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# CGJ

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## CRIMINAL GEOGRAPHICAL JOURNAL

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LECTORI SALUTEM!

**Dear Readers,**

We tend to say that taking the first step is the hardest. But in many cases taking the second step is even harder. The idea and the first step are not followed by action since the enthusiasm diminishes and the fire burns out. We can happily conclude that in the case of CGJ after the first step the flame did not grow weaker but it became even stronger. After publishing the first issue we have received several positive feedbacks thus several new ideas have emerged which raised the standard of the journal even higher. After the first issue several journals suffer from the fact that there are not enough publications either in quantity or in quality for the later issues. The editorial staff is filled with joy that the first issue will soon be followed by the second one. I am happy to inform you that we have already received several studies for the third issue. For the first issue we “only” received studies from Hungarian authors but in the second issue there are studies from Ghanaian, Chinese and Hungarian authors. We can sincerely hope that this tendency will continue and we will receive studies from more countries.

I wish you useful pastime with CGJ.

**Szabolcs Mátyás**

Chair of the editorial board

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**QUESTIONS OF THE PERCEPTION OF TOURISTS' SAFETY IN SOME  
TOURIST DESTINATION OF GHANA**

**Keywords:** tourism, safety, perception, destination, facility

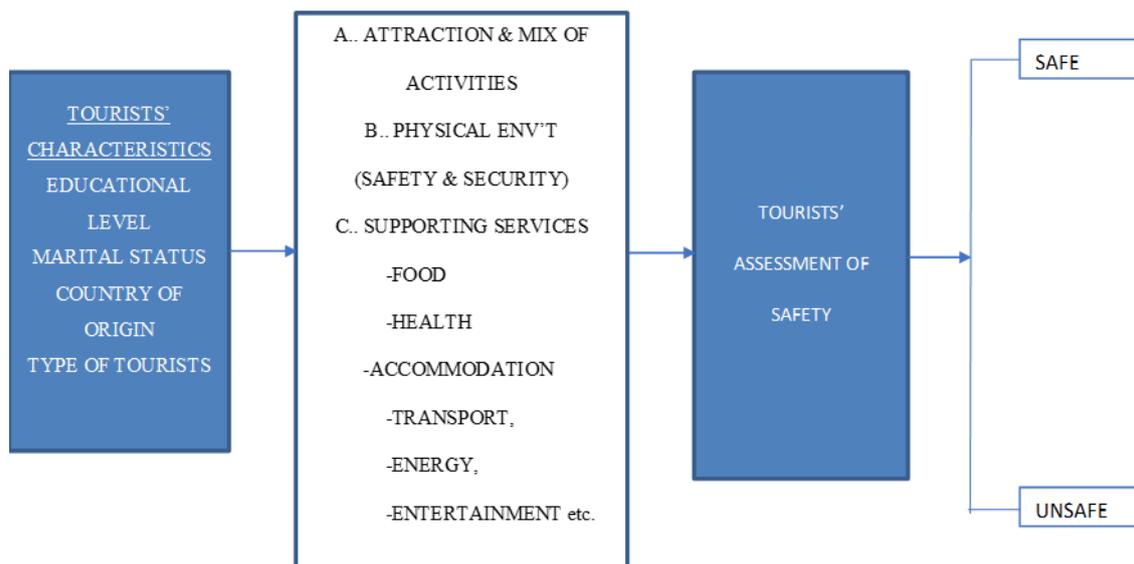
**Abstract**

This paper discusses some direct and indirect impacts of safety issues at Cape Coast-Elmina-Kakum National Park (KNP) tourism destination in Ghana. Some 260 tourists were randomly selected by convenience sampling. Most of the tourists who visited this destination area were the youthful, active or energetic population and probably travelled a lot for pleasure. Majority were Americans and Europeans. It was observed that tourists' perceptions of security at the destination area was dependent on the tour guides, friendly environment at the destination area and the security provided at the destination area. the tourists' overall perception of safety at the destination did not meet their safety expectations of the place before they embarked on their journeys. It was recommended that the various tourism related bodies in the region like Ghana Tourism Authority (GTA) and Ghana Fire Service should be coordinated and conscripted into the sensitization and provision of safety and security at tourist facilities.

**1. Introduction**

The so called "model for reviewing tourists' assessment of safety" introduces the main features of the study. The original model as shown in Figure 1 was used to study tourist destination competitiveness and attractiveness (TDCA) and among the essential factors identified, safety was paramount, hence its usefulness in this study. Safety, security and crowding form the environmental and physical experience as safety influences the environmental, social and physical attractiveness of destinations. As shown in Figure 1. the physical experience,

additional services and the main tourism product and activities affect tourists' satisfaction which translates into destinations competitiveness. Safety therefore has an effect on tourist's choice of destination and outdoor activities undertaken. If the physical environment is perceived safe, then more tourists would prefer that destination. Tourists assess safety before and after purchase of tourism product; their pre-assessment would reflect in choice of destination and their post-assessment would influence future travel decision also known as repeat visits. As displayed in Figure 1. tourist's assessments of safety are subjective and influenced by intervening variables paramount among them is the background characteristics. These background features affect choice of destination as well as assessment of safety. Thus socio-demographic characteristics influence tourists' perception of destination's characteristics which in turn impact on assessment of safety. The destination characteristics highlight services that are relevant in enhancing tourist's experience at the destination and they determine whether the destination is safe or not safe. As indicated in Figure 1. at the end of the tourists' experiences, whether the destination is safe or unsafe becomes the result of tourists' assessment of safety at the destination.



**Figure 1. Model for reviewing tourists' assessment of safety**

Source: Adapted and modified from VENGASAYI (2003)

## 2. Literature review

In the opinion of Kovari and Zimanyi (2011) the complex perception of safety and security in tourism has introduced the following attributes: i) security of travel has become a global problem that we cannot disregard, ii) number of destinations and tourists affected by the lack

of security is increasing, iii) lack of safety and security causes regional stagnation or decline in tourist flows, iv) many new elements like personal data security and environmental security now appear within the tourism security issues due to globalization and v) basic changes in safety and security concept in travel and tourism now calls for common actions by the stakeholders in the industry.

### **3. Factors that Influence Tourists' Safety Issues**

To begin with, Kozak (2002a) argues from the experience of Turkey that harassment is a conspicuous feature of the life cycle as a destination progresses from informal phase to consolidation and acceptance, many reports of the most sustained complaints come from popular, high-density resort areas where tourism is highly institutionalized. As proposed by Pattullo (1996a), the problem is partly a function of a destination's dependence on tourism and partly its level of poverty. Also, Robinson and Boniface (1999) identify sharp visitor-resident socio-economic dynamism as well as cultural discontinuities as general conditions conducive to harassment. In this type of potentially conflictive milieu, both de Albuquerque and McElroy (2001) and Kozak (2007a) focus on the specific case of visitor-vendor interaction and identify communication and especially cultural differences as the source of the problem. So far as Kozak (2007b) is concerned, for one to understand why tourist is bothered, the intention to harass must also be considered, giving past investigators a cause to look into various ways for which tourists are harassed.

Furthermore, in the host community, tourists are regarded as affluent people from whom income can be extracted. In many cases, the host communities are made up of people who are too poor to escape the reality of their lives; they are too poor to live properly at where the citizens live and these are the exact tourist ambience where tourists would like to visit. As a sequel, the host community members become envious of the tourists and the natives would do anything possible to benefit from the presence of the tourists in the destination. For example, in India, it is observed that there are many corrupt taxi and auto drivers who wait on tourists to take them for rides and charge them exorbitant fares more than the usual fare; the poverty of destinations usually developing areas whose natives want to earn living out of the tourists end up harassing the tourists as the natives try to sell their commodities (Pattullo, 1996b). In 2004 it was detected that tourists in Kenya, while they walked in the streets and the shopping malls experienced resistance and persistence from vendors. In Jamaica too, whose main income depends on tourism, the natives would do anything to survive, they harass tourists as they persuade them to patronize their stuffs, there have even been cases where police patrols were

sent to Kingston to protect visitors from beggars', unofficial tour guides and vendors (Taylor, 1993).

Also, tourists have a way of perceiving a destination; through the internet and hearsay, before they travel there. Tourists tend to interact or react based on their perceptions which are sometimes myth or bogus. Pizam and Mansfield (2005a), contend that, certain tourists' actions render them being preys to harassment; going to areas where locals will not dare to go, their way of dressing and how they react to certain circumstances make them vulnerable. Tourists would mostly want to go out at night because of the desire to have an authentic experience and to have fun making themselves easy targets for criminals and offenders waiting to take advantage of them. North American tourists for instance may easily take offence to boisterous and persistent hawking of the relatively poor West Indian vendor, behaviour accepted in the Caribbean as a social norm. The northern Europeans also consider invading of private space as a selling method as very disturbing and annoying hence would not purchase from service providers in that position hence provoking a harassment situation (Kozak, 2002).

Harper (2001) identifies another behaviour-cause that can be related to the kind of friends tourists keep to themselves while at the destination. Since language barrier can be a big problem for the tourists and in the attempt to trying to cope may mingle or attach themselves to some natives in order to feel secured and safe. Consequently, sometimes these friends turn out to be criminals who wait for the right moment to take advantage of the tourists (Pizam and Manfield, 2005). According to Harper (2001), in about 20% of robbery events, victims had some relationship with the offender before the robbery.

Another factor could be related to poor organization of services in terms of better human relations and consumer service provision (Kozak, 2002). Gronroos (2012) explains service as an activity which is intangible in nature and seeks to provide solution to tourists' problems. However, when this is not properly done dissatisfaction of tourists may occur; therefore, understanding tourist-host relations for developing a positive tourist-host contact to enhance tourist satisfaction is important to stay in and repeat visit (Bitner et al. 1990). For example, Reisinger and Turner (2002) found that differences in communication style, expressing feelings, attitude and establishing relationships influence relations between Korean tourists and Australian service providers.

Culture shock which is a situation where people find it difficult adjusting to new culture that differs from their own especially moving to foreign country whose culture are totally different from yours (Reisinger, 2009b; Cooper et al. 2008b), however culture shock exists in four phases:

- the honeymoon phase, where the difference between the old and new culture is seen as wonderful and new,
- the negotiation phase, where after some time usually three months, the differences become apparent and may create anxiety and frustrations then the negative reactions are felt,
- the adjustment phase, where one grows accustomed to the new culture and develops routines and finally
- the mastery stage, where the visitor/tourist is able to participate fully and comfortably in the host culture.

However, the honeymoon stage is the most likely stage where harassment can be felt strongly though the tourists can experience difficulties with some activities at any of the other stages. Here there would be a dilemma in some cases because some tourists would prefer services as it would in their own culture while some would prefer different exposure and experience and this can be attributed to the phase of culture shock that the tourist is exposed to and the kind of culture the tourist is used to (Reisinger, 2009). For example, the northern European tourists would just look at offers, behaviours and evaluate it in a rational way, for them invading private space as a selling method is disturbing (Kozak, 2002).

The temporary nature of tourists can also lead to their harassment, the longest tourists can stay at a destination is a year. This means that at particular time a destination may be flooded with foreigners who come to share resources with locals as well and disturb the peaceful nature of the place (Morrison, 2012). There have been cases where some places are built up only for tourists and become no-go area for the local people in the community; the presence of tourists also results in inflationary pressure thereby prices of goods and services are increased to certain standards that the locals cannot afford. This situation compels the locals into behaving badly towards the very people who disturb their peace and increase their cost of living especially since the tourists are strangers and vulnerable and would rely on relatively unknown people for food and beverage and accommodation services. Since the tourist is filled with anxiety which may result in psychological and physical of one's home environment, the tourist may behave, understand and react absolutely different to situation which may generate negative reactions from the locals including harassment. The non-permanent nature of the tourists also makes them vulnerable to so many unfair treatments since at a point they would need the services of the natives even if they are all inclusive tourists. It is observed that safety and security issue help

to measure tourists' activities thus enabling them to feel safe or not safe at the destination in question.

#### **4. Tourists' Perception of Safety**

Tourists develop negative impression of a destination if they feel unsafe or threatened at a tourist facility while at the destination. This situation can badly affect the destination's tourism industry and image and can end up in the reduction of numbers to the area in question. George (2003) claimed that, this reduction in arrivals can happen when:

- Potential tourists decide not to visit the destination because its reputation for chalking a high crime rate is rife.
- Tourists feel unsafe at a destination and are not willing to participate in activities outside their lodging facilities.
- Tourists who have ever been threatened or felt unsafe at a destination are not likely to return to the place for leisure and quite unfortunate are not likely to recommend the destination to other potential tourists.

#### **5. The Role of Safety to the Destination's Image**

Little destination knowledge by tourists and the perceived negative reflection generated by poverty, political instability and sometimes dreadful humanitarian circumstances (Grosspietsch, 2006) has been among the critical problems when there are high tourist activities. Admittedly, destination image has influences on tourist travel decision-making, cognition and behaviour at a destination as well as fulfillment or satisfaction levels and remembrance of the experience. Interestingly, memories and reflections of tourists after the trip to a destination complement the original experiences and desire for repeat visit. Consequently, tourist destination images play significant role in tourists' safety since these images influence both the decision-making behaviour of potential tourists and the level of satisfaction concerning the tourist destination. Jenkins (1999) proposed that whether an image is a true illustration of what any given destination has offered the tourists is less significant than the existence of the image in the minds of the tourists.

Tourists depend deeply upon the image of a particular destination when considering and choosing various holiday destinations. Considering a much broader choice and the diversity of destinations, modern day tourists are likely to choose holidays that offer total satisfaction of their personal travel desires and value for money. A destination having a good product alone is not enough to favourably compete in the tourism market. The expectations and needs of tourists

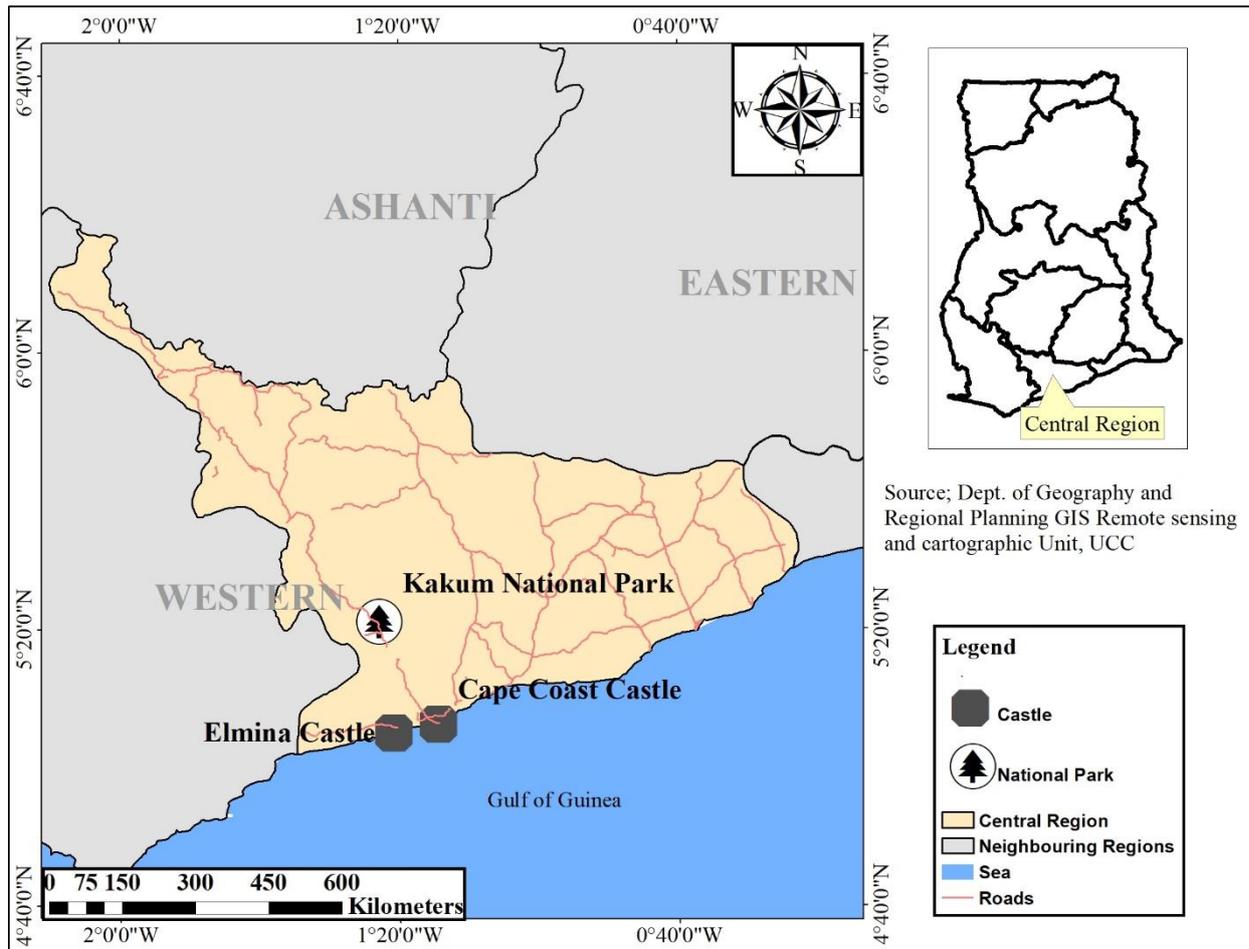
must be considered whether or not the image is a true illustration of what a destination has to offer the traveller or not, is of less importance. What is significant is the image that exists in the mind of the potential tourist (Styrdom and Nel, 2006).

According to Sonmez and Sirakaya (2002), “positive images of a destination help the policy planner and tour operators to create awareness and this can serve as the distinguishing factor among competing destinations”. Safety and security are without any doubt the sine qua non primary conditions for the normal tourism development of every destination, region or country and thus serves as the basic determinants of its growth (Mopeli, 2009b). Without these conditions, destinations cannot compete successfully in the global market of tourism even if they present through their marketing campaigns the most attractive and the excellent quality natural and man-made attractions like Castles in Elmina and Cape Coast and the Canopy walkway in Kakum National Park in the Central Region of Ghana.

## **6. Research methodology**

### **6.1. Study Area**

Historically, until 1970 Central Region was part of the Western Region. It is now occupying an area of 9,826 square kilometres and it is the third smallest in land coverage in Ghana after Greater Accra and Upper East Regions. The Central Region shares common administrative boundaries with the Western Region on the west, the Greater Accra Region on the east, the Ashanti and Eastern Regions on the north. On the south is bordered by the 168-kilometre of coastline also known as Atlantic Ocean or Gulf of Guinea. The case study facilities are Elmina Castle, Cape Coast Castle and Kakum National Park as shown in Figure 2. below. The two castles are located on the coast, Gulf of Guinea and KNP is located in the rain forest close to the coast as shown in the map in Figure 2.



**Figure 2. Map of the study area - Elmina, Cape Coast and Kakum**

Source: Department Of Geography And Regional Planning, Gis Remote Sensing And Cartography Unit, University Of Cape Coast, Ghana (2019)

## 6.2. Research Design

Descriptive design was employed in this work. This type of design does not allow the key variables to be manipulated but it describes and interprets what exists on the field of study. According to Creswell (2009), “a descriptive study design is concerned with conditions or interrelationships that exist, opinions that are held, processes that are going on, effects that are evident and trends that are developing”. Descriptive design concerns itself with conditions or relations that exist, such as practices, attitudes and opinions/perceptions that are held and, in this case, held by tourists and destination workers. Descriptive research design was considered suitable for this research because the objectives of the research were to examine tourists’ purpose of travelling, ascertain tourists’ perceptions of safety at tourist destination, examine the impressions of destination workers about tourists’ safety and examine the impressions of GTA about tourists’ safety.

### **6.3. Operationalization of the Research**

Operationalization in this work involved the development of specific research procedures or operations that resulted in empirical observations to represent the concept of tourist safety in the tourist destination selected. This section described the variety of choices that were made in operationalizing the concept of tourist safety in the Central Region of Ghana.

### **6.4. Sources of Data**

Both primary and secondary sources of data were collected for the research. Primary data were sought from tourists visiting the three facilities, destination workers in the three facilities and tourism stakeholders in the region, especially GTA. Also, data on inflows of tourists to the destination were sourced from GHANA MUSEUM AND MONUMENT BOARD (GMMB), Wildlife Division of the Forestry Commission, Ghana Immigration Service (GIS), GTA and Ministry of Tourism, Arts and Culture (MTAC). Secondary (data) information were sourced from books, existing journals, articles and the internet.

### **6.5. Target Population**

The target population for the study was made of:

- Inbound tourists and domestic tourists who visit the three tourist facilities during the tourism peak season in Ghana – from June to September.

