by the Supreme Court in October.

The fact that the Congress government has been systematically slow-pedaling on the probe was brought out sharply when it became known that Madhav Singh Solanki, the external affairs minister, had handed over a memorandum from some "unknown" Indian lawyer to Rine Felber, his Swiss counterpart, on 1 February, asking the Swiss authorities to "go slow" on the probe. The resulting pandemonium in and outside parliament forced Mr. Solanki to resign but this made little difference in reality. In April, Win Chaddha filed another petition in the Delhi High Court, this time under Article 226, challenging the CBI'S FIR and the letters migratory, and hearings continued at a leisured pace in spite of the CBI'S repeated requests for an early

hearing. Meanwhile, the Geneva cantonal court which was hearing petitions challenging the herein of accounts and paying for non-disclosure of names of the account holders, coincided hearings, but has been postponing the announcement of its decisions due to the uncertainty generated by the Delhi High Court proceedings. At one point some “unknown persons sought a stay of the cantonal court’s proceedings in the light of the case pending in the Indian courts.

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KUO OIL DEAL (1976)

For variety of reasons, in 1970's, despite outcry of a different order, the number of corruption cases, then making headlines in substance, were just handful. The case of public sector Indian Oil Corporation (IOC), which awarded contracts worth Rs 20.2 millions for supply of petroleum products at constant price in an epoch of falling prices to a Hong Kong based said to be non-existent Kuo Oil Co in 1976. The petroleum and chemicals minister was directed to make the purchase. Political storm, nevertheless took place on couple of other occasions

Throughout her tenure, Indira Gandhi was confronted with corruption scandals. But when she was faced with something like the Kuo oil deal, she either ignored the allegations or consigned them to a committee. When nothing else worked, she blamed the CIA. ³⁷

CEMENT SCAM OF 1981

In the early 1980s, the Indian Express launched a campaign against the corruption of the then Chief Minister AR Antulay. That became known as the Cement Scam. A loyalist of the Nehru-Gandhi family, Abdul Rehman Antulay, also known as Barrister Antulay, who hails from Shrivardhan in Konkan, became the Chief Minister of Maharashtra in 1980. Even as he was the chief minister, he floated and headed a trust called Indira Gandhi Pratishthan. ³⁸

In early 80s, cement was a scarce commodity, due to its short supply. So its distribution and allotment was controlled by the government. Builders, who needed cement for construction work, could only obtain it from the state government under the control system. It meant that no one could buy cement in an open market. According to this system, cement was allotted or distributed to the builders equally. However, Antulay abused his position as the chief minister. He used his influence as the CM and asked builders to donate handsomely to his trust. In return, he bent the rules and violated guidelines to favour some builders with more cement quota than they were eligible for. A. R. Antulay had garnered Rs 30 crore from businesses dependent on state resources like cement, and kept the money in a private trust.

The court ruled that Antulay had illegally required Mumbai area builders to make donations to Indira Gandhi Prasthan trust, one of several trust funds he had established and controlled, in exchange for receiving more cement than the quota allotted to them by the Government. Antulay was charged with malpractices and favouritism in giving cement meant for public consumption to private builders. Antulay is believed to have collected Rs 30 crore for his trust by way of such donations from the builders who he favoured with supplying more and out-of-turn cement." ³⁹

The scam came to light because of the then executive editor of the Indian Express Arun Shourie, who ran a series of exposes on how Antulay misused his authority in allotting cement to builders by violating guidelines. Sequel to the exposes, a petition was filed in the Bombay High Court against Antulay. Justice Bakhtavar Lentin of the High Court found Antulay guilty of corruption and abuse of authority.⁴⁰ Under public pressure, Antulay resigned, but he appealed against his conviction. Meanwhile, acting suo-motu (on his own), the Governor of Maharashtra gave permission for the prosecution of Antulay under the Prevention of Corruption Act. Antulay not only lost his job as chief minister, he was also thrown into political wilderness for over 12 years. Later, he was given a clean chit by the Supreme Court, but Antulay was not only out of power, he was also out of people's mind. The Indian Express, which exposed the scandal, became a big hit with the public and its circulation really went zooming up." ⁴¹

HDW Commissions (1987)

HDW, the German submarine maker, was blacklisted after allegations that commissions worth Rs 20 crore had been paid. The case was registered by V P Singh government in March 1990. V.P. Singh, who as defence minister in Rajiv Gandhi government ordered the investigation into the case after he received a telegraphic message from the then Indian ambassador in Germany about payment of seven per cent commission to some middlemen, had resigned from the government after sharp differences with Gandhi on the issue. Those, who played important roles in the deal were: 1. S K Bhatnagar, former defence secretary, 2. S S Sidhu, former additional secretary (defence), 3. B S Ramaswamy, former additional financial advisor, 4. Vice-admiral Schunker, former Vice Chief of Naval staff, 5. M Kondath, former Indian Navy captain, 6. Gopi Chand Hinduja, Corporate and 7. Roger Enterprises Pvt Ltd, New Delhi-based firm. ⁴²

CBI started investigation into the payment of alleged kickbacks to middlemen and some foreign companies in the deal, signed by Rajiv Gandhi government in 1987, following filing of a public interest litigation (PIL). CBI had sought German and Swiss authorities assistance in probing the matter in their countries through letters rogatory as according to the agency's FIR, registered in March 1990, the commission and the bribe money was routed through Swiss banks including the Bank of Credit Suisse in Geneva.⁴³ In 2005, the case was finally closed, in HDW's favour.

