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RESEARCH PAPER

Revenue Resilience or Decline? A Four-Decade Analysis of Haryana's Finances

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ABSTRACT

Revenue receipts of state represent its capability in generating income and its potential to spend on various capital and social infrastructure. The paper's primary objective is to illuminate the trends and patterns in revenue receipts and assess the tax-to-gross state domestic product (GSDP) ratio in Haryana. The study is grounded in secondary data spanning from 1980-81 to 2020-21. The findings of the study indicate a gradual decline in the tax-to-GSDP ratio over time, with stagnation observed in the last decade. Despite being one of India's most developed state economies, Haryana's stagnant or declining tax-to-GSDP ratio poses significant challenges to its financial well-being. Alarmingly, Haryana's tax-to-GSDP ratio, which stood at 6.95 per cent in 2020-21, is even lower than the national average of 11.7 per cent for the 2021-22. Moreover, the state's own tax percentage share in total tax revenues exhibits a consistent decreasing trend, a worrying sign for any developing economy. Consequently, it is imperative for the government to shift its focus towards increasing the tax-to-GSDP ratio. The persistently low ratio has compelled heavy borrowing and persistent fiscal deficits. As a result, the government's liabilities continue to rise, eroding its capacity to allocate more funds to essential welfare schemes over time. This issue necessitates immediate attention to ensure the financial health and sustainability of the state's economy.

HIGHLIGHTS

- The revenue receipt to GSDP ratio has exhibited a consistent decline over the years, remaining almost stagnant in the last decade.
- Haryana's tax-GSDP ratio is notably lower than the national average in India.
- There is no considerable relative improvement in states' own tax revenue over time in terms of tax to GSDP ratio.
- It is imperative for the government to place a strong emphasis on augmenting its tax revenue while exploring novel avenues for generating additional revenue.

Keywords: Tax revenue, tax to GSDP ratio, revenue receipts, fiscal deficit, welfare

A critical gauge of the economic health of a nation hinge on the tax-to-GDP ratio. This metric quantifies the total taxes collected by a state as a proportion of its Gross Domestic Product (GDP). As Dahal (2020) notes, tax revenue and GDP share a long-term relationship, indicating their interconnectedness. This ratio offers insights into a state's capacity to generate government funds, the extent of taxation

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imposed on its populace and businesses, and the overall fiscal soundness. In this section, we delve into the significance of this ratio and its far-reaching implications.

The tax-to-GDP ratio primarily reflects the government's ability to fund its operations, as suggested by Kaldor (1956). Higher ratios signify a government's capability to cover its expenses without resorting to excessive borrowing, thereby averting budget deficits and accumulating debt. It serves as an indicator of a nation's fiscal sustainability and economic prudence. However, in the case of India, the tax system struggles to mobilize revenue, resulting in comparatively low tax revenue when benchmarked against international standards (Arya, 2023; Kumar, 2024). Haryana's tax to GSDP ratio is very low compared to national average. The India's tax to GSDP ratio is around 11.7 per cent in 2021-22, economists feel that it is too low. India's tax-to-GDP ratio is frequently contrasted with that of countries in the Organization for Economic Co-operation and Development (OECD), where the average exceeds 30 per cent, and in some cases- such as the Nordic nations- it rises above 40 per cent (Malhotra et al., 2023). Whereas, according to data from the World Bank and recent estimates by the International Monetary Fund (IMF), India's neighbor country Bangladesh's average tax-to-GDP ratio stood at 7.7 per cent between FY2003 and FY2024 (McPherson, 2024).

Moreover, the tax-to-GDP ratio stands as a pivotal instrument for comparing the tax structures of different countries. It empowers policymakers to assess the fairness and efficacy of their tax systems and make informed decisions regarding potential tax law adjustments. For instance, a low ratio may signify tax evasion or an inadequately designed tax framework, prompting the government to enhance tax collection methods and compliance. This ratio also offers a means to illustrate the total tax burden borne by both individuals and businesses. A high tax-to-GDP ratio suggests that a significant portion of the country's GDP is channelled into financing government operations. Elevated tax levels can dissuade domestic and international investors, potentially affecting economic growth and investment. Conversely, a low ratio indicates that the government's revenue generation is insufficient. In conclusion, the tax-to-GDP ratio serves as a crucial measure of a nation's fiscal well-being and the efficiency of its tax system. It ensures fiscal prudence, informs policymaking, and provides governments with critical insights into the taxation imposed on individuals and enterprises. To attain economic stability and sustained growth, continuous monitoring and management of this ratio are imperative. As observed by Hakim and Bujang (2012), high-income countries tend to have a higher total tax revenue to GDP ratio compared to low and middle-income nations.

