

A CRITICAL ANALYSIS OF ECONOMIC CRIMES IN INDIA: EXAMINING LEGAL FRAMEWORKS, ENFORCEMENT MECHANISMS AND INSTITUTIONAL CHALLENGES

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ABSTRACT

Economic crimes are one of the most prominent challenges faced by the societies in modern India. Some of the conventional crimes involve direct physical violence, whereas the economic crimes usually operate through deception, manipulation and for achieving unlawful financial gain. Even though economic crimes are non-violent in nature but their impact can be severe. Economic related crimes can weaken Institution, cost financial losses, reduce public confidence and negatively affect the economic stability. In most of the cases, these crimes were carefully carried out and planned by the groups, corporation or organised networks to exploit financial systems and technological advancements for their unlawful financial gain. An economic crime can be genuinely defined as unlawful activities which were done for the purpose of commercial, property, monetary benefits and any other financial gains through the fraudulent activities. Such economic crime can be committed against individuals, Bank, Corporation, Government officials, Institutions or investors. The economic crime can be a done through face to face transaction or by misusing the documents or can happen through digital technology like electronic payment system, online banking and digital or computer based database. The improvement, development and expansion of technology and global trade which resulted in increasing the scope of economic crimes which makes the detection, investigation and enforcement more difficult for Government and the State.

KEYWORDS: *Economic Crimes, Fraud, Corruption, Money Laundering, Cyber Crime, Tax Evasion, Forgery, Financial Offences, Institutional Integrity, Regulatory Framework, Bharatiya Nyaya Sanhita, Prevention of Money Laundering Act, Prevention of Corruption Act, Financial Stability, Economic Governance.*

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INTRODUCTION

An economic offence is also called a financial or economic crime. Economic crimes involve illegal activities which took out through many methods like fraud, deception or manipulation in financial and economic systems. These crimes are usually committed to gain money unlawfully which results in causing financial loss to individuals, companies, or the government. Economic crimes are evil for the nation. They can cause a lot of damage to the economy of the nation and the growth of the country. Economic crimes cause significant damage not only through financial losses but also by disrupting financial markets and discouraging foreign investment. Reports published by the National Crime Records Bureau (NCRB) indicate a steady rise in economic offences in India over the last decade.¹ High profile cases involving individuals such as

¹ National Crime Records Bureau, Crime in India Report 2020, Ministry of Home Affairs, Government of India, available at: NCRB Official Website (last visited on 31 May 2026).

Vijay Mallya and Nirav Modi have revealed weaknesses in regulatory frameworks and enforcement mechanisms.² These incidents demonstrate how gaps in the legal and administrative system can be exploited to divert large amounts of money, thereby adversely affecting the nation's economic stability. India has developed a comprehensive legal framework to address such offences through statutes such as the Prevention of Money Laundering Act, 2002, the Companies Act, 2013 and the Benami Transactions (Prohibition) Act, 1988. The legal experts emphasize that effective enforcement, institutional cooperation and coordinated regulatory action are equally essential for successfully combating economic crimes.³

EXPLORING THE DIVERSE FORMS OF ECONOMIC CRIMES

Fraud

Fraud is one of the frequent and universal forms of economic crime which involves the intentional use of deception to obtain unlawful or unfair financial benefits. Fraud can occur in various forms like banking fraud, insurance fraud, credit card, fraud security fraud and any other financial scams. The most common financial fraud is that where individuals were promised to get unusually high returns to stimulate interest them to invest money. Once the sufficient funds have been collected by those people, the offender or offending party disappear or continue operating the scheme until it is eventually collapsed. Fraud is particularly concerning because it oppresses or mistreat the trust of the people rather than conventional crime relying on force or violence on people. The victims and the peoples are convinced or influence to act based on the false or misleading information given by offenders without realising their being deceived. As the result, fraud has been a serious threat to the modern society especially was businesses or individual depends on financial situations and digital communication systems.

Embezzlement

Embezzlement is another notable form of economic crime which involves unlawful misappropriation of property, money or assets by an individual who has been delegated with their management. These kinds of offences commonly occur within the business, Government agencies and financial institutions. For example, when an employee who is responsible for handling financial records may transfer funds to personal account, manipulate the account documents and generate fraudulent invoices to mask the theft. Embezzlement represents a serious violation of trust which is typically committed by individuals who occupying high position of authority or responsibility. This kind of crime will primarily cause financial losses, but such misconduct can destroy or undermine employee confidence and harm the reputation of the institution involved.

