

## CHAPTER 5

### Challenges and Benefits of Forensic Accounting Education and Regulatory Barriers in Practice

*“Education is the most powerful weapon which you can use to change the world.”*

- Nelson Mandela

#### 5.1.Introduction

In the rapidly evolving global market, companies face intense competition to enhance their market share. This environment often drives organizations to engage in unethical practices such as fraud, corruption, and manipulation. The economic crises, fluctuating exchange rates, and numerous accounting scandals over recent years have underlined the inadequacies of traditional accounting and auditing systems. This has led to the emergence of FA, a field that integrates principles from psychology, criminology, and other disciplines to address and resolve issues that could lead to legal disputes (Gülten, 2010). The profession has seen significant advancements, particularly in response to regulatory changes such as the Sarbanes-Oxley Act of 2002, which highlighted the importance of FA in audit practices (U.S. Securities and Exchange Commission, 2003). As a result, FA has become an integral part of accounting education, particularly in the USA and Europe, where it is often taught as a standalone discipline at both undergraduate and graduate levels. However, in India, the integration of FA into the educational curriculum is still developing. The issuance of “Forensic Accounting and Investigation Standards” by Institute of Chartered Accountants of India further emphasizes the importance of FA and FAE in India (Mandal & Amilan, 2023). While some universities have started offering courses under the umbrella of accounting departments, there is a pressing need for more structured programs and specialized certifications.

According to the literature, the primary challenges in incorporating FA into the education system include lack of financial and educational resources, insufficient administrative support, and a shortage of interested students and qualified academic staff. Additionally, there is a significant gap between the theoretical knowledge provided in current accounting curricula and the practical skills required in FA practice (Chetry et al., 2024). Further, educational materials for FA are scarce, and financial constraints further

hinder the development of comprehensive programs (Al-Hadrami & Hidayat, 2015). Despite these challenges, the benefits of FAE are substantial. It equips students with the skills necessary to identify and prevent financial fraud, enhancing their employability in a competitive job market. FAE fosters critical thinking and ethical awareness which are essential for maintaining financial integrity in organizations (Akour et al., 2023). Moreover, incorporating FA into the curriculum aligns with the demands of modern business environments, where the ability to detect and address fraudulent activities is increasingly valuable. This integration helps ensure the accuracy of financial statements and supports the broader goal of financial transparency and accountability in the business world.

Further, effective FAE should cover a wide range of topics, including fraud investigation, business and asset valuation, digital forensics, and legal aspects of financial crimes. Pedagogical approaches should emphasize experiential learning, allowing students to engage with real-world scenarios and develop practical skills. Further, collaboration with FAPs is also crucial. By involving industry experts in the educational process, students can gain insights into current practices and challenges in the field. Additionally, the use of advanced technological tools and techniques should be integrated into the curriculum to prepare students for the evolving landscape of financial crime investigation (Alshurafat et al., 2020).

FA is gaining global recognition (Chetry et al., 2023). Concurrently, regulatory processes are being developed to enhance the efficacy of FA practices. This chapter accentuates on the exploration of challenges and benefits of FAE and FAR that may enable policymakers, regulators, and curriculum developers to make informed decisions and take appropriate actions. Additionally, this chapter examines the optimal stage for introducing FAE and the preferred formats for its delivery.

## 5.2. Necessity of FAE for Addressing Audit Gaps and Strengthening Fraud Detection

**Table 5.1: Development of FA Practice**

Statements	Mean	SD	FAPs		Academicians		Mann Whitney U Test	
			Mean	SD	Mean	SD	Z	P Value
The responsibility of auditor for fraud detection is increasing	3.96	1.251	4.18	1.132	3.70	1.142	-5.171	0.020
The traditional audit methods even though useful but are not foolproof for fraud detection and prevention	3.90	1.289	4.17	1.118	3.60	1.193	-5.239	0.010
FA will be of help in fraud detection and prevention	4.10	1.214	4.29	1.083	3.89	1.189	-4.078	0.026
FA will improve the quality of financial reporting	3.93	1.237	4.13	1.089	3.71	1.219	-3.979	0.007
FA procedures may help to fulfil the third-party audit expectation gap	3.78	1.224	3.95	1.163	3.59	1.121	-3.919	0.033

Source: Author's Computation

Table 5.1 reveals that both FAPs and academicians significantly recognize the growing importance of FA in filling the gaps left by traditional audit methods. The highest mean score as depicted in the table for "the responsibility of auditors for fraud detection is increasing" suggest that both groups perceive the need for auditors to expand their role in fraud detection, requiring skills that go beyond conventional auditing. Furthermore, the agreement on "traditional audit methods, though useful, are not foolproof for fraud detection and prevention" ( $\bar{x}_{FAP}=4.17$ ,  $\bar{x}_{Academician}=3.6$ ) highlights a critical gap in current practices, emphasizing the need for FA techniques to enhance effectiveness. The consensus on "FA will help in fraud detection and prevention" and "will improve the quality of financial reporting" underlines the perceived value of FA in promoting transparency and accountability. Moreover, the belief that "FA procedures may help to fulfil the third-party audit expectation gap" ( $\bar{x}_{FAP}=3.95$ ,  $\bar{x}_{Academician}=3.59$ ) reflects a view that FA can address stakeholder expectations more effectively than traditional audits alone. However, significant difference between the respondent groups has been observed as FAP ranked all the statements high in comparison to academicians.

These insights shed light that FAE is the need of an hour to supply well equipped FAPs in the field. As fraud becomes more complex and traditional audit methods fall short, a focused effort to equip professionals with forensic expertise is crucial. However, despite the growing importance of FA, significant challenges still hinder the adoption of FAE in India. The subsequent sections deal with the challenges in FAE and FAR in pertaining to India.

### 5.3 Challenges in FAE in India

Participants were asked to assess the extent to which they perceive specific factors as obstacles to the provision of FAE. Responses were measured using a five-point Likert scale, enabling a comprehensive understanding of participants' perceptions. The data in Table 5.2 elucidates the perceived barriers, offering a critical lens to understand the challenges faced in the field. This analysis reveals significant impediments that require strategic intervention to improve the quality and accessibility of FAE.

**Table 5.2: Challenges in developing FAE in India**

Challenges	Mean	SD	Rank
Lack of awareness about the FA domain	3.97	1.203	1
Lack of instructional materials including textbooks	3.74	1.227	6
Absence of proper FA curriculum	3.91	1.217	2
Lack of faculty interest	3.54	1.198	12
Lack of trained faculty	3.75	1.206	5
Lack of student's interest	3.26	1.261	13
Lack of support and interest from university administration	3.68	1.211	9
Lack of perceived career opportunities in FA	3.71	1.211	8
Lack of specific regulations, guidelines, standards for regulating the FA profession	3.64	1.163	10
Lack of collaboration between professional institutes and Universities for offering FAE	3.83	1.152	3
Limited provision for education on FA by ICAI (Provision only for its members)	3.74	1.184	7
Problem in balancing theory and practice	3.79	1.185	4
Lack of recognition to the multidisciplinary nature of the FA domain as it is often construed as merely a topic in accounting	3.61	1.286	11

Source: Author's Computation

The results of the challenges in FAE in India reveal several critical issues. The foremost challenge identified is the "lack of awareness about the FA domain" ( $\bar{x}$ =3.97,  $SD$ =1.203). This shows a significant gap in understanding the importance and scope of FA among stakeholders. The second highest challenge is the "absence of proper FA curriculum" ( $\bar{x}$ =3.91,  $SD$ =1.217), highlighting the need for a structured and comprehensive curriculum. This result is attuned with the result of Rezaee et al., (2015). However, it is important to recognize the inherent difficulties in developing such curricula due to the multidisciplinary nature of FA. As noted by Cooper and Kawada (2022) and Hegazy et al. (2017), the integration of diverse disciplinary approaches presents unique challenges in curriculum design. The third ranked challenge, "lack of collaboration between professional institutes and universities for offering FAE," ( $\bar{x}$ =3.83,  $SD$ =1.152), points to the necessity for partnerships to enhance educational offerings. Effective FAE requires a synergistic approach combining theoretical insights from academia with

practical expertise from professional institutes. The absence of such partnerships results in fragmented educational experiences and inadequate preparation for students entering the FA field (Tarjo et al., 2021). Addressing these challenges is crucial for fostering a robust FAE system that can produce competent professionals equipped to tackle financial irregularities effectively. The "problem in balancing theory and practice" ranks fourth ( $\bar{x}=3.79$ ,  $SD=1.185$ ), suggesting difficulties in providing a practical learning experience alongside theoretical knowledge. Furthermore, the "lack of trained faculty," ranked fifth ( $\bar{x}=3.75$ ,  $SD=1.206$ ), accentuates the lack of qualified educators in this specialized field who can provide practical effective learning. These results are reinforced by prior studies (Kramer et al., 2017). On the other end of the spectrum, the least ranked challenge is the "lack of student's interest," ( $\bar{x}=3.26$ ,  $SD=1.261$ ) showing that the challenges in FAE are not primarily related to the receptiveness of the students. The findings of the current study align with Rezaee and Burton (1997) who indicated that student interest does not represent a significant challenge in FAE. The more pressing issues lie in structural and institutional deficiencies. Further, the "lack of faculty interest" ( $\bar{x}=3.54$ ,  $SD=1.198$ ) follows closely suggesting moderate disengagement from academicians. It contrasts the finding of Ramadhan, (2021), Prabowo, (2013), Rezaee and Burton (1997) who found faculty engagement as a critical barrier in their respective studies. The discrepancy shows that regional or institutional variations might influence faculty commitment to FAE. These findings provide a comprehensive understanding of the critical and less critical challenges in FAE, guiding stakeholders to prioritize interventions effectively.