Methodology

The analysis has been conducted for the state of Haryana and findings are based on secondary data. Data have been taken from the Economic and Political Weekly Research Foundation (EPWRF) and the Directorate of Economic & Statistical Affairs (DESA), Haryana. The period of the study is 1980-81 to 2020-21. Given the study's focus on macro-level trends and patterns, secondary data is not only appropriate but necessary. It enables a statistically robust analysis of large-scale phenomena that would be infeasible to capture independently. The methodological approach is thus designed to maximize the value of existing data, using established analytical tools to extract insights while acknowledging the inherent limitations.

Tools and Techniques

For trend analysis, we have used graphs and moving average methods. Further, observations, the mean, standard deviation, coefficient of variation, maximum, minimum and compound annual growth rate (CGR) were calculated for the understanding of descriptive statistics and of trend analysis (Lal & Kait, 2022). The descriptive statistics is calculated by using STATA 17 software. For further analysis, we have calculated the tax to GSDP ratio for measuring the financial health of the state economy. Tax-GSDP ratio indicates that the higher the tax-GSDP ratio, the greater the financial viability of the government, and the smaller the tax-GSDP ratio the lower the financial viability of the government. The findings of the paper are only limited to tax-GSDP ratio. Particularly, we have focused on states' own tax revenue receipts. The followings tools and

techniques were employed to calculate the results given below:

Compound Growth Rate

The regression analysis was applied to calculate the compound growth rate by the following formula:

$$Y = A\,[1 + r]^t \qquad \ldots(1)$$

Where, Y = dependent variable

A = Constant, $B = 1 + r$, r = Compound growth rate.

t = time variable in years (1980-81 to 2020-21)

By taking log both sides of equation (1)

$$Log\ Y = log\ A + t\ log\,[1 + r]$$

OR

$$Y^* = a + bt \qquad \ldots(2)$$

Where $Y^* = log\ Y$, $a = log\ A$, $b = log\ (1 + r)$

Using the least square method on equation 2, we get the estimated value of a, b.

The CGR (r) thus obtained as;

$$Antilog\ b = (1 + r)\ [\text{Since } b = log\ (1 + r)]$$

$$r = Antilog\ b - 1$$

$$\text{In percentage term } r = [Antilog\ b - 1] \times 100$$

Tax to GSDP Ratio

The following formula calculated the Tax to GSDP ratio:

$$Tax\ to\ GSDP\ Ratio = \frac{\text{Tax Revenue*}}{\text{Gross State Domestic Product}}$$

*Indicates all the components of tax and non-tax revenue

RESULTS AND DISCUSSION

This section deals with the analysis and interpretation parts. Table 1 showed the summary statistics of revenue receipts of the Haryana government. The coefficient of variation shows the extent of variability of data. Table 1 revealed that the highest variability was observed in grants in aid received from the central govt (150.31%) and states' share in central taxes (135.41%). Contrary to this, there is less variability in states' own non-tax revenue (88.94%). The major component of government revenue is the state's own tax revenue and C.V. for this is reported as 124.88 per cent which is again very high. It means the variability is very high among all the components of the total revenue receipt of the Haryana government.

Further, the compound growth rate of states' own tax and non-tax revenue was found 14.6 and 10.6 per cent, respectively. Similarly, CGR for share in central taxes and grants in aid from the central government was 13.5 and 14.5 per cent respectively. However, the CGR for tax revenue (14.5%) is considerably higher than non-tax revenue receipt (12.0%) of the state government. Further, the CGR of GSDP of Haryana state is 15.3 per cent which is almost close to CGR of own tax revenue and total tax revenue of state government. The difference is less than one per cent. However, CGR depicts a good picture of all the components over time.

Table 1: Summary Statistics of Revenue Receipts of the Haryana Government

Particulars	Obs.	Mean	Std. dev.	C.V.	Min.	Max.	C.G.R.
State's own tax revenue	41	11301.90	14113.62	124.88	233.91	46265.80	14.6
State's own non-tax revenue	41	2736.90	2434.33	88.94	119.31	9112.85	10.6
Share in Central Taxes	41	1711.65	2317.74	135.41	61.23	8092.00	13.5
Grant-in-aid from central government	41	1943.15	2920.68	150.31	39.44	12248.13	14.5
Total tax revenue	41	13013.55	16396.85	126.00	295.14	52703.39	14.5
Total non-tax revenue	41	4680.05	5109.60	109.18	164.80	19209.62	12.0
Total revenue receipts	41	17693.60	21431.03	121.12	459.94	71913.01	13.7

Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

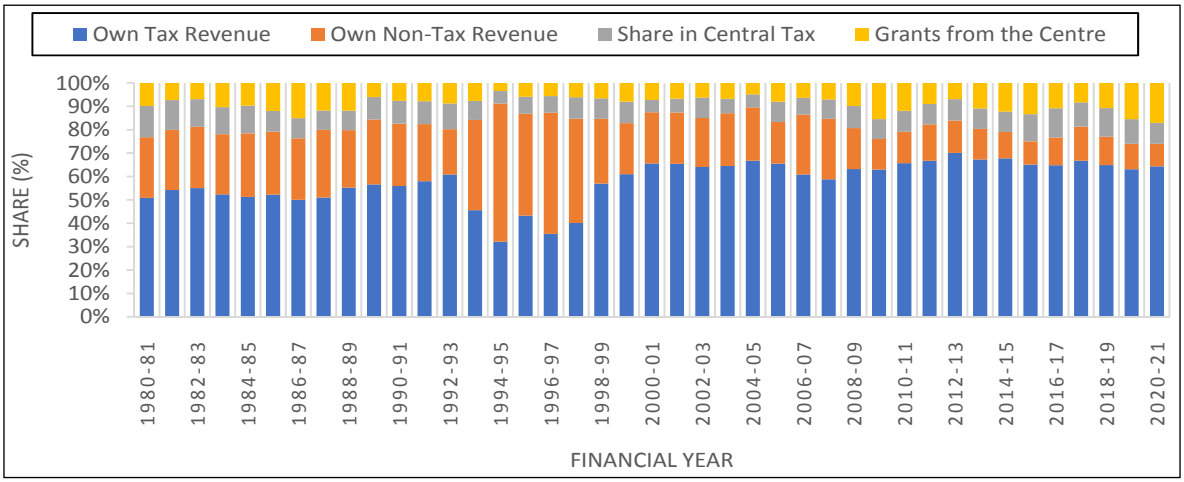
Note: *Coefficient of variation (C.V.) and Compound growth rate (C.G.R.) are shown in percentage.*

Fig. 1 showed the percentage (%) share of components of total tax receipts of the Haryana government from 1980-81 to 2020-21. Own tax revenue (OTR) is the most important component for measuring the financial health of the government. Over the years in total tax receipts, the percentage share of own tax revenue had continuous ups and downs. In 1980-81, 50.86 per cent of tax receipts were collected as own tax revenues, but in 1992-93, it increased to 60.85 per cent. Contrary to the previous period, there was a sharp decline in own tax revenue (or sharp increment in non-tax revenue) from 1993-94 to 1997-98. This was the impact of the incorporation of the liberalisation, privatisation, and globalisation (LPG) policy of 1991-92 and the government raised non-tax revenue by lottery between 1992-93 to 1997-98. Since 1998, there has been a continuous improvement in own tax revenue share till 2012-13, except for a minor dip before the start of the great recession of 2008. The highest own tax revenue share (70.05%) was collected in 2012-13. After 2013, the percentage share of own tax revenue is gradually declining at a creeping rate which is not good for the financial health of government.

The state's own non-tax revenue percentage share had been declining continuously since 1996. The interesting thing is that in 1994-95, the state's own non-tax revenue reached the maximum level whereas its own tax revenue share was minimal at that time. Furthermore, share in central tax and grants from the central government's percentage share in total revenue receipt has shown ups and downs over time. Overall, there is fluctuation in the percentage contribution of grants in aid and share in central tax revenue.

