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Control of promoters contributing to corporate frauds: Study

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NEW DELHI: Control and concentration of promoters in the management of Indian companies is a contributing factor for corporate frauds in the country, says a study.

"One of the key contributing factors for corporate fraud in India is the control and concentration of promoters, whether families or MNC's at the helm of affairs," the study, which was conducted by [Thought Arbitrage Research Institute](#) in partnership with [UN Global Compact India](#) and supported by the [Indian Institute of Corporate Affairs](#), said.



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"Such controls over all aspects of business are often abused for personal gains at the cost of other stakeholders," the study said.

It focused on frauds perpetrated by management of companies and not those, where a company was a victim of fraud by employees, vendors or any other person.

The study covered more than 100 private sector companies over a time period of 15 years -- from April 1997 to March 2012.

Most fraudulent transactions were designed to either siphon off the companies' funds by promoters or top management or to defraud government, investors or lenders, it said.

"Most of frauds in our study perpetrated through recording of assets at a value higher than their fair value or alternatively by a web of book entries through related party accounts to embezzle," the study said.

Noting that fraud techniques used in last 15 years have not undergone much sophistication, the study said "no significant cases have come to light where the auditors have been able to detect such fraud in the course of their audits".

The study said in 80 per cent of the cases, size of the fraud was less than Rs 200 crore. However, the average revenue size of these companies has increased 7.25 times in the period after 2009, exposing larger number of stakeholders to risks of corporate failure," it added.

"Greater independent oversight is required over the audit and accounting profession so as to improve its quality and make it a key defence against corporate frauds..." it said.

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Akshay kumar (hr)

25 Jun, 2013 03:51 PM

Ever since its starting, Narendra Modi has been working for a stable and prosperous India. With Gujarat, not only welcoming the migrants with open arms but also providing them with a sense of prosperity and security over a decade, Narendra Modi proves to work for a prosperous nation. For a stable nation, support and follow Sh. Narendra Modi on Twitter with #NaMo4PM #NaMoForce.

K.Balasubramanian. (Coimbatore-5)

25 Jun, 2013 03:32 PM

A probe into the Accounts of the following companies will help small investors' wealth. GeeCeeVentures (Gwalior Chemicals), K.S. Oils, Resurgere, Surya Pharma, SEL Mfg., Birla Power, Assam Co , Utham Sugars, Gangothri Textiles are among the hundreds of Companies who have looted Investors . Will SEBI/ MoF, look into them ?

murthy (hyderabad)

25 Jun, 2013 12:24 PM

It is pure selfishness of individuals which is robbing the common man's ethics. If there is no promoter, there is no guarantee that things will improve. If it so, then how are the many scams known as NPAs in banks and the frauds in other institutions are happening? The controlling and regulatory authorities are not good and they lived more than their life. It is high time to create new authorities, dissolve the old ones.