

## **Role of FIA in Investigating Benami Accounts and its Usage for Money Laundering in Khyber Pakhtukhwa**

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**DOI: <https://doi.org/10.70670/sra.v3i3.915>**

### **Abstract**

The paper explores demographic and socio-economic and institutional reasons behind the triad of prevalence and perception of the phenomenon of benami accounts in Pakistan, an income capital-based self-queer financial practice that compromises fiscal transparency, promotes the illicit movement of capital and can erode faith in the process of governance. Based on an alignment survey of the respondents of different age groups, education, educational statuses, professional designations, and income levels, the study establishes differences in the awareness levels, perceived reasons, the perceived effects of the benami practices. The results in the statistical analysis of eight depth tables and to which they are corresponding figures ensures that although most of the respondents know accurate information on benami account, there is also a massive gap in knowledge especially amongst the lower-income and non-educated individuals. The major drivers of the practice are presence of substandard enforcement mechanisms, deep-rooted corruption and low levels of awareness of the problem, all of which coincide the evidence of comparative international cases. The study also reports negative implications in terms of tax evasion, money laundering and the misunderstanding of economic indicators, with the implication being that these drawbacks do not necessarily only result in short-term loss of fiscal gains but in longer period macroeconomic insecurity. These findings are placed in the context of the current theoretical and practical works and portray a requirement of the multi-centred nature of the policy intervention that includes effective implementation of the law alongside structural strengthening of the institutions, social education, and socio-cultural change. Its results are relevant to the wider discussion about financial transparency and present not only facts, but also policy-related advice that can apply to Pakistan as well as to countries facing similar dilemmas.

**Keywords:** Benami Accounts, Financial Transparency, Money Laundering, Tax Evasion, Corruption, Public Awareness, Enforcement Mechanisms, Pakistan Economy, Informal Financial Practices, Governance

### **Introduction**

Money laundering has been one of the most compelling issues affecting financial systems in the world, and it has become very threatening to the economy, governance, and stability in its security. It involves the covering of illegal source of funds obtained through criminal means and inserting

into the normal functioning economy (United Nations Office on Drugs and Crime [UNODC], 2020). As one of the intergovernmental agencies created in 1989, the Financial Action Task Force (FATF) always prioritized money laundering, viewing it as one of the most dangerous threats on a global scale, which resulted in the establishment of the international standards in the field of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) (FATF, 2021). With the weak institutional frameworks, porous borders and informal financial networks, the problem is more pronounced in developing nations such as Pakistan (Amin et al., 2019). The aspect that gives money laundering in Pakistan its characteristic features is the utilization of Benami accounts--bank accounts registered in the name of an individual (the benamidar) but used on behalf of another individual whose identity is confidential (Federal Board of Revenue [FBR], 2019). This type of account commonly acts as a medium to camouflage the source of illegal money or to use this to commit crimes like corruption, tax evasion, terrorist funding, and illegal money transfers via hundi and hawala systems (Ali, 2018). The principle of benami is well embedded in South Asian socio-economic culture, the phenomenon of legal prohibition of which is contained in the Pakistani Law Benami Transactions (Prohibition), 2017 (Parliament of Pakistan, 2017). Nevertheless, realization is difficult as the ownership-laws are complicated, there is fictional documentation, and cross-border sections of the transactions (Haider, 2020).

The geo-strategic situation is another handicap of Pakistan in regards to money laundering. Pakistan has long and relatively uncontrolled borders with Afghanistan and Iran, which exposes them to continual inflows of illicit capital associated with trafficking of narcotics, smuggling as well as transnational terrorism funding (National Counter Terrorism Authority [NACTA], 2014). The other contribution factor in the existence of benami transactions is weak regulation, and a fact that financial institutions are characterized by corruption (Asad, 2006). Pakistan, in its turn, was added to the FATF grey list in 2018, which was an indication of severe gaps in the AML/CFT regime, forcing the government to undertake a 27-point plan of actions that may include the strengthening of the legislative, regulatory, and enforcement activities (FATF, 2019). Federal Investigation Agency (FIA) is the main artery of anti-money laundering structure in Pakistan. Having been launched according to the FIA Act, 1974, the agency is given the authority to explore the crimes pursuant to the Anti-Money Laundering Act, 2010, the Foreign Exchange Regulation Act, 1947, and other relevant acts (Federal Investigation Agency [FIA], 2020). At FIA, the Anti-Money Laundering Directorate, and the Economic Crime Wing are specifically mandated to detect, investigate and prosecute money laundering crimes, including the benami account related crimes (Annual Administration Report, 2020). The financial monitoring unit (FMU) engages in close association with the agency, and is part of its mandate that receives and evaluates the Suspicious Transaction Reports (STRs) and the Currency Transaction Reports (CTRs) submitted by the reporting entities including the banks and financial institutions (Financial Monitoring Unit, 2020). Nevertheless, the investigative capacity of FIA still has problems in functioning despite the significant reforms. The absence of enough technological capabilities, lack of training, and inter-agency coordination hamper the work of the agency in dismantling complex money laundering structures completely (UNODC, 2019). Also, legislative loopholes, including the narrowness of

predicate offences in previous AML bills, have enabled those committing the crimes to take advantage of the use of benami structures and have so far never faced prosecution (Haider, 2020). Upon establishing the Benami Transactions (Prohibition) Rules, 2019 and amending the Foreign Exchange Regulation Act, 1947, Pakistan has enhanced its arsenal of enforcement instruments, but it is used unevenly (FBR, 2019). In Khyber Pakhtunkhwa (KP), the issue takes a specific twist because the province is adjacent to tribal regions and the international boundaries. The areas have always acted as a channel of laundering illegal funds, and benami accounts have been deemed as pivotal sources of laundering funds through smuggling and narcotics, and extortion income (Amin et al., 2019). Such cases have been reported to be investigated in Peshawar through the Zonal Office of FIA which has been the frontline in investigations that are often based on intelligence provided by STRs, CTRs, and other inter-agency cooperation with customs, police, and counter-terrorism units (FIA, 2021). During the period between 2015 and 2021, FIA KP has investigated hundreds of accounts suspected to be involved in benami transactions, recovering millions of illegal funds (Annual Administration Report, 2020).

