

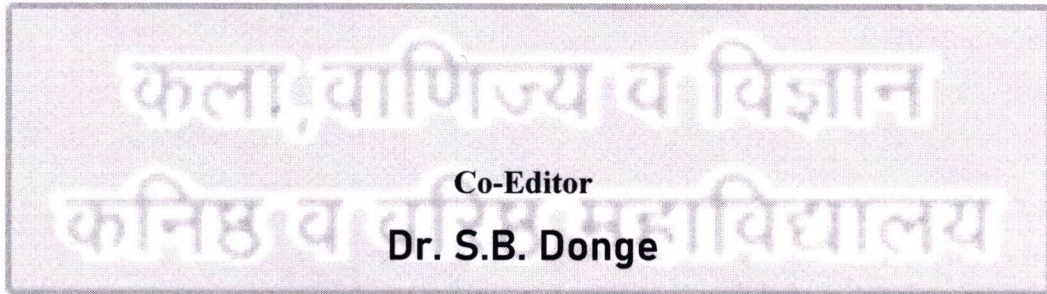
Trends in Commerce, Economics & Life Sciencess



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कला, वाणिज्य व विज्ञान
कनिष्ठ व वरिष्ठ महाविद्यालय

Black Money and its Disastrous Influence on Indian Economy

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INTRODUCTION:

Indian economy facing burning problem which is growth of illegal money. India is suffering from number of problem present are as follows. Corruption, terrorism, supply of duplicate currency, black money, drug supply, share market, inflation, poverty, these are come forward to eradicate the problem. Parallel economy increases the economic inequality so there is need to reduce parallel economy.

Black money is a burning economic problem in the 21st century. It is a social problem. It has spread throughout the world. The black money in Indian context is growing day by day. Social reformers are planning to eradicate black money. Yet the black money is not ceased. Therefore the social reformers Anna Hazare, Arvind kejriwal and Baba Ramdev are trying their level best. Baba Ramdev has launched the movement of bringing black money from the foreign country from the country's point of view the black money is a challenge for us.

The emergence of the black sector or black money started during the Second World War when due to shortages experienced in certain essential goods. Controls and rationing had to be introduced but this was a phenomenon which was expected to end after the Second World War.

National Institute of public finance and policy conducted a study under the direction of Dr. S.Acharya for menly of the World Bank Dr. Raja Chelliah was the overall supervisor of the study the study defines black income as aggregate of incomes which are taxable but are not reported tax authorities. The study given a boarder definition a black income.

Objectives:

- 1) Concept of Black money.
- 2) Effects of Black money.
- 3) Remedies of Black money.
- 4) Factor responsible of Black money.

Concept:

The money that is earned and hoarded by dishonest and unfair means and kept in secret to evade taxes is called black money. It becomes black because no taxes are paid on it as it is earned by dishonest and unfair means. Money turned to be black if taxes due thereon are evaded. The massive amount of black money in our country has created a parallel economy.

Methodology:

For this research paper, the secondary method of data collection was used. Data was collected from reference books, news papers, research journals, internet websites which are related to the research topic.

Continuing generation and accumulation of black money poses a grave threat to our economy and it is likely to threaten the very security and survival of the country. It is the source and at the same time a cause of graft, corruption and the debasing of social and moral values. There are various factors responsible for the origin, existence and flourishing state of the parallel economy of black money. It originates with the combination of money and power. With black money, anything can be bought or bribed. Essential commodities can be cornered and hoarded. Healthy competition can be driven out and honest men and public servants can be blackmailed. One of the sources of black money generation in developing countries like India is through commission or kickbacks. Obtaining government deals and purchasing foreign multinational and cartels make heavy payoffs to supply their weapons. Economists and know-how agents and middlemen pocket considerable sums as their share of commission in the payoffs to influence political decisions. Favoritism and patronage by those in authority also lead to the generation of black money. Other factors for the generation of black money include

- 1) High rate of taxation under direct taxes which encourages tax evasion.
- 2) Controls, permits and licenses.
- 3) Price control without adequate machinery for effective distribution.
- 4) Pledge and hawala systems.
- 5) Donations to political parties for election.
- 6) Corrupt business practices.
- 7) Smuggling and other illegal anti-social activities.

Dishonesty and corruption have become a normal way of life to set things done this had to continuing deterioration of moral standards in recent years black money generation has been growing at a very fast rate in our country so much so that its difficult to isolate a single sector of economy or administration that moves with out the use of black money. Most economist are unanimous in their view that black money generation has become a major factor for galloping inflation because its not only misallocates resources but also shifts them from investment to consumption the parallel economy of black money has made nonsense of all planning and anti poverty programmes. Beside tax evasion creates great in equities between the tax payers who are honest or who can't evade taxes and those who are dishonest and are in the position to evade taxes.

The national institute of public policy has roughly estimated the amount of black money in our economy at around Rs 37000 corers. This is a little over one fifth of the gross domestic product (GDP) the institute pointed out that for its very nature the unaccounted income could not be precisely quantified. According to, publish reports and international monetary fund survey of the unaccounted sector of the economy in various countries has estimated black money in India at 50 percent of its gross product (GNP).

Some measures may be suggested for curbing the generation and spread of parallel economy of black money.

- 1) Leaders and persons in position should file a return of their assets and income which should be subjected to scruting by a special agency created for this purpose.
- 2) Lowering of tax rates so that tax evasion becomes unnecessary Tendency to evade tax creeps in when tax rates are high.
- 3) Controls licences and permits should be reduced to minimum. If necessary they should be made available without under table payements.
- 4) As recommended by wanchoo committee agriculture income should also be subjected to income tax as other incomes.
- 5) Govt. should subsidies election expenditure of political parties as is done in West Germany.
- 6) Heavy capital gains tax should be lowered.

- 7) Registration fees in relation to property and other real estate should be lowered.
- 8) All tax laws should be revised so as to eliminate loop holes.
- 9) Deferment punishment must be given to those who are found of profiteering black marketing and smuggling.

The means of parallel black money has grown to alarming proportions and is eating away the vital of our national economy. Unless it is ruthlessly combated and cut to size it is likely to upset the whole economy planning.

Conclusion:

Black money is the big problem of Indian economy so Govt should take strong steps for improvement of economy. Impact of black money in India is rising price poverty each day. Black money has formed illegitimate economy. The spread of black money causes great losses for the nation's treasure. It creates many obstacles for development. So there is need strong steps given by Govt.

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