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# Book Review on Corporate Frauds & their Regulations in India

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**Author: Dr. Sanjeev Gupta, Year of Publication: 2016, Publisher: Bharat Law House Pvt. Ltd., New Delhi, India, Pages: 400, Hard Bound, Price: 650**

## I. INTRODUCTION

Financial corruption, whether large or small, has become a common occurrence in recent years. If one looks under the surface of the commercial environment, he will find a never-ending stream of major global scams that are almost incomprehensible in their scope of deception. The perpetrators of such frauds weave a web of deception to entice stakeholders to spend their hard-earned money in the hopes of one day becoming fugitives by supposedly duping these holders and abandoning them to serious problems. It is critical to raise public awareness by engaging audiences in order to educate them about the major causes of such frauds, as well as to encourage them to analyse fraud risk and the legal actions available under various regulatory structures for successful fraud prevention and, as a result, to reduce financial catastrophes. The manuscript in hand deftly explores the essence of various corporate frauds in India and abroad, offering a realistic exploration of the more obscure forms of corporate fraud. It goes through the related provisions of various laws as well as the regulatory bodies in charge of preventing and fighting such scams. "Dr. Sanjeev Gupta" presents a thought-provoking discussion of the issues, especially for those who are stakeholders in such corporate houses, by elaborating on the causes of various corporate frauds and the role of regulatory bodies in coping with such violence. Those who are intent on maintaining the integrity of business practises in order to improve stakeholders' trust should not ignore the problems posed so well in this highly significant activity.

The current manuscript, which is intended to serve as a handbook for practitioners, is divided into "ten chapters", beginning with a "definition of fraud", "its mode of operation", "corporate frauds" in the domestic market and abroad, various regulatory provisions and incidental legislations for curbing such a danger, statutory bodies for enforcement, legal system for

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punishment, and finally, policy implications. These chapters provide the background necessary to comprehend this complex phenomenon as well as the legal strategies available and required to solve it.

## **II. SUMMARY OF THE CONTENT OF THE BOOK**

In the business world, fraud has been rampant, and India has had its share of corporate frauds. The occurrence of corporate fraud has had a substantial effect on stakeholders' confidence. A fraud's reach is not limited to a monetary amount. Around the same time, many major companies have a track record of ethical conduct and obedience to the law that stands in stark contrast to that of other corporations. The explanations for these disparities raise a number of significant issues. Various cases involving corporate fraud and misuse of position, such as National Spot Exchange, Satyam, Ketan Parekh, C.R. Bhansali, UTI, Enron, WorldCom, and Tyco, have cost the corporations crores of rupees. Corporate fraud suspects tend to be suave, soft-spoken, and well-educated in the formal sense, and they are socially respectable and financially sound, with political clout. In human terms, the losses are almost incalculable. Globalisation, rapidly changing technology, rapid growth of market and industry, risk and uncertainty of data are all threats that businesses face. As a consequence, the danger that such organisations face multiplies, necessitating the need to efficiently handle and minimise the risk. The aim of this book is to serve as a guide for professionals, auditors, investors, directors, company executives, inspectors, and government agencies tasked with reducing and regulating corporate fraud in India. It looks at the scope and forms of corporate fraud in India, as well as the related provisions of various laws and the various regulatory agencies that are working to prevent and reduce corporate fraud. This book examines major cases of corporate fraud both in India and abroad. Corporate fraud's major causes have also been addressed.

## **III. ANALYSIS OF THE CONTENT OF THE BOOK**

The authors justify the "fraud taxonomy" and logically define the ingredients of "corporate fraud" in the first chapter of the book, which covers the essence and nature of "corporate fraud". The relevant provisions of the "Companies Act, 2013" relating to fraud, such as "Section 447" to combat corporate frauds, have been elaborated by a graphical presentation (p.21) accompanied by a full overview that helps the reader understand the various aspects of corporate frauds, their motive, and the severe penalties imposed on offenders who engage in these kind of scams (Chapter 1). Furthermore, in chapter 2, the author explores how "asset misappropriation", which involves both cash and non-cash frauds, has impacted banks,

