

A Bane of Financial Deceitfulness

¹Pemmaraju Syamala Deepthi

M.Com., Assistant Professor, B. V. Raju College, Bhimavaram.

²Maradani Harika Santhosha Kumari

M.Com., Assistant Professor, Sir C. R. Reddy

college, Eluru

³Golla Ramakrishna

M. Com., Assistant Professor, Sir C. R. Reddy college, Eluru

ABSTRACT

Frauds are the intentional errors that humans made to gain temporary luxury and permanent comfort in their lives. Unethical practices are the best suitable ways to settle down things as fast as possible because of the less patience levels they have or the more thirst to attain the life they imagined. Frauds may be number of ways financial frauds are the top most priority and became a bane for this 21st century. Financial freedom is the motto of everyone to lead the life style they cherish and that is an enmeshing element for the money lenders in different forms of financial organizations like banking and non-banking organizations, private or public financial institutes or the instant loan application platforms who injected the debt as an habitual action and a very common scenario in almost every family in the society irrespective of Gender, Age, community, occupational and educational backgrounds. Among all the financial frauds banking sector especially high profile frauds are the most crucial factor we can consider as banks are treated as trustworthy persons on behalf of government that provide financial aid and also protects the wealth we created. Frauds in banking sector are an alarm that raised the need of strengthening the regulatory aspects and usage of new technology like Artificial Intelligence to prevent frauds as much as possible. On top of the things creating awareness about the financial frauds and the need of building a financial literacy in people can made us successful in fighting effectively towards the battle of financial deceitfulness. This article deals with the deep case study of India's top most banking frauds so far PNB (Banking) and HDFL (Non-Banking) institutions that shook the country and how the economy will get destroy and how the belief of loyalty towards financial institutions and blind trust of common man in India can be deceived. This article also discusses the probable solutions and precautionary methods to prevent the country's financial structures and people's wealth.

KEYWORDS

Financial Deceitfulness, Frauds and Financial frauds, India's largest financial scam, Financial scandals, Nirav Modi scam, DHFL scam, Tips for avoiding financial frauds.

INTRODUCTION

Monitory factors are developed to exchange the goods and services and attain comfortable standard of living from the 6th century BCE in the form of coins and later transformed into paper currency according to the paper currency act 1861. The expansion of business markets and the availability of several products and services raised the need of adopting a system to store and circulate the money in the market and the money of the people or business in a systematic manner that is the root cause of birth "Banks" which are the trusty worthy partners in dealing monitory transactions efficiently and transparently. The growth and development of banking sector and the money flow makes banks to realize expansion of more branches is needed and a guide is required to monitor and design and balance the economic and non-economic factors of nation which gave raise to enhanced power and authority of "RBI" on banking system which co-ordinatively work close to the financial ministries to execute the plan of action called "Budgeting" in the country. The growth of demand and supply of commodities and the financial crisis due to inflation (Financial distress 1990) are the major causes that are responsible for change in complete picture of country's economy headed by former finance minister "Dr. Man Mohan Singh" by opening three gates of bliss into country.

ECONOMIC REFORMS IN INDIA



These three gates brought a tremendous change in the economic conditions as well as market positions in the country. Banks are the major players in this whole process that made things possible by providing huge loans to establish, enhance and expand the businesses. Our is a country that completely not much invested into technology at those times and banks have to face a lot of technical issues in order to maintain and retrain large data and information regarding loans lend and deposits accepted. Many of the business man who was in the list of secured and high profile category took advantage by attaining monetary support from the banks without any collateral securities and some by issuing fake BR's. Reflecting unusual and fake financial statements are also an effective tool used to fraud the government, public and banking systems. As the advancement of technology many of the cases got resolved and some are still in pending and some may even considered as non- performing assets or bad debts which highest rate may completely collapse the banking mechanism. If we observe the history we can realize that financial fraud is not a new thing to deal but despite of country's rapid growth and sound achievements towards technology and economic conditions the 21st century has become the most profound state of frauds especially financial frauds. The fraudsters are adapting new techniques and trends to attain easy money through fraud mechanism which is dangerously increasing day by day through online, offline which is inversely increasing the crime rate. Either it is due to inflation in the market, tax burden or highest selling value of a commodity the main action took place is a financial fraud.

HISTORICAL FRAUDS IN INDIA

There are many such cases involved in financial frauds from history like Haridas Mundhra (Mundra Scandal) regarding stock market is the first financial scandal of newly independent India in

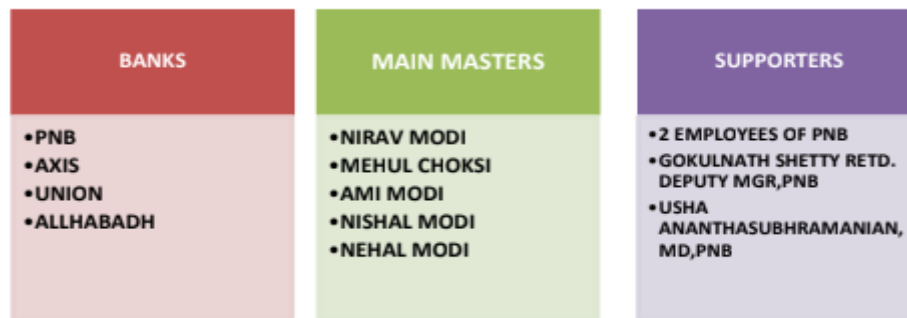
1950's^[1]. Nagarwala Scandal is another financial fraud occurred in 1970's by Sohrab Nagrwala made withdrawn of 60Lakh Rs.from the State Bank Of India branch^[1].Fooder scam in^{[4][5]} 1985. Bofors scandal in^[2] 1987.Hawala scandal in 1991^[2] Harshad Mehta scam in^[3]1992.Stamp paper scam in india in^[2]1992.Ketan Parekh scam conviction in^[10] 2008.Satyam scandal in^{[40][41]}2010.Housing loan scam in ^[1] 2010.Madhya Pradesh scholarship scam in. ^[1] 2013.The Punjab National Fraud case in ^{[1][3]} 2018 is the first and foremost financial we are going to discuss and here comes our second largest financial fraud which began to showcase its irregularities and started to investigate in 2016-2019 which was closed in 2024 is The DHFL scam a non-banking financial institute whose fraud involved a huge loss to 17commercial and non-commercial banks with the help of network of 87 shell companies- A fake borrowers and A real Fraud <https://mybs.in/2dVqw23> . Karvy scam in^[84]2019. Adani group scandal in ^[97] 2023.Mahadev betting app case in ^[1]2024.NAAC rating bribery case ^{[2] 3][4][5]}2025.

