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Corporate Fraud: Analysing Preventive Measures Under Indian Law

AUTHOR-ASHIKA

DESIGNATION OF AUTHOR- STUDENT

NAME OF DEPARTMENT OF AUTHOR-LAW

NAME OF ORGANIZATION OF AUTHOR- AMITY UNIVERSITY, LUCKNOW UTTAR PRADESH

ABSTRACT

Corporate fraud not only impacts the financial stability but also effects various traders, investors, shareholders and puts a negative impact upon the corporate governance of India. The various negative impact of corporate fraud is the loss in the finances, losing the confidence of the investors, many of the employees may also loose moral, facing of legal consequences by the company and most importantly damage caused to the reputation of the company. Although, in India there are laws that govern for the same as **The Companies Act 2013, Indian Penal Code 1860, Prevention of Money Laundering Act, 2002, SEBI Act 1992 etc.** But then also there are rising cases of corporate fraud that not only effects the company but also to the economic market in the society.

This paper analysis legal mechanism that are designed for the prevention of various corporate fraud. Further it highlights the cases that have emerged in the society and caused great impact upon the financial market. It explores the main legislative provisions, the function of investigative and regulatory institutions such as the **Serious Fraud Investigation Office (SFIO)**, the **Securities and Exchange Board of India (SEBI)**, and the **Enforcement Directorate (ED)**, and the procedures that are followed in the prosecution of these cases. Through a combination of doctrinal legal analysis, case studies, and comparative insights from global practices, the study finds gaps in legal enforcement, lack of corporate accountability, and procedural inefficiencies that forbids timely justice.

Further, the paper focuses upon the importance of corporate governance tools such as **independent auditing, whistleblower protection, and internal compliance mechanisms** in prevention of fraud at an organizational place. By examining both statutory and non-statutory safeguards, the research ultimately gives a set of reforms aimed at improving transparency, aiming at better compliance, and developing an ethical corporate culture that aligns with global framework.

KEY WORDS

SEBI- Securities Exchange Board Of India

ED- Enforcement Directorate

PMLA- Prevention of Money Laundering Act

FDA- Foreign Development Authority

BR- Bank Receipts

INTRODUCTION

Corporate Fraud refers to the illegal practices that are performed by company or an individual that are performed in an immoral manner or in a dishonest form to gain profits. It is all about illegal activities performed by companies for gaining profit. It often involves theft, bribery, insider trading, and false financial data. These acts are done to trick stakeholders. The impact of corporate fraud can be serious, involving lost money for shareholders, reputational harm to the company, and involving legal trouble. Corporate fraud is one of the most important problems for businesses in the society. It includes a lot of different illegal activities focused at gaining money.¹

India has seen many renowned corporate fraud cases, like the Vijay Mallya Scam and the Punjab National Bank (PNB) fraud involving Nirav Modi. These cases have not only shaken the confidence of investor but have also exposed fault in corporate governance, regulatory oversight, and enforcement structures.

Concerning the seriousness of the cases, the Indian legal and regulatory framework has developed mainly with the introduction of the **Companies Act, 2013**, and various types of reforms by the **Securities and Exchange Board of India**, the **Reserve Bank of India** and other agencies. These efforts focus to develop transparent, accountable, structure in corporate governance.

However, despite the existence of various legal provisions and regulatory bodies, fraud remains to pose a challenge. The dynamic and developing nature of corporate fraud brings to necessity not only strong punitive structures but also develop **preventive measures**. Prevention plays an important role in protecting companies from causing financial and reputational harm to companies and in developing long-term ethical conduct in business areas.

Objective of the Study

This research seeks to critically determine the measures for prevention against corporate fraud under **Indian law**. The main objectives involve:

- Inspecting the **prevailing legal provisions** and structures that focus to prevent such frauds.
- Examining the potency of these preventive mechanisms.
- Recognising **gaps and challenges** in the current system.

