



A Comparative Analysis of Revenue Mobilization in Punjab and Haryana (2011-24)

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Abstract

This study undertakes a comparative analysis of revenue mobilization in Punjab and Haryana from 2011-12 to 2023-24, focusing on the composition, growth, and buoyancy of state revenue receipts. Using secondary time-series data from sources such as the Reserve Bank of India, the Comptroller and Auditor General (CAG), NITI Aayog, and Finance Commission reports, the paper evaluates the relative fiscal capacity and autonomy of the two states. The findings reveal that Haryana demonstrates stronger revenue self-reliance, with State Own Tax Revenue (SOTR) constituting about two-thirds of total receipts and exhibiting tax buoyancy around unity, indicating a proportionate response to economic growth. Punjab, in contrast, shows greater dependence on central transfers and volatile non-tax revenues, reflecting structural rigidity and limited tax elasticity. The comparative CAGR analysis further underscores Haryana's balanced and sustainable revenue growth vis-à-vis Punjab's transfer-dependent fiscal framework. Policy recommendations emphasize broadening the tax base, diversifying non-tax revenues, enhancing compliance, and institutionalizing fiscal governance reforms. The study is limited to revenue aspects, excluding expenditure analysis, and therefore recommends future research integrating both dimensions for a more comprehensive understanding of state fiscal sustainability.

Key Words: Revenue Mobilization; Fiscal Autonomy; Tax Buoyancy; Own Tax Revenue; Non-Tax Revenue; Central Transfers; Fiscal Sustainability; Haryana; Punjab; Comparative Fiscal Analysis; State Finances; CAGR Analysis.

Introduction

State finances form the backbone of India's fiscal federal framework, where subnational governments play a vital role in mobilizing resources, delivering public services, and fostering economic growth. Following the 73rd and 74th Constitutional Amendments of 1992, fiscal decentralization gained institutional strength by empowering Panchayati Raj Institutions and Urban Local Bodies with defined functions and fiscal responsibilities (Government of India, 1993). However, while states were entrusted with greater expenditure obligations, their revenue-generating powers did not expand proportionately. This imbalance has perpetuated vertical and horizontal fiscal disparities-vertical, between the Centre and the states due to asymmetrical revenue assignments, and horizontal, among



states owing to variations in economic capacity and administrative efficiency (Rao & Singh, 2005).

Within this context, Punjab and Haryana present an instructive case for comparative fiscal analysis. Both states share a common historical and agrarian foundation but have evolved along divergent fiscal trajectories. Punjab continues to experience chronic fiscal stress, reflected in low tax effort, heavy subsidies, and rising dependence on central transfers. In contrast, Haryana has displayed greater revenue buoyancy through a more diversified economy, proactive industrial policy, and improved GST compliance.

Revenue mobilization in state public finance refers to the capacity of governments to generate resources through own-tax revenue, non-tax receipts and central transfers. Its effectiveness is measured through indicators such as revenue composition, growth rates, CAGR, tax-to-GSDP ratio, and tax buoyancy, which capture fiscal strength and autonomy.

Accordingly, this paper seeks to compare the revenue mobilization performance of Punjab and Haryana from 2011–2024, identifying the structural, economic, and policy factors underlying their divergent fiscal paths within the framework of India’s evolving fiscal federalism.

Objectives

1. To examine the trends and composition of revenue receipts of Punjab and Haryana from 2011-2024.
2. To compare the performance of own-tax and non-tax revenues.
3. To analyze the dependence of both states on central transfers.
4. To assess revenue buoyancy
5. To identify structural and policy factors influencing divergent fiscal paths.

Data Sources and Methodology:

The study is based entirely on **secondary time-series data** covering the period from **2011-12 to 2023-24**, enabling a comprehensive analysis of long-term fiscal trends in Punjab and Haryana. Data have been compiled from authoritative and publicly available sources, including the Reserve Bank of India’s State Finances: A Study of Budgets, the **Comptroller and Auditor General (CAG) Reports-Accounts at a Glance** and **PRS India’s State Budget Documents**. In addition, relevant insights have been drawn from **Finance Commission Reports** to contextualize intergovernmental fiscal transfers and recommendations. The analysis employs both **descriptive and quantitative tools** to examine patterns in revenue mobilization. **Descriptive analysis** is used to assess growth rates, composition, and structural changes in revenue receipts over time. **Ratio analysis**



measures fiscal effort through indicators such as Own-Tax Revenue to Total Revenue Receipts, Non-Tax Revenue to Total Revenue Receipts, and Central Transfers to Total Revenue Receipts. To evaluate the responsiveness of revenue to economic growth, **buoyancy analysis** is conducted by estimating the elasticity of tax revenue with respect to GSDP. **Trend analysis, Compound Annual Growth Rate (CAGR)** compare fiscal performance across the study period to identify shifts in revenue patterns. This multi-dimensional approach ensures a balanced and data-driven evaluation of the revenue mobilization capacity of Punjab and Haryana.

Analytical Framework and Findings:

Comparative Analysis of Revenue Receipts: Haryana and Punjab (2011–2024):

The comparative revenue trajectory of Haryana and Punjab between 2011–12 and 2023–24 reveals significant divergence in revenue mobilization patterns, fiscal autonomy, and dependence on central transfers. Haryana's total revenue receipts (RR) grew from ₹30,558 crore in 2011-12 to ₹1,01,315 crore in 2023-24, registering an approximate threefold rise over the period. On average, State Own Tax Revenue (SOTR) contributed nearly two-thirds ($\approx 66.7\%$) of total receipts, indicating a strong internal revenue base, while State Own Non-Tax Revenue (SONTR) remained modest at around 10-12%. The rest was sourced from central transfers. In 2023–24, Haryana mobilized approximately 78.65% of its total revenue from its own sources, among the highest for non-special category states (Government of Haryana, 2025). However, according to NITI Aayog's "Macro and Fiscal Landscape: Haryana" (2023), the state's total revenue receipts at 9.02% of GSDP were nearly 10 percentage points below the median Indian state, reflecting potential underperformance in revenue mobilization relative to its economic base.

Punjab's revenue receipts too during the same period indicate a rising trend. However, the composition of these revenue receipts indicates structural issues in the economy. Punjab's revenue structure during the study period exhibits a greater dependence on central transfers, with shares in central taxes (SCT) and grants from the Centre constituting significant portions, often ranging between 12-20% and 8-17% of total revenue receipts, respectively. The Own Tax Revenue (OTR) share has fluctuated between 43-72%, while non-tax revenues typically account for only 5-12%.

