



INDIAN JOURNAL OF  
LEGAL REVIEW

VOLUME 4 AND ISSUE 2 OF 2024

INSTITUTE OF LEGAL EDUCATION



## INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN – 2583-2344

(Free and Open Access Journal)

Journal's Home Page – <https://ijlr.iledu.in/>

Journal's Editorial Page – <https://ijlr.iledu.in/editorial-board/>

Volume 4 and Issue 2 of 2024 (Access Full Issue on – <https://ijlr.iledu.in/volume-4-and-issue-2-of-2024/>)

### Publisher

Prasanna S,

Chairman of Institute of Legal Education (Established by I.L.E. Educational Trust)

No. 08, Arul Nagar, Seera Thoppu,

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## A STUDY ON ROLE OF EXPERT WITNESS IN MISCARRIAGES OF JUSTICE WITH REFERENCE TO INDIA

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**BEST CITATION** – JEEVITHA RAMANI. KG & HANUSHKA SRINIVASAN .S, A STUDY ON ROLE OF EXPERT WITNESS IN MISCARRIAGES OF JUSTICE WITH REFERENCE TO INDIA, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 4 (2) OF 2024, PG. 708-727, APIS – 3920 – 0001 & ISSN – 2583-2344.

### ABSTRACT

Expert witnesses have a complex and vital role in injustices and the judicial system. These people contribute specialized knowledge and experience to court proceedings, frequently offering vital insights that have the power to influence decisions. But their influence on a case's result might be significant, therefore in order to avoid injustices, their evidence needs to be carefully examined. In order to assist juries and judges in reaching well-informed verdicts, expert witnesses are frequently asked to interpret intricate scientific, medical, or technological evidence. In situations when forensic evidence is involved, such as DNA analysis, ballistics, or fingerprint testing, their testimony may be crucial. Notwithstanding their significance, mistakes, prejudices, or misbehaviour on the part of expert witnesses can result in miscarriages of justice. Notwithstanding their significance, mistakes, prejudices, or misbehavior on the part of expert witnesses can result in miscarriages of justice. Inaccurate findings might result from problems like confirmation bias, in which specialists interpret the data in a way that supports their prior notions. Expert witnesses occasionally might not have the training or experience needed to give credible testimony, which would further jeopardize the fairness of the legal system. Legal professionals also need to be on the lookout for faulty expert testimony and be prepared to refute it using cross-examination and opposing evidence. Courts must establish strict guidelines for the admission and assessment of expert testimony in order to reduce the possibility of miscarriages of justice involving these witnesses. In order to guarantee that only reliable testimony is given to the jury, judges are essential in determining the relevance and dependability of expert evidence. In spite of the possible dangers involved in their engagement, this abstract emphasises the value of expert witness evidence in guaranteeing impartial and accurate judicial conclusions.

**KEYWORDS** : Expert witnesses, Miscarriages of justice, Legal proceedings, Specialised knowledge, Judicial decisions, Error and bias, Rigorous standards, Fairness and justice.

### INTRODUCTION :

Expert witnesses were formerly mostly trusted for their technical knowledge in disciplines like forensics, engineering, and medicine. But as time went on, their responsibilities grew to encompass presenting conclusions to juries and judges as well as deciphering intricate scientific data. High-profile trials throughout history have emphasized the significance of expert witness testimony in establishing guilt or innocence. Reforms to improve the

dependability and legitimacy of expert evidence have been prompted by these cases, which have also shown instances of prejudice, inaccuracy, or misconduct among expert witnesses. The importance of expert witnesses in court procedures has been further highlighted in recent decades by developments in forensic science, including DNA analysis. But worries about the possibility of forensic evidence being misinterpreted or manipulated have given rise to calls for more accountability and openness. But there have been calls for



more accountability and openness in the use of expert testimony due to worries about the possibility of forensic evidence being misinterpreted or manipulated. Expert witness testimony in miscarriages of justice is still a topic of discussion and investigation today. Expert testimony has hazards, which courts and legal experts are trying to keep under check by enforcing strict guidelines for its admission and assessment. The legal system seeks to promote fairness and justice while reducing the possibility of miscarriages of justice by requiring expert witnesses to respect the values of impartiality, competence, and integrity.

**Miscarriages of Justice Commission:**

Established to investigate and address wrongful convictions, the commission recommends an independent review agency to handle claims of wrongful conviction, rather than the federal Minister, to ensure accountability and prevent re-victimization. **2002 Reforms:** The reforms emphasised the extraordinary nature of wrongful convictions, but experts argue that this approach is outdated and does not reflect the inevitability of wrongful convictions. The reforms also highlighted the need for a more proactive approach to addressing miscarriages of justice.

**Independent Review Agency:** The commission recommends that the investigation of claims of wrongful conviction be handled by an independent review agency, rather than the federal Minister, to ensure a more objective and accountable process. **Expert Evidence in Court:**

The role of expert evidence in court is crucial, but it also poses risks. The article "MISCARRIAGE BY EXPERT" examines the risks surrounding expert evidence and its impact on miscarriages of justice. **Training for Legal Professionals:**

The article "No More Laissez Faire? Expert Evidence, Rule Changes and Miscarriages of Justice" highlights the importance of training for legal professionals in expert evidence to prevent miscarriages of justice. Expert witnesses play a crucial role in the legal system, providing specialised knowledge and opinions that help courts understand complex technical, scientific or professional matters. They may analyze

evidence, recreate events, or evaluate the accused's mental state, and their testimony can be crucial in criminal prosecutions. The use of expert testimony has certain dangers, too, since it has been linked to a number of well-publicized injustices due to biased, erroneous, or defective testimony. It is commonly known that the use of expert testimony can result in erroneous convictions. A conviction that was later reversed due to DNA evidence resulted from specialists overstating the relevance of forensic evidence in some situations, such as hair or fiber analysis. On matters like eyewitness identification, fake confessions, or charges of child sexual abuse, experts have in other cases given untrustworthy or inadmissible testimony. Such mistakes can have disastrous results as they can put innocent individuals behind bars for years before their convictions are overturned. Many changes have been suggested and put into practice to increase the quality and dependability of expert evidence in order to allay these worries. These include the creation of standards and rules for expert testimony, the employment of experts chosen by the court to offer unbiased evaluations, and the demand that experts reveal any possible conflicts of interest or gaps in their expertise or approach. To guarantee the integrity of expert testimony in criminal proceedings, the usefulness of these methods is still up for question, and further study is required to determine the best practices. The necessity of a rigorous and evidence-based approach to the use of specialized expertise in the judicial system is ultimately highlighted by the involvement of expert witnesses in miscarriages of justice. Although expert evidence may be a useful instrument in the fight for justice, it must be thoroughly examined and verified to make sure that it does not lead to the unfair condemnation of innocent people. Legal practitioners should minimise the possibility of miscarriages of justice and preserve the values of fairness and due process, which are the cornerstones of a just society, by being aware of

the possible traps and limits of expert testimony.

#### OBJECTIVES :

1. To evaluate the Impact of Expert Witness Testimony on Legal Outcomes.
2. To identify Common Issues and Biases in Expert Witness Testimony.
3. To review the legal frameworks and evidentiary rules governing the admissibility and evaluation of expert witness testimony.

#### REVIEW OF LITERATURE :

**Truthlaborg (2024) :** Expert Testimony is a linchpin in numerous criminal and civil cases, especially those involving personal injury, medical malpractice, or criminal acts. These specialised testimonies draw upon the wisdom and expertise of recognized medical professionals in their respective fields. Similarly, experts in various forensic sciences contribute their insights, interpretations, and opinions based on their specialisation, often significantly influencing case outcomes. **Sally Clark (2021) :** In the criminal justice system any mistakes can have extreme consequences and can cost an innocent person their freedom and in the past their lives. This is called a miscarriage of justice. The purpose of this paper is to look at one miscarriage of justice case and provide a critique of the issues present in this case. It will begin with a brief definition of what is meant by the term miscarriage of justice and how these can occur. Following this will be a summary of the chosen case, highlighting the issues that led to this miscarriage of justice. Finally, it will look in more detail at these issues, how they arose and how they can be prevented from happening in the future. **Lucina Hackman, Fiona Raitt, Sue Black(2019) :** This chapter examines the role of the expert witness and the ways in which it has been both informed and formed by the high-profile miscarriages of justice. The expert witness is alone in the courtroom in being able to give opinion evidence and is there to assist the court with elucidating and presenting

information about a specialist subject which is outside the expertise of the jury. This anomalous role was developed during the eighteenth century and the ability to give an opinion remains the primary factor that separates the role of the expert witness from that of other witnesses in court. In addition to the issue of non-disclosure, the appeals into the Maguire Seven, Birmingham Six and Judith Ward all exposed the problem of bias in relation to the evidence given by the expert witnesses. The experts were accused of having lost their impartiality. **Nicholas Hallett, Nadine Smit and Keith Rix (2019) :** Miscarriages of justice occur as a result of unsafe convictions and findings and inappropriate sentences. In cases involving expert psychiatric evidence it is possible that the way evidence is presented by experts or interpreted by the courts has a direct bearing on the case. Using illustrative cases from the Criminal Division of the Court of Appeal, advice is offered to expert psychiatric witnesses on ways to reduce the likelihood of contributing to such miscarriages of justice and on how they may assist in rectifying such miscarriages, should they occur. **Hon Frank Iacobucci(2010) :** The expansion of human knowledge requires that courts of law increasingly rely on expert witnesses, including medical expert witnesses, in their search for the truth. But as several recent cases have illustrated, the unfettered use of experts in judicial proceedings can have tragic consequences. In Ontario, the expert testimony of Dr. Charles Smith, a paediatric forensic pathologist, has been linked to several miscarriages of justice and resulted in an official inquiry conducted by Justice Stephen Goudge. In his report, Goudge identified several concerns regarding the interaction between medical expert witnesses and the justice system.<sup>1</sup> The medical community should be informed of these concerns, so that any physicians testifying as expert witnesses are aware of their proper role and can thus help to safeguard the integrity of the justice system. **Donald C. Gormley (1954)** The study has established a strong reputation for its studies of

the history of native peoples in the Americas and in recent years has expanded its focus to cultures and societies throughout the world. Ethnohistory publishes articles, review essays, and book reviews by scholars in anthropology, history, archaeology, linguistics, literature and art history, geography, and other

disciplines and is read by historians and anthropologists alike. **Balogun, A.M, Salihu, S.A. (2016)** : Evidence is always the most important factor for proving or refuting, and ultimately resolving a criminal or civil plaintiff inside or outside the court. Evidence, therefore, need not only be genuine, but also demonstrate their worthiness and assure all involved parties about the investigation finesse. A number of guidelines for handling digital evidence have been established by bodies of experts. A deviation from any of such procedures, which may give rise to an existence of a cause to deem an evidence as shabby, will ruin a case. The consequent dismissal of an otherwise true evidence always affects the outcome of the ruling, which are often undesirable. This paper has set out to examine evidence dynamics and the roles of digital evidence mishandling in miscarriages of justice and errors of impunity. Various evidence management procedures are analysed to reveal their fortes and limitations. The review of legal precedents is undertaken and viewpoints are given to demonstrate the consequential impacts of evidence mishandling. The potential effects of such induced miscarriages of justice are projected. Recommendations are made to minimise miscarriages of justice, which are becoming conspicuously rampant. **Umanhonlen**

