A project report on

A STUDY ON FINANCAL SCAM IN INDIA CAPITAL MARKET AND MONEY MARKET

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Under the Faculty of Commerce

By

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CERTIFICATE

This is to certify that **Mr DEEPAK ASHOK VERMA** has worked and duly completedher/his Project Work for the degree of Bachelor in Commerce (Accounting & Finance) under the Faculty of Commerce in the subject of BLACK BOOK and her/his project is entitled, "**A STUDY ON FINANCAL SCAM IN INDIA CAPITAL MARKET AND MONEY MARKET**" under my supervision**.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of anyUniversity.

It is her/ his own work and facts reported byher/his personal findings and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN

Date of submission

DECLARATION BY LEARNER

I the undersigned **<u>Mr. DEEPAK ASHOK VERMA</u>** here by , Declare that the work embodied in this project work titled **"<u>A STUDY ON FINANCAL SCAM IN INDIA CAPITAL MARKET AND MONEY MARKET</u> "** Forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has Not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly Indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and Presented in accordance with academic rules and ethical conduct.

DEEPAK ASHOK VERMA

Certified by

ASST. PROF. DR. KISHOR CHAUHAN

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CHAPTER 1

HISTORY

Financial Scams have not been uncommon in India. A scam is a means of getting money by deception or in an illicit way with a fake identity or documents. India, has now and then seen many scams in the financial world which has shaken Dalal Street. Some of these have caused a lot of financial distress to the common man.The Securities Exchange Board of India has been reviving rules and regulation in a aim to plug the loop holes in the securities market. Here are a few famous scams from the long list of scams in India till date.

Formed by the government of India in 1988, the Securities and Exchange Board of India (Sebi) got statutory powers after the Sebi Act was passed by Parliament in 1992, the year in which the ₹ 5,000 crore Harshad Mehta securities scam hit Indian stock markets.Since the reforms package was announced in 1991, business in primary as well as the secondary part of the capital market has increased significantly. Harshad Mehta scam, a multi-crore securities scam of India in 1992, revealed that the existing regulatory framework was not efficient enough and therefore, and made ―an autonomous, statutory, and integrated organization to ensure the smooth functioning of capital market obligatory. To this ends, based on an ordinance on 30th January 1992, a statutory power was given to the Securities and Exchange Board of India (SEBI), already established in April 1988, to control the capital market.

According to the SEBI Act, 1992, it has been founded with the four-fold objectives of protecting the interests of investors in securities; developing the securities market; regulating the securities market; and issues related to it. The SEBI is fully authorized to control and regulate the capital market, which is a market for equity and debt securities. The three Securities Contracts (Regulation) Act (SCRA), SEBI Act, and Depositories Act provide all the related rules. These acts define the regulations for controlling all intermediaries of the markets to safeguard a fair trade practices. There are notifications, guidelines and circulars issued by government and SEBI that all involved in market practices should be aware of and observe them. SEBI administers all the related rules and regulations.

CHAPTER 2

INTRODUCTION

INTRODUCTION OF FINANCIAL MARKET :

The Financial markets described any marketplace where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives. Financial markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees and market forces determining the prices of securities that trade.

Some financial markets only allow participants that meet certain criteria,which can be based on factors like the amount of money held, the investor's geographical location, knowledge of the markets or the profession of the participant.Financial markets provide channels for allocation of savings to investment. These provide a variety of assets to savers as well as various forms in which the investors can raise funds and thereby decouple the acts of saving and investment. The savers and investors are constrained not by their individual abilities, but by the economy's ability, to invest and save respectively. The financial markets, thus, contribute to economic development to the extent that thelatter depends on the rates of savings and investment.

The financial markets have two major components:

1)Money market
2)Capital market.

1) Money market:

is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. The Money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year. Money Market securities consist of negotiable certificates of deposits (CDs), bankers acceptances, U.S. Treasury bills, commercial paper, municipal notes, Eurodollars, federal fund and repurchase agreements(repos). Money market investments are also called cash investments because of their short maturities. The money market is used by a wide array of participants, from a company raising money by selling commercial paper into the market to an investor purchasing CDs as a safe place to park money in the short term. The money market is typically seen as a safe place to put money due the highly liquid nature of the securities and short maturities. Because they are extremely conservative, money market securities offer significantly lower returns than most other securities. However, there are risks in the money market that any investor needs to be aware of, including the risk of default on securities such as commercial paper.

2) Capital Market:

is one in which individuals and institutions trade financial securities. Organizations and institutions in the public and private sectors also often sell securities on the capital markets in order to raise funds. Thus, this type of market is composed of both the primary and secondary markets. Any government or corporation requires capital(funds) to finance its operations and to engage in its own long-term investments. To do this, a company raises money through the sale of securities - stocks and bonds in the company's name. These are bought and sold in the capital markets.

The capital markets have two major components:

1) **Primary market**
2) **Secondary market**

1) **Primary Market:**

It issues new securities on an exchange. Companies,governments and other groups obtain financing through debt or equity based securities. Primary markets, also known as "new issue markets,"are facilitated by underwriting groups, which consist of investment banks that will set a beginning price range for a given security and then oversee its sale directly to investors. The primary markets are where investors have their first chance to participate in a new security issuance. The Issuing company or group receives cash proceeds from the sale, which is then used to fund operations or expand the business.

The primary market consists of:

- **Public and rights issue**
- **Euro issues**
- **Private placements**

Public and rights issue:

An issue of rights to a company's existing shareholders that entitles them to buy additional shares directly from the company in proportion to their existing holdings, within a fixed time period. In a rights offering, the subscription price at which each share may be purchased is generally at a discount to the current market price. Rights are often transferable,allowing the holder to sell them on the open market.

Euro issues:

Newly public companies that want to raise more money tend to issue this type of stock. Euro equity is a term used to describe an initial public offer occurring simultaneously in two different countries.The company's shares are listed in various countries rather than where the company is based. This method differs from cross-listing where company shares are listed in the home market and then listed in a different country.

Private placement:

The sale of securities to a relatively small number of select investors as away of raising capital. Investors involved in private placements are usually large banks, mutual funds, insurance companies and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market.

2) Secondary Market

Secondary Market is where investors purchase securities or assets from other investors, rather than from issuing companies themselves. The Securities and Exchange Commission (SEC) registers securities prior to their primary issuance, then they start trading in the secondary market on the New York Stock Exchange.

The secondary market consists of:

- **OTC market**
- **Securities market**

OTC Market :

The over-the-counter (OTC) market is a type of secondary market also referred to as a dealer market. The term "over-the-counter" refers to stocks that are not trading on a stock exchange such as the NASDAQ, NYSE or American Stock Exchange (AMEX). This generally means that the stock trades either on the over-the-counter bulletin board (OTCBB) or the

pink sheets. Neither of these networks is an exchange; in fact, they describe themselves as providers of pricing information for securities.OTCBB and pink sheet companies have far fewer regulations to comply with than those that trade shares on a stock exchange.

Securities Market :

Regulated financial market where securities(bonds notes, shares)are bought and sold at prices governedby the forces of demand and supply.

Stock exchanges basically serve as:

(1) Primary markets where corporations, governments, municipalities,and other incorporated bodies can raise capital by channeling savings of the investors into productive ventures

(2) Secondary markets where investors can sell their securities to other investors for cash, thus reducing the risk of investment and maintaining liquidity in the system.

INTRODUCTION OF FRAUD AND SCAMS :

WHAT IS FRAUD ?

Fraud is an intentional act or failure to act to obtain an unauthorized benefit to take away a legal right or property by misrepresenting the facts.Examples of fraud include, although not limited to:

1) **Corruption**: It includes conflicts of interest, bribery, illegal gratuities and extortion.

2) **Misappropriation of Cash Asset:** It includes —skimming; check tampering; and fraudulent disbursements, including billing, payroll, and expense reimbursement schemes.

3) **Misappropriation of Non-cash Asset:** It includes —; false asset requisitions; destruction, removal or inappropriate use of records and equipment; inappropriate disclosure of confidential information; and document forgery or alteration.

4) **Fraudulent Statements:** It includes —financial reporting, employment credentials, and external reporting.

5) **Fraudulent Practices by Customers, Vendors or other Parties:** It includes bribes or inducements, and fraudulent (rather than erroneous) invoices from a supplier or information from a customer. Business Dictionary defines fraud as intentional deletion, change or concealment of a truth in order to

(i) gain an illegal advantage,
(ii) prompt others to part with a valuable item or give up a legal right, or
(iii) cause injury in any manner.

Fraud must be done wilfully, and negligence and incompetency in managing a business which may even lead to the loss of a company‘s asset do not normally constitute fraud.

Financial fraud is a situation in which the legal and ethical management of financial resources does not take place. In most countries around the world, this type of fraud occurs due to deliberate decisions and actions made by people who handle money and other assets on behalf of employers or clients. However, there are a few places around the world where the unintentional mishandling of funds is also classified as fraud and is subject to the same legal censure as any deliberate action.

WHAT IS SCAM?

fraudulent schemes are performed by a dishonest individual, group,or company in an attempt to obtain money or something else of value.Scams traditionally resided in confidence tricks, where an individual would misrepresent themselves as someone with skill or authority, i.e. a doctor, lawyer, investor. After the internet became widely used,new forms of scams emerged such as lottery scams; scam baiting, email spoofing, phishing, or requests for help. These are considered to be email fraud. Also see phishing scheme.A scam is a dishonest attempt to trap you into parting with your money.A 'scammer' may make a personal approach, with an offer too good to be true. Someone may email you, phone, text- message or post an offer that they push you to take up. Scams can reach their target audience in many ways, ranging from a one-person door-stepping operation, through to multinational highly sophisticated telemarketing scams. Advertisements,direct mail, text messaging, phone calls and e-mail are all widely used.

However SCAM means when a person tries to deceptively cheat you by giving you a very good offer about something but later on you would be shocked to know that the person was simply bluffing and you have lost your money. An example of this can be the lottery scam. For example a person calls or emails you and tells you that you have won a lottery prize but to get the money there is a small processing fee, you have to pay that fee and then the money would be sent to you.

The top ten financial scams in India:

1) 2G Spectrum Scam
2) Commonwealth Games Scam
3) Satyam Scam
4) Jaylalitha Asset Case
5) Bofors Scam
6) The fodder scam
7) Harshad Mehta Stock Market Scam
8) Ketan Parekh Stock Market Scam
9) PNB Scandal
10) ABG Shipyard Scam

CHAPTER 3

RESEARCH METHODOLOGY

INTRODUCTION OF RESEARCH METHODOLOGY:

Research refers to a search for knowledge.Some people consider knowledge as a movement from unknown to known. We all possess the vital instinct of inquisitiveness that makes us probe and attend full understanding of unknown.Research design and methodology can be defined as the plan and structure of enquiry formulated in order to obtain answers to research questions on business aspects. The research plan or design constitutes the overall programmed of the research process. The design and methodology includes the framework of the entire research process, starting from formulating objectives, developing hypotheses, to the final evaluation of collected primary data.The research design and methodology outlines the actual research problems and details the process for solving it. A good research design and methodology clearly describes the techniques to be used for selecting samples, collecting data, managing cost, and other aspects that are essential for conducting a research. Decisions are taken depending on certain issues like the purpose of the study and objectives, the type of data needed, the method adopted for obtaining the data and analyzing it.Research design and methodology is essential because it facilitates the smooth flow of various research processes.

SOURCES OF DATA:

1) Primary Data:

It is first hand data, which is collected by the researcher itself. Primary data is collected by various approaches so as to get precise, accurate, realistic and relevant data. The main tool in gathering primary data was investigation and observation. It was achieved by a direct approach and observation from the officials of the company. Primary data is collected from its primary sources i.e. Source of its origin, where the data is generated. It is first time collected by its investigator for statistical analysis.

Advantages of primary data:

1) It is an original data and relevant to the subject of study therefore the degree of accurateness is extremely high.
2) It may be collected from a variety of way like interviews, telephone surveys, focus groups etc.
3) It may be additionally collected across the country emails and posts. It will embrace an outsized population and wide geographical coverage.
4) Moreover, it is in progress and it gives a realistic view to the researcher regarding the study into consideration.
5) Reliability of this data is extremely high because it is collected by the reliable and concerned person.

Disadvantages of primary data:

1) Time consuming job.
2) Consumes Labour.
3) Reliability is instrument based.
4) Non-response error may be the problem.
5) Trained persons are needed for the collection of data.
6) Inadequate data may be collected by inexperienced person.

2) Secondary data:

Secondary data are the data are in actual existence, in records, having been already collected and also treated statistically. In short, it is the data that have been already collected, presented, tabulated and located with analytical that have been collected by some agencies, government department and research workers. It can be obtained from records, books, government publications and journals. Utmost care has taken by the researcher while collecting the data from the various sources.Secondary information is collected by a researcher not associated with the analysis/research study, however, this is collected for some different purpose and at the completely different time in the past.

Advantages of Secondary Data:

1) The prime advantage of this type of information is that it's cheaper.
2) quicker to access.
3) It gives a mode to access the work of the best researchers all over the globe.
4) It provides a frame of mind to the researcher that is a direction in which a researcher Should work.
5) It saves time, efforts and money and adds to the value of the study.

Disadvantages of Secondary data:

1) The info collected by the third party might not be a reliable party therefore the dependability and accuracy of information go down.
2) Data collected in one location might not be appropriate for the opposite one due variable environmental issue.
3) With the passage of your time the info becomes obsolete and extremely old.
4) Secondary information collected will distort the results of the analysis.
5) For victimization secondary information a special care is needed to amend or modify to be used.
6) Secondary information may also raise problems with genuineness and copyright.

The present study is based on secondary data. The secondary data is collected from the following means:

1) SEBI releases, published data from newspapers, journals, magazines, reports, and internet.
2) Expert's opinion published in various print media.
3) Data available on internet through various websites.

AIMS AND THE OBJECTIVE OF THE STUDY:

Studies are conducted with a purpose and objectives. The purpose of a study is generally regarded asthe aim while objectives are what the researcher intend to do in order to achieve the aim of the study.

A) Aim of the study:

The aim of the study is to understand the reasons of increasing frauds and scams in India and to highlight the recommendations that will enhance fraud prevention and detection in India.Secondaryaim of the study is to undertake in-depth study of scams and frauds that shook India in the past.

Objective of study:

1) To study the causes of financial frauds in India.
2) To examine the working of forensic accounting teams in detecting fraudulent financial
3) To analyze the investor protection measures taken by SEBI.
4) To examine the role of SEBI in preventing fraudulent financial practices.
5) To study about the impact of fraud and scam.

HYPOTHESIS OF STUDY:

1) First hypothesis is that decreased cognition predicts increased vulnerability to fraud.

2) Second hypothesis is Overconfidence in one's financial knowledge is a Significant predictor of the odds of becoming a victim of financial fraud.
3) third hypothesis is concerns the impact of financial fraud on victims' willingness to take financial risk.

LIMITATIONS OF STUDY:

1) The study was confined to secondary data.
2) Only selected frauds was taken into consideration.
3) The data presented for T-test is limited to 18th December 2017 to 15th February 2018.

SCOPE OF THE STUDY:

1) The study covers the information regarding financial frauds on year wise basis Period of the study is covering from year 2005 to 2014, majorly when frauds took place.

SIGNIFICANCE OF STUDY:

1) The study of financial frauds are important as financial frauds or scams have never been a rare phenomenon in economy of any country.
2) The study seeks to evaluate the various causes that are responsible for financial frauds.
3) The study signifies the importance of training in prevention of financial frauds.
4) A strong system of internal control and good employment practices prevent frauds and mitigate losses.
5) The research reveals that implementation of various internal control mechanisms are not up to the mark.
6) The results indicate that lack of training, overburdened staff, competition, low compliance level are the main reasons for financial frauds.
7) The financial should take the rising graph of financial frauds seriously and need to ensure that there is no laxity in internal control mechanisms.
8) In spite of various observations and regulations are introduced to reduce frauds still it is observed frauds are being continued.
9) The need was felt to study no. of frauds happening in sector wise and its impact .

RESEARCH QUESTIONS:

In response to the objectives of the study, the following questions were formulated to meet the need of the study, the main questions are as follows:

1) What are the financial frauds and their reasons?

2) What is the role of forensic accounting teams in detecting fraudulent financial transactions?

3) What is the role of SEBI in the protection of interest of investors in the Indian capital market?

4) What is the role of SEBI in preventing fraudulent financial practices in the Indian capital market?

5) what are financials scams and their causes?

6) what are the recommendations to overcome financial frauds and scams in India?

CHAPTER 4

REVIEW OF LITERATURE

In search of some preventive actions to avoid or at least reduce frauds, many researchers have investigated the related factors (Albrecht et al., 2007; Bar-Gill & Bebchuck, 2003; Hemray, 2004; Lev, 2003; Rezaee, 2002). A large part of literature has focused specifically on the reasons of financial frauds and its impact on the investors.

Shah (1999) has documented many of the institutional improvements in the Indian securities markets. Another paper by Shah & Thomas (2000) investigates the design of the securities market, the practice of risk management, and market microstructure.

Sabarinathan (2010) assesses the efficiency and structure of the statutory levers operated by SEBI. This assessment concludes that SEBI is an efficiently authorized and autonomous competent regulator. It aims at understanding the developments of Indian securities trade and link them to SEBI‘s regulatory. Gokarn (1996) has concluded that the regulatory initiatives of SEBI and the practice of the market have strengthened the ―(i) Primary market and issuance of securities; (ii) Disclosure requirements; (iii) Corporate governance; (iv) Market for corporate control; (v) Trading mechanisms; (vi) Settlement systems; (vii) Dematerialization; (viii) Institutionalization of trading and ownership of securities; (ix) Market integrity and insider trading; (x) Ownership and governance of stock exchanges; and (xi) Compliance enforcement. Various studies have analyzed many mechanisms and their relationship with financial statement frauds during the past years, but no empirical study has evaluated the capital market fraudulent financial practices and investor – role of SEBI. The findings of some relevant studies are presented as follows:

The Cadbury Committee (1992): The Tread way Commission (1987): The Cadbury Committee identifies the annual audit and the way spotting financial frauds as ―one of the cornerstones of corporate governance'' maintains an external check on the honesty and reliability of various reports in their management process. The Tread way Commission has also attested the essential role the external auditors play in the corporate governance structure.

Guhan & Paul (1997): Considering the ranking of the 32 Asian-Pacific countries in the Transparency International‘s Corruption Perceptions Index of2008, they argue what a serious issue corruption is in the Asia-Pacific. Although, the governments in these countries have been taking many anti-corruption measures since the 1950s, they have not had significant achievements in restraining corruption. In 1968, the Swedish economist, Gunnar Myrdal, claims that there is a significant relationship between the shortages of research on corruption in South Asian countries and the research taboo of corruption. Fortunately, the corruption studies have been obviously increasing as this taboo does no longer exist in Asia-Pacific countries.