The average share of State's Own Tax Revenue (SOTR) in Haryana's RR stood at 66.7%, compared to about 57% in Punjab, indicating a more robust and diversified internal tax base in Haryana. Punjab's fiscal structure, by contrast, is characterized by a higher reliance on central transfers, with the combined share of grants and central taxes averaging 31–35% of total RR, while for Haryana this share remained around 20-25%, signalling greater autonomy in Haryana's revenue generation (NITI Aayog, 2024). Overall, Haryana emerges as more self-reliant in revenue mobilization, deriving a higher proportion of receipts from its own



sources, while Punjab's fiscal position is more dependent on central devolution and grants, making it more vulnerable to variations in federal transfer policies.

Examining growth dynamics, Haryana's revenue receipts (RR) have generally grown steadily, with SOTR showing robust, often double-digit growth though SONTR experienced occasional declines (NITI Aayog, 2023). Haryana's RR exhibited an average annual growth rate of approximately 13-15%, with major accelerations in 2015-16 and 2017-18 (16.6% and 19.4%, respectively). The expansion was primarily driven by buoyant growth in SOTR, which consistently outpaced non-tax revenues. Central transfers and grants exhibit higher volatility, e.g., -38% in 2021-22. Punjab's RR growth was more volatile, marked by sharp increases in 2012-13 (22.5%) and 2018-19 (17.5%) followed by contractions in 2019-20 (-1.1%). SOTR was sometimes flat or negative with better performance 2020-21 onwards. SONTR was highly volatile (+88% in 2012-13, -17.6% in 2014-15). A closer inspection of inter-year trends reveals that both states experienced fiscal disruptions during the pandemic year 2020-21, but the recovery trajectory differed markedly. Haryana's RR contracted marginally by -0.44% before rebounding by 15.6% in 2021-22 and 14.2% in 2022-23, showing quick recovery driven by tax revival and GST stabilization. Punjab's receipts, on the other hand, grew by 12.1% in 2020-21, but this was primarily grant-led rather than own-tax driven. Post-2021, grant inflows declined while expenditure commitments persisted, straining its revenue deficit. Non-tax revenues too have shown wide swings from +88% in 2012-13 to -37% in 2020-21.

As per PRS India's (2024) review, Punjab's revenue deficit averaged 2.3% of GSDP during 2019-23, compared to 1.1% for Haryana, reflecting lower revenue adequacy relative to expenditure (PRS India, 2024). Punjab's persistent deficits have compelled higher borrowing, with interest payments consuming nearly 22% of revenue expenditure, one of the highest among Indian states. Punjab relies more on central transfers, but these fluctuate, complicating budget planning (Fincom India, 2023).

The Fifteenth Finance Commission (2021) highlighted Punjab's vulnerability to external transfers and its weak tax buoyancy due to stagnant industrial growth and a narrow tax base. Conversely, Haryana's own tax revenue growth was more stable. It has registered double-digit expansion in most years which reflects stronger fiscal management and better compliance mechanisms.

The role of central transfers further accentuates this divergence. Haryana's share in central taxes ranged from 6.9% to 13.4% of its total receipts, while grants from the Centre fluctuated between 8% and 12%. Punjab's dependence was significantly higher, with the share of central taxes and grants together contributing over one-third of total revenue receipts in most years. Notably, grants peaked at 35% of RR in 2020-21, when Punjab received ₹24,205 crore in central assistance due to pandemic-related transfers. This over-reliance has been



repeatedly criticized in policy literature for reducing fiscal flexibility and incentivizing overestimation of state revenues (Finance Commission, 2021; PRS India, 2023). The CAG's State Finances Reports (2023) for Punjab also cautions that rising dependence on central devolutions and stagnant tax growth pose sustainability risks, as temporary grants fail to generate durable revenue capacity. Conversely, Haryana's capacity to finance over two-thirds of its revenue needs from within the state reflects greater fiscal resilience and predictability

In terms of revenue-GSDP linkage, Haryana's total RR as a percentage of GSDP hovered around 9-10%, while its SOTR-to-GSDP ratio averaged 6.5-7% in the post-GST period (NITI Aayog, 2024). Punjab's ratio of RR to GSDP has been higher in nominal terms, averaging 11-12%, due largely to the inclusion of central transfers, not superior tax productivity. Haryana's more modest ratio reflects efficient revenue management rather than weak mobilization. According to the RBI's "State Finances – A Study of Budgets 2023-24", Haryana's tax buoyancy (the responsiveness of tax revenue to GSDP) was estimated at around 1.1, meaning tax revenues grew slightly faster than the state economy, whereas Punjab's buoyancy hovered near 0.8, indicating sluggish responsiveness to economic growth (RBI, 2023). This pattern aligns with broader national findings that industrially diversified states show stronger revenue elasticity compared to agriculture-dominated or debt-stressed states.

The comparative picture thus reveals a clear structural gap in fiscal autonomy. Haryana's consistent own-revenue dominance indicates a self-sustaining fiscal system capable of weathering exogenous shocks, while Punjab's dependence on central transfers and volatile non-tax income undermines fiscal predictability. The NITI Aayog's Macro and Fiscal Landscape Report (2024) emphasizes that Haryana's revenue receipts, though smaller as a share of GSDP than the national median, are derived predominantly from state sources, ensuring greater control over resource allocation. In contrast, Punjab's higher grant-to-revenue ratio reflects a "dependency syndrome" where state fiscal behaviour is influenced by central devolution patterns rather than intrinsic economic performance. This structural imbalance is further exacerbated by Punjab's high committed expenditure- salaries, pensions, and interest payments- which consume over 70% of its revenue receipts, leaving little fiscal space for development (CAG, 2023).



