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Critical Analysis of Revenue Generation of Azad Jammu & Kashmir: Challenges & Way Forward

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Abstract

This paper provides a critical assessment of AJK's revenue generation, identifies the obstacles, and offers a solution for future sustainable economic growth and development in Azad Kashmir. The study uses a mixed-method approach that includes case studies, interviews with key stakeholders, and a review of the literature. Two important sectors i.e., the Power development organization and the Inland Revenue Department with the potential to generate considerable amounts of revenue are acknowledged and evaluated as case studies by the critical examination of AJK's revenue generation. According to the conclusions of this investigation, AJK confronts difficulty in expanding its revenue sources outside conventional sectors such as agriculture and tourism. According to the analysis, AJK has a limited tax base and a poor tax-to-GDP ratio when compared to international standards. Infrastructural restrictions were also noted as a significant challenge to revenue generation in AJK. The region confronts constraints in utilizing its hydropower capacity, which can influence economic activity and revenue production possibilities. With its attractive landscapes, historical sites, and cultural legacy, AJK has tremendous tourism potential. However, due to limited infrastructure, a lack of promotion and marketing activities, and security concerns, the region faces obstacles in fully realizing this potential. The thesis makes many policy solutions to solve these issues, such as boosting access to finance, fostering public-private partnerships, and tackling instability due to the Kashmir Issue. To promote sustainability and equitable growth, the thesis also underlines the value of incorporating local people in the revenue creation process. Overall, this individual research paper will help understand the dynamics of revenue generation and can help Azad Kashmir formulate policies on taxation, investment, trade, and other economic activity. Policymakers can analyze the performance of existing policies, identify areas for improvement, and establish evidence-based policies to increase income creation in the region by analyzing revenue data. This can lead to improved policy results and more informed decision-making.

Keywords: GDP, CPEC, Revenue Generation, Hydro Power Potential

1. Introduction

Despite having plenty of resources, AJK has experienced several difficulties in generating revenue, which has barred proper economic progress and development. It is crucial to conduct a critical study of AJK's revenue generation to pinpoint problems and offer solutions for long-term, sustainable economic growth and development. Azad Kashmir has enormous economic development potential, especially in industries like agriculture, forestry, tourism, and energy. The administration of Azad Kashmir must create enough revenue to support programmers who can address these problems to address these concerns and advance development. (Dawn, 2016).

1.1. CPEC Potential for Azad Kashmir

In the upcoming years, the Neelum-Jhelum Hydroelectric Power Plant and the Karot Hydropower Project are anticipated to have a considerable positive economic impact on the area. Additionally, it is anticipated that the region will experience new chances for growth and investment as a result of the ongoing construction of the China-Pakistan Economic Corridor (CPEC). (Khalique M. et al., 2020) researched CPEC and its potential benefits to the economy of Azad Jammu and Kashmir and it was concluded in the study that CPEC will contribute to the socioeconomic development and expansion of industries. Simultaneously, it will contribute to the development of infrastructure, industry, tourism, connectivity, energy, food, livestock, and the social fabric in Azad Jammu and Kashmir.

1.2. MHP Potential for Azad Kashmir

In addition to alleviating Azad Kashmir's electricity shortfall, MHP projects can generate cash through the sale of electricity to the regional grid or to nearby communities. MHP projects can also aid rural development by bringing energy to isolated areas and facilitating the construction of small businesses like workshops and mills. (The Third Pole, 2018). The Azad Kashmiri administration has recognized the MHP's potential and is working to advance its growth. The Micro Hydropower Development Program (MHDP), which was established in 2003, offers financial and technical assistance to business owners to help them create MHP projects. Many MHP projects have been successfully established by the programmer in the area, creating jobs and revenue for nearby people (Siraj, M., & Khan, H., 2019).

In District Hattian Bala, Azad Jammu and Kashmir, a study by (Siraj, M., & Khan, H., 2019) investigates the effects of Micro Hydropower (MHP) projects on households' income, consumption, and diversification of livelihood options. The potential impact of MHP and other control factors on households' adoption of livelihood strategies was examined using a multinomial logistic model. The findings demonstrated that household adoption of non-farm and varied livelihood options is positively and significantly influenced by MHP-micro hydropower. The results suggested that MHP programs in Pakistan's northern regions could aid in enhancing household consumption and income through the adoption of high-income livelihood methods.

1.3. Inland Revenue Potential for Azad Kashmir

By transferring authority from the AJK Council to the AJK government with the 13th amendment to the interim constitution of Azad Kashmir, not only was the liberated territory of AJK made financially independent and autonomous, but it would also assist the government of Pakistan in directly addressing the related issues, allegedly enshrined in the amended AJK constitution, reciprocally with the close coordination of the AJK government (The International News, 2018).

