



PROBLEM OF BLACK MONEY IN INDIA: AN ANALYSIS

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Abstract

There is no formal interpretation of black money in economics, but experts consider it as a parallel economy and some even know it by names such as black income, illegitimate economy and unequal economy. The expansion of the black money crisis in India began in the 1960s. At the time the root cause was attributed to the high rate of income and corporate tax. The effect of higher tax rates was that ordinary people and business communities at large were beginning to evade tax. After liberalization in 1991, the issue of black money became even more challenging. Political funding is also a vital reason of black income in India. Indian election laws and the behaviour of political parties are chiefly accountable for this type of corruption. At present, contesting elections has become a very pricey issue. At the present time, black money is one of the burning issues of India, which causes widespread loss of currency and hinders the social facilities provided by the Government of India. According to the Central Board of Direct Taxes, real estate is the paramount region of black money hiding and white. The Housing and Urban Poverty Elevation Report also supported this fact. This study tries to find-out the problem of black money in India.

Key Words: Problem, Black-Money, India, Economy.

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Introduction

Black money is the currency that is earned by a prohibited action. It is earned through crime, drug trade, intimidation, dishonesty or tax evasion. Black money is actually income that is taxed, although the income tax department is not knowledgeable. Such money is not only incurable in the sense that it is stored in a foreign country, but it is used to support terrorism, dishonesty. There may be political and financial instability in the coming times for construction. The government's white paper defines black money as a set of income that is chargeable but not reported to the tax authorities over the course of a generation or occupation. Black money is a serious challenge to India's security measures. According to some global experts, the Black Economy is cited by over 30 different names worldwide. Other names of black economy are parallel economy, black money, informal economy etc. Basically, the black economy includes all activities that produce black incomes that are not reported to the tax authorities. There is a black financial system everywhere from developed countries to developing countries. Citizens involved in the black economy avoid the rules and regulations set by governments.

Black money creates a destructive economy that makes it difficult to accurately estimate data related to national income and GDP and presents an inaccurate image of the economy. This does not bring precision in policy making. Corruption is hollowing out the country's roots; its dreadful face is black money. This not only threatens the security and economy of the country, but also hinders progress. People have forgotten national interest, national interest and social interest. Lower class citizens are feeling powerless in the market. If only the banks of the country would be able to send black money of people abroad, then how will the parallel economy of black money end. The banking system of the country needs to be surrounded and the rules for sending black money abroad also need to be tightened. Progressively, the Indian government is taking all steps to hearten payments through banking channels and electronic mode and through debit or credit cards originating overseas. Such



transactions will be obviously within the contact of the Income Tax Department and they will be capable to check the same.

Black Money in Indian System:

Black money is essentially a classification of illegal withdrawals. It has not been confirmed primarily for tax purposes. The problem of black money is widespread in India and the Government of India has recently taken extreme steps for this. Illegal money is accepted as black money. There are countless sources of generating black money and despite having undisclosed effects on society; Citizens have been practicing this work for decades. Black money for the economy is persistent maleism.

There are various reasons for the source of black money. There has been no significant study or investigation of money laundering, which focuses on Indian system. Black money is one of the serious issues in many countries and when it comes to a country like India, it is one of the major issues. Due to the fast enlarge in public spending for many government programme's and activities, antisocial elements in public service and public life may find plentiful opportunities for amazing black income and prosperity in unconvinced ways. This concern is not a new problem for India, but an issue that has been going on for a long time. Black money has been a major concern in India for many decades. The income scheme was announced after every 10 to 15 years. The last demonetization was executed on 8 November 2016 and on an earlier occasion in seventy when Rs. 1000 note was prohibited. Nevertheless, it is difficult to fully deal with the problem of black money, but it can be rapidly banned. The financial Data from RBI Bank shows that 99.3 percent of the banned currency has returned to the banking system, with the Modi government claiming that demonetisation had curbed black money. That is, the Modi government is on its claim of black money, but also Modi government does not have any magic



wand to rotate and the system is fixed, all these policies have at least a decade to fully show their impact.

Conclusion:

Since the calculation of black money is comparatively difficult and the assumptions used in its determination are not yet consistent, its final amount has not yet been estimated. Various reports present unsatisfactory estimates in this regard. The black money crisis is different from the usual problems because of the general economic problems, such as scarcity, inflation or unemployment and we should focus on the group of the underprivileged and unemployed. At the same time, when we think about the problems of black money, a feature is that the person or group possessing black money is not exaggerated at all, but it has an impact on the citizens and government who are deprived of it. Like the black money hidden abroad, there is a deep suppression of black money within the country. This money is in the hawala business. There is no business agreement with the bank, so confidentiality is also maintained. This is called under banking. The government should break the array of under-ground banking. The Swiss banking system has to be overcome. A comprehensive action plan should be put in place to stop the use of black money in elections, as it is quite simple to consume black money here which motivates the creation of black money. Political parties should be brought under the purview of 'Right to Information' and their accounts should be commonly audited. India needs to stop black money generated due to lawful loopholes. If this does not happen, India will center of attention on foreign banks and tax evaders will start taking this black money to another market or country.



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