

## NON-TAX REVENUE IN HARYANA: AN ANALYSIS

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### ABSTRACT

India is a federal State and hence has a federal finance system. It implies that each level of Government is entrusted with sources to raise adequate revenue to discharge its functions. A state has its own tax and non-tax resources. Other than that there is contribution from the central Government in the form of share in central taxes and grants-in-aid. This study concentrates on the basic structure and analysis of own non-tax revenues of Haryana. The trend has been studied over the last three decades with analysis on reasons for its variations. There is a definite decline in the ability of the state to raise revenue internally in the past ten years. The state of Haryana has also shown a decline in its share of ONTR to GSDP from the level that was obtained in early 1990s.

**KEYWORDS:** Federal Finance, Revenue, Buoyancy, Deficit

### INTRODUCTION

Successful functioning of a state rests mainly on its ability to establish a feeling of wellbeing amongst its subjects. The modern concept of a welfare state is based on its duty to provide for basic needs of the people along with the development of an economy. These functions demand a consistent source of revenue which is the backbone of a state and an economy. For most of the countries, around the world, taxes of various kinds are the major source of revenue. The concept of taxes as a source of revenue is probably as old as we can trace the organized civilization.

The practice of taxing its subjects has evolved through innumerable civilizations, reigns, colonial rulers and evolving economies to present day structures. The governments have juggled through various kinds of taxes to meet their ever increasing expenditure. However, the use of taxes as a source of revenue can be exploited to a certain limit only so as to not adversely affect the 'will to work' and 'wellbeing' of people. That is the major reason why the sources of non-tax revenue have gained more importance in the recent past and especially more so in developing countries like India.

### OBJECTIVES OF THE STUDY

- To analyze the structure of State's Non-Tax revenue
- To evaluate Trends in State's Own Non Tax Revenue in past three decades
- To study the comparative contribution by State's Own Tax Revenue and Non Tax Revenue during 2005-06 to 2015-16.

India is a federal State and hence has a federal finance system. It implies that each level of Government is entrusted with sources to raise adequate revenue to discharge its functions. This feature also very clearly specifies the division of 'levying and collection of taxes' between center and state. In addition to this, there is provision for the central

Government to provide grants-in –aid to the states. Though the scope of this study limits to the trends in ownnon-tax revenue sources, an outline of the other sources of revenue will assist in analyzing the problem.

In India, total Revenue Receipts of Centre include:

- Tax Revenue
- Non Tax Revenue and
- Self Balancing Items.

The financial statement of a state commonly known as budget comprises of consolidated Fund and Public Account. The consolidated fund shows transactions on State's total revenue receipts and expenditure under revenue account and capital expenditure, public debt, recoveries from loans and advances under capital account. All other receipts and disbursements which are not part of consolidated fund are included under Public Account. The fiscal strength of a state is reflected through the trends in various aspects of revenue and expenditure. Since this study concentrates on trends in non-tax revenue, it is important to first understand the meaning of revenue receipts and its components.

In case of a state the total revenue receipts (TRR) comprise of

- State's own Tax Revenue
- State's Non –Tax Revenue
- Grants in aid from center
- Share in Central Taxes.

The non- tax revenue of the State Governments includes:

- State's Own Non Tax Revenue
- Central Transfers

The State's Own Non-Tax Revenue includes

- Interest Receipts
- Dividends and Profits
- General Services
- Social Services
- Economic Services

Under Central Transfers the states receive normal Plan Transfers through Planning Commission, grants through the Finance Commission and Ministries, Grants under Centrally Sponsored Scheme etc.

## NON-TAX REVENUE RECEIPTS

In the decade of the nineties, States' own non-tax revenue constituted between 13.7 and 17.7 percent of the total revenue receipts and between 9.2 and 13.1 percent of the total receipts of the States (Purohit and, Purohit, 2006). I.C. Arya (2004) attributed the lower level of non-tax revenue during 1980-2001 to the lower recoveries from public services like free electricity to agriculture sector, high level of subsidies, exemptions to industries etc. Sickness and losses in large, medium and small industries also caused a decline in non-tax revenue (R.K. Mishra, 2000).