THE PUNJAB NATIONAL BANK FRAUD

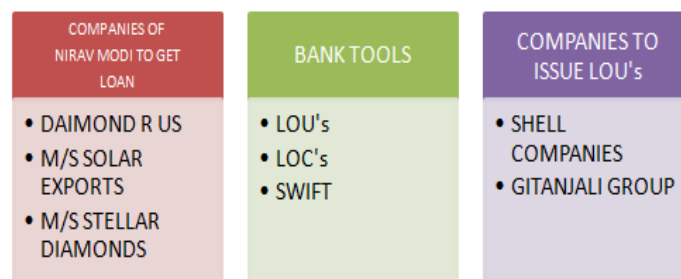
The Punjab nation bank is an Indian government bank established in the year 1894 and also the second largest public sector bank in India. The financial fraud of Rs.1200 Crores was made possible with the help of issuing fake LOU's i.e., Letter of Understanding an informal agreement statement concerning a deal or a project in favor of jeweler and designer Nirav Modi with the help of two PNB employee fraudsters to overseas branches of other Indian banks like Union bank of India,Allhabadh and Axis bank by using "SWIFT" The society for world wide interbank telecommunication established in 1973 in Belgium owned by banks and also used by other member firms. The fraud was identified by the newly joined employee which was later informed by PNB officials to CBI to investigate the case which is already under the investigating process in the hands of ED and RBI. CBI named key officials of the bank apart from employee fraudsters as a reason for the failure in

implementing and maintain the several cautious circulars and notices of RBI regarding the reconciliation of SWIFT messages and core banking systems^[8].

