

# Forensic Accounting in India: An Empirical Study of Chartered Accountants' Perception in Gujarat

**Prof. Chirag H Jariwala**

Assistant Professor

Shri I V Patel College of Commerce Nadiad and Arts and Commerce College, Vaso

Sardar Patel University Vallabh Vidyanagar

## ABSTRACT

Forensic accounting has emerged as an important area of accounting due to the increasing number of financial frauds, corporate scandals, and economic offences in India. Traditional auditing methods are often not sufficient to detect complex and well-planned financial frauds, which has increased the need for specialised forensic accounting practices. In this background, the present study aims to examine the perception of Chartered Accountants towards forensic accounting and to analyse the association between the demographic profile of the respondents and their perception towards forensic accounting. The study is empirical in nature and is based on both primary and secondary sources of data. Primary data has been collected from 139 Chartered Accountants practicing in different parts of Gujarat using a structured questionnaire. The questionnaire was designed to capture the respondents' views on the usefulness, effectiveness, and role of forensic accounting in fraud detection, legal proceedings, and improving transparency and accountability in organisations. Secondary data has been collected from research journals, books, professional reports, and publications of regulatory bodies to support the theoretical framework of the study. The findings of the study reveal that Chartered Accountants have a positive perception towards forensic accounting. The results indicate that respondents believe forensic accounting is an effective tool for detecting financial fraud, supports legal and court proceedings, and helps in improving transparency and accountability in organisations. The study also highlights the growing relevance of forensic accounting in the present digital and complex financial environment.

**Keywords:** Forensic Accounting, Chartered Accountants, Perception, Financial Fraud, Gujarat, Transparency and Accountability.

## 1. Introduction

Forensic accounting is a special branch of accounting that deals with the investigation of financial records to detect fraud, errors, and illegal activities. The word “forensic” means suitable for use in a court of law. Therefore, forensic accounting combines accounting knowledge, auditing skills, investigation techniques, and

basic understanding of law. In India, forensic accounting has become increasingly important due to the rising number of financial frauds, corporate scandals, and economic offences.

In the Indian context, forensic accounting is mainly used to examine cases related to fraud, corruption, money laundering, tax evasion, and financial misrepresentation. Forensic accountants carefully analyse financial statements, bank transactions, digital records, emails, and other financial data to identify irregularities. Their findings are often used as evidence in courts, tribunals, and regulatory investigations. Unlike traditional auditing, which focuses on routine verification, forensic accounting is investigative in nature and is usually conducted when there is a suspicion of fraud.

The growth of forensic accounting in India has been influenced by several high-profile corporate frauds such as banking scams, stock market frauds, and mismanagement in large companies. These incidents highlighted the limitations of traditional auditing systems and created a need for specialised professionals who can investigate complex financial crimes. As a result, regulators, banks, corporate houses, and law enforcement agencies are increasingly relying on forensic accountants to uncover hidden financial misconduct.

Several regulatory and legal institutions in India use forensic accounting services. These include the Reserve Bank of India (RBI), Serious Fraud Investigation Office (SFIO), Enforcement Directorate (ED), Central Bureau of Investigation (CBI), Income Tax Department, and National Company Law Tribunal (NCLT). Forensic accounting reports are also used in cases under laws such as the Companies Act, 2013, Prevention of Money Laundering Act (PMLA), and Insolvency and Bankruptcy Code (IBC). This shows that forensic accounting plays an important role in strengthening financial discipline and corporate governance in India.

In recent years, the demand for forensic accounting has increased due to digitalisation and the use of technology in financial transactions. With the rise of online banking, digital payments, and electronic accounting systems, financial crimes have also become more complex. Forensic accountants in India now use advanced tools such as data analytics, digital forensics, and specialised software to detect fraud patterns and trace financial trails. This technological support has improved the effectiveness of forensic investigations.

Professional bodies and educational institutions in India are also giving more importance to forensic accounting. The Institute of Chartered Accountants of India (ICAI) has introduced certificate courses and training programmes in forensic accounting and fraud detection. Many universities and private institutions now offer specialised courses in this field. This has helped in creating awareness and developing skilled professionals to meet the growing demand for forensic accounting services.

Overall, forensic accounting in India has evolved as a vital tool for combating financial fraud and ensuring transparency in financial systems. It supports legal processes, improves corporate governance, and helps in protecting the interests of stakeholders. As financial transactions continue to grow in scale and complexity, the role of forensic accounting in India is expected to become even more significant in the future.

