

CHAPTER-II

FINANCES OF THE STATE

Chapter II: Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates during 2019-20 vis-à-vis 2018-19

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by ₹ 305.10 crore (3.14 per cent) ✓ Own Tax receipts of the State increased by ₹ 98.01 crore (5.47 per cent) ✓ Own Non-tax receipts increased by ₹ 102.41 (23.94 per cent) ✓ State's Share of Union Taxes and Duties decreased by ₹ 677.29 crore (13.85 per cent) ✓ Grants-in-Aid from Government of India increased by ₹ 171.77 crore (6.58 per cent)
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure decreased by ₹ 690.82 crore (6.74 per cent) ✓ Revenue expenditure on General Services increased by ₹ 131.82 crore (3.73 per cent) ✓ Revenue expenditure on Social Services decreased by ₹ 375.81 crore (9.17 per cent) ✓ Revenue expenditure on Economic Services decreased by ₹ 446.83 crore (17.05 per cent) ✓ Expenditure on Grants-in-Aid decreased by ₹ 395.84 crore (12.08 per cent)
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by ₹ 477.57 crore (33.70 per cent) ✓ Capital expenditure on General Services decreased by ₹ 37.25 crore (43.83 per cent) ✓ Capital expenditure on Social Services decreased by ₹ 66.92 crore (18.59 per cent) ✓ Capital expenditure on Economic Services decreased by ₹ 373.40 crore (38.40 per cent)
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by ₹ 45.71 crore (51.08 per cent) ✓ Recoveries of Loans and Advances increased by ₹ 13.31 crore (73.90 per cent)
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by ₹ 171.33 crore (12.93 per cent) ✓ Repayment of Public Debt increased by ₹ 22.77 crore (5.75 per cent)

Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by ₹ 702.40 crore (15.38 per cent) ✓ Disbursement of Public Account decreased by ₹ 326.48 crore (7.47 per cent)
Cash Balance	✓ Cash balance decreased by ₹ 209.09 crore (25.68 per cent)
Fiscal Deficit	<ul style="list-style-type: none"> ✓ Total expenditure decreased by ₹ 1214.10 crore (1.09 per cent) ✓ Revenue receipts decreased by ₹ 305.10 crore (3.14 per cent) ✓ Recoveries of Loans and Advances increased by ₹ 13.31 crore (73.90 per cent) ✓ Fiscal Deficit decreased by ₹ 922.31 crore (45.52 per cent)

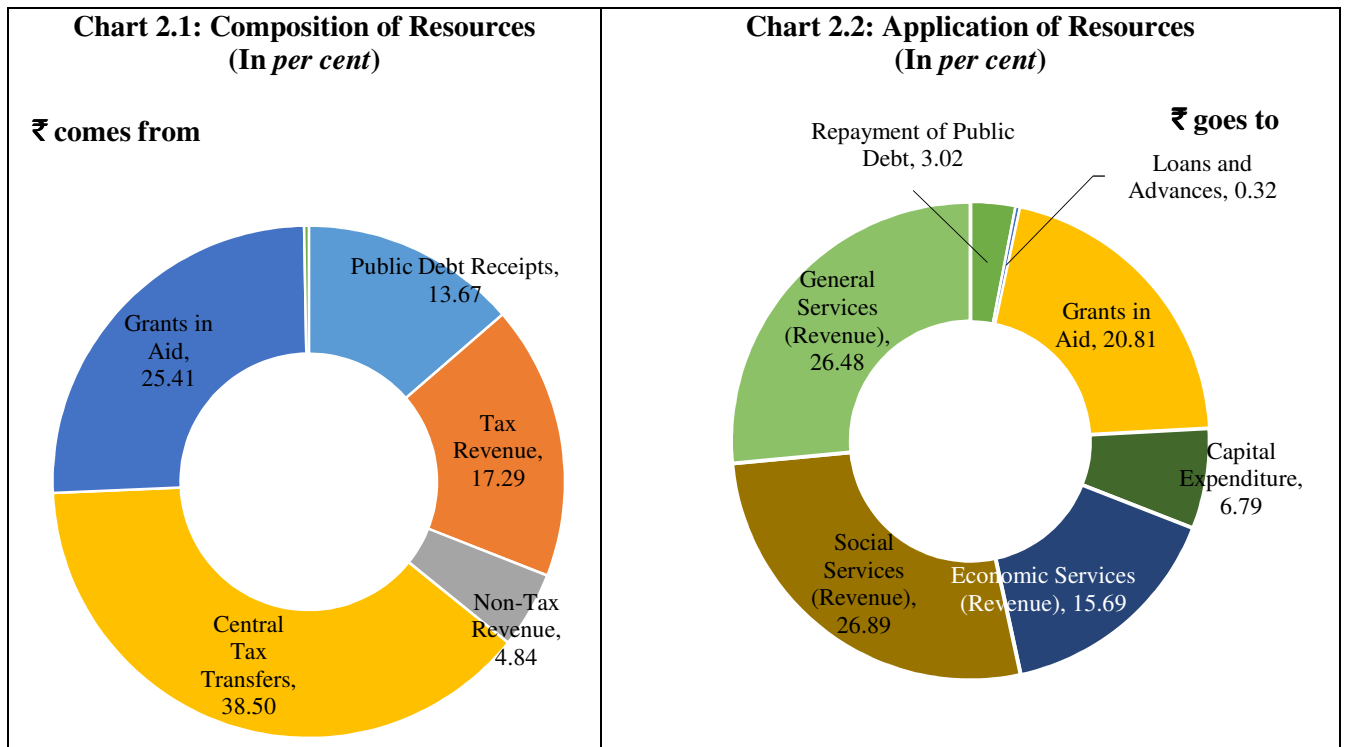
Each of the above indicators is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2018-19 in figures, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20
(₹ in crore)