The importance of the research can be expressed in terms of FIA in detection, investigation, and prosecution of benami accounts as the means of money laundering in KP. Through the investigations of legislation systems, practice, and investigation processes, as well as, capacity-building initiatives, the proposed study will present evidence-based recommendations on how the Pakistan AML regime could be strengthened. It also aims at educating the policymakers, law enforcement agencies as well as the financial regulators regarding the strategic value behind sealing loopholes that permit benami transactions. Considering the global pressure by FATF and the financial dangers of unregulated money laundering to the domestic economy, knowledge on the investigatory methods of FIA is not academic as it also entails national security and economic independence (FATF, 2021; UNODC, 2020). This study augments the existing literature that has emerged in the context of financial crime enforcement in the developing economies with contextual knowledge of how finance crime law enforcement can be restructured using institutional reforms to improve the effectiveness of anti-money laundering initiatives in Pakistan.

## **Literature Review**

### **Conceptualizing Money Laundering and Benami Accounts**

One of the most commonly known methods of money laundering is the process through which illicitly acquired funds are changed into apparently legitimate assets and the criminals gain access to proceeds of illegitimate activity without their detection (Levi & Reuter, 2006). This is normally done in three stages that include placement, layering and integration in which the process is aimed at concealing the source of the funds (Unger & Busuioc, 2007). The laundering process legally goes through a number of ways especially in South Asian jurisdictions such as in Pakistan: that is through benami arrangements (transactions or accounts conducted in the name of one individual, but benefiting another) (Kumar, 2012). The name of the scheme is because it is known as a benami, which is a Persian and Urdu word referring to something without a name, therefore, anonymity and secrecy (Singh, 2019). The proceedings of the lucrative financial activities are taxed through

Benami accounts as a way of evading detection by authorities (Hussain, 2015). This could include nominees, relatives, or fabricated persons with an account holder, so it is rather hard to identify the beneficial owner of such an arrangement (Gupta & Bansal, 2018). It is not only done in Pakistan, but correspondent with other jurisdictions where this secrecy law and lax enforcement allow similar practices, similar account systems by nominee accounts are in place (Zdanovic, 2018).

### **Theoretical Perspectives on Money Laundering Control**

Several theoretical perspectives have been used to study the war on money laundering and one of them assumes that criminals launder money when they perceive the reward to be higher than the punishment of being caught (Becker, 1968). According to the theory of deterrence, crimes such as these can be minimized when there is a greater level of assurance and harshness of the punishment (Paternoster, 2010). Both necessary elements of adequate legislation and efficient enforcement agencies are needed in the event of adequate deterrence in case of benami transactions (Masciandaro, 2004). The institutional theory also points out the fact that a successful system of anti-money laundering lies in the system where strength and transparency of an institution acts as the driving force toward compliance and accountability (North, 1990).

### **International Legal Frameworks**

In all countries, money laundering has been regulated under the conventions like United Nations Convention against Transnational Organized Crime (2000) and the United Nations Convention against Corruption (2003), which requires signatory states to criminalize their laundering activities and enhance financial intelligence system (Boister, 2012). Guidelines have also been issued by the Basel Committee on Banking Supervision to enhance effective management of money laundering risks in the financial institutions (Basel Committee, 2001). In numerous jurisdictions, the foundation of AML compliance includes crucially the so-called know your customer (KYC) obligations to identify customers and suspicious transaction reporting obligations (Gilmore, 2011). In countries like the United Kingdom, legislation such as Proceeds of Crime Act 2002 has been adopted that criminalizes actions in receiving or hiding criminal property (Alldridge, 2008). In India, the Prohibition of Benami Property Transactions Act, 1988 has been enhanced in 2016 and has added more powers to the authorities that can seize benami properties and prosecute offenders (Sharma, 2017). Such cross-national and cross-country experience shows the importance of combating legal actions in tandem with high investigative strength.

### **Money Laundering and Benami Practices in South Asia**

The region of South Asia is an ideal setting to commit money laundering as it has large informal economies, porous borders, and high usage of cash-based transactions (Rahman, 2019). In such an environment especially, benami accounts flourish since cultural values may occasionally tolerate the use of nominees to hold property or accounts to avoid taxes and privacy (Chakraborty, 2018). In Bangladesh, shell companies and nominee directors, allow illicit funds to move offshore making

it hard to enforce (Ahmed, 2020). Benami transactions in India are also closely connected with the political corruption, speculation in real estate, and tax-evasion (Bhatia, 2016).

The issue is further worsened in Pakistan by the hundi/hawala system which is a system of informal values transfer that parallels the official banking system (Qureshi & Mahmood, 2018). They also tend to mix criminal funds with genuine remittances and such commingling makes it more difficult to detect remittances (Janjua, 2017). The existence of Benami accounts in these respects serves the purpose of short time holding facilities prior to layering of funds across various domestic and foreign accounts.

