



IJARESM

ISSN: 2455-6211, New Delhi, India

International Journal of All Research Education & Scientific Methods

An ISO & UGC Certified Peer-Reviewed Multi-disciplinary Journal

UGC Journal No. : 7647

Certificate of Publication

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TITLE OF PAPER

**State's Revenue Position in Karnataka: A Comparative Analysis of
Pre and Post-Reform Period**

has been published in

IJARESM, Impact Factor: 7.429, Volume 10 Issue 8, August- 2022

Paper Id: IJ-3007220946

Certificate No.: 0808221220

Date: 08-08-2022



Website: www.ijaresm.com
Email: editor.ijaresm@gmail.com



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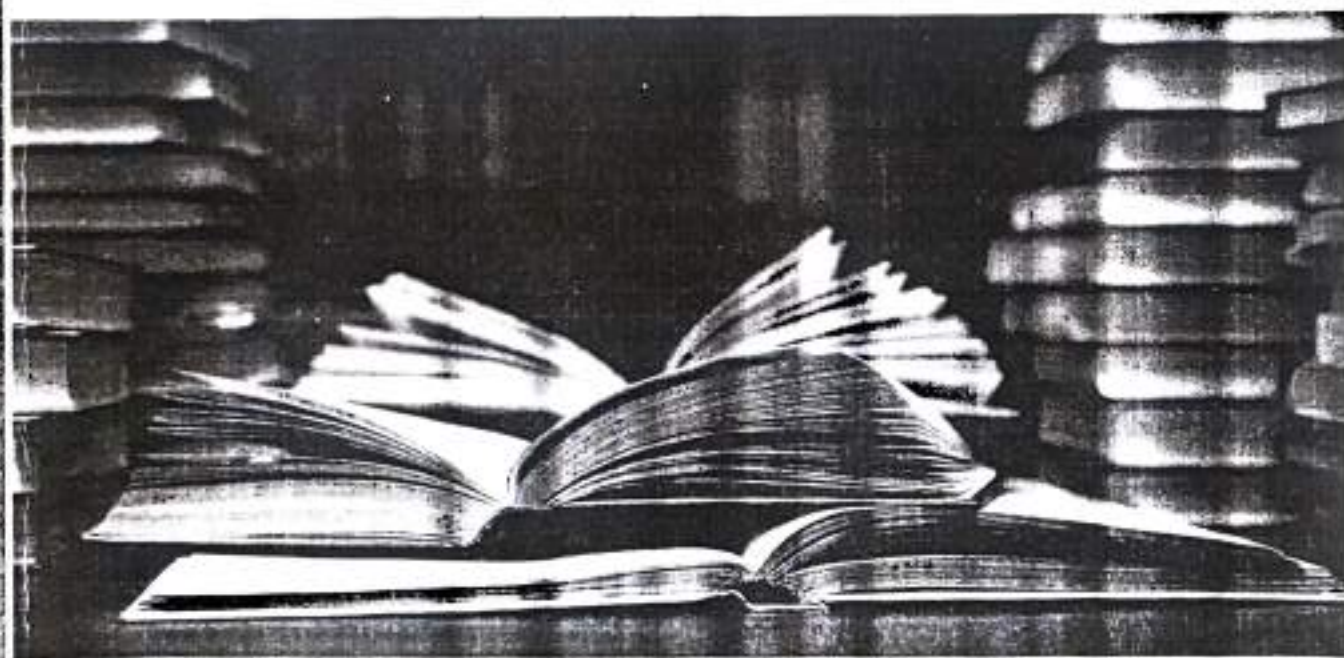
**International Journal of All Research
Education & Scientific Methods**

IJARESM

ISSN : 2455-6211

Vol. 10, Issue 8, August - 2022

International Peer Reviewed Journal



IJARESM Publication

www.ijaresm.com

ISSN: 2455-6211
www.ijaresm.com

International Journal of All Research Education & Scientific Methods

(International UGC & Peer Reviewed Referred Journal)

**Volume 10, Issue 8
August-2022
(Part-3)**

Published By:

IJARESM Publication, India

450/1, Bhagwan Mahavir Marg, Opposite Main Bus Stand, Rithala, Rohini, New Delhi - 110085, India
Mobile: +91-8607698989, +91-8694930049, E-Mail Id: editor.ijaresm@gmail.com

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State's Revenue Position in Karnataka: A Comparative Analysis of Pre and Post-Reform Period

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ABSTRACT

Revenues earned by the government are received from sources such as taxes levied on the incomes and wealth accumulation of individuals and corporations and the goods and services produced, exports and imports, non-taxable sources such as government-owned corporation's incomes, central bank revenue and capital receipts in the form of external loans and debts from international financial institutions. It is used to benefit the public. This paper attempts to study the trends and patterns of public revenue during the pre-and post reform period in Karnataka and also to offer policy recommendations to the enhancement of public revenue in Karnataka State. This study is mainly based on secondary data collected from various issue of economic survey and budget documents of Karnataka. Simple statistical tools like Percentage, Growth Rate and Compound Annual Growth Rate (CAGR) and Ratios were employed for the analysis. The main findings reveal that the revenue receipts tended to increase with increasing years both in pre and post reform periods in Karnataka. The growth rate of revenue receipts shows an up and down trend during the reference period. Distribution of revenue receipts by its major components reveals that state's own tax revenue has constituted the largest share in both pre and post reform period. The compound annual growth rate the state's own tax revenue reveals a higher rate 0.16 per cent per annum as compared to that of non tax revenue, share in central taxes and grants at 0.10 per cent, 0.15 per cent and 0.13 per cent, respectively during the study period. In case of total revenue receipts as percent of GSDP an uneven trend was found in both pre and post reform periods. The state's own tax revenue as Percentage to total revenue receipts increased from 35.06 percent in 1962-63 to 65.43 per cent in 2019-2020 (BE). The study argues that the non tax revenue needs to be strengthened substantially.

Keywords: State's Own Tax Revenue, Non-Tax Revenue, Share in Central Taxes, Grants, Revenue Receipts, Gross State Domestic Product.