Varma (1997): According to him the newly developing argument on corporate governance and financial frauds in India is mainly based on its counterpart Anglo American literature while the corporate governance issues in India are of different nature. The governance problems in the US or the UK are mainly related to disciplining the managements who are no more appropriately responsive to the owners while the issues in the Indian corporate sectors (including public, multinationals, or private sectors) is disciplining the dominant shareholders and safeguarding the minority shareholders; only forces from outside the company can solve the issue of the dominant shareholders‘ misusing corporate governance. • Singh (1999): He argues that any study of fraud detection in India would be first in the context of detecting by the government and public sector companies. India‘s hybrid economy has a vigorous private sector and there were few reports of the cases of fraud detection from private business and industry. The agencies of law enforcement and investigation have been mainly focusing on safeguarding government funds. Government departments and public sector companies are the primary purchasers in India; their purchases range from ―ordinary office stationery to the most sophisticated technical equipment required in railways, telecoms, power and defence sectors, etc.

Dooley (2002): According to him even a few numbers of financial scams – if remarkable in size, and damage caused– considering the total number of companies with shares traded on U.S. and foreign exchange, can bring irreparably shocking loss to investors‘ confidence, financial analysts, accounting professionals, regulators, and the reliability of financial statements of Securities and Exchange Commission’s (SEC) registrants. He concludes that additional measures must be urgently taken to deter, or detect these financial frauds to bring back the lost confidence in the system of financial reporting and audit assurance on which U.S. capital markets are based.

Rezaee, Sharbatoghlie, Elam, & McMickle (2002): The article argues that the achievements of information technology and web-based applications have made it more feasible to monitor and control operations by continuous auditing. The paper aims at preparing a framework for categorizing what different literatures have contributed to the area of continuous audit. The scope of these researches can be classified into five major topics: demand factors, theory and guidance, enabling technologies, applications, and impacts. According to the findings of this study is that many more studies are identified mostly in the area of enabling technologies, although the paper focuses mainly on the literature related to continuous audit.

Hulbert (2003): According to him the surging liberalization of various forms of trade, as those related to the financial services sector, is invigorating the internationalization of the European insurance industry, hence turning it more prone to fraud. Explaining the most common problems with fraud in the sector, the study assesses the implications of moving into new markets. Moreover, future fraud prevention methods such as screening of applicants are examined and the dire need to review the current situation is emphasized.

Goyal (2004): He claims that SEBI has successfully defined strict norms and contributed to establishing a steady capital market which has energized growth and activated markets more efficiently. The paper elaborates on the pluses and minuses of regulations regarding the development of capital markets, its accomplishments and future potential improvements in India which provided SEBI the flexibility to adjust as required. Indian capital markets suffered a lot from the neglect of the small investor, firms and start-ups which tended to buy and hold.

Bose (2005): This study enumerates some of the regulations that have been defined for dealing with market fraudulent practices. It also attempts to study the process of implementing regulatory actions to protect investors in India in a comparison with the US, perceived as the world‘s most safe and liquid capital market. The study also analyses the roles of the stock exchanges and electronic databases in assisting the regulator to prevent, detect and convict securities frauds. One may tend to conclude that Indian securities laws are now well pervasive and the problem is mostly with exercising them for crimes such as price manipulation and illegal insider trading; however, the study proposes that still before empowering SEBI to conduct its functions as the principal regulator, it must be ensured that the laws and regulations are rationalized. Moreover, SEBI also should improve its monitoring process to enable it to provide proofs, plausible enough to secure the convictions.

Panigrahi (2006): This research refers to the growing significance of forensic accounting in detecting fraudulent financial practices. The article discusses different tools and techniques applied in forensic accounting and the challenges it may have to deal with. It also proposes a new technique called ―Data mining‖ to facilitate the forensic auditors‘detecting and deterring fraudulent practices.

A Review of SEC Enforcement Releases 2000-2006 (2007): According to this study the Deloitte Forensic Center (DFC) is a think tank found to investigate new approaches to reduce the costs, risks and damages of fraud, corruption, and other issues threatening the global business community mostly from the perspective of forensic accounting, corporate managers, and other experts involved in forensic issues. The DFC focuses on providing multidisciplinary analyses which are practical and useful for companies and official organizations. It emphasizes on utilizing technology as a tool to deter, detect, or reduce fraud and corruption. Besides encouraging a public dialogue on the matter, the DFC strives to help in improving the forensic accounting profession. The DFC has been realizing its goals through gathering experts from a wide variety of backgrounds such as business, academia, law, government, and regulatory affairs in cooperation.

Chakrabarti, Megginson, & Yadav (2007): The paper argues that although India‘s legal system has provided some of the best investor protection of the world, still its enforcement is a main issue in India‘s ―slow, over-burdened courts‖ and a great number of significant corruptions. Among the impediments are the monopolized ownerships; dominant family group business model; and the pyramiding and tunnelling practices among Indian business groups; these are all not considering the various fraudulent reporting examples, and evidences of earnings management.

Mehta (2007): He indicates the sudden rise in commercial litigations in recent times which calls for a greater need to forensic accountants. Various aspects of forensic accountancy, about where the forensic auditors can be utilized, and various provisions and regulations related to forensic accountants under the Indian law are highlighted.

Albrecht (2008): This study explains four aspects of computer-aided fraud detection which is of significant interest to forensic accountants and fraud detectors. The four aspects include: —data mining techniques for the detection of internal fraud, ratio analysis for the detection of financial statement fraud, the issues surrounding external information sources, and computer forensics during fraud investigations.

Bejarano (2008): He emphasizes that —corporate financial fraud in the U.S. is about 556 times more costly ($258 million) than employee fraud ($464 thousand). Financial fraud is still occurring in spite of all anti- fraud measures and legislations. It needs planning and represents a deliberate trickery manipulated financial account. This qualitative study investigates a sample of twenty accountants, examiners, and investigators in Denver, Colorado area to conclude how to decrease corporate financial frauds. Findings indicate that decreasing corporate financial fraud entails improvements of (a) education, (b) training, (c) detection, (d) prevention, and

€ internal controls. A new model to mitigate frauds has utilized an integration of —differential association theory, agency theory, endogenous and exogenous fraud factor which may all help in investigating and accordingly predicting the patterns of behaviour conducted by perpetrators of financial fraud.

Ragan, Hadley, & Raymond (2008): They note the continuous increase of demand for forensic accounting in the corporate world. Forensic accounting facilitates detecting and deterring frauds in companies. This paper studies a case of forensic accounting, which benefits from fraud methodology and its detection techniques via a simulation engagement. Those completed it will go on through a set of procedures leading to the formulation of probable fraudulent practices within the specified company; These procedures are: understanding the business; detecting the areas prone to manipulation; utilizing analytical procedures to spot the fraud; and providing the board of detectors with a report as an record of any susceptible red flag detected during the course of testing.

Associated Chambers of Commerce and Industry in India (2010): This Report highlights issues on financial statements such as the increasing concerns for the start of disturbing corporate scams and the continuously increasing risk of corporate frauds. It warns that it is essential to modify the traditional approach and establish a well-organized system, which is both transparent and honest. Several requirements must be taken into account as companies are growing bigger and more complex;

—internal monitoring controls, corporate governance, and external reporting activities must be all in a synergistic operation. The rise in stakeholder base will raise the expectation level, both from regulators and the whole society. The mechanism of corporate governance was introduced after a long practice of struggling with the misconducts and failures of management. Business reality and fraud knowledge must work synergistically to develop an efficiently steady system of corporate governance. It is a priority that companies decide on and implement a code of conduct that buttress the culture of transparency in transactions.

Barnum (2010): According to him the headlines of first decade of the twenty-first century was grabbed with news of frauds and scams and shows that the corruption scope and cost is rising in the U.S. economy. Almost everyone has heard about Enron and WorldCom corporate financial statement frauds or the scams against the government, including false allegations following Katrina, or huge Ponzi fraudulent schemes, including the Madoff scam which gives a new record for damages connected witha fraud.

Capital Via (2010): This paper states that the worst thing about frauds is that it is never known until it's too late. Even keeping in prison those charged with fraud may in turn costs investors or taxpayers more loss without being repaid. Though the security bodies have taken measures to deter such frauds from happening, it is almost impossible to guarantee that it never strikes again with such a great number of companies in the World. Finally, it warns to ―invest with care and diversifies.

Ghosh (2010): His study states that through streamlining the accounting and auditing system and more effective corporate governance, the influence of creative and fraudulent accounting can be decreased. This decrease can be implemented efficiently by (i) utilizing forensic accounting in detecting and preventing white collar frauds

(ii) decreasing the other choices of accounting treatment in accounting standards; (iii) improving the quality of corporate governance; (iv) modifying companies Act; (v) exercising binding regulation; and (vi) enhancing the effectiveness of audit. Finally, he suggests that

―the regulatory authorities in India may have to seriously reconsider whether an Oversight Board, akin to the Public Company Accounting Oversight Board in the U.S., should also be formed in addition to the existing governmental and institutional oversights.

Gornall (2010): In this study, a rational model of crime and regulation is implemented to prove the inefficiency of the SEC's current incentive structure in deterring fraudulent practices. Based on this model, perpetrators consider the monetary rewards of larger frauds compared with the increased possibility of being arrested; and also regulators develop such regulations to minimize the loss engendered either by fraud or some other metric. It is shown that under this model, the SEC's focus on states "and quick hits" brings large frauds and a social damages. The research warns that regulators need to both focus on having an efficient prosecution and preventing and decreasing losses.

Hooper & Fornelli (2010): The Centre for Audit Quality (CAQ) roundtable discussions and interviews emphasized that there is no magic solution to preventing and detecting fraud. All groups involved in supplying the financial reporting, from senior management to boards, audit committees, internal auditors, and external auditors, have key roles. The Sarbanes-Oxley Act has significantly improved financial reporting processes and overall corporate governance; all supply chain participants must be watchful for the elements of the fraud triangle. The findings of this report indicate the launch of a focused and coordinated long-term effort to improve the prevention and detection of financial reporting fraud, to finally benefit investors, various users of financial reports, and participants of the capital markets.

Rathinaraj (2010): indicates how information and telecommunication technologies have been integrated with a rise in fraudulent activities. Anonymous servers, hijacked emails and fake websites have been abused as a tool for fraudulent practices in cyberspace. India's cyber-scams on the Internet, increased by the global revolution, are a manifest form of cybercrime. These crimes are not limited to swindling large amount of money in significant business proposals, but also include romance, lottery and charity frauds at different ranges of estimated total losses. The study calls for a dire need for the start of an international cooperation to curb these illicit practices and protect Internet users. Besides diverse new antifraud techniques and regulations, cyberspace is also providing diverse new tools that facilitate these frauds 'taking place.

Sabarinathan (2010): In this research, he explains that SEBI has been empowered through an Act of Parliament in 1992; since then, SEBI has taken different initiative measures to regulate and discipline the Indian securities market and enhance its safety and efficiency. These measures have influenced and transformed generally all aspects of the market and particularly market capitalization; number of listed firms; and trading and turnover sizes both in the spot and future markets. A growing network of financial brokers is working in a highly competitive environment, regulated by a strict, binding set of rules and regulations. India has one of the most advanced equity issuance markets. To produce reliable financial information, the listed companies follow disclosure requirements and accounting policies and techniques which are comparable to the best regimes in the world. The Indian corporate governance code of conduct is comparable to the Sarbanes Oxley Act of the USA. India enjoys one of the most growing asset management businesses in the world, which is both run by the state and private sectors.

Singh (2010): This research contributes to specify certain attributes related to shell companies to restrain the fraudulent practices perpetrated by abuse of the corporate vehicle. The existence of any specified attribute raises the possibility of fraud the companies cause to the economic system.

Katika (2011): This paper stresses on the significance of the process of market monitoring to the stock market. It aids to confirm that all trades abide by the existing rules and also to discover any act of manipulation. Recently, High Frequency Trading, a newly emerged kind of trading, has provided the traders the possibility of placing and tracing orders within milliseconds through a computer program. This paper aims at suggesting a model for a detection engine to be integrated to a monitoring framework to fit in with High Frequency trades. As High Frequency Trading is a very new phenomenon with no established instances of market manipulation, it has been important to figure out those probable certain conditions which could benefit market manipulators. Business intelligence techniques have been utilized to probe historical data and detect what sort of indications our detection engine suits more. It is concluded that ―there have been violations of regulations that were not blocked in real - time, and proved the inefficiency of current market monitoring systems.

Narayanaswamy (2011): He refers to many high-profile incidents of corporate fraud in India, as the Harshad Mehta, Ketan Parekh, and the Unit trust of India cases, just in the few past years. He also refers to the most current Satyam and World Bank Wipro cases that not only have examined the Indian business framework, but also ruffled the globe. It seems to turn to a ―growing systematic problem‖. In this interview with Prof. R. Narayanaswamy, who is a faculty in the Finance and Control area at

IIM (Indian Institute of Management) of Bangalore and a veteran in accounting, he focuses on financial accounting frauds in India, analyzing the recent available cases from various perspectives.

Panigrahi (2011): He introduces a framework for Detecting Internal Financial Fraud Using Analytics. He stresses that financial frauds are very common in our knowledge based society. Detection of internal financial fraud has become a hot area for researchers as the knowledge discovery in databases and fraud audit has been developed. Auditors also indicate that most of the techniques in the process of fraud auditing are almost impossible to be applied. He goes further to apply a framework called

―Knowledge-driven Internal Fraud Detectio (KDIFD) in identifying internal financial frauds which suggests a process-based approach involving forensic auditor's implicit knowledge base as well as computer-based data analysis and mining techniques.

Sabale (2011): It is claimed in this research that by most estimates, 300 million people of India are likely below the poverty line. As the state and the ex-chequer lost Rs. 1.76 Lakh Crore and probably more, time is perhaps ripe enough for the rest of the nation to wake up. India has experienced the biggest corruption instances. He digs deep to detect which scams were the biggest and caused the most losses to the country. According to his findings an average Indian people are hardworking, but the problem is with the people in charge of the system.

Shashidharan, K. P. (2011): He argues that the managers 'zero-tolerance to frauds and their strict observation of the integrity and honesty is a main factor in deterring frauds. A fraud at a value of Rs. 316 crore or more in the Citibank's Gurgaon branch, a bank awarded for being excellent in almost every aspects of banking activity such as best Internet banking and brand equity, may provide useful lessons for the regulators. It was reported that

―the relations manager had got a forged circular in the name of the Securities and Exchange Board of India (SEBI) which claimed that the high return scheme was available only at Citibank's Gurgaon branch. The manager opened eighteen fake accounts and then swindled the investors' money. The top notch banks must enjoy strong and reliable computerized information system, enterprise risk management, and adherence to BASEL norms. In US, the foreign- listed banks are controlled and regulated by Sarbanes Oxley Act of 2002; hence, its Indian counterpart is as well expected to follow the corresponding SEBI Clause 49 Listing Agreement. SEBI and Reserve

Bank of India (RBI); the senior managements; internal audit and IT audit teams; reliable information system auditors; and also external statutory auditors, investigate and audit the banks.

Srinivasan & Srinivasan (2011): This paper reviews the position of the researches on corporate governance and financial fraudulent statements in both Indian and International journals between 2000 - 2010. It is an attempt to realize the nature of researches on corporate governance and financial fraudulent statements in high ranked international journals. It indicates the growing interest in India and discusses whether the researches published in high ranked journals in India show any difference compared with the global discourse on corporate governance. The study of the international and Indian journals‘ research reveals a continuous rising interest in corporate governance and the significance of auditing process in disclosing financial fraudulent practices in India, more empirical researches must be still done in the Indian context and also theories must be developed considering the local realities as the nature of the task of governance is deeply rooted in locally constituted context of an economy. These contributions would strengthen the research in a comparative management perspective.

Zhou & Kapoor (2011): The Report highlights that Financial Stability Forum (FSF) might involve ―manipulation of financial records, intentional omission of events, transactions, accounts, or other significant information from which financial statements are prepared, or misapplication of accounting principles, policies, and procedures used to measure, recognize, report, and disclose business transactions.

Basu (2012): He emphasizes on the need of today‘s marketplace to responsive auditors in fraud detection. This need is invigorated by such legislations as the Sarbanes-Oxley Act and the Auditing Standard, which verify this increasing need mostly in detecting financial statement frauds. A fraud audit consists of a thorough analysis of financial documents to spot where the numbers and/or financial statements do not match. Fraud audit is done in case of any doubt of fraud; however, some companies do it to prevent fraud or to detect it before the perpetrators go too far. Fraud auditing is mostly used in detecting fraudulent transactions, and not to discover how they are produced. It is noteworthy that audit and investigation are not the same task. Auditing entails tracing all transactions of a company in search of a probable fraudulent one. The job of a regular auditor simply is checking the ledger for accuracy of numbers, while a fraud auditor often goes beyond it in search of inconsistencies leading to detecting fraudulent transactions. A fraud auditor‘s task may include reviewing receipts of companies and customers, interviewing employees, customers and even clients, to figure out if a fraudulent act ha s taken place. Many perpetrators think that their plan is too good and original to be detected, but being aware of different frauds ‘patterns and indicators, auditors can most probably detect illegal practices. These indicators include tax management, history of unethical behaviour, document tampering and disregard of procedure which can be spotted wherever there is a fraudulent practice in progress; however, some patterns are less traceable or common than others, but they can still be found.

Blanton (2012): He identifies that Internet has led to the rise of incidence of financial frauds; law enforcement officials and financial fraud experts have foreseen a rise in the trend. According to the Federal Trade Commission (FTC), in 2011, Americans filed over 1.5 million complaints on different types of frauds– over 62 percent just in three years notwithstanding all those unreported. This paper examines different fraud trends and the most common patterns as ―scams and the common who perpetrate them, once identified, are more easily recognized by a potential victim. 61 The first section of the study gives an account of the rise in fraud. The second section explains what have led to this rise. The third section argues why seniors are mostly the targets of frauds. The fourth section classifies four major categories of financial-product fraud. The fifth section explains three of many strategies scammers utilize to convince their targets to invest or purchase financial fraudulent products. It finally concludes that nearly all Americans, especially older Americans, should ―learn how to recognize the signs of fraud.

Kini (2012): He warns that the ICAI is still equivocating on its precise reporting requirements in the companies ‘bills; therefore, the union ministries of finance, law and corporate affairs, the regulators SEBI and RBI must take effective measures to urge the ICAI to arrange an organized well-defined qualitative reporting. Apparently, not many of the members of ICAI‘s central committee are equipped with active practical experiences and comprehensive knowledge on India‘s audit principles, practices, and procedures. It is urgent, for the exact observation of audit reporting process, to start utilizing senior audit expertise and chartered accountants as well as veterans from corporate India as ―Mohandas Pai (ex-Infosys), Sheshasayee (Ashok Leyland), SD Kulkarni and Deosthale (L&T)‖ and others who are well familiar with audit principles, practices, and procedures.