### **6.6. Sampling Procedures and Techniques**

Purposive sampling technique under non-probability sampling method were used in the study. This technique was chosen because there was no reliable and proper data on inbound/domestic tourists to construct a sampling frame. The number of elements in the population (tourists) was largely unknown and could not be identified individually. The same purposive sampling technique was used for the workers also since the destination workers could easily be identified at the attraction sites for soliciting information for the research.

### **6.7. Research Instruments**

Questionnaires were used in soliciting data from inbound and domestic tourists on their views on safety at the destination. It contained a series of open and closed ended questions. This instrument was appropriate because inbound tourists to Ghana to some extent expressed themselves in English language. Also, we helped ensure the independence and anonymity of

respondents in the study. For tourists who could not express themselves in English language, research assistants helped them answer the questions.

### **6.8. Data Processing and Analysis**

The data was analysed with the use of IBM Statistical Product for Social Science (SPSS) software version 20. The data from the field were thoroughly edited and cleaned to do away with partially filled questionnaires which could affect the validity of the results. The data was then coded and entered into the SPSS software for analysis. Descriptive statistical presentations which included pie charts, bar charts, cross-tabulations and frequencies were run to represent various background characteristics of respondents, their perceptions of safety among others. Inferential statistical measures like Chi Square Test of Independence were used to test for relationships between background characteristics of tourists and their perceptions of safety at the destination, purpose of travel and overall perceptions and assessment of safety. Chi-Square tests were carried on background characteristics, purpose of travel and overall assessment of safety at the destination – for testing the hypotheses.

## **7. Results**

A little more than half of the respondents (58.8%) were females while approximately two out of five of them (41.2%) were males. This indicates that most of the tourists involved in the study were females. Close to two-thirds of the respondents (63.1%) were between the ages of 18 - 33 years. About one out of every ten of the respondents (10.6%) was either 50 years or more. This indicates that the tourists who visited the attraction sites at the time of the study were predominantly the youth of not more than 41 years of age.

The tourists involved in the study were virtually non-Ghanaians. This is due to the fact that almost all of the respondents (97.1%) were non-Ghanaians with only 2.9% of them being Ghanaians.

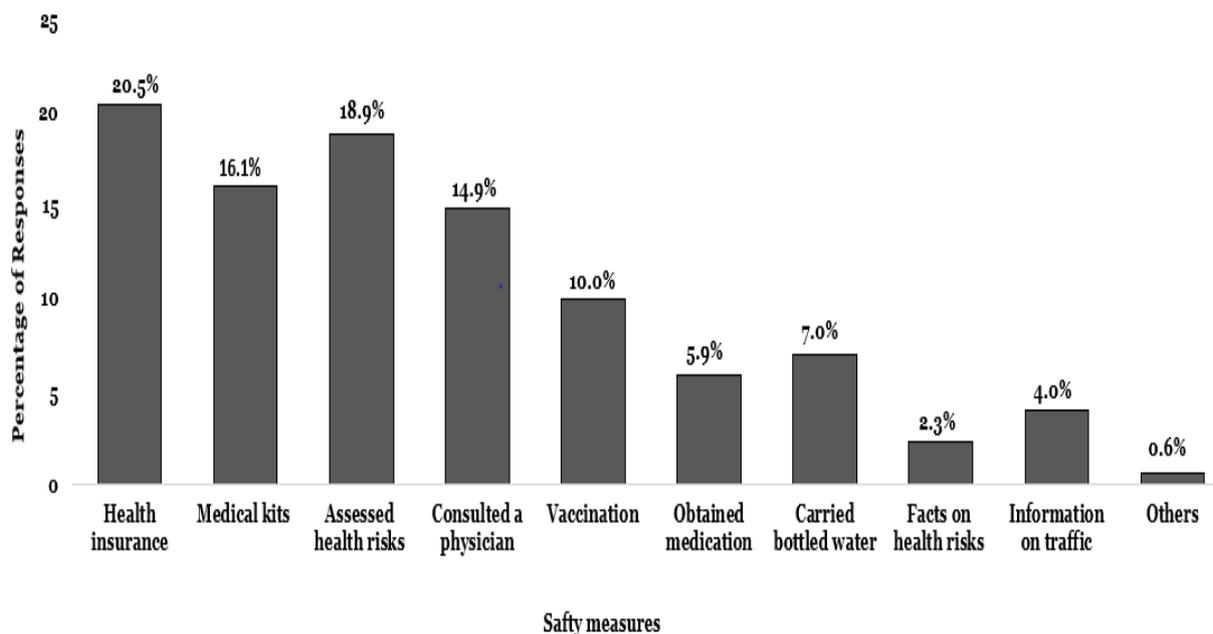
On the education front, most of the respondents (42.3%) indicated that they had attended either a university or a college with only a few of them (4.2%) having attained their basic education. Also, close to one-third of the respondents (30.3%) reported that they had been educated up to the post-graduate level. These implied that almost all the tourists have had, at least, a high school education. Therefore, their impressions about issues on tourist safety could be reliable and taken for consideration for tourist safety and planning in the Central Region of Ghana.

More than half of the respondents (61.3%) reported that they were single while a little over one-third of them (34.5%) reported that they were married. Similarly, a few of the respondents

(4.2%) reported that they had ever married (divorced (3.4%) and widowed (0.8%). These indicated that most of the tourists involved in the study did not have any marital responsibilities and thus, were able to move free or venture into adventures like recreational activities and vacation.

The respondents had many occupational backgrounds and thus, listing all of them here would affect the illegibility and understanding of the study. In view of this, the various occupations were grouped into two groups of unemployed (made up of the unemployed, student and retired) and employed (made up of all other occupations). More than half of the respondents (58.8%) indicated that they were employed whilst a good number of them reported that they were not. This indicated that engaging in tourism is not necessarily for the employed and it was possible that those unemployed tourists had travelled on their already saved funds.

In the opinion of AMIR et al. (2015) tourists are exposed to many precarious situations because they are temporary visitors to the communities with which they are not familiar. In this case tourists travelled with a lot of safety measures. This session therefore discussed the results of the tourists' safety precautions before travelling to and while at the destination. It must be noted that Figure 4.8 was a multiple response figure - a chart constructed from questions which allow their respondents to provide more than one answer to them.



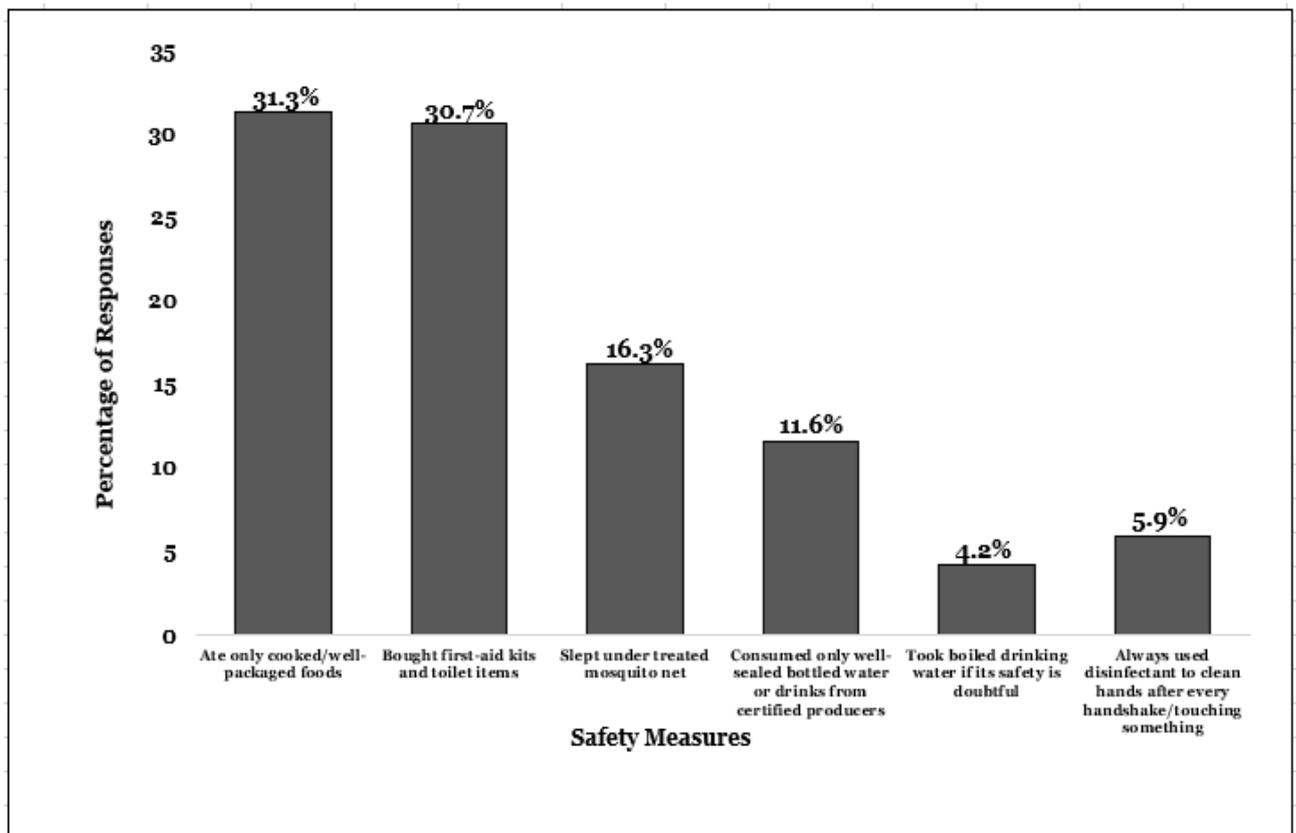
**Figure 3. Tourists' safety precautionary measures before travelling**

Source: Fieldwork, Imbeah (2018)

Figure 3 showed that at least half of the respondents reported that they acquired comprehensive travelers' health insurance (20.5%); assessed the health risks associated with travelling to the destination (18.9%); assembled suitable medical/first-aid kits and toilet items for the duration

of visit (16.1%) and consulted a travel medical clinic or a practitioner (14.9%) before travelling to the destination. A little over one-third of the respondents indicated that they vaccinated themselves before travelling to the destination whilst one out of every five of the respondents indicated that they travelled with bottled water/drinks (7.0%) as well as their prescribed medicines (5.9%) which would take them through the duration of their visit to the destination. These indicated that most of the tourists that visited Ghana took precautionary safety measures such as acquiring comprehensive travelers' health insurance; assessing the health risks associated with their travelling; assembling suitable medical/first-aid kits and toiletries for the duration of their visit, and consulting a travel medical clinic or a practitioner as well as vaccinating themselves before travelling to the destination. What was observed among the tourists was that almost every tourist prepared and took some safety precautionary measures before travelling to Ghana as shown in Figure 3 and consequently this behaviour gave some confidence to travel.

After arrival at the destination also the tourists were asked to assess their precautionary measures adopted while at the destination in Ghana. The result of the analysis on the safety measures employed by the tourists whiles at the destination is presented in Figure 4.



**Figure 4. Tourists' safety precautionary measures adopted whiles at the destination**

Source: Fieldwork, Imbeah (2018)

At least, four out of every five of the respondents ate only foods that were well-cooked or well-packed (31.3%) and as well bought first-aid kits and toilet items (30.7%) whiles living at the destination. Also, a good number of them slept under treated mosquito nets (16.3%) and drank only well-sealed bottled water or drinks from certified producers (11.6%) as they lived at the destination. Furthermore, one out of every ten of the respondents (4.2%) indicated that they had been boiling their drinking water before drinking if they felt doubtful about its safety. These indicated that the tourists had very much been ensuring their personal safety while staying at the destination by eating only cooked or well-packaged foods; buying first-aid kits and toiletries; sleeping under treated mosquito net and drinking only well-sealed bottled water or drinks from certified producers. The personal safety practices that the tourists engaged in might explain the low incidence of contracting diseases whilst staying at the destination. This tourists' behaviour confirmed the results of the studies done in Kuala Lumpur by AMIR et al. (2015) that tourists are susceptible to any unhealthy conditions in an unusual environment and that they are temporary guests to the destination whose culture they are not familiar with.

Based upon the results of the precautionary measures taken by tourists before travelling and while at the destination some statistical tests were run to ascertain tourists' overall perceptions of safety at the destination.

**Table 1. Perceptions of tourists on safety at the destination and their perceived safety before travelling**

|  | Mean | N   | Std. Dev. | Std. Error | Correlation | Sig.  |
|--|------|-----|-----------|------------|-------------|-------|
| Tourists' overall perception of safety at destination            | 1.82 | 467 | 0.586     | 0.027      | 0.370       | 0.000 |
| Tourists' perception of safety at destination before their visit | 1.91 | 467 | 0.659     | 0.031      |             |       |

1-1.49 = Highly safe; 1.5-2.49 = Safe; 2.5-3.49 = Slightly safe; 3.5-4.49 = Not safe; 4.5-5 = Highly unsafe

Source: Fieldwork, Imbeah (2018)

It could be observed from Table 1 that there was a mean value of 1.82 for the respondents' responses on "What is your overall perception of tourists' safety at this destination?" This indicated that on the overall most of the tourists found the destination as safe. Regarding the tourists' general perception of the safety of the destination before their visit, most of them

indicated that they had formed a safe impression about the destination between their travels. Table 1. also showed that there was a fairly strong positive relationship between the tourists' safety expectations of the destination and their actual overall perception of safety at the place (with a Pearson's Correlation Coefficient of 0.370 and a corresponding  $p$ -value of 0.000). Since  $p = 0.00 < 0.05$ , it could be said that there was enough statistical evidence to infer that as the level of the tourists' safety satisfaction increased their safety expectations also increased possibly for future visits.

**Table 2. Paired samples test on tourists' return visit and recommendation of destination**

|  | Paired Differences |           |            |                          |        |        | t   | df    | Sig. (2-tailed) |
|--|--------------------|-----------|------------|--------------------------|--------|--------|-----|-------|-----------------|
|  | Mean               | Std. Dev. | Std. Error | 95% CI of the Difference |        |        |     |       |                 |
|  |                    |           |            | Lower                    | Upper  |        |     |       |                 |
| Tourists' overall perception of safety at destination - Tourists' perception of safety at destination before their visit | -0.099             | 0.702     | 0.032      | -0.162                   | -0.035 | -3.033 | 466 | 0.003 |                 |

Source: Fieldwork, Imbeah (2018)

Table 2. showed that the percentage of the tourists who were satisfied with the level of safety that they encountered at the destination was slightly less than that of their expectation of the destination's safety level before they embarked on their journeys (with a mean difference of -0.099 and a standard deviation of 0.702). With  $t_{(466)} = -3.033$  and a corresponding  $p$ -value of  $0.003 < 0.05$ , the result of the t-test for Paired Samples in Table 4.24 indicated that the observed differences in the mean values for the variables was highly significant though it looks quite small. This implied that the tourists' overall perception of safety at the destination did not meet their safety expectations of the place before they embarked on their journeys.

Respondents (tourists) were asked about their willingness to return to the destination in future and also if they would recommend the destination to other potential tourists. Table 3. showed the results of the relationship between tourists' return visit and recommendation of destination.

**Table 3. Relationship between tourists' return visit and recommendation of destination**

| Future return visit | Recommendation to other tourists or travelers |         |           |         |           |         |
|---------------------|---|---------|-----------|---------|-----------|---------|
|                     | Yes   |         | No        |         | Total     |         |
|                     | Frequency                                     | Percent | Frequency | Percent | Frequency | Percent |
| Yes                 | 373   | 91.4    | 35        | 8.6     | 408       | 100.0   |
| No                  | 28  | 65.1    | 15        | 34.9    | 43        | 100.0   |
| Total               | 401   | 88.9    | 50        | 11.1    | 451       | 100.0   |

Source: Fieldwork, Imbeah (2018)

It could be observed from Table 4. that nine out of every ten of the tourists (408 out of 451) indicated that they would visit the destination again in future with only a few of them (43 out of 451) indicating that they would not return to the destination again. Of the tourists who were willing to return to the destination, 91.4% indicated that they would recommend the destination to other tourists or travelers while a little over one-third (34.9%) of those who indicated that they would not return said they would also not recommend the destination to other tourists or travelers. This implies that 15 out of the 451 respondents were utterly not satisfied with the level of safety at the destination and so would neither visit the destination in future nor recommend it to others. Despite this, it could be inferred that the tourists generally perceived tourism at the destination as at least safe. Chi-Square test shown in Table 4., was run to see if tourists would return to and recommend the destination to other travelers.

**Table 4. Chi-Square tests on tourists' return visit and recommendation of destination**

| Tests              | Value  | Approx. Sig. |
|--------------------|--------|--------------|
| Pearson Chi-Square | 27.304 | 0.000        |
| Phi                | 0.246  | 0.000        |
| Cramer's V         | 0.246  | 0.000        |
| N of Valid Cases   | 451    |              |

Source: Fieldwork, Imbeah (2018)

Table 4. showed that there were significant differences in the respondents' willingness to recommend the destination to other travelers or tourists based on their level of satisfaction and (with a Pearson's Correlation Coefficient of 27.304). Again, the study recorded a Cramer's V

coefficient of 0.246 with a corresponding  $p$ -value of 0.000 ( $p = 0.000 < 0.05$ ) indicating the existence of a slightly strong relationship between the tourists' level of satisfaction and their willingness to recommend the destination to other travelers or tourists. The results in Tables 4.25 and 4.26 indicated that there was high number of tourists who indicated that they would recommend the destination to other tourists or travelers because of the high level of safety they experienced.

## 8. Conclusions

One can say that from historical point of view with regard to tourism development in Ghana and from various tourism development plans examined so far in the literature, it is obvious that tourism safety issues are not highly prioritized and promoted. As regards the destination workers' training exercises, tourism safety was obviously not among the priorities. From the tourist sites inspection exercises, tourist safety was narrowed mainly to fire extinguishers. So far as the tourism policy implementor was concerned, the Central Region of Ghana had no tourism safety policy that regulated the activities and inspection of safety in tourist sites. There was also no collaboration or agencies to help supply and maintain quality safety practices.

The result of the t-test for Paired Samples in Table 4 indicated that the tourists' overall perception of safety at the destination did not meet their safety expectations of the place before they embarked on their journeys. However, of the tourists who were willing to return to the destination, 91.4% indicated that they would recommend the destination to other tourists or travelers while a little over one-third (34.9%) of those who indicated that they would not return said they would also not recommend the destination to other tourists or travelers. This implied that 15 out of the 451 respondents were utterly not satisfied with the level of safety at the destination and so would neither visit the destination in future nor recommend it to others. Despite this, it could be inferred that the tourists generally perceived tourism at the destination as at least safe. There was high number of tourists who indicated that they would recommend the destination to other tourists or travelers because of the high level of safety they experienced.

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**THE PLACE OF CRIME GEOGRAPHY IN THE SCIENCE OF GEOGRAPHY**

**Keywords:** geography, geographical environment, natural geography, social geography, crime geography

**Abstract**

The author of this article is trying to find the right place of the crime geography within the science. He makes conclusions and deductions on the base of different researches made on crime and geographical situation. The article is presenting the territorial differences of the crime using the characters of crime. The crime geography can be regarded as a branch of geography of sociology which deals with the time and place aspects of the crime as a social public phenomenon. Between criminology and social geography there is a mutual connection. The crime register is a fundamental part of crime geography. The system of crime data can be completed by data deriving from data collection which helps the crime prevention and scouting.

**1. Crime geography**

The geography is dealing with the description, interpretation and scientific evaluation of eternal change of the complex geographical environment of the earth. It pays a special attention to the mutual reactions between the geographical environment and the society existing in it. The major task of geography is the scientific examination of spatial processes taking place in geographical environment.

The geography resumes and conveys those knowledges needed for the man to have a real picture of the world. To get to know the natural phenomena of geographical environment we need to use the instruments of natural science, the methods of natural science based on experiences and experiments. So we can say that natural geography belongs to natural sciences.

Social geography, which examines the relations between geographical environment and the society, is resolving its research tasks using methods and means of the social geography.

Regional geography is the unification of natural and social fields. The spacial units of the regional geography are: landscapes, micro regions, regions, countries.

The sectorial geography has to form the types of phenomena, discovering and systemizing the correlations between them (<http://ttmk.nyme.hu/>).

After this brief review of geography we can ask: what is the situation of crime geography within the science? The answer to this question is not easy at all. Several scientists have tried to define the position of crime geography. Antal Tóth (2007) provides a detailed picture of definitions and statements of previous scientists in his effort to determine where exactly the crime geography belongs to.

Klára Kerecsi's view (2003) is that crime geography is part of criminality, but the crime map is an instrument used in geography. According to Hentig (1961) crime geography is nothing else than a map deriving from comparison of climate, land, landscape, history, economy and demographical data.