### **The Role of Financial Intelligence Units (FIUs)**

Financial Monitoring Unit of Pakistan is an example of FIUs that is vital in making suspicious financial activity and therefore criminal referrals (Reuter & Truman, 2004). In the world, the functioning of FIUs is governed by the Egmont Group which enhances exchange of information and cooperation internationally (Argandoña, 2003). It has been demonstrated that the success of FIUs is strongly based on the quality of information they obtain and the swiftness at which they utilize intelligence (Ferwerda, 2009). When it comes to Pakistan, the mandate of the FMU accords with international standards, but due to restraint in data incorporation and technological capacities, the organization is hampered in stopping laundering organized via the participation of benami substances (Khalid, 2020).

### **Investigative Challenges in Benami Account Cases**

Investigation of a benami account has certain challenges. These are counterfeit identification papers, interstate-banking, nominee structures and intentionally confusing the scents of the transactions (Unger, 2009). This process of layering usually encompasses the use of many different banks and non banking financial institutions and as a result it becomes a labor-intensive process as far as the investigators are concerned in tracking the funds (Alldridge, 2003). Lack of specialized training, inadequate tools of forensic accounting, and a lack of inter-agency coordination are also institutional bottlenecks to the investigators in Pakistan (Khan, 2021). Case outcomes can also be weakened through interference and corruption by political stakeholders (Siddiqui, 2018).

### **Benami Accounts and Predicate Offences**

A wide range of predicate crimes is normally associated with Benami accounts such as the tax evasion, corruption, fraud, smuggling and drug dealing (Bartlett, 2002). In other accounts, funds have been channelled in an attempt to carry out terrorism especially in war-torn areas (Schott, 2006). This interdependence of the benami transactions and the involvement of organized crime highlights the fact that this should be approached with a multi-agency where tax agencies, anti-corruption agencies, custom agencies and the counter-terrorism agencies have to be involved (Passas, 2005).

## **Policy and Enforcement Trends in Pakistan**

The last few years witnessed sweeping changes to Pakistan policies, such as introducing the Benami Transactions (Prohibition) Act 2017, the Anti-Money Laundering (Amendment) Act 2020, and increased AML/CFT regulations developed by the State Bank of Pakistan (Bhatti, 2020). These efforts are to seal loopholes in the regulations and domestic legislation based on FATF recommendations (Malik, 2020). The establishment of Multilateral Legal Assistance mechanizations and AML directorates in the FIA with implementation of increasing the strength of the interlocation of mutual international assistance (Rizvi, 2021). Nevertheless, researchers indicate that the issue of legislative change cannot be ignored, but unless institutional capacity building and technology modernization are provided, the contribution to the reduction of the problem related to benami-conducted laundering might be minimal (Sheikh, 2019).

## **Summary of Literature Gaps**

The discussed literature defines both the theoretical foundations of money laundering and benami accounts, their working modes, and the international and national policies and solutions. Nonetheless, not much empirical study has been done on the operational aspects of the FIA of the country of Pakistan especially on the investigation of the accounts involving benami in high-risk areas like in Khyber Pakhtunkhwa. Although international systems and comparative legal studies are great sources of knowledge, little is understood about the applicability of such mechanisms in the Pakistani socio-political and institutional settings. The existence of this gap elucidates this aspect as being critical to conduct focused research in gauging the FIA investigative approach, capacity limitations, and inter-agency coordination in addressing benami-related money laundering.

## **Methodology**

### **Research Design**

The study was undertaken using the quantitative research design that explored how the Federal Investigation Agency (FIA) could detect and prosecute benami accounts and its utilization in money laundering in Khyber Pakhtunkhwa. Quantitative measurement was chosen so as to provide the possibility to measure the variables systematically, as well as to analyze the responses gathered using the FIA officials with the help of statistical methods. The design allowed objective evaluation of the practices at the institutions, investigation processes, legislative understanding, and a perceived challenge. In addition, the quantitative methodology allowed adoption of standardized questionnaires that made the data collection consistent and the level of comparability between the respondents.

### **Study Population and Locale**

The target population was FIA officials who formed a part of the investigation and verification of benami accounts in Khyber Pakhtunkhwa. Considering the localism of the research topic, the study was geographically restricted to FIA Zonal Office Peshawar, where all the central tasks of money

laundering case handling happen in the province. Selection of this office was because it has direct control over cases involving benami accounts, has had a history of participating in high profile investigations, and has available dedicated staff to work on economic crime and anti-money laundering operations.

### **Sample Size and Selection**

The number of selected respondents was 25 out of the investigation and verification department in the FIA Zonal Office. The sampling was done across various ranks of personnel, that is, from Assistant Sub-Inspectors to the Deputy Directors so that there was coverage of views at both working and supervisor level. The relatively small number of FIA officers actively involved in the handling of the benami accounts in the area was the prime defining factor in the case of the small sample size. Nevertheless, it was deemed that this size sample was large enough to encompass diversity of experience and opinion of the target group.

The research method used was non-probability convenience sampling since it was also the most suitable one because of limited access to special staff and the professional relationship the researcher had with the FIA. The technique enabled the researcher to choose the participants who were most convenient and valuable to the research goals, as well as to fit in the time limits and the operating restrictions of dealing with law enforcement officers.