The digital tax system was linked with the national tax system in 2021, and this was a historic step towards national harmony and unity. It has also assisted AJK in collecting more taxes (The Express Tribune, 2021). The new mechanism has done away with direct contact between taxpayers and tax collectors. People's time has been saved by the digital system, which also gives taxpayers access to internet information.

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1.4. Statement of the Problem

Azad Jammu and Kashmir (AJ&K) faces significant challenges in generating adequate revenue to finance its developmental needs. Therefore, the lack of financial resources limits the government's ability to invest in critical infrastructure, education, health, and other public service sectors, thereby exacerbating the economic and social challenges faced by the region.

This study aims to identify the challenges faced by the region and propose potential solutions to achieve sustainable revenue generation and economic growth in AJK.

The following research questions will be used for an in-depth analysis of the existing revenue generation in Azad Kashmir, issues and challenges related, and future potential.

- What are the main sources of revenue generation in Azad Kashmir and how have they evolved?
- What are the key challenges facing revenue generation in Azad Kashmir, and how do they compare with challenges faced by other regions with similar characteristics?
- What are the potential future scenarios for revenue generation in Azad Kashmir, and what policies and strategies should be adopted to ensure sustainable revenue generation in the long term?

1.5. Scope & Significance of the Study

The scope of the study is aimed to determine the existing revenue-generating strategies used in Azad Kashmir and assess their efficacy. Another objective is to examine the difficulties the Azad Kashmir revenue generation system has and to suggest workable and long-lasting solutions to these problems to enhance Azad Kashmir's ability to generate income. The study has significance for two reasons. One, after 13th amendment in Interim Constitution of AJ&K the transfer of administrative and financial powers to Government of AJ&K has been a major shift in terms of financial independence and secondly increasing investment in hydropower generation has changed the dynamics of future revenue generation in Azad Kashmir.

1.6. Delimitations of the study

The study is primarily focused on two case studies i.e., Power Development Organization and Inland Revenue Department, and draws little attention on other sources of revenue generation in AJ&K.

2. Literature Review

2.1. Overview of the existing literature on revenue generation in developing countries

(Javid, A. Y., and Arif, U., 2012) analyzed the fiscal performance of developing Asian nations from 1984 to 2010. According to the findings, factors that significantly influence the revenue to GDP ratio among nations include per capita GDP, agriculture value addition, trade openness, debt, and population growth. Controlling corruption, maintaining law and order, and having a high-quality bureaucracy are institutional characteristics that greatly improve revenue performance. Most ASEAN nations are performing well over their capacity, according to the fiscal effort indices obtained for Asian nations, although certain South Asian economies are not generating as much money as they could.

While there is a general reduction in revenue effort in the 1990s, revenue performance improved in the 1980s and again in the 1920s. The findings imply that to solve this issue, sound policy measures such as expanding the revenue base and enhancing institutional quality are required (Profeta, P., & Scabrosetti, S., 2010). The architect of revenue reforms must be country-specific, necessitating a thorough examination of the nation's institutional makeup, institutional performance, and revenue capability. (Adam Smith International, 2023).

2.2. Tax Revenue in Mobile Money

The impact of mobile money adoption on tax revenue performance in a significant sample of 104 developing countries for 1990-2019 is examined in a paper by (Apeti, A. E., and Edoh, E. D., 2023). According to estimates using the entropy balancing method, countries that use mobile money have much higher tax revenues than nations that do not. This result holds up to a variety of robustness tests, and it may be influenced by time perspective, the type of mobile money service, and some structural factors, such as the degree of development, the level of corruption, the proportion of the rural population, the rate of inflation, the level of education, the average and 25th percentiles of tax revenue samples, the effectiveness of revenue administration, and the maturity of the markets in a given country.

Mobile money improves both types of tax revenue, having a greater impact on direct tax revenue, according to a first level of tax revenue disaggregation into direct and indirect tax revenue. The major ways that the use of mobile money improves tax performance in developing nations include a wider tax base (measured by GDP per capita), improved institutional quality, and simplified tax payment procedures (Profeta, P., & Scabrosetti, S., 2010).

2.3. Impact of Conflicts on Tax Revenue

(Van Den Boogaard, V. et al., 2018) examined how conflict affects tax revenue mobilization. This study examines the long-term patterns of tax revenue mobilization before, during, and after crisis periods in some conflict-affected nations since 1980 using a recently updated dataset. This research provides an empirical rebuttal to beliefs about the role of taxation in creating war and state-building by providing detailed snapshots of tax experiences before, during, and after conflict. They suggested that, despite this, initiatives for post-conflict state formation should place a focus on strengthening tax systems due to the fundamental significance of revenue to larger economic goals.

