

Evaluation of Money Laundering in Real Estate Sector

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Abstract: Money laundering is the process by which the money acquired through illegal means like drug trafficking, tax evasion etc. is giving legitimate image by way of investing or transferring in legal instruments. Money laundering directly or indirectly affects the sector where it happened. The essential sectors like real estate, pharmaceutical, banking, etc are not an exception to this. But the effect of money laundering on these sectors would affect large public and eventually the nation. This article evaluate the infusion of money laundering in real estate sector of Chennai, a metropolitan city of Tamilnadu state of India with the population of about 5 million. Through the pre set questionnaire, the people of various level of dealings with real estate sector were interviewed and the responses analysed with the view of how knowingly and unknowingly the money laundering happens in real estate sector. In addition to the findings, the authors also analyse the legal provisions for anti money laundering in international arena.

Key words: Money laundering • Real estate sector • Chennai • Legal provisions

INTRODUCTION

Land is one of those essential commodities in the world which cannot be manufactured to fulfil the supply and demand of the increasing population. Real Estate industry is probably the oldest form of business in the world and has proven to be the only business which has never lost its glamour since the ancient period. It has the nature of increasing except in times of severe economic downtrends. Buying or selling of a property is considered to be one of the largest financial dealing for an average family. Variations in property prices will be impacting on family's decisions like where to live, children education and work.

Until 19th century the concept of real estate did not undergo much change. Although in last two decades, it has undergone major changes which made this industry vulnerable towards Money Laundering that benefits anti-social elements throughout the world. Various reports produced by the Financial Action Task Force (FATF) and International Monetary Fund (IMF) over the last few years have made reference to the fact that the real-estate sector may be one of the vehicles used by criminal organizations to launder their illicitly obtained money. As huge amount of funds and several parties involved in

every single real-estate transaction, it is extremely difficult to identify property dealings and transactions associated with money laundering.

Money Laundering is the proceeds of an “unlawful activity”, unlawful activity can be any activity which is related, directly or indirectly to any crime or illegal activity. Money laundering is the process of making dirty money look clean. Organized crimes like arms transportation, smuggling, human trafficking, embezzlement, tax fraud, bribery, drug trafficking and prostitution will generate a huge amount of money. Hence criminals need to find a way to convert the origin from illegitimate to a legitimate source before the authorities determine the true origin of money. Con artists do this by concealing the sources, converting the form and transfer of money to different spaces where it is less likely to attract attention of the authorities. Money laundering has three states 1. Placement: introduction of illegal proceeds into the fiscal system, 2. Layering: separation of illicit money from their source by layers of financial transactions and 3. Integration: providing legitimacy to illicit wealth by the re-entry into the economy.

The Financial Action Task Force (FATF) - a Paris-based inter-governmental body defines money laundering as:

- The conversion or transfer of property, knowing it is derived from a criminal offense
- The concealment or disguising of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property
- The acquisition, possession or use of property, knowing at the time of its receipt that it was derived from a criminal offense or from participation in a crime.

In 1998, the International Monetary Fund estimated that the aggregate size of money laundering is between 2% and 5% of the world's Gross Domestic Product (GDP) ranged between USD 590 billion and USD 1.5 trillion. Money generated by criminal activities is processed into legal forms of investment without drawing the attention of legal authorities. One of the forms of legal investment, where there is high probability of presence of laundered money is "Real Estate".

Abuse in real estate sector results in undesirable effect of political, institutional and economic destabilisation. Also, due to the international nature of the real-estate market, it is very difficult to identify real estate transactions associated with money laundering and terrorist financing.

The purchase or sale of a real estate property is one of the largest financial transactions a family or individual may undertake, changes in property prices have a substantial impact on the considerations taken into account by potential buyers and sellers of properties. Fluctuations in property prices have an impact on decisions about where to live and work in addition to affecting an owner's net worth. Moreover, to the extent that property values influence rents, the effect is manifested in the distribution of wealth between landlords and tenants. Finally, property prices significantly influence the building industry. Taken together, these factors all suggest that fluctuations in property prices may influence economic activity and price stability by affecting aggregate supply and demand, the distribution of income and the debt decisions undertaken by households.