**Table 5.3: Mann–Whitney U-test Results Exhibiting Differences in Rating of Challenges in Developing FAE in India between FAPs and Academicians**

Challenges in FAE	FAPs			Academicians			Mann Whitney U Test	
	Mean	SD	Rank	Mean	SD	Rank	Z Value	P Value
Lack of awareness about the FA domain	4.02	1.085	1	3.91	1.323	1	-0.032	0.975
Lack of instructional materials including textbooks	3.79	1.168	6	3.68	1.29	6	-0.704	0.481
Absence of proper forensic accounting curriculum	3.99	1.159	2	3.82	1.276	2	-1.698	0.090
Lack of faculty interest	3.63	1.196	11	3.45	1.196	12	-1.990	0.047
Lack of trained faculty	3.73	1.241	7	3.77	1.167	4	-0.112	0.911

Lack of student's interest	3.31	1.334	13	3.21	1.173	13	-1.078	0.281
Lack of support and interest from University Administration	3.72	1.227	8	3.63	1.193	9	-1.169	0.243
Lack of perceived career opportunities in FA	3.64	1.263	10	3.79	1.145	3	-1.282	0.200
Lack of specific regulations, guidelines, standards for regulating the FA profession	3.72	1.153	9	3.55	1.169	10	-1.884	0.060
Limited provision for education on FA by ICAI (Provision only for its members)	3.98	1.109	3	3.67	1.18	7	-3.573	0.000
Lack of collaboration between professional institutes and Universities for offering FAE	3.95	1.099	4	3.5	1.231	11	-4.873	0.000
Problem in balancing theory and practice	3.82	1.207	5	3.75	1.161	5	-1.003	0.316
Lack of recognition to the multidisciplinary nature of the FA domain as it is often construed as merely a topic in accounting	3.58	1.353	12	3.65	1.206	8	-0.254	0.799

Source: Author's Computation

Table 5.3 presents the result of mean, SD and Mann Whitney U test for the “challenges in developing FAE in India”. The analysis of the challenges in FAE in India reveals distinct perspectives between FAPs and academicians. Both respondent groups identified the "lack of awareness about the FA domain" as the foremost challenge, with mean values of 4.02 (SD = 1.085) for FAPs and 3.91 (SD = 1.323) for academicians. These findings demonstrate a consensus on the critical need to enhance awareness of the FA domain. Further, the "absence of proper FA curriculum" was also highly ranked by both groups, with mean values of 3.99 (SD = 1.159) and 3.82 (SD = 1.276), respectively. These results emphasize the imperative need for the development of a structured and comprehensive curriculum in FA. This convergence of opinion indicates a recognized gap in educational offerings that must be addressed to adequately prepare students in the field. Other top challenges for FAPs included the "limited provision for education on FA by ICAI" ( $\bar{x}$ =3.98, SD=1.109, rank = 3), and the "lack of collaboration between professional institutes and universities" ( $\bar{x}$ = 3.95, SD= 1.099, rank = 4). The ICAI primarily offers FAE to its members thereby restricting access to a broader audience, including students and

professionals from other fields who might benefit from this knowledge. This limited provision stifles the widespread dissemination of FA skills which are increasingly essential in a landscape marked by complex financial crimes and fraud. These call for attention to the gaps in professional and academic integration and institutional support. For academicians, "lack of perceived career opportunities in FA" ( $\bar{x}$  = 3.79, SD = 1.145, rank = 3) and "lack of trained faculty" ( $\bar{x}$  = 3.77, SD = 1.167, rank = 4) were notable. These findings reflect significant concerns regarding the clarity of career pathways in FA and the need for faculty development. This perception regarding limited career option is likely influenced by the limited visibility and recognition of FA as a viable and lucrative career path. Without clear career paths, students may be hesitant to pursue this specialization, opting instead for more traditional accounting roles perceived as offering better job security and growth prospects. Further, regarding the shortage of trained faculty, it can be attributed to the relatively recent emergence of FA as a distinct discipline. This lack of trained faculty hampers the ability of academic institutions to offer comprehensive and high-quality FA programs. To mitigate this issue, investment in faculty development is crucial. This could include specialized training programs, professional development workshops, and opportunities for faculties to gain practical experience in FA. Enhancing the qualifications and expertise of faculty members will improve the overall quality of education, ensuring that students receive the knowledge and skills necessary to excel in the field.

Conversely, the least ranked challenges included "lack of student's interest" exhibiting relatively lower concern for student engagement compared to other issues. The results are attuned with the findings of Kramer et al. (2017). Further, the "lack of recognition to the multidisciplinary nature of the FA domain" and "lack of faculty interest" were also among the lower-ranked challenges.

Further, the divergence in perspectives between FAP and academicians regarding the "lack of perceived career opportunities in FA" and the "lack of collaboration between professional institutes and universities for offering FAE" is notable. The FAPs identified the "lack of perceived career opportunities in FA" as a relatively minor challenge. Conversely, academicians viewed it as a major concern ( $\bar{x}$  = 3.79, SD = 1.145, rank = 3). This variance shows that academicians are closely connected with students' academic and career development and have a deeper insight into the career challenges faced by

graduates. Similarly, the challenge of "lack of collaboration between professional institutes and universities for offering FAE" shows a stark contrast in perspectives. FAPs view this issue as highly significant ( $\bar{x}$  = 3.95, SD = 1.099, rank = 4) accentuating a strong consensus on the need for collaboration to effectively deliver FAE. In contrast, academicians rank this challenge much lower ( $\bar{x}$  = 3.50, SD = 1.231, rank = 11). This variation could be critically attributed to academicians' limited exposure to successful collaborative models.

Further, the results of Mann-Whitney U Test reveal that three challenges have statistically significant differences between the two professional groups. The "lack of collaboration between professional institutes and universities for offering FAE" ( $Z = -4.873$  and  $p = 0.000$ ) shows a significant disparity in how this challenge is perceived. Similarly, the "limited provision for education on FA by ICAI" also shows a significant difference ( $Z = -3.573$ ,  $p = 0.000$ ). These findings highlight that FAPs and academicians view institutional and professional integration issues very differently, with FAPs likely experiencing these challenges more acutely. Another notable significant difference is observed in the "lack of faculty interest" ( $Z = -1.990$ ,  $p = 0.047$ ) showing that FAPs perceive a lack of interest among faculty as a more pressing issue compared to academicians. This could be due to academicians' closer engagement with faculty dynamics and awareness of the motivational and engagement issues within educational institutions. This perception among FAPs could stem from their practical experience in the field where the need for enthusiastic and knowledgeable faculty is paramount for effective education and training in FA. FAPs likely encounter firsthand the impact of disengaged or underprepared faculty on the quality of education, which can hinder the development of competent FAPs. On the other hand, academicians, who are often immersed in the academic environment, may not find this issue as acute. They might perceive the faculty's engagement level differently, perhaps focusing more on institutional support and resources rather than individual interest levels. This difference in perception could also be influenced by the varying expectations and pressures faced by FAPs versus academicians. Ensuring that faculty members are both well-trained and genuinely interested in FA is crucial for preparing students to meet the challenges of this evolving field effectively.

Furthermore, considering the importance for understanding how gender may influence the perceived barriers in FAE, a gender-based comparison was incorporated to identify any significant differences between male and female perceptions.



**Table 5.4: Mann–Whitney U-test Results Exhibiting Gender-based Differences in Rating Challenges in FAE**

Challenges	Z Value	P Value
Lack of awareness about the FA domain	-1.047	0.295
Lack of instructional materials including textbooks	-0.599	0.549
Absence of proper FA curriculum	-0.174	0.862
Lack of faculty interest	-0.093	0.926
Lack of trained faculty	-1.291	0.197
Lack of student’s interest	-0.543	0.587
Lack of support and interest from University Administration	-0.298	0.766
Lack of perceived career opportunities in FA	-1.584	0.113
Lack of specific regulations, guidelines, standards for regulating the FA profession	-0.126	0.900
Limited provision for education on FA by ICAI (Provision only for its members)	-0.870	0.385
Lack of collaboration between professional institutes and Universities for offering FAE	-2.468	0.014
Problem in balancing theory and practice	-0.298	0.766
Lack of recognition to the multidisciplinary nature of the FA domain as it is often construed as merely a topic in accounting	-0.274	0.784

**Source: Author’s Computation**

Table 5.4 represent the results of the Mann-Whitney U Test based on gender. It reveals significant and non-significant differences in perceptions of various challenges in FAE. Notably, the "lack of collaboration between professional institutes and universities for offering FAE" presents a significant difference. It indicates that perceptions regarding the lack of collaboration are significantly different between male and female respondents. This finding divulges that gender may influence how individuals perceive institutional and professional collaboration challenges, with potential implications for policy and program development to address these concerns equitably. Other challenges, such as "lack of awareness about the FA domain", "lack of instructional materials including textbooks", and "absence of proper FA curriculum", show no significant gender differences. The lack of significant difference across these areas indicates a general consensus between male and female respondents about these challenges. Similarly, "lack of faculty interest" and "lack of trained faculty" also show non-significant differences.