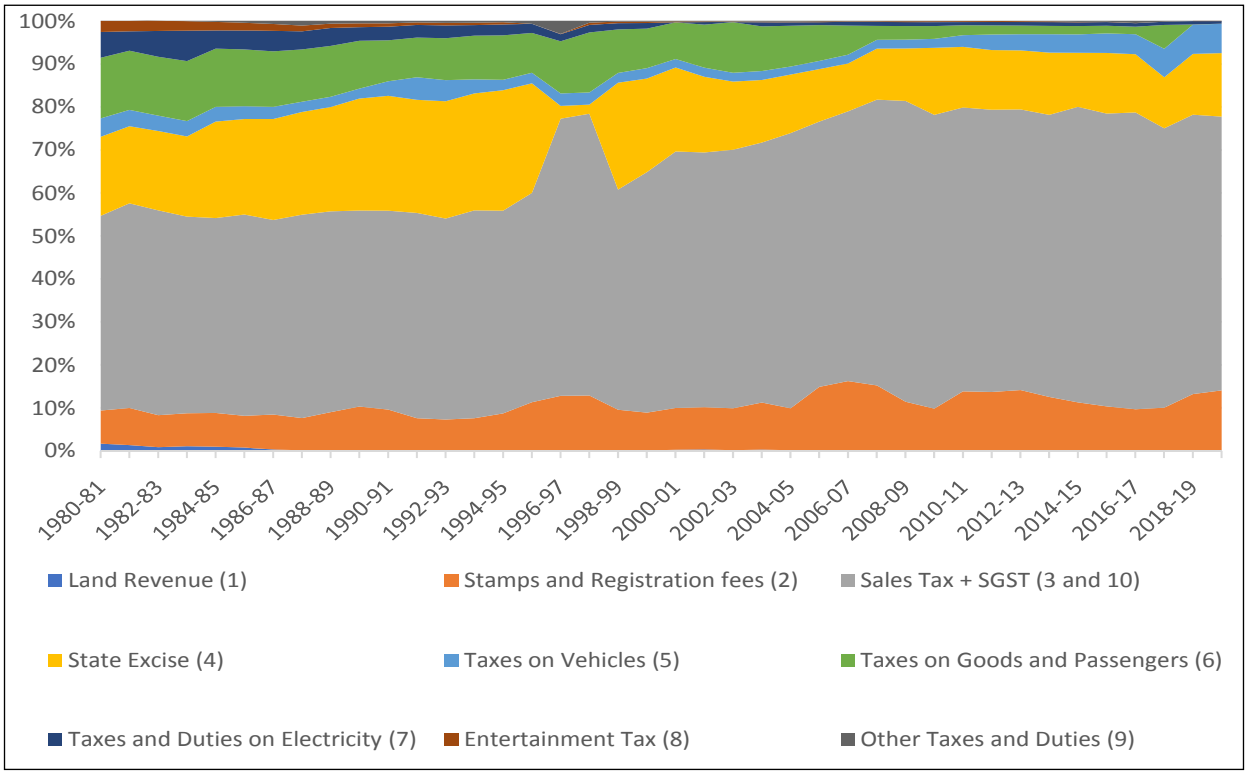
Because the share of both fluctuates between a fixed range from 4 to 6 percent. However, the financial health and efficiency of a state government is measured by the state's own tax and non-tax revenue. In the case of Haryana, its own non-tax revenue share was observed to decline continuously over time since 1996-97. Whereas, the percentage share of the state's own tax revenue has shown a declining trend since 2013, which is not good for the financial management of the Haryana government.

Fig. 2. depicted the distribution of different taxes within own tax revenue receipts of the Haryana government. The highest share of tax collection was taken from sales taxes and state goods and services taxes and share of this category showed a rising trend over time. In the same line share of stamps and registration fees, as well as the share of state excise also showed a rising trend followed by taxes on vehicles. Conversely, the revenue receipt of government collected from land revenue, taxes on goods & passengers, taxes & duties on electricity, and other taxes & duties shrunk over time. After the implementation of goods and services tax (GST), different type of taxes & duties was merged into GST, but share of tax collection must be increased. In absolute numbers, tax collection has been increasing in the smooth rate, as measured by compounding growth rate in preceding section.



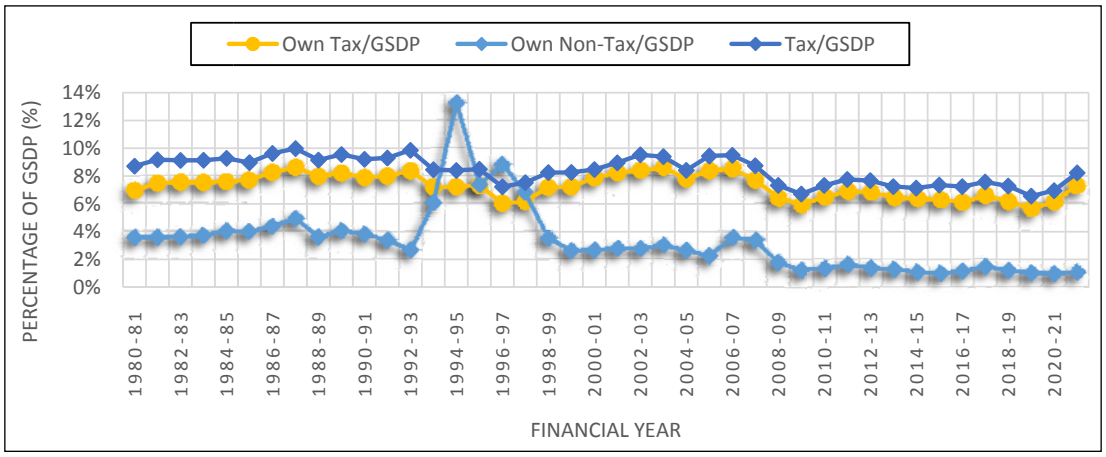
Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