Money Laundering

Money laundering is additionally a main offence related to economic crime. It is the manner by which the offender's illegally obtained funds are suppressed and presented it as legal. Offenders who earn money through the manner of corruption, drug trafficking, smuggling, cybercrime, illegal gambling or any other unlawful activities regularly try to conceal the true source of their income. They will do this by transferring the money or funds through shell companies, foreign accounts, fake business or complex layers of financial transfers. The main aim for the offender is to hide the dirty origin of the money and re-introduce into the economy as apparently legitimate wealth. Money laundering is more

² A. Sharma, *Economic Offenses in India: Trends and Challenges* (Sage Publications, New Delhi, 2018), available at: SAGE Publications India (last visited on 31 May 2026).

³ R. Jain, *Money Laundering and Economic Offenses: A Critical Analysis* (LexisNexis, Mumbai, 2019), available at: LexisNexis India (last visited on 31 May 2026).

dangerous than other economic crime because it enables the other crimes to continue. Money laundering supports corruption and undermines legitimate markets.

Tax Evasion

Tax evasion is another kind of economic crime. Tax evasion means when a person or business institution intentionally avoids or neglects to pay taxes that are legally due to him. This process can be done by hiding the income source, altering or changing the account records, non-disclosure of profits, exaggerating the expenditure or concealing the assets of the person which he or she owns. People mix up tax evasion with tax avoidance, while both are different to each other. Tax avoidance means the legal methods that help in reducing the tax liability of the person, whereas tax evasion is an illegal and unlawful act that includes purposeful deception. Tax evasion affects the State by reducing the revenue which is needed for schools, roads, hospitals and social welfare. Tax is public revenue and it is used for public purposes and their betterment. When the wealthy individuals or corporations avoid to pay tax, the burden will be shifts to sincere taxpayers.

Bribery and Corruptions

Bribery and corruptions are closed related to each other. The corruption is a method by which, when a person who is in a position of power, misuses that power for their private or individual benefits. Bribery is one of the most common forms which includes the offering, giving, receiving or soliciting of something valuable in exchange of some favour or a favourable treatment by the offender. For example, a contractor given a bribe to a public official to win a project or a businessman may offer illegal payment to avoid the lawful regulations. The bribery and corruption harms and destroys fire competition, weakens governance and increase inequality. Bribery and corruption not only affect the economic status but also the justice, politics and public trust.

Forgery and Counterfeiting

Forgery and counterfeiting are also a significant offence relating to Economic crimes. Forgery includes creating, altering or using false signature in the document or certificate or any other record with intention to deceive any person or Government. Counterfeiting means illegal imitation of currency notes, products or documents. This type of crime can affect the trade, banking, employment and public administration. The forged academic certificate, fake property deeds and false identity medicines all fall within the activities of the counterfeit; these activities are used for their unlawful financial gain.

Cyber Crime

Cyber-crime has increased rapidly in recent times. The internet and digital banking have created more problems in cyber-crime, while the internet and digital banking have some positive development for the modern technology, but they also created a negative development against the society because the offenders do crimes in digital world like by using fake email, fake websites, identity theft, card swapping and online market fraud. Offenders will trick the users to reveal the passwords and personal information in order to gain access to the funds and data, when they get personal data or password, they will transfer the funds or steal the data or commit the fraud. A single offender can target thousands of victims in different countries within a short period that is why the cyber-crime enabled as economic crime.⁴

⁴ Snehit Singh & Amalendu Mishra, "Economic Crimes in India", 7(2) *International Journal of Law Management & Humanities* 2215–2225 (2024), available at: <https://ijlmh.com/wp-content/uploads/Economic-Crimes-in-India.pdf>

CONCERNS AND IMPACTS REGARDING ECONOMIC CRIMES

Economic crimes pose significant issues for contemporary societies, especially in emerging economies such as India, where swift digital transformation and financial growth have generated fresh prospects for unlawful actions. A significant issue is the increasing complexity of financial frauds with criminals employing sophisticated technologies, false identities and intricate financial setups to avoid being caught. This complicates the efforts of law enforcement agencies in investigation and prosecution.

Another major issue is the decline of public confidence in financial and governmental organizations. When incidences of corruption, banking fraud or money laundering are exposed, public trust in regulatory frameworks diminishes, undermining the credibility of governance and financial markets. Economic crimes also result in significant financial confusion, as widespread frauds and scams can impact banks, investors, and the overall national economy. These crimes frequently lead to a decrease in public funds, diminished foreign investment, and heightened economic disparity. Another worry is the increase in cyber-facilitated economic offenses such as online banking fraud, identity theft and digital payment scams. The internet's anonymity and the international nature of transactions render enforcement more complicated and lengthier. Furthermore, there exists the challenge of institutional frailties and regulatory deficiencies, where poor inter-agency coordination, sluggish judicial procedures and insufficient enforcement measures enable offenders to take advantage of system loopholes. In general, economic crimes represent not just financial violations but also systemic dangers that weaken economic growth, social confidence and the effectiveness of governance.