Pasha, Krishna, & Kiran (2012): The researchers claim that today‘s modernized capital market is more organized, well-integrated, and more global. According to this study, Indian equity stocks total market capitalization value was around Rs.70, 00,000 crore on 31st August, 2010. Also, ―Indian equity market is one of the best in the world in terms of technology as well as valuecum-volume of business. In recent years, SEBI has brought very important changes in regulating Indian‘s markets, some examples of which include the increase of retail equity investor limit to Rs.2 lakhs from 1 lakh; decrease of reduction issue-listing period to twelve days; launch of premarket auction sessions; increase in trading time of stock exchanges; enhancing pricediscovery mechanism; introduction of Applications Supported by Blocked Amount (ASBA) in IPOs; application of smart-technology in trading; and allowing Anchor investors in IPOs, etc. They warn that SEBI must stop being involved in day-today regulations and become more devoted to visionary tasks. The SEBI has to balance the costs of regulation and market development. Various regulators should cooperate and regulators also should establish a significant cooperation with industry.

Richhariya & Singh (2012): They claim that because of the rapid rise of Ecommerce, incidents of financial fraud associated with it are also increasing and leading to losing billions of dollars every year. Fraud detection entails investigating the users ‘behaviours to ―ballpark figure, detect, or steer clear of objectionable behaviour: Undesirable behaviour is an extensive term including delinquency: swindle, infringement, and account evasion. Factually, swindle transactions are speckled with genuine transactions and simple pattern matching techniques are not often sufficient to detect those frauds accurately. This research classifies fraudulent behaviours, detects the main sources of fraud, and analyzes the figures of the data according to which frauds have been detected. It also reviews different techniques to identify the financial fraud In various frauds such as

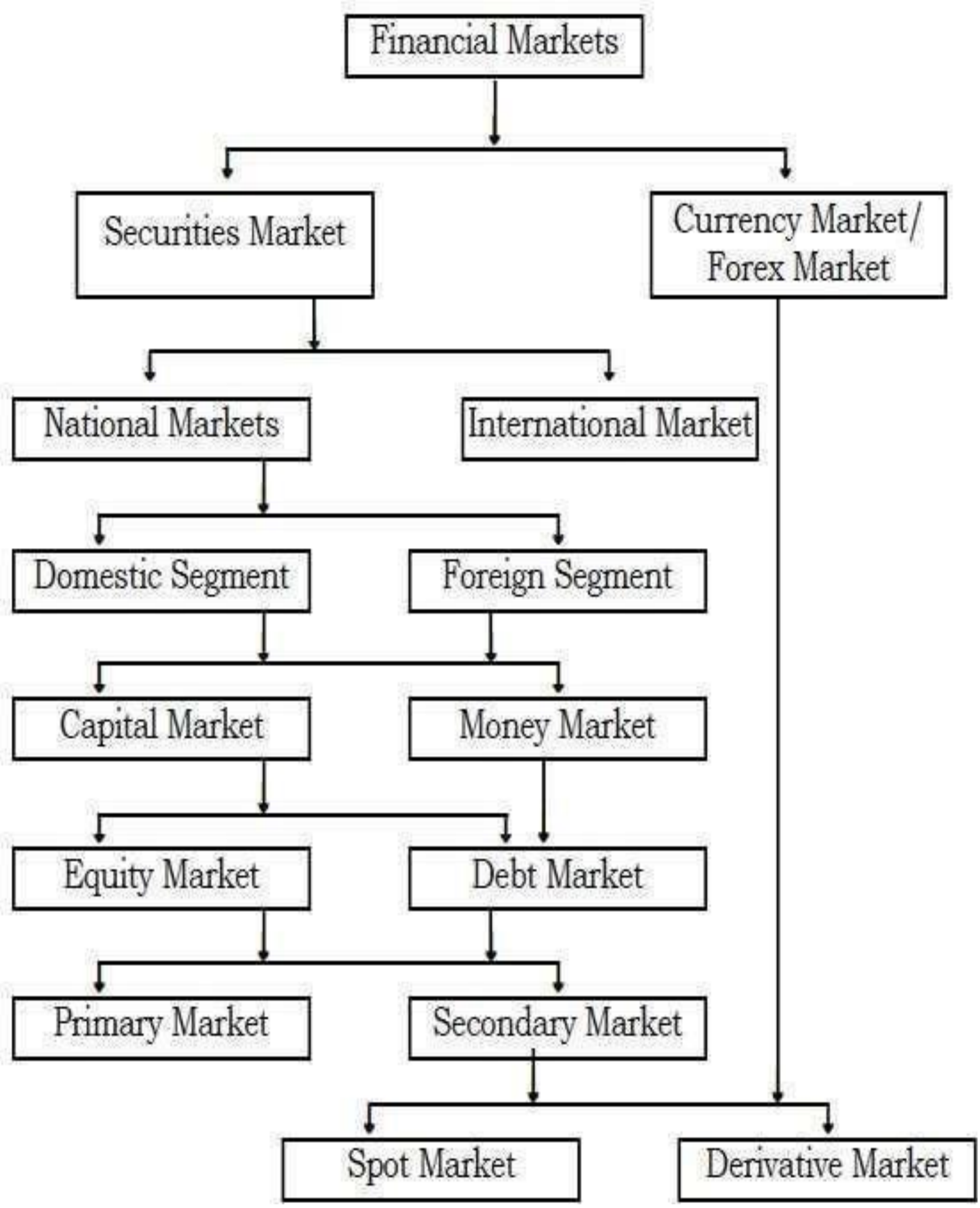
―credit card fraud detection, online auction fraud, telecommunication fraud detection, and computer intrusion detection.

Sharma & Panigrahi (2012): The report, considering the rising instances of financial accounting scams in the current economic scenario, highlights the importance of financial accounting fraud detection (FAFD) for academic, research and industries. Forensic accounting has come to scene as internal auditing systems of the organizations experienced significant failures in detecting the accounting frauds. Processing large, complex financial data is a hard task for forensic accounting to which data mining techniques are considered as a great aid. Reviewing a comprehensive literature on how to apply different data mining techniques, the paper provides a framework for detecting frauds based on data mining techniques. Based on the findings of this review, data mining techniques such as logistic models, neural networks, Bayesian belief network, and decision trees have been mainly applied to find primary solutions to ―the problems inherent in the detection and classification of fraudulent data.

Singh (2012): He states that as the public demand of honesty, fairness, and transparency in financial reporting has recently increased, the need for forensic accountants can no more be taken for granted. Forensic accountants must have a comprehensive knowledge in finance, law, investigative and research skills to detect, interpret, communicate and deter fraud. The increasing number of companies seeking forensic accountants and professional organizations ‘offering certificate in forensic accounting reveal how forensic accountant entails a set of skills that makes it distinct from an auditor or a financial accountant. Forensic accounting is not a new field, but banks, insurance companies, and even police agencies ‘utilizing forensic accountants and auditors show an upsurge recently. In India, as white collar- crimes have increased fast, and it is also mostly believed that India‘s law enforcement agencies do not enjoy enough efficient experts as well as the time needed to detect fraudulent practices, forensic accounting have been increasingly coming to scene. According to this study ―a large global accounting firm believes the market is sufficiently large to support an independent unit devoted strictly to ‘forensic accounting´.

CHAPTER 5

ORGANIZATIONAL STRUCTURE



Board of Members

↓

Chairman

↓

Members

Ministries of Central Government

Dealing with Finance and Law (2 members)

Reserve Bank of India (1 member)

Central Government Nominees (2 members)

CHAPTER 6

DATA ANALYSIS AND INTERPRETATION

WHY DO PEOPLE COMMIT FRAUD? (FRAUD TRIANGLE):

There is no single reason behind fraud and any explanation of it needs to take account of various factors. Looking from the fraudster's perspective, it is necessary to take account of:

Motivation of potential offenders

Conditions under which people can rationalise their prospective crimes away:

Opportunities to commit crime(s)

Perceived suitability of targets for fraud

Technical ability of the fraudster

Expected and actual risk of discovery after the fraud has been carried out

Expectations of consequences of discovery (including non-penal consequences such as job loss and family stigma, proceeds of crime confiscation, and traditional criminal sanctions)

Actual consequences of discovery.

A common model that brings together a number of these aspects is the Fraud Triangle. This model is built on the premise that fraud is likely to result from a combination of three factors: motivation, opportunity and rationalisation.

A) Motivation:

In simple terms, motivation is typically based on either greed or need. Stoy Hayward's (BDO) most recent Fraud Track survey found that greed continues to be the main cause of fraud, resulting in 63% of cases in 2007 where a cause was cited. Other causes cited included problems from debts and gambling. Many people are faced with the opportunity to commit fraud, and only a minority of the greedy and needy do so. Personality and temperament, including how frightened people are about the consequences of taking risks, play a role. Some people with good objective principles can fall into bad company and develop tastes for the fast life, which tempts them to fraud. Others are tempted only when faced with ruin anyway.

B) Opportunity:

In terms of opportunity, fraud is more likely in companies where there is a weak internal control system, poor security over company property, little fear of exposure and likelihood of detection, or unclear policies with regard to acceptable behaviour. Research has shown that some employees are totally honest, some are totally dishonest, but that many are swayed by opportunity.

C) Rationalisation:

Many people obey the law because they believe in it and/or they are afraid of being shamed or rejected by people they care about if they are caught. However, some people may be able to rationalise fraudulent actions as:

- Necessary – especially when done for the business
- Harmless – because the victim is large enough to absorb the impact
- Justified – because 'the victim deserved it' or 'because I was mistreated.'

One of the most effective ways to tackle the problem of fraud is to adopt methods that will decrease motive or opportunity, or preferably both. Rationalisation is personal to the individual and more difficult to combat, although ensuring that the company has a strong ethical culture and clear values should help.

PREVALENCE, VICTIMS, FRAUDSTERS, METHODS :

A) PREVALENCE

HOW BIG IS THE PROBLEM?

Highlights:

• We know that fraud is a major problem

• Complaints of fraud are increasing, although fraud is still under- reported.

• The way we measure fraud is flawed.

• An estimated $40 to $50 billion of measurable, direct costs are lost to fraud annually

• Costs vary by fraud type, and can go far beyond the financial.

• Large amounts of time and money are spent avoiding fraud – not included in the rate or cost statistics.

• Which types of fraud are most common is unclear.

B) VICTIMS

WHO FALLS FOR FRAUD?

Highlights:

• There is no single profile of a fraud victim but certain generalizations can be made about victims of specific fraud schemes

• Our stereotypes about victims are not entirely accurate

• It is difficult to find reliable victim data, which limits the ability to develop a more complete understanding of victim profiles.

•Who is likely to fall victim to fraud is complicated by the two contributing kinds of vulnerability:

a) some individuals may be more likely to be targeted by fraudsters, and
b) others may be more likely to fall for a fraud once targeted.

C) FRAUDSTERS

WHO PERPETRATES FRAUD?

Highlights:

• What we know about fraudsters and their methods is the most limited area of consumer financial fraud research.

• What information we have conforms to broad stereotypes of fraudsters as generally young or middle-class white men of a middle age.

• Some non-demographic measures appear to be linked to fraud offending, though these remain speculative.

• Fraudsters differ from "typical" criminals in as much as they seem to be members of the middle-class backgrounds who were unsuccessful in the mainstream.

• Preliminary findings suggest that fraudsters are motivated by money, an easy lifestyle, and power.

• Fraudsters fail to see themselves as criminals.

TYPES OF FRAUDSTERS:

Fraudsters usually fall into one of three categories:

Pre-Planned Fraudsters:

Who start out from the beginning intending to commit fraud. These can be short-term players, like many who use stolen credit cards or false social security numbers; or can be longer-term, like bankruptcy fraudsters and those who execute complex money laundering schemes.

Intermediate Fraudsters:

Who start off honest but turn to fraud when times get hard or when life events, such as irritation at being passed over for promotion or the need to pay for care for a family member, change the normal mode.

Slippery-slope Fraudsters:

Who simply carry on trading even when, objectively, they are not in a position to pay their debts. This can apply to ordinary traders or to major business people.

D) METHODS

HOW DO WE FALL FOR FRAUD?

Highlights:

- Fraud imitates the strategies and appearance of legitimate products,goods and services.

- While persuasive tactics generally mimic legitimate marketing practices, some extend to threats and/or acts of violence.

• Technological methods (both of contacting targets and receiving payment) mirror the technological transformations of the broader market.

• The methods of fraud remain to be systematically surveyed and investigated.

REASONS AND CAUSES OF FINANCIAL FRAUDS AND SCAMS IN INDIA:

The reasons and causes of different financial frauds in India are discussed below:

1) **Corruption**:

is a major issue affecting India‘s economy. More than 62% of Indians have first -hand experience of paying bribes (Transparency International – 2005)85 In its 2008 study, Transparency International reported about 40 percent of Indians had first-hand experience of paying bribes or using a channel to have a work done in public office.86 In 2012, India was the ninety fourth out of hundred seventy six countries in Transparency International’s Corruption Perceptions Index87 The causes includes such rampant corruption excessive regulations, complicated taxes and licensing systems, many government departments with opaque bureaucracy and discretionary powers, monopoly by government that controlled institutions on certain goods and services delivery, and the absence of transparent laws and processes.88 Until 1980s, the economy of India, socialist inspired policies, was characterized by- extensive regulation, protectionism, and public ownership, policies vulnerable to pervasive corruptionand slow growth.

2) **Lack of Operational Efficiency:**

Efficiency in case of capital market is understood with reference to the availability of information to different sectors / players in the market. Indian capital market is not fully developed or competitive in nature as the flow of information is not always smooth. Insider trading has also resulted in adding operational inefficiency. Sensitive information relating to the financial and operational performance of the company may get leaked from the insiders / decision making authorities of the company. The people who have access to such information are in a position to take undue advantage of having accessof sensitive information. The same information reaches out to the ultimate investors after some time gap and by that time, the persons having access to the information earlier, already get benefited, thus leaving small and genuine investors at distance. Due to this particular problem the genuine investors try to keep themselves away from the market as they may not be in a position to make the 'timely decisions'.

3) **Dominance of Few Corporates and FIs:**

Indian capital markets, since the last several years have been dominated by big corporate houses and by the domestic and foreign institutional investors. To a common man the stock exchange seems to be a place for only elite group or big corporates. To some extent, this is true also as the movements of stocks of few companies direct the way of the entire market. While calculating the values of popular indices (like Sensex or Nifty), also the more weightage is given to the big industrial houses like Reliance, ICICI, Tata etc. This is scientific way to calculate the index as it is based on free-float methodology, but still if few corporates are in a position to drive the markets; it may result into fraudulent actions by market players while making investments in such stocks.

4) **Speculation**:

To some extent, speculation is required to provide liquidity in the market. Without speculation, the turnover in the markets may come down which creates a problem of liquidity. But excessive speculation is dangerous for the health of the markets. In Indian capital markets, speculation has become a well established phenomenon. Often, prices of stocks in the stock exchanges are determined or driven by future expectations than the fundamentals or track record of the respective company. The brokers or insiders try to speculate the prices of shares. Sometimes, even they are involved in spreading rumours in the market about a particular company or a specific sector. They try to convince the other brokers or small investors and force them to go for shares of a particular company. This does not have any relation with company's financial or operating performance. This, in future, would not provide positive returns as such decisions are purely based on speculative motives In India Harshad Mehta and Ketan Parekh were able to involve themselves in such fraudulent activities because of speculation only.

5) **Volatility**:

Another factor which ultimately causes the scams in Indian capital market is volatility. The two important factors which are described earlier viz. presence of FIIs and speculation have made markets more volatile. A genuine investor normally goes for delivery based trading which is a long term investment. On the other hand, day-trader who is a speculator does not go for delivery based trading. Instead, he goes for quick returns and even he is ready to bear the risk of loss in such trade. As the number of such trades is high, it results into volatility. Normally, volatility is the standard deviation of daily returns. More the volatility more is the instability in the markets.

6) Political Support / Interference:

Sahara is not unique in this sense. Many commentators proclaim that Subrata Roy would not have had the nerve to ignore Supreme Court orders so blatantly if there were no political reassurances given to him. In June 2011, former SEBI member KM Abraham wrote a whistle-blowing letter to Dr. Manmohan Singh, Prime Minister of India, blaming the Finance Ministry for interference. He claimed that then-Finance Minister Pranab Mukherjee and his advisor, Omita Paul, were trying to force SEBI Chairman U K Sinha to “manage” high profile cases, including Sahara, though this account was denied by the Finance Ministry as well as Sinha. The political interference in the Saradha Group case is more apparent. Several members of the West Bengal ruling party, the Trinamool Congress (TMC), personally benefitted from the scheme. For instance, there are many reports that suggest Sudipto Sen, Chairman of the Saradha Group, bought paintings by Mamata Banerjee, the Chief Minister of West Bengal, whose government later issued circulars to public libraries to display newspapers published by Saradha. Several Members of Parliament, such as Srinjoy Bose and Kunal Ghosh, were connected to Saradha. Kunal Ghosh reportedly received a salary of over 1.5 million rupees per month from the Saradha Group. In an eighteen page confessional to the Central Bureau of Investigation, Sudipto Sen admitted to illicitly paying huge sums of investor money to many politicians. Among the few he named were Manoranjana Singh, wife of former Congress Member of Parliament Matang Singh, and Kunal Ghosh, whom he accused of blackmail. Many high profile personalities, including Transport Minister Madan Mitra and actor and TMC member Satabdi Roy, publicly endorsed the Saradha Group. Even though, this political involvement is curtailed by the market regulator that we have an example of successful settlement of Sahara and other scams.

7) Failure of Depositories and Involvement of Financial Institutions:

IPO Scam is the classical example for the failure of depositories and involvement of bankers. Two of the most common factors of the major IPO scams in India were the tacit consent of the banks and the poor surveillance techniques. The Depository Participants must be provided the proof of identity and proof of address as a routine check for the opening demat accounts. This was not followed. Numerous dematerialized accounts and bank accounts had been opened under false names and the IPO applications were made in non existing names. Now there is a numerous change in the working of depositories and financial institutions in the Indian capital market because of strict guidelines issued by the SEBI from the time to time.

8) Violation of Corporate Ethics:

If there is any truth to the accusations of Sahara laundering black money, this is a clear breach of corporate ethics on their part. Not only is this a blatant misuse of other people's money, it also raises serious questions about government resources that were wasted on this unnecessarily long investigation. On the other hand, the corporate ethical violations committed by the Saradha Group were more obvious and possibly more damaging. The schemes run by Saradha were primarily aimed at low- income people who did not have access to formal banking. Unsurprisingly, these low income investors were hit hardest by the scam. When the Ponzi scheme collapsed, it caused severe financial loss to its

1.7 million investors, but the poorer population of West Bengal bore the worst brunt. Many were bankrupted, and a great number resorted to suicide. The Saradha case undoubtedly represents the worst kind of damage corporate unethical practices in business can beget. The ramifications of the actions ofa few conniving businessmen and politicians can still be felt throughout rural West Bengal. There is no doubt that conning poor people into investing in a hoax scheme, only to abandon them when it collapses, falls in the far dark end of the ethical spectrum. Therefore, corporate scams of this nature not only symbolize the ethical and moral standards of a company but on a larger scale represent those of the country and her people. This sort of generalization can cause foreign companies to lose interestin investing in a country and could cost India dearly. SEBI is organizing many workshops / programs to educate the investors and other participants even though some persons are not changing their mindset.

