



SCRUTINY OF CORPORATE FRAUDS IN INDIA FROM ETHICAL PERSPECTIVE

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ABSTRACT

Business ethics is of overriding meaning as loads of principal organizations are constant to be spoiled by embarrassment of scandals and frauds. Corporate frauds answer in slaughter of bazaar capitalization and sort image of the organizations. They are distressingly prevalent across countries, and across sectors of the economy. This conceptual broadsheet highlights more or less of the key corporate frauds since liberty and their repercussions on shared and fiscal fabric of India. Keeping sustainability as a fulcrum, it attempts to hint at steps that companies tin and duty adhere for management their businesses decently and in that way minimizing, if not eradicating the corporate fraud.

1. INTRODUCTION:

Section 17 of the Indian bond perform defines "Fraud" as "Fraud" way and includes any of the next acts committed by a whoop it up to a contract, or with his connivance, or by his agents, with intent to lie to a further organization thereto his agent, or to induce him to go into into a contract. Corporate Fraud as definite by CIMA (Chartered Institute of Management Accountants) is 'a category of fraud that broadly involves by means of cheating to earn delicate addition for oneself corruptly and/or found a shortfall for others'. To outshine cotton on frauds we tin expression at it from something else views. For example, we know how to gaze if a fraud is in-house or outside to the business that was difficult or had gotten tangled with deceptive acts. more or less 75% of corporate surveyed in India felt the on the whole incidence of fraud was raising. For the appearance years, E-Commerce and central processing unit correlated frauds would be of a key concern. (India Fraud give an account Survey, 2010, KPMG). In India, corporate frauds boast a long, chequered history. Ethics include been a grey region in Indian companies for decades. According to a set of circumstances schoolwork by IBS argument increase Center, corporate fraud is a key section of have to do with with not

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quite 42 for each cent the companies experiencing it, incurring a focus hurt of \$1.5 million. The suppliers' kickback, it says, is the for the most part prevalent kind of fraud. Companies hold put in station a swing of actions - member of staff registry, biometric identification, circumstances test - to compact with the blight of corporate frauds. Corporate frauds in India get witnessed a in focus climb in ancient two years, and paradoxically enough, companies contemplate it inevitable. This trend, according to a overall consultancy unyielding KPMG's biennial, 'India Fraud review 2012' is 'dangerous' as it military organizations to exhibit a tolerant get in touch with towards the luggage of fraud. "Close to 55 for each cent of respondents indicated that their organizations qualified fraud in the live two days vis-a-vis 45 apiece cent in 2010 text of our survey," the account said. In March 2012, Ernest & children (E&Y) passed out its pioneer scrutinize of corporate fraud in India patrician 'Fraud and Corporate Governance: shifting prototype in India'.

The evaluation highlighted the insensitivity of crown leadership in Indian companies and their compliance to sweep gear under the carpet. lone 35 for each cent of respondents supposed their employers suffer above-board action against fraudsters. "Companies typically favor to let alone coverage any financial offence to a valve for the reason that of a perceived menace to their reputation," concluded the inspection report. Over the years, as the contest has got fierce, the directorial configuration has befit increasingly decentralized, foremost to weak in-house dictate contained by organizations. It has in go spurred the incidence of large and tiny corporate fraud nearby is a increasing suspicion that first detection is significant in fighting this menace. According to PWC survey, 99 for each cent of the respondents hold incorporated inside controls, in-house and exterior audits, falling in line programmes and signs of ethics to regulate fraud. Corporate frauds in India assert witnessed a sour climb in history two years, and dryly enough, companies take into account it inevitable.

The shin up and extent of corporate frauds in India hold zoomed in the go on 15 existence with over partly the bags of fraud commerce with siphoning of finances by promoters/top management and defrauding the lenders. This conceptual article will appearance at particular of the foremost corporate frauds in India and its ethical implications.

2. METHODOLOGY:

14 foremost frauds of India from the time of freedom own been viewed for this conceptual term paper and the conclusions are based on the ethical education erudite from the same. next are the 14 frauds full into consideration:

- 1) Mundhra swindle
- 2) Satyam Scandal
- 3) Bofors Scams
- 4) 2G Spectrum swindle



- 5) Harshad Mehta fiddle
 - 6) Ketan Parekh dodge
 - 7) Citibank Fraud
 - 8) IPL con
 - 9) Telgi sting
 - 10) Antrix Devas exchange
 - 11) HBN Dairies & partner Ltd rip-off
 - 12) Potato purchasing rackets of Sunangal Industries
 - 13) SCHIL (deal in investment Corporation of India) cheat
 - 14) Austral Coke in Rs.1000 cr a/c dodge
3. Big Corporate Frauds in India

1.Mundhra Scam

This was the elementary dodge of on your own India. Haridas Mundhra, a businessman and farm animals entrepreneur sold pretended shares to LIC and in so doing defrauding LIC by Rs.125 crores. Mr.Jawahar Lal Nehru, deposit up a one-man directive headed by righteousness Chagla to investigate. even-handedness Chagla concluded the matter; Haridas was institute guilty and was sentenced to captivity for 22 years.

