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.

Keywords: Black Money; Corruption; Present Status; Indian 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.

LITERATURE REVIEW
Black Money in India has induced many empirical Studies. I am present a brief review of the literature:
Sukanta Sarkar (2010) conducted a study on the parallel economy in India: Causes, impacts & government initiatives in which he focused on the existence of causes and impacts 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 making committees rather than to implement it. So, he concluded that laws should be implemented properly to control black money in our economy.

CA Lalit Mohan Aggarwal (2012) edited the White Paper on Black Money studied that violation of laws by central and state govt. leads to criminal activities which in turn leads to generation of black money in Indian economy.

Vijay Kumar Singh presented a paper on controlling money laundering in India- problems & perspectives that to control black money in India is very difficult task only due to the existence of one reason i.e. poor implementations of laws which leads to sophisticated crime in the economy and thus generates black money.

**OBJECTIVES OF THE STUDY**

1. To know the present status of black money in INDIA.
2. To Study the main reason behind the generation of black money.
3. To Study the Impacts of Black Money on Indian Economy.

**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.

**From where is it used?**

In INDIA it is mainly used by ministers in Elections to promote their own interests. It is also used in air travel, land, jewellery etc.
Who is involved in it?
List is never ending but to name few are Ministers, Liquor Traders, Top Industrialists, Senior Officers, Chief Ministers, etc.

Present Status of Black Money In India
As we know, in the recent times the issue of black money and corruption has come into being with participation of our civil society and parliament institutions. In this context two main issues have come into being-

- Firstly, without any adequate factual basis, a large magnitude /amount of black money and unaccounted wealth stashed abroad every year.
- Secondly, Govt. Response to address this issue has been inadequate or we say considerably negligible.

Now let us look at the picture of Black Money in India
Almost every sector in our country generates and uses black money for its survival in the market, society....etc. It includes Real estate, financial market, bullion & jewellery market, non-profit organisations, external trade and so on. Apart from this, in India black money persists due to the existence of Demonstration Effect i.e. the way to live a life in terms of others point of view or we say live a life by looking at others livelihood. People of India are very much affected by the lifestyles of other people of the society who are maintaining considerable high status, and in turn want to be like them. For this, they want to generate money by any means. Therefore to fulfil these desires or to maintain their status in society they force themselves to generate and use black money.

Corruption in India is a major issue that adversely affects its economy. In 2014 India ranked 85th out of 175 countries in Transparency International's Corruption Perceptions Index, compared to its neighbors Bhutan (30th), Bangladesh (145th), Myanmar (156th), China (100th), Nepal (126th), Pakistan (126th) and Sri Lanka (85th)

Another reason for the existence of black money is the presence of Corruption in every field of the economy. For example,

1. If any common man wants to get a job in any public institution like in a bank, or any transport or educational institution etc., then he will have to pay adequate consideration to the authority of that respective institution i.e. Bribe have to be paid. For this, common man is forced to generate money by illegal means. In this way, we can say that, both, the public authority and a common man generate and use black money in a considerable manner.

2. Likewise, if a student wants to get admission in any big and reputed institution, he will have to pay some extra money other than fees in the form of Donations etc.

3. Also in some Educational institutions, more fees are charged for examination forms or for practical which is considerably higher than the quoted fees. In this way, black money is generated and used in big and reputed educational institutions.

Black Money of India in Swiss Accounts- India has slipped to 70th position in terms of foreign money lying with Swiss banks and accounts for a meager 0.10 per cent of total global wealth held in the country's banking system. An article in the reputed newspaper “The Hindu” in 2010 revealed that unofficial estimates indicate that Indians had over US$1456 billion in black money stored in Swiss banks (approximately USD 1.4 trillion). While some news reports claimed that data provided by the Swiss Banking Association Report (2006) showed India has more black money than the rest of the world combined, a more recent report quoted the SBA’s Head of International Communications as saying that no such official Swiss Banking Association statistics exist. Another report said that Indian-owned Swiss bank account assets are worth 13 times the country national debt. These allegations have been denied by the Swiss Bankers Association. James Nason of Swiss Bankers Association in an
interview about alleged black money from India holds that “The (black money) figures were rapidly picked up in the Indian media and in Indian opposition circles, and circulated as gospel truth. However, this story was a complete fabrication. The Swiss Bankers Association never published such a report. Anyone claiming to have such figures (for India) should be forced to identify their source and explain the methodology used to produce them.”

