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Assessing the Own Tax Revenue generation potential of the most backward district of western Odisha, with special reference to Nuapada

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Abstracts:

The socio-economic condition of a federation can be known from the poorest of its member states as in the case of Nuapada district in Odisha. The present piece of work tries to assess the own tax revenue generation potential of Nuapada, one of the most backward and underprivileged districts of western part Odisha. Additionally, the estimation of own tax revenue generation of Nuapada district would be helpful in visualizing the own tax revenue generation potential of western part of Odisha for which there is an ongoing demand of formulation of a new state by bifurcating it from the state of Odisha. Different taxes of local nature like State Goods and Services Tax (SGST), sales tax, entry tax, entertainment tax, luxury tax, property tax, excise duty, land revenue, road and motor vehicle tax, registration fees and stamp duties are taken into consideration while estimating the Own tax revenue generation of Nuapada. While the health of Odisha's economy is consistently improving, this paper would also inquire into the reasons behind the penury of the district's economy and would justify whether the own tax revenue generation potential of the district is deliberately being sabotaged.

Keywords: Tax to GSDP ratio, revenu of local governments, Central Sales Tax, State Goods and Services Tax, Value Added Tax, Entry Tax, Entertainment Tax, Luxury Tax, Professional Tax, Excise Duty, Land Revenue, Motor Vehicle Tax, Registration Fees and Stamp Duty

1. Introduction

A tax is a legally mandated payment levied in accordance with legislative authority. The Indian taxation system includes both direct and indirect taxes. (Khurana and Sharma 2016). Taxes are monetary obligations payable to the government or authority, the encumbrance of which is borne by the society for the services rendered to them. Taxes are also obligatory fees or levies applied on the income, products, and services of individuals or organizations. Most people refer to taxes based on income as direct taxes, whereas taxes collected on commodities are known as indirect taxes. Taxes are enacted and collected for a variety of purposes, including to provide the government with money to support certain initiatives that ensure steady and functional economic growth and development. Basic services are supplied to locals through collecting taxes, which also redistributes money and raises living standards. There is a relationship between a country's tax structure and its degree of economic growth (Ihenyen & Ogbise, 2022). Burdenof the government also increases with the increase in the socio-economic responsibilities. The onus of financial liabilities to feed the ever-increasing population in a developing and quickly evolving nation like India is a backbreaking task to deal with.

The tax to GDP ratio is a frequently used metric of the amount of tax revenue that governments are expected to generate. It is widely used as a conventional benchmark for judging how successfully governments raise tax revenues to fund their operations (Mohammed et al., 2021). The International Monetary Fund (IMF) recommends that governments raise tax collections at a minimum of 15% of GDP in order to minimize fiscal risk. According to UNDP (2005), developing nations must raise 20% of their GDP in tax income in order to meet the Millennium Development Goals (MDGs). The worldwide tax revenue to GDP ratio (also known as the tax ratio) is such that more advanced nations raise an average of 35% of their GDPs as tax revenue, while developing/sub-Saharan African countries raise an average of 17%. (OECD, 2013). This significant disparity between rich and developing nations is of great concern to global policymakers and tax compliance researchers (Besley and Persson, 2014). As the economy progresses in the path of development, the number of utility services increases for a welfare state. The government is also in obligation to provide numerous services of necessary nature to its citizens at a minimal cost which is impossible for citizens to afford at their own. Tax revenue in a country serves as life blood for the government whereas, the ratio between average revenue and gross domestic product (GDP) in developed countries was almost 35%in 2005. In developing countries, this ratio was almost 15%, while in third world countries tax revenue ratio was 12% of gross domestic product (Mughal &Akram, 2012).

The greatest challenge in the present era ofinternational conflict and other imminent challenges is to maintain stability and lead the economy sustainably for which the importance of clearly defined taxation system is imminent. Sustainable growth is fundamentally dependent on taxation. It promotes an effective state's fundamental purpose. Additionally, it serves as a catalyst for more receptive and responsible governments and for increasing the state's budgetary capabilities (T.K. Das, 2014). Hence in order to drive the economy sustainably and quite smoothly on the track, an unambiguous taxation system is indispensable.