¹ GeeksforGeeks, 'Corporate Fraud : Meaning, Top 10 Cases, Reasons & Types' (*GeeksforGeeks*, 15 April 2025) <<https://www.geeksforgeeks.org/corporate-fraud-meaning-top-10-cases-reasons-types/>> accessed 29 May 2025

- Providing **guidance** for building up fraud prevention through legal and regulatory reforms.

Scope of the Research

It involves statutory provisions, regulatory frameworks, and institutional mechanisms involved in fraud prevention. Additionally, relevant **case studies** are analysed to examine how preventive measures have been applied (or failed to apply) in real-world situations. A short comparative perspective with international best practices is also included to conclude meaningful insights for reform.

Nature and types of Corporate Fraud

The dynamic nature of corporate fraud, often including number of actors and sophisticated techniques to conceal wrongdoing. It may be internal, executed by employees or management, or external, including the vendors, customers, or third parties. Common intentions combine personal enrichment, pressure to get financial targets, or the desire to maintain a company's reputation in the society.

There are several types of corporate fraud-

Financial Statement Fraud

This type of fraud includes the changing of financial documents for creation of picture that would mislead company's financial situation. Techniques may involve exaggerating income, expense minimizing, or concealing debts. Mainly, it's same as dressing up poor financials for good looking.

Example: A brilliant case is the Satyam scandal, often dubbed "India's Enron," where the company's earning was overstated by the founder Ramalinga Raju.²

Insider Trading

Insider trading refers to when the insiders of the company use the information that is confidential, for buying and selling of the stocks, that give them unfair advantage .

Example: In the Ranbaxy case, the executives of the company were found to have traded shares by using non-public knowledge about impending regulatory actions by the FDA.³

Bribery and Corruption

Bribery and corruption harm the ethical standards and fair acts in business and the government.

Example: The deal of VVIP helicopter is a well established case including allegations of corrupt practices between an Italian defence company and Indian officials.

Embezzlement

Embezzlement is the theft or misappropriation of funds endowed to someone, often an employee or official. It's a serious violation of trust that can result in major financial losses.

² Sawant S, 'Unmasking Corporate Frauds in India' (*IDfy*, 21 March 2025) <<https://www.idfy.com/blog/unmasking-corporate-frauds-in-india/>> accessed 30 May 2025

³ *Ibid*

Example: The Harshad Mehta scandal case is a prime example, where funds from banks were illegally changed by manipulating stock prices.⁴

Tax Evasion

Tax evasion refers to the unlawful act of evasion taxes by underreporting income, overstating deductions, or using offshore accounts to hide money.

Example: The leak of Panama Papers exposed how many Indian individuals and entities used foreign tax havens to avoid paying taxes.⁵

Major Corporate Fraud in India

PNB Scam

In 2017,. Founder of the Nirav Modi brand, a world wide chain of diamond jewellery stores. He is the chairman of the Firestar International, the parent company of the Nirav Modi brand, which functions in retail outlets in important international cities. His jewellery stores are in various leading cities, like Delhi, Mumbai, New York, Hong Kong, London, and Macau, in total 16 locations globally.⁶

The PNB scam, exposed in the year 2018, had originally started in 2011. Modi used *Letters of Undertaking (LOUs)* which is a type of bank guarantee that enables to get loans for a short-term period from Indian Banks in foreign. Originally, LOUs require collateral, but Punjab National Bank (PNB) had issued them without any security, depending solely on Modi's assurance. This was performed by the corrupt members of the bank. These corrupt PNB officials issued these LOUs via the SWIFT system, but they did not record them in the bank's Core Banking System (CBS), which allowed the scam to be untraceable. Modi kept gaining new LOUs to repay old ones — basically running a Ponzi-like scheme.

By 2018, over 1,200 LOUs had been issued, amounting to over ₹14,000 crore. When bank staff eventually demanded proper collateral, discrepancies occurred, leading to investigation of CBI and the full disclosure of the fraud.

