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## THE IMPACT OF INCOME INEQUALITY ON THE PREVALENCE AND PROSECUTION OF WHITE-COLLAR CRIME IN INDIA

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### Abstract

This paper examines how income inequality in India affects white-collar crime and its prosecution. It says that when some people have more money than others, it creates chances for rich people to do bad things, changes what people think is fair, and affects how well the system can investigate and prosecute big economic crimes. The paper examines laws such as the Indian Penal Code, the Prevention of Corruption Act, and the Companies Act. Looks at how the enforcement agencies like the CBI, ED and SFIO work. It shows that when the gap between people and everyone else gets bigger, there is more white-collar crime. It does not stop people from doing bad things as much, and some people are prosecuted while others are not. The paper suggests that the government should watch companies closely, make sure everything is clear, and help people who do not have a lot of money get fair treatment in the justice system. White-collar crime is a problem, and the paper wants to find ways to reduce white-collar crime and make the prosecution of white-collar crime more effective.

**Keywords:** Income inequality, white-collar crime, economic offences, prosecution, India, socio-legal analysis, enforcement agencies

### 1. INTRODUCTION

The problem of money and social class is urgent and needs to be fixed now. It is the challenge that affects how money is shared and how stable our societies are today. This problem is even worse for countries like India that are still developing. Even though India's economy is growing fast, it does not mean that everyone gets a share of the resources. The gap between the rich and the poor in India has grown significantly over the past 30 years.<sup>1363</sup> This means that a few people have most of the money, while many others do not have enough to get the things they need and to be financially stable. The problem of the rich and the poor getting apart has serious consequences, including people not getting along, more public

unrest, and people not trusting the government or the legal system.<sup>1364</sup> The issue of the rich and the poor affects many people in India and other countries and needs to be addressed to ensure that everyone has access to the resources they need to live a good life. The issue of the rich and the poor needs to be addressed to make our societies more stable and fairer.

There are typically three aspects of income inequality studies, and they are poverty and unemployment, access to healthcare and education.<sup>1365</sup> White-collar crime and income inequality have not received the necessary research attention, yet it is an important relationship. White-collar crimes are the type of crimes in which individuals do things involving money. They do not physically harm anybody.

<sup>1363</sup> [The World Inequality Report 2022 presents the most up-to-date & complete data on inequality worldwide:](#)

<sup>1364</sup> <https://www.oxfamindia.org/knowledgehub/workingpaper/survival-richest-india-story>

<sup>1365</sup> <https://hdr.undp.org/>

These crimes are done by individuals or companies who're in important positions or have special knowledge. They engage in activities such as cheating companies, stealing of trade secrets, evading taxation and bribery. Individuals who commit such crimes devise strategies to raise money by coming up with means of going around the regulations.

The relationship between income inequality and white-collar crime has both complex impacts and regularities. On the one hand, individuals and companies engage in unethical practices to secure their wealth under the circumstances of high economic inequalities.<sup>1366</sup> White-collar crime is more detrimental to social inequality since it consumes the taxpayers and establishes unequal market opportunities and damages the least privileged segments of the population. Financial frauds and corruption allow institutional systems to fail and fail to deliver the much-needed services and create enduring economic imbalances in the system.

The Indian context demonstrates the way economic liberalisation has advanced and the expansion of corporate activities in terms of regulatory reforms that have influenced this relationship.<sup>1367</sup> The scandals of high-profile financial scandals and corporate cases of misconduct have revealed the root flaws in enforcement mechanisms and have shown that economically powerful individuals are not held accountable to much. The connection between income inequality and white-collar crime is a phenomenon that needs to be studied as it impacts economic distribution, efficiency in government, and legal system functioning.