Review of Literature: Louis Shelley (2010) [1] in chapter 8 of a paper for FATF examined that market analyses must address susceptibility to ML, greater transparency is required in land registries, privatizations and property transfers. Law enforcement must follow the money trails into both commercial and residential real estate and seize properties as they do other laundered assets.

In a report paper prepared by Financial Crimes Enforcement Network (FCEN) found out that the money launderer convert illicit cash into negotiable instruments, including those purchased by others, which deposited to personal and/or non-real estate related business accounts and layered through the accounts of complicit residential real estate related companies disguised as legitimate payments for real estate or real estate related services.

Paul Ashin (2012) [2] in a research paper for IMF highlights that the money launderers exploit the complexity and the interconnectedness of the global financial system as well as differences between national anti-money laundering laws and systems. They are able to stay several steps ahead of the bank regulators and law enforcement authorities, who often have difficulty in implementing rapid international co-operation.

J.D. Agarwal and Aman Agarwal (2004) [3] from Indian Institute of Finance in a keynote address gave two best control techniques for the banks to control money laundering. The first one, issues relating to obtaining and using customer information process. The second one, on anti-money laundering monitoring, assessing customers use firm's products and services and how possible money laundering activities can be identified from this.

Hinnerk Gnutzmann, Killian J. McCarthy, Brigitte Unger (2010) [4] in their research paper discussed that countries with larger legitimate economy, avoid the money laundering market, while smaller like developing economies will be incentivised to embrace it. They throw light on the money laundering practices in developed and developing economies through their research paper. They also found that in weakest legal and administrative structures, the most influential gangs and far too often, political elites who want to take their money out by any means possible.

In an Asian Banker research paper (2008) [5], identified the money laundering issues in Chinese banks suggested some of the practices to control AML. One of the controls which were suggested by four bank was the establishment of a policy that makes the reporting of suspicious transactions mandatory. Another best one is the banks will have to pay closer attention to capital from countries, where AML regulations are not enforced or are incomplete.

In a report paper which was prepared by IMF (2011) [6] pointed out the money laundering will be a great difficulty for economic policy makers in gaining a real understanding of the state of the economy and in making economic policy. The paper also highlighted on the

adverse effects on growth. Because of money laundering, corruption, trafficking in illegal narcotics, illegal logging and other environmental crimes exists in the economy.

Vandana Ajay Kumar (2012) [7] examined the money laundering in real estate sector. The researcher highlighted that real estate is important for money laundering, because it is a non-transparent market where the values of the objects are often difficult to estimate and where big value increases and an efficient method to place large amounts of money. The real estate has the following features which make it attractive for criminal money a) a safe investment, b) the objective value is difficult to assess, c) it allows to realize 'White' returns.

Friedrich Schneider (2010) [8] has provided results from his research. They are i) money laundering are extremely difficult to tackle, ii) there is no efficient and powerful international organisations to fight against money laundering.

In an Asian Development Bank Publications (2003) [9], highlighted how the money is laundered? The launderer introduces the illegal profit in to the financial system, this done by breaking the large amounts of cash into less conspicuous, smaller sums and deposited through the purchase and sale of investment instruments, or the laundered disguise the transfers as payments for goods and services, giving them a legitimate appearance.

Alberto Chong, Florencio Lopez-De-Silanes (2007) [10] showed the result from their study that tougher money laundering regulation has an impact on reducing money laundering and the extent of feeder activities, controlling for other country characteristics, legal enforcement and political endogeneity.

AML survey (2009) reported that AML has not reached the level of stability comparing to other normal operational processes where procedures are strictly codified and people fully trained to follow them. Lack of clarity, inadequate training and undefined processes are the hindrances for AML has not being successful.

Stefano Costa (2008) [11] in the research paper on Italian Case examined that money laundering consists in bring illegal proceeds (dirty money) to legal light concealing their illegal origin. As a consequence, the virtually invisible nature of the ML, along with the possibility for launderers to take advantage of the complex, changing and largely immaterial financial channels, make it necessary to detect money laundering through possible anomalies in the daily legal transactions.