**Ogbeiyulu Felix (2022)** : This paper reviewed literature on the role of forensic science accountant on evidence collecting processes and fraud examination in Nigeria. Litigation settlement required substantive evidence. Evidence is a unique factor in litigation support services. It enables quick dispensation of justice, and enhances processes and procedures for courtroom arguments. It simplified determination of resolution using facts

unravelling at crime scenes before lawsuits. Therefore, expert accountant technical knowledge on the module of enquiry assisted the processes of unravelling evidence as a support proffering dispute harmonies securing conviction in legal actions either for settlements. Essentially, this study adopted a theoretical survey research approach using quotients technique to explore library resources, internet, textbooks, archives, magazines, newsletters, dissertations, journal articles and other sources of secondary data and publications. **Alan Wayne Jones (2023)** : Expert testimony is an important part of criminal and civil litigation whenever scientific evidence needs to be explained and interpreted for the judge and jury. Those appearing in court as expert witnesses must possess the necessary qualifications, skill, training, and experience for the task in hand. Unlike a lay-witness, an expert witness is allowed to render an opinion based on their own specialised knowledge and research. In the adversarial system of justice, expert witnesses are hired by opposing sides in a case and this causes confusion when they disagree about the strengths and weaknesses of the scientific evidence presented. Choosing the best expert witness is often a difficult task and making a wrong decision has sometimes led to wrongful convictions and miscarriages of justice. **Manuel Garrido, Camila Calvo, Lara Benítez (2023)** : The fallibility of the administration of justice and the chance of the innocent being convicted has been a matter of concern for thinkers for centuries, but these issues have emerged as a tangible, meaningful and verifiable reality only a few decades ago. Since the 1990s, in particular, in the United States, a genuine revolution has taken place. The landmark event was the introduction of the use of DNA tests on biological material in the litigation process. **Perera, EMN (2019)** : this research study is focused to find out the possible reasons of wrongful convictions, to define the standard legal framework in Sri Lanka for the wrongful convictions, to evaluate the standard legal framework of the USA for



wrongful convictions and to assess the lessons that can be learned from the USA to eliminate the wrongful convictions in Sri Lanka. The qualitative research method will be used for this research study. Under the qualitative research method data has been collected through primary and secondary sources. **Michael J. Saks (2016)** : The study of most of the information you need to learn is delivered orally, by different lecturers, whose facts and perspectives often conflict. Where you are not permitted to take notes or ask questions, and not allowed to discuss the unfolding information with anyone, including the people with whom you will have to work collaboratively on the “final exam.” **BeulahShekhar, Purvi Pokhariyal (2024)** : The integration of forensic science with law and criminology is creating a new era of progressive thinking, where advanced techniques are being developed to better understand the nature of crime and the behaviour of criminals. With the help of forensic science, investigators can obtain speedy justice and bring criminals to book. However, this requires appropriate measures to be taken for the efficient execution of forensic investigations, including the use of modern technology and the training of professionals in the latest forensic techniques. Given the importance of forensic science in the criminal justice system, it is essential to have a comprehensive understanding of its different aspects. This includes the collection, preservation, and analysis of forensic evidence, as well as the interpretation of this evidence in the context of criminal investigations. This book covers these topics in detail, providing valuable insights for professionals, practitioners, academics, and students of the related fields. **Justice Chris Maxwell (2017)** : This paper addresses the crucial role of judges in evaluating and admitting expert evidence in legal proceedings, emphasising the responsibility of judges as gatekeepers to ensure the reliability and relevance of expert testimony. It underscores the critical role of expert evidence in judicial proceedings and highlights the evolving

standards and challenges faced by courts in effectively utilising expert testimony to achieve just outcomes. **S. Glazebrook (2018)** : This article examines the role expert evidence plays in court and some of the risks surrounding such evidence. Through the examination of several tragic cases of miscarriage of justice, this article warns of the dangers of relying unquestionably on expert evidence and calls for a careful consideration of the evidence as each case comes before the courts. The value of good forensic evidence in the investigation and prosecution of crime is nevertheless recognised. **Jasmine chilled (2015)** : A miscarriage of justice is an ambiguous phase that is capable of instigating many distinctive meanings, interpreted and influenced by life experiences. The widely considered definition is a failure to attain justice<sup>1</sup>. However this undermines The Criminal Justice System who robustly endeavours to convey justice for all, by convicting the guilty and protecting the innocent<sup>2</sup>. Unfortunately this ambition is belittled by the never-ending statistic that defendants are still being wrongfully imprisoned<sup>3</sup> this is because some experts are culprits of fabricating and concealing evidence. Sally Clark’s trial replicates similar characteristics. **Daniel L. Rubinfeld (2018)** : This essay describes and evaluates three prototypical procedures that allow courts to appoint scientists and other experts independent of the parties to assist the court: The appointment of an expert to advise the court and the parties regarding a disputed scientific issue by testifying in open court and being cross-examined by the parties. **Colleen M. Berryessa (2017)** : The role of the expert witness in legal contexts is to educate fact finders of the court who may have no background in the expert’s area. This role can be especially difficult for those who assist in cases involving individuals with Autism Spectrum Disorder (ASD). As expert assistance on ASD is crucial to ensuring just outcomes for individuals diagnosed with ASD, knowledge on how expert witnesses perceive and approach their roles,

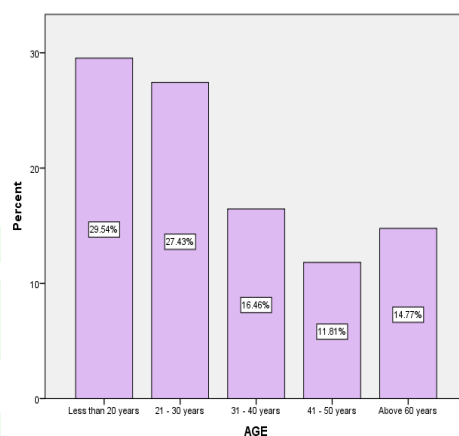
and what factors may influence these perceptions, is essential. This qualitative research utilises semi-structured interviews with a sample of expert witnesses in cases involving ASD, analysed using a grounded-theory constant comparative analytic approach. Data reveal that experts appear to view their roles in court as reconstructionists, educators, myth-dispellers, and most of all, communicators, actively using their testimony to fill these roles in cases. **Rebecca J. Klemm (1994)** : The analytic expert's direct testimony is a discussion of the analytic findings, with questions from the judge and cross-examination from attorneys representing both sides. **Melody Waterworth (2019)** : The paper discusses the problems with expert forensic evidence testimony, providing insights into the limitations and challenges of this type of evidence. It argues that the reliance on expert testimony has led to a lack of transparency and accountability in the legal system. The author identifies several issues with expert testimony, including the potential for bias, the lack of standardisation in methods and procedures, and the limited scope of expertise. The paper concludes by suggesting that a more nuanced understanding of the limitations and challenges of expert testimony is necessary to ensure the integrity of the legal process.

**METHODOLOGY :**

The Research method followed here is Empirical research method a total of 250 samples have been collected out of which all samples have been collected through convenience sampling method the sampling frame taken here in public areas around Chennai , Tamil Nadu. The independent variables or age gender The dependent variable are to analyse the effectiveness of the adversarial system in managing and utilising expert witnesses and to explore potential reforms or improvements for a fairer and more transparent legal process.

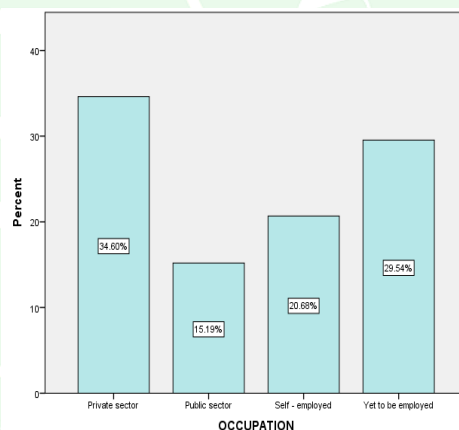
**ANALYSIS AND INTERPRETATION :**

**GRAPH : FIGURE : 1**



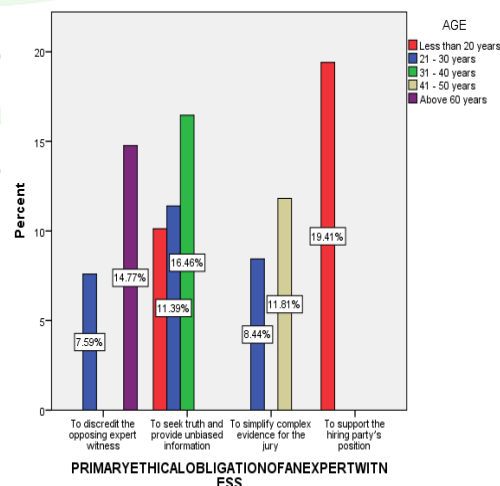
**LEGEND :** The figure 1 shows the distribution of the age of the respondents.

**FIGURE : 2**



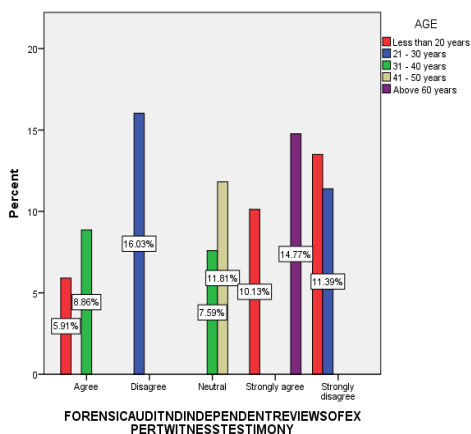
**LEGEND :** The figure 2 shows the distribution of occupation of the respondents.

**FIGURE : 3**



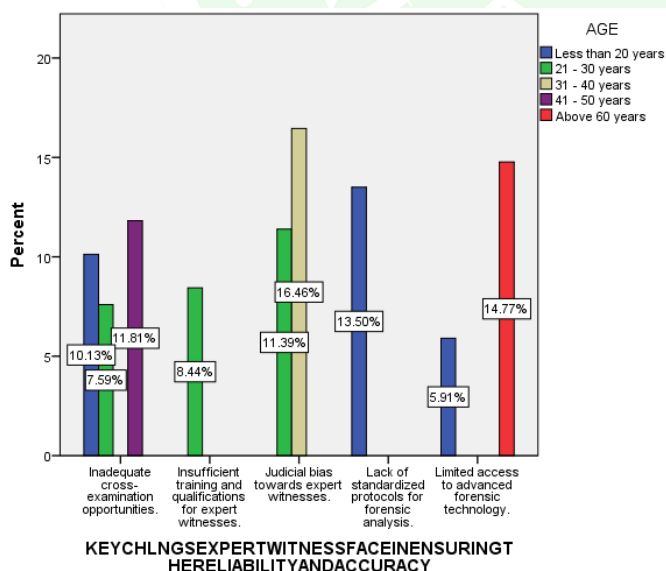
**LEGEND :** This figure represents the age agreeability of the primary ethical obligation of an expert witness.

