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**LAW AND POLICIES RELATED TO ECONOMIC BUSINESS
CRIMES: A STUDY IN INDIAN PERSPECTIVE**- Anannya¹**ABSTRACT**

Economic and business crimes have emerged as significant challenges in the modern global economy, particularly in India, where the rapid expansion of financial markets and technological advancements have transformed the business landscape. The increasing sophistication of economic offenses, including corporate fraud, money laundering, tax evasion, and insider trading, necessitates a robust legal framework and policy measures to maintain financial integrity and economic stability.

This dissertation, titled "*Law and Policies Related to Economic Business Crimes: A Study in Indian Perspective*," is an endeavor to critically analysed the existing legal provisions, regulatory mechanisms, and policy frameworks governing economic crimes in India. The study aims to explore the effectiveness of laws such as the Prevention of Money Laundering Act, 2002, the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, and various other legislative measures intended to combat financial misconduct. Additionally, it examines the role of enforcement agencies and judicial intervention in ensuring compliance and penalizing violations.

The research draws upon doctrinal and empirical methodologies, encompassing a thorough review of statutes, case laws, scholarly articles, and governmental reports. Furthermore, interviews and surveys conducted with legal professionals, regulatory officials, and corporate stakeholders provide valuable insights into the practical implementation and challenges associated with economic crime prevention in India.

This dissertation aspires to contribute to the growing discourse on corporate governance, transparency, and accountability. By identifying loopholes and recommending policy enhancements, it seeks to aid policymakers, legal practitioners, and academicians in

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strengthening the legislative and institutional mechanisms governing economic business crimes in India.

I extend my sincere gratitude to my academic guide, mentors, and peers for their invaluable support and guidance throughout this research journey. Their insights and encouragement have been instrumental in shaping the direction of this work. I also acknowledge the contributions of industry experts and legal professionals whose perspectives have enriched this study.

With a deep commitment to fostering a fair and just economic system, I present this dissertation, hoping it serves as a meaningful contribution to the field of legal studies and economic regulations.

INTRODUCTION

The earliest form of human society as a society and thus crimes as old as it. Crimes are very intrinsic and evolving in nature. With respect to crime, it is that much dynamic that an activity can be crime at a certain point of time but it might not be a crime in some other point of time. One can do an activity which is a crime in one country but may not be crime in the other country. The nature of crime can change at the time frame one may have committed a crime at one time frame but not so in other time. Such as if you consider the example of modern time, prostitution¹ is legal offence in one country and illegal in another part of the world. Just like the gambling may be a crime in one country whereas it may not be a crime in another country, prostitution is treated differently by different governments. Gambling on sports is a crime India but it is not a crime at UK. So, crime has a dynamism in itself and its definition is ever-changing in wrapping the place and the timing. If we explain crime in our common language so we consider it as wrongdoing for which is any existing law or the customs which are declared by any government body / agency or any other such authority which is responsible for the conduct of this person and area.²

Crime is an act of that goes against the law, in modern time. Thus, crime or offense may be towards the person or layman or can be towards the society. With respect to the law, there is one definition of crime for the government; science crime is defined. There is no such thing called crime, it is a constantly riding in parallel with the law. Law is the most fastest changing word which gets volatile with the change of law-making authorities.

² David W. Neubauer, *White Collar Crime: A Documentary and Reference Guide* (ABC-CLIO, 2019) 45.

In the economic business crimes encompassing in India's socio-economic arrangement, the new-age crisis and danger involve threats that go beyond monetary measure. These crimes, frequently comprising complex schemes of financial fraud, corruption, tax evasion, insider trading, money laundering and corporate misdoing, erode the underlying framework of economic stability and governance³. That said, white-collar crime is different from other sorts of crime; it is extremely complicated (and non-violent) and is usually obscured by layers of legal and financial fromage. India, in globalise-economy transition phase has experienced an overwhelming scale, sophistication and impact of economic business crimes — puncturing investor confidence, hampering economic growth and eroding the faith of the public in institutions.

