

Analytical Study to Find the Effects of Control and Punishment on White Collar Crimes in Punjab, Pakistan

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Abstract

Consumer fraud is very fascinating to study because mostly this crime is committed by the personnel of upper social class of any society mostly without the use of violence. The purpose of the present study was to find the effects of control and punishment on white collar crimes in Punjab, Pakistan. The data was collected from 222 respondents residing in the targeted population on the basis of convenience sampling. Sample was gathered from potential and convicted fraudsters of three districts of Punjab, Pakistan namely Sargodha, Lahore and Gujranwala. The study was descriptive in nature. Structured questionnaire was used that vigilantly taking into account all the suggestions gathered during pretesting. Hypotheses were consisted of variables: Equality of control-consumer fraud and punishment strategies consumer fraud. The data was analyzed by using statistical Package of Social Sciences (SPSS) version 16. The results showed a positive association of consumer fraud with equality of control and punishment strategies.

Keywords: social causes, consumer fraud, potential and convicted fraudsters of Punjab, Pakistan.

Introduction

Edwin Sutherland (1941) first coined the term white collar crime and he found some significant explanations regarding white collar crime. He made several important observations: "respectable" individuals of middle- and upper class commit acts which are costly both economically and socially. Consumer fraud is one of the eight types of white collar crimes. These eight types of white collar crimes are namely: Securities related crimes, Bankruptcy fraud, Fraud against the government, Consumer fraud, Insurance fraud, Tax fraud, Bribery, corruption, and political fraud and finally the Insider related fraud. The present research only focused on most important type of white collar crimes namely consumer fraud. Geis (1992) allowed for the inclusion of non-occupational or even violent crimes, as well as offenses committed by individuals in lower social class. Now these non occupational, crimes committed by the lower echelon of the society and at

the same time crimes which involve violence are included in the list of white collar crime, earlier these were excluded from the list of the white collar crime. The definition encompasses a broad sense of white collar crime. These crimes affect a majority of people in all over the world. Such types of crimes require some serious action to make the society safe from this chronic disease. Pakistan is a developing country and a lot of white collar crimes are being committed in Pakistan. In those countries, especially Pakistan where majority of people are illiterate considered the paradise of white collar crimes including consumer fraud. Some serious steps should be taken to eradicate this evil from the world including Pakistan. Broadly these violent and heinous crimes are being committed in the world including Pakistan. In Karachi, Pakistan china cutting is in process and the sole aim of this is to increase the profit of the white collar criminals.

Gottschalk (2010) classified white collar crime into four major forms: Corruption, fraud, theft, and manipulation. The developing countries like Pakistan are not safe from these crimes. According to national accountability bureau of Pakistan, a significant amount of money is embezzled in Pakistan on daily basis. Theft is also common in Pakistan. A lot of acts of deception are in process in Pakistan. Every faction of the society is affected by this crime. As far as consumer fraud is concerned, a majority of people are deprived of their valuables in Pakistan on daily basis. The consumer fraud is committed disregard of the rights of others. Even the Pakistan Penal code (1860) specifies that to enjoy the rights of property is the basic and primary rights of every citizen of Pakistan but even then the people do not bother the violation of Pakistan Penal Code.

Holtfreter et al. (2005) defined Consumer fraud as the form of financial crime that includes the fraud of any victim having assurance of goods, services or other benefits those do not exist or wholly misrepresented. It includes totally false material. No country of the world is safe from misrepresentation of the material and other services but in fact these services and other things do not exist on the map of the world. There are different forms of consumer deception; according to the KPMG (2011) it includes; ATM theft, check and credit card deception, untrue grouping of stock for customers, untrue goods returns, and identity deception. This type of criminal activities keep their existence in all over the world. Pakistan is among those countries which has plenty of crimes including consumer fraud. Recently in the capital of Pakistan, Islamabad several ATM card holders were looted by the hackers. This news spread in all over Pakistan and the ATM card holders were much frightened to see this plight condition.

