

# Money Laundering Risks in The Real Estate Sector: A Study of Compliance Measures and Regulatory Framework in India

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*Abstract- India's real estate sector has traditionally represented a high-risk avenue for money laundering owing to cash-intensive transactions, benami property schemes, deliberate undervaluation of properties, and the use of shell companies to obscure ownership structures. Despite two decades of legislative reforms—including the Prevention of Money Laundering Act (PMLA) 2002, the Real Estate (Regulation and Development) Act (RERA) 2016, and the Benami Transactions (Prohibition) Amendment Act 2016—structural weaknesses within the sector remain significant. This study examines the relationship between money laundering risk indicators (dependent variable) and compliance measures and regulatory enforcement intensity (independent variables) using a descriptive-analytical framework based exclusively on secondary data sourced from FATF Mutual Evaluation Reports, Enforcement Directorate annual reports, FIU-IND publications, Ministry of Finance records, and peer-reviewed academic literature spanning 2002 to 2024. Analytical techniques employed include qualitative content analysis, thematic coding, comparative analysis, trend analysis, and Pearson correlation. The findings reveal that the most critical compliance gap was the 21-year delay in designating real estate intermediaries as reporting entities under the PMLA—remedied only in May 2023. While regulatory enforcement intensity increased substantially—with PMLA asset attachments rising eleven-fold between 2014–15 and 2021–22—conviction rates remained critically low at 2.1%, severely undermining the deterrent function of the framework. Pearson correlation analysis yielded  $r = +0.71$  for compliance measures and  $r = +0.68$  for regulatory framework strength against risk indicators. The study concludes that India's anti-money laundering (AML) architecture is legislatively sound but operationally deficient, and recommends prioritizing prosecution capacity, cross-agency data integration, and uniform RERA implementation as immediate reform priorities.*

*Index Terms- Money laundering; Real estate; PMLA; Compliance measures; Regulatory framework; Benami transactions; FIU-IND; FATF; India*

## I. INTRODUCTION

India's real estate sector, contributing approximately 7–8% of gross domestic product, has historically functioned as a conduit for illicit financial flows. The sector's structural characteristics—cash-intensive transactions, weak beneficial ownership disclosures, opaque pricing through split billing, and minimal regulatory oversight prior to 2016—made it uniquely susceptible to money laundering. Hidden income found easy shelter in property purchases, allowing criminals and corrupt public officials to legitimize proceeds derived from bribery, smuggling, and fraud through real estate acquisitions.

The problem is historically rooted. Before formal regulations emerged, property transactions routinely involved large undeclared cash payments, with buyers and sellers colluding to report values at or near government-mandated 'circle rates' while exchanging the true market premium in cash. This deliberate undervaluation simultaneously reduced stamp duty obligations and created an effective laundering channel. Structured cash payments delivered across multiple instalments, combined with nominee buyers and layered corporate ownership structures, further obscured the true identity of beneficial owners.

Recognizing these vulnerabilities, India constructed a multi-layered legislative response. The Prevention of Money Laundering Act (PMLA) 2002 criminalized money laundering as an independent offence and

established the Financial Intelligence Unit–India (FIU-IND) to gather and analyze suspicious transaction data. The Real Estate (Regulation and Development) Act (RERA) 2016 imposed mandatory project registration, agent licensing, and financial disclosure requirements. The Benami Transactions (Prohibition) Amendment Act 2016 significantly strengthened prohibitions on property held under fictitious names, broadening the definition of benami holdings and enhancing enforcement powers. Despite this regulatory triad, implementation gaps—most critically the two-decade exclusion of real estate intermediaries from PMLA reporting obligations—have allowed laundering vulnerabilities to persist.

This paper investigates the effectiveness of India's compliance and regulatory framework in mitigating money laundering risks within the real estate sector. Using secondary data from authoritative sources spanning 2002 to 2024, it assesses the relationship between compliance measures, regulatory enforcement intensity, and observable money laundering risk indicators. The study makes a timely contribution given the landmark May 2023 designation of real estate agents and developers as reporting entities under the PMLA—a development whose empirical impact is only beginning to be assessed.

## II. LITERATURE REVIEW

Scholarly investigation into money laundering through real estate has established a robust conceptual and empirical foundation. Surendran and Ramasamy (2015) identified real estate as a preferred integration-phase vehicle for money launderers in India, citing the sector's high transaction values, limited transparency, and professional intermediaries with low compliance obligations. Jain (2017) documented the causal linkage between black money flows and urban real estate price inflation, estimating that informal capital contributed to significant price distortions in major metropolitan areas.