Determinants of growth and wealth competed with vulnerabilities to novel, transnational financial crime in the new global economy.⁴The emergence of digital banking, blockchain and online trading—two notable indicators of progress in the field of technology—makes economic crime detection and prevention more challenging than ever. Such crimes can take many forms, such as cyber-enabled fraud, cryptocurrency scams, or cross-border money laundering schemes, and why it's essential that we have - not just an appropriate legal framework - but legislation that can deal with the globalisation of crime⁵. Overall, the transformation of India's economy into a highly digitized economy helped to provide a significant boost to the economy, but at the same time has laid the groundwork for misuse which requires a comprehensive approach to secure the financial ecosystem and protect its stakeholders.

So are such offenses, on top of and in addition to a toxic mix of reluctant compliance or unethical exploitations of loopholes supported in a permissive milieu by deficient civic structures. The losses can be astronomical for the entity but also get media headlines on the magnitude of societal damage and reputational toll that these cases may bring for stakeholders; be it corporate frauds like that of Satyam and Nirav Modi-PNB fraud. Such crimes erode market integrity, distort competition, and have a dampening effect on overall growth.

³ M. K. Gupta, *Economic Crimes in India: Legal and Regulatory Challenges* (Eastern Book Company, 2018) 112.

⁴ Meena Tiwari, "Regulation of Money Laundering in India: A Critical Review" (2016) 12 *Indian Journal of Financial Crime* 35, 37.

⁵ Joseph T. Wells, *Corporate Fraud Handbook: Prevention and Detection* (Wiley, 2020) 133.

Addressing economic crimes (read financial crimes) is integral for India to be intended to become the world's economic powerhouse. An economy of black money and growing inequality would follow it — a loss of revenue being just one of the issues. Recognizing these challenges, the tools available to law and regulation must also evolve to combat sophisticated criminal techniques. This will be key to ensuring continued progress as the rifts they create can only widen if not addressed through sound policies, effective enforcement mechanisms and improved regulations.⁶

LAW AND POLICIES ON ECONOMIC BUSINESS CRIME: A GLOBAL PERSPECTIVE.

Crimes differ from one country to another. So, the absence of such rigorous legal remedy for such crimes will amount to a significant financial loss from the investor standpoint, and so also the more advanced because of rapid progressions in finance technology, the globalization of markets, and the increasing use of electronic financial transactions. Economic business crimes are not local, transcend national borders and are not easy to regulate by local laws as unlike other corporate mismanagement, bribery, etc. — share some similarity with traditional offenses, they are in many respects the front because they are not about causing physical damage, but rather the cost of a deceitful behavior of all parties involved. Legal transnationality needs to be met by a response that is global and cross-jurisdictional: where national laws are reflective of the transnational crime, the practice of mutual legal assistance (for e.g. between cross-borders law enforcement officials) can only be as robust as the jurisdictions allow, and even if they allow for collaboration at the level of investigation and prosecution through cooperation under Mutual Legal Assistance Treaties (MLATS), as well as through extradition agreements/arrangements to exchange financial intelligence, the reality is that far across the Atlantic from say United States of America (through its Financial Crimes Enforcement Network, otherwise known as FinCEN) to the United Kingdom (the Serious Crime Agency or SCA) etc.⁷ Although the UK had already had formal arrangements in place for Because financial violations

⁶ William K. Black, *Business Crime in America: A Social and Political History* (University of Chicago Press, 2017) 59

⁷Mehta, Deepa. "Economic Crime in a Globalizing Society: Its Impact on the Sound Development of the State-An Indian Perspective." *126th International Senior Seminar, Visiting Experts Papers, Resource material Serious*. No. 66. 2004.