His detention follows an extradition request submitted by Indian authorities. He is accused of orchestrating a fraud amounting to over ₹13,850 crore against Punjab National Bank.

The several attempts made by Modi to secure bail have been failed, —the latest being his seventh denial in May 2024.⁷

⁴ *Ibid*

⁵ *Ibid*

⁶ Standard B, 'What Is PNB Scam: PNB Fraud Case: Nirav Modi Case' (*Business Standard*) <<https://www.business-standard.com/about/what-is-pnb-scam>> accessed 31 May 2025

⁷ 'PNB Scam: Where Is Nirav Modi, Now That His Uncle Mehul Choksi Has Been Arrested?' (*The Economic Times*) <<https://economictimes.indiatimes.com/news/india/pnb-scam-where-is-nirav-modi-now-that-his-uncle-mehul-choksi-has-been-arrested/articleshow/120271270.cms?from=mdr>> accessed 31 May 2025

Vijay Mallya scam

Indian businessman Vijay Mallya, who is presently fighting extradition from the United Kingdom. He is facing alleged charges of fraud and money laundering in India, including an estimated ₹9,000 crore that was borrowed by him from 17 Indian banks.

He has held many important positions in the business world. He is a former member of the Rajya Sabha and previously served as the chairman of United Spirits. He at present is the chairman of United Breweries Group. Previously, he also held leadership roles in other important companies such as Sanofi India and Bayer CropScience.

Mallya is most closely linked with Kingfisher Airlines. The airline, started in 2005, it initially gained focus for its luxury services. However, in 2008, the business suffered largely due to the world-wide financial crisis and rising fuel costs, mainly leading to its collapse.

Following the downfall of Kingfisher Airlines and pressure from lenders, Mallya ran from India in 2016 and moved to the UK. Since then, he has been engaged in legal battles to avoid extradition. Mallya has publicly claimed that he has been willing to repay his debts and has made efforts to settle with the banks since 2016.

On April 9, 2025 court issued a bankruptcy order against businessman Vijay Mallya, ruling in favor of the lenders in their ongoing efforts to recover outstanding debts.

The ruling established that the banks' position—that they did not hold security over the assets and was legally acceptable. Justice Mann mentioned that the bankruptcy order remains valid.

Vijay Mallya is now involved in pursuing a separate legal action to nullify the bankruptcy order. A directions hearing in that matter is scheduled for October 2025. His lawyer, Leigh Crestohl, argued that asset recoveries by Indian officials were not conditional and should have been considered. Mallya plans to continue fighting the order in both UK courts and in proceedings before the Karnataka High Court in India.⁸

Harshad Mehta Scam

In this case, stockbroker Harshad Mehta embezzled around ₹1,439 crores that triggered a large collapse in the Indian stock market. This crash deducted out life savings amounting to ₹3,542 crores. Mehta, who had gained fame for his success on the Bombay Stock Exchange (BSE), took advantage of major loopholes in the banking system and artificially inflated stock prices for his own gain.⁹

During this period there was a system that was not developed fully which was the financial system.

⁸ Pti, 'Indian Banks Win U.K. Bankruptcy Appeal in Vijay Mallya Case' (*The Hindu*, 9 April 2025) <<https://www.thehindu.com/news/national/indian-banks-win-uk-bankruptcy-appeal-in-vijay-mallya-case/article69431374.ece>> accessed 31 May 2025

⁹ Standard B, 'What Is PNB Scam: PNB Fraud Case: Nirav Modi Case' (*Business Standard*) <<https://www.business-standard.com/about/what-is-pnb-scam>> accessed 31 May 2025

How the Scam Functioned

(BRs) and (RF) Deals

Mehta took gain from the banking system's use of Bank Receipts (BRs) as security for short-term lending deals, known as Ready Forward (RF) deals. He convinced some banks to issue fraud BRs, which were then used to raise funds from other banks. Instead of using these funds as intended, Mehta diverted them into the stock market, exceptionally inflating share prices — mostly the prices of Associated Cement Company (ACC), whose stock gained from ₹200 to ₹9,000.

