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Factors Influence Revenue from  
Stamp Duty and Registration Fees?  
An Analysis of Kerala, India**

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**How do Economic and Systemic Factors Influence  
Revenue from Stamp Duty and Registration Fees?  
An Analysis of Kerala, India**

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## Abstract

The present study examines the revenue receipts from Stamp Duty and Registration Fee (SRF) in the state of Kerala, India, over the past three decades, focusing on economic and systemic factors influencing the SRF revenue growth. Despite higher SRF rates, Kerala's SRF revenue growth has recently stagnated and trails behind other South Indian states. Key economic factors, including sluggish economic growth and a consequent slowdown in real estate activities, have contributed to this stagnation. The study introduces a novel proxy which is the number of registered documents related to property transactions to capture the momentum of real estate activities during the study period. Besides, systemic issues related to the fixation of the fair value of land significantly impact SRF revenue receipts. The Auto Regressive Distributed Lagged (ARDL) approach reveals a weak co-movement between SRF and related economic and systemic factors in Kerala. To enhance SRF revenue and boost the State's Own Tax Revenue (SOTR), policymakers must address these issues, especially in light of diminishing central transfers to Kerala.

**Key Words:** Stamp Duty and Registration Fee; Tax Revenue; Real Estate Performance; Kerala; India

## 1 Introduction

Recently the sub-national governments in India have been focusing on garnering Own Tax Revenue (OTR) to meet the expanding expenditure responsibilities on many fronts. The state governments are concerned about the growing Vertical Fiscal Imbalance (VFI) on account of the dwindling share of federal transfers and loss of financial autonomy due to paradigm shift in tax regimes like the Goods and Service Tax (GST), thereby decreasing fiscal space (Chakraborty, 2019). In this context, for a South Indian state like Kerala, which has heavily invested in economic development and welfare measures, it is crucial to mobilize the State's Own Tax Revenue (SOTR) to sustain its government interventions (P. Chakraborty & Bhadra, 2024). The main components of SOTR in Indian states are State Goods and Services Tax (SGST), state excise, Stamp Duty and Registration Fee (SRF), and other indirect taxes, taxes on vehicles, sales tax, and other taxes. SRF revenue has been an important component of SOTR for Indian states. For a state like Kerala, SRF revenue growth has been trailing recently. Despite an increase in the SRF rate to 8 percent in 2023-24, Kerala's SRF revenue collection has been falling behind at -1.69 percent during the same period. Besides, Kerala's SRF share in SOTR stands at 8 percent in 2023-34, below the all-states' average of 11 percent. Therefore, the present study aims to examine the trends and patterns of SRF revenue in Kerala over the past three decades (1991-2024). Secondly, it investigates the factors determining SRF revenue collection in Kerala. It specifically attempts to throw some light on economic and systemic factors influencing the SRF revenue collection in Kerala.

Over the years, with increased real estate activities and sustained momentum in economic growth, revenue generation from SRF has become significantly important for the states from a revenue mobilising perspective. Therefore, it is important to understand the trajectory of SRF revenue across Indian states. There is significant variation in the revenue collected from SRF across different Indian states, influenced by each state's revenue

potential and the efforts they invest in it. Across all states, the decadal average annual growth rate has shown a marked deceleration in recent years. For instance, SRF experienced a growth rate of 16.83 percent in the first decade under consideration (1991-2001), which increased to 19.21 percent in the subsequent decade starting from 2002. However, in the most recent decade beginning in 2012, the growth rate has slowed to 12.49 percent (Comptroller and Auditor General of India, CAG, 2023).

In Kerala state, SRF revenue grew at a rate of 11.84 percent during the period from 1991 to 2001 and exhibited robust growth of 22.87 percent from 2002 to 2012. Yet, this growth significantly decelerated to 7.71 percent in recent years spanning 2013 to 2024. In both the cases of all-India decadal growth and Kerala's decadal growth rate, the SRF growth was notably robust during the second period (2002-2012), but it has decelerated considerably in the recent decade (2013-2024) (CAG, 2023). This deceleration can be attributed to the aftermath of global financial crises (2008-09) and consequent economic slowdowns, especially during 2013-14, general sluggishness in developing economies driven by a decline in capital formation during this period, and the aggravating effects of the unprecedented pandemic (2020-21). All these global events had domestic and regional spillovers on growth which is evident from their economic growth trajectory. These headwinds have influenced real estate activities in terms of volume and number of transactions. Those events had a significant influence on the volume and value of transactions. In general, revenue receipts from SRF resonate with the level of economic activity and serve as an indicator of the health of the housing market and the real estate sector.

The rate structure of stamp duty is another important factor that may influence the government's revenue collection efforts. Over time, the stamp duty rates have varied across Indian states at different magnitudes. The rates vary with transactional value, area, and gender as states use different criteria (Prabhakar, 2024). Currently, these rates range from 4 to 8 percent. While some

states have significantly reduced their rates over the years, others have increased them. Kerala, for instance, raised its rate by 200 basis points in 2023-24, resulting in a current rate as high as 8 percent like Assam. A higher rate of SRF is not reflected in the revenue collection for the state of Kerala. Drawing upon the theoretical framework provided by the Laffer Curve, it is evident that increasing tax rates does not necessarily lead to increased revenue (Goolsbee et al., 1999). This phenomenon occurs because higher marginal tax rates may disincentivize individuals from working, thereby potentially reducing the overall taxable income. The practical implications of the Revenue Act of 1964 in the United States illustrate this concept effectively. Following the reduction in tax rates prescribed by the Act, the country experienced an increase in revenue collection, implying that lower rates can indeed lead to higher revenue under certain conditions (Goolsbee et al., 1999). Apart from economic factors and rate changes, various systemic factors may influence the SRF revenue collection that needs due attention.

Generally, in a country like India, the tax capacity, which refers to the potential tax revenue is considerably sub-optimal due to the existing loopholes in collection and compliance mechanisms (RBI, 2023). The collection of different taxes in the country is grappling with considerable technical inefficiencies and SRF is one among them (Karnik & Raju, 2015). Legal interventions by plugging the gaps in stamp acts by each state are essential to reducing the inefficiency prevailing in the market. Higher rates often lead to higher transaction costs, evasion and distortion of urban land markets (Nayudu, 2019).

One of the important systemic factors affecting SRF is fair value or guidance value fixed by the state for various categories of lands. The method of fixation of the fair value and its periodic increments influences the revenue collection from SRF and hence it is important to examine the fair value structure and methodology prevailing in the state. There are only a few studies available in this area, largely dealing with methodology and mode of fixing fair value. However, there are no studies to the best of

our knowledge that addressed the economic and systemic determinants of SRF revenue collection, especially from the Kerala context. Therefore, the present study attempts to fill the existing research gap by assessing the SRF revenue over the years, its economic and systemic determinants. Fair value fixation and its methodology being underexplored from the context of Kerala and its linkages with SRF revenue collection, the present study may be a significant contribution to the existing literature on that front.

The methodology of the study encompasses both descriptive and empirical strategies. The former includes analyzing the trends and patterns of SRF revenue during 1990 to 2024. Further, it examines the economic and systemic factors influencing SRF revenue collection in Kerala. For economic factors, the pattern of Gross State Domestic Product (GSDP) is considered. One of the novelties of the study lies in using the number of documents registered related to property transactions as a proxy for understanding the dynamics of the real estate sector in the state of Kerala. A detailed analysis of the fair value of land throws light into the non-economic or systemic factors influencing SRF revenue. The empirical methodology specifically focuses on analyzing the co-movement between SRF revenue, real estate activities, economic growth, changes in rates and incremental changes in the fair value of lands in the state over three decades using the Auto Regressive Distributed Lagged Model (ARDL). Comptroller and Auditor General of India (CAG) documents, Ministry of Statistics and Program Implementation (MOSPI) and relevant administrative documents of the Department of Registration, Government of Kerala are the main data sources of this study.

From the analysis, it is evident that despite higher SRF rates, Kerala's revenue performance lags behind other South Indian states. There are economic and non-economic factors that are influencing the SRF revenue growth in the state. The slower economic growth, resulting in prolonged stagnation in real estate activities, proxied by the number of registered documents, affected SRF revenue growth in Kerala. Apart from that, the

systemic issues related to fair value fixation are crucial for SRF revenue growth. Further, there is a weak co-movement between Kerala's real estate performance and SRF revenue, indicating the need to examine systemic issues regarding SRF, its legal framework, and the fair value fixation process. To the best of our knowledge, none of the existing studies examined the aforesaid issues, especially from the context of Kerala.