A DIAGRAMATIC REPRESENTATION OF PEOPLE INVOLVED IN THIS FINANCIAL FRAUD



THE TOOLS OR TECHNIQUES USED TO FRAUD



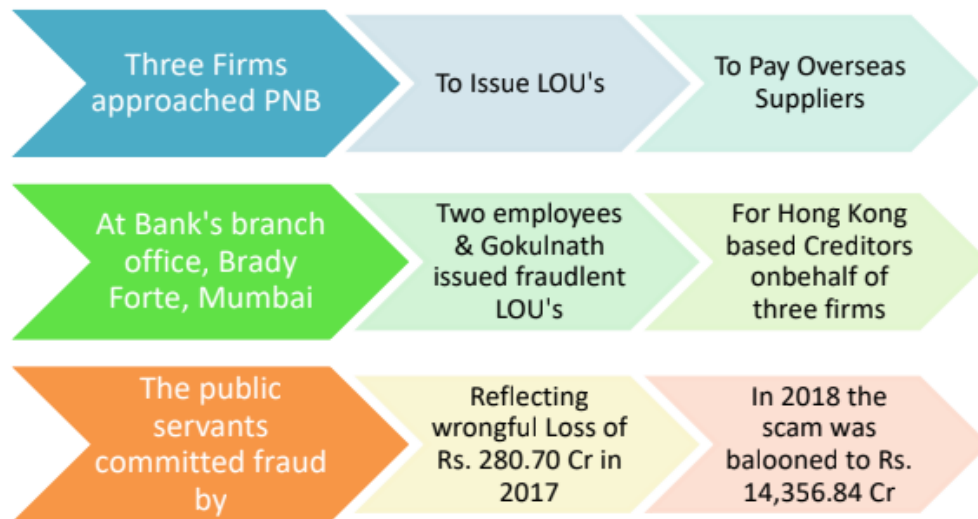
RELATIONSHIP BETWEEN THE FRAUDSTERS



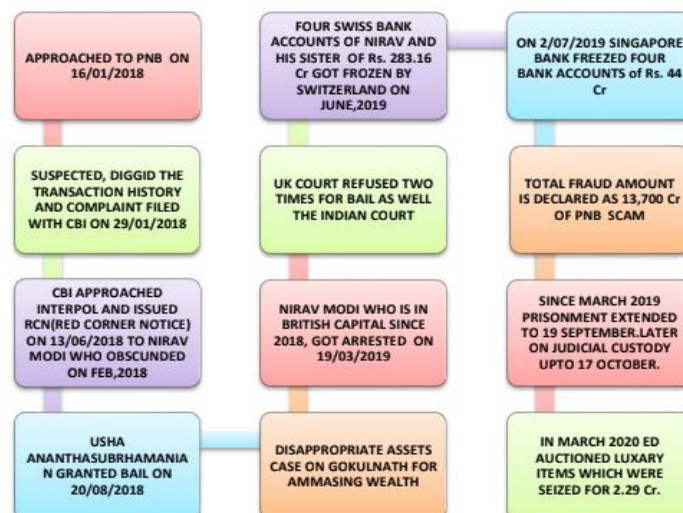
THE MAN BEHIND THE SCAM



NIRAV MO
THE PROCESS



ISSUANCE TOOLS, YEARS OF INVESTIGATION ACTION TAKEN

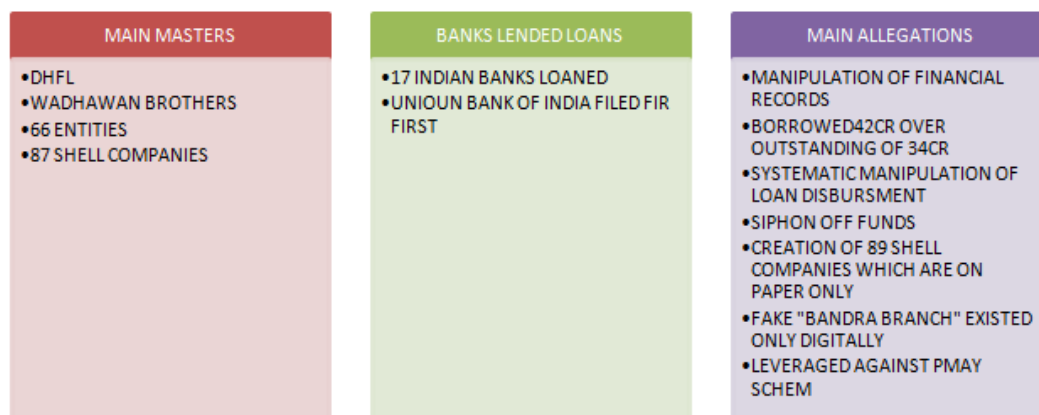


THE DHFL FRAUD

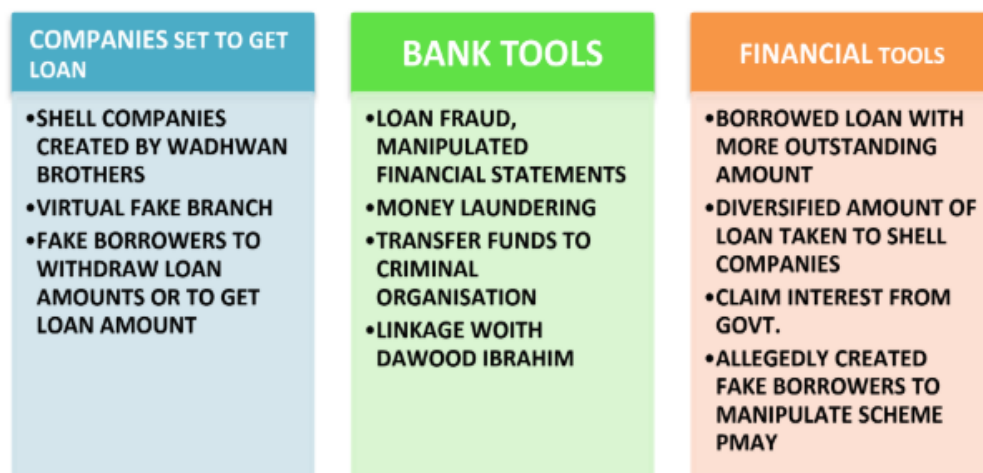
The DHFL (Dewan Housing Finance Corporation) is established in the year 1984, headquartered at

Mumbai. Kapil wadhwan and Dheeraj Wadhwan are the initial founders of DHFL. It is a non-banking financial corporation which provide loans for lower-middle income groups to make their dream house come true especially in the rural and urban areas of the states. They focused on diversification of loan amounts of Rs. 34,516 Crores which are borrowed from the 17 consortium Indian banks where State Bank Of India, Union Bank Of India, Bank Of Baroda are the largest lenders to provide loans to DHFL. The manipulative financial statements are digged and filed FIR against DHFL by Union bank of india on 2022. DHFL was facing trust issues and money laundering allegations from past 2016. A forensic audit was done through KPMG which is a global network professional services firm that offers Tax, Audit and Advisory services from 2016-2019. The audit revealed the most shocking facts about the company where it borrowed 42,000 crores from 17 indian banks with an outstanding of 34,000 crores. DHFL transferred the borrowed funds to 66 entities on the name of company's promoters Kapil wadhwan and Dheeraj wadhwan. The more shocking factors were the creation of 87 shell companies which are existed to papers but not in active business. DHFL also created fake virtual branch "Bandra Branch" of bank which exists digitally and completely fake one to channel the funds diversified to shell companies. The most aggressive part of the scandal is DHFL allegedly created 260,000 fake borrowers and claimed the interest from government under the scheme PMAY (Pradhan Mantri awas Yojana) which was initiated to provide basic shelter and housing facility to the disadvantaged groups and poor groups. The CBI has done its part best in revealing the facts and arrested Dheeraj wadhwan in 2024 who was already involved in the financial probe in Yes bank. The further investigations are continuing and the team is working hard to make the loss of banks and the loss of trust by borrowers on financial system in India to be normalized. It is considered as the one of the largest Financial scandal in the Indian history after ABG Shipyard fraud case of Rs. 20,000 Crores.