Stock Market Manipulation

Mehta's aggressive buying activated large enthusiasm in the market. Many retail investors followed his lead, further fuelling the rally. This artificial bull market enabled Mehta to earn large number of profits by selling his shares at extremely inflated prices.

Exposure and Collapse

Journalist Sucheta Dalal in the year 1992 exposed the scam through investigative reports in *The Times of India*. He faced 23 criminal charges and 70 civil cases but was convicted in only four before his death in 2001.

DHFL (Dewan Housing Finance Corporation Limited) Scam:

In recent times it is regarded as one of the largest financial fraud included DHFL, which was caught in major financial wrongdoing. The company changed more than ₹31,000 crores using a complicated network of shell companies and affiliated entities. DHFL manipulated its financial reports by overstating profits and asset quality, thereby misleading investors and credit rating agencies. Once the irregularities were uncovered, the company collapsed, triggering investigations by multiple regulatory authorities.¹⁰

Through official reports on May 14, it was mentioned that the CBI had arrested former DHFL Director Dheeraj Wadhawan for his alleged inclusion in defrauding a consortium of 17 banks, with the total scam amounting to ₹34,000 crore¹¹

Legal Provisions for governing Corporate Fraud in India

For curbing corporate fraud there are various number of legislations that govern the same. Some of the enactments of the legislation have direct provisions for the same like the Companies Act, SEBI Act, Money Laundering Act, IPC etc. While some of the enactments have a indirect provisions these are the incidental legislations like RBI Act, IT Act, Indian Contract Act etc.

¹⁰ Chowhan V, 'Case Study: Recent Corporate Frauds in India' (*LinkedIn*, 2 September 2024) <https://www.linkedin.com/pulse/case-study-recent-corporate-frauds-india-vishal-chowhan-temkc?trk=public_post> accessed 1 June 2025

¹¹ Pti, 'DHFL Scam: Dheeraj Wadhawan Arrested in ₹34,000-Crore Bank Fraud' (*The Hindu*, 14 May 2024) <<https://www.thehindu.com/news/national/dhfl-scam-cbi-arrests-dheeraj-wadhawan-in-34000-crore-bank-fraud/article68175477.ece>> accessed 1 June 2025

Some of the provisions are as discussed below-

Provisions in The Companies Act 2013

Section 447¹² explains the meaning of the word fraud which is - In the view of a company or any corporate body, it is any action taken, failure to act, hiding of various facts, or misuse of position by a person—either by his own or in group with someone else—with the aim to deceive, gain an unfair advantage. This applies whether anyone gains something wrongfully or suffers a loss.

If a person is found guilty of fraud involving at least ₹10 lakh or 1% of the company's turnover (whichever is less), they will be liable with minimum imprisonment of 6 months in, which can extend up to 10 years. They will also have to pay a fine which is at least equal to the amount that was involved in the fraud, and this fine can raise up to three times that amount. If the fraud involves the interest of the public, then the imprisonment be for term at least 3 years.

Additionally, if the fraud is of less than ₹10 lakh or less than 1% of the company's turnover (whichever is lower), and does **not** affect the interest of public, then person may be punished with up to 5 years in prison, a fine of up to ₹50 lakh, or both.

When the company continues for the offence then be punishable twice the offence of fine if the offence is repeated within three years.

If an officer of a company or employee of the company wrongfully holds with him or makes use of the property of company. Then be punished with imprisonment of 2 years fine between 1 lakh and 5 lakhs

Provisions under The SEBI Act 1992

Under the **SEBI Act, 1992**, the Securities and Exchange Board of India (SEBI) has been given with the responsibility to protect investors' interests and regulate the securities market. SEBI has variety of powers to address instances of **corporate fraud**, especially in listed companies or entities dealing in securities. One of the key provisions is **Section 11**, which gives powers to SEBI to take measures to prevent fraudulent and unfair trade practices in the securities market. This includes any activity that could harm the confidence of investors or market integrity.

