



A Comprehensive Analysis of Revenue Receipts in Punjab: (2004-2024)

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ABSTRACT:

This research paper aims to analyse the trends in revenue receipts in Punjab over a period of 20 years i.e from 2004-05 to 2023-24 examining the changes in its components and challenges faced by the state in maintaining a steady revenue stream. The study employs both quantitative and qualitative analysis measuring CAGR, Rate of growth, percentage composition, tracking trends and identifying challenges. It further assesses the impact of policy reforms, economic fluctuations and administrative measures on revenue performance. The data analysis reveals that the state of Punjab faces a complex set of challenges stemming from its heavy reliance on funds from Centre, loopholes and lack of commitment to improve State' Own Resources. It urgently needs a comprehensive approach that includes not only diversifying the economy but also enhancing and mobilizing tax resources,

The state of Punjab is located in the north-western region of India. This state is known for its rich cultural heritage, historical significance and agricultural prominence. The state covers an area of approx. 50362 square kilometres and shares borders with Indian states of Haryana, Himachal Pradesh, Jammu & Kashmir and Rajasthan. Punjab has been one of the key players in the Green Revolution in 1960s in India. Agriculture sector in Punjab contributes a significant share to the SGDP. However, Punjab's over-reliance on agriculture and lack of commitment to industry has posed challenges to its economic diversification. Moreover, the state has been facing many structural economic issues in recent years. It has led to increasing concerns about the state's over dependence on agriculture and a need for diversification. The state's fiscal structure has been consistently facing challenges in the past due to sluggish growth in the revenue stream and burgeoning unproductive expenditure.

This research paper aims to analyse the trends in revenue receipts in Punjab over the years examining the changes in its components, impact of policy decisions and challenges faced by the state in maintaining a steady revenue stream.

Revenue Receipts constitute the backbone of state governance. The revenue receipts are the receipts that neither create liability nor reduce assets. These receipts are used for expenditure of the government. The extent of collection of Revenue Receipts not only determines the fiscal health of an economy but also significantly impacts the spending on public welfare initiatives and capital outlay essentially driving economic growth. The structure and dynamics of revenue generation plays a pivotal role in shaping fiscal stability and development progress. This paper aims at evaluating the revenue receipts of state of Punjab over a period of 20 years i.e from 2004-05 to 2023-24 aiming at a comprehensive analysis. This study also examines key components such as tax revenue, non-tax revenues, Union transfers and Grants – in- aid. It further assesses the impact of policy reforms, economic fluctuations and administrative measures on revenue performance. The study employs both quantitative and qualitative analysis measuring CAGR, Rate of growth, percentage composition, tracking trends and identifying challenges. It also proposes policy recommendations to maintain buoyancy in revenue components especially tax revenue and non-tax revenue.

Objectives of the study:

1. Analyse the structure of Punjab's revenues receipts distinguishing between tax revenue, non – tax revenue, Union transfers and Grants – in - aid calculating their CAGR
2. Investigate the trends in revenue receipts using percentage growth over previous years and trend lines.
3. Identify the constraints and challenges in revenue collection
4. Develop recommendations aimed at enhancing revenue generations

Methodology:

This study employs the use of both quantitative tools and qualitative analysis. The quantitative tools used are Percentage growth rate, Compound Annual Growth Rate and Time Series Analysis. The study is based on secondary data collected from various reports from Finance Department of Punjab, Economic Survey of Punjab for various years, Budget Documents, Audit Reports of Principal AG (Audit), Punjab and other published sources.

Data Analysis and Observations:

Revenue Receipts are the funds that the Government collects over a financial year without creating any financial liabilities or debts. These funds are primarily used for day-to-day functioning and maintenance of government operations. These are the key components of Government's income and reflect its ability to generate funds to meet its operational requirements. These funds do not need to be repaid in contrast to the capital receipts which involve financial liabilities.

Components:

1. Tax Revenue: It is the sum of all receipts from various taxes like excise duty, sales tax, VAT, GST etc and all other duties under the government. It is the main source of revenue for the government.
2. Non – Tax Revenue – It is the income from sources other than taxes. It includes fee, fine, interest receipts, dividends, grants etc.