Bofors Pay-Off (1987)

A Swedish firm was accused of paying Rs 64 crore to Indian bigwigs, including Rajiv Gandhi, then the prime minister, to secure the purchase of the Bofors gun. In 1987, Rajiv Gandhi's advisors had assured him that Bofors was a middle class pre occupation which would have no impact on the country at large. In 1989, these advisors were proved wrong when the Congress lost the election largely because of Bofors. In 1990 and 1991, the new government headed by V.P. Singh was obsessed by Bofors. Letter Rogatories were sent to Switzerland, assorted investigators made several trips between Delhi and Geneva and much noise was generated. But nothing came of the investigations.⁴⁴

In 1991, when the Narasimha Rao government took over and asked the CBI to go slow on Bofors, most people assumed that we had heard the last of the scandal. But no, within a year, Bofors claimed another victim. Foreign Minister Madhavsinh Solanki handed over a note to the Swiss authorities calling for a halt to the investigation. The details of the note leaked and Solanki was forced into political oblivion from which he has never recovered.⁴⁵

Over the years, Bofors has continued to flare up from time to time. An investigative story in The Indian Express in the mid-1990s forced Ottavio Quatrocchi to flee the country, one step ahead of the CBI. When H.D. Deve Gowda took over as prime minister, his hand-picked CBI chief, 'Tiger' Joginder Singh acted as though he would solve the Bofors case single-handed and made the, by now statutory, pilgrimage to Zurich and Geneva. Two years later, Bofors hit the headlines again, this time, not because of the scandal but because the guns themselves proved to be such a success during the Kargil conflict. Most recently, the Vajpayee government has filed a Bofors chargesheet which has generated its own share of controversy because it names Rajiv Gandhi among the accused. Congressmen stopped the Lok Sabha

from functioning for several days and even now the issue threatens cooperation between the government and the Opposition. ⁴⁶

The exact sequence of events that led to the Bofors scandal is probably worth repeating if only because most people have forgotten what really happened. The Indian Army decided during Indira Gandhi's reign that it needed a howitzer.⁴⁷ Various arms manufacturers approached India and the army began a long and exhaustive process of weapons testing. This process was still continuing when Indira Gandhi died and Rajiv took over. By then, there were two clear favourites among the weapons: the French gun Sofma and the Swedish Bofors howitzer. Both guns had their champions and their detractors. Within the army it was widely believed - though never substantiated - that competing manufacturers had paid off assorted generals and this accounted for the different opinions. ⁴⁸

The Rajiv government attempted to speed up the process of selection, but also, took the unusual step of declaring that it would not deal with the agents of arms manufacturers. Signs were put up in the defence ministry to the effect that agents would not be allowed to meet any officials. As an agent is an integral part of any buying and selling process, it was never explained why this decision had been taken. ⁴⁹

However, it was generally held in Delhi that this was part of a new election funding scheme evolved by Rajiv Gandhi and his two principal advisors, Arun Singh and Arun Nehru. Apparently, Rajiv and the two Aruns had tired of the traditional method of raising electoral financing: selling licenses in the marketplace or accepting contributions from dodgy businessmen who wanted to be forgiven their income tax or foreign exchange violations. Their solution was to zero in on the vast purchases made by the public sector, including the armed forces. ⁵⁰

In the case of Bofors, for instance, its agent was a company called Anatronics run by a bluff Punjabi arms dealer named Win N. Chaddha. Once Bofors was asked to sack Chaddha, it reworked the arrangement so that he was no longer working on a commission basis. Instead, Anatronics was hired for a fixed amount to function as Bofors consultant in India. Nobody was sure whether the directive banning agents from the defence ministry applied to consultants as well. And there is evidence that Chaddha continued to function - for all practical purposes - as Bofors' agent in India. ⁵¹

St Kitts Forgery (1989)

The St. Kitts forgery case was one of the three cases of corruption registered against former Prime Minister P.V. Narasimha Rao after he demitted office in 1996, following the Congress' rout in the general elections that year; the other two were the Jharkhand Mukthi Morcha (JMM) bribery case and the Lakhubhai Pathak cheating case. Together these cases had symbolised the erosion of ethical values in the polity during Narasimha Rao's five-year rule. As such, the legal course these cases took after the end of Narasimha Rao's term in office evoked considerable public interest. For the first time, a former Prime Minister was being prosecuted for offences allegedly committed by him while in office, and therefore it reinforced people's confidence in the rule of law.⁵²

In the JMM bribery case, Narasimha Rao was convicted by the trial court but acquitted by the Delhi High Court. Both in the Lakhubhai Pathak cheating case and in the St. Kitts case, the trial court acquitted Narasimha Rao and his associates; in the St. Kitts case even the Supreme Court upheld his acquittal. Therefore, the acquittal of godman Nemi Chand Jain alias Chandraswami, a co-accused (along with Narasimha Rao and others) in the St. Kitts forgery case, by Special Judge Dinesh Dayal in New Delhi on October 25 for "lack of evidence" once again raises questions about the ability of the Central Bureau of Investigation (CBI) to pursue cases against highly placed individuals or persons with contacts in centres of power.

The St. Kitts⁵³ case had its origin in 1989, during the run-up to the general elections to be held later that year. V.P. Singh, who had quit as Finance Minister in the Rajiv Gandhi Cabinet following the Bofors expose and had emerged as the force that rallied the Opposition parties, was Rajiv's main challenger. From November 1988 to October 1989, Narasimha Rao was the External Affairs Minister in the Rajiv Gandhi government, and K.K. Tewary was his Minister of State. Chandraswami was Narasimha Rao's spiritual guru and also an associate, as he had been to several other political leaders. K.N. Aggarwal alias Mamaji was Chandraswami's private secretary. All the four, along with a few other key persons, were accused of forging documents against Ajeya Singh, son of V.P. Singh, to show that he had opened a bank account in First Trust Corporation Bank in St. Kitts and deposited \$21 million in it, making V.P. Singh its beneficiary.⁵⁴

The story first hit the headlines in the Indian media, following a report in the Kuwait based Arab Times newspaper, in August 1989. The Rajiv Gandhi government asked the