Baker (2003) elucidated on the upcoming policies of the state who are contributing in the process of any business break down. The company at

large is not capable to sustain any new creation in its smooth model, the result is ultimately failure of the company. In Pakistan the democracy is in infancy stage and no serious steps are taken to deal with the weak policies of the state. The policies of state must be made after evaluating the positive and negative consequences of these policies. Haphazard policies not only confuse the people but at the same time affect the smooth administrative running of the business structure. If the government is not keen to formulate policies in the betterment of the people then the manufacturers and providers will do every fair and unfair action to reach their tasks. The result will be to fulfill the cost of item through consumer fraud. There is severe need to bring equality and equilibrium in the policies of the state. A well balanced policy of the state will decrease or even eradicate the risks of consumer fraud in the long run. Siegel (2011) stated it is understood everywhere that the white collar criminals receive less sentence as compared to the criminals of the lower classes. Consumer fraud criminals are having the upper class with social prestige and therefore are less likely to be arrested in the cases of defrauding the public. If these types of criminals are prosecuted receive less sentence as compared to other criminals. Authorities take less interest when crimes are committed in the minority area or whenever the victims are poor and deprived individuals.

Objectives of the study

The main objectives of the study are as under:-

- To explore different elements of equality of control which are causing the acts of white collar crimes especially the consumer fraud.
- To explore different punishment strategies which are stimulating acts of white collar crimes especially the consumer fraud.

Conceptual Framework

Independent variable	Dependent variable
Equality of control Punishment strategies	Consumer Fraud

Hypotheses

- Equality of control is strongly related to white collar crimes
- People commit white collar crimes due to lack of effective punishment strategies.

Methodological Design

A research design is constructed at the beginning of any research project that provides a guidance and scientific procedure of the study. Descriptive research is conducted to get and be able to describe the characteristics of the variables of interest in situations or events. Quantitative researchers emphasize precisely on measuring variables and testing hypotheses which are linked to the general causal explanation. The universe selected for present study consists of potential and convicted fraudsters in Punjab, Pakistan. A sample of 222 respondents was selected from the target population. The segments of the society were much busy and it was much difficult for the researcher to get data from them. The researchers took the data from consumer courts about the fraudsters in the period of June 2014 to May, 2015. At the next stage the researchers interviewed the fraudsters through convenient sampling technique. Structured questionnaire was used as data collection instrument. The questionnaire was consisted of 16 statements in order to measure the different indicators. The questionnaire was pretested before going into the field. The purpose of the pretesting was to evaluate validity, reliability and workability of the questionnaire. Pre-testing was conducted by the questionnaire from the same universe with 25 respondents those were taken from Sargodha. The study employed descriptive statistics to summarize and describe the data whereas the inferential statistics like Chi-Square and Gamma were used in order to examine the relationship between the predictor and response variables. Data was brought into comparable form by using the percentages of different categories in the present study. Chi-Square test was applied to assess the association between independent and dependent variable. If the calculated value of Chi-Square was equal to or higher than the table value at 0.05 level of probability at the given degree of freedom, the relationship was statistically significant (Neuman 2006). Where the calculated value is less than the table value (0.00 level of probability) at the given degree of freedom, it is termed as highly significant. The data is statistically analyzed by using the SPSS version 16 (Statistical package for Social Sciences). The value of Gamma showed the strength and direction of the relationship between independent and dependent variables (Chaudhry, S.M. and S. Kamal 1996).

Indexing of the Variables

In order to study the combined effect of all the variables in predicting the response variable, all the statements in matrix questions are combined in order to form a single or main variable known as the index variable. In other words it is the prerequisite to make sure the components of consistency among all the items in the matrix question. In the index variable a reliability check is carried out and the Cronbach Alpha value is also determined. The SPSS is used to find the value of Cronbach Alpha. In the assessment of reliability if all the values of Alpha remain in the range of 0.8 to 1.0 it indicates that all items, statements or matrix questions are highly correlated and represent single idea. This is also useful to determine the

combined effect that otherwise is not possible. After confirmation of elements of consistency, the score on all the items in a matrix question recorded through response categories is summed up. The minimum and maximum value is determined through sub menu descriptive statistics followed by frequencies. The next step the maximum and the remainder is divided with the number of described level or categories in index variable (Mahmood 2008).

