

Cobbler scam essay



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CASE STUDY ON THE COBBLER SCAM INDEX Serial Number. TopicPage

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INTRODUCTION The Cobbler Scam is one of the biggest multi million dollars scam in Indian History, is nicknamed The Great Cobbler Scam. What really happened in this Great Cobbler Scam was that various businessman & politicians had siphoned around \$600 million US dollars from a scheme that was floated by the Government of India meant to benefit the poor cobblers of Mumbai.

Instead, it went into the pockets of the elites who used this money to built luxury homes for themselves and also brought luxury cars, boats, arts, etc. The money of the scheme was meant to provide low interest loans and tax concessions to the Mumbai's poorest - cobblers who work 16-hours a day for less than \$2. Not a single penny reached these cobblers. The modus operandi of the mastermind was to float a cooperative society of cobblers to avail of soft government loans through various schemes.

Several bogus societies of cobblers were formed only for the purpose of availing these soft government loans. The main heads Daya of Dawood Shoes, Rafique Tejani of Metro Shoes and Kishore Signapurkar of Milano Shoes created fictitious cooperative societies for cobblers. On behalf of these non existing cooperative societies they availed loans of crores of rupees from different banks. The accused created a fictitious cooperative society of cobblers to take advantage of government loans through various schemes.

The banks involved in giving loans were also charge sheeted. The primary accused in the multi-crore shoe scam is Sohini Daya, son of former Sheriff of Mumbai. The people involved in this racket were Saddrudin Daya, former sheriff of Mumbai and owner of Dawood Shoes, Rafique Tejani, owner of Metro Shoes, Kishore Signapurkar, proprietor of Milano Shoes, and Abu Asim Azmi, president of Samajwadi Party's Mumbai unit and partner in Citywalk Shoes. Beside them various officials of banks and financial institutions were also involved in this multi million dollars scam.

The Banks whose officials were involved in this scam are: Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait. This scam cost the Government of India around \$600 million US dollars. This was one of the worst scam in India that cheated the poorest people of the society and benefited a lot of rich and elite people. This is one of the reasons why poverty in India is difficult to eliminate. The scam was exposed in 1995.

HOW THE SCAM UNEARTHED: The following is an article by the Express News Service on how the Cobbler Scam was exposed: VIGILANT AGENCIES EXPOSED SHOE SCAM Express News Service MUMBAI, June 1: The unearthing of the Rs 1600-crore cobbler's scam that closed in on bigwigs of the shoe industry was expected, caused as it was by three agencies working towards its exposure. Officials of the Brihanmumbai Municipal Corporation's octroi department had lodged complaints about raw materials being brought into the city on a large scale.

These materials had octroi concessions as they were brought in lieu of the cooperative societies. On the basis of the complaints, the police carried out its own investigations, and a diligent officer in the office of the Registrar of Cooperative Societies decided to do a complete survey of registered societies in Mumbai. Immediately after taking charge in 1995, Sudhir Thakre, the joint registrar of the Cooperative Society for Mumbai division, ordered a survey of the registered societies. "Our officers, especially auditors of each of these societies complained that most of these societies did not exist at the registered addresses furnished to this office," Thakre said in an exclusive interview to Express Newslite, narrating the process of investigation into the big business' way to success through fictitious cobbler societies. Thakre decided to survey all the societies that had been formed. "Normally, since most of the cobblers were poor and illiterate, we did not like to harass them with too much inspection. This leniency on the registrar's part was misused by the businessmen," he admitted. The BMC, meanwhile, complained to the police about huge consignments of raw materials (used for the purpose of shoe-making) being brought into Mumbai. Worth around two crores, these materials obtained octroi concessions. The police started making their own investigations, and both the agencies got suspicious when "all the cobblers' societies were found missing." A clearer picture emerged by January 1996 when flying squads with the registrar were given specific orders to follow a society to its very last.

A report on prima facie evidence was made for the police by March 1996. "My boys worked for five months, sometimes without the societies themselves realising it, and by August 1996, we got the complete picture,"

he said. DCP Sanjay Pandey, who had taken over the Economic Offences Wing then approached him asking for details, since he too was working on the case. “ By September 9, a report of 80 to 90 pages was ready for the police. “ Till then, we had completed 19 raids and 51 societies were being investigated. ” The rest, as they say, is history. Copyright © 1997 Indian Express Newspapers (Bombay) Ltd.

PEOPLE AFFECTED BY THE SCAM •The poor Cobblers of Mumbai are the one who are majorly affected by the Scam as they were not benefited by a single rupee of the Scheme which was meant only for them. •Government of India was also affected by the Scam as the scam cost the Government around 1200 crores Indian rupees. •The Banks whose officials were involved in the scam like Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait, spoiled their reputation. Politicians, bureaucrats and top shoe manufacturers in Maharashtra were also affected as the Shoes manufacturers have to shut their shoe outlets and their business was lost.

LEGAL DETAILS OF THE SCAM: EOW, UNIT-III 1. POLICE STATION/UNIT : E. O. W. UNIT-III 2. C. R. NO. : 95/1996 3. SECTIONS : 120(B) r/w 465, 467, 468, 471, 419, 420, 403 IPC 4. DATE OF OFFENCE : FIR registered on 29/10/2005 5. COMPLAINANT : State of Maharashtra (on the basis of report from Divisional Joint registrar co-op. Society, Mumbai) 6. NAME OF I. O. : P. I. D. P. Zende 7. ACCUSED ARRESTED : 1) Sadruddin Daya of Dawood Shoe Pvt.

