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The Rise of White-Collar Crimes and Corporate Governance Failure in India

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Introduction :

White-collar offenses have become a significant danger to India's economic stability and corporate trustworthiness. In contrast to traditional crimes, white-collar offenses are performed by educated, powerful individuals in trusted roles, including company directors, senior executives, auditors, and financial specialists. Corporate fraud, insider trading, bribery, accounting manipulation, money laundering, and financial report fraud are all included in this category. These crimes have significantly increased in India during the last 20 years, exposing long-standing flaws in corporate governance frameworks.

Investor confidence has been damaged by major corporate scandals like Satyam, IL&FS, DHFL, the PNB–Nirav Modi scam, and the NSE co-location event. These scandals have also raised grave questions about board accountability, auditor autonomy, and regulatory oversight. This article examines the reasons behind the rise of white-collar crimes in India, the inadequacies of corporate governance frameworks, relevant laws, important court decisions, and the need for enhanced governance reforms.

Understanding White-Collar Crimes :

Sociologist Edwin H. Sutherland first used the term "white-collar crime" to refer to illegal actions carried out by respectable and well-respected people while they were working. White-collar crimes in a corporate context involve the abuse of corporate power for personal or organizational gain, often at the expense of shareholders, workers, and the community.

In India, white-collar offenses generally consist of account falsification, fund diversion, insider trading, tax evasion, bribery, corporate espionage, and fraud related to securities. These offenses are hard to identify because they occur through intricate financial dealings and are frequently hidden within legitimate business activities.¹

Corporate Governance: Concept and Importance :

The way a business is run, managed, or guided is known as corporate governance. The relationships between the company's shareholders, management, board of directors, and other stakeholders are all included in this phrase. All of these stakeholders are guaranteed to operate fairly, ethically, and transparently when proper corporate governance is in place.²

The Companies Act of 2013, the SEBI (LODR) Regulation of 2015, and certain regulatory recommendations are used in India to regulate corporate governance. Independent directors, audit committees, internal controls, disclosure requirements, whistleblowers, and external audits are the main components of corporate governance. Whenever these elements fail or are intentionally undermined, white-collar crimes thrive.³

Causes of the Rise in White-Collar Crimes in India :

One of the major reasons for the increased number of white-collar crimes is the weak corporate governance culture. It has been noticed that organizations view compliance as a matter of ritual rather than substantial obligation. In fact, boards numbered by the absence of independence display only support for management initiatives. Independent directors, who serve as watchdogs, are usually non-independent in reality.

Another major factor contributing to this is the immense pressure to deliver short-term profits and market performance. Company honchos, under incentive schemes and stock market performance pressure, resort to immoral practices like revenue misrepresentation, underreporting

¹ Anshi Mudgal, White Collar Crimes in India, iPleaders (Apr. 8, 2025), <https://blog.iplayers.in/white-collar-crimes-in-india/>.

² INDIAN JOURNAL OF LEGAL REVIEW.

³ Jyotirmoy Koley, White-Collar Crimes and Possible Remedies in the Indian Corporate Sector: A Study, 7 International Journal of Research in Management 274.

of losses, or insider trading. Regulatory vacuums and poor implementation have also been major contributing factors. India has robust regulations in this area, but poor implementation due to lengthy investigation and trial procedures has been so far ineffective.⁴

Landmark Corporate Scandals and Governance Failures :

In the **Satyam Scandal**, India faced a significant case of Corporate Governance failure resulting from the manipulation of Satyam Computer Services (Satyam) financial reports and accounts. The Chairman of Satyam admitted he had manipulated Satyam's financial statements by thousands of crores (old Indian currency). The fraud was not discovered until many years after the fraud had been perpetrated by the Company, and the actions of the Board of Directors, Auditors, and Internal Controls, which were supposed to protect shareholders, exposed the systemic breakdown in Corporate Governance.⁵

The **IL&FS Crisis** (IL&FS), which occurred two years later, further illustrated how poorly the Companies' Board of Directors performed with regard to managing Risk and providing adequate oversight of the Company. Even as debt levels increased significantly, the Board continued to pursue aggressive growth strategies without sufficient financial oversight. When the Company's debt began to show signs of distress, the Ratings Agencies and the Regulators failed to take appropriate action in a timely manner.⁶

The case of **PNB-Nirav Modi** highlighted the collusion between Bank Employees and Corporate Borrowers to create and use counterfeit Letters of Undertaking. This actively took place in both the Corporate Sector and Public Sector Institutions; both failed to protect investors.⁷

⁴ Mohd Sharique, Corporate Governance Reforms and Legal Liability in Preventing White-Collar Financial Crimes in India.