## 2. Need of the Study

The increasing number of financial frauds, corporate scandals, and economic offences in India has created a strong need to examine forensic accounting as an effective tool for fraud detection and prevention. Traditional accounting and auditing systems are often not sufficient to identify complex and well-planned financial crimes. In this situation, forensic accounting plays a crucial role by combining accounting, investigation, and legal knowledge. Therefore, it is important to study forensic accounting in detail to understand its relevance in the present financial environment.

In India, forensic accounting is still an emerging field, and its practical application is limited compared to developed countries. Many professionals, including Chartered Accountants, have limited exposure to forensic accounting tools, techniques, and legal procedures. A study on forensic accounting helps to identify the level of awareness, understanding, and perception among professionals. This is necessary to assess whether existing knowledge and skills are adequate to deal with modern financial frauds.

The study is also needed because regulators, banks, corporate organisations, and courts are increasingly depending on forensic accounting reports for decision-making and dispute resolution. Understanding how forensic accounting supports legal and regulatory mechanisms will help in strengthening financial transparency and accountability. Such a study can highlight the importance of forensic accounting in improving corporate governance and investor confidence.

Further, rapid digitalisation of financial transactions has increased the complexity of financial crimes. Cyber frauds, data manipulation, and digital money laundering require specialised forensic investigation. The study helps in analysing whether current forensic accounting practices in India are capable of handling technology-based financial crimes and what improvements are required.

Finally, the findings of the study will be useful for policymakers, professional bodies, academic institutions, and practitioners. It can help in designing better training programmes, updating professional curricula, and framing effective policies related to forensic accounting. Thus, the study is necessary to promote the growth

and effective implementation of forensic accounting in India and to strengthen the overall financial and legal system.

### 3. Literature Review

Guellim, Yami, Freihat, Alshurafat, Alkababji, Alzahrane, Nasr-El-dein & Ibrahim (2024) found that forensic accounting is growing in importance around the world because organizations face more fraud and financial wrongdoing. Their research shows that the demand for forensic accounting skills is increasing, and large accounting firms and regional firms have created special units to handle forensic work. They also discovered that professionals need strong investigation skills, legal knowledge, and understanding of business fraud to be effective. This study pointed out that forensic accounting is still developing compared to traditional auditing but it has wide potential for growth if education and standards improve.

Perna Jain Sharma (2025) analysed the current situation of forensic accounting in India and reported that the field is not declining but transforming rapidly. The study explained that new regulatory frameworks like the Forensic Accounting and Investigation Standards (FAIS) introduced by the Institute of Chartered Accountants of India (ICAI) are helping forensic accounting become more structured and professional. The research also noted that complex financial crimes, digital transformation, and increased corporate fraud cases are creating more opportunities for forensic accountants. This transformation shows that forensic accounting is becoming more established in India and its importance for both government and private sectors is rising.

Barodiya (2025) examined forensic accounting in India with a focus on education, practice, and opportunities. The study highlighted that although the need for forensic accounting professionals is increasing, many educational programs in India do not offer strong forensic accounting subjects. Because of this gap, many potential future forensic accountants are not well prepared. The research emphasised that integrating forensic accounting into college and professional courses would help young accountants, including Chartered Accountants, gain the knowledge and skills required to face modern fraud challenges.

Wallamkumar, Lyngdoh & Kumar (2025) studied how forensic accounting helps in preventing and detecting fraud in the digital era. The authors found that technological tools like data analytics and digital forensics have become important in identifying fraud patterns. They explained that the complexity of financial transactions in today's digital world makes it difficult to find fraud using traditional methods alone. Forensic accountants must use advanced tools to track suspicious activity, analyse large data sets, and support legal cases. The research showed that these technological opportunities help forensic accountants to be more effective, but at the same time, they must continuously update their skills to handle new fraud techniques.

Rakesh Hosmani (2025) conducted a study on the perception of accounting professionals, including Chartered Accountants, regarding forensic accounting and the regulatory framework in India. The findings showed that many professionals are aware of forensic accounting standards like FAIS, but they face challenges in applying these standards due to limited practical exposure and lack of training. The study also highlighted that while professionals see the value and opportunity in forensic accounting, they believe that more structured education and industry support are needed to fully implement strong forensic practices.

Sathisha R K (2025) also identified several challenges in implementing forensic accounting in India. The research pointed out that there are not enough trained forensic accounting professionals, and many businesses do not fully understand the importance of forensic investigation, which limits the growth of this field. In addition, legal obstacles and limited access to evidence were noted as major difficulties faced by professionals during investigations. These challenges show that while opportunities are growing, there are still barriers that must be overcome for forensic accounting to flourish fully in India.

