

N.M.C. Navaratne, Maxwell Ranasinghe  
Dept. of Business Administration, University of Sri Jayawardenapura.

As a developing country Sri Lanka largely depends on international trading activities. Therefore, an effective flow of import and export channels is required in order to achieve development expectations. The fulfillment of these objectives was been constrained by some illegal activities, one such illegal practice being over/under invoicing of international trade.

The purpose of the study was to investigate this illegal practice. Interviews and discussions were held with officers of the Sri Lanka Customs Department and market observations were made on certain products.

With the liberalisation of the economy, frauds such as underinvoicing had increased and subsequently the amount of underinvoicing by private entrepreneurs too increased to a considerable degree with the international commercial activities vesting increasingly in the private sector, the illegal foreign exchange market too has developed rapidly. At the same time the control and combating devices of frauds by the government too have become outdated and insufficient. Further, the absence of stringent punishment is a serious failing considering the big social costs involved.