TABLE - 1

GSDP, Revenue Receipts and its main components in Haryana (Rs. Crore)

Year	RR	SOTR	SONTR	Grants from centre	State's share in Central Taxes	GSDP(Haryana)
2011-12	30558	20399.4	4722	2755	2682	297539
2012-13	33634	23559	4673	2339	3062	347032
2013-14	38012	25567	4975	4127	3343	399268
2014-15	40799	27635	4613	5003	3548	437145
2015-16	47557	30929	4752	6377	5496	495504
2016-17	52497	34026	6196	5678	6597	561424
2017-18	62695	41099	9113	5185	7299	638832
2018-19	65885	42581	7976	7073	8255	698940
2019-20	67858	42825	7400	10522	7111	738052
2020-21	67561	41914	6961	12248	6438	730442
2021-22	78092	53377	7394	7599	9722	877269
2022-23	89194	62961	8742	7113	10378	974732
2023-24	101315	72511	8103	8356	12345	1085510

Source: Various State Finances Audit Reports, Govt of Haryana, CAG and Haryana Budget Analysis



Figure - 1

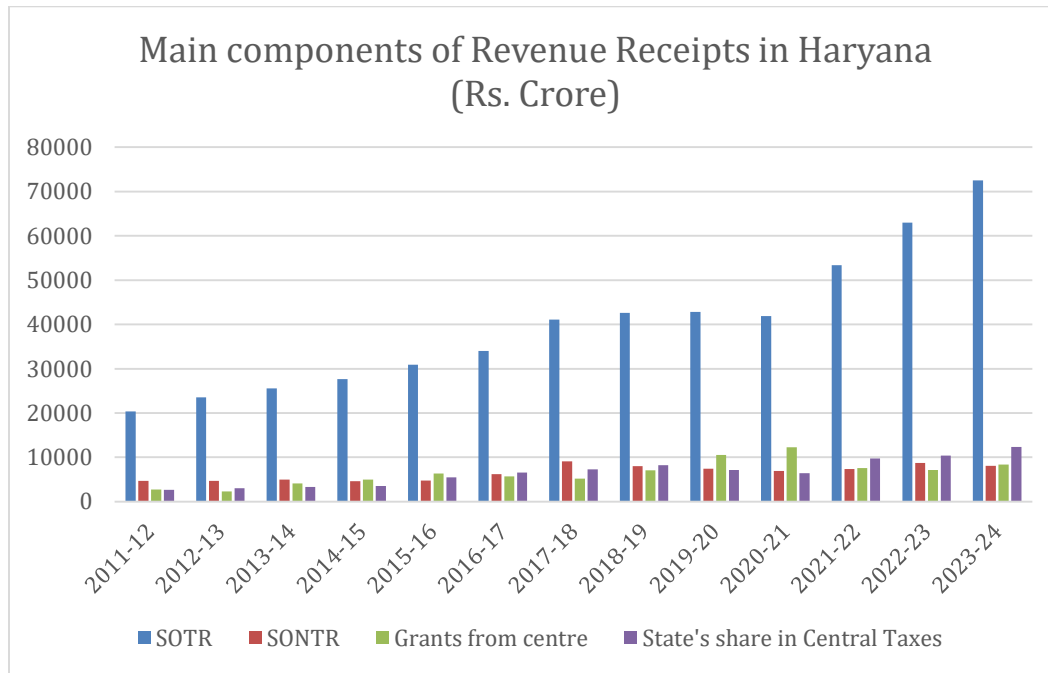


Figure - 2

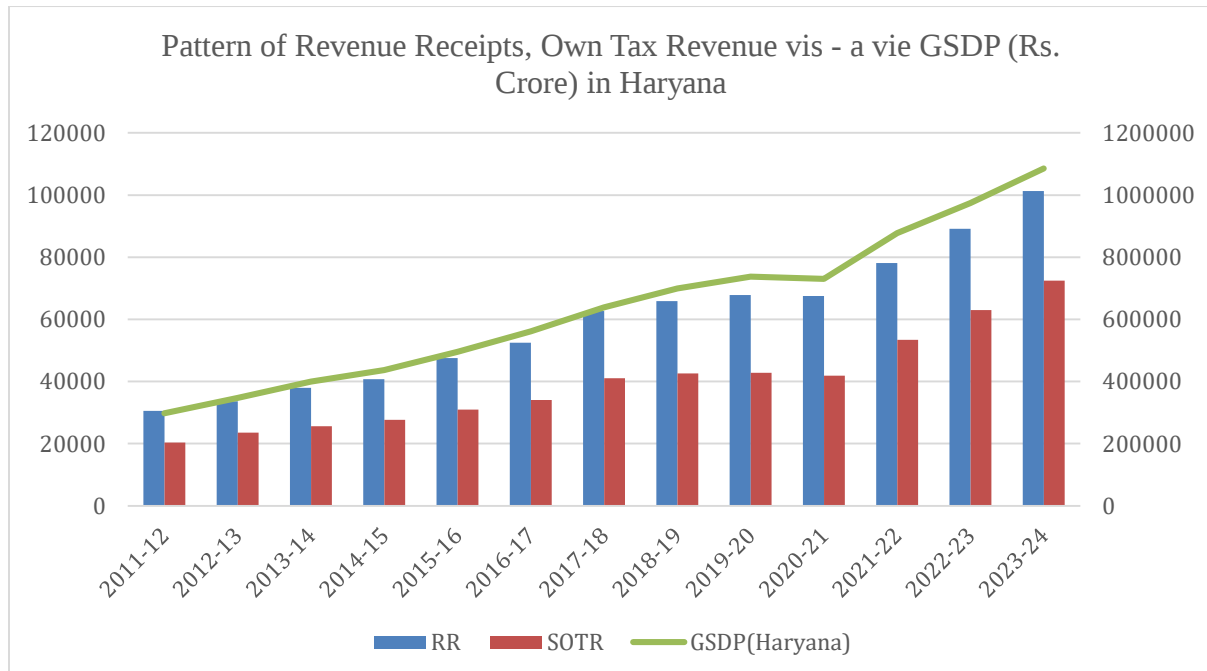




TABLE – 2

Percentage of revenue parameters of Haryana w.r.t Total Revenue Receipts

Year	SOTR/RR	SONTR/RR	SCT/RR	GFC/RR
2011-12	66.76	15.45	9.02	8.78
2012-13	70.05	13.89	6.95	9.10
2013-14	67.26	13.09	10.86	8.79
2014-15	67.73	11.31	12.26	8.70
2015-16	65.04	9.99	13.41	11.56
2016-17	64.82	11.80	10.82	12.57
2017-18	65.55	14.54	8.27	11.64
2018-19	64.63	12.11	10.74	12.53
2019-20	63.11	10.91	15.51	10.48
2020-21	62.04	10.30	18.13	9.53
2021-22	68.35	9.47	9.73	12.45
2022-23	70.59	9.80	7.97	11.64
2023-24	71.57	8.00	8.25	12.18
Average	66.73	11.59	10.92	10.76