According to Besley and Presson (2014), the funds used by the government to carry out its various initiatives are obtained from tax and non-tax income. While it is acknowledged that governments may fund their operations through taxes and non-tax resources such as public businesses, foreign aid, and others, taxation has been projected as the primary source of revenue. (Brautigham, 2002). Taxes levied on income are widely regarded as direct taxes, and taxes levied on goods are known as indirect taxes. Adeleke Salami (2011) considers taxation to be the most significant and straightforward source of income for any government, given that the government is already inherently able to apply taxes and levies.

For the sustenance of an economy and for the development work to be carried on i.e.in order to provide basic public servicesto the residents of a nation, sponsoring welfare schemes, to improve the socio-economic conditions of the people, giving salaries and pensions to its employees a country requires a source of income of permanent nature and tax/revenue collection serve the intended purpose. The financial capability of the district in question may have an impact on its economic success. Given the design of the tax system and its available enforcement tools, a government's fiscal capacity is described as its ability to collect tax revenues Besley and Presson (2013). Local governments frequently have financial difficulties in low-income nations. As a result, they are far more reliant on handouts from the central government than sub-national governments in high income nations to support their budgets. (Bahl,2000). Perhaps for the sake of stabilization and redistribution, the center has been given the majority of the productive and widespread tax responsibilities. These include corporate tax, production taxes (apart from those on alcoholic beverages, opium, hemp, and other drugs), taxes on wealth and income derived from non-agricultural sources, and customs duty. The states are also given a number of tax responsibilities. These include taxes on agricultural income and wealth, taxes on property transfer (stamp duties and registration fees), taxes on motor vehicles, taxes on goods and passenger transportation, sales tax on goods, excises on alcoholic beverages, entertainment tax, taxes on professions, trades, callings, and employment, property tax, and taxes on the entry of goods into a local area for construction, use, or sale (octroi). However, only the tax on the sale and purchase of things is significant in terms of revenue production (Rao & Singh, 1998).

The socio-economic condition of a federation can be known from the poorest of its members as in the case of Nuapada district in Odisha Nuapada is one amongst the most underdeveloped and poor districts of Odisha having 38 percent of its population below the poverty line as revealed by the Multi-Dimensional Poverty Index 2021. Though Nuapada's tax performance is better than Kalahandi, it is ranked below the eight districts of Western Odisha. Nuapada district is endowed with bounty of natural resources like dense Sal forest, Sesame, Teak and other dry deciduous tree species, abundance of non-timber forest products like Kendu/Tendu Leaf, Bamboo, Mahua flower and seeds, Sal seeds, dates, Ice Palm fruits trees, Bahada, Harda etc. to sustain the livelihood of the village dwellers during off agricultural season. Mineral deposits such as laterite, graphite, bauxite, granite, lime stone and other precious &semi-precious stones are in abundance. In spite of all these resources the district of Nuapada is still poverty stricken and placed at the bottom rank amongst the districts of Western Odisha. At this juncture the analysis of Nuapada's own tax revenue generation becomes crucial. I posit that not only the own tax revenue generation of a local government help the state exchequer to grow, it also helps in financing the local developmental activities and to facilitate the provision of local goods. Previous literatures have shown a well-established link between poverty and local tax revenue generation. The economic performance of a district may be affected by the size of the revenue itgenerates.

2. Objective of the study

The scope of the study is confined to Nuapada district in respect of its own tax revenue generation. The main objectives of the study are:

(1) To explore the potential of Nuapada's own tax revenue generation.
(2) To explore the sources and composition of revenue of local governments in Odisha.
(3) To evaluate the trend of tax revenue generation of Nuapada district.
(4) To investigate the revenue generation of Nuapada to Odisha's OTR ratio.