THE CONCEPT AND NATURE OF ECONOMIC CRIME: AN OVERVIEW

Economic crime described as a non-violent crime because it does not involve in direct physical assault but their consequences can be devastating. People lose life savings, employees lose jobs and economic inequality deepens. Victims of fraud may suffer from anxiety, depression and long term insecurity. So when corruption affects public institution then ordinary citizens may lose access to fair opportunities. Cyber-crimes have certain characteristics. At first, they are usually motivated by financial gain. Secondly they often involve planning and manipulation of record. Thirdly it depends on secrecy and delayed deductions, finally cyber-crime may be committed by their skill or professionally placed individuals. The causes of economic crime are very large. Greed is the main factor, but it is not only the main subject to create an economic crime. Weak internal controls, lack of transparency, low chances of deduction, no strict punishment by legal system may also increase the chances of economic crime when corruption becomes common within an organization, employees may start to see dishonest behaviour as normal and acceptable. Over time, this can develop into part of the organization's culture and contribute to the occurrence of economic crimes. In addition, weaknesses in technology, such as poor authentication and verification systems, can create opportunities for offenders to commit such crimes. These kinds of crime can be committed mostly by the individuals rather than by groups. Organised criminal networks often use some methods including fake companies, international fund transfer etc to commit crime. Crime which happens in Corporate is also an important area to look where they manipulate accounts, violate regulations or mislead the shareholders or investors that can affect the employees, consumers and also the economy level of that particular company. The main impact of economic crime is that it affects the financial process and also it cost the financial loss. When we take into the individual, victim will lose the savings or employment and when we take into the institution level the business will suffer from the damages or instability. When we take into the national level the economic rate will be reduced due to the absence of foreign investment or tax revenue reduction. So the corruption becomes a national crime and it is wide spread all over the

country. The company which gains through the means of unfair method will have more advantages rather than the honest business so this affects the public administration and markets. Over the three year period, the city registered a total of 10,580 cases of this nature. According to the National Crime Records Bureau's (NCRB) *Crime in India 2024* report, Bengaluru alone accounted for 3,477 economic offences in that year, ranking it among the five metropolitan cities in India with the highest incidence of such crimes.⁵ National Crime Records Bureau data's stated about the increase of economic crimes from the year from 2022 to 2026 ⁶

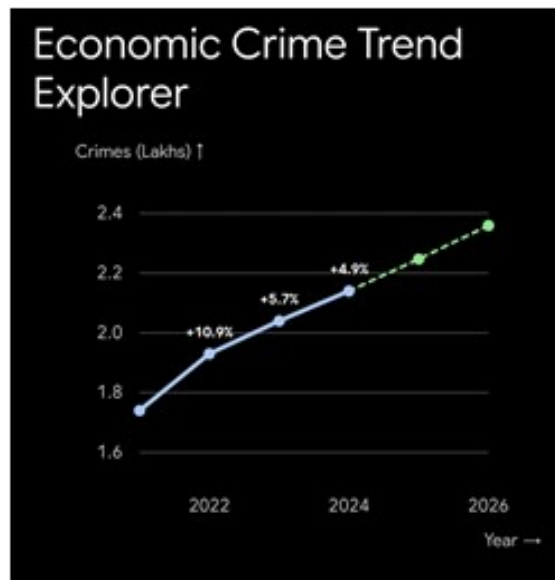


Figure 1: Economic Crimes in India (2022–2026)

Economic crime often hidden within legitimate transaction so it gives investigative challenges. Investigator must understand the concept of taxation, digital system, business structure, Evidence may be across emails, a contract, bank statement mobile devices, etc. to prevent the economic crime. Moreover when funds are transferred between two countries or between a corporation of different jurisdiction these necessary measures must be taken. This can take some time for the investigation but at the same time it should be assured that the evidence should not be destroyed by the offenders.

Because of these challenges, prevention is an important method, where prevention plays an important role in reducing this kind of crime. Strong legal methods, transparent account, practicing digital security measures must be taken in order to eradicate the offences. Banks and financial institutions play a key role in protecting customers and preventing economic crimes. They should implement measures such as Know Your Customer (KYC) procedures, monitoring suspicious transactions and maintaining effective reporting systems. Governments must ensure transparency in tax administration and public spending to reduce opportunities for corruption and financial misconduct.