9) Insider Trading:

Insider trading has become an inevitable practice in Indian capital market. In the organizational structure, there are some persons who have access to price sensitive information by virtue of their position in the company. If these people use this sensitive information for their own advantage, it results in insider trading. The classic example for insider trading is the Satyam Computers. According to Crime Investigation Department of the State Police and Central agencies 64 promoters Ramalinga Raju indulged in nastiest kind of insider trading of the company's shares to raise money for building a large land bank. The funds collected by the former chairman B. Ramalinga Raju, his brother Rama Raju and their relatives were used to purchase lands in the names of 330 companies and about 30 individuals. According to the SFIO findings, promoters of Satyam and their family members during April 2000 to January 7, 2009 sold almost 3.9 crore shares collecting in Rs 3029.67 crore. The promoters on the basis of the inflated books posed a healthy financial state of the company in the market. As the brand built strong amongst the peers, the share price started shooting up. During this course of time, the promoters kept their objective straight of offloading their shares at frequent intervals. Thus, the promoters not only manipulated share prices to make personal gains but also cheated the other shareholders and investors. SEBI has introduced and timely revising regulations against insider trading but still it are difficult to entirely eliminate this drawback. In the market operators, it is commonly argued that preventing insider trading is as difficult as controlling black money.

10) Weak Corporate Governance:

Corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company. The key mandatory recommendations of SEBI appointed N. R. Narayana Murthy Committee (2003) focus on strengthening the responsibilities of audit committees; improving the quality of financial disclosures, including those related to related party transactions and proceeds from initial public offerings; requiring corporate executive boards to assess and disclose business risks in the annual reports of companies; introducing responsibilities on boards to adopt formal codes of conduct; the position of nominee directors; and stock holder approval and improved disclosures relating to compensation paid to non-executive directors. Even though weak corporate governance is not the main culprit in the Satyam fiasco, the scandal is highlighting the poor state of India's corporate governance, and provides a political opening to institute some reforms. Industry associations like the Confederation of Indian Industry should be proactive in this process, and work with the government in this reform 65 process. Failing to strengthen corporate governance will hurt the entire economy. In particular, the structure and functioning of auditing committees is a central issue of concern.

11) Role of Auditors:

ICAI is the authority for making new auditors of companies. SEBI creates good relationship with ICAI for bringing more transparency in the auditing work of company accounts because audited financial statements are mirror to see the real face of company and after these investors can decide to invest or not to invest. Moreover, investors of India can easily trust on audited financial reports. After Satyam Scam, SEBI is investigating with ICAI, whether CAs are doing their duty by ethical way or not. The Institute of Chartered Accountants of India has imposed a life-time ban on four auditors – S Gopalkrishna, Talluri Srinivas, V. Srinivasa and V S Prabhakara Rao – involved in the Satyam Computers accounting fraud.

12) False Books and Bogus Accounting:

False accounting fraud happens when company assets are overstated or liabilities are understated in order to make a business appear financially stronger than it really is. False accounting fraud involves an employee or an organization altering, destroying or defacing any account; or presenting accounts from an individual or an organization so they don't reflect their true value or the financial activities of that company. According to the findings of SFIO, Satyam's balance sheet as on September 7, 2008 carried an accrued interest of Rs.376 crore, which was non-existent. These figures of accrued interest were shown in balance sheets in order to suppress the detection of such non-existent fixed deposits on account of inflated profits. The investigations also detailed that the company had deliberately paid taxes of about Rs.1,86.91 crore on account of the non-existent accrued interests of Rs.376 crore, which was a considerable loss for the company.

13) Lax Board:

A board of directors is a group of individuals that are elected as, or elected to act as, representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues. Every public company must have a board of directors. Some private and non-profit companies have a board of directors as well. The Satyam Board was composed of 'chairman-friendly' directors who failed to question management's strategy and use of leverage in recasting the company; they were also extremely slow to act when it was already clear that the company was in financial distress. The Board ignored, or failed to act on, critical information related to financial wrong doings before the company ultimately collapsed. Satyam board's investment decision to invest 1.6 billion dollars to acquire a 100 percent stake in Maytas Properties and in 51 percent stake in Maytas Infrastructure, the two real estate firms promoted by Raju's sons, was in gross violation of the Companies Act 1956, under which no company is allowed without shareholder's approval to acquire directly or indirectly any other corporate entity that is valued at over 60 percent of its paid-up capital. Yet, Satyam's directors went along with the decision, raising only technical and procedural questions about SEBI's guidelines and the valuation of the Maytas companies. They did not even refer to the conflict of interest in buying companies in a completely unrelated business, floated by the chairman's relatives.

14) Dubious Role of Rating Agencies:

Credit rating agencies have been consistently accused of their lax attitude in assessing issuers and giving misleading ratings without thorough analysis, as has been the case of Enron and now in Satyam, they failed to warn market participants about the deteriorating condition of company. The rating agencies were allowed to look into company's books for making assessments but they never investigated the financial condition of Satyam. The rating agencies displayed lack of due diligence in their coverage and assessment of Satyam. They based their analysis on fraudulently prepared and audited financial statements and thereby failed to warn investors about Satyam's deteriorating condition.

15) Greed:

It is often connected with money, a desire to acquire as much of it as possible, but it can refer to that kind of urge toward anything, like food or material possessions. When you see greed, it's an ugly thing, whether you're observing a greedy person or the greed of a huge company that treats its workers badly in order to make more money. The good old fashioned human nature intervenes when an individual, or group of individuals, sees a chance to make 'a fast buck'. A good example being those cases where people 'adjust' their expense claims upwards. Those who think the perpetrators of fraud are inherently bad are refusing to confront the issue that good people can turn bad. We trust people who seem trustworthy. But we have to accept that they can change. The best example comes under greed is the Satyam scam that the promoter want multiply more money in different means.

16) Regulatory Gap / Overlap:

responsibility for supervision and development of the securities market is shared by Department of Economic Affairs (DEA), Department of Company Affairs (DCA), Reserve Bank of India (RBI) and SEBI. In view of involvement of a number of agencies, there is scope for confusion among the regulators and the regulated, regulatory gaps and overlaps, and duplicate and inconsistent regulations. For example, no regulator was explicitly assigned the responsibility of regulating collective investment scheme till it caused concern when it was assigned to SEBI. Investor interest would probably be better served if there is only one regulator for the securities market, with clearly defined regulatory jurisdiction and accountability.

17) Lack of Good Control and Vigilance:

In the capital market SEBI, Stock Exchanges, Ministry of Corporate Affairs, Reserve Bank of India, Ministry of Finance, Broking Houses and other agencies are working day and night to stop fraudulent financial practices. But some officials of these agencies get tempted towards illegal commissions and leave corrupt people without any penalty and punishment. Fraudulent financial practices breeds' capital market scams. To keep a check on lacks of traders, more honest officials are required. Hence, there is a tremendous need of these officials in the Indian capital market to promote efficient and effective securities trading. This results in lack of control and fraudulent and unfair activities.

18) Other Causes:

There are other causes prevailing in the Indian markets like inflating project costs and fixing unreasonable premium in the primary market, preferential and reserved allotment of substantial part of capital, benami traders, rackets and tampering with public issue application forms, badla finance etc. Some of these causes have been sorted out, but in general, this results into loss of confidence among small and retail investors. If the secondary markets are healthy, primary markets are attractive. Hence, primary markets, most of the times do not go along the fundamentals of company, industry in particular and economy in general. Lack of protection to the small and genuine investors is also one of the drawbacks of the Indian markets. During this phase itself, there has been emergence of SEBI as a regulator in the Indian capital markets. Initially, SEBI looked just like a 'Tiger without teeth'. But as the time progressed, SEBI became more and more strict and slowly, it became a strong regulator. But still, SEBI has not been successful in all respects. Especially, speculation, insider trading and inefficiency of information are the drawbacks which are still affecting the health of market.

RECOMMENDATIONS TO OVERCOME SCAMS AND FRAUDS:

On September 28, 2015, the historic merger of the erstwhile commodities futures regulator,Forward Markets Commission with SEBI took place in Mumbai. The merger was effected to bring about convergence in regulations and to harness the economies of scope and scale for the Government, exchanges, financial firms, and other stakeholders at large. For SEBI, it is recognition of its tireless efforts towards ensuring an efficient securities market. There is no way of going over every single financial fraud that exists. Even though this is the high time to continue the stringent regulations and implement many more new initiatives to operate the securities market in an efficient and effective way. The following measures are needed to overcome the fraudulent financial practices in the Indian capital market in the near future:

1) Discover and Punish the Guilty:

For many years the criminal justice system has come under severe scrutiny and widespread debate particularly from the media and the public, the extreme lack of confidence within the system, often being the pick of the bunch. Despite the above statement made by the Criminal Justice System many doubts are raised over whether or not the criminal justice system helps defend the innocent or punish the guilty. The majority of the public often hear, read and in many cases see dangerous, violent or other serious financial other offences being carried outyet we still have no answer who these offenders are or why they are still on the streets and have not been punished. This public uncertainty often raises the question whether 70 the justice system is distant, unaccountable and unanswerable. This task was entrusted to the Central Bureau of Investigation (CBI) and to the Joint Parliamentary Committee (JPC). A special court was also been set up to facilitate speedy trial.

2) **Recover the Money:**

Securities fraud, also known as stock fraud and investment fraud, is a deceptive practice in the stock or commodities markets that induces investors to make purchase or sale decisions on the basis of false information, frequently resulting in losses, in violation of securities laws. An offer of risky investment opportunities to unsophisticated investors who are unable to evaluate risk adequately and cannot afford loss of capital is a central problem. Securities fraud can also include outright theft from investors (embezzlement by stockbrokers), stock manipulation, misstatements on a public company's financial reports, and lying to corporate auditors. The term encompasses a wide range of other actions, including insider trading, front running and other illegal acts on the trading floor of a stock or commodity exchange. The draconian provisions of the Ordinance for attachment of property and voiding of transactions with the consequent creation of "tainted" shares were attempts in this direction.

3) **Reform the System:**

The government's response so far has consisted of measures like banning of Ready Forward (RF) deals and going slow on liberalization. The Securities and Exchange Board of India, in its capacity as overseer of the Indian Capital Market has witnessed eleven major scams. The scams bring lawlessness in the investment environment. Proper monitoring of the market should be given a priority by the regulators through constant reforms and surveillance.

4) **Publicity about the Capital Market:**

The three most pressing problems were the excessive use of credit for speculation, the unfair practices employed in speculation, and “the secrecy surrounding the financial condition of corporations which invite the public to purchase their securities.” The provisions of the SEBI Act which attempt solutions for the first and second of these problems are now in full force and effect. There is also the need for publicity about the activities of the capital market. This will help the public understand operations or market intricacies, such as how and from who stocks should be purchased. This will help in reducing the cases of fraud related to investors patronizing unregistered or fake stock brokers.

5) **Co-operation:**

Financial markets have an important relationship with economic development. Regulation has been acknowledged to enable the orderly functioning of the securities market. The Securities and Exchange Board of India is the regulator charged with the orderly functioning of the securities market in India, protect the interests of investors and ensure development of the securities market. Since the establishment of SEBI in 1992, the Indian securities market has grown enormously in terms of volumes, new products and financial services. It is also recommended that the regulatory agencies of the capital market should cooperate with one another to ensure that those who are indicted for fraud in a particular sector are not allowed to operate in another sub- sector.

6) **Standardization of Records:**

Section 11(2) of Securities and Exchange Board of India Act, 1992 provides that the SEBI would register and regulate the working of stock brokers and sub brokers. In fulfilment of the above, the SEBI carries out inspections of the books and records of stock brokers to verify whether: Books of accounts, records and other documents are being maintained in the manner specified by the Securities Contracts (Regulation) Rules, 1957 and SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. The provisions of the SEBI Act, the Securities Contracts (Regulation) Act and the provisions made there under are being compiled with by the broker. Common irregularities noticed during inspection were: (i) Non maintenance of proper books of accounts; (ii) Non issuance of contract notes in proper format and non-fixing of brokers note stamp on contract notes;
(iii) Non reporting of ‘off the floor transactions’ to the exchange; (iv) Misuse of the Exchange Settlement Mechanism to secure certain loan transactions which do not have any relationship to securities business;
(v) Dealing with unregistered sub-brokers and Non segregation of clients and proprietary funds. Hence, the standardization of records of transactions by market operators must be given a serious priority by regulatory agencies.

7) Algorithmic Trading:

The advent of algorithmic trading has rewritten the rules of traditional broking. With significant volumes on the exchanges now being traded with the help of sophisticated algorithms, it is imperative that traders should be fully aware of the trading platforms that would enable them to enable their strategies and remain competitive. Retail investors in India have long yearned for a crack at 72 algorithm trading - which involves use of pre-set computer programs to execute trades

- but their experience has been like teenagers who are too young to drive cars. "Allowing small retail investors to trade using algorithms would be like giving a gun to someone who can't shoot". Hence, the stock exchanges and the market regulator must first educate the retail investors in this regard.

8) Educate Retail Investors:

Retail investors are not in a position to identify and / or appreciate the risk factors associated with certain scrips or schemes. With the result they are not able to make informed investment decisions. SEBI has strongly requested small investors to take adequate precaution before investing in any forthcoming IPO issues. It is observed that 8 out of 37 companies have dubious promoters and merchant bankers. Investors also cautioned not to invest in certain B2 & Z category listed companies who are declaring excellent quarterly results as its authenticity is doubtful. Hence, the market regulators must educate the retail investors by organizing various programs directly or indirectly.

9) Establish Prevention Strategies:

These strategies should be supported from both the internal and external environments. The prevention from the internal environment is gained from the prevention strategies designed by the stock exchanges and the prevention from the external environment is achieved from the regulators and the relevant departments and divisions. The important prevention strategies are: (i) value of honesty and integrity; (ii) specific internal control over the market; (iii) assessment of internal control over market; (iv) participation of regulators in the internal control; (v) greater role intermediaries; (vi) fraud risk management and (vii) effective corporate governance.

10) Establish Detection Strategies:

The research findings indicate that conventional detection methods are commonly found from whistle blowing and hotlines. In addition to these detection procedures, the surveillance system is expected to detect fraud in securities market trading. In relation to this, the research suggests that the regulators should consider the detection tools and software, as initiated by previous research through data mining techniques. The research studies also enable the regulators to clearly describe what constitutes fraudulent financial fraud to assist the market players in reporting the misconduct. In addition, the informers should be highly protected. The research also suggests the availability of whistle blowing and hotline channels to directly report to the Securities and Exchange Board of India. Therefore, any perpetration by the fraudsters would be controlled and mitigated through detection strategies.

11) Pump and Dump Schemes:

They need a mention because they are not always illegal. There are many people that have the power to make a company appear more valuable than it is. Pump-and-dump schemes are often perpetrated by important and influential people that claim a company's shares are amazing, only to sell their shares in the company a few days later. Should you ignore other people's advice? No, you shouldn't, but you should also ask what you would do in their shoes. Would you keep your 2,50,000 shares in a company if it had just jumped up from Rs10 to Rs.10 per share?

12) Verify and Check Out Your Broker:

If the broker has been in business for years, if he /she / they have a good online and offline reputation, then you may be able to trust him /her / them a little more. However, it is also a good idea to get a few references from other people; especially other people in positions of power or that are noted for their honesty and / or authority. The more money you wish to invest, then the more references you should get. Sure, your broker will only give you his / her / their most pleased clients, but even they are able to offer some insights into the type of person / people you are goingto be dealing with.

13) Question the Likelihood of any Return:

Scammers are going to spend a lot of time convincing you of the likelihood of a return. A less sophisticated scammer will spend a lot of time trying to convince you of this, and they are very good at it. You need to be rather more objective and ask yourself just how likely your return is. If it is that likely, then why are they trying so hard to convince you? Think of it this way, if you had a million dollar idea that was going to revolutionize the banana growing industry, would you try “that” hard to sell the idea? Or, would you make it more difficult for people to invest in your idea because you are holding out for the highest bidders? Would you be spending your time trying to convince struggling pensioners? Or, would you be approaching the Bill Gates and Donald Trump’s of this world to look for investment?

14) Guard against Phishing Scams:

Phishing attacks are one of the most common security challenges that both individuals and companies face in keeping their information secure. Whether it's getting access to passwords, credit cards, or other sensitive information, hackers are using email, social media, phone calls, and any form of communication they can to steal valuable data. Investors, of course, are a particularly worthwhile target. To help investors better understand how they can work to avoid falling victim to phishing attacks. The suggested steps against phishing scams are: Ensure that anti- virus, anti-spyware, and any anti-malware applications are maintained up-to-date; Ensure that applications and operating systems are up-to-date, and fully patched; Subscribing to cyber- intelligence services which may be used to identify on-line threats, misrepresentations, or online frauds; and Phishing attacks are predominantly targeting end-users, drive to the heart of the problem by investing in a security education and awareness program to raise the profile of risk.

15) Value Education:

Parents and teachers should inculcate moral values in children. Practice is more persuasive than preaching. The best way to inculcate values in children is not only to preach but to set an example by actual doing. They should set themselves as models of good behaviour. They should narrate stories based on moral values. Teacher should not only teach morals in value education period but they should inculcate values in pupils by correlating value education with various subjects and activities. They should not leave any stone unturned for achieving this great purpose. Hence, there is an improvement in the future generation and we may experience ethical and value financial system in the country.

16) Responsible Citizen:

If an individual is fraudulent, he cannot expect those in power to be free from scams. Hence, it isessential for every citizen to perform his duties faithfully and to the best of their abilities. Every citizen should strive hard to eradicate frauds. People of India should report cases of frauds to vigilance or respective regulators or departments immediately without delay. They should follow up the cases of frauds. Since, merely reporting the evil practice is not sufficient for its complete eradication. Therefore, today's responsible citizen is an ethical investor / trader in the future.

17) Media:

Media has wider coverage and impact. It plays an important role in changing the life of people. It should frequently expose the cases of corporate frauds. It should educate investors against frauds on regular basis. Journalists and editors should give complete information about the issues related to corporate frauds in their newspapers. Reporters should give more importance to the news and information on corporate scams; they should report fraud cases immediately. Nowadays print and electronic media is playing an important role in educating the people about the insights of the frauds and the main culprits involved in that case. At present there is a wide coverage with discussion and debate in one or another media about the Sahara and Saradha Ponzi Schemes and persons involved in these scams. Hence, the people may beware of the schemes and scams and they may take care of themselves in the future.

