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Trends in Nagaland's Revenue Receipts

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Abstract

The State finance of Nagaland is characterized by massive fiscal deficits caused by excessive revenue expenditures and insufficient mobilization. As a result, it has limited resources to finance capital expenditures, and its cash situation worsens, leading it to resort to the easy but costly borrowing decision. Consequently, this article's primary focus will be on analyzing revenue performance by estimating revenue growth rates from 1995-96 to 2019-20. The study demonstrates that the State's Total Revenue Receipts have been on the rise; yet, despite better revenue growth, the State remains reliant on the Centre for assistance. According to the study, State's Tax Revenue have tended to be more buoyant, primarily due to Sales Tax and Taxes on Vehicles having buoyancy greater than unity. In the case of Non-Tax Revenue, Social Services was buoyant more than unity, suggesting a positive response more than proportionally to Gross State Domestic Product (GSDP) growth.

Keywords: State Finance, Revenue Receipts, Buoyancy, GSDP.

1. Introduction

State Finances in India is an essential and intricate subject that encompasses economic and political concerns and is heavily impacted by the operation of both the Central and State Governments. However, the financial position of India's many state governments has been a source of widespread anxiety. Increases in expenditures on non-developmental activities can be regarded as one of the fundamental flaws in the financial structures of state governments in India. The State's finances face significant challenges, which are structural imbalances, including massive revenue shortfalls and growing interest loads. The primary goals of public finance are to allocate resources to deliver public services in order to promote growth and development, maintain macroeconomic stability, and achieve the appropriate income distribution(Rao, 2018). Taxation has traditionally been one of the government's most important but complex functions. The public revenue so gathered is necessary to carry out public services and protect the welfare of the people by incurring public expenditure to keep revenue in line with expenditure and avoid deficits and subsequent borrowings.

Unfortunately, Nagaland's finances are characterized by enormous fiscal deficits fueled by high revenue expenditures, insufficient revenue mobilization, revenue shortfalls, high debt, and low capital investment. As a consequence of this situation, the state is in a very vulnerable position. It has limited resources to support capital expenditures, and its cash position is deteriorating, which forces it to revert to the easiest but costliest choice of borrowing. Therefore, it is essential to investigate the state's revenue growth rate by investigating the revenue trend and providing a comparative picture of its effectiveness in generating funds and resources. As a consequence of this, the analysis of revenue performance through the estimation of revenue growth rates will be the primary emphasis of this article.

2. Literature Review

Mohanty (1997) assesses that increasing and prolonged budget deficits contributed to macroeconomic insecurity, hampered economic expansion, and degraded long-term fiscal stability. The study portrayed fiscal stability as a crucial factor for macroeconomic stability and economic progress. The fiscal reform process in India has reduced the central government's fiscal deficit; nevertheless, macroeconomic reform in the budget should place greater focus on strengthening monetary control, enhancing infrastructure, and monitoring expenditure plans by a commission. In the context of economic expansion, fiscal adjustment must be geared to reverse the downward trend in infrastructure investment and vital social services, as well as increase the public sector's resource utilization productivity. These long-term reforms will play an equally crucial role in supporting economic development and decreasing the budget deficit to a sustainable level.

Ahluwalia (2000)evaluates that as a result of liberalization, the level of control held by the central government in a number of areas has lessened, giving significantly greater opportunity for state-level initiatives. This is especially true when seeking both domestic and international investment. Consequently, State performance and policies require far more focus than they now receive. In order to determine what works and what doesn't, it is essential to examine performance discrepancies between states. An improved understanding of the elements that lead to the superior performance of some states would facilitate the transmission of success across the nation.

Mohan (2000) argues that continuous increase in economic growth is required to ensure the Nation's long-term economic health. However, the most significant stumbling block to India's future growth is the continued decline in public infrastructure investment, worsen by the country's poor fiscal situation at both the National and State levels. Apart from securing a greater level of tax collection, the crucial remedies to India's budget crisis include aggressive plans to impose user fees on all public services that may be charged and a swift privatization program. The already insecure budgetary position will deteriorate without immediate action, posing a severe threat to economic security.

Rao (2002) analyzed the problem of state finances in India to identify the policy and institutional reforms to achieve fiscal rectitude. This study detailed the areas of reform the states should focus on to improve efficiency, revenue productivity, and prioritization and compression of unproductive expenditures. Reforms in expenditure and tax systems, power sector reform and restructuring of state enterprises, administrative reengineering, building up a proper information system, and computerization of tax administration are some of the areas for reform.

