

An Empirical Study: The Impact of Financial Crime on the Indian Economy

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Abstract

This empirical study is the first ever such study which aims to determine the effect of financial crime, i.e., every incident which is related to money laundering and suspicious transactions undertaken, on the Indian economy. The socio-economic parameters of India for last ten years are considered for this research. These parameters are Gross domestic product (GDP), Government Revenue Receipts, Gross Fixed Capital Formation (GFCF) and the crime rate of India. The statistical tool of “Correlation Coefficient” is adopted. The data collected for this research is from multiple public data repositories and the information available in public domain. Trend analysis and Pearson Correlation Coefficient (PCC) is used to ascertain the relationship between the financial crime activities and the key parameters of the Indian economy. The Pearson Correlation Coefficient is determined to establish and ascertain the relationship and direction of the variables used in the study. The result of the study concluded that financial crime in India do not have adverse impact on the Indian economy. The research further corroborated the same finding, on one of the key economic indicators, for the economy of United States of America (USA) which is the world’s largest economy. It is concluded that the financial crime does not adversely impact the economies irrespective of the fact that the economy is an emerging economy like India or the world’s largest and developed economy like that of USA. Further, the paper provides a research reference to the policy makers and highlights a contrarian view to the general belief that financial crime has adverse impact on the economic growth. It also acts as springboard for the academicians and the researchers for further study of the impact of financial crime on the economic growth. Finally, the paper also gives an indication to the probable influencers related to the performance of economies or the effectiveness of the government policies which might overshadow the impact of financial crime on the economies.

Keywords: Financial Crime, Indian Economy, Socio-economic impact, money laundering, Gross Domestic Product, Gross Fixed Capital Formation, Crime Rate