INTERNATIONAL LEGAL FRAMEWORKS GOVERNING ECONOMIC BUSINESS CRIMES

Economic business crimes like money laundering, corporate fraud, bribery, and tax evasion are a world risk to fiscal stability, economic honesty, and public trust in administration. Owing to their transnational character, these crimes cannot be tackled effectively through national laws alone.⁸This resulted in the creation of a strong international legal regime to coordinate countries at a global level and prevent financial criminals from taking advantage of jurisdictional loopholes or regulatory arbitrage. Help define standards at the international level to prevent, detect and prosecute economic business crime alongside a vast array of international organizations, conventions and legal instruments. This section analyses the crucial international legal frameworks relevant to these crimes, summarising their aims, cover, and execution across jurisdictions.

International Financial Institutions and Regulatory Bodies

International Financial Institutions and Regulatory Bodies: Numerous multinational finance institutions and regulators help shape the world's legal system around economic business crime.⁹

Their purpose in the context of anti-money laundering (AML)/countering the financing of terrorism (CFT) is to assist developing nations in taking the steps they consider necessary towards compliance with AML requirements due to the role that FATF plays. They offer technical assistance, policy advice, and financing so governments can secure their financial regulatory infrastructure. In numerous countries, lax financial regulation permits both illicit capital flows, as well as trade-based money laundering and financial fraud, in great volume. IMF initiatives are more concentrated on financial transparency improvement, banking sector supervision, and alignment with international anti-corruption frameworks.¹⁰

COMPARATIVE ANALYSIS OF NATIONAL LEGAL FRAMEWORKS ON ECONOMIC BUSINESS CRIMES

Business crimes committed for economic reasons have a major influence on national economies, financial stability and investor confidence. Because financial misconduct often

⁸Wynne, Brian. "Anti-Corruption Measures in International Trade: Legal Mechanisms to Combat Economic Crime." *Mayo RC journal of communication for sustainable world* 1.2 (2024): 54-64.

⁹Zaring, David. "International law by other means: the twilight existence of international financial regulatory organizations." *Tex. Int'l LJ* 33 (1998): 281.

¹⁰Bradlow, Daniel D. "Private complaints and international organizations: A comparative study of the independent inspection mechanisms in international financial institutions." *Geo. J. Int'l L.* 36 (2004): 403.

has cross-border implications — including the use of offshore accounts and the growing role of digital finance — countries have developed different legal regimes to fight such financial misconduct.¹¹ Some countries have independent enforcement agencies that effectively enforce strict financial regulations, long-ranging corporate governance practices, while others also with weak enforcement, corruption, and jurisdictional limitations. Considering the globalized nature of economic crimes, no country can resolve financial wrongdoings independently. Accountability, however, will rely heavily on collaboration between national legal systems and international regulatory frameworks. A comparative exploration of laws and regulations of economic business crimes as they stand in the U. S. A., E. U., U. K., and India is given below.

CHALLENGES IN ENFORCING ECONOMIC BUSINESS CRIME LAWS ACROSS BORDERS

Many economic business crimes, such as money laundering, tax evasion, corporate fraud, insider trading, bribery and cyber-financial crimes, are cross-border in nature. Criminal networks take advantage of differences in laws between jurisdictions, offshore tax havens, loopholes in digital finance, and weak regulatory regimes to launder dirty money, avoid prosecution and game financial markets. International legal initiatives – like the United Nations Convention Against Corruption (UNCAC), the Financial Action Task Force (FATF) and the OECD Anti-Bribery Convention¹² – attempt to harmonize efforts around anti-financial crime, but enforcing these laws is no simple task; jurisdictional conflicts, lack of cooperation, technological advances in financial crime and legal loopholes, paired together, create a complicated and complex public-private partnership that is difficult to implement.

This section explores the significant challenges that prevent the setting forth of a cross-border enforcement of economic crimes, scrutinizing legal, procedural, and technological obstacles for both national states and international organizations as they prosecute transnational financial crimes.

