

# *Research on the Causes and Prevention Mechanisms of Stakeholder Financial Crimes*

Pan Quanfu

*College of Economics and Management, Heilongjiang Bayi Agricultural University, Daqing, China*

**Keywords:** Financial crimes involving multiple parties; Financial regulation; Illegal absorption of public deposits

**Abstract:** Stakeholder financial crimes have become a huge threat to economic security and social stability. By analyzing the causes and characteristics of multi-party financial crimes, it is believed that improving laws and regulations, strengthening regulatory mechanisms, enhancing public awareness of legal and preventive measures, utilizing technological means, and strengthening international cooperation and information sharing are effective ways to establish prevention mechanisms. This will prevent and combat multi-party financial crimes from the source, protect the legitimate rights and interests of investors, and maintain the stability and development of the financial market.

## 1. Introduction

With the increasing prosperity and complexity of financial markets, multi-party financial crimes, as a new form of crime, have gradually attracted widespread attention from society. From December 2022 to November 2023, the number of financial crime cases involving multiple parties has significantly increased, with the total number and number of people involved increasing by 12.4% and 23.8% respectively. The cases are mainly related to illegal fundraising crimes (illegal absorption of public deposits and fundraising fraud), accounting for 92.8%. Stakeholder financial crimes not only infringe upon the legitimate rights and interests of investors and disrupt the normal order of the financial market, but also pose a serious threat to the country's economic security and social stability (Li Teng, 2018)[1]. Therefore, in-depth research on the characteristics, types, and hazards of multi stakeholder financial crimes has important theoretical value and practical significance for preventing and combating such crimes, protecting investor interests, and maintaining financial market stability (Kim, 2020)[2]. As a special type of economic crime, financial crimes involving stakeholders involve a large number of people and have a wide range of impacts. They are often accompanied by complex financial operations and covert criminal methods (DeLiema et al., 2023) [3]. This makes it particularly difficult to identify, prevent, and combat multi stakeholder financial crimes (Shi Wei and Jia Changsen, 2019)[4]. At the same time, in-depth analysis of the harmfulness of multi-party financial crimes, revealing their serious consequences for individuals, enterprises, and society, can help enhance society's awareness and prevention of such crimes (Yan Xiafei, 2022)[5]. Currently, multi stakeholder financial crimes are showing a high incidence trend, with increasingly innovative criminal methods and diverse forms of crime. Therefore, in order to prevent and combat multi-party financial crimes, it is not only necessary to pay attention to their surface phenomena, but also to

deeply study the underlying reasons and mechanisms behind them.

## **2. The main types and characteristics of multi stakeholder financial crimes**

### **2.1 The main types of financial crimes involving multiple parties**

There are various types of financial crimes involving multiple parties, among which the crimes of illegal absorption of public deposits and fundraising fraud are two common types of financial crimes involving multiple parties.

#### **2.1.1 Illegal absorption of public deposits**

This type of multi-party financial crime refers to the act of violating national financial management regulations, illegally absorbing public deposits or indirectly absorbing public deposits, and disrupting financial order. Such behavior usually involves unauthorized opening of savings business without the approval of the People's Bank of China, or financial institutions with deposit-taking business qualifications violating national interest rate regulations and arbitrarily changing savings deposit interest rates to absorb deposits.

#### **2.1.2 Crime of Fundraising Fraud**

The crime of fundraising fraud refers to the use of fraudulent methods to illegally raise funds for the purpose of illegal possession, resulting in a large amount of money. Criminals often deceive the public's trust and investment by fabricating projects, exaggerating profits, concealing risks, and other means, thereby illegally possessing these funds.

In addition to these two types of crimes, the crime of issuing stocks, companies, and corporate bonds without authorization, and the crime of enticing investors to buy and sell securities and futures contracts are also common types of financial crimes involving multiple parties. These criminal methods are diverse and involve huge amounts of money, posing a serious threat to public interests and social stability.