	Particulars	2018-19	2019-20	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance with RBI	1715.96	814.33	(-)901.63
	Revenue Receipts	9718.62	9413.52	(-)305.10
	Recoveries of Loans and Advances	18.01	31.32	13.31
	Public Debt Receipts (Net)	928.75	1077.31	148.56
	Public Account Receipts (Net)	195.70	-180.67	(-)376.37
	Total	12577.04	11155.81	(-)1421.23
Application	Revenue Expenditure	10255.94	9565.12	(-)690.82
	Capital Expenditure	1417.28	939.71	(-)477.57
	Disbursement of Loans and Advances	89.49	43.78	(-)45.71
	Contingency Fund disbursement	-	1.96	1.96
	Closing Cash Balance with RBI	814.33	605.24	(-)209.09
	Total	12577.04	11155.81	(-)1421.23



2.4 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

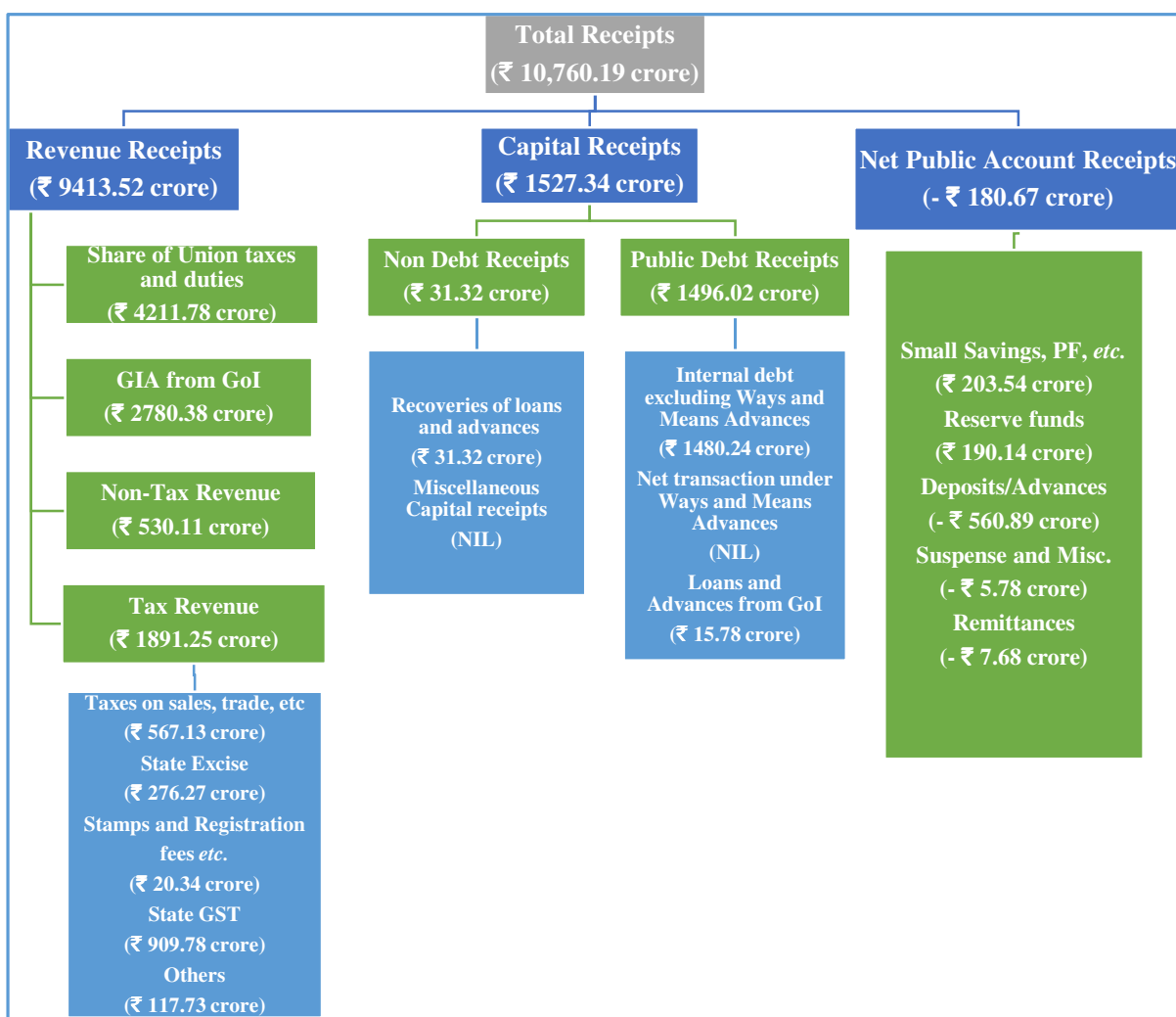
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.4.1 Receipts of the State

Chart 2.3 provides the composition of the overall receipts of the State. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Chart 2.3: Composition of receipts of the State during 2019-20



The total receipts of the State for 2019-20 was ₹ 10760.19 crore, of which ₹ 9413.52 crore (87.45 per cent) came from Revenue receipts, while ₹ 1527.34 crore (14.19 per cent) came from recoveries of loans and advances and public debt receipts, which was offset by an amount of ₹ 180.67 crore (1.67 per cent) from the net public account receipts.