The remainder of the paper is organized as follows: Section 2 outlines the data sources, variables, and methodology. Section 3 deals with the trends and patterns of SRF revenue and rates while section 4 explains various factors influencing SRF revenue collection with empirical underpinnings, section 5 covers results and discussions and finally section 6 concludes the study.

## **2. Data sources, variables and methodology**

The study encompasses both descriptive and empirical strategies. The descriptive analysis includes trends and patterns of SRF revenue over a period of three decades (1990-2024) sourced from the Comptroller and Auditor General of India (CAG), India's Finance Accounts for various states. To examine the economic factors influencing SRF revenue, the study uses variables such as Gross State Domestic Product (GSDP) growth, sourced from the Ministry of Statistics and Program Implementation (MOSPI), Government of India. The number of documents registered serves as the best proxy for understanding the robustness of real estate activities. It is sourced from the administrative documents of the Department of Registration, Government of Kerala. However, certain studies considered real estate and construction components of GSDP for gauging real estate activities. However, it suffers from serious flaws as growth in this component would not reflect price growth and also it excludes secondary sales. In this context, the novelty of the present study lies in using the number of documents registered to reflect the real estate activity in the state. Examining the non-economic or systemic factors that influence SRF revenue is another pioneering step of this study. There is a detailed discussion about the fair value of different land

types using descriptive analysis. Data on the fair value of land are sourced from the Fair Value of land<sup>1</sup>, Department of Registration, Government of Kerala. The empirical methodology specifically focuses on analyzing the co-movement between SRF revenue, real estate activities, proxied by number of registered documents, economic growth, rate changes, and incremental changes in the fair value of lands in the state over three decades using the Auto Regressive Distributed Lagged Model (ARDL).

Population figures are taken from the Census of India for calculating percapita figures. The study utilizes various administrative reports from the Department of Registration to understand and examine the values recorded in the deeds. For analysing legal issues around SRF, the present study uses legal documents such as the Constitution of India and various legislations, Rules and Notifications of both the Centre and the State. This study also uses the case laws and various Reports such as the Law Commission Reports, Reports on Centre-State Relations, Reports of the Kerala Legislative Assembly Public Accounts Committee and other academic research reports.

For the purpose of analysing variations in fair value, the study chooses five districts in Kerala, categorized by geographical regions and their relative contribution to the SRF revenue of Kerala. These districts include Thiruvananthapuram from the southern region, Ernakulam representing the central part of the state, Kozhikode and Kannur from the northern region, and Kasargod at the extreme northern end. Both Kozhikode and Kannur are included due to their significant contributions to the SRF on a district-wise basis in Kerala. From the Department of Registration, Government of Kerala, the study analysed the existing fair value of land from these districts.

The study empirically examines the co-movement of revenue receipts from the SRF and real estate performance in Kerala,

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<sup>1</sup> The official website for fair value of land, department of registration, Government of Kerala - <https://igr.kerala.gov.in/>

proxied by the number of documents registered over three decades. Intuitively, both should move in the same direction, as performance in the real estate sector should ideally be reflected in increased SRF revenue receipts. Therefore, an Auto Regressive Distributed Lag Model (ARDL) approach is well-suited for empirically analyzing such time series data (Pesaran et al., 2001). With the ARDL model, an analysis of long-run and short-run dynamics of SRF revenue and real estate performance in Kerala is possible. One of its key strengths is its suitability for empirical research with limited observations and time series data that may not be stationary in the same order, whether I(0) or I(1), and ensuring no variables become stationary after the second difference. Therefore, the general representation of the ARDL model is given below:

$$SRF_t = \alpha + \Omega_t + \sum_{j=0}^q \beta_j SRF_{t-1-j} + \sum_{k=1}^K \sum_{j=0}^q \gamma_{k,j} Z_{k,t-j} + \varepsilon_t \quad (1)$$

Where  $\alpha$  is the constant  $t$  is a time trend,  $SRF_t$  is the revenue from SRF which is the dependent variable,  $Z_{k,t}$  is the  $k$ <sup>th</sup> explanatory variable where  $k=1,2,..K$ . The explanatory variables are real estate performance, proxied by the number of documents registered and the GDP growth. A dummy variable for fair value revisions is also included in the model.  $q$  is the maximum lag for dependent as well as explanatory variables under study.  $\beta_j$  and  $\gamma_j$  are parameters to be estimated in the given model.

Once the long-term co-integration is established, it is necessary to look into the short-run dynamics, especially short-run fluctuations, and its speed of adjustment towards long-run equilibrium of the variables under study. The inclusion of an Error Correction Term (ECT) in Equation (2) represents adjustments in the short run.

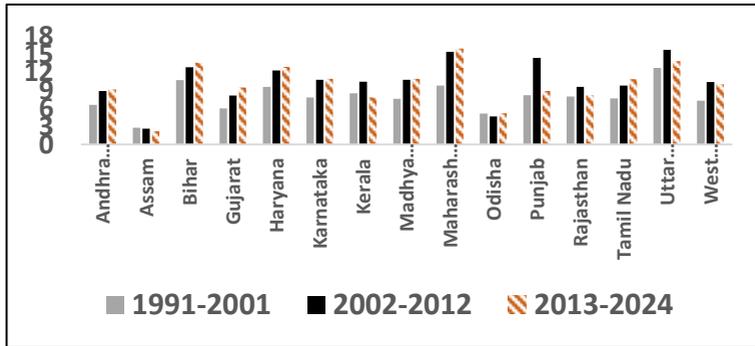
$$\Delta SRF_t = \alpha + \Omega_t + \sum_{i=1}^q \beta_i^* \Delta SRF_{t-1-i} + \sum_{k=1}^K \sum_{j=0}^q \gamma_{k,j}^* \Delta Z_{k,t-1-j} + \mu_0 SRF_{t-1} + \sum_{k=1}^K \mu_k X_{t-1} + \varepsilon_t \quad (2)$$

$\beta_j^*$  and  $\gamma_j^*$  represents the short-run dynamic parameters while  $\mu_0$  and  $\mu_k$  are the parameters capturing the long-run dynamics of the model.  $\mu_k$  represents the speed of adjustment.

### 3. Trends in SRF revenue and rates across Indian states

The following section analyses trends and patterns of SRF revenue across Indian states, with a special focus on Kerala. Figure 1 illustrates the revenue collection from SRF across fifteen major Indian states during (1991-2024). The period of three decades is categorized into three sub-periods wherein the first phase includes (1991-2001), while the second phase and the third phase are (2002-2012) and (2013-2024) respectively. This figure represents the decadal averages of revenue from SRF as a share of State Own Tax Revenue (SOTR).

**Figure 1:** Share of revenue receipts from Stamp Duty and Registration Fees (SRF) as a percentage of States’ Own Tax Revenue (SOTR) (In percentage)



*Source: Authors’ computation from Comptroller and Auditor General (CAG) of India, Finance Accounts and Revised Estimates*

During the second phase, most states exhibited commendable performance in generating revenue from SRF, with the notable exceptions of Assam and Odisha. This robust growth can be attributed to strong economic performances during this time, resulting increase in disposable income. With the increased income in hand, real estate activities and investments might have had robust momentum. However, the third phase was characterized by significant disruptions, including demonetization, the introduction of GST, and the unprecedented

COVID-19 pandemic. The economic slowdown following demonetization adversely affected SRF revenue collection. The pandemic and subsequent prolonged lockdowns further aggravated these challenges. Despite these hurdles, states such as Andhra Pradesh, Bihar, Gujarat, Haryana, Odisha, Madhya Pradesh, Maharashtra, and Tamil Nadu exhibited remarkable growth in SRF share even during the third phase. Conversely, states like Assam, Kerala, Punjab, Rajasthan, Uttar Pradesh, and West Bengal experienced stagnation in SRF revenue. Moreover, Kerala's revenue performance in SRF is lowest among other south Indian states like Andhra Pradesh, Karnataka and Tamil Nadu, warranting an investigation into the factors influencing or determining SRF revenue growth. As a maiden step, it may be ideal to examine the prevailing rate structure of SRF across various Indian states.

### 3.1 Changes in stamp duty rates across Indian States

Having examined the SRF revenue patterns across Indian states, it is important to understand the changes in stamp duty rates in the region. Table 1 presents the stamp duty rates and their variation across different Indian states for the years 2014-15 and 2023-24, along with the corresponding changes in these rates over the period.