ROLE OF TECHNOLOGY IN BUSINESS CRIME AND LEGAL RESPONSES

Technology will be the key to drive economic growth and innovations. But it has also opened up new vulnerabilities, allowing criminals to perpetrate complex economic crimes including money laundering, fraud, cyber heists, ransomware attacks, and financial crimes

¹¹Rafail Arisha "Examining the Role of Criminal Law in Combating Economic Crimes: A Comparative Analysis of Anti-Corruption Measures." *Studies in Law and Justice* 2.4 (2023): 37-44.

¹²Legrand, Tim, and Christian Leuprecht "Securing cross-border collaboration: transgovernmental enforcement networks, organized crime and illicit international political economy." *Policy and Society* 40.4 (2021): 565-586.

ted to cryptocurrencies.¹³ Traditional financial regulatory and enforcement approaches are struggling to keep up with the fast pace of innovation in the financial services industry for digital finance, artificial intelligence (AI), blockchain, and cyber-enabled financial transactions. Technological advancements may have enhanced the ability of regulators and law enforcement agencies to monitor financial crimes, but they also raise new problems, like jurisdictional loopholes, anonymous transactions and highly automated fraud schemes.

These technologies give rise to different legal frameworks that are being adopted by governments and global organizations in response to the way criminals are using technologies to mask illegal transactions and avoid detection by regulators and law enforcement. The section looks into how technology has enabled economic crimes, the challenges had by digital finance and concerns over access to write otherwise cryptography, and participates in economic crimes through the political economy of provider gateways as well as some state capture — where the evolving threats of economic crimes are met with weak legal and regulatory response.

Data-Driven Business Models and Impacts on Financial Crimes Due to the Rise of Digital Finance

The birth of digital banking, fintech platforms, Decentralized finance (DeFi), and cryptocurrency exchanges has changed the financial transactions into a more quick, accessible, and worldwide phenomenon.¹⁴ Economic growth may have been enhanced by these innovations, but so too has the exposure of financial systems to new forms of criminal exploitation. However, one of the biggest concerns is that it is so easy for individuals to conduct anonymous transactions, making it highly effective for criminals to use to launder money, avoid tax and commit fraud undetected.

Cybersecurity Threats and Financial Crime

As financial institutions and businesses migrate to digital platforms, they have become prime targets for cybercriminals. Cyber-enabled financial crimes include banking cyber heists, ransomware attacks, phishing scams, identity theft, and online payment fraud. Criminal organizations and state-sponsored hackers exploit vulnerabilities in digital payment systems,

¹³Agu, Monica N. "Challenges of Using Information Technology To Combat Economic Crime." *African Journal of Computing & ICT* 6.4 (2013).

¹⁴Purohit, Mukund, and HareshBarot. "Data-Driven Forensics: Unveiling the Hidden Depths of Financial Crime." *Advancements in Cyber Crime Investigations and Modern Data Analytics*. CRC Press 109-122.

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e-commerce platforms, and financial databases to steal sensitive financial information and disrupt global markets.

The *United States v. Arthur Andersen LLP (2002)*¹⁵ case is one of the most significant judicial developments in corporate liability. During the Enron scandal, the largest accounting firm in the world was convicted for obstruction of justice after shredding financial documents that detailed the company's dealings. The firms' collapse was as a result of the verdict and underlines the need for corporate accountability and governance. But in 2005, the United States Supreme Court reversed the conviction, highlighting jury instruction mistakes, and heightened fears about whether corporate crime could ever be prosecuted effectively.

The *Nirav Modi-Punjab National Bank (PNB) fraud case (2018)* is a reminder of systemic weaknesses in banking oversight and financial fraud detection in India. Billing: Vijay Mallya used to fund his lavish parties using fraudulent Letters of Credits (LoC). Despite a High Court ruling supporting the UK's refusal to extradite Modi, India's government moved to extradite. As a result, the case brought in stricter reforms in banking, better fraud detection systems and a sharper regulatory eye on public sector banks.