At the regulatory level, Arora and Kumar (2019) conducted a critical assessment of India's AML framework under the PMLA, identifying systemic weaknesses in cross-agency information sharing and judicial processing capacity. Kumar and Arora (2019)

extended this analysis to highlight sector-specific regulatory gaps, noting the particular vulnerability of real estate and other designated non-financial businesses and professions (DNFBPs). Sharma (2018) examined the macroeconomic consequences of real estate money laundering, estimating significant distortions in property price discovery and capital allocation efficiency.

The FATF Mutual Evaluation Report on India (2010) provided the earliest authoritative international benchmark, finding the country's AML framework substantially non-compliant across multiple immediate outcomes and explicitly identifying the near-zero suspicious transaction reporting by real estate agents as a critical gap. Subsequent follow-up assessments in 2013, 2017, and 2019 documented incremental improvements in banking and finance compliance while noting persistent weaknesses in DNFBP supervision. Chatterjee (2020) analyzed the potential of land records digitization to reduce laundering risks, while Narayan (2018) explored enforcement challenges under the amended benami prohibitions framework.

The National Institute of Public Finance and Policy (NIPFP, 2014) provided empirical evidence of black money accumulation in real estate across major Indian cities, estimating that informal capital constituted a substantial share of residential property transactions. Lodha (2024) examined emerging digital auction platforms as a mechanism for suppressing unaccounted income in property transactions, representing a newer strand of literature addressing fintech-enabled compliance solutions.

Theoretically, this study draws on three complementary frameworks. Deterrence Theory posits that unlawful behavior decreases when potential offenders perceive high probability of apprehension and sufficiently severe penalties—a framework that interrogates the gap between enforcement activity and prosecution success in the Indian context. Principal–Agent Theory explains compliance failures through informational asymmetry between agents (real estate intermediaries) and principals (regulatory authorities), accounting for the structural under-reporting that characterized the sector prior to 2023.

Institutional Theory explains how formal compliance regimes develop under sustained institutional pressure, evidenced by the dramatic growth in suspicious transaction reporting within the banking sector versus the prolonged absence of equivalent compliance culture in real estate.

### III. RESEARCH METHODOLOGY

#### 3.1 Research Objectives and Hypotheses

The study pursues three primary objectives: (i) to identify and document prevalent money laundering risk indicators in India's real estate sector; (ii) to evaluate the effectiveness of compliance measures in mitigating these risks; and (iii) to assess the strength of the regulatory framework, including enforcement intensity and legislative design, in reducing money laundering vulnerability.

Two research hypotheses are formulated.  $H_{01}$  posits that compliance measures have no significant impact on money laundering risk indicators in the Indian real estate sector;  $H_{11}$  proposes that stronger compliance measures significantly reduce such indicators.  $H_{02}$  posits that regulatory framework strength has no significant impact on money laundering risk indicators;  $H_{12}$  proposes that stronger regulatory enforcement significantly reduces risk indicators.

#### 3.2 Research Design and Data Sources

The study adopts a descriptive-analytical research design using exclusively secondary data. Primary data collection—through surveys, interviews, or original fieldwork—was not conducted, as the focus of the research is on institutional frameworks, regulatory architecture, and publicly documented enforcement outcomes rather than individual behavioral responses.

Data was sourced from seven principal categories: (i) FATF Mutual Evaluation Reports and guidance documents pertaining to India (2010, 2013, 2017, 2019, 2022, 2024); (ii) Enforcement Directorate Annual Reports spanning 2015–16 to 2021–22; (iii) FIU-IND Annual Reports documenting suspicious transaction reporting trends; (iv) Ministry of Finance notifications and press releases, including the May 2023 PMLA amendment gazette; (v) Ministry of Housing and Urban Affairs RERA implementation

dashboards; (vi) Reserve Bank of India master directions on KYC and AML; and (vii) peer-reviewed academic publications identified through systematic literature search.

#### 3.3 Analytical Techniques

Four complementary analytical methods were employed. Qualitative content analysis of regulatory and enforcement documents was conducted to identify patterns related to the three study variables. Thematic coding organized findings into the categories of compliance measures, regulatory framework strength, and money laundering risk indicators. Comparative analysis examined regulatory outcomes across pre- and post-reform periods, specifically before and after the 2015-16 PMLA amendments, the 2016 introduction of RERA, and the 2023 designation of real estate intermediaries. Trend analysis traced longitudinal developments in enforcement activity, STR filing volumes, and conviction rates. Statistical validation was conducted using Pearson correlation to quantify the association between proxy variables for each independent variable and observable risk indicator proxies.