**FIGURE : 4**



**LEGEND :** This figure represents the age agreeability of the forensic audits and independent reviews of expert witness testimony play in identifying and rectifying miscarriages of justice in India's legal system.

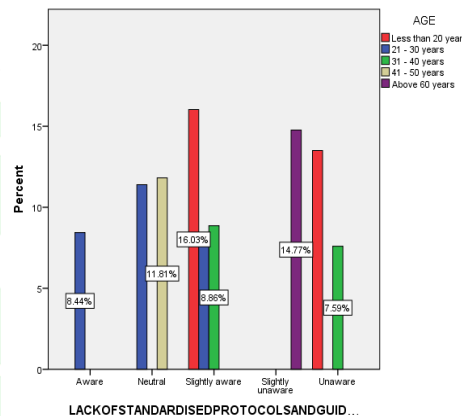
**FIGURE : 5**



**LEGEND :** This figure represents the age agreeability of the key challenges expert

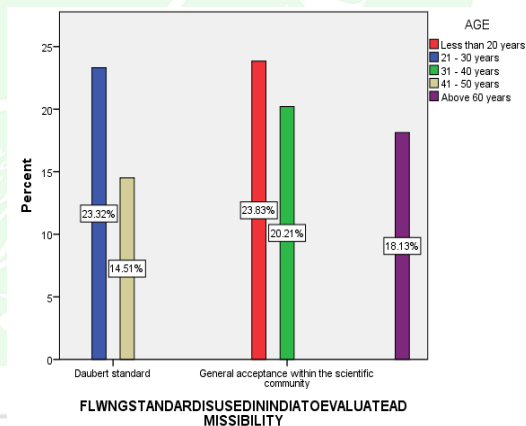
witnesses face in ensuring the reliability and accuracy of their testimony within the Indian judiciary, leading to potential miscarriages of justice.

**FIGURE : 6**



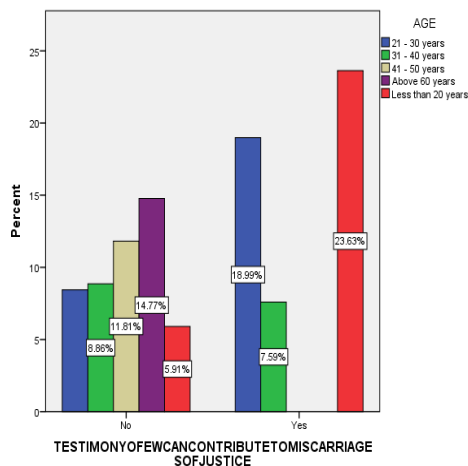
**LEGEND :** This figure represents the age agreeability of the lack of standardised protocols and guidelines for expert witness testimony impacts the occurrence of miscarriages of justice by hindering effective cross-examination.

**FIGURE : 7**



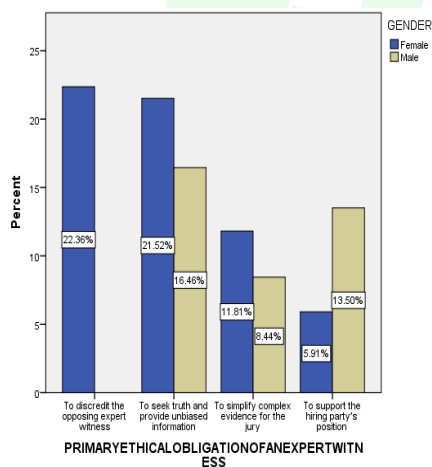
**LEGEND :** This figure represents the age agreeability of the following standards is used in India to evaluate the admissibility of expert testimony.

FIGURE : 8



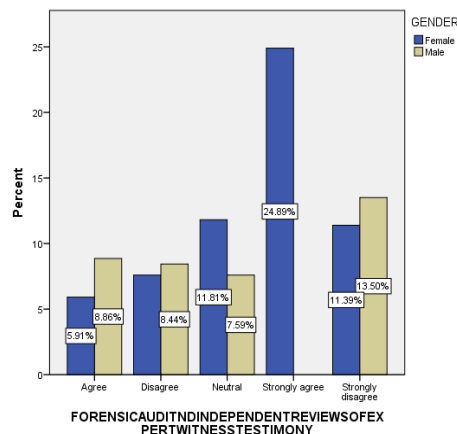
**LEGEND :** This figure represents the age agreeability of the testimony of expert witnesses who can contribute to MOJ through misinterpretation of evidence.

FIGURE : 9



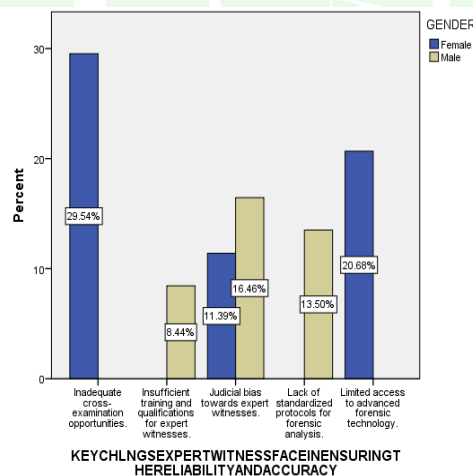
**LEGEND :** This figure represents the gender agreeability of the primary ethical obligation of an expert witness.

FIGURE : 10



**LEGEND :** This figure represents the gender agreeability of the forensic audits and independent reviews of expert witness testimony play in identifying and rectifying miscarriages of justice in India's legal system.

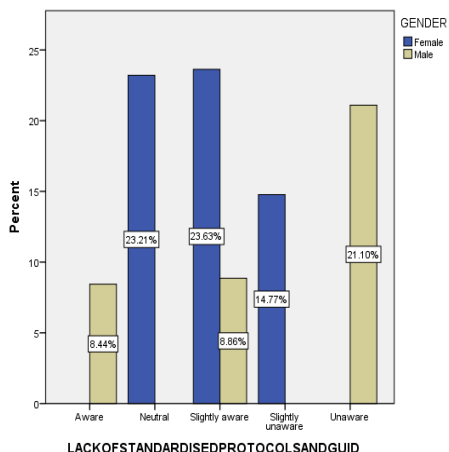
FIGURE : 11



**LEGEND :** This figure represents the gender agreeability of the key challenges expert witnesses face in ensuring the reliability and accuracy of their testimony within the Indian judiciary, leading to potential miscarriages of justice.

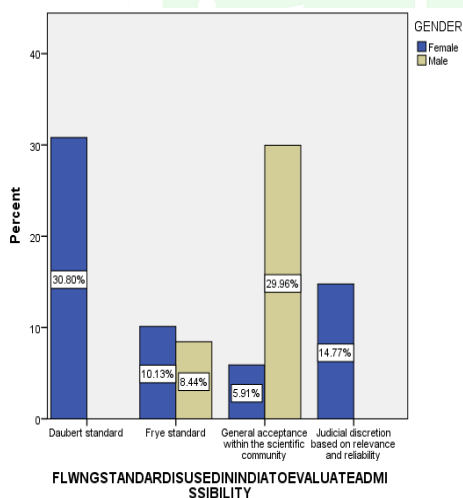


FIGURE : 12



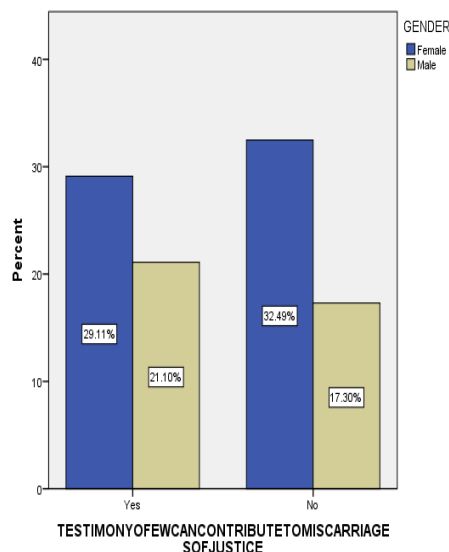
**LEGEND :** This figure represents the gender agreeability of the lack of standardised protocols and guidelines for expert witness testimony impacts the occurrence of miscarriages of justice by hindering effective cross-examination.

FIGURE : 13



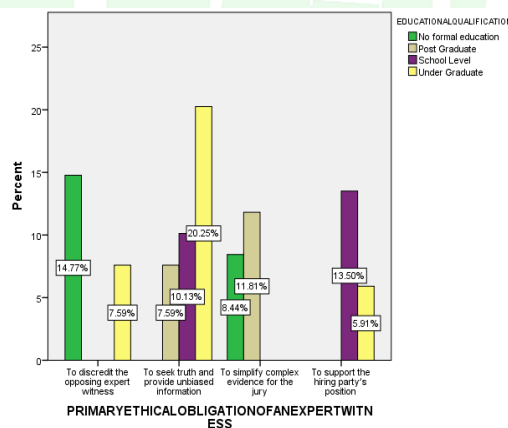
**LEGEND :** This figure represents the gender agreeability of the following standards is used in India to evaluate the admissibility of expert testimony.

FIGURE : 14



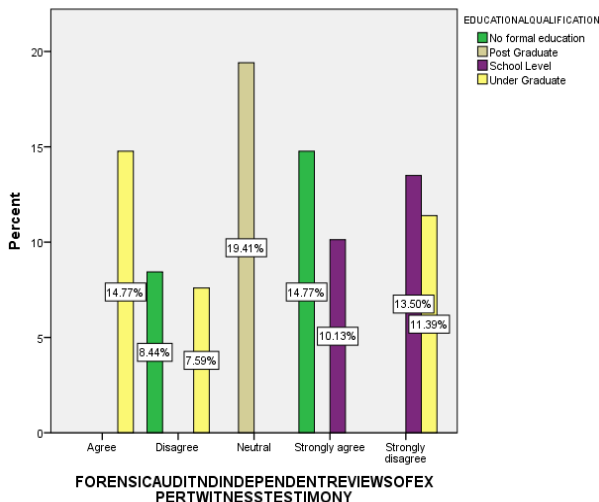
**LEGEND :** This figure represents the gender agreeability of the testimony of expert witnesses who can contribute to MOJ through misinterpretation of evidence.

FIGURE : 15



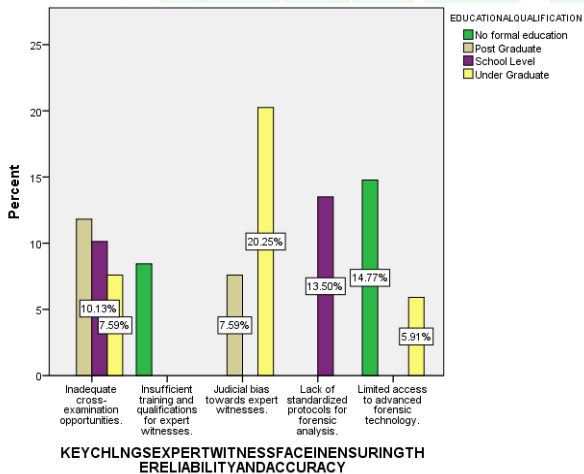
**LEGEND :** This figure represents the educational qualification agreeability of the primary ethical obligation of an expert witness.