Nuapada is an ideal choice to study the case of western Odisha as a whole for reasons innumerable. First, the topography and climatic condition of Nuapada is quite similar to rest of the districts of western Odisha i.e., having a dry deciduous forest zone, low irrigation potential and soil type having identical characteristics. Also, certain Socio-economic features of Nuapada like forced labor migration, poverty, prevalence of illiteracy, composition of schedule cast and schedule tribe population is quite identical to most of the districts of western Odisha. Thus, Nuapada is a representative case of districts in western Odisha to analyse the fiscal capacity of western Odisha.

The nature of Nuapada's economy is primarily agrarian though the district lacks a well-developed irrigation potential. Large and medium scale industrial units do not exist in Nuapada.

3. Local Government Collectible Taxes in Nuapada

For the consistent and continuous progress of a state there is the requirement of heavy investment in infrastructure, energy and power which can only be made by the government. AlsoFor the creation of human capital, significant investment is required in Health and Education which may not be provided by any private entity. Hence the state comes forward to serve the intended purpose for which taxation becomes the prime source.

Total tax collections in many developing nations were mostly obtained from three sources: domestic taxes on goods and services (general sales tax, excises), international trade taxes (largely import charges), and direct taxes (usually from businesses rather than people). Wealth/property taxes and social security contributions remain insignificant (Jomo, Kwame &Sundaram). There are various sources of own tax revenue of a local entity of which a few significant areviz. Central Sales Tax, Entry Tax, Entertainment Tax, Luxury Tax, Odisha Value Added Tax (OVAT), Professional Tax, State Excise Duty, Land Revenue, Motor Vehicle Tax, Registration Fees and Stamp Duty, Electricity Duty, revenue from Forestry and wild life, and revenues and royalty from Mines.

3.1. Central Sales Tax:

The Central Sales Tax is an indirect, origin-based tax applied solely on inter-state trade and commerce within a country. Though it is a topic of the union list in the Indian constitution, and hence the federal government has the authority to levy it. It is managed by the state where the sales are made. Sales tax was collected as a proportion of the commodity's retail price. The Sales Tax has been superseded by the Goods and Services Tax, rendering the former obsolete.

Goods and Service Tax Regime:

One of the most widely debated Indirect Taxation changes is the Goods and Services Tax (GST). It is a complete tax framework that applies to the production, sale, and consumption of commodities and services (Khurana and Sharma 2016). The GST implementation in India is "Dual," meaning it will have two components: one imposed by the Centre (CGST) and one charged by the states and union territories (SGST). However, the tax levy base would be the same. (Khurana and Sharma 2016). For the purposes of taxation, the GST scheme makes no distinction between goods and services. This means that products and services are taxed at the same rate. GST is a multi-tiered tax in which the ultimate tax burden falls on the consumer of goods and services. It is known as value added tax since tax is paid on the value addition at each level. (Khurana and Sharma 2016). GST is a comprehensive multistage value added tax (VAT) on goods and services that is shared by both the federal and state governments. (Rao et al., 2019). The major goal of GST development is to merge all indirect taxes in India, such as Central Excise Tax, VAT/Sales Tax, Service Tax, and so on, and to adopt a single taxation system in India (Nayyar and Singh, 2018). The GST-based taxing system enhances transparency in the taxation system, raises the GDP rate from 1% to 2%, and lowers tax evasion and corruption in the country. (Nayyar and Singh, 2018).

To minimize the cascading impact of taxing, a designation-based tax system with an input credit mechanism was implemented. The system operates in real time, with continuous uploads of invoices and credit information. Even mismatch reconciliation is performed in real time, simplifying tax compliance. Despite the fact that GST replaced Central Sales Tax, the Act of 1956 continues to control the purchase or sale of goods in the course of inter-state trade and commerce, to the degree that the products stipulated under the term of "Goods" under section 8(3) (b) are purchased or sold.. The GST Act currently excludes from its ambit, six goods, namely, High Speed Diesel, Aviation Turbine Fuel, Liquor for Human consumption, Natural Gas, Petroleum Crude, and petrol which will fall under the CST and State Sales Tax.