**Table 1:** Stamp duty rates over the years across Indian states (In percentage)

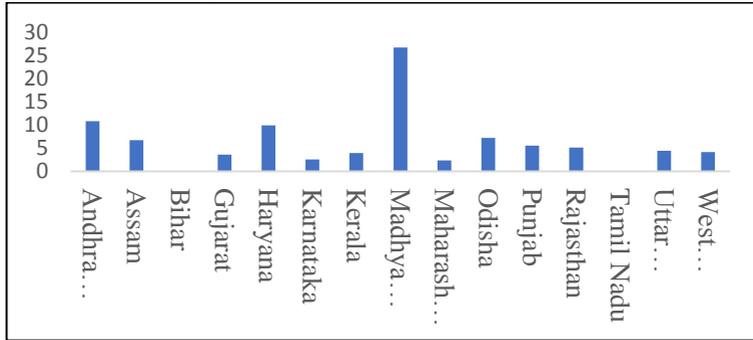
States	2014-15	2023-24	Change
Andhra Pradesh	4.00%	5.00%	1.00%
Assam	4.00%	6.00%	2.00%
Bihar	6.00%	6.00%	0.00%
Gujarat	3.50%	5.00%	1.50%
Haryana	3-7%	5-7%	Higher
Karnataka	5%	3-5%	Lower
Kerala	6.00%	8.00%	2.00%
Madhya Pradesh	8.00%	7.50%	-0.50%
Maharashtra	3-5%	5-7%	Higher
Odisha	7.00%	5.00%	-2.00%
Punjab	6.00%	7.00%	1.00%
Rajasthan	3-5%	2-3%	Lower
Tamil Nadu	7.00%	7.00%	0.00%
Uttar Pradesh	12.50%	7.00%	-5.50%
West Bengal	5-6%	3-7%	Lower

*Source: Compiled from administrative documents of respective states; (Prabhakar, 2024)*

From the above table, it is evident that there is considerable variation in stamp duty rates across different states, ranging from 4 to 8 percent. Uttar Pradesh substantially decreased its stamp duty rates. Similar downward trends are observed in Odisha, West Bengal, and Madhya Pradesh. Notably, those states have garnered higher revenue as well, especially in the third phase. States with considerably increased rates are Kerala, Assam, Punjab, Maharashtra, Haryana, Andhra Pradesh, and Gujarat. Despite higher rates, Kerala's revenue collection from SRF remains low. Hence, it is imperative to understand whether the rate change had any discernible impact on the SRF revenue collection across the respective states.

The elasticity of SRF revenue with respect to the corresponding rate changes helps to analyse the impact of rate changes on revenue. Elasticity, in this context, refers to the percentage change in SRF revenue in response to a percentage change in stamp duty rates. The analysis, based on available data from 2014-15 and 2023-24, reveals that Madhya Pradesh exhibited the highest elasticity of SRF revenue with a reduction in stamp duty (Figure 2). In other words, the state of Madhya Pradesh's SRF revenue responded well to a rate reduction of 50 basis points from 8.00 to 7.50 percent. Similarly, Odisha exhibited relatively high SRF revenue elasticity in response to SRF rate changes, reducing the rates by 200 basis points from 7 to 5 percent. However, this is not common across the states while there are exceptions as well and it may be because of the other systemic issues influencing SRF revenue.

**Figure 2:** Elasticity of SRF revenue with respect to changes in SRF rates (2014-15 to 2023-24)



*Source: Authors' calculations*

On the contrary, states such as Andhra Pradesh and Haryana displayed higher elasticity despite an increase in stamp duty rates, indicating that their SRF revenue increased regardless of the higher rates. It is important to note that Kerala's SRF revenue elasticity remains low with higher stamp duty rates. The states of Bihar and Tamil Nadu have not responded to the changes in rates. This observation suggests that merely increasing stamp duty rates may not effectively enhance SRF revenue in Kerala. In short, for certain states, the reduction in rates is reflected in the revenue collection while others are not. Therefore, rates may be only one of the factors influencing SRF revenue growth. It is imperative to comprehend other factors such as the economic and non-economic factors influencing SRF revenue in the state of Kerala along with the rate changes.

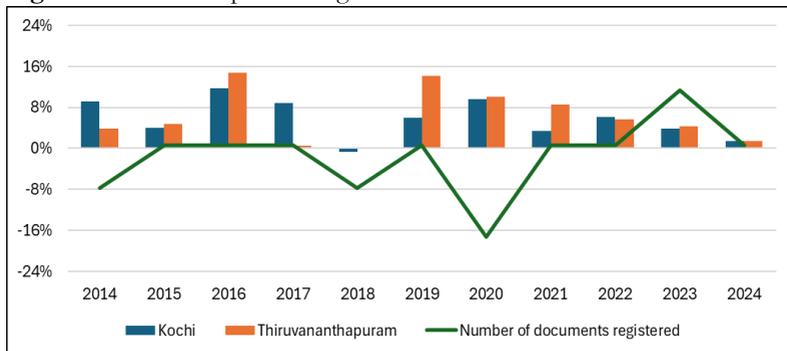
### 3.2 Trends in real estate prices in India and Kerala

Analysis of SRF revenue and real estate activities warrants a discussion on the price movements in the real estate sector. Stamp duty applies to both primary and secondary purchases, as well as to rental and lease agreements. Over the years, these rates have evolved across various states and fluctuate based on the property's value. In addition to that, higher revenue collections on account of SRF by states can be attributed to the increased value of houses and properties being transacted. In that

context, a discussion on the price movements in the state of Kerala is important.

The present section of this study discusses the price variation across properties in the state of Kerala using the National Housing Bank's (NHB) 50-city composite Housing Price Index (HPI), encompassing over 20 states. According to the index, across India, there are significant discrepancies in the property prices between cities and have undergone substantial changes over the past decade, with certain cities experiencing a much more pronounced increase in property prices compared to others. Out of the 50 cities examined, 21 have reported a higher Compound Annual Growth Rate (CAGR) in the Housing Price Index (HPI) during the FY20-24 period compared to the CAGR of FY15-19. According to the index, there is a significant price appreciation with much higher CAGR growth has been observed across four major metropolitan cities over the last five years, namely Ahmedabad, Hyderabad, Kolkata, and New Delhi. Over the past decade, the average increase in the HPI has been the highest in two metros, Ahmedabad and Hyderabad, at 8.7 percent each, while New Delhi has experienced the lowest average increase, recording a negative CAGR of -0.6 percent. Below given figure 3 provides insights on the real estate price variations in two prominent cities of Kerala and they are Kochi and Thiruvananthapuram. The price variation represents the percentage change in prices for the respective years.

**Figure 3:** Real estate price changes and real estate activities in Kerala



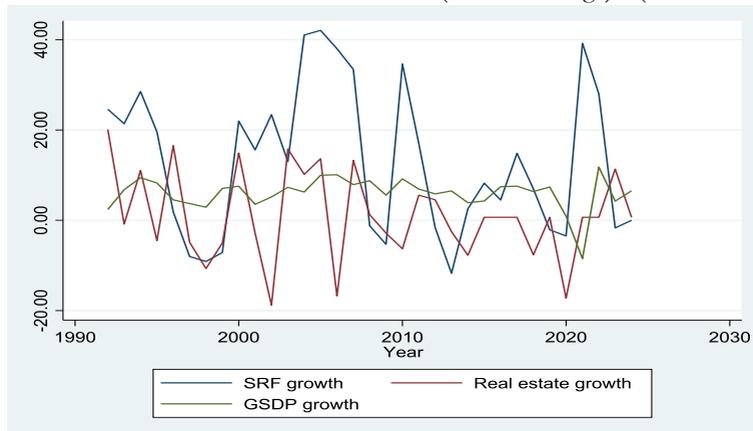
*Source: Authors' estimation based on National Housing Bank, Residex and administrative documents of Department of Registration, Government of Kerala*

Based on the data presented in the aforementioned table, it is evident that there has not been a substantial increase in real estate prices in the cities of Kerala post-pandemic. This trend may elucidate the moderate resurgence in real estate activities, as indicated by the number of registered documents, shortly after the pandemic in the state. However, a decline in these activities is observed in the most recent year, despite the lower real estate prices. In the pre-pandemic period, with the exception of the years 2017 and 2018, there were significant fluctuations in real estate prices. The analysis of the trajectory and changes in real estate prices is crucial for understanding the momentum of real estate activities.