Source: Calculated from data

TABLE – 3

Rate of growth of Revenue parameters and GSDP over previous year (Haryana)

Year	RoGRR	RoGSOTR	RoGSONTR	RoGGC	RoGSCT	RoGGSDP
2011-12	-	-	-	-	-	-
2012-13	10.7	15.49	-1.04	-15.1	14.17	16.6
2013-14	13.2	8.52	6.46	76.4	9.18	15.1
2014-15	7.33	8.09	-7.28	21.2	6.13	9.5
2015-16	16.56	11.92	3.01	27.5	54.90	13.4
2016-17	10.39	10.01	30.39	-11.0	20.03	13.3
2017-18	19.43	20.79	47.08	-8.7	10.64	13.8
2018-19	5.09	3.61	-12.48	36.4	13.10	9.4
2019-20	2.99	0.57	-7.22	48.8	-13.86	5.6
2020-21	-0.44	-2.13	-5.93	16.4	-9.46	-1.0
2021-22	15.59	27.35	6.22	-38.0	51.01	20.1
2022-23	14.22	17.96	18.23	-6.4	6.75	11.1
2023-24	13.59	15.17	-7.31	17.5	18.95	11.4
Average	10.7	11.4	5.8	13.8	15.1	11.5

Source: Calculated from data



Figure - 3

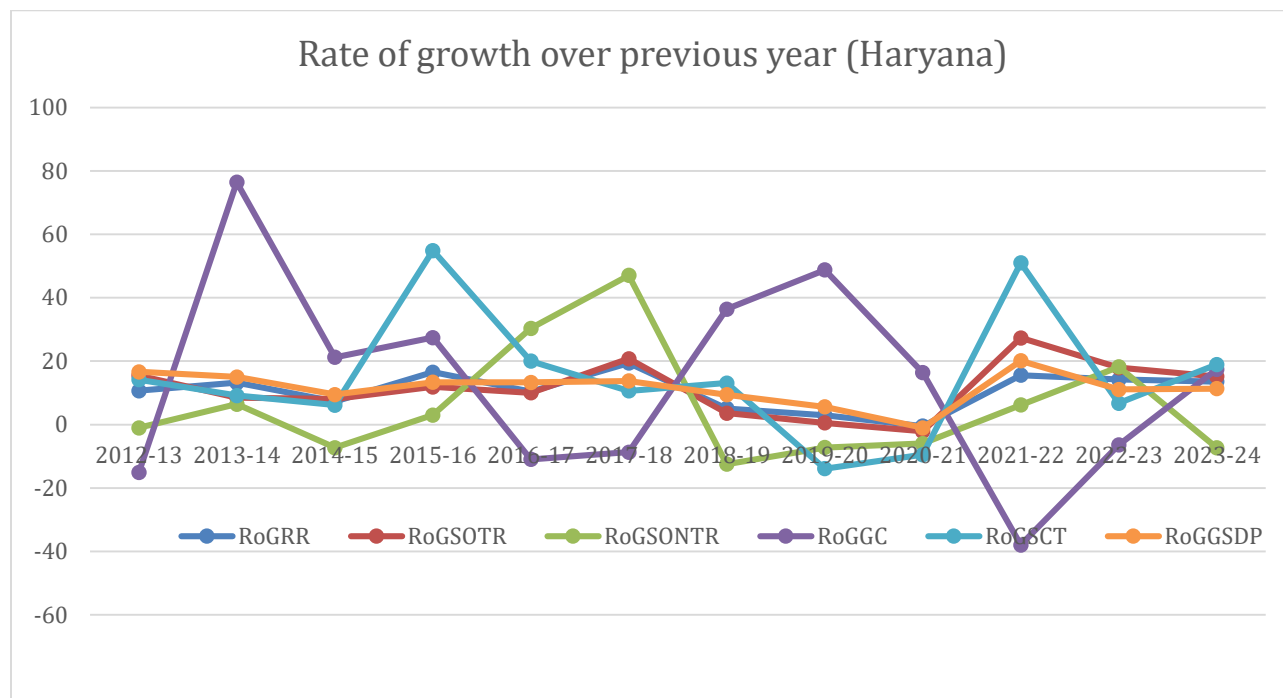


Table - 4

GSDP, Revenue Receipts and its main components in Punjab (Rs. Crore)

Year	RR	Own Tax Revenue	Non - Tax Revenue	State's share in Central Taxes	Grants from centre	GSDP Punjab
2011-12	26234	18841	1398	3554	2441	266628
2012-13	32151	22587	2629	4059	2776	297734
2013-14	35104	24079	3192	4431	3401	332147
2014-15	39023	25570	2629	4703	5870	355102
2015-16	41523	26690	2650	8009	4174	390087
2016-17	47985	27747	5863	9600	4776	426988
2017-18	53010	30423	4319	10617	7651	471301
2018-19	62269	31574	7582	12005	11107	512510
2019-20	61575	29995	6654	10346	14580	537031
2020-21	69048	30053	4152	10638	24205	540853
2021-22	78168	37327	4783	15273	20754	627717
2022-23	87618	42243	6232	18458	21977	692519
2023-24						
R.E	98940	51400	10051	19958	17530	771744

Source: Various State Finances Audit Reports, Govt of Punjab, CAG and Punjab Budget Analysis, PRS Legislative Research 2024 and 2025.



