

An Analysis of Black Income in India

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Abstract

Black income comprises of a very significant and fast growing element of India's economy. The various social, political, and economic consequences of black operations are very serious and have already affected most walks of life and economic activities. This paper tried to explore the various types and sources of black income in India, in light of the current government schemes to control black income generation. Unlike other studies, it did not restrict itself to an examination of the evasion of personal income tax only, but covers a much wider territory, going from evasion of excise and custom duties to smuggling. It also provided rough estimates of black income over the period of mid-1950s to the present.

Key words : black income, tax evasion, smuggling, bribery, income tax

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Black money has been defined by various ways in economic theory and there are several terms which can be used synonymously with black money such as 'unaccounted income,' 'dirty money,' 'parallel economy,' 'shadow economy,' and 'underground' or 'unofficial economy'. All these terms usually refer to any income on which the taxes imposed by the government have not been paid. Such income may be generated from both legitimate and illegitimate activities. The National Institute of Public Finance and Policy (NIPFP) in its 1985 report defined black income as the aggregates of incomes which are taxable but not reported to the tax authorities.

With the rapid growth of black economy in India, and its attainment of a level high enough to be able to command a significantly large proportion of India's economy, it has become imperative to study the nature and functioning of the black economy. Black operations adversely affect the functioning of the economy and the political system as well as the various institutions related to them. All policy measures, howsoever well conceived, get variously miscarried in such a state, and hence lose much of their efficacy.

The basic objectives of economic planning in India are very much disturbed with the existence of the parallel economy. This black economy started to operate during the Second World War when the country experienced a serious shortage in essential items, and the government resorted to various rationing and control systems. With the growth of the economy in the post-independence period, the extent of the black economy got further magnified, and it now plays a dominant role in determining the trend of economic activities as well as the national policies.

This paper attempts to study the nature of black income, concentrating on the theoretical analysis and the empirical estimates as well as bringing out the potential consequences of the recent government action towards black operations.

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Types of Black Income

The various types of black income generation can be classified under a few empirically meaningful categories to facilitate suitable policy formulation. To begin with, the definition of black income clearly suggests a twofold classification of all black income into non-reportable and reportable black income. Non-reportable black income is income that cannot be reported for tax purposes, simply because the manner in which it is raised is illegal or illegitimate. Reportable black income, on the other hand, is income that is earned through legitimate sources, but is concealed from the tax authorities with the sole objective of tax evasion.

(1) Non-Reportable Black Income : There are many forms and sources of non-reportable black income. For simplification, these have been compressed under the following four heads (Gupta, 1992) :

(i) Crime Income : Income derived through the use of criminal means such as robbery, theft, smuggling, drug trafficking, counterfeiting, kidnaping, human trafficking, embezzlement, economic fraud, and illegal trade in arms.

(ii) Bribe/Corruption Income : Income derived by people in authority or their agents, whether in public or private employment, through the sale of favours to the briber. This could also stem from leakages from government social spending programmes, speed money to circumvent or fast-track procedures, black marketing of price-controlled services, and altering land use regularizing unauthorized construction.

(iii) Black-Market Income : This refers to any extra income derived from charging higher prices (higher than officially fixed), or the income received from the sale of black quantities (such as smuggled or adulterated goods), which is not reported to the tax authorities.

(iv) Black - Wealth Income : Black wealth is held in various forms such as real estate, jewellery, business assets, foreign currency accounts, cash and bank deposits, etc. There may be some income from black wealth (e.g. interest income from lending of black funds) which will not be declarable to the tax authorities, as the source of the income itself is illegitimate.

(2) Reportable Black Income : Reportable black income is income that is earned through legitimate economic activities, but becomes 'black' when it is suppressed from the tax authorities so as to evade the tax liability on such income. This arises in more or less all income generating activities wherein the income is not automatically recorded, such as income of self-employed professionals, labour income in unorganized activities as well as a significant part of business income.