Upender (2008)attempt to provide an empirical content to the differential coefficient of Tax buoyancy during the post-tax reform period in India. The regression findings show that the estimate of constant gross tax buoyancy during the pre-tax reform period is positively significant and greater than unity, indicating that gross tax is moderately elastic. The estimate of tax buoyancy is smaller than unity throughout the post-tax reform period, indicating that the gross tax is rather inelastic. This also explains why, throughout the post-tax reform period, the average propensity to tax is declining as GDP rises. The estimates of gross tax buoyancy prior pre-reform and post-reform are not consistent.

Purohit & Purohit (2009) examines the structure of the State's Non-Tax Revenue sources. The study shows that Non-tax sources are not a significant source of income in the State budgets, and the growth of Non-Tax Revenue is not keeping pace with other revenue components. However, Non-Tax Revenue can be a substantial source of revenue for state governments, provided the price of services is carefully considered. In addition, significance of Non-Tax Revenue is now being recognized in governments' economic deficits and the essential financial requirements for updating and modernizing essential infrastructure.

Mallick (2013) evaluates the rising trend of Central and State government expenditures on capital expenditures and revenue expenditures. States with high performance incurred more revenue expenditures than those with medium and low performance. However, States with superior performance incurred fewer capital expenditures than states with average performance. Due to higher productivity and efficiency, private investment had a bigger influence on state revenues than public investment, resulting in economic disparities across states. As a result, equitable allocation of infrastructure investment spending might result in balanced regional income or economic growth. The strategy should be developed in collaboration with the Centre and the States to enhance infrastructure investment as a tool for the Central and State governments to actively allocate private investment to achieve a balanced income distribution and economic growth.

Dey (2021) aims to examine the impact of the Goods and Services Tax on India's indirect tax collection in general and Odisha's in particular. Except for Odisha, where predicted tax income has not yet been achieved, the statistics demonstrate a growing trend of indirect tax in India due to the adoption of this new tax system.

Karunakaran and M D (2021) explains the importance of public income as a key economic and fiscal policy tool for controlling the money supply and maintaining price stability. According to the report, the government's endeavour to broaden the tax base resulted in an increase of 80% in the number of IT returns submitted. In addition, the study found that public revenue and macroeconomic indicators are strongly connected and interrelated.

3. Objectives

1. To analyze the structure and growth of Revenue Receipts.
2. To analyze the fiscal position of the State.

4. Research Methodology

The primary focus of the study is on the State's Revenue Receipts in Nagaland; secondary data is collected to investigate the rise of Revenue Receipts from the fiscal year 1995-1996 to the fiscal year 2019-2020. The study is based on the Finance Accounts issued by the Finance Department of the Government of Nagaland. The study and interpretation of the data used various statistical methods, such as percentages, averages, charts, yearly growth rate, and compound annual growth rate, amongst others. In addition, the Compound Annual Growth Rate (CAGR) was computed to estimate the growth of various components of Revenue Receipts throughout the research period in order to facilitate growth comparisons across different periods.

The compound annual growth rate (CAGR) is estimated by fitting a semi-log model and applying the method of ordinary least square (OLS) as explained below:

$$Y = \alpha \beta t \qquad \dots (i)$$

$$\text{Log } Y = \log \alpha + t \log \beta \qquad \dots (ii)$$

Where,

Y = Revenue component

α = Constant coefficient

β = Regression coefficient

t = Time in year

By applying Ordinary Least Square (OLS) method, the compound annual growth rate was estimated using the following equation:

$$\text{CAGR} = [\text{antilog } b - 1] * 100 \qquad \dots (iii)$$

5. Revenue Trends in Nagaland

The study of State Revenue Receipts from 1995-1996 to 2019-2020 is provided in **Table 1.**An examination of the Revenue Receipts of the States indicates that the Revenue Receipts are made up of Tax Revenue, Non-Tax Revenue, and Grants from the Centre. The study reveals that Grants-in-Aid from the Centre is the dominant component contributing about 70.2 percent of the Total Revenue Receipt during the study period from 1995-96 to 2019-20, followed by Tax Revenue with 26.3 percent 3.4 percent to Non-Tax Revenue. There was a significant increase in the Total Revenue Receipts from ` 733.79 crores in 1995-96 to ` 11423.29 crores in 2019-20, registering a Compound Annual Growth Rate (CAGR) of 13.09 percent mainly because of the larger share from Grants-in-Aid from Central and improvement in State's Tax revenue. Tax Revenues showed a good increase from ` 43.33 crores in 1995-96 to ` 4225.31 crores in 2019-20, registering the highest CAGR of 23.48 percent compared to the Non-tax Revenues and Grants-in-Aid from the Centre. Non-tax revenue of the State increased from ` 36.05 crores in 1995-96 to ` 339.29 crores in 2019-20 with a CAGR of 12.18 percent. In contrast, the Grants from the Central Government increased from ` 645.41 crores in 1995-96 to ` 6858.69 crores in 2019-20, registering a CAGR of 10.99 percent. What is particularly important to note is the growth rate of Tax Revenue and Non-Tax Revenue in the Total Revenue Receipts of the State. The low growth in Tax Revenue and Non-Tax Revenue puts severe pressure on the finances of the State as it forces the State to demand more share from the Central pool.