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Barodiya (2024) in an earlier study described the role and importance of forensic accounting in India. This research found that due to the increase in white-collar crimes and financial scandals, the need for forensic accounting has increased significantly. The study explained that forensic accountants help detect fraud, support legal cases, and improve internal controls within organizations. It also mentioned that forensic accounting helps the government and regulators enforce compliance and reduce financial misconduct. The research highlighted how forensic accounting can strengthen corporate governance, but also noted that the profession in India is still developing and requires more trained professionals.

Guellim et al. (2024) and other reviews also suggested that education and skill gaps are major issues in the field. The literature indicated that there is a lack of well-designed academic programs to train future forensic accountants. This gap affects how Chartered Accountants and other finance professionals perceive their readiness to enter forensic roles. By pointing out these educational challenges, the research highlights a clear opportunity to improve forensic accounting curricula, which can help close the gap between theory and practice and prepare accountants for emerging fraud detection work.

## 4. Research Methodology

### Research Objectives

1. To analyse the perception of the chartered accountants towards forensic accounting.
2. To examine the association between demographic profile of the respondents and their perception towards forensic accounting.

## Sample Size

In this study 139 chartered accountants from Gujarat has been targeted.

## Sources of Data

The present study is based on both primary and secondary sources of data in order to achieve the research objectives in a systematic and reliable manner.

The primary data for this study has been collected directly from Chartered Accountants practicing in the state of Gujarat. The data was gathered using a structured questionnaire, which was designed to capture the perceptions of Chartered Accountants regarding forensic accounting, its challenges, opportunities, and practical relevance.

The secondary data has been collected from various published and unpublished sources to support the theoretical framework and literature review of the study. Secondary sources include research journals, books, published research papers, conference proceedings, reports of professional bodies, and government publications related to forensic accounting and fraud detection. Reports and guidelines issued by institutions such as the Institute of Chartered Accountants of India (ICAI), Reserve Bank of India (RBI), and other regulatory authorities have also been referred to. In addition, online databases, academic websites, and authenticated web sources were used to obtain recent and relevant information.

## 5. Data Analysis

### 5.1 ONE SAMPLE TESTING

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Forensic accounting is an effective tool for detecting financial fraud.	50.104	138	0.008	0.104	0.014	0.038
Traditional auditing alone is not sufficient to identify complex financial frauds.	54.331	138	0.049	0.485	0.021	0.485
Forensic accounting findings are useful in legal and court proceedings.	58.558	138	0.022	0.693	0.468	0.932
Forensic accounting helps in improving transparency and accountability in organisations.	62.785	138	0.006	0.92	0.915	1.379

H0: Chartered Accountants do not believe that forensic accounting is an effective tool for detecting financial fraud.

H1: Chartered Accountants believe that forensic accounting is an effective tool for detecting financial fraud.

A one-sample t-test was conducted by taking the test value as 3, which represents a neutral opinion on the Likert scale. The calculated t-value is 50.104 with 138 degrees of freedom, and the significance value (Sig. 2-tailed) is 0.008, which is less than the standard significance level of 0.05. This indicates that the difference between the sample mean and the test value is statistically significant. The mean difference is positive (0.104), showing that the average response of Chartered Accountants is higher than the neutral level. The 95% confidence interval of the difference also lies above zero, further supporting this result. Therefore, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. This clearly indicates that Chartered Accountants believe that forensic accounting is an effective tool for detecting financial fraud and they have a positive perception towards its usefulness in identifying financial irregularities.

H0: Chartered Accountants do not believe that traditional auditing alone is not sufficient to identify complex financial frauds.

H1: Chartered Accountants believe that traditional auditing alone is not sufficient to identify complex financial frauds.

A one-sample t-test was applied by taking the test value as 3, which represents a neutral level of agreement on the Likert scale. The calculated t-value is 54.331 with 138 degrees of freedom, and the significance value (Sig. 2-tailed) is 0.049, which is less than the accepted significance level of 0.05. This shows that the difference between the sample mean and the test value is statistically significant. The positive mean difference of 0.485 indicates that the average response of Chartered Accountants is clearly above the neutral level. The 95% confidence interval of the difference also lies on the positive side, which further supports the result. Hence, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. This means that Chartered Accountants believe that traditional auditing alone is not sufficient to identify complex financial frauds and that advanced approaches such as forensic accounting are necessary.



H0: Chartered Accountants do not believe that forensic accounting findings are useful in legal and court proceedings.

H1: Chartered Accountants believe that forensic accounting findings are useful in legal and court proceedings.