According to a Ministry of Finance (2012) white paper :

Culture and social practices may also play a vital role in deciding the preference of citizens between tax compliance and black money generation. In a society where tax evasion and under-reporting of activities and income is perceived to be very common or the norm, such activities may be considered acceptable and honest tax compliance and paying one's due share to the public fund may not be considered a virtue. Studies indicate that countries with relatively poor implementation of regulations tend to have a higher share of unaccounted economy, whereas countries with properly implemented regulations and sound deterrence have smaller 'black' economies. (p.3)

There are certain sections of the economy which are more prone to generation of black income. These include real estate, financial markets, bullion and jewellery market, non-profit organizations, public procurement, informal service sector, international transactions involving tax havens, and external trade and transfer pricing. An approach to classify and understand various ways and means adopted by tax payers for generation of black income would be the financial statement approach and to understand their book of records.

Some of the types of manipulations of financial statements that result in tax evasion and generation of black income are as follows (Ministry of Finance, 2012):

(i) Out of Books Transactions : This means that the tax payer either does not maintain book of accounts or maintains parallel books.

(ii) Manipulation of Books of Account : Manipulating books of account by not confirming to various laws like Companies Act 1956, Banking Regulation Act, and the Income Tax Act.

(iii) Manipulation of Sales/Receipts : This involves manipulating actual sales proceeds and expenditure for the purpose of tax evasion.

(iv) Manipulations of Capital: It is one of the ways of money laundering and introduction of black money in the books of account.

(v) Other Manipulations of Accounts: Producing bogus bills for inflating raw material costs, other expenses like labour charges, commissions etc. can be falsely booked to reduce profits.

It is imperative to note that black-income activity does not end with only generating black income, but it results in black consumption and black saving, which when accumulated results in black wealth. Thus, black consumption, black saving, and black wealth are essential correlates of black income which further hamper the efficient working of the economy and society. It is safe to assume that the bulk of the black income accrues to the rich class, and hence based on the standard macroeconomic relationship between income and saving, we may say that black savings form a higher proportion of the overall savings in the economy.

Sources of Black Income

This section highlights the main sources of black income, both non reportable and reportable, namely :

- (1) Evasion of Income Tax**
- (2) Evasion of Excise Duty**
- (3) Evasion of Customs Duty**
- (4) Smuggling**
- (5) Other Sources**

(1) Evasion of Income Tax : In the theory of public finance as well as in academic policy discussions, much emphasis is laid on income tax. It is identified as a potent tool for correcting gross inequality in the personal distribution of income. However, due to the large scale evasion of income tax, the aforesaid goal of reduced inequality in the distribution of income has remained confined to only policy statements and has not been realized in practice (Bagchi, 1974). In fact, most researchers are of the view that the degree of distributional inequality in the economy using Gini coefficient and other indicators has grown, if anything. This is evident from a recent report by a wealth research firm which suggests that India is the second most 'unequal' nation in the world. The main

methods of income tax evasion include the suppression of legitimate income, overstatement of business expenditure, abuse of tax concessions/exemptions, etc.

(2) Evasion of Excise Duties : Excise duties are duties or taxes on the domestic manufacture of commodities, and are divided between union excise duties and state excise duties. The most common methods of evasion of excise duties are suppression of production, undervaluation or under-invoicing the product, misclassification of goods carrying different rates of duty, misuse of exemptions, etc.

The evasion of excise duties leads to evasion of several other taxes, namely, sales tax, corporation tax, personal income tax, and wealth tax. This is because excise duty evasion implies that a part of the true market value of output is not shown in the books of the producer and this helps escape a part of the sales tax due (Gupta, 1992). The undeclared output is sold without any regular invoice. If this output is used as an input in the manufacture of other excisable goods, it both facilitates and compels the non-declaration of the final manufactured goods for tax purposes. If the output is a final good which is subject to sales tax, this output is also sold clandestinely without the seller paying the sales tax due. Corporation tax gets evaded because, with a view to lower one's excise duty liability, total output and the value of this output are understated, without any corresponding reduction in corporate expenses. Thereby, the net taxable profits are understated and a part of the corporate tax is evaded.