While this reflects the pressing need for funding during post-conflict reconstruction operations, it's also critical to take into account the wider governance consequences of taxation. Strengthening taxation represents a potentially unique entry point for restoring state capacity, legitimacy, and bargaining over the role and activities of government in situations where state capacity has been undermined, wider state-society relations are strained, and there are significant divisions between former combatants. Such procedures are likely to be contentious and politically difficult, but they demonstrate how essential budgeting and taxation are to establishing functional government and fortifying links between post-conflict states and their inhabitants. (Owens, J. 2015). Political influences (Ramzan et al., 2023) and responsible leadership (Jabeen et al., 2024) does affect industries and economic growth. Public sector organizations need stability and employee empowerment for smooth functioning (Javaid et al., 2023).

2.4. Revenue Mobilization in Developing Countries

(Cottarelli, C., 2011) in the International Monetary Fund's report on "Revenue mobilization in developing countries," mentions that in many developing nations, there is a significant need for more money, but there are other benefits to better revenue generation. Achieving the Millennium Development Goals, for example, may require low-income nations to increase their tax-to-GDP ratios by about 4 percentage points. Infrastructure improvements also pose significant challenges (United Nations, 2005). However, the effectiveness of the measures is also important. For example, increasing revenue by taxing taxpayers who already pay enough can exacerbate distortions and perceived inequities; however, reducing reliance on trade taxes can result in real structural gains that outweigh temporary revenue challenges. (Kiser, E., & Karceski, S. M., 2017). Fundamentally, better tax systems can catalyze improvement in broader governance relations since taxation is so important to the exercise of state authority.

3. Research Methodology

The research methodology used for such topics is mostly qualitative. Research tools such as Cost Benefit Analysis and Gap Analysis are used. Two case studies of the crucial departments of revenue generation in Azad Kashmir i.e., the Inland Revenue Department and Power Development Organization are also made part of this research. Primary Data is collected through AJ&K Central Board of Revenue, Inland Revenue Department and Power Development Organization in Azad Kashmir. Secondary data has been collected from available literature/ Research articles, AJ&K Central Board of Revenue annual report, AJ&K Statistical Year Book 2020 & other official documents, websites, official notifications, reports, newspapers, web pages, and other relevant documents.

3.1. Organization of the Paper

The paper is organized into sections and sub-sections. Preliminaries of the Research and introduction are followed by three sections. Section I deals with the Critical Analysis of existing revenue generation strategies of Azad Kashmir, two case studies based on Power Development Organization and Inland Revenue Department. Section-II is focused on the Cost Benefit Analysis and Gap Analysis. Section –III deals with an analysis of issues and challenges. And Section-IV describes the lessons learnt. The three sections are followed by conclusion and recommendations with a strategic action plan.

4. Critical Analysis of the revenue generation practices in Azad Kashmir

4.1. Remittances

Remittances can rise as a result of international migration, and remittances have a big impact on revenue production. The World Bank estimates that remittances to developing nations will reach $540 billion in 2020, making them a crucial source of revenue (World Bank, 2021). Remittances can raise household income and spending, which can boost the economy and generate more money (Adams & Page, 2005). In district Bhimber, AJK, (Hashim K. et al., 2021) carried out a study to investigate the effects of global migration on human socio-economic development. The findings showed that migration improved their living conditions, stabilized their employment, and raised their income.

4.2. Agriculture

Azad Kashmir's government has launched some initiatives to support agricultural practices in the area, including giving farmers subsidies and upgrading the agricultural industry. 4.1 million people make up the AJK's entire population as of 2018, according to estimates based on the 2017 census. A significant portion of the population relies on the agriculture and forestry sectors for their livelihood, with farm income making up 30–40% and off-farm income accounting for the remaining 60–70%. The agricultural industry is crucial to the nation's economic development, food security, creation of jobs, and reduction of poverty, especially in rural areas. About 38.5 percent of the labor force is employed by it, and it contributes 19.2 percent to the GDP. (Pakistan Economic Survey, 2020-21). The livelihood of more than 65 to 70 percent of the population is based on agriculture. Less arable land, climate change, water scarcity, and widespread population and labour migration from rural to urban areas have all slowed agricultural development rates. Hence, enhancing agricultural output necessitates the implementation of novel strategies. (Asaleye, A. J., et al., 2023)

4.3. Forestry

Azad Kashmir had 210kha of tree cover, extending over 15% of its land area. In 2021, it lost 4.20ha of tree cover, equivalent to 1.56kt of CO_2 emissions (Global Forest Watch, 2010). It serves as a supply of raw materials for the wood industry, a major driver of the AJK economy. Sawmills, furniture manufacturing facilities, and paper mills all contribute significantly to the region's economic output in the AJK wood sector. Since 42% of the total land is covered by forests, (Akhter N. et al., 2016) conducted a study to evaluate the contribution and impact of forestry resources on the economy of the State of Azad Jammu & Kashmir. The findings indicate that forestry resources have a significant role in the state's national income. The primary and secondary data indicate that 16000 people are taking advantage of job opportunities related to forestry resources.