Fig. 1: Percentage Share (%) of Components of Total Revenue Receipts (TRR) of Haryana: 1980-81 to 2020-21



Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

Fig. 2: Distribution within own tax revenue



Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

Fig. 3: State's own tax revenue and non-tax revenue as percentage of GSDP (%)

Haryana is one of the most developed and rich state of India. But its revenue receipts have not showed a good picture in terms of financial health. By observing the pattern of these absolute data, it is revealed that tax revenues are rising at a good rate. But absolute data misleading us in understanding the financial health of state. For getting real picture, we measure it in terms of tax to gross state domestic product ratio. Fig. 3 showed that own tax revenue to GSDP ratio and own non-tax revenue to GSDP ratio depicted a gradually declining trend over time and is almost stagnant with declining tendency in last decade. Hence, there is deterioration in fund mobilising capacity of government over time. The detailed picture is highlighted in table 3.

Average state's own tax revenue to GDSP ratio is 7.24 per cent and over time it lies between 6 to 8 per cent per annum roughly. It showed a

Table 2: Trends and Pattern of Revenue Receipts of Haryana Government (Rupees in crores)

Year	State's own tax revenue (1)	State's own non-tax revenue (2)	Share in Central Taxes (3)	Grant-in-aid from central government (4)	Total tax revenue (1+3)	Total non-tax revenue (2+4)	Total revenue receipts (1+2+3+4)
1980-81	233.91	119.31	61.23	45.49	295.14	164.80	459.94
1981-82	290.62	137.98	68.03	39.44	358.65	177.42	536.07
1982-83	336.68	159.88	72.61	42.45	409.29	202.33	611.62
1983-84	365.87	179.54	80.78	72.40	446.65	251.94	698.59
1984-85	405.41	214.48	93.54	77.02	498.95	291.50	790.45
1985-86	501.71	258.12	85.50	115.00	587.21	373.12	960.33
1986-87	565.86	296.62	97.21	170.49	663.07	467.11	1130.18
1987-88	664.40	378.00	107.52	153.92	771.92	531.92	1303.84
1988-89	795.41	354.71	120.62	170.34	916.03	525.05	1441.08
1989-90	910.12	445.93	154.11	97.08	1064.23	543.01	1607.24
1990-91	1069.54	511.10	185.90	146.88	1255.44	657.98	1913.42
1991-92	1300.20	546.10	219.45	176.04	1519.65	722.14	2241.79
1992-93	1446.87	460.27	261.94	208.56	1708.81	668.83	2377.64
1993-94	1588.91	1340.55	282.45	269.54	1871.36	1610.09	3481.45
1994-95	1887.86	3473.41	317.14	204.00	2205.00	3677.41	5882.41
1995-96	2168.96	2186.81	360.47	298.49	2529.43	2485.30	5014.73
1996-97	2143.12	3132.67	431.89	340.65	2575.01	3473.32	6048.33
1997-98	2368.63	2631.10	539.31	358.73	2907.94	2989.83	5897.77
1998-99	3119.62	1518.02	480.04	361.01	3599.66	1879.03	5478.69
1999-00	3517.61	1259.06	525.27	464.82	4042.88	1723.88	5766.76
2000-01	4311.48	1439.39	344.88	478.14	4656.36	1917.53	6573.89
2001-02	4972.43	1666.07	449.01	513.04	5421.44	2179.11	7600.55
2002-03	5549.68	1807.85	756.59	542.90	6306.27	2350.75	8657.02
2003-04	6348.05	2223.06	600.75	671.63	6948.80	2894.69	9843.49
2004-05	7440.03	2544.37	619.50	545.15	8059.53	3089.52	11149.05
2005-06	9078.63	2458.56	1200.97	1115.13	10279.60	3573.69	13853.29
2006-07	10927.76	4590.77	1295.64	1138.26	12223.40	5729.03	17952.43
2007-08	11617.82	5097.08	1634.35	1401.48	13252.18	6498.56	19750.74
2008-09	11655.28	3238.44	1724.62	1833.96	13379.90	5072.40	18452.30
2009-10	13219.51	2741.40	1774.47	3257.30	14993.97	5998.69	20992.67
2010-11	16790.37	3420.93	2301.75	3050.62	19092.12	6471.55	25563.67
2011-12	20399.46	4721.65	2681.55	2754.93	23081.01	7476.58	30557.59
2012-13	23559.00	4673.15	3062.13	2339.25	26621.13	7012.40	33633.53
2013-14	25566.60	4975.06	3343.24	4127.18	28909.84	9102.23	38012.08
2014-15	27634.58	4613.11	3548.09	5002.88	31182.66	9615.99	40798.66
2015-16	30929.09	4752.49	5496.22	6378.76	36425.31	11131.24	47556.55
2016-17	34025.68	6196.09	6597.47	5677.57	40623.15	11873.66	52496.82
2017-18	41836.46	9112.85	6560.44	5185.12	48396.90	14297.98	62694.87
2018-19	42743.94	7975.64	8092.00	7073.54	50835.94	15049.18	65885.12
2019-20	42824.95	7399.75	7111.53	10521.91	49936.48	17921.66	67858.13
2020-21	46265.80	6961.49	6437.59	12248.13	52703.39	19209.62	71913.01

