INTRODUCTION:

Corporate frauds have become a global phenomenon. There is a crisis of confidence arising from the failure of the pillars of the capitalist system such as the stock market, financial analysts, accountants and the investment banks.

Frauds are not new for the corporate world, truth is that ‘fraud’ always existed in historical context. But recent times, it has grown exponentially. Hence, any type of corporate fraud emerged will responsible for the collapse of supportive financial systems and investments. The impact may be local or global in nature.

These types of frauds exploded in India and abroad. While the Indian corporate world has been afflicted by such frauds almost continuously from the days of post independence era to till the recent mega corporate fraud of Satyam Corporation.

So, it becomes familiar story of a few corporate heads indulging in unethical practices with the sole aim of enriching themselves at the cost of sacrificing ethics.

Hence any type of corporate fraud happened anywhere in the world has an impact on the supportive financial systems and investors. All such frauds result in huge losses, depletion of assets and above all could cripple the business operation.

The factors responsible for corporate frauds are multi layered of both external and internal in nature.

Strong legal framework will become necessary to safeguard the interests of the both investors in financial markets and as well as for the promoters of the
business operations to work under atmosphere of fearlessly in the society. Even though, India has well laid legal control mechanism to deter the happenings or recurrence of the corporate frauds in the country. The Satyam fraud has exposed the inadequacies in country’s legal and regulatory framework’s failure to tackle corporate wrongdoing even in this liberalized era. This has posed newer challenges to the existing legal control mechanism. Thus, situation necessitates to strengthen the existing legal control mechanism to deter the recurrent of the frauds in future.

Our jurisprudence is yet to march in step and act as per the largest needs of a society plagued by corporate frauds or white collar crimes. Thus, situation needs a new radical jurisprudence system. Financial crimes are no heinous than the crimes dealt with by Code of Criminal Procedure, we need a new law to tackle such financial crimes more effectively.

Any type of fraud is obviously the case of gross corporate mis governance. This is the collective failure of entities responsible for corporate governance. It needs to be realized that corporate governance, will be effective by the way of taking care, duty of loyalty and effort adopted by the board of governance that exhibit.

Over the years due to the rise in frauds in corporate sector, as it become necessary to analyze and evaluate the effectiveness of the existing legal provisions of the regulations enacted by the government from time to time in prevention and
control of the corporate frauds. Thus, it became necessary to choose this contemporary research topic for the study.

Further, any types of corporate frauds are business risk in nature and have the devastative impact on the supportive financial systems of the economy.

The prime function of legal control of the corporate frauds is to provide the protection against the occurrence of the probable aspect of risk of fraud under the category of functioning of corporate entities.

The risk and uncertainties of business operation have been increasing day by day in this modern world coupled with the technological advancements specially the penetration of the Information Technology (IT) application at all levels of corporate functioning. Along with the liberal economic conditions poses newer challenges in business operations.

The significance of legal control in the context also has been increased. The importance of effective legal control mechanism is not only the fulfillment of objectives of the law but also contribute to the smooth growth of corporate which will lead towards the socio economic development of the modern social systems.

In view of its importance, it became necessary to evaluate, analyze and purpose for which the legal control mechanism existed. Therefore, the research topic on “Control, Prevention and Investigation of the Corporate Frauds under Legal Framework in India: A Detailed Study of the Relevant Laws and Regulations.” has been selected for the study.