(3) Evasion of Customs Duties : Formally, customs duties are duties or taxes on the flow of goods traded across the borders of the country, that is, on the import of goods into India from other countries as well as the export of goods outside India. However, as most of these exports are duty free and the remaining is subject to a very low rate of duty, customs duty in India stands only for import duty for all practical purposes.

After union excise duties, customs duties are the second largest source of revenue to the government. Customs duties are levied and collected by the Central government and its revenues are fully retained by it, and not shared with the state governments. Similar to the excise duty evasion, the most prominent methods of customs duty evasion include undervaluation or under-invoicing of imports, misclassification of false declaration of goods, amongst others.

(4) Smuggling : Smuggling refers to the illegal import or export of goods. Only when there is complete free trade in goods of all kinds (including narcotics, and arms and ammunition) is smuggling, by definition, completely eliminated. But, for reasons of state policy pertaining to protection of the domestic industry against foreign competition, government revenues and balance of payments and ban on trade in goods which are considered to be hazardous to the welfare society, the Government in India has been following a policy of intensive control of the country's foreign trade through the medium of customs duties, physical controls such as import licenses, and foreign exchange regulations. All these controls and tariffs invariably create profitable opportunities for trade by smugglers in several goods, the expected average rate of profit from smuggling varying a good deal across commodities to be traded over time.

(5) Other Sources

(i) Industrial Licensing: Another important source of black income and wealth in India has been industrial licensing. This has held the large-scale industrial sector in the country under its shackles for 40 years (1951- 1991). No doubt, its rigors were somewhat relaxed during the 1980s, especially since early 1985. However, the relaxations made were of a cautious and ad-hoc nature within the general framework of industrial licensing. These amounted to no more than merely tinkering with the industrial licensing system which was otherwise left untouched. Major changes were introduced with the New Industrial Policy of the government announced on July 24, 1991, under which the industrial licensing requirement was fully withdrawn for all large-scale industries,

except for 18 industries for which licensing continues to be compulsory (Gupta, 1992).

(ii) Trade Controls and Foreign Exchange Leakages: Foreign trade has been another important area for earning large amounts of black income, especially in relation to import controls and licenses (Bhagwati, 1974). The main sources of foreign exchange leakages are :

- ↪ Under-invoicing of exports/over-invoicing of imports,
- ↪ Inward remittances of foreign exchange through illegal channels,
- ↪ Smuggling of goods outside India,
- ↪ Illegal exchange of foreign exchange from tourists visiting India.

In addition to the above, *hawala* transactions also serve as an important device for foreign exchange leakages. These involve remittance of funds through non-official channels outside the formal banking system, and a large amount of foreign exchange transactions are presumably carried through them. It is also sometimes referred to as “Underground Banking”. *Hawala* works by transferring money without actually moving it. In a *hawala* transaction, no physical movement of cash happens. *Hawala* system works with a network of operators called *hawaldars* or *hawala* dealers.

(iii) Urban Real Estate : Transactions in urban real estate generate a large amount of black income, guesstimated to be several thousand crores annually. Another common practice is the under-reporting of rents received. Besides, property owners charge new tenants large amounts of interest free advance, a security deposit or a non-refundable lump sum while renting out their properties. However, the black income made in this way is small and scattered. The bulk of the large black gains in urban real estate are made in the outright sale of real estate, most of which are *benami* or fictitious dealings (Gupta, 1992).