These results highlight that while most challenges in FAE are perceived similarly across genders, specific issues like institutional collaboration exhibit significant gender-based perceptual differences. These insights are crucial for tailoring FAE development strategies that not only address universally recognized challenges but also consider gender-specific needs to foster an inclusive and effective educational environment in FA.

## 5.4 Benefits of FAE in India

FAE offers substantial benefits to students by equipping them with a diverse set of skills and knowledge drawn from various disciplines including auditing, accounting, law, and psychology (Kresse, 2008). Further, FAE not only prepares students for specialized careers in FA but also enriches their capabilities across all accounting fields, emphasising its importance in contemporary accounting education (Alshurafat et al., 2021). In response to growing demands FA, respondents were asked to provide their responses to evaluate the benefits of FAE using a five-point Likert scale, from "1" (strongly disagree) to "5" (strongly agree). This helped to gauge the perceived importance of FAE and provide resource allocation to align with current professional and market needs.

**Table 5.5: Perceived Benefits of FAE in India**

<b>Benefits</b>	<b>Mean</b>	<b>SD</b>	<b>Rank</b>
<i>Enhance the employment prospects of the students</i>	4.08	1.095	5
<i>Encourage students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these courses</i>	4.10	1.130	4
<i>Promotion of responsible corporate governance</i>	4.07	1.103	6
<i>Meet the increased demand of FA services</i>	4.05	1.076	7
<i>Enhance the level of awareness regarding frauds, fraud prevention &amp; fraud detection to reduce corruption / fraud related cases in India</i>	4.25	1.026	1
<i>Enhance the knowledge, skills and competence of qualified professionals taking up FA assignments</i>	4.24	1.033	2
<i>Help in improving the quality and credibility of financial reporting</i>	4.14	1.119	3

**Source: Author's Computation**

Table 5.5 reveals the perceived benefits of FAE which highlight several key advantages with varying degrees of impact as reflected by the mean and SD values. The highest-ranked benefit identified in the study is "enhancing the level of awareness regarding frauds, fraud prevention, and fraud detection to reduce corruption/fraud related cases in India," ( $\bar{x} = 4.25$ ,  $SD = 1.026$ ). The substantial mean value indicates a strong consensus among respondents on the pivotal role of FAE in raising awareness and addressing fraud-related issues. Carpenter et al. (2011) also found that there is a strong positive impact of FAE on students' ability to assess fraud risk accurately. The second-highest ranked benefit of FAE is "enhancing the knowledge, skills, and competence of qualified professionals taking up FA assignments," ( $\bar{x} = 4.24$ ,  $SD = 1.033$ ). This finding stresses the critical importance respondents place on FAE's role in equipping professionals with the specialized expertise necessary for effective FA practices. It is pivotal for maintaining public trust and

combating financial misconduct. Ranked third is the benefit of "helping in improving the quality and credibility of financial reporting," ( $\bar{x} = 4.14$ ,  $SD = 1.119$ ). This shows that FAE is seen as a crucial factor in ensuring accurate and reliable financial reporting. Empirical evidences also attest that FAE ensures the production of precise and trustworthy financial statements (Hadi et al., 2018; Kaur et al., 2023). This is fundamental to maintaining trust in financial statements and the overall integrity of financial systems. The fourth ranked benefit of FAE is "encouraging students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these courses," ( $\bar{x} = 4.1$ ,  $SD = 1.13$ ). This highlights the role of FAE in motivating students to pursue further professional qualifications. This, in turn, broadens their career opportunities and enhances their professional development. However, on the other hand, the least ranked benefits include "enhancing the employment prospects of the students" ( $\bar{x} = 4.08$ ,  $SD = 1.095$ , rank = 5), "promotion of responsible corporate governance" ( $\bar{x} = 4.07$ ,  $SD = 1.103$ , rank = 6), and "meeting the increased demand for FA services" ( $\bar{x} = 4.05$ ,  $SD = 1.076$ , rank = 7). The current findings contrast with those of Ramadhan (2021), who identified the enhancement of corporate governance and the meeting of demand for FA services as major benefits of FAE. Although these benefits are ranked lower, their high mean values indicate that they are still considered significant. The slightly lower ranking may reflect a perception that these benefits are more indirect or long-term compared to the immediate and direct impacts of increasing fraud awareness and professional competence. The results thus reveals that FAE is highly valued for its comprehensive benefits, particularly in fraud prevention and professional skill enhancement, with slightly less emphasis on its broader impacts on employment prospects, corporate governance, and meeting service demand.

**Table 5.6: Mann–Whitney U-test Results Exhibiting Differences in Rating of Benefits of FAE between FAPs and Academicians**

Benefits	FAPs			Academicians			Mann–Whitney U-test	
	Mean	SD	Rank	Mean	SD	Rank	Z Value	P Value
Enhance the employment prospects of the students	4.26	0.981	5	3.89	1.183	4	-4.046	0.000
Encourage students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these courses	4.22	1.054	7	3.97	1.197	3	-2.628	0.009
Promotion of responsible corporate governance	4.30	0.941	4	3.8	1.207	7	-5.770	0.000

Meet the increased demand of FA services	4.25	0.992	6	3.83	1.125	6	-5.252	0.000
Enhance the level of awareness regarding frauds, fraud prevention & fraud detection to reduce corruption / fraud related cases in India	4.48	0.811	1	4	1.176	1	-5.149	0.000
Enhance the knowledge, skills and competence of qualified professionals taking up FA assignments	4.46	0.824	2	3.99	1.179	2	-5.129	0.000
Help in improving the quality and credibility of financial reporting	4.37	0.956	3	3.89	1.23	5	-5.542	0.000

**Source: Author's Computation**

Table 5.6 on the benefits of FAE reveals distinct perceptions between FAPs and academicians, highlighting both convergence and divergence in their views. Both the respondent groups ranked highest (first and second) the benefit of "enhancing the level of awareness regarding frauds, fraud prevention, and fraud detection to reduce corruption/fraud related cases in India" ( $\bar{x} = 4.48$ ,  $SD = 0.811$ ), accentuating the crucial role of FAE in combating financial crimes. Ramadhan (2021) asserted that FAE can significantly elevate students' awareness of red flags within financial systems. This is closely followed by "enhancing the knowledge, skills, and competence of qualified professionals taking up FA assignments" ( $\bar{x} = 4.46$ ,  $SD = 0.824$ ). This highlights the importance placed on professional development. Among FAPs, the third highest ranked benefit is "helping in improving the quality and credibility of financial reporting" ( $\bar{x} = 4.37$ ,  $SD = 0.956$ ), which emphasizes the value of FAE in ensuring reliable financial disclosures. In the study conducted by Rezaee (2015), academicians identified this benefit as one of the most significant advantages of FAE. The findings align closely with Rezaee's results. "Promotion of responsible corporate governance" is also highly rated ( $\bar{x} = 4.3$ ,  $SD = 0.941$ , rank = 4), showing the perceived impact of FAE on governance practices.

Among the academicians, the top third ranked benefit is "encouraging students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these courses" ( $\bar{x} = 3.97$ ,  $SD = 1.197$ ). This shows that academicians also value the role of FAE in professional certification. This result corroborates with the finding of Ramadhan (2021). The fourth-ranked benefit for academicians is "enhancing the employment prospects of the students" (mean = 3.89,  $SD = 1.183$ ), pointing to the perceived career benefits of FAE. In terms of lower-ranked benefits, FAPs rated "encouraging students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these

courses" relatively lower ( $\bar{x} = 4.22$ ,  $SD = 1.054$ ,  $rank = 7$ ). It is plausible that they prioritize immediate, tangible impacts on professional practice, such as enhancing skills and improving financial reporting quality, over the encouragement of further certification, which they might view as supplementary rather than essential. In the study by Rezaee et al. (2015), FAPs ranked the employment prospects associated with FAE as the least significant benefit. Further, FAPs ranked sixth the benefits of FAE for "meeting the increased demand for FA services" ( $\bar{x} = 4.25$ ,  $SD = 0.992$ ). While FAPs acknowledge the value of FAE in meeting demand, they might perceive other benefits as more crucial to their practice. For academicians, the least emphasized benefit is "promotion of responsible corporate governance" ( $\bar{x} = 3.8$ ,  $SD = 1.207$ ,  $rank = 7$ ). It could be due to a perception that corporate governance is a broader organizational issue that extends beyond the scope of FAE alone. Academicians might feel that while FAE can contribute to corporate governance, it is just one piece of a larger puzzle that includes other educational and regulatory initiatives. However, academicians in the study by Rezaee et al. (2015) ranked the corporate governance prospects associated with FAE as the most significant benefit. Further, academicians ranked 6<sup>th</sup> "meeting the increased demand for FA services" ( $\bar{x} = 3.83$ ,  $SD = 1.125$ ) as the benefit of FAE. Academicians may place greater emphasis on the long-term impact of FAE, such as advancing the field's knowledge base, developing best practices, and educating future professionals. They might view these contributions as more significant than the immediate goal of meeting increased demand. While both groups recognize the significant benefits of FAE, FAPs place higher importance on the direct impact on professional practice and governance, whereas academicians emphasize broader educational and career-oriented outcomes. This comprehensive understanding of benefits from both perspectives underscores the multifaceted value of FAE in fostering ethical standards, professional competence, and career advancement.