4.4. Tourism

Tourism makes a significant contribution to the state's economy, offers improved employment opportunities, and aids in fostering development. Also, it aids in the transformation of social ideals. (Khan, M. et al., 2022) examined the socioeconomic effects of tourism on Rawalakot residents' quality of life. The researcher discovered that tourism creates employment to be the most important influence. Locals' incomes are increased as a result. In the case study, tourism made a significant contribution to the inhabitants' income growth. The majority of jobs in the Rawalakot area are given by businesses like hotels, transportation, tea shops, tour operators, small shop proprietors, and shop employees. In addition to these, new jobs are produced for the construction of structures, which is somehow tied to tourism. The growth of the tourism industry significantly aided in generating income and raising living standards. Women might also find work in the tourism sector (Schönherr, S., Peters, M., & Kuščer, K., 2023).

4.5. Hydropower Projects

(Atiq-ur-Rehman, A. U. R., and Anis, H., 2008) examined the effects of hydropower projects on AJK's economic development and the potential impact of their implementation on a number of local and national economic and social sectors. According to this analysis, Pakistan now has an overall energy shortfall of roughly 5000 Megawatts. Hence, only AJK is able to cover more than 90% of the current energy demand for the entire nation. In addition to the power sector's direct and explicit benefit from hydropower projects, these initiatives could be very helpful in raising a variety of local and national economic and social indicators. Azad Kashmir has a lot of potential for producing electricity because of its hilly terrain and plentiful water supplies (Annandale, David D. and Hagler Bailly Pakistan (Pvt) Ltd. 2014). Many hydropower projects are already up and running in the area, including the Mangla Dam, the Neelum Jhelum Hydropower Project, and the Gulpur Hydropower Project, among others.

4.6. Tax Money

Tax money is used to fund a variety of government projects, including public service delivery, infrastructure development, and social welfare programs (World Bank,2020). The revenue is also used to fund economic development projects such as investment in critical industries like as agriculture, forestry, and tourism, as well as to create jobs and drive economic growth. The annual target assigned is 8900.000 million for year 2022-23 (Inland Revenue Department, GoAJ&K, 2023).

Table 1: Annual Target assigned 2022-23

Quarter-wise Formula	Relevant Quarter	Bifurcation of Target
15%	July to September	1335.000
25%	October to December	2225.000
25%	January to March	2225.000
35%	April to May	3115.000
100%		8900.000

Source: Inland Revenue Department, GoAJ&K

In terms of creating new avenues, there is need to amend tax laws according to the ground realities, incentivize the potential investors through concessions & tax credits, benefiting from proximity of Mirpur and Bhimber to GT road, turning tourism to account and introducing ITMS in inland revenue department.

4.7. Case Studies

4.7.1. Case study- Power Development Organization

In 2014, the Government of AJ&K reconstructed the Power Development Organization (formerly the Hydro Electric Board) to plan and carry out the development of identified hydro potential. It has potential of 8535.92-9000 (MW) (The Express Tribune, 2022) and is meeting the present demand upto 25% and has the potential to meet the anticipated Power Demand by 2025-30 by 85%. The Annual Expenditure for year 2022-23 is 700.524 million. (Annual Development Programme, 2022-23)

Table 2: Total Hydropower Potential in AJ&K

TOTAL HYDROPOWER POTENTIAL IN AJ&K	
Identified Capacity (84 Projects)	8535.92 (MW)

Source: Power Development Organization

A number of projects with a total capacity of more than 8000 MW have been discovered in the Jehlum, Neelum, and Poonch river catchments. If these hydroelectric projects are built. They can make a substantial contribution to the state's social and economic growth while also providing inexpensive and reliable energy for Pakistan's future needs. (Sibtain, M., Li, X., et al., 2021). To manage the development of indigenous resources, the AJK government is enthusiastically supporting efforts to discover, undertake site investigations.