2.Satyam Scandal

The largest corporate cheat in India came from one of the paramount recognized businessmen. Satyam creator Byrraju Ramalinga Raju resigned as its chairman after admitting to cooking up the bank account books. His hard work to seal the "fictitious assets with absolutely ones" through Maytas acquisition failed, after which he strong-willed to confess the crime. With a fraud linking about Rs 8,000 crore (Rs 80 billion), Satyam skeleton one of India's prevalent perpetually corporate scams. The shocking confessions of B. Ramalinga Raju, ex-Chairman of Satyam Computers, has no single sensation investors and employees badly, it has besides discoloured the reputation of India's IT sector. Amidst fears that clients would sort out a move around on firm commitments, the bigwigs of India Inc are desperately difficult to paint the Satyam commission as an exception. at the same time as Indian corporations in actual fact should to make sure of the lot achievable to pick up the situation, they furthermore requirement compensation observes to a quantity of coaching to be learnt from the scandal.

Why would Satyam encompass been tempted to surpass the law?

1. boundary marker 1990, in come again? is proven as the liberalization period, the corporate sector has played a key position in the Indian economy.



2. near ought to comprise been period as soon as the mounting struggle mandatory large corporations to get depraved behaviour of conducting their business.

3. Ramalinga Raju power carry out been tempted to add zing to up Satyam's story to let somebody see the company's presentation in trustworthy light. Infosys, Satyam's competitor, has been record tremendous progress over the years. drawn after the Satyam scandal became communal news, Infosys' occurrence remained chiefly unaffected.

4. It can moreover comprise on track off as an have a crack to deal with up the rotten thing in one quarter. As Raju admits in his letter, pardon? was originally a diminutive break between the genuine and reported in service profit, became out of control as the business expanded. 5. Overconfidence in his skill to good turn gear around before they got out of laborer may well encompass been a different compelling reason.

3. Bofors Scam

The Bofors scandal is one of the largest sting that cripples India. The Bofors rip-off was a main corruption scandal in India in the 1980s and brought a chief holdup Gandhi's ruling Indian nationwide parliament party. The in that case PM Rajiv Gandhi and quite a few others counting a forceful NRI family named the Hindujas, were accused of getting kickbacks from Bofors AB for prize-winning a proposal to deliver India's 155 mm ground howitzer. It has been speculated that the amount of the scandal was to the jingle of 400 million. The argument came to strike during Vishwanath Pratap Singh's occupancy as plea minister. The reputation of the middleman connected with the scandal was Ottavio Quattrocchi, an Italian factory owner who represented the petrochemicals press down Snamprogetti. Quattrocchi was purportedly finish to the family of get ready Minister Rajiv Gandhi and emerged as a vigorous adviser in the 1980s between grown-up businesses and the Indian rule

4. 2G Spectrum sting

At a mind-boggling Rs 176,000 crore (Rs 1.76 trillion), the 2G spectrum allocation swindle is by distant the leading con in India. The Supreme invite just believed the spectrum sting has put 'all other scams to shame'. The confrontation maxim ex- telecom minister A Raja life form obligatory to resign after the CAG indicted him in the 2G spectrum swindle that resulted in a injury of about Rs 176,000 crore to the native exchequer. drawn as investigations in to the con -- which has in a jiffy be converted into a opinionated scorching potato with the enemy gunning for the government, demanding a JPC and the ruling UPA inflexible on not generous in -- are on, it has fall to playful that politicians, corporate lobbyists, affair houses and stable the media capacity retain played a immense function in it.



The scandal revolves around the alleged irregularities in allotting wireless data lines spectrum and licenses by the telecom department to personal operators -- around of whom were disallowed -- in 2007. Licenses were set and spectrum allocation was prepared at an really depths cost chief to a massive slaughter to the public coffers.

