ABYSMAL CONVICTION RATE UNDER PREVENTION OF MONEY LAUNDERING ACT: AN ANALYTICAL PERSPECTIVE

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ABSTRACT

The Prevention of Money Laundering Act, 2002 was enacted with the objective of combating the concealment and legitimization of illicit proceeds by safeguarding India's financial system and fulfilling its international obligations under the Financial Action Task Force (FATF) framework. Over the course of human history, money laundering has remained a persistent problem. Traditionally the Hawala system in India has been a common method for transferring money. This helped the intermediaries to facilitate cross-border fund transfer. Money Laundering has been a major problem all over the world and India is not an exception.

Over years, the PMLA has been strengthened through amendments that broadened the definition of "proceeds of crime," empowers the Enforcement Directorate with the extensive investigative powers and create Special Courts for the expeditious trials. Despite these robust legislative designs, the conviction rate under the PMLA remains alarmingly low, exposing a significant gap between the promise of the law and its actual implementation.

This research examines the systemic reasons behind such poor conviction outcomes. It also highlights this Act's inherent dependence on the successful prosecution of predicate or "scheduled offences" under Section 2(1)(y), without which the proceedings under Section 3 cannot sustain. It also deals with the study which discusses the challenges of establishing the mens rea and money trail beyond reasonable doubt, the procedural delays under Section 44 of the Act which deals with the evidentiary hurdles linked to it, Section 24 of the Act deals with the Burden of proof and Section 50 of the Act deals with the admissibility of the statements. Furthermore, the research underscores how delays in parallel trials, weak financial forensic capacity and judicial scrutiny of investigative practices further undermine the effectiveness of the law.

Here, the study reveals the consistently low conviction rate under the PMLA which reflects not merely investigative lapses but also structural flaws

embedded within the legislation itself. Even the Enforcement Directorate has a lot of authority; its enforcement is weakened by its strong reliance on predicate offences, lengthy procedures and evidentiary problems. Reforms are required to improve financial forensic competence, expedite trials and strike a balance between individual rights protection and efficient enforcement if the PMLA is to fulfill its stated goals of discouraging money laundering and bolstering India's financial integrity.

Keywords: Conviction rate, Money Laundering, Law, Judiciary, India, Illicit, Income, Investigation, Enforcement Directorate, Predicate offence, Financial Crime.

INTRODUCTION:

"Money laundering is called what it is because that perfectly describes what takes place – illegal, or dirty, money is put through a cycle of transactions, or washed, so that it comes out the other end as legal, or clean money. In other words, the source of illegally obtained funds is obscured through a succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income."[1]

- Robinson

The Prevention of Money Laundering Act, 2002 was passed primarily to prevent the concealment as well as distribution of illegal wealth resulting from a criminal activity. It also focuses on to curb the laundering of illicit money and to integrate India with International anti-money laundering frameworks. In the recent years, PMLA has become one of the stringent legislations by giving the Enforcement Directorate extensive powers such as investigation, attachment of property and the arrest authorities. Despite such expansive powers and frequent claims of strong evidence being gathered during the probes and investigations, the conviction rate under the PMLA remains abysmally low i.e., approximately 2%. This disparity between the amount of "evidence" collected and extremely low rate of successful prosecutions raises serious concern regarding the effectiveness of the law, the evidentiary framework, its style of enforcement, the approach of judiciary in handling such cases and the structural flaws in the Prevention of Money Laundering Act enforcement.

Money laundering is characterized by highly convoluted financial transactions, sham entities,

[1]Controlling Money Laundering in India – Problems and Perspectives http://www.igidr.ac.in/conf/money/mfc-13/mfc-12/Singh_Vijay.pdf accessed on 28 August 2025

cross-border dealings, and layers of obfuscation, which makes proving an offence for money laundering and obtaining a conviction a complex task. The ED regularly asserts that it has sufficient documentary and oral evidence that will be sufficient to demonstrate guilt but moving from proof to conviction isn't straightforward. Courts compel the ED to demonstrate that guilt is shown beyond a reasonable doubt, have demanded strict compliance with procedural rights, particularly the connection made between the 'scheduled offences' and the asserted 'proceeds of crime', and, in addition, acquitting plea offenders sometimes renders the relevant PMLA proceedings moot.

The Prevention of Money Laundering Act has created another difficult balancing act; on the one hand, the dignity of the act acknowledges the seriousness of money laundering as it threatens the financial system and national safety and security; on the other hand, the act acknowledges the need to protect individual liberty to avoid punitive powers being used improperly. Accordingly, despite compelling claims of investigations showing substantial and convincing evidence, convictions remain rare. This study will seek to understand systemic issues associated with these outcomes, assess procedural or legal barriers and engage with unexplained judicial reasoning associated with low conviction rates under PMLA.

Money laundering is the process of tampering with the criminal revenue to make it impossible to identify it as the result of illegal activity. It can be done with "cleanliness" - or laundering - with your own income or by someone else's criminal income.[2] The Money laundering procedure involves three stages which are as follows:

a. **Placement** (means introducing illicit funds),

b. **Layering** (means disguising their origin),

c. **Integration** (means making them appear legitimate).

A. Placement in the financial system:

Placement is the initial stage of money laundering, in which funds obtained from criminal activities are introduced into the legitimate financial system. To avoid detection, large sums of illegal money are often broken down into smaller amounts and then deposited into one or more

[2] The Three Stages of Money Laundering https://www.rahmanravelli.co.uk/expertise/anti-money-laundering-investigations/articles/the-three-stages-of-money-laundering/ assessed on 08 September 2025

bank accounts. This method helps launderers evade scrutiny, as depositing large amounts at once can trigger alerts within banks. Many countries require financial institutions to report suspicious transactions or cash deposits that exceed a certain limit, making this division of funds a common tactic to bypass regulatory monitoring.

When small amounts of money are broken, banks are exempt from reporting what is paid to an account since it does not exceed their reporting limit. Smurfing is the common name for this technique.