1. INTRODUCTION

Public revenue is one of the major components of public finance. It refers to the income or receipts of the government. The government collects revenue from various sources because it has to spend on various sectors of the economy to stimulate the economic development. Generally, tax revenue and non-tax revenue are considered as the sources of government revenue. But in a broader sense, the government also receives revenue from foreign aid. Public revenue not only renders valuable helps in the planned economic development of the country but also plays a vital role in reducing the economic inequalities in the capitalist country.

The State's revenue resources comprise of State's own revenue in the form of tax and non tax revenue and that of transfer of resources from the Central government by way of tax and grants. Karnataka's own tax performance has played a key role in reviving the State's finance from severe stress experienced in the decade of nineties. The State initiative to appoint the Tax Reforms Committee and the subsequent implementation of several of its recommendations has brought about a sea change in the revenue performance (Gayithri, 2015). Against this background an attempt has been made in this paper to discuss the trends and growth of various components of revenue receipts in Karnataka during the period from 1962-63 to 2019-2020.

2. OBJECTIVES OF THE STUDY

The objectives of the study are:

- To study the trends and growth of revenue receipts during the pre-and post reform period in Karnataka;
- To analyze the composition of revenue receipts during the pre-and post reform period in Karnataka;
- To estimate the CAGR of Own Tax Revenue, Share in Central Taxes, Grants, Revenue Receipts and Non-Tax Revenue in Karnataka during Pre and Post Reforms Period;
- To analyze composition of revenue receipts as percentage of GSDP in Karnataka during Pre and Post Reforms Period; and
- To offer policy recommendations to the enhancement of public revenue in Karnataka.

3. DATA BASE AND METHODOLOGY

This study based on secondary data collected from Finance Department, Government of Karnataka, Bangalore, on various budget documents of Karnataka and various economic survey of Karnataka. Time period covered for the study is from 1962-63 to till 2019-2020 (pre-reform period from 1962-63 to 1990-91 and post-reform period from 1991-92 to 2019-20). Simple statistical tools like Percentage, Growth Rate and Compound Annual Growth Rate (CAGR) and Ratios have been employed for the analysis. The results were presented through line and bar diagrams.

4. DATA INTERPRETATION

The Governments need to perform various functions in the field of political, social & economic activities to maximize social and economic welfare. To perform these duties and functions, the government requires a large number of resources. The revenue from different sources received by the government call public revenues. Some regularly collect whereas some irregularly collect. These resources call Public Revenues. Public revenue consists of taxes, revenue from administrative activities like fines, fees, gifts & grants. Revenues are not repayable. Some of them are obtained from the sale of public utilities whereas some are obligatory payments to the government. In this section an attempt has been made to analyze the trends and patterns of revenue receipts during pre and post reforms period in Karnataka State.

4.1. Trends and growth of Revenue Receipts

Revenue Receipts are those receipts that neither reduces the assets of the company, nor they create any liability. They are always recurring in nature, and they are earned during the normal course of business. Table 1 presents the data on trends and growth of revenue receipts in Karnataka during pre and post reforms period. The data indicates that the revenue receipts tended to increase with increasing years both in pre and post reform periods in Karnataka. The revenue receipts increased from Rs. 91.81 crores in 1962-1963 to Rs. 181862.96 in 2019-2020. In other words the revenue receipts increased 1980.86 times higher over the period of fifty eight years. Going by reforms period the proportion of revenue receipts was found to be significantly higher in post reform period as compare to that of in pre reform period. Whereas the data on growth rate of revenue receipts shows an up and down trend both in pre and post reforms period. However in case of pre reform period the proportion of growth rate of revenue receipts was found to be quite significant during 1968-69 (30.96), 1966-67 (29.79), 1975-76 (24.46) and 1981-82 (22.36). Similarly in case of post reform period the proportion of growth rate of revenue receipts was found to be quite higher during 1991-92 (22.69), 1995-96 (22.60), 2003-04 (28.40), 2006-07 (23.84) and 2014-15 (21.63) years (Figure 1).

Table 1: Trends and growth of Revenue Receipts in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20)

| (Rs Crores) | | | | | |
|-------------------|------------------|---------------------------------|--------------------|------------------|---------------------------------|
| Pre-Reform Period | | | Post-Reform Period | | |
| Years | Revenue Receipts | Growth Rate of Revenue Receipts | Years | Revenue Receipts | Growth Rate of Revenue Receipts |
| 1962-63 | 91.81 | 8.91 | 1991-92 | 4775.47 | 22.69 |
| 1963-64 | 102.08 | 11.19 | 1992-93 | 5421.66 | 13.53 |
| 1964-65 | 111.07 | 8.81 | 1993-94 | 6324.65 | 16.66 |
| 1965-66 | 120.50 | 8.49 | 1994-95 | 6968.39 | 10.18 |
| 1966-67 | 156.40 | 29.79 | 1995-96 | 8543.45 | 22.60 |
| 1967-68 | 170.99 | 9.33 | 1996-97 | 9622.19 | 12.63 |
| 1968-69 | 223.92 | 30.96 | 1997-98 | 10613.38 | 10.30 |
| 1969-70 | 234.72 | 4.82 | 1998-99 | 11230.44 | 5.81 |
| 1970-71 | 246.57 | 5.05 | 1999-00 | 12906.45 | 14.92 |
| 1971-72 | 264.00 | 7.07 | 2000-01 | 14822.72 | 14.85 |
| 1972-73 | 316.83 | 20.01 | 2001-02 | 15321.26 | 3.36 |
| 1973-74 | 368.25 | 16.23 | 2002-03 | 16168.75 | 5.53 |
| 1974-75 | 413.10 | 12.18 | 2003-04 | 20759.88 | 28.40 |
| 1975-76 | 514.13 | 24.46 | 2004-05 | 26569.66 | 27.99 |
| 1976-77 | 559.11 | 8.75 | 2005-06 | 30352.04 | 14.24 |
| 1977-78 | 598.48 | 7.04 | 2006-07 | 37586.93 | 23.84 |
| 1978-79 | 688.54 | 15.05 | 2007-08 | 41151.13 | 9.48 |
| 1979-80 | 819.30 | 18.99 | 2008-09 | 43290.69 | 5.20 |
| 1980-81 | 953.46 | 16.37 | 2009-10 | 49155.70 | 13.55 |