Table 3: Projects in Public Sector

POWER DEMAND IN AJK			
Description	Capacity (MW)	Generation in Public Sector (MW)	Share by PDO (%)
Present Demand	350	80.00	25%
Anticipated Power Demand by 2025-30	400	330	85%

Source: Power Development Organization

Table 5: Gross income of AJK PDO

Gross income of AJK PDO				
S. No.	Power station	Capacity (MW)	Estimated Annual Income 2022-23 (MRS)	Annual Expenditure 2022-23
1	05 Power Stations in Private Sector	1055.48	1000.00	
2	22 Power Stations in Operation	80	780.00	700.524
	Total		1780.00	700.524

Source: Power Development Organization

4.7.2. Case Study- Inland Revenue Department

Tax revenue is critical in AJ&K for sustaining the regional government's budget and satisfying its expenditure requirements. Tax income can also be utilised to stimulate economic growth, provide job opportunities, and encourage investment in many sectors of the economy. The existing tax potential of AJ&K consists of Banking Companies, Telecom sector, Non-resident companies, Tax on deposits and Industrial units. The Major Sectors Tax collection tax year 2022 is given as below.

Table 6: Major Sectors Tax collection

Banking Companies	Telecom sector	Tax on Deposits	Industrial units
4.3 bn	2bn (including sales tax)	5 bn	*2 bn (including sales tax)*

Source: Management Information wing AJ&K IRD The Direct Tax collection in last two years is given as below;

Table 7: Direct Tax collection in 2020-22

Financial Year	Target Assigned (M)	Collection (M)	Increase / (%) achieved
2021-2022	20,600	21,299	699 M *(103 %)*
2020-2021	16,500	17,094	594 M *(104%)*

Source: Management Information wing AJ&K IRD Indirect Tax collection in last two years is given below.

Table 8: Indirect tax Collection in 2020-22

Financial Year	Target Assigned (million)	Collection (million)	Increase / (%) achieved
2021-2022	7,900.000	7950.130	50 *(101 %)*
2010-2021	5750.000	5978.698	228.989 *(104 %)*

Source: Source: Management Information wing AJ&K IRD

The income tax collection from 2016 to 2021 is given as below.

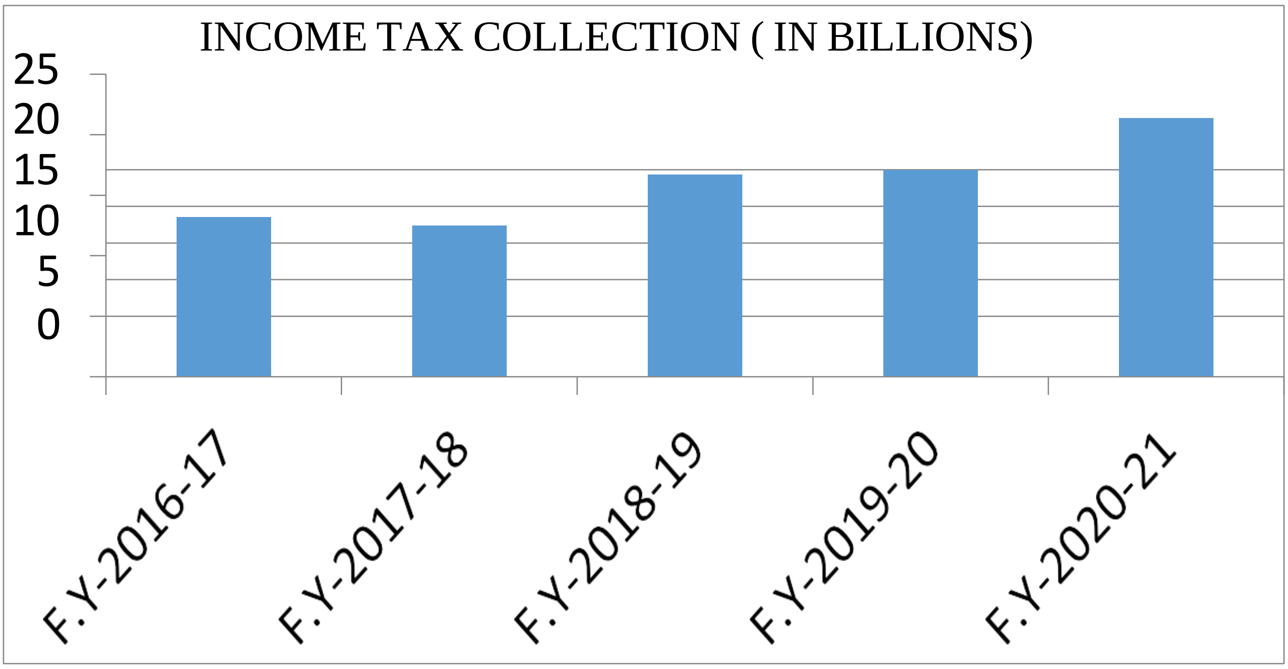

Table 9: Income Tax Collection from 2016 to 2021

Source: Management Information wing AJ&K IRD

Through the landmark 13th Constitutional amendment AJ&K interim Constitution in 2018, the AJK Assembly was also given jurisdiction over taxes by Article 31, Sub Article 5, while previously the Kashmir Council maintained all taxes and funneled them to Pakistan. (The News International, 2018). Prior to 13th Amendment the tax collection was as follows (in billions):