Few other methods of Placement involves:

a. Incorrect invoices - either a real invoice is made extremely large to guarantee that someone is sent to someone without question, or a fake challan is made for goods or services that do not exist.

b. Combining illicit funds with legitimate ones, for example, by holding them in a legitimate company in an effort to hide them from a legitimate source.

c. Purchasing foreign money, occasionally with the help of foreign bank accounts.

d. Utilizing cash to purchase securities or insurance.

e. Betting and Gambling on athletic events.

f. Shell companies are sometimes used to conceal a company's beneficial owner through trusts and offshore businesses.

Although the placement strategies used in different field may differ, they are typically employed to transfer "dirty" criminal funds into financial endeavors in order to make them appear "clean".

B. Layering:

Money laundering begins with the process of placement, where funds generated from criminal activities are introduced into the financial system. The next stage, known as layering, involves concealing the origin of these illicit funds by moving them through a series of complex financial transactions. This can include investing the money, selling those investments, or

transferring funds across multiple bank accounts, often in different countries. These movements are frequently disguised as legitimate business transactions, such as loans or payments for goods and services. In many cases, the money is eventually transferred to jurisdictions with weak or nonexistent Anti-Money Laundering (AML) regulations, or to countries that refuse to cooperate with international AML investigations.[3]

Examples: Investing in real estate, reselling high –value goods, transferring funds between countries.

A few common layering techniques involving cryptocurrencies include:

a. Chain Hopping: The practice of converting one crypto currency into another and transferring assets across multiple blockchains to obscure the transaction trail.

b. Mixing or Tambling – Involves a combining multiple cryptocurrency transactions across various exchanges, making it difficult to trace any single transaction, account or owner.

c. Cycling – Refers to depositing fiat currency (such as US dollars or British pounds) into a bank account, using it to buy and sell cryptocurrencies, and then transferring the proceeds into a separate bank account to hide the money's origin.

C. Integration and Extraction:

After the first two stages are complete, money laundering reaches its final phase: integration (also called extraction). At this point, those controlling criminal proceeds attempt to reintroduce the funds into the legitimate economy so they can be used freely without arousing suspicion.Common integration methods include buying high-value items such as real estate or fine art, investing in businesses, creating payments to fictitious employees, arranging sham loans to directors or shareholders that are never repaid, and channeling dividends to shareholders of companies under the criminals' control. These techniques make the proceeds appear lawful and difficult to trace.

Integration is often the hardest stage to detect both the people behind the schemes and the

[3] ibid

illicit origin of the money especially when there are no documents from earlier stages that investigators can use as evidence.[4]

Offences by Proceeds of Crime Act.

There are the three main offences created by the Proceeds of Crime Act (POCA) carrying punishment up to 14 years of imprisonment.

a. Section 327

Criminal property hide, dissolve, convert or move or remove it from jurisdiction. This is the section that the prosecutor is in favor when they are demanding a person's punishment to rob their income of crime.

b. Section 328

Entering into, or being worried, an arrangement for the convenience of acquisition, retention, use or control from another person of criminal property, or from another person, to learn or doubt that property is a criminal property. It is likely to be used where the alleged money launder is receiving the income of someone else's crime.

c. Section 329

It covers using, handling, or otherwise dealing with criminal property. Prosecutors often rely on this when someone buys a high-value item for example, a car or a house knowing (or should have known) the seller acquired it with criminal proceeds.

LITERATURE REVIEW:

1. ***Review of research paper by Hritik Verma "An analysis of Prevention of Money Laundering Act". Journal of Legal Research and Juridical Sciences, VOL.2 ISSUE 1, ISSN (O): 2583-006***

This article highlights judicial interpretations of money laundering and the measures adopted to curb it. Despite regulatory frameworks, money laundering persists, aided by technological

[4] ibid

advancements that reduce detection. Effective prevention demands continuous adaptation of strategies, as offenders devise new methods to evade controls. While banks are strengthening anti-laundering measures, global efforts led by the FATF have enhanced coordination, legislation, and enforcement, ensuring the financial sector increasingly aligns with international trade standards.

2. Review of Case Law - Nikesh Tarachand Shah v. UOI (2018) 11 SCC 1

The Hon'ble Supreme Court, in the case of Nikesh Tarachand Shah v. UOI (2018) 11 SCC 1, held that Section 45 of the PMLA was unconstitutional in its entirety and was struck down, it also cited the violation of Article 14 and Article 21 of the Constitution of India. However, the provision was later re-enacted by the Indian Government with two new bail requirements.[5]

3. Review of Case Law - Hari Narayan Ray v. State of Jharkhand Through CBI[6]

In this case the matter concerns corruption charges against Hari Narayan Ray, a former Jharkhand Minister, for amassing illegal assets, manipulating documents, and engaging in money laundering. While the core issue is the accumulation of disproportionate wealth and the use of fake documents and companies to legitimize it, the legal case also involves questions of trial procedure, specifically the application of Section 218 of the Code of Criminal Procedure regarding the separate trial of distinct offenses. He was convicted in 2016 under the Prevention of Corruption Act and Prevention of Money Laundering Act.

4. Review of Article by Sebastian, Manu "The Bizarre Logic In Supreme Court's Judgment Denying Bail To Manish Sisodia"[7]

The problem with Section 45 of the PMLA is that it compels the court to conduct an initial review of the available evidence in order to determine whether the accused is guilty of a crime. A curious aspect of the Manish Sisodia case is that, despite prima facie disproving most of the charges brought by the Central Bureau of Investigation and the Directorate of Enforcement, the court refused to grant him bail because it was discovered that some private liquor wholesale distributors had benefited from the change in excise policy, even though there was no evidence

[5] Nikesh Tarachand Shah v. UOI (2018) 11 SCC 1
[6] 2010 (2) AIR JHAR R 692
[7] The Bizarre Logic In Supreme Court's Judgment Denying Bail To Manish Sisodia Supreme Court's Bail Denial to Manish Sisodia in Liquor Policy Scam | A Legal Analysis (livelaw.in) assessed 28 August 2015

of kickback exchanges or losses to the public coffers.

