Received Date:03/11/2021 Acceptance Date: 18/11/2021 Publication Date: 30/11/2021

An Empirical Analysis on Growth and Pattern of Public Revenue and its Impact in India

[1]Prasad S.P, [2]Dr.D. Elango
[1]Research Scholar, Department of Economics, Bharathiar University, Coimbatore, India
[2]Assistant Professor, Department of Economics, Government College of Arts and Science, Coimbatore, India
Email – [1]prasad.sadolalu@gmail.com, [2]gacelango@gmail.com

Abstract: *Public Revenue refers to the income of the government from different sources. The revenue includes income from taxes and goods and services of public enterprises, revenue from administrative activities such as fees, fines, grants and gifts, etc. The sources of revenue are classified as tax revenue and non-tax revenue. Taxes collected by the government are used for the common benefits of general public. The study examines the growth and pattern of public revenue in India. The secondary data source is collected for the period 2011-2012 to 2020-2021. The major results of the study concluded that revenue receipts increases and around 59 percent of the tax revenue is absorbed for interest payments.*

Key Words: *Fees, Fines, Grants, Tax, Non-Tax revenue, Revenue Receipts, Interest Payments.*

1. INTRODUCTION:

Public Revenue is the income of the government through various sources. In recent period the public expenditure is continuously increasing with the increase in the functions of modern governments. It is now an important problem of every government to secure adequate amount of public revenue to finance its expenditure. Temporary revenue may be obtained by borrowing, but eventually loans must be repaid. Some revenues are secured from government enterprises, administrative and judicial activities and from other sources, but the great bulk or revenue comes from taxation. Increasing activity of the government is the cause of increasing public expenditure and hence, it requires increasing volume of public revenue. The various sources of public revenue have impact on production and distribution of wealth and income in the country. The public revenue has effects on the nature and volume of economic activities and on employment. Apart from public expenditure and public debt, public revenue is considered has the powerful instrument of bringing about socio-economic changes in the economic life of the country. Hence it is important to analyze the growth and pattern of public revenue.

1.1 Sources of Public Revenue

Taxes: Taxes and charges are withdrawn from the private sector without leaving the government with a liability to the payee. Taxes are compulsory payments to governments without expectation of direct return or benefit to the tax payer. Taxes are compulsory imposts, whereas charges and borrowings involve voluntary transactions. Among these three sources, taxes provide the larger part of the receipts.

Commercial Revenues: The revenues received in the form of prices paid for government produced commodities and services, ie., revenues, which are derived by government from public enterprises by selling their goods and services are called commercial revenues. They are also known as prices, because they come in the form of prices of goods and services provided by the government. They include payments of postage, tolls, interest on funds borrowed from the government credit corporations, prices paid for liquor in government stores, electricity distributed by the government, railway services and the like. Sometimes the government earns revenue from the production of commodities like steel and oil, etc. However, the surpluses from commercial undertakings are not considered as an important source of income in most of the countries of the world.

Administrative Revenues: The revenue includes fees, licenses, fines, forfeitures and special assessments. They are characterized by more or less as a free choice on the part of the payer as to whether or not he will pay, and more or less on direct benefit (or penalty) conferred upon him. The amount of payment however, does not necessarily; bear a close relationship either to the value of benefit or the cost of conferring that benefit. A further and peculiar characteristic of administrative revenues is that they generally arise as a by-product of the administrative function of the government; hence they are known as "administrative revenues".

Gifts and Grants: Gifts are voluntary contribution from private individuals or non-government donors to the government fund for specific purpose, such as, relief fund or defence fund during a war or an emergency. Such contributions are made by patriotic, charity minded, public-spirited or conscientious persons during war, floods and drought or an emergency. Gifts have no significant place in modern revenue system except during war time and emergency. They had a place in the olden days, when princes, Nawabs and Jagirdars used to get Nazarana from their subjects. The total of gifts (as distinguished from grants) does not form a significant amount in the revenue system.

2. Objectives of the Study:

- To examine the growth of revenue receipts of India from 2015-2016 to 2020-2021.
- To analyze the impact of tax revenue on debt services in India during the study period
- To measure the growth of tax revenues and its impact in India for the study period.

