Generation and Impact of Black money On Economic and social system

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Abstract –
The creation of a parallel economy as a consequence of the growing proliferation of black money in every sector of the economy has very serious thing and in a number of ways pernicious influences on the working of the Indian economy. The paper is focusing on the Generations of black money and it's impact on economic and social system of India.

Key words -Black money, Generation, inequality, corruption, society

Introduction -The planning commission set out the four long term objectives of planning these are 1)To increase production to the maximum possible extent so as to achieve higher level of national and per capita income. 2)To achieve full employment 3)To reduce inequalities of income and wealth 4)To set up a socialist society based on equality and justice and absence of exploitation. Unfortunately in the era of planning the objective of 'to reduce inequalities of income and wealth and to setup a socialist society based on equality and justice and absence of employment' aren't achieved. The present paper helps to know about the generation of black money and it's impact on economic and social system.

Objectives of the study -
1)To study factors responsible for generation of black money.
2)To study impact of black money on the economy and social system.

Research Methodology –
This paper is based on secondary data which is collected from the various books journal's and reports.

Definition of Black money –
There is no uniform definition of black money in the literature of economics 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 tax authorities. "in other word black money means unaccounted money.

Generation of Black money -
The following factors are responsible for the generation of black money
1)High Rates of Taxation
2)Tax evasion
3)Government control and Regulations
4)Quota system
5) Scarcity
6) Inflation
7) Donations to political parties
8) Corruption
9) Ineffective Enforcement of Tax Laws
10) Scandals in public sectors
11) Untaxed Agricultural income
12) Private services

A) Impact of black money on economy

1) Higher Inflation - Inflation means continuous rise in price of Goods and services. Money circulation in order to multiply the money that circulates within an economy that leads to increase in price level.

2) Tax evasion - Black money is unreported income or unaccounted income, higher rate of taxation always leads to Tax evasion. This is the loss of revenue of the government. According to direct taxes enquiry committee Black money and tax evasion which go hand in hand.

3) Increase In Inequality - Due to regressive tax structure income inequality increases because more burden Where imposed on poor people and at the same time the person who evade taxation becomes rich.

4) Diversion of resources - Black money has encouraged diversion of resources in the purchase of real estate and investment in luxury housing, precious stone, jewellery, billions etc. This creates adverse effects on growth via its demonstration effect.

5) Effect on consumption pattern - Black money encourages to concern oweners to purchase luxurious goods that creates imbalance in consumption pattern. Transfer of factors of production from essential goods to luxurious goods products creates shortage of essential goods in market, due to that prices of essential goods raises.

6) Black to white - Black money holders always tries to change black money into white money, for that purpose they uses different ways for e.g.. purchase of gold, lands, flats etc. Because of increased demand of these the prices of lands, flats, and gold increases.

B) Impact of Black money On society - Black money responsible for terrorist activities, Drug trafficking, increase criminal activities, diviuation of society in rich and poor class.
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