#### **4. Plausible factors determining SRF revenue in Kerala**

It's noteworthy to analyse, the movement of SRF revenue along with economic factors such as GSDP growth and real estate activities. GSDP reflects the economic growth trajectory of the state while the momentum of real estate activities is proxied by the number of registered documents during the period of study (Figure 4). Since the data on the number of registered documents is available only for the state of Kerala and is sourced from the administrative documents of the Department of Registration, Government of Kerala, the analysis is restricted only to Kerala.

**Figure 4:** Nexus between economic growth, real estate activities and SRF revenue collection in Kerala (In Percentage) (1991-2024)



*Source: Authors' calculation*

The above figure clearly explains that real estate activities in Kerala have experienced prolonged stagnation. The state's economy is inherently consumption-oriented and heavily reliant on remittances. The dynamism of real estate activities, and the corresponding revenue generated, is intrinsically linked to overall economic activities. In the present study, the momentum of real estate activities is proxied by the number of documents registered as it reflects the volume of transactions for the buying and selling of properties. The data indicates that the frequency and volume of high-value transactions increase markedly during periods of robust economic growth. However, in the third phase (2013-14 to 2013-24), the state's economy exhibited slower growth compared to earlier phases. The average growth rate declined from 7.74 percent in the second phase to 5.56 percent, and this stagnation persisted even in the post-COVID growth scenario. This context is crucial when discussing revenues from SRF. In an economy that is significantly dependent on such revenue sources, prolonged economic slowdowns will naturally lead to a corresponding decline in revenue from SRF. Having investigated the potential economic factors contributing to the lagging SRF revenue, it is equally important to further the discussions by examining other systemic factors that may impact SRF revenue in Kerala.

#### **4.1 Fair Value of lands in Kerala and SRF revenue linkage**

Given that this study specifically focuses on Kerala, the aforementioned arguments naturally lead us to examine the state's fair value practices. Understanding these practices is crucial for comprehending its revenue collection efforts and capacity on this front. The value of a property represents its market potential to achieve the highest possible price when sold in an open market (Hayward, 2014). To ensure fair property transactions and minimize underreporting of registration prices, various states have implemented guideline rates or circle rates. These circle rates were introduced at different times across Indian states. For instance, Maharashtra introduced it in the 1990s while Andhra Pradesh in 1998. Karnataka, Gujarat and Kerala in 2003, 2006, and 2008 respectively (Venkataraman, 2015). SRF is calculated based on these circle rates, and the registered value of the property must exceed the circle rate. Circle rates also referred to as fair value or guidance value of the land-based on which the SRF is arrived at. The administrative authority that is responsible for establishing the circle rate, fair value, or guidance value anchor rate for neighbourhoods and comparable land types. However, it is important to note that this valuation method relies primarily on the comparison of similar land types, rather than on scientific methodologies. Consequently, there may be a propensity for either undervaluation or overvaluation. There are compelling fiscal reasons for streamlining the fair value fixation process, as failing to do so could significantly erode government finances. Encouraging the full utilization of this mechanism can potentially reduce dependence on intergovernmental fiscal transfers by augmenting State Tax Revenue (STOR) (Binoy et al., 2023).

Recognizing the significance of receipts from SRF, globally many countries such as Australia, Canada, United Arab Emirates (UAE) etc. have implemented efficient valuation techniques to ensure that the fair value aligns with the actual value of properties. Predominantly, developed countries employ remote sensing to extract physical attributes and geospatial factors, facilitating accurate property valuations (Koeva et al., 2021). Developing countries often rely on outdated valuation techniques, which result in the undervaluation of properties and consequent revenue losses for the government cite (Babawale, 2013).

In 2008, The Kerala government introduced the 'Fair Value of Land' for all landed properties in the state. Stamp Duty and Registration Fees at the time of property registration are based on this value. The fair value of land is calculated per are<sup>1</sup> and is notified by the Government of Kerala on their website. The evaluation scheme considers various factors such as road access, the type of road, the importance of the plot, and the nature of the land. The registration or transfer of properties is not permitted if the sale value shown in the deed is lower than the fair value fixed by the government (Binoy et al., 2023). However, due to several administrative factors, the fixation of the fair value has not been done appropriately, resulting in lower receipts from these taxes. Table 2 below shows fifteen different classifications of land by the registration department for fixing the fair value of the respective land types.

**Table 2:** Land classification for fixing fair value in Kerala

1. Commercially important plot
2. Residential Plot with NH/PWD road access
3. Residential Plot with corporation/municipal/panchayath/ road access
4. Residential Plot with private road access
5. Residential plot without vehicular access
6. Garden land with road access
7. Garden land without road access
8. Coastal belt
9. Waterlogged land
10. Rocky land
11. Wasteland
12. Wetland
13. Hill tract with road access
14. Hill tract without road access
15. Government property

*Source: Department of Registration, Government of Kerala*

#### **4.1.1 An overview of the existing fair value structure in Kerala**

Inconsistencies in the existing fair value structure further impede the state's revenue mobilization from SRF. In this section, the present study identifies issues related to the existing fair value structure in Kerala. To understand the existing fair value structure in the state of Kerala, this study examines five districts, and they are Thiruvananthapuram,

Ernakulam, Kozhikode, Kannur, and Kasaragod. These districts were selected based on their relative contributions to SRF revenue of the state. Collectively, they provide a widespread representation of Kerala's geographical diversity. Thiruvananthapuram represents the southern part of the state, Ernakulam is the central region, and Kozhikode, Kannur, and Kasaragod are the northern areas. Table 3 presents an overview of the fair value of various land types across the five districts under study.

**Table 3:** An overview of fair value across various land types in Kerala (In Rupee lakhs per are<sup>2</sup>)

Land Types	TVM	EKM	KO Z	KAN	KSD	MAX	MIN	SD	CV
Commercially important plot	14.79	14.79	6.05	4.46	3.08	14.79	3.08	5.11	59
Residential Plot with NH/PWD road access	7.50	17.72	5.36	5.33	2.09	17.72	2.09	5.35	70
Residential Plot with corporation/municipal/panchayath/road access	6.19	12.59	5.65	2.59	1.23	12.59	1.23	3.93	70
Residential Plot with private road access	5.87	7.55	1.45	1.64	1.19	7.55	1.19	2.65	75
Residential plot without vehicular access	2.34	7.55	1.68	1.38	0.98	7.55	0.98	2.43	87
Garden land with road access	1.99	3.50	1.99	1.31	0.41	3.50	0.41	1.01	55
Garden land without road access	0.75	1.11	1.43	0.89	1.05	1.43	0.75	0.23	22
Coastal belt	2.61	4.65	0.91	1.08	0.81	4.65	0.81	1.47	73
Waterlogged land	3.04	5.07	0.66	0.65	0.18	5.07	0.18	1.87	97
Rocky land	4.34	13.33	0.19	0.43	0.18	13.33	0.18	5.07	137
Wasteland	0.99	11.68	0.23	0.16	0.25	11.68	0.16	4.52	170
Hill tract with road access	0.20	0.00	1.24	0.20	0.15	1.24	0.15	0.46	102
Hill tract without road access	2.60	0.00	0.22	0.13	0.32	2.60	0.13	1.03	126
Government property	1.01	8.97	2.94	0.00	0.36	8.97	0.36	3.40	102

*Source: Authors' computation based on data from the Department of Registration, Government of Kerala*

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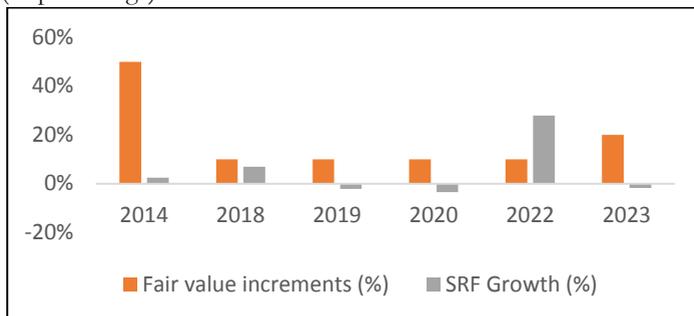
2 One are is 2.47 cents

There are interesting conclusions drawn from the assessment of fair value of land among five districts such as Thiruvananthapuram, Ernakulam, Kozhikode, Kannur and Kasargod. Among various land types, commercially important plots have the highest fair value in Thiruvananthapuram and Ernakulam. In Ernakulam, residential land across all categories also has a particularly high fair value. For garden land with road access and coastal areas, Ernakulam again leads. Overall, Ernakulam district has the highest fair value for all land types. The disparity in fair value between districts is relatively low for commercial lands but significantly higher for residential properties.