3.2. Entry Tax:

In India, entrance tax is levied on commodities moving from one state to another. The recipient state imposes it to preserve its tax base.

An entry tax is a levy levied by a state government on the transportation of commodities from one state to another inside a nation's territorial waters. The receiving state imposes this levy to defend its tax base. This tax applies to dealers, industrial/commercial/trading operations, central and state government companies, corporations, organisations, and groups that conduct business. The GST has also absorbed this tax.

3.3.Entertainment Tax:

The state government levies an indirect tax on any type of entertainment, including as cinema tickets, large-scale commercial events, exhibits, arcades, celebrity stage presentations, theatrical plays, video games, sports activities, and amusement parks. As the state government is the authority responsible for the collection of entertainment tax, hence the rate differs from one state to another. Prior to the implementation of GST, the tax was charged at 25 percent in Odisha. It has become obsolete during post GST regime.

3.4. Luxury Tax:

Luxury Tax is an indirect statutory tax or fee placed solely on things or services deemed non-essential or available only to the ultra-rich. It is typically used to services provided by hotels, spas, and resorts.

3.5. Value Added Tax:

VAT is a type of tax that is gradually charged on the actual transaction value of a good or service at each stage of manufacture, distribution, or sale to the final customer. Value Added Tax has been phased out in favor of the Goods and Services Tax.

3.6. Professional Tax:

Professional tax is a tax levied on all individuals who earn a living through any medium and it is being charged by the State government. Though the Professional tax rate differs from one state to another, there is a limit of Rs 2500 per year for this tax. In Odisha PT is not charged for persons earning below Rs.13,304 per month and People whose monthly income vary between Rs.13,305 to Rs.25,000 are charged Rs.125 per month. Income earners whose income exceeds Rs.25,000 per month are charged Rs.200 for 11 months and Rs.300 for the last month of the year. Hence the annual Professional Tax due is divided into 12 monthly installments that are paid every month.

3.7. Excise Duty:

In emerging nations, excise taxes are another significant source of income. Excise duty is an indirect tax that the central government imposes on the manufacture, sale, or granting of licenses for specific commodities. They are imposed notably on a select group of goods, including alcohol, cigarettes, gasoline, automobiles, and replacement components. They are practical from a revenue standpoint since they have few manufacturers, high sales quantities, reasonably stable demand, and simple observation. Excises may be imposed on products leaving factories or ports, making measuring and collection easier, assuring coverage, preventing fraud, and enhancing monitoring. In low-income nations, excise taxes now represent less than 2% of GDP. They may be given cheaply and have a buoyant basis (Jomo, 1990). State governments also collect excise tax fees for the sale of alcohol and illegal drugs. Even though the GST has taken the place of excise duty as of July 1st, 2017, several items, such as alcohol, drugs, and petroleum, are not covered by the GST.

3.8. Land Revenue:

Land revenue also called land/property tax paid to the municipal bodies of the states by the land owner for holding the same. Land revenue is also paid on the purchase of a built property, or in case of any improvement made on the land. The market value of the land serves as the tax base. Once established, the market value is valid for a minimum of five years and a maximum of ten years. Depending on the value of the land, the tax rate ranges from 0.5% to 1%. Additionally, the same body is also in charge of collecting water tax, rent, sairat, and cess. The land revenue collected by the municipal bodies is used in the maintenance and amenities such as water and power supply, sewage systems, lighting and cleanliness, etc.

3.9.Motor Vehicle Tax:

Road tax, which is also known as Motor Vehicle Tax, is imposed for using motor vehicles on roads. The state government, where the vehicle is registered, is the competent authority to impose the said tax. Hence the Motor vehicle Tax differs from one state to another even for the same kind of vehicle. Various factors are taken into consideration for calculating the tax like, engine and seating capacity, weight of the vehicle, cost of the vehicle, etc. Basically, the state government of every state imposes the fee for the goal of building and maintaining the roads as well as for providing differenta safety and emergency services along the roadways.