The study's findings showed that the State became more reliant on the Center throughout the study period. In comparison, the percentage share of the State's Grants-in-Aid from the Centre is 70.2 percent, whereas the percentage share of the State's Tax Revenue is 26.3 percent and the percentage share of the State's Non-Tax Revenue is 3.4 percent. This demonstrates how the State has become dependent on the share in Central Assistance over time. In addition, the State Government attempted to boost its revenue during the research, which was a positive development.

Table 1. Revenue Trend of the State.

(` crores)

Year	Tax Revenue	Non-Tax Revenue	GIA from Centre	Total Revenue Receipts	Total Revenue Expenditure	Revenue Deficit
1995-96	43.33	36.05	654.41	733.79	935.89	-202.10
1996-97	57.10	33.45	764.58	855.13	981.93	-126.80
1997-98	69.77	27.52	763.69	860.99	1121.86	-260.87
1998-99	56.80	44.14	888.43	989.38	1168.19	-178.81
1999-00	69.46	38.86	1023.14	1131.46	1320.14	-188.68
2000-01	46.25	39.23	1264.55	1350.02	1514.63	-164.61
2001-02	85.61	43.40	1195.51	1324.52	1665.84	-341.32
2002-03	108.01	43.93	1194.94	1346.88	1846.96	-500.08
2003-04	325.52	60.91	1973.35	2359.78	2204.12	155.66
2004-05	238.46	77.89	1523.15	1839.50	2064.06	-224.56
2005-06	354.02	96.72	1816.34	2267.08	2578.40	-311.32
2006-07	435.95	91.14	2245.41	2772.50	2932.62	-160.12
2007-08	531.14	119.48	2345.39	2996.01	3393.75	-397.74
2008-09	577.86	180.55	2642.47	3400.88	3742.63	-341.75
2009-10	614.53	126.35	2978.87	3719.75	4241.97	-522.22
2010-11	916.77	183.13	3900.07	4999.97	5310.78	-310.81
2011-12	1107.07	232.95	4246.35	5586.37	6125.05	-538.68
2012-13	1257.09	207.16	4740.02	6204.27	6856.57	-652.30
2013-14	1334.66	216.57	4946.66	6497.89	6957.41	-459.52
2014-15	1451.29	270.61	5929.03	7650.93	7785.58	-134.65
2015-16	2967.81	256.38	4819.36	8043.55	8641.16	-597.61
2016-17	3543.38	345.52	5553.37	9442.27	9728.03	-285.76
2017-18	3991.41	388.53	6639.27	11019.21	11466.19	-446.98
2018-19	4638.84	255.24	6543.33	11437.41	12515.55	-1078.13
2019-20	4225.31	339.29	6858.69	11423.29	12843.34	-1420.05
CAGR	**23.48**	**12.18**	**10.99**	**13.09**	**12.36**	
% Share to Total Revenue Receipts	**26.3**	**3.4**	**70.2**	**-**	**-**	**-**

***Source*:** Computed on the basis of data available in various issues of Finance Accounts.

Figure 1: Trends in State's Total Revenue Receipts.