| | | | | | |
|---------|---------|-------|-------------|-----------|-------|
| 1981-82 | 1166.63 | 22.36 | 2010-11 | 58206.23 | 18.41 |
| 1982-83 | 1280.66 | 9.77 | 2011-12 | 69806.27 | 19.93 |
| 1983-84 | 1489.46 | 16.30 | 2012-13 | 78176.22 | 11.99 |
| 1984-85 | 1739.90 | 16.81 | 2013-14 | 89542.53 | 14.54 |
| 1985-86 | 2013.11 | 15.70 | 2014-15 | 108907.74 | 21.63 |
| 1986-87 | 2284.12 | 13.46 | 2015-16 | 116360.32 | 6.84 |
| 1987-88 | 2556.88 | 11.94 | 2016-17 | 132867.26 | 14.19 |
| 1988-89 | 2963.57 | 15.91 | 2017-18 | 146999.65 | 10.64 |
| 1989-90 | 3336.48 | 12.58 | 2018-19(RE) | 165896.96 | 12.86 |
| 1990-91 | 3892.18 | 16.66 | 2019-20(BU) | 181862.96 | 9.62 |

Source: Department of Finance, Government of Karnataka, Bangalore.

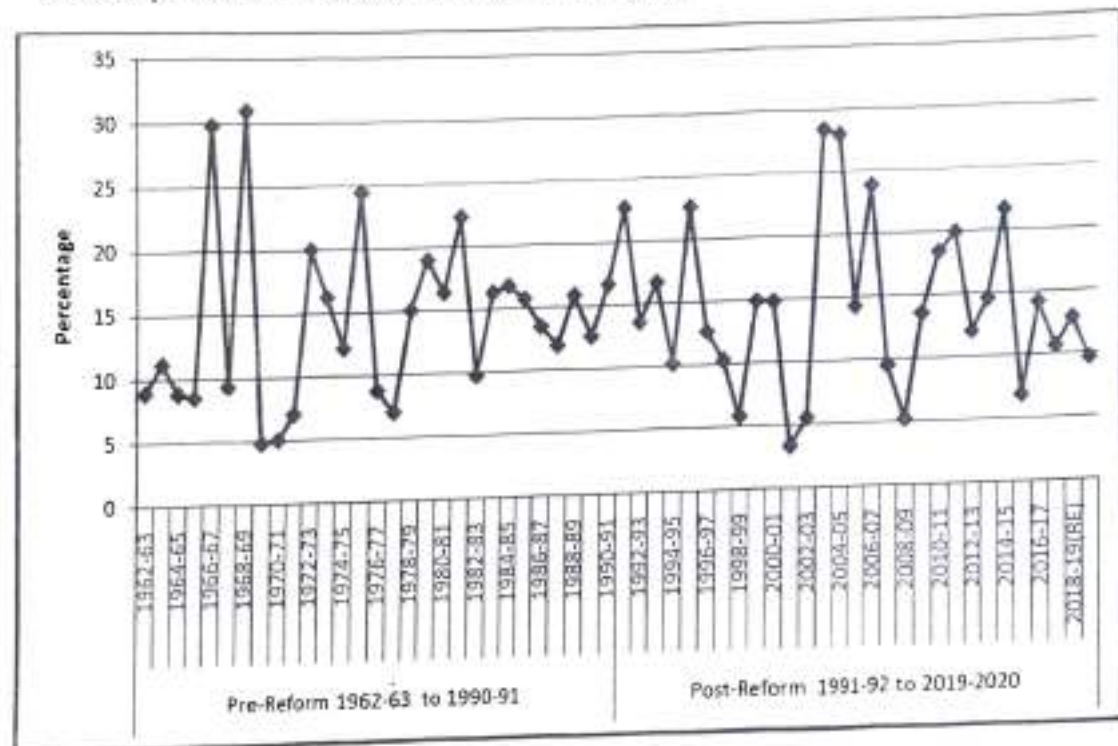


Figure 1: Growth Rate of Revenue Receipts in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20)

Source: Table 1

4.2. Distribution of State's Revenue Resources

The state revenue receipts mainly constitute state's own tax revenue, non-tax revenue, share in central taxes and grants /GIA from Centre. Table 2 provides the data on composition of revenue receipts in Karnataka during pre and post reforms period. The data indicates that the state's own tax revenue tends to increase with the increasing years both in pre and post reform periods in Karnataka. The state's own tax revenue increased from Rs. 32.19 crores in 1962-1963 to Rs. 118993.00 in 2019-2020, an increase by 3696.58 times. Across period the proportion of state's own tax revenue was found to be quite significant in post reform period as compared to that of in pre reform period. Whereas in case of non-tax revenue, share in central taxes and grants /GIA from Centre an up and down trend was found during pre and post reform periods in Karnataka. However the proportion of non-tax revenue, share in central taxes and grants /GIA from Centre was found to be quite higher in post reform period as compared to that of in pre reform period in Karnataka. Distribution of revenue receipts by its major components reveals that state's own tax revenue constituted the largest share in both pre and post reform period. While the shares of state's own tax, non-tax revenue, share in central taxes and grants /GIA from Centre were estimated at 53.12 percent, 19.52 per cent, 17.54 per cent, 9.82 percent, respectively during pre reform period. Similarly the shares of state's own tax, non-tax revenue, share in central taxes and grants /GIA from Centre were estimated at 64.30 percent, 6.13 per cent, 18.62 per cent, 10.94 percent, respectively during post reform period. The small and declining share of the non-tax revenue has been an area of concern for the state government.