⁵ *The Times of India*. "Bengaluru Sees 1 Economic Offence Every 2.5 Hours." May 27, 2025. Available at: <https://timesofindia.indiatimes.com/city/bengaluru/bengaluru-sees-1-economic-offence-every-2-5-hours/articleshow/131294710.cms> (last visited on 31 May 2026).

⁶ National Crime Records Bureau, *Crime in India Report 2023*, Ministry of Home Affairs, and Government of India, available at: National Crime Records Bureau (NCRB) Official Website (last visited on May 31, 2026).

MEASURES FOR THE PREVENTION OF ECONOMIC CRIMES

Public Awareness

Public awareness is another important method to prevent the crime. Many scams are made by the offenders it's because that the victim don't know about the advantage and disadvantage or how to handle the situation. The awareness camps must be taken in every place in order to give education to the people to know about fake investment schemes, identity theft, fraudulent calls, that can help them to recognise warning signs they must be careful with the personal data avoiding clicking suspiciously links, verify financial offer and report unusual transactions immediately.

Strict Legal System

The legal system must be proper and severe punishment to be given to the offender. Laws should clearly define the punishment, procedures, investigation or the sections or the methods to allow the seizure of unlawfully acquired assets. Special courts for forensic accounting unit, cybercrime have to be enforced. The judicial system must ensure the fairness to the victim and the people, so that justice can be achieved in financial matters. Balance between the speedy disposal and due process has to be maintained and achieved by the legal system.

International Cooperation in Combating Economic Crimes

International cooperation is necessary for battling or combating with the economic crimes from one country to another country. Monetary or financial funds which is transferred through one country to another. The financial or monetary funds are hidden by the third person and invested by the fourth person. So the offender takes a great advantage because offence happens in the multiple difference jurisdictions or a legal system. So the mutual legal assistance, Information sharing between the multiple countries or international cooperation will helps in battle against the money laundry and corruption. Without Cooperation of the countries the economic offenders can exploit borders without any limit.

LEGAL FRAMEWORK GOVERNING ECONOMIC CRIMES

Bharatiya Nyaya Sanhita, 2023 ⁷

- **Criminal Conspiracy - BNS Section 61** - Agreement between two or more persons to commit an offence or illegal act.
- **Criminal Breach of Trust - BNS Sections 316–320** - Dishonest misappropriation or conversion of entrusted property.
- **Cheating-BNS Sections 318–322** - Deception causing wrongful gain or loss which includes cheating and cheating causing delivery of property.
- **Fraudulent Removal / Concealment of Property-BNS Sections 323–325** -Dishonestly hiding or transferring property to defeat creditors or legal claims.
- **Forgery & Falsification of Accounts-BNS Sections 336–342** - Making or using false documents, records or accounts with fraudulent intent.
- **Using Forged Document as Genuine-BNS Section 340** - Knowingly using a forged document as genuine.

⁷ *Bharatiya Nyaya Sanhita, 2023*

Prevention of Money Laundering Act, 2002⁸

- **Prevention of Money Laundering Act, 2002 -Section 3** - Money laundering means directly or indirectly attempting to engage in or assisting in any process connected with the proceeds of crime. It includes concealment, possession, acquisition or use of “illegally obtained” money as untainted property. The offence is committed even if a person helps or is involved in any stage of the laundering process.

Prevention of Corruption Act, 1988⁹

- **Section 7 – Public Servant Taking Bribe** - When a public servant directly or indirectly accepts or agrees to accept an undue advantage. The benefit is taken for performing or not performing official duties improperly. It includes both demand and acceptance of bribe
- **Section 7A – Influencing Public Servant by Corrupt Means** - When a person accepts or obtains undue advantage to improperly influence a public servant. The aim is to get favourable official action through corruption. It covers intermediaries who help in influencing decisions.
- **Section 8 – Bribing a Public Servant** -When a person gives or promises an undue advantage to a public servant to influence their actions. The intention is to get illegal or unfair work done. Both giving and offering a bribe are punishable.

CONCLUSION

It has been concluded that, the economic crime is a serious offence that involves in the financial and foundation of society which includes fraud, corruption, forgery, cyber-enabled financial crimes and money laundering, etc. Though in economic crime, there is no physical assault or violence but it results in financial loss. Economic crime will affect both the individual and the institution by weakening them through the means of unemployment and loss in a company. The increased complexity in this digital world, which makes difficult to control the economic crimes, because of this reason society must take a strong laws, ethical business practice and public awareness must be taken into the practical world. It is not only a private matter between an offender and victim; it is a social threat where the development of the society is unstable and fare economic development is reduced. In order to get the stable, fair and proper economic order must be achieved and there must be a strong legal system need to be enacted

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