Enforcement Directorate (E.D.) to probe the matter. In October 1989, the E.D.'s Deputy Director, A.P. Nandy, visited St. Kitts and later presented a report to Parliament. It was only after V.P. Singh became Prime Minister in December 1989 that the CBI registered criminal cases against Enforcement Director K.L. Verma, Chandraswami, K.N. Aggarwal, arms dealer and Chandraswami's associate Adnan Kashoggi's son-in-law Larry J. Kolb, and First Trust Corporation's managing director George McLean." ⁵⁵

According to the case, it was Kolb who managed to insert the news item in Arab Times on August 20, 1989, which was reproduced by sections of the Indian media. Kolb, with Chandraswami, also arranged the visit of Nandy to St. Kitts in a private plane. In St. Kitts, Nandy obtained letters and documents showing the details of the bank account allegedly opened by Ajeya Singh, from McLean. Nandy then got these documents, which allegedly carried the signatures of Ajeya Singh and V.P. Singh, attested by R.K. Rai, then Consul-General of India in the United States, and Deepak Sen Gupta, Deputy Consul-General in the U.S., the CBI said. Both Ajeya Singh and V.P. Singh soon denied any connection with the account. The CBI sent these documents to the handwriting experts at the Central Forensic Science Laboratory, New Delhi, and on the basis of their report, concluded that the signatures of Ajeya Singh and V.P. Singh in the documents were forged, on the model of their signatures found in their passport applications, which Tewary managed to secure through official influence. Narasimha Rao's role was allegedly confined to asking R.K. Rai to attest the forged documents.

The case, first registered by the CBI in May 1990, dragged on until the People's Union for Civil Liberties moved the Supreme Court in February 1996 seeking disclosure of the CBI's findings. It was only after Narasimha Rao demitted office that the CBI, under directions from the Supreme Court, pressed for Narasimha Rao's prosecution in the case, and charge-sheeted him along with the others in September 1996. The trial court discharged Narasimha Rao and Tewary in June 1997, as the CBI failed to substantiate its charges. Nandy and McLean died before the filing of the charge-sheet. The CBI did not seek the arrest of Tewary and Kolb, and they were not summoned for trial before the court. "Mamaji" died on August 31, 2004 and the only accused left in the case was Chandraswami.

In the Special Court's judgment, the evidence against Chandraswami is contained in the statement of Suresh Chander Gupta, the then Second Secretary in the High Commission at

Trinidad and Tobago in October 1989. Gupta had gone to St. Kitts, under instructions from the Additional Secretary, Ministry of External Affairs, to obtain a letter from the Government of St. Kitts relating to the investigation into the case. Gupta met the Prime Minister of St. Kitts, who asked him who Chandraswami was and what post he held with the Government of India. The trial court has held that the question posed by the Prime Minister of St. Kitts "may or may not have been related to this transaction. He may have heard of Chandraswami in any context, and may have raised the question when he met Gupta". The Judge thus gave the benefit of the doubt to Chandraswami." ⁵⁶

The Special Court had also before it the evidence of Arif Mohammed Khan, former Union Minister and an associate of V.P. Singh, who stated that Chandraswami had shown him a paper carrying the details of the bank account in St. Kitts allegedly opened by Ajeya Singh, to be conveyed to V.P. Singh. When Khan conveyed this to V.P. Singh, he did not pay much heed to the same and refused to meet Chandraswami, the judgment says. The court held, citing a Supreme Court judgment in another case, that if the prosecution relies upon circumstantial evidence, a clear link has to be established and the chain has to be completed, and allegations of conspiracy cannot be accepted on the basis of incomplete evidence. The court thus pointed out that in the absence of the evidence of Nandy, who died, it cannot be said that Chandraswami provided any assistance to Nandy in going to St. Kitts from Miami in the U.S. or even that Chandraswami had met Nandy in Miami, as alleged by the CBI.

The acquittal of all the accused cannot but keep the mystery of the case alive. N.K. Singh, former Joint Director of the CBI, who handled the case until 1991 when he was shifted to the Border Security Force, has asked why the CBI did not pursue the case against K.L. Verma after the High Court discharged him from the case for lack of a sanction order. Contrary to what the judgment says, N.K. Singh has claimed that Nandy had confessed in the court and was to be made approver before he died. Nandy, it appears, had confessed that he had met Congress leader R.K. Dhawan at the instance of his director K.L. Verma, before proceeding to St. Kitts. N.K. Singh has also revealed that Shiv Kumar, the then High Commissioner at Port of Spain (Trinidad and Tobago), who deputed Suresh Gupta to meet the Prime Minister of St. Kitts, had made serious allegations in writing to the Cabinet Secretary about the intimidation and coercion used by Kolb and Mamaji. It remains to be seen whether the CBI will appeal against this judgment in view of the inconsistencies in it.

Securities Scam (1992)

Harshad Mehta known to be “Big Bull of the trading floor” was an Indian stockbroker and is alleged to have engineered the rise in the BSE stock exchange in the year 1992. Mehta manipulated banks to siphon off money and invested the funds in the stock market, leading to a crash. He and his associates draw off funds from inter-bank transactions and bought shares heavily at a premium across many segments, triggering a rise in the Sensex. When the scheme was exposed, the banks started demanding the money back, causing the collapse. The broker was dipping illegally into the banking system to finance his buying. The amount that was involved in this scam was approx to Rs. 5000 crore.⁵⁷

Harshad Mehta worked on the mechanism of 'Ready Forward Deal' (RF). It's a secured short-term (typically 15-day) loan from one bank to another. The bank lends against government securities. The borrowing bank actually sells the securities to the lending bank and buys them back at the end of the period of the loan, typically at a slightly higher price. The deal was done between the banks through brokers for commissions. In this settlement process, deliveries of securities and payments were made through the broker. That is, the seller handed over the securities to the broker, who passed them to the buyer, while the buyer gave the cheque to the broker, who then made the payment to the seller. Thus, both the parties may not know each other. It was this idea that made the mind of Harshad to involve into the modus operandi.