### 1.1 Definition of White-Collar Crime

White-collar crime is a type of non-violent, monetarily-driven criminality that is usually perpetrated by persons, professionals or corporate bodies in positions of trust, authority and elevated societal rank. This term was coined by criminologist Edwin Sutherland who described it as crimes committed by people of

respectability and prestige as part of their occupation. The definition brought a significant change in criminology as it showed that criminal behaviour is not limited to typical street crimes but also behaviour that is displayed by the top members of the society.<sup>1368</sup> The highly sophisticated and complicated type of white-collar crimes allows the criminals to execute their crimes under the guise of legitimate business operations. There are three major ways through which criminal organisations carry out their operations: manipulation and deception, and the abuse of their power.<sup>1369</sup>

### 1.2 Poverty in India

The income inequality problem in India concerns the lack of access to income and wealth across social classes. In the last several decades, the nation experienced economic growth, yet not all social groups have had equal access to the benefits of such growth. This has widened the gap between people and those who are poor. This difference occurs in all incomes of people in India and influences their opportunities to obtain chances and resources and their living conditions in general.

The Gini Coefficient is a device that assists us to observe the distribution of income among individuals within a certain group of people. The higher the income inequality becomes the higher is the Gini coefficient.<sup>1370</sup> The economy of India reveals that the manner in which wealth is distributed has been evolving since the country gained its independence.

India has a lot of wealth in the hands of the richest 10 percent of the population and little in the hands of the poorest people (in terms of numbers).<sup>1371</sup> This demonstrates how an economy is not balanced and there are groups of people who are wealthier than others.

The problem of income inequality in India remains. It is worsening and this leads to numerous social and economic issues. The

<sup>1366</sup> <https://www.jstor.org/stable/10.1086/501508>

<sup>1367</sup> <https://www.indiabudget.gov.in/economicsurvey/>

<sup>1368</sup> <https://www.jstor.org/stable/1147415>

<sup>1369</sup> <https://www.fbi.gov/investigate/white-collar-crime>

<sup>1370</sup> <https://data.worldbank.org/indicator/SI.POV.GINI>

<sup>1371</sup> Oxfam International, *Survival of the Richest: The India Story* (2023)

result of this scenario is threefold: people are more likely to face difficulties with social mobility there are more people in vulnerable groups living in poverty and people are more insecure economically. This is also contributing to the unrest and people are losing faith in institutions and this becomes a hindrance towards the India's objective of ensuring everyone has an equal opportunity to prosper. The problem of income inequality exists in India and it impacts on the economy and society. The problem of income inequality in India needs to be addressed to make sure that everyone has access, to the opportunities and resources.

## 2. THEORETICAL FRAMEWORK

### 2.1 White-collar Crime and Strain Theory

The strain theory was developed by Robert K. Merton in an attempt to explain the pressure that social structures subject people to in an effort to obtain wealth, success, and social status as the system fails to offer an appropriate means of obtaining such ends.<sup>1372</sup> The unequal sharing of resources brings about strain that compels individuals to go about their goals using unlawful means. The theory is more inclined towards economically weak groups but is used to explain white-collar crime in terms of determining the competitive pressures and the expected needs of the elite groups.

The Indian society which increasingly becomes economically differentiated also provides the conditions under which the economic elite of the society rival each other to maximise profits, acquire shares and satisfaction of shareholders.<sup>1373</sup> Individuals who have a justified access to the business assets will use the loopholes in the regulations to defend their status quo or even acquire a superior status.

### 2.2 Differential Opportunity & Rational Choice Theory

The belief that individuals are prone to commit crime as they have opportunities to do so is referred to as the differential opportunity theory. According to this theory, some groups possess the power to exploit opportunities to commit crimes. We can define white-collar crime such as fraud in the context of the choice theory. According to this theory, individuals decide depending on their perception of what they believe will be their fate, either good or bad.<sup>1374</sup>

Indians who hold such positions as those in large companies, banks and government possess more money, information and contacts. This assists them to perpetrate financial crimes. The thing is that the systems which are to prevent these crimes are not really strong. The law catches up with these people only with some time and they are not frequently punished. This implies that white-collar crime offenders do not believe they will be caught. They will decide to conduct business in a manner that maximizes their earnings and they will not get into problems with law. Power holders such as those in the Indian sector will make decisions based on what will best benefit their business and what will protect them, against serious legal issues.

### 2.3 Social Disorganisation & Elite Networks

The classical concept of social disorganisation theory is that lack of interaction among individuals in a community and failure of institutions in their role may cause a crime. White-collar crime occurs when institutions fail that there are not rules and that those in office are not fulfilling their role. This puts the situation where individuals can evade using money. Having a few individuals in society possessing large amounts of money and power compared to others can result in corruption within institutions.