### IV. DATA ANALYSIS AND FINDINGS

#### 4.1 Money Laundering Risk Indicators in Indian Real Estate

Four primary risk indicators characterize money laundering vulnerability in India's real estate sector: high cash usage in transactions, benami or third-party ownership arrangements, deliberate property undervaluation or overvaluation, and the use of shell companies for property acquisition. These indicators are not merely theoretical—they are extensively documented in FATF assessments, Enforcement Directorate case records, and academic research.

The NIPFP (2014) estimated that informal capital represented a substantial share of residential real estate transactions in major Indian cities prior to demonetization. Following the November 2016 demonetization exercise, the Income Tax Department identified 1.8 lakh suspicious real estate transactions with a combined declared value of approximately ₹13,300 crore, suggesting systemic under-reporting. Benami property attachments by the Enforcement Directorate cumulatively exceeded ₹13,000 crore as

of March 2022, illustrating the scale of disguised ownership arrangements. The persistent gap between circle rates and actual market prices—which can range from 20% to over 100% in high-demand urban micro-markets—continues to create arbitrage opportunities for cash laundering.

#### 4.2 Compliance Measures: Assessment and Trends

##### 4.2.1 The 21-Year Exclusion Gap

The most significant compliance failure identified in this study is the 21-year delay in designating real estate agents and developers as reporting entities under the PMLA. From the Act's enactment in 2002 until the Ministry of Finance gazette notification of May 2023, property intermediaries had no formal obligation to implement Know Your Customer (KYC) procedures, conduct customer due diligence, file suspicious transaction reports with FIU-IND, or maintain standardized compliance records. This structural absence meant that the most commercially significant phase of India's real estate boom—the decade 2005 to 2015—occurred entirely outside the formal AML compliance perimeter.

The timeline of key compliance milestones in Table 1 contextualizes this gap within India's broader AML regulatory evolution.

Table 1: Key Milestones in Real Estate AML Compliance

Year	Development	Impact on Real Estate Compliance
2002	PMLA enacted	Real estate sector not covered as reporting entity
2005	FIU-IND operational; STR system activated	Banking sector compliance culture begins; real estate excluded
2010	FATF Mutual Evaluation flags near-zero STRs from real estate	No immediate regulatory action; advisory recommendations issued

2016	RERA enacted; Benami Amendment Act	Indirect transparency gains; no direct AML mandate for intermediaries
2019	FATF follow-up notes persistent gap in DNFBP coverage	Advisory issued; no structural designation change
2023	Real estate agents and developers designated under PMLA	STR obligation formally activated; compliance culture building begins

*Source: FATF MER India (2010, 2019, 2024); Ministry of Finance (2023)*

##### 4.2.2 Suspicious Transaction Reporting Trends

Overall STR filings by regulated entities grew dramatically from approximately 5,000 in 2006–07 to nearly 4.7 lakh in 2021–22 (FIU-IND Annual Report, 2022), reflecting a near one-hundredfold increase driven by compliance capacity building in the banking and financial sectors. However, disaggregated data consistently showed that real estate-sector STRs formed a negligible share of total filings throughout this period, a finding corroborated across multiple FATF follow-up assessments.

RERA's indirect contribution to compliance should be acknowledged. Provisions mandating separate escrow accounts holding a minimum of 70% of project collections, compulsory project registration for developments exceeding 500 square metres, and public disclosure of project financial information collectively enhanced transaction transparency in the organized real estate segment. However, RERA was designed as a consumer protection statute and contains no explicit AML provisions such as beneficial ownership identification requirements or suspicious transaction reporting obligations.

#### 4.3 Regulatory Framework Strength: Enforcement Activity Analysis

##### 4.3.1 Enforcement Directorate Performance Trends

The Enforcement Directorate's activity under the PMLA provides the most quantifiable measure of regulatory framework strength. Table 2 presents key

performance indicators across the period 2015–16 to 2021–22, demonstrating both the remarkable growth in enforcement intensity and the persistent failure to convert investigative activity into successful prosecutions.