2.4.2 State's Revenue Receipts

This paragraph discusses the trends in revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.4.2.1 Trends and growth of Revenue Receipts

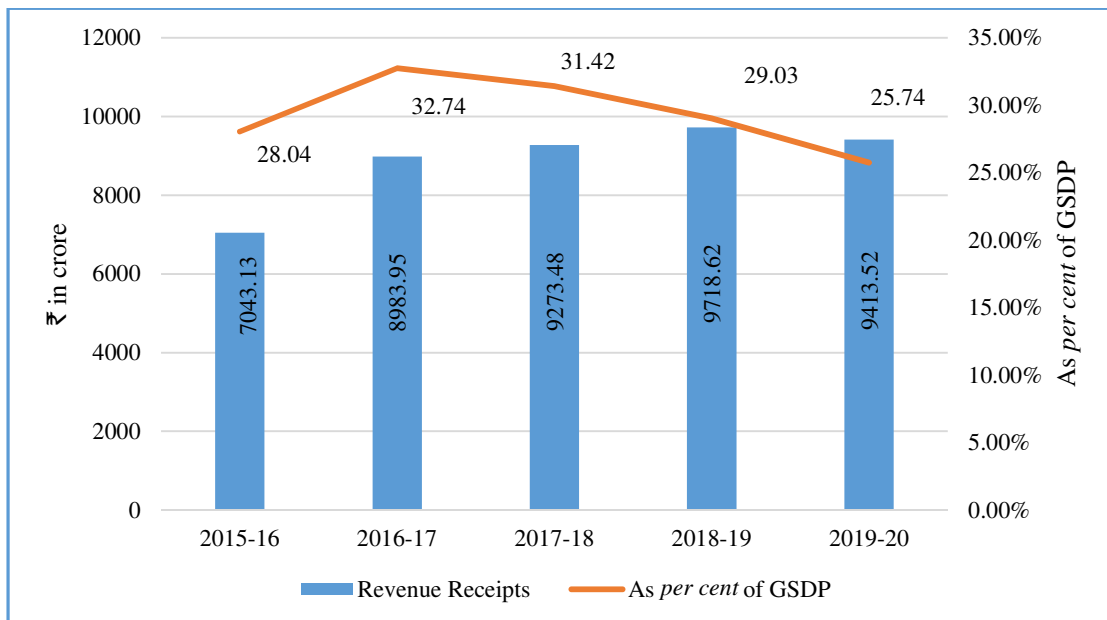
Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and components of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Own Tax Revenue	1056.82	1186.01	1450.10	1793.24	1891.25
Non-Tax Revenue	228.60	685.24	366.63	427.70	530.11
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	0.23	45.57	-2.91	22.25	9.02
Revenue Receipts (RR) (₹ in crore)	7043.13	8983.95	9273.48	9718.62	9413.52
Rate of growth of RR (<i>per cent</i>)	9.57	27.56	3.22	4.80	-3.14
Gross State Domestic Product (₹ in crore) (2011-12 Series)	25117	27439	29508	33481	36572
Rate of growth of GSDP (<i>per cent</i>)	8.10	9.24	7.54	13.46	9.23
RR/GSDP (<i>per cent</i>)	28.04	32.74	31.42	29.03	25.74
Buoyancy Ratios ¹					
Revenue Buoyancy w.r.t GSDP	1.18	2.98	0.43	0.36	-0.34
State's Own Revenue Buoyancy w.r.t GSDP	0.03	4.93	-0.39	1.65	0.98

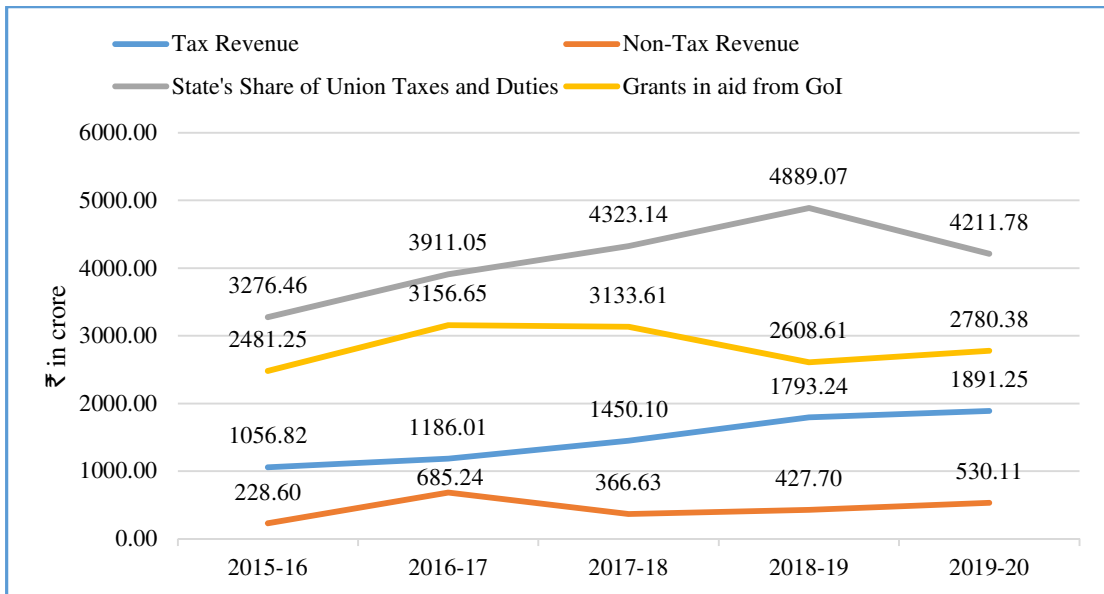
Source of GSDP figures: Information as released by Ministry of Statistics and Programme Implementation, Government of India on its website as on 31 July 2020.

Chart 2.4: Trend of Revenue Receipts as percentage of GSDP



¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

Chart 2.5: Trend of components of Revenue Receipts



General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by 33.66 per cent from ₹ 7043.13 crore in 2015-16 to ₹ 9413.52 crore in 2019-20 at an average compound annual growth rate of 219.11.
- State's own revenue has grown by 9.02 per cent compared to 22.25 per cent in the previous year. This included Goods and Services Tax (GST) collection of ₹ 909.78 crore as compared to ₹ 805.96 crore in 2018-19, registering an increase of ₹ 103.82 crore (12.88 per cent). This included Advance Apportionment of Integrated Goods and Services Tax (IGST) amounting to ₹ (-) 11.45 crore.
- Though the State GSDP grew at 9.23 per cent over 13.46 per cent in the previous year, the share of revenue receipts in the GSDP came down from 29.03 per cent to 25.74 per cent. At the same time, the revenue buoyancy vis-à-vis growth in the State GSDP, which has been less than one in the past two years indicating that revenue growth has stagnated and not responsive to GSDP growth, became negative (-0.34) in 2019-20. This indicates inefficiency in revenue generation and higher cost of collection.
- About 25.72 per cent of the Revenue Receipts during 2019-20 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 74.28 per cent. Hence, Central Tax Transfers and Grants-in-Aid continued to be the main source of Revenue Receipts for the State of Meghalaya, as for the other North Eastern States.
- During the current year, even though there was a decrease of 6.74 per cent (₹ 690.82 crore) in Revenue Expenditure, the State could not achieve Revenue Surplus as there was also a corresponding decrease of 3.14 per cent (₹ 305.10 crore) in Revenue Receipts compared to the previous year.