Herold (1973) examined the connection between crime and geographical place on the basis of crime data from which the volume of crime could be determined. In his work in 1977 he determines the crime geography as something which helps the scouting activity.

Helmer (1972) says that crime geography is part of criminality and not of geography and the crime geography presents the territorial differences of police work on the basis of criminal characters.

Rolfes, M (2003) says that crime geography can be „drawn” without geographers.

Schwind (2000) thinks that the crime geography is one branch of criminality. To its interpretation it is necessary to use the units of time, space and attitude.

István Kobolka (2003) considers that crime geography can be united to the security geography, partial discipline of geography.

Herbert (1982) and Zoltán Kovács (1990) state that crime geography is a new direction of social geography which touches several other sciences between social geography and criminology.

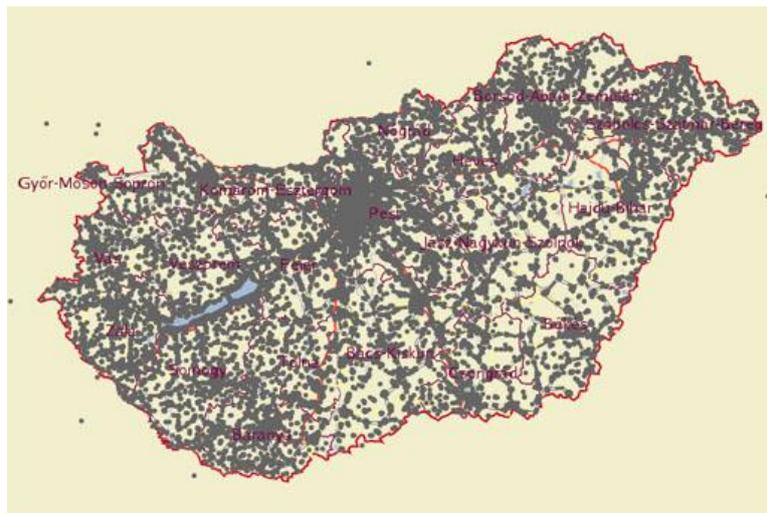
István Berényi (1992) suggests that geography of crime interpreted as a branch of the social geographical, exploring the space, the relationship between crime and social groups.

Szabolcs Mátyás (2007) declares that the crime geography is an artificially created science which uses the common knowledges of criminal sciences and the geography.

In my interpretation crime geography is a branch of social geography which examines the spacial and territorial aspects of crime as a social mass reality. Between criminology and social geography there is a mutual correlation.

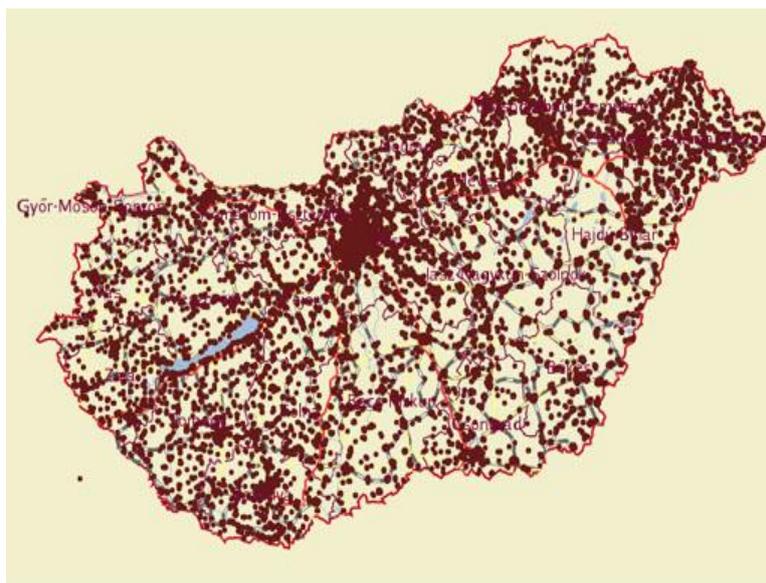
I strongly agree with those scientists who don't think that crime geography is not an independent science mainly because it uses the knowledges criminology, sociology and social geography.

There is no doubt that crime geography is very close to social geography and crime science that is why knowing these fields is needed to draw the crime map (Table 1.). Sociology focuses on different aspects of crime, be it at local or social level. Besides this crime geography uses demography, ethnography, psychology, achitecture, cartography and space-informatics (Figure 1. and 2.).



**Figure 1. Street crimes in Hungary**

Source: <http://www.hir24.hu>



**Figure 2. Violence against the person in Hungary**

Source: <http://www.hir24.hu>

**Table 1: Possible place of crime geography in social and economic geography 's scheme**

|                                       |  |  |  |  |
|---------------------------------------|--|--|--|--|
| General social and economic geography | Regional social and economic geography | Sectoral social and economic geography | Social geography                       | Human geography  |
| General human geography               | Human races geography                  | Free-time attitude geography           | Population geography                   | Health geography   |
| Ethnic geography                      | Language geography                     | Cultural geography                     | Geography of the European institutions | Art geography  |
| Creation geography                    | Religion geography                     | General religion geography             | Bible geography                        | Regional geography settlement eography                   |
| City geography                        | General settlement geography           | Village geography                      | City geography                         | City Marketing   |
| City ecology                          | Political geography                    | Election geography                     | Security geography                     | Public administration geography                          |
| Military geography                    | Applied military geography             | General military geography             | Social geography                       | <b>Crime geography</b>                                   |
| Perception geography                  | Behavior geography                     | Feminist geography                     | Economic geography                     | Sectoral economic geography                              |
| General economic geography            | Dynamic economic geography             | Regional economic geography            | World economy geography                | Prime sector geography                                   |
| Agriculture geography                 | Forest adminsitration geography        | Fishing geography                      | Geography of Viticulture and Oenology  | Second sector geography                                  |
| Industry geography                    | Mine geography                         | Industrial park geography              | Natural resources geography            | Geography of the third sector (infrastructure Geography) |
| Traffic geography                     | Telecommunication geography            | Trade geography                        | Tourism geography                      | Fourt sector's geography                                 |
| Innovation geography                  | History geography                      | Prospography                           |  |  |

Source: Vofkori, László (2003)

## 2. Extension of the crime

For the experts who examine the social processes it has been an evident fact from the results of different researches that the frequency of each process is different in time and space. This natural fact is significant in the negative, within it in the deviant behaviors.

The differences of the frequency of negative attitudes, according to age, civil state, qualification, financial and social status, are facts that the different sciences often examine. The examination of the territorial differences is justified by the fact that the differences of negative attitudes are different demographically and territorily too.

István Vavró (1985) came to the conclusion already in the 80's that behind the territorial differences of the processes are the differences of structures of the mentioned characters of the population. The major causes of the territorial differences of the phenomenon can be explained by the population structures of different territories.

Analysing the territorial datas it is important to examine the subject of the crime because behind the differences of territorial units we can perceive not only the different of crime frequency of the population but the territorial difference of the proportion of resolving the cases. We examine the territorial differences of the crime on the base of the quantity of crime and criminals.

The examination of each territorial unit is necessary because the picture of crime, its volume and frequency, is often far too general and it does not point to the considerable territorial differences. János Habony (1986), in his examination of the crime geography, characterized the extension of the crime with two indicators. According to this it can be defined, on the one hand, by the number of crime activities committed in a defined territory and time, on the other hand, by the number of those committing crime during the same period of time and in the same territory.

The datas themselves do not mean much because they can show the volume of the crime and the importance and direction of the activities dangerous to the society only in comparison with other datas.

Flórián Tremmel, Csaba Fenyvesi and Csongor Herke (2005) stated in their commonly made work that the most fundamental instrument of crime geography is the crime register. The crime register is full of systemized datas.

These datas are collected in case of helping the prevention, the scouting and data provision. It is extremely important because putting the datas into well managed structure makes it possible to make deductions and conclusions regarding to the criminals and conditions of crime activities.

### 3. Summary

Geography is a science which deals with the constant description, interpretation, change and scientific evaluation of the state on the earth. It pays special attention to the contacts between the geographical environment and the society living in it. Geography summarizes, systemizes and conveys the information necessary for the people to create their view about the world. The phenomena of the earth can be known only by the means of the natural sciences that is why the natural geography belongs to the natural sciences.

Social geography, which studies the interrelations developed between the geographical environments and the functioning of the society, resolves its research tasks by using methods of social sciences so it is part of social sciences. Some scientists say that crime geography is part of criminology but crime map is an instrument used on the scientific field of geography. Others state that crime geography is nothing else than a map deriving from the comparison of climate, terrain/soil, landscape, history, economy and demographic characters.

From the study of the relation between crime and geographical place one can conclude to the volume of the crime. Some experts say that crime geography is part of the criminology and not of geography. Others point out that criminal geography is one branch of criminology and one has to interpret it by using the units of the attitude, space and time.

Crime geography can be considered as a branch of the social geography, which studies the spatial and time aspects of the crime as social mass phenomenon. Between criminology and social geography is mutual relationship. We study the territorial differences of the crime on the base of the number of the crime and criminals/perpetrators. Studying the different territorial units is necessary because the picture about the volume and the frequency of the crime is too general and it does not provide a precise picture about the territorial differences. The data themselves do not mean much.

They can give us important information only if we compare them with other data and that is the way how we can make conclusions to the volume of the crime, the importance of the crimes and the direction of the changes. The crime register is a very important instrument of crime geography. This register can be updated by focused data-collection which is supporting the crime prevention and the intelligence.

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**THE IDENTIFICATION AND GOVERNANCE OF ILLEGAL FUNDRAISING CRIMES IN CHINESE INTERNET FINANCE****Abstract**

P2P network lending, equity crowdfunding, entrusted wealth management, and private equity funds are essential industries in the field of Internet finance in China at present. However, some variants of these industries in practice, such as the direct or indirect collection of funds, illegal absorption of public deposits, fraudulent fund-raising, severely damages the legitimate rights and the interests of investors, endanger financial security and social stability, and they are also suspected of illegal fund-raising crimes. For judicial practice, P2P online lending and Internet entrusted financing are the areas where illegal fund-raising crimes happen most frequently. 2/3 illegal fund-raising crimes happened in recent years are relevant to P2P online lending and Internet entrusted financing. Illegal fund-raising crimes related to P2P online loans have the following traits: self-financing, “shadow banks,” self-insurance and credit enhancement, the establishment of capital pools, and pseudo-platform operations. The crime of illegal fund-raising in equity crowdfunding is mainly manifested in the collection of funds, financing for unspecified investors, and the problem of inducement. The crime of illegal fund-raising in entrusted wealth management is mainly to publicize financial information, explicit or implicit guarantee commitments, sales of wealth management products for unqualified investors, and to borrow legal forms for fund collection. The crime of illegal fund-raising in private equity funds is mainly not in conformity with the management regulations of private equity funds, to introduce unqualified investors, to implement a guaranteed return of principal and interest, and to break through the system of qualified investors, and so on. To promote the criminal governance of illegal fund-raising crimes in the Internet finance field, the judiciary should adjust the current single loose criminal policy into the one that combines leniency with rigidity, perfect the criminal law system of illegal fund-raising behaviors in the field of Internet finance, strengthen the connection between punishment and execution, explore specialized case-handling mechanism, and implement a case guidance system.

**Keywords:** Internet finance, the crime of illegal fund-raising, criminal governance

## 1. Introduction

In recent years, Internet technology and information and communication technology have made breakthroughs to promote the rapid integration of Internet and finance. The essence of Internet finance is finance. Therefore, the essential attribute of financial management risk does not change, however, because of the virtual and cross-regional nature of the Internet, Internet finance magnifies the concealment, contagion, universality, and immediate risk of traditional finance. Meanwhile, due to the outbreak of Internet finance in China in a short period of time, the initial development of the industry endures the barbarous growth period, which is characterized by the lack of threshold, rules and supervision. Much hypocritical innovation implements illegal crimes by using the name of Internet finance.

P2P network lending, equity crowdfunding, entrusted wealth management, and private equity funds are essential forms in the field of Internet finance in China at present. They play dominant roles in promoting small and medium-sized enterprises and serving the real economy, which have been encouraged and valued by national policies. However, the innovation of Internet finance co-exists with risks and opportunities. P2P network lending, equity crowdfunding, entrusted wealth management, and private equity funds alienated in practice. The direct or indirect collection of funds, illegal absorption of public deposits, and running away with money, severely damages the legitimate rights and the interests of investors, and endangers financial security and social stability. The above negative influences cast a shadow over the healthy development of Internet finance. Its financial risks are far more challenging to control than the traditional one. For instance, according to the data published by China Banking and Insurance Regulatory Commission, the number of illegal fund-raising crimes happened all over the country is 5693, up 12.7 percent over last year and the total number of money involved in the cases is 354.2 billion yuan, up 97.2 percent over last year. Among them, cases happened in 2018 in Internet finance area are up to 30%. The amount of money and people are up to 69% and 86% respectively. It is true that in the context of deeply integrating Internet and finance and the rise of “Internet plus” as a national strategy, we should encourage the Internet finance to innovate. However, the alienation formats of Internet finance, especially these who are out of compliance, break the law, or deviate from the typical shape, are possibly suspected of the illegal fund-raising crime. It is not only the practical need to protect legitimate rights, the interests of investors, and curb the illegal fund-raising in Internet finance, but also a dominant guarantee to promote Internet finance. We need accurate judgment, recognition and criminal regulation to achieve the above goals. At present, the theory field mainly focus on the legal application, judicial determination, property disposal, and prevention strategies of traditional

illegal fund-raising, especially for some economic crimes related to the public. Little attention has been paid to the identification and criminal regulation of illegal fund-raising crimes in Internet finance, especially the equity crowdfunding, entrusted wealth management, and private equity funds. Therefore, in order to deepen the theoretical research on the crime of illegal fund-raising in Internet finance, and to promote effective governance of illegal fund-raising disorder, this paper attempts to discuss the crime of illegal fund-raising which breeds from some Internet finance industries, such as P2P online lending, equity crowdfunding, entrusted wealth management and private equity funds.

## **2. The Model of P2P Network Lending**

### **2.1. The concept and criminal risk of P2P network lending**

P2P network lending (peer-to-peer lending) refers to a direct debit between individuals through the Internet platform (Liu and Chen, 2017). The borrower may not provide loan collaterals. As long as borrowers pass the review of platform, borrowers can then issue the loan information, including the amount, interest, repayment method, and time, to accomplish the self-service loan. According to the information above, the lender can decide the amount he needs to loan on his own. The lending platform is a kind of information intermediary stage, which is responsible to investigate the economic power of borrowers and the authenticity of loan information. The platform can also charge account management fee and service fee.

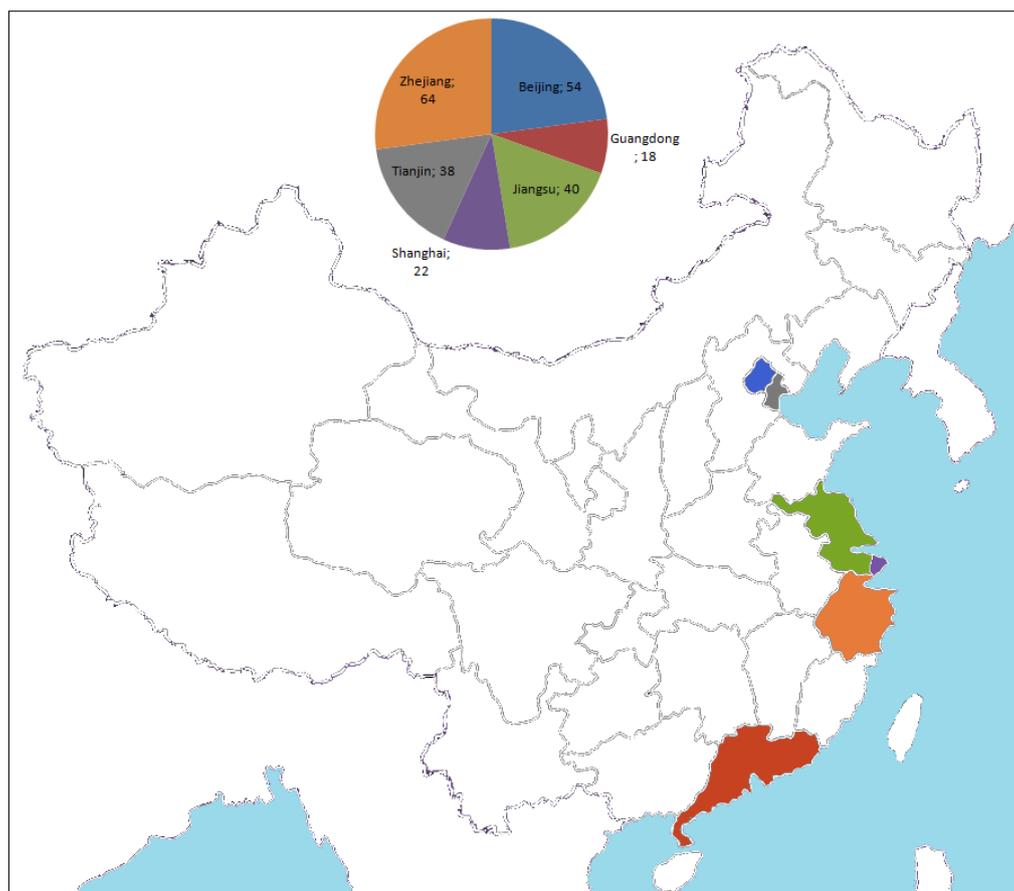
According to the relevant regulations of the 'Guiding Opinions on Promoting the Healthy Development of Internet Finance' and 'Interim Measures on the Management of Business Activities of Internet Lending Information Intermediaries' issued by the CBRC and other ministries, P2P online lending is a legitimate business model. Its platforms are also positioned as information intermediaries. The platforms can provide loan matching services, but cannot offer self-financing, form capital pool, provide personal credit enhancement service, deadline mismatch, or offline promotions. Otherwise, it would be illegal. The illegal lending behavior violate financial laws, even reach the bottom line of criminal law, and is suspected of illegal fund-raising crimes (mainly the crime of illegally absorbing public deposits), which should be subject to criminal penalties.

The behavior patterns and types of illegally raising funds by using P2P are various, thereby their alleged charges are different. Some scholars believe that, from a theoretical perspective, the alienation of P2P platforms may be on charges of arbitrarily setting up financial institutions, illegally absorbing public deposits, fundraising fraud, high-profit loans, illegal business operations, or false advertising (Li, 2015). Such conclusion is the result of analyzing from an

ought perspective. However, seeing this issue from the practical status, the main relevant crimes are illegal absorption of public deposits and fraudulent fund-raising. Besides, the content of related judicial interpretations published by the supreme court also aims at the above two types of crimes.

The Article 176 and 192 of Chinese Criminal Law separately regulate the crimes of illegal absorption of public deposits

and fraudulent fund-raising. Apart from the different criminal objects and accomplishment criteria, the bound between the above two crimes is criminal purpose. The crime of fraudulent fund-raising have the purpose of illegal possessing, while the crime of illegal absorption of public deposits does not. The two crimes, especially the crime of illegal absorption of public deposits, are the main accusations and are like the Sword of Damocles swing on the P2P issue. Certainly, when identifying the crimes of behaviors such as stages directly or indirectly raise money to form capital pools or actors disappear after absorbing a large amount of money, the conclusion should comes from the actual acts and the legal relations based on the acts. Seeing from the 319 verdicts which are related to using P2P to illegally raise funds, published by China Judicial Documents Network in 2019, the top six provinces are Zhejiang (64), Beijing (54), Jiangsu (40), Tianjin (38), Shanghai (22), Guangdong (18). The verdicts published by the above six provinces contribute more than 70%. The six provinces all have prosperous economy, active private lending and financing, which provide rich soil for P2P illegal fund-raising crimes. Analyzing from the distribution of accusations, 267 verdicts belong to the crime of illegally absorb public funds, 46 verdicts belong to crime of fraud in financing, 7 verdicts belong to the crime of obstructing company orders, 2 belong to the crime of organizing or leading pyramid schemes and 1 belongs to crime of illegal business operation (Figure 1.).



**Figure 1: The top six provinces are related to using P2P to illegally raise funds in China (2019)**

*Database: Chinese Judicial Document Network, Edited by Antal Forró*

## 2.2. Identification of the Crime of Illegal Fund-raising in P2P Online Lending

Analyzing from the judicial practice, P2P online loan platforms are suspected of the illegal fund-raising crime, mainly manifested in the following situations.