The table 1 reflects the total revenue receipts (TRR) of state of Punjab from 2003-04 to 2023-24 under different heads. The TRR has shown an overall rising trend though it went down by few percentage points in 2007-08, 2011-12 and 2019-20. The SOTR too has a rising trend but not at a steady rate and with few spikes in between in 2010-11, 2012-13 and 2021-22. The years 2019-21 showed a dip in collections because of COVID- 19 pandemic. During this period the Share in central taxes (SCT) too decreased but grants from Centre (GFC) increased. SCT and GFC have an almost rising trend with few spikes and dips in certain years. The GFC has increased from the year 2017-18 onwards. The SONTR does not show any clear trend. The State's Own Tax Revenue (SOTR) is the main component of the revenue receipts. During the 20-year period from 2004-05 to 2023-24 the SOTR has contributed about 45% to 70% to the TRR. State's own non-tax revenue (SONTR) showed the contribution in the range of 20% to 40% till 2010-11 but then declined to single digits and only occasionally increasing up to 10%-12%. Share from Central taxes and Grants from Centre have remained below 12% to 13% till 2013-14 and thereafter it has shown increase. The percentage contribution of SOTR to TRR has declined continuously since 2016-17 going down to 48.2% in 2022-23 and simultaneously the Share in central taxes has increased during the same period.

In terms of annual growth rate over the previous year, SOTR in 2005-06 showed an increase of 29% but went down to 0.3% in 2006-07. In this period the RR showed an increase mainly due to increase in non - tax revenue and share of Central taxes. The increase in non – tax revenue was due to two credit entries of Rs. 3772 crores on account of special term loans granted by the Govt. of India.

Table 1**Punjab's Revenue Receipts (Rs. Crore)**

Year	Own-Tax Revenue (SOTR)	Own Non - Tax Revenue (SONTR)	Share of Central Taxes (SCT)	Grants from Centre (GFC)	Total Revenue Receipts (TRR)
2004-05	6944	5358	903	602	13807
2005-06	8989	4536	1228	2213	16966
2006-07	9017	7745	1566	2240	20567
2007-08	9899	5254	1975	2109	19238
2008-09	11150	5784	2084	1695	20713
2009-10	12040	5653	2144	2320	22157
2010-11	16828	5330	3051	2399	27608
2011-12	18841	1398	3554	2441	26234
2012-13	22587	2629	4059	2776	32151
2013-14	24079	3192	4431	3401	35104
2014-15	25570	2629	4703	5870	39023
2015-16	26690	2650	8009	4174	41523
2016-17	27747	5863	9600	4776	47985
2017-18	30423	4319	10617	7651	53010
2018-19	31574	7582	12005	11107	62269
2019-20	29995	6654	10346	14580	61575
2020-21	30053	4152	10638	24205	69048
2021-22	37327	4783	15273	20754	78168
2022-23	42243	6232	18458	20735	87618
2023-24 *	51400	10051	19958	17530	98940