⁵ 5paisa Capital Ltd, Satyam Scam, 5paisa (Jun. 28, 2023), <https://www.5paisa.com/blog/satyam-scam>.

⁶ Business Standard, Business Standard, Business Standard, <https://www.business-standard.com/about/what-is-il-fs-crisis> (last visited Dec. 24, 2025).

⁷ BBC News, Nirav Modi Fraud Case and India's Bank Debt Crisis, BBC News (Feb. 20, 2018), <https://www.bbc.com/news/world-asia-india-43123337>.

Judicial Response and Landmark Case Laws :

The Indian Judiciary has done a lot in combating white collar crime and corporate malfeasance through its Courts. In the case of **Sahara India Real Estate Corp. vs. SEBI**, the Supreme Court ruled that corporate entities are unable to utilize public money for non-investment purposes of private placements and that protecting investors.⁸

In the case of **Serious Fraud Investigation Office vs. Rahul Modi**, the Court determined that corporate frauds are serious criminal offences and maintain strict standards of investigation. The ruling indicated that criminal activity in the economy directly affects the overall economy of the country and that there is a need for strict legal action against these individuals.⁹

The Supreme Court in **N. Narayanan vs. Adjudicating Officer, SEBI** ruled that illicit insider trading and market manipulation reduce the confidence of individual investors and undermine the overall integrity of the capital markets. The Court emphasized that the imposition of proper deterrent penalties is necessary to alleviate the occurrence of such actions.¹⁰

Legal Framework Against White-Collar Crimes :

India has set up a thorough legal structure to tackle the issues of corporate fraud and white-collar crime. The Companies Act, 2013 imposed tough measures concerning fraud under Section 447, and the penalties included imprisonment and large fines. It also played a big part in the independent directors, the audit committees, and the internal financial controls.

The SEBI Act, 1992 and SEBI (LODR) Regulations, 2015 require listed companies to meet disclosure obligations, follow insider trading rules, and corporate governance practices. The

⁸ Case Comment: Sahara India Real Estate Corporation Ltd. and Others v. Securities and Exchange Board of India and Another, MANU/SC/0735/2012 – RostrumLegal, <https://www.rostrumlegal.com/case-comment-sahara-india-real-estate-corporation-ltd-and-others-v-securities-and-exchange-board-of-india-and-another-manu-sc-0735-2012/> (last visited Dec. 24, 2025).

⁹ Law Jurist, Serious Fraud Investigation Office VS. Rahul Modi& Ors, law Jurist, Jun. 24, 2025, <https://lawjurist.com/index.php/2025/06/24/serious-fraud-investigation-office-vs-rahul-modi-ors/>.

¹⁰ N. Narayanan v. Adjudicating Officer, Securities And Exchange Board Of India ., Supreme Court Of India, Judgment, Law, Casemine.Com, <https://www.casemine.com>, <https://www.casemine.com/judgement/in/5609af2ce4b0149711415b6d> (last visited Dec. 24, 2025).

Prevention of Money Laundering Act, 2002 deals with the laundering of money generated from corporate frauds and economic crimes.