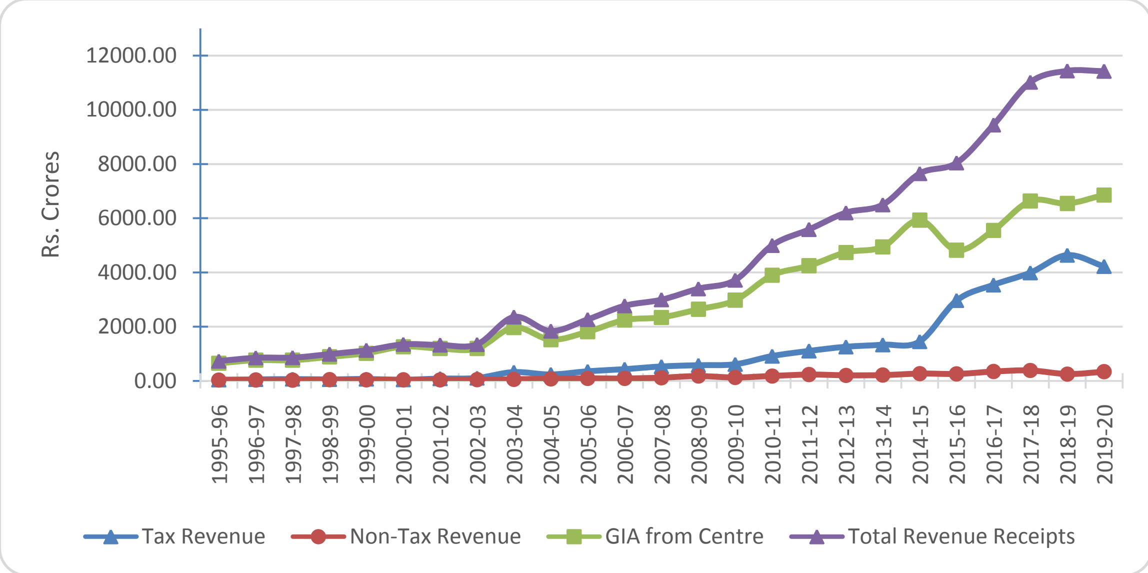
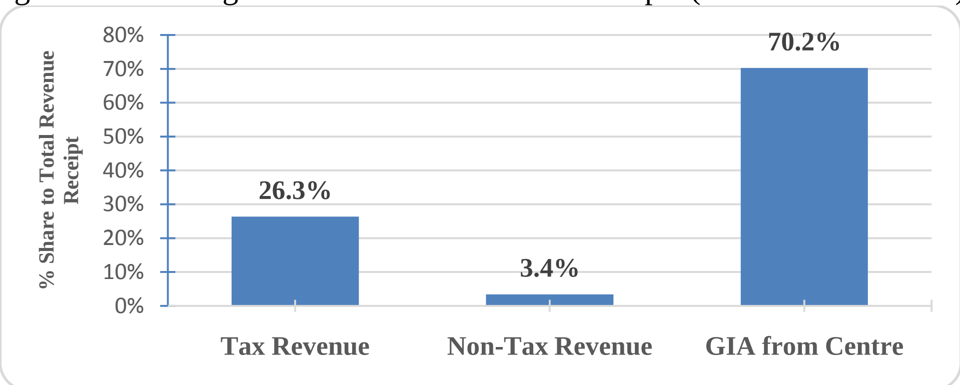


Figure 2: Percentage Share of Total Revenue Receipts (1995-96 to 2019-20).



6. Revenue Deficit

The State Government of Nagaland frequently faces revenue shortfalls due to a disparity between the amount of money it brings in and the amount of money it spends on revenue-generating activities. During the research period, the deficits increased from ` 202.10 crore in 1995–1996 to ` 1420.05 crore in 2019–20, which caused the situation to deteriorate. This was caused by the expanding disparity between revenue and expenditures. Even though Total Revenue Receipts grow at a relatively higher rate than Total Revenue Expenditure, which grows at a CAGR of 12.36 percent, this growth is not sufficient to weather the size and complexity of the growth in expenditures. As a result, the CAGR for Total Revenue Receipts is 13.09 percent, and the CAGR for Total Revenue Expenditure is 12.36 percent. The ever-increasing Revenue Deficits are the underlying reason for the burden placed on the State's budget. As a direct consequence of this, the State fell behind in expanding its capital expenditures and investments in infrastructure. This issue needs to be addressed with due deliberations and scientific management of revenue and expenditure.

7. Buoyancy of Total Revenue Receipts

The level of tax buoyancy is an indicator used to quantify the efficiency and responsiveness of revenue mobilization in response to an increase in the Gross Domestic Product (GDP). A tax is considered buoyant when the amount of money collected from it grows at a greater rate than the proportional increase that results from a growth in the Gross State Domestic Product (GSDP). Tax Revenue, Non-Tax Revenue, Grants from the Centre, and Total Revenue Receipt to GSDP are all depicted in Table 2 with their respective growth rates. According to the study's findings, the increase in tax revenue tracked closely with the expansion of GSDP. In contrast, it was discovered that the value of Non-Tax Revenue is less than one, which indicates that the buoyancy of Non-Tax Revenue is relatively inelastic. The robust rise of Total Revenue Receipts suggests that the state's revenue expanded at a greater than the proportional rate to the expansion of GSDP.

Table 2: Buoyancy of State Revenue Receipts with respect to GSDP (1996-96 to 2019-20).