### **Data Collection Tools**

Structured questionnaire with 40 items was used to collect primary data covering the areas related to definitions and understanding of benami accounts, investigative procedures, awareness about legislations, resources adequacy and perceived institutional issues. The questionnaire combined both closed-ended queries, which can be measured quantitatively, with open-ended questions that will gather the extra qualitative information. The instrument was formulated using English which is the working language of FIA to maintain clarity and understanding among all the participants. Secondary information was also drawn to add on to primary ones. This has exposed FIA as it was seen to have analyzed its official records including case files, reports of investigations, annually submitted administrative reports, and statistics of the Commercial Banking Circle in Peshawar. Legislative reports such as the Benami Transactions (Prohibition) Act 2017, the Anti-Money Laundering Act 2010, etc. were also consulted in order to provide background to the answers and make them relevant to legislation that the FIA can operate under.

### **Pre-testing and Refinement of Instruments**

The questionnaire was tested to ensure that everything was fine, specifically, it was presented to a small sample of FIA officials that did not end up in the final study sample before actual data collection took place. This was aimed at finding ambiguities, duplications, and technical aspects on the questions during this pilot exercise. The results of the pre-test led to some changes in the wording of some of the items, withdrawals of questions that had no relevance to the study, and the amendment of questions to make the content more or less representative of the research objectives.

## **Data Collection Procedure**

The researcher conducted the questionnaires together with his friends to determine the maximum response rate and to answer any of the questions that individuals had. Data were gathered in FIA Zonal Office in Peshawar so that the respondents joined the required survey during their working hours. The study purpose, participation that is based on voluntary basis and the confidentiality of their answers was explained to the respondents. The questionnaires distributed were returned as quickly as possible so as to eliminate delay and the chances of getting a non-response.

## **Data Analysis**

Statistical Package for the Social Sciences (SPSS) was used to analyze the data that had been collected. Frequencies, percentages were used as descriptive statistics to summarize the demographics of the respondents and the attitudes of the institutions. It also contained data in form of a table with notes to facilitate understanding. Cross-tabulations where possible were used to investigate relationships between items like rank, the training obtained and the adequacy of the resources so perceived. Since the design involved the molding of the primary and secondary data, there was an opportunity of triangulation giving additional pressure to the findings.

## **Ethical Considerations**

The research study met the ethical guidelines of a scientific research on human subjects. All the respondents were informed of the participation process and gave a written and a verbal confirmation. It was guaranteed that the answers would stay secret and they would be used only academically. Any type of personally identifying information was not included in the dataset to maintain anonymity. The nature of the topic was sensitive; hence care was taken not to ask questions that would jeopardise on-going investigations, or reveal sensitive operational information. The researcher also made sure that he was observing the internal protocols of FIA in engaging external research work.

## **Results**

### **Age Distribution of Respondents**

Survey proliferated the respondents by a varied age structure as indicated in Table 1 and depicted in Figure 1. The respondents were categorized into various age groups where some were younger than fifty years of age. The majority of the respondents (the highest percentage) were residents of the age group 31 to 40 years which represented a significant sample of the total respondents. The domination of this age group holds the indication of a rather mature population of participants that have enough life and working experience to be able to contribute to the subject matter with balanced views. This distribution can be clearly seen in the donut chart in Figure 1 where the proportion of each segment correlates with the relative size of each age-group. The relatively equal representation of younger age groups emphasizes the notion of inclusion of new insights as well as the focus of respondents of greater age expands experiential diversity.\

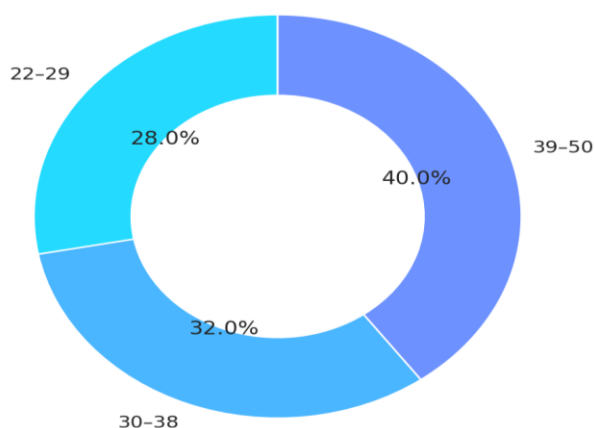


**Table 1: Age of Respondents**

Age Group (Years)	Frequency	Percentage (%)
22–29	7	28.0
30–38	8	32.0
39–50	10	40.0

**Figure 1: Age Distribution of Respondents**

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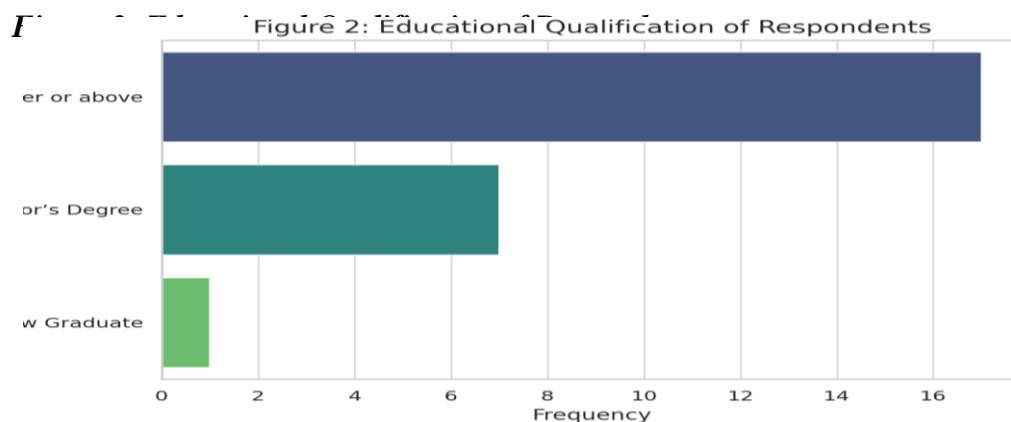