CURRENT TRENDS AND EMERGING PATTERNS IN BUSINESS CRIMES

Economic crimes have undergone a significant transformation over the past decade due to globalization, financial digitalization, and the increasing sophistication of criminal tactics. While traditional forms of fraud, money laundering, and corporate misconduct continue to persist, the evolution of technology has given rise to new-age economic crimes that exploit vulnerabilities in digital financial systems. The increasing complexity of financial transactions, the rise of cryptocurrencies, and the growth of cyber-enabled frauds have further complicated law enforcement efforts. In India and globally, economic crimes now involve cross-border financial networks, shell corporations, and advanced money laundering techniques that make detection and prosecution more challenging than ever before¹⁶.

Banking and Financial Sector Frauds

The banking and financial sector has always been a prime target for economic crimes due to the volume of transactions, access to credit facilities, and the role of financial institutions in economic growth. Bank frauds include a range of offenses such as fraudulent loan approvals,

¹⁵Arthur Andersen LLP v. United States, 544 U.S. 696 (2005)

¹⁶Janice Castelino, "Social Reactions to Economic Crimes and Their Relationship to Economic Crises" 3 *International Journal of Legal Science and Innovation* 162 - 176 (2020).

money laundering, and cyber-enabled frauds, all of which pose a significant threat to financial stability.

One of the most pressing issues in the Indian banking sector is loan fraud, where individuals and corporations manipulate financial records to obtain bank loans without sufficient collateral or repayment capacity. Fraudulent lending has led to massive financial losses, increasing the burden of Non-Performing Assets (NPAs) on banks¹⁷.

Corporate Fraud and Financial Mismanagement

Corporate fraud encompasses a wide range of financial crimes, including accounting fraud, insider trading, market manipulation, and financial misrepresentation. These crimes undermine investor confidence, distort financial markets, and result in massive economic losses.

One of the most infamous corporate frauds in India was the *Satyam Computers Scandalcase*(2009), where the company's chairman falsified financial statements to inflate profits, misrepresenting company earnings by ₹7,000 crore (\$1 billion).

LEADING CASES ON BUSINESS CRIMES

The **Vijay Mallya case** stands as a landmark example of financial fraud, money laundering, and international extradition challenges under Indian law, illustrating the state's proactive use of the **Prevention of Money Laundering Act, 2002 (PMLA)** and the **Fugitive Economic Offenders Act, 2018 (FEO Act)**. Mallya, once a celebrated tycoon, defaulted on over ₹9,000 crore in loans through Kingfisher Airlines and fled to the UK in 2016, prompting extradition proceedings under the **Extradition Act, 1962**. Indian courts and enforcement agencies, led by the **Enforcement Directorate (ED)**, pursued criminal charges for laundering diverted bank loans and used PMLA provisions to attach assets, both domestically and abroad. Parallel civil proceedings by banks sought to recover dues, invoking doctrines like **piercing the corporate veil** to hold Mallya personally liable. The UK courts' 2020 order clearing his extradition and India's move to declare him a fugitive economic offender under the FEO Act demonstrated evolving jurisprudence aimed at tackling high-profile economic offenders. This case not only emphasized the need for robust corporate governance and anti-money laundering mechanisms but also tested the strength of India's international cooperation in

¹⁷Ranjan Aneja, Barkha, *et.al.*, "Regional Economic Growth and Inequality in India: A Sector-Wise Decomposition Analysis" 20 *Arthaniti: Journal of Economic Theory and Practice* 95-110 (2022).

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financial crime prosecution, setting a precedent for transnational asset recovery and accountability in global finance.