2.4.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2015-20 are given in *Appendix 2.1*.

Charts 2.6 and 2.7 present the growth and component of Own Tax Revenue of the State during the five-year period 2015-20.

Chart 2.6: Growth of Own Tax Revenue during 2015-20

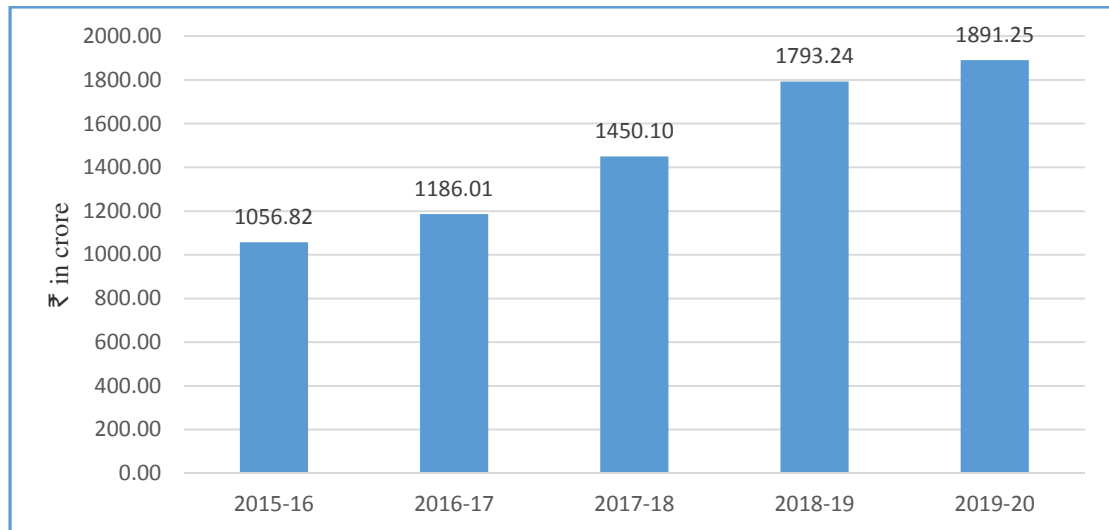


Chart 2.7: Components of State's own tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Sales Tax	811.79	931.06	766.63	627.50	567.13	
SGST	...	...	376.00	805.96	909.78	
State excise	170.04	168.98	199.30	226.21	276.27	
Taxes on vehicles	42.01	48.22	67.01	86.95	99.24	
Stamp duty and Registration fees	12.74	17.19	20.25	26.19	20.34	
Land revenue	3.18	1.27	2.08	2.73	1.00	
Taxes on goods and passengers	...	...	7.83	8.45	9.13	
Other taxes	17.06	19.29	11.00	9.25	8.36	
Total	1,056.82	1,186.01	1,450.10	1,793.24	1,891.25	

Source: Finance Accounts.

Own tax revenue of the State increased by ₹ 98.01 crore from ₹ 1793.24 crore in 2018-19 to ₹ 1891.25 crore in 2019-20 at an average compound annual growth rate of 5.47. The contributors of Tax Revenue during the current year were Goods and Services Tax (48.10 per cent), Sales Tax (30.00 per cent), State Excise (14.61 per cent), Taxes on vehicles (5.25 per cent), Stamp duty and Registration fees (1.08 per cent), taxes on

goods and passengers (0.48 per cent) and other taxes including Land Revenue (0.49 per cent).

The increase in the own tax revenue over the previous year was mainly due to increase in collection of taxes under SGST by ₹103.82 crore (12.88 per cent), State excise by ₹ 50.06 crore (22.13 per cent), taxes on vehicles by ₹ 12.29 crore (14.13 per cent) and Taxes on Goods and Passengers by ₹ 0.68 crore (8.05 per cent) which was offset by reduction of collection of taxes under Sales Tax by ₹ 60.37 crore (9.62 per cent), Stamp duty and registration fees by ₹ 5.85 crore (22.34 per cent), Land Revenue by ₹ 1.73 crore (63.37 per cent) and other taxes by ₹ 0.89 crore (9.62 per cent).

2.4.2.3 State Goods and Services Tax (SGST)

The Meghalaya Goods and Services Tax Act, 2017 was passed by the State Legislature on 15 June 2017 and made effective from 01 July 2017.

Registration under Goods and Services Tax (GST)

The State had 30599 registered dealers under the Meghalaya Value Added Tax (MVAT) Act as on 30 June 2017. The Taxation Department during the period from 1 July 2017 to 31 August 2020 registered 23426 dealers under the GST of which registration of 2774 dealers under GST were cancelled. Thus, as on 31 August 2020 there were 20652 registered dealers under GST with the State Taxation Department, out of which 10321² GST registrations pertained to dealers who had migrated from MVAT to GST and 11507 GST registrations were new addition.