*Budget Estimate

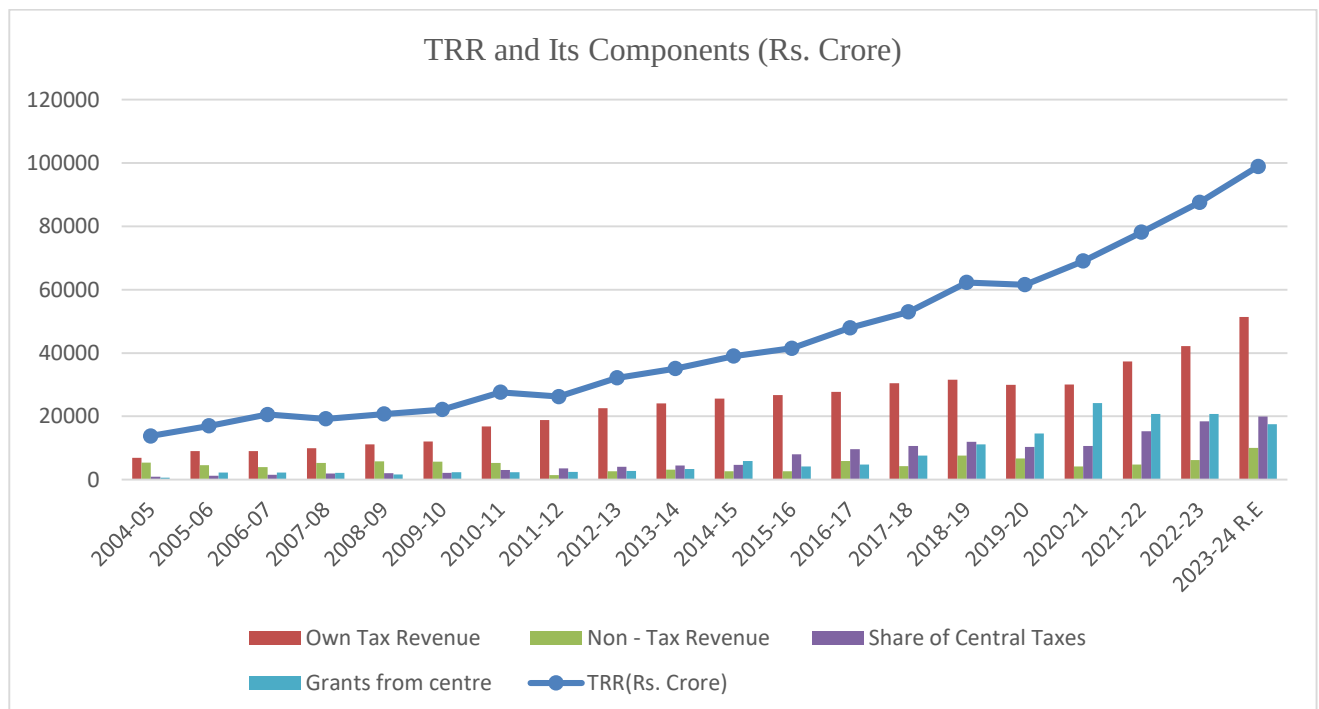
Figure - 1

Figure - 2

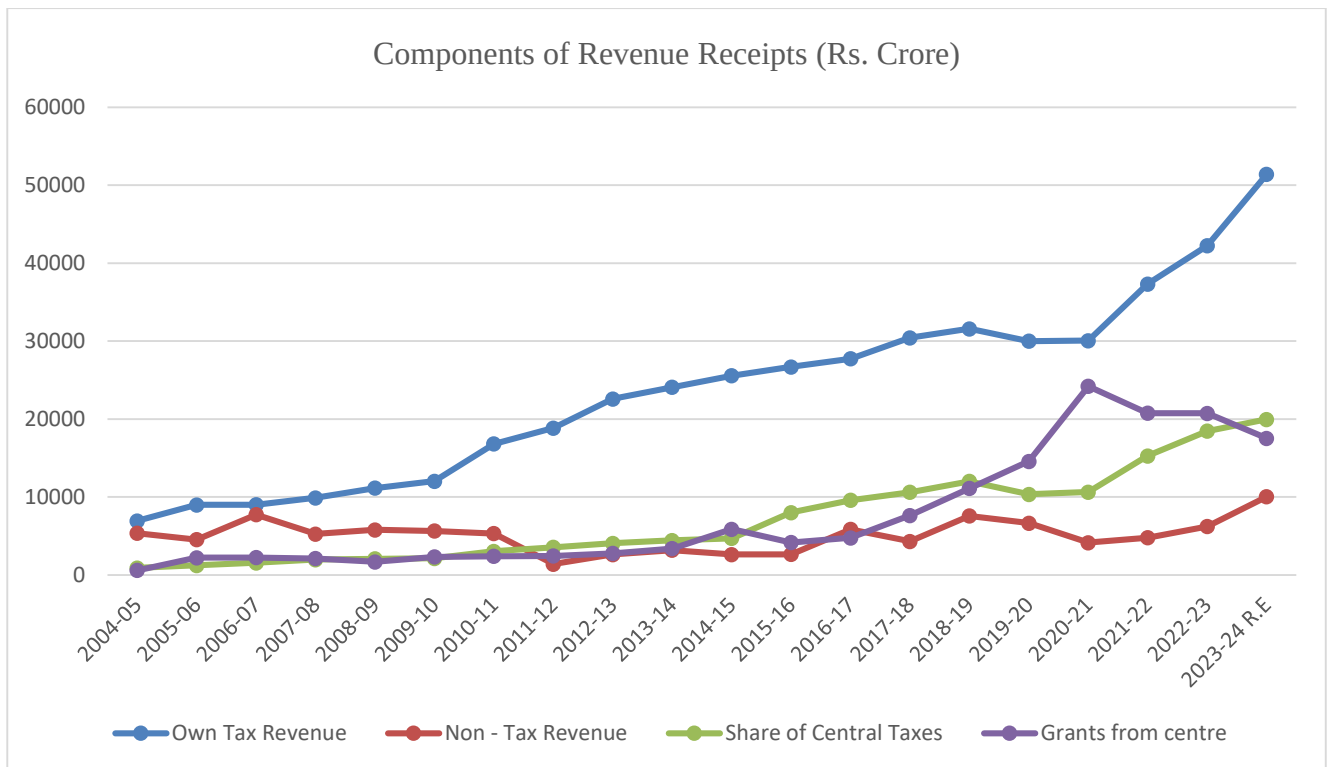


Table – 2

Percentage of Receipts to TRR

Year	SOTR	SONTR	SCT	GFC
2004-05	50.3	38.8	6.5	4.4
2005-06	53.0	26.7	7.2	13.0
2006-07	43.8	37.7	7.6	10.9
2007-08	51.5	27.3	10.3	11.0
2008-09	53.8	27.9	10.1	8.2
2009-10	54.3	25.5	9.7	10.5
2010-11	61.0	19.3	11.1	8.7
2011-12	71.8	5.3	13.5	9.3