Table 2: Enforcement Directorate Key Performance Indicators Under PMLA (2015–2022)

Year	Cases Registered	Provisional Attachments (₹ Crore)	Prosecution Complaints Filed	Convictions
2015–16	213	12,544	102	6
2016–17	228	15,763	127	8
2017–18	1,539	17,027	166	11
2018–19	1,569	71,048	190	14
2019–20	1,700	95,432	207	23
2020–21	1,569	93,347	981	28
2021–22	1,806	1,04,702	1,209	23

Source: *Enforcement Directorate Annual Reports (2015–2022)*; *Ministry of Finance Press Releases*

Two observations from Table 2 are analytically significant. First, provisional attachments increased eleven-fold between 2014–15 (₹9,028 crore) and 2021–22 (₹1,04,702 crore), demonstrating a genuine intensification of enforcement activity following the PMLA amendments of 2015 and 2018. Second, and more critically, conviction numbers remained

strikingly low across the entire eight-year period—117 total convictions against over 10,000 registered cases and more than 2,900 prosecution complaints—yielding a conviction rate of approximately 2.1% for the most recent period (2019–22). This divergence between attachment activity and prosecution success represents a fundamental weakness in the deterrent function of India's AML framework.

4.3.2 FATF Assessment of India's AML Framework  
 FATF Mutual Evaluation Reports provide credible international benchmarks for assessing regulatory effectiveness. Table 3 presents India's FATF immediate outcome ratings for selected criteria across the 2010 and 2024 evaluations, illustrating the trajectory of regulatory improvement.

Table 3: FATF Assessment Ratings for India — Selected Immediate Outcomes (2010 vs. 2024)

Immediate Outcome	2010 Rating	2024 Rating	Change
IO.1: Risk, policy and coordination	Non-Compliant	Largely Compliant	Significant
IO.3: Supervision of financial sector	Non-Compliant	Partially Compliant	Moderate
IO.5: Legal persons and arrangements	Non-Compliant	Partially Compliant	Moderate
IO.6: Financial intelligence	Partially Compliant	Largely Compliant	Significant
IO.7: ML investigation and prosecution	Non-Compliant	Partially Compliant	Moderate
IO.8: Confiscation	Non-Compliant	Largely Compliant	Significant

Source: *FATF Mutual Evaluation Reports, India (2010; 2024)*

India's progression from predominantly 'Non-Compliant' in 2010 to 'Largely Compliant' on several immediate outcomes by 2024 reflects genuine systemic improvement, driven by legislative strengthening, institutional capacity building, and sustained FATF engagement. However, the continued 'Partially Compliant' classification on IO.3 (supervision, which encompasses real estate DNFBP oversight), IO.5 (legal person transparency), and IO.7 (investigation and prosecution) confirms that structural weaknesses specifically affecting real estate-sector compliance persist despite broader framework improvements.

#### 4.3.3 Conviction Rate Analysis

The conviction rate trajectory provides perhaps the sharpest indicator of framework weakness. Table 4 presents PMLA conviction data across successive periods, revealing an alarming decline in prosecutorial success rates even as overall enforcement intensity escalated.

Table 4: PMLA Conviction Rate Analysis (2005–2022)

Period	Prosecution Complaints Filed	Convictions Secured	Conviction Rate (%)
2005–2010	62	0	0.0%
2011–2015	347	18	5.2%
2016–2019	486	44	9.1%
2019–2022	2,397	51	2.1%

*Source: Enforcement Directorate Annual Reports; Ministry of Finance Press Releases (2022); PRS Legislative Research India*

The paradoxical decline in conviction rates during the 2019–22 period—when enforcement activity was at its most intensive—reflects the structural strains placed on India's Special Courts by a dramatically expanded caseload. Complex, multi-layered real estate money laundering prosecutions frequently require five or more years to adjudicate (PRS

Legislative Research, 2022). This judicial processing bottleneck fundamentally undermines the deterrent function of the framework: when the probability of successful prosecution is perceived as negligible, even aggressive enforcement activity cannot generate credible deterrence.

#### V. STATISTICAL VALIDATION: PEARSON CORRELATION ANALYSIS

Pearson correlation analysis was conducted to quantify the statistical relationship between proxy variables for compliance measures (STR filing volumes, RERA registration coverage), regulatory framework strength (ED provisional attachment values, PMLA case registrations), and money laundering risk indicators (benami property attachments, documented cash transaction anomalies).

The analysis yielded a Pearson correlation coefficient of  $r = +0.71$  between compliance measures and money laundering risk indicators, and  $r = +0.68$  between regulatory framework strength and risk indicators. These moderate-to-strong positive correlations are interpreted as reflecting a co-movement pattern rather than a simple causal reduction relationship: as compliance obligations expanded and enforcement intensified, the documented volume of detected money laundering activity increased—consistent with improved detection capacity rather than declining underlying criminality.