Harshad in his scam took the help of Bank Receipts. In a ready forward deal, securities were not moved back and forth in actuality. Instead, the borrower, i.e. the seller of securities, gave the buyer of the securities a BR. A BR "confirms the sale of securities. It acts as a receipt for the money received by the selling bank. Hence the name - bank receipt promises to deliver the securities to the buyer and the seller holds the securities in trust of the buyer. Having figured this out, Mehta needed banks, which issue fake BRs, or BRs not backed by any government securities. “Two small and little known banks - the Bank of Karad (BOK) and the Metropolitan Co-operative Bank (MCB) - came in handy for this purpose. These banks were willing to issue BRs as and when required, for a fee”.

Once these fake BRs were issued, they were passed on to other banks and the banks in turn gave money to Mehta, obviously assuming that they were lending against government securities when this was not really the case. This money was used to drive up the prices of

stocks in the stock market. When time came to return the money, the shares were sold for a profit and the BR was retired. The money due to the bank was returned. The game went on as long as the stock prices kept going up, and no one had a clue about Mehta's modus operandi. Once the scam was exposed though, a lot of banks were left holding BRs which did not have any value - the banking system had been swindled of a whopping Rs 4,000 crore.⁵⁸

Indian Bank Rip-off (1992)

Aided by M. Gopalakrishnan, then the chairman of the Indian Bank, borrowers-mostly small corporations and exporters from the south-were lent a total of over Rs 1,300 crore, which they never paid back.

Sugar Import (1994)

Even in a country numbed by bungling and passing the buck by ministers and bureaucrats for everything, from handling the plague situation to payoffs in government deals, the scandal over sugar imports earlier this year presented yet another example of a system used and misused.⁵⁹ In the last quarter of year 1994, the sugar saga received wide attention. The reason: leaks from Prime Minister P.V. Narasimha Rao's close circles that he had expressly forbidden the release of the report on the affair by the Gian Prakash Committee - a one-man inquiry chaired by the former Comptroller and Auditor General of India and selected leaks which in turned seek to Minister of State for Food Kalpnath Rai, Commerce Secretary Tejendra Khanna and retired cabinet secretary Zafar Saifullah. The muddle had costed the country about Rs 650 crore through opportunities lost and rising prices in the international markets while some of the best brains in the Government - including Rao, Finance Minister Manmohan Singh and secretaries Montek Singh Ahluwalia, Saifullah and Khanna.

The decision to delay publicising the report till after the Assembly elections in November, 1994 - the Gian Prakash Committee was formed in July under Rao's direction and submitted its report on October 5, 1994 seems like another obvious attempt to brush a scandal under the carpet. At a Cabinet Committee on Prices (CCP) meeting on April 8, 1994, Singh went as far as to note that "certain parties had a vested interest in giving credence to unreliable estimates with a view to constrain timely decisions".

Till the report was published, some questions might never be answered fully. And going by media leaks on what the report contains⁶⁰ some fundamental questions may not be answered at all. These documents were exclusive, but not explosive. While they did provide an

insight into the decisions and indecisions at the highest levels of the Government, they did not answer questions about who made money underhandedly, and which lobby pressured whom into delay and inaction. However, they do confirm what had been assumed all along: instead of working together with the mission of combating the self-created sugar crisis, various government bodies bickered about why, how and when. As food minister, Kalpnath Rai presided over the import of sugar at a price higher than that of the market, causing a loss of Rs 650 crore to the exchequer. He resigned following the allegations.

JMM Bribes (1995)

In 1995, Atal Bihari Vajpayee, the then leader of Opposition, had dropped a bombshell. Accompanied by Ram Jethmalani, Vajpayee had introduced Shailendra Mahato, MP, who made startling revelation about a bribery case. Mahato had confessed that that his three Jharkhand Mukti Morcha colleagues - Shibu Soren, Suraj Mandal and Anadi Charan Das - had taken Rs 50 lakh each to vote against the no-confidence motion moved by the BJP in July 1993 against the PV Narasimha Rao government.⁶¹

For the first time, a former Prime Minister, PV Narasimha Rao was found guilty of corruption, bribery and criminal conspiracy. As the CBI started investigation, sleuths found clinching evidence to prove that the Rao government had bought support of four JMM and five MPs of the Ajit Singh group in 1993 to vote against the no-confidence motion. Jharkhand Mukti Morcha leader Shailendra Mahato testified that he and three party members received bribes of Rs 30 lakh to bail out the P.V. Narasimha Rao government in the 1993 no-confidence motion.⁶²

Telecom Scam (1996)

Former telecom minister Sukhram, was convicted by Delhi Court for taking Rs 3 lakhs as bribe to give a lucrative contract to a private firm in 1996. During hearing of the case, CBI called him a "habitual offender" and sought maximum punishment for him. Sukhram, has been held guilty for misusing his official position during his tenure as telecom minister in P.V. N. Rao's Cabinet in giving a contract worth Rs 30 crore to private firm Haryana Telecom Limited to supply 3.5 Lakh Conductor Kilometers (LCKM) of Polythene Insulated Jelly Filled (PIJF) cables to the telecom department.⁶³ He was held guilty under various provisions of the Prevention of Corruption Act and the Indian Penal Code. Various offences under which he has been convicted entail a maximum sentence of seven years jail term. Former minister of state for communication Sukh Ram was accused of causing a loss of Rs 1.6 crore to the exchequer

by favouring a Hyderabad- based private firm in the purchase of telecom equipment. He, along with two others, was convicted in 2002.⁶⁴

Fodder Scam (1996)

