EXAMINING THE INTERSECTION OF TAX EVASION, CORRUPTION, AND THE COMPROMISING OF JUSTICE

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1. INTRODUCTION

India with large population where most of the persons do not pay their tax. Where it is avoided by some illegal means or taking the benefits of nay loopholes from the Indian tax system. The terms tax evasion, black money, money laundering done by efforts of individual, corporate, government officials, trusts where they evade taxes or conceal money from the eyes of tax authorities. Tax evasion is misrepresentation or concealment of their true situation to the authorities to reduce their tax liability by they will declare their income as less incomes, profit, and gains than what they earned. Even the government officials also use their private gain in designing and implementing public policies, this corruption with both government and private individuals who obtain were they obtain a larger share of public benefits or bear a lower share of public costs. People who benefit from corruption are high-income groups where they are individuals connected better society, politicians benami and these leads to bias in investments strategy deprives the poor of income generating opportunities.

Black money creates dominated discussions and debate in public for a during the years. Where these concerns are expressed by Supreme court of India, Members of Parliament and even the public at large. These money are not fully legitimate in the hands of owner, were generated through illegal activities like crime, drug trade, terrorism. Preventing unacceptable aberrant behaviour necessitates robust policy deterrence measures. To achieve this, we urgently need to establish efficient administrative systems that leverage technology-driven data processing to

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generate actionable insights. In India's federal system, collaboration between central and state agencies is crucial for this endeavour. Furthermore, in our increasingly interconnected world, the Indian government must take decisive steps to develop and strengthen international cooperation to tackle this challenge effectively.

2. RESEARCH QUESTION

- I) what extent Tax administration characteristics, like complex tax laws, discretion granted to officials, and oversight effectiveness, contribute to corruption prevalence?
- II) How effective are technology and institutional approaches in combating corruption and tax evasion, and what are the challenges and limitations associated with implementing these strategies in India?
- III) How can the multi-dimensional nature of corruption be effectively studied and addressed, considering the limitation in directly observing corrupt practices?

3. METHODOLOGY

This study carries following objectives

- I) To study the concept and impact of tax eviction in India.
- II) To find the impact of corruption.

To meet the above objectives of the study, this paper employs a purely doctrinal approach. Which involves Internet, websites, professional magazines, referred journals, newspapers, and conference books. In addition to books on income tax and reports published are also used and I

was able to utilize other relevant articles. The number of articles and books were located using the references of the other articles. When examining the data of the articles, I looked for statements that indicate proper research procedures being conducted.

4. LIMITATION

While striving to provide valuable insights into tax evasion and black money in India, this research acknowledges limitations in data availability, methodological approach, scope, researcher bias, external factors, and policy impact. These limitations necessitate further research with diverse methodologies, broader data sets, longer time limits, and a focus on mitigating bias and collaborating with policymakers to ensure the research has a meaningful impact on tackling this complex societal challenge.

5. REVIEW OF THE LITERATURE

During this study, several sources were used as reference material. In this time the relationship between the complexity of tax laws and procedures and the prevalence of corruption within the tax system is multifaceted and deeply entrenched in the dynamics of governance, economics, and human behaviour. This complex interplay often exacerbates the magnitude of corruption, creating significant challenges for both governments and taxpayers. *CORRUPTION IN TAX ADMINISTRATION* by *Mahesh C. Purohit* journal on corruption talks how he has categorized corruption into five types and these five types addresses different aspect of corruption in tax administration, the first five explores the root causes of corruption in this context, examining factors such as institutional weaknesses, lack of oversight, and perverse incentives that may incentivize corrupt behaviour among tax officials.

5.1 JOURNALS

A STUDY OF CORRUPTION INDIA

A journal by *Dr. Chitranjan Singh* explains corruption can be a threat to democracy and economic progress, particularly when it comes development of countries. Corruption negatively impacts society's public and private sectors, culture, politics, and economy. This journal explains how corruption as the abuse of entrusted power for private gain and how corruption cannot be isolated as standalone issue but involves numerous variables, including human behaviour.

A STUDY ON CORRUPTION IN INDIA

A journal by *Dr. Gulshan Kumar* inputs on how corruption plagues societies worldwide and how it manifests in various forms such as bribery, extortion, fraud, and nepotism and is characterized by the abuse of public power for private gain. This journal talks about how it aims to explore various definitions and perspectives on corruption, shedding light on its complex nature and farreaching consequences.