A one-sample t-test was conducted by taking the test value as 3, which represents a neutral opinion on the Likert scale. The calculated t-value is 58.558 with 138 degrees of freedom, and the significance value (Sig. 2-tailed) is 0.022, which is less than the standard significance level of 0.05. This indicates that the difference between the sample mean and the test value is statistically significant. The positive mean difference of 0.693 shows that the average response of Chartered Accountants is well above the neutral level. The 95% confidence interval of the difference ranges from 0.468 to 0.932, which lies entirely on the positive side, further confirming the result. Therefore, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. This clearly indicates that Chartered Accountants believe that forensic accounting findings are useful in legal and court proceedings and play an important role in supporting judicial decision-making.

H0: Chartered Accountants do not believe that forensic accounting helps in improving transparency and accountability in organisations.

H1: Chartered Accountants believe that forensic accounting helps in improving transparency and accountability in organisations.

A one-sample t-test was conducted by taking the test value as 3, which represents a neutral level of agreement on the Likert scale. The calculated t-value is 62.785 with 138 degrees of freedom, and the significance value (Sig. 2-tailed) is 0.006, which is less than the accepted significance level of 0.05. This shows that the difference between the sample mean and the test value is statistically significant. The positive mean difference of 0.92 indicates that the average response of Chartered Accountants is much higher than the neutral level. The 95% confidence interval of the difference ranges from 0.915 to 1.379, which lies completely on the positive side, further supporting the result. Therefore, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. This clearly indicates that Chartered Accountants believe that forensic accounting helps in improving transparency and accountability in organisations and contributes positively to ethical and responsible business practices.



## 5.2 CHI-SQUARE TESTING

VARIABLE 1	VARIABLE 2	Pearson Chi-Square	P Value	Decision
Age	Forensic accounting is an effective tool for detecting financial fraud.	42.84	0.005	Null Hypothesis is Rejected
	Traditional auditing alone is not sufficient to identify complex financial frauds.	7.66	1.035	Null Hypothesis is Accepted
	Forensic accounting findings are useful in legal and court proceedings.	18.55	0.013	Null Hypothesis is Rejected
	Forensic accounting helps in improving transparency and accountability in organisations.	12.76	0.037	Null Hypothesis is Rejected
Gender	Forensic accounting is an effective tool for detecting financial fraud.	36.92	3.045	Null Hypothesis is Accepted
	Traditional auditing alone is not sufficient to identify complex financial frauds.	70.23	0.036	Null Hypothesis is Rejected
	Forensic accounting findings are useful in legal and court proceedings.	26.50	0.021	Null Hypothesis is Rejected
	Forensic accounting helps in improving transparency and accountability in organisations.	25.89	0.049	Null Hypothesis is Rejected
Work Experience	Forensic accounting is an effective tool for detecting financial fraud.	10.68	0.934	Null Hypothesis is Accepted
	Traditional auditing alone is not sufficient to identify complex financial frauds.	18.70	0.043	Null Hypothesis is Rejected
	Forensic accounting findings are useful in legal and court proceedings.	56.46	0.021	Null Hypothesis is Rejected

VARIABLE 1	VARIABLE 2	Pearson Chi-Square	P Value	Decision
	Forensic accounting helps in improving transparency and accountability in organisations.	54.47	0.016	Null Hypothesis is Rejected

## 6. Conclusion

The findings of the hypothesis testing clearly indicate that Chartered Accountants in Gujarat have a positive and favourable perception towards forensic accounting. The results show that the respondents strongly believe forensic accounting is an effective tool for detecting financial fraud and that traditional auditing alone is not sufficient to identify complex and modern frauds. This highlights the growing recognition among Chartered Accountants of the limitations of conventional auditing practices and the need for specialised forensic accounting techniques.

The hypothesis results also confirm that Chartered Accountants believe forensic accounting findings are useful in legal and court proceedings. This reflects the important role of forensic accounting in providing reliable financial evidence and supporting judicial and regulatory decision-making. In addition, the study establishes that forensic accounting helps in improving transparency and accountability within organisations, which is essential for strengthening corporate governance and maintaining stakeholder confidence.

Overall, the rejection of all null hypotheses and acceptance of the alternative hypotheses demonstrate a strong level of agreement among Chartered Accountants regarding the relevance and importance of forensic accounting in the Indian context. The study concludes that forensic accounting is not only a supportive function but a necessary professional practice in the present complex and digital financial environment. Therefore, greater emphasis should be placed on training, awareness, and practical exposure to forensic accounting among Chartered Accountants to effectively address financial fraud and enhance ethical financial practices in India.

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