Table 2: Composition of Revenue Receipts in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20)(Rs Crores)

| Year | State's Own Tax Revenue | Non-Tax Revenue | Share in Central Taxes | Grants /GIA from Centre | Total Revenue Receipts |
|-----------------------------|-------------------------|------------------|------------------------|-------------------------|------------------------|
| Pre -Reform Period | | | | | |
| 1962-63 | 32.19 | 33.65 | 11.35 | 14.62 | 91.81 |
| 1963-64 | 39.53 | 33.34 | 13.34 | 15.87 | 102.08 |
| 1964-65 | 42.56 | 38.12 | 13.14 | 17.25 | 111.07 |
| 1965-66 | 46.44 | 41.59 | 14.18 | 18.29 | 120.50 |
| 1966-67 | 53.01 | 52.50 | 19.04 | 31.85 | 156.40 |
| 1967-68 | 63.10 | 51.54 | 21.69 | 34.66 | 170.99 |
| 1968-69 | 78.34 | 80.67 | 25.41 | 39.50 | 223.92 |
| 1969-70 | 88.30 | 94.97 | 30.89 | 20.56 | 234.72 |
| 1970-71 | 101.74 | 85.36 | 37.72 | 21.75 | 246.57 |
| 1971-72 | 113.59 | 75.26 | 47.39 | 27.76 | 264.00 |
| 1972-73 | 130.96 | 95.95 | 53.44 | 36.48 | 316.83 |
| 1973-74 | 148.89 | 118.99 | 58.93 | 41.44 | 368.25 |
| 1974-75 | 198.58 | 125.37 | 66.56 | 22.59 | 413.10 |
| 1975-76 | 236.73 | 155.80 | 86.66 | 34.94 | 514.13 |
| 1976-77 | 269.74 | 155.06 | 91.06 | 43.25 | 559.11 |
| 1977-78 | 297.27 | 145.35 | 97.89 | 57.97 | 598.48 |
| 1978-79 | 334.00 | 183.19 | 106.30 | 65.05 | 688.54 |
| 1979-80 | 404.86 | 177.62 | 177.75 | 59.07 | 819.30 |
| 1980-81 | 474.70 | 201.77 | 197.71 | 79.28 | 953.46 |
| 1981-82 | 607.08 | 243.68 | 222.49 | 93.38 | 1166.63 |
| 1982-83 | 674.11 | 265.59 | 240.09 | 100.87 | 1280.66 |
| 1983-84 | 759.52 | 316.37 | 271.15 | 142.42 | 1489.46 |
| 1984-85 | 909.39 | 346.69 | 298.88 | 184.94 | 1739.90 |
| 1985-86 | 1075.57 | 357.49 | 355.99 | 224.06 | 2013.11 |
| 1986-87 | 1205.98 | 415.36 | 403.73 | 259.05 | 2284.12 |
| 1987-88 | 1414.65 | 436.14 | 451.11 | 254.98 | 2556.88 |
| 1988-89 | 1698.79 | 445.41 | 498.66 | 320.71 | 2963.57 |
| 1989-90 | 1932.23 | 502.29 | 632.91 | 269.05 | 3336.48 |
| 1990-91 | 2332.12 | 517.20 | 660.35 | 382.51 | 3892.18 |
| % to Total Revenue Receipts | 15763.97 (53.12%) | 5792.32 (19.52%) | 5205.81 (17.54%) | 2914.15 (9.82%) | 29676.25 (100.00%) |
| Post -Reform Period | | | | | |
| 1991-92 | 2900.20 | 621.28 | 782.08 | 471.91 | 4775.47 |
| 1992-93 | 3097.81 | 802.54 | 931.97 | 589.34 | 5421.66 |
| 1993-94 | 3812.34 | 733.57 | 1017.41 | 761.33 | 6324.65 |
| 1994-95 | 4289.31 | 847.67 | 1135.93 | 695.48 | 6968.39 |
| 1995-96 | 5273.93 | 1235.42 | 1444.67 | 589.43 | 8543.45 |
| 1996-97 | 5767.84 | 1342.31 | 1729.80 | 782.24 | 9622.19 |
| 1997-98 | 6411.87 | 1264.40 | 2176.33 | 760.78 | 10613.38 |
| 1998-99 | 6943.04 | 1469.92 | 1923.92 | 893.56 | 11230.44 |

| | | | | | |
|-----------------------------|---------------------|------------------|---------------------|---------------------|-----------------------|
| 1999-00 | 7744.36 | 1611.29 | 2132.78 | 1418.02 | 12906.45 |
| 2000-01 | 9042.68 | 1659.97 | 2573.83 | 1546.24 | 14822.72 |
| 2001-02 | 9853.27 | 1093.43 | 2623.38 | 1751.18 | 15321.26 |
| 2002-03 | 10439.71 | 1277.67 | 2786.20 | 1665.17 | 16168.75 |
| 2003-04 | 12570.13 | 2958.37 | 3244.81 | 1986.57 | 20759.88 |
| 2004-05 | 16072.32 | 4472.34 | 3878.44 | 2146.56 | 26569.66 |
| 2005-06 | 18651.54 | 3874.71 | 4213.42 | 3632.36 | 30352.03 |
| 2006-07 | 23301.02 | 4098.41 | 5374.33 | 4813.16 | 37586.92 |
| 2007-08 | 25986.76 | 3357.65 | 6779.23 | 5027.48 | 41151.12 |
| 2008-09 | 27645.65 | 3158.99 | 7153.77 | 5332.25 | 43290.66 |
| 2009-10 | 30578.59 | 3333.80 | 7359.99 | 7883.32 | 49155.70 |
| 2010-11 | 38473.11 | 3358.28 | 9506.32 | 6868.51 | 58206.22 |
| 2011-12 | 46475.96 | 4086.86 | 11075.04 | 8168.41 | 69806.27 |
| 2012-13 | 53753.56 | 3966.11 | 12647.14 | 7809.42 | 78176.23 |
| 2013-14 | 62603.54 | 4031.89 | 13808.27 | 9098.82 | 89542.52 |
| 2014-15 | 68554.09 | 4465.33 | 15410.00 | 20478.32 | 108907.74 |
| 2015-16 | 76445.39 | 5206.17 | 24789.79 | 9918.97 | 116360.32 |
| 2016-17 | 82210.81 | 7098.82 | 28759.94 | 14797.69 | 132867.26 |
| 2017-18 | 93376.00 | 6477.00 | 31751.85 | 15394.78 | 146999.63 |
| 2018-19(BE) | 106312.00 | 7287.00 | 36215.78 | 16082.17 | 165896.95 |
| 2019-20(BE) | 118993.00 | 8055.00 | 39806.65 | 15008.31 | 181862.96 |
| % to Total Revenue Receipts | 977559.83 (64.30 %) | 93246.2 (6.13 %) | 283033.07 (18.62 %) | 166371.78 (10.94 %) | 1520210.90 (100.00 %) |

Source: Department of Finance, Government of Karnataka, Bangalore.