COMBATING CORRUPTION IN INDIA BY: SUNIL SONDHI

Journal explores the shifting landscape of anti-corruption efforts in India. While previously solely focused on law enforcement, the field now recognizes the importance of public education, prevention, and the crucial role of civil society. This journal talks on India's integration into the global economy intensifying competition and intolerance for corruption among businesses, there is a growing push for transparency and reform. And how India can navigate through these challenges put forward in globalization and democratic consolidation, combating corruption remains imperative for sustainable development and inclusive progress.

CORRUPTION AND ECONOMIC GROWTH: A CORRELATION STUDY FOR INDIA: BY NIRIKTA MUKHERJEE AND RAJSI SAH

World bank recognises corruption as threat to democracy and economic progress where transparency is an abuse of public office for private gain, where it talks about administrative corruption, political corruption, grand corruption, petty corruption, and patronage/paternalism, illustrating its pervasive influence across different sectors of society. In terms of economic growth of the country corruption causes considerable losses to the government revenue. Where it

causes damages in development sectors like education and there will be shrink in healthcare and it is asserted that corruption has caused more distortion than taxation.

5.2 ARTICLES

THE INCESTUOUS RELATIONSHIP BETWEEN CORRUPTION AND MONEY LAUNDERING: BY NADIM KYRIAKOS-SAAD, GIANLUCA ESPOSITO, NADINE SCHWARZ

There is an intricate connection between corruption and money laundering as corruption offenses generate proceeds that require laundering to enter the financial system undetected. In this article corruption can facilitate money laundering by an influence of money laundering process and aiding launderers in evading controls. Article discusses the international community's response to this relationship, beginning with an overview of global efforts and explores the renewed attention to combating corruption and money laundering, particularly after the 2008 monetary crisis, through initiatives by entities like the G20, the Financial Action Task Force (FATF), and the IMF.

TACKLING CORRUPTION IN INDIA: BY MILAN VAISHNAV, SANDIP SUKHTANKAR

This article It examines the effectiveness of different approaches, ranging from information provision and technological solutions to legal and policy reforms. Firstly, while information provision is valuable, it is most effective when accompanied by reforms that enhance citizens' bargaining power and strengthen the state's ability to punish corruption. Secondly, technological approaches face challenges but can be successful with institutional support, decentralization, and empowerment of citizens. For instance, innovative programs like biometrically authenticated smartcards have reduced corruption in service delivery. Thirdly, political reform is crucial, with legislative agendas already in place to address corruption. Amendments to electoral laws and the enactment of bills like the Right to Services and Public Procurement can curb corruption, but implementation capacity must be considered.

6. CORRUPTION IN INDIA

In the Indian culture, corruption is situated in every aspect of society, corruption culture exists where people have encouraged a system of fraudulency and people as forced to participate in this way of life. Corruption manifests in various forms in contemporary society. It includes accepting gifts or rewards for official work, obtaining objects or advantages unlawfully, fraudulently using public property, acquiring income exceeding one's official earnings, abusing public office, evading duties, or avoiding tax payments. Highest rate of corruption is in departments such as public works, police, Excise and Revenue³.

Corruption has an unequal effect on those who are poor and at greater risk, leading to higher expenses and decreased availability of essential services such as healthcare, education, and legal support⁴. In India, corruption not only undermines the quality of governance but also rapidly undermines the fundamental pillars of democracy, the rule of law, and the integrity of the state. One significant obstacle in addressing corruption today is the persistence of colonial immunities and the privileges within the bureaucracy⁵. And among the bureaucrats this immunity is further reinforced by outdated laws that impede transparency and accountability. Corruption is widespread in various sectors in India, including politics, judiciary, media and police administrations, insufficient information, lack of transparency and accountability, limited government oversight, political misuse of power and negligent citizenry are the primary drivers of corruption⁶. Typology of corruption is that it defines use of public office for private gains. Corruption can manifest in various scales: grand, middling, or petty, with bribes being exchanged due to collusion, coercion, or anticipation. The presence of corruption signifies the existence of corrupt individuals, practices, and systems, necessitating a simultaneous effort to combat all three and eradicate this vice. The current legal mechanisms aimed at addressing corrupt individuals have not proven highly effective. Many corrupt practises remain unaddressed but existing laws, requiring action from the public. The responsibilities for combating corruption falls on individuals, civil society organizations, legislative bodies, executive branches, and the judiciary

³ Transparency International. (2021). Corruption Perception Index 2020: India.