FIGURE : 16



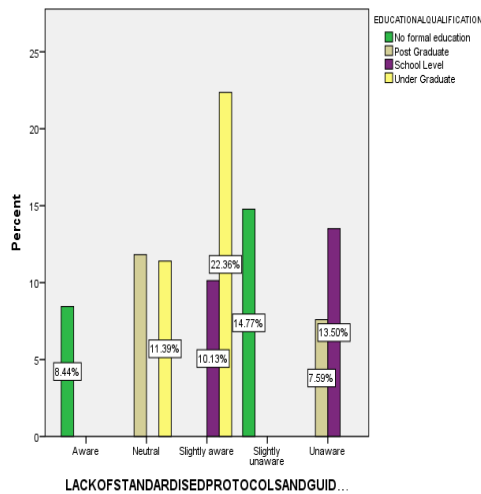
**LEGEND :** This figure represents the educational qualification agreeability of the forensic audits and independent reviews of expert witness testimony play in identifying and rectifying miscarriages of justice in India's legal system.

FIGURE : 17



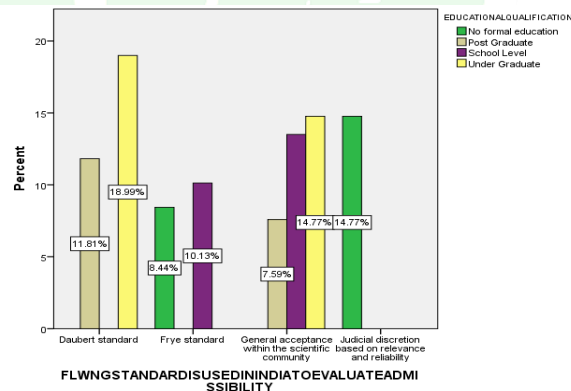
**LEGEND :** This figure represents the educational qualification agreeability of the key challenges expert witnesses face in ensuring the reliability and accuracy of their testimony within the Indian judiciary, leading to potential miscarriages of justice.

FIGURE : 18



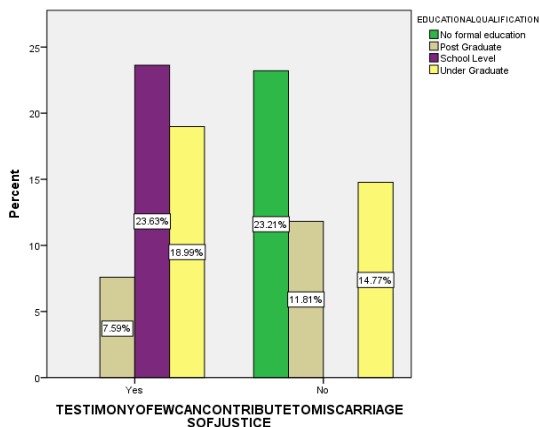
**LEGEND :** This figure represents the educational qualification agreeability of the lack of standardised protocols and guidelines for expert witness testimony impacts the occurrence of miscarriages of justice by hindering effective cross-examination.

FIGURE : 19



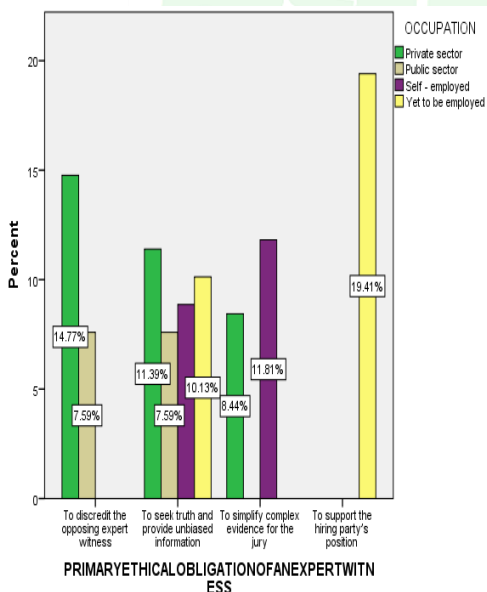
**LEGEND :** This figure represents the educational qualification agreeability of the following standards is used in India to evaluate the admissibility of expert testimony.

FIGURE : 20



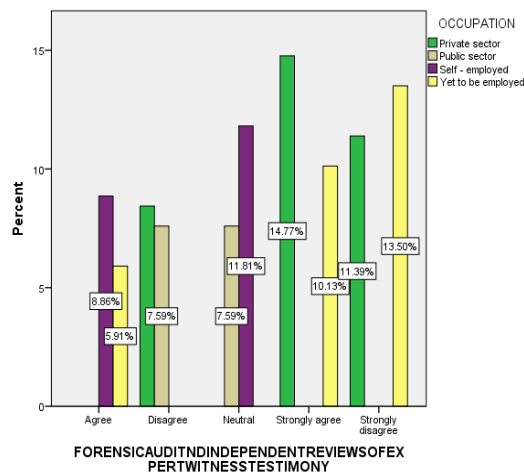
**LEGEND :** This figure represents the educational qualification agreeability of the testimony of expert witnesses who can contribute to MOJ through misinterpretation of evidence.

FIGURE : 21



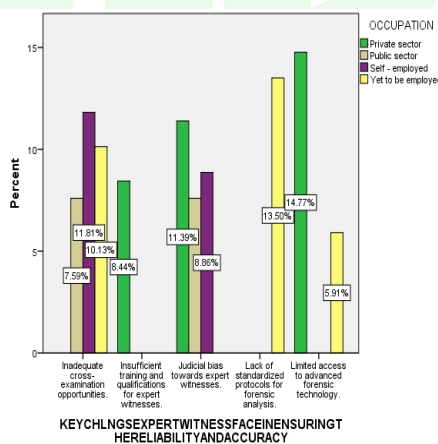
**LEGEND :** This figure represents the occupation agreeability of the primary ethical obligation of an expert witness.

FIGURE : 22



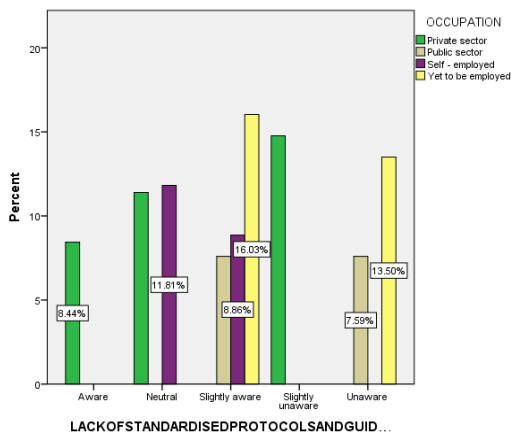
**LEGEND :** This figure represents the occupation agreeability of the forensic audits and independent reviews of expert witness testimony play in identifying and rectifying miscarriages of justice in India's legal system.

FIGURE : 23



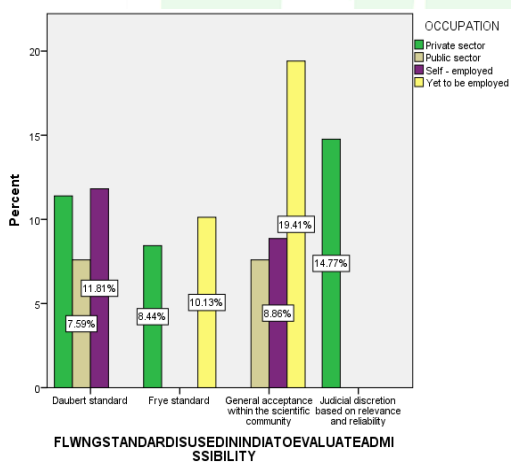
**LEGEND :** This figure represents the occupation agreeability of the key challenges expert witnesses face in ensuring the reliability and accuracy of their testimony within the Indian judiciary, leading to potential miscarriages of justice.

FIGURE : 24



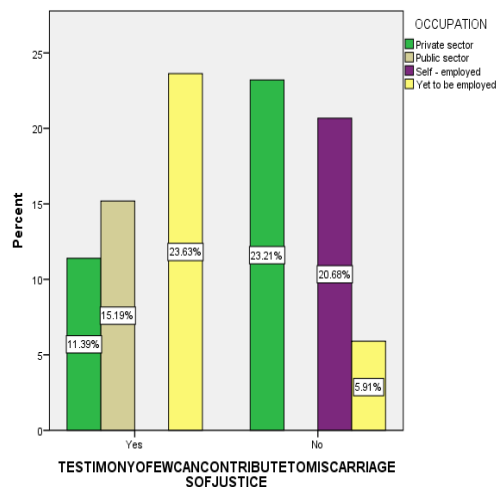
**LEGEND :** This figure represents the occupation agreeability of the lack of standardised protocols and guidelines for expert witness testimony impacts the occurrence of miscarriages of justice by hindering effective cross-examination.

FIGURE : 25



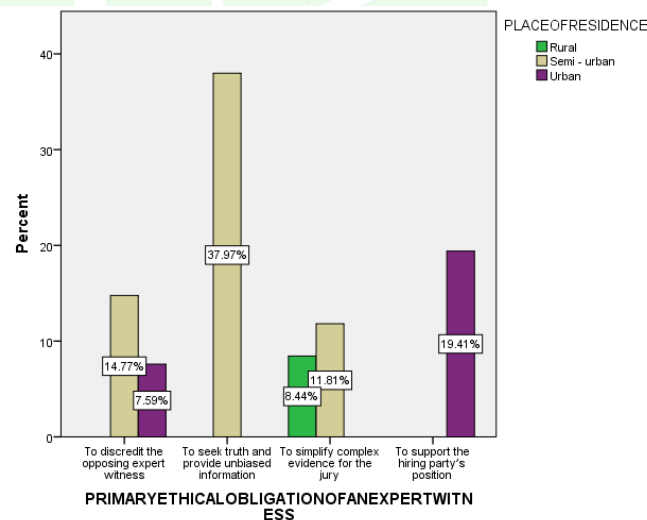
**LEGEND :** This figure represents the occupation agreeability of the following standards is used in India to evaluate the admissibility of expert testimony.

FIGURE : 26



**LEGEND :** This figure represents the occupation agreeability of the testimony of expert witnesses who can contribute to MOJ through misinterpretation of evidence.

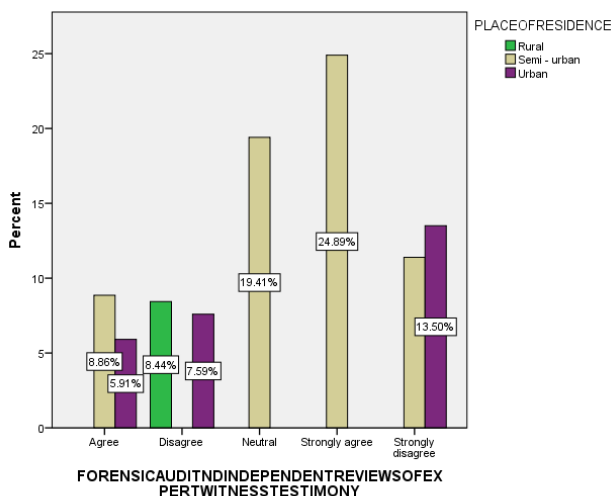
FIGURE : 27



**LEGEND :** This figure represents the place of residence agreeability of the primary ethical obligation of an expert witness.