In an ACAMS paper (2011) highlighted that the most common money laundering methods used in domestic crimes are the opening of multiple bank accounts,

intermingling criminal proceeds with assets of legal origin, purchasing bank checks against cash and routing through complex legal structures.

Lishan Ali (2012) in his thesis on AML, laid emphasis on the AML regulations in China. He also pointed in his research that AML have become a market as well as marketing product. He suggests all Chinese banks must have a AML compliance department, if the financial institutions not willing to have AML, then they should develop more interactions with regulators in order to 'play safe' in the application of partial or full RBA. He further consider AML as 'rule-based but risk-oriented approach'.

Ernesto Carrasco (2012-13) in the Annual edition of Regional Analysis: Americas analysed that the real estate and construction are one of the two other sectors that are awash with cash, because buying homes, buildings and land with cash is one of the easiest options for organised crime to launder money. The result has been rapidly rising real estate prices. This bubble when bursts, will have a negative impact on the whole economy.

In an article of National Association of realtors confined over the role of real estate agents in money laundering. The real estate agents can able to know about the money laundering through its signs in the real estate market. By this the real estate agents can identify the potential money laundering activities, take appropriate steps to mitigate the money laundering risk and they can also alert the proper authorities to help deter and mitigate the use of real estate in money laundering schemes.

Brent L. Bartlett (2002) [12] in his paper on the negative effects of money laundering examined the money laundering in real estate sector depresses economic growth. This can be done by distorting investment and productivity. Money laundering reduces the criminals cost of crime thereby increasing the level of crime, higher crime and corruption reduces economic growth and more than that money laundering increase the risk of macro economic instability like instability in exchange rate, monetary aggregates and general price levels.

William. R. Schroeder (2001) concluded through his study on global threat of money laundering that there must be law enforcement against money launderers. The changes in the law in U.S strengthened bank secrecy, inhibited the scope of laundering investigation and impeded international cooperation. A common harmonized approach will prevent launderers from using the different laws and practices among the jurisdictions to their advantage both at the expense of and disadvantage of the countries interested in pursuing them.

Ashley Neese Bybee shows how money laundering exist in real estate sector. He explains that in many West African Countries wide variation in property prices makes purchasing conducive to the laundering process. As the price changes by location or by identities of the buyer and seller and absence of published market prices of property leads to under or over-valuation of prices, where money laundering exist.

James. M. Wright (2012) in his analysis on real estate emphasised that real estate money laundering supports criminal activities and produces negative impact on country's real estate markets and overall economies. He pointed out that real estate agents must maintain the following information for five year.

- The identity of the client, client's agent and the client's client.
- The manner in which the identity established
- The nature of the business relationship or transaction
- The parties to the business transaction and the amount involved
- All accounts involved
- The name of the person who obtained the information
- Copies of documents obtained by the institution.

He concluded the analysis that negative impacts from money laundering through real estate include support of crime, inflation in the real estate market and reduced activity in the overall economy. Therefore, developing a risk-based approach is needed for the country.

Mohammad Noor B. Zraiqat (2010), in his paper pointed out certain best practices to be adopted for the supervision of real estate sector in the Middle East in order to avoid money laundering. The best practices are the first one, real estate appraisers should be involved in the process of purchase to evaluated the real value for estates. The second one, the value of real estate should be paid using bank draft cheques. The next one, implementation of monitoring system and the last one is the designation of compliance officer within the real estate registrar. These, practices will definitelybring the chances of money laundering through real estate in the Middle East Countries.

MATERIALS AND METHODS

Statement of the Problem: Real estate industry is one of the vital and necessary industries, as it has influence over wide variety of people [13-30]. Price bubble and variations lead to drive away the small scale investors and need based buyers. If the laundered money invested in this sector, the prices will be rise more than the demand, which creates fictitious demand and hence false boom in the market. Common people also unknowingly involved in money laundering in real estate through their activities like under estimate the cost for registration of the property, tax evasion etc.. Awareness about money laundering among people is evaluated in this paper with reference to 4 million populous Chennai city of Tamilnadu State of India. According to National Housing Bank's Residex index of India, real estate prices of Chennai increased by 400% since 2007. This rise does not have any fundamental. So the causes for this rise analyzed with the view of money laundering are intrusion.