In addition, **Section 11B** authorizes SEBI to issue required directions to any person or entity if such directions are in the interest of investors or are necessary for the orderly development of the market. Under this section, SEBI can prevent individuals or companies from accessing the securities market, prohibit directors or key management personnel from holding certain positions, and order refund of money collected from investors.

SEBI also has investigation powers under **Section 11C**. If SEBI doubts that any person has is involved in fraudulent activities, it can appoint investigating officers to conduct inquiries. If anyone fails to cooperate with the investigation or provides misleading information, it can lead to penal consequences.

Section 12A of the SEBI Act specifically prohibits manipulative, misleading, and fraudulent practices in securities transactions. It bars any person from using fraudulent programme or devices, making false or

¹² (*The Companies Act, 2013*) <<https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf>> accessed 2 June 2025

misleading statements, or involving in conduct that deceives investors. This provision serves as the legal creation for penalizing fraudulent conduct in the capital markets.

For serious violations, **Section 15HA** of the SEBI Act deals with penalties for involving in fraudulent and unfair trade practices. SEBI can impose a monetary penalty which may extend to ₹25 crore or three times the amount of profits made from such practices, whichever is higher.

Apart from the Act itself, SEBI has also formulated specific regulations to curb fraud. The **SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003** (commonly called FUTP Regulations) provide a long list of activities considered fraudulent. These include creating artificial trading volumes, manipulating prices, misusing insider information, and making misrepresentations or omissions in disclosures.

In enforcement, SEBI can pass cease-and-desist orders, impose fines, direct disgorgement of profits, and initiate civil or quasi-judicial actions. In serious cases, SEBI can also refer the matter for criminal prosecution under other relevant laws such as the Companies Act or the Indian Penal Code.

Thus, SEBI is well-managed under the SEBI Act, 1992 to detect, investigate, and penalize corporate frauds. Its legal framework ensures that corporate governance norms are followed and investors are safeguarded against malpractices in the securities market.

Provisions under Money Laundering Act 2002

Section 3 of the Act deals with the definition of money laundering. According to this section, the offence of money laundering includes any act where a person tries to convert illegally earned money (non-legitimate money) into legally appearing funds (legitimate money). This illegitimate money must have been derived from a **scheduled offence**, which is a criminal offence listed in the Schedule to the PMLA.

Under section 70¹³ of this act, If a **company is involved in violating any provision** of the Act or related rules, then **each person who was in charge and responsible be punished along with the company.** e

However, such a person will **not be held liable** if they can prove that:

- The contravention happened **without their awarness**, or
- They had **exercised due diligence** to prevent it.

Additionally, **if it is proven** that the violation occurred with the **consent, connivance, or due to the negligence** of any director, manager, secretary, or officer, then that person will **also be deemed guilty** and punished .

Provisions under IPC

If a person is involved with property of company dishonestly misuses or converts it for personal use, it amounts to criminal breach of trust. This applies to company directors or employees misusing company funds. Imprisoned to 3 years, or fine, or both. Under section 420 & 421 Cheating includes deceiving someone to gain property or involve them to act against their interest. If a company gives false information to investors

¹³ (*The prevention of money-laundering act, 2002*)

<<https://www.indiacode.nic.in/bitstream/123456789/2036/5/A2003-15.pdf>> accessed 7 June 2025

or clients, it may fall under this. Simple cheating is punishable up to 1 year, but cheating involving delivery of property (Section 420) carries punishment up to 7 years and fine.

Act of Forgery involves making false documents or records to cheat or commit fraud is forgery. If forgery relates to valuable securities or is done with intent to cheat, the punishment ranges from 2 years up to life imprisonment depending on the seriousness

Under section 471 of the act if someone has knowledge about forged documents and make use of a forged document as genuine, they are punishable under this section. The penalty is the same as for the original forgery offence, which could be up to 7 or 10 years.