(iv) Bribes: Bribe as a form of black income is a very common phenomenon. They are mainly used to influence the decision of the authority dealing with a case, or the power to approve or recommend an application, or simply to forward a case file in a government office. Bribe-taking has spread to private sector offices also, where bribes are paid even to get payment of bills duly passed. According to Gupta (1992), bribes promote efficiency by cutting down delays and red tape, thereby saving the time, energy, and effort of the management in procuring necessary official clearances and permissions (including licenses) and facilitating business activity. On the other hand, the author also argued that bribes breed corruption which, in high places, does not stop at small amounts, but extends to large kickbacks or cuts, running into several crore rupees. Besides, official delays and red tape at various official levels are time-honoured ways of extracting bribes from the public. The latter is made to pay if it wants to avoid delays, several trips to government offices, and filing answers to all sorts of queries. Further, in a regime of shortages, bribes simply help to jump the queue. They do not ensure that it is always the most deserving who gets the necessary official clearance or permission (Gupta, 1992).

Black Income Estimates

Estimating black income is not an easy task, given the non-availability of reliable data. In India, the extent of black income is quite significant. Below is a brief analysis of the various methods of estimation (Ministry of Finance, 2012):

(i) Input/Output Method : It is a simple method using the input/output ratio, input and the actual output. Black

money is calculated as difference between the actual output and the expected output based on input/output ratio. It is not a useful approach if applied to the whole economy and ignores structural changes.

(ii) Monetarist Approach: It is the difference between the amount of money in the official economy and the money in circulation. An estimation of velocity of money provides the estimate for money in circulation. This can be compared with the actual estimates of money captured in National Accounting System (NAS). However, large proportions of income, such as those falling in the unorganized sector, are not accurately captured in NAS, thus there may be upward bias in the estimate of black money so derived.

(iii) Survey Approach : Under this approach, consumption pattern of a representative population sample can be compared with the total consumption of the country. However, the problems consist in getting a truly representative sample, unambiguous set of questions, and the people are unwilling to reveal true facts.

(iv) Fiscal Approach : In this method, black money is estimated in each sector of the economy and then added to get the economy black money estimate. However, the process of identifying 'black component' in these sectors and the assumptions suffer from inherent subjectivity of the researcher and lack of uniform standards.

There are two different approaches which are mostly followed in the estimation of black income, that is, Kaldor's approach of quantifying non-salary incomes above the income tax exemption limit (Kaldor, 1956), and Edger L. Feige's method of estimating transaction income on the basis of currency - deposit ratio (Feige, 1989). Various estimates of black income have been made in India based on these approaches by different authorities over time. In his report on the Indian tax reform, Kaldor (1956) assessed the black income to the extent of ₹ 600 crore in 1953-54, which accounted for almost 6.0 % of the GNP (Kaldor, 1956). Wanchoo Committee in 1971 again estimated the amount of black income at ₹ 700 crore in 1961-62, which was 4.4% of the GNP and then at ₹ 1,000 crore and ₹ 1,400 crore in 1965-66 and 1968-69, respectively (Gupta, 1992).

Chopra prepared a series of estimates of black income where it increased from ₹ 916 crore (6.1 % of the GNP) in 1961-62 to ₹ 8,098 crore (10.5 % of the GNP) in 1976 - 77 (Chopra, 1982). In addition, the black income estimates by Poonam Gupta and Sanjeev Gupta revealed an increase in its amount from ₹ 3,034 crore (9.5 % of the GNP) in 1967-68 to ₹ 46,487 crore (48.8% of the GNP) in 1978-79 (Gupta & Gupta, 1982).

The National Institute of Public Finance and Policy (NIPFP) also made an estimate of black income in the range of ₹ 9,958 crore to ₹ 11,870 crore (15% to 18 % of the GNP) in 1975- 76, increasing to the range of ₹ 31,584 to ₹ 36,784 crore (18% to 21% of the GNP) in 1983 - 1984 (NIPFP, 1985). The estimate of black income made by NIPFP is the last official estimate and since then, no other official study has been conducted by either the Planning Commission, or the Finance Ministry, or any other research institute.