Ltd. 2) Rafique Malik of Metro Shoes Pvt. Ltd. 3) Rafiq Tejani M. D. Metro Shoes Pvt. Ltd. 4) Kishore Signapurkar of Milano Shoes Pvt. Ltd. and others.

8. BRIEF FACTS OF THE CASE on 10/09/1996 Economic Offences Wing, CB, C.

I. D, Mumbai had registered an offence vide CR. No. 95/96, U/s. 120(b) r/w 465, 467, 468, 471, 419, 420, 403 IPC on the basis of report from Divisional Joint Registrar, Co-Operative Societies, Mumbai Division, NaviMumbai, against : 1) Sadruddin Daya of Dawood Shoes Pvt. Ltd. 2) Rafique Malik of Metro Shoes Pvt. Ltd. 3) Rafiq Tejani M. D. Metro Shoes Pvt. Ltd. 4) Kishore Signapurkar of Milano Shoes Pvt. Ltd. and others. 9. COURT RESULT : On completion of the investigation in the said case total 25 charge sheets had been submitted in 6 groups against 83 accused persons. POLITICIANS IMPLICATED IN THE SCAM The boot may well be on the other foot now. While it was former sheriff Sadruddin Daya of Dawood shoes, Rafique Tejani of Metro Shoes and Kishore Signapurkar of Milano Shoes who were held as the prime accused in the Rs 1, 000-crore cobbler scam, fresh investigations have revealed the full-fledged compliance of Maharashtra politicians in the fraud.

Leaders from all three prominent parties the Congress, the BJP and the Shiv Sena appear to have been involved in the diabolical siphoning of public funds under the garb of setting up cooperative societies for poor cobblers.

Meanwhile, allegations are flying thick and fast. Among the political links being investigated is that of former Maharashtra chief minister, Sharad Pawar. Though there is no direct evidence implicating the Congress leader, investigations have revealed Tejani to be a director of the Rs500-crore Dynamix Dairy Products Pvt Ltd in which Pawar is believed to have a stake through the holdings of family members.

According to sources, the sole milk supplier to Dynamix, the Baramati Milk Cooperative, is controlled by Pawar. Sources hint that a good amount of the money from the shoe scam may have been diverted to Dynamix.

However, the Pawar link still remains tenuous. What is not tenuous, however, is that it was during Pawar's regime that Congressmen had a field day. It was at this time that Sushil Kumar Shinde, chief of the Maharashtra Pradesh Congress Committee (MPCC), floated the Chakrayu society which flouted every rule in the book.

It dealt in machine-made goods against the mandatory rule of handcrafted leatherwear. So while the project report guaranteed employment to 2, 000 cobblers, only about 50 were actually employed. Further, the rules say that 10 per cent of the total funds should be contributed by members of the society; 60 per cent should come from financial institutions and the state government should loan the remaining 30 per cent. However, according to the Accountant General's report, member contribution to the Rs 133-lakh Chakrayu project was just Rs 4. 75 lakh. Of this, Rs 4. 5 lakh was contributed by 200 members who were shown as " people of repute". Investigations reveal that they included Kripashankar, vice-president, MPCC and Ramdas Phutane, a Congress MLC, among others. With the cobblers being too poor to contribute even the token Rs 100 to join cooperatives, it is usually the Mahatma Phule Vikas Mahamandal which pays their membership fee. However, in the case of Chakrayu, the Mahamandal refused to give the funds. In 1992, Shinde, then state finance minister, got the government to sanction Rs 44. 5 lakh for the society in three instalments.

In a further flouting of rules, Shinde got the Maharashtra State Finance Corporation to sanction Rs 60 lakh. Once Chakrayu was formed, the cobblers' interests were given a back seat, say sources. Normally, every member of a cooperative society has equal voting rights, but Chakrayu

modified the rule only members with a contribution of Rs 1, 000 or more were entitled to vote. This virtually alienated the cobbler members of the society. The Congress involvement has given enough ammunition to the BJP and the Shiv Sena against the previous regime, although both parties cannot deny the involvement of some of their own members.

For the moment, however, it is Pawar and his party men who are being accused of turning a blind eye to the looting of public money. Points out Kirit Somaiya, MLA and Mumbai city president of the BJP: “ The previous government cannot be absolved of the responsibility of letting such activity flourish for over 10 years. ” Nor does that absolve the Shiv Sena-BJP government. The present deputy chief minister, Gopinath Munde, who held the finance portfolio for about three months and presented the '96-'97 budget, is also under the cloud of suspicion. Mrs.

Maharuk Keravala, a friend of Tejani's wife and a prime suspect in the scam, has alleged that she, along with BJP MLA Sadashiv Lokhande and others, approached Munde to help them out. Munde obliged by raising the sales tax exemption limit to Rs 50 lakh and doing away with the need for societies to get a certification from the Khadi Village Industries Commission (KVIC). The KVIC had laid down in 1987 that only societies located in villages were entitled to benefits from it. By doing away with the need for certification, Munde made it possible for cooperatives located in Mumbai to enjoy the benefits of KVIC subsidies.