3.10. Registration Fees and Stamp Duty:

One of the important contributors to state revenues is stamp duty (“transfer tax” or “mansion tax” in other countries), and ad valorem tax that the government collects whenever an immovable property transaction takes place (Mukherje & Mukherjee, 2018). Registration Fees and Stamp Duty are a form of tax levied by the state governments during the purchases of property. In order to make the property document legally binding and legitimate, the property buyer must pay these taxes at the time of registration of the property. Following the registration, the new buyer is listed in the public records as the owner of the property. The state governments are given authority by the federal government of India to collect stamp duty and determine the rate (Mukherjee and Mukherjee, 2018). Hence, rate of Registration Fees and Stamp Duty charges differ from state to state. For example, the stamp duty charge of Madhya Pradesh is 9.5 percent of the consideration money, the highest in India, while states like Telangana, Uttarakhand, Odisha impose the rate of 5 percent for the same. Also, the

Government of Odisha imposes 2 percent of the consideration money as the Registration Fees. The state level governments in a federal system of government, like that of India, get additional budgetary resources from the federal government to support the latter's public spending operations in addition to the aforementioned significant own tax income streams. The transfer of cash from the federal government's center to the states takes the form of a portion of the money made through grants in aid and federal taxes.

Table 1: State Government's Own Tax Revenue Generation Of Nuapada District (in Lakh)

Sr.No	Year	SGST	CST	Entry Tax	OET	OLT	OST/VAT	PT	Excise	Land Revenue	MV	Reg Fees	Stamp Duty	Total ownTax revenue	% Change
1	2006		2.42	33.07	0	0	477.78	37.51	173.07	425.33	155.48	16.99	60.6	1382.25	
2	2007		3.06	41.44	0	0	631.46	46.15	176.7	530.82	186.69	21.35	79.72	1717.39	24.25
3	2008		4.36	67.46	0	0	804.8	54.88	200.76	610.25	203.78	34.1	97.88	2078.27	21.01
4	2009		2.42	100.91	0	0	1333.33	74.74	220.92	556.44	319.99	33.17	75.45	2717.37	30.75
5	2010		3	96.89	0	0	1228.34	76.66	244.45	679.78	302.13	38.44	90.57	2760.26	1.58
6	2011		3.97	78.76	0	0	899.6	63.7	298.2	760.26	289.87	45.54	110.75	2550.65	-7.59
7	2012		4.54	87.29	0	0	916.4	73.04	342.33	824.6	340.05	39.74	94.81	2722.8	6.75
8	2013		7.02	58.9	0	0	991.7	102.29	383.57	932.97	383.2	50.27	119.53	3029.45	11.27
9	2014		9.19	126.74	0	0	1274.13	117.24	430.91	1073.28	332.68	59.01	141.36	3564.54	17.63
10	2015		9.3	152.14	0	0	1703.53	130.89	528.11	894.59	414.69	72.09	170.88	4076.22	14.36
11	2016		14.83	144.72	0	0	1661.71	96.52	635.85	625.03	494.58	85.54	200.56	3959.34	-1.65
12	2017	172.41	9.35	62.42	0	0	698.18	118.97	724.27	223.53	786.11	110.25	230.06	3135.55	-22.8
13	2018	1158.45	0.43	13.75	0	0	129.46	152.24	852.89	777.48	886.36	129.86	275.57	4376.49	8.66
14	2019	1201.66	0	0.16	0	0	437.12	183.75	658.14	754.3	981.39	133.07	263.95	4613.54	1.56
15	2020	934	0	0.72	0	0	407.98	186.26	463.77	216.76	781.85	148.85	325.59	3465.78	-23.29
16	2021	973	0	0	1.11	0	591.3	236.22	821.43	849.65	757.45	179.67	384.48	4794.31	64.48

Source: Data collected from the respective offices in Nuapada district.

Note: #The CT GST office of Nuapada was functioning under Kalahandi circle prior to the year 2006.

A significant factor in determining the amount of money to be allotted for a state is the tax revenue collection of that state in relation to its taxable capacity (Coondoo et al., 2003).