<sup>1372</sup> Robert K. Merton, Social Structure and Anomie, 3 Am. Soc. Rev. 672 (1938)

<sup>1373</sup> [https://www.researchgate.net/publication/346965796\\_Strain\\_Theory\\_can\\_explain\\_White-Collar\\_Crime](https://www.researchgate.net/publication/346965796_Strain_Theory_can_explain_White-Collar_Crime)

<sup>1374</sup> Derek B. Cornish & Ronald V. Clarke, *The Reasoning Criminal: Rational Choice Perspectives on Offending* (1986)

In India there are groups of influential individuals such as politicians, business people and government officials all of whom know one another and are ready to assist one another. These networks ensure that influential individuals do not run into trouble at all even when they commit an act. They collaborate to ensure they obey rules they desire to and disregard those they dislike. This renders the laws and regulations of the country.

When this occurs, the institutions that are meant to secure people make sure that they break the rules.<sup>1375</sup> When people begin to believe that they can do anything and get away, with it they are beginning to realize that the police and courts are not doing their job. This has been due to an amalgamation of a lot of money and power in the hands of people and the fact that the institutions are too feeble. This puts a scenario where white-collar crime may continue to occur and escalate.

### **3. THE UNEQUAL DISTRIBUTION OF INCOME AND THE HIGH RATES OF WHITE-COLLAR CRIME IN INDIA**

#### **3.1. The concept of Structural Inequality and Criminal Opportunity**

India's economy is growing fast. It has become a constituent of the world economy. This has turned some rich people into powerful people<sup>1376</sup>. They own much money, businesses and even politics. This transformation has assisted in the development of India. It has added to some large problems, too. Now, a few individuals are very powerful. This increases the disparity between the poor and the rich. It also facilitates individuals in doing things with money such as cheating and lying.

The ease with which money can be done with is partly due to the fact that the financial system is becoming increasingly complex. It has complex financial products, transactions and company structures. These are usually

countries, which complicate the detection and control of them. These systems enable people to conceal cheating, evade taxes, or lie regarding their finances.<sup>1377</sup>

There are some issues with the rules and enforcement in India. Delays, lack of resources and non-cooperating agencies are common. Failure to enforce the rules may lead to individuals and companies attempting to violate them in order to become wealthy. In case they are caught, they might not be severely punished.

Politics is another issue of big problems. Politicians and companies are very close at times. This may result in rules, partial enforcement or exemption or punishment. Inequality increases when economic and political power are combined. It also allows those in high places to enjoy impunity. The government, together with other agencies, should strive to address these issues. They must make sure that the rules are strongly enforced. They also need to ensure the financial system is transparent. This will aid in averting white-collar crimes and inequality.

#### **3.2 Empirical Correlations**

The connection between income inequality and white-collar crime in India is not very clear because we do not have information about this issue. However, in some cases we can see patterns. There have been major financial scandals<sup>1378</sup> and cases of companies doing bad things, and it seems like people with a lot of money are often involved in these crimes.

These cases include companies cheating on their accounts or lying about their financial performance to trick investors and other stakeholders. We also see this with banks loaning money to companies that don't repay, which shows that there are problems with how we oversee financial matters and ensure accountability. In many of these cases, the

<sup>1375</sup> [https://journals.sagepub.com/doi/10.1177/1477370807084225?utm\\_source=chatgpt.com](https://journals.sagepub.com/doi/10.1177/1477370807084225?utm_source=chatgpt.com)  
<sup>1376</sup> <https://www.isid.ac.in/~epu/acegd2018/papers/MalvikaMahesh.pdf>

<sup>1377</sup> <https://www.pmfias.com/wealth-concentration-in-india/>  
<sup>1378</sup> <https://www.transparencly.ai/blog/india-worst-accounting-scandals>

money is used for measures that ultimately hurt public-owned banks and taxpayers.

Another big issue is people cheating in the stock market<sup>1379</sup>, where some use information to make money, fix prices, or create fake trends to get money they shouldn't have. This does not undermine the market's integrity, but it really harms small investors who do not have access to this secret information.