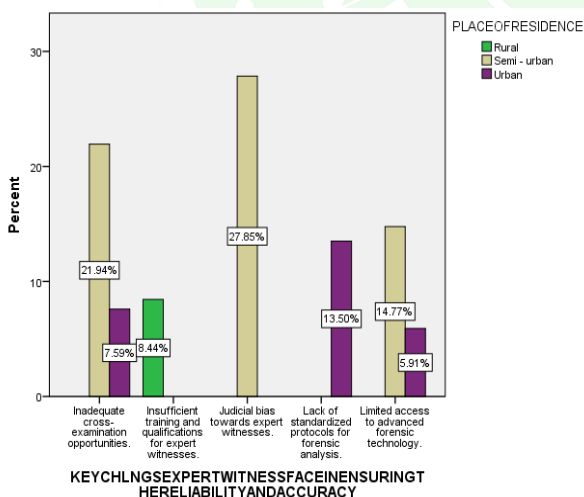


FIGURE : 28



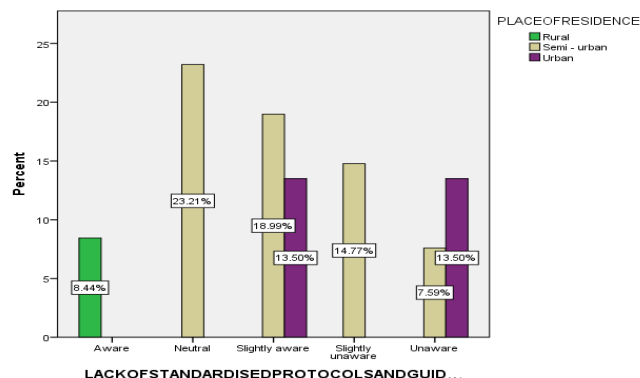
**LEGEND :** This figure represents the place of residence agreeability of the forensic audits and independent reviews of expert witness testimony play in identifying and rectifying miscarriages of justice in India's legal system.

FIGURE : 29



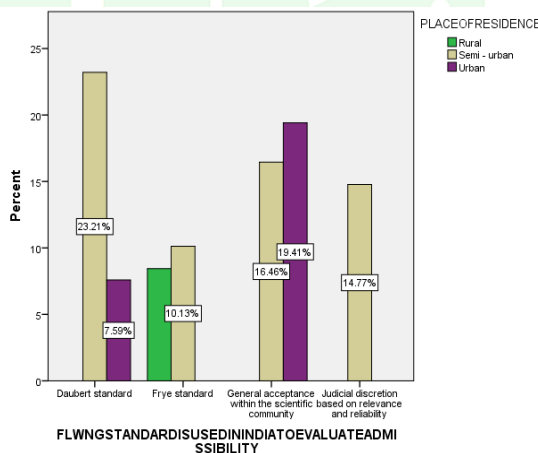
**LEGEND :** This figure represents the place of residence agreeability of the key challenges expert witnesses face in ensuring the reliability and accuracy of their testimony within the Indian judiciary, leading to potential miscarriages of justice.

FIGURE : 30



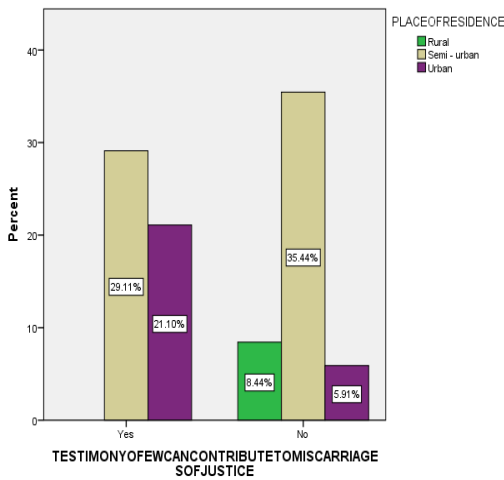
**LEGEND :** This figure represents the place of residence agreeability of the lack of standardised protocols and guidelines for expert witness testimony impacts the occurrence of miscarriages of justice by hindering effective cross-examination.

FIGURE : 31



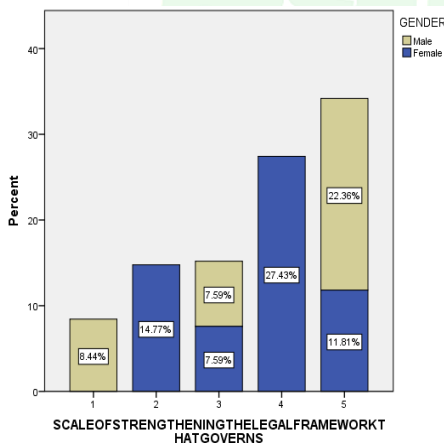
**LEGEND :** This figure represents the place of residence agreeability of the following standards is used in India to evaluate the admissibility of expert testimony.

**FIGURE : 32**



**LEGEND :** This figure represents the place of residence agreeability of the testimony of expert witnesses who can contribute to MOJ through misinterpretation of evidence.

**FIGURE : 33**



**LEGEND :** The above chart represents the scaling rate of the question that strengthening the legal framework governs the proper selection and qualification of expert witnesses.

**RESULT :**

Figure:5 The data collected from the sample population shows the level of age and whether you are aware of legal practitioners, judges, and jurors of the crucial role that expert witnesses play in court proceedings. more than 15% of 18 to 25 year old respondents are highly aware and few respondents are unaware about the concept of expert witness. Figure:6 The data

collected from the sample population shows the level of educational qualifications and their consensus on the influence of potential biases and conflicts of expert witness testimony and more than 20% of LLB respondents strongly agree and 10% of post graduate respondents disagree Figure:7 The data collected from the sample population shows the level of marital status and which expert witnesses are typically called upon to provide testimony and more than 30% of Unmarried respondents say civil disputes and 10% of married respondents say routine traffic violations. Figure:8 The data collected from the sample population shows the level of marital status and are aware of legal practitioners, judges and jurors of the crucial role that expert witnesses play in court proceedings and more than 20% of Unmarried respondents highly aware and few respondents unaware. Figure:9 The data collected from the sample population shows the level of Educational Qualification and their agreement on the ethical standards and guidelines that experts witness should adhere to in court proceedings and more than 29% LLB respondents say yes and 19% post graduate respondents say no. Figure:10 The data collected from the sample population shows the level of Age and expert witnesses are typically called upon to provide testimony and more than 25% of 10 to 25 year old respondents sat civil disputes only and few respondents said cases involving only eyewitness testimony. Figure:11 The data collected from the sample population shows the level of Age and their agreement on the ethical standards and guidelines that expert witnesses should adhere to in court proceedings and more than 34% of 18 to 25 year old respondents said yes and very few respondents say no.

**DISCUSSION :**

Figure:5 This disparity in awareness among different age groups may stem from various factors, including educational background, exposure to legal matters, and media influence. Younger individuals, particularly those within the 18 to 25 age range, may possess a higher level

of awareness due to increased access to information through digital platforms and educational initiatives focusing on legal processes and civic responsibilities. Figure:6 The perceptions among respondents with different educational qualifications suggests a nuanced understanding of the legal system and expert testimony. LLB respondents, who have undergone specific legal training, may possess a deeper insight into the complexities of legal proceedings, including the potential for biases and conflicts within expert testimony. Their higher rate of agreement could stem from their academic and professional exposure to legal concepts, ethics, and courtroom dynamics. Figure:7 This in responses based on marital status could be attributed to various factors. Unmarried individuals may perceive civil disputes as more relevant or impactful in their lives due to their potential involvement in legal matters such as landlord-tenant disputes, contract disagreements, or property issues. These types of disputes often require expert testimony to resolve complex legal and factual issues, thus prompting a higher percentage of unmarried respondents to associate them with expert witnesses. Figure:8 This variation in awareness levels could stem from several factors. Unmarried individuals may have diverse experiences and exposures to legal matters compared to their married counterparts. They might be more actively engaged with legal proceedings due to personal or professional reasons, thereby increasing their awareness of the significance of expert witnesses in court cases. Figure:9 The varying levels of agreement among respondents with different educational qualifications suggest nuanced perspectives on the ethical responsibilities of expert witnesses. LLB respondents, who have undergone specific legal training, likely possess a deeper understanding of the legal profession's ethical considerations and the importance of upholding integrity in court proceedings. Their higher rate of agreement reflects a strong acknowledgment of the ethical standards that expert witnesses should adhere to in their

testimonies. Figure:10 This preference for expert witnesses in civil disputes among younger respondents could be attributed to several factors. Firstly, civil disputes often involve complex legal and factual issues that require specialised knowledge and expertise to resolve. Expert witnesses, such as forensic specialists, financial analysts, or medical professionals, play a crucial role in providing objective and informed opinions to assist the court in making informed decisions. Figure :11 This high level of agreement among younger respondents reflects a growing awareness and recognition of the importance of ethical conduct among expert witnesses in legal proceedings. It indicates a strong acknowledgment of the ethical responsibilities that accompany the role of expert witnesses, such as providing impartial and objective testimony, disclosing potential biases or conflicts of interest, and maintaining professional integrity throughout the legal process.

#### LIMITATION :

One of the major limitations of the study in the sample frame. There is a major constraint in the sample frame as it is limited to a small area. Thus, it proves to be difficult to extrapolate it to a larger population. Another limitation is the sample size of 250 which cannot be used to assume the thinking of the entire population in a particular country, state, or city. The physical factors have a larger impact, thus, limiting the study.

#### SUGGESTION :

The role of expert witnesses in miscarriages of justice is crucial and complex. Expert witnesses are often called upon to provide specialised knowledge and opinions in legal proceedings, but their testimony can also lead to miscarriages of justice if not handled properly.

1. **Expert Witness Role:** Expert witnesses are responsible for providing impartial testimony to assist the court in understanding complex issues that are outside the jury's expertise. They are the

only witnesses who can give opinion evidence in court.

2. **Impartiality:** The overriding duty of any expert witness is to provide impartial testimony, regardless of who retained them. However, there have been instances where experts have lost their impartiality, leading to miscarriages of justice.
3. **Expert Evidence in Adversarial System:** In adversarial legal systems, expert witnesses play a crucial role in helping the court reach the truth. **Challenges and Risks:** The use of expert witnesses can be problematic, particularly in complex cases where the expert's opinion may be difficult to understand. There is a risk that juries may give undue weight to expert evidence, leading to miscarriages of justice.
4. **Judicial Scrutiny:** To mitigate these risks, there is a need for judicial scrutiny of expert evidence before and during trials.