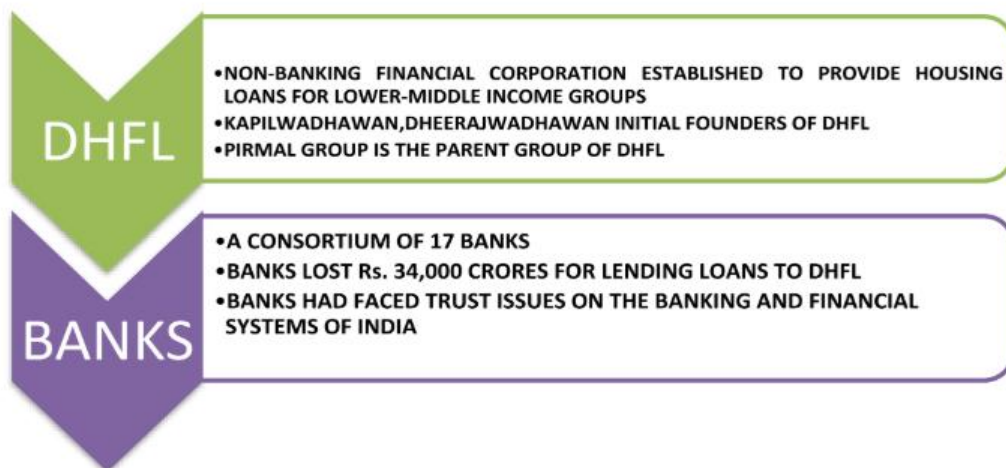
DIAGRAMATIC REPRESENTATION OF PEOPLE INVOLVED IN THIS FINANCIAL FRAUD



THE TOOLS OR TECHNIQUES USED TO FRAUD



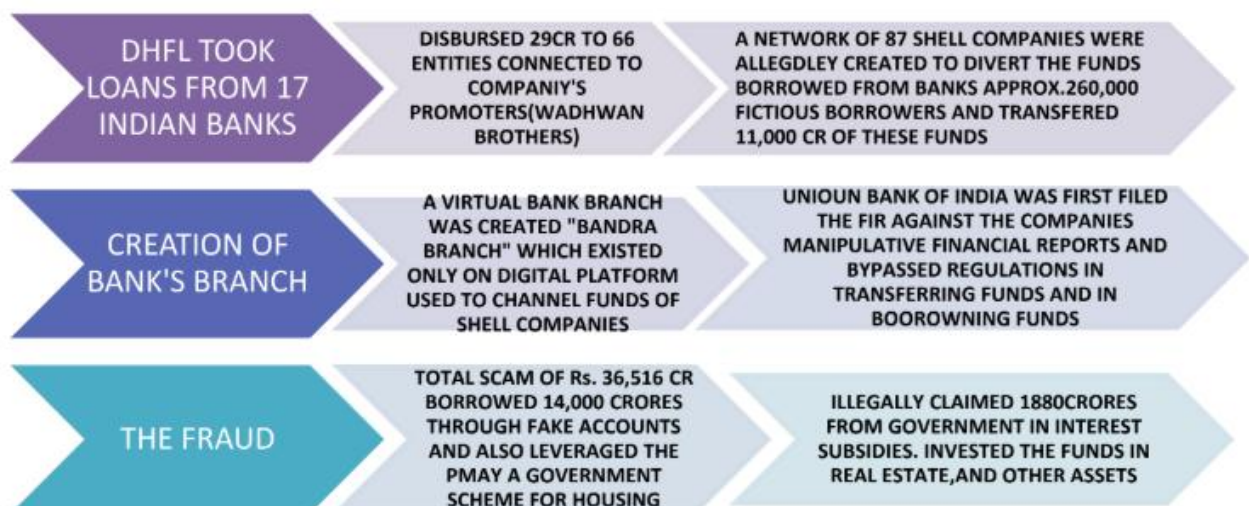
RELATIONSHIP BETWEEN THE FRAUDSTERS



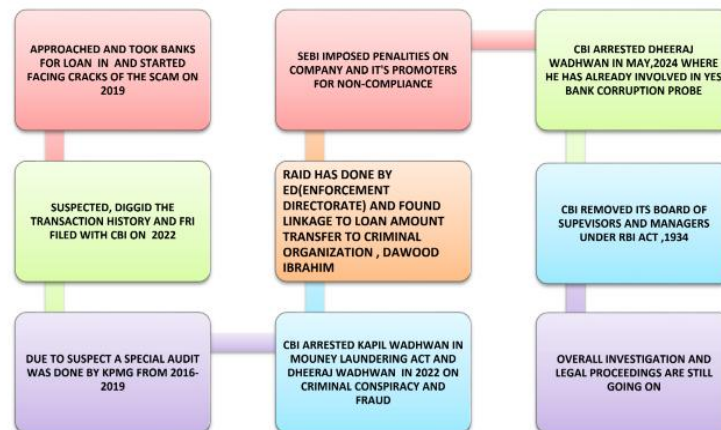
THE BROTHERS BEHIND THE SCANDAL



THE PROCESS

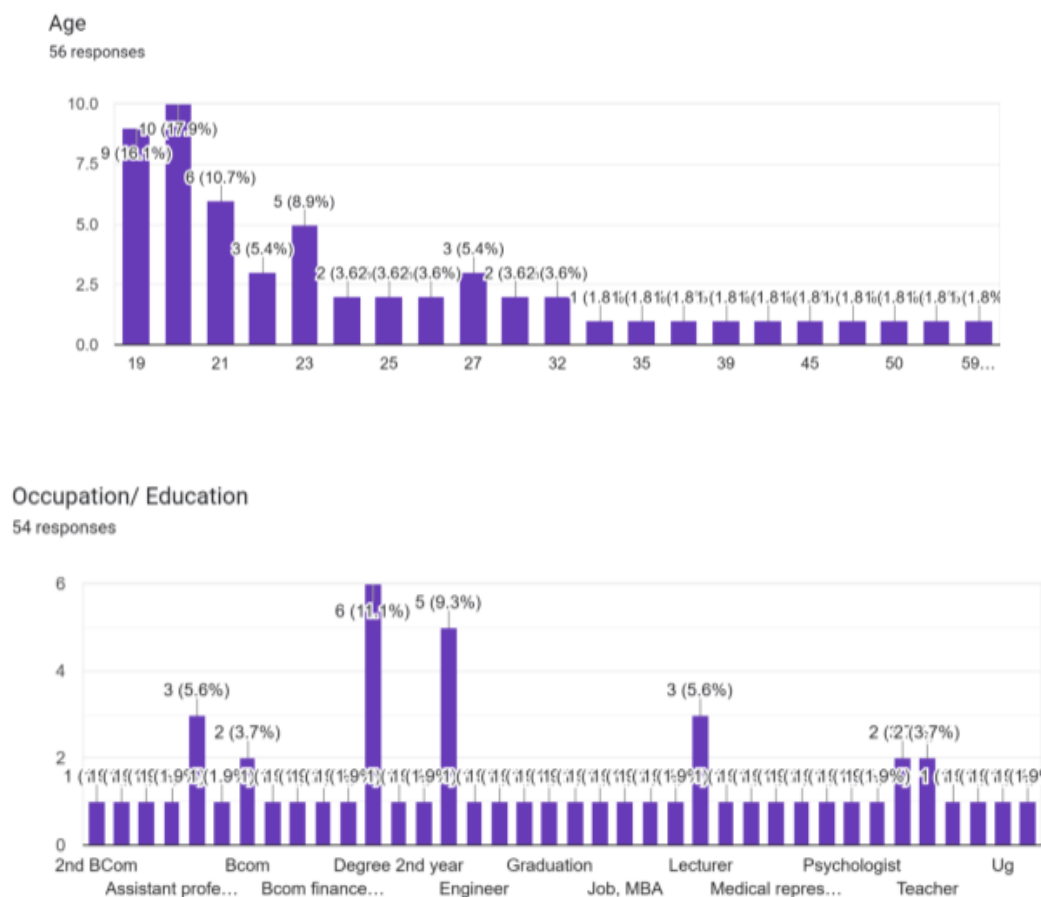


YEARS OF INVESTIGATION ACTION TAKEN



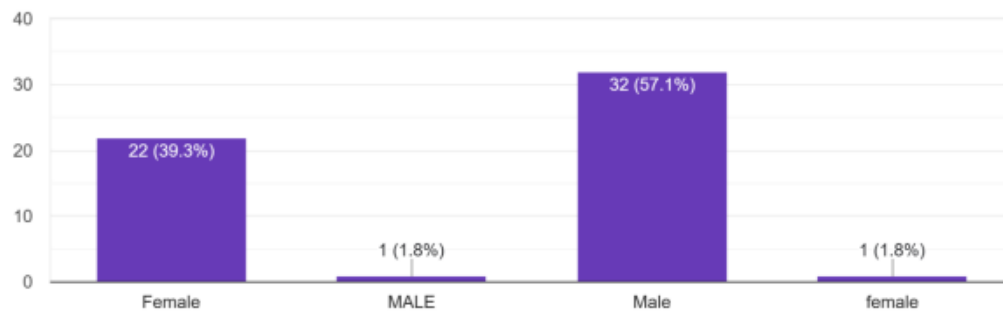
FRAUD'S OF 21ST CENTUARY

The 21st century is the digital lead century where rapid growth and development in the working mechanisms have taken place. We can consider this as a digital revolution in finances where a huge behavioral change in people took place while dealing with their finances. The study of 56 members irrespective of age, gender, and financial backgrounds has taken