

To study the gap of black economy in India

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ABSTRACT:-

This study examines the intricacies of the black economy in India, focusing on its size, impact, and contributing factors. The black economy, operating outside the formal economic framework, poses significant challenges to India's economic growth, tax revenue collection, and equitable income distribution. Despite its importance, accurately estimating the black economy's size and understanding its dynamics remain complex due to its clandestine nature.

This research aims to bridge the knowledge gap regarding the black economy in India by analyzing its relationship with tax evasion, corruption, and regulatory complexities. Utilizing a combination of empirical analysis and review of existing literature, the study highlights the black economy's implications for India's fiscal system, income inequality, and monetary policy effectiveness. The findings suggest that addressing the black economy requires robust tax enforcement, simplification of regulatory frameworks, and strategies to promote fair competition and reduce income disparities.

By shedding light on the black economy's characteristics and consequences in India, this study contributes to the discourse on informal economies in developing countries and offers insights for policymakers to devise effective strategies for minimizing the black economy's adverse impacts.

•KEY WORDS:- Black economy,tax evasion, corruption, regulatory complexity ,economics growth.

INTRODUCTION:-

Introduction for Research Methodology on "To Study the Gap of Black Economy in India" provides information of black economy, operating outside and inside the formal economic framework, presents notable challenges For effective governance, fiscal stability and national progress. Its size, dynamics, and impact are not fully understood due to the complexities of measuring unreported economic activities. This research focuses on analyzing the gap of the black economy in India, considering its connections with tax evasion,

corruption, regulatory environments, and various economic indicators. By exploring these aspects, the study aims to enhance understanding of the black economy's role in India's economic landscape and offer insights for policymakers to address its adverse effects.

•**KEY WORDS:-** fiscal management, equitable growth, formal economy , governance.

OBJECTIVES:-

1. To evaluate the size and impact of black economy
2. To identify the factors contributing black economy

HYPOTHESIS:-

1. H¹:- There is a significant gap between estimated size of the black economy and its impact on India's formal economy.

H⁰:- There is no significant relationship between estimated size of black economy and its impact on India's economy and its impact.

2. H¹:- The black economy creates challenge to the policy makers and creates distortion.

H⁰:- - The black economy does not create any challenges to the policy makers and do not create distortion.

3. H¹:- presence of black economy can disturb the country's formal economy and can affect development of country.

H⁰:-presence of black economy does not disturb the country's formal economy and don't affect development of country.

REVIEW OF LITERATURE:-

1. Sharma, Chandan (2019): The mentioned author has conducted research on the topic of black economy ,which includes estimation of black economy in India. The comprehensive review is given below:-

Chandan Sharma's research paper, "Estimating the size of the black economy: new evidence from India," published in the International Journal of Emerging Markets in 2019, offers a comprehensive analysis of India's black economy. The paper provides new evidence and estimates the size of the black economy, contributing significantly to understanding India's economic complexities.

Research Significance:

Sharma's work is significant in the context of India's economic growth and development. By shedding light on the black economy's size and nature, the research enables policymakers to design informed policies, fostering a more transparent and accountable economic environment.

2. Sarkar, Sukanta (2010):

The author has clarified the concept of parallel economy which is as same as content to the black economy. The author has studied and presented an attempt to essence the overall profile of parallel economy in India, particularly in terms of causes, impacts and government inventiveness. The comprehensive review is given below:-

Sukanta Sarkar's research paper, "The Parallel Economy in India: Causes, Impacts, and Government Initiatives," provides a comprehensive analysis of India's parallel economy. The paper explores the causes, effects, and government initiatives to tackle this issue, with a focus on corruption's role in perpetuating the black economy.¹

Research Significance:

Sarkar's work is notable for its in-depth analysis of the parallel economy's complexities and its impact on India's economic landscape. By exploring the causes, effects, and government initiatives, the research provides valuable insights for policymakers and researchers.

Author's Expertise:

As an associate professor with expertise in labor economics, plantation, and social problems, Sukanta Sarkar brings a unique perspective to the study of India's parallel economy.

3. Biswas, Basudeb, and Sukumar Nandi (1986):

The above author has provided the image regarding the research which gives an review about the developing economy. He also shares the overview about the situations which are contributing to the black economy. The comprehensive review is given below:-

Basudeb Biswas and Sukumar Nandi's research paper, acknowledge specifically focusing on black economy of India. The authors analyze the causes and implications of black market exchange rates, highlighting their relationship with official exchange rates, inflation, and monetary disequilibrium.

