



## TAX REVENUE ANALYSIS OF CHHATTISGARH: A COMPREHENSIVE STUDY (2001-2023)

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### ABSTRACT:

The research paper is written to examine the evolution of tax revenue and system starting from 2001 to 2023 in Chhattisgarh. It analyzes the trends of collection, composition of taxes and impact of the tax regime on state policy of finance. It has been noted that there has been remarkable growth on the mobilization capacity of tax by the state, as the tax revenue has shown significant growth from Rs. 18.5 thousand crore in 2001 to Rs. 388 thousand crore in 2023, which can be attributed to a remarkable compound annual growth rate of 14.84%. This analysis shows that the state has given a remarkable transformation from being a new state stricken down by poverty and backwardness to a financially robust state which is outperforming several other states and national benchmarks.

### KEYWORDS:

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### INTRODUCTION

Chhattisgarh, carved out from Madhya Pradesh in November 2000, represents one of India's youngest states with significant mineral wealth and industrial potential. The state's journey in tax revenue mobilization provides valuable insights into how effective fiscal policies, structural reforms, and economic development can enhance a state's financial autonomy and developmental capacity. This paper analyzes the state's tax revenue performance over more than two decades, examining the impact of major policy reforms including VAT implementation (2005), GST transition (2017), and responses to economic challenges such as the COVID-19 pandemic.<sup>[1][2]</sup>

### LITERATURE REVIEW

Agur et al. (2022), investigate the role of mobile money adoption in developing countries and find that it significantly improves tax revenue collection by enhancing financial inclusion and broadening the tax base, leading to better fiscal outcomes and increased government revenue streams.

World Bank (2023), examines fiscal policy volatility in emerging and developing economies, finding that high volatility hampers economic growth by creating uncertainty, with strong institutions and improved policy frameworks shown to mitigate these negative effects and support sustainable development.

Curdia and Sosa-Padilla (2023), study shifts in tax revenue composition in the U.S., concluding that changes influence monetary and fiscal policy interaction, affecting inflation

dynamics and government budget constraints, thus shaping macroeconomic policy effectiveness in varying economic conditions.

Kumar and Mahajan (2023), explore fiscal policy in Indian states, finding that increases in government revenue and expenditure have a significant positive effect on economic growth, highlighting the importance of efficient tax collection and productive public spending in state-level development.<sup>[3][4][5][6]</sup>

### METHODOLOGY

This research employs a mixed-methods approach combining quantitative data analysis with qualitative insights to comprehensively analyze tax revenue trends in Chhattisgarh from 2001 to 2023

### DATA COLLECTION:

Secondary data on tax revenues were collected from official government reports, including the Finance Department of Chhattisgarh, the Reserve Bank of India, Comptroller and Auditor General (CAG) reports, were referred.

### DATA ANALYSIS:

Descriptive statistics were used to summarize tax revenue data, highlighting mean, median, growth percentages, and fluctuations.

Comparative analysis was performed to assess revenue performance against other Indian states with similar economic profiles.

## QUALITATIVE ASSESSMENT:

Policy review was carried out to understand fiscal reforms, tax administration changes, and their impact on revenue collection in Chhattisgarh.

## LIMITATIONS:

The study acknowledges constraints related to data availability and accuracy, especially for early years of the period analyzed.

External factors such as changes in central tax laws and economic shocks are considered as potential influences that may not be fully captured quantitatively.

The analysis covers the period from 2001 to 2023, enabling examination of long-term trends and policy impacts. Statistical measures including compound annual growth rates, trend analysis, and comparative benchmarking are employed to assess performance.

## KEY FINDINGS

### REVENUE GROWTH TRAJECTORY

The analysis reveals consistent upward trajectory in Chhattisgarh's own tax revenue, with several distinct phases:

#### PHASE 1 (2001-2005): FOUNDATION BUILDING

During the initial years following state formation, tax revenue grew modestly from Rs. 18.5 thousand crore to Rs. 28 thousand crore. This period focused on establishing administrative systems and tax collection mechanisms.

