
THEORETICAL PERSPECTIVE ON WHITE COLLAR & ECONOMIC CRIMES

Noor Sarpal, Vivekananda Institute of Professional Studies

“The financial cost of white-collar crime is several times as great as the financial cost of all the crimes which are customarily regarded as the crime problem.”

- Edwin H. Sutherland

ABSTRACT

White-collar crime and economic crime have long presented complex challenges for legal systems and societies. These offences stem from Edwin Sutherland’s classic definition, which describes crimes committed by individuals of high social status during their work. They range from corporate fraud to financial manipulation and cause more economic harm than typical street crimes. This study addresses the problem of underestimating the scale and impact of these crimes, despite their broad consequences.

The objectives are to examine the theoretical bases of white-collar and economic crimes, look at corporate fraud as a case study, and evaluate their social and legal effects. The methodology used is doctrinal research, along with a comparative analysis of statutes, case law, and academic literature. Key findings show that these crimes weaken trust in institutions, distort markets, and often avoid strict punishment. The conclusion highlights the need for stronger regulatory frameworks and enforcement measures.

Keywords: White-Collar Crime, Economic Crime, Sutherland, Corporate Fraud

INTRODUCTION:

White-collar and economic crimes are some of the most widespread yet least visible types of crime in modern society. The phrase “white-collar crime” was introduced by Edwin H. Sutherland in 1939. He described it as a crime committed by a person of respectability and high social status within their occupation. This idea shifted the focus of criminology from street-level crimes to those occurring in boardrooms, financial markets, and corporate settings. Unlike traditional crimes that involve physical violence or theft, white-collar and economic crimes are complex and often hidden behind legal and organizational practices. They include activities like corporate fraud, insider trading, tax evasion, money laundering, and large-scale financial manipulation, which all cause significant harm to economies and communities.

The background of these crimes reveals a contradiction. Even though their economic and social costs greatly exceed those of traditional crimes, they do not usually spark strong moral outrage. Scholars like Braithwaite and Friedrichs argue that white-collar crimes damage public trust in institutions, create unfair market conditions, and continue systemic inequalities. However, due to the social status of those who commit these crimes and the technical nature of the offences, they are often investigated less thoroughly, prosecuted less frequently, or punished with lighter penalties compared to street crimes.

In this context, the present study is guided by a central research question: What are the theoretical foundations of white-collar and economic crimes? How can corporate fraud be seen as a case study? What are the broader social and legal effects of these offences? This research has three objectives. First, it aims to explore the theoretical frameworks established by Sutherland and other criminologists. Second, it wants to examine corporate fraud as a key example of economic crime. Third, it looks to assess the social harms and legal challenges related to these offences.

The significance of this study is its effort to connect theory and practice. By revisiting important criminological theories like differential association, strain theory, and rational choice, the paper explains why individuals and corporations engage in misconduct despite their privileged positions. It also highlights that white-collar and economic crimes are not victimless. Their victims, often hidden, include employees, consumers, governments, and entire economies. Understanding their theoretical roots and real-world impacts is essential for creating stronger regulations, improving enforcement strategies, and promoting accountability in both public and private sectors. In doing this, the research adds to ongoing discussions in academia and policy

by asserting that economic crimes are central to debates on justice, governance, and the rule of law.

THEORETICAL FRAMEWORK:

Differential Association Theory: Edwin H. Sutherland

Edwin H. Sutherland's Differential Association Theory (1939) provides a sociological explanation for criminal behavior, including white-collar and economic crimes. The main idea is that people learn criminal behavior through social interactions and communication within close groups. Individuals not only learn how to commit crimes, but also the justifications, motives, and attitudes that make crime seem acceptable.

Sutherland outlined nine principles, with the most important being that a person becomes delinquent when their exposure to views supporting law-breaking is greater than their exposure to views against it. These associations differ in how often they occur, how long they last, their importance, and their strength. This means the influence of criminal factors depends on how often and intensely individuals engage with them.¹

The theory explains why crime is common in certain communities, why people often reoffend after being in prison, and how even middle-class individuals may learn to commit white-collar crimes like corporate fraud. It notably shifted criminology from biological explanations to social learning processes, showing that anyone can become a criminal if they are in the right environment. Despite criticism for challenges in measurement and its limited ability to explain serious violent crimes, the theory continues to be important for understanding how crime, whether burglary or corporate misconduct, is learned and maintained in society.²

Strain Theory of crime: Robert King Merton

Strain Theory, first developed by Robert K. Merton in 1938³, suggests that crime occurs when there is a gap between accepted goals and the socially approved methods to achieve them. In many societies, particularly in capitalist economies, material success, wealth, and upward mobility are highly valued. However, not everyone has the same access to legal means, like

¹ <https://www.simplypsychology.org/differential-association-theory.html>

² https://gyansanchay.csjmu.ac.in/wp-content/uploads/2023/03/Differential-Association-Theory_-Explanation-Examples.pdf

³ <https://pmc.ncbi.nlm.nih.gov/articles/PMC3076789/>

education, stable jobs, or resources, to reach these goals. This imbalance creates strain or pressure. As a result, some individuals may turn to illegal methods to achieve socially accepted goals.