Objectives of the Study:

- To study the awareness of people of Chennai city about money laundering in real estate.
- To study the possible ways through which the money laundering happening in real estate.
- To examine the legal provisions for anti money laundering in India and to suggest measures.

Hypotheses:

Null Hypothesis (H_0): There is no association between the education and awareness about money laundering

Null Hypothesis (H_0): There is no relationship between age level and buying & Selling of property.

Null Hypothesis (H_0): There is no relation between mode of paying tax and awareness about capital gain tax [31-38].

Scope of Study: Though the concept of Money laundering is new in India and unknown to common people, it indirectly affects the common people in several ways. This study insists the immediate need for imparting awareness about money laundering among the common people. This study took up the real estate sector, which is a basic necessity for all the people. The intrusion of

money laundering in residential sector cause severe damage to the economy of middle class salaried people. The observations learnt from this analysis could applied to other sectors with suitable changes in variables.

Limitations of Study:

- The respondents might not gave true information regarding tax payment and real estate transactions, as these date were sensitive.
- Real estate boom of the place is depends upon the nature of development, local government policies, income level of local people etc. So the findings need to be modified before applying to other cities across the world.

Data Analysis and Interpretation: The field survey is conducted among 50 people from chennai urban and suburban areas through the questionnaire based on 5 point likert scale questions. After checking the reliability of questionnaire using cronbach's alpha test, the frequency of responses were analyzed. Then by the factor analysis, the large number of variables reduced to smaller set. In order to find the correlation, the ANCOVA and Multiple regression analysis were used. Chi square test used to prove the hypothesis.

Description Statistics: Frequencies are used to know the description status of the respondents. 25 Variables has been considered for factors.

Interpretation: From the Table 1 it is clear that, majority of the respondents have completed UG and only low number of respondents falls under SSLC and HSC.

Interpretation: From the above Table 2, it is clear that majority of respondents are in the age group of 41-50 (40%) and 38% of the people fall under 31-40 and 51-60 and 60 and above are 8% respectively.

Interpretation: Table 3 shows the number of male and female respondents. In our study, majority of the respondents are male and female are less in number compared to male.

Interpretation: From the Table 4, it is clear that the married respondents are 68%, unmarried respondents are 15% and widow are 2%.

Table 1: Education qualification of the respondent

Education Qualification	Frequency	Percent
SSLC	3	6.0
HSC	3	6.0
UG	21	42.0
PG	19	38.0
others	4	8.0
Total	50	100.0

Table 2: Age of the respondent

Age	Frequency	Percent
20-30	3	6.0
31-40	19	38.0
41-50	20	40.0
51-60	4	8.0
60 & above	4	8.0
Total	50	100.0

Table 3: Gender of the respondent

Gender	Frequency	Percent
Male	28	56.0
Female	22	44.0
Total	50	100.0

Table 4: Marital status of the respondent

Marital Status	Frequency	Percent
Married	34	68.0
Unmarrie	15	30.0
widow	1	2.0
Total	50	100.0

Table 5: living place of the respondent

Living place	Frequency	Percent
Urban	48	96.0
Sub-urban	2	4.0
Total	50	100.0

Table 6: Major source of income

Source of Income	Frequency	Percent
Salary	14	28.0
Business	16	32.0
Service	8	16.0
Income from investment and deposits	61	2.0
Others	6	12.0
Total	50	100.0

Table 7: Mode of paying tax

Mode of paying tax	Frequency	Percent
Form16	14	28.0
Self declaration	36	72.0
Total	50	100.0

Table 8: Pay tax in selling the property

Pay tax in sale of property	Frequency	Percent
Yes, certainly I will	15	30.0
May be I will	15	30.0
Sometimes I will	8	16.0
Depends upon the situation	7	14.0
Not willing to answer	5	10.0
Total	50	100.0

Interpretation: In our study most of the respondents are living in urban (48%) areas and only less people living in sub-urban areas

Interpretation: In our study, the major source of income of the people are business which was undertaken by 32% of the respondents, 28% are salaried person and other people are doing service, income from investment and deposits and others.

Interpretation: From the above table 72% of the respondents are paying tax through self declaration and 28% are through form 16.