Figure - 4

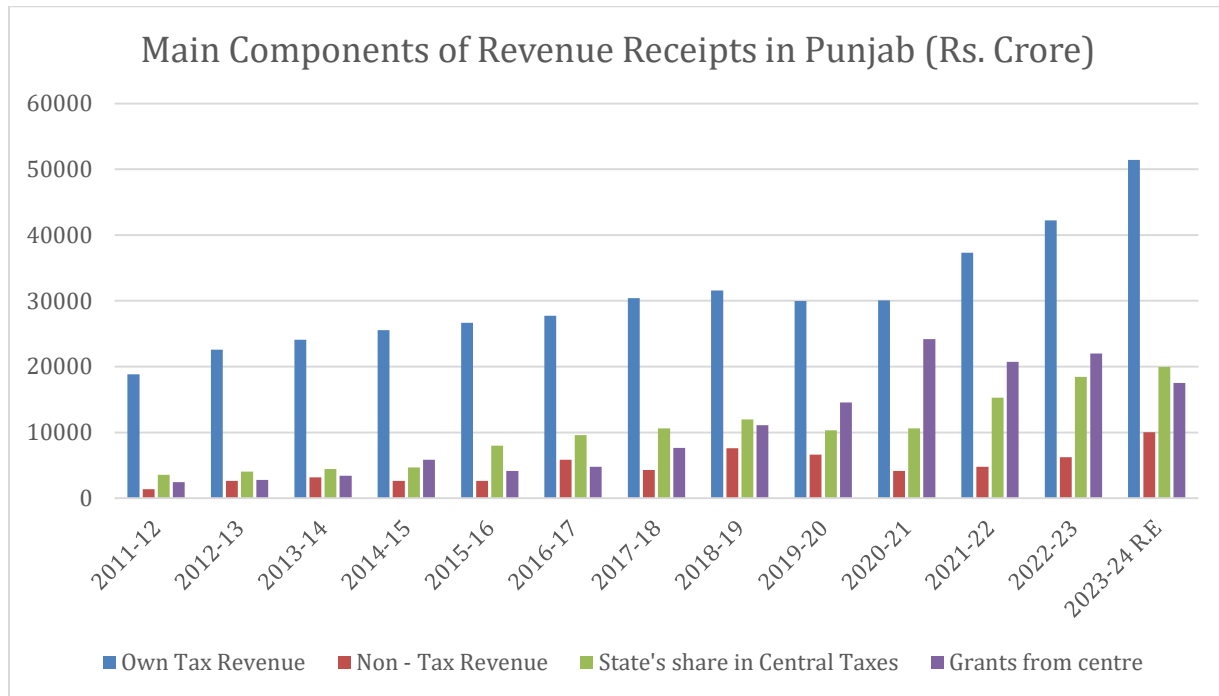


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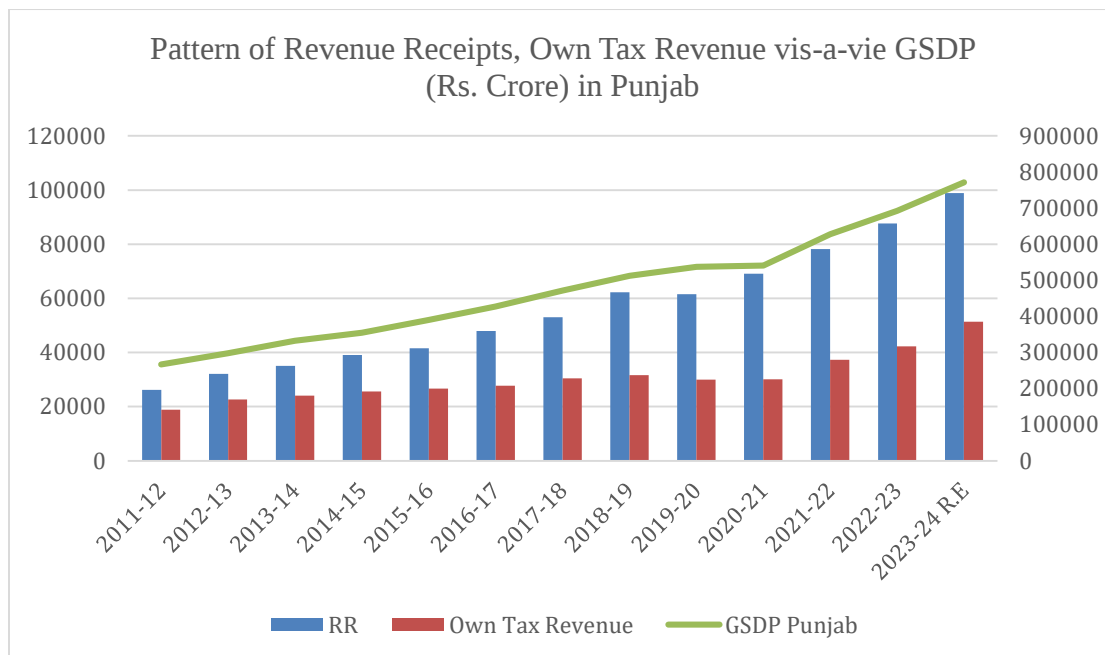




Table - 5

Percentage of revenue parameters of Punjab w.r.t Total Revenue Receipts

Year	SOTR/RR	SONTR/RR	SCT/RR	GFC/RR
2011-12	71.82	5.33	13.55	9.30
2012-13	70.25	8.18	12.62	8.63
2013-14	68.59	9.09	12.62	9.69
2014-15	65.53	6.74	12.05	15.04
2015-16	64.28	6.38	19.29	10.05
2016-17	57.82	12.22	20.01	9.95
2017-18	57.39	8.15	20.03	14.43
2018-19	50.71	12.18	19.28	17.84
2019-20	48.71	10.81	16.80	23.68
2020-21	43.52	6.01	15.41	35.06
2021-22	47.75	6.12	19.54	26.55
2022-23	48.21	7.11	21.07	25.08
2023-24 R.E	51.95	10.16	20.17	17.72

Source: Calculated

Table - 6

Rate of growth over previous year (Punjab)

Year	RoGRR	RoGSOTR	RoGSONTR	RoGGC	RoGSCT	RoGGSDP
2011-12						
2012-13	22.55	19.88	88.1	13.72	14.21	11.67
2013-14	9.18	6.61	21.4	22.51	9.16	11.56
2014-15	11.16	6.19	-17.6	72.60	6.14	6.91
2015-16	6.41	4.38	0.8	-28.89	70.30	9.85
2016-17	15.56	3.96	121.2	14.42	19.87	9.46
2017-18	10.47	9.64	-26.3	60.20	10.59	10.38
2018-19	17.47	3.78	75.5	45.17	13.07	8.74
2019-20	-1.11	-5.00	-12.2	31.27	-13.82	4.78
2020-21	12.14	0.19	-37.6	66.02	2.82	0.71
2021-22	13.21	24.20	15.2	-14.26	43.57	16.06
2022-23	12.09	13.17	30.3	5.89	20.85	10.32
2023-24 R.E	12.92	21.68	61.3	-20.23	8.13	11.44
Average	11.84	9.06	26.7	22.37	17.07	9.32