#### PHASE 2 (2005-2017): ACCELERATED GROWTH

The implementation of VAT in 2005 marked a turning point, with revenue growing from Rs. 28 thousand crore to Rs. 244 thousand crore. This phase recorded an average annual growth rate of 18.5%, driven by improved tax administration and economic expansion.<sup>[1]</sup>

#### PHASE 3 (2017-2019): GST TRANSITION

The introduction of GST in July 2017 initially caused a temporary decline in revenue to Rs. 199 thousand crore in 2018, representing an 18.4% decrease. However, the state quickly adapted, with revenue recovering to Rs. 214 thousand crore by 2019.<sup>[8]</sup>

#### PHASE 4 (2019-2023): RECOVERY AND EXCELLENCE

Post-GST stabilization saw remarkable growth, with revenue reaching Rs. 388 thousand crore in 2023. Notably, Chhattisgarh achieved the highest GST growth rate nationally at 18% in 2024-25.<sup>[9][10]</sup>

## TAX REVENUE COMPOSITION

The composition of Chhattisgarh's tax revenue in 2023 reflects the impact of GST implementation and the state's diversified tax base:

- **State GST (38%):** Emerged as the largest revenue source, demonstrating successful GST implementation
- **State Excise (18%):** Continues to be a significant contributor, particularly from alcohol and tobacco

taxation<sup>[11]</sup>

- **VAT/Sales Tax (15%):** Applies to goods excluded from GST regime, primarily petroleum products
- **Others (12%):** Including various smaller taxes and duties
- **Stamp Duty & Registration (8%):** Stable contributor from property transactions
- **Vehicle Tax (6%):** Growing with increasing vehicle ownership
- **Entry Tax (3%):** Minimal contribution following GST subsumption

## TAX-TO-GSDP RATIO PERFORMANCE

The tax-to-GSDP ratio evolution demonstrates Chhattisgarh's improving fiscal capacity:

- **2001-2005:** Ratio improved from 4.2% to 5.1% during the foundational phase
- **2005-2015:** Steady growth to 7.3%, reflecting VAT benefits and administrative improvements
- **2017-2018:** Temporary decline to 6.2% due to GST transition challenges
- **2018-2023:** Recovery and growth to 7.6%, exceeding national median of 6.3%

This performance positions Chhattisgarh above the national median for own tax revenue as a percentage of GSDP, indicating superior tax mobilization efficiency.<sup>[12]</sup>

## POLICY IMPACT ANALYSIS

### GST IMPLEMENTATION IMPACT

The GST transition represents the most significant tax reform during the study period. Initial challenges included:

- **Revenue Disruption:** 18.4% decline in 2018 as systems adapted
- **Administrative Adjustments:** Need for new processes and taxpayer education
- **Compliance Changes:** Transition from multiple taxes to unified system

However, Chhattisgarh's recovery demonstrates effective implementation:

- **Streamlined Processes:** GST registration time reduced from 13 days to 2 days<sup>[9]</sup>
- **Technology Integration:** Enhanced monitoring and enforcement through digital systems
- **Taxpayer Services:** GST offices established across all 33 districts

## MINING ROYALTY AND NON-TAX REVENUE

Chhattisgarh's mineral wealth provides substantial non-tax revenue through mining royalties, contributing significantly to overall state finances. The Supreme Court's 2024 judgment clarifying that mining royalty is not a tax has implications for the state's revenue classification but doesn't affect collection amounts.<sup>[13]</sup>

## EXCISE POLICY EFFECTIVENESS

State excise duty contributes 18% of total tax revenue, with policies designed for both revenue generation and consumption regulation. Research indicates strong correlation between excise revenue and state GDP growth, with a coefficient of 0.85.<sup>[11]</sup>