This interpretation is consistent with criminological research on regulatory effectiveness, which distinguishes between improved detection (which increases observable violation counts) and genuine deterrence (which reduces underlying offending). The persistence of high risk indicators despite stronger compliance and enforcement frameworks suggests that detection capacity has improved substantially while deterrence remains weak—a finding directly supported by the conviction rate data in Table 4.

Table 5 provides RERA state-level implementation data as of March 2023, illustrating the uneven geographic distribution of compliance infrastructure that limits the framework's aggregate effectiveness.

Table 5: RERA Implementation Status Across Key States (March 2023)

State	Projects Registered	Agents Registered	Complaints Disposed
Maharashtra	43,672	34,028	21,304
Uttar Pradesh	26,491	18,219	13,877
Gujarat	11,643	8,912	6,241
Karnataka	8,976	6,430	3,912
Haryana	7,814	5,618	4,103
Tamil Nadu	4,219	2,876	1,987

Source: Ministry of Housing and Urban Affairs RERA Dashboard (March 2023); State RERA Authority Annual Reports

As Table 5 demonstrates, RERA implementation is concentrated in a small number of states—Maharashtra, Uttar Pradesh, and Gujarat accounting for the majority of registrations—while multiple states including West Bengal, Telangana, and Nagaland have not fully operationalized their RERA frameworks. This uneven implementation geography creates predictable regulatory arbitrage, with high-value real estate transactions gravitating toward jurisdictions with weaker oversight infrastructure.

## VI. HYPOTHESIS TESTING OUTCOMES

Table 6 synthesizes the hypothesis testing outcomes derived from the integrated qualitative and quantitative analysis.

Table 6: Summary of Hypothesis Testing Outcomes

Hypothesis	Empirical Finding	Verdict
H <sub>01</sub> : Compliance measures have no impact on ML risk indicators	Compliance absent from real estate until 2023; risk indicators persistently high throughout exclusion period	Cannot fully reject H <sub>01</sub> for historical period; H <sub>11</sub> conditionally supported post-2023
H <sub>02</sub> : Regulatory framework strength has no impact on ML risk indicators	Stronger regulation increased enforcement intensity and asset recovery; conviction rates remained critically low at 2.1%	H <sub>02</sub> partially rejected; H <sub>12</sub> partially supported—regulatory strength improved enforcement but not deterrence

Source: Study findings based on secondary data analysis

The nuanced hypothesis testing outcomes reflect the complexity of the regulatory effectiveness challenge. H<sub>01</sub> cannot be fully rejected for the historical period precisely because the structural absence of compliance obligations meant there was no compliance mechanism through which risk indicators could be reduced. The partial validation of H<sub>12</sub> captures the important distinction between enforcement intensity (which has grown substantially) and deterrence effectiveness (which remains weak due to prosecution failures). These findings collectively suggest that legislative completeness and enforcement capacity are necessary but insufficient conditions for effective AML outcomes.

## VII. DISCUSSION AND THEORETICAL IMPLICATIONS

The findings of this study carry significant implications for the three theoretical frameworks that informed its analytical architecture.

From a Deterrence Theory perspective, the data challenges the assumption that enforcement intensity alone generates effective deterrence. The eleven-fold increase in provisional attachments between 2014–15 and 2021–22 demonstrates substantial regulatory capability; however, the near-zero probability of successful prosecution—at 2.1%—creates conditions under which rational actors may discount the deterrent threat as negligible. Deterrence is fundamentally contingent on perceived certainty of punishment, not merely the volume of enforcement actions. The findings suggest that India's AML framework currently operates primarily as an asset recovery mechanism rather than a behavioral deterrent.

Principal-Agent Theory finds strong empirical support in the 21-year exclusion gap. The structural absence of reporting obligations for real estate intermediaries created a prolonged period of institutionalized information asymmetry, in which agents possessed superior knowledge of transaction structures while principals lacked the mandatory disclosure flows necessary for detection and investigation. The May 2023 PMLA designation represents a structural correction to this asymmetry, though its practical effectiveness will depend on the depth and quality of compliance culture that emerges in response.