2012-13	70.3	8.2	12.6	8.6
2013-14	68.6	9.1	12.6	9.7
2014-15	65.5	6.7	12.1	15.0
2015-16	64.3	6.4	19.3	10.1
2016-17	57.8	12.2	20.0	10.0
2017-18	57.4	8.1	20.0	14.4
2018-19	50.7	12.2	19.3	17.8
2019-20	48.7	10.8	16.8	23.7
2020-21	43.5	6.0	15.4	35.1
2021-22	47.8	6.1	19.5	26.6
2022-23	48.2	7.1	21.1	23.7
2023-24 B.E	52.0	10.2	20.2	17.7

Figure - 3

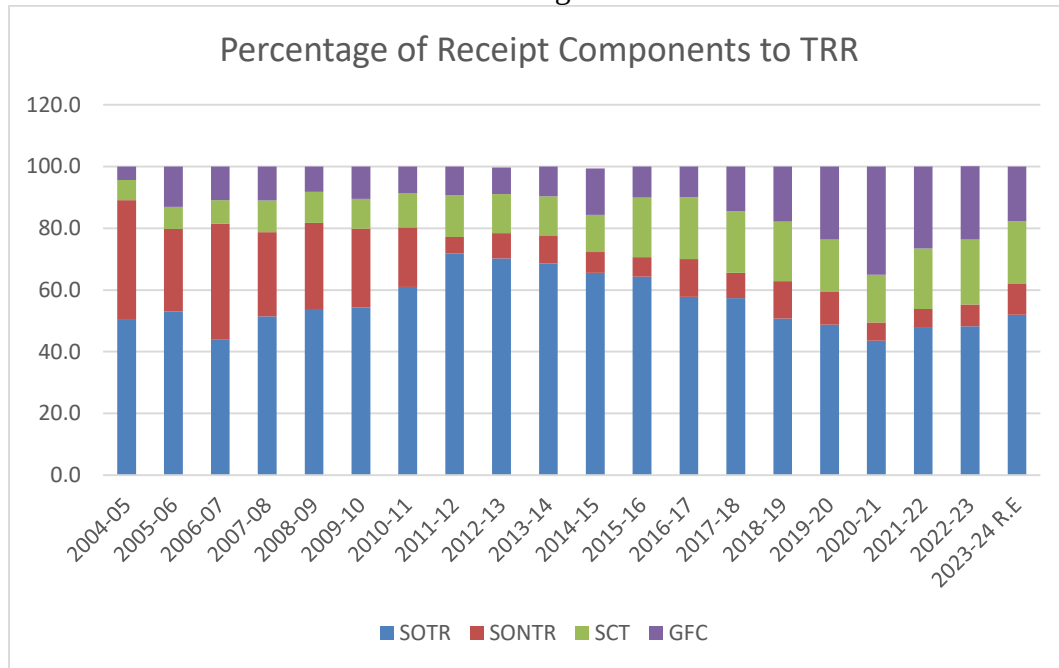
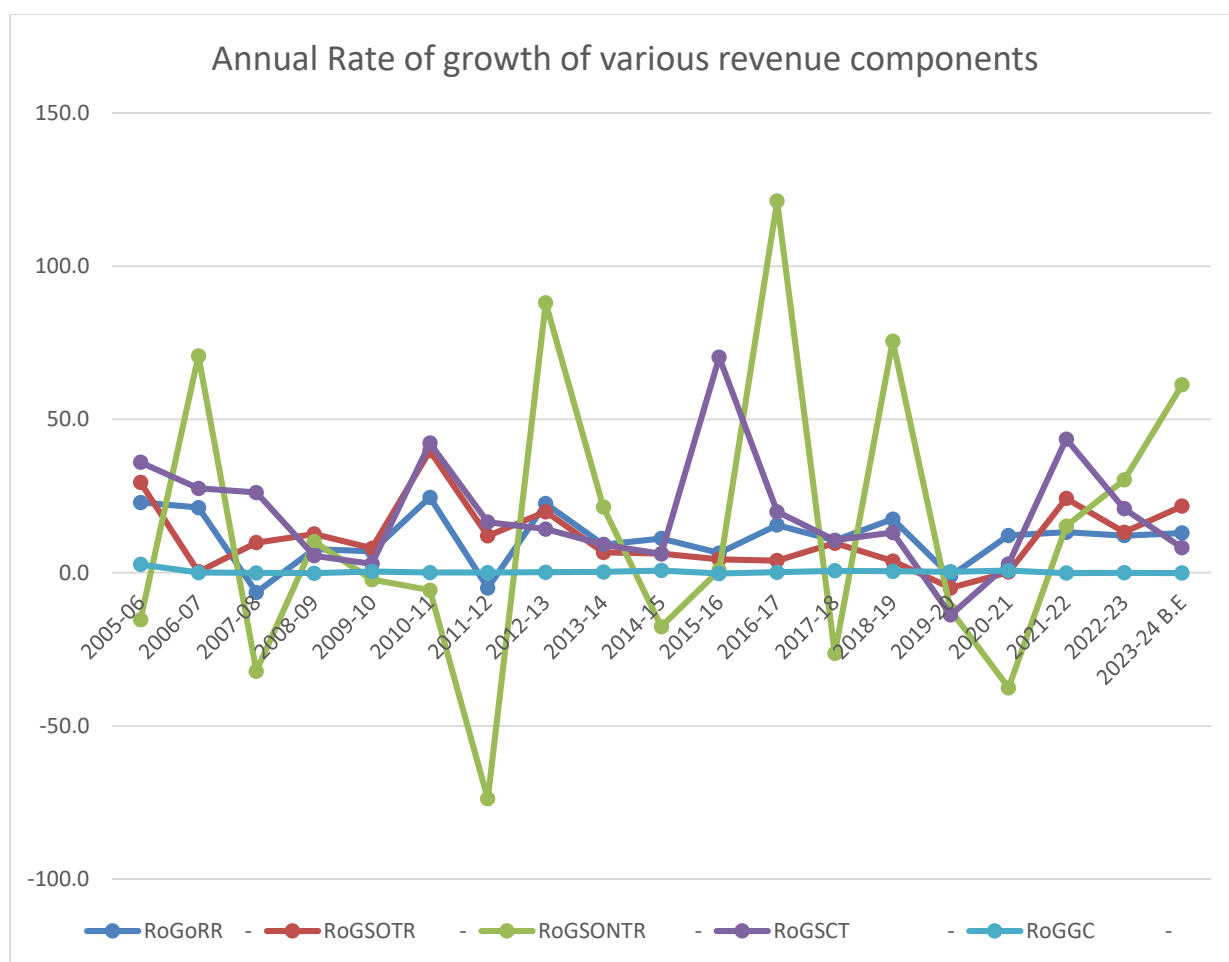


