



Dissertation Of White-Collar Crimes In India

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Abstract

This research paper provides a detailed analysis of white-collar crimes in India, focusing on the increasing impact of such crimes on the country's economic well-being. The study delves into the abstractions of white-collar crime, which involves a wide range of illicit activities perpetrated by individuals holding esteemed positions in the society. The paper examines the factors contributing in the rise of white-collar crimes, including the influence of economic and industrial growth, technological advancements, and regulatory laws. Furthermore, it discusses the enforcement measures and governance reforms aimed at mitigating white collar crimes in India. The research draws on various sources, including academic articles, legal commentaries, and real-life case studies, to offer a thorough understanding of landscape of white collar crimes in the Indian context.

This abstract is based on the analysis of multiple sources, including academic papers and legal commentaries, to provide a comprehensive overview of the topic.

Keywords:

White Collar Crime Deception Conventional Crimes

Transnational Economic Offence Corruption

Illicit Activities

Money laundering

Corporate scams

Embezzlement

Introduction

The effect of white collar crime has been experienced by developed and developing economies alike, similar to a global epidemic. The world's largest democracy making its way to become an economic powerhouse, the progress of India has been hindered by this endemic white collar criminality. Committed by respectable business leaders, white collar crimes fall under financial crimes unlike street crimes that involve violence (Sutherland 1939). From money laundering, high level bribery, food adulteration, white collar illegality grapples the massive economic and social costs in India.

Not only considering the financial loss but also how a widespread of this corrodes public trust, exceeds conventional crime damages, widen inequalities and imperil the ethical foundations of a pluralistic nation. This crime wave in India is typically fanned by greed and institutional weakness, but weak hindrance and moral ambiguities surrounding elite deviance also share blame. With growing digitisation, the risk by opening new avenues for transnational offences also amplify. On one hand being viewed as an oasis of opportunity and advancement, ironically, 21st century India finds itself flooded with white collar atrocities.

This research paper maps India's tumultuous white collar crime landscape, where conspicuous offences plague the world's largest democracy amid transformational growing pains. Analysing major examples, consequences, the reason behind this and policy responses that sketches a path towards curbing this corruption pandemic without extinguishing India's development engine. While modernity might worsen the level of white collar crimes experienced, can always be counterbalanced by stronger integrity institutions, transparency reforms, technological safeguards, and renewed ethical dialog permeating professions and public consciousness alike. With human development and economic progress at stake, India must prevail the scourge of white collar crimes to escort in a new era of impartial growth benefiting all.

literature Review

White-collar crimes can be categorised as acts that are committed to find loopholes in the financial system ranging from corporate fraud, embezzlement of funds to tax evasions. These crimes not only lead to monetary loss but forms a bend in the market integrity of financial institutions. With increased modernisation and technological advances which opens up an array of opportunities to exploit the existing laws and get away with such crime, the legal framework has to be updated time and again to avoid undermining of the pertinent laws, which is being talked about in Ms.Sonal Garg & Ms.Nivedita Singh (2022) where they enlisted different committees set up in India along the years to combat such situation some of them being 'commission of inquiry on administrative of Dalmia Jain companies, 1963', 'report on LIC Mundra affairs', 'Dass commission report' etc. their study also talks about the effect of white collar crimes on the company along with employees, customers, and society as a whole while also including the different legal repercussions the person has to face when they violate different aspects like fraud, false statements, furnishing false evidence etc. When accusing a person of a crime it is important to have the accurate understudy of their actions which is why it is important to be aware of the differences between WHITE vs BLUE collar crime, as explained in Jatin Gehlot (2023) which states that the stark difference lies in the variety of illicit activities the said person engages in, white collars include a complex fraud scheme carried out by people in position while blue collar are quite straightforward like break ins and robberies.

The provided extract outlines the historical advancement and categories of white-collar crimes, emphasizing their

economic, political, and moral impact on society. It discusses the challenges in classifying white-collar crimes and introduces the causes behind employees engaging in such activities. Additionally, the excerpt touches upon the Indian context, highlighting the need for effective legal enforcement and administrative approaches to combat white-collar crimes. In summary, this information provides a comprehensive background for writing a research paper on "White Collar Crimes in India," addressing the complexities, causes, and potential solutions associated with this type of criminal activity.

The article talks about the detrimental impact of white-collar crimes on the Indian economy highlighting social repercussions such as financial losses and negative effects on businesses and society. The determinants of increasing white-collar crimes are outlined, and the importance of government intervention and collaboration with the private sector is stressed. It concludes that white-collar crimes have impeded India's economic development, suggesting legislative and collaborative measures to address the issue.

