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# Cost of Corporate Financial Crime

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Corporate financial crimes, for instance, economic exploitation, fraud, and tax evasion, to name a few, bring serious consequences for the society and citizenry because, through these crimes, companies violate the revenue code of the law, and hence, are allowed to raise their profits, reduce their tax payments, and even underpay their employees. Three main costs that can be associated with corporate financial crime~~,~~ are the direct financial costs, physical costs, and damage to society's moral values (McKendall, 1990). Direct financial costs are the most obvious costs of corporate financial crime. In the United States alone, for instance, corporate financial crime costs the country not less than USD200 to USD600 billion annually, more than any other crimes put together (Hartley, 2008). That is only moneywise, and it is already known that there are other consequences such crimes bring beyond the monetary numbers. The average fraud loss suffered by a company in Malaysia was estimated to be RM7.7 million per year by PricewaterhouseCoopers (2009) with 6000 cases reported yearly (Clarence, 2005).

The physical costs also have been enormous, with dangerous workplaces, polluted environments, unsafe goods and services that caused severe injuries, illnesses and fatalities. The crime has led to loss in market confidence, causing scarce resources for the media as organisations attempt to refrain from giving too much or higher disclosure of information. This in turn has led to a huge space for speculations in the market, leading finally to a decrease of capital (Sliter, 2007). The effects go on as the crime risks the business' reputation with regulators and law enforcement. This is because in the current era, the regulations and law enforcement are being pushed into combatting offenders, through great investigation, prosecutions and verdicts. Corporate financial criminals are expected to be treated no less than the other crime offenders. Corporate financial crime would also affect a company's relationship with shareholders. As a result of advanced technology, the new economy has become globalised to the extent that the capital market has become so efficient that it accommodates shareholders from anywhere around the world. These shareholders, who are rapidly seeking out strong investments, could shift their investments away at any time when they lose their confidence in their investments.

The final category of corporate financial crime costs refers to the moral-based society. Corrupted governments, subversive public interests, decline in public confidence, and undermining of social institutions indicate the gradual worsening of social and moral values. Social and moral costs have not been empirically established as they are not so obvious, but their impact to the society is perhaps the most harmful. Thus, organisations should maintain a good reputation by staying away from any corporate malfeasance, such as corporate financial crime, as the costs of such crime could be extremely severe.

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