Interpretation: The above explains the answer for the question whether the respondents will pay the tax in sale of any property. The responses from the respondent are 30% of them said that they will pay tax and another 30% may be, 14% are depends upon the situation and not willing to answer respectively.

Interpretation: The above Table 9 explains the mode of savings of the respondents. 38% of the respondents are through bank, 32% are through mutual funds, bonds, insurance and other through equities, commodities and other mode.

Interpretation: From the above Table 10, the majority of the people are in the idea to buy a property, 34% bought property during last 3years. Less number of people planning to sell the property, sole out property.

Interpretation: Table 11 shows that many respondents know about the property by advertisements (34%), 22% know by agencies and company sale and other by sales executives, relatives, friends, stalls and exhibitions.

Interpretation: Table 12 explains that 46% of the respondents have bought the property through financial institutions, 26% through agents, 16% through direct approach from owners.

Interpretation: Table 13 shows that 34% of the respondents slightly know about the buying and selling process of the property, 28% quiet known about it, 24% do not know about any process while buying and selling of the property.

Table 9: Mode of savings

Mode of savings	Frequency	Percent
Bank	19	38.0
Equities	5	10.0
Commodities	7	14.0
Mutual funds, bonds, insurance	16	32.0
Others	3	6.0
Total	50	100.0

Table 10: Activities related to real estate

Activities	Frequency	Percent	Valid Percent	Cumulative Percent
Planning to buy a property	19	38.0	38.0	38.0
Bought a property during last 3 years	17	34.0	34.0	72.0
Planning to sell a property	6	12.0	12.0	84.0
Sold a property during last 3 years	4	8.0	8.0	92.0
Identified the property	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Table 11: While buying the property by whom you know about it

Source of Information	Frequency	Percent	Valid Percent	Cumulative Percent
agents	11	22.0	22.0	22.0
company sales executives	11	22.0	22.0	44.0
relatives, friends	8	16.0	16.0	60.0
advertisements	17	34.0	34.0	94.0
promotions stalls, exhibitions	3	6.0	6.0	100.0
Total	50	100.0	100.0	

Table 12: While buying the property by whom you bought it

Intermediary	Frequency	Percent	Valid Percent	Cumulative Percent
Agents	13	26.0	26.0	26.0
Company sales executives	2	4.0	4.0	30.0
Relatives, friends	4	8.0	8.0	38.0
Financial institutions	23	46.0	46.0	84.0
Direct approach	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Table 13: Familiar with buying or selling process of the property

Process of the property	Frequency	Percent	Valid Percent	Cumulative Percent
Yes, updated	4	8.0	8.0	8.0
Know, but dont know the updates	4	8.0	8.0	16.0
Quite known	13	26.0	26.0	42.0
Slightly known	17	34.0	34.0	76.0
Dont know the process	12	24.0	24.0	100.0
Total	50	100.0	100.0	

Interpretation: Table 14 explains that 42% of the people quite know about guideline value in property, 28% do not know about, 18% have some idea about the guideline values.

Interpretation: 36% aware of the capital gain tax, 30% didn't aware of it, 14% quite known about the capital gain tax and 10% know to some extent and completely known respectively.

Interpretation: From the Table 16, 28% of the respondents are slightly known about the duplicate and forge document, 26% know to some extent to identify the duplicate document, 22% do not know completely and 16% and 8% of the respondents quite known and thoroughly known about the duplicate document respectively.

Interpretation: From the above table, the 40% of the respondents replied that the process of buying and selling are transparent, 28% replied it is seldom transparent, 16% of the respondents replied that it is rarely transparent.

Interpretation: From Table-18, it is clear that 36% of the respondents replied that they can rarely identify the action of impersonation, 32% of the people don't know about the impersonation, 14% of the respondents replied sometime they may identify and other replied that always and mostly they can identify the action of impersonation.

Interpretation: The above table shows whether the respondents know about the hike in price of property, 36% replied they know some reasons for hike, 30% know only very few reasons, 16% thoroughly know about the hike in prices of property.

Interpretation: Table 20 shows that many respondents think that it might be infected (24%), but majority of people feel that to some extent it is infected by monopolies and agents and only 12% of the respondents that yes it is fully infected by monopolies and agents.