A state government has twelve key diverse sources for generating its own revenues which are imposed and collected by the state government itself. A more urbanized district generates more tax revenue. Own tax revenue generation from Nuapada district over the years has been presented in Table 1. In order to avoid ambiguity in calculation, the data has been taken from the year 2006-2021.

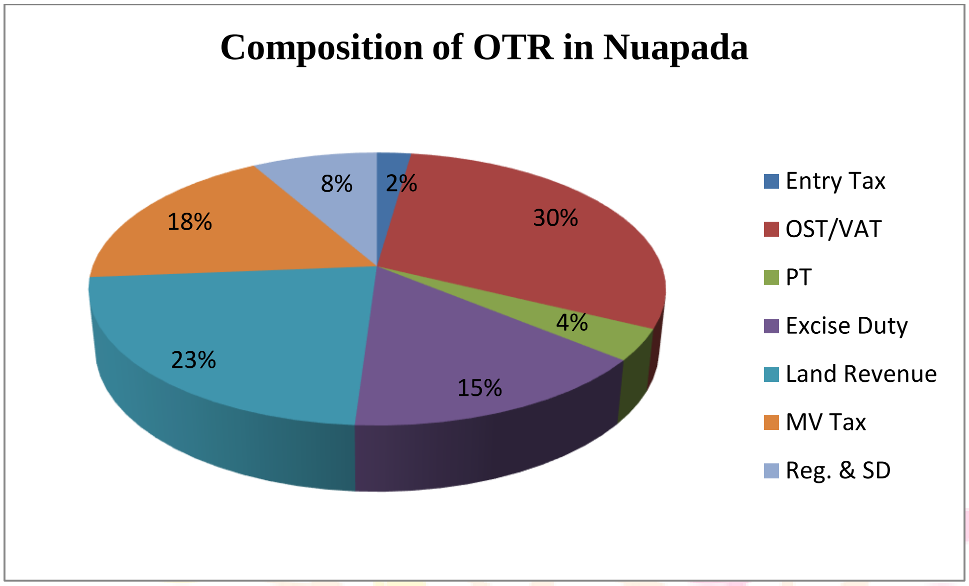
The data 2006-2021 shows, the Own Tax Revenue collection from Nuapada district was 138.23 million in the year 2006, which surged to 171.74 million within a year showing 24.25 percent increase. In the year 2009 OTR collection from Nuapada district was 271.73 million, the highest in the decade. After the year 2010 the OTR of Nuapada increased at a diminishing rate up to the year 2012. The year 2011 showed degrowth of own tax revenue generation of Nuapada. In the year 2011 the own tax revenue of the district dipped to 255.06 million though, it showed a sharp rise in the year 2015 viz. 407.62 million. The own tax revenue of Nuapada has been increasing continuously except the year 2020, possibly because of the post pandemic effect. After the pandemic ends the own tax revenue growth resumes and became ₹479.43 million in the year 2021.

Among all the Tax sources of revenue, the commercial tax contributes the most to the total OTR collection realized from Nuapada. Commercial Tax involves the tax levied on sales, purchase and exchange of goods and services and currently referred to as Goods and Service Tax. Taxes like CST, Entry tax, Entertainment tax, Luxury tax, and OST/VAT etc. have subsumed by the Goods and Service Tax (GST) after 1st of July 2017. The share of OST/VAT was highest among all the taxes realized from Nuapada amounting to ₹48 million rupees in the year 2006 and further surged to a high 134 million rupees within three years showing a 179-percentage increase. In the year 2015, the share of OST/VAT to total OTR of Nuapada was 42 percent. Likewise, the Entry tax collection from the district increased from 3.3 million in 2006 to 14.47 million in a decade but the years post 2016, it showed a sharp decline amounting a mere 0.08 million in the year 2020.