Source: Calculated



Figure – 6

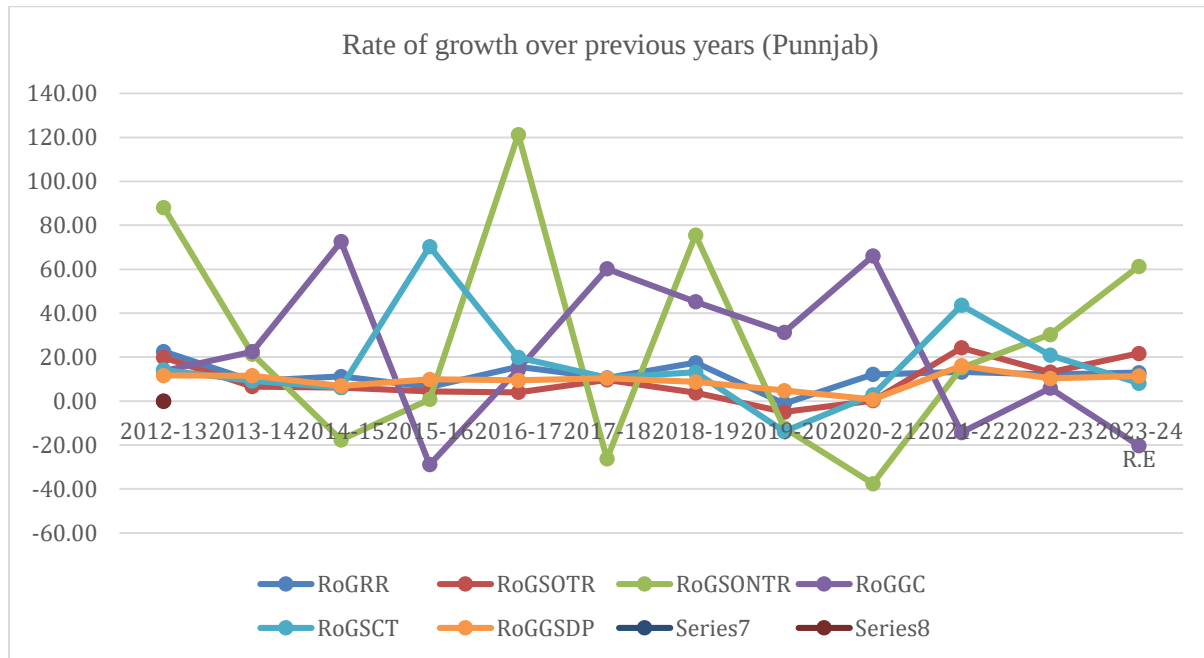


Figure - 7

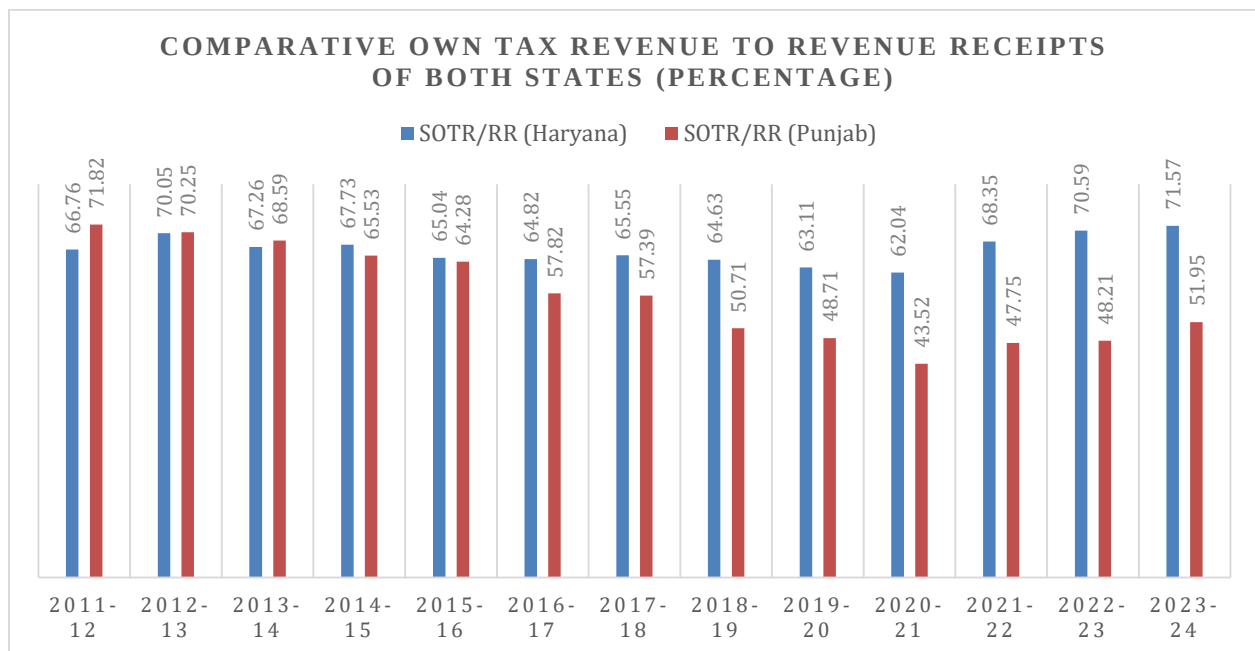
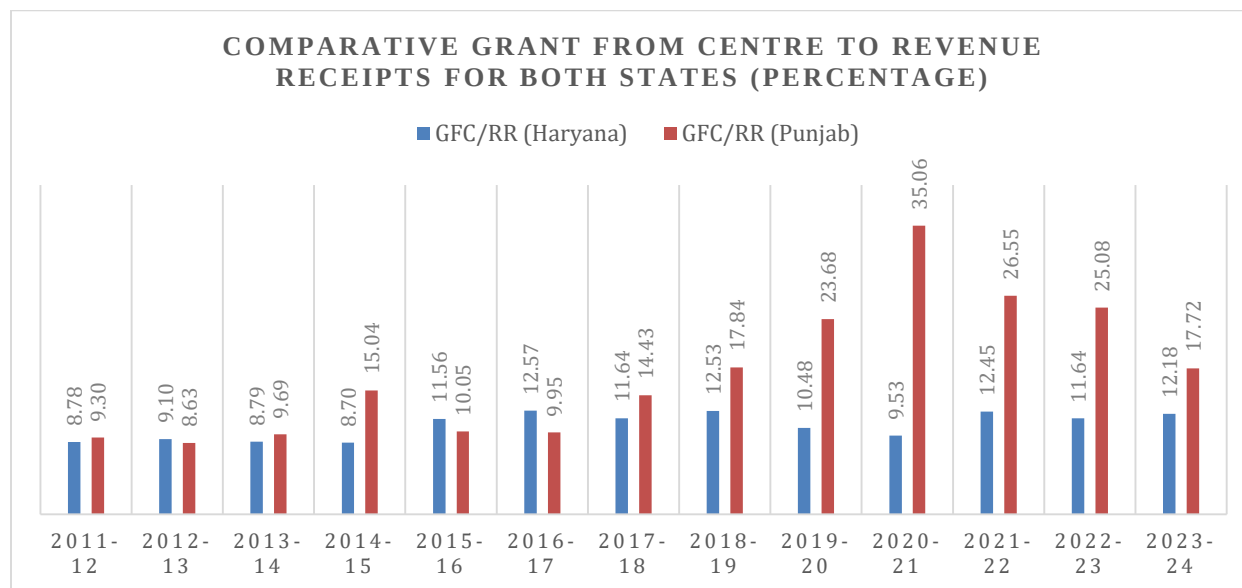