Revenue Heads	GSDP	R2	F-Test
Tax Revenue	1.57	0.91	241.36
Non-Tax Revenue	0.97	0.94	338.77
Grands from Centre	0.88	0.98	978.68
Total Revenue Receipt	7.94	1.00	11157.51

***Source*:** Computed on the basis of data available in various issues of Finance Accounts.

State's Own Tax Revenue

Table 3 represents the State's Own Tax Revenue from 1995-96 to 2019-20. State's Own Tax Revenue has significantly increased from ` 23.28 crores in 1995-96 to ` 1884.39 crores in 2019-20, as shown in Table 3, with a Compound Annual Growth Rate (CARG) of 18.55 percent during the study period. Sales Tax is the primary source of revenue for the State Government of Nagaland. The percentage share of Sales Tax to Total State's Own Tax Revenue was 82.25 percent. The other significant source of revenue is Taxes on Vehicles, with an 8.83 percent revenue contribution to the State. The share of Professional Tax was 5.69 percent of the Total. The share of Land Revenue and other remaining taxes remained insignificantly low at 1.00 percent or below during the study period. It is worth noting that Sales Tax, Taxes on Vehicles, and Professional Taxes together contribute 96.77 percent of the State's Own Tax Revenue and have witnessed an increasing trend during the study period.

The State's Total Own Revenue buoyancy has remained above unity during the study period, as seen in Table 4. This indicates that the Total Own Tax Revenue responds proportionately to the growth of GSDP. The table also shows that the buoyancy of total own tax revenue is influenced mainly by the buoyancy of Sales Tax and Taxes on Vehicle. These two taxes have buoyancy more than unity, indicating that they respond more than proportionately to the growth of GSDP during the study period. The buoyancy of all other taxes was less than unity, indicating low productivity. Therefore, there is a need to increase the productivity of these taxes in Nagaland.

Table 3: Trendsin State's Own Tax Revenue.(` *crores)*

Year	Professional Tax	Land Revenue	Stamps & Registrations Fees	State Excise	Sales Tax	Vehicle Taxes	Taxes on Goods & Passengers	Taxes & Duties on Electricity	Other Taxes	TOTAL
1995-96	4.51	0.07	1.74	1.59	12.32	2.92	0.00	0.01	0.13	23.28
1996-97	4.50	0.15	5.76	2.00	16.15	3.88	0.00	0.01	0.14	32.59
1997-98	5.18	0.08	3.66	2.10	16.52	3.86	0.00	0.01	0.16	31.57
1998-99	6.02	0.12	1.94	1.89	16.10	4.37	0.00	0.01	0.12	30.56
1999-00	7.87	0.26	1.85	1.73	23.05	4.59	0.00	0.01	0.15	39.50
2000-01	9.63	0.35	1.77	1.77	27.30	5.29	0.01	0.00	0.14	46.25
2001-02	11.28	0.62	0.91	1.87	34.42	5.35	0.10	0.00	0.13	54.68
2002-03	12.23	0.41	0.57	1.98	41.16	4.74	0.81	0.00	0.10	62.00
2003-04	12.63	0.54	0.66	1.99	45.63	6.00	1.03	0.00	0.06	68.54
2004-05	13.57	0.43	0.73	2.07	53.08	7.30	1.10	0.00	0.03	78.31
2005-06	14.89	0.55	0.89	1.96	77.16	8.71	1.35	0.00	0.01	105.52
2006-07	16.35	0.50	1.05	2.13	85.02	12.26	1.69	0.02	0.00	119.02
2007-08	17.72	0.50	1.02	2.83	94.79	12.30	2.19	0.02	0.00	131.37
2008-09	19.86	0.60	1.01	3.34	114.70	14.14	2.34	0.03	0.00	156.02
2009-10	22.54	0.63	1.19	3.14	132.22	16.73	3.96	0.11	0.00	180.51
2010-11	24.57	0.59	1.35	3.00	167.22	23.92	6.62	0.05	0.00	227.32
2011-12	27.02	0.68	1.85	3.36	231.12	34.58	4.85	0.04	0.37	303.87
2012-13	27.22	0.72	1.58	3.73	257.21	41.59	6.71	0.05	1.14	339.95
2013-14	28.30	0.70	1.77	4.86	250.21	36.15	10.79	0.04	0.58	333.39
2014-15	27.95	0.75	1.93	4.70	294.29	46.46	9.73	0.03	2.77	388.60
2015-16	29.65	0.75	2.04	5.12	328.58	53.09	5.88	0.06	3.09	428.26
2016-17	30.28	0.82	2.05	4.63	400.12	57.39	14.76	0.06	0.65	510.76
2017-18	34.88	0.90	2.62	4.20	861.55	101.53	17.59	0.06	0.00	1023.33
2018-19	42.20	0.11	2.53	4.65	1667.09	126.22	20.17	0.09	1.96	1865.01
2019-20	30.64	0.10	2.79	3.24	1715.51	113.93	18.09	0.08	0.00	1884.39
CAGR	**9.22**	**4.85**	**0.83**	**4.87**	**21.11**	**17.29**	**33.10**	**33.05**	**12.04**	**18.55**
% to Total	**5.69**	**0.14**	**0.54**	**0.87**	**82.25**	**8.83**	**1.53**	**0.01**	**0.14**	

***Source*:** Computed on the basis of data available in various issues of Finance Accounts.

Table 4: Buoyancy of State's Own Tax Revenue (1996-96 to 2019-20).