5. Stock Market Scam

He was recognized as the 'Big Bull'. However, his bull contends did not only remaining exceedingly long. He triggered a begin in the Bombay run of the mill altercation in the day 1992 by trading in shares at a premium across lots of segments. compelling compensation of the loopholes in the banking system, Harshad and his contacts triggered a Securities cheat diverting burial to the harmony of about Rs 5,000 crore (Rs 50 billion) from the banks to stockbrokers between April 1991 to May 1992. Harshad Mehta worked with the New India pledge group before he enthused in advance to stab his destiny in the provide markets. Mehta in a little while mastered the tricks of the trade and stubborn out on precarious game plan. Mehta has siphoned off gigantic sums of riches from numerous banks and millions of investors were conned in the process

His fiddle was exposed, the markets gone down and he was arrested and banned for energy from trading in the provide markets. He was anon stimulating with 72 criminal offences.

6. Ketan Parekh- Stock Market Scam

Ketan Parekh followed Harshad Mehta's path to double-cross crores of rupees from banks. A chartered accountant he old to scurry a family business, NH Securities. Ketan then again had larger campaign in mind. He under attack less significant exchanges like the Allahabad provide swap over and the Calcutta livestock Exchange, and bought shares in pretended names. His connections revolved around shares of ten companies like Himachal Futuristic, comprehensive Tele-Systems, SSI Ltd, DSQ Software, Zee Telefilms, Silverline, Pentamedia Graphics and Satyam mainframe (K-10 scrips). Ketan on loan Rs 250 crore from overall dependence side to fuel his ambitions. Ketan beside with his acquaintances too managed to urge Rs 1,000 crore from the Madhavpura commercial Co-operative Bank. According to RBI regulations, a negotiator is allowable a give somebody an advance of of no more than Rs 15 crore (Rs 150 million). at hand was data of rate chains in the scrips of macro dependence Bank, Zee Telefilms, HFCL, Lupin Laboratories, Aftak Infosys and Padmini Polymer.

7. Citibank Fraud

The modus operandi of frauds on wealth management at CITI Bank, Gurgaon has tattered how combinations of greed and possibilities of top profits has facilitated the link



administrator to manipulate the system and expose the NRIs and Corporates to the peril of down their money. The customers were promised above what is usual profits by misrepresenting a imaginary SEBI circular. The investors were determined by greed of privileged revenue and as a result undoubtedly influenced by the liaison director to play according to his direction. The assets were diverted to the precautions advertise and second-hand for derivative transactions without equivocation the downside risk. one time the sell enthused against the leveraged positions; the margin calls were triggered which resulted in the inevitable

8. IPL Scam

India who conceitedly boasts over its tumult fashioned by IPL 20-20 cricket plus carries the identical of a scandal with IPL. It on track as soon as IPL official Lalit Modi bare that Tharoor's pal Sunanda Pushkar had fairness stakes in assignation Sports earth (RSW), caption the association that owns the Kochi team. It was soon disclosed that Pushkar got sweat even-handedness of the value of Rs 70 crore. Shashi Tharoor maintained that the quantity had nil to see to with his working campaigning and mentoring for the Kochi team. This was a smaller amount strong as he had particularly mentioned that he had no certain gains from RSW appealing Kochi Franchisee. profits reproach investigation details into match-fixing point in the IPL discovered Lalit Modi has safety in three teams.

9. Telgi swindle

One of the the largest part dramatic scams in India, Abdul Karim Telgi was the devise behind the complete picture of printing artificial duplicate stamp credentials that completed its aspect into the banks and other institutions. Estimated at a colossal expense of Rs 20000 crores, the fake stamp rag and stamp had infiltrated 12 states. Reports besides bring to mind that the number one had rule grant which was seized to blame for the advertising and fabrication of from head to foot protection stamps. In Telgi con a to excess of investigation was finished and pick up large headlines in this news

10. Antrix Devas divide up in 2011,

G Madhavan Nair ex- ISRO chairman and three other scientists were reliable for a controversial apportion between the Indian opening investigate Organization's (ISRO) ad part Antrix Corporation and Devas Multimedia. The divide up tangled ISRO let the S-band transponders on two satellites (GSAT6 and GSAT6A) to Devas for diffusion purposes. A CAG description originates that the section of distance hid evidence from the cabinet and desecrated convention and policies in appreciative the agreement. The report's leak fired a



controversy that free spectrum was life form given. The CAG check reported that here was a demise of Rs 200,000 crore.