The position of migrated dealers and GST dealers under State jurisdiction during the period from 1 July 2017 to 31 August 2020 is shown in the table below:

Table 2.4: Position of migrated dealers and GST dealers under State jurisdiction

Between 1 July 2017 and 31 March 2019		Between 1 April 2019 and 31 December 2019		Between 1 January 2020 and 31 August 2020		Total	
Migrated Dealers	New Dealers	Migrated Dealers	New Dealers	Migrated Dealers	New Dealers	Migrated Dealers	New Dealers
9145	8548	-	2055	-	904	9145	11507

Source: Information provided by Taxation Department.

Out of 30599 MVAT dealers registered in the State under the State Taxation Department as on 30 June 2017, only 10321 MVAT dealers could be found registered under GST during the period from 1 July 2017 to 31 August 2020, accounting for only about 33.73 per cent of the MVAT dealers.

Filing of GST Returns

The position of various GSTR returns to be filed and compliance by dealers during the period from 1 July 2017 to 31 August 2020 is as under:

² Out of 10321 migrated dealers from MVAT to GST, 9145 dealers are in State jurisdiction and 1176 dealers are in Centre jurisdiction.

Table 2.5: Position of various GSTR returns

Returns	Periodicity	Category of dealers to file	Total number of dealers	Total number of returns to be filed	Total number of returns actually filed	Percentage of returns filed
GSTR 1	Monthly	Regular	18811	647786	218388	33.71
GSTR 3B	Monthly	Regular	18811	647786	413313	63.80
GSTR 7	Monthly	TDS	310	10101	2034	20.13
GSTR 8	Monthly	TCS	31	944	296	31.36
GSTR 9	Annual	Regular	18811	49927	8239	16.50
GSTR 9A	Annual	Composition	1841	5207	Details not provided	-

Source: Information provided by Taxation Department.

From the table above, the following observations are made:

- The filing of GSTR 1 and GSTR 3B returns is mandated under Section 37 and 39(1) of the Meghalaya Goods and Services Tax (MGST) Act. GSTR 1 and GSTR 3B are monthly returns required to be filed by Regular dealers. However, it is seen that GSTR 3B returns filed were found to be higher in number than the GSTR 1 returns filed during the same period. The returns filed aggregated 33.71 per cent and 63.80 per cent respectively. The filing of GSTR 9 returns accounts for only 16.50 per cent.
- The GSTR 7 (Tax Deducted at Source) and GSTR 8 (Tax Collection at Source i.e., e-commerce dealers) returns filed during the period aggregated only 20.13 per cent and 31.36 per cent respectively.
- Detail of filing of GSTR 9A returns by Composition dealers was not provided by the Taxation Department.

GST Compensation

According to GST (Compensation to the States) Act 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation to be paid is calculated by taking into account the protected revenue³ with 2015-16 as the base year. In case of Meghalaya, the revenue during the base year 2015-16 was ₹ 636.17 crore. The protected revenue of the State for the year 2019-20 works out to ₹ 1074.00 crore.

Details of SGST and compensation received by the State during April 2019 to March 2020 is given in **Table 2.6**.

³ Protected revenue is calculated/ arrived at by taking into consideration the revenue collected during the base year (2015-16) plus 14.00 per cent increase for every following year.

Table 2.6: Details of SGST and compensation received by the State

(₹ in crore)

Particulars	Amount
Revenue to be protected	1074.00
State Goods & Service Tax	909.78
Collection of Pre-GST Taxes	0.70
Total Collection	910.48
Compensation to be received during the year	163.52
Compensation received	166.00

Source: Commissioner of Taxes, Government of Meghalaya.

Under the GST (Compensation to States) Act, 2017, the State Government received compensation of ₹ 166.00 crore (including ₹ 9.00 crore pertaining to the year 2018-19 received during 2019-20) as Grant-in-aid from GoI. The compensation is provisional and subject to adjustment in subsequent financial year on receipt of audited figures.

Arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue. Similarly, arrears of assessment indicate potential revenue, which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

The arrears of revenue as on 31 March 2020 under some principal heads of revenue were ₹ 75.10 crore, as detailed in **Table 2.7**.

Table 2.7: Details of arrears of revenue collection

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
1	0040-Taxes on Sale, Trade, etc.	60.47	16.70
2	0039-State Excise	1.91	1.39
3	8782-Forest Remittance	12.72	5.08
	Total	75.10	23.17

Source: Information received from Taxation, Excise and Forest Departments.

From the table above, it could be seen that recovery of ₹ 75.10 crore was pending against three principal heads of revenue, which was 3.10 per cent of the State's own revenue collection for 2019-20. Revenue amounting to ₹ 23.17 crore (30.85 per cent of the total revenue arrears) was pending for recovery for more than five years.

The periodical tax returns filed by the dealers under Meghalaya Value Added Tax Act, 2003, are subject to assessment by the Taxation Authorities to verify and ascertain their correctness and completeness. The Taxation authorities may take recourse to best judgement assessment in case returns are not furnished by a registered dealer in the prescribed time limit. Since the MVAT has been replaced with Meghalaya SGST w.e.f. 01 July 2017, it is important that the assessments under the previous tax regime are completed and revenue arrears are recovered.

The details of cases of Sales Tax/VAT pending for assessment at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and cases pending for finalisation at the end of the year are shown in **Table 2.8**.

Table 2.8: Arrears of assessments of VAT

Head of revenue	Opening balance as on 1 April 2019	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year
0040-Taxes on Sales, Trade, etc.	100991	837	101828	33829	68000

Source: Information received from the Taxation Department

From the table above, it is seen 33829, i.e. 33.22 per cent of the total pending cases were disposed off during 2019-20. There were, however, 68,000 cases (66.78 per cent) cases pending for assessment at the end of the year. Government should put in place a mechanism to expedite the disposal of cases pending for assessment, before expiring of the statutory period.

Details of evasion of tax detected by Department refund cases etc.

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Details of evasion of tax detected during the year 2019-20 are given in the table below:

Table 2.9: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	0040 – Taxes/VAT on sales, Trade	2201	-	2201	-	-	2201
2	0006 – SGST	-	-	-	-	-	-

Source: Information furnished by Taxation Department.