through the channel of Google form framed with a set of questionnaires that helps to pull data about the opinion on financial literacy people have and also help us to know the rapid changes in the consumption and availability of debt that has increased through online apps and many other platforms that attract youngsters to take loans without considering the repaying ability of theirs. The following are the graphical representation of the survey conducted so far.



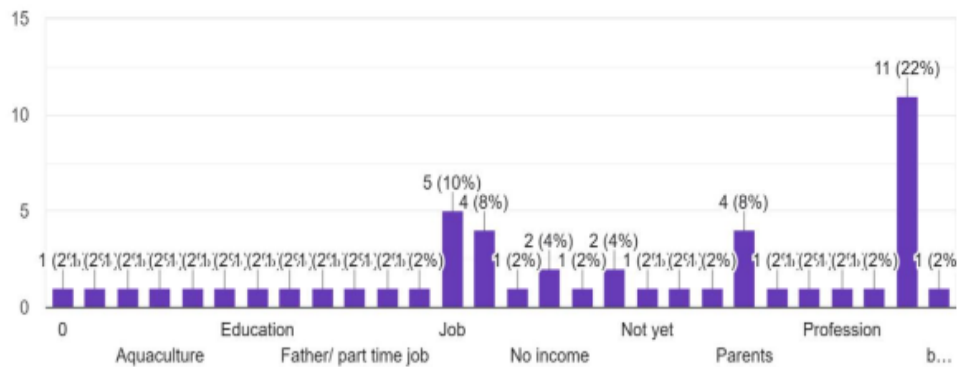
Gender

56 responses



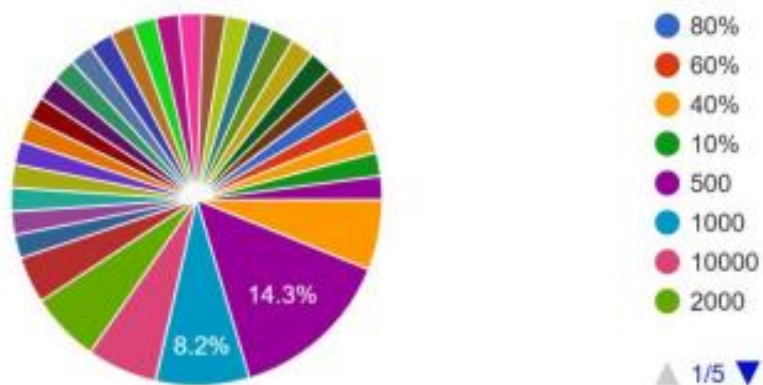
Source of Income

50 responses



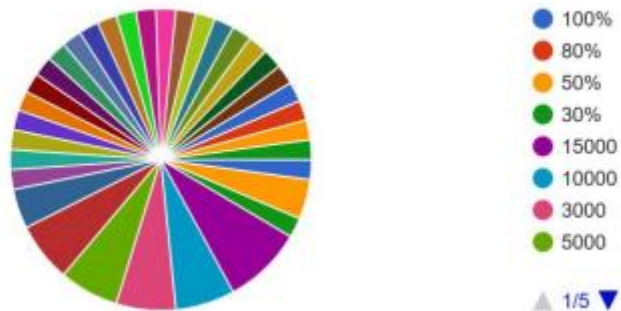
How much expenses you spend on your wants/wishes in a week

49 responses



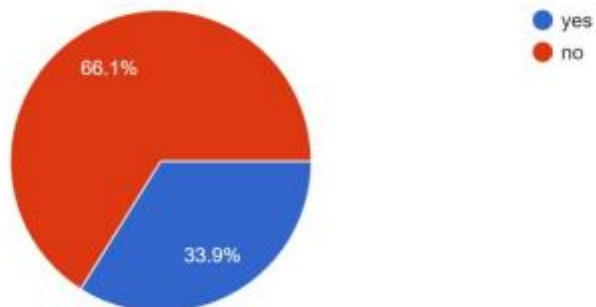
How much expenses you spend you spend on your needs in a month