Revenue Heads	**GSDP**	**R2**	**F-Test**
Professional Tax	0.76	0.96	577.27
Land Revenue	0.44	0.24	7.19
State Excise	0.40	0.80	94.15
Sale Taxes	1.61	0.95	482.43
Vehicle Taxes	1.33	0.94	350.59
Total Own Tax Revenue	1.42	0.95	395.99

***Source*:** Computed on the basis of data available in various issues of Finance Accounts.

Chart 3: Trends is State's Own Tax Revenue.

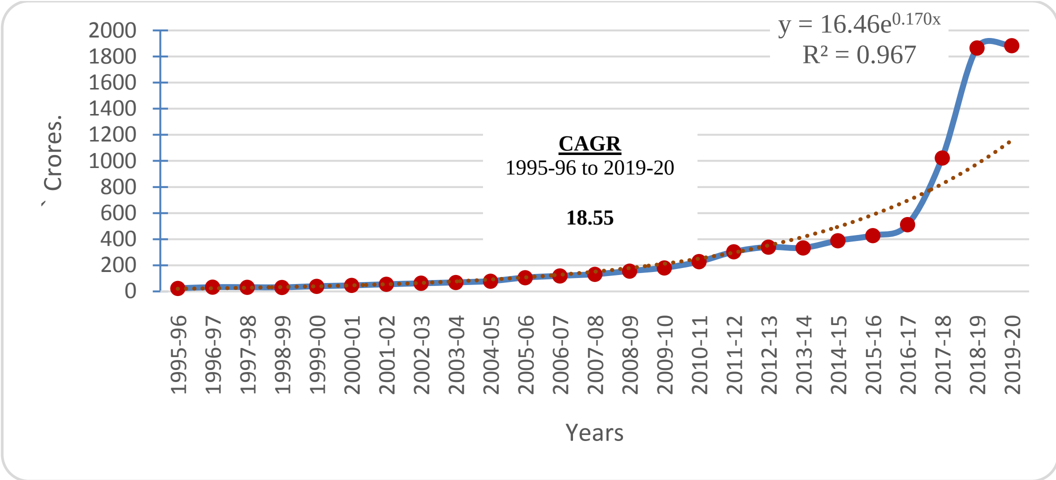
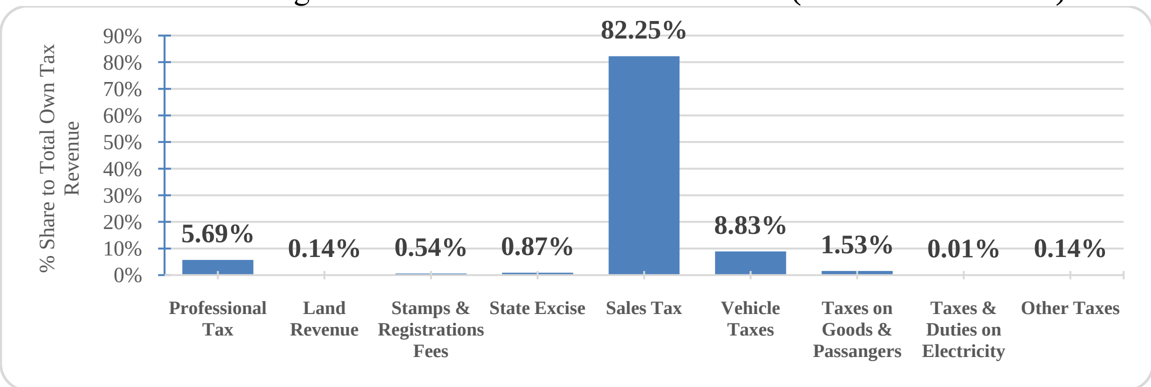


Chart4: Percentage Share of State’s Own Tax Revenue (1995-96 to 2019-20).