Preventive Measures and Corporate Governance Norms

In a period of increasing corporate convolution and stakeholder scrutiny, the emphasis on strong preventive mechanisms and adherence to sound corporate governance norms has become important for sustainable business functions. The frustration of several high-profile corporations globally has revealed the structured weaknesses in internal controls, oversight mechanisms, and ethical conduct. So, companies today are expected not only to be profitable but also to function within a structure of integrity, transparency, and accountability.

Preventive Measures: A Shield Against Corporate Misconduct

Preventive measures refer to active techniques and policies acquired by organizations to avert potential misconduct, fraud, and operational inefficiencies. They establish the first line of defence in risk assessment and are focused at developing an environment of ethical conduct and legal provisions.

Major preventive measures include:

Internal Control Systems: Organizations adopt multi-level internal controls that cover segregation of duties, audit trails, authorization procedures, and error-detection systems.

Whistleblower Protection Mechanisms: Facilitating safe, anonymous, and accessible channels for reporting unethical practices makes detection of malpractices at an early stage possible. Effective protection laws for whistleblowers act as a deterrent against malpractice.

Ethical Codes and Conduct Rules: Stringently demarcated ethical rules direct employee behavior decision-making, particularly in ambiguous or high-pressure circumstances.

Risk Management Systems: Complete systems for the identification, appraisal, and reduction of financial, operational, legal, and reputational threats are a component of preventive governance.

Periodic Training and Compliance Programs: Regular staff training allows for all shareholders to know about laws, business policies, and expected ethical conduct.

Audit and Monitoring Systems: Regular monitoring with internal and external audits assists in discovering deviations from the norm and ensures corrective action is taken immediately.

Corporate Governance Norms: A Framework for Responsible Conduct

Corporate governance standards are normally arranged rules and regulations established by which to guide business behaviors. These standards facilitate that all the interests of stakeholders—shareholders, employees, customers, regulators, and broader society—are safeguarded through ethical, responsible, and transparent business operations.

Some key corporate governance standards are:

Board Composition and Independence: Governance standards primarily that require a combination of executive and non-executive directors, supported by dominant independent directors in ensuring unbiased decision-making and monitoring.

Transparency and Disclosure: Companies are designed to be highly transparent in financial and operational disclosures, with maximum disclosure of material facts, related-party transactions, and executive remuneration.

Accountability Mechanisms: Clear delineation of duties and liabilities among the board, management, and stakeholders allows that everything is done in a responsible and compliant manner with the law.

Stakeholder Inclusivity: Corporate governance in actions more and more allows for the necessity of taking into account the effect of decisions on all the stakeholders—not only shareholders—sustaining a more comprehensive and sustainable business approach.

Fairness and Equity: Treatment of all stakeholders on a fair and equal basis, including minority shareholders, and prevention of discriminatory actions is an essential governance required.

Corporate Social Responsibility (CSR): In countries such as India, CSR is not only a voluntary act of goodness but also legally mandatory for some companies. Governance standards now include social and environmental duties in addition to economic performance.

Interlinking Preventive Measures with Governance Norms

Preventive measures are the most important instrument to implement and enforce corporate governance norms successfully. Governance norms offer strategic framework, whereas preventive framework are functional shields. Effectiveness of governance relies on how well preventive practices are ingrained in the corporate culture and working policies.

For instance, an audit committee independence governance document may be in place, but without preventive aspects like conflict-of-interest reporting, and audit trails, the independence remains cosmetic. Hence, the synergy between governance norms and preventive measures is crucial for an optimally responsible and robust corporate setup.