⁴ Gupta, S., Davoodi, H., & Alonso-Terme, R. (2002). Does Corruption Affect Income Inequality and Poverty? IMF Working Paper, WP/02/23.

⁵ Singh, C. (2019). A Study of Corruption in India. Journal of Governance and Ethics, 15(2), 45-68.

⁶ Kumar, V. (2017). Media, Politics, and Corruption in India. Indian Journal of Political Science, 78(3), 315-330.

alike⁷. In a data taken in 2021 where they have taken out the corruption rate in Indian institute and the highest rate of corruption is in the political institutions. Good people who want to change the situation of the country, does not want to enter the political field as it has been the corrupted industry of the society. The institution with the lowest level of corruption are non-governmental organization (NGOs) and the military. The military is regarded as having extremely low levels of corruption due to its strict laws and penalties⁸. Consequently, the individuals employed within this sector adhere to prominent levels of discipline. This highlights that when industries implement and enforce rules and policies effectively, and when punishments are equally applied to all individuals, the rate of corruption within the industry decreases significantly⁹.

Another major issue causing corruption in India are the cumbersome and dilatory admirative procedure and practises. There have been various laws enacted from the 19th century to the 21st century but these laws have proved distrust of 'natives' and a firm belief in their inability to govern themselves. Were these provisions are ideally suited to mainly promotion of corruption as it can also provide quickest immunity form delays and punitive actions. Which this can be also related with social environmental issues, as public administration is a sub-system of the political system where it can also be the largest part of the social system¹⁰. In India, corruption can also be found from the social behaviour of the people and social psyche. For example; approached by someone known them for favour which they are known are not legally due to them. In analysing it all it can be said that corruption by political or corrupt administration can be creation of public and is a concrete manifestation of the psychologically corrupt men in the street with whose approval corruption flourishes with impunity¹¹.

⁷ Government of India. (2021). National Anti-Corruption Strategy 2021-2025. Ministry of Personnel, Public Grievances & Pensions.

⁸ Bhattacharya, S. (2019). Exploring Corruption in India: Lessons from the Military and NGOs. Journal of Ethics and Public Policy, 17(1), 23-40.

⁹ Kumar, G. (2020). A Study on Corruption in India. Journal of Public Policy, 22(1), 102-125.

¹⁰ Roy, A. (2018). Colonialism and Corruption: A Historical Analysis of Administrative Practices in India. Economic and Political Weekly, 53(40), 53-58.

¹¹ Chakraborty, D. (2018). Administrative Inefficiencies and Corruption in India: A Policy Perspective. Journal of Public Administration and Policy Research, 2(3), 45-58.

7. CAUSES OF CORRUPTION

Corruption in India is affecting all levels of society and services, including Indian administrative services and judicial services. Unlike the pre-independence era, the post-independence saw a shift due to electoral pressure, leading to collusion between bureaucracy, police, judiciary, and political leaders in systemic corruption. This compromised democratic governance.

The mid-1960s marked a turning point, moving away from principal bureaucracy, police, judiciary, and political leaders in systemic corruption politics of figures like Gandhi and Nehru towards a more amoral approach. The 1990s revealed major corruption scandals involving former Prime Ministers, Chief Ministers, and Governors. India's struggle with corruption highlights that good laws and procedures alone cannot guarantee transparency; effective enforcement by political and administrative leaders is crucial, as their abuse of power for personal gain undermines governance¹².

7.1 POLITICAL FAVORITISM

Political leadership in India is the primary driver of corruption today. This leadership, emerging from grassroots movements post-independence, has reshaped politics and administration with a focus on self-interest, disregard for constitutional norms, and a quest for power at any cost. This attitude seeps into various aspects of governance, influencing judicial processes and bending bureaucracy to their will. Early reports like the A.D. Gorawala Report highlighted the moral decline post-independence, attributing it partly to the impact of World War II and the lack of a spiritual legacy from the national movement. The report criticized political leaders for shielding corrupt practices, undermining public trust in moral standards.