Indexing the variables

Serial no	Variables	No of items	Minimum value	Maximum value	Reliability
1	Equality of Control	08	08	26	.702
2	Punishment strategies	08	08	32	.655

Research Findings

The purpose of the present study was to explore effects of control and punishment on white collar crimes in Punjab, Pakistan. Majority of respondents (64.8 %) strongly agreed or agreed that lack of other people's amount of control to oneself was promoting consumer fraud. Most of the respondents (36.9%) agreed that lack of amount of control of oneself over others was causing consumer fraud. Data exhibited that (38.3 %) agreed that control imbalance was stimulating to consumer fraud. Most of the respondents (36 %) agreed that excessive amount of control was promoting consumer fraud. It was found that respondents (40.1 %) agreed that involvement of someone in other immoral activities was causing consumer fraud. Data revealed that respondents (32.4 %) strongly agreed that silent or passive obedience to the demands of others was instigating to consumer fraud. It was investigated that respondents (38.7 %) agreed that use of power irrespective of the rights of others was causing consumer fraud. It was found respondents (33.8%) agreed that the acts committed with poor perception were causing consumer fraud. Majority of the respondents (34.7%) remained neutral to the question that lack of economic penalties were responsible to consumer fraud. Most of the respondents (37.4%) agreed that absence of stigmatization and shaming was promoting consumer fraud. Majority of the respondents (35.6%) agreed that lack of arrest was stimulating to consumer fraud. Majority of the respondents (40.5%) agreed that unawareness among the public about consumer protection act was a major factor of consumer fraud. Most of the respondents (33.8%) agreed that unwillingness of the judges to arrest high profile fraudsters was stimulating the consumer fraud. Most of the respondents (33.8%) strongly agreed that legislation on the act instead of the actor was causing consumer fraud. Majority of the respondents (36.9%) strongly agreed that poor investigation was causing consumer fraud. Most of the respondents (32.4 %) agreed that weak prevention strategies were responsible to promote consumer fraud. Majority of the

respondents (52.7%) agreed that lack of control on lazy bureaucracy was promoting consumer fraud. Most of the respondents (34.2 %) agreed that lack of a self-contented personality was causing consumer fraud. The significant number of respondents (33.3%) strongly agreed that misuse of print and electronic media were responsible to consumer fraud. Majority of respondents (29.2%) agreed that the motivation to be rich within days was causing consumer fraud. Most of the respondents (35.1%) held that unwillingness of consumers to register less amount of fraud in the consumer courts in the Pakistani society was a stimulating factor to consumer fraud. Majority of the respondents (34.7%) held that lack of control on seeking or getting positive results of violating criminal law was causing consumer fraud. Majority of the respondents (29.7%) remained neutral to the question that consumer fraud was committed due to poor understanding of laws of consumer protection act.

Bivariate Analysis

Testing of the hypotheses

Hypothesis No 1: Equality of control is strongly related to consumer fraud.

Table No 1.1 Association between Equality of Control and Consumer Fraud.

		Exposure to Consumer fraud			Total
		Low	Medium	High	
Role of Equality of Control	Low	6	18	23	47
	Medium	24	42	25	91
	High	20	20	44	84
Total		50	80	92	222

Here, Chi-Square value=57.237^a df= 4 Significance=.000, ***
Gamma value= .744

Table revealed the association between equality of control and consumer fraud. The calculated value of Chi-Square was 57.237^a. The relationship between equality of control and exposure to consumer fraud emerged as significant at .000*** level. It had been supported by Pearson Chi-Square, Likelihood ratio and linear by linear association. Gamma value was .744 which was a significant value, it also indicated a strong and positive relationship between equality of control and exposure to consumer fraud. Responses of the respondents were collected on Likert scale and were classified into three categories namely; respondents with high, medium and low level of 'equality of control and exposure to consumer