Table – 3
Percentage Annual Rate of Growth over previous year

Year	RoGoRR	RoGSOTR	RoGSONTR	RoGSCT	RoGGFC
2004-05	-	-	-	-	-
2005-06	22.9	29.4	-15.3	36.0	2.68
2006-07	21.2	0.3	70.7	27.5	0.01
2007-08	-6.5	9.8	32.2	26.1	-0.06
2008-09	7.7	12.6	10.1	5.5	-0.20
2009-10	7.0	8.0	-2.3	2.9	0.37
2010-11	24.6	39.8	-5.7	42.3	0.03
2011-12	-5.0	12.0	-73.8	16.5	0.02
2012-13	22.6	19.9	88.1	14.2	0.14
2013-14	9.2	6.6	21.4	9.2	0.23
2014-15	11.2	6.2	-17.6	6.1	0.73
2015-16	6.4	4.4	0.8	70.3	-0.29
2016-17	15.6	4.0	121.2	19.9	0.14
2017-18	10.5	9.6	-26.3	10.6	0.60
2018-19	17.5	3.8	75.5	13.1	0.45
2019-20	-1.1	-5.0	-12.2	-13.8	0.31
2020-21	12.1	0.2	-37.6	2.8	0.66
2021-22	13.2	24.2	15.2	43.6	-0.14
2022-23	12.1	13.2	30.3	20.9	0.00
2023-24 R.E	12.9	21.7	61.3	8.1	-0.15