In 1992, S.B. Gupta estimated the black income figure at 42 % of the GDP for 1980- 1981, 46% for 1983- 1984, and 51% for 1987- 1988 (Gupta, 1992, p.146). Arun Kumar pointed out certain defects in Gupta's method as well as in the NIPFP study. He estimated black income to be about 35% for the year 1990-91 and 40% for the year 1995-96 (Kumar, 2002). More recently, Arun Kumar made an attempt in estimating the relative size of the black economy as 62% of the GDP in 2012 (Kumar, 2016). No other recent official data is available on the size of black income in order to make accurate estimates. India has a vast informal economy wherein a major share of the GDP goes unreported and makes way for black income generation. A report by National Commission for Enterprises in the Unorganised Sector estimated that in 2004-05, out of the 458 million persons employed in India, 86% or 395 million worked in the unorganized sector, generating 50.6% of the country's GDP (National Commission for Enterprises in the Unorganised Sector (NCEUS), 2008).

The available estimates are a clear indicator of sharp increases in unaccounted money over time in the Indian economy, despite the introduction of simplified tax structure and other economic reforms. The Table 1 summarizes the various black income estimates provided using the different methodologies over time.

Table 1. Various Estimates of Black Income in India

Year	Chopra's Estimates*		Gupta & Gupta's Estimates*	Gupta & Mehta's Estimates*	Ghosh, Bagchi, Rastogi, & Chaturvedi's Estimates*	Rangnekar's Estimates*	S.B. Gupta's Estimates**	Arun Kumar's Estimates***
	Wanchoo Method	Own Method						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1970-71	4.8	5.2	22.3	-	7.6	-	-	13.7
1971-72	5.1	3.2	28.7	-	7.8	-	-	14.5
1972-73	4.0	3.8	31.9	-	7.8	-	-	15.3
1973-74	4.9	8.1	27.1	-	7.4	9.9	-	16.1
1974-75	5.9	12.4	20.9	13.8	8.1	9.3	-	16.9
1975-76	5.6	9.9	25.0	-	8.4	10.0	-	17.7
1976-77	5.7	10.2	37.6	-	8.7	11.3	-	18.5
1977-78	-	-	38.4	-	8.7	12.1	-	19.3
1978-79	-	-	48.1	19.8	-	13.5	-	20.1
1979-80	-	-	-	-	-	14.4	-	20.9
1980-81	-	-	-	-	-	-	41.7	21.7
1983-84	-	-	-	-	-	-	45.8	24.1
1987-88	-	-	-	-	-	-	50.7	27.3
1990-91	-	-	-	-	-	-	-	35.0
1995-96	-	-	-	-	-	-	-	40.0
2006-07	-	-	-	-	-	-	-	48.9
2007-08	-	-	-	-	-	-	-	53.9
2008-09	-	-	-	-	-	-	-	53.7
2009-10	-	-	-	-	-	-	-	55.7
2010-11	-	-	-	-	-	-	-	58.5
2011-12	-	-	-	-	-	-	-	62.0

Source: *NIPFP (1985), **Gupta (1992), ***Kumar (2016)

Note: Columns (2), (3), (4), (6), and (7) are computed as a percent of GNP at current market prices. Column (5) is computed as a percent of GDP at factor cost and 1970-71 prices. Columns (8) and (9) are computed as a percent of GDP at current market prices.

The World Bank Development Research Group on Poverty and Inequality and Europe and Central Asia Region Human Development Economics Unit (Schneider, Buehn, & Montenegro, 2010) estimated the size of the 'shadow economy' for 162 countries, including India, using the MIMIC (multiple indicators multiple causes) estimation method for the period from 1999-2006. A shadow economy, for the purposes of the study, was defined to include all market-based legal production of goods and services that are deliberately concealed from public authorities for any of the following reasons :

- ↳ To avoid payment of income, value added, or other taxes.
- ↳ To avoid payment of social security contributions.
- ↳ To avoid having to meet certain legal labour market standards, such as minimum wages, maximum working hours, and safety standards; and

↳ To avoid complying with certain administrative procedures, such as completing statistical questionnaires or other administrative forms.