State’s Own Non-Tax Revenue

Table 5 shows the trend analysis of the State’s Own Non-Tax Revenue. State’s Own Non-Tax Revenue has significantly increased from `36.05 crores in 1995-96 to `339.29 crores in 2019-20. The CAGR has significantly grown to the extend of 12.18 percent during the study period.The revenue from Economic Services constitutes a significant part of the Total Own Non-Tax Revenue. The percentage share of Economic Services to the Total Own Non-Tax Revenue was 58.55 percent during the study period. The following crucial component of State’s Own Non-Tax Revenue was Social Services, with a percentage share of 20.70 percent. The share of General Services in the Total State’s Own Non-Tax Revenue was 16.56 percent during the study period. The share of Interest Receipts, Dividends and Profits is insignificant, with only 4.18 percent of the Total Own Non-Tax Revenue.The table demonstrates a large amount of variation in the growth rates of all of the taxes throughout the research period. The rate of increase for Interest Receipts was an average of 20 percent, whereas the growth rate for General Services was 36 percent. The expansion rate was positive during the majority of the year for the Social Services and Economic Services sectors. The average growth rate of Social Services was 48 percent, whereas the average growth rate of Economic Services was 12 percent.The State's Own Non-Tax Revenue highlights the state's attempts to supplement revenue through fees and user charges, interest payments, and earnings from state-owned enterprises. However, the overall contribution of State's Own Non-Tax Revenue to Total Revenue Receipts is just 3.4 percent, which is minimal. This indicates that the State heavily relies on the assistance from the Central Government and fails to utilize its own resources.

Table 6 illustrates the buoyancy of General Services, Social Services, Economic Services, and Interest Receipts. The buoyancy of Interest Receipts, General Services, and Economics Services was lower than unity, which indicates a poor productivity level. In contrast, the buoyancy of Social Services was greater than unity, showing that growth in non-tax revenue grew at a rate that was greater than proportionate to the increase of GSDP. Based on this data, it can be deduced that Social Services mainly influence the productivity of the state's own non-tax revenue.

Table 5: Trend in State's Own Non-Tax Revenue.*(` crores)*

Year	Interest Receipts, Dividends & Profits	General Services	Social Services	Economic Services	Total Own Non-Tax Revenue
1995-96	5.11	12.96	0.65	17.34	36.05
1996-97	1.39	7.13	0.98	23.96	33.45
1997-98	1.02	6.68	0.68	19.14	27.52
1998-99	1.44	18.58	0.58	23.55	44.15
1999-00	4.59	7.48	2.45	24.36	38.87
2000-01	3.50	3.76	2.83	29.12	39.23
2001-02	1.62	6.18	3.22	32.39	43.41
2002-03	1.72	6.67	4.67	30.88	43.94
2003-04	5.61	7.35	3.90	44.05	60.91
2004-05	3.27	18.10	3.46	53.06	77.90
2005-06	5.60	24.93	3.96	62.34	96.82
2006-07	5.22	18.82	6.48	60.63	91.14
2007-08	5.66	24.50	4.21	85.10	119.48
2008-09	11.57	31.83	4.97	132.18	180.55
2009-10	10.02	9.75	5.14	101.43	126.35
2010-11	14.35	50.89	17.00	100.90	183.14
2011-12	9.62	63.10	19.20	141.03	232.95
2012-13	5.90	18.85	53.52	128.90	207.17
2013-14	7.62	13.97	76.86	118.12	216.57
2014-15	7.23	19.61	112.92	130.86	270.61
2015-16	10.13	18.96	85.21	142.08	256.39
2016-17	6.73	49.20	130.68	158.92	345.52
2017-18	6.97	85.63	143.36	152.57	388.53
2018-19	12.72	33.91	18.72	189.88	255.22
2019-20	8.53	62.94	71.80	196.02	339.29
CAGR	**7.91**	**8.82**	**24.82**	**11.17**	**12.18**
% to Total	**4.18**	**16.56**	**20.70**	**58.55**	**-**

***Source*:** Computed on the basis of data available in various issues of Finance Accounts.

Table 6: Buoyancy of State's Own Non-Tax Revenue (1996-96 to 2019-20).

Revenue Heads	GSDP	R^2	F-Test
Interest Receipts, Dividends & Profits	0.06	0.56	29.63
General Services	0.69	0.51	24.00
Social Services	1.87	0.86	142.75
Economic Services	0.90	0.95	406.12
Total Own Non-Tax Revenue	0.97	0.94	338.72

Source**:** Computed on the basis of data available in various issues of Finance Accounts.

Chart 5: Trends is State's Own Non-Tax Revenue.

