

## Fiscal Dynamics and Revenue Efficiency in South Indian States

Anjum M.

Department of post-graduation studies in Economics, Government First  
Grade College, K.R.Puram, Bengaluru.

DOI: <https://doi.org/10.5281/zenodo.17583119>

### ABSTRACT:

The study examines the fiscal performance and revenue efficiency of five South Indian states such as, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, and Telangana for the period 2011–12 to 2022–23, employing revenue performance index formula provided by Morris and Alpine (1982). Using index analysis as a primary tool, it evaluates the efficiency of mobilizing own revenue sources within the broader federal framework.

The analysis indicates that own-tax revenue collection in the South Indian states remained consistently progressive, while Own Non-Tax Revenue improved in the post 2016, despite significant inter-state variations. Among the five states, Telangana recorded the highest score in own source revenue across both sub-periods, followed by Kerala and Karnataka. Telangana consistently emerged as the frontrunner in own-tax revenue efficiency during 2016–23, reflecting its effectiveness in mobilizing tax revenue from internal sources. In terms of non-tax revenue, Telangana also demonstrated consistent growth from 2015 onwards, ranking second after Kerala. Meanwhile, Kerala has remained in lead in mobilizing non-tax revenue from 2016 to 2023. In contrast, Andhra Pradesh dominated both tax and non-tax revenue performance until 2014 but witnessed a sharp decline post-bifurcation, highlighting the adverse fiscal consequences of state reorganization. Karnataka exhibited a notable turnaround in own source revenue performance, performing well in own-tax revenue collection between 2014 and 2015, though with limited non-tax revenue in the first half of the period. However, it showed a marked improvement in non-tax revenue during 2020 to 2023, indicating renewed policy focus. In the meanwhile, Tamil Nadu and Kerala, despite recording notable improvements between 2014–19, struggled to sustain growth momentum in subsequent years. Overall, the findings reveal significant variations in fiscal strategies and outcomes across the five states, reflecting diverse structural and administrative approaches to revenue mobilization within the federal system.

### KEYWORDS:

Fiscal Performance, Revenue Efficiency, Own Tax Revenue, Own Non-Tax Revenue, South Indian States.

## 1. Introduction:

Fiscal performance is a key determinant of economic sustainability and development. In India's federal system, state governments play a pivotal role in resource mobilization and fiscal balance. The southern states such as, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, and Telangana have consistently shown strong fiscal performance, particularly since the 1990s. The post-1991 economic liberalization, these states have emerged as leading performers. According to the 2024 Economic Advisory Council report, they collectively contribute nearly 30% of India's GDP, with per capita incomes above the national average. In FY 2023-24, Telangana's per capita income was 193.6% of the national average, followed by Karnataka (181%), Tamil Nadu (171%), and Kerala (152.5%). In GDP contribution, Karnataka, Andhra Pradesh, and Telangana accounted for 8.2%, 4.7%, and 4.9%, respectively, while Kerala's share was 3.8%, indicating a relative decline in its contribution within the southern region.

Given their central role in fiscal management, state performance is critical to India's overall fiscal health. In this context, this study examines the revenue efficiency of the five southern states from 2011-12 to 2022-23, focusing on Own Tax Revenue (OTR), Own Non-Tax Revenue (ONTR), and Own Source Revenue (OSR), using index-based methods to capture inter-state and temporal variations in fiscal capacity and effort.

## 2. Review of Literature:

1. Bhaskar, V. (2018). examined the extent of vertical fiscal imbalance in South Indian states between 2005 and 2017. Using vertical gap indices and transfer dependency ratios, the study found that Andhra Pradesh and Kerala had the highest levels of imbalance. Karnataka and Tamil Nadu showed relatively better revenue self-sufficiency. Telangana's vertical gap narrowed due to 6 early-stage grants and rapid tax mobilization.

2. Chakraborty, S. (2021). Study examines the trends and impact of central devolution on the fiscal health of South Indian states between 2011 and 2020. Using fiscal responsiveness ratios and tax effort indices, the study found that Tamil Nadu and Karnataka had improved fiscal autonomy by reducing their dependence on grants. Kerala and Andhra Pradesh remained grant-dependent, struggling with low non-tax revenue.

