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CORPORATE CRIMES IN INDIA AND ITS

IMPACT ON INDIA'S UNEMPLOYMENT

An Introduction:

Corporate crimes are illegal activities committed by business organizations or individuals within a corporate structure, this is done often to maximize profits or gain a competitive edge, basically acting in bad faith in order to gain personal profits. These crimes can have a deep impact on the society, since it breaks down the economy of the country and the people who are left stranded by such white-collar crimes are usually the people who are not economically sound, hence such crimes have an effect on unemployment rates. In a formerly colonised and a currently developing country like India, where each success is a strong answer to the world of our capability, corporate crimes have become a significant concern as they not only put our economic stability into a jeopardy, but they also contribute to unemployment rate and hinder overall growth. This blog delves into the dynamics of corporate crimes and how they influence unemployment in India.¹

Understanding the concept of corporate crimes:

Corporate crimes encompass a wide range of illicit actions, including embezzlement, fraud, insider trading, tax evasion, environmental pollution, bribery, and corruption. Such activities can lead to financial setbacks for investors, customers, and the government while adversely impacting the environment and public health. Corporations engage in these activities to

¹ Nishanandini, 'Corporate Crime and its role in Economics Depression' (2021) <legalserviceindia.com/legal/article-3291-corporate-crimes-and-its-role-in-economics-depression.html> accessed 9 October 2023

increase their profits and their position in the market, often at the surpassing the limits of the ethical code of conduct and legal compliance.

Effects of Corporate Crimes on Unemployment:

1. Economic Instability:

Corporate crimes disrupt the economic stability of a country by breaching the trust and confidence of the investors. Such negative consequence, subsequently discourage the investors from investing in the companies, and hence gradually, it destabilises the country's economic growth.

Taking the example of the Harshad Mehta Scam, which had defrauded India's banking system of almost 250 million, this incident completely rattled our economy. It was a lesson learnt, since this scam could be successfully executed due to the existence of several loopholes within the banking system. Yet, this incident served as a great example of how scams like these have the capability of destroying and sending an entire country's economy down a rabbit hole. This scam is considered as one of the biggest white-collar crimes in the country.²

2. Reduced Job opportunities:

As corporations engage in fraudulent activities to earn profits, they often cut corners and exploit their workforce to multiply their gains. This can lead to violations of labour rights, unfair wages, and unsafe working conditions. Adding to this, when these corporations face legal consequences due to their criminal undertakings, they will face financial repercussions and would start with laying off their employees to mitigate such financial setbacks. As a result of this, the unemployment rate rises and there is a downsizing of the workforce. This also leads to the plummeting of stocks, sending the investors on a frenzy.

3. Resource Diversion:

² 'The story of Harshad Mehta and five ways it changed Dalal Streets'
The Economic Times (India, 21 October 2020)

When scams like the Harshad Mehta Scam or the Sahara scam has had such adverse effects on the country's economy, it can only be thought how much resource go into for dealing with during and after such setbacks. All the resources that are spent and diverted towards dealing with these corporate crimes, investigations, legal works, and settlements could have been instead used for much more productive economic activities and job creation. The regulatory bodies spend a substantial amount of time and resources to address corporate misconduct, which diverts their attention from implementing policies that are the need of the hour and that could help with job and economic growth and development.

4. Impact on Small and Medium Enterprises (SMEs):

Corporate crimes affect not only large corporations but also small and medium-sized enterprises (SMEs). In a way these white-collar crimes create more problems for SMEs, since these lesser in scale corporations rely very much on our banking system so when the banking systems itself shuts down, then how are these enterprises supposed to survive. They often struggle to compete with the larger corporations, that engage in such unethical practices. This leads to unfair competition, fuelled by corporate crimes, that can force SMEs out of their business, leading to job losses within this crucial sector of the economy.

5. Social Trust and Unemployment:

High-profile corporate crimes break public trust in businesses and institutions. When people lose their faith in the corporate sector, they may avoid investment opportunities, which would the negatively impact capital flow. This lack of trust and the subsequent reduced investment opportunities further invoke unemployment as businesses face financial constraints, hindering their ability to expand their business and create new job opportunities.

Efforts that can be taken to Address Corporate Crimes and Unemployment:

1. Strengthening Regulatory Frameworks:

Enhancing the legal and regulatory frameworks to deter corporate crimes is a crucial aspect. Stricter and more stringent laws and penalties, along with effective enforcement strategies and mechanisms can help in discouraging business entities from engaging in unlawful and unethical activities, which at the end, help in fostering a fair and competitive business environment that encourages job creation and curb unemployment.

2. Promoting Ethical Business Practices:

Encouraging ethical behaviour within the corporate framework, through education, awareness campaigns, and incentives can help reduce corporate crimes. Companies should be incentivized to prioritize ethical conduct and social responsibility, creating an environment of accountability and mutual integrity.

3. Enhancing Corporate Governance:

Establishing a robust corporate governance standard and mechanism is important. Transparent reporting, independent boards, and active shareholder engagement can promote responsible and healthy business practices and deter corporate crimes, ultimately contributing to a healthier economic space.

4. Investment in Skill Development:

To mitigate the effects of unemployment resulting from corporate crimes, governments should invest in skill development and vocational training programs. Equipping individuals with relevant skills, increase their employment factors and encourages them to find alternative employment options in different sectors.

5. Supporting SMEs:

Governments should provide support and incentives to SMEs to help them withstand unfair competition resulting from corporate crimes. This could include financial assistance, mentorship programs, and favourable policies that enable SMEs to compete on a level playing field.

Conclusion:

Corporate crimes have far-reaching and drastic consequences, it is one of the major factors of economic loss in the country, and not only in an economic capacity, but also for unemployment rates in India. With the changing times, people's greed has increased, and these white-collar crimes are a good example of that. These crimes undermine economic stability, reduce job creation, engage resources towards unproductive works, affect small and medium enterprises, which ultimately and leads to a breach of social trust. Addressing corporate crimes necessitates a multifaceted approach involving regulatory enhancements, ethical promotion, robust corporate governance, skill development, and support for SMEs. By addressing the root causes of corporate crimes, India can foster a business environment that encourages a healthy economic growth, job creation, and overall prosperity. India has introduced many legislations to tackle these white-collar crimes like:

- Prevention of Money Laundering Act, 2002³
- Prevention of Corruption Act, 1988
- Along with strict provisions in the Companies Act, 2013

But these initiatives will only be fruitful when individual integrity is practiced and maintained. Therefore, it is important to take into consideration the gravity of this issue and tackle it, starting with its root cause, and ultimately curb corporate crimes in India.

³ Ritika Saxena, 'A case study on corporate crimes in India' (*ipleaders*, 24 October 2019) <<https://blog.ipleaders.in/white-collar-crime/>> accessed 9 October 2023