11. Cattle & Ghee Racket:

HBN Dairies & connected Ltd at this juncture is a further shark companionship which cool Rs. 1,100 crores (Rs. 11 billion) from free on the vow of from head to foot profits contained by a brusque span. The circle had succeeded through the 'agents' to delude relatives that it is a profitable venture and public supposed it blindly. populate had before now invested Rs. 745 crores in the company's 'Cattle and Ghee' plan with the optimism of being paid enormous returns. By March 31, 2011, it had serene Rs. 745 crores from known and after that in addition it unrelenting the collection. even if it has nevertheless to be ascertained how a great deal the guests had in reality cool from in the public domain it is estimated that it would be Rs. 1,100 crores. The SEBI has issued restrictions on the business which prohibited advertising of its property's importance Rs. 1,000 crores in totalling to the deposits together by the company. The SEBI has besides instructed the concert party to groom an action mean to refund the Rs. 1100 crore deposits to the shared contained by thirty days.

12. Potato-Purchasing Racket of Sumangal Industries

Kolkata-based Sumangal Industries happening hitherto a different racket with the appeal of elder income in passing span. The group in have reservations about asked deposits from frequent with the pledge of 100 apiece cent proceeds in 12 months. The party promised to invest in potato purchases in big ascend and vend the similar with enormous profits. It had calm quite a lot of crores of rupees from individuals who understood them. However, the Securities & Exchanges go into of India put a spanner in the racket of Sumangal Industries and asked it to arrival the quantity in three months to every part of the investors.

13. Schil sting

SHCIL is India's leading keeper and pool Participant (DP), with not quite every cover communal sector fiscal ritual as its client and shareholder. SHCIL bagged a influential narrow for electronic stamping of revenue credentials as amount of the post-Telgi step towards paperless stamping. SHCIL was to be the record-keeping activity for this Rs 50,000 crores advertise that is budding rapidly. It tied-up with Singapore-based Crimson Logic for the technology and approved to direct its payments through two entities, the end of which was adjust up in Singapore by SHCIL's pro managers. The tomfoolery of SHCIL's management has to be seen in the background of the possibility injure and losses that their procedures may perhaps hold caused. It had the latent of living being a sequel to the Telgi scam, but was exposed before the injury was ready and barred by intelligent control action.



14. Austral Coke rip-off

The rip-off was unearthed in Ahmedabad by the takings overstretch area next searches conducted on June 23, 2009. On a day as Austral Coke & Projects alleged it has acquired 50% stake in Osho Gremach Mining Limitada in Mozambique, the Securities and swap over floorboard of India (Sebi) has set up the circle caught up in a Rs 1,000 crore accounting scam. The manufacturer of low-ash metallurgical coke manipulated books by presentation deceptive purchases and sales to 29 companies allied with Kolkata-based Ajit Kumar Jindal, the resources markets monitor believed on Tuesday. The sting was unearthed in Ahmedabad by the take-home pay excise territory next searches conducted on June 23, 2009. The taxmen set up bogus purchases of Rs 553 crore and sales of around Rs 495 crore. Jindal has admitted they were imitation transactions.

4. ANALYSIS OF THE CORPORATE FRAUDS COMMITTED:

After looking at the above bags we opening appear at who is to blame for these frauds and arrange here at the supposition that everybody from the embark of Directors, CEO, CFO, chief Management, inside Auditors, the IT Department, inside Management and Operational Management are acutely implicated and are responsible.

The causes and the solutions alike tin be fixed to the next 5 chief categories:

- 1) delicate Ethics
- 2) strength of will building Processes
- 3) executive discrimination
- 4) Unrealistic show Goals
- 5) Leadership

First, issue ethics are not utterly singular from delicate ethics which are the by and large established ideology of authentic and injustice governing the conduct of individuals. Our private ethical program exerts a profound inspire on the route we act as businesspeople. It follows that the elementary pace to establishing a solid brain of conglomerate ethics is fir a organization to underline effective private ethics. Many studies of corrupt actions in a commerce scenery obtain concluded that every now and then corporate make sure of not bring to fruition they are behaving unethically primarily for the reason that they in words of one syllable neglect put a opinion if the result that they hold ready is ethical or not. The omission dishonesty in the processes that don't incorporate ethical considerations into enterprise pronouncement making. One of the key causes of corporate frauds is that on the whole directorial cultures enclose been deemphasizing small business ethics (as seen in the



personal belongings above), in this way plummeting every single one decision to the only fiscal level. ideals and norms manipulate the civilization of a corporate entity, and cultivation had a vital induce on the ethics of selling resolution making. Unrealistic feat goals and strain from the father company, the belt-tightening exercise and the the populace at hefty which tin be attained simply by cold corners or interim in an immoral behaviour add to a big limit of the corporate frauds (foremost case: Satyam). But the major search of every deception in the leaders of the corporate entity. Leaders benefit find out the civilization of the organization, and they park the examples that others follow. Other employees in the corporate regularly implement and adapt to the line or actions that the leaders endorse and if the leaders don't act in an ethical manner, near is a chief possibility the employees of the corporate will not either.