The collection of Entertainment tax and Luxury tax collection made from Nuapada district during the whole period of study, except the year 2021, was zero. All the taxes like CST, Entry tax, Entertainment tax, Luxury tax, OST/VAT etc. showed a sharp fall after the year 2016 as these were merged in to a unified tax system called the Goods and Services Tax. The Professional tax collection has been increasing continuously i.e., from 3.8 million rupees in the year 2006 to 23.7 million rupees in the year 2021. The collection of Excise duty showed a many fold increase within a decade viz. from 17.31 million in 2006 to 63.6 million in 2016. In the year 2015 the share of Excise duty to the total Own Tax Revenue of Nuapada was 12.95 percent. In the same year the share of Land Revenue to the OTR of Nuapada was 21.93 percent. The Land Revenue includes sairat and cess, water charges, land revenue etc. collected from different Tehsils of Nuapada district. Motor Vehicle Tax collection was only 15.6 million in the year 2006 and it jumped to 78.6 million in the year 2017, which indicates the economic well-being and improvement in the standard of living of the residents of Nuapada district. Registration Fees and Stamp Duty collection indicates the transaction in relation to land of a particular area. Registration fees collection was 1.7 million in 2006 and it was increased to 17.96 million in the year 2021. The trend is same with the Stamp Duty collection as it has also increased from 6.1 million to 38.5 million in the year 2021.

4. Composition of Own Tax Revenue of Nuapada:

If we look into the panel data, the sixteen years average time period shows that, the share of Commercial Tax (like CST, OST/VAT, Entry Tax, Entertainment Tax, Luxury Tax) was the highest in the pre-GST era. And Out of these commercial taxes, the share of OST/VAT is quite significant as has been depicted in the following Pie chart below.



Average collection of Land Revenue is 67.09 million per annum, making it the second largest sources of revenue. Likewise, other significant sources of OTR of Nuapada are, Motor Vehicle Tax & Excise Duty being the third and forth significant contributor to the OTR respectively. If we consider the revenue generation of Nuapada in per capita terms, in the year 2006, it was 260.47 Rupees (According to the 2000 Population Census). In the year 2015 the per capita revenue generation was 667.81 Rupees and 700 Rupees in the year 2021(as per the 2021estimated population). The Decadal growth rate of per capita revenue from the year 2006 to 2015is 194 percent which was quite impressive for a district ill famous for poverty and forced labor migration.

4.1. Share of OTR of Nuapada to the Total Own Tax Revenue of Odisha

Table 2: Comparison of OTR of Nuapada with that of Odisha

(in Lakh)

Sr. No	Year	OTR of Odisha	OTR of Nuapada	OTR of Nuapada as % of OTR of Odisha	Nuapada's OTR grow rate
1	**2006**	606506	1382.25	0.23	
2	**2007**	685609	1717.39	0.25	24.25
3	**2008**	799520	2078.27	0.26	21.01
4	**2009**	898234	2717.37	0.3	30.75
5	**2010**	1119266	2760.26	0.25	1.58
6	**2011**	1344274	2550.65	0.19	-7.59
7	**2012**	1503413	2722.8	0.19	6.75
8	**2013**	16891.59	3029.45	0.18	11.27
9	**2014**	1982829	3564.54	0.18	17.63
10	**2015**	2252696	4076.22	0.18	14.36
11	**2016**	2285239	3959.34	0.17	-1.65
12	**2017**	2791381	3135.55	0.11	-22.8
13	**2018**	3031833	4376.49	0.14	8.66

14	**2019**	3231518	4613.54	0.14	1.56
15	**2020**	3425817	3465.78	0.10	-23.29
16	**2021**	4146700	4794.31	0.11	64.48

Source: (1) Odisha Budget at a glance, (2013-2014), (2018-2019), (2022-2023). Finance Department, Government of Odisha.

As we can see from the Table 2, the own tax revenue of Odisha has been growing consistently i.e., from 606506 lakh in the year 2006 to 1344274 lakh in 2011 and further to 3231518 lakhs in 2019 and finally reached at 4146700 lakhs in the year 2021. Though the OTR of Nuapada district has also grown many times over the years, it shows a falling (negative trend) trend i.e., OTR from 1328.25 lakh in the year 2006 to 2550.65 in the year 2011 and further to 4613.54 lakh in 2019, finally reaching 4794.31 lakh in the year 2021.