### **2.2 Characteristics of financial crimes involving multiple parties**

#### **2.2.1 Wide range of criminal targets**

The victims of multi stakeholder financial crimes are numerous and spread across various social classes and groups. These victims include but are not limited to: (1) elderly people. Due to their age and limited ability to obtain information, they are easily targeted by fraudsters. (2) Laid-off workers. Seeking new investment opportunities due to unemployment or reduced income, but often lacking necessary financial knowledge and risk awareness. (3) Civil servants. Although the career is stable, it is also possible to fall into illegal financial traps due to the pursuit of higher returns. (4) Urban white-collar workers. Although they usually have higher education and income, they may also easily believe in illegal financial activities due to high work pressure and the pursuit of quick wealth. The commonality among these victims is that they all have certain investment needs or desires, but lack sufficient financial knowledge and risk awareness, making them easy targets for criminals.

#### **2.2.2 The amount involved in the case is huge**

Due to the wide range of victims, the amount of funds invested by each victim may not be significant, but the cumulative amount involved in the case is often enormous. Once these funds are illegally obtained by criminals, they will cause serious economic losses to the victims and may even

affect their lives and families. The huge amount involved in the case also reflects the seriousness and harm of multi-party financial crimes, which require high attention and concern from society.

### **2.2.3 Informationization of Criminal Methods**

With the rapid development of Internet technology, the means of financial crimes involving stakeholders are increasingly becoming information-based. Criminals use Internet platforms to publish false information, create fake investment projects, establish fake trading platforms, and other means to commit fraud. These criminal methods are updated quickly, highly concealed, and confusing, making it difficult for victims to distinguish between truth and falsehood and easy to be deceived. At the same time, criminals also use technological means to evade supervision and investigation, increasing the difficulty of cracking down.

### **2.2.4 Covering up illegal purposes in a legal form**

Criminals often wear the cloak of legality and cover up their illegal purposes in a legal form. They may register legitimate companies or institutions, obtain relevant licenses and qualifications to attract investors' trust. In practical operation, they may deceive investors by fabricating investment projects, exaggerating investment returns, concealing investment risks, and other means. This technique of concealing illegal purposes in a legal form makes it difficult for victims to distinguish between truth and falsehood, and makes subjective intentional identification difficult, increasing the difficulty of cracking down.

### **2.2.5 The flow of funds is complex**

The circulation of funds involved in multi-party financial crimes is complex, involving multiple company accounts and multiple links. Criminals may transfer funds through multiple accounts, even to overseas accounts, to evade supervision and investigation. The process of fund circulation may involve multiple links and multiple stakeholders, making it more difficult to recover lost assets. At the same time, due to the complex flow of funds, it also increases the difficulty of investigation and evidence collection, making the crackdown on multi-party financial crimes face many challenges.

## **3. The causes of economic crimes involving multiple parties**

### **3.1 Socioeconomic factors**

Firstly, social and economic instability factors such as market fluctuations and employment difficulties have increased people's sense of insecurity and anxiety. During economic downturns or transition periods, some people face difficulties such as unemployment and income decline. In order to maintain their livelihoods or pursue a higher quality of life, they may choose to take risks and participate in illegal economic activities. Driven by this mentality, some people are easily attracted by the high returns of multi-party economic crimes and fall into them.

Secondly, significant income differences are also one of the important reasons for the occurrence of multi-party economic crimes. With the development of social economy, the income gap between different fields, industries, and urban and rural areas has gradually widened, forming a relatively obvious wealth gap. This income gap not only exacerbates social conflicts and dissatisfaction, but also provides opportunities for multi-party economic crimes. Some criminals take advantage of people's pursuit of wealth and attract investors to participate in illegal fundraising, pyramid schemes, and other activities through false advertising, exaggeration of profits, and other means, in order to defraud huge amounts of funds.

Finally, a single investment channel is also one of the important reasons for the emergence of multi-party economic crimes. In the current investment environment, the public's investment channels are relatively limited, and the traditional investment methods such as savings, treasury bond and other low yields cannot meet the investment needs of some people. Some illegal investment projects often promise high returns, attracting a large number of investors to participate. However, these illegal investment projects often suffer from high risks and low transparency. Once problems arise, investors will face huge economic losses.