Research Significance:

The study provides valuable insights into the complexities of exchange rates in developing economies, particularly in the context of India's economic landscape during the 1954-1980 period. By examining the black market exchange rate, the authors shed light on the need for effective monetary policies to address exchange rate volatility and promote economic stability.

VARIBALES:-

A. Independent variables:-

1. Size of black economy.
2. Rate of corruption inefficiency.

B. Dependent variables:-

1. Regulatory complex.
2. Economic inefficiency.
3. Data sources.

1. CONCEPT of BLACK ECONOMY:-

The black economy in India is a complex issue various illegal as well as legal factors in it.

In order to study the gap one has to undergo through these factors which are affecting it from the initial stage. This research will help to undergo from the factors and

(A) GENERATION of the BLACK ECONOMY IN INDIA!

Beginning with the broad explanation of the Concept, the Black economy is also defined as/called as

1. Parallel economy
2. Unaccounted economy
3. Underground economy
4. Unrecorded economy.

Many of the activities such as, writing of books, making of policies are made pointing to the various deleterious consequences of black economy.

It is important to understand the concept of 'black income' & 'black wealth'. Both the terms have distinguish between.

The black wealth/income is refer to the currency or form of the currency of liquid bank deposits. In short "MONEY".

BLACK MONEY:-

It is refer to the turnover which is illegal i→ black turnover. The black turnover is when the actual transactions are not being recorded to the authorities. for purpose of tax evasion, black market sale of price controlled commodities.

Further the black economy can be & classified into another three categories:-

1. Illegal Income
2. Income that evades tax
3. Income that escapes inclusion in national income estimation.

These classification gives a notions that the classification can be Congruent with the Concept of 'Black economy'!

The aspects of black economy in India:-

- (1) Income from Current, legal economic activities
- (2) The income which is acquired from the legal activities
- (3) The income which is realized only from Capital gains
- (4) Income from current illegal activities → i.e. Smuggling, black marketing etc.
- (5) Illegally Gains from Capital gains on transfer of assets. e.g. Land/property
- (6) Illegal transfer of payments, including bribe, kickbacks etc.

Therefore, view of these aspects explains that the above mentioned points,(1),(2),(3) are legally acquired, whereas the points (4),(5),(6) are illegally acquired. or It.

(B) A QUALITATIVE VIEW:-

- before Discussing the qualitative view of the black economy, it should be understand that the widespread of society and the different types of peoples Consisting in it's having various Standard of livings,etc.

- After these term of widespread society, the Qualitative view can be easier to understand. Every people have different lifestyle as well as their way of income. This Concludes that the making and spending of black money have become pervasive in society.

- The prevalence of the tax evasion in India, dating studies by the NATIONAL INSTITUTE of PUBLIC FINANCE AND POLICY(NIPFP) found that evidences of large scale evasion in various industries, including Copper, cotton fabrics and plastic. { Available at the above site?}

- Getting forward the study of black etc income Varys with the Connection connection with the governance. This creates an relation with the Government controles, licencing permits. Evaluating these, it Concludes that these phases are creating opportunity for Corruption and generation of black etc income.

It Can be Said that the black etc income is Spawned by The System of Control; while it Can be Co-related with the political involvement in the transactions that generates such black income.

2. CAUSES AND GENERATION OF BLACK ECONOMY:-

The main purpose of this research is to understand and analyze the black income generation and causes. As above mentioned that the Society is widespread and black economy generation has become pervasive. Regarding this further the statement elaborates the way of generating black income is not only at governance level but it starts with individual levels of the Society. To understand this concept, let's consider the urban areas of India.

Overview

Black income generation in India's urban real estates sector is a pervasive issue, driven by various factors that incentivize both buyers and sellers to conceal a significant portion of transactions. The primary form of black income is declared undeclared capital gains, which arises when the actual sales price of a property is not reported accurately.

The underreporting is often facilitated by collusion between buyers & sellers, who agree to declare a lower price on the sale deed to evade taxes such as capital gain tax on the sale, wealth tax, and stamp duties.

For sellers, declaring reduces their tax liability, while buyers benefit from avoiding tax on unreported amount.

Additionally, black income is used to fund further real estate approach purchase or other activities where the unaccounted resources are necessary.