Table 10: Tax Collection before 13th Amendment

Financial Year	Actual Target	Revised Target	Collection	80% AJ&K Share
2013-2014	10.800	9.200	9.293	7.430
2014-2015	11.000	-	11.038	8.830
2015-2016	13.875	12.875	12.957	10.365
2016-2017	15.150	13.407	13.267	10.614
2017-2018	15.652	-	12.674 (Up to May, 2018)	10.139

Source: AJ&K CBR

After 13th Amendment the tax collection was as follows (in billions):

Table 11: Tax Collection after 13th Amendment

Financial Year	Actual Target	Collection credited to AJ&K Exchequer
2018-19	16.400	16.711
2019-20	16.500	17.094
2020-21	20.600	17.037 (up to 03/2022)

Source: AJ&K CBR

4.8. Cost Benefit Analysis & Gap Analysis

4.8.1. Cost-benefit Analysis of Revenue Generation by Sectors

Table 12

Tourism

Costs	Benefits
• Investing in tourism infrastructure such as hotels, resorts, transportation, and attractions is a good place to start. (Quang Hai Nguyen, 2021) • Expenses for marketing the region to domestic and international tourists • Potentially harmful environmental consequences, such as increased pollution or a strain on natural resources • (Kumail, T., Sadiq, M., Ali, W., & Sadiq, F., 2023).	• Tourist spending on lodging, food, activities, and souvenirs increases revenue. (Quang Hai Nguyen, 2021) • Job creation in the tourism industry • Local economy diversification, with less reliance on other industries • Increasing tax income for the municipality • Cultural heritage preservation and promotion, which can also give educational and social benefits • (Kumail, T., Sadiq, M., Ali, W., & Sadiq, • F., 2023).

Agriculture

Costs	Benefits
• Initially investing in agricultural infrastructure such as irrigation systems, crop storage facilities, and processing plants • Possible environmental consequences, such as soil degradation or abuse of natural resources (Asaleye, A. J. et al, 2023)	• Increased agriculture production and output (Osabohien, R., et al., 2019) • New agricultural jobs are being created. • Improved food security and decreased reliance on imports • (Asaleye, A. J. et al, 2023)

Forestry

Costs	Benefits
• Early investments in forestry infrastructure like nurseries, plantations, and forest management systems (Akhter N. et al., 2016) • Potentially harmful environmental consequences, such as • deforestation or soil degradation	• Increased production and sales of timber • New career opportunities in the forestry industry • Increased forest health and biodiversity, with educational and recreational benefits (Akhter N. et al., 2016)

4.9. Gap Analysis

4.9.1. Gap Analysis- - Inland Revenue Department

In Azad Jammu and Kashmir (AJ&K), taxes are currently imposed on products, services, real estate, and income. However, the tax base is narrow, and tax evasion is common, resulting in a low tax-to-GDP ratio of approximately 4.4% (AJK CBR, 2023). The future state envisions a broader tax system with a higher tax-to-GDP ratio, a more diversified economy, increased foreign investment, improved tax administration and compliance, and greater transparency in tax collection. However, the current challenges include a narrow tax base, low tax compliance, widespread tax evasion, weak tax administration, limited capacity of tax authorities, lack of transparency in tax collection, a weak institutional framework, limited economic diversification, low foreign investment, and volatile remittances (Sarin & Summers, 2019).

To address these gaps, it is essential to broaden the tax base. This can be achieved by expanding the scope of existing taxes and introducing new taxes. For example, bringing currently tax-free sectors, such as agriculture, into the tax net could help generate more revenue (Amaglobeli & Summers, 2019).

4.9.2. Gap Analysis- power Development Organization

The Power Development Organization (PDO) in Azad Jammu and Kashmir faces significant challenges due to low tariff rates, substantial transmission and distribution losses, and limited capacity to invest in new power infrastructure. These issues have resulted in major revenue generation difficulties, leaving the PDO with insufficient revenue to cover its operational and maintenance needs, leading to a significant budget imbalance (ECC, 2023).