As investigations continue, lesser known politicians are also being pulled into the net. Money to prime accused Sadruddin Daya was sanctioned by the

chairman of Saraswat Cooperative Bank, Suresh Prabhu, who is now a Shiv Sena MP. Bomb blast accused Abu Azmi of the Samajwadi Party has also been found to have links with the scam-sters. The Economic Offence Wing has identified Shiv Sena legislator Baburao Mane among those who may have been aware of the scam. The BJP claims it is looking into the involvement of its members. The Sena has not been as categoric.

But with the interrogation of the accused revealing names of leading lights in the political firmament, the cobbler scam is likely to have a fallout whose repercussions will be felt by all parties, be it the Congress, the BJP or the Shiv Sena. WHAT TREATMENT WAS GIVEN AT THE END OF THE SCAM?

- Based on the complaints of BMC, the police started investigations. The banks whose officials were involved in this scam are : Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait were charge sheeted. Officials of Bank of Baroda, Saraswati Co-operative Bank and the Bombay Mercantile Co-operative Bank are also facing charges for fraudulent manipulation of government funds.
- After the inquiry, Dawood, Metro, Milano, Citywalk and a host of other shoe shops were sealed. They opened only after a long battle.
- At present, the shoe scam is in queue of cases waiting to be taken up by the court of the 19th additional chief metropolitan magistrate. All the accused are out on bail.
- Files on the multiple cases of the shoe scam are gathering dust on court shelves. The case is still waiting for a trial .
- The Economic Offences Wing (EOW) of Mumbai police filed seven charge-sheets against 28 accused in the Rs 1, 600-crore cobbler scam at the 37th metropolitan court.
- Apart from

Sadrudin Daya, the prime accused in the scam and former sheriff of Mumbai, his wife Shauheen, two international banks and five co-operative banks have also been charge sheeted under various sections of the Indian Penal Code (IPC). The charge-sheets were filed before the additional chief metropolitan magistrate, Sharad N Chimade.

Surprisingly, Rafique Tejani of Metro Shoes, Kishore Signapurkar of Milano Shoes and Abu Asim Azmi of Citywalk Shoes have not been charge-sheeted. EOW officials said the role of the three companies in the scam was still being investigated. •Others who have been charge-sheeted are: Anwar Merchant, Salim Merchant, Abdul Memon, Bashir Inamdar, M Z Kerawala, V V Chandy, Arshad Wahedna, B. B Trivedi, R Krishnan, D K Sabawala, S Yogeshwaran and R V Bhatt, M GRamakrishnan, V P Khurana, S N Gokhale, T A Khan, Manohar Surve, Siddique, P K Sukhtankar, D J Raikar, N J Ghotage, D NKamath, P P Deshmukh, V N Dalal, J P Shah and SiddharthShirali. Special public prosecutor P R Namjoshi told the court that the EOW is preparing 26 sets of the charge-sheets to be given to the accused. He requested the magistrate to grant prosecution six weeks' time to furnish the same. His request was granted. •The sections of IPC included in the charge-sheets cover criminal conspiracy, forgery, preparing and using duplicated documents for financial benefits, criminal breach of trust, cheating, jumping bail limits, fraudulently setting up fake co-operative societies and making money. MEDIA

PROJECTION OF THE COBBLER SCAM The Indian Express Sunday, May 02, 2004 The shoe that pinched

The cobbler scam involved 40 politicians, bureaucrats and well-known shoe manufacturers in Mumbai. A decade on, it's still waiting for a trial Haima

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Deshpande MUMBAI: IT was a case that made front page headlines in 1995, managed to stay there for almost two years — before disappearing. The cobbler scam involved politicians, bureaucrats and top shoe manufacturers in Maharashtra. Perhaps the silence around the scam today has something to do with the fact that close associates of Maharashtra chief minister Sushilkumar Shinde were also involved in the scandal. One of them is now personal assistant to Shinde.

Files on the multiple cases of the shoe scam, sources say, are gathering dust on court shelves. Ask Majid Memon, one of the defence lawyers for main accused Sadruddin Hasan Daya (former city sheriff and socialite) and Abu Asim Azmi (now a Rajya Sabha MP and Samajwadi Party leader), and he agrees. “ Yes, the files are gathering dust. We do not know when the process of recording of evidence in the case will commence although crores are involved in the scam. ” At present, the shoe scam is in a queue of cases waiting to be taken up by the court of the 19th additional chief metropolitan magistrate.

All the accused are out on bail. It wasn't always this unsung. Detected in 1995, this Rs 1, 600 crore case involved over 40 persons and was investigated for almost two years. Among those implicated were Sadruddin Daya (Dawood Shoes), Azmi (Citywalk Shoes), Rafiq Tejani (Metro Shoes) and Kishore Singapurkar (Milano Shoes), bureaucrats and officials of Bank of Baroda, Saraswati Bank and the Bombay Mercantile Co-operative Bank. For years the shoe companies had managed to take advantage of a government scheme meant to benefit poor cobblers.

In order to apply for loans to banks and for tax concessions, the cobblers had to form co-operatives. This is where the shoe companies moved in. They floated co-operatives that had fictitious members, applied for loans and got the concessions meant only for the cobblers. Under the central government scheme, the leather co-operatives or societies got a 100 per cent income tax exemption, sales tax exemption up to Rs 50 lakh, reduction in octroi and other facilities within the purview of the government subsidiary schemes.