Research Methodology

In a survey in 2020, the Indian National Bar Association in its report sighted that the Central Bureau Of Investigation (CBI) found a total of 6533 cases of corruption from 2009 to 2019. The CBI in it's report records 517 cases alone in the last 2 years. Greed, lack of awareness among people, lack of strict laws and people's adherence to them, lack of accountability, loopholes in the legal structure are some amongst the many reasons that have caused the increase in White Collar Crimes in India. Fraud, Embezzlement, Money Laundering, Insider Trading, Tax Evasion, Counterfeiting Currency and Cybercrimes are amongst the leading white collar crimes in the country. This paper aims to analyze the prevalence of such crimes in the country as well as the trends in recent years. It will evaluate the effectiveness of the existing legal framework and suggest reforms and new policies to combat such problems in the country. This paper with aid of secondary data, existing case studies and after reviewing existing academic literature, legal documents and reports will try to gain insights into their perspectives and experiences.

Document Analysis

Despite being persuasive in nature and having a substantial impact on the society, white collar crimes has always received limited attention with respect to other criminal offenses. This lack of public awareness can be attributes to various factors including its complex nature and overall technicalities included in the crimes, which are not easily understood by the general public.

To understand white collar crimes in india a bit more we will explain a few which occurred in india-

Harshad Mehta securities fraud-

This fraud revolves around how Harshad Mehta took huge amount of loans from the banks and purchased the scrips at high prices creating a false market. This resulted in unnatural pumping of money in the market and led to a rise in price of these shares. The illegality came into question when he used this misappropriated money as a capital in the stock market which falls under purview of money laundering.

Satyam scandal-

This scandal was all a play of manipulating books of account by overstating assets and understating liabilities. These books were seemingly manipulated to mislead the investors and shareholders. This scandal was said to be an important factor in the recession of 2009, which fell under accounts of insider trading and fraudulent trade practices.

Saradha chit fund-

Claimed to be a major financial and alleged political scam, this scam was a collapse of a Ponzi scheme run by the

group. Collected deposits from millions of depositors in pretext of multiplying the sum of money in form of cash, real estate or other assets.

VI 2G scam-

Selling of 2G spectrum licenses using fixed prices since an auction would have led to lesser profits. Licenses were given to ineligible applicants who falsified documents and refrained from sharing important and relevant information. This led to a loss at a massive scale for the company.

Data Interpretation and Analysis

The Commonwealth Games Scam (2010)

The Commonwealth Games are a quadrennial (happens every four years) international event. Originally played between the colonies of the British Empire, the games have evolved over time and celebrate the individuality of each independent country today. The Commonwealth Games are hosted midway through the Olympic Games.

In 2010, India was chosen as the host country by a voting system devised by the Commonwealth Organisation.

Mr. Suresh Kamaldi being the chairperson of the organizing

committee. The Commonwealth Games Scam of 2010 was one of the biggest scams. It outperformed the previous Harshad Mehta scam and a massive amount of rupees 7000 crores fell prey to the mastermind, Suresh Kamaldi.

This scam brought great embarrassment to India as a country.

The games that were organized were below par, equipment used was of low grade and poor quality. Moreover, most of the money allotted for infrastructure development before the games was not used at all. The suppliers of products and equipment that was going to be used at the games quoted high prices but supplied poor quality goods.

Overall the workers involved in these projects faced tremendous hardship. They were exploited and had to work in very poor conditions. There were many instances at the sites of the games, like the peeling of the vinyl flooring at the weightlifting area and the ceiling collapsing. When a team of athletes visited from abroad, the athletes were shocked to see human excreta at their accommodation centres, unhygienic washrooms etc., which led to embarrassment on the global stage. The involvement of high-ranking officials, including Suresh Kalmadi, in the scam tarnished the image of the Indian government. Kalmadi, a member of the Indian National Congress party, faced criminal charges and was imprisoned for his role in the scam, leading to further embarrassment for the nation. Various perpetrators, including Suresh Kalmadi and Lalit Bhanot, were arrested and faced criminal charges under the Indian Penal Code and the Prevention of Corruption Act, 1988. Kalmadi spent around 11 months in Tihar Jail before being released on bail.

Insider Trading – Whatsapp Leak Case

The issue concerns Shruti Vora of Antique Stock Broking Ltd.'s Institutional Sales Department, who disseminated price-sensitive information about many WhatsApp groups involving firms like as Wipro, Ambuja Cement, Mindtree, Bajaj Auto, and others. A preliminary inquiry was carried out by SEBI, which also oversaw the search and confiscation of 190 devices, papers, and other materials from 26 businesses inside the Market Chatter WhatsApp group. Additionally, Shruti Vora was penalized by SEBI for sending Whatsapp messages that contained UPSI (unpublished price sensitive information) about the financial performance of the previously named businesses. In addition, Parthiv Dalal and Neeraj Kumar Agarwal, analysts from different brokerages, also received fines.

