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## ❖ ABSTRACT

Black money is an important issue as far as India is concerned. In India, parallel economy is observed, i.e. working of an unofficial economy parallel to the parent economy of the country. Black money is both an economic and social problem. Black money is a problem which does not affect those who have black money but it affects the common man in society. It is possible to convert black money into white money and vice versa. It is not easy to calculate the magnitude of black money. A study conducted by the IMF about a decade and a half back showed that in regard to the size of the underground money, India holds the first rank followed by the United States and Canada having the second and third ranks.

Thus, present paper focuses on the concept of black money and effect of black money on Indian economy.

**Keywords:** Black money, Indian Economy, parallel economy.

## ❖ INTRODUCTION

Yeah even today we need to get rid of BLACK! It is not about the PEOPLE, it is about

BLACK MONEY and BLACK MENTALITY.-Roshni

Black money in its simple form, is money on which tax is not paid to government. According to Prof. J.C. Sandesara, in popular parlance, the unofficial economy goes by the name of black money and the official, of white money. Black and white are also variously substituted by number two and number one, unaccounted and accounted, unreported and reported, unrecorded and recorded and so on. Sukanta Sarkar (2010) conducted a study on parallel economy in India. Causes, impact & government initiatives in which he focused on the existence of causes and impact of black money in India. According to him, the main reason behind the generation of black money is the Indian political system i.e. Indian govt. just focused on marking committees rather than to implement it. So, he concluded that laws should be implemented properly to control black money in our economy.

## ❖ OBJECTIVES

1. To know the concept of black money.
2. To know the sources of black money.
3. To study the effect of black money on Indian Economy.

## ❖ BLACK MONEY

There is no uniform definition of black money in the literature or economic theory. 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 income which is 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)
- To evade payment of other statutory contributions
- To evade compliance with other laws and administrative procedures

## ❖ SOURCES OF BLACK MONEY

Generation of black income in a country like India is resulted from several other different activities like smuggling, property deals, bribery, kick – backs, commissions, concealment of income by professionals, artists etc.

Black money is money earned through any illegal activity controlled by country regulations. Black money proceeds are usually received in cash from underground economic activity and as such are not taxed. Recipients of black money must have to hide it. spend it, only in the underground economy or attempt to give it the appearance of legitimacy.

The National institute of Public Finance and policy (NIPFP) had made an estimate of black money from the range of Rs. 9,958 crore to Rs. 11,870 crore (15 to 18 per cent of GNP) in 1975-76 to the range of 31,584 to 36,784 crore (18 to 21 per cent of GNP) in 1983-84. Recently the Supreme Court of India asked the government to take black money as serious issue. Accordingly in 2011-12, the centre has initiated the task of making a statistical study of quantum of black money in economy and of negotiating with various tax-haven countries like Switzerland to unearth unaccounted black money parked outside India.

The statistical study also includes subjects like tax havens, tax treaties and the trends adopted by tax evaders within the country as also around the world.

**Impact of black money on the Indian economy** – GDP in India is under estimated, because more income is shifted to unaccounted field. It results in increasing existence of parallel economy of the country. Revenue collection is lowered due to continuous evasion of taxes both from direct and indirect taxes. It leads to economic inequality and concentration of wealth in few hands in the country, so poverty is increased. Thus, honest tax payers are burdened. Concentration of black income in the hands of businessmen and capitalists increases conspicuous consumption having demonstration effect on all classes

of people. Black money has resulted in diversion of resources for the purchase of real estate and luxury housing. Thus black money is converted in to legal money. It also artificially inflated real estate. Black money promote investment in gold, diamonds, precious jewellery etc. All these types of investments are unproductive or dead in nature. It creates adverse effect on the growth of the Indian economy. Black money encourages Black marketing resulting in growing inequality in distribution of income and wealth. It leads to imbalance in the working of the economy. Transfer of funds from India to other country is due to black money. Black money culture is existed in order to protect in through organizations such as brokers, CA, IT practitioners etc: Political system collects funds for various occasions from black money operators, such type of corruption eroded morality of Indian Politics.

It is more threatening that black money my give birth to anti-social activates like terrorism India is already facing it.

So, planned economy of the country is ruined due to black money existence. It is said to be like cancer with tremendous growth. Due to black money. India has short of funds it results in lacking in advanced technology progress.

#### ❖ RECOMMENDATION

1. Cashless transactions should be promoted i.e. hard cash transactions should be minimized.
2. Use of digital technology should be popularized for income sectors.
3. Reframing of taxes should be done so that it is possible for people to pay taxes intend
4. Of hiding income for payment of taxes.
5. Policies to control black money should be strict.

#### ❖ CONCLUSION -

The paper presents concept of black money in India. Different sources of black money in India is also discussed. Generation of black money is reflected in India. India ranks first in Swiss banking saving, but at present reality is, India is a developing country. It can be concluded that. Black money has significant effect on Indian economy.

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