### 2.2.1. Self Financing

Some enterprises set up so-called P2P platforms to illegally absorb public funds by utilizing fictitious borrowers and targets. The funds raised are either used in the production and operation of the enterprise itself, external investment, or making profit on re-lending, with the primary purpose of financing themselves. Take Lin Zhengrong's case as an example, Lin illegally set up a "Wuhan loan" P2P platform, using its website to issue fake targets, enticing investors with high returns. Lin illegally absorbed more than 8 million yuan from 46 people. More than 2 million yuan were used to daily running of Zhe Shang Family Co., which is the company that the platform attached to. Another more than 2 million yuan were spent on the decoration of the

affiliated hotels.<sup>1</sup> It can be seen from the above that the funds illegally absorbed in this case, apart from paying high interest to investors, are mostly used for the operation of the enterprise and the decoration of affiliated hotels, which is essentially self-financing. This illegal fund-raising behavior mode is mainly suspected of the illegal fund-raising crime, as the platform operators do not have the purpose of illegal possessing.

### 2.2.2 “Shadow Banking”

"Shadow banking" refers to the credit intermediary system that is outside the banking regulatory system and may cause problems such as systemic risk and regulatory arbitrage. There are four main factors causing systemic risk in shadow banking: term mismatch, liquidity transformation, credit transformation and high leverage (Ba, 2013). Many P2P platforms in China already have these elements. For example, some P2P platforms provide a guarantee of principal and income for investors by themselves or by introducing third-party guarantee companies to provide principal and interests assurances, in order to accomplish credit transfer. In this way, the borrower's credit risk, which is supposed to be taken by investors, transfers to the P2P stage or the third party. From the foreign operating mode of P2P online loan platforms, Prosper, Lending Club and other online platforms do not provide guarantees, which are related to their mature credit system. These platforms use a personal credit scoring system, and determine to lend funds or not according to the minimum credit score made by the system. Besides, in order to attract investors, some other platforms offer repurchase target services at any time, thus provide liquidity conversion. This type of "shadow banking" has the primary functions of a bank, while its fund absorption behavior is an illegal fund-raising crime. The above behaviors actually are in line with the constitutions of the crime of illegally absorbing public deposits.

### 2.2.2. Self-insurance

In the process of financing, some P2P platforms violate the law to provide "credit enhancement" services, and some may promote that a particular company or institution shall provide guarantees for loans. When examining whether the guarantee institution constitutes a crime, pay attention to check deeply. If it is self-financing and self-protection, it belongs to the practice of an illegal fund-raising crime. Take Kuailu Group, the investor of the film "Yewen 3," for example. It was accused of the box office fraud by a large number of netizens during the time that the film released in early 2016, thereby its self-protection and self-financing investment

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<sup>1</sup> Wuhan City Intermediate People's Court of Hubei Province (2017). Hubei 01 Zhong Zi Criminal Ruling No. 209

were revealed. The borrower, the platform, and the bonding company are all subsidiaries or affiliated companies of Kuailu Group. It means that Kuailu Group's film and television corporation, as the borrower, relying on the group's affiliated bonding company to finance itself through their P2P platform, which is a typical case of "self-financing and self-insurance." For new types of warranty, it is necessary to track the source of guarantee funds substantially (Pan, 2018). There are many types of financing guarantees in the current financial market, which have far exceeded the fixed assets or the guarantee professional companies in our impression. The new types of financing guarantees include pledges of lease rights of shops, taxi operation rights, quality of bank management, life insurance policies, pollution rights, pledges of dynamic inventory, repurchase of credits, and other charges. If their funds come from themselves, they are still self-financing and self-insurance.

#### 2.2.4. Capital Pool Forming

The P2P platform establishes a capital pool, which makes a large number of funds actually in the hands of the platform operator. It can efficiently operate the capital pool to conceal the platform risk, manipulate the target, and do other activities. It damages the legitimate rights and interests of investors severely and disrupts the order of the financial market. This is also a principal reason why even after platforms collapse the responsible persons of platforms are able to abscond. For example, in the case of Sun's illegal absorption of public deposits, the "Tiancheng Loan" platform earns interest differentials by absorbing deposits and then looking for a borrower's mode of issuing loans. The platform set up a capital pool to hold investors' funds and used them to repay the loans that were due before. Such behavior belongs to illegal fund-raising crime.<sup>2</sup> It is evident that "Tiancheng Loan" collects funds before looking for borrowers. In this way, the investors' funds entered the account of the platform. They established a capital pool, which maintained the operation of the platform by robbing Peter to pay Paul until its collapse. Their behaviors are definitely in line with the typical illegal fund-raising crime. Besides, some P2P platforms design their borrowing needs into various financial products and sell them to investors, so that investors' funds can enter the accounts of the platforms, which is also an illegal fund-raising crime of setting up capital pools.

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<sup>2</sup> Gangcheng District People's Court of Laiwu City, Shandong Province(2016). Lu 1203 Chu Zi Criminal Ruling No. 4

### 2.2.5. Pseudo Platform Operation

The so-called pseudo-platform operation means that without authentic financing demands, P2P platforms publish false financing information in order to occupy public funds illegally. As long as they absorbed the public funds, they abscond right away. "Pseudo-platforms refer to the so-called 'platforms' created by certain actors who have held the intention of 'absorbing the money' from the beginning, using the concept of Internet finance. (Liu, 2016)" In essence, the pseudo-platform is to carry out fund-raising fraud in the name of the P2P platform, which ultimately loses the intermediary feature and becomes a tool for criminals to collect funds. In judicial practice, there are two main types of pseudo-platforms: one is a P2P platform, particularly for fund-raising fraud. The second is a platform that has no intention of illegal possession originally but conducts fund-raising fraud later. For example, in the case of Ge Gaofeng's fund-raising fraud, Ge used "Lianchuang Wealth" as a platform to fabricate borrowers and targets without obtaining financial business permissions. He transferred illegally absorbed funds to his account. Except for a small part of the funds, which are used to return the investor's principal and interest, the vast majority of them have been squandered or purchased real estate and vehicles in the name of Ge and others.<sup>3</sup> In this case, "Lianchuang Wealth" is a pseudo-platform with the intention of illegal possession, which is in line with the criminal composition of the crime of fund-raising fraud.

The above models generally are able to include various forms of illegal fund-raising crimes on the P2P platform in practice. It is worth emphasizing that the illegal fundraising behavior discussed in this article does not include "illegal fundraising risks caused by unqualified borrowers." The absorption of public deposits by the unqualified borrower belongs to the illegal fundraising category of the borrower, not illegal fundraising by the operator. If the borrower is the operator, then the problem is back to numerous ways of illegal fundraising of the P2P platform. If the P2P platform is fully conscious that the borrower does not qualify, it still acquiesces to the false borrower to issue false information for illegal fundraising to promote the business, even implements services such as advertisement promotion and payment settlement. In this regard, it cannot be punished as an accomplice in illegal fundraising crime because there is no intention of joint crime (intention liaison) between the platform and the unqualified borrower. However, it still violates criminal law. It is assistance behavior of neutral business. It should be punished with the crime of assisting cybercriminals.

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<sup>3</sup> Ningbo City Intermediate People's Court of Zhejiang Province(2015). Zhe Yong Yi Chu Zi Criminal Ruling No. 119

### 3. The Model of Equity Crowdfunding

#### 3.1. The concept and method of equity crowdfunding

As an essential form of crowdfunding, equity crowdfunding means that a company can raise funds through a crowdfunding platform, and venture investors can obtain equity. Its main advantages are lower funding costs and the lack of bank-like financial intermediation. Investors take equity directly as the form of investment and hope to attain equity appreciation in the future.

There are two main types of initiators of equity crowdfunding: The first one is that they have entrepreneurial projects and creativity, but lack of funds to invest. The other type is that their ideas have been put into practice, but the subsequent funds is lacking. There are also two main types of supporters of equity crowdfunding projects. One is individuals with investment intention and idle funds. These investors consult with initiators and agree with their creative ideas. The others are the government and large enterprises. Through the crowdfunding platform, the government and large enterprises can use the state-supported start-up capital to fund entrepreneurs in a more targeted and effective way. The main methods of equity crowdfunding include the following: first, direct equity investment. The fundraiser submits the project to the crowdfunding platform for review. After obtaining permission, the project will be issued on the platform. When the investor selects the project, the fund will be invested through the crowdfunding platform. Although it does not belong to the public issue of shares, it still cannot break through the relevant restrictions about the number of shareholders. For example, the number of shareholders of a limited company shall not exceed 200, and the number of shareholders of a limited liability company shall not exceed 50, which shall not exceed the red line stipulated by law. Second, it is a combined investment by using both online and offline way. This two-stage investment is designed to circumvent the current restrictions on equity financing. After the project information is displayed, and the potential investor gets the intention, the operation will go offline, where the equity investment will be conducted following the Company Law and other legislations. Alternatively, it can screen investors online, only open project information to accredited investors, and set a high threshold for investors by invitation. In China, the behaviors of equity crowdfunding mainly regulate by the Securities Law. According to the regulations, no unit or individual may publicly issue securities without approval. Equity crowdfunding generally does not meet the conditions for the approval of public issuance of bonds, so it can only be issued in a closed way. *All Private Equity Crowdfunding Suggests Management Approach (trial)* stipulates that private equity crowdfunding should be non-public offering. Meanwhile, it outlines a series of principles,

including investors, must be specific objects. Besides, *the Implementation Plan for the Special Rectification of Internet Financial Risks* also puts forward a series of requirements for the compliance operation of equity crowdfunding. First, the number of people participating in crowdfunding shall not exceed 200. Second, it shall not adopt any advertisement, the public, and issuing shares in any way. Third, no self-raised funds is allowed. The last is that the raise must only open to specific investors.<sup>4</sup> The platform shall rigorously fulfill the obligation to verify the identity of the financiers and the authenticity of the project before carrying out crowdfunding activities. Meanwhile, the platform also needs to screen investors. Only qualified investors who have been registered and have passed the asset strength review are qualified to participate in crowdfunding. Of course, the financiers should also provide real information to the platform, such as the approval documents, feasibility reports and prospects.

### **3.2. The Identification of the Illegal Fundraising Crime in the Equity Crowdfunding**

Equity crowdfunding is generally realized through online crowdfunding platforms. The purpose of financiers is to raise funds, so the financing behavior in the process of crowdfunding is essentially a sort of fundraising behavior. In the absence of a small-amount exemption system in China, if the financing behavior exceeds the limit of the number of people and carries out public publicity with returns on profits, it is likely to be suspected of illegal fundraising crime. Seeing from the criminal verdicts of illegal fundraising crimes related to the equity crowdfunding, published by China Judicial Documents Network in 2019, all of 21 verdicts are made by Basic People's Courts. Among them, 6 are made in Shanghai, 5 in Jiangsu, and Anhui, Fujian, Shanxi have 2 respectively and Jiangxi, Guangdong, Chongqing and Zhejiang have 1 verdict respectively. Analyzing from the distribution of accusations, 11 verdicts belong to the crime of illegally absorbing public deposits, 7 belong to the crime of organizing or leading pyramid schemes, 1 belongs to the crime of fraud in financing and 1 belongs to the crime of contract fraud. To be specific, the crime of illegal fundraising in equity crowdfunding is mainly manifested in the following situations.

#### **3.2.1. The Problem of Fund Collection**

Equity crowdfunding generally consists of three parties, sponsors, investors, and crowdfunding platform. The necessary process of equity crowdfunding can be divided into six steps: design the program, review the program, publish the program, publicity, financing, and return profits.

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<sup>4</sup> General Office of the State Council (2016). Guo Ban Fa No.21, Implementation Plan for Special Rectification of Internet Financial Risks.

After the project sponsor releases the project on the platform, the financing process needs some time to be completed. Investors generally transfer funds to the account that the platform appoints (or the escrow account), which objectively causes the fund collection of the platform and generates capital risk. At present, there is no effective restraint mechanism to prevent improperly managing and using funds. The absence of restraint brings significant risks of security to investors' funds (Yang and Su, 2019). This alienation in illegal crowdfunding represents in two ways. First, the third-party crowdfunding platforms collect investors' funds, then attract projects online, and promise to repay capital and interest to investors. Second, crowdfunding platforms and project companies are actually under the same group. So platforms are not a third-party one. The crowdfunding platform is financing the company of the group and promising to repay capital and interest to investors (Yin and Liu, 2018). In the process of financing, the equity crowdfunding platform shall audit the project sponsors' qualifications. For qualified ones, it is generally inappropriate to consider it as a crime barely because the funds are only collected during the crowdfunding process and paid to the project sponsor after the financing achieved. However, when the financing occurs before the fundraising account is set up, that is, when there is no crowdfunding project, the financing behavior occurs. It is an empty bid financing or financing for related parties. All three are in line with illegal fundraising. For the sponsors of the projects, in order to break the financing limit of a single platform, they raise funds for the same project on multiple platforms in the same period, or raise funds in other public places. If the funds raised exceed the needs of the project, it is also suspected of illegal fundraising crimes.

### **3.2.2. The Issues on Unspecific Investors**

According to the provisions of the Securities Law, no unit or individual may issue securities publicly or use advertising, public persuasion, or other public means, without legal approval. In essence, equity crowdfunding relies on online platforms to raise funds by selling shares, which is similar to issuing securities. Equity crowdfunding is an integral part of Internet finance. The natural openness of the Internet makes the equity crowdfunding inherently have the property of raising funds from the non-specific public. Some people believe that the operation mode of equity crowdfunding should be strictly controlled, or particular ways should be taken to circumvent the restrictions of the Securities Law. However, such circumvention is often unreliable from the perspective of legal explanation (Yang and Su, 2014). The author believes that when considering whether the equity crowdfunding platform is involved in the crime of illegal fundraising, the conclusion need to base on substantive examination. We need to know

that equity crowdfunding is raising money from specific investors. If the crowdfunding platform adopts real-name authentication in investors' verification and sets up a strict asset evaluation process, then the investors of the platform are not non-specific public, but directed investors. However, If the platform does not have high requirements of real-name authentication, but only requires identity registration without conducting investors' substantive verification, it cannot be considered as raising funds from specific investors.

### **3.2.3. Inducement Problems**

The legal equity crowdfunding platform is primarily an information intermediary platform collecting intermediary fees for profit. The platform objectively and neutrally reviews the fund raiser's project and releases the project information after reviewing. Then, investors can choose the project to invest according to their investment preferences. However, in order to avoid illegal fundraising, some platforms indicate in the instructions that they cannot use equity, debt, or funds as returns to supporters. Meanwhile, the sponsors and the platform do not promise any financial benefits to the supporters. Some platforms regard netizens' registration of the sponsors' projects as a purchase rather than an investment (Yin and Liu, 2018). The author believes that if the project sponsor did not promise a fixed return on principal and interest, but signed a supplementary contract, a guaranteed contract, whose essence was to promise the principal or a minimum return. This behavior has the characteristics of a passive, investment, and guarantee. It also meets the inducement characteristics of illegal fundraising crimes. Therefore, there is a more significant risk of taking criminal responsibility.

## **4. The Model of Entrusted Financing**

### **4.1. The Concept and Type of Entrusted Financing**

#### **4.1.1. The Concept of Entrusted Financing**

Entrusted financing varies from broad and narrow. In a broad sense, entrusted financing refers to the fact that the client entrusts its property to others to obtain benefits. It covers extensive areas, for instance, handing over your own house to an intermediary agency and allow it to rent the house. The lessor does not directly sign the contract with the lessee. Regardless how much rental income that the intermediary receives, the lessor receives a fixed income. Entrusted financing in the narrow sense only refers to financial management activities in the financial market, that is, entrusting its funds to institutions or individuals for investment activities. According to the proportion agreed by both parties, lessors and agency share profits. This article is based on the field of cyber-finance crimes, so it talks about the concept of entrusted financing

in a narrow sense. It is limited to the client's delivery of funds to the trustee for income. Financial markets call this a fiduciary investment management or asset management business.

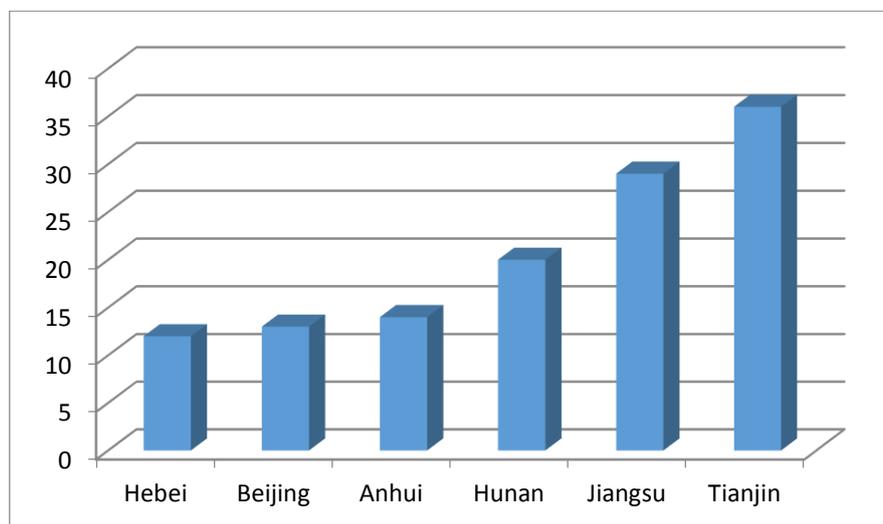
#### 4.1.2. The Type of Entrusted Financing

According to whether the trustee is a financial institution, entrusted financing consists of financial entrusted management and private entrusted financial management. Financial entrustment refers to that the entrusting party gives the funds to the formal financial institutions for financial services. Because financial institutions' products are strictly approved in advance, they are less likely to involve in illegal fund-raising crimes. In practice, the high incidence of financial crime is that the staff of financial institutions does not bring the absorbed funds into the institutions' accounts. They cooperate with external institutions or individuals to transfer clients' funds to other investment activities. This behavior is known as a "flying document." In this case, the staff of institutions may commit a joint crime of illegal fundraising. Financial institutions are civilly liable to investors for compensation. In private entrusted financing, the principals entrust their assets to non-financial institutions or natural persons, and the trustees shall conduct financial management and investment on behalf of their clients. Private entrusted financing accounts for a large proportion in the capital market but lacks supervision. Non-governmental entrusted financing is one of the most severe areas of the crime of entrusted financing illegal fundraising. Many private financial institutions and individuals hide their illegal fundraising intentions under the name of financing.

With the development of Internet finance, Internet investment has also entered the sight of ordinary investors. Internet investment and financing refer to the business of selling investment and financing products on a third-party or other online payment platforms through the network (SPC, 2015). At present, Yu 'E Bao from Alibaba and Financial Manager from Tencent are typical Internet financial products. Internet investment and financial products are similar to traditional financial products. In form, investors entrust their funds to institutions or individuals for management. The difference lies in the saling channels. Internet investment and financing operate through mobile Internet platforms rather than traditional online sales channels. There is no need for investors to sign a paper contract, while they can operate through the Internet or mobile APPs. This makes the investment more accessible, cheaper, and free from capital barriers. The following content of this article takes the Internet entrusted financing as a foothold to analyze the identification of illegal fundraising crimes in entrusted financing.

#### 4.2. The Identification of Illegal Fundraising in Entrusted Financing

In reality, there are often criminal acts of illegal fundraising or disguised illegal fundraising in the name of entrusted wealth management. Seeing from the verdicts related to using entrusted financing stages to illegally raise funds in 2019, published by Chinese Judicial Document Network, the amount of criminal verdicts is 283. The top six provinces are Tianjin (36), Jiangsu (29), Hunan (20), Anhui (14), Beijing (13), Hebei (12). The amount of relevant verdicts in other provinces is less than 10. Seeing from the distribution of accusations, 285 verdicts belong to the crime of illegally absorbing public deposits, 28 belong to the crime of fraud in financing, 2 belong to the crime of contract fraud and 1 belongs to the crime of illegal business operations. The following chapters will analyze the manifestations of the crime of fraud in financing happening in the area of entrusted financing and the kernels of distinguishing such crime (Figure 2.).



**Figure 2: The top six provinces are related to using entrusted financing stages to illegally raise funds in China (2019)**

*Database: Chinese Judicial Document Network, Edited by Antal Forró*

##### 4.2.1. Judgment Points of Illegal Fundraising Crimes in Entrusted Financing

To judge the illegal fundraising behavior in entrusted financing, we should chiefly investigate from the following four aspects. First, whether there is a guarantee clause. Because contracts that contain the articles of guaranteed earnings violate the principle of risk-sharing in entrusted financing. Therefore, such contracts have the induce characteristic of illegal fundraising crime. Second, whether the entrusted financial contract aims at a specific object, entrusted financing contract is an one-to-one contract. However, if the actor accepts to sign a large number of contracts with the unspecified majority, then it conforms to the social characteristics of illegal

fundraising crime. Third, the direction and the way to using the funds. Specifically, it is necessary to consider whether the actor can reasonably use the entrusted funds. If the trustee does not carry out the investments and the operation activities saying in the agreement but invests the funds in high-risk areas, it will cause the high safety risk to public funds. In this case, the actors generally can be charged with illegal fund-raising crimes. Fourth, the severity of the risk that behaviors bring to investors' funds and whether it causes losses. The harm degree of public funds safety is a critical factor to consider. The chief criterion to distinguish the legal entrusted financial behavior from criminal behavior not only lies on the difference between behaviors. More importantly, it is necessary to consider whether the results of acts have reached the harmful degree stipulated in the criminal law. If the behavior meets the constitutive requirements of the illegally absorbing public deposits, meanwhile also endangers the safety of public funds, the actor's criminal responsibility should be investigated. Otherwise only can administrative penalty can be given to actors.