4.3 Compound Annual Growth Rate of Composition of Revenue Receipts

Table 3 depicts the data on CAGR of own tax revenue, share in central taxes, grants, revenue receipts and non-tax revenue in Karnataka during pre and post reforms period. In terms of compound annual growth rate the state's own tax revenue reveals a higher rate 0.16 per cent per annum as compared to that of non tax revenue, share in central taxes and grants at 0.10 per cent, 0.15 per cent and 0.13 per cent, respectively during 1962-63 to 2019-2020 (BE). Across period among the composition of revenue receipts the proportion of compound annual growth rate was found to be higher only in grant in aid from centre (0.13 per cent) during post reform period as compared to that of in pre reform period. Whereas the proportion of compound annual growth rate was found to be lower in state's own tax revenue & share in central taxes during post reform period as compared to that of in pre reform period (Figure 2). Further there is no variation was found in the proportion of compound annual growth of non tax revenue and total revenue receipts between pre and post reform periods.

Table 3: Estimation of CAGR of Own Tax Revenue, Share in Central Taxes, Grants, Revenue Receipts and Non-Tax Revenue in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20) (Rs Crores)

| Period | State's Own Tax Revenue | Non-Tax Revenue | Share in Central Taxes | Grants/GIA from Centre | Total Revenue Receipts |
|----------------------------------|-------------------------|-----------------|------------------------|------------------------|------------------------|
| Pre-Reform 1962-63 to 1990-91 | 0.17 | 0.10 | 0.16 | 0.12 | 0.14 |
| Post-Reform 1991-92 to 2019-2020 | 0.14 | 0.10 | 0.15 | 0.13 | 0.14 |
| Over All 1962-63 to 2019-2020 | 0.16 | 0.10 | 0.15 | 0.13 | 0.14 |

Source: Department of Finance, Government of Karnataka, Bangalore.

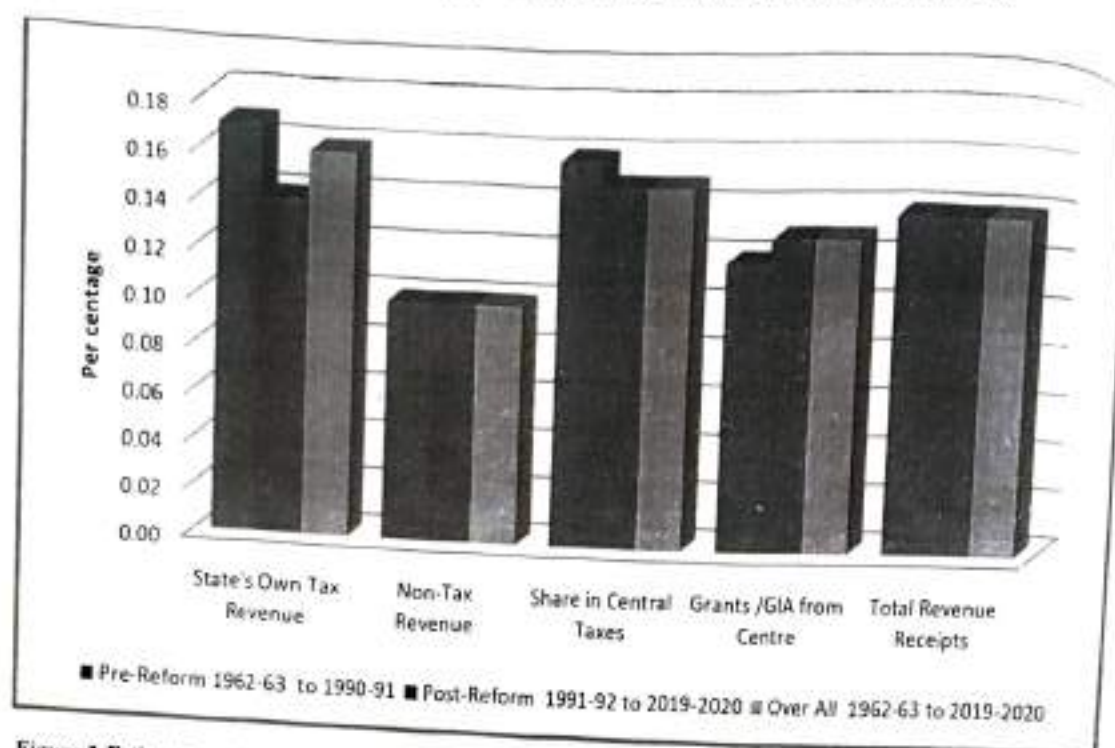


Figure 2: Estimation of CAGR of Own Tax Revenue, Share in Central Taxes, Grants, Revenue Receipts and Non-Tax Revenue in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20) (Rs Crores)
Source: Table 3.

4.4. Composition of Revenue Receipts as percentage of GSDP

Table 4 presents the data on composition of revenue receipts as percentage of GSDP in Karnataka during pre and post reforms period. The data clearly indicates that the total revenue receipts as percent of GSDP have been increased from 2.24 per cent in 1962-63 to 10.17 percent in 2019-2020(BE). However in case of total revenue receipts as percent of GSDP an uneven trend was found in both pre and post reform periods. Across period the proportion of total revenue receipts as percent of GSDP was found to be higher in pre reform period as compared in post reform period. Going by major components of revenue receipts the proportion of state's own tax revenue as percent of GSDP was found to be higher as compared to other components (non-tax revenue, share in central taxes, & GIA from centre) as percentage of GSDP in both pre and post reform period in Karnataka.