From this analysis, it is evident that there exist issues like multiple classifications of land as well as incorrect classifications. Single fair value fixed for multiple lands is creating confusion and considerable revenue leakage. There are also cases of missing values across land types in certain villages and Taluks. The lack of periodic review of fair value is another important issue that needs immediate attention. More importantly, the marked discrepancy between fair value and the market value is a clear case of revenue loss for the state government.

Following the establishment of the fair value of land in 2010 for various land types in Kerala, subsequent increments were applied uniformly to the existing base values. Consequently, these uniform increments did not account for the real value of the land, as they were uniformly applicable across all land types. This may be the primary reason why fair value increments have not translated into SRF revenue growth. Therefore, the magnitude of these increments and the corresponding SRF revenue growth during the period are illustrated in Figure 5 below. A detailed discussion on the lack of review of fair value follows in the subsequent discussions on systemic issues. This is one of the important sources of considerably higher divergence between the fair value and the market value of land in Kerala.

**Figure 5:** Fair value increments and SRF revenue growth (2014- 2023) (In percentage)



*Source: Department of Registration, Government of Kerala; CAG, State accounts, various years*

Against this backdrop, it is important to note the important systemic issues connected with the fixation and increments of the fair value of land identified from the Registration Department’s data and documents related to current laws regarding SRF. Based on the preceding analysis, it is evident that two critical factors influence the SRF revenue collection and they are stamp duty rates and the fair value structure within the economy. By evaluating the elasticity of SRF revenue in relation to rate changes and juxtaposing fair value increments with SRF revenue growth, the distinct impacts of these factors are elucidated. The SRF revenue growth in the state of Kerala has not responded to the increase in stamp duty rates. Similarly, the fair value increments in Kerala have not been translated to an increase in SRF revenue.

#### **a. Unscientific fixation of fair value of land**

An analysis of Section 28A of the Kerala Stamp Act reveals that the Revenue Divisional Officer is responsible for fixing the fair value of land. This process considers various factors, including the development level of the area, access to water supply, transportation, public facilities, and other institutions, as well as the geographical location of the property. In addition to that, Rule 3<sup>ii</sup> and Rule 4<sup>iii</sup> of the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995, provide further guidelines on the methodology for determining fair value and the responsibilities for its publication. In 2006, the Government of Kerala introduced

specific classifications for calculating the fair value of properties (Narayana, 2021). These classifications include commercially important plots, residential plots with access to National Highways (NH) or Public Works Department (PWD) roads, residential plots with access to corporation, municipality, or panchayat roads, and garden lands, among others. The fair value fixation is based on these classifications. However, beyond these classifications, there are no additional guidelines for determining the fair value of immovable properties.

**Multiple classification of land:** The first and foremost issue in this regard is when a property falls under multiple classifications, the fair value varies significantly. Due to a lack of proper valuation methodology and concrete guidelines, there are instances of a property having multiple classifications (Binoy et al., 2023). It results in an unscientific valuation, leading to a flawed fixation of the fair value.

**Incorrect classification:** Incorrect land classification often leads to inaccurate fair value assignments for various land types, adversely affecting the state's revenue collection (Narayana, 2021). For example, if a residential property with access to National Highways (NH) or Public Works Department (PWD) roads is misclassified as a residential property with private road access, its fair value is significantly reduced. This misclassification results in considerable revenue erosion for the government.

**Single fair value for multiple land types:** Data from the Department of Registration, Government of Kerala, reveals that a single fair value is often assigned to multiple land types. Analysis of data from five districts—Chirayinkeezhu, Neyyattinkara, Vadakara, Kannur, and Kasargod—shows that residential properties with National Highway (NH) or Public Works Department (PWD) road access are assigned the same fair value as residential plots with corporation, municipal, or panchayat road access. Similar cases are observed for residential properties with private road access and plots without vehicle access, as well as for waste and wetland areas (Refer Appendix Table 1.A). This uniformity in fair value assignments can lead to inaccuracies and potential revenue losses for the state, as the unique characteristics and accessibilities of different land types are not adequately reflected in their valuations.

**Missing values:** Data analysis reveals that missing values for several land types are a significant issue, particularly in the classification of residential plots. This gap in data can be identified from the records of the Department of Registration, Government of Kerala. The absence of fair values for certain land categories poses a critical challenge in ensuring accurate and comprehensive fair value assignments. Addressing these missing categories is essential to avoid discrepancies and ensure a fair and equitable valuation process.

**Lack of periodic review of fair value:** One of the most significant issues related to fair value fixation in Kerala is the lack of proper review since the values were implemented in 2010. According to Section 28A(1A)<sup>iv</sup> of the Kerala Stamp Act and Rule 6<sup>v</sup> of the Kerala Stamp (Fixation of Fair Value of Land) Rules, the government is advised to revise the fair value every five years. Unfortunately, this revision has not been systematically implemented, resulting in unscientific fair value calculations. This leads to the undervaluation of land, causing revenue losses for the government. Conversely, in some cases, the fair value may be set higher than the actual market value, which can hinder transactions due to high stamp duty and registration fees.

Once the fair value is fixed, changes in the land's status due to developmental activities or other factors—such as access to public roads, transportation, and other institutions—are not reflected if the values are not periodically revised. This lack of revision renders the fair value unscientific over time. The 32nd Report of the Committee on Public Accounts by the 15th Kerala Legislative Assembly (2010) and the Administrative Reforms Commission's Report has both emphasized the urgent need for revising the fair value to prevent undervaluation and increase state revenue. The Administrative Reforms Commission specifically recommends revising the fair value at least every five years. However, the current provisions only suggest reconsideration rather than mandating it.

**Marked wedge between fair value and market value:** The significant disparity between the values set by the government's registration department—referred to as circle value, guidance value, or fair value—and the actual market value is a primary cause of revenue loss for the government (The Hindu, 2024). While it is challenging to quantify the

exact difference due to the lack of data on actual property prices, scrutiny of official documents reveals significant disparities. For instance, consider a residential plot in the Kazhakuttam area with access to NH/PWD roads. The fair value determined for this plot is Rs. 5,28,000 per Are, whereas the market value documented in the deed is Rs. 25,00,000. This substantial disparity, a 4.7-fold difference between the fair and market values, results in significant revenue loss. Specifically, upon the execution of this deed, the current government revenue generated amounts to Rs. 42,240. However, due to this valuation gap, the estimated revenue loss reaches Rs. 1,57,760. This example underscores the critical need for accurate and periodic revisions of fair value to align more closely with market values and prevent revenue erosion.

Another approach to understanding property undervaluation, given the absence of exact market prices, involves examining the trends and patterns in registered documents alongside the SRF collection. This analysis provides better insights into the extent of property undervaluation and highlights discrepancies between documented values and actual market conditions.

**Table 4:** Dismal performance of revenue mobilization from stamps and registration fee (In Percentage)

	No of documents registered	SRF growth	SRF per document registered	Stamp duty rates
1991-2001	3.38%	10.92%	7.59%	3-4%
2002-2012	1.78%	21.30%	20.88%	4-5%
2013-2024	-1.60%	7.10%	9.16%	6-8%

*Source: Administrative reports, Stamp and Registration Department, Government of Kerala, various years*

*Note: The figures are the average annual growth rate of the documents registered over three decades. SRF and per capita SRF*

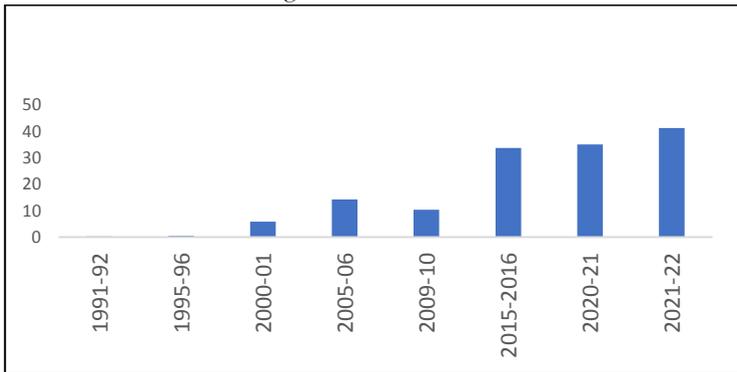
**Table 4** presents the average annual growth rate of registered documents in Kerala over three decades. It is compared with the decadal SRF growth rates and SRF per registered documents. Parallely, the SRF rates are also provided in the table to understand their combined

dynamics. The data reveals significant evidence of poor revenue mobilization performance during this period. Notably, the number of registered documents experienced a substantial decline between 2013 and 2024, likely attributable to major events such as demonetization and the unprecedented COVID-19 pandemic, which severely impacted real estate transactions.