#### CONCLUSION :

It's a difficult duty to decide whether to release a guilty individual and jeopardize the community as a whole, or take a person's liberty, even their life. Hence, it is a strange turn of events that the scientific data that we first believed would provide us with greater assurance in establishing a person's guilt or innocence has occasionally shown to be the cause of terrible errors and injustices. True scientists should reconsider the underlying assumptions of those types of evidence and make an effort to support or refute them in light of the emergence of DNA, which has shown flaws in that type of evidence. Judges ought to reconsider whether such evidence is generally admissible in criminal cases as a result of it. Regrettably, none of these experts have shown much of an interest in following that advice. In criminal cases, forensic science with flaws keeps getting downgraded and acknowledged. The substantial risk of miscarriages of justice

will persist as long as it does this. Similar to ordinary people, these judges become irrationally committed to their ideas and search for evidence to back them up while rejecting or avoiding information that contradicts them. Let us hope that Max Planck was not right when he said:

\*A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it.\*

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## LEGAL ASPECTS OF CORPORATE FRAUD IN WHITE COLLAR CRIMES IN INDIA

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**BEST CITATION** – NANDINI AGARWAL, LEGAL ASPECTS OF CORPORATE FRAUD IN WHITE COLLAR CRIMES IN INDIA, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 4 (2) OF 2024, PG. 728-739, APIS – 3920 – 0001 & ISSN – 2583-2344.

### ABSTRACT

The object of this research paper is to conduct a thorough disquisition and analysis of the commercial fraud and white-collar crime in India. The paper aims to give a comprehensive understanding of the various aspects of these fiscal crimes, including their types, prevalence, nonsupervisory framework, challenges faced by law enforcement agencies, and their profitable and societal impacts. Through the examination of applicable case studies, legal fabrics, and real-world exemplifications, this exploration seeks to offer precious perceptivity into the current state of commercial fraud in the Indian environment and its impact on the frugality and society. The ultimate goal of this research paper is to contribute to a better understanding of the issues surrounding commercial fraud and to guide policymakers, businesses, and law enforcement agencies in their efforts to combat these crimes and insure a more transparent and secure commercial terrain in India. By achieving a deeper understanding of the challenges and openings in this area, the research aims to give precious recommendations for the development of further effective strategies and countermeasures to combat commercial fraud in India. The ambit of this research paper encompasses several crucial areas related to commercial fraud and white-collar crime in the Indian environment. The paper explores the various forms of commercial fraud, including but not limited to embezzlement, insider trading, accounting fraud, bribery, and money laundering. It examines the prevalence of these crimes within Indian corporations. The research analyzes the legal and regulatory frame governing commercial fraud and white-collar crime in India. It assesses the strengths and shortcomings of the regulatory environment. The paper delves into the challenges faced by law enforcement agencies in detecting, probing, and executing white-collar culprits. It considers factors similar as the complexity of financial crimes and the hurdles in substantiation gathering. The research evaluates the consequences of commercial fraud and white-collar crime on India's frugality and society. The paper offers recommendations and countermeasures to address the linked challenges and alleviate the threat of commercial fraud in India. It emphasizes advancements in commercial governance, regulatory advancements, and the significance of investor education. By addressing these crucial areas, the research paper aims to give a comprehensive overview of commercial fraud and white-collar crime in India, offering precious perceptivity for stakeholders to enhance translucency, responsibility, and trust in the commercial sector within the country.

**Keywords:** Corporate Fraud, Money Laundering, Financial scams, Challenges and Counter measures.

### INTRODUCTION

The financial landscape is often marred by the shadows of corporate fraud and white-collar crimes. These deceptive acts, characterized by a lack of violence and physical harm, inflict

significant damage on economies, businesses, and individuals. Corporate fraud involves the manipulation of financial statements, accounting records, or other business processes for personal gain or to deceive stakeholders. White-collar crimes encompass

a broader range of non-violent offenses typically committed by individuals in positions of trust, often involving financial motives.

This paper examines the legal approaches employed to detect and prevent corporate fraud and white-collar crimes. It delves into the complexities of uncovering these offenses due to their inherent sophistication and the potential for collusion within organizations. This paper analyses the legal framework established to combat these financial crimes, including relevant statutes, investigative procedures, and enforcement mechanisms. It explores the role of various stakeholders, from regulatory bodies with oversight responsibilities to internal control systems within corporations and the crucial role of whistle blowers in exposing misconduct.

The paper further explored the evolving nature of corporate fraud and white-collar crimes in the digital age. As technological creates new avenues for financial man euvring, the legal and preventative measures need to adapt accordingly. Continuous vigilance and a multipronged approach are essential to safeguard the integrity of financial markets and build a more robust economic environment.

## 1.2 REVIEW OF LITERATURE

**In 1939, Edwin H. Sutherland (Founder of White Collar Fraud), a Criminologist and Sociologist forwarded:** He defined the concept as crime by an individual of high social status and respect in their area of occupation. Edwin also incorporated that crimes were committed by legal firms and corporations as well.

**Gerhard Blicke,(2006). University of Bonn, Germany, Some Personality Correlates of Business-White-Collar Crime:** He explained that, Psychological variables do discriminate between white-collar offenders and non-offenders. It can be speculated that in addition to high hedonism, low integrity and high conscientiousness are important features.

**John D. Gill, J.D., CFE and Mark Scott, J.D. The Legal Environment and White Collar Crime(2008):** White collar crime is a phrase

used to refer to and encompass a complicated web of numerous interrelated and overlapping areas of the law. They said white collar crime is not an autonomous discipline; instead, white collar crime is most assuredly interdisciplinary-combining individuals from multiple disciplines and professions, such as accountants, auditors, attorneys, & investigators.

### 1.2.1 RESEARCH PAPERS:

Legal Journals and Publications:

**Indian Journal of Law and Technology:** Focuses on legal issues related to technology and corporate governance.

**Indian Journal of Corporate Governance:** Covers topics on corporate governance practices and regulations.

**Economic and Political Weekly (EPW):** Includes articles on economic and policy issues, including corporate fraud.

**Journal of the Institute of Public Auditors of India (JIPAI):** Discusses audit practices and fraud detection in corporate settings.

**National Law School of India Review (NLSIR):** Publishes articles on various legal topics, including corporate law and fraud.

### 1.2.2 OTHER SOURCES

- I. **REPORTS:** Various reports of commissions, committees, regarding to this research topic were also considered. The various reports used in the research are given in the Reference.
- II. **NEWSPAPERS:** Some national dailies like The Hindu, The Indian Express, and the Times of India etc. were used to review the literature related to this topic. The different dailies used in this research are given in the Reference.
- III. **WEBSITES.** Many websites like SCC online, Indian Kanoon, National Bureau of Crime Report, National Human Rights Commission, Indian Law Portal etc. were used to withdraw the latest information. The various websites used in this research are given in the Reference.



### 1.3 STATEMENT OF PROBLEM

Corporate fraud in India poses significant challenges due to gaps and deficiencies in the legal framework, which hinder effective detection, prosecution, and deterrence of white-collar crimes. Despite regulatory efforts and legislative reforms, the prevalence of corporate fraud continues to undermine corporate governance and investor confidence. Key issues include:

**Regulatory Gaps:** The existing legal framework, including the Companies Act, 2013, and related regulations under SEBI, lacks comprehensive provisions specifically targeting sophisticated forms of corporate fraud such as financial statement manipulation and insider trading.

**Enforcement Challenges:** Investigative agencies such as the CBI, SFIO, and ED often face jurisdictional conflicts, resource constraints, and procedural delays, which impede timely and thorough investigations into corporate fraud cases.

### 1.4 OBJECTIVE OF THE STUDY

1. To critically analyse the current legal framework and regulatory mechanisms governing corporate fraud in India.
2. To assess the effectiveness of enforcement agencies in combating corporate fraud and the challenges they encounter.
3. To explore judicial interpretations and case law concerning corporate fraud and their impact on legal outcomes.
4. To identify gaps in the legal framework and propose recommendations for reforms to strengthen corporate governance and fraud preventive measures in India.

### 1.5 RESEARCH QUESTIONS

1. What is corporate fraud and white collar crimes in India?
2. What are the key regulations and laws governing corporate fraud and white-collar crimes in India?

3. What challenges do Indian law enforcement agencies face in detecting and prosecuting corporate fraud?

4. What are the impact of white collar-crimes and corporate fraud?

5. What are the suitable measures to prevent corporate fraud and white collar crimes ?

### 1.6 HYPOTHESIS

The effectiveness of legal measures and enforcement mechanisms in combating corporate fraud in India is compromised by regulatory gaps, procedural delays, and inadequate judicial resources.

### 1.7 METHODOLOGY

This chapter shall discuss the research method available and used for the study and what is applicable for it. This entire project is based on secondary data, inclusion of quantitative and qualitative data which is collected from various sources. The process by which research go about their work of describing, explaining and predicting phenomenon is called methodology.

### Corporate Fraud and White Collar Crimes in India

#### Financial Statement Manipulation

Fiscal statement manipulation, also known as fiscal statement fraud or fiscal statement fraud, refers to the purposeful revision or misrepresentation of a company's fiscal statements to deceive investors, creditors, or other stakeholders about the company's fiscal health, performance, or position. This unethical and illegal practice can have serious consequences and is a violation of accounting and financial reporting norms.

#### Bribery and Corruption

Bribery and corruption are immoral and unlawful activities that entail exchanging cash, products, services, or power in order to obtain an unfair advantage or control circumstances. These actions may have far-reaching institutional and individual-level financial,



social, and political repercussions. One of India's biggest corruption scandals, the 2G Spectrum Scam (2012) involved companies receiving 2G spectrum licences at less than market value, an act of dishonesty.

### **Prevention of Money Laundering Act, 2002**

Under the Prevention of Money Laundering Act (PMLA), corporate fraud is a predicate offence. When any type of money laundering or other similar fraud is committed to conceal or any benefits from the offence. If any person commits any fraud related to the acquisition, possession or any act that proceeds to money laundering that will be also considered as a money laundering offence. The provisions of PMLA protect against corporate frauds occurring in India. Section 3 talks about the offence of money laundering, it says whosoever directly or indirectly attempts to indulge or assist a party or actually involved in any process or connected with the proceeds of crime including its concealment, possession, acquisition shall be guilty of the offence of money laundering. Section 4 of the act talks about the punishment for money laundering. The punishment is rigorous imprisonment for a term which shall not be less than three years, it can also extend to seven years and a fine.

### **Securities Fraud**

A variety of illicit actions and dishonest business methods involving securities—stocks, bonds, options, and other financial instruments—are collectively referred to as securities fraud. The goals of these dishonest practices are to deceive investors, control financial markets, or gain illegal advantage from the purchase or sale of securities. The Sahara Group raised money through optionally fully convertible debentures (OFCDs) without obtaining regulatory approvals, which put them in the middle of a securities fraud case.

### **Tax Evasion**

Underreporting income, inflating deductions, or participating in other fraudulent activities with the intent to lower one's tax liability and pay

lower levies than one is legally required to is known as duty evasion. Tax avoidance is the use of legal means to reduce one's tax liability; tax evasion is a serious fiscal crime. The Vodafone tax dispute was a well-known case that involved claims that the telecom giant Vodafone had avoided paying taxes when it acquired Hutchison Essar.