Table 4: Composition of Revenue Receipts as percentage of GSDP in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20) (Rs Crores)

| Year | State's Own Tax Revenue | Non-Tax Revenue | Share in Central Taxes | Grants/GIA from Centre | Total Revenue Receipts |
|---------------------|-------------------------|-----------------|------------------------|------------------------|------------------------|
| Pre - Reform Period | | | | | |
| 1962-63 | 0.78 | 0.82 | 0.28 | 0.36 | 2.24 |
| 1963-64 | 0.91 | 0.76 | 0.31 | 0.36 | 2.34 |
| 1964-65 | 0.92 | 0.83 | 0.28 | 0.37 | 2.41 |
| 1965-66 | 0.95 | 0.85 | 0.29 | 0.38 | 2.47 |
| 1966-67 | 1.03 | 1.02 | 0.37 | 0.62 | 3.05 |
| 1967-68 | 1.17 | 0.96 | 0.40 | 0.64 | 3.18 |



| | | | | | |
|---------------------------|-------|------|------|------|-------|
| 1968-69 | 1.39 | 1.43 | 0.45 | 0.70 | 1.97 |
| 1969-70 | 1.53 | 1.65 | 0.54 | 0.36 | 4.08 |
| 1970-71 | 1.73 | 1.45 | 0.64 | 0.37 | 4.18 |
| 1971-72 | 1.91 | 1.27 | 0.80 | 0.47 | 4.45 |
| 1972-73 | 2.19 | 1.61 | 0.90 | 0.61 | 5.31 |
| 1973-74 | 2.48 | 1.98 | 0.98 | 0.69 | 6.14 |
| 1974-75 | 3.29 | 2.08 | 1.10 | 0.37 | 6.84 |
| 1975-76 | 3.90 | 2.57 | 1.43 | 0.58 | 8.47 |
| 1976-77 | 4.42 | 2.54 | 1.49 | 0.71 | 9.16 |
| 1977-78 | 4.84 | 2.37 | 1.59 | 0.94 | 9.75 |
| 1978-79 | 5.41 | 2.97 | 1.72 | 1.05 | 11.15 |
| 1979-80 | 6.54 | 2.87 | 2.87 | 0.95 | 13.24 |
| 1980-81 | 7.64 | 3.25 | 3.18 | 1.28 | 15.35 |
| 1981-82 | 8.47 | 3.40 | 3.10 | 1.30 | 16.27 |
| 1982-83 | 8.41 | 3.31 | 3.00 | 1.26 | 15.98 |
| 1983-84 | 7.90 | 3.29 | 2.82 | 1.48 | 15.50 |
| 1984-85 | 8.40 | 3.20 | 2.76 | 1.71 | 16.06 |
| 1985-86 | 9.29 | 3.09 | 3.08 | 1.94 | 17.39 |
| 1986-87 | 9.09 | 3.13 | 3.04 | 1.95 | 17.21 |
| 1987-88 | 9.33 | 2.88 | 2.98 | 1.68 | 16.87 |
| 1988-89 | 9.59 | 2.52 | 2.82 | 1.81 | 16.73 |
| 1989-90 | 9.56 | 2.48 | 3.13 | 1.33 | 16.51 |
| 1990-91 | 10.01 | 2.22 | 2.83 | 1.64 | 16.70 |
| Post-Reform Period | | | | | |
| 1991-92 | 9.64 | 2.06 | 2.60 | 1.57 | 15.87 |
| 1992-93 | 9.38 | 2.43 | 2.82 | 1.78 | 16.41 |
| 1993-94 | 9.28 | 1.79 | 2.48 | 1.85 | 15.40 |
| 1994-95 | 8.95 | 1.77 | 2.37 | 1.45 | 14.54 |
| 1995-96 | 9.38 | 2.20 | 2.57 | 1.05 | 15.20 |
| 1996-97 | 8.85 | 2.06 | 2.65 | 1.20 | 14.76 |

| | | | | | |
|-------------|-------|------|------|------|-------|
| 1997-98 | 8.78 | 1.73 | 2.98 | 1.04 | 14.53 |
| 1998-99 | 7.90 | 1.67 | 2.19 | 1.02 | 12.78 |
| 1999-00 | 7.65 | 1.59 | 2.11 | 1.40 | 12.75 |
| 2000-01 | 8.34 | 1.53 | 2.38 | 1.43 | 13.68 |
| 2001-02 | 8.73 | 0.97 | 2.32 | 1.55 | 13.58 |
| 2002-03 | 8.64 | 1.06 | 2.30 | 1.38 | 13.37 |
| 2003-04 | 9.60 | 2.26 | 2.48 | 1.52 | 15.85 |
| 2004-05 | 9.64 | 2.68 | 2.33 | 1.29 | 15.93 |
| 2005-06 | 9.51 | 1.98 | 2.15 | 1.85 | 15.49 |
| 2006-07 | 10.25 | 1.80 | 2.37 | 2.12 | 16.54 |
| 2007-08 | 9.60 | 1.24 | 2.50 | 1.86 | 15.21 |
| 2008-09 | 8.91 | 1.02 | 2.31 | 1.72 | 13.95 |
| 2009-10 | 9.06 | 0.99 | 2.18 | 2.34 | 14.56 |
| 2010-11 | 9.37 | 0.82 | 2.31 | 1.67 | 14.17 |
| 2011-12 | 7.67 | 0.67 | 1.83 | 1.35 | 11.52 |
| 2012-13 | 7.73 | 0.57 | 1.82 | 1.12 | 11.24 |
| 2013-14 | 7.67 | 0.49 | 1.69 | 1.11 | 10.96 |
| 2014-15 | 7.50 | 0.49 | 1.69 | 2.24 | 11.92 |
| 2015-16 | 7.31 | 0.50 | 2.37 | 0.95 | 11.13 |
| 2016-17 | 6.80 | 0.59 | 2.38 | 1.22 | 10.99 |
| 2017-18 | 6.88 | 0.48 | 2.34 | 1.13 | 10.83 |
| 2018-19(RE) | 6.88 | 0.47 | 2.34 | 1.04 | 10.74 |
| 2019-20(BE) | 7.00 | 0.47 | 2.34 | 0.88 | 10.70 |

Source: Department of Finance, Government of Karnataka, Bangalore.