According to this report, India stood at rank 15 amongst 88 developing economies, with an average size of 'shadow economy' of ~22 % of the GDP over the years 1999-2006.

Consequences of Black Income on the Economy

Black income is a socioeconomic evil and its rapid growth has disastrous consequences on our economy. The major effects of black income are discussed below :

(i) Creation of Dual Economy : The increase in the black activity in India over a period of time has led to the perpetual growth of economic dualism which consists of a parallel economy operating side by side with the official or reported economy in the country. This black economy represents not less than one fifth of the aggregate economic transactions.

(ii) Underestimation of Size of the Economy : A large underground economy and growth of black income lead to under-estimation of the true size and incorrect picture of the economy by the officially compiled national income data. Since an unreported economy is apparently excluded from the official records of the GNP, the estimates of savings and consumption of and measurement of other macroeconomic variables would be biased and misleading for accurate policy making and planning considerations.

(iii) Loss of Government Revenue : Tax evasion has a direct impact on the government revenue. If the Government fails to get sufficient tax revenue due to large-scale tax evasion, it is forced to resort to high taxation and deficit financing which again carry their ill-economic effects.

(iv) Widening Income Inequality : Growth of the black economy causes regressive distribution of income in the society. When the black money grows faster, the rich become richer and the poor become poorer. Hence, by way of concentration of income and wealth in few hands, the black money widens the gap between the rich and the poor.

(v) Distortion in Production Patterns : Black money has, over time, altered the choice coefficients in the market in favour of luxury items, which lead to the diversification of productive resources from essential goods to the non-essential goods.

Recent Government Measures to Tackle Black Income

On November 8, 2016, the current Prime Minister, Shri Narendra Modi announced that in less than four hours, ₹ 500 and ₹ 1,000 bills would be demonetized, thereby withdrawing their status as legal tender. This came as a major shock since India has one of the highest levels of currencies in circulation at over 12 % of the GDP, and of this cash, approximately 87% is in the form of ₹ 500 and ₹ 1,000 notes (Reserve Bank of India, 2016). This has been by far the most powerful step taken by any government against black money. The fundamental idea behind this exogenous shock was to raise the cost of illegal transactions since cash facilitates crime because it is anonymous and big bills are easy to carry.

While the currency demonetization may have come across as a surprise move, it is clear, in hindsight, that the Prime Minister had been preparing for the move since long. The first major step in this direction was the launch of

the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014. With the massive rollout of the PMJDY, access to banking facilities was nearly complete for majority of the population, thus avoiding logistic issues with the announcement of demonetization. As of November 2, 2016, as many as 25.45 crore accounts had been opened so far under the PMJDY and ₹ 45,302 crore had been deposited in these accounts (Department of Financial Services, Ministry of Finance, 2016).

The PMJDY was also followed by the Income Declaration Scheme (IDS) where people were given an opportunity to declare their wealth amassed through various means. The IDS, which opened on June 1, 2016, gave a chance to black money holders to declare their assets by September 30, 2016 and paying tax and penalty of 45% on it, which is 15% more than the normal tax rate of 30%. This included a penalty of 7.5% and surcharge of another 7.5%. At the end of the government's IDS, the tax department reported ₹ 65,250 crore worth black money from 64,275 declarations, which implies that about ₹ 30,000 crore will flow into the government's coffers based on the 45% tax requirement (Press Information Bureau, Ministry of Finance, 2016).

Another important step in this direction has been the replacement of multiple indirect taxes currently levied in the system by the Goods and Services Tax, or the GST. It appears that the GST is not just a tax reform, but truly a black money law and one of the biggest social reforms in the country since independence. According to the proposed GST system, every supply of goods and services will be taxed at the source of origin, which will help strike at the root of where black income gets generated. The GST reform is a step towards a more transparent billing system which can help check the corruption and root out black money from the Indian economy.