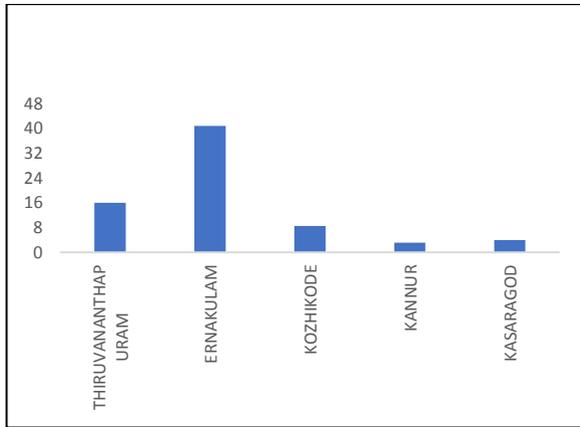
The average growth rate of SRF per registered document warrants closer examination, as it declined markedly from 20.88 during 2002-2012 to 9.16 percent in 2013-2024. Despite the undeniable fact that property prices have increased significantly during this period, this increase is not reflected in the figures presented. Besides, the SRF rate has risen to its highest level of 8 percent. Despite the increase in property prices and stamp duty rates, revenue mobilization from SRF remains sluggish. This necessitates further investigation into the disparity between the fair value and the actual market value of properties. However, due to the unavailability of actual market prices across various regions and districts, this study focuses on analyzing the district-wise number of registered sales deeds and the corresponding transaction values.

**Figure 6:** Disparity of value shown per document registered in Kerala

6.a: Between variation among the districts



### 6.b: Within variation in the districts



*Source: Authors' computation from the Department of Stamps and Registration, Government of Kerala, Various years*

**Figure 6** illustrates a significant disparity in the value per registered document among selected districts in Kerala. This variation cannot be attributed to differences in economic activities or the performance of the construction sector, as these districts are within the same state. Instead, it strongly indicates the occurrence of undervaluation in these districts. Given the lack of data on actual market prices of properties, this evidence can be utilized to conclude that a marked undervaluation of properties prevails in Kerala. Intriguingly, the between-district variation is more pronounced than the within-district variation. Notably, the variation within Ernakulam district is higher than that observed in all other districts under study.

#### **b. Other pertinent issues around fair value fixation: A legal inquiry**

The Registration Department does not play a role in determining the fair value of land. All procedures and rules for establishing fair value are set by the Revenue Department under the Kerala Stamp Act. However, during the registration process, the Registration Department encounters several issues related to the fair value set by the Revenue Department. These issues include the fixed fair value being significantly lower than the market value, incorrect classification of land, and land being notified

under various classifications for fair value determination. These discrepancies result in substantial revenue losses for the government.

According to the law, the Revenue Department can revise the fair value of land every five years. However, the Registration Department has no involvement in this process. Even for land where fair value criteria are not established, the Registration Department must proceed with registration, as it is not a valid reason for denial under the Registration Act. This lack of coordination between the Revenue Department and the Registration Department leads to significant disparities in fair value determination, resulting in issues related to undervaluation or improper valuation of land.

Under Section 33<sup>vi</sup> of the Kerala Stamp Act, any government official or authority with the power to receive evidence or handle instruments has the authority to examine such instruments to ensure they are duly stamped. These officials can refer instruments to the District Registrar for verification of authenticity. According to Section 34<sup>vii</sup>, a public officer can refuse to accept evidence solely on the grounds that it is not properly stamped. However, these provisions are seldom invoked by the authorities.

The lack of revision under Section 28A every five years is another example of the inadequate enforcement of the Kerala Stamp Act. Section 45 A (3)<sup>viii</sup> grants the registering officer the authority to direct parties to pay the appropriate stamp duty within seven days if the land valuation in an instrument is less than the fixed fair value. Reports of the 14th and 13th Legislative Assembly's Committees on Public Accounts have highlighted that poor coordination among departments and the ineffective implementation of these provisions result in significant revenue losses for the government Kerala Legislative Assembly (2014); Kerala Legislative Assembly (2018).

The Stamp Act and Registration Act, originally British laws, continue to be followed in India post-independence. Over time, numerous amendments, repeals, reservations, and modifications have been made to these legislations, including their state versions. Consequently, many provisions have become weak or require a new perspective to meet current needs.

Section 17(d)<sup>ix</sup> of the Registration Act is often utilized to avoid registering lease agreements by renewing them after an 11-month period, as this section mandates registration for lease deeds on a year-to-year basis. Lease periods of less than one year do not require registration under the Act. This practice persists even for government departments' lease agreements. According to the Committee on Public Accounts' Reports, government properties leased out for specific periods are often not renewed in a timely manner, contributing to revenue loss. Besides, the government's failure to revise the fair value of properties has led to a shortfall in the levy of lease rent on government properties.

## 5. Results and discussions

**Table 5:** Descriptive statistics

Statistics	SRF growth (%)	Real estate growth (%)	GSDP growth (%)
Mean	0.13	0.01	0.06
Maximum	0.42	0.2009	0.116
Minimum	-0.118	-0.189	-0.085
Standard Deviation	0.165	0.099	0.036
Skewness	0.78	0.84	0.47
Kurtosis	-0.21	-0.5	-0.65
Jarque- Bera	4.105	4.811	4.194
ADF	-0.762	1.588	1.116
KPSS	0.522***	0.748***	0.861***

*Source: Authors' estimation*

**Table 6:** Unit Root test results

Variables	ADF			KPSS		
	Level	Difference	Order of Integration	Level 2	Difference3	Order of Integration 4
SRF growth (%)	-1.55	-4.182***	I(1)	0.48**	0.06	I(1)
Real estate growth (%)	-2.017	-4.875***	I(0)	0.87**	0.71	I(0)
GSDP growth (%)	1.008	-1.895***	I(1)	0.23**	0.08	I(1)

*Source: Authors' estimation*

*Notes: \*, \*\*, \*\*\* represents 10%, 5% and 1% levels of significance*

**Table 5** above presents the descriptive statistics of the variables under study. Further, the Augmented Dickey-Fuller and Kwiatkowski–Phillips–Schmidt–Shin (KPSS) tests from Table 6, indicate that the series is integrated in both I(1) and I(0). Therefore, proceeding with ARDL to examine the relationship between SRF and real estate performance, proxied by the number of registered documents would be desirable.

The ADF test helps select an appropriate lag length for the augmented terms. Both the trend and constant were included first and then proceeded with other specifications. All three specifications were checked such as (i) including both constant and trend, (ii) including only the constant, and (iii) excluding both constant and trend. The parsimonious model selection strategy chooses an ARDL (2,1,1) model for estimating the co-movement between SRF revenue, real estate performance, GSDP growth and fair value revisions during 1991 to 2024.

**Table 7:** ARDL estimation of SRF revenue receipts for Kerala, India (1991-2024)

Variables	Coefficients	Standard Error
	(1)	(2)
Constant	-34.61***	9.82
L1.SRF_growth	0.418**	0.16
GSDP_growth	0.25	0.19
Realestate_growth	-0.05	0.32
FV revisions	0.08	0.04
ECM	-0.49***	0.06
Long-run dynamics		
GSDP_growth	0.56***	0.82
Realestate_growth	-1.23	0.41
FV revisions	1.27***	0.40
Standard diagnostics		
Adjusted R square	0.68	
F-statistic	14.91 (p-value: 0.00)	
Jarque-Bera Normality Test	0.72 (p-value:0.48)	
Serial correlation LM test	0.16 (p-value: 0.87)	
Heteroscedasticity ARCH test	0.82 (p-value:0.29)	
RESET test	0.07 (p-value:0.74)	
Bound test		

F-statistic	7.12	
Critical values for K=4		
	Lower	Upper
10%	2.08	3.42
5%	2.81	3.99
1%	3.34	4.78

Source: Authors' estimation

Notes: \*\*\*, \*\*, \* represents significance level at 1%, 5% and 10% respectively Newey-West Heteroscedasticity-Autocorrelation-Consistent (HAC) standard errors are reported

Table 7 reports the results of ARDL estimation of SRF revenue receipts and real estate performance, reporting Error Correction Model (ECM) representation, long-run dynamics, standard diagnostics as well as the bound test results. The initial set of estimated coefficients at the top reflect the short-run impacts of the explanatory variables. Following these are the coefficient estimates representing the long-run equilibrium relationship. Diagnostic tests reveal that the explanatory variables in the chosen model are jointly significant (F-statistic is significant); the residuals follow a normal distribution (JBN Test). There is no serial correlation (LM test), no heteroscedasticity (ARCH test) in the error term, and no functional misspecification (RESET test). Comparing the estimated F-statistic for the bounds test with the critical values of the lower and upper bounds suggests that the null hypothesis of no cointegration can be rejected at the 1 percent significance level.