The envisioned future state for the PDO includes raising electricity tariff prices to reflect the actual costs of generation, transmission, and distribution. Achieving this would require regulatory approval and a transparent tariff-setting mechanism. Additionally, there is a need to lower transmission and distribution losses to boost income production. However, the PDO currently faces minimal investment in power infrastructure, which further hampers its ability to generate sufficient power and revenue.

To address these gaps, the PDO must explore and develop renewable energy sources, such as solar and wind power, to diversify its power generation mix and reduce reliance on fossil fuels. Furthermore, the PDO should focus on utilizing indigenous resources for power generation, particularly by developing hydropower on a large scale over the next decade, with the goal of providing affordable, clean, and renewable energy. Increased investment in new infrastructure through public-private partnerships, foreign investment, and borrowing from international financial institutions is also necessary to bridge the investment gap (Furceri, 2020; IGCEP 2021-2030).

4.10. Analysis of Issues & Challenges

4.10.1. Identification of the challenges faced by Azad Kashmir in revenue generation

Azad Kashmir faces several difficulties in generating revenue, some of which are covered below:

4.10.2. Low Resource Base

Because Azad Kashmir is a small area with few resources, it is difficult to make a sizable profit. The area is extremely reliant on tourism and hydropower production for income, making it susceptible to outside influences like weather and geopolitical tensions (Pakistan Economic Survey 2020-21).

4.10.3. Minimal Investment Opportunities

Foreign investors are discouraged from investing in Azad Kashmir because of its political position as a disputed territory. Also, the area lacks the required labour force and infrastructure, which makes it challenging to draw private investments.

4.10.4. Inadequate institutional capability

Inadequate institutional capability makes it difficult for Azad Kashmir to develop and put into action efficient methods for generating revenue. The area lacks the technical know-how and human resources needed to create and manage projects that generate income (United Nations, 2019).

4.10.5. Inadequate Infrastructure

The area's inability to draw tourism and investment is hampered by a lack of suitable infrastructure, including roads, airports, and telecommunications networks. Also, it is difficult to create and oversee revenue-generating ventures due to the lack of fundamental infrastructure (Pakistan Observer, 2021).

4.10.6. Political Instability

Azad Kashmir has a history of political unrest, which makes it more difficult for it to draw in foreign capital and make money. Due to its reliance on the federal government for financial support, the region is particularly susceptible to political pressures and uncertainty.

4.10.7. Access to Financing is Limited

Access to finance is limited in Azad Kashmir, particularly for small and medium-sized businesses. Lack of access to capital inhibits businesses' ability to grow and expand, limiting income growth (Asian Development Bank, 2008).

4.10.8. Natural Disasters

Natural catastrophes, including as floods, earthquakes, and landslides, are common in the region and can inflict major damage to infrastructure and property. Natural catastrophes can have a substantial influence on revenue production by interrupting supply chains and lowering economic activity (SDMA, GoAJK, 2023).

4.11. Learning from Successful Models Elsewhere in the World

4.11.1. Renewable Energy

Many countries have successfully built a revenue-generating renewable energy sector. Countries such as Denmark and Germany, for example, have made major investments in wind and solar electricity, producing significant revenue. Because of its abundant sunshine and wind, Azad Kashmir has a substantial renewable energy potential. Azad Kashmir may create cash and support sustainable development by investing in renewable energy. (Climate Council, 2022).

4.11.2. Tourism

To create cash, several governments and regions have effectively built their tourism industries. Thailand, Malaysia, and Singapore, for example, have invested considerably in promoting their tourism industries, attracting millions of visitors each year. (Travel daily Media, 2022). Because of its natural beauty and cultural heritage, Azad Kashmir has enormous tourism potential. Azad Kashmir can produce huge cash by investing in infrastructural development and increasing tourism.

4.11.3. Public-Private Partnerships (PPPs)

In many nations, PPPs are an effective revenue generation approach. The government may deliver better public services and generate income by cooperating with private enterprises and leveraging their knowledge, technology, and resources. PPPs have been used successfully in a variety of industries, including infrastructure development, energy, and healthcare. (World Bank, 2021).

4.11.4. E-commerce

The rise of e-commerce has created new economic prospects. Numerous countries and regions have expanded their e-commerce industries successfully, attracting millions of clients globally. For example, China's e-commerce behemoth Alibaba has trans3formed online shopping, producing billions of dollars in sales. Azad Kashmir may capitalise on the promise of e-commerce by investing in the development of its e-commerce industry. (Insider Intelligence, 2022).

4.11.5. Agriculture

Agriculture is an important source of money in many countries. Countries like the Netherlands, Israel, and New Zealand have successfully grown their agricultural industries, exporting high-quality agricultural products all over the world (The Global Economy Ranking, 2023). Because of its fertile soil and suitable climate, Azad Kashmir has great agricultural potential. Azad Kashmir may produce large cash by investing in agriculture and cultivating high-value crops.