The effect of this demonetization is not going to be uniform across the economy, but will impact sectors that have a larger cash component in their transactions, such as real estate etc. In the long run, this may prove to be a significant positive shock to the Indian economy and society. It will send a strong signal about India's anti-corruption drive and is very likely to improve the country's economic prospects in the long term. It will also help provide a boost to the government's financial inclusion drive, pushing more households towards efficient banking and payment infrastructure. While consumers were cash-strapped in the short-run, which hit the overall spending capacity, this policy has helped compel more people to disclose their real incomes and pay taxes, which is good for the government's coffers. This unprecedented inflow of cash would help the government spend more on education, health, and rural housing.

Conclusion

This paper attempts to study the primary sources of black income generation, the available statistical estimates, and the recent steps taken by the government to control the parallel economy. The various sources of black income have been categorized as 'reportable' and 'non-reportable' based on the means of income generation. Some of the important reasons behind the generation of black income in India over the past decades include tax evasion due to ineffective enforcement, license or permit system, smuggling, bribery, etc.

Black money fosters corruption and undermines the right of the common man by reducing him to a lesser human being in the society. The consequences of black operations have been widespread as well as far-reaching, affecting every aspect our political, economic, and socio-cultural lives and adversely impacting the very foundations of honest human behaviour. The harm they have caused is not merely superficial, but goes deep into the socio-political-economic structure. India has massive physical cash in circulation amounting to almost ₹ 17 lakh crore, or 12% of the GDP. The more the physical cash, the greater is the scope for generation of black income. Government actions such as demonetization can help start a move towards a cashless economy, free from black money. Needless to mention, this cannot be achieved without complete financial inclusion through a seamless banking system.

Research Implications, Limitations of the Study, and Scope for Further Research

The above analysis concerning the various factors leading to generation of black income in India, along with the various measures taken to counter it, makes it apparent that there is no single solution to rid the society of this menace. On the other hand, it is not impossible to prevent the generation of black income in future, if a comprehensive mix of well defined strategies is pursued with perseverance by the Central and State governments and put into practice by all their agencies in a coordinated manner. There are numerous challenges which the governments face in their attempts to curb black income generation, some of which are :

- (i) Take active steps to control criminal activities such as counterfeit currency, drug trafficking, etc. which lead to generation of significant amounts of black income.
- (ii) Develop multipronged strategies to curb corruption, which is a major reason behind black income generation and its growth.
- (iii) Achieve coordination with other countries in order to repatriate black money stashed abroad.
- (iv) Formulate policies to strengthen social values of citizens of the country to collectively fight black income.

Curtailment of black money has been one of the major priority areas of the government, especially in the recent years. Not only would it curb the menace of corruption and terrorism, it would also bring a lot of money outside the system back into the financial system, which can be used by the banks for onward lending for commercial activities. Overall, it would significantly improve India's position in the global arena as a country which abides by the law and where businesses can flourish through legitimate means, hence paving way for large scale investments both from within the country and abroad.

The current study is limited in terms of the official estimates and data which are available for the actual size of the black economy in India. There are no reliable estimates of black money generation or accumulation, neither is there an accurate well-accepted methodology for making such estimation. By its very definition, black money is not accounted for, thus all attempts at its estimation depend upon the underlying assumptions made and the sophistication of adjustments incorporated. Among the estimates made so far, there is no uniformity or consensus about the best methodology or approach to be used for this purpose. Hence, it would be interesting to conduct studies which can estimate the volume of black money more accurately, either by using one of the existing methodologies or by devising new ones. It could also be of interest to estimate the impact of the recent government measures of demonetization and digitalization on the size of black economy and to assess any new sources of black income, which may have arisen.

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