Merton described five ways people adapt:

1. Conformity – pursuing goals through legitimate means.
2. Innovation – achieving goals through illegitimate or illegal means (e.g., fraud, embezzlement).
3. Ritualism – giving up on goals but strictly following the rules.
4. Retreatism – rejecting both goals and means (e.g., addiction).
5. Rebellion – creating new goals and means.

Although Strain Theory was first used to explain deviance among the working class, it is also relevant for understanding white-collar crimes. Professionals, executives, and corporations face pressure to meet ambitious financial goals, uphold their reputations, and satisfy shareholders. When legal methods fall short, individuals might resort to innovation by committing economic crimes like corporate fraud, insider trading, false accounting, or market manipulation.

For instance, the Enron scandal in 2001 shows how executives, under extreme pressure to achieve unrealistic profit targets, altered financial statements to create a false sense of success. In similar cases of securities fraud or tax evasion, the strains of competitive corporate culture and societal focus on wealth drive individuals to commit crimes that seem logical in their context.

Economic crimes such as money laundering, bribery, and corruption can also be understood through the lens of strain. In developing economies, systemic inequality and limited opportunities increase pressure to use illegal means for financial success. Therefore, strain affects not just individuals but can also operate at institutional and structural levels, pushing corporations or governments to exploit systems for profit.

Nonetheless, Strain Theory has faced criticism for its inability to fully explain crimes driven by greed rather than necessity and for ignoring crimes committed for excitement or status rather than economic survival. Despite this, it remains valuable in illustrating how systemic pressures and institutional goals create conditions where white-collar and economic crimes flourish.

Rationale Choice Theory: Clarke & Derek B. Cornish

Rational Choice Theory (RCT) comes from classical criminology, especially the ideas of Cesare Beccaria (1764) and Jeremy Bentham (1789). They believed individuals act rationally, weighing the costs and benefits of their actions. In the late 20th century, scholars like Cornish and Clarke (1986) refined RCT to explain criminal decision-making in today's societies. The main idea is that people commit crimes after carefully calculating whether the expected benefits, such as financial gain, status, or success, are greater than the perceived risks, like being caught, punished, or losing reputation.

Core Assumptions of RCT

- Human beings are rational decision-makers.
- Criminal behavior is a choice made when perceived rewards exceed risks.
- Decisions are influenced by situational factors, the availability of opportunities, and how well deterrence mechanisms work.
- Crime is purposeful, often aimed at meeting economic, social, or psychological needs. ⁴

White-collar and economic crimes, such as corporate fraud, insider trading, bribery, embezzlement, and accounting manipulation, are especially suitable for analysis under RCT. These crimes usually involve planned, calculated decisions by individuals in positions of trust and authority. Unlike impulsive street crimes, they are often carried out after a careful assessment of opportunities, risks, and potential rewards. For example, in cases of corporate fraud, executives may weigh the potential benefits of falsifying financial statements, like increased stock value, bonuses, or prestige, against the risk of regulatory detection or damage to their reputation. If regulations are weak, punishments are light, or oversight is ineffective, the perceived risks decrease, making illegal actions seem rational.

Similarly, insider trading shows rational calculation. The offender considers the profit from trading based on insider information against the chance of being investigated by regulatory authorities. If enforcement is inconsistent or penalties are minor compared to potential profits, the rational actor may see crime as a low-risk, high-reward approach. RCT also explains large-scale economic crimes like money laundering, tax evasion, and corruption. Offenders often exploit systemic loopholes. They weigh the benefits of illegal gains against the low chance of

⁴ https://www.researchgate.net/publication/314837382_Rational_Choice_Theory

being caught and act when the odds are in their favor. This rational assessment is also influenced by the corporate or financial culture that may encourage risk-taking and profit maximization.⁵

From a theoretical viewpoint, Rational Choice Theory emphasizes the calculated nature of white-collar crime and challenges the idea that these offenses result solely from social pressures or structural inequalities. It highlights the need for deterrence through effective regulation, certainty of punishment, and stronger compliance mechanisms. By placing corporate fraud and economic wrongdoing within a cost-benefit framework, RCT offers valuable insights for creating legal reforms and enforcement strategies.

