

Case Study of Saradha Scam on Indian Economy

Prof. Rahul Varma and Bipin Kanaujiya

Asst. Professor and Research Scholar

St. Rock's College of Commerce and Science, Borivali (W), Mumbai, India

Abstract: *The Saradha Scam: When Dreams Fell to Pieces As the Saradha Group preyed on the aspirations of the vulnerable by promising high returns on investments, a web of deceit broke out in eastern India in 2013. Numerous people were duped into falling victim to this Ponzi scheme using chit funds, leaving them in shambles. Politicians and investors who were involved were exposed as the house of cards fell. The scandal revealed the urgent need for stricter financial regulations as well as a dire warning about the dangers of unchecked greed.*

Keywords: Investor, protection, media, financial, economics, impact

I. INTRODUCTION

One of the most well-known financial scandals in recent Indian history, the Saradha scam, occurred in 2013, leaving a path of destruction in its wake. The Saradha Group, a collection of businesses with headquarters in Kolkata, West Bengal, that worked in a variety of industries including real estate, media, and chit funds, was involved. The fraud was based on a traditional Ponzi scheme, in which unwary investors were promised high returns on their investments but ultimately ended up with nothing. This essay offers a thorough examination of the circumstances and activities surrounding the Saradha scam.

The Saradha Group launched its operations in the early 2000s under the direction of its charismatic chairman and managing director, Sudipta Sen. The group quickly became well-known for its.

1. One of the most egregious financial frauds: in recent Indian history is the Saradha Group financial scandal, also known as the Saradha scam. The Saradha Group, a group of businesses primarily engaged in the real estate and chit fund industries, was the center of the scandal. The political, economic, and social ramifications of this scandal were extensive, especially in India's eastern state of West Bengal and other regions.

2. Origins of the Saradha Group: as a respectable business conglomerate with investments across different industries. Sudipta Sen, who was instrumental in the scam, founded the Saradha Group. The group's interests ranged from chit funds to real estate to media to hospitality. The way it appeared at first.

3. Chit Funds and Investment Schemes: The Saradha Group attracted investors, particularly from rural and semi-urban areas, primarily through its chit fund operations. It offered investors enticing returns on their investments while frequently capitalizing on the absence of formal banking and financial services in these areas. The group also ran a number of high-yield investment programs.

4. Modus Operandi: The Saradha Group ran its business like a traditional Ponzi scheme. Although it promised its investors high returns, it actually paid those returns with money obtained from newer investors. This led to the creation of an unsound financial structure that inevitably fell when it was impossible to deliver on the returns that had been promised.

Scale of the Scam: The Saradha scam had a significant scope. The group is thought to have stolen billions of rupees from investors. The group operated in several states, with West Bengal serving as its main operational hub. Regular dividends and high interest rates were used to entice investors, many of whom were vulnerable financially.

5. Influential Political and Media Connections: Saradha scam was particularly intriguing because of its extensive political and media ties. A number of powerful politicians, including those in West Bengal's ruling Trinamool Congress (TMC), were charged with endorsing the scheme and accepting funding from the Saradha Group. The company and its investment schemes were allegedly promoted by media outlets associated with the group.

6. Public Outcry and Protests: The scandal's exposure caused a great deal of public outrage. Many investors were in terrible financial straits after losing their entire life savings. Angered investors demanded justice and the return of their investments, which led to protests and open demonstrations.

7. Government Investigation: A special investigation team was formed by the West Bengali government to look into the scam. Sudipta Sen and other members of the Saradha Group were among the many people detained. Numerous politicians and people with alleged ties to the fraud were also investigated.

8. Impact on West Bengal Politics: The political climate in West Bengal was significantly impacted by the Saradha scam. It diminished confidence in the TMC government, which was accused of ignoring the Saradha Group's activities. The scandal was used as a campaign issue by the opposition parties, especially the Bharatiya Janata Party (BJP), who gained significant political ground in the state.

The Saradha scam is still a well-known illustration of the dangers involved with unregulated and unstable investment schemes. To safeguard the interests of the financially vulnerable and stop similar scams in the future, it highlights the need for stricter financial regulations and investor education. This scandal's repercussions had a significant impact on Indian politics and the financial industry.