#### **4.2.2. The Manifestation of the Crime of Illegal Fundraising in Entrusted Financing**

In practice, the entrusted financing behavior which is suspected of illegal fundraising crimes, have characters as followings:

##### **4.2.2.1. Publicize the Financial Information**

Most of the trustees in the private entrusted financing are investment consulting companies. Unlike financial institutions, establishing consulting firms does not have high entrance barriers, strict risk control mechanisms, and standardized operation rules. Some trustees run open false publicity, conceal risks when publicizing to the unspecified majorities. Its forms of publicity include making promotional calls to people, sending text messages to potential customers, holding "public lectures". Sometimes, they set up several preferential terms to attract customers, overemphasize prospects of profits, but rarely warn risks.

##### **4.2.2.2. Explicit or Implicit Guarantee**

The trustee accepts the client's carte Blanche and makes a guarantee commitment. Also, the client shall bear the investment risk of violating the contract. This is the fundamental property of entrusted financing. For example, some entrusted financial contracts, both the principal and the agent agreed on the guarantee terms, and the agent ensures the return and interest to the principal. Some trustee sets up a limited partnership with investors as common partners. Investors put money into the partnership enterprise in the name of a limited partner. Then, they

agreed to invest in the project of the contract. The agent promised in the partnership agreement to pay benefits, on schedule due to repurchase investors share in the partnership, to complete the limited partner withdraws from the receivable. There are many types of private entrusted financial contracts. There are asset management, entrusted investment, entrusted asset management, and information consulting service agreement. In some cases, formal contracts and supplementary agreements are signed together in order to avoid the minimum guarantee limitation. The formal contract does not reflect any guaranteed return, which is in full compliance with the legal form of the investment contract, While the commitment to a guaranteed return lies in the supplementary agreement.

#### **4.2.2.3. Selling Wealth Management Products to Unqualified Investors**

Generally speaking, private entrusted financing belongs to the autonomous field. The state has no prohibitive provision on the conditions of the trustor, and then the trustor has the right to dispose of his property. However, as for Internet entrusted financing, it has certain restrictions for social attributes. Internet financial platforms have gathered plenty of consumers. Therefore, it has the characteristics of available product promotion, convenient product sales, and low cost. For example, sales of traditional financial products such as Yu 'E Bao (money market fund) have multiplied in recent years. Under existing laws, there are only two formal financial products that can be sold to the public online: public security investment funds and insurance products. Other financial products, even legal ones, cannot be sold publicly online. Trust products and private products; for example, can only be privately recruited to qualified investors, whereas selling to the public is strictly forbidden. However, in practice, plenty of disguised network sales model appears. For example, the "Group Purchase": The financial institution has no permission to sell products to the public, so institutions buy products on behalf of investors. Besides, a variety of illegal financial products, called "asset management, also took advantage of Internet sales. (Peng, 2018)" According to relevant laws and regulations, asset management products (i.e., financial products) shall not be publicly issued or sold on the Internet without permission. Otherwise, it may constitute an illegal fundraising crime. Besides, in the field of entrusted financing through the Internet, the network platform must use the funds for the agreed financial activities and cannot use them for other purposes. Platform's profits come from the management fees charged from investors, rather than from spreads, which means that platforms agree a lower rate of return with investors and make higher profits from issuers. If online platforms use the invested funds for other purposes, such as high-interest lending,

stock trading, futures and other activities, or earn interest margin through entrusted financing, their behaviors will change from entrusted financing to illegal fundraising crimes.

#### **4.2.2.4. Fund Collecting Disguised in Legal Forms**

In practice, some trustees use the guise of responding to national calls, protecting the environment, pension construction, ecological investment, financial innovation, and other publicity concepts, and use plantation and breeding industry development, high-tech industry research and development, cultural relics protection, cultural industry development, fund-raising, and other projects to attract investors. If the above behaviors involve an unspecified group of people (non-specific objects) as investors, or if the number of people exceeds 200, it is suspected of illegal fundraising.

### **5. The Model of Private Equity**

#### **5.1. The Concept and Type of the Private Equity**

##### **5.1.1. The Concept of the Private Equity**

Private equity funds refer to investment funds raised and established by private investors within China. Private equity funds have following characteristics: first, the issuance of private equity funds bases on record system, which is needless of the examination of the CSRC. As a result, their disclosure obligations extent is much lower than those of public funds. Meanwhile, the issuing cost is low, and the way is accessible, the operation form is flexible. The sponsor and the manager have considerable autonomy in project selection, fund management, and investment. Second, it can only raise funds through non-public means. Private equity cannot publicly advertise in any media. It can only inform the qualified investors through specific channels. At the same time, it is strictly prohibited to release information to unqualified investors. Third, the target can only be a few specific qualified investors. Qualified investors generally have sufficient assets, risk control ability, and risk identification ability. They can obtain the necessary investment information quickly. Therefore, they can choose matching private equity funds to invest according to their risk tolerance and scope.

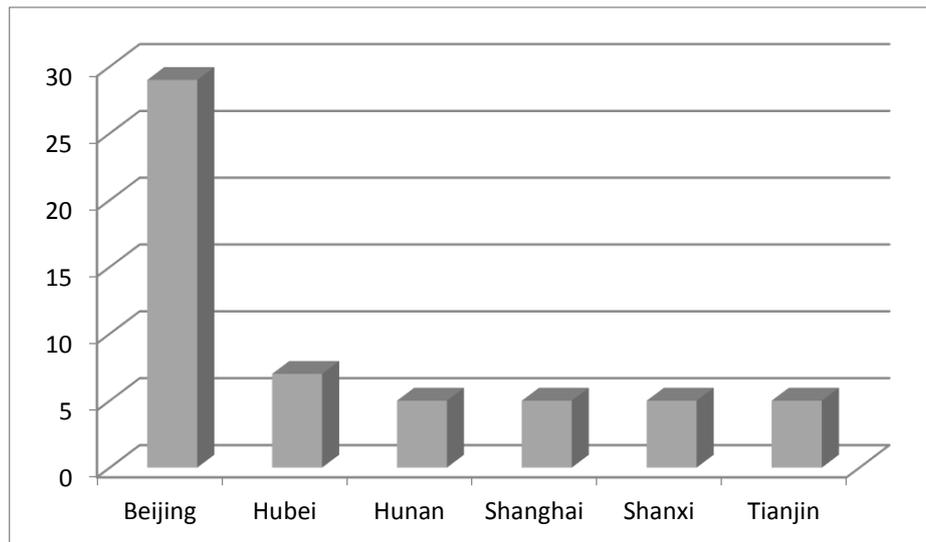
##### **5.1.2. The Type of the Private Equity**

According to different organizational forms, private equity funds can be divided into corporate private equity funds, contractual private equity funds, partnership private equity funds. The operation of a company forms the corporate private equity funds. Investors become shareholders of the company by purchasing a particular share, and assume the company's debts

to the limit of the investment amount, and enjoy the corresponding shareholders' rights at the same time. Contractual private equity funds generally complete through the form of trust. Investors and the trust company draw up a special trust deed to clarify their respective rights and obligations. In practice, a trusted company is usually the initiator, and the funds raised will be managed and invested by itself or by a specialized investment adviser. The fund manager can make professional management and investment decisions by his name. General and limited partnership private equity funds are two specific types of partnership private equity fund. The former one refers to that the sponsor operates the fund in the name of the partnership, which is responsible for the daily management of the project's operation and assumes unlimited responsibility for the funds. The latter one refers to commonly investors put in their capital, assume limited liability with fund share for limitation. Limited partners, whose income comes from the distribution of fund income, generally do not participate in the operation of the fund.

## **5.2. The Identification of Illegal Fundraising Crimes in Private Equity**

Private equity is known as the "rich man's game" because of its high risk. In the process of private fund financing, promoters and managers break the relevant regulations, making the public funds face significant risks, which may be suspected of illegal fundraising crimes. Seeing from the criminal verdicts in 2019 which are related to using private equity to raise funds illegally, published by Chinese Judicial Documents Network, there are 87 relevant verdicts. The top six provinces are Beijing (29), Hubei (7), Tianjin (5), Shanghai (5), Hunan (5), Shanxi (5). The amount of verdicts in other provinces is less than 5. From the perspective of accusations' distribution, 74 verdicts belong to illegal absorbing public deposits, 5 belong to the crime of fraud in financing, 5 belong to the crime of organizing or leading pyramid schemes and 4 belong to the crime of contract fraud. The following chapters analyze the identification of illegal fundraising behavior in private equity funds merely from the aspects of the initiation, methods, means, and objects (Figure 3.).



**Figure 3: The top six provinces are related to using private equity to raise funds illegally in China (2019)**

*Database: Chinese Judicial Document Network, Edited by Antal Forró*

### 5.2.1. Violate Private Equity Fund Management Requirements

According to the "*Opinions on Handling Criminal Cases of Illegal Fundraising*," which jointly issued by the three departments on January 30, 2019, the identification of the illegality of private equity funds can refer to the departmental rules following the national financial management laws and regulations formulated by the CSRC and other administrations, or to the state's provisions of the relevant regulatory documents such as the financial management regulations, measures, and implementation rules. On June 30, 2014, the CSRC issued the interim measures for the supervision and administration of private equity investment funds. The interim measure is an essential basis for judging whether a financing behavior of private fund is compliant. According to article 5 (2) of the "*Interim Measures for the Supervision and Administration of Private Equity Funds*," although the establishment of private equity management institutions and the issuance of private equity funds in China need not be "legally approved by relevant authorities," private equity financing must be registered and filed. Specifically, although private fund financing is exempted from approval and adopts the record system, it does not mean that the establishment of a private fund does not have any threshold requirements, and also does not mean that there is no illegal situation. If private fund managers are not legally established, have not gone through the registration procedures with the fund industry association, or have gone beyond the scope of private equity operations for private placement, then all behaviors above have the characteristics of "illegality". Private equity funds implement private fund manager registration and record system, so there is no need of approval,

however, we cannot analogize that, as long as register puts on record, no illegal situation would happen.

### **5.2.2. Promote to Non-qualified Investors**

Compared with public funds, the core of private funds is "non-disclosure." Private equity funds are prohibited from public or disguised public promotion. Article 92 of the "*Securities Investment Funds Law*" stipulates: "non-publicly raised funds shall not collect funds from units and individuals other than qualified investors, and shall not promote funds to specific objects through public media such as newspapers, radio stations, television stations and the Internet, or through lectures, reports and analysis meetings."

However, many private equity institutions in private insurance often entrusted other institutions or personnel to sell. There is a large part of the sales staff who are former or current bank staff. Based on their bank work experience, they usually have a lot of customer resources. The author believes that securities intermediary companies or investment consulting companies, third-party sales agencies can recommend private equity fund information to qualified investors. This is a legitimate channel for private equity promotion. However, the recommendation here must be the information push between the compliance subjects. If an information promoter makes a blind pitch without evaluating the qualification of the recipient or makes a blind telemarketer, lacking the procedure of determining specific object, and the published content belongs to the private fund promotion, then even promoter adapt a point-to-point method, the promoting way still should be considered as opening to unspecified people, because the participants are unspecified majorities and they are randomly selected. At this point, some of these behaviors may be suspected of illegal fundraising crimes.

### **5.2.3. Guarantee a Fixed Return on Principal and Interest**

Private equity investment has a variety of risks, such as management and technology. Therefore, before the issuance, investors should be informed of the risk that the principal and expected returns cannot be guaranteed. After being aware of the potential risk, investors make decisions and bear losses on their own. Article 15 of the "*Interim Measures for the Supervision and Administration of Private Investment Funds*" stipulates that "private equity managers and sales institutions shall not promise to investors that their principal shall not be subject to loss or minimum return." In practice, private equity investment contracts are usually accompanied by other types of contracts. The terms of contracts vary in terms of whether or not principal and interest are guaranteed. In criminal cases involving private equity funds, in order to circumvent

prohibitions of law, the actor does not directly promise to repay capital and interest or pay return but uses words such as "expected return," "guaranteed return" and "loss guarantee" to hide real purposes. The key to judge whether a contract has the incentive of capital preservation and interest payment lies in whether the actor conceals or guides the investor to underestimate the investment risk. "Expected return," in essence, is to make investors mistakenly believe that the investment does not have any risk, and private equity institutions will be able to repay the interest on schedule to them. This is a clear departure from the high risk and returns nature of private equity. It turns equity investment into debt investment. Those things are in line with the characteristics of illegal fundraising crime of inducement and then suspected of illegal fundraising crime.

#### **5.2.4. Break through the Qualified Investor System**

A private equity fund is a high - return and high - risk investment. It should be for a small number of "qualified investors." Qualified investors refer to specific investors. They have to meet the pre-set requirements that laws set for specific securities or investment projects. They have corresponding rights and behavioral capabilities so that they are suitable to participate in those transactions and investments (Guo, 2012). These qualified investors are capable of protecting themselves. Therefore, investment risks will not harm public interest. The private placement behavior truly breaks through the qualified investor system. In essence, it extends the object of raising funds to the public who has no self-protection ability, so it may directly endanger the safety of public funds.

From the establishment of private funds, there were requirements on the number and capital strength of investors. According to the *Interim Measures for the Supervision and Administration of Private Equity Funds*, there are two types of qualified investors. The first type of investors are those who have rich investment experience and strong financial risk tolerance, such as institutional investors, the other are who meet the legal conditions and be recognized as qualified investors. Those qualified investors must have financial knowledge and experience, which can accurately identify investment risks. Therefore, they can make a clear decision after weighing the value against the risk. Meanwhile, they also have a higher risk-bearing capacity, which is directly reflected in the economic strength, that is, the assets or the maintenance of a considerable income level. In the process of illegally fundraising, many investors are the elderly, middle and low class. They do not have fund and investment experiences, needless to mention relevant professional background. Besides, their economic income and asset evaluation do not meet the requirements of the *Interim Measures for the*

*Supervision and Administration of Private Investment Funds*. Therefore, they cannot identify and take risks.

When judging whether an individual or institutional investor is qualified, deep and substantive examination shall be conducted. According to *Investment Fund Law*: If investors directly apply for private equity funds, its number of investors can not exceed 200. If the private fund is organized as a limited or partnership company, the number shall not exceed 50. If a company is established through one single financing project, the total number of shareholders shall not exceed 200. However, in practice, some fund managers, investors take a variety of ways to circumvent the regulations. For example, in the form of a partnership or a proxy, one investor collects funds from others and participates in fund raising projects in his name. Although the apparent number of shareholders is less than 200, however, after "penetration check," it will be found that the total number of investors involved exceeds 200, and most of them do not meet legal requirements. In order to avoid the number limitation, some fund managers divide one project into multiple parts, and finance each part separately. However, from the perspective of the way to collect the funds and the use of them, all parts belong to a same program. The above behavior involves the crime of illegal fundraising.

## 6. Conclusion

Above all, seeing from criminal verdicts related to the crime of illegally raising funds in Chinese Internet Finance, published by Chinese Judicial Documents Network in 2019, the number of verdicts about P2P online lending is 319, the number of verdicts about equity crowdfunding is 21, the number of verdicts about entrusted financing is 283 and 87 verdicts are related to the area of private equity. Obviously, illegal fund raising criminal cases are concentrated in P2P online lending and entrusted financing areas and cases in these two areas are dominated among all cases, therefore, these two areas should be the emphasis of criminal policies and criminal regulations. In order to effectively control the illegal fundraising crimes in the Internet finance field such as P2P online lending, equity crowdfunding, entrusted financing and private equity fund, and to improve the healthy development of Internet finance, the author proposes to improve the criminal governance of illegal fund raising in Internet finance from three aspects: criminal policy, legislative regulation and judicial governance.

### **6.1. Adjust Criminal Policy of the Crime of Illegal Fundraising in the Internet Finance Field**

For Internet finance, including P2P network lending, equity crowdfunding, entrusted financing, China now is adopting a moderately loose supervisory policy<sup>5</sup>, which aims to spare the space for financial innovation. This loose policy inevitably affects the criminal policy of illegal fundraising behavior on those formats. As these crimes are statutory criminals, the relevant policies have strong dependence on financial development policies. Two policies are tightly linked. Therefore, the criminal policy of illegal fundraising is actually also lenient. However, with the Internet financial chaos of illegal fundraising crimes, it is necessary to adjust the recent loose criminal policy to tempering one with mercy. In sum, we propose to adjust the current single loose policy and establish a criminal policy of combining punishment with leniency : on one hand, regarding the general violations of P2P platforms, the light criminal circumstances, as well as the subjective malignancy of the secondary business personnel in the illegal fundraising crimes, we should strictly control the boundary of criminal law intervention, and play the full role of the decriminalization function of Article 13 of the Criminal Law. For actors whose function is not outstanding in a case or normal workers, judiciary should punish them leniently. On the other hand, for the fundraising fraud criminals and criminals committing serious crimes who have severe subjective viciousness and play major roles in joint crimes, we must severely crack down on such conduct, expand the application of property punishment, and increase the magnitude of punishment.

### **6.2. Perfect the Regulation System of Criminal Law for Illegal Fundraising Crimes in Internet Finance and Increase the Sanctions.**

First, incorporate relevant content of judicial interpretation into the provisions of criminal law. Clear regulations need to be made basing on the elements of Article 176 of Criminal Law, which is “illegally absorbing public deposits or absorbing public deposits in disguise”. It is helpful to highlight the deterrent function of criminal law, increase the magnitude of punishment for illegal fundraising crimes, fully play to the leading and promoting roles of criminal law in ensuring financial security and regulating society.

Second, we propose to put the crime of financial fraud, including the crime of fundraising fraud, into the section “the crime of disrupting financial management order” in the fourth quarter of Chapter 3. Due to the dual nature of financial crime and property crime of financial fraud

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5 Guidance on Promoting the Healthy Development of Internet Finance, 20 July 2015. <<http://www.mof.gov.cn/index.htm>>

offence, including it in the section of “the crime of disrupting financial management order” is not only beneficial to achieve the purpose of protecting the financial management order, but also resolve the problem that the place this crime lies is contrary to the classification of traditional criminal law. Moreover, it can meet the need to curb the crime of financial fraud from regulating the whole financial market, and is more conducive to achieving the practical purpose of fighting financial fraud (Liu, 2017).

Third, we suggest improving the penalty allocation for the crime of illegally absorbing public deposits and fundraising fraud and adding qualification penalty. Therefore, it is necessary to add relevant qualification penalties, and prohibit criminals engaging in related occupations within a certain period of time from the date when the execution of the penalty completes. In addition, considering that the range of the sentencing on illegally absorbing public deposits is too narrow and the statutory penalty is comparably light, we suggest adding another sentencing level for this crime, that is, “if the amount is particularly large or has other particularly serious circumstances, more than ten years in prison and fines ranging from 500,000 to less than 5 million yuan.” This solves the problems that the punishment level for the crime of illegally absorbing public deposits is too narrow, and the lever function of criminal law is not obvious.

### **6.3. Improve the Efficiency of Judiciary**

First, this article propose to improve the connection between criminal cases and administrative cases. This article suggest coordinating from the national level, strengthening the linkage between administrative law enforcement and criminal justice, and promoting the establishing of an unified “online convergence and information sharing” platform. Through the platform, we can complete cases’ online transfer and acceptance, information process tracking, and law enforcement dynamic monitoring to prevent the phenomenon of using administrative penalties to substitute for criminal punishments. Second, this article propose to explore the professional case-handling mechanisms for illegal fundraising crimes in International Finance. This new type of crime is related to public, professional area, and Internet. The identification of case clues, the determination of behavior, the examination of evidence, the application of law, and the standard of prosecution are different from traditional financial crimes (Huang 2018; Li and Hu 2016). We need to improve the professional quality through the process of investigating, prosecuting, and judging, including establishing specialized case-handling agencies in police, procuratorates, and courts and improving the professional quality of illegal fundraising case-handling in ITFIN. Third, this article propose to actively promote the case guideline system of illegal fundraising crime. Closely connecting with new situations and problems encountered in

the current financial judicial practice, the judicial authorities can choose typical, difficult, or new types of criminal cases of illegal fundraising on P2P platforms timely, then explore and analyze the legal spirit, legal principles, legal rules and case-handling concepts, case-handling methods, and case-handling skills in these cases. Adopting the method such as collecting typical cases and publish legal documents in this way, judiciary can precisely understand relevant criminal law rules and judicial interpretation and the case guideline system provide targeted and authoritative professional guidance and references.