#### 4. LEGAL FRAMEWORK FOR PROSECUTION OF WHITE-COLLAR CRIME IN INDIA

##### 4.1 Core Statutes

The laws that govern white-collar crime in India comprise various statutes that work together to address financial and corporate wrongdoing. These laws are in place to ensure people are held accountable for transparency and to keep the economy and government honest.

- i. Indian Penal Code: The Indian Penal Code governs crime in India and contains provisions on offences such as cheating, fraud, and theft. These rules are often used when people are accused of deception and corporate wrongdoing.<sup>1380</sup>
- ii. Prevention of Corruption Act: This law is intended to stop corruption involving government officials. It makes bribery and the abuse of power in government illegal, helping stop people from using their positions for personal gain.<sup>1381</sup>
- iii. Companies Act: The Companies Act sets out how companies should behave, including rules about how they're run and what they must tell people. It helps regulate companies and prevent fraud.<sup>1382</sup>
- iv. Prevention of Money Laundering Act: This law is about stopping people from hiding money that they got from doing something. It also allows the

government to seize assets bought with proceeds from activities.<sup>1383</sup>

All of these laws work together to create a system to address white-collar crime, including fraud and major financial and corporate crimes. White-collar crime is an issue, and these laws are in place to hold people accountable for white-collar crime. The laws governing white-collar crime in India are very important for addressing it.

##### 4.2 Enforcement Agencies

Special groups enforce white-collar crime laws in India, each with its own jobs and powers:

- Central Bureau of Investigation (CBI) - The Central Bureau of Investigation is the main group that looks into serious crimes, including big corruption cases, economic crimes and fraud that involves public institutions.
- Enforcement Directorate (ED) - The Enforcement Directorate makes sure that laws about money laundering and foreign exchange are followed, under the PMLA. It can review deals and take control of properties linked to illegal activities.
- Securities and Exchange Board of India (SEBI) - The Securities and Exchange Board of India controls the securities market. Plays a big role in stopping insider trading, market manipulation, and other fake practices in the market where people buy and sell stocks.
- Serious Fraud Investigation Office (SFIO) - The Serious Fraud Investigation Office is a group that looks into complex company frauds, especially those that involve big financial problems and affect the public.

Even though India has a system of laws and many groups to enforce them, it is still hard to punish people who commit white-collar crimes. Not many people are found guilty compared to the number of cases reported, often because the legal process takes a long time, it is hard to find evidence, groups do not work well together,

<sup>1379</sup> <https://www.niftytrader.in/markets/sebis-crackdown-exposes-a-deep-rooted-stock/>

<sup>1380</sup> <https://www.indiacode.nic.in/handle/123456789/2263>

<sup>1381</sup> <https://www.indiacode.nic.in/handle/123456789/1920>

<sup>1382</sup> <https://www.indiacode.nic.in/handle/123456789/2062>

<sup>1383</sup> <https://www.indiacode.nic.in/handle/123456789/2419>

and some people have a lot of power and influence.

## 5. INCOME INEQUALITY AND PROSECUTION ISSUES

### 5.1 Selective Enforcement

The problem with white-collar crime in India is that it is indeed extremely difficult to prosecute. The fact of the matter is that not everybody is treated equally by the law. This relates to the fact that there are individuals in India who are richer than others are. The rich people and businesses can manipulate the system to favor them. They are able to hire lawyers and seek a means of getting out of trouble using their money.<sup>1384</sup>

This implies that not everybody is fair within the system. The wealthy individuals who violate the law are able to hire attorneys with the use of money. These attorneys can assist them to fight the investigators, delay the process and seek methods of evading the rules. In some instances, it is even possible to see rich and powerful individuals influence the manner in which the investigation is carried out. They may receive treatment, or those who are investigating them may not be as hard on them.<sup>1385</sup>

### 5.2 Resource Constraints

There are three essential demands of white-collar crime prosecution: expert knowledge, sophisticated tools of investigation, and organizational resources. The Indian investigative agencies are struggling with several resource issues: shortage of personnel, technical base, and financial resources.

White-collar crimes are intricate and demand international investigations, relying on digital evidence, and sophisticated financial structures, which restrict the capability of government agencies to thoroughly investigate a crime. The nature of the problem that is faced by agencies is that their resources are not

matching the increasing level of the modern financial crimes and this results in three major issues: operational delays, incomplete investigations, and poor prosecution cases.