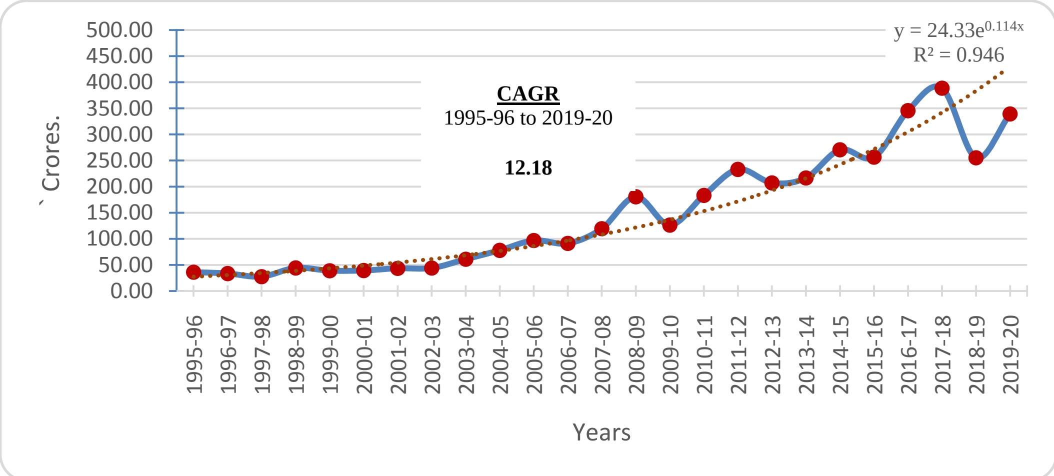
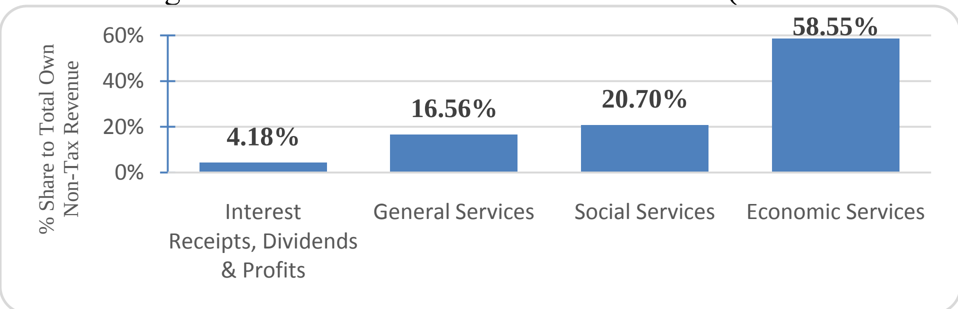


Chart6: Percentage Share of State's Own Non-Tax Revenue (1995-96 to 2019-20).



Findings and Conclusion

The State's overall fiscal picture is grim, as it is marked by enormous fiscal deficits, driven by high revenue spending with poor revenue mobilization and revenue deficits and high debt and low capital investment. The State's Own Tax Revenue bases and components must be strengthened immediately. In conclusion, there can be no doubt about the importance of fiscal reforms and corrections to reduce expenditure and increase revenue. One potential answer to this fiscal issue is to improve the revenue collecting process through intelligent supervision of government expenditure. The States' Total Revenue Receipts have been steadily growing during the research period. Even though the percentage of Central Taxes in Gross Central Tax Revenue has risen, Nagaland's State Government continues to rely significantly on the Centre for assistance due to its inability to mobilize its resources. The growth of the State's Non-Tax revenue streams has the potential to increase the amount of total revenue received by the State. State governments have made significant investments in public-sector firms that have produced low returns. Recoveries from Social and Economic services supplied by the government and public sector firms are included in the Total Non-Tax Revenues collected by the State. However, the leading causes for the low and diminishing share of Non-Tax Revenues include the government's unwillingness to levy acceptable user charges on Social and Economic services and declining returns from departmental and non-departmental economic enterprises.

From the buoyancy analysis, the State’s Total Revenue Receipt has improved as it has tended to be more buoyant. However, this is primarily due to the Tax Revenue compared to the Non-Tax Revenue. The study reveals that the buoyancy of Total Own Tax Revenue is mainly impacted by the buoyancy of Sales Tax and Vehicle Taxes. These two taxes have a buoyancy greater than unity, implying that they respond more than proportionally to GSDP growth throughout the research period. In the case of Non-Tax Revenue, it is observed that General Services and Economic Services are less productive than Social Services. Social Services buoyancy was more than one, suggesting that revenue grew greater than proportionate to the rise in GSDP. Therefore, it is suggested that the State Government levy appropriate taxes for the General and Economic Services it provides. Moreover, the buoyancy also reveals that there is still enormous scope for increasing the productivity of Social Services.

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