Figure – 4

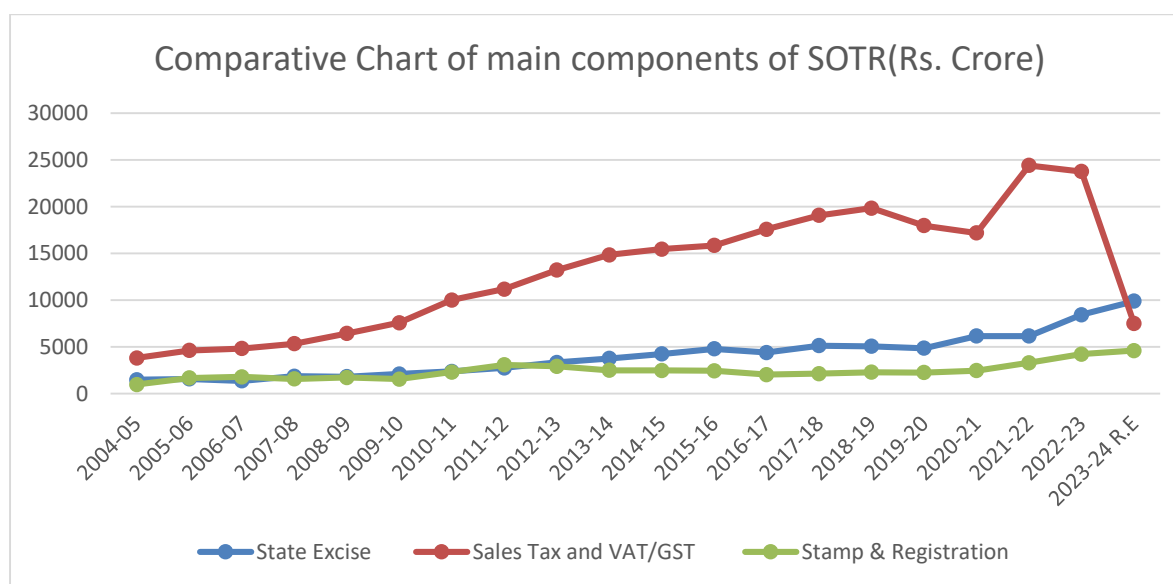


While analysing the SOTR, it is important to mention that the major contribution (45%-50%) to State's Own Tax Revenue comes from Sales tax/VAT/GST followed by Excise Tax (12%-15%) and Stamp Duty & Registration (8% to 15%) and lesser contribution from the other taxes like taxes on vehicles and, goods and passengers etc. Together Sales Tax, Excise Duty and Stamp & Registration collectively formed around 76% of the Tax Revenue but there was decline in excise duty collections, from 2005-06 to 2006-07, by Rs.200 crore in money terms and 12.8% decline from previous year in percentage form. The sales tax & VAT and Stamp Duty & Registration showed an increase of Rs.202 crore and Rs.177 crore respectively in 2006-07 from 2005-06. In 2008-09, the SOTR and SONTR showed improvement by 12.6% and 10% respectively leading to an overall improvement in TRR by 7.7%. In 2009-10, the SOTR increased by about 8% only and SONTR declined by 2.3%. The growth rate of share of Union taxes and grant from Central Government too remained at very low levels of 2.9% and 0.37%. Overall, the TRR increased by only 7%. The year 2010-11 registered a sudden jump of 24.6% in TRR. It was mainly due to improved VAT collections and increased inflow from share in

union taxes. The VAT and sales tax collections marked 32% increase over the previous year. The VAT system though implemented in 2005 had matured by 2010-11 resulting in broader tax base, better compliance mechanism and tracking of transactions. The stamp & Registration showed a 24% increase and share in Union taxes increased by 42%. The improved stamp and registration collections seem to be the result of increased real estate value and sales in the market. However, the SONTR declined by 5.7% and further by 73.8% in 2011-12 leading to a negative change in the annual growth rate of TRR. This unprecedented decrease was due to decrease under state lotteries. The year 2012-13 had an increase in SONTR of 88% due to unclaimed deposits. From 2011-12 to 2016-17 the annual growth rate of RR does not show any clear pattern. In case of SOTR except for the year 2012-13 the growth rate has declined staying at single digit annual growth rate till 20-21. The rate of growth of SCT too has shown a decline whereas that of SONTR has been erratic with no clear pattern. It showed negative annual growth in 2011-12, 2014-15 and then again in 2017-18. From the year 2017-18, the State's own tax pattern changed due to shift from VAT to SGST. The growth of GST in Punjab was lesser than the projected growth by Rs. 44579/- during 2017-21 (Report no.8 of 2021-State Finances Audit Report 2020-21, GOP). It is important to note that the consumption pattern in Punjab, in both rural and urban areas, has been majorly tilted towards the items which are either exempted under SGST or are being taxed at very low rates (food items, clothing, fuel & electricity). Even out of the total value of per capita consumption on services about 22% in urban areas and 57% in rural areas is on health and education which is exempted under GST. The spending on luxury and high end good and services which are taxable at higher rates is negligible (Memorandum to Goods and Services Tax Council, A Case for extending Goods and Services Tax (GST) Compensation: Punjab, 2022). Moreover, a high proportion of population in Punjab has been living in rural areas (census 2011) and due to agrarian crisis, the consumption expenditure is more tilted towards the essential commodities which are exempted under GST leading to shortfall in collection in GST. The slow industrial growth and disadvantageous position of Punjab in Mineral Resources too has led to negative growth rate in GST collections. Government of India released compensation up to Rs.38023 crore till March 2021 and also a loan of Rs.8359 crore in lieu of GST compensation shortfall. The rates of growth in case of excise duty and stamp & registration too declined during 2018-20 years. Excise duty revenue increased by Rs.1299 crore in 2020-21 which was due to renewal process of Excise Policy 20-21 and allowing of licencees to get additional quota on paying higher licence fee. The sales and GST revenue declined by Rs.783 crores due to COVID -19 pandemic and GST refunds. The stamp duty & registration revenue increased by Rs. 212 crore but overall