It could be seen from the above table that during the year 2019-20, the Department did not detect evasion of tax and also did not dispose any cases and no demand noticed was raised. Further, the outstanding cases at the beginning of the year were still pending at the end of the year.

Pendency of Refund cases

Promptness in disposal of refund cases is an important indicator of performance of the Department. The number of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds made during the year and cases pending at the end of the year 2019-20, as reported by Taxation Department are given in the table below:

Table 2.10: Details of refund cases of Sales Tax/VAT& GST

Sl. No.	Particulars	Sales tax/VAT		GST	
		Number of cases	Amount	Number of cases	Number of cases
1.	Claims outstanding at the beginning of the year	26	16.83	Online	Online
2.	Claims received during the year	10	5.56	-	-
3.	Refunds made during the year	03	5.33	62	62
4.	Refunds rejected during the year	-	-	31	31
5.	Balance outstanding at the end of year	33	17.06	-	-

Source: Information furnished by Taxation Department.

It could be seen that out of 36 cases, refunds in only three cases (8.33 per cent) in case of sales tax/VAT and 78 (61.90 per cent) out of 126 cases in respect of GST, were made during the year. The Meghalaya Value Added Tax Act provides for the payment of interest at the rate of eight per cent per annum, if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund. The Department should take initiative to dispose the pending refund cases in a time bound manner.

2.4.2.4 Non Tax Revenue

Chart 2.8 presents the component-wise details of Non-Tax Revenue collected during the years 2015-20.

Chart 2.8: Components of State's non-tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Add Sparkline
Interest receipts	39.34	46.25	52.50	58.26	28.91	
Dividends and Profits	0.07	0.11	0.11	0.11	0.14	
Other Non-Tax Receipts	189.20	638.88	314.02	369.33	501.06	
a) Non-ferrous Mining and Metallurgy*	60.75	469.52	207.88	147.56	322.84	
b) Forestry and Wildlife	72.08	103.99	55.61	78.31	81.27	
c) Other Administrative Services	3.49	3.11	3.76	9.25	41.30	
d) Public Works	8.40	10.22	17.01	17.64	9.78	
e) Police	16.28	25.21	4.51	16.27	8.17	
f) Animal Husbandry	1.96	1.59	1.85	2.10	1.91	
g) Crop Husbandry	3.18	3.46	4.49	6.71	2.29	
h) Others	23.06	21.78	18.91	91.49	33.50	
Total	228.61	685.24	366.63	427.70	530.11	

Source: Finance Accounts.

Non-Tax Revenue, which ranged between 3.25 and 7.67 per cent of Total Revenue Receipts of the State during the five-year period from 2015-16 to 2019-20, increased significantly by ₹ 102.41 crore (23.94 per cent) during 2019-20 over the previous year. Major contributors for the increase in Non-Tax Revenue were Non-ferrous Mining and

Metallurgy⁴ (₹ 322.84 crore), Forest and Wildlife (₹ 81.27 crore) and other Administrative Services (₹ 41.30 crore) which increased by 118.79 per cent, 3.78 per cent and 466.49 per cent respectively over the previous year.

State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. **Table 2.11** presents the State's own tax and non-tax receipts for the year 2019-20 *vis-à-vis* assessments made by the XIV FC and the State Government in BE are given below:

Table 2.11: Tax and non-tax receipts *vis-à-vis* projections (₹ in crore)

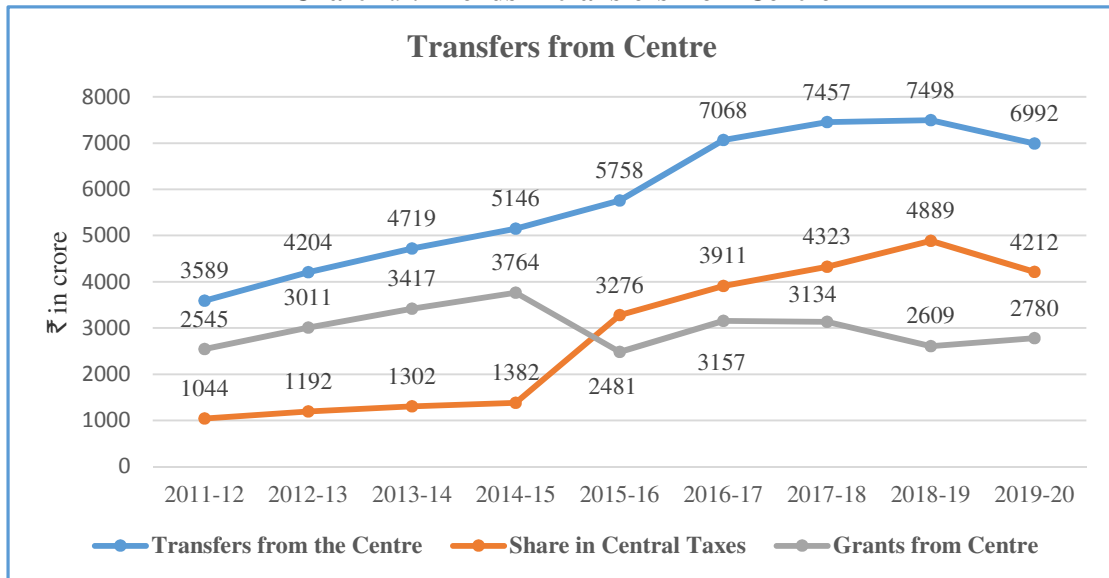
	FC projections	Budget Estimates 2019-20	Actual	Percentage variation of actual over	
				Budget Estimates	FC projections
Own Tax revenue	2798	2089.80	1891.25	9.50	32.41
Non-tax revenue	903	600.57	530.11	11.73	41.29

During the year, tax revenue was 32.41 per cent lower than the assessment made by the XIV FC and 9.50 per cent lower than the projection made in the BE. The non-tax revenue was 41.29 per cent lower than the target of XIV FC and 11.73 per cent lower than the assessment made in the BE for the year.