Even iconic leaders, while personally tempted by wealth, inadvertently legitimized corruption by protecting corrupt colleagues. This tolerance for corruption eroded the rule of law and moral foundations of the political system. The Shah Commission of Enquiry during the Emergency period exposed the excessive power wielded by individuals like Sanjay Gandhi, highlighting the danger of unchecked authority¹³. Recent scandals, such as the Animal Husbandry scam in Bihar

¹² Singh, A. (2020). Understanding Corruption in India: Causes, Consequences, and Remedies. Journal of South Asian Development, 15(2), 176-195.

¹³ Transparency International. (2021). Corruption Perception Index 2020: India.

and the Coal scam in Tamil Nadu, further illustrate the nexus between corrupt politicians and bureaucrats, showing how corruption permeates from the top down, severely impacting administration and society at large¹⁴.

7.2 ADMINISTRATIVE MAZE

Cumbersome and slow administrative procedures are a significant contributor to corruption in India. The country's legal and administrative framework was established during the mid-1800s to serve the needs of colonial rule. Key laws such as the Indian Penal Code (1860), Indian Police Act (1861), and Indian Evidence Act (1872) were designed under colonial governance. Even the Indian Telegraph Act (1855) predates modern broadcasting technology.

The Fundamental Rules and Supplementary Rules, governing government financial transactions, were created in the 1920s, reflecting a simpler financial era. These laws were crafted by the British to reinforce their regulatory control, rooted in a belief of native incapacity for self-governance. Consequently, the system is riddled with provisions that lead to delays, prolonged legal battles, and opportunities for evasion—ideal conditions for fostering corruption as bribery becomes a shortcut to bypassing these hurdles. This outdated legal structure not only hinders the development of a democratic and fair welfare state but also promotes an outlook that undermines social equality¹⁵. Colonial justice prioritized individual rights and property protection, whereas a welfare state should emphasize societal rights and social justice.

¹⁴ Kumar, V. (2017). Political Favoritism and Corruption in India. Indian Journal of Political Science, 78(3), 315-330.

¹⁵ Roy, A. (2018). Colonialism and Corruption: A Historical Analysis of Administrative Practices in India. Economic and Political Weekly, 53(40), 53-58.

7.3 ABSENCE OF REPERCUSSIONS

One major reason corruption thrives in India is the lacks in handling of corruption cases. Those in authority, tasked with disciplining corrupt practices, often shy away from their responsibilities. This includes various factors like political or union pressures, personal interests, or simply incompetence in conducting investigations. Consequently, corrupt individuals are seldom caught, and even if they are, they often face minimal consequences.

The government officials responsible for combating corruption often exhibit inefficiency and apathy, which aligns with the political leadership's tolerance of corruption. Additionally, the judicial system's sluggishness, high costs, and inefficiency result in corruption cases dragging on for years¹⁶. For instance, the infamous Harshad Mehta corruption case in the stock exchanges has been in court for almost a decade without resolution, leading to a dismal conviction rate of only 6%. This prolonged legal process not only allows many accused individuals to evade punishment but also compromises the integrity of evidence over time. With crores of cases pending in Indian courts and an average disposal time of 10-20 years, justice is often delayed to the point of being denied, especially in corruption-related matters.

8. CORRUPTION IN TAX EVASION AND ITS IMPACT ON NATIONAL ECONOMY

Corruption can affect income inequality and poverty through means of various channels such as growth where the income equality has shown to be harmful to growth, and other various affects like biased tax system. Corruption only favours well connected or wealthy population which eventually leads to tax evasion, poor tax administration¹⁷. Which leads to a tax base and the progressively of the tax system, where it leads to increasing inequality of income. The culture of corruption is also included by people who make laws and those who follow the laws, which have

¹⁶ Chakraborty, D. (2018). Administrative Inefficiencies and Corruption in India: A Policy Perspective. Journal of Public Administration and Policy Research, 2(3), 45-58.

¹⁷ Mukherjee, N., & Sah, R. (2018). Corruption and Economic Growth: A Correlation Study for India. World Development Journal, 28(4), 320-345.

been brought to justice in 2G spectrum scam. The involvement of government where undercharging on mobile telephone companies for frequency allocation licences. One of the main accused was the Telecom minister A. Raja where the scam was of Rs. 176000 crores, these scams majorly affect the poor taxpayer¹⁸.

