

Impact
Factor
2.147

ISSN 2349-638x

Reviewed International Journal



**AAYUSHI
INTERNATIONAL
INTERDISCIPLINARY
RESEARCH JOURNAL
(AIIRJ)**

Monthly Publish Journal

VOL-III

ISSUE-
III

Mar.

2016

Address

•Vikram Nagar, Boudhi Chouk, Latur.
•Tq. Latur, Dis. Latur 413512
•(+91) 9922455749, (+91) 9158387437

Email

•aiirjpramod@gmail.com

Website

•www.aiirjournal.com

CHIEF EDITOR – PRAMOD PRAKASHRAO TANDALE

Black Money And Its Impact on Indian Economy

Girish V. Hucche,

Department of Commerce,
Shri Kumarswami Mahavidyaaya,
Ausa, (MS)

Abstract

In the present era, issue of BLACK MONEY has come into forefront of the society with active participation of our youth and parliament. In the context of current status it includes sources from where black money is generated and its uses in the country at different levels. This paper represents the framework, policy options and strategies that Indian government should adopt to tackle with this issue and also describes the Impact on economy in this context. It also studies the one of the main reason behind the generation of black money i.e. corruption. It shows up to what extent, the corruption leads to its generation which has considerable impact on various sections of the society. At last but not least, conclusion of this paper is provided representing the ongoing issue of black money in our country and its future course of action. To control the generation of black money there should be a strong and appropriate legislative framework. The present paper helps to know about present status of black money in INDIA & its Impact on economy.

Introduction

As we know that in Ancient times our country, INDIA, was popularly known as „Golden Bird“ because people of our country were more civilised in terms of coordination and co-operation, worked in a very enthusiastic & honest manner so as to provide fruits of their work to everyone without any selfishness and/or jealousy i.e. they were not concerned about their earnings as compared to others. They focused on the welfare of the nation as a whole. So it could be predicted at that time that our country will become one of the greatest economies in the world and be at the top as regards developed country very soon, but sadly it did not happen. There are many reasons behind it but the basic reason is the “Use of BLACK MONEY” to a large extent in our country.

In Ancient times the ways to generate money as well as its usage was very transparent i.e. everyone knew the sources of money and its application, which may be referred as WHITE MONEY. So, in the past, White Money was in use but now the colour of Indian money has changed to Black. Before discussing the use of black money one must know what Black Money is.

Defining ‘Black Money’

There is no uniform definition of black money in the literature or economic theory. In fact, several terms with similar connotations have been in vogue, including ‘unaccounted income’, ‘black income’, ‘dirty money’, ‘black wealth’, ‘underground wealth’, ‘black economy’, ‘parallel economy’, ‘shadow economy’, and ‘underground’ or ‘unofficial’ economy. ‘Black money’ can be defined as assets or resources that have neither been reported

to the public authorities at the time of their generation nor disclosed at any point of time during their possession.

According to National Institute of Public Finance and Policy (NIPFP) defines-

“Black Money is the aggregate of incomes which are taxable but not reported to authorities.”

Thus, in addition to wealth earned through illegal means, the term black money would also include legal income that is concealed from public authorities:

- To evade payment of taxes (income tax, excise duty, sales tax, stamp duty, etc);
- To evade payment of other statutory contributions;
- To evade compliance with other laws and administrative procedures.

Generation of Black Money

It is generated through main two activities or means – Illegal means and Legal means:

- It is earned through Illegal means such as drug trafficking, weapons trading, terrorism, selling counterfeit or stolen goods etc.
- By Corruption which includes bribe given to and by public officers.
- Hiding income through Legal activities i.e. not reported to public authorities or we say to the government for the purpose to evade taxes.
- Even commercial classes generate black money through Trade

According to Report published by SWISS NATIONAL BANK estimates total deposits as below:

From this analysis it is clear that India has a Top Position in case of black money deposits.

Country	Money Deposited
INDIA	\$ 1,456 billion
RUSSIA	\$ 470 billion
UK	\$ 390 billion
UKRAINE	\$ 100 billion
CHINA	\$ 96 billion

Impacts of Black Money on Indian Economy

The flow of black money can seriously affect the entire economic system of India. Some important impacts are discussed here:

1. Less Tax for the Government—Many times, the Indian Government has failed to collect the estimated amount of tax from the people of our country and for this, credit has to go to the black money driven underground economy. Recently, a report was submitted to the Finance Ministry of India that divides the spread of black money in different sectors like real estate, mining, telecom etc. The study, headed by NIPFP chief P.Kavita Rao, explains how illicit wealth is likely to exceed 10% of GDP.