Interpretation: The Table 21 explains that 30% of the respondent slightly know about the connection between Indian economy and real estate and other replied on moderately known (26%), don't know (22%), known very well (10%).

Table 14: Awareness about the guideline values

Guideline value	Frequency	Percent	Valid Percent	Cumulative Percent
yes, updated	2	4.0	4.0	4.0
know, but not to the latest	4	8.0	8.0	12.0
quite known	21	42.0	42.0	54.0
have some idea about it	9	18.0	18.0	72.0
don't know	14	28.0	28.0	100.0
Total	50	100.0	100.0	

Table 15: Aware of the capital gain tax

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes completely	5	10.0	10.0	10.0
Quite known	7	14.0	14.0	24.0
Known to some extent	5	10.0	10.0	34.0
heard, but don't				
Know the details	18	36.0	36.0	70.0
Didn't aware	15	30.0	30.0	100.0
Total	50	100.0	100.0	

Table 16: Know to identify the duplicate/forge document

Duplicate/forge document	Frequency	Percent	Valid Percent	Cumulative Percent
Thoroughly known	4	8.0	8.0	8.0
Quite known	8	16.0	16.0	24.0
Know to some extent	13	26.0	26.0	50.0
Slightly known	14	28.0	28.0	78.0
Don't know completely	11	22.0	22.0	100.0
Total	50	100.0	100.0	

Table 17: Process of buying/selling are transparent

Process of Buying and selling	Frequency	Percent	Valid Percent	Cumulative Percent
Always transparent	3	6.0	6.0	6.0
Mostly transparent	20	40.0	40.0	46.0
Seldom transparent	14	28.0	28.0	74.0
Rarely transparent	8	16.0	16.0	90.0
Never transparent	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Table 18: Know to identify the action of impersonation

Action of Impersonation	Frequency	Percent	Valid Percent	Cumulative Percent
Always able to identify	4	8.0	8.0	8.0
mostly identify	5	10.0	10.0	18.0
sometimes I identify	7	14.0	14.0	32.0
rarely identify	18	36.0	36.0	68.0
don't know	16	32.0	32.0	100.0
Total	50	100.0	100.0	

Table 19: Know the reasons for hike in property prices

Aware of the reasons for hike in prices	Frequency	Percent	Valid Percent	Cumulative Percent
Thoroughly known	8	16.0	16.0	16.0
Know most of the reasons	5	10.0	10.0	26.0
Know some reasons	18	36.0	36.0	62.0
Know very few reasons only	15	30.0	30.0	92.0
Don't know any reasons	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Table 20: Feel that real estate infected by monopolies & agents

Infected by Monopolies and agents	Frequency	Percent	Valid Percent	Cumulative Percent
Yes no doubt in that	6	12.0	12.0	12.0
Yes but to some extend	15	30.0	30.0	42.0
Suspect	10	20.0	20.0	62.0
Might be	12	24.0	24.0	86.0
Not at all	7	14.0	14.0	100.0
Total	50	100.0	100.0	

Table 21: Know the connection between real estate & Indian economy

Relationship between real estate and Indian economy	Frequency	Percent	Valid Percent	Cumulative Percent
Known very well	5	10.0	10.0	10.0
Known	6	12.0	12.0	22.0
Moderately known	13	26.0	26.0	48.0
Slightly known	15	30.0	30.0	78.0
Dont know	11	22.0	22.0	100.0
Total	50	100.0	100.0	

Table 22: Know about the formation of black money

Formation of Black money	Frequency	Percent	Valid Percent	Cumulative Percent
Known very well	5	10.0	10.0	10.0
Known	7	14.0	14.0	24.0
Moderately known	15	30.0	30.0	54.0
Slightly known	16	32.0	32.0	86.0
Dont know	7	14.0	14.0	100.0
Total	50	100.0	100.0	

Table 23: Know about the impact of black money in daily life

Impact of Black money	Frequency	Percent	Valid Percent	Cumulative Percent
Aware very well	3	6.0	6.0	6.0
Aware well	7	14.0	14.0	20.0
Aware to some extend	17	34.0	34.0	54.0
Slightly aware	14	28.0	28.0	82.0
Not aware	9	18.0	18.0	100.0
Total	50	100.0	100.0	