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## **THE CRIMINOLOGICAL PROFILE OF HUNGARIAN SMALL VILLAGES**

### **Abstract**

The study aims to analyse the criminological profile of the smallest elements of the Hungarian settlement network. The criminological characteristics of the settlements correlate with geographic characteristics, location in the spatial structure, inherited economic drawbacks, distribution of income, migration and many other social and economic features. According to our hypothesis the above mentioned effects have an even stronger impact due to the weakness of their external connections. The research revealed that in general, small villages show a better but distinct criminological structure, compared to towns and cities. Besides it is also remarkable that the rate of known offenders is the highest in case of the smallest settlements. This confirms the hypothesis that the peripheral location and the cumulative disadvantages of small villages intensify the reproduction process of crime (mostly violent ones) but the offenders tend to choose bigger settlements to commit their crimes.

**Keywords:** geography of crime, small villages, violent crimes, reproduction of crimes, crime related factors, Hungarian settlements

### **1. Introduction**

Small villages, the smallest population entities of the Hungarian settlement network that nevertheless increase in their numbers have been quite thoroughly studied by geography in the past decades. This is not without reason, because settlements with less than 500 inhabitants make up more than one third of all Hungarian settlements, and have accumulated and reproduced many social, economic and infrastructural drawbacks during their history. Mostly due to these drawbacks and the unique spatial situation of small settlements, their criminological

profile, too, is quite special. This appears most spectacularly in how the qualitative and quantitative parameters of their crime indices differ from both the national average and the values of larger settlements.

Criminological motifs, entwined with a range of various deprivations, allow for the formation of reproduction cycles referred to by sociology (Giddens, 2003), psychology (György, 1967) and criminology (Adler et al., 2005, Gönczöl, 2012). During this, social and economic drawbacks evolve into criminogenous factors which survive as a heritage from one generation to the other, meaning that crime or certain types of crime can reproduce themselves. All this finally leads to a situation in which small villages (more precisely: regions with small villages) enter into a downward spiral breaking out from which becomes increasingly difficult.

The purpose of the present study is to investigate and present about the criminological status of small villages and how crime is reproduced in this unique social setting.

## 2. Theoretical background

The social environment with the social processes that are taking place in it – including crime – are fundamentally determined by the matrix of the actual physical parameters within which the community exists (e.g. natural environment, size of the settlement, level and nature of economic activity, infrastructural background and social institutions), as well as the evolutionary process, which is referred to as history. As a result, significantly different social environments can be found in urban and rural areas. Amongst the principal differences we can mention the dense population of cities, which also led to the accumulation of wealth/property; the city residents engage in a more individualistic lifestyle, while maintaining complex and extensive relationships outside of their local environment.

Consequently, crime is expected to show different characteristics at different locations, according to the factors influencing its formation, extent, structure and further specifications. The urban lifestyle, the crowded living spaces, the constant stress, the lack of strong communities coupled with the weakness of interpersonal relationships and the ignorant attitude towards the problem of others are all affecting the members of the urbanized society. This mass of humans includes and accepts a variety of personality types; hence a wide range of deviances and crimes are being tolerated, not noticed or simply ignored by the people (Wirth, 1938; Pacione 2009; Haggett 2006). This behaviour would be unimaginable in a smaller, rural and often strictly conservative community. On the other hand, there are characteristic types of crimes in these localities, as the specific scenarios leading to them are more likely to occur (e.g. Donnermeyer, 2015; Scott and Hogg, 2015; Gönczöl, 2010; Reid and Pell 2015). Therefore,

crime altogether tends to concentrate in the urban areas (Glaeser and Sacerdote, 1996; Adler et al. 2004), but according to our hypothesis significant differences can be revealed in its characteristics depending on the functional type and the size of settlements.

In relation to crime, it is also important to note that over the last decades the economic inequalities have also increased in the European Union – especially in the eastern member states (Smith and Tímár, 2010). This strengthening social polarization appears with a varying degree across the member states, regions of a given state or even inside a specific city (Inequality in Europe, 2018; Lang, 2015). Simultaneously the internal migration processes are also intensifying, as a response to the spatial distribution of these inequalities (Pingzhong, 2008; Spéder, 2002; Kulcsár et al, 2011). Such changes of the social environment have a notable impact on the spatial pattern of crime. An ever-growing number of residents from the small villages are moving to closer or even more distant cities, which triggers an increase in the crime rate in urban areas and in the meantime leads to further distortion of the societies and criminal structure in rural regions.

As crime – or the “lack” of it – can be a significant aspect on our everyday life, human geographers (Evans, D., and Herbert, D. 1989) started to deal with the mapping of crime statistics on national and regional levels, but recently many of the studies focused on urban centres (Herbert, D. 1982) of the developed world. Little attention was paid to smaller communities (Denys, 2016, Donnermeyer, 2015); therefore our aim is to reveal the unique criminological features of small villages and their role in the reproduction of crime.

### 3. Methodology

The primary methodological dimension of our research was secondary data processing and a comparison of databases<sup>6</sup>. Crime data of the total Hungarian pool of settlements between 2009 and 2012 were compared in the case of three groups of settlements separated based on their population sizes.<sup>7</sup> The three groups were (i) small villages with 500 inhabitants or less, (ii) small towns with 5,000-25,000 inhabitants, and (iii) larger towns and cities with 100,000 inhabitants

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<sup>6</sup> The basic crime data was provided by the National Institute of Criminology for the period between 2009 and 2012. This period was selected in order to match as much as possible in timing the latest national census, the other most important database for our research.

<sup>7</sup> Categorisation was done based on data of the 2011 Hungarian census.

or more.<sup>8</sup> The most important point in selecting these groups was to obtain markedly different categories so that differences in criminological tendencies can be clearly pointed out.

Statistical distortion resulting from small sample sizes was found to be a fundamental methodological difficulty. Such distortions can be encountered virtually any time when data of small settlements are studied, including criminal statistics. Strikingly high crime data can easily occur among the years, which are usually caused by cumulative offence.<sup>9</sup> Another typical situation is when the number of crime cases is low, which in several delict types, can impede or even prevent the researchers from making settlement-level statistical studies and the analyses of trends. In order to avoid these difficulties, our analyses normally focus on major groups of crime instead of particular crime types.<sup>10</sup>

#### 4. General problems of small villages

Small villages are highly typical characters of the East-Central European region, and are thus quite general in Hungary, too. Their formation was influenced primarily by physical geographic features (rugged terrain, valleys, ridges and poor soil quality), and then, unlike other rural settlements, their development came to a halt, mostly due to their low population carrying capacity. While others could continue to grow, develop higher concentrations of population, or even undergo urbanisation during the capitalist transformation, small villages mostly retained their size and were losing on their relative position. The socialist forced planning system did not favour small villages, but instead it preferred towns from ideological, economic and size-effectiveness aspects, thus the resources granted for small village development were always scarce. Between 1870 and 1990 Hungarian towns grew to an average of 3.5 times their former size, while villages increased by only 30% in this respect, and villages with less than 1,000 inhabitants lost 25% of their population, the share of this settlement category in the total population dropping from 21% to 7% (Tóth, 1996). Due to the ageing of their population and

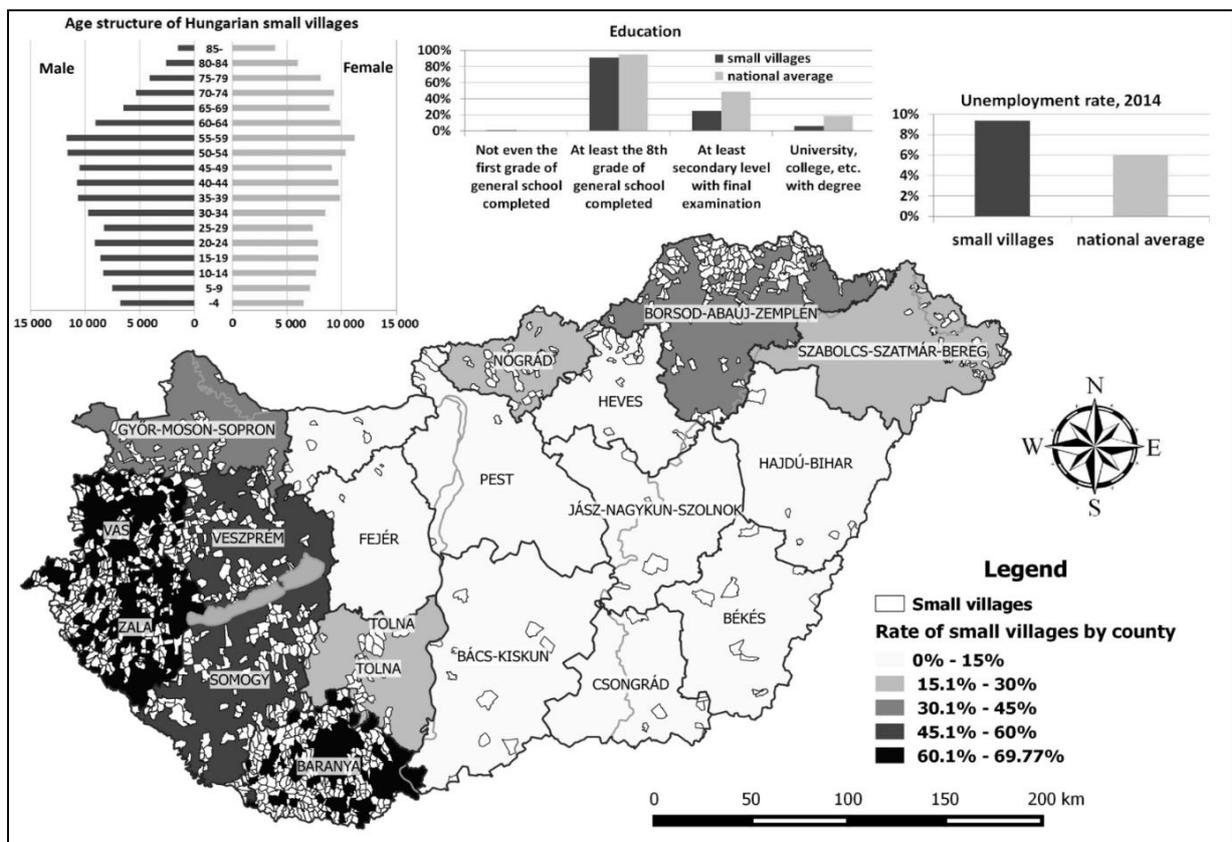
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<sup>8</sup> Nevertheless, it has to be noted that the lack of town legal status was not considered to be an excluding factor regarding entities grouped with the small town category, meaning that villages with town-like characters, too, with more than 5,000 inhabitants, were included in the sample. On the other hand, the data of Budapest were not included in the group of large towns, because the capital, due to its exceptional size, would have substantially distorted the data of typical large towns and cities around the country.

<sup>9</sup> These are offences that can be committed in a single act. Such are typically serial fraud, misuse of personal data or public information, copyright violations and related offences.

<sup>10</sup> The expression 'crime type' means certain states of affairs (e.g. theft, truculence, homicide, battery, etc.), whereas major groups of crime are joint categories (e.g. crime against the person, against law and order, against property, etc.).

permanent emigration, serious problems emerged in Hungary as early as in the 1970s, and dwarf villages appeared: in 1980 there were already 27 settlements in Hungary whose population size was below 100, and in 1990 three villages were recorded with less than 20 inhabitants. This process of dwarf village formation is known among Hungarian specialists as the 'Gyűrűfü-szindrome'<sup>11</sup>. According to data from the 2011 census, population size was below 500 in 1,126 settlements (this figure meaning 36% of all Hungarian settlements), and there were 402 settlements (13% of Hungarian settlements) in which the size of the population did not reach a mere 200. The term 'small village', denoting a typical settlement type in Baranya, Borsod-Abaúj-Zemplén, Somogy, Vas and Zala counties, was gradually becoming a synonym for backwardness, lagging, exclusion and untreatable problems (Fig. 1).



**Figure 1: The spatial distribution and demographic characteristics of small villages in Hungary**

Source: Edited by the authors on the basis of the data sets of Hungarian Population Census 2011 and the National Employment Service 2014

<sup>11</sup> Gyűrűfü, a village in Baranya County had 317 inhabitants in 1830, 261 in 1938, 193 in 1960, and at the time of the January 1970 census altogether 37 were counted. The last resident deserted the village on 25<sup>th</sup> November 1970. The same phenomenon was observed in many other parts of the country, and was later named after Gyűrűfü, the first depopulated village.

Several authors working in various segments of social sciences (e.g. Rudolf Andorka, Péter Bajmócy, András Balogh, Pál Beluszky, Ferenc Bódi, Antal Bóhm, Bálint Csatári, György Enyedi, Katalin Forray R., Éva G. Fekete, Klára Józsa, László Laki, Tamás Sikos T.) have discussed about the problems of small villages, applying quite different approaches, which is not surprising with a view to the fact that this settlement type is very common in Hungary, and has quite special types of difficulties. Studies of crime with regard to settlement types are much rarer, but small villages do have criminal geographic studies appearing in Hungarian geographic literature (Balogh, 2008). There are many common points regarding the problems of small villages and their regions in the works by various authors, thus in the present paper we undertake to collect those dominant factors which are more or less related with crime, its characteristics and its reproduction. It is not easy to look at these factors in separation, since there are quite a few feedback mechanisms and substantial mutual interdependence acting between them, but for the sake of clarity it seems more reasonable to discuss them separately, one after the other. *Demographic relations* in general are most easily described as 'strongly declining', but it is quite natural that such a huge group of settlements cannot be completely homogeneous in this respect either (Bajmócy et al., 2002; Trócsányi et al., 2012; Balogh, 2014). During the recent decades the number of small settlements has increased steadily, at a varying pace, while their population sizes have decreased, meaning that there are less and less people living in an average Hungarian small village. This large group of settlements can be divided into two major types: one is the typical ageing, depopulating small village, and the other is the one with increasing population, attracting the lagging parts of the society (Kulcsár et al., 2011), undergoing ghettoisation (Ladányi et al., 2009; Taylor et al., 2018). Decreasing and ageing populations or ones that grow but have to fight multiple social and economic drawbacks highly diminish the chances of these small villages to reach a breakthrough and start an upswing. It is quite typical that due to migrational turbulence, the settlements lose the most highly educated part of their population who can approach and even reach a breakthrough and who are most capable of internalising norms. Thus, less alternative possibilities remain for forwarding the prevailing norms, and a highly special condensing community is created from people who do stay. Those who stay normally lose all their hopes, with nothing more left for them than the chance to live from one day to the other. The original population remaining in the village is many times joined by impoverishing people who cannot continue their more costly way of life elsewhere, and are forced to leave the larger, more centrally located settlements. This process is often supported by local politics in towns which tend to choose this way to get rid of a population that generate

minimal income but imply substantial costs. The chances of conflicts arising between groups with different socialisation backgrounds and with multiple drawbacks can be more frequent.

*Size-effectiveness* issues, too pervade the lowermost level of settlement network (Bódi, 1999; G. Fekete, 2010; Pirisi, 2014). For a number of institutions and services, population size in the case of small villages is simply too small, and the combined supply to a number of settlements together is problematic due to their dispersed location and transportation handicap. The effectiveness of supply to these villages is so low that not only profit-oriented services are difficult to access but public services too; the barriers to accessing these are sometimes really hard to overcome. A further impeding factor is the scarcity of effective demand. In a situation when even the basic supply of the citizens is incomplete, it is not realistic to talk about the free choice between services or about equal rights, although education and health services have outstanding role in forming social relations or improving them.

*The low levels of education* are among the most important components responsible for the reproduction of drawbacks, since school education is one of the most significant institutions serving social integration, if not the most significant one of all. In some of the small villages the low levels result from the age structure with many elderly people, but in many cases there are settlements with young age structures with low levels of education (Trócsányi et al., 2002). This situation is partly due to access problems to the institutional system, the narrow supply, and the rigid educational ideologies. On the other hand, the reasons for schools not being able to fulfil their roles of norm-giving and educating include the non-conventional<sup>12</sup> value systems – which are many times evoked by poverty (Gans, 1992) – often observed in local communities (families in the first place). These value systems differ from what is presented in the school, and cause the partial rejection of the conventional norms. The pressure on students to comply with school expectations, and the related problems can generate tension in them. Values that are brought from home often confront with school norms, this situation forcing the youngsters to choose, who tend to consider the values represented by their family to be relevant. On the other hand, by rejecting to meet school expectations, they make the easier choice, thus avoiding the experience of failure. In many cases it is the families appearing to be normal or average that cannot socialize their children in the right directions, with a result that the first conflicts emerge inside the family: the youngsters slowly becoming antisocial will be confronted with not only the school, but the family in the first place, which is their primary socialisation environment

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<sup>12</sup> The non-conventional value system is considered to be including the more frequent occurrence of deviances (e.g. alcoholism, use of drugs), the lower level of self-control, the higher acceptance and legitimacy of violent behavioural elements, the lower prestige of knowledge as opposed to physical strength, etc.

(György, 1967). This eventually can lead to a substantial rejection of generally accepted social norms, and this system of rules will no longer be able to encourage the young people to follow the laws (Gönczöl, 1987). The situation is somewhat different in cases where education is highly segregated, mostly on ethnic and social basis. In such an institutional structure, school will not play an effective norm-giving role for these handicapped youngsters who do not experience the norms of the majority society during their primary socialisation. This roots in the fact that these children, arriving from similar social, economic and cultural environments, will not meet the values of the middle class, and through their own coevals will meet a different value system from that of the majority society (Csanádi et al., 1978; Gerő et al., 1996). The same segregated environment can easily lead to the formation of antisocially behaving groups of coevals (gangs, bands).

*Unemployment* and the *lack of capital* are perhaps the most typical two economic problems in these settlements. Most certainly, this is closely related with social and infrastructural relations, and contributes strongly to the preservation of the backward situation and the negative migration trend of the educated part of the society, which together further intensify the lag (Balogh, 2007; Balogh, 2014; Tésits et al., 2013).

As a combined effect of all the above factors, *deep poverty and extremely low incomes* are present in the majority of the small villages with a much higher occurrence rate than either the national or the countryside average (Andorka, 1996; G. Fekete, 1997; Laki, 1997). There is an extremely wide gap between the limited financial resources and the satisfaction of true or imaginary needs and the finances available for these. This tension can be resolved sometimes by keeping the needs at a low level, or sometimes by finding illegal ways of satisfying the needs. However, having to survive from one day to the other and feeling total insecurity narrow down the possibilities of target-oriented thinking and planning for the future, in both cases. Tension that persists for longer durations can increase the chances of new conflicts emerging and escalating, and the occurrence frequency of deviances (other than crime).

Developing *deviances other than crime* is a typical alternative escape route from the problems of everyday life. These include alcoholism, the use of drugs or even suicide, all of which occur more frequently in our smallest settlements than in ones with larger population (Andorka, 1996). Many times these self-destructive forms of deviance can be considered to be violence-venting behaviour types similar to violent crime.

From the small-scale economic sector operating with low effectiveness, from modest incomes, seclusion and size-effectiveness problems it follows that *the infrastructural system is poorly established, undeveloped and incomplete*, be it public utilities, transportation or human

infrastructure. This, of course, further reduces the chances of social integration and of catching up, connecting to economic circulation (G. Fekete, 1997).

The *underdeveloped status or complete absence of the civil sphere*, a typical feature of small villages, also needs to be mentioned. Among the reasons the unfavourable income situation can be noted along with the phenomenon that low numbers of inhabitants are normally not accompanied by a sufficiently differentiated society which would be required for a more active civil life (Pirisi et al., 2014). People with various fields of interest normally do not reach a critical mass on which civil activities, associations could be based. The fact that civil activities are not established, along with the lack of diverse leisure time activities for the society, can be critical from the aspect of crime prevention: civil guards / village guards or militia are fundamental types of civil activity in larger villages.

The phenomena of *seclusion* and *confinement*<sup>13</sup> appear in the case of many small settlements, adding extra burden to all the other types of social, economic and infrastructural handicap, whilst the majority of small villages are located in peripheral areas. These areas then turn to special spaces of ghettoisation, typical for East-Central European circumstances. Their function is the same as that of city slums in North America and Western-Europe, i.e. through lower costs of living they concentrate the disadvantaged part of the population, but in peripheral locations (Ladányi et al., 2005). Thus, the phenomenon is much less in view, providing less motivation for easing or solving the problem. From the aspect of crime, these two phenomena have a dual effect. On the one hand they mean a certain degree of protection, obstructing the penetration of crime from the outside world, but on the other, seclusion also offers the possibility of hiding for potential crime committer. When criminal behaviour appears, the smaller size of the community makes it more likely for social disadvantages and non-conventional models to be passed on, and it can also strengthen conflict situations.