Figure - 8



Comparative CAGR Analysis: Haryana and Punjab (2011-12 to 2023-24)

The compound annual growth rates (CAGR) of key fiscal indicators highlight distinct revenue trajectories for Haryana and Punjab. Over the 12-year period, Punjab's Revenue Receipts (RR) expanded at a faster rate (11.8%) than Haryana's (10.6%), indicating stronger aggregate revenue growth. However, this relative advantage conceals underlying structural weaknesses in Punjab's fiscal composition. The composition of revenue receipts indicates consistent decline in state's own tax revenue and a rise in the grants from the centre which has inflated the figures for revenue receipts.

Haryana's State's Own Tax Revenue (SOTR) grew at CAGR of approximately 11 %, nearly matching its GSDP growth (11.4%), reflecting robust tax buoyancy and effective revenue mobilization, particularly in the post-GST regime. This suggests that Haryana's revenue base has expanded proportionately with economic output, supporting fiscal sustainability. In contrast, Punjab's lagged behind Haryana in both CAGR of SOTR (8.7%) and its GSDP growth (9.3%). SOTR CAGR has lagged behind that of GSDP by 0.6 points signalling somewhat weak tax elasticity and limitation to capture the benefits of economic growth through taxation. This imbalance indicates structural rigidity in Punjab's tax system, marked by a narrow base and heavy dependence on agricultural and excise revenues.

The disparity is more pronounced in Non-Tax Revenue (SONTR), where Punjab recorded an extraordinary 18.2% CAGR, compared to Haryana's modest 4.7%. While this high value in Punjab's non-tax receipts may appear positive, but its composition and growth rates over the study period reflect the reason for high average value for an otherwise irregular component.



This has happened due to one-off receipts such as power sector recoveries or central grants rather than a sustained income stream.

Overall, Haryana demonstrates a more balanced and sustainable revenue growth pattern aligned with its GSDP, while Punjab's revenue expansion is skewed towards non-recurring sources. This raises concerns about fiscal stability. The comparative analysis underscores Haryana's stronger tax effort and Punjab's continuing dependence on transfers and volatile non-tax receipts.

Table – 7

Comparative CAGR of Haryana and Punjab for the years 2011-24:

CAGR	RR	SOTR	SONTR	GSDP
Haryana	10.6	10.9	4.7	11.4
Punjab	11.8	8.7	18.2	9.3

Source: Calculated from data

Comparative Analysis: Comparative Tax Buoyancy of Haryana and Punjab (2012-13 to 2023-24)

The buoyancy trends again further highlight the structural difference in fiscal responsiveness between Haryana and Punjab. Over the 12-year period, Haryana's average tax buoyancy (1.01) marginally exceeded unity, indicating that its own tax revenues grew proportionately with or slightly faster than its GSDP. In contrast, Punjab's buoyancy (0.94) remained below one, reflecting a weaker linkage between economic growth and tax mobilization capacity.

Haryana's buoyancy spiked notably in 2017-18 (1.51) and 2022-23 (1.62), coinciding with post-GST stabilization and better compliance measures under the Haryana Excise and Taxation Department (RBI, State Finances Study of Budgets, 2023). The structural strength of Haryana's diversified industrial base and expanding service sector allowed it to maintain stable revenue elasticity despite cyclical slowdowns. During the pandemic year (2020-21), Haryana's buoyancy exceeded 2.0. However, it was not due to higher revenues but because of a sharper contraction in GSDP, which inflated the ratio.

Punjab's pattern, however, demonstrates greater volatility and chronic fiscal rigidity. With buoyancy dipping below 1 in eight of twelve years and even turning negative in 2019-20 (-1.05), the state's tax base failed to capture economic growth. The excessive dependence on agricultural income, stagnation in industrial output, and high exemptions in excise and VAT categories have constrained its fiscal responsiveness (CAG, State Finances Report: Punjab, 2023). While buoyancy improved post-2021, reaching 1.90 in 2023-24, this recovery reflects short-term revenue measures and one-time gains rather than structural improvement.