The Securities Appellate Tribunal (SAT) dismissed SEBI's charges of insider trading against employees of a few stockbroking firms who had "forwarded as received" WhatsApp messages about unpublished quarterly reports of major companies. The SAT reasoned that SEBI was only pursuing the individuals who forwarded the messages and couldn't determine where they originated. SAT was predicated on the idea that information that was widely accessible would not be viewed as UPSI, and that anyone who just forwarded it would not be regarded as a "insider." The information can only be designated as a UPSI, though, if the recipient knew it was one, and SEBI must prove a "preponderance of probability" in the given situation.

Infrastructure Leasing and Financial Services Ltd.

Infrastructure leasing and financial services ltd, is an Indian state funded development and finance company. Established in 1987, it had Central bank of India, HDFC and UTI as one of their primary supporters. It played a significant role in funding and developing various developmental projects all across the country including roads, ports, urban infrastructure.

Infrastructure had become a field of primary focus and taking due advantage of this central motif, IL&FS utilised their first mover advantage to take up as many projects as possible. To support their ongoing projects they kept on taking up debts in an attempt to keep the cycle moving. But instead they were burdened under so much debt that they were faced with huge asset-liability mismatch. Major chunk of their problem were started due to complications in land acquisition, where the acquisition laws made their projects unviable.

While facing a severe liquidity crisis when they were already over 91000cr in debt, two of their subsidiaries reported having trouble in paying back loans and inter corporate deposits to creditors. Furthermore another of their subsidiaries were unable to repay Rs 1000cr taken from SIBDI. Several other companies also defaulted in their payments in both short and long term deposits. Lack of timely action led them to start doing window dressing, also being a shadow bank where they had less regulatory compliance, it aided them to escape under the nose of regulations.

When SFIO took control over the case, they claimed the auditors and credit rating agencies to be part of the failure. On doing a forensic audit, they found Deloitte to be primarily facile guilty who had failed to perform audit and showed professional skepticism.

The ministry of corporate affairs took tough action against the agencies too as the credit shown was all right with A4 rating of highest safety and then suddenly down rated it.

Due to this crisis, there was a slowdown in the NBFC sector which had a domino effect on the economy. A decline in consumption was noticed which led to a decline in GDP growth. This shock weakened the rupee which further reduced liquidity and also increased refinancing risks adding to concerns about India's bad debt ratio. This liquidity shortage of 1 lakh cr in the market increased the fear NBFC funding cost will result in sharp deterioration of their margins.

This crisis not only showed inefficient corporate governance of NBFC but the questionable work of public regulatory bodies. This crunch affected several fields which are heavily dependent on financing by NBFC like automobiles, commercial real estate etc.

Counterfeiting Currency and

Abdul Karim Telgi or The Stamp Paper Scam

The Abdul Karim Telgi scam, also known as the Stamp Paper Scam, was a massive counterfeiting operation that ran from roughly 1992 to 2007 in India.

Breakdown of the scam- Mastermind- Abdul Karim Telgi

Born in 1961, Telgi began his criminal career forging false documentation to allow labourers

to enter Saudi Arabia.

Later, he turned to forging premium stamp paper, an essential component of financial transactions and legal papers.

The Scheme-

The Stamp Paper Scam, perpetrated by Abdul Karim Telgi from roughly 1992 to 2007, was a massive counterfeiting operation that shook India's financial system. It hinged on creating fake versions of government-issued stamp paper, a crucial element in legal documents and financial transactions.

Stamp paper functions similarly to a certain form of tax stamp applied to papers. It gives the government tax revenue while confirming the legitimacy of transactions. However, the high-quality counterfeit stamp papers manufactured by Telgi's network closely matched the actual ones. Since these fakes had security measures like serial numbers and watermarks, it was challenging to tell them apart from real stamp paper.

Telgi expanded its network throughout India. This includes distributors who sold the forged documents, printers who produced them, and even naive purchasers. Unknowingly using these fakes in transactions, banks, insurance companies, and stockbrokers suffered large financial losses. One of the worst financial scams in Indian history, the estimated value of the scheme is ₹300 billion (US\$3.8 billion).

The fraud reduced public confidence in the legitimacy of official documents and revealed the weakness of stamp paper security mechanisms. Telgi received a lengthy prison sentence following his arrest in 2001. But in 2018, the case took an unexpected turn when a judge cleared him and the others for lack of evidence, igniting more controversy.

The Stamp Paper Scam is a sobering reminder of the level of expertise attained by counterfeiters. It emphasizes how crucial strong security measures and more stringent controls are to stop such scams from occurring in the future.