The **Harshad Mehta scam of 1992** stands as a watershed moment in India's financial and legal history, exposing deep-rooted flaws in the banking and securities system, as well as institutional loopholes that allowed unchecked market manipulation. Mehta, exploiting the interbank instrument of Bank Receipts (BRs), diverted massive sums from public sector banks to artificially inflate stock prices, generating enormous personal profit while leaving banks with staggering losses. The fallout led to the enactment of the SEBI Act, 1992, granting statutory authority to SEBI and establishing a stronger regulatory regime to curb such manipulations. The judiciary's involvement, especially the Supreme Court, was pivotal in initiating special courts for faster prosecution and directing tighter regulatory oversight. Mehta and his associates faced numerous criminal and civil charges, including cheating, criminal conspiracy, and breach of trust under the IPC, while several bank officials were convicted for collusion, highlighting systemic corruption. The scam prompted far-reaching reforms such as electronic trading systems, dematerialization of shares, T+2 settlement cycles, and stricter auditing norms — all contributing to greater market transparency and accountability. Although judicial delays marred the full extent of convictions, the legacy of the case lies in its transformative impact on India's financial regulatory architecture, reinforcing the importance of prompt legal remedies and adaptive oversight in the face of evolving financial frauds.

CONCLUSION

Economic business crimes are a great threat to many of the economies around the globe—the main body of the economy, governance, and the political environment. Very recently, with the evolution of financial markets, digital payments, and globalization in India, leading to increasingly intricate financial crimes, including money laundering, tax evasion, corporate fraud, bribery, insider trading, and cyber-enabled financial crimes. These crimes not only shake the faith of investors but also derail the smooth operations of the economy and hamper the growth of the country into a mega capitalist nation. While legal instruments like the Prevention of Money Laundering Act (PMLA), the Companies Act, the Indian Penal Code (IPC) and the Prevention of Corruption Act (PCA) exist, weakness in enforcement has been a key challenge, (i) with regard to procedural delays, jurisdictional conflicts, weak institutional capacity, and (ii) technological loopholes exploited by criminals.

Economic crimes in India are not retaliated in courts with investigations taking a long time and convictions often being delayed. The cases of the Nirav Modi-PNB fraud and the loan default of Vijay Mallya are just examples of how financial criminals exploit regulatory loopholes, legal complexities and international safe havens to avoid prosecution. Despite a series of momentous judicial interventions and enhanced penalties for corporate offenders, slow and ineffective enforcement, not to mention weak cross-border cooperation, stymie progress made. Moreover, the advent of globalization and digitalization like cryptocurrencies, AI-fueled financial crimes, digital scams, etc., and the deepfake technology have further added to the complexity of financial crimes, which cannot be adequately addressed by existing enforcement architectures and mechanisms.

At the global level, key regulatory frameworks like the Financial Action Task Force (FATF), the United Nations Convention Against Corruption (UNCAC), and the OECD Anti-Bribery Convention are trying to combat financial misconduct. But their impact in India is constrained by inadequate domestic implementation, bureaucracy and corrupt regulatory institutions. Moreover, the absence of expedited extradition processes has enabled financial criminals to evade justice by relocating to countries with weaker enforcement regimes. The revelations were not that different from what was seen in the Panama Papers and Pandora Papers leaks, which revealed how Indian entities continue to hoodwink authorities using offshore tax havens to clean their black money or avoid paying domestic tax.

SUGGESTIONS

1. **Establish Fast-Track Economic Offense Courts:** Set up specialized courts with financial and forensic experts to expedite trials and reduce pendency in white-collar crime cases.
2. **Strengthen Whistleblower Protection and Corporate Accountability:** Amend the Whistleblower Protection Act for robust safeguards and enforce stricter penalties for false accounting and insider trading through the Companies Act.
3. **Enhance SEBI and RBI Monitoring with Tech Integration:** Deploy real-time AI-powered surveillance and blockchain systems to detect fraudulent banking and market transactions swiftly.
4. **Form a National Cybercrime Task Force:** Create a dedicated task force to tackle emerging cyber-enabled financial crimes, with strict KYC/AML regulations for cryptocurrencies.

5. **Expand International Legal Cooperation:** Strengthen Mutual Legal Assistance Treaties (MLATs) and align with global standards like OECD's CRS to facilitate extradition and curb cross-border tax evasion.