there was very less increase in the tax revenue receipts as taxes on Vehicle reduced by Rs.522 crore. The Govt. of Punjab had exempted the taxes of all commercial vehicles for approx. two months in 2020 and educational institution buses and stage carriage from 20 May 2020 to 31 December, 2020. The SONTR declined to a great extent in comparison to previous years in 2019-20(12.2%) and 2020-21(37.6%). The drop in 2019-20 was due to decrease in other non-tax receipts and mainly under Misc General Services. During the year 2020-21, the decrease in non-tax revenue was mainly due to lesser interest receipts (Rs. 1961/-). This was on account of lesser interest receipts from PSUs mainly due to conversion of UDAY loans to Punjab State Power Corporation Ltd. in to equity in 2019-20.

Figure - 5



The period 2021-23 showed improvement in both SOTR and SONTR. The SOTR increased by Rs.4916 crores i.e 13% over the revenue of 2021-22. The SONTR increased by Rs.1449/- crores which is 30% over the previous year. The increase in SOTR and SONTR in both the years was mainly due to improvement in SGST, Stamp duty & Registration and excise duty. The sales tax decreased for a year before increasing by Rs. 2280/-crores. If we look at the annual growth rates of various components of RR over the 20-year period, the percentage growth rates are very inconsistent with some years showing very high growth rates while other years showing either negative growth rates or in single digits only.

Since the year 2011-12 the contribution of SOTR to TRR has been declining and has reduced from 71.8% in 2011-12 to 48% in 2022-23 whereas the central transfers (Share in Central Taxes + Grant from Centre) have almost doubled from 23% to 45%. Similarly, the percentage contribution of SONTR too has declined over the year and is only in single digit since year 2020. Over the years there has been sharp decline in the contribution from general services which was otherwise the

largest contributor to SONTR. The return from interest receipts, profit and dividend too has been miniscule. These returns have been less as the governmentt has not made much investments in the previous years due to heavy committed expenditure. The above analysis indicates a decline in the State's ability to raise resources internally and increasing dependence on the centre.

Table – 4

Year	%age contribution of SORR to TRR	%age contribution of Central transfers to TRR
2004-05	89.1	10.9
2005-06	79.7	20.3
2006-07	81.5	18.5
2007-08	78.8	21.2
2008-09	81.8	18.2
2009-10	79.8	20.1
2010-11	80.3	19.7
2011-12	77.1	22.9
2012-13	78.4	21.3
2013-14	77.7	22.3
2014-15	72.9	27.1
2015-16	70.7	29.3
2016-17	70.0	30.0
2017-18	65.5	34.5
2018-19	62.9	37.1
2019-20	59.5	40.5
2020-21	49.5	50.5
2021-22	53.9	46.3
2022-23	55.3	44.7
2023-24 R.E	62.1	41.1