Table 24: Aware of the adverse effect of the black money in real estate

Adverse effect of black money	Frequency	Percent
Known very well	3	6.0
Known	7	14.0
Moderately known	14	28.0
Slightly known	11	22.0
Dont know	15	30.0
Total	50	100.0

Table 25: Know the impact of black money on our economy

Impact of black money	Frequency	Percent	Valid Percent	Cumulative Percent
Known very well	5	10.0	10.0	10.0
Known	7	14.0	14.0	24.0
Moderately known	15	30.0	30.0	54.0
Slightly known	16	32.0	32.0	86.0
Dont know	7	14.0	14.0	100.0
Total	50	100.0	100.0	

Interpretation: Table 22 explains that 32% of the respondents slightly know about the formation of black money, 30% moderately known, 14% well known and don't know respectively.

Interpretation: Table 23 explains that 34% of the respondents aware to some extend about the impact of black money, 28% slightly aware, 18% did not aware of the black money.

Interpretation: From the above Table-24 explains that 30% i.e. majority of the people do not know about the adverse effect of black money in real estate. 28% of them slightly known and 22% of the respondents slightly know about the effect of black money in real estate sector.

Interpretation: Table 25 explains that 32% of the respondents slightly known about the impact of black money in our economy, 30% of them moderately known about the effect.

Chi Square Tests for Proving Hypothesis:

Null Hypothesis 1: There is no association between the education and awareness about money laundering

	Education qualification of the respondent	Familiar with buying or selling process of the property
Chi-Square(a)	33.600	13.400
Df	4	4
Asymp. Sig.	.000	.009

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.0

Null Hypothesis 2: There is no relationship between age level and buying & Selling of property

	Age of the respondent	Activities related to real estate
Chi-Square(a)	30.200	21.800
Df	4	4
Asymp. Sig.	.000	.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.0.

Null Hypothesis 3: There is no relation between mode of paying tax and awareness about capital gain tax.

	Mode of paying tax	Aware of the capital gain tax
Chi-Square(a,b)	9.680	14.800
Df	1	4
Asymp. Sig.	.002	.005

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.0.

Interpretation: As the chi-square test suggests that the parameters chosen for hypothesis were not having any significance between each other. So all the hypothesis had been proved.

Summary of Findings:

- The research database exhibits diversified profile as the education profile of the respondents varied from SSLC to Post graduation. But 80% of them falls with in the Graduate and Post Graduate category. Since the area under research is of metropolitan type, this kind of educational maturity can be expected. This maturity will aid the study in providing concrete and versatile views. But we found that there is no relation found between level of education and awareness of money laundering. So, our first objective regarding awareness of money laundering can be concluded that, only few people have awareness about money laundering. 80% of respondents are well educated but less than 20% of them had awareness about the money laundering. And even worse that, the legal provisions against money laundering is known only to 7% of the database. Chennai, the capital city of Tamilnadu houses most of the intellectuals of the state and also it is one of the 5 important metropolitan cities of India, even then the awareness among these creamy people is very poor. This suggests that, the governmental and non governmental agencies should strive hard to spread the awareness among the people. Though Government of India has legal provisions against money laundering since as early as 2001, the awareness is very poor. If similar studies conducted among rural and semi urban people, the results could be even worsen.
- Money laundering happens among common people both knowingly and unknowingly through several means. While registering the real estate property, the value is quoted below the actual price. This difference of price evades tax and those money is spend somewhere legally, which results in money laundering at miniaturized level. But once 50-60% of people did it, then its very huge amount. Though this money doesn't origin from illegal means, the black money generated and washed to white unknowingly. If the people had sufficient awareness about the money laundering activities, most of the law-obeying people might be get rid of these activities. Capital gain evasion is another means of creating black money and eventual white washing by common people.

CONCLUSION

Money laundering happens among common people both knowingly and unknowingly through several means. While registering the real estate property, the value is quoted below the actual price. This difference of price evades tax and those money is spend somewhere legally, which results in money laundering at miniaturized level.

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