While influential, RCT has faced criticism for oversimplifying human behavior and ignoring emotional, psychological, or social factors that influence crime. It assumes perfect rationality, while real decision-making can be affected by greed, overconfidence, organizational pressure, or moral disengagement. Still, RCT remains relevant in explaining why privileged individuals, despite having options, choose to engage in deliberate and profit-driven economic crimes.

CASE STUDY: MAHADEV BETTING APP

The Mahadev Betting App, a web-based platform for illegal gambling on games like poker, cricket, football, and tennis, was run by Dubai resident Saurabh Chandrakar and his co-conspirator Ravi Uppal, who were both natives of Chhattisgarh. The Enforcement Directorate (ED) has put the overall worth of the scam at over ₹40,000 crore with daily deals said to be around ₹200 crore. The app worked on a franchise basis, where associates were rewarded for bringing in new users and opening betting IDs. Such a system allowed criminal conduct to be spread throughout a large network of people.⁶

The operation was backed by a large network of benami bank accounts and shell firms, which helped launder the illegal money. The promoters allegedly partnered with gangster Dawood Ibrahim's brother, Mushtaqem Ibrahim Kaskar, to create a similar betting app for Pakistan, 'Kheloyar'. The probe revealed hawala operations and linkages in the UAE and Pakistan, pointing to the international reach of the scam.

The Mahadev Betting App was created to allow real-time betting on different games. It became

⁵ https://www.researchgate.net/publication/314837382_Rational_Choice_Theory

⁶ <https://www.livemint.com/news/mahadev-betting-app-scam-enforcement-directorate-probes-easemytrip-ceo-nishant-pitti-says-report-11747726418149.html>

popular, reportedly gaining more than 10 million users.⁷

It was based on a franchise model, where associates were offered a 70-30 profit-sharing scale to acquire new users and generate betting IDs. This model made it easy to spread criminal activity across an extensive network of people.

The operation made extensive use of benami bank accounts and shell firms to launder illegal money. The promoters have been reported to have allied themselves with gangster Dawood Ibrahim's brother, Mushtaqem Ibrahim Kaskar, to create a similar betting app for Pakistan named 'Kheloyar'.⁸

The Enforcement Directorate conducted investigations, resulting in the attachment of assets of more than ₹3,000 crore. The Central Bureau of Investigation also filed a case of corruption and cheating in relation to the scam.⁹

The probe revealed hawala transactions and linkages in the UAE and Pakistan, thus bringing out the international reach of the scam.

APPLICATION OF CRIMINOLOGY THEORIES

1. *Differential Association Theory (Sutherland)*

This theory assumes that criminal behavior is acquired through social interactions. In the Mahadev case:

Franchise Model: The franchise model encouraged a culture where associates acquired and normalized illicit practices, strengthening the argument that criminal behavior is acquired through interactions within close-knit circles.

Learning Environment: Associates acquired the methods of illegal gambling and money laundering from their interactions within the network, which normalized these activities.

2. *Strain Theory (Merton)*

Merton's theory indicates that social pressures and poor success using legitimate means with culturally approved objectives prompt one to engage in crime.

⁷ <https://www.indiatoday.in/india/story/mahadev-betting-app-vikas-garg-companies-investigated-2755351-2025-07-14>

⁸ <https://www.moneycontrol.com/news/business/mahadev-betting-case-ed-investigates-easemytrip-ceo-nishant-pitti-says-report-13033713.html>

⁹ <https://www.thehindubusinessline.com/blexplainer/mahadev-betting-app-case-how-dubai-based-promoters-routed-illicit-betting-funds-into-stock-market/article69583510.ece>

Pressure of Finance: The temptation of quick money from illegal gambling offered a substitute to people experiencing financial struggles, prompting them to use criminal methods to succeed.

Innovation: The innovators operated in the illegal sphere, being innovative in the illegal environment, developing a sophisticated system of operation to escape legal limitations and realize their financial objectives.

3. Rational Choice Theory (Cornish & Clarke)

Here, as per this theory, people consider the advantages and disadvantages before resorting to criminal behavior.

Cost-Benefit Analysis: Promoters and associates presumably weighed the enormous returns against possible legal costs, concluding that the benefits exceeded the cost.

Opportunity Structure: The ubiquity of online sites and the absence of strict regulating measures offered plenty of opportunities for the promoters to take advantage of.

The case of Mahadev Betting App is a classic example of intersection between technology, organized crime, and financial fraud in India and signifies the complexity of Indian white-collar and economic crimes in contemporary times. Explaining such cases using traditional criminological theories offers an intensive insight into the root causes behind such offenses. This case highlights the need to incorporate criminological theories in the analysis of such crimes for the effective formulation of prevention and intervention policies.