## COMPARATIVE PERFORMANCE

Chhattisgarh's fiscal performance compares favorably with national benchmarks:

Indicator	Chhattisgarh (2022-23)	National Median
Own Tax Revenue (% of GSDP)	7.2%	6.3%
Revenue Balance	+0.6% surplus	-0.4% deficit
Fiscal Deficit	3.2%	3.8%
Total Debt	24.0%	32.1%

These metrics demonstrate superior fiscal management and revenue mobilization capacity.<sup>[12]</sup>

## CHALLENGES AND OPPORTUNITIES

### CHALLENGES

- **Economic Volatility:** Susceptibility to global economic shocks as seen during COVID-19
- **GST Revenue Uncertainty:** Dependence on GST compensation and central policy changes
- **Tax Base Expansion:** Need for continued efforts to formalize the economy
- **Administrative Capacity:** Ensuring consistent enforcement across rural and urban areas

### OPPORTUNITIES

- **Digital Integration:** Leveraging technology for improved tax compliance and administration
- **Industrial Growth:** Expanding manufacturing and services sectors for broader tax base
- **Mining Sector:** Optimizing revenue from mineral resources while ensuring sustainable development
- **Policy Innovation:** Implementing best practices from other progressive states

## POLICY RECOMMENDATIONS

Based on the analysis, several recommendations emerge for sustaining and enhancing tax revenue growth:

### 1. STRENGTHEN DIGITAL INFRASTRUCTURE

- **E-governance Integration:** Implement comprehensive digital tax administration systems
- **Data Analytics:** Use big data for better tax assessment and compliance monitoring
- **Taxpayer Services:** Enhance online services for easier compliance

### 2. DIVERSIFY TAX BASE

- **Service Sector Focus:** Encourage growth in services that generate higher tax yields
- **SME Support:** Provide incentives for small enterprises to enter formal tax net
- **Professional Taxes:** Explore new revenue streams from growing professional services

## 3. ADMINISTRATIVE REFORMS

- **Capacity Building:** Regular training for tax administration officials
- **Transparency Measures:** Enhance accountability and reduce corruption
- **Dispute Resolution:** Streamline mechanisms for quick resolution of tax disputes

## 4. ECONOMIC DEVELOPMENT INTEGRATION

- **Industrial Policy Alignment:** Coordinate tax policies with industrial development strategies
- **Infrastructure Investment:** Use tax revenues strategically for growth-enhancing infrastructure
- **Human Capital Development:** Invest in education and skills to support higher-value economic activities

## CONCLUSION

Chhattisgarh's tax revenue journey from 2001 to 2023 represents a remarkable transformation story. The state has successfully navigated multiple policy transitions, demonstrated resilience during economic challenges, and achieved superior performance compared to national benchmarks. With own tax revenue growing at a compound annual rate of 14.84% and the tax-to-GSDP ratio reaching 7.6%, Chhattisgarh exemplifies how effective fiscal management can enhance state capacity for development financing.

The state's ability to adapt to GST implementation, achieve the highest national GST growth rate, and maintain fiscal discipline while ensuring revenue surplus demonstrates mature fiscal management. The diversified tax base, with State GST contributing 38% and other sources providing stability, positions Chhattisgarh well for continued growth.

Looking forward, the state's focus on technology-driven tax administration, strategic economic diversification, and continued administrative reforms will be crucial for sustaining this positive trajectory. The lessons from Chhattisgarh's experience offer valuable insights for other states seeking to enhance their tax mobilization capacity and fiscal autonomy in India's federal structure.

The study concludes that Chhattisgarh has successfully transformed from a newly formed state with modest fiscal resources to a leading performer in tax revenue mobilization, providing a strong foundation for continued economic development and improved public service delivery.

### NOTE:

This research paper is based on comprehensive analysis of official data and documents. The findings reflect the state's performance through 2023, and continued monitoring will be essential to track future developments in Chhattisgarh's fiscal landscape.

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