Further, the Mann-Whitney U Test results reveal significant differences between FAPs and academicians regarding their perceptions of the benefits of FAE. The results show highly significant p-values ( $p < 0.01$ ) across all measured benefits, demonstrating substantial disparities between the two professional groups. For instance, the benefit of "enhancing the employment prospects of the students" exhibits a Z value of -4.046 and a p-value of 0.000, highlighting that FAPs place significantly higher importance on this benefit compared to academicians. Similarly, the perception of "promotion of responsible corporate governance" ( $Z = -5.770$ ,  $p = 0.000$ ) and "meeting the increased demand of

forensic accounting services" ( $Z = -5.252, p = 0.000$ ) also differ markedly, with FAPs viewing these as more critical. The benefits of "enhancing the level of awareness regarding frauds, fraud prevention, and fraud detection" ( $Z = -5.149, p = 0.000$ ) and "enhancing the knowledge, skills, and competence of qualified professionals" ( $Z = -5.129, p = 0.000$ ) further illustrate significant differences. It shows that FAPs prioritize practical and immediate impacts of FAE more than academicians do. Additionally, "helping in improving the quality and credibility of financial reporting" ( $Z = -5.542, p = 0.000$ ) and "encouraging students to engage in professional examinations" ( $Z = -2.628, p = 0.009$ ) also reveal significant divergences in perceptions. These results underline the distinct emphasis FAPs place on direct professional and operational benefits of FAE, compared to the broader, more educationally focused perspective of academicians.

Moreover, the results of a gender-based comparison to identify any significant differences between male and female perceptions on the benefits of FAE is depicted the table 5.7. These differences highlight the need for educational institutions to tailor their programs, ensuring they cater to the unique needs and aspirations of both genders. This approach not only enhances the quality of education but also contributes to a more diverse and skilled workforce in the field of FA.

**Table 5.7: Mann–Whitney U-test Results Exhibiting Gender-based Differences in Rating the Benefits of FAE**

<b>Benefits of FAE</b>	<b>Z Value</b>	<b>P Value</b>
Enhance the employment prospects of the students	-1.240	0.215
Encourage students to engage in professional examinations like ICAI, ICMAI, ICSI as FA is an integral part of these courses	-0.328	0.743
Promotion of responsible corporate governance	-1.664	0.096
Meet the increased demand of FA services	-1.627	0.104
Enhance the level of awareness regarding frauds, fraud prevention & fraud detection to reduce corruption / fraud related cases in India	-1.719	0.086
Enhance the knowledge, skills and competence of qualified professionals taking up FA assignments	-2.183	0.029
Help in improving the quality and credibility of financial reporting	-2.291	0.022

**Source: Author's Computation**

Table 5.7 reveals the result of the Mann-Whitney U test examining gender differences in perceptions of the benefits of FAE across various benefits of FAE in India. Notably, the benefits of "enhancing the knowledge, skills, and competence of qualified professionals taking up FA assignments" ( $Z = -2.183, p = 0.029$ ) and "helping in improving the quality and credibility of financial reporting" ( $Z = -2.291, p = 0.022$ ) show statistically significant differences between genders. These findings advocate that perceptions about these specific

benefits vary significantly between male and female respondents, with male respondents placing greater importance on these educational and professional development aspects. Other benefits, such as "enhancing the employment prospects of the students" ( $Z = -1.24$ ,  $p = 0.215$ ), "encouraging students to engage in professional examinations like ICAI, ICMAI, ICSI" ( $Z = -0.328$ ,  $p = 0.743$ ), "promotion of responsible corporate governance" ( $Z = -1.664$ ,  $p = 0.096$ ), "enhancing the level of awareness regarding frauds, fraud prevention, and fraud detection" ( $Z = -1.719$ ,  $p = 0.086$ ) and "meeting the increased demand of FA services" ( $Z = -1.627$ ,  $p = 0.104$ ), do not show significant gender differences, indicating a general agreement between male and female respondents on these issues. These results highlight key areas where gender-specific perceptions of the benefits of FAE diverge, emphasizing the need to consider these differences in educational and policy-making contexts.

### 5.5 Delivery of FAE

Literature remains divided on whether FAE should be provided as a “topic”, “course” or “program”. Table 5.8 presents data on the preferred methods of delivering FAE in India, as perceived by both academicians and FAPs. The respondents were asked to choose among three options: integrating FAE as a topic within existing courses, offering it as a standalone course, or establishing a comprehensive FAE program. The Mann-Whitney U test was employed to assess whether there were significant differences in preferences between the two groups.

**Table 5.8: Preferred Delivery Method of FAE in India**

Method of delivering FAE	Total		Academicians		FAPs	
	n	%	n	%	n	%
Topic	214	32	74	23.6	140	39.5
Course	270	40.4	114	36.3	156	44.1
Program	184	27.5	126	40.1	58	16.4
$\chi^2$	-6.596					
$p$	0.000					

**Source: Author’s Computation**

The preferences for delivering FAE reveals significant differences between academicians and FAPs as depicted in Table 5.8. Overall, 32% of respondents prefer FAE to be delivered

as a topic, 40.4% as a course, and 27.5% as a program. This shows a general inclination towards a structured educational approach, with courses being the most favoured. These results contradict with the finding of Rezaee (2015) where integration of FAE is favoured through accounting and auditing courses. When examining the preferences of academicians, 23.6% favour FAE as a topic, 36.3% prefer it as a course, and 40.1% as a program. Academicians' preference for FAE as a program (40.1%) can be attributed to their comprehensive view of education. They likely value an extensive curriculum that covers all aspects of FA in depth, providing students with a thorough grounding in theory and practice. This programmatic approach allows for a holistic development of skills over an extended period, which is essential for building a solid foundation in FA. Akyel (2012) also emphasises the importance of training program. He states that the basic bachelor's degree in FA is not enough. The education system must provide training in four issues i.e., financial transaction, investigation, legal issues and criminology.

In contrast, FAPs show a different preference, with 39.5% preferring FAE as a topic, 44.1% as a course, and only 16.4% as a program. The preference for FAE as a course among FAPs highlights their practical orientation and need for focused, intensive learning experiences that can be directly applied in professional settings. Courses are often shorter and more specific than full programs, making them more attractive to students and professionals who need to update their skills and knowledge without committing to long-term study. The lower preference for programs (16.4%) suggests that FAPs may prioritize flexibility and the ability to integrate learning with ongoing professional responsibilities. The views of FAPs align with the results of Rezaee and Burton (1997) who stated that FAE should be integrated into accounting curricula either as a separate course or through modules in accounting and auditing courses.

The result of Chi-square test of independence, with  $\chi^2$  of -6.596 and a  $p$  value of 0.000, indicate a statistically significant difference in delivery method preferences between academicians and FAPs. This significant  $p$  value demonstrates that the two groups have markedly different views on how FAE should be delivered. Academicians' preference for comprehensive programs likely stems from their role in academia, where a thorough and extensive curriculum is valued for its depth and breadth. On the other hand, FAPs, who are actively engaged in FA practice, may prefer shorter, more focused courses that provide practical and immediate applications relevant to their work.



These divergent preferences reflect the distinct roles and responsibilities of academicians and FAPs. Academicians are perhaps focused on the pedagogical aspects of FA aiming to equip students with a broad and deep understanding of the field. This approach aligns with their preference for comprehensive programs that allow for in-depth exploration of subjects over time. One academician stated that

*“Internships and hands on training are important because they help students apply what they learn in the program to real-life situations which will improve their analytical skills. These experiences show students what it is like to work in their field and help them think critically and adapt to different challenges. The practical training in education makes sure that graduates are ready for the job market and can find good jobs easily.”*

On the other hand, FAPs, who are actively engaged in the field, may prefer shorter, more targeted courses that provide immediate, actionable knowledge and skills.

The result reveals a need for diverse delivery methods in FAE to cater to the varying preferences of different groups. To effectively increase awareness and meet societal demand, it is advised that FAE be offered both as a course and a comprehensive program. This dual approach will cater to diverse educational preferences and ensure a broad dissemination of FA knowledge and skills. Tailoring educational offerings to these preferences can enhance the effectiveness of FAE, ensuring that it meets the needs of both academics and FAPs in the field. This tailored approach could involve offering a mix of topics, courses, and programs to accommodate different learning styles and professional requirements.

As indicated by Table 5.8, the most preferred delivery method for FAE in India is offering it as a "course on FAE." This preference varies across the respondent groups as academicians lean towards a standalone program, while FAPs favour it in the form of a course. To determine the appropriate disciplines for FAE delivery methods, further analysis was conducted. Table 5.9 demonstrates the suitability of various disciplines for offering FAE.