It was much later that the Brihanmumbai Municipal Corporation's octroi department noticed that the sheer volume of raw material that was coming to Mumbai with octroi concession was just too large. There simply weren't that many cobblers in the city. Based on their complaints, the police started investigations. After taking charge as the joint registrar of Co-operative Societies for Mumbai division in 1995, Sudhir Thakre ordered a survey of the leather co-operative societies and found that most of these didn't exist at their registered offices.

CASE FILE Shoemiths • Detected in 1995, the shoe scam involved Rs 1, 600 crore and was investigated for two years • For years, big shoe companies had floated bogus co-operatives and taken benefit of government schemes meant only for cobblers • The accused include former Mumbai sheriff and socialite Sadruddin Daya (Dawood Shoes), Samajwadi Party leader and Rajya Sabha MP Abu Asim Azmi (Citywalk Shoes), Rafiq Tejani (Metro Shoes) and Kishore Singapurkar (Milano Shoes) • The case is still waiting for a trial.

According to the chargesheet filed by the Mumbai Police (CB/CID/CR Number 95/96), about 14 leather co-operative societies which were floated under a

scheme of the Central Government for the upliftment of the weaker section (cobblers) by providing them loans at lower interest rates, were misused to extract crores from nationalised and co-operative banks and the Maharashtra State Finance Corporation in the names of bogus/non-existent members by the accused. Investigations revealed that bogus records and documents were prepared. The signatures of government officers in the co-operative department and sales department were found to be forged.

The chargesheet further says: “ It is also revealed that the leather societies were initially registered with 10 to 15 members (cobblers) with authentic documentation. Later the chief promoter and promoters of the societies would get interested parties to admit 1000 to 5000 bogus members. Through the society these ‘ members’ would apply to banks for loans to purchase leather and equipment. ” Officials of Bank of Baroda, Saraswati Co-operative Bank and the Bombay Mercantile Co-operative Bank are also facing charges for fraudulent manipulation of government funds.

After the inquiry, Dawood, Metro, Milano, Citywalk and a host of other shoe shops were sealed. They opened only after a long battle. Today, fighting multiple cases with various government departments Daya has shut down Dawood Shoes. The others shoe shops are doing brisk business. Business Standard Daya Among 28 Chargesheeted: Cobbler Scam The Mumbai police filed its first phase of chargesheets against 28 accused in the additional metropolitan magistrate S N Chimade yesterday.

Those charge-sheeted include former Mumbai sheriff and Dawood Shoes owner Sadruddin Daya, his son Shahuheen Daya and V N Dalal of Dena Bank.

The Mumbai police also arrested 12 more accused for their involvement in the scam yesterday. The arrested include T A Kha, Manohar Surve and Siddiqui of BMC, B B Trivedi and D Sabhawala of Bank of Oman, M G Ramakrishnan of Bank of Bahrian and Kuwait, P K Suktankar, D G Raikar, D N Kamat and P P Deskumkh of Saraswat Co-Operative Bank, J P Shah of Bank of Baroda and Siddarth Sherali of Shamrao Vithal Co-operative Bank.

They were later released by the court on a bail of Rs 500. The police have included these twelve people also in their chargesheet. The case registered by the police on September 10 alleged that most of the shoe shops have been duping the state government by forming societies with their own people heading them and availing of various facilities granted by the government to these societies. The government had allowed individual cobblers to form co-operative societies which would supply raw materials and provide assistance to compete with the organised sector.

These societies were exempted from paying sales tax and octroi, and also entitled to bank loans at the rate of 12% against the market rate of 18%. The police had alleged that the money availed from bank were diverted by the shoe shops for their personal gains. The First Information Report had mentioned, among others, Metro Shoes owner Rafique Tejani, Sadruddin Daya of Dawood Shoes, Maruqh Kherawala, chairman of some of the co-operative societies formed by the cobblers and Kishore Signapurkar of Milano Shoes to be involved in the scam.

The police, in the chargesheet, has also mentioned the name of Shahuheen Daya as wanted as he is absconding and is reported to be in the UK. Dawood

Shoes was the major beneficiary by availing loans amounting to Rs 29 crore, the police said. “ There were 3300 bogus cobblers created by Dawood Shoes to avail of the facilities,” the police said. The police said that they will be filing chargesheets against others also in due course. According to them, the next one will be against the owners of Metro Shoes. Rediff. com India’s biggest scams

January 8, 2009 Cobbler scam Sohini Daya, son of a former Sheriff of Mumbai, was the main accused in the multi-crore shoes scam. Daya of Dawood Shoes, Rafique Tejani of Metro Shoes, and Kishore Signapurkar of Milano Shoes were arrested for creating several leather co-operative societies which did not exist. They availed loans of crores of rupees on behalf of these fictitious societies. The scam was exposed in 1995. The accused created a fictitious cooperative society of cobblers to take advantage of government loans through various schemes.

Officials of the Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait were also charge sheeted. THE boot may well be on the other foot now. While it was former sheriff Sadruddin Daya of Dawood shoes, Rafique Tejani of Metro Shoes and Kishore Signapurkar of Milano Shoes who were held as the prime accused in the Rs 1, 000-crore cobbler scam, fresh investigations have revealed the full-fledged compliance of Maharashtra politicians in the fraud.

Leaders from all three prominent parties—the Congress, the BJP and the Shiv Sena—appear to have been involved in the diabolical siphoning of public

funds under the garb of setting up cooperative societies for poor cobblers. While Congressman Shinde's Chakrayu society flouted rules with impunity, the Sena-BJP's Munde (right) helped by making it easy for Mumbai cooperatives to avail of KVIC subsidies. And in the coming weeks, investigators hope to unearth the names of the political beneficiaries of the embezzlement. Meanwhile, allegations are flying thick and fast.