### 5.3 Backlog and Delay in Judicial

There is a continuous delay in the Indian system of justice and this poses significant difficulties in prosecution of white-collar offenders. The cases of financial misconduct involve specialised problems as they need a thorough analysis of all documents and electronic evidence, as well as statements of expert witnesses and prolonged court hearings. It involves various other steps, making trials take several years. Criminal behaviour provides a result that must be punished by law as soon as possible and consistently because the later it is punished the less the chances that it will be deterring. Continued court cases enable suspected suspects to proceed with their line of work in corporate settings, thus providing avenues to perpetuate other crimes.<sup>1386</sup> By taking advantage of long periods of litigation, offenders gain monetary benefits in terms of time-value calculations and hold disputed assets and receive preferential settlement conditions.

## 6. CASE STUDIES

### 6.1 High-Profile Corporate Fraud

The profiles of the corporate frauds in India provide valuable information on the interrelationships between economic inequality, weak institutions, and white-collar crime. These scenarios tend to be complicated financial transactions and significant regulatory lapses by individuals or corporations.

NSE Co- Case<sup>1387</sup>: This case involved allegations of some brokers having special access to trading systems at National Stock Exchange. This allowed them to make a profit through high-frequency trading. The case demonstrated issues of regulation,

<sup>1384</sup> <https://ncrb.gov.in/crime-in-india-table-additional-table-2022>

<sup>1385</sup> <https://www.indiacode.nic.in/handle/123456789/1700>

<sup>1386</sup> <https://blog.ipleaders.in/white-collar-crimes-in-india/>

<sup>1387</sup> <https://insights.dataful.in/articles/what-indias-npa-data-reveals-about-bank-recovery-strategies>

transparency, and the involvement of insiders in perpetrating wrong.

**Bank NPAs and Fraudulent Loans:** The issue of performing assets, particularly in state-owned banks, is directly connected with large corporate failures and supposed fraudulent lending. It has been experienced in many instances that borrowers have taken loans without adequate security, misappropriated funds or simply defaulted on loans. These events reveal vulnerabilities in credit appraisal systems, surveillance procedures and accountability systems of banks.

Such instances of fraud in India are the NSE Co-location Case, Bank NPAs and Fraudulent Loans and they demonstrate how economic inequality and white-collar crime are connected. The NSE Co- Case and Bank NPAs and Fraudulent Loans indicate that corporate fraud is a significant problem in India.

### **6.2 Corruption Cases**

In India, the cases of corruption indicate how individuals having money and having connections can influence what occurs when white-collar crimes are perpetrated and brought to court. These are typically cases that touch on government officials, companies or middlemen taking bribes, taking kickbacks or misusing their posts or making personal gain.

1. **2G Spectrum Case:** This is among the famous instances of corruption in India. It concerned the issue of the telecom spectrum license issuance. The case demonstrated the manipulation of policies, how things can be manipulated and how companies and the government can collude.<sup>1388</sup>
2. **Coal Allocation Scam:** This case involved a distribution between coal blocks to the private and public companies. It demonstrated the effectiveness of those in authority and how they can apply their

power in a manner where there are no explicit guidelines to follow.<sup>1389</sup>

### **7. IMPACT on justice and society.**

#### **7.1 Perceptions of Inequality in Justice Delivery<sup>1390</sup>**

The point with income inequality and white-collar crime is that it does impact the way people perceive justice system in India. By observing time offenders, which in most cases are rich and well-connected, evading punishment or the postponement of it, people believe that the system is not fair. The notion that certain individuals receive treatment makes individuals challenge the entire concept of equality before the law.

When people begin to realize the fact that it is impossible to solve the cases in a short period, and not so many people are convicted, people begin to lose trust. Neither does it help when influential individuals appear to receive treatment due to their acquaintances. With time, individuals will begin to lose faith in the system, the police and the courts.

#### **7.2 Socioeconomic Consequences**

Income inequality and white-collar crime are really. They make a tremendous difference to our society. The rich people can easily commit crimes to make money when others are poor and do not have all the opportunities to do so. The then money and effects of these crimes increased the disparity between the poor and the rich.