5. *Review of Case Law - Kalyani Transco v. Bhushan Power and Steel Limited*[8]

The Hon'ble Supreme Court criticized the Enforcement Directorate, questioning its low conviction rate under the PMLA as well as its functioning and power. During the hearing, the ED's role and investigation in the BPSL case came under scrutiny. Solicitor General Tushar Mehta represented the probe agency. "What is the conviction rate?" asked Justice Gavai. Mehta responded that conviction rates were low even in other penal offences, attributing this to delays and procedural inefficiencies. "Even if they are not convicted, you have been successful in sentencing them almost without a trial for years together," Justice Gavai observed, referring to prolonged pre-trial custody and stringent bail conditions under the PMLA.

6. *Review of Article by Samuel Sittlington & Jackie Harvey "Prevention of Money Laundering and the role of asset recovery"*[9]

This letter aims to analyze the UK's Anti-Money Laundering (AML) framework's increasing emphasis on monitoring and interfering with criminals' financial activities. Through a series of focus groups, we conducted discussions with important stakeholders for our qualitative study, including members of the banking, accounting, law enforcement, and prosecution sectors, as well as those deemed "pre-criminals," a demographic that is frequently challenging to include in these kinds of studies. The results show that asset recovery appears to be a top priority for the AML system. Participants, especially those from the judiciary and police, did, however, draw attention to pressures and inconsistencies in the legal system. The effectiveness of criminal or civil asset recovery, for example, and whether money laundering should be prosecuted as a distinct crime or in conjunction with the main one are still up for debate. The study also emphasizes how criminals frequently take advantage of their knowledge.

7. *Review of Case Law - Pooja Singhal v. Directorate of Enforcement*[10]

The Enforcement Directorate (ED) in this case opened a money laundering investigation after

[8] 2025 SCC OnLine SC 1010
[9] Article by Sittlington, S., Harvey, J. Prevention of money laundering and the role of asset recovery. *Crime Law Soc Change* **70**, 421–441 (2018)
[10] B.A. No. 8937 of 2022
https://enforcementdirectorate.gov.in/sites/default/files/latestnews/Press%20Release%2011.05.2023%20Pooja%20Singhal.pdf assessed on 11 September 2025

receiving several formal complaints from the Jharkhand Police and Vigilance Bureau. According to the findings of the investigation, Pooja Singhal and her family members received money in a number of bank accounts from the MNREGA scam. A number of properties were later bought and invested in with these funds. Pooja Singhal amassed significant, inexplicable wealth by abusing her official position, the investigation also discovered. She concealed the money's illicit origins while laundering substantial sums of money using this method. Since the majority of the funds used to purchase the real estate were unreported cash gains from criminal activity, it was evident that the assets were income obtained through illegal means.

Review of Case Law - Sri Hemant Soren v. Directorate of Enforcement[11]

In this case the Enforcement Directorate summoned the Hon'ble Chief Minister of Jharkhand in the case of illegal mining. There he was questioned for around 9 hours about his assets, ED summoned him again on 7th August, 2023 and also The Enforcement Directorate (ED) recorded his statement regarding (i) the properties he owned, possessed, or occupied, and (ii) the sources through which he acquired them. Following this, the ED registered a case under the Prevention of Money Laundering Act (PMLA) based on a police case involving allegations of forgery and fabrication of documents by a revenue inspector and his associates. The ED's investigation aimed to establish that approximately 8.86 acres of land in question were linked to the proceeds of crime and were acquired through illegal means.

8. Review of Case Law - Arvind Kejriwal v. Directorate of Enforcement[12]

He has confirmed the basic principles of fairness, transparency and accountability in implementing the Supreme Court ('SC'). Prevention of Money Laundering Act, 2002 ('PMLA'). The case, which originated from an investigation by a Central Bureau of Investigation ('CBI') of alleged corruption within the product policy, underlines the important role of judicial inquiry in ensuring arrest and is infected in adequate evidence and follows statutory security measures. The investigation of the SC of the arrest by the Enforcement Directorate ('ED') sheds light on compulsory to maintain constitutional freedom and to prevent misuse of investigative powers, which takes an important step towards justice and proper process in legal proceedings.

[11] B.A. No. 4892 of 2024 https://www.scobserver.in/wp-content/uploads/2024/05/Hemant-Soren-Order-Jharkhand-High-Court-arrest-plea-dismissed.pdf assessed on 11 September 2025
[12] Criminal Appeal No. 2493 of 2024 https://www.metalegal.in/post/arvind-kejriwal-v-ed-supreme-court-mandates-judicial-review-of-ed-arrests-under-pmla assessed on 09 September 2025

9. ***Review of Article by Kartik Rajpurohit "Prevention of Money Laundering Act, 2002"***[13]

Money laundering is a process of launching of tainted money as an unpublished. Illegal revenue is injected into the financial system to hide and reveal its illegal origin as a normal currency. This process is an illegitimate choice without endangering those who stand masked to benefit from them. Any crime that sizahle moves forward. Like corruption, smuggling of weapons or contraband drugs. Money may be associated with laundering. This is a dynamic three stage process which includes: Placement, Layering and Integration.

10. ***Review of Article by The Chamber's Journal "Prevention of Money Laundering Act and its interaction with other laws."***[14]

In this article, the author highlights India's ongoing fight against money laundering, with a particular focus on the legislative framework established under the Prevention of Money Laundering Act (PMLA). Money laundering has long posed a persistent global financial threat, and India has not been immune to its impact. To address this challenge, the PMLA was enacted in 2002 and came into full effect in 2005. The Act represents India's strong and structured response to tackling the complex and far-reaching problem of money laundering.