Among the political links being investigated is that of former Maharashtra chief minister, Sharad Pawar. Though there is no direct evidence implicating the Congress leader, investigations have revealed Tejani to be a director of the Rs 500-crore Dynamix Dairy Products Pvt Ltd in which Pawar is believed to have a stake through the holdings of family members. According to sources, the sole milk supplier to Dynamix, the Baramati Milk Cooperative, is controlled by Pawar. Sources hint that a good amount of the money from the shoe scam may have been diverted to Dynamix.

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Further, the rules say that 10 per cent of the total funds should be contributed by members of the society; 60 per cent should come from

financial institutions and the state government should loan the remaining 30 per cent. However, according to the Accountant General's report, member contribution to the Rs 133-lakh Chakrayu project was just Rs 4.75 lakh. Of this, Rs 4.25 lakh was contributed by 200 members who were shown as "people of repute". Investigations reveal that they included Kripashankar, vice-president, MPCC and Ramdas Phutane, a Congress MLC, among others.

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Normally, every member of a cooperative society has equal voting rights, but Chakrayu modified the rule—only members with a contribution of Rs 1,000 or more were entitled to vote. This virtually alienated the cobbler members of the society. The Congress involvement has given enough ammunition to the BJP and the Shiv Sena against the previous regime, although both parties cannot deny the involvement of some of their own members. For the moment, however, it is Pawar and his partymen who are being accused of turning a blind eye to the looting of public money.

Points out Kirit Somaiya, MLA and Mumbai city president of the BJP: "The previous government cannot be absolved of the responsibility of letting such

activity flourish for over 10 years. ” Nor does that absolve the Shiv Sena-BJP government. The present deputy chief minister, Gopinath Munde, who held the finance portfolio for about three months and presented the '96-'97 budget, is also under the cloud of suspicion. Mrs Maharuk Keravala, a friend of Tejani's wife and a prime suspect in the scam, has alleged that she, along with BJP MLA Sadashiv Lokhande and others, approached Munde to help them out.

Munde obliged by raising the sales tax exemption limit to Rs 50 lakh and doing away with the need for societies to get a certification from the Khadi Village Industries Commission (KVIC). The KVIC had laid down in 1987 that only societies located in villages were entitled to benefits from it. By doing away with the need for certification, Munde made it possible for cooperatives located in Mumbai to enjoy the benefits of KVIC subsidies. As investigations continue, lesser known politicians are also being pulled into the net. Money to prime accused Sadruddin Daya was sanctioned by the chairman of Saraswat

Cooperative Bank, Suresh Prabhu, who is now a Shiv Sena MP. Bomb blast accused Abu Azmi of the Samajwadi Party has also been found to have links with the scamsters. The Economic Offence Wing has identified Shiv Sena legislator Baburao Mane among those who may have been aware of the scam. The BJP claims it is looking into the involvement of its members. The Sena has not been as categorical. But with the interrogation of the accused revealing names of leading lights in the political firmament, the cobbler scam is likely to have a fallout whose repercussions will be felt by, the BJP or the all parties, be it the Congress Shiv Sena.

Mid Day Rs 36 Cr cobbler scam Flouting of tender norms means cobblers have to shell out Rs 12, 000 more for a kiosk. In 1997, footwear companies used cobblers co-operatives to suck out more than Rs 1, 000 crore in loans meant for their members, in what became famous as the Cobbler Scam. MiD DAY has now stumbled upon another Cobbler Scam a Rs 36-crore one where cobblers have to cough up Rs 21, 000 each, instead of the estimated price of Rs 9, 000, for kiosks promised to them by the Social Welfare Department. MiD Day has found that norms were flouted while allocating tenders for the deal.

The matter came to the fore after Anna Hazares Bhrastachar Nirmulan Samiti wrote to State Minister for Social Welfare Dharamrao Baba Atram on February 15 asking him to have the corruption charges examined. Tenders for 30, 000 tin kiosks were opened on February 13. The State Social Welfare Department offered Sant Rohidas Leather Industries and Charmakar Development Corporation Ltd (SRLICDCL) to seek the tenders. The order was finally placed with five bidders. Documents available with this paper indicate that tender norms were flouted. 16 bidders

A government notification dated January 2, 1992, says that tenders have to be cleared by a Government Engineering College or a Government Industrial Training Institute. However, five of the 10 tenders were allegedly cleared by lesser-known Small Industries Service Institute, which is located near Andheri. There were 16 bidders for the project. Jump of Rs 12, 000 A government notification, dated November 11, 2006, indicated that the cobblers had to pay only Rs 9, 000 for a kiosk. Therefore, the cobblers, were

in for a rude shock when they found they had to pay Rs 21, 000 for each kiosk, more than double of what they had expected to pay.

By conservative estimates, 30, 000 kiosks at Rs 21, 000 each would fetch the suppliers approximately Rs 36 crore. Following norms When contacted, Atram told MiD DAY that his office had asked SRLICDCL to follow the norms while issuing the contract. I will call for the files and have them examined when I return to Mumbai, said Atram. Shoe bite The Rs 1, 000-crore scam in 1997 involved politicians, bureaucrats and top shoe manufacturers. In order to apply for loans to banks and for tax concessions, cobblers had to form co-operatives.