Figure - 6

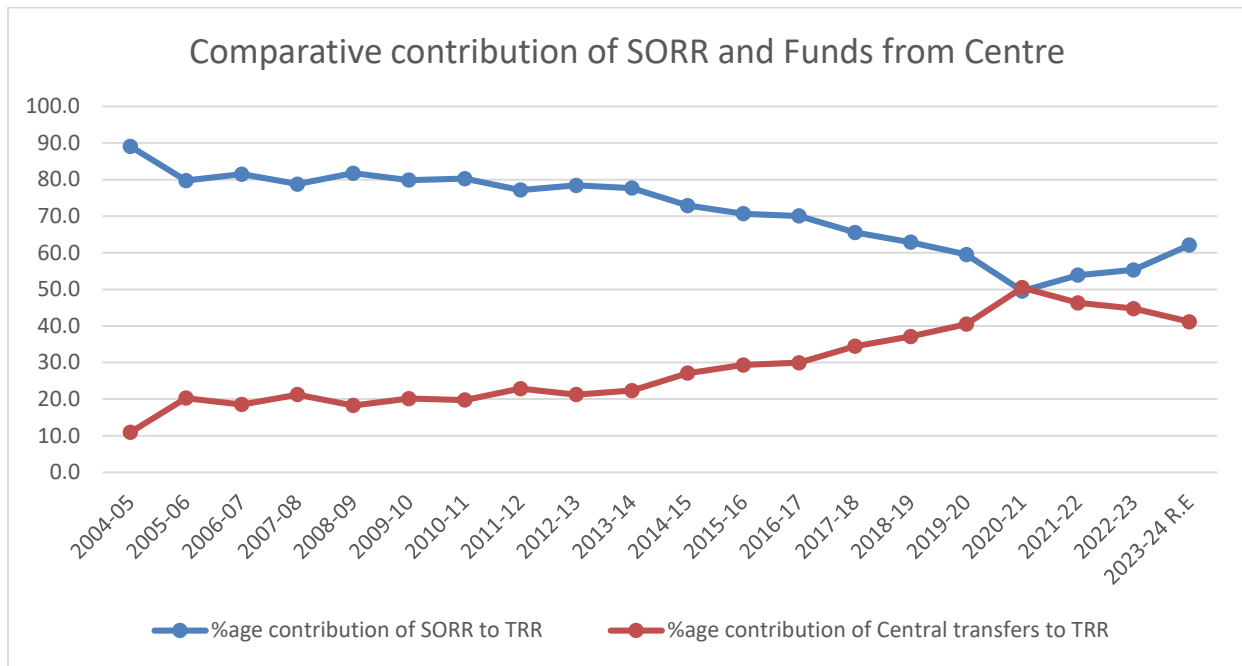


Table - 5

2004-05 to 2023-24	Revenue Receipts (Rs. Crore)	Own Tax Revenue	Non - Tax Revenue	Share of Central Taxes	Grants from Centre
CAGR	10.30%	10.50%	3.10%	16%	19%

The table -5 shows the CAGR of RR and various components of RR. The CAGR of Share of Central taxes and Grants from Centre is much higher than that of RR, OTR and ONTR substantiating the inference of dependence on funds from Centre.

Policy Recommendations:

This paper analyses the trends in revenue receipts along with its components and the changes in these components along with the possible reasons. The data shows that both the revenue receipts and SOTR show an overall rising trend however the percentage rate of growth is inconsistent. The sales and VAT/GST tax has initially shown rising trend but declined in the later years and the percentage growth rate has been very erratic. The SONTR too does not show a clear trend and has very erratic percentage growth rates. The above analysis clearly indicates the inconsistencies in the revenue aspects reflecting a lack of clear policy and planning over the years. The less than expected revenues from VAT and Stamp & Registration duty and increasing dependence on Central grants points towards failure in consolidating measures across revenue generating sectors. In the light of above facts the following measures are recommended:

1. The government should work towards improving GST compliance. Enhanced auditing, reducing tax loopholes and better tracking of transaction could help in improving collections.
2. The Govt. should work to bring more individuals and businesses into the formal tax net by improving the ease of doing business, formalizing the informal sector and reducing tax evasion.

3. Property taxes are unexploited in Punjab. Rationalising property taxes based on updated property valuations could help boost revenues from urban areas.
4. Punjab has overdependence on agriculture especially on wheat and rice. Punjab should promote diversification in to high value crops, horticulture and allied sectors such dairy and food processing. This will increase revenue from value added agriculture.
5. Punjab needs to incentivise industrial growth especially in manufacturing, small and medium enterprises and agro based units. Various schemes of tax breaks, rationalised land rates, industrial zones and improved infrastructure would help boost revenue in the long run.
6. The Govt of Punjab has many State Level Undertakings where the govt. has equity infusion of thousands of crores in addition to the guarantees worth more than Rs.22000 crores. Healthy SLUs can lead to significant economic gains and can also help state in on the path of economic growth. However, the return on equity remains negligible. Apart from the negligible returns, many of these entities are on the verge of default due to years of fiscal imprudence. It is high time for the state to concentrate on these SLUs and work out a plan of disinvestment, mergers and winding up of unviable units to curtail drain on state finances and work out a plan for attaining profitability in economically viable SLUs. The SLUs must be directed to provide a pre negotiated return on the equity on an annual basis so as to maintain a steady source of profits and dividends.
7. The Industrial development is essential to maintain a steady stream of revenue but this development is conditional upon availability of skilled work force. There is need to develop and expand the vocational training programmes for youth to provide the skilled workforce required for the development of sectors such as manufacturing, IT and service industry.
8. The government needs to minimise the fluctuations in the SONTR. The contribution of economic and social services has to be increased and an assessment to be done if the investment in these services are efficiently leading to the economic development of the economy. The user charges too need to be revisited to imbibe social status, usage frequency, over-usage etc and a penalty on wastage of resources.

Punjab faces a complex set of challenges stemming from its heavy reliance on funds from Centre, loopholes and lack of commitment to improve State' Own Resources. It needs an comprehensive approach that includes not only diversifying the economy but also enhancing and mobilizing tax resources,

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