4.5 Composition of Revenue Receipts as Percentage to Total Revenue Receipts

Table 5 provides the data on composition of revenue receipts as percentage to total revenue receipts in Karnataka during pre and post reforms period. It has been observed from the data that the state's own tax revenue as Percentage to total revenue receipts increased from 35.06 percent in 1962-63 to 65.43 per cent in 2019-2020 (BE), however in case of state's own tax revenue as Percentage to total revenue an up and down trend was found during both pre and post reform period. A similar trend by and large was observed in case of non tax revenue as percentage to total revenue receipts, share in central taxes as percentage to total revenue receipts, and GIA from centre as percentage to total revenue receipts during the reference period. Going by major components reveals that state's own tax revenue as Percentage to total revenue has constituted the significant share in both pre and post reform period. Across period among the major components the proportion of highest share was found in state's own tax revenue and non tax revenue as compared to the other components during pre reform period (Figure 3). Whereas among the major components the proportion of



highest share was found in states own tax revenue and share in central taxes as compare to the rest of the component during post reform period.

Table 5: Composition of Revenue Receipts as Percentage to total Revenue Receipts in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20)

| Year | State's Own Tax Revenue | Non-Tax Revenue | Share in Central Taxes | Grants /GIA from Centre | Total Revenue Receipts (Rs Crores) |
|--------------------|-------------------------|-----------------|------------------------|-------------------------|------------------------------------|
| Pre -Reform Period | | | | | |
| 1962-63 | 35.06 | 36.65 | 12.36 | 15.92 | 100.00 |
| 1963-64 | 38.72 | 32.66 | 13.07 | 15.55 | 100.00 |
| 1964-65 | 38.32 | 34.32 | 11.83 | 15.53 | 100.00 |
| 1965-66 | 38.54 | 34.51 | 11.77 | 15.18 | 100.00 |
| 1966-67 | 33.89 | 33.57 | 12.17 | 20.36 | 100.00 |
| 1967-68 | 36.90 | 30.14 | 12.68 | 20.27 | 100.00 |
| 1968-69 | 34.99 | 36.03 | 11.35 | 17.64 | 100.00 |
| 1969-70 | 37.62 | 40.46 | 13.16 | 8.76 | 100.00 |
| 1970-71 | 41.26 | 34.62 | 15.30 | 8.82 | 100.00 |
| 1971-72 | 43.03 | 28.51 | 17.95 | 10.52 | 100.00 |
| 1972-73 | 41.33 | 30.28 | 16.87 | 11.51 | 100.00 |
| 1973-74 | 40.43 | 32.31 | 16.00 | 11.25 | 100.00 |
| 1974-75 | 48.07 | 30.35 | 16.11 | 5.47 | 100.00 |
| 1975-76 | 46.04 | 30.30 | 16.86 | 6.80 | 100.00 |
| 1976-77 | 48.24 | 27.73 | 16.29 | 7.74 | 100.00 |
| 1977-78 | 49.67 | 24.29 | 16.36 | 9.69 | 100.00 |
| 1978-79 | 48.51 | 26.61 | 15.44 | 9.45 | 100.00 |
| 1979-80 | 49.42 | 21.68 | 21.70 | 7.21 | 100.00 |
| 1980-81 | 49.79 | 21.16 | 20.74 | 8.31 | 100.00 |
| 1981-82 | 52.04 | 20.89 | 19.07 | 8.00 | 100.00 |
| 1982-83 | 52.64 | 20.74 | 18.75 | 7.88 | 100.00 |
| 1983-84 | 50.99 | 21.24 | 18.20 | 9.56 | 100.00 |
| 1984-85 | 52.27 | 19.93 | 17.18 | 10.63 | 100.00 |
| 1985-86 | 53.43 | 17.76 | 17.68 | 11.13 | 100.00 |



| | | | | | |
|---------|-------|-------|-------|-------|--------|
| 1986-87 | 52.80 | 18.18 | 17.68 | 11.34 | 100.00 |
| 1987-88 | 55.33 | 17.06 | 17.64 | 9.97 | 100.00 |
| 1988-89 | 57.32 | 15.03 | 16.83 | 10.82 | 100.00 |
| 1989-90 | 57.91 | 15.05 | 18.97 | 8.06 | 100.00 |
| 1990-91 | 59.92 | 13.29 | 16.97 | 9.83 | 100.00 |
| Mean | 46.36 | 26.39 | 16.10 | 11.14 | 100.00 |

Post-Reform Period

| | | | | | |
|---------|-------|-------|-------|-------|--------|
| 1991-92 | 60.73 | 13.01 | 16.38 | 9.88 | 100.00 |
| 1992-93 | 57.14 | 14.80 | 17.19 | 10.87 | 100.00 |
| 1993-94 | 60.28 | 11.60 | 16.09 | 12.04 | 100.00 |
| 1994-95 | 61.55 | 12.16 | 16.30 | 9.98 | 100.00 |
| 1995-96 | 61.73 | 14.46 | 16.91 | 6.90 | 100.00 |
| 1996-97 | 59.94 | 13.95 | 17.98 | 8.13 | 100.00 |
| 1997-98 | 60.41 | 11.91 | 20.51 | 7.17 | 100.00 |
| 1998-99 | 61.82 | 13.09 | 17.13 | 7.96 | 100.00 |
| 1999-00 | 60.00 | 12.48 | 16.52 | 10.99 | 100.00 |
| 2000-01 | 61.01 | 11.20 | 17.36 | 10.43 | 100.00 |
| 2001-02 | 64.31 | 7.14 | 17.12 | 11.47 | 100.00 |
| 2002-03 | 64.57 | 7.90 | 17.23 | 10.30 | 100.00 |
| 2003-04 | 60.55 | 14.25 | 15.63 | 9.57 | 100.00 |
| 2004-05 | 60.49 | 16.83 | 14.60 | 8.08 | 100.00 |
| 2005-06 | 61.38 | 12.77 | 13.88 | 11.97 | 100.00 |
| 2006-07 | 61.99 | 10.90 | 14.30 | 12.81 | 100.00 |
| 2007-08 | 63.15 | 8.16 | 16.47 | 12.22 | 100.00 |
| 2008-09 | 63.86 | 7.30 | 16.52 | 12.32 | 100.00 |
| 2009-10 | 62.21 | 6.78 | 14.97 | 16.04 | 100.00 |
| 2010-11 | 66.10 | 5.77 | 16.33 | 11.80 | 100.00 |
| 2011-12 | 66.58 | 5.85 | 15.87 | 11.70 | 100.00 |
| 2012-13 | 68.76 | 5.07 | 16.18 | 9.99 | 100.00 |
| 2013-14 | 69.91 | 4.50 | 15.42 | 10.16 | 100.00 |