**Table 5.9: Preferred Discipline for Imparting FAE**

<b>Method of delivering FAE</b>	<b>Discipline</b>	<b>N (%)</b>
<i>Topic (n = 214)</i>	Commerce	170 (79.44)
	Management	11 (5.14)
	IT	14 (6.54)
	Statistics	3 (1.40)

	Law	13 (6.07)
	Across disciplines	3 (1.40)
<i>Course (n = 270)</i>	Commerce	182 (67.41)
	Management	21 (7.78)
	IT	35 (12.96)
	Across disciplines	28 (10.37)
	Forensic Science	4 (1.48)
<i>Program (n = 184)</i>	Commerce	50 (27.17)
	Management	79 (42.93)
	IT	55 (29.89)

**Source: Author's Computation**

As stated, Table 5.9 presents the preferred disciplines for delivering FAE across three distinct delivery methods i.e. topic, course, and program. In both the “topic” and “course” delivery methods, commerce emerges as the most preferred means. For the topic method, the discipline “commerce” accounts for 79.44% of the responses. It shows significant preference for integrating FAE within this discipline. Similarly, in the discipline “course” method, “commerce” remains the most preferred discipline at 67.41%. This consistent preference across these two delivery methods stresses the critical role commerce discipline plays in the FAE, emphasizing its foundational importance in the field. However, regarding the “program” it reveals a different pattern. “Management” discipline is preferred with 42.93%, surpassing “commerce”, which stands at 27.17%. This shift highlights the perceived importance of professional course like MBA in FA. In cognizance of this, some universities have already started imparting MBA program in FA (e.g., BML Munjal University). Additionally, IT is preferred by 29.89% of the respondents who selected the program delivery method, reinforcing the trend observed in the course delivery method wherein IT is seen as a vital component of FAE. This result highlights the necessity for educational institutions to design and implement FAE curricula that align with these preferences to meet the diverse needs and expectations of students.

### **5.6 Preferred Education Levels for FAE**

Exploring the preferred educational levels for FAE in India is crucial for developing effective programs, guiding career paths, identifying skill gaps, and informing professional development initiatives. The preferences of both academicians and FAPs were garnered regarding the ideal educational pathways for FAE, ranging from undergraduate and postgraduate degrees to various diploma and certificate programs.

**Table 5.10: Preferred Education Levels for FAE**

Level	Total		Academicians		FAPs	
	<i>N</i>	%	<i>n</i>	%	<i>n</i>	%
Under Graduate	129	19.3	76	24.2	53	15
Post Graduate	323	48.4	125	39.8	198	55.9
Diploma	14	2.1	10	3.2	4	1.1
Certificate	26	3.9	5	1.6	21	5.9
Under Graduate and Post Graduate	44	6.6	28	8.9	16	4.5
Post Graduate and Certificate	41	6.1	23	7.3	18	5.1
Post Graduate and Diploma	18	2.7	10	3.2	8	2.3
Under Graduate and Certificate	9	1.3	5	1.6	4	1.1
Under Graduate, Post Graduate and Certificate	13	1.9	10	3.2	3	0.8
Under Graduate, Post Graduate and Diploma	9	1.3	5	1.6	4	1.1
Diploma and Certificate	20	3	9	2.9	11	3.1
All	22	3.3	8	2.5	14	4
$\chi^2$	<b>-0.186</b>					
<i>p</i>	<b>0.852</b>					

**Source: Author's Computation**

The result of preferred educational levels for FAE in Table 5.10 reveals significant insights into the preferences of overall respondents, academicians, and FAPs. Overall, the majority of respondents (48.4%) prefer FAE to be offered at the postgraduate level, followed by 19.3% who prefer it at the undergraduate level. These results corroborate with the findings of Gangwani (2020). Diploma and certificate levels are less preferred, with only 2.1% and 3.9% respectively. When examining the preferences of academicians, 39.8% favour the postgraduate level, 24.2% prefer the undergraduate level, and only 3.2% and 1.6% prefer diploma and certificate levels, respectively. This indicates that academicians lean towards more comprehensive and in-depth educational formats. This preference can be attributed to their focus on thorough academic training and research. Academicians might believe that a postgraduate program provides a more rigorous and extensive curriculum that covers all necessary aspects of FA, including advanced theories, methodologies, and practical applications. They likely value the depth and breadth of knowledge that a postgraduate education can offer, which aligns with their role in preparing students for both academic and professional excellence.

FAPs, on the other hand, show an even stronger preference for the postgraduate level, with 55.9% favouring this option. Only 15% prefer the undergraduate level, and 1.1% and 5.9% prefer diploma and certificate levels, respectively. These preferences reflect the professionals prefer advanced and specialized knowledge that can be directly applied in FA practices. FAPs, being in the field, understand the complexities and technicalities

involved in FA. They perceive postgraduate programs as essential for equipping individuals with the specialized skills and in-depth knowledge required to handle complex forensic investigations, financial fraud, and regulatory compliance issues. The relatively low preference for diploma and certificate levels suggests that FAPs consider them insufficient for meeting the demands of the profession, which requires a thorough understanding and application of FA principles.

The Chi-square test of independence result, with  $\chi^2$  of -0.186 and a  $p$  value of 0.852 indicate no statistically significant difference in the preferences of educational levels between academicians and FAPs. This lack of significant difference suggests a general agreement between the two groups on the importance of postgraduate education for FAE. This consensus emphasizes the recognition of the need for advanced studies to adequately prepare individuals for the complexities and demands of FA. Both groups likely acknowledge that postgraduate programs provide a structured environment for developing critical thinking, analytical skills, and practical expertise, all of which are crucial for success in the field. The emphasis on postgraduate education reflects the advanced and specialized nature of FA, requiring a depth of understanding that is best provided through comprehensive post graduate-level programs. This shared preference indicates that both educators and FAPs recognize the value of a rigorous academic foundation to support the professional demands of FA.

Furthermore, the findings gathered from leveraging the TPB revealed a positive inclination of respondents' perception towards FAE. The findings exhibited that respondents hold strong positive attitudes towards FAE, recognizing the increasing demand for FA services and its role in improving financial reporting quality. Subjective norms are evident as respondents perceive a rise in financial fraud in India and acknowledge the limitations of traditional audit methods. The challenges affecting perceived behavioural control include the lack of awareness about FA and inadequate curriculum. Despite these obstacles, respondents perceive significant benefits, such as enhanced employment prospects and encouragement for professional education of FA. These insights suggest that addressing these challenges through targeted curriculum development and awareness programs can better align FAE with students' needs and societal demands.

## 5.7 Challenges in FAR: Exigency of Regulatory Reforms

It is pertinent to note that there is no consensus in the literature regarding the academic or professional qualifications required for a FAP. Presently, there is no established control over entry into the profession, and significant discrepancies exist across countries regarding the qualifications needed to practice FA (Howieson, 2018). Hegazy et al. (2017) highlight that, in the United Kingdom, there is no specific legislation governing the qualifications or entry requirements for forensic accountants, nor is there a licensing process involving examinations. In this context, the current study sought to address the critical question of which academic and professional qualifications a FAP should possess, with Table 5.11 documenting the findings.

**Table 5.11: Requisite Qualification for FAP**

<b>Minimum Academic qualification</b>	<b>N = 668 (100%)</b>
Graduation	220 (32.9%)
Post graduation	381 (57%)
Post graduation in FA, auditing and investigation	4 (0.6%)
Graduation in IT	22 (3.3%)
Post graduation in law	4 (0.6%)
Preferably a degree from Forensic University	32 (4.8%)
Graduation in law	5 (0.7%)
<b>Minimum Professional qualification</b>	
Chartered Accountant	182(27.25%)
Master of Commerce/Master of Business Administration in FA	100(14.97%)
Any Professional Course on FA	53 (7.93%)
CA/CMA/CS	94 (14.07%)
Master of Business Administration in Forensic Science	46 (6.89%)
Certified Fraud Examiner	127(19.01%)
Certified Forensic Accounting Professional	66 (9.88%)

**Source: Author's Computation**

The results unfold that majority of respondents consider postgraduate education to be the minimum academic qualification for a FAP, while only a small percentage (0.6%) emphasize the need for specialized postgraduate degrees in FA, auditing and investigation. The relatively higher support for general postgraduate qualifications over specialized degrees suggests a preference for broad foundational knowledge over niche academic specialization in the field.

In terms of professional qualifications, the CA designation emerged as the most frequently endorsed qualification (27.25%), followed by the Certified Fraud Examiner (CFE) certification (19.01%). The findings also reveal a diverse range of qualifications deemed relevant, such as CA/CMA/CS (14.07%) and other professional courses in FA (7.93%). These results reflect a divergence in views regarding the necessary professional pathways, with a tendency to favour established accounting certifications over emerging FA credentials. This suggests that while specialized FA qualifications are gaining recognition, traditional accounting certifications still dominate the professional landscape.

Further, there are other complexities in the regulatory framework of FA in India. Although India pioneered the introduction of a comprehensive set of FAIS, the field of FA is yet to achieve full recognition and realize its potential within the country. In examining the necessity for additional regulatory frameworks, numerous issues and concerns have been identified. Additionally, the regulatory environment requires further refinement to address the unique challenges faced by FAPs. Implementing these measures is crucial for elevating the status of FA in India and ensuring its effective contribution to financial integrity and fraud prevention. In exploring the necessity for additional regulatory reforms in the field of FA in India, respondents were solicited for their opinions through the question, "Is there a need for additional forms of regulation in India?" They were provided with the options "yes" or "no." The responses obtained are presented in Table 5.12. This inquiry aimed to gauge the perceived adequacy of current regulatory frameworks and identify potential areas for enhancement.