HISTORICAL EVOLUTION OF MONEY LAUNDERING IN INDIA:

The process of developing money laundering discourse in India is reflective of the developing trajectory of the country's economic, political, and security priorities. Legally and institutionally, there have been responses to money laundering, and although it was not specifically framed as money laundering, cash disbursal and monetary options were framed in terms of corruption, tax avoidance and smuggling in pre-1990 years. Importantly, the Criminal Law Amendment Ordinance in 1944 was one of the first legal responses to the attachment of properties that represented corruption, and breach of trust. The country introduced the Foreign Exchange Regulation Act (FERA) in 1947, this Act placed strict restrictions on foreign exchange engagement at a time when India had a closed economy and wanted to conserve

[13] Kartik Rajpurohit,
"Prevention of Money Laundering Act, 2002" (2023) 3:3 Law Essentials J 20.
[14] *Prevention of Money Laundering Act and its interaction with other laws*
https://www.khaitanco.com/sites/default/files/2023-12/The%20Chamber%20Journal%20November%2023.pdf assessed on 12 September 2025

scarce foreign currency and reserve currency. A legislative response to the rise of the global drug trade occurred with the introduction of the Narcotic Drugs and Psychotropic Substances Act in 1985 with a focus on drug trafficking and the revenues from this activity. While the aforementioned laws/regulations were not targeted anti-money laundering laws, they have been important to understanding and actions taken to confiscated illicit wealth and suspicious financial transactions since they all have recognized the need to respond by monitoring illicit financial activity.[15]

The 1990s and early 2000s were a pivotal shift for India's approach to money laundering, especially when the overall economic reform process started with liberalization in 1991. Liberalization allowed the removal of significant restrictions on trade and investment, opened the Indian economy to foreign capital, and facilitated greater cross-border financial transactions. Although beneficial for economic advancement, liberalization offered new opportunities for illicit financial flows and new ways to misuse formal and informal financial systems. The hawala scandal (1991-1995) drew the issue into national consciousness. The scandal revealed government representatives (including politicians, bureaucrats, and businesses) were engaged in the movement of enormous sums of money to foreign countries through underground hawala networks (or money transfer methods). In addition to illustrating the volume of unaccounted wealth, the scandals showed that India had very few legal means to deal with the laundering of illicit proceeds. Added to the pressure of the economic scandals, and Australia and Asia's increasing dissatisfaction with businesses and financial securities and investments, there were increased concerns in the global financial architecture. Concerns that became more pronounced due to pressures set by the global Financial Action Task Force (FATF) framework, in India, the Prevention of Money Laundering Act (PMLA) was enacted in 2002, and implemented in 2005. PMLA was India's first comprehensive response against money laundering. It set obligations for Financial Institutions to maintain records, report suspicious transactions, and give authorities the ability to attach and seize property that was derived from illegal activities.[16]

The era after 2008 represented a further shift in the discourse, especially the increasing recognition that money laundering was now understood to not only be an economic or financial

[15] Article on "The case of Money Laundering in India- Evolution, Analysis and Comparative Study" https://www.iqraias.com/article-on-the-case-of-money-laundering-in-india-evolution-analysis-and-comparative-study/ assessed on 09 September 2025
[16] Ibid

crime but it was also a national security concern. The 2008 Mumbai terror attack was a pivotal moment in criminalizing illicit financial flows that invariably are associated with terrorism and anti-terrorist financing became part of the policy agenda. The fact that India became a full member of the Financial Action Task Force (FATF) in 2010 signified the country's acceptance of the necessity to align domestic laws with the global norms of anti-money laundering and anti-terrorist financing (AML/CFT) moving forward. At the same time, high-profile corruption scandals such as the 2010 Commonwealth Games scams illustrated how public money could be absconded in multiple ways and ultimately laundered using a plethora of domestic mechanisms and international jurisdictions, affirming the need for stronger enforcement of anti-laundering frameworks.[17]

In recent years, the discourse has shifted to include economic fugitives and issues associated with technology-facilitated financial crimes. The Fugitive Economic Offenders Act of 2018 was enacted to address the high-value economic offenders coming to India, such as Vijay Mallya and Nirav Modi, fleeing the country. The legislation empowered authorities to seize property from offenders escaping Indian courts and filled a vital gap in the enforcement system. The COVID-19 pandemic (2020–2022), added another layer of complication to the problem by accelerating the use of digital financial platforms. This is now catalyzing online cybercrime. Fraudulent digital transactions, laundering through crypto currencies and online scams have became more prevalent; it testifies to the flexibility of illicit networks which exploit changes in economy and sociological shifts.[18]

Overall, the historical trajectory of money laundering in India indicates a progressive, but marked broadening of scope: from corruption and smuggling in the earlier decades, to organized crime and black money during the liberalization period, to terror financing and global compliance Kellieni/years after 2008, scope to cyber-enabled laundering and economic fugitives in the contemporary period. This progression signals active change in the problem; continuing changing in economy, structures of governance and practices of global finance.

RESEARCH METHODOLOGY:

This study employs a **doctrinal research methodology**, focusing on a critical examination of the legal framework, judicial decisions, and scholarly writings related to money laundering and

[17] ibid
[18] ibid

its prosecution. The analysis will center on the *Prevention of Money Laundering Act, 2002*, its amendments, alongside judicial interpretations by the Supreme Court and High Courts to identify patterns in acquittals and low conviction rates. Secondary sources such as commentaries, journal articles, reports, parliamentary debates, and Law Commission reports will be used to contextualize legislative intent and enforcement challenges. The research will highlight the gaps between law and practice while also considering international standards. As a purely qualitative and library-based study, it relies exclusively on statutory materials, case law, and authoritative texts without engaging in empirical or fieldwork methods.

OBJECTIVE OF STUDY:

Following are the objective of this study:

1. To investigate the factors behind India's low conviction rate under the PMLA, includi ng institutional, procedural, legal, and evidentiary difficulties.

2. To evaluate the impact of the way the PMLA's provisions such as the burden of proof, admissibility of evidence, and bail provisions are interpreted by judges on conviction rates.

3. To identify gaps in the legal framework of PMLA that contributes to difficulties in proving offences beyond reasonable doubt.

4. To study judicial pronouncements on PMLA**,** especially landmark Supreme Court and High Court decisions, and evaluate their impact on conviction trends.