### **Phishing and Cyber Fraud**

Phishing and cyber fraud are vicious activities that occur in the digital realm, typically aimed at deceiving individuals or organizations to steal sensitive information, money, or access to computer systems. These activities are carried out by cybercriminals and can have significant fiscal, particular, and security consequences.

### **Stock Market Manipulation**

The intentional and unlawful attempt to artificially influence the price or trading activity of a stock or securities in order to obtain an unlawful advantage or profit is referred to as stock market manipulation. The integrity and fairness of fiscal markets are compromised by manipulation, which also poses a risk to investors and the overall economy. One of India's most well-known stock market manipulation cases, the Harshad Mehta Scam (1992) involved massive securities market fraud.

### **Banking Scams**

A wide range of fraudulent activities that target people or financial institutions in an attempt to steal money, private information, or access to bank accounts are collectively referred to as banking scams. These scams come in a variety of colourful shapes and frequently entail fooling victims into providing private information or sending money to scammers. A massive fraud involving fictitious guarantees and the misuse of letters of undertaking (LoUs) at Punjab National Bank was exposed by the Nirav Modi-PNB fiddle (2018).

### **Commercial Governance Issues**

Commercial governance is the set of guidelines, customs, and procedures that

govern how an organisation is run. It covers a wide range of topics pertaining to an organization's organisational structure, management style, and interactions with various stakeholders, such as shareholders, employees, visitors, and the general public. Concerns about commercial governance can have a big effect on a business's productivity, standing, and long-term viability. Concerns regarding financial irregularities and mismanagement were brought up by commercial governance issues in organisations such as Infrastructure Leasing & Financial Services (IL&FS).

### **Securities and Exchange Board of India Act, 1992**

The Securities Exchange Board of India (SEBI) acts as a regulatory organisation to constantly monitor fraud. The SEBI was constituted as a non-statutory body on April 12 1988 through a resolution of the Government of India and the provisions came into force on January 30, 1992. The Corporation Finance Investigation Department (CFID) carries out detailed scrutiny on irregularities such as fraud, diversion, material misstatement, fraudulent related party transactions, non-compliance with the issue of IPO and suspected diversion of funds, etc. Key functions of SEBI include safeguarding the interests of Indian investors while educating them about securities markets and respected intermediaries. Also, SEBI facilitates the development and seamless functioning of the securities market. Regulating the business operations within the securities market is also one of the main functions of SEBI.

### **White Collar Crime v. Other Crimes in India:**

White-collar crime and other types of crimes in India represent distinct categories with unique characteristics and impacts on society. White-collar crimes, such as financial fraud, corruption, and corporate malfeasance, typically involve deception and abuse of trust for financial gain. Perpetrators often include individuals in positions of authority or corporate entities exploiting loopholes in regulatory

frameworks. These crimes can have far-reaching consequences, undermining public trust in institutions, destabilizing financial markets, and impacting the economy as a whole.

### **Nirbhaya Gang Rape Case (2012):**

- **Nature:** Involved the brutal gang rape and murder of a young woman in Delhi, sparking nationwide protests and calls for justice.
- **Key Points:** The case highlighted issues of women's safety and led to amendments in criminal laws related to sexual assault.
- **Legal Outcome:** Four of the accused were sentenced to death, and the incident spurred legislative changes such as the Criminal Law (Amendment) Act, 2013.

### **Ajmal Kasab – Mumbai Terror Attacks (2008):**

- **Nature:** Involved a series of coordinated terrorist attacks across Mumbai, orchestrated by Pakistani militants.
- **Key Points:** The attacks resulted in widespread casualties and highlighted vulnerabilities in national security and counter-terrorism measures.
- **Legal Outcome:** Ajmal Kasab, the lone captured attacker, was tried and sentenced to death. The incident spurred reforms in intelligence gathering and security protocols.

In contrast, other crimes in India encompass a broader spectrum, including violent crimes like murder and assault, property crimes such as theft and burglary, as well as drug offenses and cybercrime. Perpetrators of these crimes vary widely, from organized crime groups to individuals driven by personal grievances or socio-economic pressures. The impacts of these crimes are immediate and direct, causing harm to individuals, communities, and public safety.

The legal and regulatory responses to white-collar crimes involve specialized laws and regulatory bodies aimed at prevention, detection, and prosecution. However, enforcement often faces challenges such as bureaucratic delays, regulatory capture, and complexities in evidence gathering. On the other hand, addressing other crimes requires traditional policing methods, forensic investigations, and community engagement to ensure justice and safety for all citizens.

In conclusion, while both white-collar crimes and other crimes pose significant challenges to law enforcement and society in India, they differ in nature, perpetrators, and impacts. Effective responses to these crimes necessitate comprehensive strategies that combine legal reforms, regulatory oversight, and robust enforcement efforts tailored to the specific characteristics of each category.

### Key Regulations and Laws Governing Corporate Fraud and White-Collar Crimes in India

In India, corporate fraud and white-collar crimes are primarily governed by several key regulations and laws. Here are some of the significant ones:

1. **Indian Penal Code (IPC):** The IPC contains provisions relating to criminal acts such as cheating (Section 415-420), forgery (Section 463-477A), counterfeiting (Section 231-238), criminal breach of trust (Section 405-409), and related offenses that can encompass corporate fraud.
2. **Companies Act, 2013:** This legislation primarily regulates companies in India and includes provisions related to corporate governance, financial reporting, auditing, and prevention of fraud. Specific sections dealing with fraud and punishment for fraud are outlined in the Companies Act.
3. **The Prevention of Money Laundering Act (PMLA), 2002:** PMLA is aimed at preventing money laundering and deals with offenses related to proceeds of crime derived from any offense listed in the schedule to the Act, which includes white-collar crimes.
4. **The Prevention of Corruption Act, 1988:** This Act primarily deals with corruption involving public officials but also covers bribery and abuse of official position that can be linked to corporate fraud cases.
5. **Securities and Exchange Board of India (SEBI) Act, 1992:** SEBI regulates the securities market in India and has powers to investigate and take action against fraudulent practices in securities transactions, insider trading, and market manipulation.
6. **Banking Regulations Act, 1949:** It governs banking companies in India and includes provisions related to frauds committed by or against banking institutions.
7. **Income Tax Act, 1961:** This Act provides provisions related to tax evasion and fraud, which can be intertwined with corporate fraud cases involving financial misstatements.
8. **Foreign Exchange Management Act (FEMA), 1999:** FEMA regulates foreign exchange transactions and deals with offenses such as foreign exchange violations and money laundering related to cross-border transactions.
9. **The Prevention of Insolvency and Bankruptcy Fraud Bill, 2021:** This proposed legislation aims to prevent and detect frauds related to insolvency and bankruptcy proceedings, thereby protecting creditors and maintaining the integrity of the process.
10. **The Competition Act, 2002:** This Act deals with anti-competitive practices, including abuse of dominance, which



can involve fraudulent or unethical business practices.

These laws collectively provide a framework for addressing various aspects of corporate fraud and white-collar crimes in India, ranging from financial misstatements to bribery, insider trading, and other fraudulent activities. Regulatory bodies such as SEBI, the Ministry of Corporate Affairs, and law enforcement agencies play crucial roles in enforcing these laws and investigating offenses.

### **Legal challenges do Indian law enforcement agencies face in detecting and prosecuting corporate fraud**

- 1. Complexity of Financial Transactions:** Corporate fraud often involves intricate financial transactions and accounting manipulations, making it challenging for investigators to unravel the true nature of fraudulent activities.
- 2. Lack of Specialized Skills and Training:** Investigating corporate fraud requires specialized skills in forensic accounting, financial analysis, and understanding of corporate structures, which may be lacking among law enforcement personnel.
- 3. Cross-Border Nature of Crimes:** Many corporate fraud cases involve international transactions, offshore entities, and complex financial networks, requiring coordination with foreign authorities and navigating international legal frameworks.
- 4. Delay in Legal Proceedings:** The Indian legal system faces significant delays in processing cases due to a large backlog of cases, procedural complexities, and frequent adjournments, which can impede timely prosecution of corporate fraud cases.

- 5. Whistle blower Protection:** Even though India has laws protecting whistle blowers, people may still be reluctant to come forward with information about corporate wrongdoing because they fear reprisals or don't trust the system.
- 6. Lack of Adequate Resources:** Law enforcement agencies often face resource constraints in terms of manpower, technology, and funding, which can affect their ability to conduct thorough investigations into complex corporate fraud schemes.
- 7. Corporate Culture and Influence:** Powerful corporate entities may exert influence through political connections, legal maneuvers, or financial resources, potentially obstructing or delaying investigations and prosecutions.
- 8. Jurisdictional Issues:** Determining jurisdiction and coordinating investigations involving multiple jurisdictions within India or internationally can be challenging and time-consuming.
- 9. Public Perception and Awareness:** Lack of public awareness about corporate fraud and its impact on the economy can reduce pressure on authorities to prioritize and effectively investigate such crimes.

### **Impact of white collar-crimes and corporate fraud**

**Financial Losses:** One of the most direct impacts of corporate fraud is financial loss. Investors, shareholders, creditors, and other stakeholders may suffer significant financial harm when fraudulent activities result in misappropriation of funds, stock price manipulation, or financial statement fraud.

**Damage to Reputation:** Companies involved in corporate fraud often experience tarnished reputations. This can lead to loss of trust among

customers, investors, and business partners, which may have long-term consequences on business operations and profitability.

**Job Losses and Economic Impact:** Severe cases of corporate fraud can lead to business failures, layoffs, and economic downturns, particularly if the fraud affects large companies or key industries. This can ripple through the economy, impacting employment rates and consumer confidence.

**Legal and Regulatory Consequences:** Companies found guilty of corporate fraud may face fines, penalties, and legal sanctions. Executives and individuals involved in fraudulent activities may be subject to criminal prosecution, imprisonment, and civil lawsuits, further damaging their careers and personal finances.

**Market Distortion and Inefficiency:** Fraudulent activities such as insider trading or market manipulation distort market dynamics, leading to inefficient allocation of resources and undermining the integrity of financial markets.

**Loss of Investor Confidence:** Corporate fraud erodes investor confidence in the transparency and fairness of financial markets. This can lead to reduced capital inflows, increased cost of capital for businesses, and reluctance among investors to participate in markets perceived as risky or fraudulent.

**Regulatory Reforms and Compliance Costs:** High-profile cases of corporate fraud often prompt regulatory authorities to introduce stricter regulations and oversight measures. This can increase compliance costs for businesses and impose administrative burdens, particularly on smaller firms.

**Impact on Corporate Governance:** Instances of corporate fraud highlight weaknesses in corporate governance practices, including inadequate internal controls, lack of independent oversight, and ineffective risk management. This can prompt reforms within companies and regulatory bodies to strengthen governance frameworks.

Corporate fraud can have broader societal impacts, undermining public trust in institutions and exacerbating inequalities. It may also contribute to a perception of unfairness and corruption within the business community and society at large.

## MEASURES

White collar crime has not been defined anywhere in any act or codes, however, there are various legislations which touch the scope of white collar crime. These legislations include the Foreign Exchange Management Act, Companies Act, Prevention of Money Laundering Act and Import and Export Control Act.