2.4.2.5 Transfers from the Centre

Transfer from the Centre includes Central Tax transfer (Share in Central Taxes) and Grants-in-aid. **Chart 2.9** present the trends in transfers from Government of India.

Chart 2.9: Trends in transfers from Centre



⁴ It is MH 0853- Non Ferrous Mining and Metallurgy which includes mineral concession fees, rents & royalties and Mines Department.

Central tax transfer

GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32.00 *per cent* to 42.00 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The details of Central tax transfers to the State during 2015-20 are given in **Table 2.12**.

Table 2.12: Central Tax Transfers**(₹ in crore)**

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	...	...	61.44	1206.74	1195.17
Integrated Goods and Services Tax (IGST)	...	...	436.56	96.30	Nil
Corporation Tax	1037.05	1254.73	1324.23	1700.27	1436.04
Taxes on Income other than Corporation Tax	726.90	872.03	1118.20	1252.18	1125.24
Customs	522.21	539.73	436.40	346.56	266.97
Union Excise Duties	428.74	616.32	456.20	230.32	185.63
Service Tax	559.87	625.36	490.15	44.70	Nil
Other Taxes ⁵	1.69	2.88	-0.04	12.00	2.73
Central Tax transfers	3276.46	3911.05	4323.14	4889.07	4211.78
Percentage of increase over previous year	137.13	19.37	10.54	13.09	-13.85
Percentage of Central tax transfers to Revenue Receipts	46.52	43.75	46.62	50.31	44.74

Source: Finance Accounts of respective years.

Over the five-year period 2015-20, Central tax transfers increased by 28.55 *per cent* from ₹ 3276.46 crore in 2015-16 to ₹ 4211.78 crore in 2019-20. The central tax transfers, however reduced by ₹ 677.29 crore (13.85 *per cent*) compared to the previous year.

During the exit conference, the Secretary, Finance Department stated (April 2021) that the central tax transfers to the State depend on the total divisible pool collected by the Central Government. The reasons for less release of the State's share of Central may be due to less collection by GoI from the shareable taxes and duties.

The State Government should therefore take steps to further augment its own tax and non-tax revenues to reduce its dependency on Central transfers and Grants.

Grants-in-aid from GoI

Grants-in-aid (GIA) received by the State Government from GoI during 2015-20 are detailed in **Table 2.13**.

⁵ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

Table 2.13: Grants-in-aid from Government of India**(₹ in crore)**

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	673.86	640.47	-	-	-
Grants for State Plan Schemes	1240.15	2263.52	-	-	-
Grants for Central Plan Schemes*	270.44	19.33	-	-	-
Grants for Centrally Sponsored Schemes	-	-	2145.85	2011.17	2314.17
Grants for Special Plan Schemes	100.44	95.14	-	-	-
Grants for Centrally Sponsored Plan Schemes (CSS)	196.36	138.19	-	-	-
Finance Commission Grants	-	-	499.96	225.60	63.93
Other transfers/Grants to States/Union Territories with Legislature	-	-	487.80	371.84	402.28
Total	2481.25	3156.65	3133.61	2608.61	2780.38
Percentage of increase over the previous year	-34.08	27.22	-0.73	-16.75	6.58
Percentage of GIA to Revenue Receipts	35.23	35.14	33.79	26.84	29.54

Source: Finance Accounts.

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Grants-in-aid from GoI increased by ₹ 171.77 crore (6.58 per cent) during the year compared to the previous year, constituting 29.54 per cent of Revenue Receipts during the year 2019-20. Grants for Centrally Sponsored Schemes (₹ 2,314.17 crore) to the State constituted 83.23 per cent of the total grants received during the year. While there was a substantial reduction in Finance Commission (FC) Grants (₹ 161.67 crore) during the year as compared to previous year. FC Grants (₹ 63.93 crore) to the State were provided for Urban Local Bodies (ULBs) and State Disaster Response Fund (SDRF) and constituted 2.30 per cent of total grants received during the year.

Fourteenth Finance Commission Grants

XIV FC grants were provided to the States for local bodies and SDRF. The details of grants recommended by XIV FC and provided by GoI to the State during the award period are given in **Table 2.14**.

Table 2.14: Recommended amount, actual release and transfers of Grants-in-aid
(₹ in crore)

Transfers	Recommendation of the XIV FC 2015-20	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government		
		2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
Grants to ULBs										
(a) General Basic Grant	25.22	17.65	7.57	25.22	-	25.23	25.23	-	25.23	25.23
(b) General Performance Grants	6.30	4.22	2.08	6.30	-	-	-	-	-	-
Total for ULBs	31.52	21.87	9.65	31.52	-	25.23	25.23	-	25.23	25.23
SDRF*	120.00	93.00	27.00	120.00	81.00	38.70	119.70	90.00	43.00	133.00
Grand Total	151.52	114.87	36.65	151.52	81.00	63.93	144.93	90.00	68.23	158.23

* Including State share of 10 per cent of total grant.

Source: XIV-FC Report and information furnished by the Departments.

During XIV FC award period, the State did not receive any General Performance Grant (₹ 6.30 crore envisaged by XIV FC).

2.4.3 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Table 2.15 shows the trends in growth and composition of Capital Receipts.

Table 2.15: Trends in growth and composition of capital receipts

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	856.01	1229.24	1242.59	1342.70	1527.34
Miscellaneous Capital Receipts	NIL	NIL	NIL	NIL	NIL
Recovery of Loans and Advances	19.08	18.81	17.45	18.01	31.32
Net Public Debt Receipts	836.93	1210.43	1225.14	1324.69	1496.02
Internal Debt	834.70	1206.16	1218.47	1302.28	1480.24
Growth rate	15.58	44.50	1.02	6.88	13.67
Loans and advances from GoI	2.23	4.27	6.67	22.41	15.78
Growth rate	-53.25	91.48	56.21	235.98	-29.59
Rate of growth of debt Capital Receipts	15.13	44.63	1.22	8.13	12.93
Rate of growth of non-debt capital receipts	-3.44	-1.42	-7.23	3.21	73.90
Rate of growth of GSDP	8.10	9.24	7.54	13.46	9.23
Rate of growth of Capital Receipts (per cent)	14.64	43.60	1.09	8.06	13.75

Source: Finance Accounts.