From the results, it is evident that revenue receipts from SRF are not in tandem with real estate performance in Kerala. Besides, the short-run coefficients highlight that immediate changes in the real estate performance sector do not influence SRF revenue. It is evident from the insignificant coefficient of the real estate growth, using the appropriate proxy. However, there exists a long-run relationship among the variables and the model will adjust back to this equilibrium after a shock. It is evident from the negative and significant coefficient of the error correction term. In essence, the model as a whole, maintains equilibrium, and any deviations are corrected over time. It also confirms the descriptive analysis of the co-movement between SRF and real estate performance. Besides, in the long-run there the fair value revisions have an impact on the SRF revenue collections. The problem of

undervaluation of the land may be the reason for fair value revisions leaving any impact on SRF revenue in the short run.

## **6. Conclusion**

Given that revenue from Stamp Duty Registration Fees (SRF) constitutes an important component of the State Own Tax Revenue (SOTR) of sub-national governments in India, it is imperative to analyze its trends and patterns over time. Equally essential is the examination of the economic and non-economic factors influencing SRF revenue collection. A significant research gap exists in understanding the relationship between SRF revenue collection, real estate performance, and economic growth, particularly in the context of Kerala. Besides, there is a dearth of studies addressing systemic issues such as variations in SRF rates, undervaluation of lands due to inappropriate fair value fixation, among others. This study addresses these research gaps and systematically analyze the underlying issues. The study also throws light into the legal frameworks governing this revenue source and assesses the disparities and challenges in fair value across four major districts in Kerala. In addition, the study employs an ARDL approach to examine the factors influencing stamp and registration duties revenue in the state, adding to the novelty of the study.

Revenue collected from SRF varies significantly across Indian states, influenced by each state's revenue potential and efforts. Although the decadal average annual growth rate of SRF initially increased, it has shown a marked deceleration in recent years, especially during (2013-2024). The state of Kerala also portrayed a similar trend. Factors such as financial crises, economic slowdowns, reduced capital formation, and the pandemic have contributed to this deceleration during this time period. States like Assam, Kerala, Punjab, Rajasthan, Uttar Pradesh, and West Bengal have experienced stagnation in SRF revenue. In addition, Kerala's SRF revenue performance is the lowest among south Indian states like Andhra Pradesh, Karnataka, and Tamil Nadu, which necessitated an investigation into the factors influencing SRF revenue growth.

Stamp duty rates vary significantly across states, from 4 to 8 percent. Uttar Pradesh notably decreased its stamp duty rates, along with Odisha,

West Bengal, and Madhya Pradesh, and these states have seen higher revenue, especially in the third phase. States that increased rates include Kerala, Assam, Punjab, Maharashtra, Haryana, Andhra Pradesh, and Gujarat. Despite higher rates, Kerala's SRF revenue collection remains low. The elasticity of SRF revenue with respect to changes in SRF rates is ambiguous across Indian states. However, states such as Madhya Pradesh and Odisha responded well to a reduction in SRF rates, leading to higher SRF revenue collection. The ambiguity of responding to rate changes may be because of other systemic factors influencing SRF revenue growth. In the case of Kerala, with higher rates, SRF revenue growth remained lower. This has led to a discussion on plausible economic and non-economic or systemic factors influencing SRF revenue growth.

Several factors influence SRF revenue growth, such as the overall economic growth momentum in an economy and the related robustness of real estate activities. The present study captured the momentum of real estate activities in the state of Kerala using the number of documents registered during the period under study. It showed that real estate activities in the state of Kerala experienced prolonged stagnation. This has certainly been affecting the SRF revenue growth in Kerala. Besides, the inherent problems related to the inappropriate fixation of fair value of land have added to the woes.

Although Kerala implemented the fair value of land in 2010, there are yet several administrative and systemic loopholes that need to be plugged in to contain the revenue leakages. There are considerable variations in fair value across the state of Kerala. The high disparity in the fair value of land exists in residential properties of Kerala, while it is low in commercial properties. One of the pertinent issues discussed in the study is about the fair value increments since its implementation. The system of increments is one of the main sources of considerable divergence between fair value and the market value of land in Kerala. Notably, the increments are applicable uniformly across the existing base value. As a result, those increments do not reflect the actual value of the land, leading to issues like revenue leakages and affecting SRF growth. This coupled with unscientific fixation of fair value, multiple and incorrect classifications, single fair value for multiple lands, missing values and absence of period revision of fair values are issues identified

by the study. These issues lead to a marked divergence between fair and market value of land, affecting the SRF revenue growth. These are the systemic issues associated with SRF revenue collection and it's high time to fix these issues at the administrative level.

The disparity in value per registered document within and across districts of Kerala reveals more inefficiencies in the system. There is a marked disparity in the value per registered document for similar land types among the districts, indicating an undervaluation of land in these districts. Between-district variation is more pronounced than within-district disparity. Moreover, within the legal purview, the Registration department does not play a crucial role in fair value fixation of the land, rather the Revenue Department set the fair value as per Kerala Stamp Act. These disconnects in the legal provision exacerbates the challenges of Registration Department while delivering their duties.

Legally, the study highlights several key issues such as the unscientific fixation of the fair value of land, the diminished role of the registration department in this process, and the ineffective enforcement and provisions of the Kerala Stamp Act of 1959. These factors are identified as the primary loopholes leading to significant revenue leakage. Therefore, the laws governing stamp duty and registration fees require significant reforms to meet contemporary needs. There is an urgent need to revisit the provisions regarding fair value fixation. The Registration Department, alongside the RDO, must be actively involved in fixing and revising land values. A collaborative effort between the Revenue Department and the Registration Department will yield effective results in properly determining fair value. Moreover, beyond land classification, the government should introduce specific guidelines for fair value fixation. Current criteria under Section 28A and Rule 4 (refer end notes) are too general; specific guidelines are essential for accurately determining fair land value. Coordination and cooperation among all departments are crucial for the proper implementation of stamp and registration laws, ultimately increasing government revenue.

Further, there is a weak co-movement between the SRF and real estate performance in Kerala. The empirical analysis using ARDL implies that SRF revenue receipts in Kerala do not align well with real estate performance. Short-run changes in the real estate sector have no impact

on SRF revenue, but a long-term relationship exists among the variables, ensuring the model returns to equilibrium after disruptions. Besides, the analysis supports the idea that land undervaluation contributes to significant revenue leakage from SRF. Economic and non-economic or systemic factors are crucially influencing the SRF revenue in the state of Kerala. Therefore, the policy makers need to investigate these issues and fill the gap for effective shoring up of revenue from the SRF component which will give an impetus for the SOTR. Given the dwindling share of central transfers to the state of Kerala, it is highly important to bank on mobilizing SRF and thereby increasing SOTR.

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**Appendix: Table: 1.A (In. Rupees)**

Thiruvananthapuram				
	Average	Minimum	Maximum	Standard Deviation
Commercially important plot	1479305	15840	5280000	1053399
Residential Plot with NH/PWD road access	749713	16500	3960000	839955.6
Residential Plot with corporation/municipal/panchayath /road access	618823	23100	3960000	779409.2
Residential Plot with private road access	586956	4818	3960000	868789.9
Residential plot without vehicular access	234324	13200	1188000	281540.4
Garden land with road access	198682	13200	1478400	312664.6
Garden land without road access	74855	13200	318780	71801.5
Coastal belt	260873	13200	1972080	429869.1
Waterlogged land	304273	26400	1320000	383433.4
Rocky land	434305	15840	2640000	710000.7
Wasteland	98927	15840	290400	110942.1
Hill tract with road access	61336	13200	109472	68074.58
Hill tract without road access	260436	197472	323400	89044.54
Government property	100650	26400	174900	105005.4
Ernakulam				
Commercially important plot	1479305	107712	8824200	1488708
Residential Plot with NH/PWD road access	1771767	4455	26400000	3961006
Residential Plot with corporation/municipal/panchayath /road access	1259262	19800	21800000	2942596
Residential Plot with private road access	755450.3	26400	7392000	1086324
Residential plot without vehicular access	1126495	7920	1.98E+07	2908822
Garden land with road access	349514.7	14784	2089164	469804.4
Garden land without road access	111420.6	5808	686664	140141.6
Coastal belt	464640	26400	2633400	613516
Waterlogged land	506736	13200	2151600	726613.1
Rocky land	1332760	13200	3298680	1735491
Wasteland	1168200	7920	3298680	1847496
Hill tract with road access				
Hill tract without road access				
Government property	896775	23100	1848000	836267.9
Kozhikode				