The use of black income in real estate transactions not only distorts the market but also deprives the government's revenue, perpetuating a cycle of tax evasion and corruption.

Overall the generation of black economy in urban real estate is a complex issue, driven by a combination of tax evasion, corruption & the desire to accumulate wealth outside formal economy.

Apart this, In India black economy income is generated at the individual level also. To understand the black economy at individual

Position we can consider the following bulletins-

1. duty frauds & duty laws The bulletin itself specifies the meaning of the conception, that because of the high levies and to complex duty system, it encourages individualities to attempt duty frauds. They hide and directly evades the levies levied on them. Corruption and bribery- As the Concept of Corruption is Common in all the situations regarding black plutocrat, the individualities are also propose to perform similar conditioning which comes under Corruption. Another conception of bribery which is the act of giving or entering commodity value in exchange for impacting a persons action in their professional or sanctioned Capacity. for eg.- paying a governmental functionary to expediate a permit or license or gifts procurement officer in exchange of for contract. and numerous other similar tasks are performed. Backing in political parties- Black plutocrat is frequently linked to political backing through various means effects, again bribery, etc.

3. CONSEQUENCES OF BLACK FRUGALITY:-

The black frugality, also known as the shadow or underground frugality, has far- reaching consequences on a country's profitable, social, and political geography. The consequences can be astronomically distributed into four crucial areas.

1. Mischance of Economy The black frugality can lead to a mischance of the frugality in several ways. Loss of Government Revenue The black frugality operates outside the formal frugality, performing in a loss of duty profit for the government. This reduces the government's capability to fund public goods and services, leading to a decline in the overall quality of life. deformation of profitable pointers The black frugality can distort profitable pointers similar as GDP, affectation, and severance rates. This can lead to inaccurate policy opinions, as policymakers may be misled by the false data. Inefficient Allocation of

coffers The black frugality can lead to an hamstrung allocation of coffers, as coffers are diverted to unproductive and frequently illegal conditioning.

2. Impact on financial System The black frugality can have a significant impact on a country's financial system. Reduced duty Base The black frugality reduces the duty base, making it challenging for the government to collect levies. This can lead to a advanced duty burden on the formal frugality, creating an uneven playing field. Increased duty elusion The black frugality promotes duty elusion, as individualities and businesses seek to avoid paying levies. This can lead to a culture of non-compliance, farther eroding the duty base. financial Inefficiency The black frugality can lead to financial inefficiency, as the government may be forced to calculate on circular levies, which can be accumulative and illegal.

3. Consequences on Income Distribution The black frugality can have significant consequences on income distribution. Increased Income Inequality The black frugality can complicate income inequality, as those who share in the black frugality may accumulate wealth at the expenditure of those who do not. illegal Competition The black frugality can produce illegal competition, as businesses that operate in the black frugality may have lower costs and be suitable to undercut their challengers in the formal frugality. Social Injustice The black frugality can immortalize social injustice, as those who are formerly disadvantaged may be more likely to be drawn into the black frugality.

4. Counteraccusations for Monetary Policy The black frugality can have significant counteraccusations for financial policy. deformation of Monetary pointers The black frugality can distort financial pointers similar as plutocrat force and haste of plutocrat. This can make it challenging for policymakers to apply effective financial policy. Inflationary Pressures The black frugality can produce inflationary pressures, as the increased demand for goods and services in the black frugality can drive up prices. Reduced Effectiveness of Monetary Policy The black frugality can reduce the effectiveness of financial policy, as the central bank may have limited control over the plutocrat force in the black frugality. In conclusion, the black frugality has far-reaching consequences that can impact a country's frugality, financial system, income distribution, and financial policy. It's essential for policymakers to understand the causes and consequences of the black frugality and develop effective strategies to alleviate its negative impacts.

4. CONCLUSION OF THE RESEARCH :

In conclusion, the research methodology highlights that in India, black economy income is generated at the individual level through various means. Key factors contributing to the black economy include tax frauds and tax laws, where high taxes and a complex tax system encourage individuals to attempt tax evasion. Additionally, corruption and bribery play significant roles, with individuals engaging in these activities to influence professional or official actions. Furthermore, black money is often linked to political funding

through methods like kickbacks and bribery. Understanding these bullet points provides insight into the dynamics of the black economy at the individual level in India.

•KEY WORDS:- parallel economy,developing economy,tax frauds,corruptions,real estates,political funding.

5.REFERENCES:-

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