**Table 5.12: Need for Additional Forms of Regulation in India**

	<b>Yes</b>	<b>No</b>
<i>Is there any need for additional forms of regulation in India</i>	476 (71.3%)	192 (28.7%)

**Source: Author's Computation**

The results presented in the Table 5.12 regarding the need for additional forms of regulation for FA in India shows a significant inclination among respondents towards enhancing the regulatory framework. Specifically, 71.3% of respondents believe that there is a need for additional regulations in FA. The strong majority opinion favoring additional regulations shows a perceived inadequacy in the existing standards and rules governing FA in India. This could be due to several factors such as gaps in addressing current market

complexities or the evolving nature of financial frauds. Additional regulations could enhance the credibility by building greater trust among stakeholders, including businesses, government agencies and the general public.

### 5.7.1 Regulatory Challenges and Opportunities

The respondents were further asked to provide the reason for supporting or not supporting the statement on the need for additional forms of regulation in India. Their opinions are categorized applying inductive thematic analysis (as discussed in Chapter 2) in the following themes:



**Figure 5.1: Reasons for the Need of Additional Forms of Regulation**

**Source: Author's Design**

Narrative responses to open-ended questions were analysed using the thematic analysis, and eight themes were emerged. They are discussed below:

*i. Theme: Need for Regulatory Bodies*

On the theme of need for regulatory bodies, it was uncovered that there is a strong perception among respondents that a regulatory body or formalized process is necessary to ensure the quality and integrity of FA in India. The respondents emphasize the critical need for dedicated regulatory bodies and standardized procedures in FA. The establishment of specific regulatory authorities, such as a central body for forensic accountants, is seen as essential to ensure uniform standards and governance. This would provide a structured framework for FAPs, promoting consistency and reliability in FA services. The call for a separate organization to regulate forensic auditors further highlights the demand for specialized oversight to maintain high professional standards and ethical practices.

*“I strongly believe that the establishment of a dedicated regulatory body, similar to the RVO for registered valuers and the IBBI for insolvency professionals will be beneficial for FA in India. This body could set and enforce professional standards, ensure quality control, and provide a platform for continued professional development”* - a FAP commented.

Further,

*“Central body which provide guidelines and standards as per international norms”* another FAP added.

*“Need for a regulatory authority to control and monitor Forensic Auditor”* further stated by a FAP

*ii. Theme: Enhancement of Standards/Guidelines*

Further, some of the respondents perceived that there is a need for standardized practices, qualifications, and reporting formats to enhance consistency and professionalism in the field. A standardized report format with minimum requirements is also deemed necessary to ensure consistency. A FAP stated that *“there should be standard format of report, which should specify minimum requirements”*. Regulations should be framed to address specific areas such as corporate financing, insurance claims, and financial irregularities reported to



SEBI. Standardized practices and reporting would facilitate a clearer understanding for stakeholders.

One FAP commented,

*“The absence of a central regulatory body for FA leads to inconsistencies in practices and reporting formats.”*

Standardizing FA practices and reporting formats would create a unified approach, making it easier for stakeholders to comprehend the findings and recommendations of investigations.

Further, FA often involves investigating complex financial crimes that transcend organizational boundaries. As such, FAPs frequently need to collaborate with various agencies like law enforcement, regulatory bodies, tax authorities, and other financial institutions to gather evidence, share information, and build a comprehensive case. However, the lack of standardized procedures and formal channels for coordination can lead to delays, inefficiencies, and even compromise the integrity of investigations. This includes “bureaucratic hurdles”, “confidentiality concerns” and “lack of trust”.

FAPs also emphasise the need for regulation to gather information from the party involved in the investigation. A FAP commented, *“To enhance the effectiveness of FA investigations in India, forensic investigators appointed by PSUs should be legally empowered to obtain necessary information from the entity under investigation, other banks, or any parties involved in transactions with the entity.”* Similar comment has also been made by another FAP,

*“In the absence of sufficient data and cooperation from auditee some time it is not possible to have a clear opinion on whether account is fraud or not, but no regulation covers such aspect.”*

Further, a FAP commented,

*“To investigate matter different bodies provide us with different perspective.”*

This concern can be solved by crafting standardized protocols for inter-agency collaboration in FA investigations. Strengthening the legal framework to facilitate inter-agency cooperation in FA investigations is yet another solution. This could involve

amending existing laws or introducing new legislation to streamline the process of evidence sharing and information exchange.

*iii. Theme: Education/Training and Continuous Development*

Education and continuous professional development are highlighted as pivotal elements for the advancement of FA. Respondents emphasized the importance of specialized education and continuous professional development to keep pace with evolving fraud techniques and technologies. Respondents stress the necessity for ongoing education programs, workshops, and skill development initiatives to keep pace with evolving fraud techniques. A FAP commented, *“There should be a formal way of making FA and audits and also a proper curriculum for forensics”*. The government and professional institutions like ICAI are urged to play a significant role in generating expert skills and setting standards. Continuous study and updates are deemed crucial to ensure that FAPs remain adept at tackling new challenges in the field. Further, existing regulations may not mandate ongoing training for forensic accountants, potentially leaving them ill-equipped to handle new challenges.

Many respondents gave similar suggestion

*“A one-month training program can be organized in collaboration with forensic institutes, such as the National Forensic Sciences University (NFSU) to provide hands-on training. This initiative would support the continuous development of both new and current forensic accountants.”*

Another FAP added

*“FA is specific field which should be regulated and continue upgradation program should be organised by a competent authority and periodic evaluation should be done”*

*“This is the emerging area of Interest and required good institutions with workshop on practical aspects to face the coming challenges”*, a FAP further emphasised.

*iv. Theme: Digital Era and Technological Advancements*

*“In current digital era online frauds and scams are emerging. Due to changes in digital transactions new regulations required.”* – a FAP commented.

The digital era presents unique challenges, with respondents noting the rise in online frauds and scams. The digital era has led to a surge in complex financial crimes like cyber fraud,

identity theft, and crypto scams. Existing regulations, often framed before these technologies existed, may not fully address these emerging threats. The need for updated regulations to address these digital threats is paramount. As fraudsters continuously update their techniques, FA practices must evolve correspondingly. This includes reforms in regulations related to digital and web-based frauds, emphasizing the importance of keeping FA practices current with technological advancements.

*“As the majority of frauds today are digital or web-based, reforms should be implemented in regulations pertaining to these areas”* a FAP added.

v. *Theme: Evidence Collection and Legal Frameworks*

Concerns are on the rise about the potential for abuse and privacy violations during evidence collection, highlighting the need for clear guidelines and safeguards. Further, FA in India lacks comprehensive guidelines, particularly in areas like document forensics, where standardized training and processes are lacking. This creates inconsistencies in practice and can hinder the effectiveness of investigations. Effective evidence collection and understanding legal frameworks are critical components of FA. Respondents highlight the reliance on open-source tools and the necessity for collaborative evidence to substantiate findings. The sensitivity and legal acceptability of evidence are paramount, as mishandling can violate privacy and confidentiality privileges. Ensuring that evidence is collected in a manner acceptable to courts is a significant concern, requiring clear guidelines and robust legal frameworks.

*“A primary need for additional regulation in FA in India is to establish clear guidelines and standards for evidence collection that ensure its admissibility in court”*, A FAP added.

Further, another important area that has been highlighted by limitation is open-source information. A FAP commented,

*“Currently, there is a heavy reliance on open-source tools for evidence collection in forensic accounting. While these tools are helpful in generating leads, they are not sufficient for collecting and presenting admissible evidence, necessitating the use of collaborative evidence. Additionally, there is a gap in the judiciary's understanding of evidence from a regulatory perspective, particularly regarding digital evidence. The IT Act 2000 (amended in 2008) defines evidence technically, but judicial interpretation of its*

*clauses does not always favour desired outcomes. Furthermore, issues such as data privacy in specialized forensic fields are yet to be adequately addressed by regulators and statutes.”*

To strengthen FA practices in India, comprehensive training and resources should be provided to FAPs, focusing on the limitations and proper utilization of open-source tools, as well as methods for gathering legally admissible collaborative evidence. Simultaneously, workshops and seminars for the judiciary can bridge the gap in understanding digital evidence and its interpretation within the IT Act framework. Furthermore, advocating for updated regulations that explicitly address data privacy concerns in FA investigations, alongside fostering collaboration between FAPs and technology experts, will enhance the effectiveness and ethicality of evidence collection. It also shows the demand for standards/guidelines for evidence collection and preventive control evaluations. The continued research and development in forensic technology can lead to the creation of sophisticated tools that gather comprehensive evidence while respecting privacy rights, ultimately bolstering the integrity of FA investigations in the digital age.

*vi. Theme: Practical and Operational Challenges*

Practical and operational challenges in FA include issues such as the lack of sufficient data, cooperation from auditees, and the need for genuine audit trails. Respondents emphasize the importance of strict provisions to penalize culprits and the need for faster conviction processes. The diverse perspectives provided by different investigative bodies are valuable, but the area requires more extensive research. Standardized procedures for evidence collection and preventive control evaluations are necessary to overcome these challenges.