## 3. Objective and Methodology:

In order to estimate the revenue efficiency index of the states and to identify leading and lagging states in fiscal performance it employs index analysis as the main analytical tool, following the Morris and Al-

pine (1982) method. The required data for the analysis have been obtained from the RBI's State Finances reports, and budget documents. The period of analysis is divided into two sub-periods: pre-COVID (2011-12 to 2018-19) and post-COVID (2019-20 to 2022-23) to examine the shift in fiscal trends.

#### 4. Data Analysis and Interpretation:

Revenue efficiency reflects the capacity of a state government to mobilize revenues in proportion to the growth of its GSDP. As it is evident from the table 1, overall own-tax revenue collection among the South Indian states has remained progressive throughout the review period. Among, Telangana has consistently emerged as the frontrunner in own-tax revenue efficiency from 2016-17 to 2022-23, reflecting its effectiveness in mobilizing tax from its own sources.

In the initial years, Andhra Pradesh was in lead in own-tax revenue performance up to 2013-14, after which it was overtaken by Karnataka, which held the top position for the subsequent two years from 2014-15 to 2015-16. Following the bifurcation, Telangana surpassed Karnataka sustained its position as the top performer, marked by exponential growth in own-tax collection. On contrary, bifurcation had an adverse impact on Andhra Pradesh's tax revenue performance, placing it at a relative disadvantage state compared to the other southern states. In the meanwhile, Kerala and Tamil Nadu, despite showing notable improvements between 2014-15 and 2018-19, struggled to maintain consistency in their growth momentum and lagged behind Karnataka in their overall performance. Overall, Telangana recorded the highest average OTR efficiency score across both sub-periods, while Andhra Pradesh registered the lowest, underscoring the divergent fiscal trajectories shaped by a combination of structural, institutional, and administrative factors.

**Table 1: State's Own Tax Revenue Index**

Year	AP	KAR	KER	TN	TEL	Average
2011-12	1.00	0.00	0.03	0.23	----	0.32
2012-13	1.00	0.00	0.15	0.36	----	0.38
2013-14	1.00	0.14	0.00	0.20	----	0.33
2014-15	0.25	1.00	0.82	0.89	0.00	0.59
2015-16	0.00	1.00	0.97	0.81	0.81	0.72

2016-17	0.00	0.98	0.87	0.69	1.00	0.71
2017-18	0.00	0.78	0.76	0.53	1.00	0.61
2018-19	0.00	0.70	0.65	0.51	1.00	0.57
2019-20	0.00	0.78	0.63	0.51	1.00	0.59
2020-21	0.00	0.70	0.57	0.55	1.00	0.56
2021-22	0.00	0.52	0.44	0.29	1.00	0.45
2022-23	0.00	0.62	0.63	0.45	1.00	0.54
AVG11-19	0.36	0.60	0.54	0.53	0.80	0.54
AVG20-23	0.00	0.61	0.55	0.43	1.00	0.52

**Note:** Author's own calculation

As it is evident from the table 2, the overall performance of State's Own Non-Tax Revenue has shown progressive growth in the post-2016 period, with notable variations in performance across states. Among the five states, Kerala has consistently emerged as the frontrunner in mobilizing non-tax revenue from 2016-17 to 2022-23.

Until 2014, Andhra Pradesh was lead in non-tax revenue performance, achieving the highest score for four consecutive years. However, during post-bifurcation, its performance sharply declined, highlighting the adverse fiscal implications of the state's reorganization. In contrast, Telangana exhibited strong and steady growth, maintaining high performance since 2015-16 after Kerala and achieving a perfect score of 1 in 2022-23.

**Table 2: State's Own Non-Tax Revenue Index**

Year	AP	KAR	KER	TN	TEL	Average
2011-12	1	0	0.12	0.13	----	0.31
2012-13	1	0	0.43	0.21	----	0.41
2013-14	1	0	0.60	0.44		0.51
2014-15	1	0	0.96	0.38	0.79	0.63
2015-16	0.12	0	0.71	0.24	1	0.41
2016-17	0.13	0	1	0.34	0.93	0.48
2017-18	0	0.20	1	0.44	0.69	0.47
2018-19	0	0.15	1	0.57	0.81	0.50
2019-20	0	0.35	1	0.56	0.62	0.50
2020-21	0	0.51	1	0.61	0.70	0.56
2021-22	0	0.50	1	0.41	0.70	0.52
2022-23	0.59	0.77	0.98	0	1	0.67