Impact of the scam-

Financial losses- The government lost out on billions of rupees in tax revenue. This impacted public finances and essential services

Legal Chaos- This involved disputed documents and loss of confidence. Documents became legally questionable leading to disputes, delays, and unnecessary litigation costs. The scam also eroded trust in the authenticity of the legal documents issued by the government.

Erosion of Trust- This involved the loss of trust of public for the government. The fraud revealed a flaw in government systems, which gave the impression of corruption and incompetence to the public.

Aftermath and Reforms-

Telgi was given harsh terms, however he was eventually found not guilty by a court order. This scam highlighted the need for stronger security features in official documents.

A reassessment of stamp paper's security characteristics was triggered by the hoax. To stop such frauds in the future, new, harder-to-forge features were included.

Additionally, stricter regulations were put in place for the manufacture and distribution of stamp paper.

Controversial Verdict-

Despite Telgi's first sentencing for the crime, a 2018 court judgment cleared him and the other defendants for lack of proof. There is ongoing discussion about this decision; some claim it makes it more difficult to hold those responsible for the incident accountable.

A lesson that should be learned from the Stamp Paper Scam is the importance of having strong security measures

in place and being vigilant about financial crimes. It also emphasizes how crucial it is for the general population to have faith in the legal system and government processes.

Nirav Modi- Punjab National Bank Scam

A complicated financial scandal involving fraudulent transactions, improper use of letters of undertaking (LoUs), and suspected collusion between the accused and certain bank employees was the Nirav Modi-PNB (Punjab National Bank) fraud case. This is a case study that goes into further detail:

Important Players:

Nirav Modi is a well-known international jeweler who specializes in fine diamond jewelry. Mehul Choksi: Nirav Modi's uncle and the chairman of the jeweler company Gitanjali Group. PNB Officials: It is said that a few employees of Punjab National Bank helped to arrange the scam.

Investigations and legal proceedings: CBI and ED involved: The Central Bureau of Investigation (CBI) and the Enforcement Directorate (ED) started investigating the case. Raids were conducted at various locations associated with Nirav Modi, Mehul Choksi and their companies.

Arrest warrants and extradition:

Arrest warrants were issued against Nirav Modi and Mehul Choksi. Nirav Modi left India before the scam came to light and was later arrested in London in March 2019. Extradition proceedings were initiated to bring him back to India.

Impact and termination:

Forfeiture of assets:

Indian authorities have seized and auctioned assets belonging to Nirav Modi and his companies to recover some of the funds involved in the fraud.

Banking sector reforms:

The scandal has sparked debate about the need for reforms in the banking sector, including improving risk management practices, internal monitoring and control mechanisms. Public and regulatory concerns:

The case raised concerns about the effectiveness of regulatory frameworks and control mechanisms in preventing such large-scale activity. Finally, the Nirav Modi-PNB fraud case highlights the importance of addressing systemic weaknesses, ensuring legal accountability and promoting international cooperation to prevent fraud and prevent future financial crimes. The consequences of such cases often lead to

a reassessment of financial regulatory frameworks and practices.

Conclusion

Countering white collar crimes in context of the Indian economy and its vastness might seem a bit intimidating but it is not unassailable. Only focusing on legal reforms for a country with varying aspects of population inclusion might not be enough, to achieve fruitful outcomes, researchers suggest that it must be paired with fostering an environment of integrity, transparency, and accountability, inculcating these specially in its financial and economic sectors. In our country, socio economic factors serve as a major contributor to unethical behavior and corruption, some of them can be income inequality where disparities in wealth makes economically marginalized communities more likely to resort to corrupt means to seize a fair chance among the big bulls in the economy. In some cases, accepting corruption as a cultural norm and not viewing it as an unethical practice since it is just another clever way of finding a loophole in the bureaucratic hurdle to get access to a life that only a selected few get to have also emphasized how important access to education paired with viable employment

opportunities and economic opportunities can help breakthrough the perpetuated cycle of poverty and disadvantage.

Increased enforcement, public awareness campaigns, whistleblower hotlines, imperative monitoring, risk assessments are some of the short term strategies that can be put to use in order to minimize white collar crimes in India, but diminishing a problem through short lived goals won't sustain for a long time for which the methods found to more effective and sustainable are enhanced regulatory oversight where there is periodic overview of compliance with governing reforms, regulations and up to the mark corporate conduct. Raising awareness about unethically's of engaging in frauds won't sustain since education doesn't stop at providing knowledge but it helps find loopholes in the existing system in a more enhanced and improved way as you know about the ins and outs of the system so well that it doesn't take time to find a way around it, instead raising awareness about the consequences of engaging into such activities and showing that the web of their fraud woven through the regulatory, financial and economic framework of the country serves as a barrier between safeguarding financial integrity of the nation and unethical conduct within the country's institutions.

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