### **3.2 Legal and regulatory factors**

Firstly, incomplete laws and regulations are one of the important reasons for the emergence of multi-party economic crimes. Due to the complexity and concealment of economic crimes involving multiple parties, the formulation of relevant laws and regulations often fails to comprehensively cover various situations. Some criminals exploit legal loopholes by fabricating projects, forging documents, and other means to gain the trust of investors, thereby committing criminal acts. In addition, some emerging economic fields such as Internet finance and blockchain also have legal regulatory gaps, which provide opportunities for criminals.

Secondly, insufficient law enforcement is also one of the important reasons for the emergence of multi-party economic crimes. China has established a relatively complete law enforcement system, but there are still some problems and shortcomings in cracking down on multi-party economic crimes. Some law enforcement agencies have negligence and loopholes in cracking down on multi-party economic crimes, resulting in some criminals escaping legal sanctions. In addition, some law enforcement agencies have problems such as non-standard procedures and incomplete evidence collection in the process of handling cases, which affect the efficiency and fairness of case investigation.

### **3.3 Public psychological and behavioral factors**

In the current social environment, the psychological and behavioral characteristics of some members of the public provide conditions for the breeding and spread of multi-party economic crimes.

Firstly, greed psychology is one of the important reasons for the emergence of multi-party economic crimes. Some investors lack rational judgment in the pursuit of wealth, often being attracted by high returns and ignoring investment risks. They often hold a lucky mentality towards illegal investment projects, believing that as long as they invest, they can obtain substantial returns. Driven by this mentality, they are prone to fall into the trap of illegal fundraising, pyramid schemes, and other economic crimes involving multiple parties.

Secondly, group psychology is also one of the important reasons for the emergence of multi-party economic crimes. In a group environment, people's psychology and behavior are often influenced by the group atmosphere. Some people are prone to losing their independent thinking ability under group pressure and following the trend to participate in illegal investment activities. They often believe that as long as everyone participates, the project is reliable. Under this psychological drive, they are prone to becoming victims of multi-party economic crimes.

Finally, the lack of investment knowledge and risk awareness among some members of the public also provides opportunities for economic crimes involving multiple parties. Some investors lack necessary investment knowledge and risk awareness during the investment process, making it difficult to accurately judge the authenticity and risk of investment projects. They are often misled by the false propaganda of criminals and blindly participate in illegal investment activities. This lack of knowledge and experience makes them more susceptible to becoming victims of multi-party economic crimes.

## **4. Prevention mechanism for economic crimes involving multiple parties**

In today's increasingly complex economic environment, multi-party economic crimes have become an important factor threatening social stability and economic development due to their high concealment and harm. In order to effectively prevent economic crimes involving multiple parties, we need to establish a multi-level and comprehensive prevention mechanism.

### **4.1 Improve laws and regulations**

Firstly, in response to economic crimes involving multiple parties, we must strengthen legislative research, promptly fill legal gaps, and clearly define various types of criminal acts and corresponding punishment standards. Specifically, specialized legal provisions should be formulated to crack down on multi-party economic crimes such as illegal fundraising and pyramid schemes, ensuring the effectiveness and pertinence of the law. At the same time, we need to improve relevant judicial interpretations and supporting regulations to ensure the accuracy and operability of legal provisions, and avoid ambiguity and ambiguity in the process of legal enforcement. In addition, establishing a sound legal accountability mechanism is also crucial. Strict legal sanctions must be imposed on criminals to form an effective legal deterrent and deter potential criminals.

### **4.2 Strengthen regulatory mechanisms**

In order to more effectively prevent and combat economic crimes involving multiple parties, we must establish and improve a joint regulatory mechanism among multiple departments to form a collaborative regulatory force. Regulatory departments should strengthen communication and coordination, jointly formulate regulatory policies and measures, and ensure the comprehensiveness and effectiveness of regulatory work. At the same time, for emerging fields such as finance and the Internet, we need to strengthen supervision, improve regulatory systems and measures, and prevent and combat the use of these emerging fields for mass economic crimes. In addition, supervision of market entities is also essential. We need to regulate their business behavior, prevent them from using false advertising, exaggerating profits and other means to attract investors to participate in illegal economic activities, and protect the legitimate rights and interests of investors.