Shoe companies, including Dawood Shoes, Metro Shoes, Milano Shoes and Citywalk Shoes, floated co-operatives with fictitious members, applied for loans and got the concessions meant for the poor cobblers. The Indian Express Cobbler scam, hawala accused used VDIS – CAG New Delhi, AUGUST 25: Though the VDIS tax-amnesty scheme of 1997 specifically prohibited persons accused under COFEPOSA, TADA, Prevention of Corruption Act, etc, from availing of it, a test check showed that the scheme was used by 17 people accused in the cobbler scam, and eight persons involved in hawala transactions.

Even people who had been given notices under the Income Tax Act, and who were disbarred from availing of the scheme, were allowed to use it. All these, and several other instances of abuse of the Voluntary Disclosure of Income Scheme, have been documented by the Comptroller and Auditor General of India (CAG) in a report tabled in Parliament today. Several heads in the

ministry of finance could roll if the government decides to act upon the findings of the CAG report on the VDIS tax amnesty scheme of 1997.

And since several of these officers have either retired or have moved out of the ministry, any possible action could extend to other ministries as well. According to the CAG, much of these abuses were aided by circulars issued by the Central Board of Direct Taxes (CBDT) which were not in keeping with the spirit of the VDIS which netted taxes of over Rs 10, 000 crore. Initially, for instance, the VDIS scheme was clear that people who had pending cases could not avail of the VDIS. Yet, in the case of the Joint Commissioner of Income Tax in Bhopal, one company did precisely that and got away with paying Rs 1. 2 crore less than what it would have had to. The CAG says the reason why persons under the Cobbler Scam and Hawala could avail of the scheme was because the CBDT instructions prevented income tax officials from enquiring into the antecedents of the declarants. Further violations include issuing of certificates to assesseees who had not even deposited their taxes till 3 months after they got the certificates. Declarants had also been allowed to declare assets prior to the commencement of the Income Tax Act of 1961.

The biggest lacunae of the scheme, and where the government suffered the largest financial loss, of course, is in the schemes relating to valuation of assets. According to the CAG, the VDIS scheme failed to lay down valuation requirements for real estate, and this was abused with declarants declaring their houses at absurdly low values. A similar confusion in the case of jewellery resulted in a huge under-valuation of jewellery and bullion.

According to the CAG, the under-valuation of jewellery alone amounted to Rs 1, 731 crore under this scheme, resulting in a tax loss of Rs 519 crore.

And if the government had decided to put the cut-off date for jewellery as 1-4-97 (instead of 1-4-87), the additional valuation of jewellery would have ranged between Rs 7, 277 crore and Rs 9, 671 crore — in which case, the tax collections would have gone up by an additional Rs 2, 183 and Rs 2, 901 crore. At the time the scheme was announced, several experts were of the view that regular taxpayers would find it cheaper to declare their incomes under VDIS as the tax rate here was lower. While CDBT officials pooh-poohed the thought then, the CAG says it has found several such instances.

It says it has found evidence of 23, 215 cases worth Rs 2, 095 crore where regular returns for the year were not filed. According to the final figures tabulated by the CAG, declarations of cash accounted for half the total declarations (of Rs 33, 697 crore), followed by jewelry at 37 per cent. The Western Region, comprising Maharashtra, Gujarat, Madhya Pradesh and Rajasthan accounted for 43 per cent of the declarations. Even so, was the scheme a success, in terms of getting a huge amount of black money back into the system?

While the proponents of the scheme such as Finance Minister P. Chidambaram had made this argument at the time of the VDIS scheme, the CAG appears to think otherwise. What the CAG found * Though debarred from availing of the scheme, 17 accused in cobbler scam and eight in hawala declared VDIS. So did others who had been served IT notices and whose premises had been searched by the IT department. * Undervaluation of

jewellery due to misclassification to tune of Rs 1, 731 crore and tax loss of Rs 519 crore. Had the govt used 1-4-97 as the cut off date, undervaluation could be as high as Rs 9, 671 crore, and the tax loss Rs 2, 901 crore. * 23, 215 people with incomes of Rs 2, 095 crore didn't declare regular returns, and filed VDIS instead in assessment year 1997-98. Chargesheet No. 3 filed in cobbler scam BSCAL December 12, 1997 The economic offences wing of the Mumbai police has filed the third chargesheet in the shoe scam against the Metro group and officials of various banks and Maharashtra State Finance Corporation (MSFC). A total of 33 persons have named as accused.

The chargesheet was filed on Thursday in the Esplanade Court of additional chief metropolitan magistrate N B Pokharkar. The accused named include Rafique Tejani of Metro Shoes and his wife. The others against from Metro Shoes against whom chargesheets have been filed include AM Tejani, Mrs M Z Kerawala and B A Inamdar. The banks whose officials have been accused are Dena Bank, Bank of Oman International, Bank of Bahrain & Kuwait, Saraswat Cooperative Bank. The officials from MSFC who have been accused are V M Gadre, N H Manjrekar, J I Dalvi, G A Shaikh, Farookh Mistry, K N Adhiya and R K Mittal.