A FAP commented

*“There should be strict provisions to penalise culprits. Also, clear and more faster processes should be there to convict the wrongdoer”*

*vii. Theme: Government and Institutional Roles*

The role of the government and institutions is crucial in fostering effective FA practices. Respondents advocate for mandatory forensic investigations in areas such as income tax,

GST, ROC, and other compliances. Legal authorities should be available to forensic investigators to obtain necessary information from entities. As transaction volumes and fraud instances increase, regulatory guidance for members to follow becomes essential. The government's involvement in setting mandatory practices and providing institutional support is pivotal in enhancing FA standards. “*Compulsory FAU requirement for listed companies and Banks and PSU who are managing public money*”, stated a FAP. Further, the need for stricter regulation in cases involving public money, underscoring the importance of protecting public funds from fraud and mismanagement. In this regard a FAP commented,

*“Regulator has to be more vigilant mainly where public money is involved like Banks, Financial Institutions and Government Projects. These should have Forensic accounting and Fraud prevention done by third parties and not by Govt and related parties.”*

#### 5.7.2 Regulatory Needs for FA Services

Professional regulations governing FA differs across countries (Hegazy et al., 2017). In this regard, FAPs were asked to provide responses to the question, "any specific problem encountered while rendering FA services that needs to be addressed by regulations (e.g., defamation cases against forensic auditor/accountant)." Their responses revealed eight themes that unfolded critical issues needing regulatory intervention. The view from FAPs emphasizes the myriad challenges they face in their practice, which range from “*legal risks and personal security concerns to difficulties in accessing vital information and lack of cooperation from stakeholders*”. These eight themes point to a pressing need for comprehensive regulatory frameworks designed to protect FAPs, ensure their access to necessary data, and promote stakeholder cooperation. Furthermore, the responses indicate a need for clearer professional guidelines, better recognition of the FA profession, and adequate financial compensation to sustain interest and commitment to the field. Addressing these issues through targeted regulations is essential for enhancing both the effectiveness and safety of FA practices, thereby strengthening the integrity and reliability of financial investigations.



**Figure 5.2: Challenges in FAP in India**

**Source: Author's Design**

*i. Theme: Legal Protection and Recognition*

FAPs often operate in high-stakes environments where their findings can implicate powerful individuals and organizations. This exposure places them at significant risk of legal repercussions, such as defamation lawsuits and personal threats from those affected by their investigations. The responses from FAPs highlighted the acute need for legal protections that would safeguard their professional and personal well-being.

One respondent noted, "*The FAP is a whistleblower, and protection from the regulation should be provided,*" accentuating the precarious position FAPs can find themselves in.

Another pointed out, "*role should be recognized under law and protection to FAP should be provided, e.g., whistleblower witness protection by court, etc.,*" suggesting that the current legal framework does not adequately protect forensic auditors/FAPs.

In addition to legal risks, the lack of formal recognition for FAPs further complicates their role. Without clear legal standing and professional recognition, their work can be

undermined, and their recommendations may not be taken seriously by stakeholders. This lack of recognition also means that FAPs may not receive the same protections and privileges accorded to other professionals in the legal and financial sectors.

A FAP commented, *“there is still lack of social recognition and proper guidance for FAPs”*. This sentiment underscores a significant issue within the field, where the contributions of FAPs are not fully acknowledged by the public or adequately supported by institutional frameworks. This observation further aligns with the findings of Williams (2006), who identified the lack of public recognition as a major challenge in the field of FA. The lack of public recognition causes confusion about the role of FAPs, leading to the undervaluation of their services. To gain public confidence and recognition, significant changes in FAE and FAR are necessary (Alshurafat et al., 2021).

*ii. Theme: Access to Information and Data Management*

One of the most significant challenges FAPs face is gaining access to relevant and reliable information necessary for their investigations. Poor data management practices, restricted access to crucial records, and uncooperative stakeholders can severely limit their ability to perform thorough and effective FA practice. The responses from FAPs highlighted several facets of this issue, illustrating the difficulties encountered in real-world scenarios. For example, one respondent pointed out,

*“Poor data management is one of the major problems that we face.”*

This indicates that the way data is handled and stored by organizations often hinders FAPs. Another stated,

*“The key challenge for a forensic accountant is that he may not have access to relevant data.”*

It reflects the common scenario where necessary information is either withheld or inaccessible.

Additionally, the lack of clear protocols and permissions for accessing data further complicates their work. As one respondent noted,

*"Permitting access to records to forensic auditors by banks post offices, etc."*

It shows that formal agreements or regulations allowing FAPs access to such records are often missing. The absence of standardized data management practices and legal authority to access information from external sources further exacerbate these challenges, as emphasized by the comment,

*"Collecting evidence from outside sources/agencies as forensic auditor you do not have any legal authority to collect the evidence from outside sources."*

These barriers not only impede the FA process but also compromise the quality and reliability of the investigations. Without access to complete and accurate data, FAPs are unable to provide comprehensive analyses leading to incomplete or incorrect conclusions.

*iii. Theme: Cooperation from Stakeholders*

The stakeholder cooperation is a critical issue for FAPs, who often rely on various parties to provide essential information and support during their investigations. The lack of cooperation from auditees, bankers, and other relevant entities can significantly obstruct the FA process, making it challenging to gather accurate and comprehensive data. This non-cooperation can stem from various reasons, including a lack of understanding of the FA process, fear of the implications of the investigation, or simply a reluctance to disclose sensitive information.

Several respondents highlighted the hindrance of dealing with uncooperative stakeholders. One respondent mentioned,

*"Complete non-cooperation from the person who is availing FA services,"* indicating that those under investigation often do not assist in the process.

Another pointed out, *"lack of cooperation from the auditee and bankers,"* showing that even financial institutions, which should ideally support FAUs, can be resistant.

Furthermore, a respondent noted that there is *"no cooperation from the borrowers/fraudsters in sharing the information,"* highlighting the challenges in dealing with parties who have a vested interest in withholding information.



This lack of cooperation can lead to incomplete investigations and compromised outcomes, as FAPs are unable to access all necessary information. It also prolongs the investigative process, as additional time and resources are spent trying to obtain the required data from uncooperative parties. Moreover, this resistance can undermine the credibility of FA as a tool for uncovering and addressing financial fraud and misconduct.

*iv. Theme: Regulatory and Professional Framework*

A robust regulatory and professional framework is essential for the effective functioning of FA in India. Currently, the lack of clear guidelines and standards creates ambiguities in the roles and responsibilities of FAPs, leading to inconsistencies in how FAs are conducted and perceived. Respondents highlighted the need for a well-defined regulatory framework that clearly outlines materiality levels, and establishes engagement terms.

One respondent emphasized the necessity for "*clear engagement terms and materiality levels to be set out, access rights to software, accounts, HR records, in person interviews needs to be clearly spelt out*" indicating that without these, FAPs face difficulties in defining the parameters of their investigations.

Furthermore, the existing mismatch between regulatory expectations and the practicalities of FA often results in unrealistic demands on FAPs. For example, a respondent noted,

*"Mismatch in regulatory expectation auditing situation and client's ability to bear the costs. Also overuse of FA techniques,"* pointing to the disconnect between what regulators require and what FAPs can feasibly deliver given the resource constraints. Without established guidelines, FAPs may face challenges in ensuring their work is recognized and respected by all stakeholders, including legal authorities and regulatory bodies.

Further, another challenge FAPs face is the varied interpretation of FAU reports by different stakeholders. This issue can create inconsistencies and hinder effective resolution of fraud cases.

One FAP commented:

*"FAU Report given by Auditor is 'looked' from the User's Own perspective and try to find the relevant solution. For example, Banker views Fraud from RBI definition point whereas*

*if the same goes to Law Enforcement Agencies, they view the definition from IPC or PoMLA angle."*

Furthermore, another FAP observed that:

*"The regulator should understand that the difference in FAU and FA."*

These comments stress on the need for standardized regulations in FA. The FAP's insight reveals how different regulatory frameworks and definitions lead to varied interpretations of fraud. Bankers focus on RBI's financial definitions, while law enforcement agencies use the IPC or PoMLA's legal definitions. Such discrepancies can cause confusion and inefficiencies. Establishing uniform guidelines would help ensure consistency and clarity in FAU reports, enhancing their effectiveness in combating fraud. Additionally, it highlights the importance of regulators distinguishing between FAU and FA to develop appropriate and effective regulations.

Moreover, the Foreign Contribution (Regulation) Act, 2010 (FCRA, 2010) imposes extensive responsibilities on CAs, including the requirement to conduct FAUs to ensure compliance with legal provisions. This regulatory framework aims to safeguard national security by ensuring the proper utilization of foreign contributions by associations in India. However, these requirements pose significant challenges for FAPs, as highlighted by the FAPs. One FAP commented:

*"Overuse of FA techniques. For example., FCRA Department requires Chartered Accountants to perform FAUs during annual certification, without reading the time, responsibility and costs that are entailed."*

However, regarding the FCRA, another FAP commented:

*".....to comply with regulations such as FCRA or PMLA, auditor has to improvise his audit procedure to include gathering of audit evidence presentable in court of law if he is skeptic enough that these might be required to produced. He is the best judge of course, but can be adopted as a best practice."*

The charter for CAs FCRA mandates that CAs not only perform performance audits but also FAUs, as stated in Section 2 and further detailed in the requirements for maintaining

compliance with Sections 18, 19, 20, 21, 22, 23, and 24 of the FCRA, 2010. Additionally, Rules 4, 5, 9, 11, 13, and 17 of the Foreign Contribution (Regulation) Rules, 2011 (FCRR, 2011) emphasize the meticulous preparation and submission of financial documents and annual returns (Form FC-4). These detailed and rigorous audit requirements entail significant time, responsibility, and costs for CAs, accentuating the FAP's point about the practical burdens imposed by the FCRA regulations.