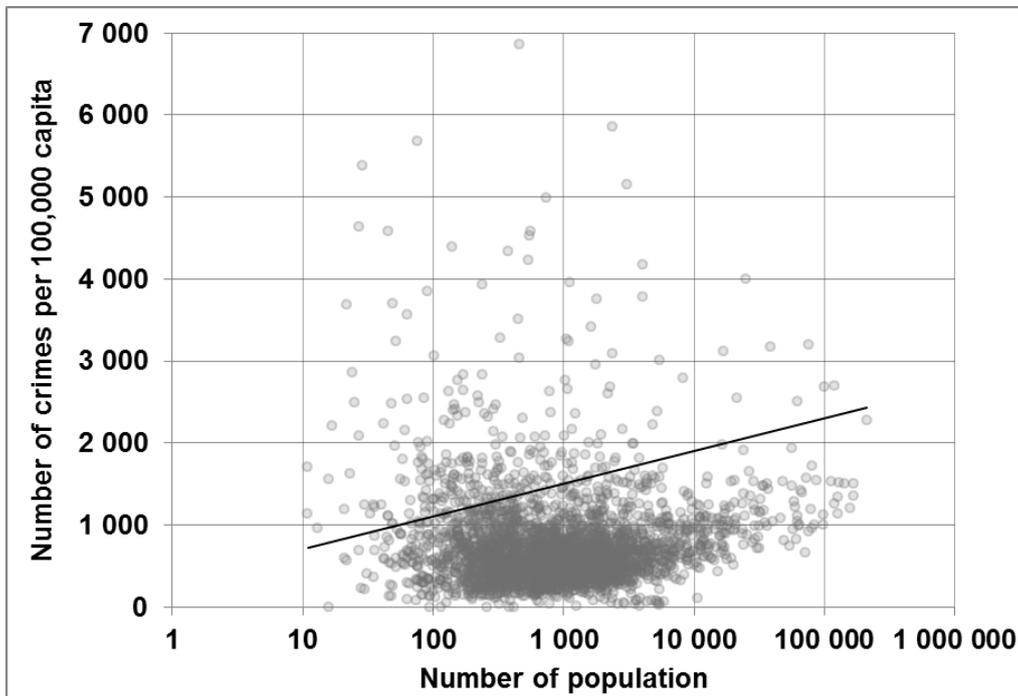
## 5. Criminal status of small villages

*One of the fundamental laws of criminology is that crime is a problem much more related with cities than with smaller settlements*, and maybe the least threatened settlement category is that of small villages (Fig. 2). Of course, it must be emphasised that this statement is only valid if the entire pool of small villages is considered, whilst the differences between the various settlements can be substantial, due to their particular social-economic features. As it has been pointed out in a number of Hungarian research papers (Piskóti, 2011; Patkós et al., 2012), often

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<sup>13</sup> Being secluded is understood as being difficult to physically access, whereas confinement is the weakness or absence of outward social connections.

there is considerable difference in the criminological features of like-sized settlements located near each other, thus one must not overlook historic differences or unique geographical and social settings either.

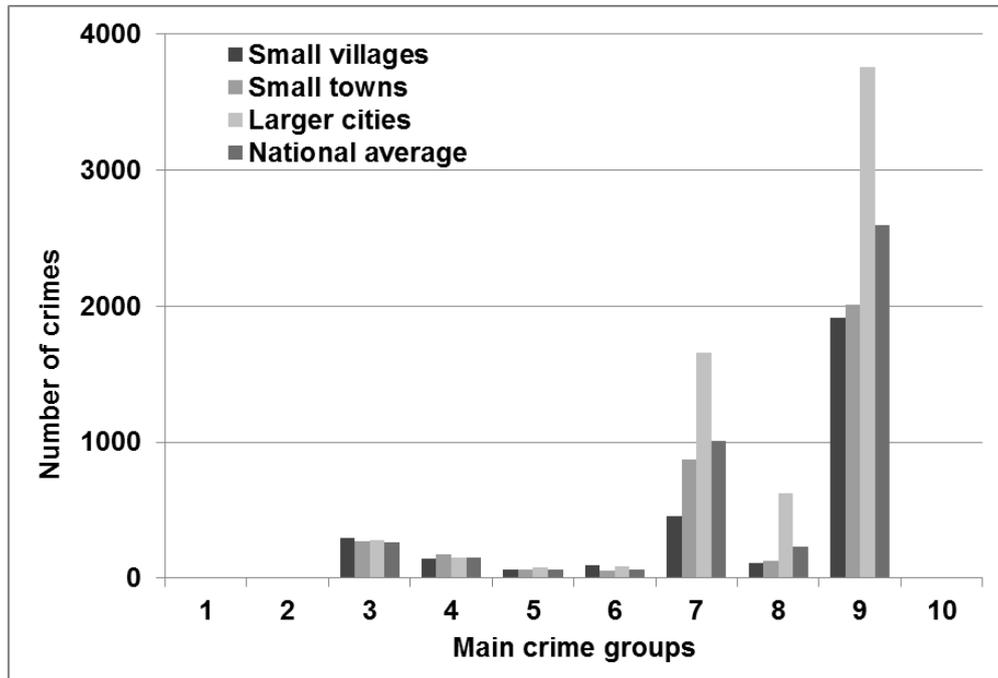


**Figure 2: Correlation between crime rate (average number of crimes between 2009 and 2012) and the population size of settlements (2012) on the example of the Hungarian settlements (Budapest is represented as districts)**

Source of data: National Institute of Criminology

More details are added to this picture if not only the total numbers of crime instances are analysed, but the occurrence rates of various major crime groups too (*Fig. 3*). The higher figures of criminal statistics in cities are caused by the increased concentration of crime against property, against law and order, and economic crimes. Cities have the highest concentration of economic assets and the majority of economic activities are done here, too, thus it is not surprising that crimes for financial gain occur more frequently in these settlements. This phenomenon is intensified by the possible migration or commuting of criminals from the countryside towards the cities, by the significant individualist attitudes prevailing in cities, and by the anonymity of city dwellers even for their immediate environments. *However, there are certain main crime groups which have the highest occurrence figures in the case of small villages* (crimes against the person, crimes against administration, jurisdiction and against the purity of public life). Among these, it is mostly crimes against the person that pose the highest threat to the society and have typical capacities of reproducing themselves, and thus deserve

the greatest attention.<sup>14</sup> Such differences between crimes in cities and in the countryside (crimes against property dominating in towns and crimes of passion dominating in villages) were recognised and articulated by Júlia György in her work published about the formation and nature of the antisocial personality (György, 1967).



**Figure 3: Number of crime events per 100,000 capita by main categories between 2009 and 2012**

(1: crimes against the state, 2: crimes against humanity, 3: crimes against the person, 4: traffic offences, 5: crimes against matrimony, family, youth and sexual morality, 6: crimes of corruption in the administrative and law enforcement sectors and other segments of society, 7: crimes against law and order, 8: economic crimes, 9: crimes against property, 10: military offences)

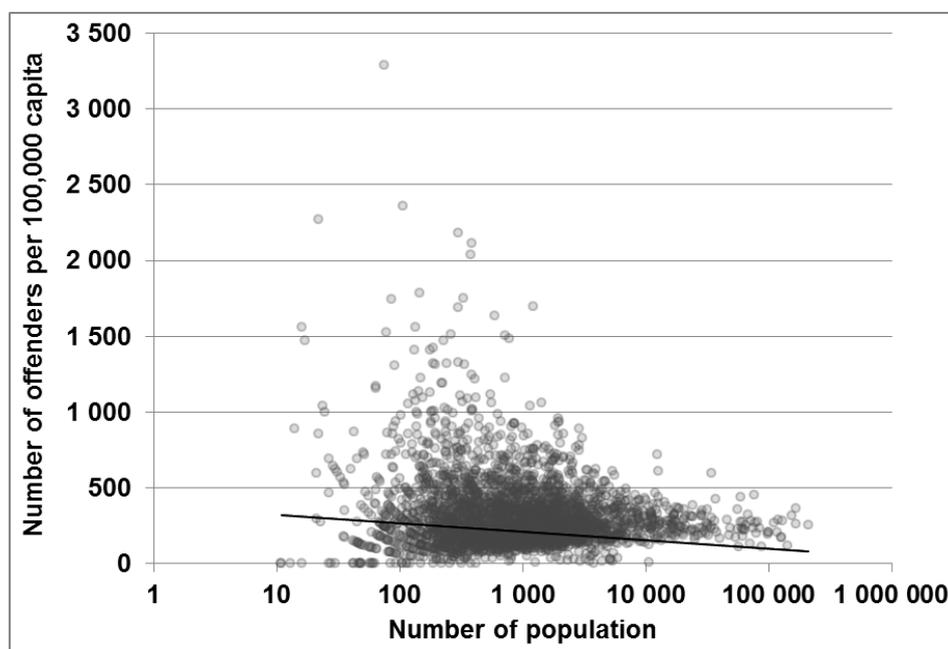
Source of data: National Institute of Criminology

Even more interesting tendencies can be recognised if not only the rates of crimes but the distribution of known crime committers is also investigated (*Fig. 4, Fig. 5*). From that it appears that even though the number of crime instances is the lowest in small villages, the highest number of known crime committers are from these settlements. This can be explained in various ways. One possibility is that law enforcement works more effectively in areas where everybody knows almost everyone else, making it more difficult for criminals to remain in cover. On the other hand, it is also possible that criminals in cities commit more crimes until they are arrested

<sup>14</sup> The major group of crimes against the person is a quite broad category, ranging from the minor “misuse of personal data” or “misuse of public data”, “confidentiality of correspondence abuse” through libel and “tribute insult” to homicide, but the most frequent state of affairs in this crime group is “physical assault”.

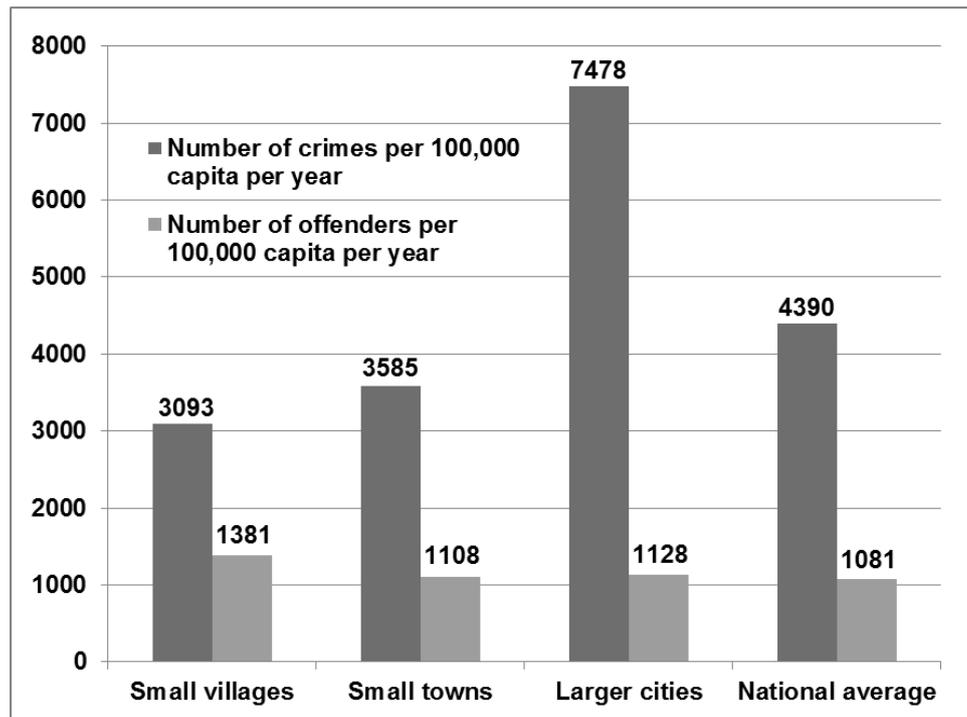
than those who are active in the two other settlement types, thus more crime instances are recorded per capita. This logic can work the other way round, too: if crimes committed as a group are more typical in small settlements, this will result in higher numbers of criminals per unit crimes committed.

Although it is possible that the aforementioned theories could all play a role, yet our former experience suggests that these effects do not have enough power, even if combined, to account for such a difference in the ratios of crimes per criminal. What we consider to be a more important factor is the migration of criminals. Commuting and long-term migration from small village regions to the larger, centrally located settlements are well known phenomena, thus it is a feasible option that the spatial concentration of material assets, functions, workplaces and capital, etc. in larger settlements is followed by an increasing concentration of not only people but crime instances as well. This entails that there are offenders who commit their crimes in cities but their official place of residence is in one of the small villages, thus they will contribute to crime instance statistics in the city, and to the criminals' statistics in the villages. In an extreme case it is also possible that the criminal has stayed in the city for years, but unless there is something forcing him to update his registered official place of residence, he will not do so, and will remain a village resident for statistics. This hypothesis would be worth looking at in more detail, as part of a study later on.



**Figure 4: Correlation between the rate of offenders (average number of offenders between 2009 and 2012) and population size of settlements (2012), on the example of Hungarian settlements (Budapest is represented as districts)**

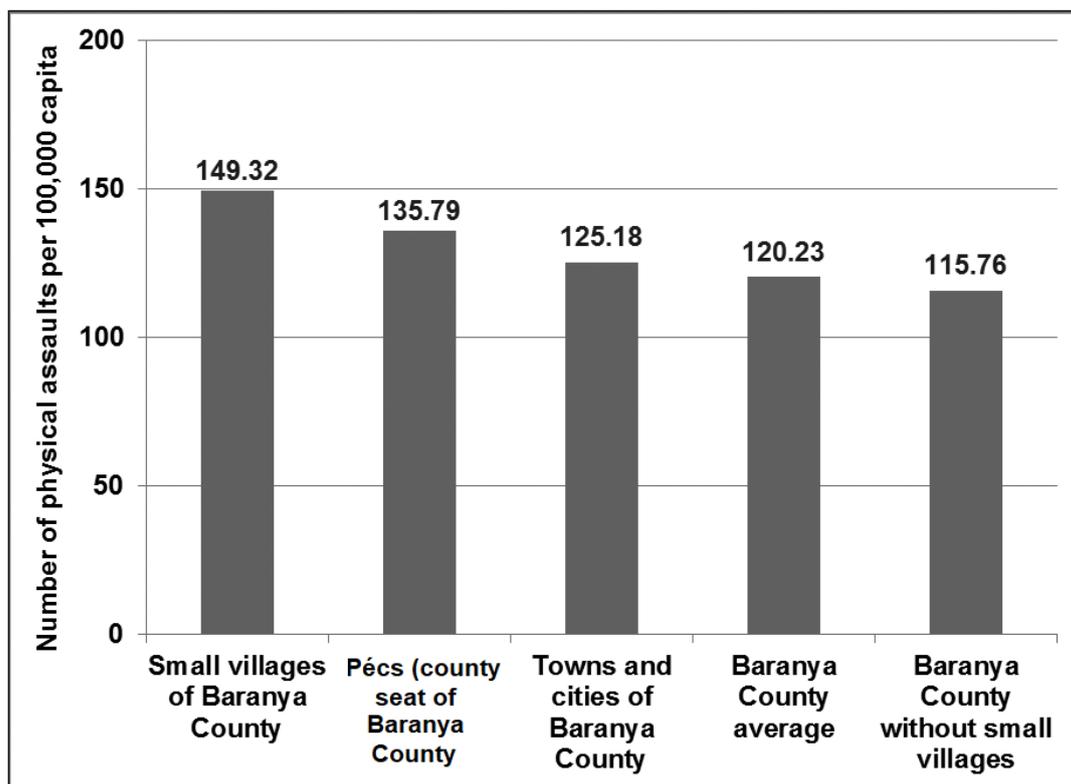
Source of data: National Institute of Criminology



**Figure 5: Number of known crime events and known offenders per 100,000 capita between 2009 and 2012**

Source of data: National Institute of Criminology

From all these it appears that *small villages are less infested by instances of crime against property as compared to the country average and to other settlement types*, since the possible financial gain in the impoverished settlements is very low in many cases, thus a rationally thinking offender will commit the crime in a city in order to obtain greater profit. *At the same time, crimes of passion – such as physical assaults – which happen as a result of the offender trying to resolve a conflict by means of a violent behaviour, will have higher concentrations in settlements with 500 inhabitants or less where disadvantages, tensions and conflicts tend to accumulate more readily.* This is well illustrated by physical assault data of Baranya County (Fig. 6). Small villages appear to be an adequate environment for such types of crimes, situations and offenders to be present and these scenarios to be reproduced time after time. In the next section the authors attempt to present this process.



**Figure 6: Number of physical assaults per 100,000 capita in Baranya County between 2010 and 2014**

Source of data: Baranya County Police Headquarters

Despite that this settlement type is quite characteristic, it does not cause significant difference in the crime data of even those counties where small villages have the highest representation (over 60%) such as Baranya, Vas and Zala. Even in these cases, residents of small villages account for only 13-14% of the total population, thus criminal cases recorded in other settlements of the county can easily overcast the specific features of small villages.

## 6. The formation and reproduction of violent crimes in small villages

The expression 'violent crime' has long been used in criminal research as a collective term for states of affairs in various crime groups which are all characterised by violent behaviour (either physical or psychic) occurring when they are committed by the criminals.<sup>15</sup> This means that

<sup>15</sup> On the basis of the 1978 Criminal Code, this category contained more than 30 states of affairs, which we are not listing here. Their enumeration is available in: Nagy, 2008.

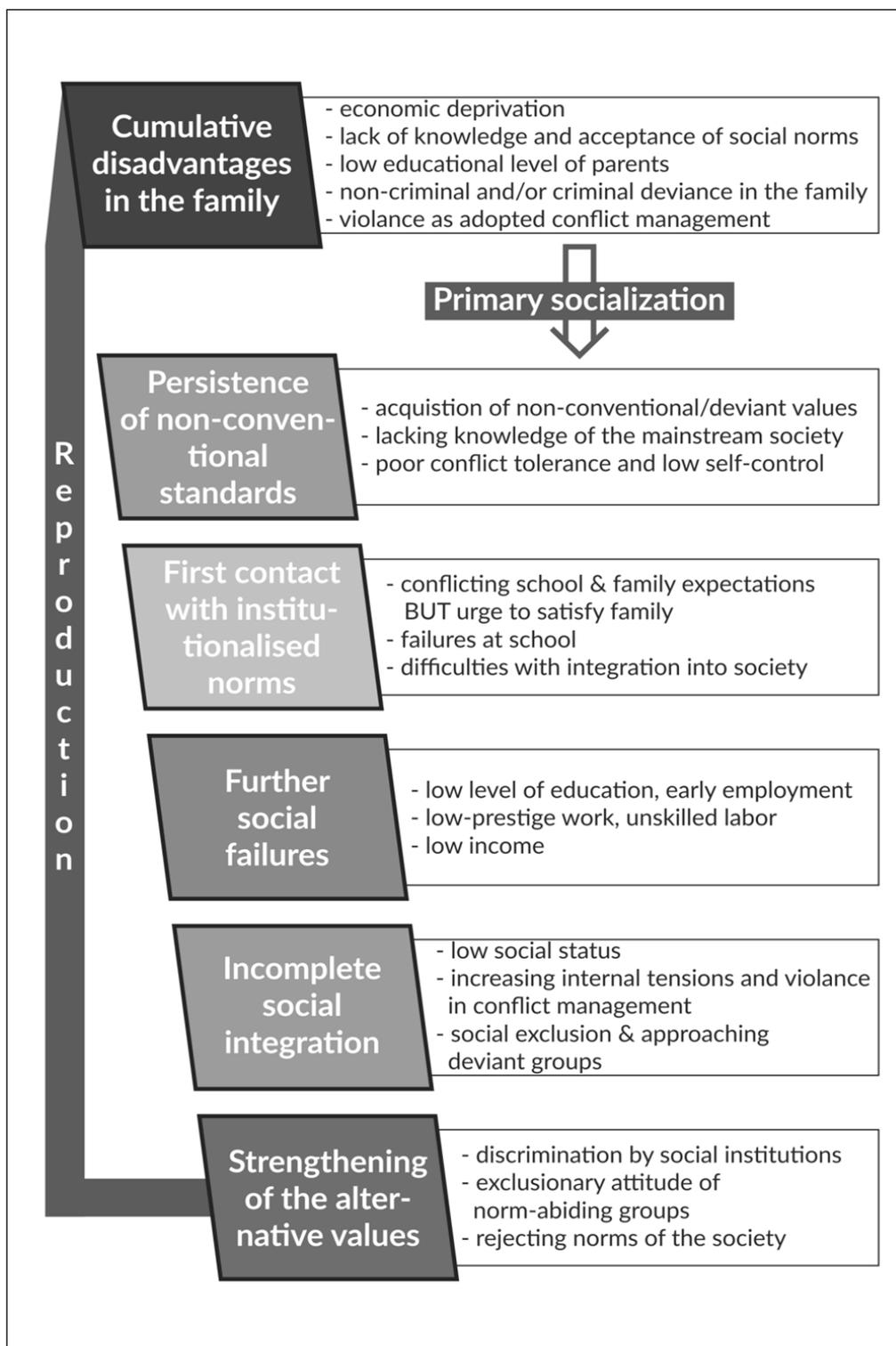
violent crimes and crimes against the person are not in the least equal, however, physical assault is the most abundant and most typical state of affairs in both crime groups.<sup>16</sup>

The likelihood of being able to reproduce themselves is a typical feature of violent crimes (Gönczöl, 1987), a process which can be studied in *Fig. 7*. Of course, this is a simplified scheme of how violent crime is being reproduced in a cycle. Not every single violent criminal comes from a disadvantaged family environment and proceeds along the stages shown in the chart, and not everyone coming from a disadvantaged family will necessarily commit violent crimes. The shown effects are rather ones that make young people more threatened and more prone to committing crimes, during their socialisation. Although the model cannot be extended over all types of crimes, the possibility of many non-violent offenders go through or have gone through similar life situations.