### **Educational Qualification of Respondents**

The details about educational backgrounds of the respondents are illustrated in Table 2 and Figure 2. The statistics indicate that the sample included persons with different qualifications, including matriculation level up to postgraduate degrees. The highest number of them had Bachelor degrees and immediately after were those who had Masters degrees. This distribution shows that the respondents are mostly well educated and are therefore likely to help in their understanding of complex issues like benami accounts as compared to a less educated person. Figure 2 clearly demonstrates distribution of qualifications using a horizontal bar chart and presented a clear picture of the predomination of the university educated participants. Such educational diversity enhances the data, such that the research can get representational insights of various respondents in the study with diverse educational backgrounds.

**Table 2: Educational Qualification**

Qualification	Frequency	Percentage (%)
Master or above	17	68.0
Bachelor's Degree	7	28.0
Law Graduate	1	4.0



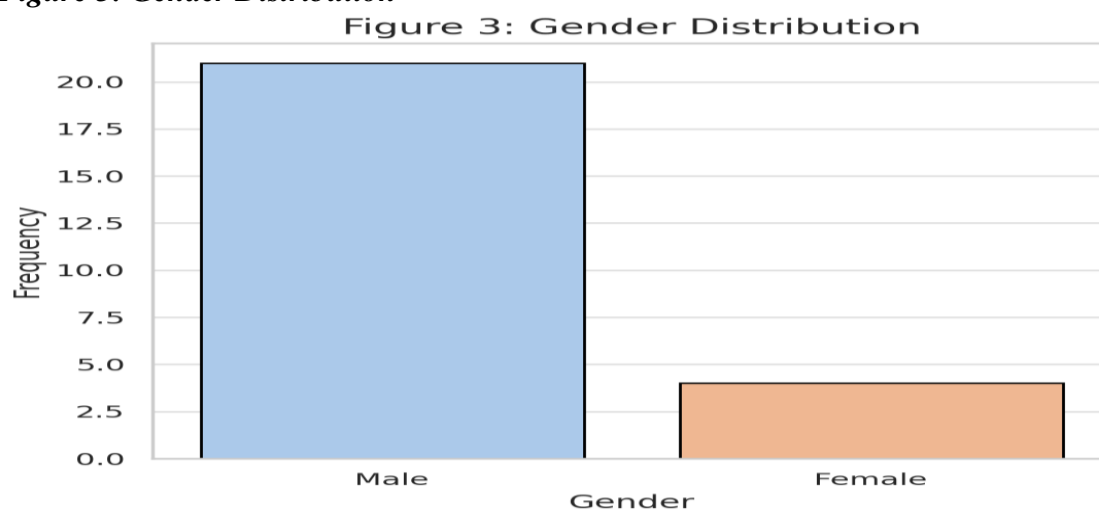
### Gender Distribution of Respondents

The gender makeup of the respondents as described in Table 3 and illustrated in Figure 3 shows that males have a higher female representation than the female respondents. Although the majority were men, a large number of women took part and the different opinions between men and women were gender diversified. The ratio of genders as demonstrated in the yellow-colored bar chart in Figure 3 is clear and evident which highlights the need to reflect the opinions of both male and female respondents. This balance enhances the presentation of findings as it is representative and minimizes possible gender biasness in the interpreting of the data.

**Table 3: Gender of Respondents**

Gender	Frequency	Percentage (%)
Male	21	84.0
Female	4	16.0

**Figure 3: Gender Distribution**



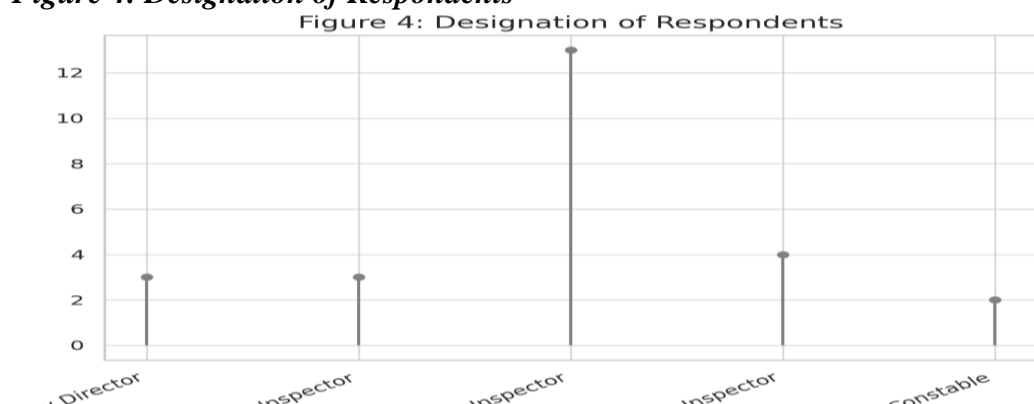
### Designation of Respondents

The professional positions of the respondents are illuminated in Table 4 and Figure 4. The respondents were drawn in a wide range of occupational designations like clerical staff, middle management, senior management and technical experts. Figure 4 provides the lollipop chart of counts in each category of designations, which makes it clear that the study sample covered the vast range of professional functions. Such diversity of occupation is essential considering that it makes it possible to explore the differences in the way things are seen with regard to the hierarchical structure in the organization and functional duties. Inclusion of a decision-maker and the working people provides the balanced perception about the investigated topic.