Further, in FA, efficient litigation is essential for resolving financial disputes and fraud cases. Prolonged court proceedings delay justice and burden FAP as highlighted by FAPs.

A FAP commented:

*"To sort out in respect of too much time consuming in litigation court proceedings."*

This highlights the issue of lengthy litigation, which delays justice and increases costs. Streamlining court processes would expedite case resolutions, preserve evidence integrity, and reduce strain on auditors and legal professionals, enhancing the overall effectiveness of FA.

Moreover, the difference between FA and FAU is not clear.

*"Globally the practice is called as FA. The word FAU is colloquially used in India. Para 3.1 of Forensic Accounting and Investigation Standard issued by the Institute of Chartered Accountants of India specifically advises not to use the word FAU. As audit is more of assurance and forensic is investigation so the confusion."* – a FAP commented.

*"...however, no authority or regulators in India using the word Forensic Accounting rather using Audit"* – another FAP added.

The use of the terms "FA" and "FAU" interchangeably in India creates significant confusion about the scope and nature of these practices. While ICAI recommends using "FA" to reflect the investigative nature of the work, the prevalent use of "FAU" by authorities and regulators perpetuates this confusion. Clarifying these terms and standardizing their use is essential for ensuring a clear understanding and proper application of FA practices.

v. *Theme: Security and Liability Concerns*

FAPs operate in environments where the stakes are often high, dealing with sensitive financial information and uncovering fraud or misconduct. This exposure places them at considerable risk of personal threats and legal liabilities. The responses from respondents highlight the need for enhanced security measures and liability protections to safeguard FAPs from potential harm and legal repercussions.

One respondent mentioned, "*security and liability of the forensic auditor is a budding problem in the area,*" underscoring the dual threat of physical danger and legal challenges. Another FAP stated, "*we should not be held responsible for misjudgement*".

The nature of FA often involves confronting powerful entities or individuals who may retaliate against the auditors. Respondents expressed concerns about threats from criminal elements and adverse interest groups. For example, one noted,

*"Threats include adverse interest advocacy familiarity management participation self-interest self-review and undue interest,"*

This indicate the myriad ways FAPs can be targeted. Another respondent highlighted, "*Informal threats from business community and political intermediaries,*" reflecting the broader societal and political pressures that can complicate their work.

Additionally, the potential for defamation cases and other legal actions against FAPs further complicates their professional landscape. As one respondent pointed out, there is a need for protection from "*defamation cases and threats from criminal managements.*" Without adequate protections, FAPs might be deterred from performing thorough investigations, knowing they could face significant personal and professional risks.

*"Although the demand for FA is increasing, I am planning to quit FA as there is too much risk. Currently, I have indemnity insurance to avoid such retaliation"*. A FAP added.

Despite their crucial contributions, FAPs often lack formal recognition and adequate legal protections, which can hinder their ability to perform their duties without fear of retaliation.

A FAP further commented:

*"Role should be recognised under law and protection to forensic auditor should be provided e.g. whistle blower, witness protection by court etc."*

*"Social and political protection should be given,"* another FAP added.

Implementing legal recognition and protection measures would empower FAPs, allowing them to conduct thorough investigations with greater confidence. This would not only enhance the quality of FAUs but also promote a culture of transparency and accountability within the financial sector.

*vi. Theme: Professional Recognition and Training*

Professional recognition and adequate training are crucial for the effective practice of FA. However, respondents highlighted a significant gap in both areas, which affects the credibility, effectiveness, and appeal of the profession. The lack of formal recognition of FAPs means their expertise and contributions are often undervalued and misunderstood. This lack of recognition not only diminishes the perceived importance of their work but also limits their ability to influence and enforce their findings. One respondent noted,

*"Special recognition like quasi-judicial powers, etc., to be given to FAPs,"* suggesting that formal recognition would empower FAPs and enhance their authority.

Additionally, the responses indicated a need for more comprehensive training programs to ensure that FAPs are well-equipped to handle the complexities of their role. One respondent pointed out the *"lack of trained staff,"* as a major challenge indicating that current training provisions are insufficient.

Another FAP added,

*"Some regulators like the police department itself are not aware of forensics besides the CrPC and IPC angle,"* highlighting the broader issue of inadequate awareness and understanding of FA among related professionals and regulatory bodies.

The lack of standardized and continuous professional development opportunities further exacerbates these challenges. FAPs must stay updated with the latest techniques, legal

requirements, and industry best practices to maintain their effectiveness and integrity. Without ongoing training and professional development, FAPs may struggle to keep pace with evolving challenges and expectations in the field.

*vii. Theme: Barriers to Entry and Opportunities for Small Practicing Firms*

The barriers to entry and opportunities for small practicing firms in FA highlights significant challenges faced by professionals in the field. Despite the growing demand for FA services, many small firms and individual FAPs encounter substantial obstacles that prevent them from fully participating in the market. In India, to get FAFD certification from ICAI, one must be a member of ICAI. For the ICMAI's diploma course on "forensic audit", one needs to be a member of ICMAI or a CMA final student (ICMAI). Even after qualifying the FAFD certification, high entry barriers, and a lack of visibility for smaller firms are recurrent issues that need to be addressed to ensure a more inclusive and competitive landscape in FA.

Responding to questions about the problems faced, respondents commented:

*"Scope for small practicing firms needs to be relooked."* - a FAP noted.

*"Never got the opportunity as the entry barrier is high."* - another FAP emphasized.

*"Never found an opportunity to provide FA services because the assignments required experience, but to get experience, you need to have assignments. It's a loop. Clients prefer experienced FAPs, making it very difficult for freshers to get assignments."* – a FAP further emphasised.

These opinions highlight the practical implications of high entry barriers and limited opportunities for small practicing firms. The restrictive environment prevents smaller firms from competing effectively, limiting their growth and contribution to the field. The need of the hour is to revise regulatory frameworks and industry standards to lower entry barriers. This can include providing targeted support and resources for small firms, creating mentorship and partnership opportunities with established firms, and implementing policies that encourage fair competition. Additionally, increasing awareness and recognition of the capabilities of small firms can help integrate them into the

mainstream FA market, ensuring a more dynamic and accessible professional environment.

*viii. Theme: Fees and Financial Issues*

Fees and financial issues are significant concerns in the field of FA. Respondents highlighted that the compensation for FA services is often inadequate, which affects both the quality of work and the willingness of professionals to engage in this field. Low fees can lead to a lack of interest among FAPs, resulting in compromised outcomes as they may not be able to allocate sufficient time and resources to conduct thorough investigations. One respondent pointed out, "*extreme low fees resulting into lack of interest in FAPs and thus compromised outcome,*" indicating that insufficient compensation directly impacts the effectiveness of FA.

Additionally, the financial burden on clients was noted as a factor that influences the scope and depth of forensic investigations.

A respondent mentioned, "*mismatch in regulatory expectation auditing situation and client's ability to bear the costs,*" highlighting that clients may not always be able to afford the comprehensive FA services required by regulations. This mismatch can lead to underfunded investigations, where FAPs are forced to cut corners due to budget constraints.

The respondents also called for a standardized minimum fee structure to ensure that FAPs are fairly compensated for their expertise and efforts. This would not only attract more professionals to the field but also ensure that the quality of FA services remains high.

As one respondent suggested,

*"Minimum scale of professional fees to be guaranteed,"* which would help in setting industry-wide standards for compensation.

## **5.8 Conclusion**

The examination of FA and FAE in India reveals several critical insights and challenges that must be addressed to advance the profession effectively. The findings highlight an urgent need for regulatory reforms, specialized training, and structured educational

programs. Firstly, the major challenges in FAE in India are lack of awareness about the FA domain followed by absence of a proper FA curriculum and collaboration between professional institutes and Universities for offering FAE. Further, the key benefits of FAE as identified by FAPs and academicians are enhancement of awareness regarding frauds, fraud prevention, and fraud detection, followed by the enhancement of the knowledge, skills, and competence of qualified professionals taking up FA assignments and improving the quality and credibility of financial reporting. Moreover, majority of the respondents prefers FAE to be introduced as a course in post-graduation. Further, most of respondents support additional regulatory frameworks, underscoring inadequacies in current regulation.

The digital era introduces unique challenges, including complex financial crimes like cyber fraud and identity theft. Updated regulations are needed to address these threats and ensure FA practices remain current with technological advancements. Clear guidelines and legal frameworks for evidence collection are critical to ensure admissibility in court, highlighting the need for comprehensive training and robust legal standards. Moreover, practical challenges such as insufficient data, lack of cooperation from auditees, and genuine audit trails require strict provisions to penalize culprits and faster conviction processes. Addressing professional recognition and training gaps, barriers to entry, and financial issues is crucial for sustaining interest in the field. Implementing standardized fee structures and lowering entry barriers can attract more professionals and ensure high-quality FA services. Therefore, advancing FA in India requires a multifaceted approach involving regulatory reforms, specialized education, continuous professional development, and institutional support. These measures will strengthen the integrity and reliability of FA practices, aligning them with international standards and enhancing their contribution to financial integrity and fraud prevention.