fraud'. Low level of responses had shown 50 with low level of exposure to consumer fraud, medium level of responses 80 showed medium exposure to consumer fraud level and high level of responses 92 had shown high level of exposure to consumer fraud. The calculated value of Chi-Square and the Gamma value were significant, indicating a strong and positive relationship between the equality of control and the exposure to consumer fraud. The result indicated that the whenever the equality of control increased the level of consumer fraud had decreased and with decrease of equality of control the level of consumer fraud tended to be increased. In other words more the equality of control less the chances of consumer fraud and less the equality of controls more the chances of consumer fraud. The findings of the present study line up with Title (2003) who found the association quality of control and consumer fraud. He further argued that these factors are to be controlled the risk of consumer fraud will be decreased. The formal and informal institutions must play their role in the process of enhancing a balanced amount of control among different factions of society. These both institutions are considered to be the pillars of present era. Balance in the amount of control is necessary to deal with the members of the society. Imbalance in the amount of control creates restlessness in the society and at the same time it will undermine the confidence of the members of the society. It indicated that the inequality of control increased the acts of consumer fraud. Equality of control must be exercised in every institution of Pakistan either it is formal or informal. The people can get rid from this curse of consumer fraud by enforcing a balanced amount of control in themselves and in their respective families, clans, tribes and societies. As far as the acts of consumer fraud are concerned. The equality of control plays an important role. As far as the western societies are concerned. Balance of control plays an important role to remove the deviance from the minds of the teen agers and youngsters. Researches show that the societies which are bond on the basis of mutual coexistence are less prone to consumer fraud.

Hypothesis No 2: People commit consumer fraud due to lack of effective punishment strategies.

Table No 1.2 Relationship between Lack of Effective Punishment Strategies and Consumer Fraud.

		Exposure to Consumer fraud			Total
		Low	Medium	High	
Role of Punishment strategies	Low	8	13	8	29
	Medium	28	37	23	88
	High	23	34	48	105
Total		59	84	79	222

Chi-Square value=39.426^a df= 4 Significance=.000, *** Gamma value= .685

Table 2 revealed the association between lack of effective punishments and association with consumer fraud. The calculated value and alternative hypothesis accepted. The value of Chi-Square showed a highly significant relationship between lack of punishment strategies and exposure to consumer fraud. Gamma value showed a positive relationship between the predictor and response variable. The relationship between punishment strategies and exposure to consumer fraud emerged as significant at .000*** level. Gamma value was .685 which was a significant value, it also indicated a strong and positive relationship between punishment strategies and exposure to consumer fraud. Responses of the respondents were collected on Likert scale and were classified into three categories namely; respondents with high, medium and low level of 'punishment strategies and exposure to consumer fraud'. Low level of responses had shown 59 with low level of exposure to consumer fraud, medium level of responses 79 showed high level of exposure to consumer fraud and high level of responses 84 had shown medium level of exposure to consumer fraud. The calculated value of Chi-Square and the Gamma value were also significant, indicating a strong and positive relationship between the punishment strategies and the exposure to consumer fraud. The result indicated that the whenever the punishment strategies increased the level of consumer fraud had decreased and with decrease of punishment strategies the level of consumer fraud tended to be increased. In other words more punishment strategies less the chances of consumer fraud and less the punishment strategies more the chances of consumer fraud.

The formal and informal institutions must play their role in the process of making the effective punishment strategies, these both institutions are considered to be the pillars of present era. Legislation should be so speedy and certainty in punishment should have so much emphasized that no person should dare to break the law. It indicates that if the ineffectiveness of the punishment strategies improves the acts of consumer fraud will decrease. If it remains ineffective then the chances of consumer fraud will increase. Punishment must be immediate and severe than the gains of criminal activity. No one member should dare to break the law. On the basis of available evidence it can be said that null hypothesis is rejected and alternate hypothesis is accepted. It can be concluded, more the effective strategies of punishment less the chances of consumer fraud and less the effective punishment strategies more the chances of consumer fraud. As far as the acts of consumer fraud are concerned. The equality of control plays an important role. As far as the western societies are concerned. Balance of control plays an important role to remove the deviance from the minds of the teen agers and youngsters. Researches show that the societies which are bond on the basis of mutual coexistence are less prone to consumer fraud. In fact every society shares some sets of values and norms. For example, if we take the example of one house, father and mother have some rights over their children and at the same time