| | | | | | |
|-------------|-------|------|-------|-------|--------|
| 2014-15 | 62.95 | 4.10 | 14.15 | 18.80 | 100.00 |
| 2015-16 | 65.70 | 4.47 | 21.30 | 8.52 | 100.00 |
| 2016-17 | 61.87 | 5.34 | 21.65 | 11.14 | 100.00 |
| 2017-18 | 63.52 | 4.41 | 21.60 | 10.47 | 100.00 |
| 2018-19(R1) | 64.08 | 4.39 | 21.83 | 9.69 | 100.00 |
| 2019-20(R1) | 65.43 | 4.43 | 21.89 | 8.25 | 100.00 |
| Mean | 62.83 | 4.28 | 17.22 | 10.68 | 100.00 |

Source: Department of Finance, Government of Karnataka, Bangalore.

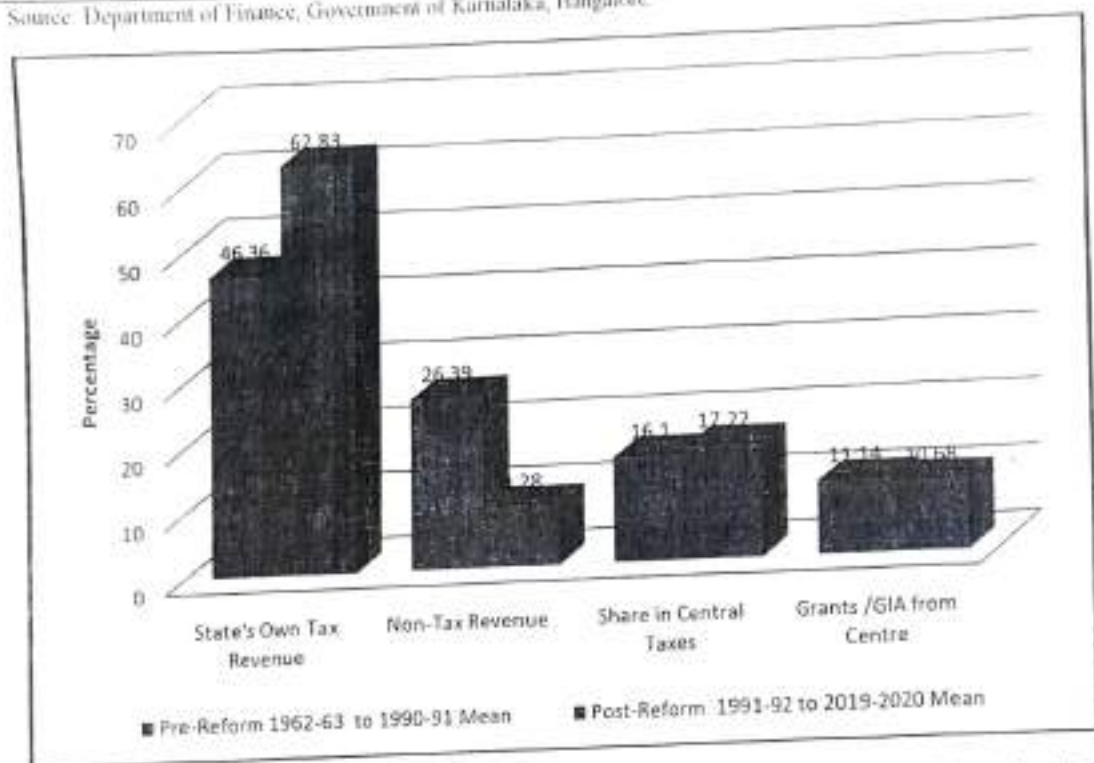


Figure 3: Major Components of Revenue Receipts as Percentage to total Revenue Receipts in Karnataka during Pre and Post Reforms Period (1962-63 to 2019-20)

Source: Table 5

CONCLUSION & POLICY SUGGESTIONS

The foregoing analysis reveals that Karnataka's own tax performance has been good over reference period and the state compares well with the other Indian states. A major challenge however is to sustain the high tax effort which is largely linked to the state's overall economic growth. Non-tax performance is very poor. This is because the State government did not pay adequate attention to non tax sources for revenue generation. Hence non tax revenue needs to be strengthened substantially. In terms of compound annual growth rate the state's own tax revenue reveals a higher rate of 0.16 per cent per annum as compared to that of non tax revenue, share in central taxes and grants at 0.10 per cent, 0.15 per cent and 0.13 per cent, respectively during the entire study period. It has been also observed that the proportion of total revenue receipts as percent of GDP was found to be higher in pre reform period as compared to post reform period. The data on major components of public revenue reveals that state's own tax revenue as percentage to total revenue has constituted the significant share in both pre and post reform period. Policymakers can directly increase



revenues by increasing tax rates, reducing tax breaks, expanding the tax base, improving enforcement, and levying new taxes. They can indirectly increase revenues through policies that increase economic activity, income, and wealth

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