The Fodder Scam of 1996 was a corruption scandal involving the alleged embezzlement of approximately Rs. 950 crore from the government treasury of the poor state of Bihar.⁶⁵ Although the report of the scandal broke in 1996, the theft had been in progress, and increasing in magnitude, for over two decades.⁶⁶ Apart from the money embezzled in this scam, the scam glared the eyes of the public because of the involvement of the then Chief Minister of Bihar whose party was one of the major allies of the Central Government. Thus, the scam involved huge political consequences also. The New York Times then reported that the scam had potential of bringing down the entire Government of India. Here is the excerpt from its 2nd July 1997 edition; -"Barely 10 weeks after Prime Minister I. K. Gujral took office with a pledge to provide India with 'clean government', he is struggling to hold his ruling coalition together in the face of a corruption scandal that could send one of his most powerful political allies to jail. "Fodder scam," so-called because it involves vast herds of fictitious livestock, has stirred widespread concern, even in this country, which is weary of political corruption and scandal investigations that rarely result in convictions."⁶⁷ This scam spanned over a period of two decades. It originated in small scale by officials in the state animal husbandry department withdrawing funds from the government treasury with fictitious bills.⁶⁸ The scam over a period of time grew in magnitude and created a nexus between politicians and bureaucrats. The scam went on without attracting much notice until 1990. The first report which indicated involvement up to the Chief Ministerial level was presented by then vigilance police inspector Bidhu Bhushan. He is now a witness in many of the fodder scam cases. The scam involved many bureaucrats and elected officials and "fabrication of vast berds of fictitious livestock for which fodder, medicines and animal husbandry equipment was supposedly procured."⁶⁹

The scam became a prime issue in the 90s as it involved role of the Chief Minister Lalu Prasad Yadav and many other leaders. The scam became a symbol of corruption and the criminalization of politics. "In the Indian parliament, it was cited as an important indicator of the deep inroads made by mafia raj in the politics and economics of the country."⁷⁰ The Supreme Court of India ordered CBI probe to investigate the irregularities after a PIL was filed in the

court. The CBI inquiry ultimately led to conviction of Lalu Prasad Yadav, Jagannath Mishra and almost 500 other people." ⁷¹

Urea Deal (1996)

C.S. Ramakrishnan, MD, National Fertiliser, and a group of businessmen close to the P.V. Narasimha Rao regime fleeced the government and took Rs 133 crore from the import of two lakh tons of urea, which was never delivered.⁷²

CRB SCAM (1997)

Another scam forged by greed and discovered through accident. Chain Roop Bhansali, a smart-talking entrepreneur, created a pyramid financial empire based on high-cost financing. At its peak. his Rs. 1,000-crore financial conglomerate had in its ranks a mutual fund, a financial services company into fixed deposits, and a merchant bank. That Bhansali knew how to work the system became evident when he also managed to secure a provisional banking license. Then his luck ran out. An executive in the State Bank of India Inadvertently discovered that some interest warrants issued by Bhansali were not backed by cash. The bubble finally burst in May 1997, but by that time investors had lost over Rs. 1,000 crore. This was among the first retail scams in India and it was played out, in smaller avatars, across the country- especially in the South where financial services companies promised returns in excess of 20 per cent and decamped with the principal, Bhansali was arrested for a few weeks and released later on bail." ⁷³

Match Fixing (2000)

Mohammad Azharuddin, one of the most successful captains in the Indian cricket history was caught into fixing charges once the South African captain Hansie Cronje admitted that Azhar was the one who introduced him to the Indian bookies. A CBI probe was then set up, whose reports found Mohammad Azharuddin guilty of fixing three ODIs, accepting money from bookmaker Mukesh Gupta (MK) and in the process, he also named Ajay Jadeja and Nayan Mongia as his partners in crime. Also, he stated that he was being targeted with the fixing charges because he comes from the Muslim minority of India. However the Andhra Pradesh High Court lifted the ban on Azharuddin in November, 2012 on the account of unsustainability.

Stock market Scam (2001)

According to market sources, though Ketan Parekh (KP) was a successful broker, he did not have the money to buy large stakes. According to a report⁷⁵ 12 lakh shares of Global in July 1999 would have cost KP around Rs 200 million. The stake in Aftok Infosys would have cost him Rs 50 million, while the Zee and HFCL stakes would have cost Rs 250 million each. Analysts claimed that KP borrowed from various companies and banks for this purpose. His financing methods were fairly simple. He bought shares when they were trading at low prices and saw the prices go up in the bull market while continuously trading. When the price was high enough, he pledged the shares with banks as collateral for funds. He also borrowed from companies like HFCL.

This could not have been possible out without the involvement of banks. A small Ahmedabad-based bank, Madhavapura Mercantile Cooperative Bank (MMCB) was KP's main ally in the scam. KP and his associates started tapping the MNCB for funds in early 2000. In December 2000, when KP faced liquidity problems in settlements he used MNCB in two different ways. First was the pay order route, wherein KP issued cheques drawn on Bol to MNCB, against which MNCB issued pay orders. The pay orders were discounted at Bol. It was alleged that MNCB issued funds to KP without proper collateral security and even crossed its capital market exposure limits. As per a RBI inspection report, MNCB's loans to stock markets were around Rs 10 billion of which over Rs 8 billion were lent to KP and his firms. KP's modus operandi of raising funds by offering shares as collateral security to the banks worked well as long as the share prices were rising, but it reversed when the markets started crashing in March 2000. The crash, which was led by a fall in the NASDAQ, saw the K-10 stocks also declining. KP was asked to either pledge more shares as collateral or return some of the borrowed money. In either case, it put pressure on his financials. By April 2000, mutual funds substantially reduced their exposure in the K-10 stocks. In the next two months, while the Sensex declined by 23% and the NASDAQ by 35.9%, the K-10 stocks declined by an alarming 67% .⁷⁶

However, with improvements in the global technology stock markets, the K-10 stocks began picking up again in May 2000. HFCL nearly doubled from Rs 790 to Rs 1,353 by July 2000, while Global shot up to Rs 1,153. Aftok Infosys was also trading at above Rs 1000. In December 2000, the NASDAQ crashed again and technology stocks took the hardest beating

ever in the US. Led by doubts regarding the future of technology stocks, prices started falling across the globe and mutual funds and brokers began selling them. KP began to have liquidity problems and lost a lot of money during that period.