5. Conclusion

The critical examination of revenue creation in Azad Jammu and Kashmir (AJK) reveals that the region faces significant challenges in establishing sustainable revenue streams. The government's primary sources of revenue include taxation, fees, and federal grants. However, these sources fall short of meeting the growing developmental needs of the region, which remain substantial. One of the foremost concerns is AJK's limited resource base. The region's ability to generate revenue is severely constrained by its small industrial sector and inadequate natural resources. This limitation is further compounded by the region's lack of infrastructure, political instability, and weak economic conditions, which collectively exacerbate the revenue generation challenges. Addressing these complex issues requires a comprehensive and strategic approach aimed at diversifying AJK's revenue streams.

A key priority for the government should be the development of the tourism sector, which holds significant potential given the region's natural beauty and cultural heritage. By investing in tourism infrastructure, marketing, and services, AJK can attract both domestic and international tourists, thereby creating a robust source of income. In addition to tourism, promoting small and medium-sized enterprises (SMEs) is crucial. SMEs can play a pivotal role in economic development by creating jobs, fostering innovation, and expanding the tax base. The government should provide incentives, training, and access to finance to support the growth of SMEs in AJK.

Another critical area for investment is the energy sector. AJK has the potential to harness renewable energy sources such as hydropower, solar, and wind energy. By investing in energy projects, the region can not only meet its own energy needs but also generate surplus electricity for export to other parts of Pakistan, creating a valuable revenue stream. Furthermore, the development of energy infrastructure would attract investment, reduce energy costs, and improve the overall economic environment.

Upgrading infrastructure is another essential component of this strategy. The development of roads, bridges, telecommunication networks, and other vital infrastructure is imperative for attracting investment and fostering economic growth. Improved infrastructure would facilitate trade, enhance connectivity, and reduce the cost of doing business in the region. It would also improve access to remote areas, enabling the exploitation of untapped natural resources and the development of new economic activities.

Additionally, enhanced coordination between the federal government and AJK is necessary to ensure equitable resource sharing and development opportunities. The federal government has a crucial role to play in supporting AJK's revenue generation efforts. This support could come in the form of technical assistance, financial aid, and policy alignment. For instance, the federal government could help AJK in capacity building, improving tax administration, and developing sector-specific strategies to boost revenue. Furthermore, policies that promote investment, trade, and economic cooperation between AJK and the rest of Pakistan would be beneficial for the region's revenue generation efforts.

In conclusion, while AJK's revenue generation challenges are significant, they are by no means insurmountable. With a multi-pronged approach that focuses on revenue diversification, infrastructure development, and improved inter-governmental coordination, AJK can overcome these challenges and pave the way for long-term economic sustainability. By strategically leveraging its unique strengths and addressing its weaknesses, AJK has the potential to build a resilient economy that can support its developmental aspirations and improve the quality of life for its people. The path to sustainable revenue generation may be complex and require concerted efforts, but with the right policies and investments, AJK can secure a prosperous future.

5.1. Recommendations

Table 13:Short Term Recommendations

Establish a shared understanding of economic development priorities:	A shared understanding of economic development priorities and goals is critical. Azad Kashmir stakeholders should meet to discuss and establish priority areas for economic growth. This will aid in the alignment of income generation initiatives with broader economic development objectives.
Create a comprehensive strategy:	A comprehensive strategy is critical for integrating income generation initiatives with broader economic development objectives. Stakeholders should collaborate to create a strategy that outlines specific revenue generation and economic development objectives, targets, and activities.
Midterm recommendations	
Involve stakeholders in the development of the revenue generation strategy:	It is critical to involve stakeholders in the development of the revenue generation plan. Stakeholders should be involved in identifying possible revenue streams, evaluating their viability, and devising implementation plans.
Monitor and analyse progress:	To ensure that the strategy is on track and to identify areas for improvement, it is critical to monitor and evaluate progress towards income generation goals. Stakeholders should put in place a mechanism for tracking performance, measuring effect, and

	identifying areas for improvement.
Long Term Recommendations	
Assess the influence of revenue generation on economic development:	Studies should be conducted to examine the impact of revenue generation on economic development in emerging countries. This involves evaluating the efficacy of income generation initiatives in accomplishing broader economic development goals such as poverty reduction, job creation, and long-term growth.
Examine the influence of Globalization on revenue creation:	Globalization has produced new opportunities and difficulties for emerging countries' revenue generation. Further research is needed to understand the influence of globalisation on revenue generation activities, as well as how to use globalisation to achieve broader economic development goals.

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