

A Conceptual Analysis of Black Money in India

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ABSTRACT

Black money is one of the serious problems of Indian Economy. It is a very common phenomenon. Black money is money which is not legitimate in the hands of the owner. Black money can be generated with different kinds of illegal resources. The flow of black money can seriously affect the entire economic system of the country. Black money causes the price of commodities to increase to a level beyond normal. The government of India has taken many corrective and remedial actions to control the black money. In this paper we focus on the sources, causes and impacts of black money in India. This study also focuses on methods of controlling black money at origin, remedial measures and administrative system to control the black money in India.

Keywords: *Black Money, Government, Income, Indian Economy.*

INTRODUCTION

There is no definite name of black money in the literature. Black money is also known by many other names like “black income”, “black wealth”, “black economy”, “dirty income”, “unaccounted income”, “shadow economy”, “unofficial economy”, “parallel economy.” Black money refers the resources or income that neither reported to the public authorities nor disclosed at any point of time during possession.

Black economy in India has been a matter of grave concern for a number of years. Wanchoo Committee Report (Government of India, Ministry of Finance, 1971) depicted the phenomenon as a "cancerous growth in the country's economy which, if not checked in time, will surely lead to its ruination".

National Institute of Public Finance and Policy (NIPFP) define black money as “the aggregates of incomes which are taxable but not reported to the tax authorities. Further, black incomes are the extent to which national income and output goes downward because of false reporting of incomes, output and transactions for reasons of tax evasion, and relative motives.”

"Black money" also refers to black turnover, that is, when the turnover is not reported to tax authorities for purposes of tax evasion, or because the transaction in question is illegal. The concept of black income is

not unambiguous. We can define three different connotations on the basis of which we can say that money is black money:-

- Income which is illegal;
- Income which evades tax;
- Income which escapes inclusion in national income estimates.

In the present time, black money is one of the major issues in the development of our country. Black money is nothing but the unaccounted money which is circulated in our country. Black money is main cause of big loss in tax revenue of the government. It is a money which is generated by secret activities and the government had not know about this money and this money is not accounted for tax purpose or white money is that money which is shown with relevant account and tax that are paid.

OBJECTIVES OF THE STUDY

There are some basic objectives for this study which are as follows:-

- To study the causes of generation of black money in the hands of people.
- To study the impacts of black money on Indian economy.
- To study the methods of controlling black money at Origin.
- To study the measures taken by government to control black money.

LITERATURE REVIEW

Tandon and Kulkarni (2017) analyzed that there is no guarantee that in future, no black money will be generated. The queues of the people before the banks are said to be flooded by the workers of the political party leaders to deposit the money in their accounts. In just 3 days Rs. 170 crore were deposited in the Jandhan Accounts opened with zero balances.

Sukanta Sarkar (2010) conducted a study on parallel economy in India: Causes, impacts and government initiatives. In this paper the author focused on the causes and impacts of black money in the country. The main cause of black money is the defective Indian political system in which the focus is given on making committees but implementation is not done. So, the laws and reforms need to be implemented properly to control black money in the country.

CA Lalit Mohan Aggarwal (2012) edited the White Paper on black money, concluded that black money is generated in the economy by violation of rules and regulations by the government itself resulting in criminal activities.

N Jayalakshmi and N. Rajesh concluded that black money is generated in the economy due to corrupt officials. Another reason is that people do not trust the government. India needs to adopt strategic measures to eradicate poverty and punish the corrupt, irrespective of the position they have in the society.

Arpit Guru and Shruti Kahanijow (2010) researched on “Is black money income?” Black money is spread everywhere in India up to a large extent which is continuously sent to abroad in bank accounts. They also studied how black money had causes and menaces in our economy and in what ways is it used.

SOURCES OF BLACK MONEY IN INDIA

There are several sources of origin of black money in India which are as follows:-

- Corrupt Politicians & Bureaucrats
- Stringent controls and regulations in income tax proceedings
- Criminal activities
- Declining morale to pay taxes
- Smuggling
- Gambling, bribes, high level corruption
- Hawala
- Corrupt business practices
- Prohibited trades like liquor, illegal drug etc.
- Bribery in cash and in kind
- Direct tax evasion
- Indirect tax evasion
- Deliberate underestimation of production and sale
- Heavy dealings in real estate-cash transactions and under declaration
- Donations to politicians and religious institutions
- Investment in gold and other exorbitantly expensive items

- Manufacturing and marketing of spurious goods
- Buying of insurance products in cash

CAUSES OF BLACK MONEY IN INDIA

There are several causes operating together in the creation of black money in the country. The major factors in this regard are as follows:-

- High Rates of Taxation
- State, Controls and Regulation
- Public Expenditure
- Prohibition
- Land and Property Deals
- Political Funding
- Inflation
- Weak Deterrence
- Deteriorated Public Morality

IMPACT OF BLACK MONEY IN INDIA

There are a lot of consequences of black money in India which affect our country very badly. The main consequences are as follows:-

- Loss of Revenue to the Government
- Unproductive Investments
- Under Estimation
- Lower the effectiveness of Monetary and Fiscal Policies
- Unequal Distribution of Income
- Corrupts the Political System
- Criminalization
- Dual Economy
- Inflationary Trend
- Inflated Real Estate Market

- There is an unending vicious circle of black money and corruption
- Promotes unlawful activities in the country
- Transfer of Indian funds to other countries
- Lack of upgradation of technology
- More habit of violation of regulations framed by government
- Misdirection of precious natural resources
- Difficult to make correct economic analysis
- Transfers fund from India to foreign countries
- A threat to price stability

METHODS OF CONTROLLING BLACK MONEY AT ORIGIN

There are several means and ways by which we can avoid the generation of black money in our country. Some of the important steps which have been taken by the Government to control the generation of black money in India which are as follows:-

- Ban on Physical Possession of Currency
- Ban on Physical Exchange of Currency
- Linking all economic transactions with PAN
- Imposing limits on the number of Bank Accounts
- Integrating Earnings- PAN-IT-Return

HOWTO CONTROL BLACK MONEY IN INDIA

There are several steps taken by the Government to control black money in India. Some of the steps taken by the Government of India are as follows:-

Remedial Measures

- Voluntary Disclosures Scheme (VDS)
- Tax Reforms
- Special Bearer Bond Scheme
- Demonetization
- Prevention of Money Laundering Act 2002

- Right to Information Act 2005
- Lokpal and Lokayukta Bill 2013
- Simple rules & regulations
- Use of e-money
- Efficient and Powerful I.T. & Vigilance Department

Administrative system to tackle transactions of black money

Present administrative system of government to tackle black money transaction.

- CBI and Police authorities.
- Enforcement directorate.
- Financial intelligence unit.
- State police agencies.
- Central economic intelligence bureau.
- Central board of direct taxes (CBDT).
- Integrated tax payer data management system.

CONCLUSION

From the above description, we can say although India is a developing country but national income and per capita income of the country is far less than the other developing and developed economies of the world. On the other side, parallel economy which is running side by side in form of black money or unaccounted money is very rich. Black money is a curse for every country in the world. Government has taken many actions to control black money in India and at a particular level Indian Government has controlled it. Transactions linked with aadhar card and pan card, demonetisation, use of electronic payments etc are many corrective actions which have been taken by the Government of India to control the black money.

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