White-collar crimes such as corruption, fraud, and money laundering often involve the removal of money from the country, the misappropriation of government funds, and the loss of government funds. This has a direct impact on the government's spending power on healthcare, education and roads, which is detrimental to individuals who are not very wealthy. Secondly, where corruption and manipulation of money occur, it interferes with

<sup>1388</sup> <https://indiankanoon.org/doc/907675/>

<sup>1389</sup> <https://indiankanoon.org/doc/84983516/>

<sup>1390</sup> <https://www.transparency.org/en/cpi/2023>

the running of businesses since it becomes difficult to compete and people fail to start up honest businesses.<sup>1391</sup>

## 8. POLICY RECOMMENDATIONS

There are a lot of things that need to be done simultaneously to address the issue of people lacking income and white-collar crime in India.

### 8.1 Strengthening Institutional Capacities

- Strengthened Investment in Investigative Agencies - In order to improve the infrastructure, procure new technological systems, and expand their operational areas, law enforcement agencies dealing with economic crimes should be more funded.
- Special Economic Crime Teams - The establishment of special teams within enforcement agencies that incorporate forensic accountants, cyber forensics specialists and financial analysts will result in quicker and higher quality investigative efforts. Financial crime investigation labour force should be provided with continuous training programs in order to acquire new criminal investigation techniques.

### 8.2 Legal Reform

- Tighter Procedural Schedules: It is possible to introduce tight and binding timelines in the investigation, trial, and adjudication of white-collar crime cases that can help minimise delays and enhance the degree of punishment certainty. They can also contemplate fast-track courts for economic offences.
- Increased Penalties based on Economic Status: Not only the nature of the offence, but also the financial ability of the offender should be used to determine the punishment. This would guarantee that sanctions are not ineffective in deterring the rich and big corporations.
- Greater Whistleblower Protection: It is crucial to enhance legal protections of whistleblowers in order to promote action against financial

wrongdoing. Strong protection systems can be used to detect crimes that are not apparent and enhance accountability in organisations.

### 8.3 Transparency and Public Accountability

To build trust and make anti-corruption efforts effective and credible, it is necessary to improve transparency in enforcement and engage people.<sup>1392</sup>

- Open Access to Enforcement Statistics: Government agencies ought to publish on a regular basis detailed information on the number of investigations, prosecutions, and conviction rates of white-collar crime. This would allow closer monitoring, research and evaluation of policies.
- Civil Society involvement: Accountability can be promoted by encouraging civil society organisations, media, and independent watchdogs to keep an eye on regulatory activities. Publicity serves as another control on institutional operations and helps ensure that enforcement is not biased.

## 9. CONCLUSION

White-collar crime is fuelled by income inequality in India. It is problematic when individuals are more powerful and have more money than others. The wealthy individuals and businesses have the ability to evade the law through their wealth and escape penalties.

The law is ineffective because of this inequality. There are those times when the law is not applied justly, and the rich can buy their way out. This implies that the law is not applicable to all. As a result, white-collar crime continues. It exacerbates income inequality by robbing people of resources, undermining their confidence in the system, and misbalancing competition.

To correct this, we must make a few adjustments. Our laws should be revised to be just and effective. This involves ensuring that punishments for crimes are just and that law-

<sup>1391</sup> <https://www.epw.in/journal/2014/6/perspectives/tax-administration-and-white-collar-criminal.html>

<sup>1392</sup> <https://www.fatf-gafi.org/en/publications/Mutualevaluations/India-2024.html>

enforcement officials have the resources and knowledge to administer them.

- We must also make sure that wealthy individuals and businesses become transparent on what they do so that we can be able to hold them to account.
- We must ensure that all are under the law regardless of their money.
- We should ensure that the law is applied equally and that the wealthy should not be allowed to evade justice with the help of their influence.
- We must ensure that we are in a position of having a system in which they can rely on the fact that there is equality in the application of the law.

Tackling income inequality and white-collar crime is crucial for ensuring justice, fairness and the rule of law in India. White-collar crime is closely related to income inequality. This connection has to be tackled. Our law and institutions should be strengthened to make everyone accountable, regardless of status.





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