5. To examine how dependency on predicate/scheduled offences contributes to delays and acquittals in PMLA cases.

SCOPE OF THE STUDY:

This study primarily investigates the causes of India’s abysmally low conviction rate under the Prevention of Money Laundering Act, 2002. It will focus on examining the institutional, judicial, procedural and legislative barriers to effective money laundering case prosecution. It also deals with standard of collection of evidence during investigation. Also, with standard of adducing evidence in court during the course of investigation. It will evaluate how the

Enforcement Directorate operates as the main investigative body, the operation of Special Courts, and the effects of judicial interpretation of important provisions. Also, a **statistical and legal analysis** of PMLA cases from its enactment in 2002 till the present, highlighting the gap between registration of cases, prosecutions, and convictions. Examination of **dependency on scheduled offences**, and how this structural requirement delays or obstructs convictions. It will deal with the study of **evidentiary challenges** in proving the nexus between "proceeds of crime" and the alleged criminal activity. Will also include analysis of **judicial pronouncements** by the Supreme Court and High Courts which interpret crucial PMLA provisions i.e., burden of proof, admissibility of statements, bail, attachment of property, etc.

SIGNIFICANCE OF CONVICTION RATES AS A MEASURE OF EFFECTIVENESS:

Conviction rates are an important measure of the effectiveness of any criminal justice legislation, and particularly so for the Prevention of Money Laundering Act, 2002 (PMLA). As a law that is specialized to combat the laundering of proceeds of crime, it is not able to be assessed on the basis of the number of cases registered or assets attached, rather by the ratio of prosecutions resulting in conviction as the substantive evidentiary ability of the framework is demonstrated by the ability of the prosecution to obtain convictions.

The establishment of a high conviction rate under PMLA explains several aspects of effectiveness. Firstly, a conviction rate would mean that the ED (Enforcement Directorate) has conducted a rigorous evidentiary process undertaking adequate investigative work, evidencing the collection of quality evidence, demonstrating the ability to follow money trails and leading to the connection of a predicate offence to a laundering offence. Secondly, it implies the legitimacy of the prosecution as it suggests that the law is being implemented regarding natural justice, evidentiary standards, and constitutional rights. Thirdly, conviction rates act as a surrogate measure for measuring the deterrent effect of the legislation: offenders simply being prosecuted can be a form of deterrent, however, offenders being prosecuted and convicted sends a strong signal to potential launderers that the cost of this activity outweighs the benefit.

On the other hand, long-term low conviction rates raise questions about the legal framework's effectiveness. A low conviction rate may indicate systemic issues, such as excessive reliance on interim Attachment of properties prior to meaningful conviction, maladaptive complexities inherent in the proof of the required facts of commission of a predicate offence and the laundering activity, or lack of cooperation between investigative agencies. It may also be

reflective of overreach, or cases being registered on feeble bases, which leads to acquittals. In these cases, conviction rates become a measure of effectiveness and a diagnostic device for whether the PMLA is doing what it is supposed to be doing for anti-laundering, or whether it is primarily a coercive device and for asset-freezing.

Moreover, conviction rates have significant international implications. As a member of the Financial Action Task Force (FATF), when there is a global review of whether India is implementing its anti-money laundering and countering the financing of terrorism (AML/CFT) measures, most reviews will look at the balance between investigations, prosecutions and convictions. A sustained low level of convictions can threaten India's international credibility that it is enforcing money laundering laws, regardless of the raw number of cases registered or assets seized. In this sense, conviction rates function not only as a domestic barometer of performance, but as a metric of India's compliance with its international commitments.

In India the Enforcement Directorate filed prosecution complaints in 1,398 cases out of the 5,892 cases taken up under the Prevention of Money Laundering Act between January 1 and June 30, 2025, representing 23% of all cases during that period, according to a report submitted in the Rajya Sabha. The government informed the parliament that ED secured eight convictions orders involving 15 people for money laundering under the anti-money laundering law. This data raised concerns over the effectiveness and results of investigations conducted in accordance with the PMLA. The ED has filed closure reports in 49 cases under the PMLA over 10 and half years, the government submitted the data before the Rajya Sabha on July 29, 2025.[19] If a case is registered by Enforcement Directorate against any person than if during the course of investigation ED finds sufficient evidence against the accused, a prosecution complaint is filed. The prosecution complaint is colloquially known as charge sheet. But technically it is not a charge sheet.

In conclusion, therefore in the field of money laundering, conviction rates do not simply function as a measure of statistics or success in the very technical sense, but represent a place where legal effectiveness, procedural fairness, deterrence, and international legitimacy intertwine. In order for the PMLA to be considered truly effective, it not only needs to provide authorities with the ability to investigate and prosecute ML cases, it also requires a foundation

[19] Supreme Court questions 'poor' conviction rate in ED cases https://www.thehindu.com/news/national/supreme-court-questions-poor-conviction-rate-in-ed-cases/article69907025.ece assessed on 01 September 2025

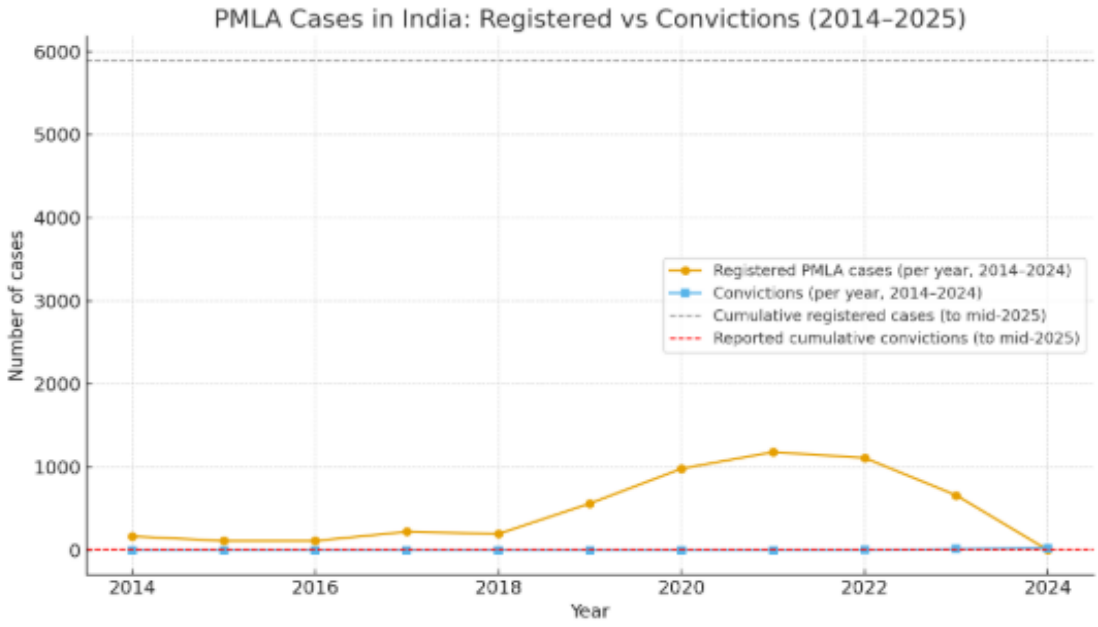
that withstands scrutiny at the court level, leading to sustainable convictions that support both trust in India's anti-money laundering system domestically and internationally.