The officials of Citibank who have been named are Mrs Lekha Bharmane, Subratto Som, Navendu Vyas, R Venkatanathan, Koshi Chandy, Mahim Mehra and P V Bhargava. The accused from Bank of Oman International are V V Chandy, Arshad Wahedna, and B B Trivedi. The accused from Bank of Bahrain & Kuwait are S N Gokhale, P S Iyer and M G Ramkrishna. The cobbler scam as the case came to be popularly known hit the headlines as it involved the big names like S H Daya, ex-sheriff of Mumbai and owner of Dawood

Shoes. The others allegedly involved in the scam are Kishor Signapurkar of Milano Shoes and Abu Asim of City Walk Shoes.

Day and his associates allegedly fraudulently formed several leather cooperative societies and used them for securing loans for cobblers and other weaker sections of society. Times of India Another cobbler scam bared Dinesh Narayanan MUMBAI: When Hemlatha Nikshe received a Rs 1 lakh loan recovery notice from Sant Rohidas Leather and Leather Workers' Development Corporation addressed to her deceased husband Gautam Traimbak Nikshe, she was perplexed. According to the notice, Gautam had stood guarantee to a loan taken by Bhaskar Sadashiv Jharekar, a complete stranger to her.

Hemlatha's confusion turned to utter shock when she saw the date on which her schoolteacher husband had stood guarantora. " December 13, 2004, a good two years after his untimely death. Little did she know that her family had been ensnared in a scam, very similar to the one that came to be known as the cobbler scam of 1997, where well-known footwear companies used cobblers' co-operatives to suck out more than Rs 1, 000 crore in loans meant for their members. Hemlatha rushed to her husband's friends for help.

When they asked around, they found that many more people had received similar recovery notices from the corporation. At last count, 78 people, mostly BMC schoolteachers of M Ward in Chembur (west), had got recovery notices for loans taken by complete strangers. While in 31 cases, documents appeared to have been stolen, the rest were outright forgeries. Many of the names belong to dead, retired or unemployed people. Officials of the Leather

Industries Development Corporation of Maharashtra (Lidcom), which handles the central loan scheme, are learnt to have launched an investigation.

At a meeting held with M Ward officials on Thursday afternoon, Lidcom officials found that stolen or forged documents such as copies of ration cards, proof of residence and salary slips of mostly BMC schoolteachers, had been used as supporting documents for these loans. Municipal and Lidcom officials suspect one Nana Shankar Loke, who worked as a clerk in M Ward administrative office and had access to employee records. Times of India
Trial yet to begin in cobbler scam Monday, Feb 13, 2006

Mumbai: Mumbai: The Economic Offences Wing (EOW) of the crime branch of Mumbai police had charged 86 persons in the multi-crore cobbler scam way back in 1998. Seven years later, however, most of the accused are out on bail, and the trial is yet to begin. The list of high-profile accused in the case included former sheriff of Mumbai and owner of Dawood Shoes, Sadruddin Daya, owner of Metro Shoes, Rafique Tejani, proprietor of Milano Shoes, Kishore Signapurkar, and politician and a partner in Citywalk Shoes, Abu Asim Azmi.

They were all charged for allegedly siphoning off government funds to the tune of Rs 1, 000 crore. Various officials of banks and financial institutions were also named in the five chargesheets filed. The scandal which involved transactions in various financial institutions saw officials of Maharashtra State Finance Corporation, Citibank, Bank of Oman, Dena Bank, Development Credit Bank, Saraswat Co-operative Bank, and Bank of Bahrain and Kuwait also being chargesheeted. Majeed Memon, counsel for Daya and

Azmi, said, “ The case which had caused much embarrassment to the ex-sheriff, has not opened till date.

There was such a vast canvas in which large number of bank officials were involved. ” The trial had been stayed by a magistrate and all accused were on bail, he added. The then DCP Sanjay Pandey, who unearthed the scam, said prominent businessmen running retail shoe outlets floated fake cobbler societies to attract soft loans, concessions and benefits awarded by the state ‘ for the upliftment of the backward communities’. However, investigations at a later date revealed most members of these societies were either non-existent or were not cobblers. The scam was unearthed in 1995.

One of the schemes misused was the refinance scheme of Khadi and Village Industries Commission (KVIC), which enabled a cobbler to avail a loan of Rs 25, 000 per annum for three years at a low rate of interest, provided he was a member of a cooperative society. The loans were issued by commercial banks and refinanced by the Small Industries Development Bank of India. The products, manufactured by cobbler societies that availed bank loans, were granted tax exemption on turnover up to Rs 50 lakh. The KVIC was authorised to scrutinise loan applications of cobblers and recommend sanctioning of loans.

The scam came to light when Rauf Memon, an employee of Dawood Shoes, lodged a complaint with the crime branch in 1995, alleging he was threatened by gangster Ejaz Pathan. With state concessions for cobbler clans still in existence, such scams could still flourish, said experts. Seven years later, however, most of the accused are out on bail, and the trial is yet to

begin. The then DCP Sanjay Pandey, who unearthed the scam, said prominent businessmen running retail shoe outlets floated fake cobbler societies to attract soft loans, concessions and benefits awarded by the state 'for the upliftment of the backward communities'.

However, investigations at a later date revealed most members of these societies were either non-existent or were not cobblers. The scam was unearthed in 1995. One of the schemes misused was the refinance scheme of Khadi and Village Industries Commission (KVIC), which enabled a cobbler to avail a loan of Rs 25, 000 per annum for three years at a low rate of interest, provided he was a member of a cooperative society. The loans were issued by commercial banks and refinanced by the Small Industries Development Bank of India.