18) Social Organization:

Non-government organizations should work in coordination with people and regulators / vigilance departments for prevention of illegal activities. They should devise and plan innovative strategies and methods against fraudulent activities.

19) Royalty and Patriotism:

Every citizen of India should become patriotic in true sense. He should give priority and preference to the development of his nation. He should always remain loyal to their beautiful culture, ethics and country. Social workers, political leaders, media and teachers should inculcate true patriotism in the citizens of India.

20) Dedicated and Diligent Leaders:

There should be more dedicated, devoted and diligent leaders like Medha Patkar and Anna Hazare. These leaders dedicated their whole life for eradicating corruption and fraudulent activities. It is the responsibility of every citizen of India to support and cooperate with leaders who are sincerely striving against corruption and fraudulent practices. In this ever changing global financial landscape, financial markets too are evolving, growing and getting more complex. To effectively regulate these markets regulators and policymakers also need to be proactive, keep themselves updated and upgraded. Over a period of time, SEBI has strengthened both its regulatory purview and internal capacity to ensure that the interests of the investors are well protected. With the continuous efforts of the Government, policy makers and market regulators Indian capital market will ascend to newer heights.

FORENSIC ACCOUNTING:

A tool of fraud risk mitigation the inherent limitations in the auditing process necessitate the use of more pointed and intense techniques of analyzing the accounting system and financial statements. “Forensic accounting” is said to be a tool which enables study of financial statements from various angles like propriety, materiality etc. It tries to go beyond what meets the eye. The aim of forensic accounting is to reduce the “Fraud Risk”. Fraud risk is nothing but the likelihood that fraud remains unobserved in businessfirms.

Webster's Dictionary explains the term ‘forensic’ as "Belonging to, used in or suitable to courts of judicature or to public discussion and debate." In this sense, forensic accounting is an analysis of accounting system done with a suspicion in mind about fraud possibilities in an accounting system. Forensic accounting aims at generating evidences suitable for legal proceedings if required and helps in dispute resolution. It helps in detection and prevention of frauds by keeping the accounting system on right track. It connects the facts and the fact-finding tools. It involves investigation and inquiry of accounting information in order to pinpoint uncommon transactions arising as a result of either a fraud or an error.

‘Red Flags’:

This is a key concept in forensic accounting which has been used in the present research. Red flags are also called as fraud indicators showing the possibilities of fraud. Researcher in the present study has studied these fraud indicators which in turn show the need of forensic accounting in India. The red flags show the need to go deep in the books of accounts and use forensic accounting techniques as required. They speak about deviations from the norms or expected activity. They indicate anomalies or unusual events that occur in an organization. Red flags are nothing but warning signals that warrant accountant’s attention to some abnormality in the finances of an organization.

A) Forensic Accountants:

The bloodhounds (Rahbar, 2014) explained that forensic accountant is a fraud expert who possesses knowledge of accounting, auditing, internal controls, risk assessment, investigative skills and also has a basic understanding of the legal environment. (Panigrahi, 2006) stated that forensic accountant has to work towards searching for exceptions, oddities, abnormalities, patterns and doubtful transactions. Forensic accountants hound for conclusive evidences using financial records of an organization, which can be presented in the court of law, in the event of dispute resolution and settlement. These experts take a more proactive, skeptical approach in examining the accounting records as compared to statutory auditors. They do not intend to look for compliance with the accounting or assurance standards and are not keen on arithmetical accuracy. Their main objective is to expose fraud, if any. Forensic accountants can be appointed in many business situations to analyze, interpret, summarize and present financial issues and situations in an understandable 6and supportable manner. They investigate with the help of interviews, laboratory analysis of physical evidence, physical and electronic surveillance etc.

C) Forensic Auditing:

Forensic Accounting encompasses different tools and techniques of finding the truth and creating evidence in case of a fraud possibility. It is an examination of legalities of events by taking together the techniques of propriety, investigative and financial audits. Mr. Kessler, a field auditor in health care industry in early 70's, was the one who gave birth to the concept of "Forensic auditing". The field of forensics was born as a result of economic crime, may it be in the form of fraud or corruption. Forensic Auditing is a branch of forensic accounting field. Forensic auditing has been used mainly for investigation of a fraud or a possibility of fraud and goes on to gather evidences that can be presented inthe court of law.

THE INSTITUTIONAL FRAMEWORK IN INDIA:

There are many institutions working at different levels to control anticorruption laws and policies to raise the society's awareness of which Supreme Court, the Central Vigilance Commission (CVC), the Central Bureau of Investigation (CBI), the Office of the Controller & Auditor General (C&AG), and the Chief Information Commission (CIC) at federal level, and the Anti-corruption Bureau of Maharashtra at local level are just some examples which will be elaborated later.

According to Bertelsmann Foundation Report (2008), recently the Supreme Court challenged the powers of the states in many occasions. For instance, Supreme Court questioned Uttar Pradesh governor's amnestying politically charged individuals based on some arbitrary considerations in 2007. The public litigations on official corruptions are also taken more seriously by judges and in December 2006, the Supreme Court has ratified that prosecutors can start proceedings on politicians' corruptions without prior permission while before this act, prosecutors needed to take permission from parliament speaker or a state governor to charge a member of parliament or legislator.

The Central Vigilance Commission (CVC) has been established as an independent supervisory agency in 1964. The CVC has the power to supervise and investigate the issues regarding the Central Bureau of Investigations and the transactions, including some categories of public servants, complaints against senior public officials at the central level, and also the public sector corruption, not at state-level, but at the federal level. The CVC is recently cooperating with Transparency International India to introduce Integrity pacts in all state-owned public sector corporations, industries and banks. CVC has a complaint mechanism on its website.

The Central Bureau of Investigation (CBI) is the main credible investigating agency of the central government. It works under the Ministry of Personnel, Pensions & Grievances and consists of three subdivisions: the Anti-Corruption Division, the Special Crimes Division, and the Economic Offenses Division. These divisions are mandated to investigate the alleged cases of corruption in different branches of the central government, while they are in need of permission from state governments to inspect cases at the state level. Like the CVC, the CBI also has a mechanism for complaints on its website The Office of the Comptroller and Auditor General (C & AG) has offices of Accountant Generals (AG) in all states of India. It has provided several reports on different state departments such as railways, telecommunications, public sector enterprise, and tax administration, which have disclosed many financial issues, improper monitoring of public expenses, poor targeting and corruptive practices in many branches of government; however, the government has not mostly

Implemented C & AG proposals as it has no authority to ensure compliance with its recommendations.

The Chief Information Commission (abbreviated as CIC) is instructing how the government, courts, universities, police, and also ministries share information of public interest. State information commissions have been also established to practice the 2005 Right to Information (RTI) Act. The commissions however have not been free from criticism.

E-Governance which led to digitalization of a wide range of public services as obtaining licenses, paying taxes and clearing goods, has speeded up government services and decreased corruption. The National Portal of India has later listed all the digitized services. Recently, institutions such as the Supreme Court or the Election Commission have taken a strong stance in controlling wrong and corruptive practices, while main divisions of legislation such as the RTI Act has encouraged more bureaucratic transparency to give citizens access to public records, but these institutional anti-corruption framework generally do not enjoy effective coordination. They often focus on inspecting alleged cases of corruption while they fail to take preventive measures.

WHO CAN INVESTIGATE SUCH SCAMS IN INDIA?

A) JPC (Joint Parliamentary committee):

Joint Parliamentary Committee is one type of ad hoc Parliamentary Committeesconstituted by Indian parliament.

Joint Parliamentary committee has 10 Lok Sabha Members in which 5 members will be from Rajya Sabha and total member of JPC will be 15.

Sue motu or on requests made by them. If a witness fails to appear before a JPC in response to summons, his conduct constitutes contempt of the House.

B) SIFO (Serious Fraud Investigation Office):

Serious Fraud Investigation Office (SFIO) is a multidisciplinary organisation to investigate financial frauds.

The organization is having experts from financial sector, capital market, accountancy, forensic audit,taxation, law, information technology, company law, customs and investigation .

C) CBI (Central Bureau of Investigation):

The Central Bureau of Investigation (CBI) is a government agency of India that serves as a criminal investigation body, national security agency and intelligence agency. It was established on 1 April 1963 and evolved from the Special Police Establishment founded in 1941.

Its motto is "Industry, Impartiality and Integrity"

THE POTENTIAL SANCTIONS OR LIABILITIES FOR PARTICIPATING IN CORPORATE OR BUSINESS FRAUD:

The prescribed sanctions are:

Fraudulent and unfair trade practices relating to securities. The higher of either: a Fine of INR250 million, three times the amount of profits made out of such practices.

Forgery– Two years' imprisonment and / or a fine.

Falsification of accounts– Seven years' imprisonment and / or fine.

Dishonest misappropriation of property- Two years' imprisonment and / or fine.

Criminal breach of trust – Three years' imprisonment and a fine.

Cheating – Simple cases of cheating are punishable with one year's imprisonment And a fine. Cheating accompanied with delivery of property or destruction of any Valuable security is punishable by seven years' imprisonment.

Corporate fraud – Under the Companies Act 2013, a person found guilty of fraud Will receive imprisonment for a term of 6 months to 10 years and a monetary fine of Up to 3 times the amount involved in fraud will be imposed. In case where fraud Involves public interest, the minimum imprisonment is 3 years. In cases where Deposits are accepted with intent to defraud the depositors or for any fraudulent Purpose, every officer responsible for acceptance of such deposit will be personally Responsible without any limitation of liability, in additionto the penalties.

EXPANSION OF FRAUDS AND SCAMS IN INDIAN ENVIRONMENT:

As stated earlier that no economy in the world which is not infected with the virus of fraud whether it is developing economy or developed economy. India is deeply soaked in and characterized by fraud. At the early stage of development of India fraud loft its branches in the Indian economy. The following table reveals some facts which depict the prevalence of the fraud from the early years in India

SR. NO	YEAR RECORDED	DESCRIPTION	KEY PLAYERS	ESTIMATED FINANCIAL LOSS
1.	1948	Jeep scandal case	V. K. Krishna Menon	80 Lakhs
2.	1958	Mundhra scandal case	Haridas Mundhra	12.4 Millions

3.	**1990**	**Bofors scandal case**	**Ottavio Quattrocchi**	**$1.3 billions**
4.	**1992**	**Secuirities scam**	**Harshad Mehta**	**50 Billions**
5.	**1996**	**Jaylalitha Asset Case**	**Jaylalitha jayaraman**	**66.65 Crores**
6.	**2001**	**Securities Scam/UTI Scam**	**Ketan Parekh**	**320 Millions**
7.	2008	Hasan Ali black money controversy	Hasan Ali	$ 8 Billions
8.	**2009**	**Satyam Computer Services**	**Ramalinga**	**78000 Millions**
9.	**2010**	**Commonwealth Games scam**	**Suresh Kulmadi**	**70000 crores**
10.	**2010**	**2G Spectrum Scam**	**M.K. Kanimozhi, A. Raja**	**1.76 lac crores**
11.	2010	Adarsh Housing Society scam	J.k.jaisi mandar Goswami	8 Crores
12.	2011	Tatra truck Scam	Ravi rishi	750 Crores
13.	2012	Coal block allocation Scam	H. C Gupta	1.86 lac crores
14.	2013	Chopper Scam	Marshal S. P. Tyagi	3600 crores
15.	2013	Uttar Pradesh NRHM Scam	Pk Jain, Subhash Chaudhari, kaatar Singh, Jk Singh, Neelprabha	100 Billions

			Chaudhari, RK Singh	
16.	**2014**	**Fodder Scam**	**Lalu Yadav**	**9.4 Billions**
17.	**2018**	**PNB Scandal**	**Nirav Modi**	**11400 Crores**
18.	**2022**	**ABG Shipyard Scam**	**Ashwini kumar, Rishi Agarwal, Santhanam Muthuswamy**	**22842 Crores**

In 1948, Jeep Scandal was the first major corruption case of independent India. Mr. V.K. Krishna Menon was the main player of the case. Fraud has been described as the worst enemy of our businesses both in the past and in the present (Hamilton and Gabriel, 2012). There is rarely a week that passes without the report of fraud or other fraudulent activities being reported in the Indian Newspapers. Comprehensive fraud statistics are difficult to come by because government agencies and companies tend to keep records of only those frauds that affecttheirarea of interest.

India, despite some improvement, remains a challenging fraud environment. It possesses the highest number of companies affected by fraud of any region or country (68%) and its average loss to fraud (1.2% of revenue) is significantly higher than the global average (0.9%). According to Global Fraud Report 2012, eight of the 10 fraud covered in the survey were more widespread in India than they were globally, in particular: internal financial fraud (22% of Indian companies were affected compared to 12% overall) and vendor or procurement fraud (20% compared to 12%).

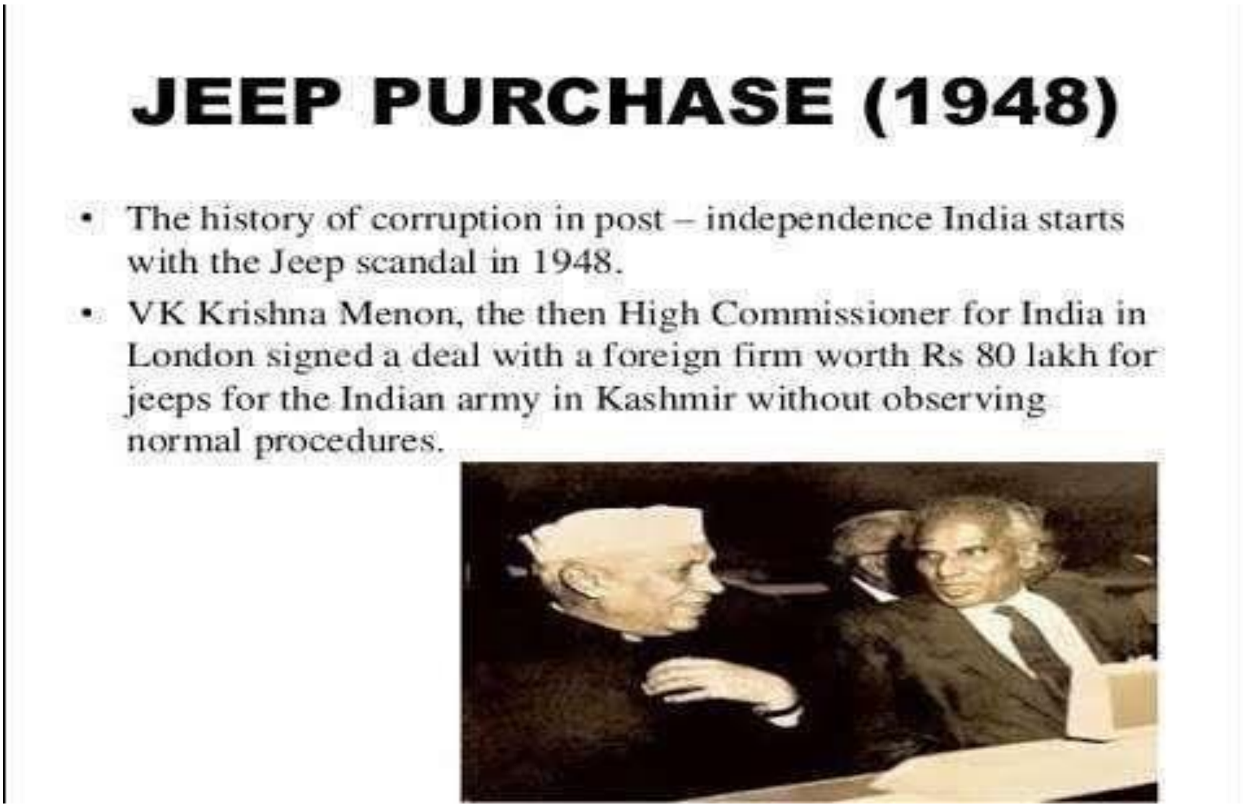
The number of firms affected by corruption dropped in the last year from 31% to 20%. Nevertheless, this is still well above the average (11%) and corruption remains a leading fraud concern; half of Indian companies still report themselves moderately or highly vulnerable.

India in the past 2013 had a multi-faceted fraud problem, with seven different frauds affecting more than 15% of companies. In particular, over the last 12 months the country had an above average incidence of theft of physical assets (33% of companies were affected compared to 28% for the survey as a whole), corruption (24% compared to 14%)

CHAPTER 7

FEW OF THE SCAMS THAT SHOOK INDIA IN THE PAST:

1) JEEP Scandal Case 1948:



<u>What happened?</u>

The jeep scandal in 1948 was first major corruption case in independent India. V.K. Krishna Menon, the then Indian high commissioner to Britain, ignored protocols and signed a Rs 80 lakh contract for the purchase of army jeeps with a foreign firm, for the purchase of 4603 army jeeps. While most of the money was paid up front, just 155 jeeps landed the then Prime Minister Nehru forced the government to accept them.

<u>Its Impact:</u>

As the case was closed, there was no such big impact of that scam on the economy of India.

Action taken on it:

Govind Ballabh Pant the then Home Minister and the then Government of Indian National Congress announced on 30 September 1955 that the Jeep scandal case was Closed for judicial inquiry ignoring suggestion by the Inquiry Committee led by Ananthsayanam Ayyangar.

2) Mundhra Scandal Case 1956:

What happened?

It was the media that first hinted there might be a scam involving the sale of shares to LIC. Feroz Gandhi sourced the confidential correspondence between the then Finance Minister T.T. Krishnamachari and his principal finance secretary, and raised a Question in Parliament on the sale of 'fraudulent' shares to LIC by a Calcutta- based Marwari businessman named Haridas Mundhra. The then Prime Minister, Jawaharlal Nehru, set up a one-man commission headed by Justice M.C Chagla to investigate the Matter when it became evident that there was a prima facie case. Chagla concluded That Mundhra had sold fictitious shares to LIC, thereby defrauding the insurance Behemoth to the tune of Rs. 1.25 crore.