47 responses



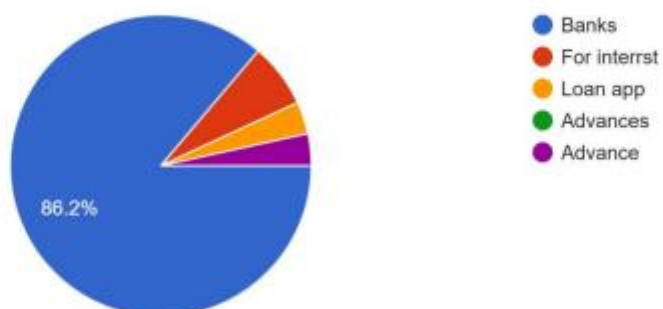
Do you have any loans

56 responses



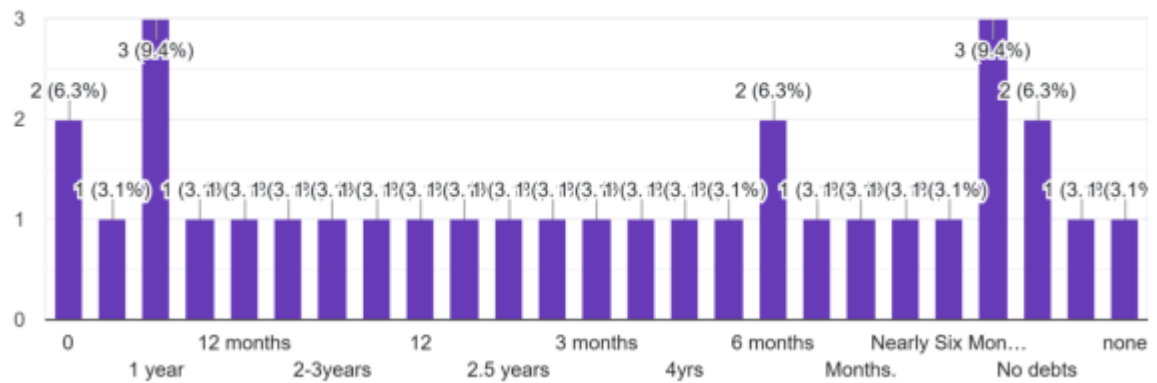
You have loans in

29 responses



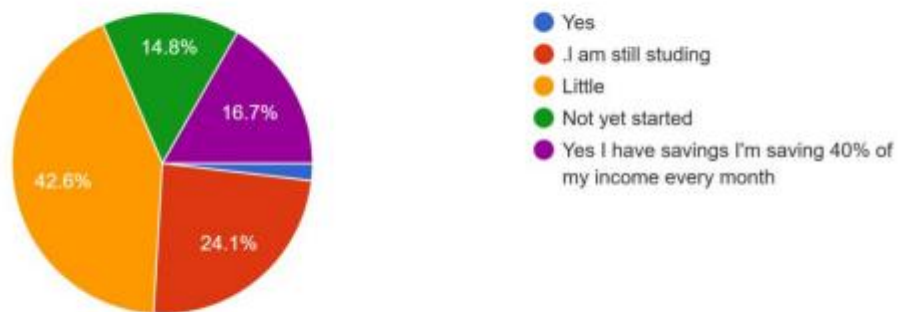
How many months/years you need to clear your debts ?

32 responses



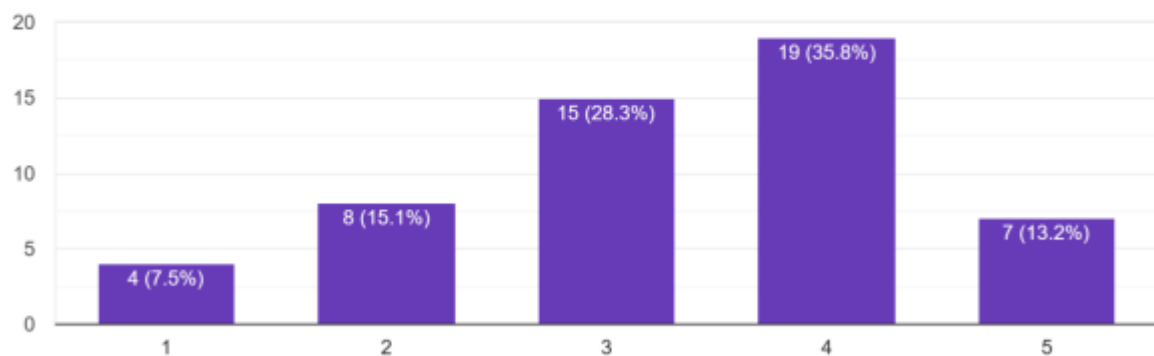
Do you have savings ?

54 responses



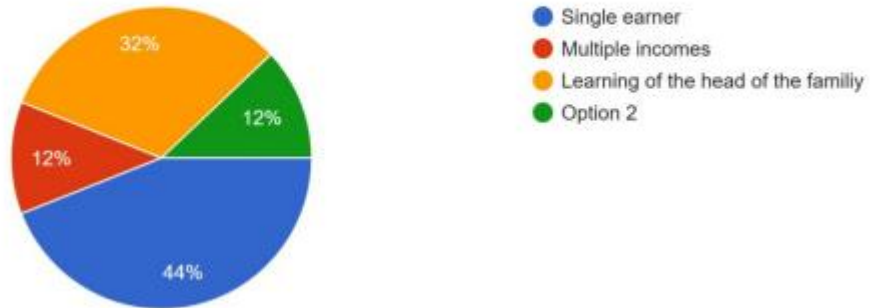
Rate your efficiency in managing your finances

53 responses



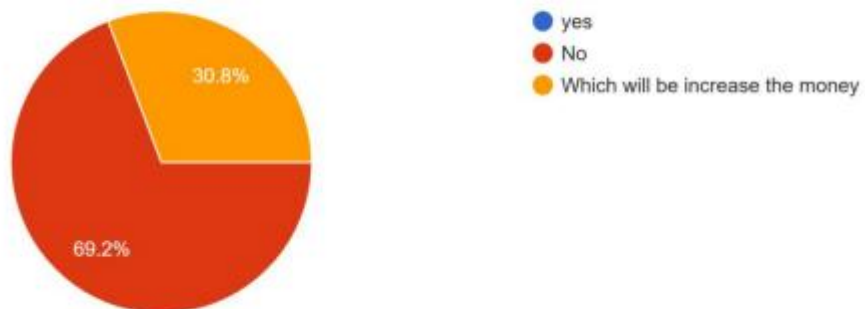
Income sources you have ?