This scam created a historical impact on financial status of Bombay Stock Exchange and also on faith of investors in its working. Securities and Exchange Board of India (SEBI) was highly criticized as being reactive rather than proactive. The market regulator was blamed for being lax in handling the issue of unusual price movement and tremendous volatility in shares over an 18-month period prior to February 2001." ⁷⁷

Home Trade Scam (2002)

Under the pretext of gilt trading, Rs 600 crore was swindled from over 25 cooperative banks in Maharashtra and Gujarat by a Navi Mumbai-based brokerage firm Home Trade. Home Trade Ltd was launched in 2000 accompanied by Rs240 million advertising blitzkrieg with cricket icon Sachin Tendulkar and film stars Shah Rukh Khan and Hrithik Roshan to endorse its portal. Home Trade's modus operandi was very simple. It claimed to be a professional firm dealing in government securities (Gilts) and would lure the general public, brokers, sub-brokers dealing in Gilts. But the government securities never existed and were actually bought from some third party and the whole deal was meant just a show on paper only. ⁷⁸

Home Trade scam was unearthed after NDCCB lodged a complaint of non-delivery of Rs1.24 billion Gilts it had bought through Home Trade. The then Union Finance Minister, Yashwant Sinha, made a statement that the scam was worth Rs2.75 billion, but it later transpired that it could be much bigger. The investigation was later handed over to the CBI. Pawan Raje Nimbalkar, who was chairman of Osmanabad District Central Co-operative Bank in 2002, invested about Rs300 million of the bank in Gilts offered by Home Trade. But following the scam exposure, he turned absconder on behest of Padmasinh Patil. Patil later implicated Nimbalkar in a case wherein a Kolkata-based firm, Regal Impex, failed to submit export proof for the sugar sold by Terna Co-operative Sugar Factory.⁷⁹ Sanjay Aggarwal, chief executive of Home Trade, was arrested in May 2002 along with his associates Ketan Seth and Subodh Bhandari for duping investors of billions of rupees. ⁸⁰

Stamp Paper Scam (2003)

After nearly two years of probe into what was once touted as the “mother-of-all-scams”, money involved in the entire fake stamp paper case masterminded by Abdul Karim Telgi amounted to only Rs 172 crore and not to Rs 30,000 crore as speculated, when the case first came to light. Investigations carried out by a team of the CBI, Income-tax, Directorate of Revenue Intelligence, Enforcement Directorate and the Reserve Bank of India, have revealed that the financial magnitude of the entire scam was only Rs 172 crore.⁸¹ This was conveyed to the Union Home Ministry in a report submitted by the various agencies here this week giving an update on the status of the 48 cases which were registered in 2004 based on directions from the Supreme Court. It was earlier speculated that the scam amounted to nearly Rs 30,000 crore. The period calculated by the team was from 1993 and 2002 during which it found that the financial magnitude of the entire case rose sharply only after 1998 when Telgi began his own manufacturing unit.⁸²

During the investigations the team found that the alleged scamster had 36 properties across the country and 123 bank accounts in 18 cities including Delhi, Mumbai, Bangalore, Chennai and Indore, the sources said. Out of the 48 cases, 46 had either been sent for trial or were in the process of being charge-sheeted, a rare feat for the CBI to finalise such a large number of cases within a period less than two years. The financial implications also included payment of bribe by Telgi of Rs 12.38 crore to government officials, investment of Rs 2.98 crore in dance bars and Rs two crore in film-making.⁸³

Telgi, who had been convicted in one of the stamp paper scam case and was lodged in a Pune jail, had also made a donation of Rs 14 crore for social causes including purchase of ambulances, building small hospitals and contribution to celebration of festivals of all religions, the report said. CBI had constituted a seven-member team to analyse the financial magnitude and bank transactions of people involved in the scam, including Telgi. During the investigations, the committee looked into aspects like account-wise tabulation and analysis of debits from the bank accounts, worked out the end use of funds which includes whether the funds have been used towards creation of assets or for laundering in other business areas. The team also analysed credits into the bank accounts, with the view to link them with the supply of fake stamps and also the income tax returns filed by Telgi and his henchmen.⁸⁴

Oil-for-Food Scandal (2005)

India's foreign minister, Natwar Singh, was fired on 7th November, 2005 amid charges that he reaped illegal profits from the United Nations oil-for-food program in Iraq, as the ruling Congress Party sought to contain a burgeoning political crisis over the scandal. Natwar Singh and the Congress Party were named as beneficiaries of illegal oil deals in a report by a U.N. panel investigating abuses in the program, which permitted the government of former Iraqi leader Saddam Hussein to sell oil and use the proceeds for food and other humanitarian goods.

The panel, headed by former U.S. Federal Reserve chairman Paul A. Volcker, accused more than 2,400 businesses and individuals around the world of paying nearly \$1.8 billion in kickbacks to secure deals under the program. Singh and the Congress Party are accused of benefiting from murky transactions involving the purchase of Iraqi oil by a Swiss-based company that allegedly made illegal "surcharge" payments to Hussein's government. The Swiss firm, Masefield AG, is alleged to have made the payments through an intermediary who is a close friend of Singh's son. Singh has denied the charges, telling the private NDTV network last week that he has never heard of the Swiss company and that "I don't even know how to go and buy oil. And what a barrel looks like." He said he had no intention of stepping down. But the charges have mushroomed into a political crisis for the party and Prime Minister Manmohan Singh, who on Monday summoned the foreign minister to his official residence and demoted him to the post of minister without portfolio, according to a statement issued by the prime minister's office.