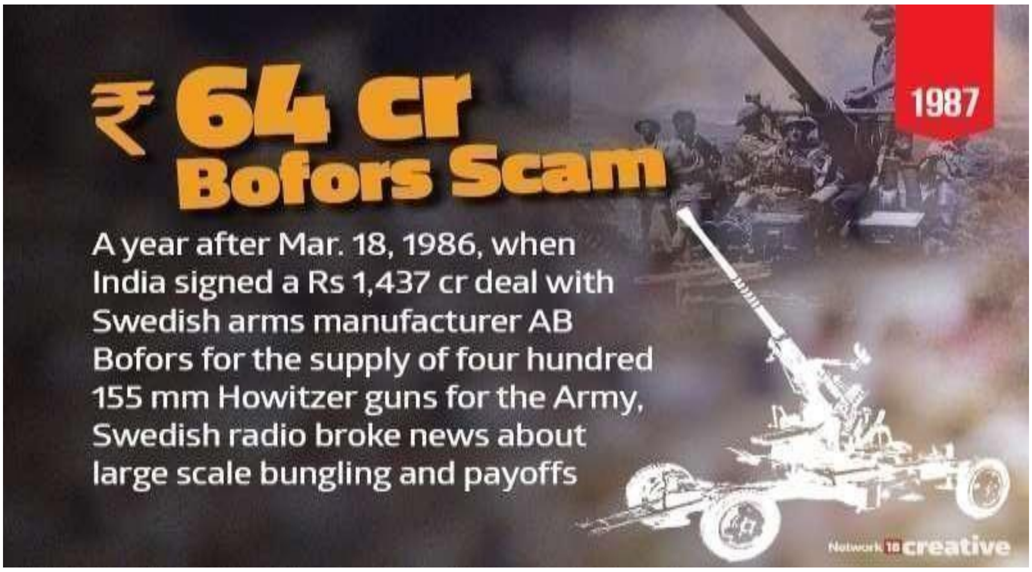
It's Impact :

The matter was dramatised further in the public mind by the tense relations between Feroze and his father-in-law. This rift was well known and it lent drama to the already Sensational matter when Feroze Gandhi raised the Mundhra question on the floor of The parliament. Thus the prime minister was confronted by his own son-in-law. The Fierce Finance minister, himself a noted industrialist, initially snapped "That is not the Fact," but had to admit later that this in fact was the case.

Actions taken on it?

Mundhra was sentenced to 22 years in prison. The scam also forced the resignation of T.T.Krishnamachari.

3) Bofor scam 1990:



What happened?

The Bofors scandal was a major corruption scandal in Sweden and India in the 1980s and 1990s. The scandal relates to illegal kickbacks paid in a US $1.3 billion deal between the Swedish arms manufacturer Bofors with the government Of India for the sale of 410 field howitzer guns, and a supply contract almost twice That amount. The middleman associated with the scandal was Ottavio Quattrocchi, Was believed to be a major player in the scam.

The case came into light during Vishwanath Pratap Singh's tenure as defence minister, and was revealed through Investigative journalism tipped off by a Reuter's news revelation on Swedish radio, Followed up by a team led by N. Ram of the newspaper The Hindu.

The journalist Who secured the over 350 documents that detailed the payoffs was Chitra Subramaniam reporting for The Hindu. Later the articles were published in The Indian Express and The Statesman when The Hindu stopped publishing stories about The Bofors scandal under immense government pressure and Chitra Subramaniam Moved to the two newspapers. In an interview with her, published in "The Hoot" in April 2012 on the 25th anniversary of the revelations. Sten Lindstrom, former chief of Swedish police discussed why he leaked the documents to her and the role of whistle–Blowers in a democracy.

<u>It's Impact:</u>

The scandal broke Rajiv Gandhi's honest, corruption free image in Public. V.P. Singh was dismissed as defence minister as well as from the congress Party.

<u>Action taken on it:</u>

After years of legal battle, the Bofors saga came to an end on July 13, 2013 with Quattrocchi's death.

4) Harshad Mehta Securities Scam 1992:

What happened?

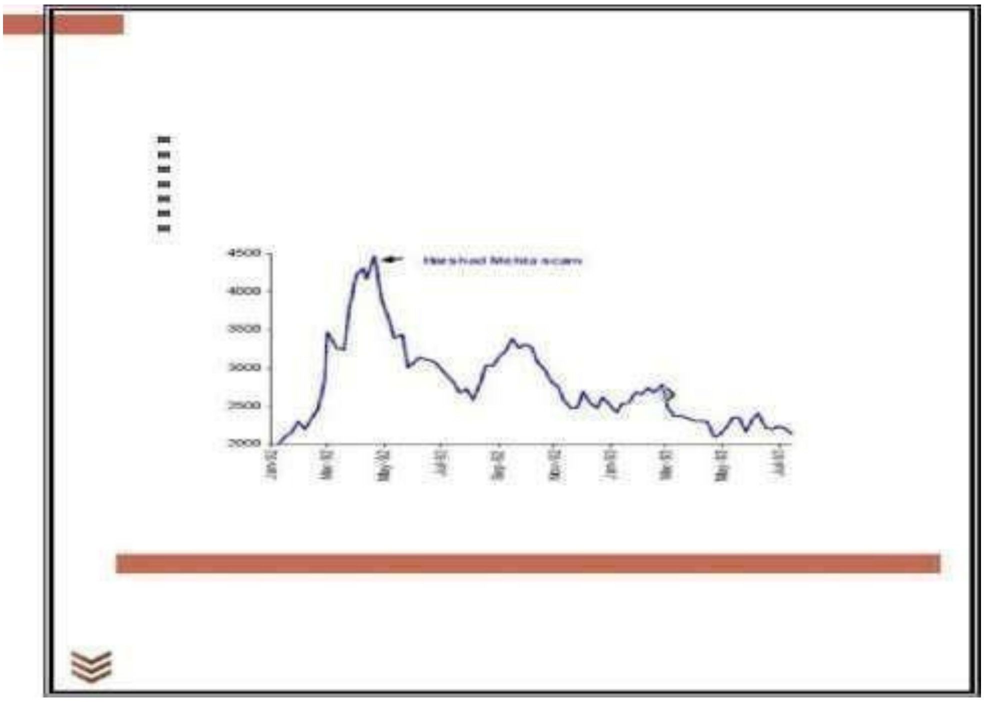
Harshad M Mehta was an Indian stockbroker, well known for his wealth and for Having been charged with numerous financial crimes that took place in 1992. Of the 27 criminal charges brought against him, he was only convicted of one, before his Death at age 47 in 2001. It was alleged that Mehta engaged in a massive stock Manipulation scheme financed by worthless bank receipts, which his firm brokered in "ready forward" transactions between banks. Mehta was convicted by the Bombay High Court and Supreme Court of India for his part in a financial scandal valued at 49.99 billion (US$820 million) which took place on the Bombay Stock Exchange (BSE). The scandal exposed the loopholes in the Bombay Stock Exchange (BSE) Transaction system and SEBI further introduced new rules to cover those loopholes. He was tried for 9 years, until he died in the late 2001.

It's Impact:

Fake BRs were issued, they were passed on to other banks and the banks in turn gave Money to Mehta, assuming that they were lending against government securities when This was not really the case. This money was used to drive up the prices of stocks in The stock market. When time came to return the money, the shares were sold for a Profit and the BR was retired. This went on as long as the stock prices kept going up, And no one had a clue about Mehta's operations. Once the scam was exposed, though, A lot of banks were left holding BRs which did not have any value the banking system Had been swindled of a whopping 40 billion When the scam was revealed, the Chairman of the Vijaya Bank committed suicide by jumping from the office roof. He knew that he would be accused if people came to know about his involvement in Issuing checks to Mehta. M J Pherwani of UTI was also linked to Mehta.

Action taken on it:

He was arrested and banished from the stock market with investigators holding him Responsible for causing a loss to various entities. Mehta and his brothers were arrested By the CBI on 9 November 1992 for allegedly misappropriating more than 2.8 million Shares.



The graph shows the rise in the Sensex during the period when Harshad Mehta was Operational and putting in loads of money in the stock exchange increasing the Liquidity and thus arbitrary increase in the prices of some shares.

The graph indicates the declining movement of Sensex due to Harshad Mehta securities scam.

5) Jaylalitha Asset Case:

What happened?

Jayalalithaa is a three-time chief minister of the South Indian state of Tamil Nadu. Jayalalithaa was accused of misusing her office during her first tenure as chief minister during 1991 -96 to amass properties worth 66.65 crores and depositing the amount in her proxy accounts. The assets under the purview of the case are the farm houses and bungalows in Chennai, agricultural land in Tamil Nadu, a farm house in Hyderabad, a tea estate in the Nilgiris, valuable jewellery, industrial sheds, cash deposits and investments in banks and investments and a set of luxury cars. A raid in her Poes garden residence in 1997 recovered 800 kg (1,800 lb) silver, 28 kg (62 lb) gold, 750 pairs of shoes, 10,500 sarees, 91 watches and other valuables. The valuables were kept in a vault in Reserve Bank of India in Chennai. The opposition party petitioned to request the court to take the control of the assets, but the special judge John Michael Cunha who inspected the assets on 7 January 2014, ordered the assets to be transferred to Bangalore. The judgement of the case was pronounced on 27 September 2014 in the Special Court which convicted all four including Jayalalithaa guilty. The case had political implications as it was the first case where a ruling Chief minister had to step down on account of a court verdict.

It's Impact:

The Supreme Court instructed her to appear personally in the court set up at Parpana Agrahara andanswers the questions, against her appeal to avoid personal appearance In the court quoting security reasons and move the court to a location closer to the Airport. She gave her statement and answered questions for two consecutive days on 20 and 21 October 2011.A chief minister undergoing trial in a court invited lot of criticism and the opposition Demanded her resignation.

Action taken on it:

The judgement of the case was pronounced on 27 September 2014 in the Special Court which convicted all four including Jayalalithaa guilty. Jayalalithaa was Sentenced to four years simple imprisonment under sections 13 (1) € and 13(2) of The Prevention of Corruption Act and imposed a fine of 100 crores, which would be Adjusted against the properties already confiscated. The three co- accused were all Sentenced to four years simple imprisonment under Sections 120B and 109 in Indian Penal Code (IPC) and a fine of10 crores each.The failure of payment of the fine would result in another additional year of sentence. The sentence resulted in Jayalalithaa getting disqualified as a MLA and the Chief Minister of the state. She would also not be able to contest elections for 10 years Barring the victory in higher courts.Recently the bail plea was rejected by the Karnataka high court bench.

6) Ketan parekh Securities Scam/UTI Scam 2001:

What happened?

Ketan Parekh is a former stock broker from Mumbai, India, who was convicted in 2008, for involvement in the Indian stock market manipulation scam in late 1999-2001. Currently he has been debarred from trading in the Indian stock exchanges till 2017. He was trainee of Harshad Mehta. Formed a network of brokers, Identified and Targeted 10 stocks. Zee telefilms went up fro m Rs. 127 to Rs. 2330, Himachal Futuristic- Rs. 194 to 2553.

Though Parekh is currently barred from stock trading, in 2009, the Securities and Exchange Board of India alleged a variety of companies and other actors were trading On behalf of Parekh; 26 entities were banned from trading as a result of that investigation. In March 2014 he was convicted by a special CBI court in Mumbai for Cheating and sentenced to two years rigorous imprisonment.

<u>It's Impact:</u>

Investigations by SEBI and CBI reveal that sheer magnitude of money moved by Parekh was a staggering 64 billion Ketan Parekh was threatening to sue the Bank of India for defamation because it complained of bouncing of 1.3 billion pay orders issued to the broker by Madhavpura Mercantile Cooperative Bank.

<u>Action taken on it:</u>

SEBI allowed banks for collateralised lending only through BSE and NSE, RBI started inspecting accounts and sub-accounts twice a year in spite of once in two year. SEBI banned naked short sales. SEBI also banned trading by all stock exchange presidents, vice presidents and treasurers SEBI launched immediate investigation on the scam. It suspended all the broker member directors of BSE'S governing board.

GRAPH SHOWING THE IMPACT OF KETAN PAREKH SECURITIES SCAM ON STOCK MARKET.

7) Hasan Ali black money controversy (2008)

What happened?

Hasan Ali Khan is an Indian businessman. In 2007, Indian authorities began investigating Khan for suspicion of money laundering. He reportedly had a Swiss bank account with $8 billion in deposits. He allegedly stashed away billions into Swiss bank accounts with the help of Kolkata based businessman, Kashinath Tapuriah and Delhi based Praveen Kumar using hawala. The Supreme Court of India intervened and asked why Khan and others were not interrogated despite sufficient evidence against them.After this criticism, Khan was arrested by ED in March 2011. In May 2011, ED formally chargesheeted Khan and his associate Kashinath Tapuriah under the Prevention of Money Laundering Act, 2002. ED lawyers said Khan had laundered money for international arms dealer Adnan Khashoggi on several occasions. Khan claimed that he was framed. Khan was charged with serving as a front for Khashoggi.

Allegedly, in 2003, Khan helped launder US$300 million of money Khashoggi made through arms sales through the Zurich branch of Swiss bank UBS. Khashoggi reportedly had to use Khan as a front as UBS had blackballed him due to his notoriety. Introduced to UBS by Khashoggi in 1982, Khan enabled the arms dealer to launder funds held in American accounts through UBS Geneva. One of Khan's accounts eventually was blocked when it was determined that the source of the funds came from Khashnoggi's armssales. India Today magazine claimed that it had verified a letter confirming that $8 billion in black moneywas in a Swiss bank UBS account and the Government of India too has verified this with UBS. However,the Swiss bank UBSdenied

Indian media reports alleging that it maintained a business relationship with or had any assets or accounts for Hasan Ali Khan accused in the $8 billion black money case. Upon formal request by Indian and Swissgovernment authorities, the bank announced that the documentation supposedly corroborating such allegations were forged and numerous media reports claiming $8 billion in stashed black money were false.

Its impact:

Mr Khan claims that records of his Swiss accounts are forged. Income tax authorities have admitted toNDTV that the documents found at Mr Khan's residences have not been corroborated by Swiss banks.

The tax arrears of approximately Rs. 910 billion which was not possible to recover by Standing Committee on Finance n January 2011, the then Finance Minister of India, Pranab Mukherjee announcedthat both Swiss bank accounts of Hasan Ali Khan were emptied.

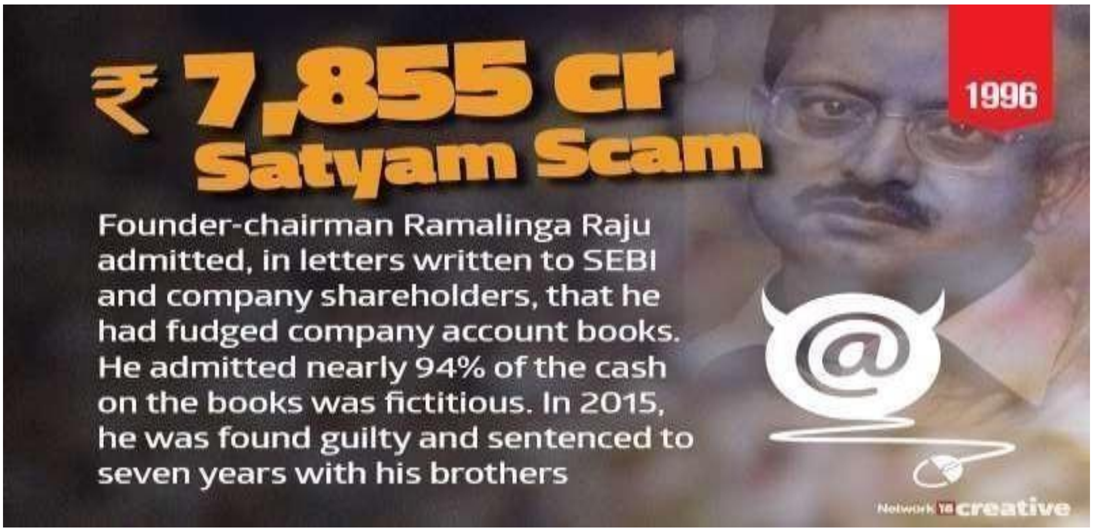
Actiontaken on it:

Mr Khan was taken from his home in Pune to the Enforcement Directorate's Mumbai office, where he was reportedly interrogated for money-laundering and foreign exchange violations and for financial traces to international arms dealers and smugglers. Searches at his home in Pune began early Monday morning andlasted eight hours. Raids in cities like Kolkata and Hyderabad were also conducted at properties with linkstoMr Khan or some of hisbusinessassociates.

Asof October 2013, Hasan Ali isinjail since hisbail petitionshave beenrejected several timesbyvarious courtsincluding the Bombay HighCourt and the Supreme Court of India.

Hasan Ali hasdenied all the allegations and said he had no Swissbank accounts and some of hisrivalscould be behind the charges.

8) **Satyam Computer Services Scam 2009:**



What happened?

The Satyam Computer Services scandal was a corporate scandal that occurred in India in 2009 where Chairman Ramalinga Raju confessed that the company's accounts had been falsified. The Global corporate community was shocked and scandalised when the chairman of Satyam, Ramalinga Raju resigned on 7 January 2009 and confessed that he had manipulated the accounts by US$1.47-Billion. On 10 January 2009, the Company Law Board decided to bar the current board of Satyam from functioning and appoint 10 nominal directors. "The current board has failed to do what they are supposed to do. The credibility of the IT industry should not be allowed to suffer."

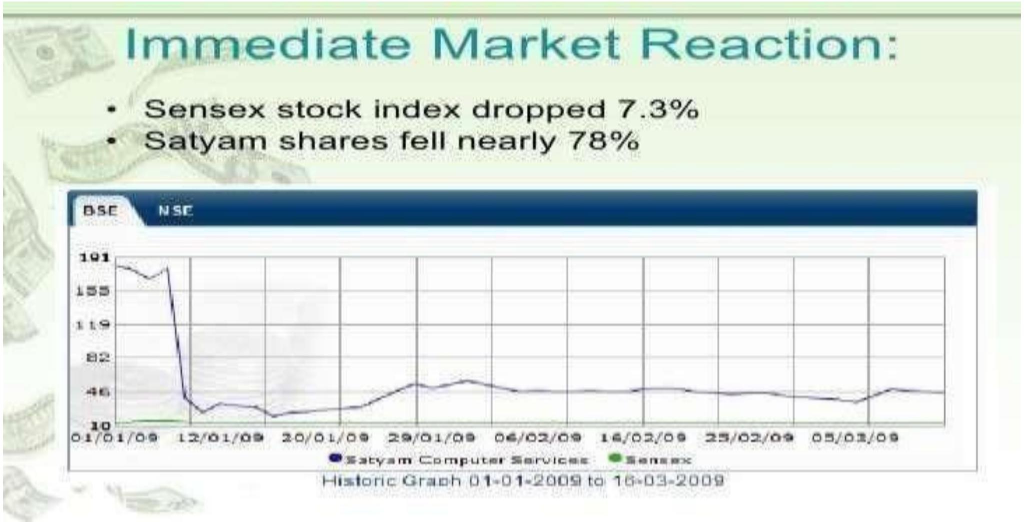
Said Corporate Affairs Minister Prem Chand Gupta. Chartered accountants regulator ICAI issued show-cause notice to Satyam's auditor PricewaterhouseCoopers (PwC) On accounts fudging. "We have asked PwC to reply within 21 days," ICAI President Ved Jain said. The Indian Government has stated that it may provide Temporary direct or indirect liquidity support to the company. However, whether Employment will continue at pre-crisis levels, particularly for new recruits, is Questionable On 22 January 2009, CID told in court that the actual number of Employees is only 40,000 and not 53,000 as reported earlier and that Mr. Raju had Been allegedly withdrawing 200 million (US$3 million) every month for paying these 13,000 non-existent employees. On 15th September 2014, the special CBI court Hearing the case has asked the concerned parties to appear before the court on 27th October. Date of judgement will be indicated later on that day.