children have also some obligations which are necessary to run the system of the house. Same rights and obligations are shared by the tribe, community and the society at large. As far as the society of the Pakistan is concerned. Majority of the population of Pakistan is Muslim. These rights and obligations or duties have been specifically defined in every religion. The disruption in the family system and at large in the society takes place when these duties and rights are violated by creating imbalance or inequality in the control. The mode of control neither should too high nor too low. The control in the rights and duties is necessary to keep the level of consumer fraud in a very low condition. A person who does not take care of these rights and duties is creating the imbalance in the society, this imbalance in the society leads to consumer fraud. Whenever someone engages in the other immoral activities, it is more likely that that particular individual will commit the acts of consumer fraud. For example if someone is addicted of drugs and he has the potential to commit the consumer fraud. That particular individual earns a small amount through his business and cannot afford his addiction. That addicted individual will not take care of any type of control and will commit the consumer fraud in order to support his/her bad habit. The reason is when the particular individual has not capacity to support his / addiction through legal and fair means, the addicted person will fulfill his/her requirements of addiction through illegal activity of consumer fraud. The addicted firstly created a state of inequality in his /her life. Then this inequality led him to the acts of consumer fraud. Those individuals who are unable to deny the other person's pressure are more likely to commit consumer fraud. The man should keep himself in such a state that he should bear some kind of pressure from the other directions. If the capacity to bear the pressure is disturbed then the result will be the acts of consumer fraud. The demands of others may be fair or unfair, it is the responsibility of every citizens to evaluate the demands of others in a positive way. The demands which are not fair must be denied by the personnel who are being put upon. Power is such a component that can stimulate any person to consumer fraud. When the person feels himself/herself above all types of control and is fond of using the power then that particular person will not take care of the rights of the others and will commit the acts of consumer fraud. The famous proverb is "think before speak" This proverb is applicable in the acts of consumer fraud. The actions which are taken by someone without any solid perception are more likely to commit the consumer fraud. This perception may be the poor understanding of the acts of consumer fraud or any other but it must be borne in mind that for every bad action there always exists a bad reaction. In this way the subordinates will feel some sort of responsibility in themselves. This responsibility will result in a very solid state of their production and earnings and will not tend to the acts of consumer fraud. The acts of consumer fraud are committed whenever the level of control of the top management either goes out of control or it remains under control. The balanced point of control causes the eradication of all types of crimes including the consumer fraud.

Conclusion

The present research has supported many conventional researches of white collar crimes in this specific field of effects of control and punishment. The present research revealed that the elements of equality of control are playing pivotal role in the promotion of the acts of white collar crimes. The study also revealed that the lack of effective use of punishments is also playing important role in the commission of consumer fraud in Punjab, Pakistan. Objective of the study were to explore the equality of control and factors of punishment strategies which are predominantly responsible to commit the acts of white collar crimes. The results showed that acts of consumer fraud are committed mostly due to misuse of equality of control. Research findings have suggested that equality of control is such an element which plays an important role in the acts of white collar crimes and especially the consumer fraud. Control must be exercised in a well-balanced way in the families, clan and tribes. Informal institutions like the family must play her role to teach their children the acceptable ways of daily life. The schools and other formal institutions must also play pivotal role in the process of decreasing the acts of consumer fraud with the help of teaching the acceptable ways to lead a well-balanced life. A strong and balanced member of a society is less likely to be diverted to the acts of consumer fraud. The research show that in the absence of a balanced control the man is more prone to the acts of consumer fraud in Punjab, Pakistan. Every member of the society must play his/ her role in discouraging the people to commit the acts of consumer frauds. The result shows that if the balanced control is to be exercised then the acts of consumer fraud will be decreased. The independent variables of the study show that there is highly significant relationship between independent and dependent variable in the present study.

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