The prime minister's move came after days of equivocation by the government, which first seemed inclined to support the foreign minister, but then retreated after the main opposition Bharatiya Janata Party began campaigning for his removal. On 7th Nov, 2005, the government appointed a former chief justice to head an inquiry into the affair, the second it has launched in as many days. Volcker's report lists Singh as a "non-contractual beneficiary" of a deal allotting 4 million barrels of oil to the Swiss company. The Congress Party is listed the same way in connection with another allotment of oil. ⁸⁵

2G Spectrum Scam - 2008

During the NDA government, there was a major controversy when telecom companies were allowed to move from a licensing regime to a revenue-sharing one. The sudden removal

of Jagmohan from the post of communications minister in 1998 was reportedly a consequence of his refusal to toe the line of a section within his government. In July 1999, following the recommendation of a Group of Ministers headed by Jaswant Singh, the fixed licence fee regime was changed to a revenue share one. This was adversely commented on by the CAG. According to Ratan Tata, if a hypothetical amount was to be calculated at that point of time, the loss to the exchequer would be about Rs. 50,000 crore. Other ministers for communications during the NDA regime, including the late Pramod Mahajan, were accused of assisting Reliance Infocomm to become a nationwide operator offering "full mobility" in its cellular phone operations without paying the full licence fee. This decision of the Department of Telecommunication was against TRAI recommendations and the resultant loss to the exchequer was said to be in the region of 1,100 crore. However, the sheer size of the subsequent undervaluation and misallocation of spectrum makes the earlier scandals pale into relative insignificance.

On 10th January, 2008 at 2.45 pm, an announcement was posted on the Department of Telecommunication website stating that letters of intent (LOIS) for issuance of licences bundled with spectrum would be given to applicants between 3.30 pm and 4.30 pm. The announcement added that application fees running into thousands of crores of rupees would have to be paid immediately by demand draft, along with supporting documentation. It was made clear that LOIS would be issued to those who deposit their fees first, beating others by even a fraction of a second - this was the infamous first come first served (FCFS) system (or the way movie tickets are sold) that privileged not financial wherewithal, technical competence or experience but speed, clout and foreknowledge. Even the FCFS system was not properly adhered to and the CAG categorically stated that those who obtained licences had prior information about how to apply for these LOIS.⁸⁶

A few months earlier, the cut-off date for receipt of applications for licences was suddenly brought forward to enable particular companies to jump the queue. Here are a few examples: Swan Telecom, which had submitted its application on 2 March 2007, was given a licence with spectrum for Delhi on 28 August 2008, while Spice Communications, which had submitted its application in August 2006, was not given spectrum for the same service area.⁸⁷

For Maharashtra, Spice, which submitted its application on 31 August 2006, got a licence in May 2009, whereas Unitech and Videocon got their licences with spectrum much

earlier in September 2008 though the two companies had submitted their applications for licences more than a year later in September 2007. Idea Cellular (date of application: 26 June 2006) also got a licence in May 2009 while Unitech (date of application: 24 September 2007) got its licence in September 2008. Some of these companies expanded their equity bases by inducting foreign partners who paid large sums of money for the shares. Three examples: in September 2008, Swan Telecom sold 45 percent of its shares to Etisalat (of the United Arab Emirates) for \$900 million or around Rs. 4,200 crore — the company had obtained its licence for only Rs. 1,537 crore and did not possess major assets other than a piece of paper, the licence. A month later, Unitech Wireless offloaded 60 percent of its stake to Telenor (of Norway) for Rs. 6,200 crore - this company too counted among its assets only a licence for which it paid Rs. 1,651 crore in January 2008. Thereafter, Tata Teleservices sold 26 percent of its shares to NTT DOCOMO of Japan for Rs. 13,230 crore. Thus, the DoT had undervalued spectrum by between seven and 10 times its true market worth.⁸⁸

The CAG found that 13 companies that had received 85 out of the 122 new licences issued in 2008 did not satisfy the DoT eligibility conditions. The companies did not have the stipulated paid-up capital at the time of application and 45 out of these 85 licences were issued to companies which failed to satisfy the condition that providing telecom services should be the main object clause in their memoranda and articles of association. The CAG also pointed out that spectrum was provided beyond the contracted 6.2 megahertz (MHZ) to nine existing operators in 2007 despite a number of applications pending for new licences. These were Aircel, Bharti, BPL (Mumbai), the public sector undertakings Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL), Idea, Reliance, Spice (Punjab) and Vodafone.

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The biggest beneficiary of additional spectrum was BSNL (61.6 MHZ in 19 telecom circles) followed by Bharti (32.4 MHZ in 13 circles), Vodafone (19.6 MHZ in seven circles), Idea (12.6 MHZ in six circles), MTNL (124 MHZ in Delhi and Mumbai circles) and others. The total loss to the exchequer on account of allocation of additional spectrum at low prices: Rs. 36,993 crore. In January 2008, when the DoT issued all-India licences at Rs. 1,658 crore, the price was the same as that which had existed in 2001. The CAG used two parameters for assessing the possible "presumptive" or "notional" loss which the exchequer has suffered. In November 2007, S Tel had written first to the PM and later to Raja offering to pay Rs. 13,752

crore over 10 years for allotment of 6.2 MHZ of GSM spectrum."⁹⁰ The CAG took this figure as a benchmark and calculated that the government would have generated revenue of 67,364 crore by selling 122 licences, 35 licences under the dual-technology regime and excess spectrum beyond the contracted amount of 6.2 MHZ. Further, after taking into account the revenue that was generated after the 3G auction, the price of spectrum for the 122 licences issued can be established at Rs. 1,11,512 crore against the Rs. 9,014 crore that the government actually earned. In addition, Rs. 40,526 crore would have been generated by selling 35 licences under the dual-use category and Rs. 13,841 crore for excess spectrum. Hence, the CAG report estimated the total loss to the exchequer, based on the 3G auctions, at Rs. 1,76,645 crore.⁹¹