ANALYSIS

Economic and white-collar crimes differ from traditional street crimes because of the status, trust, and professional roles of the criminals, who take advantage of organizational and system weaknesses for profit. These offenses cover a wide range, from corporate fraud and embezzlement to insider trading, bribery, money laundering, and cyber-enabled financial crime. Corporate fraud typically involves intentional misstating of financial reports to deceive investors or regulators, such as the Enron scandal (2001), when executives manipulated debt and overstated profits through off-balance-sheet entities. In India as well, the Satyam Computers scandal (2009) involved the chairman falsifying books to overstate revenue and share prices, illustrating how those in power use organizational assets for personal advantage. Insider dealing and manipulation, like the NSE co-location fraud (2015), and corruption and bribery, like the Commonwealth Games corruption scandal (2010), also demonstrate the

multifaceted manifestations of white-collar and economic crimes. More recently, the cyber-enabled financial crimes, including the Mahadev Betting App scandal (2023–2025), reflect the global and technology-driven nature of such crimes, where billions were laundered through shell accounts and cross-border networks.¹⁰

The reasons behind white-collar and economic crimes are varied. Structural and organizational flaws, including lack of oversight and regulatory loopholes, provide means for fraud, as evident in Enron and Satyam. Economic expectations and social pressures, like unrealistic profit expectations, tend to drive people to resort to illegitimate methods to attain success, as Merton's Strain Theory constructs criminal activity as a response to thwarted legitimate opportunities. The Rational Choice Theory framework also clarifies that criminals like the operators of the Mahadev Betting App make rational choices, comparing significant monetary gains with perceived minimal chances of being caught. Also, Differential Association Theory sheds light on how deviant behaviors are acquired via social learning; in Enron and Mahadev, lower-level staff or colleagues learned corruption being practiced by top-level bosses or the operating network.

Patterns of such crimes reflect premeditation, sophistication, and elaborate concealment. White-collar criminals normally attack financial systems, use regulatory loopholes, and practice collusion in order to maximize payoffs and minimize risk. Victims tend to be corporations, investors, the public sector, or the broader public, with harm ranging from enormous financial loss to loss of confidence in government and institutions. Contrasting national and cross-border views, Indian cases tend to exhibit systemic weaknesses, conspiratorial bureaucracies, and political complicity, like in Satyam and Mahadev, while cross-border cases like Enron, Bernie Madoff's Ponzi scheme, and the Panama Papers illustrate complex cross-border networks and regulatory arbitrage. Both situations underline the imperatives of governance reforms, aggressive enforcement, and regulatory coordination.

Finally, by using an integrated analysis of these case studies, it is illustrated that white-collar and economic crimes are not just economically harmful but socially destructive, eroding trust and governance. Utilizing theories of criminology like Differential Association, Strain, and Rational Choice offers a three-dimensional perspective on why such crimes take place, how they are committed, and the motivations behind offenders. Such understanding is vital to the formulation of effective prevention measures, enforcement of enhanced regulatory measures,

¹⁰ <https://ijlmh.com/wp-content/uploads/Economic-Crimes-in-India.pdf>

and cooperation across borders to counter the expanding scheme of white-collar and economic crimes.

CONCLUSION

The present paper has discussed the complex nature of white-collar and economic crimes, and their types, causes, and patterns through national and global lenses. Through case studies of some prominent ones like Enron (2001), Satyam Computers (2009), and the Mahadev Betting App scandal (2023–2025), the study reveals how these crimes take advantage of organizational structures, regulatory loopholes, and societal pressures. Theoretical perspectives from Differential Association Theory, Strain Theory, and Rational Choice Theory put the full picture of offender behavior into perspective: criminal methods and justifications are acquired through social interactions, pressures and restricted legit opportunities induce illegal solutions, and criminals weigh their decisions based on risk and reward. These theories point out that white-collar and economic crimes are neither random nor entirely opportunistic but frequently systemic and embedded in society.

On this basis, a number of policy proposals can be seen. Improving corporate governance, strengthening regulatory supervision, and instituting effective compliance systems can reduce fraud opportunities. Encouraging ethical organizational environments, compulsory financial audits, and international cooperation in enforcement are paramount to combating more advanced globalized financial offenses. Training and awareness programs for employees at all levels can minimize susceptibility to acquired criminality.

For ongoing research, there is scope to examine how new technologies like blockchain, AI, and cryptocurrencies will continue to transform patterns of economic crime, and the effectiveness of current international legal regimes in combating cross-border financial fraud. Comparisons between various national regulatory environments and longitudinal analyses tracing the development of white-collar crime would contribute further to understanding and inform evidence-based policy formulation.

Finally, white-collar and financial crimes are difficult problems that involve an holistic response of theory, regulation reform, moral practices, and constant research to protect financial systems and ensure public confidence.