### **4.3 Enhance public awareness of legal and preventive measures**

In order to fundamentally reduce the occurrence of economic crimes involving multiple parties, we need to strengthen investment education and risk awareness training for the public. Specifically, investment knowledge can be disseminated to the public through holding investment knowledge lectures, distributing promotional materials, and other means, in order to enhance the public's cognitive ability and prevention awareness of investment risks. At the same time, strengthening legal education for the public is also crucial. We need to hold legal lectures, conduct legal consultations and other activities to help the public understand legal knowledge and ways to protect their rights and interests, and enhance their legal awareness and self-protection ability. In this way, the public can be more aware of the risks and take effective preventive measures when facing multi-party economic crimes.

### **4.4 Strengthen the application of technological means**

The use of technological means is indispensable in preventing and combating multi-party economic crimes. We should make full use of advanced technologies such as big data and artificial

intelligence to provide early warning and monitoring of economic crimes involving multiple parties. By establishing data analysis models, real-time monitoring and analysis of abnormal trading behaviors in financial markets, the Internet, and other fields can be conducted to detect clues and trends of economic crimes involving multiple stakeholders in a timely manner. At the same time, we also need to strengthen the supervision and governance of cyberspace, and prevent and combat the use of the Internet for economic crimes involving the public. Specifically, measures such as strengthening network security protection and cracking down on online fraud can be taken to maintain the clarity and security of cyberspace, creating a safer and more reliable online environment for the public.

#### 4.5 Strengthening international cooperation and information sharing

In today's increasingly globalized world, economic crimes involving multiple parties are also showing characteristics of transnational and networked activities. In order to more effectively combat such crimes, we need to strengthen international cooperation and information sharing. Specifically, we should strengthen judicial and law enforcement cooperation with major countries and regions to jointly combat transnational economic crimes involving multiple parties. By signing bilateral or multilateral cooperation agreements, establishing joint case handling mechanisms, and other means, we can strengthen cooperation in case investigation, evidence collection, judicial assistance, and other aspects, forming a strong joint force to combat multi-party economic crimes. At the same time, we also need to strengthen communication and cooperation with international organizations and non-governmental organizations to jointly study and address issues related to multi-party economic crimes. By sharing experiences, exchanging information, and conducting joint research, we can better understand the latest developments and trends in multi-party economic crimes and develop more effective prevention and crackdown measures.

#### Acknowledgement

**Fund:** Key Project of Philosophy and Social Sciences Planning in Daqing City in 2024, "Research on the Social Impact and Prevention Strategy Selection of Stakeholder Financial Crimes", Phase Achievement, Project Number: DSGB2024023

#### References

- [1] Li Teng. *Research on the Prevention and Governance of Consequences of Stakeholder Economic Crimes* [J]. *Legal Expo*, 2018, (15): 207
- [2] Kim D , Phillips A . *The importance of detailed patterns of herding behaviour in a P2P lending market* [J]. *Applied Economics Letters*, 2020, 27(2):127-130.
- [3] DeLiema, Marguerite, Yiting Li, and Gary Mottola. "Correlates of responding to and becoming victimized by fraud: Examining risk factors by scam type." *International Journal of Consumer Studies* 47.3 (2023): 1042-1059.
- [4] Shi Wei, Jia Changsen. *Empirical Analysis and Suggestions on Response Strategies for Stakeholder Economic Crimes* [J]. *Applicable Law*, 2019, (09): 103-112
- [5] Yan Xiafei. *Exploration of blockchain technology in fund tracing and evidence collection: taking multi-party economic crimes as an example*. *Journal of Guizhou Police College*, 2022, 34 (01): 107-115