DATA ON REGISTERED CASES, PROSECUTIONS, AND CONVICTIONS (WITH RECENT STATISTICS):

The PMLA is landmark legislation to address the issue of money laundering and provide for confiscation of property subject to money laundering. The PMLA was introduced to implement India's obligations under international conventions, such as the 1988 Vienna Convention, as well as the recommendations of the Financial Action Task Force (FATF) established in 1989. The PMLA is the cornerstone of India's legal landscape for anti-money laundering (AML) and counter-terrorist financing (CFT) strategy that centers on the statute which applies certain regulatory standards which India must comply to internationally. With a limited scope when originally enacted covering only scheduled offences, the PMLA has undergone multiple amendments to expand the text of the Act including provisions amended in 2005, 2009, and 2012, and additional amendments made since then. These amendments have expanded and modernized the PMLA through the introduction of a new and broader definition for "proceeds of crime", enlarged the scheduled offences list, enhanced measures for attachment, seizure and confiscation, and increased reporting requirements of banking companies and financial institutions and intermediaries. The 2012 amendments introduced very substantive and measureable changes to the PMLA legislation that were important as the PMLA, in its original form, did not make money laundering a standalone offence and only governed the laundering of proceeds of crime into a payment transaction, so introducing measures that also define the commission and attempt to commit a wider act of money laundering or the concealment, possession, acquisition, or use of proceeds of crime closed the interpretative loopholes in the extent of application of the PMLA. The various amendments post 2012, and in particular post-2019, have widened the enforcement powers of the Directorate of Enforcement, made certain provisions or sections retroactively applicable to prior or historical fact scenarios, clarified bail provisions under Section 45, and delivered an unequivocal message that India has a zero-tolerance approach with respect to financial crimes. Thus, the PMLA, has evolved from a limited statute on proceeds of crime to a comprehensive and stringent legal framework aimed at safeguarding the integrity of the financial system, combating economic offences, and ensuring India's compliance with international obligations.

There were a total of 5892 cases registered under the PMLA courts from mid 2014 to June 30, 2025 by the Enforcement Directorate. A total of 1398 prosecution complaints including 353 supplementary charge sheets, have been filed before the respective special PMLA courts.[20] The Enforcement Directorate has also filed a closure report in approximately 49 cases and has also secured 8 conviction orders involving 15 people out of 5892 cases.[21]

There are different conviction rate according to different tables. Through the Lok Sabha table of 2014-2024 the conviction remains approx 0.76%. Whereas, through the table provided by media and ministerial figure the conviction rate is 0.14%. When we put prosecution complaint in denominator the rate of conviction is 0.57%.[22]



The chart clearly reflects a wide difference between registered PMLA affairs and conviction rate. While thousands of cases have been introduced by the Enforcement Directorate (ED) but the conviction remains in single or double digits. Total is measured against registered cases, when a lower success rate is revealed in total, the cumulative punishment rate falls below 1%, when filed and decreases by 0.2%. This rapidly highlights systemic delays, prosecution

[20] ED files closure report in 49 cases, secures eight convictions in over 5,800 PMLA cases https://economictimes.indiatimes.com/news/india/ed-files-closure-report-in-49-cases-secures-eight-convictions-in-over-5800-pmla-cases/articleshow/122982519.cms assessed on 12 September 2025
[21] ibid
[22] ibid

weaknesses and judicial backlogs, which raises important questions about PMLA's efficacy and reliability as a means to combat money laundering.

RATIO OF CONVICTIONS TO PROSECUTIONS: IDENTIFYING THE "ABYSMAL" RATE:

The efficacy of any criminal law mainly those which are related to the economic offences are primarily measured by the ratio of successful convictions rate to the prosecution under its framework. Here in the matter related to the Prevention of Money Laundering Act, 2002 the ratio highlights an incongruity between the magnitude of enforcement actions and the real court's decision. Thousands of Enforcement Case Information Reports commonly known as ECIR have been registered by the Enforcement Directorate and also has initiated a large number of prosecutions before the PMLA special Judge. Nevertheless, the conviction rate is still disproportionately low, with only a small number of cases leading to final judgment determinations. Here, the conviction to prosecution reflects a deep imbalance as the prosecution rate is in thousands but the conviction rate is limited to be in single or low double digits. This disparity is described as "abysmal" conviction rate of the statute.

There are a few reasons which underlie the gap. Some of them are mentioned below:

a. The Money Laundering Case prosecutions are dependent on predicate offenses; money-laundering allegations are severely limited unless the scheduled offense is successfully prosecuted.

b. Trials under the Money Laundering cases are drawn out because of the intricate financial investigations, the large amount of documentation and the difficulties in tracking and demonstrating the "proceeds of crime."

c. The law is considered to as a more effective tool of investigation and restraint rather than an instrument of final adjudication because of the strict bail provisions and the discretionary power of the Enforcement Directorate.

d. Frequent Constitutional disputes over the scope of definitions, procedural safeguards and the nature of the Enforcement Directorate's powers add further delay, resulting in a law heavily used for prosecutions but rarely translating into convictions.