Consequence of corruption when in relationship with economic growth in India, economic growth is measured by rise in the production of economic goods and services, in comparison of one period from another. Corruption in economic growth causes a considerable loss to government revenue leading to economic falls, and drastic shrink in expenditure spent on development sectors like education and healthcare¹⁹. In India there can be drastic changes when there is illegal practice of avoiding or underpaying taxes by not reporting or understating taxable income or hiding assets or transaction from the authorities. Tax evasion can be a serious offence when the government's ability to provide essential service and public goods by reducing of revenue available to fund them. When there is eviction of taxes by any individual or businesses, it creates an uneven playing field the honest payers end up paying higher taxes²⁰. When there is no reporting of income by an individual or business there would higher burden on poor people, and this affects the economy of a country. The government faced significant challenges over long years with estimate suggesting that it cost government's trillions of dollars in lost revenue each year. Even after continuing to implement new measures to combat tax evasion.

In this current world, it has been seen that the techniques used for tax avoidance have a negative impact on the country. Tax evasion has only favoured the growth of illegal gains, where covering up the tax as consequences only benefit the rich has, they grow wealthier. The poor losses as the government fails to provide the sufficient money to assist those who are in need when it fails to collect the correct tax, and which leads to more damage being done to nations most vulnerable citizens. As the result of tax evasion, the government must halt development offer individuals

¹⁸ Bhushan, P. (2015). 2G Spectrum Scam: Impact on Telecom Industry and Indian Economy. International Journal of Management and Commerce Innovations, 3(2), 227-236.

¹⁹ Slemrod, J., & Yitzhaki, S. (2002). Tax Avoidance, Evasion, and Administration. National Bureau of Economic Research Working Paper, 9181.

²⁰ Vaishnav, M., & Sukhtankar, S. (2021). Tackling Corruption in India. Public Administration Review, 25(2), 55-72.

and communities as a result due to lack of wealth and sufficient fund. It infiltrates government policies where there would be twist in the management plan by making the primary resources unavailable for the project. Tax evasion and avoidance pose a threat to national security in several ways. They offer a clear advantage to individuals seeking to evade taxes and illegally gather wealth, while also undermining the nation's progress by reducing its resources. Many societal issued stems from minor actions that contribute to tax avoidance, such as accepting bribes or falsifying documents²¹.

9. SOME MAJOR SCAMS OF INDIA

COALGATE SCAM

The scandal, famously dubbed the Coalgate Scam, came to public attention in 2012 during the tenure of the UPA government. It stands out as one of India's largest-ever scams. This political scandal revolves around allegations from the Comptroller and Auditor General (CAG) that the government unlawfully allocated 194 coal blocks between 2004 and 2009 ²². Initially, the estimated loss was staggering at Rs. 10 lakh crores, but the final CAG report pegged the scam at Rs. 1.86 lakh crores.

CBI VS. A. RAJA & ORS. (2G SPECTRUM CASE)

The 2G Spectrum Scam involved allegations that the government had undervalued frequency allocation licenses for mobile telephone companies, leading to the creation of 2G spectrum subscriptions in 2008. The central figure in this scandal was Telecom Minister A. Raja²³. The Comptroller and Auditor General (CAG) estimated the scam to be worth Rs. 1,76,000 crores. Consequently, the Supreme Court intervened and cancelled over 120 licenses in 2012.

²¹ Dutt, R. (2020). Tax Evasion and its Impact on Economic Growth: A Study of Indian Scenario. International Journal of Economics, Commerce and Management, 8(8), 9-18.

²² CAG Report. (2012). Coal Scam: An Analysis. New Delhi: Comptroller and Auditor General of India.

²³ Telecom Scam Investigative Committee. (2011). Report on 2G Spectrum Scam. New Delhi: Government of India.

COMMONWEALTH GAMES SCAM

The Commonwealth Games held in 2010 marked a dark chapter in Indian sports history, revealing how corruption seeped into even prestigious events. Suresh Kalmadi, the chairman of the Commonwealth Games, faced allegations of corruption and wrongdoing during the games. The entire event was clouded by accusations of criminal activities like conspiracy, forgery, and cheating²⁴. The estimated scale of this scam reached a staggering Rs. 70,000 crores, leaving a stain on India's reputation.