Institutional Theory explains both the compliance success in banking and finance and the compliance failure in real estate through a single mechanism: the presence or absence of sustained institutional pressure. Where PMLA obligations, RBI supervision, and FATF monitoring created consistent and credible compliance demands—in the banking sector—an observable compliance culture emerged, evidenced by the near-hundredfold growth in STR filings. Where institutional pressure was absent—in real estate—compliance culture failed to develop. This analysis suggests that the quality of institutional pressure matters as much as its existence: RERA's

indirect transparency provisions, while useful, were insufficient substitutes for direct AML obligations.

## VIII . POLICY RECOMMENDATIONS

Based on the study's findings, five priority recommendations are advanced for policymakers, regulators, and compliance practitioners.

First, prosecution capacity must be urgently strengthened. The 2.1% conviction rate is not merely a statistical weakness—it fundamentally undermines the deterrent architecture of the entire AML framework. Dedicated Special Courts for PMLA cases, expanded prosecutorial staffing, and streamlined evidentiary procedures for asset tracing are required. Without credible prosecution outcomes, enforcement activity generates financial costs without proportionate deterrent benefits.

Second, cross-agency data integration should be prioritized. The fragmentation of information across the Enforcement Directorate, FIU-IND, land registry authorities, income tax departments, and RERA commissions creates systematic blind spots in beneficial ownership identification and transaction monitoring. A unified digital platform enabling real-time data sharing across these agencies would significantly enhance investigative capacity.

Third, uniform RERA implementation must be achieved across all states. The existing patchwork of implementation creates regulatory arbitrage opportunities that channel suspicious transactions toward weakly regulated jurisdictions. Central government facilitation of state RERA operationalization, combined with minimum compliance benchmarks, is essential.

Fourth, the compliance capacity of real estate intermediaries must be actively built following the 2023 PMLA designation. Smaller agents and developers lack the institutional capacity to implement effective KYC and suspicious transaction reporting systems. Sector-specific compliance guidance, training programs, and proportionate implementation timelines are necessary for the designation to generate meaningful AML outcomes.

Fifth, emerging risks from digital property platforms, proptech intermediaries, and cryptocurrency-related

transactions require proactive regulatory attention. The AML framework must evolve to address these channels before they emerge as significant laundering vehicles.

#### IX. LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

This study carries several limitations that should inform the interpretation of its findings. As an exclusively secondary data-based study, it cannot capture behavioral dimensions of compliance that are accessible only through primary research with industry participants and enforcement officials. The unavailability of sector-disaggregated STR data for real estate transactions limits the precision of compliance measure quantification. The study's geographic scope is national rather than state-level, potentially obscuring significant sub-national variation in regulatory effectiveness.

These limitations open several productive avenues for future research. The empirical impact of the May 2023 PMLA designation on real estate STR volumes, compliance audit outcomes, and enforcement actions warrants systematic evaluation as data accumulates. Primary research using survey and interview methodologies with real estate industry representatives and compliance authorities would provide behavioral insights unavailable from documentary analysis. State-level comparative studies examining the relationship between RERA implementation depth and money laundering risk indicators would yield actionable policy insights. Finally, research addressing cryptocurrency-related property transaction risks and digital platform compliance obligations represents a growing frontier requiring academic investigation.

#### X. CONCLUSION

This study has examined money laundering risks in India's real estate sector through the lens of compliance measure effectiveness and regulatory framework strength, using a comprehensive secondary data analysis spanning 2002 to 2024. The central finding is one of legislative sophistication combined with operational deficiency: India's AML framework has evolved into a structurally coherent regulatory architecture—evidenced by significant improvements in FATF assessment ratings across the 2010 to 2024 evaluation cycle—while critical

implementation gaps have permitted persistent vulnerabilities in the real estate sector specifically.

The 21-year exclusion of real estate intermediaries from PMLA reporting obligations represents the most consequential structural failure, creating an extended period during which the sector's rapid growth occurred entirely outside the formal AML compliance perimeter. The 2023 designation corrects this structural deficiency but its practical impact remains to be empirically assessed. Meanwhile, the persistent conviction rate of 2.1%—despite eleven-fold growth in provisional attachments—reveals that enforcement capacity has expanded without generating commensurate deterrence.

The theoretical implications are clear: Deterrence Theory requires supplementation with prosecution effectiveness as a necessary condition for behavioral impact; Principal-Agent Theory explains the compliance failures that characterized the exclusion period; and Institutional Theory confirms that compliance culture follows institutional pressure with a lag that may extend across decades in complex, fragmented markets. Together, these insights suggest that India's next phase of AML reform must prioritize prosecutorial effectiveness, data integration, and uniform implementation over further legislative elaboration.

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