It's Impact:

Huge losses to investors aside, the Satyam scandal has caused "serious damage" to India Inc's reputation as well as the country's regulatory authorities outside.The Government certainly cannot remain aloof and allow Satyam to die off Especially when it provides occupation to 53,000 odd people and indirectly supports More than a million Indians the consequences of the Satyam scandal will depend Partly on policy responses. The press is pointing out that many Indian companies Could have similar hidden problems. If investors get suspicious, this could severely Damage the corporate sector and the country's chances of getting back to 9 percent Growth. My guess is that Satyam itself will not survive. It already has liquidity Problems. It has a large number of corporate customers, who are locked in to Satyam In the short run, but who will each be looking for an alternative: they cannot afford to Rely on a firm that may not survive. The only exit strategy here is probably a buyout, Which will allow a complete replacement of Satyam's discredited senior management

Action taken on it:

Many people, including a former director, some politicians, etc have come forward Now, saying they had suspected 'something was wrong' in Satyam years ago. Some of Them even claim to have written to the authorities, but all this was to no avail. The Government, on its part, was perhaps too busy projecting the stellar show of the Indian IT sector and did not find it necessary to launch an enquiry into these 'complaints,' so To speak. Thus by way of negligence the government too is equally guilty in not Having managed to save the shareholders, the employees and some clients of the Company from losing heavily.Ramalingam Raju along with 2 other accused of the scandal, had been granted bail From Supreme court on 4 November, 2011 as the investigation agency CBI failed to File the charge sheet even after more than 33 months Raju being arrested.



Graph showing the immediate market reaction post Satyam scandal

9) Commonwealth Games scam 2010:

What happened?

Among all the scams in India, the CWG scam is perhaps the only one that drew the Attention ofmedia worldwide. A day after the conclusion of the Games, the Centre Announced formation of a special committee to probe allegations of corruption and Mismanagement against the Organising Committee (OC). During investigations, Organising Committee chairman Suresh Kalmadi's name surfaced as the main Accused. Kalmadi has been accused of awarding a contract to install Timing,Scoring And Results (TSR) system for the 2010 CWG to Swiss Timing at inflated rates Causing aloss of over Rs 90 crore to the exchequer. The CBI has alleged that Kalmadi Awarded the contractto the Swiss firm at a much higher bid despite having a cheaper Option. Apart from Kalmadi, the CBI has named eight persons including OC former Secretary General Lalit Bhanot and former Director General VK Verma as accused. Promoters of two construction firms, PD Arya and A K Madan of Faridabad- based Gem International and AK Reddy of Hyderabad-based AKR Constructions are also Accused in the case. On 25 April 2011, CBI arrested former CWG Organising Committee (OC) chairman Suresh Kalmadi in the Timing-Scoring-Result (TSR) case. He was arrested under Sections 120 B (criminal conspiracy) and 420 (cheating) of th**e** Indian Penal Code On 20 May 2011, CBI filed the first chargesheet in a special CBI court against Kalmadi. The CBI alleged that he was the main accused in awarding TSR system Contract to a Swiss firm. The charge sheet said, "Kalmadi is the main accused as he Was the person with all supreme powers.

He had the supreme over-riding powers in The Organizing Committee of the CWG, 2010." In addition to Kalmadi, the CBI Named two companies and eight persons including OC former Secretary General Lalit Bhanot and former Director General VK Verma as accused

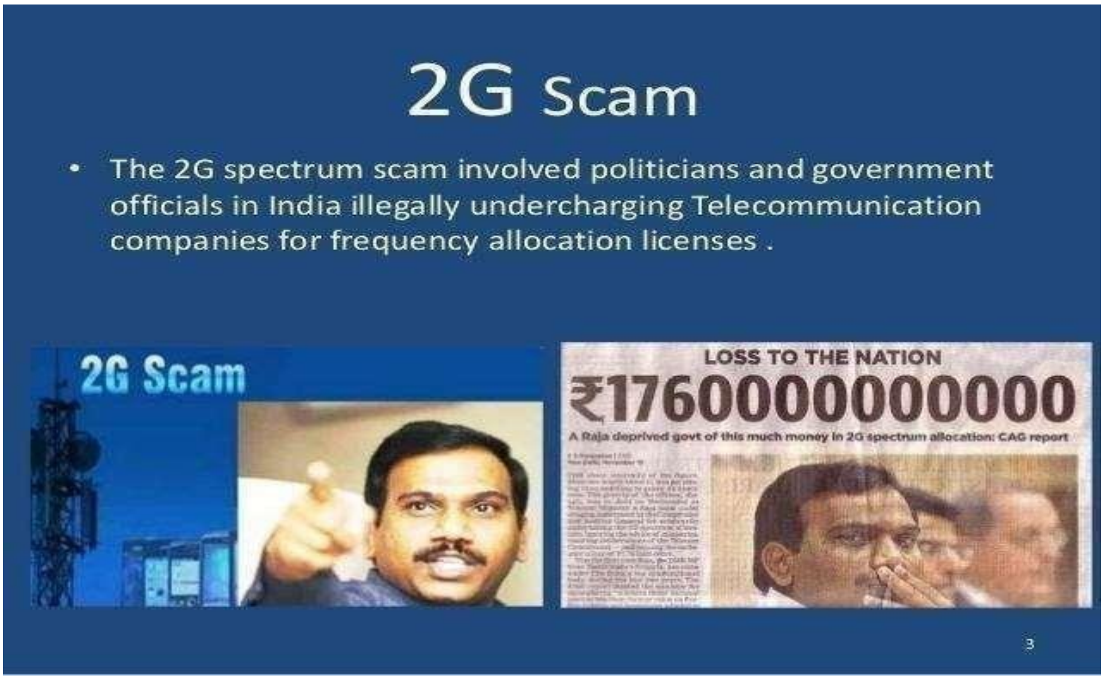
<u>It's Impact:</u>

Since there was a huge expenditure that was being spend into such a big Commonwealth Games, so there was a complete serenity over the fact that though being spending so much money, yet things were not utilized for the proper ways. There were huge volumes of children and people being hired on day night prospects which enamoured the worst part of using them up in CWG Games Project aspect.

<u>Action taken on it:</u>

Kalmadi's membership of the Indian National Congress Party was suspended after being arrested and charged with corruption. On 26 April 2011 he was sacked from the post of president of the Indian Olympic Association. Later on, on July 1, 2013 he lost the election for the post of President of the Asian Athletics Association, a post which he had held for 13 consecutive years, losing to Qatar's Dahlan Jumaan Al-Hamad.Suresh Kalmadi was in jail for 10 months and the court asked him to pay a surety amount of Rs. 500,000 Kalmadi was allowed by a Delhi court on 13 July 2012 to go to London for 2012 Olympics He was, however, restrained on 25 July 2012 by the Delhi High court from participating in the opening ceremony of the London Olympics, saying his participation can cause "embarrassment" to the nation He claimed to be suffering from dementia during course of investigation while in Tihar jail. Medical tests were not conclusive to be able to prove his claim.

10) 2G Spectrum Scam 2010:



<u>What happened?</u>

One of the largest financial scams in the country, the 2G scam involves undercharging By government officials to various telecom companies during the allocation of 2G Licenses for cell phone subscriptions. The telecom bandwidth tender was undervalued And offered to a preferred few on a ‘First-Come-First-Served’ basis instead of a Transparent auction system, advised by the PMO. While the CAG pegs the scam Amount at Rs176, 000 crore, the CBI estimates it at Rs30,984 crore.All the speculations of profit, loss, and no-loss were put to rest on 2 February 2012 When the Supreme Court of India delivered judgement on a public interest litigation **(**PIL) which was directly related to the 2G spectrum scam.

The Supreme Court declared the allotment of spectrum as “unconstitutional and arbitrary” and quashed all 122 licenses issued in 2008 during the tenure of A. Raja (then minister for Communications & IT from 2007 to 2009) the main official accused in the 2G scam Case.

The court further said that A. Raja “wanted to favour some companies at the cost Of the public exchequer” and “virtually gifted away important national asset. The zero Loss theory was further

demolished on 3 August 2012 when as per the directions of The Supreme Court, the Government of India revised the base price for 5 MHz 2G
Spectrum auction to 140 billion (US$2.3 billion), leading the value of spectrum to Amount to roughly 28 billion (US$450 million) per MHz: a figure close to the CAG's Estimate of 33.5 billion (US$540 million) per MHz

It's Impact:

The investor sentiment has been negative and telecom stocks plunged in India. The Other side of the argument is that the telecom sector is seeing a lot of growth Opportunities and going ahead there will be multiple avenues for the telecom service Providers to boost their revenues.

The selling of the licenses brought attention to three groups of entities politicians and Bureaucrats who had the authority to sell licenses, corporations who were buying the Licenses and media professionals who mediated between the politicians and the Corporations.

Action taken on it:

Raja, Taken into custody (arrested) by CBI on 2 February 2011 On 9 May 2012 he Applied for bail for the first time since his arrest and was granted bail on 15 May 2012As of August 2012, trial is being conducted in Special CBI Court.

M. K. Kanimozhi, Taken into custody (arrested) by CBI on 20 May 2011. Granted Bail on 28 November 2011 after spending 188 days in judicial custody As of August 2012, trial is being conducted in Special CBI Court

Bureaucrats named as accused in the chargesheet filed by CBI in the Special CBI Court, allegations levelled against them by CBI and charges framed against them by The Special CBI court.

11) Adarsh housing Society Scam 2010:

What happened?

The Adarsh Housing Society is a posh, 31 storey building constructed on prime real estate in Colaba, Mumbai, for the welfare of war widows and personnel of India's Ministry of Defence. Over a period of several years, politicians, bureaucrats and military officers allegedly conspired to bend several rules concerning land ownership, zoning, floor space index and membership get themselves flats allotted in this cooperative society at below-market rates.

The scam was unearthed in November 2010 which forced the then Chief Minister of Maharashtra, Ashok Chavan, to resign. In 2011, a report of the Comptroller and Auditor General of India (CAG) said, "The episode of Adarsh Co-operative Housing Society reveals how a group of select officials, placed in key posts, could subvert rules and regulations in order to grab prime government land - a public property - for personal benefit.

The scam is notable for the fact that it was enacted over a period of ten years and required the active involvement of successive officials in many crucial posts. Rules and regulations across many departments and ministries, either at the Centre and the state of Maharashtra, were flouted or bent to allow for the construction of the building. Some of the more blatant transgressions included: obtaining a No Objection Certificate (NOC) from the Army towards construction of the building in a sensitive zone, getting the

Mumbai Metropolitan Region Development Authority (MMRDA) development plan modified, and obtaining another NOC for residential development in a Coastal Regulation Zone, often through manipulation of records and misrepresentation of facts. Efforts by honest officers to bring this to the noticeof top officials were ignored.

Its impact:

Sushil Kumar Shinde was given a clean chit in the case in September, 2013. CBI failed to file charge sheet within the stipulated period of 60 days; all 7 accused were granted bail.

Bail was granted toMaj Gen (retd) AR Kumar, Maj Gen (retd) T K Kaul, Brig (retd)

M.M. Wanchu, IAS officer and former Mumbai collector Pradeep Vyas, former Defence Estate officer R.C. Thakur, IAS officer P .V. Deshmukh and former Congress member of the Legislative Council Kanhaiyalal Gidwani (the chief promoter of Adarsh).

Ashok Chavan, the former Chief Minister of Maharashtra and one of the main accused was reported by CAG to have returned Rs 69 lakh after the expose. His fate is yet to be decided in the case. He was accused of allocating flats to hisclose relatives.

Action taken on it

Severalinquiries have been ordered by the army and the Government to probe intothe irregularities.

According to newspaper reports, many of the arrested hold more than one flat in the society in fictitious names. Former Congress MLC Kanhaiyalal Gidwani was reported to have as many as ten flats, which he had bought on behalf of top politicians. Gidwani and his son had been earlier arrested on 6 March 2012, by the CBI for trying to influence CBI officials investigating their alleged involvement in the Adarsh scam. In a further twist to the case, the CBI officers arrested their own lawyers, J K Jagiasi and Mandar Goswami. Jagiasi allegedly asked an Air India (AI) official, one of the accused in the case, to pay a bribe of Rs 5 million in exchange for diluting charges levelled against him. The petty cash books maintained by Jagiasi helped unearth the conspiracy. In addition, Rs 2.5 million was allegedly paid to Goswami. He was the Special Counsel in the Ministry of Law and Justice and at present is working as Retainer Counsel for CBI. According to CBI sources, the tainted AI official approached the CBI for dilution of the case filed against him.

12) **Tatra truck scam (2011)**:

Digging the greedy truth out

For the past 14 years, top BEML officials have connived with officials from the ministry of defence and siphoned off at least Rs750 crore in the form of bribes and commissions while buying components for Tatra trucks. The trucks are mostly used to mount guided missile launchers and haul heavy artillery. At least 15% of the money sanctioned for the purchase of Tatra trucks is siphoned off as commission. Everyone from top to bottom get a share, says a senior advocate and shareholder of BEML.

There's no scam... we have been legally importing components from Tatra Sipox (UK) Ltd, the marketing arm of original manufacturers of Tatra trucks — **VRS Natarajan,** CMD of BEML

What happened?

Top officials of Bharat Earth Movers Ltd (BEML), a defence public sector undertaking, and the defence ministry siphoned off Rs750 crore in bribes and commissions over the past 14 years in the purchase of components for Tatra trucks. For over a decade, the BEML flouted defence procurement guidelines and sold Tatra trucks to the army at an inflated price. Flouting defence ministry guidelines, BEML, formerly Bharat Earth Movers Limited, a Rs3,500 crore company in which the government of India is the majority shareholder, has been buying components for the 6x6 and 8x8 trucks from a middleman in London. The defence procurement guidelines clearly mention that all purchases are to be made from the original equipment manufacturer (OEM). However, a DNA investigation revealed that BEML was dealing with Tatra Sipox (UK) Ltd, which is neither the OEM nor a subsidiary of the OEM.

Since the Army Chief General VK Singh disclosed last week that he was offered 14crores as a bribe to clear "sub-standard" trucks, a new surge of attention is being paid to the 7000 Tatra trucks that have been bought by the Army since 1986. Tatra is a Czech-manufacturer. It is owned by Vectra, a London-based company, which supplies parts to a defence-run public sector unit, BEML, based in Bangalore. The trucks are assembled at BEML and sold to the Army.

Its impact:

The Bharatiya Janata Party said the Tatra scam was the second biggest after the Bofors scam and demanded immediate resignation of Defence Minister A K Antony for allegedly patronising corruption.Following this revelation, Defence Minister AK Antony was forced to order a CBIprobe into the scam.

"We have observed in the last few days suspicious movements around our office and home. There is an international mafia that is connected to this scam and we fear for our lives. We will seek police protection," says Hanumathappa's son Ananda Kumar in Bangalore.

Action taken on it:

On March 30, CBI has registered a case naming Rishi and unnamed officials of defence ministry, Army and BEML for alleged criminal conspiracy, cheating and also under relevant sections of the Prevention of Corruption Act.

No action was taken by the government until former Army Chief General VK Singh, in an interview, admitted that he was offered bribe of Rs. 14 crores for clearing the purchase of 600 substandard Tatra-all- terrain vehicles.

13) Coal block allocation scam (2012):

What happened?

The scandal involves allocation of the country's coal deposits to public and private sector companies by Prime Minister Manmohan Singh. The office of Comptroller and Auditor General of India (CAG), in a draft report in March 2012, accused the government of allocating coal blocks in an arbitrary manner during the period 2004 – 2009, causing a loss of Rs1.86 lakh crore. The essence of the CAG's argument is that the Government had the authority to allocate coal blocks by a process of competitive bidding, but chose not to. As a result both public sector enterprises (PSEs) and private firms paid less than they might have otherwise. In its draft report in March the CAG estimated that the “windfall gain” to the allocates was 10673 billion (US$170 billion). The CAG Final Report tabled in Parliament put the figure at 1856 billion (US$30 billion) On 27 August 2012 Indian prime minister Manmohan Singh read a statement in Parliament rebutting the CAG’s report both in its reading of the law and the alleged cost of the government’s policies.

Its impact:

The issue has received massive media reaction and public outrage. During the monsoon session of the Parliament, the BJP protested the Government’s handling of the issue demanding the resignation of the prime minister and refused to have a debate in the Parliament. The deadlock resulted in Parliament functioning only seven of the twenty days of the session. The Parliamentary Standing Committee report on Coal and Steel states that all coal blocks distributed between 1993 and 2008 were done in an unauthorized manner and allotment of all mines where production is yet to start should be cancelled.

Action taken on it:

In July 2014, Supreme Court of India decided to set up a special CBI court to try cases arising from coal block allocation scam. It also appointed R S Cheema as the special public prosecutor and Justice Bharat Parashar as the judge of the special court that will hear the case on a day-to-day basis. The court also directed that all the matters pending in different court relating to coal blocks allocation scam would stand transferred to the special court.

On 24th September, Supreme Court of India decided to cancel 214 out of 218 coal blocks allocated since 1993.Apart from the cancellation, operational mines will have to pay a penalty of Rs 295 for every tonne of coal extracted since they started .

14) **Chopper Scam (2013):**

What happened?

Better known as Choppergate, the scam involves several politicians and defence officers, who have been accused of having accepted bribes from Augusta Westland to clear a contract to supply 12 Agusta Westland AW101 helicopters to India. India had signed a contract to purchase 12 Agusta Westland AW101 helicopters in February 2010. The Rs3600 crore-scam came to light on February 12, 2013, when Finmeccanica CEO Giuseppe Orsi was arrested by Italian authorities for bribes allegedly paid to secure the sale of 12 helicopters to India.

India signed a contract to purchase 12 Agusta Westland AW101 helicopters in February 2010 for the Communication Squadron of Indian Air Force, to carry the president, PM and other VVIPs. Controversy over the contract came to light on 12 February 2013, with the arrest of Giuseppe Orsi, the CEO of Finmeccanica, Agusta

Westland's parent company by Italian authorities; the following day Indian Defence Minister A.K. Antony ordered a probe into the contract.

Its impact:

India cancelled the 3,600 crore deal with Agusta Westland in January 2014. The government cancelled the contract "on grounds of breach of the Pre-contract Integrity Pact and the agreement by AWIL (Agusta Westland International Ltd)". The contract was frozen in February 2013 after allegations surfaced that Rs 360 crore was paid as bribe.