2. Uncontrollable Inflation-When black money is out in the market, the amount of money in the system is higher than the Government expects. This causes the prices of commodities to increase to a level beyond normal. This is a direct result of people having more money offering more money on specific items. Even if the Government tries to control the credit flow in the market by taking necessary measures, the amount of black money present upsets the move, resulting in some sort of pressure on the economy

3. Leads to Mass Poverty-The distribution of wealth and income in our country has been severely affected by the growth of underground economy. The common people get affected indirectly in so many ways. The tax evaders are keeping the money away from the deserved. If all the black money in the tax havens is recovered and used by the Indian government, all the outstanding liabilities of the country could be paid off and money would still be left for spending.

4. Lack of Technology-Due to the existence of black money, India is facing the problem of shortage of capital. This has the direct impact on the up gradation of technology in all sectors. The major reason behind such backwardness is the parallel economy.

5. Impact on Growth by moving investments on Gold, Stones and Jewellery-People who are looking to turn black money into white money are largely investing in precious metals like Gold and other jewelry. There are people who believe that almost 70% of the total gold investment in our country is black money. One reason for people to invest in gold is that it is hard to trace. People in black market may buy gold bars, coins, jewelries etc. because one can buy gold easily and can be converted back to money anytime. This flow of underground money has caused Indian economy to stall on its growth. It is estimated that if all the money in the underground economy could be diverted to our main economy, our economy would grow by more than thrice in no time.

6. Corruption-While corruption creates black money in the economy, it can also be a result of the growing underground market. People with black money are able to bribe the administrators and politicians to get what they want. By doing this, they are able to get what they want and others are pushed down the stack.

7. Inflated Real Estate -When people with deep pockets are ready to pay more for a piece of land, the price of surrounding land also tends to increase; thus artificially inflating the prices of an entire area. Generally, people involved in black money market are always ready to pay more for a piece of land as this helps in converting their colored money to legal money.

8. Transfer of Indian Funds Abroad to Safe Havens-The black money generated in India is kept in foreign tax havens. For this, money has to be transferred from India to other countries through secret channels. Under-invoicing of exports and over-invoicing of imports are two of the main methods used by black money holders for transferring money overseas.

9. Encourages Anti-Social Activity—It is no doubt that black money is a curse to any country. Black money is always promoting anti-social activities in the society. Bribery, mentioned earlier, is only one example. The anti-social effects of black money include activities like terrorism, a huge threat already to our country.

Recommendations And Suggestions

- After studying the concept of black money & its various sources of generation in our country, it's time for some Recommendations & Suggestions that may help to control black money in India. These are as follows:
- Our Government should make its foremost objective to control black money in our country.
- E-Governance should be started by the Government i.e. the use of technology be made as far as possible like E-Registration with Revenue Authorities, E-Filing of Returns, etc. because more
- The involvement of human beings more is involvement of corruption, ultimately generating Black Money.
- Agriculture income should be taxed for those who have both the agricultural as well as non-agricultural income.
- Black money revolves around in cash only so the Government should put restriction on cash transactions wherever possible and instead should increase the use of Plastic Money like Debit Cards, Credit Cards, etc. and by other such means.
- The Government should not give absolute power of work to any one person as it creates monopoly and instead should segregate the work among many persons.
- The tax rates should be made helpful to some extent in solving this problem. For this purpose tax rates should be lowered
- Tax evasion should be checked by plugging loop-holes in tax system.
- All the aspects of its generation should be looked into and stopped.
- Competitive bids should be motivated

References:-

1. The Times of India/Black money government Submits names, files & status report/html
2. [www.encyclopedia.com/wiki/corruption in india.html](http://www.encyclopedia.com/wiki/corruption%20in%20india.html)
3. [www.worldpress.com/my economist/ Black money in Swiss Bank.html](http://www.worldpress.com/my%20economist/Black%20money%20in%20Swiss%20Bank.html)
4. [www.encyclopedia.com/wiki/Indian black money.html](http://www.encyclopedia.com/wiki/Indian%20black%20money.html)
5. <http://ijsetr.org/wp-content/uploads/2013/08/IJSETR-VOL-1-ISSUE-5-145-153.pdf>
6. <http://ijsetr.org/wp-content/uploads/2013/08/IJSETR-VOL-1-ISSUE-5-145-153.pdf>
7. [ttp://theglobaljournals.com/paripex/file.php?val=January_2014_1389888798_5b59f_04.pdf](http://theglobaljournals.com/paripex/file.php?val=January_2014_1389888798_5b59f_04.pdf)
8. www.articlesnatch.com