This particular trend is consistent with the experiences under other special laws, such as the Prevention of Corruption Act, 1988. This Act was designed to combat economic crimes and corruption. Despite playing a crucial role in reducing the corruption in the public sector, the Prevention of Corruption Act has long struggled with the conviction rates that are much lower than the number of charges that are brought. While, prosecutions under the Prevention of Corruption Act are significant, convictions are far less common. While prosecutions under the Prevention of Corruption Act are significant, convictions are far less common. This is basically because of procedural errors, hostile witnesses, delays in prosecution sanction, and the high standard of proof needed to establish "corrupt intent," according to parliamentary committee reports and the data from the Central Bureau of Investigation (CBI). The PMLA and the PCA are similar in that they both struggle to translate enforcement fervor into the court's decision, raising doubts about the acts' ability to serve as deterrents.

Even while both the legislations give investigative agencies a lot of authority, the inability to obtain proportionate convictions erodes public trust and raises important questions regarding the efficiency, equity and proportionality of the judicial system.

KEY SUPREME COURT AND HIGH COURT DECISIONS INTERPRETING PMLA:

The Hon'ble Supreme Court and the High Courts have interpreted their decision in the Money Laundering matter in different ways. They have taken different approach to deal with the matter. The matters decided by the Hon'ble courts highlights the constitutional validity, procedural safeguards, bail provisions, attachment of property and the interface of other laws. The first case in which conviction was made in the PMLA matter was the case of state of Jharkhand. It shows the decision of court how court lean towards strengthening the enforcement regime under PMLA, treating PMLA as a distinct and grave economic offence, while balancing constitutional safeguards.

Hari Narayan Ray v. State of Jharkhand Through CBI[23]

This case with the first-ever conviction under the Prevention of Money Laundering Act (PMLA). A special court in Ranchi convicted former Jharkhand minister Hari Narayan Rai, who served in the Madhu Koda government, for money laundering. He was sentenced to seven years of rigorous imprisonment and fined Rs. 5 lakh. The conviction came eight years after the

[23] 2010 (2) AIR JHAR R 692

Enforcement Directorate began its investigation against him in 2009. The court found Rai guilty of laundering Rs. 3.72 crore and imposed the maximum punishment prescribed under the Act. The court also added in case Rai fails to pay the said amount the sentence of seven years will be extended by 18 months.[24]

Between 2005 and 2008, Rai served as a minister in the cabinets of Chief Ministers Arjun Munda, Madhu Koda, and Shibu Soren. Among his many ministries were those related to tourism, urban development, and the environment and forests. The ED, which is the designated prosecutorial agency for individuals accused of money laundering under the PMLA, has obtained a conviction order for the first time.The bureau is looking into a number of other well-known PMLA politicians, including some former chief ministers and Union ministers.[25]

Rai was found guilty of obtaining disproportionate assets after being charged by the CBI and the Jharkhand Vigilance Bureau. In September 2009, the Enforcement Directorate opened an inquiry against Rai and several associates under the Prevention of Money Laundering Act.[26]

According to the investigation, Rai embezzled public funds while serving as a minister in the Jharkhand government and laundered them by buying and acquiring a variety of movable and immovable assets under the names of his wife and other associates. Under the identity of his wife Sushila Devi, he operated a construction company called Mahamaya Construction Pvt Ltd.

His brother, Sanjay Kumar Rai, was the manager of another company, Maa Gauri Construction. Other businesses were started under his brother's and wife's names. Rai's properties were seized by the court after he was found guilty under Section 3 of the Prevention of Money Laundering Act.[27]

It can be concluded that this case reaffirms accountability in public life and also it underscores that misuse of office for personal enrichment will inevitably attract the consequences of law.

[24] Ex-minister jailed for 7 years https://timesofindia.indiatimes.com/india/in-1st-conviction-under-laundering-act-ex-minister-jailed-for-7-years/articleshow/56902694.cms assessed on 12 September 2025
[25] ibid
[26] ibid
[27] ibid

Arvind Kejriwal v. Directorate of Enforcement[28]

The Hon'ble Supreme Court of India, in this case reaffirmed the core values of fairness, transparency and accountability through the application of Section 19 of the Prevention of Money Laundering Act, 2002. The matter arose from a Central Bureau of Investigation (CBI) inquiry into alleged corruption and criminal conspiracy linked to the excise policy for liquor sales. It was alleged that kickbacks amounting to Rs. 45 crore were diverted to fund the Aam Aadmi Party's election campaign in Goa.

This judgment emphasizes the essential role of judiciary oversight in ensuring that arrests are based on credible evidence and comply with statutory safeguards. By closely examining the appellant's arrest by the ED, the Hon'ble Supreme Court highlighted the need to protect constitutional freedoms and prevent any misuse of investigative powers. The Court ruled that its jurisdiction extends to a detailed review of the "reasons to believe" recorded by the authorized officer under Section 19(1) of the PMLA, which forms the foundation for the compliance with Section 19(2). It further held that courts must carefully assess both the existence and the validity of the "reasons to believe" formed by the arresting officer.[29]

Pooja Singhal v. Directorate of Enforcement[30]

The attachment of IAS officer Pooja Singhal's real estate assets has been upheld by the adjudicating authority. Her Ranchi properties valued at Rs. 82.77 crore had previously been temporarily seized by the Enforcement Directorate. The "Pulse Super Speciality Hospital", "Pulse Diagnostic and Imaging Centre", a number of plants and equipment, and two land parcels in the Ranchi district are among these assets. The Jharkhand Vigilance Bureau and Jharkhand Police filed multiple FIRs, which served as the basis for the ED's money laundering investigation. It was found during the investigation that Singhal and her family members had deposited the "proceeds of crime" from the MNREGA scam into several bank accounts, which they then used to buy and invest in a variety of properties. It was discovered that she had layered and mixed the illegal profits under the Prevention of Corruption Act with other unreported funds that she had acquired through abuse. The Adjudicating Authority allowed the retention of the seized cash and other items. IAS officer was arrested by ED on 11.05.2022 and also a