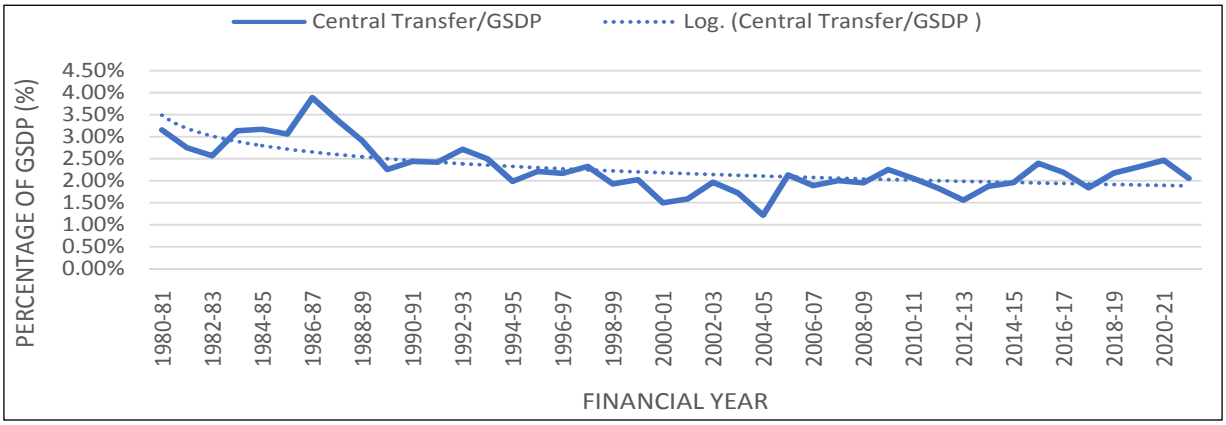
Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

Table 3: Trends and Pattern of Tax and Non-tax Revenue to GSDP Ratio of Haryana Government