In case of the state of Haryana, the pattern of non-tax Revenue over the past three decades shows that it forms approximately 20% to 25% of the Total Revenue Receipts except for a few years from 1993-94 to 1997-98. Even if we disregard the accounting artifact of gross receipts from sale of lottery tickets and other self-balancing artifact in interest receipts relating to irrigation and State Electricity Board, the true contribution of Non-Tax Revenue to Total Revenue Receipts will be around 15% to 20% during the 1980s ([http://shodhganga.inflibnet.ac.in/bitstream/10603/7869/7/07\\_chapter%203.pdf](http://shodhganga.inflibnet.ac.in/bitstream/10603/7869/7/07_chapter%203.pdf)).

In the years 1993-94 to 1997-98, the proportion of ONTR (Own Non-Tax Revenue) went very high touching 59.05% in 1994-95. The percentage share of ONTR saw a decline toward the end of nineties to about 22%. During 2001 to 2005 the proportion of non-tax revenue to total revenue receipts remained 20% to 22%. Thereafter it declined to as low as 17% during 2005-06.

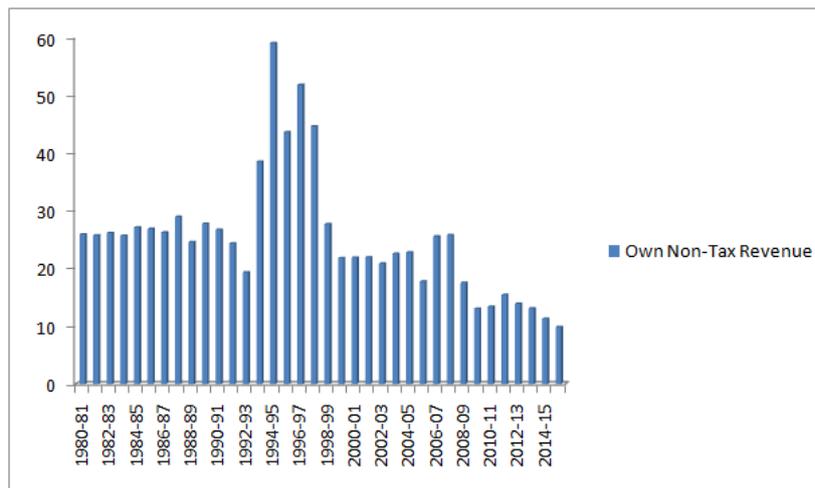
After a slight improvement in the next two years, it again slid down to 13% during 2009-11 and 9.87% in 2015-16. The decline in Own Non-Tax Revenue from 2008-09 to 2010-11 also occurred due to lesser receipts under the head 'Urban Development' due to real estate recession following the global recession. In fact, since the early 2000, Urban Development had become a major head under ONTR in Haryana due to many real estate projects applications, though an in-depth study reveals that the major real estate boom was limited to Gurgaon District. In the last decade the performance of ONTR has been particularly poor. A declining trend in the State's Own Non Tax Revenue is also attributed to contraction of charged Government Services or a non-recovery of economic cost of services (White Paper on State Finances, Part-1, 2015, Govt. of Haryana)

Amongst the various components of ONTR, the Economic Services have the largest contribution to Total Own Non Tax Revenue from 1980-81 to 2005-06 except for the years 1993-94 to 1997-98, when the largest contribution came from General Services. Under Economic Services also, the major chunk of revenue originated from Road Transport and Industry with negligible contribution from Animal Husbandry, forestry and Wild Life, power and fisheries (State Finances: A Study of Budgets, RBI, Various Issues).

**Table 1**

Share of ONTR in Total Revenue Receipts			
Year	Own Non-Tax Revenue	Year	Own Non-Tax Revenue
1980-81	25.94	1998-99	27.71
1981-82	25.74	1999-00	21.83
1982-83	26.14	2000-01	21.9
1983-84	25.7	2001-02	21.92
1984-85	27.13	2002-03	20.88
1985-86	26.88	2003-04	22.58
1986-87	26.25	2004-05	22.82
1987-88	28.99	2005-06	17.75
1988-89	24.61	2006-07	25.57
1989-90	27.75	2007-08	25.81
1990-91	26.71	2008-09	17.55
1991-92	24.36	2009-10	13.06
1992-93	19.36	2010-11	13.38
1993-94	38.51	2011-12	15.45
1994-95	59.05	2012-13	13.89
1995-96	43.61	2013-14	13.09
1996-97	51.79	2014-15	11.31
1997-98	44.61	2015-16	9.87

Source: RBI, State Finances: A Study of Budgets, Various Issues, Economic Survey of Haryana, Various Issues.



