



## MONEY LAUNDERING IN PAKISTAN-ITS EFFECTS AND NEGATIVE OUTCOMES

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**ABSTRACT:** Money is the source and cause of various crimes and criminal activities in Pakistan. One such crime that arises from the illicit use of money is money laundering that deals with storing illegal money and making it appear legitimate.

This research paper deals with the brief overview and background of the crime of money laundering. It also throws light on the negative effects of money laundering to the economy and society of our blessed country Pakistan.

### I. A BRIEF OVERVIEW

Our country Pakistan is no doubt a blessed state which is founded after the innumerable sacrifices of our ancestors. It is enriched with numerous blessings and bounties; however, there are some criminal elements in this state which have posed a serious threat to its peace, solidarity and stability by committing heinous crimes. Money laundering is one such crime that has caused grave problems for the whole nation because it has immersed its roots deeply in the region. Money laundering is the process of making illicit and illegitimate money appearing legal by using various means. It has involved the people in hoarding money obtained from illegal means and storing them in banks under pseudo names. Thus, people have shunned the habit of earning money through fair means.

Money laundering is very dangerous for the prosperity of the country because it not only reserves the money via illicit means but these money reserves are also used for perpetrating various crimes in the country like drug and arms trafficking, kidnapping for ransom, smuggling, terrorism and human trafficking. The money launderers provide funds to the criminals in order to carry out these gruesome crimes across the globe. These criminals carry out such crimes very vigilantly in such a way that they cannot get caught. In the presence of corrupt or lax anti-money laundering regime, such criminal activities become more frequent and rampant in a society.

Money laundering has significant economic and social consequences for developing countries because they are more susceptible to destruction from criminal or terrorist influences. These developing countries are the hot seat of these criminal activities because of their poor system for combating the crime of money laundering. The crimes such as drug and arms trafficking, human trafficking, smuggling, financing terrorism and kidnapping for ransom are all caused due to illicit money reserved and stored via money laundering.

Money laundering is a very heinous crime that must be eradicated at all costs because this evil is a constant nuisance for the peace, progress and prosperity of a country and a nation.

### II. NEGATIVE EFFECTS OF MONEY LAUNDERING

Money laundering can cause numerous ill effects to the social and economic reserves of the country because the money obtained via money laundering is generally used to initiate various criminal activities in the country. Some of these negative effects are given below:

#### Increased Crime and Corruption

If money laundering is prevalent and successful in any country, it helps to make criminal activities profitable. Such a country proves a heaven for criminals and money launderers. Money laundering can be prevalent in a country if it has a weak AML/CFT regime, financial and economic institutions that are not covered by the AML/CFT framework, selective enforcement of AML/CFT regime in its organizations, ineffective penalties for money launderers and restrained anti-money laundering schemes. Excessive money laundering generates more crimes and corruption in a country. It also opens gateways for bribery in the country via various institutions of the state like the legislature, law enforcement agencies, police authorities and the courts.

#### Damaged Reputation and International Consequences

If a country develops a reputation as money laundering haven then it can cause adverse consequences on its development and progress. It can also limit the transactions from foreign financial institutions or these transactions can be subjected to extra

scrutiny making them more expensive. If a country has lax or corrupt anti-money laundering system, it is less likely to receive foreign private investment.

#### **Weakened Financial Institutions**

Money laundering can harm the soundness of a country's financial sector as well as the stability of individual financial institutions in several ways. Excessive money laundering can result in following financial losses:

- Loss of profitable business
- Liquidity problems via withdrawal of funds
- Termination of correspondent banking facilities
- Investigation costs and fines
- Asset seizures
- Loan losses

#### **Compromised Economy and Private Sector**

Money launderers generally use front companies that are business enterprises that appear legitimate but are in fact controlled by criminals. These companies mingle the illegal funds with legal money in order to hide the illicit money. By storing and mingling illicit money with legitimate money, the economy of the country is highly compromised and causes a lot of damage to the private sector of the country. In this way money laundering proceeds can be used to control whole of the industries or sectors of the economy of a country. It enhances the potential risk for monetary and economic instability of the country due to evading the taxation, thus depriving the country of its possible revenue.

#### **Damaged Privatization**

Money launderers threaten many countries to reform and better their economies through privatization. When privatization is done through illicit means, criminal activities and corruption is more likely to increase apart from depriving the country its legitimate, market based, tax- paying enterprise.

### **III. CONCLUSION**

Money laundering is a very grave threat to the peace, prosperity, stability and solidarity of any country or nation. It is the need of the hour that this crime must be eradicated from Pakistan on individual as well as on collective level in order to make Pakistan a better place to dwell in.

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