Investors and financial institutions as a result of manipulated securities and stock market valuations. Many instances of procedural lapse have been observed, such as carrying on business beyond the scope of the item, syphoning off funds received via FDI where the authorities have not carefully examined the sender's credibility, whether the money raised has been used for the same purpose, and whether the company's financial position presents true and fair information (p.53). Chapter 3 examines major corporate frauds in India and abroad, as well as the characteristics of corporate frauds. Even some of the corporate houses with poor financial positions, according to the author, commit frauds by falsifying their accounts to give "rosy pictures" of strong financial positions, duping investors. Corporate espionage, the last form of corporate theft, has been thoroughly explored. The key motivation for corporate espionage has been identified as identity theft, intellectual property infringement, or classified information theft of rival business organisations for vested interests. To mitigate corporate fraud, the author suggested that proper mechanisms should be introduced to efficiently scrutinise each transaction. The manuscript's brief overview of numerous notorious corporate frauds in India and abroad from 1992 to 2015 is one of its distinguishing features. Each case has been briefly mentioned, including the history of the parties involved, the fraud motive and how the fraud occurred, how it was investigated under various regulations, and the penalty imposed. Some of the most well-known cases, such as the Satyam case, the National Spot Exchange Limited case, and the PACL case, occurred despite the presence of strict legal provisions. This sparks a lot of thinking about the dilemma as a whole, and the highest suitable solutions have been formulated as a result. The author identified a number of common sources of fraud, including fraud offenders who are typically company management or top executives; financial statement abuse accompanied by procedural lapses; failure to pursue legal action against the offender; lack of transparency; inconsistency in case disposition; and poor anti-fraud measures (pp. 109-110). The related legislative provisions of major Indian legislations are examined in Chapter 4. The author stressed that every company must have a specific policy in place for the prevention and control of corporate fraud. Furthermore, the author outlined the related provisions of major legislations for policing corporate frauds in order to limit these scandals. The author has fully justified the definition of regulatory measures by bringing together all relevant provisions of corporate frauds from various Acts such as "The Companies Act, 2013"; "The SEBI Act, 1992"; and "The Benami Transactions (Prohibition) Acknowledgement Act, 2003". The author attempted to address the provisions of these Acts by comparing them to corporate frauds, such as the "Satyam case" in the sense of auditors (p.137). As a result, it would be

useful for users to compare parts of different Actions with large corporate frauds in order to fully comprehend the issue. The applicable provisions of various other enactments related to curbing or regulating corporate frauds are examined in Chapter 5. The above-mentioned relationships, however, are absent from the incidental legislations section. The compilation of provisions of incidental legislations under one heading is commendable in terms of the sacrifices made to support the reader, but the object of such compilation is defeated unless the provisions are clarified with the aid of various challenging corporate frauds. Similarly, when it comes to elaborating regulatory agencies, there has been a lack of commitment. The major regulatory agencies under the Union Ministry of Corporate Affairs are listed in Chapter 6 and the workings of regulatory agencies under other ministries are discussed in Chapter 7. For example, on page 303, the author had the opportunity to link the "Serious Fraud Investigation Office" (SFIO) to major stock market scams. It could have been more appealing and analytical if it had been done differently. However, in the following section, the author has clearly listed the reasons, priorities, and methods of operation of various cells formed under the "Ministry of Corporate Affairs", such as the "National Financial Reporting Authority (NFRA)", "National Foundation for Corporate Governance (NFCG)", "Investor Security and Grievance-Redressal Cell", and "Co-ordination, Monitoring Committee (CMC)" for disappearing debt. Due to shifting political interference, a delayed justice system, a lack of knowledge, corruption tolerance, and a large gap between policy and practise, it has been noted that the implementation of various provisions has been less successful. These are the system's major flaws that contribute to corporate fraud (p.333). The next chapter explains how regulatory bodies operate to combat corporate fraud under legislation enacted by Parliament. The goals and effect on professionalisation, accountability, better control, and oversight mechanisms have been specified in "clause 49" of the "SEBI guidelines" on "corporate governance". It's also been pointed out that SEBI only has civil court authority, and that it needs to be granted more criminal court-like powers to impose criminal sanctions. Special courts/Tribunals, on the other hand, have been formed to expedite the trial of some fraud cases that need strengthening.

The final section of the manuscript discusses the consequences and policy implications of corporate fraud, including the need for auditors to be trained in order to keep up with changing regulatory measures (p.370); the applicability of corporate governance in SMEs for improved internal control systems; and due diligence by independent professionals by banks and other financial institutions. The author recommends the establishment of a corporate offence wing with criminal powers to expedite trials and justice; a separate committee for

authorising "related-party transactions" subject to shareholder approval; publicising fraud prevention policies among staff and stakeholders to sensitise them; and proper coordination among various regulatory authorities.

#### **IV. CONCLUSION**

To summarise, the book is very authentic on current issues and will prove to be the best guide in guiding readers through critical corporate issues. This manuscript offers a timely and insightful review of the causes of corporate collapses by highlighting the major scandals and regulatory provisos. Though the book could use a minor update to connect Acts to major scandals, the stated purpose of the manuscript justifies the readers' exploration of corporate houses through a lens that magnifies symbols that would otherwise be overlooked, leaving them better equipped to deal with fraud detection and better safeguarding the organisation from cheating in the future.

This is an intriguing read, and those who work in the business world will find it easier to connect with the different methods used to cheat the system on a real-time basis. It will be difficult to find a company that does not engage in these activities, since it seems that the crux of doing business is to make money by any means necessary—and if it cannot be found, “‘tis even better.”

#### **V. REFERENCES**

There are number of references or bibliography in this book which will help the reader in deep understanding of the topics. Also, the list of recent cases and judgements are duly mentioned. It consists of all the major judgements which makes this book a consolidated framework on the “Law on Offenders” in India.

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