Thiruvananthapuram				
	Average	Minimum	Maximum	Standard Deviation
Commercially important plot	605467.6	35901	8151000	1088666
Residential Plot with NH/PWD road access	535966.8	22308	6520800	782594.3
Residential Plot with corporation/municipal/panchayath /road access	564895.7	6600	11900000	1873587
Residential Plot with private road access	144911.4	6600	730330	175159.5
Residential plot without vehicular access	167912.3	6600	1462560	265984.9
Garden land with road access	199294	6600	1980000	339552.5
Garden land without road access	142769.2	6600	1980000	298004.9
Coastal belt	90566.32	13081	682000	116359.4
Waterlogged land	65567	6600	216315	71895.42
Rocky land	18773.57	6600	41580	12747.55
Wasteland	22657.75	11880	39600	12998.66
Hill tract with road access	124277.1	7920	1062600	292353.8
Hill tract without road access	22381.35	5940	143458	31451.16
Government property	294162	130416	586872	202619.1
Kannur				
Commercially important plot	446184	12540	4048000	691101.3
Residential Plot with NH/PWD road access	532679.6	27720	3960000	767431.1
Residential Plot with corporation/municipal/panchayath /road access	259386.6	10560	2376000	442099.5
Residential Plot with private road access	164359.1	9900	1351350	247812.7
Residential plot without vehicular access	137813.6	7920	2376000	311052.3
Garden land with road access	131252.3	9900	2653200	324979.7
Garden land without road access	88958.83	7920	2138400	264379.6
Coastal belt	108331.6	3267	616000	146698.7
Waterlogged land	65228.55	2640	369600	116013.4
Rocky land	43256.75	2640	792000	147153.3
Wasteland	16163.43	7920	39125	10679.91
Hill tract with road access	20240	6864	75900	17134.28
Hill tract without road access	13068	6600	19800	4311.776
Government property				
Kasargod				
Commercially important plot	308395	13200	3168000	490169.8
Residential Plot with NH/PWD	209061.3	9900	902000	238801.3

Thiruvananthapuram				
	Average	Minimum	Maximum	Standard Deviation
road access				
Residential Plot with corporation/municipal/panchayath /road access	123124.9	9570	1149839	194907.7
Residential Plot with private road access	119087.5	7392	1122000	229418.1
Residential plot without vehicular access	97670.71	7984	1003200	211070
Garden land with road access	41264.61	5280	398552	51883.12
Garden land without road access	104506.6	4752	3622080	447491.2
Coastal belt	80679.18	7392	772200	155515.8
Waterlogged land	17569.25	11088	31680	9575.596
Rocky land	17804.5	2640	79200	18627.01
Wasteland	25281.25	6600	66528	24079.54
Hill tract with road access	15490.07	7128	39939	8373.36
Hill tract without road access	32129.82	6600	364320	76592.89
Government property	36300	33000	39600	4666.905

*Source: Authors' computation from Department of Registration, Government of Kerala*

## End Note

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- i One are is 2.47 cents
- ii Rule 3 of the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995 reads as follows: “Rule 3: Fixation of Fair Value of Land-  
The Revenue Divisional Officer, shall for the purpose of fixation of fair value of land as required under Section 28(A) of the Act, ascertain the fair value of land by classifying the lands as those lying in (i) Municipal Corporation Areas (ii) Municipalities and (iii) Rural Areas.  
Within each of the above categories, the lands may again be classified as commercial area, residential area, area adjoining railway station, bus stations, factories, educational institutions etc. , agricultural lands (wet and dry) and others as provided in sub- section (2) of the said Section.  
Based on the above classification and categorisation to be used for comparative valuation, in the same village/area/survey number, for different types of land and also considering the mitigating circumstances, if any, such as land being rocky, water logged or in close proximity to dumping yards, grave yards, or similar other circumstances, the RDO shall fix a draft of the fair value of the land in his jurisdiction.  
The draft of the fair value prepared under sub-rule (3) shall be notified in the Gazette, inviting objections or suggestions, if any, thereon from interested persons.  
Copies of the Notifications published under sub-rule (4) shall be exhibited in conspicuous places in the office of RDO, the taluk offices, the village offices, offices of Grama Panchayats concerned.  
The objections and suggestions under sub-rule (4) shall be filed before the Revenue Divisional Officers concerned within a period of sixty days from the date of notification of the draft fair value in Gazette.  
After the expiry of the period fixed under sub-rule (6) the RDO shall consider, on merit, the objections and suggestions received within the time limit and shall fix the final fair value of the lands in his jurisdiction within a period of sixty days from the date of expiry of the period specified in sub-rule (6).  
Fair value shall be fixed in units of “Are””
- iii Rule 4 of the Kerala Stamp (Fixation of Fair Value of Land) Rules, 1995 reads as follows:  
“Rule 4: Publication of Fair Value of Land-  
The Revenue Divisional Officer shall, after having fixed the fair value of the land as provided in Rule 3, publish a notification in Form ‘A’ appended to these rules and cause copies of the same exhibited in his office, the Taluk office, the Village office, Office of the local body and Offices of the District Registrar and and Sub- Registrars concerned.  
The Revenue Divisional Officer shall forward copies of the notification to the Superintendent of Government Presses for publication in the Official Gazette

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and to the District Collector, the Board of Revenue and Government for Information.

The Revenue Divisional Officer shall also forward copies of the Notification to the Inspector General of Registration, the District Registrar and Sub-Registrars concerned.”

- iv Section 28.A. which deals with the Fixation of fair value of land: as follows:
- (1) “Every Revenue Divisional Officer shall, subject to such rules as may be made by the Government on this behalf, fix the fair value of the lands situated within the area of his jurisdiction, for the purpose of determining the duty chargeable at the time of registration of instruments involving lands.
  - (2) The Revenue Divisional Officer shall, in fixing the fair value of a land under subsection (1); have regard inter alia to the following matters, namely:-
    - (a) development of the area in which the land is situate such as the commercial importance, facilities for water supply, electricity, transport and communication;
    - (b) proximity of the land to markets, bus stations, railway stations, factories, educational institutions or other institutions;
    - (c) the geographical lie of the land, the nature of the land such as dry, waste, wet or garden land, fertility, nature of crop, yielding capacity and cost of cultivation; and
    - (d) such other matters as may be provided in the rules made under this Act.
  - (3) the fair value of land fixed under sub-section (1) shall be published in such manner as may be provided in the rules made under this Act.
  - (4) any person aggrieved by the fixation of fair value under sub-section (1) may, within thirty days of its publication under-section (3) appeal to the collector”
- v Rule 6 states as follows:
- (1) The fair value of the land fixed may be revised every five years, or earlier if, in opinion of the Government, any substantial change of fair value of land has taken place.
  - (2) the revision under sub- rule (1) shall be made by observing the same procedure as specified in these rules for fixing the fair value of land
- vi Section 33(1) & (2) says as follows:
- “(1) Every person having by law or consent of parties authority to receive evidence, and every person in charge of a public office, except an Officer of Police, before whom any instrument, chargeable in his opinion, with duty, is produced or comes in this performance of his functions, shall, if it appears to him that such instrument in no duly stamped, impound the same.
- (2) For that purpose every such person shall examine every instrument so chargeable and so produced or coming before him, in order to ascertain whether it is stamped with a stamp of the value and description required by the law in force in the State when such instrument was executed or first executed”
- vii Instrument not duly stamped inadmissible in evidence, etc:- No instrument chargeable with duty shall be admitted in evidence for any purpose by any

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- person having by law or consent of parties authority to receive evidence or shall be acted upon, registered or authentication by any such person or by any public officer, unless such instrument is duly stamped.
- viii Section 45A(3) of the Kerala Stamp Act reads as follows;  
“Where, on verification the registering officer finds that the value of the land or the consideration set forth in the instrument is less than the fair value of the land fixed under section 28A, he shall, by order, direct the payment of proper stamp duty on the fair value of the land fixed under section 28A within a period of seven days from the date of the order and on payment of the deficit stamp duty, the instrument shall be duly registered”.
- ix Section 17 deals with Documents of which registration is compulsory which reads as follows:  
“leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent;..”

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