**Figure1: Share of ONTR in Total Revenue Receipts(Haryana)**

**Table 2: Own Revenue Receipts in Haryana (Rs.Crore)**

Year	Total Revenue Receipts	State's Own Revenue	State's Own Tax Revenue	Rs. Crore
				State's Own Non-Tax Revenue
2005-06	13853.31	11537.21	9078.65	2458.56
2006-07	17952.43	15518.52	10927.76	4590.76
2007-08	19750.74	16714.9	11617.82	5097.08
2008-09	18452.31	14893.73	11655.28	3238.45
2009-10	20992.66	15960.9	13219.5	2741.4
2010-11	25563.68	16790.37	16790.37	3420.94
2011-12	30557.59	20399.46	20399.46	4721.65
2012-13	33633.53	28232.15	23559	4673.15
2013-14	38012.08	30541.66	25566.6	4975.06
2014-15	40798.66	32247.69	27634.57	4613.12
2015-16( RE)	54167.35	40284.42	34939.88	5344.54
2016-17(BE)	62955.53	48507.96	40199.51	8308.45

Source: Various Economic surveys of Haryana

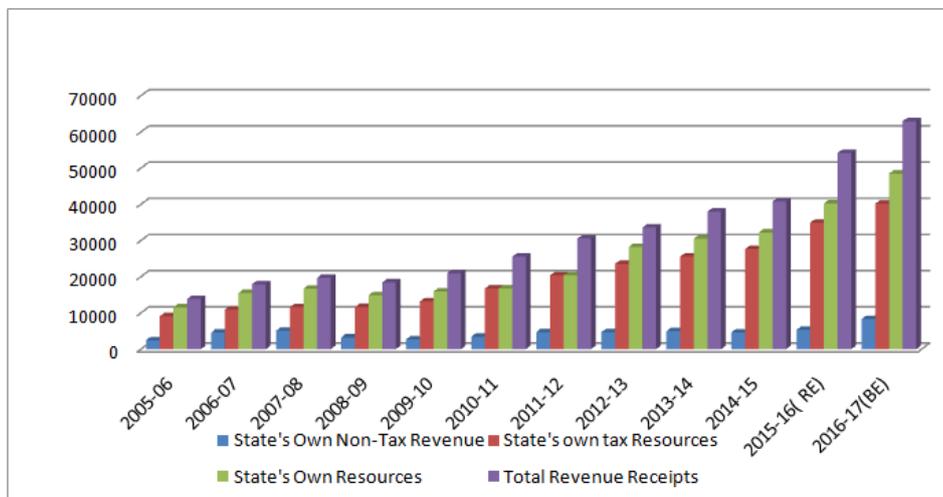
**Figure 2: Comparative Revenue Indicators (Rs. Crore)**

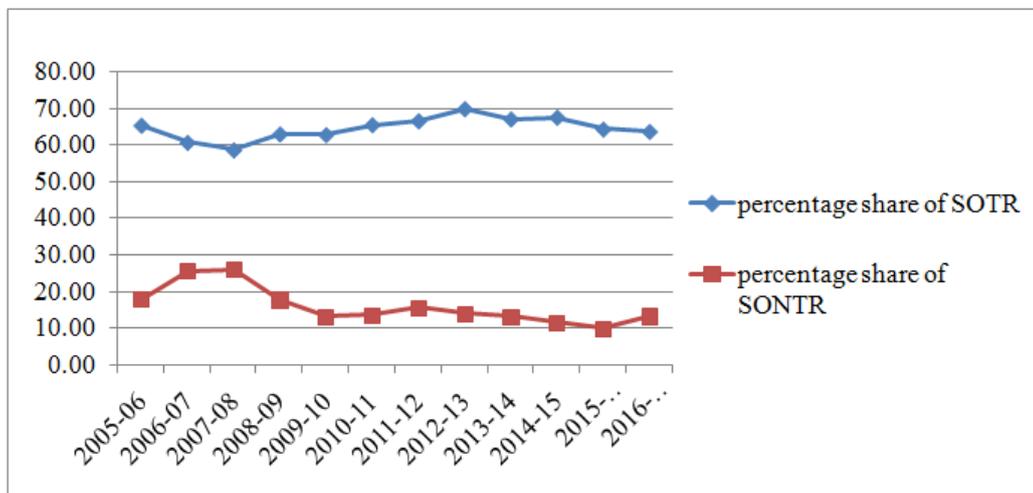
Table- 2 represents the data of OTR and ONTR of the State of Haryana in the past decade. In absolute terms the revenue collection from ONTR jumped to Rs. 4590.76 in 2006-07 and Rs.5097.08 in 2007-08 from Rs.2458.56 in 2005-06. Thereafter, the revenue collections again declined and showed some improvement in 2011-12 after the recession period. Till 2015-16, there is only marginal increase in the non- tax revenue which is a cause of concern.