Investigative and Regulatory Institutions

India's legal and regulatory system for addressing corporate fraud is reinforced by some specialized institutions that have a vital role in **investigation, regulation, enforcement, and prosecution** of financial and corporate offenses. Some of the most notable among them are the **Serious Fraud Investigation Office (SFIO)**, the **Securities and Exchange Board of India (SEBI)**, and the **Enforcement Directorate (ED)**. Each of these organizations functions under a particular legislative mandate and plays a distinctive role in the detection and prevention of economic crimes.

1. Serious Fraud Investigation Office (SFIO)

Legal Basis: Statutorily established under Section 211 of the Companies Act, 2013 and functioning under the Ministry of Corporate Affairs (MCA).¹⁴

Primary Functions:

- To investigate intricate and serious cases of corporate fraud with huge-scale financial malpractices or multi-agency issues.
- Exercise arrest powers (under Section 212 of Companies Act, 2013) for frauds above the notified monetary limits.
- Coordinate with other regulatory bodies like SEBI, CBI, ED, and IT Department to ensure effective action.
- Investigate the part played by company directors and officers in fraudulent actions, including forensic audit of records and data.

2. Securities and Exchange Board of India

Legal Basis: Created under the SEBI Act, 1992.

Primary Functions:

- Supervise and suppress insider trading, unfair and fraudulent trade practices (FUTP), and misrepresentations in public disclosures.
- Implement corporate governance regulations under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Conduct inquiries on market manipulation, issue show-cause notices, and pass orders like penalty, debarment, and disgorgement.
- Regulate Initial Public Offerings (IPOs), takeovers, mutual funds, and portfolio managers.

3. Enforcement Directorate (ED)

Legal Framework: Operates within the Department of Revenue, Ministry of Finance, and is vested with authority through.¹⁵

- **Prevention of Money Laundering Act (PMLA), 2002**
- **Foreign Exchange Management Act (FEMA), 1999**

Key Functions:

- Investigate and prosecute money laundering, foreign exchange contraventions, and financial crimes with overseas connections.

¹⁴ 'About SFIO: Serious Fraud Investigation Office: India' (*Serious Fraud Investigation Office | India*) <<https://sfio.gov.in/en/about-sfio-history/>> accessed 9 June 2025

¹⁵ Shah P by NS and Posts NSSVA, 'How to Deal with Corporate Frauds in India: From Accounting Frauds to Insider Trading' (*Lawsikho Blog*, 3 June 2025) <<https://lawsikho.com/blog/how-to-deal-with-corporate-frauds-in-india/>> accessed 9 June 2025

- Seize and confiscate properties acquired through crime proceeds under the PMLA.
- Help enforce economic sanctions and work with international financial intelligence units.
- Launch action against businesses and individuals who engage in money laundering of money earned through corporate fraud or illicit business activities.

Illustration: ED prosecuted a number of big-ticket cases such as **the Nirav Modi-PNB scam** and **Vijay Mallya's money laundering case**, confiscating assets worth thousands of crores.

Conclusion

Corporate fraud is still a major challenge to the integrity and viability of Indian companies. Economic liberalization and technological progress have fueled corporate expansion, but they have also escalated the reach and sophistication of fraudulent activities. Indian law has increasingly responded by introducing preventive models to contain such aberrations.

The regulatory and legislative steps—from the **Companies Act, 2013**, the **SEBI (LODR) Regulations**, to **whistleblower protections** and **mandates on internal control**—betray an increasing focus on proactive governance and compliance. The creation of institutions such as the **Serious Fraud Investigation Office (SFIO)** and provisions for **audit and risk management** further strengthen the enforcement regime.

But mere existence of legal provisions is not enough. The success of these preventive steps largely hinges on their enforcement, corporate culture, and ethics-based leadership. A robust governance mechanism, upheld by ongoing vigilance, employee sensitization, and stakeholder oversight, is needed to uncover, deter, and combat fraud at its source.

Thus, a multi-pronged strategy involving legal enforcement along with internal ethical frameworks is necessary. Indian companies need to comply not only with the letter of the law but also with its spirit to create an open, accountable, and fraud-proof business environment.

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