50 responses



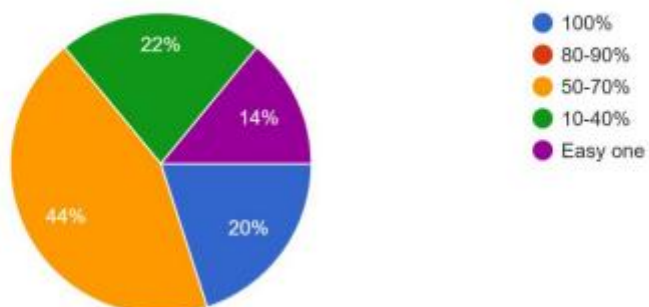
Do You have assets ?

52 responses



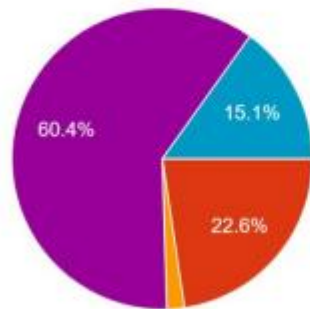
How much money availability people have now a days compared to earlier ?

50 responses



It is difficult to get a loan from banks

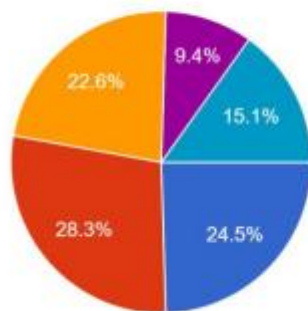
53 responses



- yes
- No
- Everytime
- sometimes
- It depends on eligibility of the person
- Sometimes eligibility is the needed

It is better to take loan in apps rather than from persons

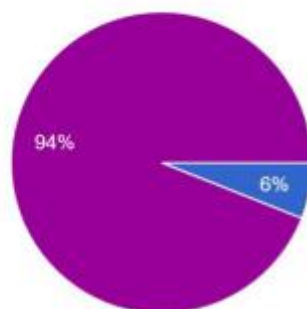
53 responses



- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Agree direct contract with the person also important

Financial literacy is important

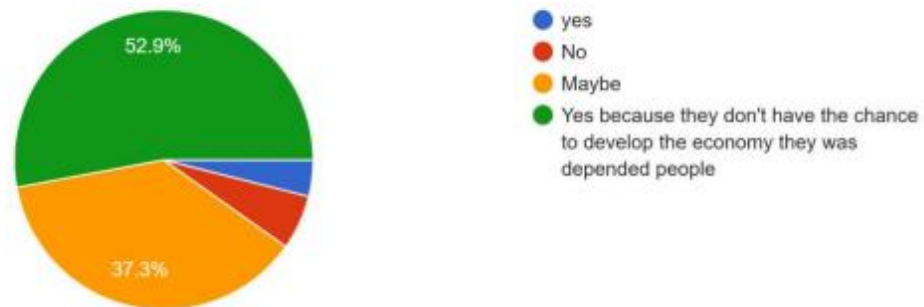
50 responses



- yes
- not so important
- women won't need it
- it is mandatory for men
- How to consume it also

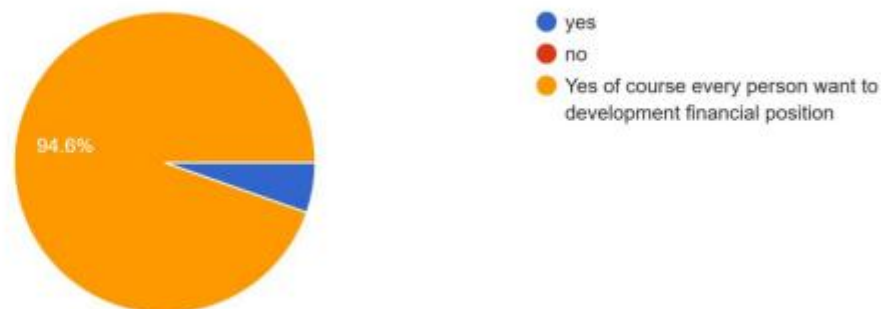
Our living standards are effected by country's economy

51 responses



Do you feel comfortable to speak up about your finances in this form

56 responses



FINDINGS

- People's perspective towards finances has changed from responsibility to individuality and freedom
- Many of the youngsters feel that taking loans from apps is much easier as they connect them to emotional factors like asking people money will be embarrassing and hurts their feelings .
- Around 80% of the people are single bread winners of their families and only 20 % of the people have multiple sources of income
- People assumption is that financial literacy is nothing but managing expenses well but not knowing the ability to enhance the ability to make their money work for themselves or knowing the opportunities to diverse their earnings.
- 90% of the people does not have any savings irrespective of age, earning ability,etc.,.
- People have the perception of managing expenses and meeting their expenditure in a perfect way is their efficiency in managing finances but not the wealth creation or reducing unnecessary expenditures.
- People have more trust on banking system to take loans rather than other lending platforms.
- Online lending apps are the most attractive sources to meet the expenses of students.
- Taking financial risk by investing them in unplanned expenses and no budget control mechanism are the main reasons for rapid growth of debts in families.
- People have more comfort in talking about the efficiency they have on managing their finances but not about accepting the fact of debts they have in real.
- Investing more money in satisfying their wants rather than needs are the secondary gateway for the financial distress in people.
- People are more comfortable to take short term loans even at high rate of interests than having a sound amount as debt with minimal rate of interest through public sector banks is the primary helpline for the improved sale of loans by private banks.

- Creating awareness on finances and financial literacy should be the responsibility of government and RBI too in order to prevent economy from inflation.
- Large availability and circulation of money in the market is the root cause for availability of debts through online instant apps where RBI doesn't focused on limitation of issuing regulations and access to number of money lending platforms.
- Government should be the leading party in making citizens financially literate just like finland and other parts of the western countries where people are not only literate they are financially literate having sound mechanism of managing their finances.