In the past seven years the contribution of ONTR has gone down to a large extent and the contribution of OTR has almost remained the same except for 2012-13. This led to relatively lesser collection in the state's Total Own Revenue. The revised estimates for the year 2015-16 show a further decline in State's own Revenue to 74.3 and a dismal 9.87 in case of Own Non Tax Revenue. This reflects a decline in the ability of the state to raise revenue internally. The share of central grants during the above period has increased indicating the dependency on the central Government and lack of buoyancy in the state receipts.

**Table 3: Share of Own Tax Revenue, Non Tax Revenue and Total Own Revenue in Haryana in Total Revenue Receipts**

Year	SOTR	SONTR	Total Own Revenue
2005-06	65.53	17.75	83.28
2006-07	60.87	25.57	86.44
2007-08	58.82	25.81	84.63
2008-09	63.16	17.55	80.71
2009-10	62.97	13.06	76.03
2010-11	65.68	13.38	79.06
2011-12	66.76	15.45	82.21
2012-13	70.05	13.89	83.94
2013-14	67.26	13.09	80.35
2014-15	67.73	11.31	79.04
2015-16( RE)	64.50	9.87	74.37
2016-17(BE)	63.85	13.20	77.05

Source: Calculated on the basis of figures available in various issues of Economic Survey of Haryana



**Figure 3: Comparative Percentage of State OTR and ONTR**

The state of Haryana has also shown a decline in its share of ONTR to GSDP from the level that was obtained in early 1990s. It exhibited a fall of more than half the ratio between the time period of 1993-94 to 2003-04 (Purohit and Purohit, 2006). Figures of percentage of ONTR to GSDP (Gross State Domestic Product) from year 2005-06 are further a cause of concern. Since the year 2012-13, it has stood at a dismal figure of one representing no buoyancy.

**Table 4: Percentage to GSDP (Haryana)**

Year	ONTR	SOTR
2005-06	3	10
2006-07	4	8
2007-08	3	8
2008-09	2	6
2009-10	1	6
2010-11	2	6
2011-12	2	6
2012-13	1	7
2013-14	1	7
2014-15	1	6
2015-16( RE)	1	7

Note:GSDP Figures for 2014-15 at current prices, as published by Ministry of Statistics & Programme Implementation on 31 July 2015.

The deficit indicators of the State Government indicate a poor fiscal health with revenue deficit going to a high level of 6.3 in 2015-16. The fiscal deficit stood at 2.2 in the same year. The Government of Haryana has been continuously running into revenue deficit since 2008-09. The total committed expenditure consumed of the state has been more than 70% revenue receipts of the state and constituted more than 2/3<sup>rd</sup> part of total revenue expenditure for most years from 2001 to 2012 (Deepak Vats, 2014). The sixth pay commission recommendations too increased the expenditure component whereas there was no significant improvement in the revenue collections. Continuously increasing components of committed expenditure have reduced scope for development and non-development activities. Similar trends of high growth in expenditure and stagnant or little growth in revenue collections have continued in the last few years leading to higher deficit components.

## CONCLUSIONS

The trend of non-tax revenue indicates that, this component has not been able to contribute much to the growing expenditure, nor has it been able to keep pace with the other sources of revenue. Hence, there is definite need to analyse the various components of non-tax revenue. An important component of non-tax revenue which needs growth is earning from varied services, under different categories, provided for the public by the government. To name a few - irrigation, power, transport etc under economic services and education medical healthcare under social services. They constitute nearly 2/3<sup>rd</sup> of the states' Own Non-tax revenue (Purohit & Purohit, 2006). At present many of these services are charged a negligible price and hence not amenable to cost recovery. Though it is not possible to charge a cost recovering price in case of all the services, there has to be a comprehensive policy to address the issue of user charge as it is a major part of the non-tax revenue. A sustaining solution will require an analysis of various pricing strategies, a firm policy decision and effective implementation.

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