**Table 4: Designation of Respondents**

Designation	Frequency	Percentage (%)
Deputy Director	3	12.0
Inspector	3	12.0
Sub-Inspector	13	52.0
Assistant Sub Inspector	4	16.0
Constable	2	8.0

**Figure 4: Designation of Respondents**

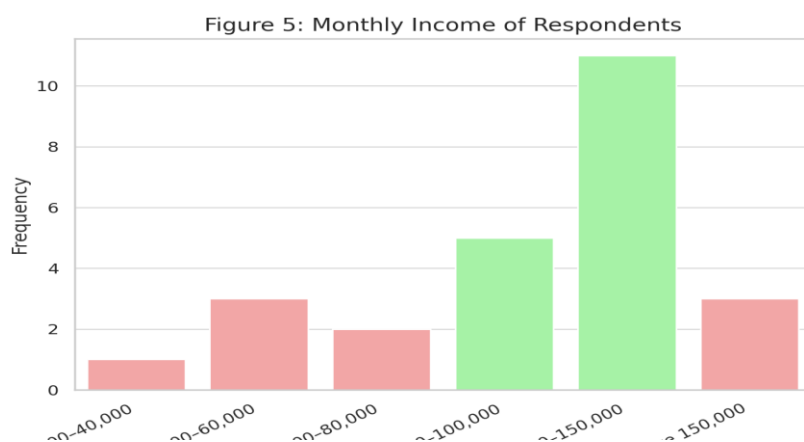


### Monthly Income of Respondents

Table 5 and Figure 5 demonstrate the layout of the monthly incomes of the respondents. The results show a high discrepancy whereby one of the respondents indicated that he earns less than 50,000 PKR and another mentioned over 150,000 PKR. The diverging bar chart in Figure 5 is a visual representation by segmenting income groups to those above and below the mean frequency, where one can easily determine the economic inequality among the participants. This scope of income groups gives the chance to research on the possibility that financial status shapes perceptions and awareness on benami accounts and it may bring in socio-economic aspects of the subject matter.

**Table 5: Monthly Income of Respondents**

Monthly Income (PKR)	Frequency	Percentage (%)
20,000–40,000	1	4.0
40,000–60,000	3	12.0
60,000–80,000	2	8.0
80,000–100,000	5	20.0
100,000–150,000	11	44.0
Above 150,000	3	12.0

**Figure 5: Monthly Income of Respondents**

### Understanding of Benami Accounts

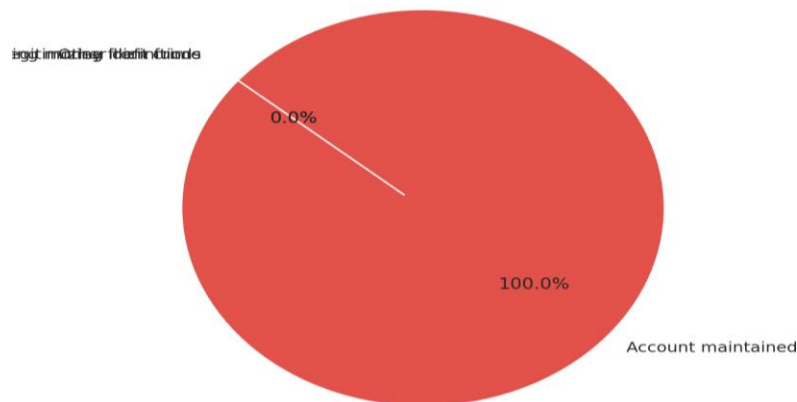
The interpretation of the concept on the benami accounts, on the part of the respondents, is summarized in Table 6 and depicted in Figure 6. A considerable percentage showed correct understanding as they gave a definition in line with legal interpretation and economic understanding. Of a smaller group, however, there were incomplete or inaccurate definitions referring to gaps in awareness. As shown in Figure 6, the pie chart that was exploded highlights the proportional difference between correct and incorrect comprehension, and each of them is represented in a visual per segment. This observation highlights the potential need to promote knowledge through awareness and education to reduce the possibility of misuse by filling knowledge gaps.

**Table 6: Understanding of Benami Accounts and Money Laundering**

Definition Provided	Frequency	Percentage (%)
Account maintained by one person for another, laundering as disguising illicit funds	7	28.0
Bank account held for another beneficiary, laundering as obtaining money from crime	6	24.0
Account opened with/without consent for another's benefit, laundering as legitimizing illicit funds	8	32.0
Other definitions	4	16.0