Economic development is significantly influenced by the availability of public infrastructure and governmental services. Lack of public service supply hinders efforts to raise the standard of life of the populace and delays economic progress in many emerging nations. Many governments in developing nations struggle to offer enough public services for a variety of reasons. A lack of tax revenue is one of them (Fuest and Riedel, 2009). Though Own Tax revenues of a local government are relatively small to the district's total budget, still it plays a role of prominence. As has been well established by the previous literatures, the poorer districts generate less tax revenues compared to the riches ones as income base for taxation is greater in the developed, urbanized districts.

The local government's jurisdiction's natural, socioeconomic, and demographic characteristics have a significant role in determining locally produced income, particularly those that affect the tax base and the authority of the local government to levy taxes. Although tax rates and revenue-generation responsibilities are probably the same across jurisdictions, variations in the aforementioned elements will have varying effects on how much money local governments are able to raise. For instance, regions with more natural resource deposits are more likely to increase local revenue through royalties from mining or resource exploitation. Similar to this, areas with higher levels of non-farm economic activity and private homes are more likely to increase municipal income through higher rates of business licensing fees, which are primarily assessed on businesses, and property taxes, which are assessed against homes. The sociological makeup of the jurisdiction, whether along ethnic, religious, or other social lines, is another possible determinant, however the impact on local income collection is unclear because voters frequently have a voice in the types of taxes or amount taxation implemented (Mogues et al., 2009). The OTR of a district indicates its overall economic health, as there are certain factors responsible for the generation of OTR like population composition, rain fall, soil type, irrigation, climate, literacy, poverty etc.

For example, an area with more Scheduled Castes and Scheduled Tribes population will generate less OTR as there would be the prevalence of illiteracy, poverty and hence more dependence on agriculture and allied activities. If the climatic condition of that area is harsh with low rain fall and less irrigation potential as has been evident in Nuapada, then there would be the possibility of forced labor migration. The district has a dominant Scheduled Castes and Scheduled Tribes population i.e., the SC & ST population together constitute 47% of the total population of Nuapada. The population density of Nuapada is only 158 per sq.km as compared to 800 per sq. km in case of Khordha district. The more urbanized and populated a district is, the more will be the revenue generation from that district. Out of the total population of Nuapada, ninety four percent are rural dwellers. The geomorphic differences of Nuapada include intermontane valleys, solitary hillocks, relatively high hills, and more. It is likewise impossible to dispute the part played by local government in generating local tax income. Tax income would be collected more effectively as long as the administration was more effective. Despite the presence of significant tributaries of the River Tel including Indra, Udanti, Hatti, and Sagada, the irrigation infrastructure is underutilized because of the challenging terrain. Strong monitoring and enforcement mechanisms as well as experienced people are necessary for the collection of local income, but these resources are expensive to hire and maintain (Besley and Persson, 2013). Moreover, external transfers discourage rather than encourage local government's own revenue generation (Mogues et al. 2009). There has been an increase in the size of external transfers to the state exchequer over the years and might it be one of the reasons for the low level of own tax revenue generation by the local governments. Another reason why tax rates are low in developing nations is the fact that many of these nations get substantial aid, which represents a sizeable portion of their GDP and is frequently more than domestically produced tax income. Additionally, there are significant aid flows to the world's poorest nations (Besley and Persson, 2014). All the above adverse conditions are responsible enough for the low tax revenue actualization from Nuapada district.

Developing countries are facing challenges in their developmental efforts because of the collection of low tax revenue generation. Intergovernmental and external transfers, which are frequently linked to particular initiatives and occasionally may not align with local government aims, frequently make up the majority of local government expenditures. Thus, the ability of local governments to earn adequate domestic revenue ultimately determines their level of fiscal autonomy (Mogues et al. 2009). Additionally, the tax base of the local government should be widened, tax avoidance and evasion are required to be reduced in order to raise the tax revenue to GSDP ratio of the local governments.

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