3. Hypothesis of the Study:

H_0: There is no significant impact of tax revenue on economic growth of India
H_1: There is significant impact of tax revenue on economic growth of India

4. Methodology of the study:

In India the government has a vital role in promoting economic growth and development because role of private investment is limited. The budgetary policy has become an important tool in promoting the growth and development of economy. The role of revenue receipts has been utilized effectively in developing economy. To fulfill the needs of the state with limited resources the tax and non tax revenue is considered has the primary source. The burden of the debt ultimately refers to increase in taxation which is necessary to finance the service charges. The portion of tax revenue absorbed by the debt services therefore is an important parameter in assessing in the burden of public debt. On this background the study examines the growth and pattern of public revenue in India for the period 2015-2016 to 2020-2021. The secondary source of data is collected for the study period from various published reports such as Reserve Bank of India, Economic surveys published in India. The collected data is calculated using Compound growth rate, ANOVA, ratio of increase of revenue with national income and interest payments.

5. Analysis and Discussions:

Role of Direct and Indirect Taxes

Taxes under the charge of central board of direct taxes are direct taxes while those administered by the central board of exercise and customs are indirect taxes. In recent years it is well known that as an economy experiences modernization, diversification and expansion of corporate sector, the direct taxes widens. In India, the share of service sector in national income has increased over the years and now it has become the largest sector of the economy. It may be inferred that the base for direct taxation has also grown commensurately with the enlargement of the service sector. The growth in direct taxation may be the result of minimizing the distortions within the tax structure, expanding the tax base and maintaining moderate tax rates. Tax administration has also been made more efficient.

Revenue Receipts: The receipts of the government which are non-redeemable may be termed as revenue receipts. These receipts are divided into tax revenues and non-tax revenues.

Table 1.1: Growth and Pattern of Revenue Receipts of Central Government from 2015-2016 to 2020-2021

(INR in crores)

Year	Tax Revenue	Non-Tax Revenue	Total Revenue Receipts	Capital Receipts
2011-2012	629764	121672	751436	568918
2012-2013	741877	137354	879231	582152
2013-2014	815854	198870	1014724	563894
2014-2015	903615	197766	1101381	484448
2015-2016	943765	251260	1195025	582579
2016-2017	1101372	272831	1374203	609886
2017-2018	1242488	192745	1435233	702650
2018-2019	1317211	235704	1552915	763518
2019-2020	1356902	327157	1684059	997301
2020-2021	1344501	210653	1555154	1912510
CAGR	**7.88**	**5.64**	**7.54**	**12.89**

Source: Computed

INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD ISSN: 2455-0620 Volume - 7, Issue - 11, Nov – 2021
Monthly, Peer-Reviewed, Refereed, Indexed Journal with IC Value: 86.87 Impact Factor: 6.719
Received Date:03/11/2021 Acceptance Date: 18/11/2021 Publication Date: 30/11/2021

The above table reveals that the total revenue of the central government has been rising in a moderate level. In the year 2011-2012 the total revenue receipts of the central government were INR. 751436 crores which was negative growth rate of 4.93 percent. From the period 2012-2013 the annual growth rate of revenue receipts were 14.53 percent and declined in the year 2013-2014 to 2015-2016 from 13.35 percent to 7.84 percent. After implementation of GST the revenue receipts increased in 2016-2017 to 13.04 percent. This fluctuation in the receipts was due to the expansion in administrative and welfare activities which compelled the government to mobilize additional resources through additional efforts by the government. During the year 2020 -2021 the annual growth rate of revenue receipts was -8.29 percent which was due to pandemic were the whole economy GDP was in downtrend. The compound annual growth rate projected the share of tax revenue was 7.88 percent, non-tax revenue was 5.64 percent and overall revenue receipts was 7.54 percent and capital receipts was 12.89 percent during the study period.