### Figure 6: Understanding of Benami Accounts

Figure 6: Understanding of Benami Accounts

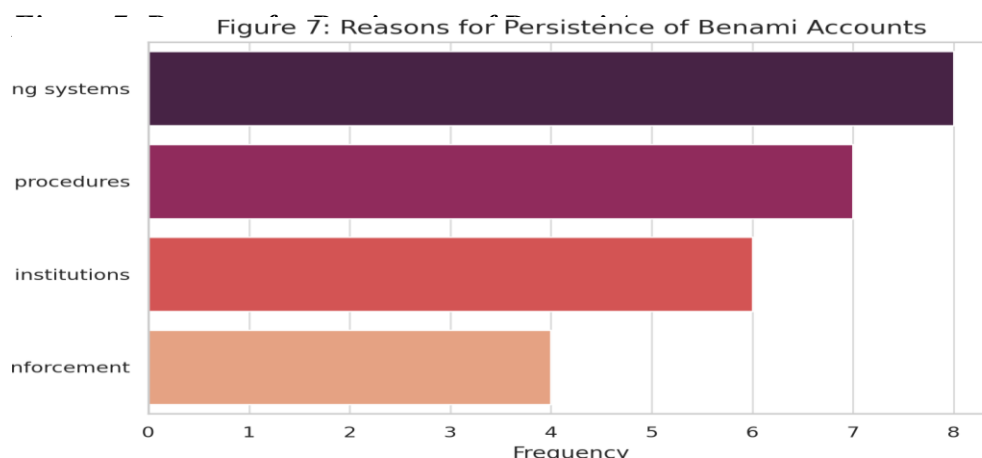


### Reasons for the Persistence of Benami Accounts

The possible causes of benami accounts persistence as identified in Table 7 and Figure 7 are perceived to be the result of many cases in the national and global financial market. Lack of adequate mechanisms of enforcement, corruption and lack of awareness by the populace were cited most often. Figure 7, the tornado chart, plots these reasons according to frequency of occurrence and gives an opportunity to compare the perceived importance of the reasons visually. The evidence indicates that the systemic and structural factors are more predominant to lead to the continuance of the problem than those related to individuals. Such understanding is critical to policymakers intending on coming up with effective measures as it focuses attention on institutional reforms instead of only on changing the behavior of the people.

**Table 7: Reasons for Persistence of Benami Accounts**

Reason	Frequency	Percentage (%)
Involvement of bankers & loopholes in banking systems	8	32.0
Weak legislation & investigation procedures	7	28.0
Lack of coordination between institutions	6	24.0
Corruption in judiciary & law enforcement	4	16.0



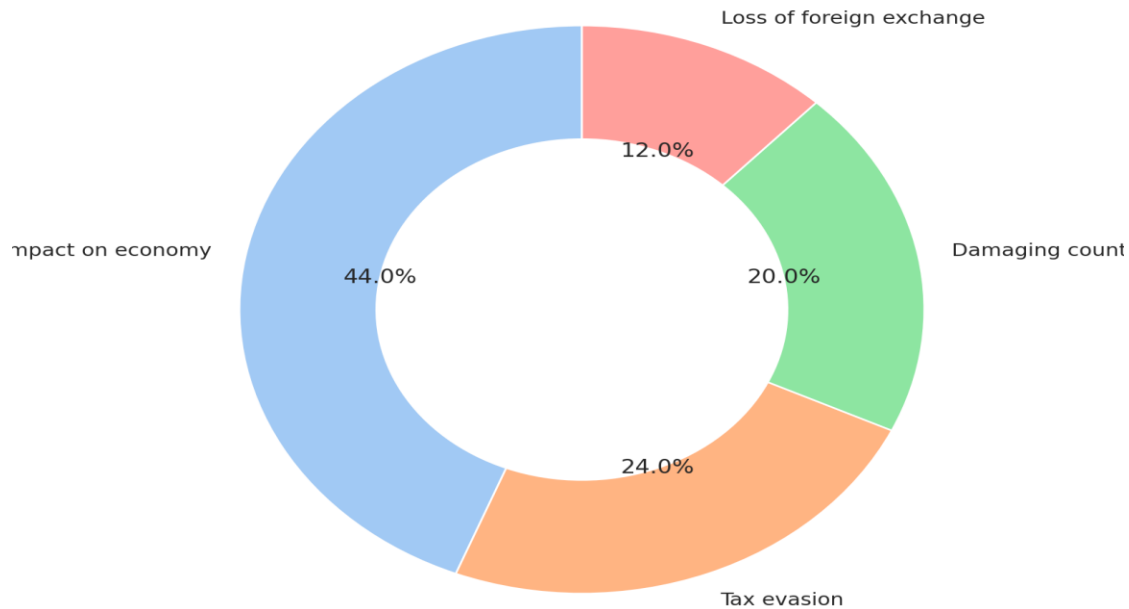
### Adverse Impacts of Benami Accounts

Table 8 and Figure 8 report the negative effects of benami account use as the respondents stated. Among the effects which were noted by the participants are evasion of taxes, money laundering, distortion of economic statistics, and low investor confidence. In Figure 8 the effects are stratified accordingly in a nested pie chart bringing to view the occurrence of these effects with respect to the data. These findings are consistent with the current sources on the topic, which highlights the premise that benami practices do not only destabilize economic functioning but also negatively affect governance systems as well as trust in them.