AVG11-19	0.47	0.08	0.76	0.37	0.81	0.47
AVG20-23	0.20	0.59	0.99	0.34	0.80	0.59

**Note:** Author's own calculation

Karnataka, which had minimal contribution to NTR in the first half of the review period (0.077 during 2011–2019), showed a significant turn-around after 2017 indicating structural reforms in NTR. Tamil Nadu, on the other hand, displayed a mixed performance recording modest scores during 2013–2021, but experienced a sharp decline in 2022. Across the two sub-periods, Kerala achieved the highest average score of 0.994 during 2020–23, followed closely by Telangana, while Andhra Pradesh recorded the lowest average at 0.196 for the same period. These trends highlight divergent fiscal trajectories, influenced by factors such as institutional capacity, administrative efficiency, policy focus, and post-bifurcation restructuring.

**Table 3: Own Source Revenue Index**

Year	AP	KAR	KER	TN	TEL	Average
2011-12	1	0	0.05	0.19	----	0.31
2012-13	1	0	0.22	0.27	----	0.37
2013-14	1	0	0.13	0.18	----	0.33
2014-15	0.44	0.73	1	0.73	0	0.58
2015-16	0	0.65	0.90	0.59	1	0.63
2016-17	0	0.73	0.94	0.58	1	0.65
2017-18	0	0.68	0.97	0.55	1	0.64
2018-19	0	0.58	0.84	0.55	1	0.59
2019-20	0	0.74	0.91	0.58	1	0.65
2020-21	0	0.70	0.73	0.60	1	0.61
2021-22	0	0.54	0.61	0.33	1	0.50
2022-23	0	0.56	0.73	0.29	1	0.51
AVG11-19	0.38	0.46	0.66	0.47	0.83	0.53
AVG20-23	0	0.60	0.69	0.40	1	0.54

**Note:** Author's own calculation

As reflected in the table 3, performance in OSR exhibited notable disparities across states. Initially, AP held a commanding lead in OSR performance from 2011 to 2013. However, its performance plummeted in post-2014, reflecting fiscal challenges faced by the state following its

bifurcation. Kerala showed consistent improvement, from 2014 to 2019, value close to 1.00 in several years. Its increased value from 0.66 in the 2011–19 period to 0.69 in the 2020–23 period shows its sustained commitment to revenue mobilization. Karnataka exhibited a notable turnaround in its OSR performance. From a flat in the first three years, gradually improved, recording stable values between 0.54 and 0.74 in the recent years, indicating a significant strengthening in revenue mobilization efficiency.

Tamil Nadu demonstrated moderate performance throughout the review period showing improvement until 2020, but it failed to sustain growth and declined to 0.29 in 2022–23. Telangana has clearly established itself as the top performer in OSR, reflecting robust administrative mechanisms and aggressive tax and non-tax mobilization strategies.

In summary, Telangana leads with the highest average OSR score across both sub-periods, followed by Kerala and Karnataka. Andhra Pradesh, on the other hand, registered the weakest performance in the recent period. The analysis underscores the fiscal divergence among these states, influenced by structural reforms, post-bifurcation transitions, and policy-driven initiatives to enhance own revenue mobilization.

## **5. Conclusion:**

Revenue efficiency is crucial for fiscal sustainability and to strengthen fiscal autonomy. The comparative assessment indicates substantial diversity in revenue mobilization efficiency across the states. Telangana emerged as the most efficient performer across all indicators during the post-bifurcation and post-COVID periods, reflecting effective policy implementation and fiscal autonomy. Kerala maintained strong performance. Karnataka improved consistently, leveraging technological reforms and administrative modernization. Tamil Nadu exhibited stability but lacked momentum in later years, whereas Andhra Pradesh faced fiscal stress due to bifurcation-induced revenue constraints. Overall, the findings emphasize that efficient institutional frameworks, digital governance, and diversified revenue sources significantly enhance state-level fiscal resilience. The study suggests that other states could adopt Telangana's proactive fiscal model and Kerala's revenue diversification strategies to strengthen revenue efficiency and fiscal stability in the long run.

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This article is part of my project work submitted in partial fulfillment of the requirements for the Master's Degree in Economics at the Postgraduate Department of Economics, Government First Grade College, K.R. Puram, Bengaluru, affiliated to Bengaluru North University, under the guidance of Dr. Darshini J S, Associate Professor, Government First Grade College, K.R. Puram, Bengaluru.

**Funding:**

This study was not funded by any grant.

**Conflict of interest:**

The Authors have no conflict of interest to declare that they are relevant to the content of this article.

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