In the present scenario, our **top law enforcement agencies** such as Central Bureau of Investigation, the enforcement Directorate, the Income-tax Department, The Directorate of Revenue Intelligence and the Customs Department, needs to be strengthened. Top ranking officials should be regularly scrutinized by the bodies such as Central Vigilance Commission. If these agencies are strengthened then only the problem of white collar criminality can be controlled.

It is the **responsibility of the government** to provide enough powers to the law enforcement agencies because without the help of these agencies the corruption and other economic offences cannot be eradicated from our country. The law enforcement officials should be provided **training**. This training will not only help in tracking such crimes but will also make them difference white collar crimes from other crimes.

**Strict laws should be made** to curb these types of crimes. It is seen that if found guilty the white collar criminals get away with petty fines or mild sentences. The approach used by the judiciary while punishing these criminals has failed to curb the threat of white collar criminality. Thus, **Fast Track courts/ tribunals should be arranged by appointing more judges**. The tribunals should be given power to impose fine



and award sentence of anyone if found guilty for the said offence.

Finally, the government should take initiative to spread **awareness about white collar crimes through electronic and print media**. The public should have the knowledge about white collar crimes and how they are different from other crimes.

### **CORRUPTION**

Corruption in the legal aspects of corporate fraud and white-collar crimes in India presents a daunting challenge to the country's legal and regulatory frameworks. Despite comprehensive laws and regulatory bodies like SEBI (Securities and Exchange Board of India) and the Companies Act, the effective enforcement of these regulations often falls short due to various forms of corruption.

One of the primary issues is the lack of rigorous enforcement. While India has robust laws in place to combat corporate fraud and white-collar crimes, their implementation is hindered by a variety of factors, including bureaucratic red tape, inadequate resources, and sometimes outright corruption within enforcement agencies. This leads to a situation where violations may go unchecked or receive lenient treatment, especially when influential corporations or individuals are involved.

#### **Coal Allocation Scam (2012):**

- **Background:** The coal allocation scam involved irregularities in the allocation of coal blocks to private companies, leading to significant financial losses to the exchequer.
- **Legal Aspect:** The Supreme Court of India termed the allocation process as arbitrary and illegal, prompting investigations into alleged corruption involving government officials and private entities.
- **Corruption Implications:** The case highlighted collusion between government officials and private

companies, showcasing how corruption can influence policy decisions and regulatory processes, including legal proceedings.

Political interference is another significant concern. Powerful entities can exert pressure on law enforcement agencies, prosecutors, or even judges to influence or delay legal proceedings related to corporate fraud. This interference not only compromises the integrity of investigations and trials but also erodes public trust in the impartiality of the judicial system.

Bribery and collusion further exacerbate the problem. Instances have been reported where bribes are exchanged to influence the outcome of investigations or trials, undermining the rule of law and perpetuating a culture of impunity among white-collar criminals.

The complexity of legal procedures adds to the challenges. Corporate fraud cases involve intricate financial transactions and legal arguments, which can prolong proceedings. Delays in justice provide opportunities for manipulation and corruption to influence case outcomes, contributing to a perception of inefficiency and ineffectiveness in addressing white-collar crimes.

#### **Punjab National Bank vs. Union of India (2022).**

This is a case of major banking fraud in the nation, which is INR 15000 crores. The fraud was committed by the proficient jewellers of the country, Nirav Modi and Mehul Choksi. They both engaged in exporting polished diamond business. They had strong retail chains of diamond business in India and other international destinations. The question of funding arose after some point. Apparently, the company was defrauding Punjab National Bank and other banks. They transacted large amounts of money without any underlying assistance from junior-level banking officials. The estimated amount involved was more than around INR 16000 rupees. RBI issued red alerts to all banks, advising the banks to have right system deficiencies. After this scam in 2018, the

government approved the Fugitive Economic Offenders Bills to deter economic offenders from evading the process of Indian law by giving powers to the government to confiscate the assets of fugitives, including the Benami assets of absconding loan defaulters. The bill covers a wide range of economic offenders including loan defaulters, fraudsters, individuals who violate the laws governing taxes, black money, Benami properties, financial sector and corruption.

Addressing corruption in the legal aspects of corporate fraud requires systemic reforms. Strengthening regulatory bodies, enhancing transparency in legal proceedings, and ensuring swift and impartial justice are crucial steps. Additionally, promoting ethical corporate governance practices and protecting whistleblowers are essential to creating a more accountable and just environment for tackling white-collar crimes in India.

### Case Studies

Certainly, here are a few case studies of notable corporate fraud and white-collar crime cases in India:

#### **Satyam Computer Services Scandal<sup>964</sup>:**

- Overview: Satyam Computer Services, one of India's largest IT services companies, was embroiled in a massive corporate fraud scandal.

- Details: The company's founder and chairman, Ramalinga Raju, admitted to inflating the company's profits and assets by about \$1 billion. The fraud involved fictitious bank balances and non-existent accrued interest.

- Impact: The scandal resulted in a loss of investor confidence in Indian IT companies and led to a significant drop in the stock market. Satyam was eventually acquired by Tech Mahindra, and Raju and other involved executives faced legal proceedings.

#### **Kingfisher Airlines Debt Default (2012)<sup>965</sup>:**

- Overview: Kingfisher Airlines, owned by liquor tycoon Vijay Mallya, defaulted on loans and accumulated significant debts.

- Details: The airline faced financial troubles due to mismanagement, high operating costs, and aggressive expansion plans. Mallya was accused of diverting funds meant for the airline for his personal use.

- Impact: The airline was grounded, and Mallya left India for the United Kingdom, where he faced extradition proceedings. The case highlighted issues related to corporate governance and the accountability of promoters.

#### **Nirav Modi-PNB Fraud (2018)<sup>966</sup>:**

Nirav Modi, an Indian jeweller, became infamous for orchestrating one of the largest banking frauds in India's history. Modi, along with his associates, defrauded the Punjab National Bank (PNB) of over \$1 billion by using fraudulent letters of undertaking to obtain loans. The scam involved the issuance of fake guarantees to secure loans from overseas branches of Indian banks, which were then used to finance Modi's lavish lifestyle and expand his business empire. Modi fled India before the scam was uncovered, leading to an international manhunt. Following the discovery of the fraud, Modi faced charges of money laundering, criminal conspiracy, fraud, and corruption. Indian authorities revoked his passport and sought his extradition from various countries. In 2019, Modi was arrested in London and faced extradition proceedings. As of my last update, the legal process is ongoing, and Modi awaits extradition to India to face trial for his crimes. If convicted, he could face significant penalties, including imprisonment and fines, for his role in the massive banking fraud.

<sup>964</sup> M/S. Satyam Computer Services Limited, vs Directorate Of Enforcement, 2009

<sup>965</sup> Kaur, A., Singh, A., & Maheshwari, G. C. (2024). Dropped Out of Grace: A Case of Kingfisher Airlines. *Emerging Economies Cases Journal*, 6(1), 22-27. <https://doi.org/10.1177/25166042231204468>

<sup>966</sup> <https://www.zeebiz.com/companies/news-pnb-fraud-a-timeline-of-rs-11400-crore-scam-how-bank-lost-nearly-rs-14000-crore-37507>

### **Yes Bank Crisis (2020)<sup>967</sup>**

The private bank Yes Bank was caught in a serious financial crisis. The bank's lending practices were dubious and its non-performing asset (NPA) ratio was high. Rana Kapoor, the company's founder, was detained and accused of financial mismanagement. The crisis prompted doubts about regulatory supervision and the stability of India's banking industry. In order to save the bank, the Reserve Bank of India (RBI) intervened and started the restructuring process. The variety and complexity of corporate fraud and white collar crime in India are demonstrated by these case studies. They also stress how crucial it is to have strong corporate governance, regulatory frameworks, and openness in order to stop and deal with these kinds of problems in the future.

### **Shraddha Chit Fund Case<sup>968</sup>**

The Shraddha Chit fund case was a well-known financial scam committed by an elite group that was also purportedly a political scandal. The 200-company Saradha Group operated a Ponzi scheme that failed. It was operating collective investment programs, also known as money pooling schemes, which were mistakenly called "Chit Funds" and led to significant financial fraud. This gang deceived over 17 lakh depositors out of almost ₹30,000 crores by falsely promising a multiplied large quantity in return in the shape of cash or real estate and other valuables. Regardless of continuous public outcry against the group's alleged fraudulent activities, SEBI barred Saradha Realty India and its managing director Sudipta Sen from the securities market up until the corporation wound up all the Collective Investment Schemes (CIS) and made the reimbursement, as the same equates to CIS Violation.

### **Subrata Chatteraj vs. Union of India (2014).**

This case was a Ponzi scheme scam, the scheme was started by the Saradha Group.

They collected money from investors by issuing bonds which are redeemable, debentures and promised high profits from investments. The agents were hired from throughout West Bengal with high salaries to expand quickly. This made the scheme get investments from around 200 companies. The company used a nexus of companies to avoid regulatory bodies. Later, in 2013, the scheme collapsed, incurring a loss of around 200 billion to the depositors and agents. The Securities Exchange Board of India barred the group from the securities market till the company was shut down.

### **Conclusion**

In conclusion, economies and societies around the world, including India, face serious challenges from corporate fraud and white-collar crime. These intricate and frequently disastrous financial transgressions can damage confidence, injure workers, investors, and the general public, and have far-reaching economic repercussions. Nonetheless, these difficulties can be successfully avoided and dealt with by taking a proactive stance and combining organisational, legal, and regulatory measures. Corporate fraud and white-collar crime, as to my opinion, can have disastrous effects, but they can be considerably lessened in frequency and impact by taking proactive steps and committing to ethical behaviour. India, like other countries, can endeavour to safeguard its economy, businesses, and society from the detrimental impacts of financial misconduct by putting these preventive measures into place and cultivating a culture of integrity and accountability. The advancement of science and technologies in last few decades has created a new form of crime which is known as 'White Collar Crime' and due to personal greed on section of this crime has shown a tremendous growth, i.e. Corporate Fraud. Corporate fraud is responsible for most of the economic loss in the society. The people of nation also lose their trust in the investment in private sector. Where private sector can help in huge economic growth, nowadays it is more indulged in the field of Fraud. Government of

<sup>967</sup> <https://www.clearias.com/yes-bank-crisis-reconstruction/>

<sup>968</sup> <https://tradebrains.in/saradha-scam-explained/>



India has taken many steps to prevent this type of Crime in India. There are certain mechanisms that have been cited by the Government of India by which the frauds can be prevented under the Companies Act, 2013.

At last, I would like to conclude that section 211<sup>969</sup> which talks about that the Central Government to establish an office called Serious Fraud Investigation Office (SFIO) to investigate fraud relating to Companies as per section 212<sup>970</sup>. Further, Central Government can also order investigation into the affairs of a company and on the receipt of the report of the registrar or the inspector. The best defence against white-collar crime is awareness. Businesses can strengthen their defences and preserve their integrity by being aware of its nuances. The way forward is obvious, starting with using cutting-edge technologies to detect fraud and encouraging compliances and transparency. The greatest defences against these invisible enemies are awareness and education.

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<sup>969</sup> Companies Act, 2013

<sup>970</sup> Supra Note 6