In a separate study by Global Financial Integrity concludes, “media reports circulating in India that Indian nationals held around US$1.4 trillion in illicit external assets are widely off the mark compared to the estimates found by their study.” The report claims that the amounts are significantly smaller, only about 1.5% of India’s GDP on average per annum basis, between 1948–2008. This includes corruption, criminal activities bribery and kickbacks, trade mispricing and efforts to shelter wealth by Indians from India’s tax authorities. According to a report, published in May 2012, Swiss National Bank estimates that the total amount of deposits in all Swiss banks, at the end of 2010, by citizens of India were CHF 1.95 billion (INR 92.95 billion, US$ 2.1 billion). The Swiss Ministry of External Affairs has confirmed these figures upon request for information by the Indian Ministry of External Affairs. This amount is about 700 fold less than the alleged $1.4 trillion in some media reports. The report also provided a comparison of the deposits held by Indians and by citizens of other nations in Swiss banks. Total deposits held by citizens of India constitute only 0.13 per cent of the total bank deposits of citizens of all countries. Further, the share of Indians in the total bank deposits of citizens of all countries in Swiss banks has reduced from 0.29 per cent in 2006 to 0.13 per cent in 2010. In 2011, according to the data provided by Swiss Bank, India is topping the list almost $1500 billion of its black money deposited with them, followed by Russia $470 billion. The amount of black money is increasing day by day at very rapid speed.

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.

<table>
<thead>
<tr>
<th>Country</th>
<th>Money Deposited</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDIA</td>
<td>$ 1,456 billion</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>$ 470 billion</td>
</tr>
<tr>
<td>UK</td>
<td>$ 390 billion</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>$ 100 billion</td>
</tr>
<tr>
<td>CHINA</td>
<td>$ 96 billion</td>
</tr>
</tbody>
</table>

Source: Swiss Banking Association Report.

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 upgradation 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 Heavens – 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.

Measure by Government

Generation of black money, stashing it abroad in tax havens and recovering such illicit wealth secreted in these accounts was one of the dominant issues in the run up to the 2014 General elections. In fact on assuming office one of the first decisions of Narendra Modi led NDA Government was to constitute a Special Investigating Team [SIT] as mandated by the Hon’ble Supreme Court to look into these matters.

While the SIT was operating on a narrow compass the fact remained – much was left to be done by the Government. It is in this background that Budget 2015 has pronounced certain measures to deal with the “generation of black money and its concealment effectively and forcefully.”

This statement of intent has been backed by providing highest priority to investigations into cases of undisclosed foreign assets. This is over and above that investigation conducted by SIT. According to the Finance Minister “major breakthrough” has been made with the Swiss Authorities and certain critical and actionable information obtained from such authorities.

New Legislation - Buoyed by success achieved thus far, Budget 2015 now proposes a new legislation to deal with the black money parked abroad.
Key features of the new law include:

- Punishment of 10 years Rigorous Imprisonment in case of evasion of tax in relation to foreign assets besides penalty of 300 percent with no recourse to Income-tax Settlement Commission
- Non-filing of IT returns with inadequate disclosures to result in 10 years Rigorous Imprisonment
- Concealment of income/evasion of income in relation to a foreign asset to be made a predicate offence under the Prevention of Money Laundering Act [and that can attract a separate prison term]
- Further, Foreign Exchange Management Act is be amended to ensure punishment in such cases too.

In short, illicit foreign asset would attract imprisonment under the new black money law, get taxed at the maximum marginal rates, invite 300 percent penalty besides being prosecuted under PMLA and possibility of assets of equivalent value within India being attached with appropriate amendments to FEMA.

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.

CONCLUSION
This paper presents the different aspects of black money and its relationship with policy and administrative measures in our country. It also reflects the policy and strategies that the Government has been pursuing in the context of recent initiatives, or need to take up in the near future, in order to address the issue of black money and corruption in public life. There is no doubt that existence of
black money has a significant impact on social, economic and political levels of our lives which has a significant effect on the institutions of governance and conduct of public policy in the country.

So we can’t say that India is a poor nation. In fact, India is amongst the Richest Nations if Stashed Black Money is brought back & converted to White Money and fresh generation of Black Money is put to an end.

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