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The Indian Express 3 named in cobblers' scam chargesheet Posted: Fri Dec 12 1997 IST December 11: Thirty-three persons including Rafiq Tejani of Metro Shoes, his father Abdul Malik Tejani, wife Aziza, Maroukh Kerawala, officials of six banks and Maharashtra State Finance Corporation (MSFC) officials were named in the chargesheet filed today in connection with the multi-crore cobbler scam. The third chargesheet

<https://assignbuster.com/cobbler-scam-essay/>

was filed before Additional Chief Metropolitan Magistrate N B Pokharkar by the Economic Offences Wing of the Crime branch this afternoon.

Officials of Dena Bank, Bank of Oman International, Bank of Bahrain and Kuwait, Citibank, Saraswat Co-operative Bank and the MSFC were named in the chargesheet. Sources in the EOW said that the Metro Group of Companies had availed Rs 15.85 crore of loan from the six banks and the MSFC in the names of 6,300 fictitious cobblers. The exact charges and the role of the accused whose names were mentioned could not be known as the copy of the additional charges against the accused were not handed over to them yet, said defence advocate Laxman Kanal. He said as of now only a copy of the main charges have been given to the accused.

Apart from the Tejanis, Kerawala, the chargesheet also named Bashir Inamdar, Vijay Dalal of Dena bank (Grant Road branch), V V Chandy, Arshad Wahedna, B B Trivedi (all Bank of Oman International), S N Gokhale, P S Iyer, M G Ramkrishna (all Bank of Bahrain and Kuwait), K Janardhan, Lekha Bhamane, Navendu Vyas, R Venkatanathan, Koshi Chandy, Mahim Mehra, Subrato Som, P V Bhargava (all Citibank), V V Chanderkar, P K Sukhthankar, D G Raikar, S J Pinge, L R Samant, S A Desai (all Saraswat Co-operative bank), V M Gadre, N H Manjrekar, J I Dalvi, G A Shaikh, Farokh Mistry, K N Adhiya and R K Mittal (all from the MSFC).

All the accused were arrested and released on a bail of Rs 5,000 each. In July the first chargesheet was filed against former Sheriff Sadruddin Daya of Dawood Shoes, bank officials and others and a month-and-a-half later

charges were framed against Kishore Signapurkar of Milano Shoes and officials of financial institutions like the MSFC etc.

Investigations into the remaining groups of accused in this case namely Sagar group, City Walk, Alpha Group are in progress and the fourth and fifth chargesheets against the above groups are expected to be filed by next month while the trial in the case is expected to commence from February 1998. A case (95/96) was registered against Daya, Signapurkar, Tejani, Abu Asim Azmi and others. The matter has been kept for hearing on February 18, 1998. The probe is being conducted by Police Inspector S G Mahadik, PSI's D P Zende and Manohar Vichare.

The Hindustan Times Govt to hand over probe in cobbler scam to EOW March 22, 2006 MUMBAI, Mar 22 — TWO YEARS after the cobbler scam involving misappropriation of funds to the tune of Rs 27 lakh in the cooperative societies set up for the welfare of cobblers came to light, the state government has been directed to hand over the inquiry of the case to the Economic Offences Wing (EOW). The directive was given by chairman of the legislative council Shivajirao Deshmukh following the uproar by opposition parties over the delay in investigation.

The issue was raised by Madhu Chavan, Vinod Tawde (both BJP) and Madhukar Sarpotdar (Shiv Sena). CONCLUSION India is a country riddled with corruption. The Cobbler Scam cost the government \$600 million. The irony is that the money was hijacked from a scheme that should have benefited the poor of Mumbai. Instead it went into the pockets of the wealthy elite. The local government in Mumbai set up a scheme to provide low

interest loans and tax concessions to the city's poorest – cobblers who work 16-hour days for less than \$2.

But not a cent ever got through to the cobblers. Instead various businessmen and politicians built luxury homes, bought luxury cars, boats and art. “ For India's poor, the Great Cobbler Scam is just confirmation that fifty years after independence, little has changed. ” said Dominique Schwartz. The Cobbler Scam was extensively covered by the Indian media from 1995-2009 writing in detail about the several elites and politicians involved in the scam and the investigations being carried out.

This scam had headlined leading newspapers like The Times of India, Hindustan Times, The Indian Express, Business Standard, Mid Day and Outlook, the weekly magazine. It was a case that made front page headlines in 1995, managed to stay there for almost two years — before disappearing. Papers like The Indian Express and Hindustan Times continued to cover the Cobbler Scam and how it was handed over to the Economic Offences Wing (EOW) in the year 2006 and how even almost a decade later the cobbler scam, which involved 40 politicians, bureaucrats and well-known shoe manufacturers in Mumbai is still waiting for a trial.

Times of India had even put forth the grievances of the people impacted by the scam. Indian Express informed how the shoe scam was exposed by three agencies after the BMC filed a complaint about raw materials being brought into the city on a large scale. The media did an excellent job in extensively covering the Cobbler scam and how another Cobbler scam was barred in

2006 where families had got recovery notices for loans taken by complete strangers.

Political implications in the 1, 000 crore cobbler scam was also elaborately mentioned in the Indian media. However, though the media high lightened all the aspects of the Cobbler Scam, the trial is yet pending in court and the accused out on bail; hence the media pressure on the Government to take quick action against those on the chargesheet was not as strong as it should have been. The investigation files now continue to gather dust while justice has yet not been delivered after more than a decade.