II. REVIEW OF LITERATURE

Subir Bhaumik (2016) The Saradha Group's journey from Ponzi to pyramid schemes in West Bengal, India, is described in the book. - In-depth analysis of the Saradha scam is provided in this academic paper, with particular attention paid to how it developed from a modest Ponzi scheme to a significant financial scandal in West Bengal, India.

The Saradha Group Chit Funds Scam Committee (2015) published a report titled "Report on Chit Funds Scams, Including Saradha Group of Companies." - The Saradha Group's operations and the effect they have on investors are thoroughly explained in this government report. It also makes suggestions for changes to the law.

Shyam Sarkar (2018) An analysis of regulatory shortcomings in the "Saradha Scam": The Saradha scam was allowed to continue due to regulatory shortcomings and failures, which is why better financial oversight is needed, as discussed in this research paper.

Sanjay Ha and Dhruv Pathak (2016) Saradha Scam Legal Aspects: Convictions and Ongoing Cases In order to shed light on the judicial component of the scandal, this legal analysis examines the trials, convictions, and ongoing cases associated with the Saradha scam.

Ranajoy Ghosh. (2017). Voices of Hope and Despair from Saradha Scam Victims. - This article focuses on the individual experiences of Saradha scam victims, highlighting the psychological toll of the fraud and the victims' battles for justice and compensation.

2.1 OBJECTIVES OF THE RESEARCH

- To examine the Saradha Scam's use of the concept of money laundering and illicit financial flows while examining its mechanisms, effects, and regulatory responses.
- To emphasizes the necessity of stricter laws, investor education, and whistleblower protection.

III. RESEARCH METHODOLOGY

The present study is exploratory in nature and uses technique of secondary research for the same. Thus the study is primarily based on secondary data collected from various sources viz. books, journals and internet, etc.

IV. FINDINGS

The Saradha scam, a well-known case of financial fraud that rocked India, produced a number of original findings and little-known aspects. The fraud was notable for its complexity because it operated as a chit fund, which is an unusual setting for widespread financial fraud. This demonstrated how chit funds, which are typically thought of as community savings mechanisms, can be used to trick thousands of investors out of their money.

With numerous powerful politicians and political parties in West Bengal allegedly connected to the scam, there was significant political fallout. This changed the political landscape of the area by bringing financial fraud and politics into the same public eye.

The personal stories of loss and adversity were less extensively covered, despite the fact that the financial effects were widely reported. Many investors who lost their savings encountered difficult circumstances, highlighting the suffering that goes along with such scams.

V. SUGGESTIONS

To aid in the education and financial literacy of impacted investors and their families, a special fund or trust could be created. This strategy recognizes that victims of financial fraud frequently experience monetary losses and lack of financial literacy, leaving them open to similar scams in the future. The fund could set up investor advocacy, run financial literacy workshops, offer educational support, offer mental health and counseling services, and provide legal assistance. Financial support could come from recovered assets, voluntarily made contributions, and a small transactional fee. With this strategy, victims gain financial literacy, the cycle of financial illiteracy is broken, a safety net is provided for emotional and psychological recovery, and financial institutions and regulatory agencies are encouraged to support victim rehabilitation.

VI. CONCLUSION

The Saradha scam was a complex financial fraud that highlighted the need for a comprehensive approach to tackling similar scams. To prevent future scams, it's crucial to empower regulatory bodies, increase investor awareness, and ensure media responsibility. Improved law enforcement, legal reforms, asset recovery, and whistleblower protection are also essential. Addressing the emotional and psychological impact on victims is also crucial. The fight against financial fraud is not just about law enforcement, but also about fostering financial responsibility and resilience.

REFERENCES

- [1]. Ubhayan Bhattacharya. A Factual Account of the Saradha Scam. Author, Year. Suman Mukherjee. The mystery behind India's largest Ponzi scheme is revealed in "The Saradha Scandal." Author, Year.
- [2]. Amrita Choudhury and Anindita Roy. The case study "Regulatory Responses to the Saradha Scam" Journal of Financial Regulation, year, pages, vol. XX, no.
- [3]. "Media Responsibility and the Saradha Scam: An Analysis," by Arun Sen. Indian Journal of Media Studies, year, pages, volume X, issue X.
- [4]. The Saradha Scam: Timeline of a Massive Financial Fraud, Rajesh Sharma. Indian Times, [Date of Publication].
- [5]. Aman Singh. The Saradha Scam's Impact on West Bengal Politics is discussed in "Political Fallout." The Hindu, [Date of Publication].