The essence of the process is that young people acquire a non-conventional value system from the family during their primary socialisation, which later cannot be overwritten by the institutional systems of norm transfer (especially not by school), moreover their often dysfunctional operation moves these social groups further away from the acceptance of majority standards. The failure of their social integration eventually reproduces those disadvantages which mean the starting point of the whole process, thus the next generation will once again have to fight against similar difficulties.

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<sup>16</sup> Due to content limitations, the authors of this paper do not intend to go into details about the subject of violent crimes. The following works, however, include details about this group of crimes, its committers and victims: Kerezsi, 1998; Adler et al., 2005; Korinek, 2010; Nagy, 2012



**Figure 7: The general model of the formation and reproduction of violent crimes**

Source: Edited by the authors and E. Józsa based on K. Gönczöl (1987)

As part of the drawn up process, the non-conventional values become the mainstream model, while the alternatives of acquiring the majority value system are narrowed down, restricted to the framework of the institutional norm transfer which cannot really compete with family expectations that mean a stronger bond and are active from a very young age. *Based on this*

*process it can be assumed that the reproduction of violent crime from generation to generation becomes more typical than in the case of larger settlements.* Basically, there are two factors contributing to this: on the one hand the narrow social environment offers young people much less alternatives for learning and acquiring the majority standards; and on the other, the institutionalised norms find their way more difficultly down to the institutionally less developed elements of the settlement hierarchy. The best immunizing factor against criminogenic effects is the appropriate family environment (Reckless, 1940). If that is missing, the innately low-standard school, the most important norm transferring institution, will be highly ineffective in performing its socialising duties in these regions. Other social institutions (and the values represented by them) will not boldly appear either in the smallest settlements, and have significant effect on local residents. Moreover, the tensions can be more pronounced in a deprived society burdened with exclusion and hopelessness, which can again forecast the substantial reproduction of crimes.

*Another characteristic effect in the case of small settlements is the presence of relatively low-intensity but long-lasting micro-societal conflicts.* In a condensed social environment the interactions re-occurring day by day either intentionally or unintentionally highly impede the resolution of already existing inter-personal conflicts and the elimination of tensions, especially when macro-level processes going on in the global society promote or evoke the intensification of tensions, the declining levels of tolerance, the lack of trust, and existential uncertainty (Kerezsi, 2011). It is due to these effects that “neighbour dispute” type of conflicts are quite frequent in these areas, as opposed to the more individualistic “live and let live” attitude typical in urban settings. These long-accumulating tensions sometimes abruptly overflow, causing an instance of serious crime every now or then.

Looking at crimes, one should not overlook the migration and commuting tendencies we have mentioned earlier. Crimes that form and are reproduced in small villages often appear in larger settlements due to the commuting or permanent migration of offenders. Accordingly, the following principle is set forth: *to improve the measures (mostly of socio-political nature) aiming at preventing crimes from being reproduced in small villages is important not only for local residents and for social solidarity reasons, but it is essential for larger settlements, too, to treat the problems of small settlements in their attraction zones.*

### Summary

*Regarding their criminological profiles, our small village regions do not appear to be threatened environments at all, since they have the lowest crime rates, but in the case of certain*

crime types, extremely high figures are observed. Based on a thorough analysis it can be stated that economic crimes, crimes against property and against public order occur rarer in our smallest settlements, whereas crime cases against the person, against public administration and jurisdiction and against the purity of public life have a much more frequent occurrence rate per 100,000 residents than in larger settlements, meaning that the small-village type of crime really does exist in Hungary.

However, it is notable that the occurrence rate of criminal offenders per capita is highest in these regions, which fact supports the assumption that small villages are a *more suitable environment for the reproduction of criminal deviances from one generation to the other*, mostly due to the condensed social environment, demographic, social and economic disadvantages, seclusion and the deficiencies of the institutional system serving social integration. These criminological tendencies, however, partly have their effect in the larger, centrally located settlements in the form of crime instances, meaning that they are a burden not only on the studied settlements. Of course, in these cases it is impossible to separate the effects of the urban and the former rural environment on the incoming people. Another possibility cannot be excluded either, i.e. that it is the urban social environment that influences the arriving rural residents in a way that they will become crime committers in higher proportions, because these people had not been subject to these effects during their primary socialisation, and thus are more vulnerable to them.

From those mentioned above it can be assumed that *in trying to fight against the reproduction of crimes, greater attention should be paid to the societies of small settlements, and local residents should be provided with more chances and better assistance for social integration*. This can be achieved, along with simultaneous economic development, by reconsidering the local sociopolitical institutional system, and by considerably activating the civil sphere. There are three fundamental fields of intervention and assistance that are the most suitable for achieving this: firstly, and most importantly, *the system of family assistance and family funding*, secondly *the initiatives supporting school integration and inclusion*, and thirdly *the local conflict management organisations*. Nevertheless, it must be emphasised that these three should be treated as a single unit, so that they can be integrated within one institution, since the problems themselves do not show up in separation, but instead they evolve in close interaction with each other. Accordingly, they can be effectively solved or eased only through a comprehensive approach.

However, it is also clear that this is not feasible without narrowing down the economic gap and providing job opportunities. No matter how many young people are provided with better

education, higher qualifications, greater degree of social integration, without jobs these young people will have no other chance than to migrate. Public work<sup>17</sup> cannot be a good solution either, since employees with higher qualification will have a choice between public work and the true labour market, and from these labour market is the more reasonable alternative, necessarily accompanied by migration. Through the most highly trained, least disadvantaged, norm following part of the society having to migrate away again and again, the vicious circle of self-reproducing disadvantages will be preserved.

In this paper we have attempted to outline the profiles of small-village crimes, to clearly find that *there is a well-identifiable crime-structure typical for these settlements*. It has also become obvious that the natural, social and economic *drawbacks that characterise the smallest settlements can be reproduced through crime too*, which implies that intervention is vital in these regions. The investigations have also shown that an important relationship as well as a certain type of “division of work” have formed between the criminalities of rural and urban spaces, related to the migration of people. This negative effect is maybe better treated in the smaller and more vulnerable communities, i.e. small villages, but through transmission it can have country-level outcomes. The well-thought crime prevention action plans of complex regional development programs can bring about comprehensive, maybe even country-level results even if concentrating on just single regions or settlement types.

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<sup>17</sup> The Hungarian Government created a comprehensive public work system in 2011, in which unemployed people mostly with low qualifications are offered job opportunities. The rate of active-age people employed in the public work sector is the highest in Hungary throughout Europe, having reached 130,000 individuals in 2013 (Eurostat 2014).

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**Crime statistics in Hungary are reassuring****Abstract**

Compared to 2010, in 2018 62% less high-profile crimes occurred in Hungary. According to the data, over the course of eight years, the number of high-profile crimes dropped from 242,000 to 93,000 annually at national level. The following article analyzes the detailed data of the Preventive Crime Statistics Database (PRE-STAT), developed and operated by Lechner Knowledge Center with the support of the National Crime Prevention Council. Based on the crime prevention application it can be stated that in most Hungarian townships theft is the most frequent crime.

**Keywords:** crime statistics, geography, crime prevention, crime

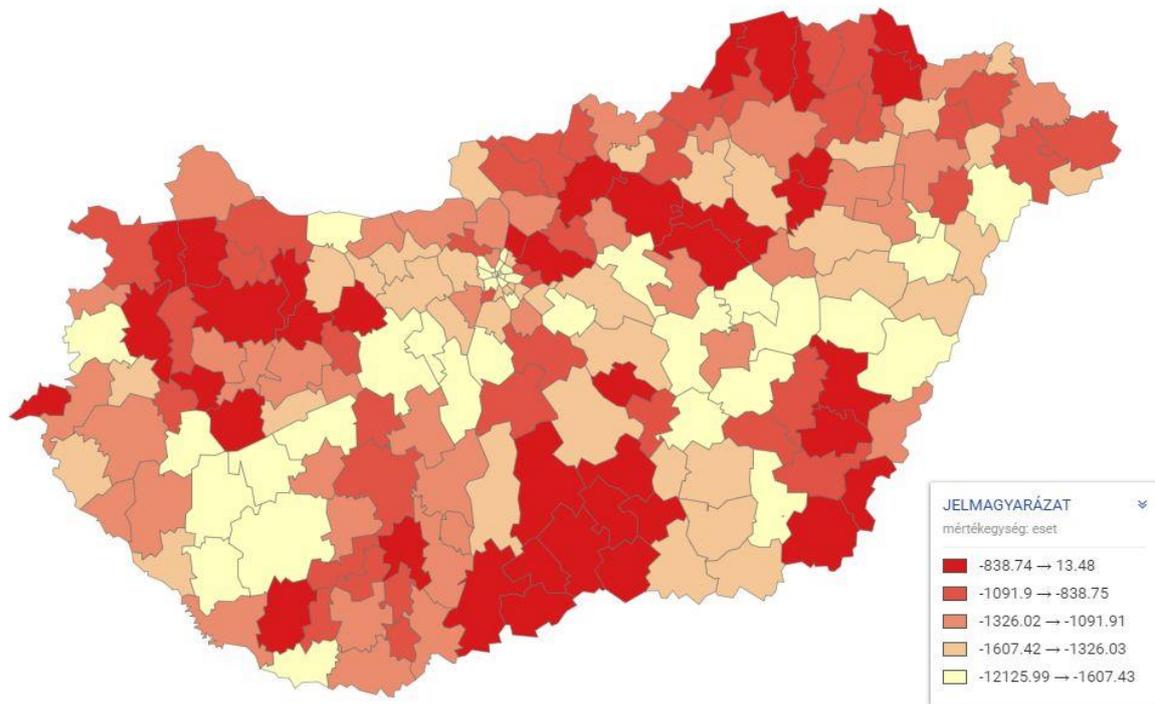
The data in the public PRE-STAT modules covers the time period from January 2010 to December 2018. The crime statistics data are from the Unified Criminal Investigation and Prosecution Crime Statistics System (ENyÜBS) of Hungary. The current analysis includes data from more than eight years. Combining criminal data with the National Territorial Development and Spatial Planning Information System (TeIR) provides a more accurate picture of the progress of statistics.

In this article, we present the change in high-profile crime's rate, accounting for about half of all registered crimes in Hungary. During the period under review, the number of national cases decreased by 62%. From Hungarian criminal-statistical point of view, the offenses dealt with priority are the crimes shown in the figure below (Figure 1):

| crimes against property   | crimes against life, physical integrity and health   | crimes against public peace, trust, child and family  |
|---|--|---|
| <ul style="list-style-type: none"><li>• motor vehicle theft</li><li>• depredation</li><li>• theft</li><li>• possession of stolen goods</li><li>• frontier justice</li><li>• robbery</li><li>• vandalism</li><li>• bribery</li></ul> | <ul style="list-style-type: none"><li>• homicide</li><li>• assault</li><li>• possession of drugs</li></ul> | <ul style="list-style-type: none"><li>• breach of peace</li><li>• endangering a minor</li><li>• human trafficking</li></ul> |

**Figure 1: High-profile crimes**

In order to compare regions with different populations, it is more appropriate to look at the number of high-profile crimes per 100,000 inhabitants, rather than absolute case numbers, as shown by the map below for each townships (figure 2). Positive changes are shown in yellow, stagnant areas in orange, and minimal decrease and increase in red.

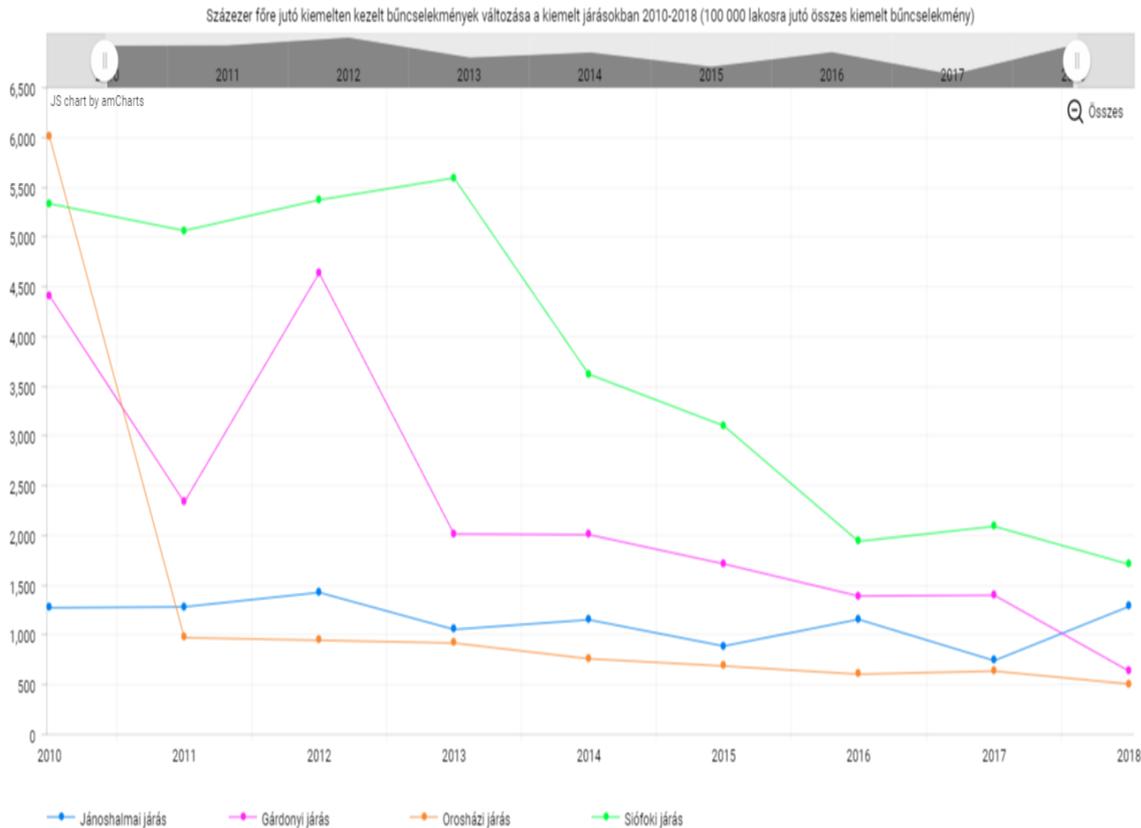


**Figure 2: Change in the number of high-profile crimes per 100,000 inhabitants per townships between 2010 and 2018**

Source: PRE-STAT

Among the counties the values improved significantly in the Fejér and Komárom-Esztergom counties and in the Central Hungarian region during the eight-year period. In contrast, in the counties of Northern Hungary and with the exception of Csongrád County, the incidence of registered high-profile crimes only slightly decreased.

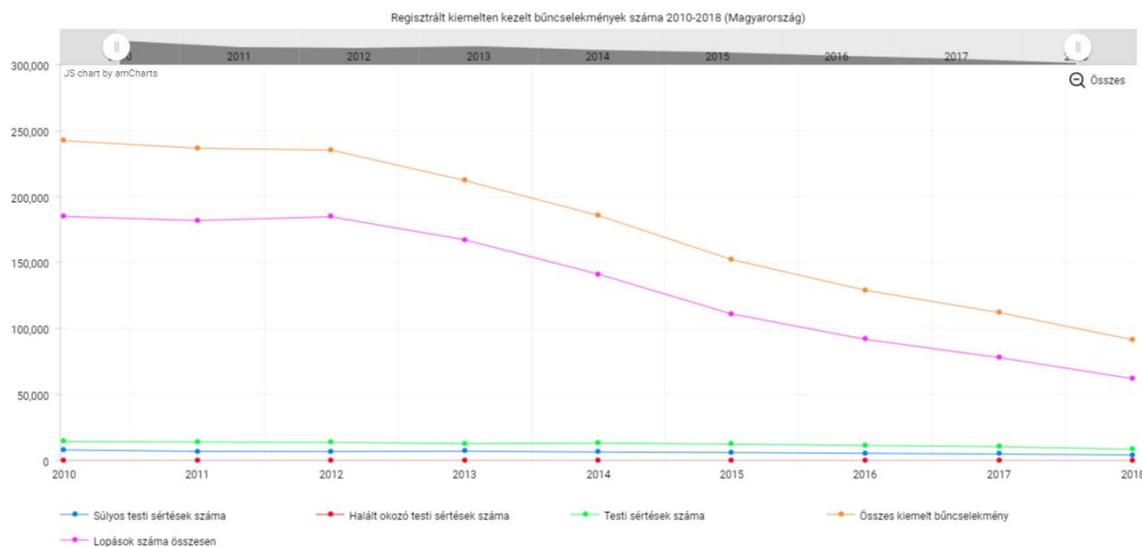
Examining the townships, the most favorable change is the decrease of crime rate in Orosháza township by 91%, Hajdúhadházi township by 89% and Gárdonyi township by 86% between 2010 and 2018. The most unfavorable change, ie the increase in the number of cases per hundred thousand inhabitants, was produced by the Jánoshalma township, but there was only 1% growth (Figure 3). In the other townships, the number of high-profile crimes per 100,000 inhabitants did not increase during the period under review.



**Figure 3: Change in the number of high-profile crime per 100,000 inhabitants in four Hungarian townships between 2010 and 2018**

Source: PRE-STAT

Crimes against property are predominant in most townships in Hungary. The most frequent crime is theft (67%), followed by assault (14%) and breach of peace (10%). The rarest types of high-profile crimes are human trafficking and homicide, with values not exceeding 1% of high-profile crime in any year (Figure 4).



**Figure 4: Change in the proportion of high-profile crime cases among all high-profile crime cases between 2010 and 2018**

Source: PRE-SAT

The number of high-profile crimes in the capital of Hungary relapsed from 68,000 to 27,000. However, in Budapest there is a significant difference between the two sides of the Danube: 6,599 high-profile crimes were recorded on the Buda side in 2018 and 20,680 on the Pest side, a 52% decrease compared to 2010 on the Buda side, and even higher in Pest, a 62% decrease. In the districts of Budapest, the number of high-profile crimes per hundred thousand inhabitants decreased the most in the XXIII. district (89%), in the XIII. district (78%) and IV. district (69%). The number of cases decreased the least in the following districts: VI. district (37% decrease), in District VII. district (41% decrease) and VIII. district (48% decrease).

In addition to changes in the behavior of offenders and the effectiveness of the work of the police, and to measures taken in the field of crime prevention, changes in criminal statistics may also result from the changes introduced in the Criminal Code. Given that such an amendment is within the time frame under consideration, the relevant changes in the New Criminal Code entering into force on 1 July 2013 must be kept in mind when analyzing and interpreting the data. Another significant methodological information is that the values of the indicators included in the PRE-STAT system are displayed by the time of registration, which does not necessarily correspond to the time of committing. The data of ENYÜBS are related to crimes, so if, for example, a defendant commits several crimes with one act (for example, there are several victims), more crimes appear in the statistics.

**References**

National Territorial Development and Spatial Planning Information System (TeIR)

PRE-STAT system

Unified Criminal Investigation and Prosecution Crime Statistics System (ENyÜBS)

[www.lechnerkozpont.hu](http://www.lechnerkozpont.hu)

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