In spite of these laws, enforcement is still a problem. Delays in investigations are the norm, and the frequency of convictions in economic crimes remains low, which in turn, lessens the deterrent effect of the legislations.¹¹

Role of Committees and Reports :

Multiple expert bodies have looked into the collapse of corporate governance in India. The **Naresh Chandra Committee** pointed out the need for auditor independence and more rigorous disclosure norms. The **Narayan Murthy Committee** concentrated on enhancing the independence of the board and the transparency.¹²

The **Uday Kotak Committee** proposed a wide range of changes concerning the diversity of the board, the separation of the roles of the Chairperson and the CEO, the disclosure of the information, and the strengthening of the independent directors' role. Most of these suggestions were merged into the regulations of SEBI, which shows a regulatory response that is very much in line with the spirit of the law.¹³

Theoretical Perspective on White-Collar Crimes :

White, collar crimes may be explained from a criminological point of view by the rational choice theory. This theory argues that a person would only commit a crime if he had first weighed the benefits against the risks. Where enforcement is weak and conviction rates low, the risks will be seen as lower, thus, corporate misconduct will be encouraged.

Furthermore, the agency theory elucidates the failure of the governance system when the managers (agents) are choosing to do things for their personal benefit instead of for the

¹¹ IJLLR Journal, White Collar Crime: A Growing Menace In The Corporate World In India, IJLLR Journal (Apr. 29, 2025), <https://www.ijllr.com/post/white-collar-crime-a-growing-menace-in-the-corporate-world-in-india>.

¹² Naresh Chandra Committee Report: Objectives & Recommendations - UPSC Notes, Testbook, <https://testbook.com/ias-preparation/naresh-chandra-committee> (last visited Dec. 24, 2025).

¹³ Taxmann, <https://www.taxmann.com>, <https://www.taxmann.com/research/company-and-sebi/top-story/10501000000015627/recommendations-of-uday-kotak-committee-on-corporate-governance-experts-opinion> (last visited Dec. 24, 2025).

shareholders due to the fact that the latter are not fully informed. The absence of vigorous control makes it possible for the agents to engage in fraud without being detected promptly.¹⁴

Impact on Economy and Stakeholders :

White, collar crimes cause a chain reaction of negative effects. The investors lose money, the employees lose their jobs, and the public trust in corporate institutions weakens. Besides, such fraudulent activities on grand scales eventually cost banks and other financial institutions as well, in the form of rising non-performing assets and a heavy economic load.

Repeated failures in governance are like a bad dream for India, which is trying to lure foreign investors and develop its capital markets. Good corporate behavior is not only a matter of law but also an essential factor for the economy.¹⁵

Way Forward: Strengthening Corporate Governance :

Stopping white, collar crimes needs to be handled in various ways at the same time. Companies' boards have to increase their level of independence, awareness, and activeness. The systems for whistleblowers need to be improved in order to facilitate the first recourse to the reporting of the wrongdoings. It is upon the regulators to assure that the investigation is done without delay and the enforcement is strict in order to give back the deterrent effect a solid basis.

It is also feasible to prevent such crimes by means of technological instruments such as forensic audits, AI, based compliance monitoring, and real, time reporting systems that allow fraud detection at the very beginning. However, above all, the focus on ethical leadership and corporate culture should remain in place as the key to sustainable governance.¹⁶

¹⁴ Desai & Diwanji, Emerging Trends in White-Collar Crimes in India, LinkedIn, Jan. 14, 2025, <https://www.linkedin.com/pulse/emerging-trends-white-collar-crimes-india-desaidiwanji-pgfhc>.

¹⁵ Directors' Institute, Instances of Biggest Corporate Governance Failures in India, Directors Institute (Nov. 29, 2022), <https://www.directors-institute.com/post/instances-of-biggest-corporate-governance-failures-in-india>.

¹⁶ Kasmin Fernandes, Biggest Corporate Governance Failures in India, The CSR Journal (Apr. 20, 2021), <https://thecsrjournal.in/corporate-governance-failures-india/>.

Conclusion :

The increase of white, collar crimes in India is a result, quite notably, of inadequacies within the corporate governance systems. Despite India's progress in establishing strong legal frameworks and regulatory mechanisms, their effectiveness still hinges on genuine implementation and enforcement. The milestone cases and the corporate scandals have, among other things, revealed the imperative demand for governance reforms, board accountability, and the ethical corporate conduct.

Improving corporate governance is a prerequisite not only for the avoidance of fraud but also to insure economic growth that is viable over the long, term and the confidence of the investors. Therefore, the fight against white, collar crimes should be at the top of the agenda of legislators, regulators, corporations, and the judiciary.