[28] Criminal Appeal No. 2493 of 2024
[29] Arvind Kejriwal v. ED https://www.metalegal.in/post/arvind-kejriwal-v-ed-supreme-court-mandates-judicial-review-of-ed-arrests-under-pmla#viewer-373fi51491 assessed on 12 September 2025
[30] B.A. No. 8937 of 2022

prosecution complaint was filed against 6 others for commission of the offence of money laundering.[31]

A Special PMLA Court in Ranchi rejected the ED's plea to bar IAS officer and granted her bail in money laundering case. The bail was granted on the condition of furnishing two bonds of Rs. 2 lakh each and also was said for depositing her passport.[32]

The Suspension of the IAS Officer Pooja Singhal was revoked after she secured bail. After being relieved from suspension Singhal will again contribute to the Department of the Personnel.[33]

Hemant Soren v. Directorate of Enforcement[34]

The case of Jharkhand's Chief Minister Hemant Soren's run-ins with the law began with allegations of his involvement in illegal land transactions with the motive of laundering money. The Enforcement Directorate's charges insinuated a conspiracy in land grab with the intent to turn such illegal assets into legitimate ones through sophisticated laundering techniques. People have largely viewed this arrest as politically diabolical, especially in the light of his position and his influence. The High Court granted him bail on the grounds that preliminary evidence was inadequate to support the allegations, thus questioning the robustness and intent of the ED authorities.[35]

The Chief Minister of Jharkhand, Mr. Hemant Soren, was granted bail in the money laundering case that was filed against him in connection with an alleged land scam by the Hon'ble Jharkhand High Court in a highly regarded, historic and commendable ruling in the Hemant Soren case. After considering the facts of the case and all of the information and supporting

[31]Pooja Singhal Case https://enforcementdirectorate.gov.in/sites/default/files/latestnews/Press%20Release%2011.05.2023%20Pooja%20Singhal.pdf assessed on 12 September 2025

[32] PMLA Court grants bail https://indianexpress.com/article/india/pooja-singhal-jharkhand-ias-bail-money-laundering-9711990/ assessed on 12 September 2025

[33] Jharkhand's IAS Officer Suspension revoked https://www.ndtv.com/india-news/suspension-of-jharkhand-ias-officer-pooja-singhal-revoked-after-bail-in-money-laundering-case-7529997 assessed on 13 September 2025

[34] B.A. No. 4892 of 2024

[35] Hemant Soren Case https://testbook.com/editorials/judicial-oversight-prevention-money-laundering-act assessed on 12 September 2025

documentation presented to the bench granted his regular bail request.[36]

CONCLUSION:

The PMLA, 2002 was enacted to deal with the complex menace of laundering the illegal funds and to bring India in line with the global standards set by the Financial Action Task Force (FATF). In the recent years the scope of the Act has been broaden, it strengthen enforcement powers and it also create a framework for the attachment, confiscation and prosecution. Even after these legislative efforts the conviction rate under the PMLA remains remarkably low. The gap between the intent of the law and its actual outcomes points to a deeper set of challenges that undermines its effectiveness.

The main reason behind the poor conviction rate lies in the dependence on the predicate offences. The "Scheduled Offences" is defined under Section 2(1)(y) of the PMLA. The scheduled offences forms the basis for initiating action under Section 3 of the Act, as the substantive offence of money laundering. The proof of scheduled offence is very important if it is not proved the money laundering case collapses. This dependence on the scheduled offences makes the convictions under the PMLA contingent on the outcome of the parallel proceedings, often leading to long delays and eventual acquittals.

The other factor which is required to be proved is the stringent evidentiary burden. Section 3 requires proof that the accused was knowingly involved in the process or activity connected with the "proceeds of crime." To establish the nexus beyond the reasonable doubt is often complex. It gives the layered and cross border nature of financial transactions. The money trail is traced by the forensic precision by the investigating agencies as it is demanded by the court.

Also, the procedural hurdle contribute to this problem. The ED wields wide-ranging powers under Section 5 i.e., Provisional attachment of Property, Section 17 i.e., Search and Seizure and Section 19 i.e., arrest. The Trials under Section 44 are often delayed because of the voluminous documentation, prolonged litigations, etc. Even though the strict conditions on the granting of bail is placed under Section 45, the paradox is that the same strict framework does not translate into equally strong convictions at the final stage.

[36] Jhakrkhand HC grants bail to Hemant Soren https://www.legalservicesindia.com/law/article/39766/3/Jharkhand-HC-Grants-Bail-To-Hemant-Soren-In-Money-Laundering-Case assessed on 13 September 2025

Section 4 of PMLA states that anyone found guilty of money laundering faces a rigorous imprisonment of 3 years with the possibility of a 7 year extension as well as a fine. However, in cases where the money laundering proceeds are linked to any of the offences listed in the 1985 Narcotic Drugs and Psychotropic Substances Act, the penalty may be rigorous imprisonment for 10 years rather than 7 years.[37]

The judicial interpretations have also played a crucial role in scrutinizing the provisions relating to the burden of proof as mentioned under Section 24 and also the admissibility of statements recorded under Section 50. In several cases the procedural lapses on confessional statements have led to acquittals, exposing weakness in the investigation and prosecution.

Also, the Institutional limitations cannot be overlooked. The Enforcement Directorate is over-burdened with an ever-increasing caseload, but lacks adequate manpower trained in forensic accounting and financial intelligence.

Lastly, we can conclude that the abysmal conviction rate under the Prevention of Money Laundering Act, 2002 is not an accidental outcome rather it is the product of structural, procedural and institutional deficiencies. The heavy dependence on predicate offences, challenges of proving the offence under Section 3, procedural delays under Section 44, evidentiary gaps under Section 24 and Section 50 and also the weal investigative capacity collectively weaken the law's effectiveness. Unless the mentioned systematic hurdles are addressed the PMLA will continue to struggle in fulfilling its core objective of deterring and punishing money laundering. Strengthening investigations, reducing dependence on predicate offences, ensuring speedy trials and building financial forensic expertise are essential steps if the Prevention of Money Laundering is to achieve its intended impact.

[37] Prevention of Money Laundering Act 3LawEssentialsJ20 (1).pdf assessed on 13 September 2025

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