Financial year	Rupees in crores	In percentage					
	Gross state domestic product (GSDP)	State's own tax revenue to GSDP ratio	State's own non-tax revenue to GSDP ratio	Central[1] transfer to GSDP ratio	Tax revenue to GSDP ratio	Non-tax revenue to GSDP ratio	Total revenue to GSDP ratio
1980-81	3386.41	6.91	3.52	3.15	8.72	4.87	13.58
1981-82	3910.80	7.43	3.53	2.75	9.17	4.54	13.71
1982-83	4484.90	7.51	3.56	2.57	9.13	4.51	13.64
1983-84	4889.70	7.48	3.67	3.13	9.13	5.15	14.29
1984-85	5381.90	7.53	3.99	3.17	9.27	5.42	14.69
1985-86	6551.90	7.66	3.94	3.06	8.96	5.69	14.66
1986-87	6888.70	8.21	4.31	3.89	9.63	6.78	16.41
1987-88	7738.90	8.59	4.88	3.38	9.97	6.87	16.85
1988-89	10015.00	7.94	3.54	2.91	9.15	5.24	14.39
1989-90	11146.60	8.17	4.00	2.25	9.55	4.87	14.42
1990-91	13636.40	7.84	3.75	2.44	9.21	4.83	14.03
1991-92	16339.30	7.96	3.34	2.42	9.30	4.42	13.72
1992-93	17343.30	8.34	2.65	2.71	9.85	3.86	13.71
1993-94	22131.30	7.18	6.06	2.49	8.46	7.28	15.73
1994-95	26244.80	7.19	13.23	1.99	8.40	14.01	22.41
1995-96	29788.90	7.28	7.34	2.21	8.49	8.34	16.83
1996-97	35642.40	6.01	8.79	2.17	7.22	9.74	16.97
1997-98	38649.10	6.13	6.81	2.32	7.52	7.74	15.26
1998-99	43646.00	7.15	3.48	1.93	8.25	4.31	12.55
1999-00	48909.90	7.19	2.57	2.02	8.27	3.52	11.79
2000-01	55005.50	7.84	2.62	1.50	8.47	3.49	11.95
2001-02	60561.40	8.21	2.75	1.59	8.95	3.60	12.55
2002-03	66175.40	8.39	2.73	1.96	9.53	3.55	13.08
2003-04	73960.70	8.58	3.01	1.72	9.40	3.91	13.31
2004-05	95795.10	7.77	2.66	1.22	8.41	3.23	11.64
2005-06	108884.60	8.34	2.26	2.13	9.44	3.28	12.72
2006-07	128732.30	8.49	3.57	1.89	9.50	4.45	13.95
2007-08	151595.90	7.66	3.36	2.00	8.74	4.29	13.03
2008-09	182522.20	6.39	1.77	1.95	7.33	2.78	10.11
2009-10	223600.30	5.91	1.23	2.25	6.71	2.68	9.39
2010-11	260621.30	6.44	1.31	2.05	7.33	2.48	9.81
2011-12	297538.50	6.86	1.59	1.83	7.76	2.51	10.27
2012-13	347032.00	6.79	1.35	1.56	7.67	2.02	9.69
2013-14	399268.10	6.40	1.25	1.87	7.24	2.28	9.52
2014-15	437144.70	6.32	1.06	1.96	7.13	2.20	9.33
2015-16	495504.10	6.24	0.96	2.40	7.35	2.25	9.60
2016-17	561424.20	6.06	1.10	2.19	7.24	2.11	9.35
2017-18	638832.10	6.55	1.43	1.84	7.58	2.24	9.81
2018-19	698188.90	6.12	1.14	2.17	7.28	2.16	9.44
2019-20	762043.60	5.62	0.97	2.31	6.55	2.35	8.90
2020-21	758506.53	6.10	0.92	2.46	6.95	2.53	9.48
Average	174625.94 (CGR = 15.3)	7.24	3.32	2.29	8.40	4.45	12.84

Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

[1]*In table 3, central transfer is the sum of grants in aid and state's share in central taxes.*



Source: *EPWRF and Directorate of Economic & Statistical Affairs (DESA)*

Fig. 4: Central Transfer (Devolution Plus Grants)/GSDP (%)

declining trend over time. In latest decade, it is almost stagnant at 6.3 per cent per annum Similarly, average tax revenue to GSDP ratio for the state is 8.40 per cent. Tax to GSDP ratio also has a declining trend over time. During the last ten years, it is again almost stagnant at 7.3 per cent per annum.

Central transfer (sum of grants in aid and state's share in central taxes) to GSDP ratio is also depicted a declining trend over time (showed in Fig. 4) and the average share is 2.29 per cent. Further, state's own non-tax revenue to GSDP ratio depicted a continuous declining trend over time and it reduced to less than one per cent in recent years. Total revenue receipt to GSDP ratio has revealed the same declining trend over time because it is the reflection of collection of tax revenue, non-tax revenue and central transfer to state. Since 2012-13, it is almost stagnant at 9.5 per cent per annum. Low tax to GSDP ratio is the biggest challenge for state government.

In general, tax income fluctuates more than GSDP as a percentage, although the ratio remains mostly stable. The government's capacity to raise money for the efficient operation of its operations—namely, maintaining a welfare state—is gauged by the tax to GSDP ratio. The government's financial stability is called into doubt, nonetheless, given the tax to GDP ratio's stagnation and slow decline. Haryana's tax to GSDP ratio is lower than India's even though it is one of the most developed states in the country. We know that the nation will be in a better financial situation the greater the tax to GDP ratio. Reduced tax-to-GDP rates force the government to achieve its fiscal deficit objectives and limit its ability to spend on infrastructure and developmental activities (Carneo & Vergallia, 2016). Because the tax-to-GDP ratio provides a more accurate indicator of changes in tax revenue, policymakers use it to compare tax collections from year to year. Further, in 2018, the tax-to-GDP ratio in industrialized nations was close to 34 per cent, while the tax-to-GDP ratiFo in the European Union was 40 per cent (IMF, 2019). In 2021-22, the tax to GDP ratio was 11.7 per cent in India whereas it was 10.6 per cent in 2020-21 (RBI, 2020; 2021). With the claim that "high tax is bad for economic growth," Yi and Suyono (2013) noted that the maximization of tax revenue and the maximization of GDP are incompatible. They regularly analyse this negative correlation using the tax multiplier. They concluded that higher tax revenues had a detrimental effect on economic expansion. The ideal range for the tax-to-GDP ratio is between 10% and 15% of GDP.