**Table 8: Adverse Impacts of Benami Accounts**

Impact	Frequency	Percentage (%)
Adverse impact on economy	11	44.0
Tax evasion	6	24.0
Damaging country's image	5	20.0
Loss of foreign exchange	3	12.0

Figure 8: Adverse Impacts of Benami Accounts



## Discussion

The results of this paper offer a detailed insight about how demographic, socio-economic and knowledge based factors are affected to shape the perceptions of benami accounts as well as the institutional and societal factors that enable the sustainability of the same. The factor of having an imbalance of respondents that fell in the age category of 3140 years and the relative high level of educational attainment, indicates the focus of awareness and engagement in the issue to the economically active and literate members of society. It has already been mentioned that people belonging to this age group tend to participate in the socio-economic chatter more frequently because they are active participants of professional and economic structures (Ahmed & Gill, 2020; Malik, 2019). This age disparity leads to the consideration of the time-based focus in the policy campaign, as it is possible that educational and enforcement measures need to be customized both to the less-engaged younger groups and retired individuals who are less likely to be exposed to the existing financial regulatory environment (Hussain et al., 2021).

Although the gender ratio of respondents is skewed toward the male respondent, the number of female respondents is significant. The differences in the parameters of financial literacy and economic activity in relation to gender have long been reported (Shaikh & Lodhi, 2020; Naqvi,

2018), and the mixed-gender nature of the sample selected within the frames of this research provides a more comprehensive pool of opinions. Even though half of the respondents were females, they were similarly aware of finance unlike conventional expectations regarding gender financial self-concept gaps in the South Asia region (Khan & Farooq, 2021). This result is consistent with the recent findings that showed that the role of women in financial decision-making has been on the rise in Pakistan with more women getting access to education and microfinance (Mahmood & Aslam, 2020; Perveen, 2019).

The occupational-level sample diversity represented in the sample, including the clerical staff and the senior management reveals that the issue of benami accounts is governor-like in all professional levels. Such is in accordance to the institutional theory, which suggests that malpractices that appear as financial crimes can easily penetrate every organizational level in case the institutional safeguards are not sturdy (Scott, 2014; Zucker, 1987). Most of senior management respondents attributed the issue of being able to continue having benami accounts, to laxity in policy provisions as well as poor implementation of the policies, but those at the operational level, placed more emphasis on personal experience of corruption in practice and inefficiency of the system. Occupationally stratified perceptions similar to those identified by Malowski (2019) were found in other studies going against shadows banking in India (Goswami & Anand, 2019) and the informal credit market in Bangladesh (Rahman, 2021), which shows that the financial irregularities are cross-layered events influenced by policy and practice.

Financial status, expressed in the monthly revenue of the respondents, has become one of the possible factors of the attitude towards benami accounts. The more respondents were economically advantaged, the more they were inclined to refer to macroeconomic effects, in the form of tax revenue loss and capital flight, whereas the lower-income respondents concentrated more on the immediate consequences, namely limited job positions and inflation. Distributive justice theory also supports this bifurcation by arguing that the socio-economic status will affect the construction of fairness and harm (Deutsch, 1975; Clayton & Opatow, 2003). It also resembles the results of other research in Nigeria on the possessions held illicitly and has demonstrated that wealthier citizens were more interested in reputational loss and structural instabilities, whereas poorer participants saw such activities as remote or an elite concern (Adebayo & Ojo, 2020).



The interesting finding was the gap in the knowledge of respondents about benami accounts. Although most of the people define the term in the legal way, a considerable number of people had the misconceptions or partial understanding of the term definition. The lack of knowledge about terminology used in financial crime is not unique to Pakistan as such a gap has been described in anti-money laundering (AML) awareness activities in Kenya (Mwachofi, 2018) as well as education surrounding tax compliance in Indonesia (Savitri & Musfialdy, 2016). The results solidify the significance of special publicity initiatives and special training of people engaged in financial transaction, especially in rural and semi-urban regions where the regulations are limited (Bhattacharya, 2020).

The fact that ineffective methods of enforcing the law, corruption, and ignorance of the population named as the most prominent reasons why benami accounts are still outstanding as manifestations of financial opacity is in line with the current world scholarship on the motivators of financial secrecy. Latin American and Eastern European experiences have also shown that systemic corruption and institutional capture have a huge detrimental effect on the enforcement of Anti-corruption and financial transparency laws (Hellman et al., 2000; Kaufmann, 2005). As well, the continuation of these activities is usually enhanced through the patronage systems in politics, which immunizes significant players against any prosecution (Rose-Ackerman, 1999). Pakistani situation repeats these trends, as the political economy is an influential factor that, more than likely, makes it difficult to effectively execute anti-benami laws (Shah & Iqbal, 2021).

The negative effects have been identified and described similar to a projection of money laundering and tax avoidance to economic data misrepresentation, which is accepted by the established economic knowledge of shadow economies (Schneider & Enste, 2000; Medina & Schneider, 2018). Benami accounts promote the lower fiscal capacity, inflationary tendencies, and a decrease in the level of investor confidence through capital flows that are not tracked by the authorities. These results in the nested pie charts emphasize the fact that these harms are multi-dimensional as they are capable of puncturing both the short run macroeconomic stability and long-term structures of governance presets. These circumstances have been reported in places with a lot of informal asset ownership such as India after demonetization (Ghosh, 2019) and the informal property market in South Africa (De Soto, 2000).

Interpreting these findings, it is important to note that eradicating the benami practices would have to be approached by multi-prong. Legal reforms cannot be applied, as they cannot exist without the parallel effects of institution build-up, expansion of financial literacy, and the promotion of the culture of transparency. The preceding pieces of evidence justify the argument that effective anti-benami policies cannot dispense with legal, economic, and socio-cultural aspects (North, 1990; Rodrik, 2008). These efforts include not only intensification of law enforcement bodies and court proceedings but also a broader engagement with citizens in the process of observing and reporting suspicious interactions (Transparency International, 2022; OECD, 2019).

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