After the cancellation of the contract, India encashed over 250 crore made by Agusta Westland as bank guarantee in the Indian banks in January 2014. Separately, India requested the Italian government to retrieve the bank guarantee amount made by the firm in Italian banks which was more than €275 million (2364 crore). On 17^{th} March 2014, request made by India was rejected by an Italian court. However, the appellate court, Milan reversed the lower court' s judgement and upheld the claims of the Indian government. Accordingly, in June 2014, Indian government encashed 1818 taking the total amount recovered so far to 2068

Action taken on it:

On 25 February 2013, CBI registered a Preliminary Enquiry (PE) against 11 persons, including the former Indian Air Force Chief, Air Chief Marshal S.P. Tyagi, and his cousins, besides four companies. After carrying out the preliminary enquiry, the CBI found sufficient evidence and registered an FIR on 13 March. The FIR named 13 persons including: former Indian Air Force Chief, Air Chief Marshal S.P. Tyagi, his three brothers: Juli, Docsa and Sandeep, brother of former Union minister Santosh Bagrodia, Satish Bagrodia, Pratap Aggarwal (Chairman and Managing Director of IDS InfoTech). The FIR also named four companies – Italy-based Finmeccanica, UK based Agusta Westland and Chandigarh-based IDS InfoTech and Aeromatrix After a huge controversy and allegations of corruption, Defence Minister A.K.

Antony, on 12 February, ordered an investigation by the Central Bureau of Investigation (CBI). On March 13, 2013, the CBI had filed an FIR against the former IAF chief and 12 others for alleged cheating and criminal conspiracy in the Rs3600 crore VVIP helicopter deal. Tyagi is first chief of the Indian Air Force to be named in a corruption.

15) Uttar Pradesh NRHM scam (2013)

What happened?

Uttar Pradesh NRHM Scam is an alleged corruption scandal in the Indian state of Uttar Pradesh, in which top politicians and bureaucrats are alleged to have siphoned off a massive sum estimated at 100 billion (US$1.6 billion) from the National Rural Health Mission, a central government program meant to improve health care delivery in rural areas. At least five people are said to have been murdered in an attempt to cover up large-scale irregularities. Several former ministers of the ruling party, Bahujan Samaj Party have been investigated by the Central Bureau of Investigation.

The NRHM scam came to light after two Chief Medical Officers (the top health functionary of the district) were successively murdered in wealthier localities of the state capital, Lucknow. Dr. Vinod Arya (Oct 2010) and Dr. B. P. Singh (April 2011) were shot dead in broad daylight outside their homes, by motorcycle assassins, using the same weapon. Deputy-CMO Y.S. Sachan, who is thought to have had a role in the murders, was arrested, but died mysteriously while in custody. Subsequently, three other functionaries who were under investigation have also been murdered or died under suspicious circumstances. The CBI referred the case to T D Dogra of AIIMS New Delhi, he examined the scene of occurrence and opined in favour of Suicide.

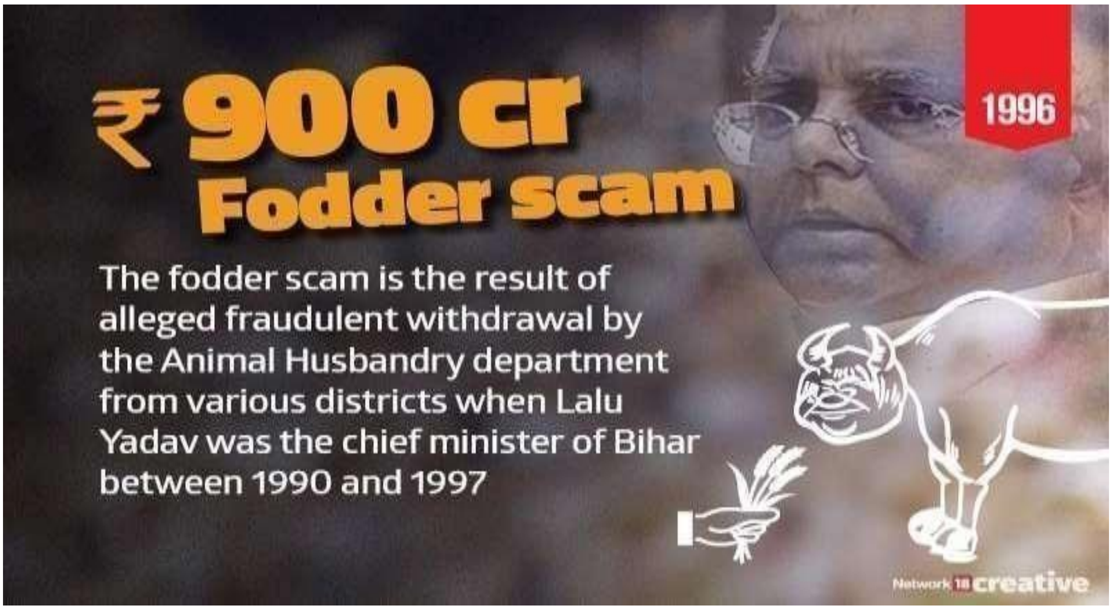
Its impact:

The NRHM scam surfaced the murder of two chief medical officers (CMO) Vinod Arya and BP Singh in Lucknow. Both were shot dead outside their houses. Later, a deputy CMO YS Sachan, who was also an accused in the murders of the CMO, was found dead under mysterious circumstances in Lucknow Jail. His body was found hanging in the toilet of jail hospital. While police said that Sachan committed suicide, his family claimed that he was killed by big fish involved in the scam. Later, the high court directed the CBI to probe the scam as well as the killings associated with it.

Action taken on it:

Besides top officials in the medical and health department, the CBI is also questioning CMOs of 72 districts from where the irregularities in NRHM funds have been reported. Two former ministers in Mayawati cabinet -- Babu Singh Kushwaha and Anant Mishra -- have also been questioned by the CBI. Mayawati had dropped the two ministers after the scam surfaced in April 2011.

16) Fodder Scam 2014:



What happened?

The fodder scam also known as “Chara Ghotala” involved the siphoning of funds From the Bihar Government treasury. The alleged theft spanned over several years, And many Bihar state government administrative and elected officials across multiple Administrations were allegedly engaged in it. The Fodder Scam was a corruption Scandal that involved the embezzlement of about

9.4 billion (equivalent to 25 billion Or US$410 million in 2014) from the government treasury of the eastern Indian state Of Bihar. Among those implicated in the theft and arrested was then Chief Minister of Bihar, Lalu Prasad Yadav, as well as former Chief Minister, Jagannath Mishra. The Scandal led to the end of Lalu’s reign as Chief Minister. There is also allegation on Shivanand Tiwari of receiving 1 crore and 60 lakh Rupees respectively from S.N.sinha.

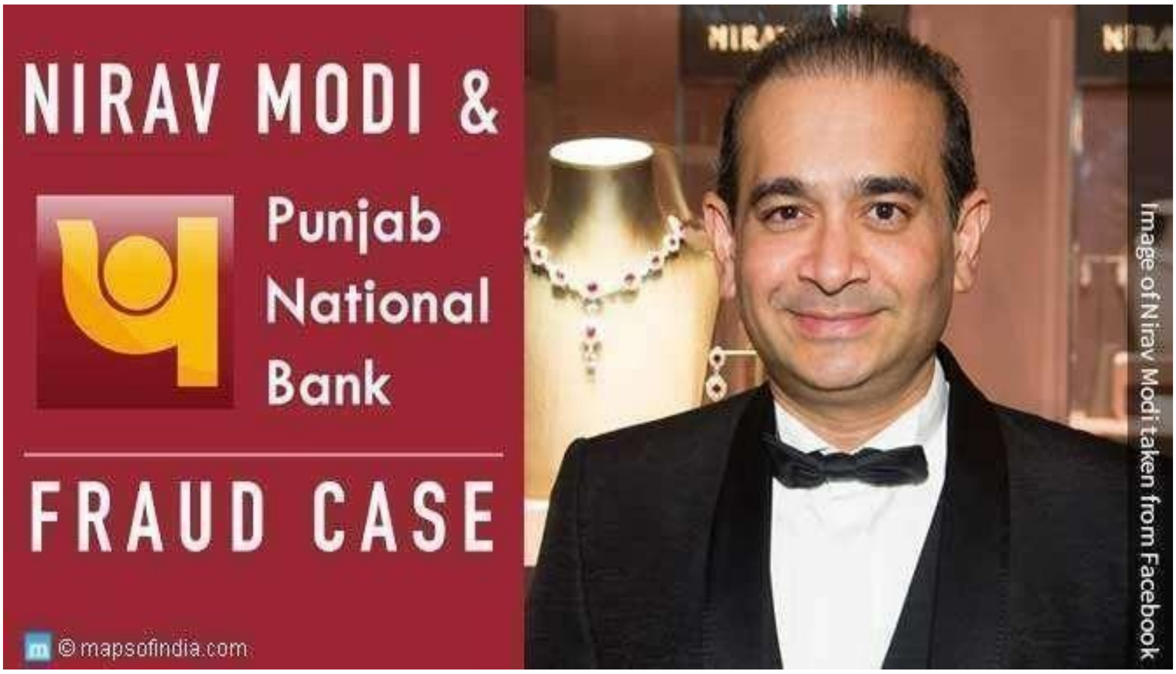
It's impact:

Since it broke into public light, the fodder scam has become symbolic of bureaucratic Corruption and the criminalisation of politics in India generally, and in Bihar in Particular. Lalu Prasad Yadav is the only person on whom the Lok Sabha debated for A complete session as the official agenda.

Action taken on it:

Former Bihar chief minister and Rashtriya Janata Dal president Lalu Prasad was Sentenced to 5 years in jail in a fodder scam case by a special CBI court on 3 October 2013. The court of Pravas Kumar Singh announced the quantum of punishment via Video conference due to security reasons. Prasad has also been slapped with a fine of Rs 2.5 million. The 65 -year-old leader has lost his Lok Sabha seat and is also barred From contesting election for six years following the sentencing thanks to a Supreme Court order. Another former Bihar chief.

17) PNB Scandal 2018:



What happened?

Nirav Modi exported rough store from foreign country worth crores of rupees. The employees at PNB Brady House branch fraudulently issued LOU for 365 days without making any provisions for collateral and by passing Core Banking System (CBS) . The firm also raised funds from Indian banks overseas branch for paying to the suppliers. Nirav Modi's firm again requested the bank to issue another LOU but the official refused on ground that the company has to keep collateral with bank but Modi's firm argued that no such money was kept on margin for the previous LOU. After the PNB official started scanning the records and didn't find any such transactions and then filed a complaint with CBI. Nirav Modi's firm again requested the bank to issue another LOU but the official refused on ground that the company has to keep collateral with bank but Modi's firm argued that no such money was kept on margin for the previous LOU. After the PNB official started scanning the records and didn't find any such transactions and then filed a complaint with CBI.

It's Impact:

Public sector banks will now have to look back on every defaulters, rupees 50 crores and check whether he was genuinely stressed or just fooling them. The stock price of PNB has fallen down from rupees 160 to rupees 95.5 as on 9th march 2018. RBI has said to PNB to pay all debts to other banks. The RBI stop banks to issue LOU (letter of undertaking). Because of this fraud pnb has lost trust of people.

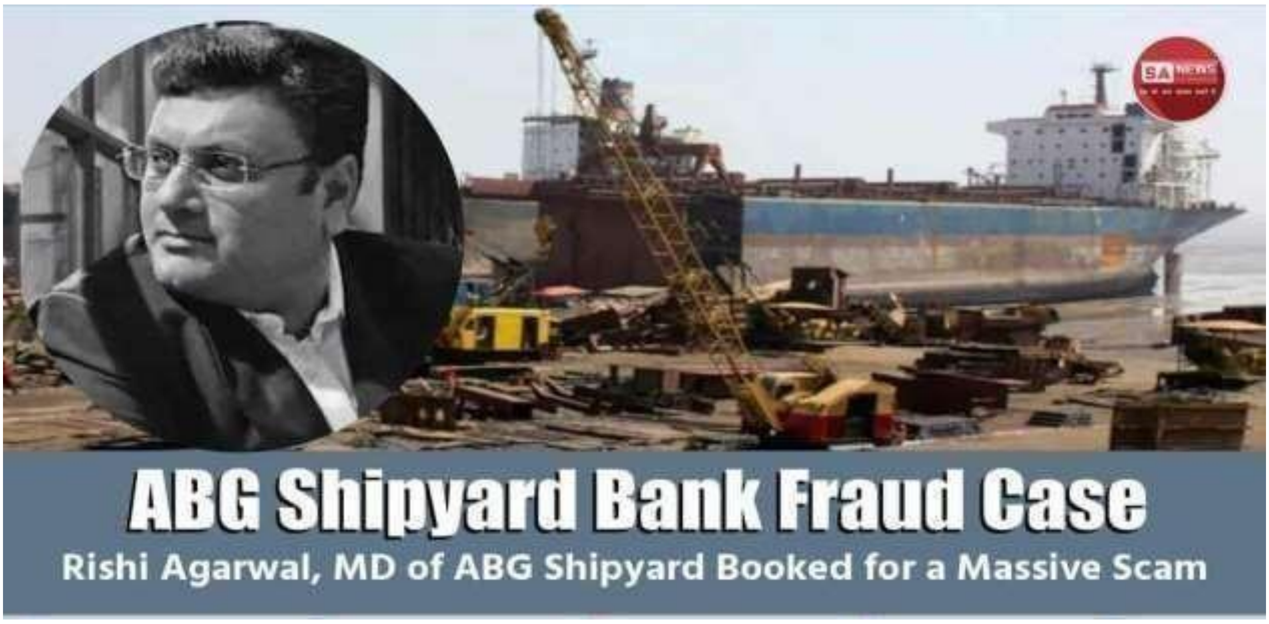
In case where fraudulent transactions are found, the government want bankers to involve to investigating agencies like the enforcement directorate and their ilk. This put the approximately rupees 8 trillions worth of bad loan stockpile of the banking sector in the spotlight.

The impact of frauds on entities like banks, and the economic cost of frauds can be huge in terms of likely disruption in the working of the markets, financial institutions, and the payment system. Besides, these scams can have a potentially weakening effect on confidence in the banking system and may damage the integrity and stability of the economy. It can bring down banks, undermine the central bank's supervisory role and even create social unrest, discontent and political violence. The passiveness of banks to fraud has been heightened by technological advancements in recent times.

Action taken on it:

CBI has registered a case against Nirav Modi on January 29. PNB registered a case against Nirav Modi, Neeshal Modi, Mehul Choksi on february 13. The bank initially reported a scam of Rs.280 crores but it was later realised to be Rs.11,400 crores. Modi and Choksi left India before the fraud came into light . CBI arrested at least 13 people, 7 from bank and 6 from Modi's and Choksi's company. Investigator has also seized their property including jewellery and other luxury vehicles.

18) ABG Shipyard Scam 2022:



What happened?

The Central Bureau of Investigation (CBI) has issued look out circulars for the prime accused, including the then chairman and managing director Rishi Kamlesh Agarwal, in the fraud case. “The fraud is primarily on account of huge transfers by M/S ABG Shipyard Ltd to its related parties and subsequently making adjustment entries. It is also alleged that huge investments were made in its overseas subsidiary by diverting bank loans. The critical period of the investigation is 2005-2012,” the agency said in a statement.

It’s Impact:

Banks like ICICI have been defrauded to the tune of Rs 7,089 crore, while it owes IDBI Bank as much as Rs 3,639 crore. ABG defrauded SBI of Rs 2,925 crore, Bank of Baroda of Rs 1,614 crore, Exim Bank of Rs 1,327 crore, Punjab National Bank of Rs 1,244 crore, Indian Overseas Bank of Rs 1,244 crore and Bank of India of Rs 719 crore ABG Shipyard has been in business with the SBI since 2001. Its account turned NPA on November 30, 2013. According to the bank, the NPA is of Rs 22,842 crore (approx) and the disbursement happened between 2005 and 2012 through 28 banks, including ICICI and SBI.

Action taken on it:

CBI registers a case, books ABG Shipyard and ABG International Private Ltd.

15 February, 2022: CBI issues lookout notices against promoter Rishi Agarwal, and ABG executives Santhanam Muthuswamy and Ashwini Kumar.

CHAPTER 8

CONCLUSIONS AND SUGGESTIONS

CONCLUSIONS OF THE STUDY:

The important conclusions drawn from the study are as follows:

It is clearly evident from the study that the most of the capital market scams are occurred only because of weak financial regulations and failure of corporate governance in finance.It is observed from the study that the SEBI is successful up to a major extent in prohibiting the unfair offences such as scalping, rumour, front running, circular trading, making the close, pump and dump and ponzi schemes from the time to time . In addition to SEBI, there are other regulatory authorities like Reserve Bank of India, Serious Fraud Investigation Office, Ministry of Corporate Affairs, National Financial Regulatory Authority, Central Bureau of Investigation, Company Law Board, Economic Intelligence Council, Indian Penal Code, etc., are also actively participating in the prevention of unfair and fraudulent trade practices in the Indian capital market.

It can be concluded that the percentage of market manipulations and price riggings was registered very high among the other reasons. Therefore, SEBI has to take necessary action for the control of market manipulations and price rigging.It is concluded from the perception of five groups of respondents that the existing surveillance detecting market manipulations and price rigging, detecting issue related manipulations, insider trading practices, SEBI's forensic accounting cell detecting frauds, circuit filters, daily price bands and weekly price caps curbing abnormal price behaviour and volatility, interaction and coordination with stock exchanges detecting frauds, exchanges stock watch system detecting abnormal price and volume movement, the system of internal audits of stock brokers by outside professionals and inspection by stock exchanges and by SEBI has improved the compliance level of stock brokers

It is concluded from the perceptions of respondents that the current investigation process is flexible and it takes market and static data for analysis, the percentage of cases taken up for investigation and cases completed is satisfactory, investigations contribute to policy changes with a view to further strengthening the regulatory and enforcement environment, current consent mechanism norms of SEBI are relevant and enquiry officers have sufficient power to identify and issue Show cause notices to persons who might be involving in violations. It is also concluded from the perceptions of respondents that the existing corporate Governance guidelines prevent frauds, existing system prevents violations by Entities, regulator's current crisis management helps to maintain financial Stability, current system prevents money laundering activities and SEBI is playing Efficient role in registering and regulating stock brokers in order to prevent the Fraudulent financial practices. The perception of Investors' and SEBI officials is unique on the role of SEBI in Fraud detection and fraud investigation practices. Auditors' and stock brokers' Perceptions are similar on the role of SEBI in fraud prevention practices.

SUGGESTIONS FOR THE STUDY:

The following are the important suggestions offered from the study:

The scams may be controlled by recovering and imposing huge amount of fines On the guilty, reforming the existing system, standardization of records, by Educating retail investors effectively and efficiently, by strengthening prevention Practices, by introducing value education, by sensitizing responsible citizens, Media, and social organizations.

Measures to prevent fraudulent and unfair trade practices are possible through Improved risk assessment and awareness, by discovering and punishing the guilty, Recovering the money, integration money and capital markets, improved Transparency, up-gradation of quality of secondary markets, creating positive Corporate culture etc. Some of the important recommendations for strengthening investor confidence in The Indian capital market are to provide latest and easy availability of information, Action against issue managers, analysts and company for providing over optimistic And wrong information, improve faith in intermediaries, strengthen the cybersecurity, promoting good corporate governance standards.

CHAPTER 9

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