The tax-to-GSDP ratio primarily represents the government's ability to raise money for public spending. Higher ratios indicate that the government can fund its operations without using excessive borrowing, which can result in budget deficits and debt accumulating. It indicates a country's sustainability and economic prudence. The study showed that the average tax to GSDP ratio in Haryana is 8.4 which is very low and even lower than India's Tax to GDP ratio. A low ratio may signal tax evasion or a poorly constructed tax system, which would compel the government to enhance tax-collecting methods and compliance. The GSDP is growing with extent of (CGR) 15.3 per cent. Whereas, tax revenue is growing with extent

of (CGR) 15.5 per cent. However, there is no much difference in the CGR of tax receipt and GSDP over time. But gradually declining tax to GSDP ratio is challenge for Haryana government. In the last decade, it is almost stagnant. The low tax-to-GSDP ratio forced heavy borrowings and persistent deficits in fiscal management. Because of this, the government's liabilities have been continuously rising, and the capability to spend more funds on welfare schemes has been reducing over time. Hence, government must increase revenue receipts collection by creating or finding more sources of earnings. Being a welfare state, heavy taxation is not good for economic development.

CONCLUSION AND POLICY ANALYSIS

The analysis of Haryana's revenue receipts over the past four decades reveals a complex but concerning picture of the state's fiscal health. Despite Haryana being one of India's most economically advanced states, its fiscal indicators, particularly the tax-to-GSDP ratio, expose structural weaknesses in its revenue mobilization framework. The data show that while absolute tax revenues have been increasing steadily, the state's own tax-to-GSDP ratio has exhibited a gradual and persistent decline, remaining stagnant at around 6.3% in the last decade. Similarly, the state's own non-tax revenue to GSDP ratio has been consistently declining and has now fallen below 2 per cent, indicating an erosion of revenue streams that are essential for fiscal sustainability. Although compound growth rates (CGRs) of tax revenues (14.5%) and GSDP (15.3%) are roughly aligned, the tax-to-GSDP ratio fails to reflect that growth, implying that the increase in tax revenue is not keeping pace with the expansion of the economy in a proportional manner.

From a policy perspective, this presents a troubling scenario. A declining tax-to-GSDP ratio signals inefficiencies in the tax system, weak compliance, possible tax evasion, or structural limitations in revenue design. This declining ratio diminishes the state's ability to fund developmental programs and meet welfare obligations without resorting to borrowing, which, in turn, leads to rising public debt and fiscal stress. The situation is compounded by the fact that the state's own non-tax revenues have been eroding steadily since the late 1990s, further constraining financial space.

To address the structural fiscal challenges facing Haryana, comprehensive and targeted policy reforms are essential. A critical first step involves broadening the tax base by identifying untapped sectors and minimizing excessive tax exemptions, while ensuring the effective implementation of GST to improve compliance and reduce inefficiencies. Equally important is the modernization of tax administration through digital infrastructure, data analytics, and transparency measures that can enhance voluntary compliance and minimize leakages. Beyond taxation, the state must urgently revisit non-tax revenue sources, such as rationalizing user fees for public services, improving the efficiency and profitability of state-owned enterprises, and leveraging underutilized public assets. Fiscal responsibility must be institutionalized through adherence to frameworks like the FRBM Act, with a strong focus on curbing non-productive expenditure. Lastly, empowering local bodies to mobilize their own revenues through robust property tax regimes and localized levies can reduce overdependence on state-level resources, ensuring more sustainable and decentralized fiscal governance.

In conclusion, while Haryana has made notable progress in absolute revenue growth, its declining revenue-to-GSDP ratios raise red flags about its long-term fiscal sustainability. Without policy interventions aimed at expanding and diversifying its revenue sources and improving tax efficiency, the state risks compromising its developmental and welfare objectives. Strategic reforms are imperative to ensure that revenue growth keeps pace with economic expansion and that the state's financial health remains robust and resilient.

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