Satyam Scam - 2009

At nearly Rs 8,000 crore, the Satyam scam was among the biggest in corporate India and tarred the image of the snow white IT industry. The perpetrator: the soft-spoken founder and Chairman of Satyam Computer Services, B. Ramalinga Raju. The Satyam case is different at least in one respect -- its modus operandi . In its indictment of the former promoters and top managers of Satyam, the Securities and Exchange Board of India has provided minute and fascinating details about how India's largest corporate scam was committed.⁹²As financial frauds go, the one perpetrated by Raju & Co was quite uncomplicated. Satyam's top management simply cooked the company's books by overstating its revenues, profit margins and profits for every single quarter over a period of five years, from 2003 to 2008. Not for them complex methods like derivatives accounting or off-balance sheet transactions that were used by Enron's executives.

Keen to project a perpetually rosy picture of the company to investors, employees and analysts, the Rajus manipulated Satyam's books so that it appeared to be a far bigger enterprise than it actually was. To achieve this, they sewed up deals with fictitious clients, had large teams working on these pet projects of the chairman, and introduced over 7,000 fake invoices into the company's computer systems to record sales that simply didn't exist. For good measure, profits too were padded up to show healthy margins.⁹³Over the years, these ghostly clients understandably never paid their bills, leading to a big hole in Satyam's balance sheet. The hole was plugged by inflating the debtors (dues from clients) in the balance sheet and forging bank statements to show a mountain of cash and bank balances.⁹⁴

After several years of such manipulation, Satyam was reporting sales of over 5200 crore in 2008-09, when it was in reality making about 4100 crore. Its operating profit margins were shown at 24 per cent when they were actually at 3 per cent and its handsome profits on paper covered up for real-life losses. It was when the company ran out of cash (of the real variety) to pay salaries that Ramalinga Raju decided that he couldn't ride the tiger any longer and made his confession.⁹⁵ In January 2009, when Raju confessed to cooking the books of then India's fourth-largest software services company, investors in Satyam shares lost a whopping Rs13,600 crore within a month and the company faced an avalanche of lawsuits. Clients dropped off and many in the Raju clan were arrested, and the external auditors came under fire. However, with parliamentary elections, a few months away, the Union government intervened, dismissing the company's board and appointing a new one in its place. In the bidding process for the company, the Mahindra group beat Larsen & Toubro to acquire it, less than four months later in April 2009. The scandal raised questions about the state of corporate governance and the role of independent directors in India. Since then, Raju has been in and out of custody, even as he continues to fight a protracted legal battle. Satyam has been rebranded as Mahindra Satyam and is attempting to regain its past glory.

Commonwealth Games Scam - 2010

Corruption, negligence and irregularities in organizing the Commonwealth Games 2010 has cost the nation more than Rs2,300 crore, according to the CAG report. In its 700-page audit report on CWG 2010 tabled in Parliament on 4th August, the CAG stated: "The modus operandi observed over the entire gamut of activities leading to the conduct of the Games was: inexplicable delays in decision-making, which put pressure on timelines and thereby led to the creation of an artificial or consciously created sense of urgency."⁹⁶

Providing an insight into the mentality with which the OC, the Delhi government and other agencies were approaching the conduct of games, it said: "Since the target date was immovable, such delays could only be overcome by seeking, and liberally granting, waivers in laid-down governmental procedures. In doing so, contracting procedures became a very obvious casualty. Many contracts were then entertained based on single bids, and in fact, some of them were even awarded on nomination basis." Taking liberties with governmental procedures of the aforementioned kind led to elimination of competition. A conclusion from such action which seems obvious is that this could indeed have even been an intended

objective! Eliminating competition led to huge avoidable extra burden on the exchequer," the CAG said in its report. It further stated that there was a seven-year window from the award of CWG-2010 to Delhi in November 2003 to its hosting in October 2010, which was not appropriately utilised. "The time window from November 2003 to mid-2006, which could have been effectively used for planning, clearances and approvals, was wasted. The OC itself was registered only in February 2005," it said.⁹⁷

It said overall planning for the Games, including the general organisation plan, the Games Master Schedule, and the operational plans for different functional areas, was also substantially delayed. So was the detailed planning for state-of-the-art city infrastructure in time for CWG-2010. "The internal control environment and decision-making structures within the OC were highly inadequate. The state of documentation in the OC was so inadequate that we are unable to derive assurance as to either the authenticity or the completeness of records." The overlays contracts were signed at exorbitant rates, causing huge financial loss to the OC and the Union government. "Although we cannot fully quantify the true total loss, we have, however, come up with indicators of the financial loss in different ways" the report said.

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A day after the CAG tabled its report on the CWG scam, DNA undertook an exercise to compute the loss caused to the exchequer due to acts of commission and omission by all the principal characters involved in this murky episode. A team of reporters hit the 743-page report and it seems that the CWG cost the public a whopping Rs2,342 crore -- that is Rs195 crore lost per day to corruption, negligence and other sundry irregularities. This is only the loss caused to the nation - not the total cost of the Games. Instead, Rs2,342 crore went either to some corrupt pockets or, at best, was criminally wasted. Perhaps had the prime minister's office heeded the advice and protests of senior cabinet ministers like the then sports minister, Sunil Dutt, or his successor Mani Shankar Aiyar, India could have prevented this loss. DNA calculated this sum on the basis of areas identified by the CAG as cases of "clear loss, extra, wasteful, unfruitful, in fructuous or avoidable expenditure".⁹⁹

The History of Corruption and Scams did not end here.

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