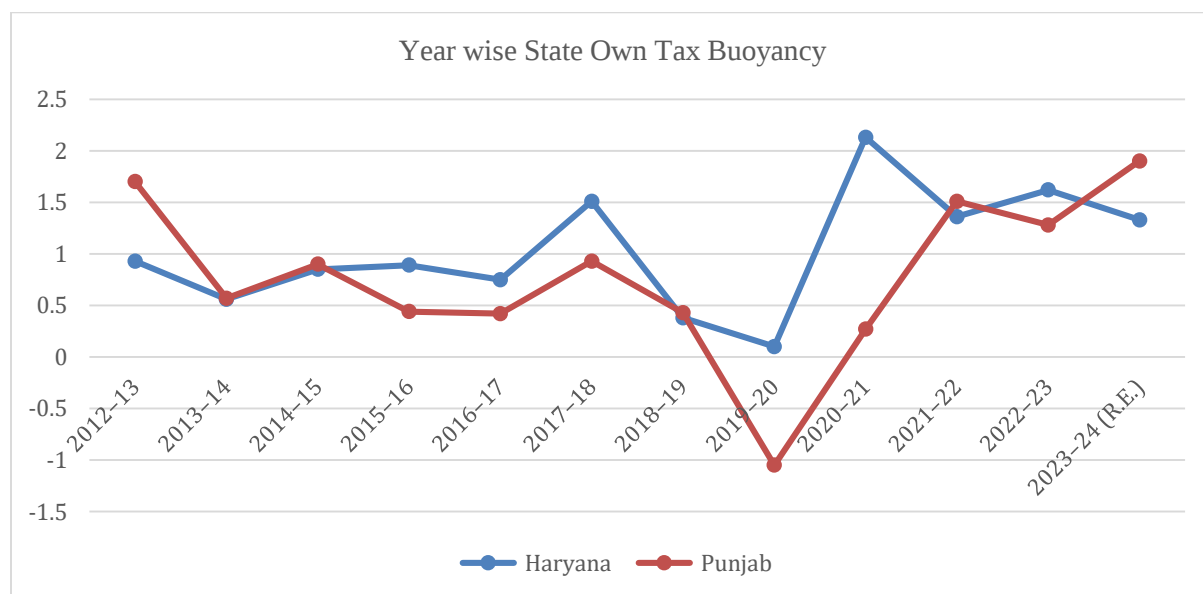


Comparatively, Haryana's buoyancy aligns with tax effort ratios observed in fiscally healthier states like Maharashtra and Tamil Nadu, while Punjab's mirrors low-effort states such as Bihar or Rajasthan (RBI, 2022). The divergence underscores Haryana's more robust revenue administration and Punjab's dependence on central transfers to bridge revenue gaps.

Table – 8
Year wise State Own Tax Buoyancy

Year	Buoyancy (Haryana)	Buoyancy (Punjab)
2012-13	0.93	1.7
2013-14	0.56	0.57
2014-15	0.85	0.9
2015-16	0.89	0.44
2016-17	0.75	0.42
2017-18	1.51	0.93
2018-19	0.38	0.43
2019-20	0.1	-1.05
2020-21	2.13	0.27
2021-22	1.36	1.51
2022-23	1.62	1.28
2023-24 (R.E.)	1.33	1.9
Average	1.01	0.94

Source: Calculated from data





In conclusion, the comparative analysis from 2011-24 establishes that Haryana demonstrates stronger fiscal capacity, greater revenue autonomy, and lower dependence on central transfers, while Punjab exhibits higher volatility, dependence, and fiscal stress. Haryana's tax buoyancy and own-source dominance underline a more sustainable fiscal framework capable of supporting development expenditure without excessive borrowing. Punjab's fiscal system, on the other hand, remains constrained by structural inefficiencies, weak non-tax revenue mobilization, and chronic revenue deficits. The evidence aligns with multiple fiscal studies that categorize Haryana as a moderately self-reliant but fiscally pressured state, whereas Punjab qualifies as a revenue-stressed and transfer-dependent economy (NITI Aayog, 2024; RBI, 2023; PRS India, 2024; Finance Commission, 2021; CAG, 2023). Therefore, while both states share similar agrarian roots and geographic proximity, their revenue trajectories diverge sharply-reflecting not only economic structure but also the efficiency of fiscal governance

Limitations of the study:

A key limitation of this study is that it focuses exclusively on revenue mobilization in Punjab and Haryana between 2011-12 and 2023-24. While this allows for detailed analysis of revenue patterns, tax buoyancy, and fiscal autonomy, it does not account for the expenditure side of the states' finances. Including data on revenue and capital expenditures, social sector spending, and debt servicing would have provided a more comprehensive assessment of overall fiscal health and sustainability. Consequently, the policy recommendations are primarily oriented toward revenue generation and mobilization, and should be interpreted within this scope.

Policy Recommendations for Enhancing Revenue Mobilization and Fiscal Stability in Haryana and Punjab (2011-12 to 2023-24)

1. Strengthen Own-Tax Revenue Base in Punjab:

Punjab's reliance on central transfers and low SOTR elasticity highlights structural weaknesses. The state should broaden its tax base by:

- Expanding GST coverage and minimizing exemptions in sectors like agriculture-related services and small-scale manufacturing.
- Improving compliance through digitization of tax collection, e-invoicing, and stricter monitoring of VAT and excise collections.
- Incentivizing formalization of the informal sector to capture previously untaxed economic activity.



2. Diversify Non-Tax Revenue Sources:

Punjab's non-tax revenue CAGR of 18.2% reflects irregular or one-off receipts rather than sustainable streams. Both states should:

- Develop state-owned enterprises and infrastructure projects with reliable fee-based revenues.
- Monetize state assets prudently, including land leases, industrial parks, and renewable energy projects, to generate recurring inflows.
- Introduce user fees for government services, calibrated to ensure affordability while improving fiscal returns.

3. Maintain and Enhance Tax Buoyancy in Haryana:

Haryana has demonstrated strong buoyancy (average 1.01) and high SOTR share (approx. 70% of RR). To consolidate this advantage:

- Continue modernizing tax administration with IT-based compliance monitoring and risk assessment.
- Regularly review tax rates and incentives to ensure alignment with economic growth sectors, especially industry and services.
- Foster a stable business environment to sustain industrial and service sector expansion, further supporting tax elasticity.

4. Stabilize Central Transfers and Reduce Dependence:

Both states are exposed to volatile central transfers, particularly Punjab. Policy measures include:

- Creating a stabilization fund to smooth expenditure fluctuations during periods of reduced devolution.
- Prioritizing the development of own-source revenues to reduce vulnerability to federal fiscal policy changes.

5. Leverage Economic Diversification for Fiscal Resilience:

Punjab's dependence on agriculture and excise revenues limits responsiveness to economic growth. Policy interventions:

- Promote industrial diversification into high-value manufacturing and knowledge-based services.
- Invest in renewable energy and green industries to generate revenue while addressing environmental sustainability.
- Encourage urbanization and infrastructure development to broaden the property tax and professional tax bases.



6. Institutionalize Fiscal Governance Reforms:

Improving the efficiency of expenditure and revenue management can reinforce fiscal sustainability:

- Strengthen independent audit mechanisms and adopt real-time fiscal monitoring systems.
- Implement medium-term revenue forecasting to guide expenditure planning.
- Regularly evaluate tax incentives for effectiveness, eliminating those that undermine revenue growth.

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