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CORPORATE CRIMES PART-I

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Agenda of this Presentation

- **Corporate Crimes – Meaning And Nature**
- **Psychological And Socio-economic Factors Underlying Corporate Frauds types Of Corporate Crimes**
- **Types Of Corporate Crimes**
- **Conclusion**





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CORPORATE CRIMES MEANING AND NATURE

Corporate crimes are offenses committed by businesses or their executives for financial gain or to maintain a competitive edge. Unlike conventional crimes, corporate crimes often involve deception, fraud, or violation of regulations rather than direct physical harm.





NATURE OF CORPORATE CRIMES:

Financially Motivated: The primary goal is economic gain.

Deceptive and Fraudulent: Often involve misrepresentation, falsification, or hidden transactions.

Organized and Systematic: Crimes are planned and executed at different levels within an organization.

Low Detection Rate: These crimes are complex, making it difficult to detect and prove.

High Societal Impact: They can lead to financial crises, loss of jobs, and reduced trust in institutions.

Examples:

The Enron Scandal (2001) – Accounting fraud that led to the company's collapse.

The Volkswagen Emissions Scandal (2015) – Falsification of emission test results.





PSYCHOLOGICAL FACTORS:

Greed and Profit Maximization: Desire for wealth and power can lead executives to engage in fraud.

Rationalization: Offenders justify their actions as necessary for business survival.

Pressure to Perform: Employees or executives may commit fraud to meet unrealistic targets.

Lack of Ethical Awareness: Poor corporate culture and weak moral values contribute to criminal behavior.

**PSYCHOLOGICAL AND
SOCIO-ECONOMIC
FACTORS
UNDERLYING
CORPORATE FRAUDS**





SOCIO- ECONOMIC FACTORS:



Economic Inequality: Disparities in wealth and opportunity encourage financial crimes.

Weak Regulatory Systems: Poor enforcement of laws allows corporations to exploit loopholes.

Globalization and Market Competition: Increased pressure to outperform rivals leads to unethical practices.

Corruption and Political Influence: Governments and corporations sometimes collaborate in illegal activities.

Example:

Satyam Scam (2009) – Fraudulent financial reporting in an Indian IT firm due to performance pressure.





TYPES

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CORPORATE

CRIMES

A. Financial Crimes

Involves fraudulent financial activities that deceive investors and stakeholders.

Accounting Fraud – Manipulating financial records (e.g., Enron Scandal).

Insider Trading – Using confidential information for stock trading (e.g., Rajat Gupta Case).

Ponzi Schemes – Fraudulent investment scams (e.g., Bernie Madoff Case).





B.

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Deceptive business practices that exploit customers.

FRAUD

False Advertising – Misleading product claims (e.g., Volkswagen Emissions Scandal).

Product Safety Violations – Selling unsafe goods (e.g., Johnson & Johnson Talcum Powder Lawsuit).





C. Environmental Crimes

Corporate violations that harm the environment.

Illegal Dumping of Waste –
Companies disposing toxic waste unlawfully (e.g., Bhopal Gas Tragedy, 1984).

Oil Spills and Pollution –
Negligence causing ecological disasters (e.g., BP Oil Spill, 2010).

D. Labor Law Violations

Unethical treatment of employees for profit maximization.

Unfair Wages – Paying below minimum wage (e.g., Nike Sweatshop Scandal).

Child Labor & Exploitation –
Employing minors in hazardous conditions (e.g., Apple's Supplier Foxconn Controversy).





E. Cyber Crimes

Illegal use of technology for fraudulent activities.

Data Breach & Identity Theft – Hacking customer data (e.g., Facebook-Cambridge Analytica Scandal).

Phishing & Online Fraud – Tricking users into providing sensitive information.

F. Anti-Competitive Practices

Companies engaging in unfair competition to monopolize the market.

Price Fixing – Companies colluding to control prices (e.g., Airlines Price Fixing Scandals).

Market Manipulation – Artificially inflating or deflating stock prices.





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Corporate crimes have severe financial, environmental, and social consequences. Strengthening legal frameworks, promoting ethical business practices, and increasing corporate accountability are crucial in preventing such crimes.





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