CONCLUSIONS DRAWN

- ❖ The root cause of financial frauds are the addiction towards luxurious life styles and the expansion of financial thirst that satisfies the psychological distress through money which can be easily attained in the name of High Profile people whom are encouraged by governments, companies, market and society.
- ❖ Flexible banking operations and wide range of lending opportunities for high profile candidates
- ❖ Collateral security may not be an interesting or fruitful part in handling biggest frauds
- ❖ Increased technology gives flexibility to create virtual companies which may not be surveyed
- ❖ Wide availability of fraudsters who can create duplications
- ❖ Banks bypassing the guidelines of RBI by treating many cases as special one's
- ❖ Credibility of the customer may not be an important factor when it comes to high profile people
- ❖ Intervention of CBI or RBI will be there always after the fraud got committed.
- ❖ Irregular frame work in banks and old working mechanisms which are not amended from years
- ❖ Lack of supervision and authority of RBI on non- banking sectors, private financial institutions
- ❖ where deaths of harassment by instant loan apps and high rate of financial frauds when
- ❖ compared to previous years are the proofs of system failure
- ❖ Availability of credit and political influences in the banking sector
- ❖ Unresolved technical issues that leads to less transparency and threat to privacy

FACTORS OF SOLUTION

- Creating awareness in public as well as companies is the first and foremost step to improve knowledge on various frauds and fraudsters techniques to protect people themselves from financial frauds.
- Awareness towards loan and advances, factors effect your financial behavior and consequences to be faced once trapped in financial frauds.
- Much needed precaution is to provide financial literacy to break the chain of having debt as a habitual action.
- Fair treatment to public and private persons to save the trust of public on government
- Advanced technology usage to handle the accounts and completing transactions like Biometric and facial recognitions.
- Gathering and segregation of data in collaboration of internal audit firms to maintain transparency and ambiguity
- Amending regulations according to the obstacles we have in our technological and financial systems
- Data analyzation and GAP analysis brings out the best possible ways of securing banks money
- Intervention of RBI is to be enhanced rather than government and other political profiles in finances.
- Conduct campaigns and workshops not only for common people but also for banking professionals, companies and Mnc's where all the mixture creates a good backup of efficient financial structure and smooth run of finances in the country
- Ministry of foreign affairs can also have an active part in intervene and investigate the suspected transactions even in the high profile cases.
- Recruitment of young and passionate professionals with revised recruitment process is needed
- Case studies and discussions will enhance the capability of young professionals in identifying and resolving financial scandals
- Framing strong and commendable regulation policies and laws can help to face the bane of financial deceitfulness in India especially in this digitalized era.

References

- [1] Reddy, Pingle Jaganmohan (1999). The Judiciary I Served. Orient Blackswan.

- [2] p. 281. ISBN 978-81-250-1617-5.
- [3] 2. "The Nagarwala case: Is the truth buried?". India Today. 30 April 1977.
- [4] "November 5, 1978, Forty Years Ago: Nagarwala Case". The Indian Express. 5 November 2018. Retrieved 17 March 2021.
- [6] Indian, The Logical (19 March 2016). "Independent India's First Big Financial Scam: Mundhra Scandal". thelogicalindian.com. Retrieved 10 November 2022.
- [8] Shashi Bhushan, M.P. (1977). Feroze Gandhi: A political Biography. Progressive People's Sector Publications, New Delhi.p. 75
- [10] Indian, The Logical (19 March 2016). "Independent India's First Big Financial Scam: Mundhra Scandal". thelogicalindian.com. Retrieved 10 November 2022.
- [12] Shashi Bhushan, M.P. (1977). Feroze Gandhi: A political Biography. Progressive People's Sector Publications, New Delhi.p. 75
- [14] Indian, The Logical (19 March 2016). "Independent India's First Big Financial Scam: Mundhra Scandal". thelogicalindian.com. Retrieved 10 November 2022.
- [16] Shashi Bhushan, M.P. (1977). Feroze Gandhi: A political Biography. Progressive People's Sector Publications, New Delhi.p. 75
- [18] "The Hawala Scam".
- [19] "Did Modi receive over ₹55 crore from the Sahara Group as the chief minister of Gujarat?". Economic and Political Weekly: 7–8. 5 June 2015.
- [21] Jump up to:a b Sudha Mahalingam (21 March – 3 April 1998). "Jain Hawala Case: Diaries as evidence". Frontline Magazine. 15 (6). Archived from the original on 10 March 2007. Retrieved 2 November 2006.
- [24] "WHO GOT WHAT AS PER JAIN DIARY". milligazette.com. Milli gate archives. Retrieved 25 October 2018
- [26] "The Hawala Scam".
- [27] "Did Modi receive over ₹55 crore from the Sahara Group as the chief minister of Gujarat?". Economic and Political Weekly: 7–8. 5 June 2015.
- [29] Jump up to:a b Sudha Mahalingam (21 March – 3 April 1998). "Jain Hawala Case: Diaries as evidence". Frontline Magazine. 15 (6). Archived from the original on 10 March 2007. Retrieved 2 November 2006.
- [32] "WHO GOT WHAT AS PER JAIN DIARY". milligazette.com. Milli gate archives. Retrieved 25 October 2018
- [34] "The Hawala Scam".
- [35] "Did Modi receive over ₹55 crore from the Sahara Group as the chief minister of Gujarat?". Economic and Political Weekly: 7–8. 5 June 2015.
- [37] Jump up to:a b Sudha Mahalingam (21 March – 3 April 1998). "Jain Hawala Case: Diaries as evidence". Frontline Magazine. 15 (6). Archived from the original on 10 March 2007. Retrieved 2 November 2006.
- [40] "WHO GOT WHAT AS PER JAIN DIARY". milligazette.com. Milli gate archives. Retrieved 25 October 2018
- [42] DHFL scam decoded: Fake borrowers, shell companies, and billions lost | Personal Finance - Business Standard
- [43] "CBI arrests 10 people including JNU professor in NAAC rating bribery case, raids 20 locations | Today News". mint. 2025-02-01. Archived from the original on 2025-02-01. Retrieved 2025-02-03.
- [46] "NAAC Officials Demanded Bribes for A++ Rating: CBI". www.deccanchronicle.com. 2025-02-03. Retrieved 2025-02-03.
- [48] "JNU professor, NAAC inspection committee chairman among those held in corruption case by CBI". bestcolleges.indiatoday.in. Retrieved 2025-02-03.