Tax Revenue and Debt Services

Table 1.2: Ratio of Central Government Interest Payment to Tax Revenue in India from 2011-2012 to 2020-2021

(INR in crores)

Year	Interest Payment	Tax Revenue	Interest Payment as percentage of Tax Revenue
2011-2012	234022	4459940	52.47
2012-2013	273150	493947	55.30
2013-2014	313170	558658	56.06
2014-2015	402444	696744	57.76
2015-2016	441659	741945	59.53
2016-2017	480714	849713	56.57
2017-2018	528952	1002037	52.79
2018-2019	582648	1136615	51.26
2019-2020	612070	1170000	52.31
2020-2021	692900	1319000	52.53

Source: Computed

The ratio of interest payment to tax revenue has increased from 52.47 percent in 2011-2012 to 59.53 percent in 2015-2016. It means that 59 percent of the total tax revenue is absorbed by interest payments. During the study period it was realized that the internal debt was increasing. However, from 2016-2017 has declined to 56.57 percent to 52.53 percent during the period 2020-2021. This shows that the interest payments were realized by small savings.

Analysis on Impact of tax revenues on Economic Growth of India

According to Economic survey, 2012-2013, both direct and indirect taxes remained buoyant except in the crisis years (2008-2009 and 2009-2010) and 2011-2012. During 2011-2012 both direct and indirect taxes grew at a lower rate than what the budget estimates envisaged as well as the 2011 -2012 growth rate mainly because of economic slowdown, weak market sentiment, slow investment growth, global uncertainty and persistent high inflation. The personal income tax rose from INR. 118224 crores in 2011-2012 to INR. 298192 crores in 2020-2021. The corporation tax has increased from INR. 227411 crores to INR. 288155 crores during the year 2020-2021. The below table shows the association between tax revenue and GNP of India to examine the impact of tax revenue in India.

H_0: There is no significant impact of tax revenue on economic growth of India.

Table 1.3: Association between Tax Revenue and Gross National Income (GNP) of India using ANOVA

Variables	Source of Variations	SS	df	MS	F	p-value	Sig. value	Hypo.
Personal Income Tax	Between Groups	1.014	1	1.014	93.31	5.64	S	Rejected
	Within Groups	2.173	20	1.086				
	Total	**1.231**	**21**					

Corporation Tax	**Between Groups**	1.001	1	1.000	92.10	6.29	S	Rejected
	Within Groups	2.173	20	1.086				
	Total	**1.218**	**21**					
Excise Duties	**Between Groups**	1.016	1	1.016	93.49	5.55	S	Rejected
	Within Groups	2.173	20	1.086				
	Total	**1.233**	**21**					
Custom Duties	**Between Groups**	1.016	1	1.016	94.77	4.96	S	Rejected
	Within Groups	2.173	20	1.086				
	Total	**1.233**	**21**					

Source: Computed

From the ANOVA results, the probability value of Personal Income tax, Corporation tax, Excise duties and Custom Duties was 5.64, 6.29, 5.55 and 4.96 which indicates that the association between the tax revenues predicting significant impact on Gross National Income (GNI). The calculated F value at 5% level of significance was 93.31, 92.10, 93.49 and 94.77. Since the F calculated is greater than the F critical value (value = 4.35) this shows that the overall model is significant.

6. CONCLUSION:

The total public revenue of the central government has been increasing continuously during the study period from INR. 751436 crores 2011 – 2012 to INR. 1684059 crores in 2019-2020 and due to pandemic COVID 19 the total revenue receipts declined to INR. 1555154 crores in 2020-2021. There is rapid increase in the share of direct taxes in total tax revenue compared to indirect taxes. This is due to increase share of personal income tax and corporation tax. Further the tax revenue has significant impact on economic growth of India.

REFERENCES:

1. Dr. Om Parkash., (2015), Economics of Public Finance, Vishal Publishing Company, New Delhi.
2. Devasia.M.D., Karunakaran. N., (2020), Public Revenue in India: Trend and Effect, Journal of Management Research and Analysis, 7(4), 172-182.
3. Saravanan.R., Meganathan.M., (2014), An Analysis of Revenue Receipts of India with Special Reference to Tax Revenue, International Journal of Marketing, Financial Services and Management Research, 3(12), 94 – 102.
4. Venkatesh.C., (2020), A Study on Fiscal Policy Impact on Indian Economy, Journal of Critical Reviews, 7(8), 3171 – 3175.