Schooling that bottle be learnt

A directorial civilization container legitimizes deeds that the high society would adjudicator as unethical, on the whole while it is sundry with a focus on unrealistic carrying out goals, such as maximizing sharply tenure performance, no make a difference pardon? the costs. In such situations, in attendance is a better than norm gamble that the internal direct towards managers will violate their individual delicate ethics and engage in immoral behavior.

Some officially authorized Solutions Business Ethics and Whistle-Blowing

It is a generally established statement that good at your job corporate authority is entrenched in the ethical actions of the acme leadership in the organization. One of the valuable behaviours of introducing a refinement of ethics and ethics is a whistle blower policy. The Securities and substitute live of India (SEBI) mandates a whistleblowing method in Clause 49 of the list understanding that deals with corporate domination norms. In cause since 2003, however, it has not been as beneficial as desired. The civic benefit confession Bill, 2010, has advance enlarged the awareness about whistleblowing actions and the could do with to make available sufficient security to whistle-blowers. But, near is quieten a ration of bring about to be finished to avert or sense the growing bags of corporate fraud. A shot by Singapore force down property partial reveals that just about partially of the AsiaPacific companies are poised of their inside fraud controls. However, according to a recount by PriceWaterhouse Coopers, merely 16 apiece cent of money-spinning crimes in the locality are detected by risk-management systems. The sizable mass of incidences of money-spinning crime, says the report, are detected by accident, tip-off, inside and exterior audit.

Suggestions for the mode early Hiring and Promotion



Companies canister produce prospective employees psychological tests to appraise to detect their ethical predisposition, and they container limit with their earlier employees re someone's reputation. (The end is before now a mutual practice.) Not merely be supposed to firms check out and hire relations with spicy significance of own ethics, but it is additionally in the fascinate of the prospective employees to uncover out about the ethical climate of the partnership that they are available to join.

5. DIRECTORIAL SOPHISTICATED AND LEADERSHIP:

Firms obligation explicitly express ethics that underline ethical behaviour. several firms act this at the present by drafting a policy of Ethics which is a reserved report of the ethical priorities that the issue adheres to and the policy of Ethics draws solidly upon ID such as the UN unanimous Declaration of creature Rights, which is stranded in Kantian and rights-based theories of rule philosophy. For example, according to Unilever's language of ethics it does not tolerate poor quality effective conditions, expenditure adolescent strive or donate bribes under any circumstances. It furthermore refers to respecting the dignity of employees, a account that is beached in Kantian Ethics.

Leaders in the firms requirement let somebody have excitement and ethics to individuals terminology by frequently emphasizing the weight of ethics and it follows that the stage on them, meaning, by means of every related opening to stress the substance of dealings ethics and assembly reliable the solution topic decisions not single add up to skilled cost-effective perceive but are additionally ethical. For example, at GE, past first in command Jack Welch has described how he reviewed the execution of managers, in-between them into a number of groups. This built-in over performers who displayed the privilege morals and were singled-out for increase and bonuses and over performers who displayed the unsuitable ideals and were agree to go. He was not keen to tolerate leaders in the troupe who didn't be in in accordance with the pivotal ideals of the company, steady if they were in altogether other compliments skilled managers.

6. ETHICS DETECTIVE:

To knock together yes that a set behaves in an ethical manner, a integer of firms promptly receive ethical officers. These persons are sensible for construction positively that the entire the employees are educated to be decently aware, that ethical considerations go in the business-decision construction process, and that the company's regulations of ethics is adhered to. Ethics officers may as well be conscientious for auditing resolution building to give somebody the job of trustworthy they are uniform with this code. They moreover enactment as inside ombudsman guise with liability for management confidential



investigation from the employees, investigating complaints, coverage findings and manufacture recommendations for change. Example, selected Tata assemble companies like Tata Sons, Tata Steel and Tata Teleservices are amongst the a small number of which hold ethics officers in India. For insistence Tata Sons, the highest property companionship of the group, in February appointed Mukund Rajan as chief spokesperson, sort caretaker and chief ethics official for the group.

7. SUMMARY:

Corporate frauds stand for collective and monetary liability. The fault ethical morals in cooperation at the personal and clerical levels are burrow foundation of this tragic malady. A serious gathering revolution heartrending the meat of creature hearts and a fierce leadership adept an adequate amount of to permeate obedience at completely levels preserve be the cure-all for being paid out of the rot. Infusing innovative technology tools to arrest the pasty flush frauds are the need of the day. Organizations are desirable to raise and promote ethical society in the organizations distant from subjecting themselves to ethical appraisal at publication intervals.

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