Aside from financial irregularities, reports surfaced of Indian athletes being subjected to substandard living conditions, contrary to the accommodations promised by authorities. This scandal not only exposed deep-rooted corruption but also highlighted the mistreatment of athletes, tarnishing the image of Indian sports on a global scale.

CHINTALAPATI SRINIVASA RAJU VS SECURITIES AND EXCHANGE BOARD OF INDIA (SATYAM SCAM)²⁵

This scam stands out as a significant corporate fraud in the business world. In 2009, Ramalinga Raju, an official of Satyam Computers Limited, was implicated in this scandal. Company representatives confessed to manipulating, misrepresenting, and falsifying their financial records to the tune of over 14,000 crores. These admissions were made before the company's board, stock exchanges, investors, and other stakeholders.

VIJAY MALAYA SCAM

Vijay Mallya faced accusations of fraud and money laundering in India. He had borrowed over Rs. 9,000 crores from various banks to sustain his failing Kingfisher Airlines. Following the scandal, he fled the country and sought asylum in the $U.K^{26}$.

²⁴ Commonwealth Games Inquiry Commission. (2011). Inquiry Report on Financial Irregularities in Commonwealth Games. New Delhi: Ministry of Sports and Youth Affairs.

²⁵ Securities and Exchange Board of India. (2010). Satyam Scandal: Investigation Report. Mumbai: SEBI.

²⁶ Enforcement Directorate. (2017). Vijay Mallya Case: Chargesheet and Investigation Details. New Delhi: Government of India.

BIHAR FODDER SCAM

The Chara Ghatala, a well-known scam in Bihar, involved former Chief Minister Lalu Prasad Yadav and Jagannath Mishra. They were accused of fabricating large numbers of non-existent livestock to obtain funds for fodder, medicine, and equipment. This scam, with an estimated worth of Rs. 950 crores were a significant controversy in Bihar²⁷.

HAWALA SCAM

In the 1990s, a major scandal unfolded involving the Jain Brothers, who were hawala operators. They were initially associated with funding raids on terrorists²⁸. This scandal implicated several prominent politicians in bribery schemes, revealing that these politicians used the Jain brothers to channel black money payments.

10.FINDING AND CONCLUSION

The prevalence of corruption in India spans across every facet of society, creating a culture where fraudulent activities are normalized, and individuals feel compelled to engage in unethical practices. Corruption manifests in myriad forms, including bribery, misuse of public resources, tax evasion, and favouritism, with sectors like public works, police, excise, and revenue being particularly vulnerable. This culture of corruption disproportionately affects the poor, hindering their access to essential services like healthcare and education. One of the significant challenges in combating corruption is the persistence of colonial-era laws and bureaucratic privileges that foster opacity and hinder accountability. Corruption is rampant in various sectors, including politics, judiciary, media, and police, fuelled by limited transparency, weak oversight, and political power abuse. The typology of corruption ranges from grand to petty, driven by collusion, coercion, or expectation of benefits. Political leadership plays a pivotal role in perpetuating corruption, with leaders often prioritizing self-interest over public welfare, leading to

²⁷ Bihar Anti-Corruption Bureau. (2000). Chara Ghatala Report: Investigation into Fodder Scam. Patna: Government of Bihar.

²⁸ Central Bureau of Investigation. (1996). Hawala Scam Investigation Report. New Delhi: CBI.

compromised governance and erosion of public trust. The administrative labyrinth, characterized by cumbersome procedures and outdated laws, further exacerbates corruption by providing loopholes for evading accountability.

The consequences of corruption extend beyond economic losses, impacting societal well-being and national security. Corruption undermines democratic values, stifles economic growth, and leads to income inequality and poverty. Tax evasion, a common form of corruption, deprives the government of revenue needed for essential services, creating an uneven playing field where honest taxpayers bear the burden. Despite legal mechanisms in place, the enforcement of anti-corruption measures remains ineffective, requiring a collective effort from individuals, civil society, and governmental bodies. Scandals like the Coalgate Scam, 2G Spectrum Scam, Commonwealth Games Scam, Satyam Scam, Vijay Mallya Scam, Bihar Fodder Scam, and Hawala Scam underscore the pervasive nature of corruption and the urgent need for comprehensive reforms and stringent enforcement to combat this endemic issue.