Capital Receipts increased by 78.43 *per cent* from ₹ 856.01 crore in 2015-16 to ₹ 1527.34 crore in 2019-20. Major portion of Capital Receipts comprises of Public debt receipts which create future repayment obligation and are taken from Market, Financial Institutions and Central Government.

2.5 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

2.5.1 Growth and composition of expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2015-16 to 2019-20 is presented in **Table 2.16**.

Table 2.16: Total expenditure and its composition

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	7616.97	9657.17	9428.17	11762.71	10548.61
Revenue Expenditure (RE)	6347.73	8336.54	8422.68	10255.94	9565.12
Capital Expenditure (CE)	1110.89	1289.80	983.44	1417.28	939.71
Loans and Advances	158.35	30.83	22.05	89.49	43.78
As a percentage of GSDP					
TE/GSDP	30.33	35.20	31.95	35.13	28.84
RE/GSDP	25.27	30.38	28.54	30.63	26.15
CE/GSDP	4.42	4.70	3.33	4.23	2.57
Loans and Advances/GSDP	0.63	0.11	0.07	0.27	0.12

The above table shows that Total Expenditure of the State increased by 38.49 *per cent* from ₹ 7616.97 crore in 2015-16 to ₹ 10548.61 crore in 2019-20. As a percentage of GSDP, the Total Expenditure remained in the range of 28.84 *per cent* to 35.20 *per cent* during 2015-20. Further, it is seen that Capital expenditure has significantly decreased during 2019-20 as compared to previous year, with its share as a percentage of GSDP decreasing from 4.23 *per cent* during 2018-19 to 2.57 *per cent* during 2019-20.

Charts 2.10 and 2.11 present the trends in Total Expenditure relative to the share of its components and activities during the years 2015-16 to 2019-20.

Chart 2.10: Total Expenditure: Trends in share of its components

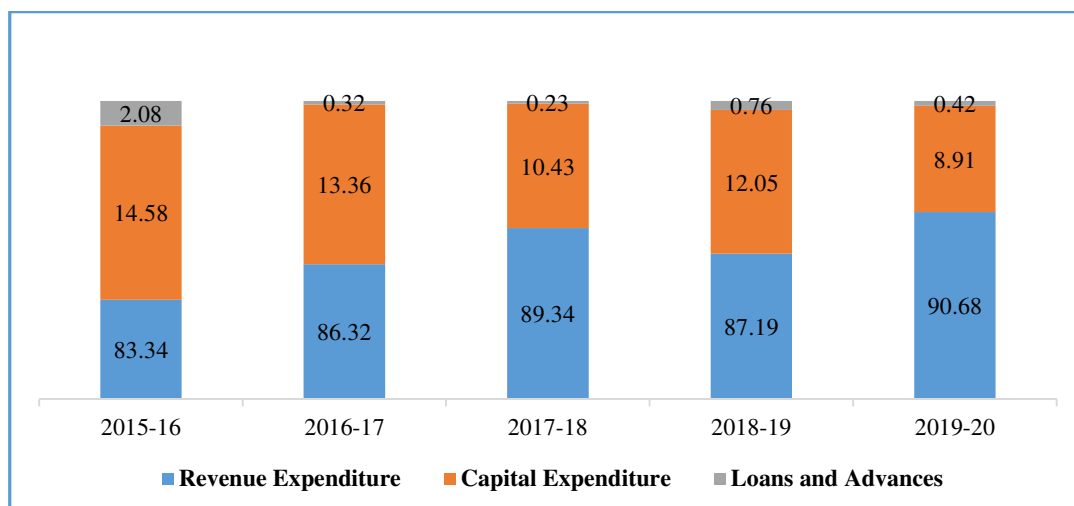


Chart 2.11: Total expenditure - Expenditure by activities

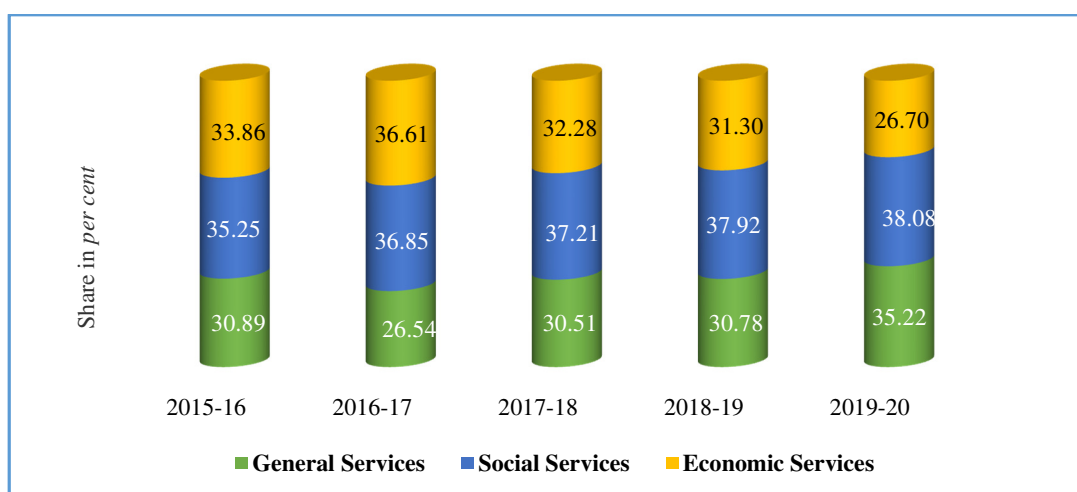
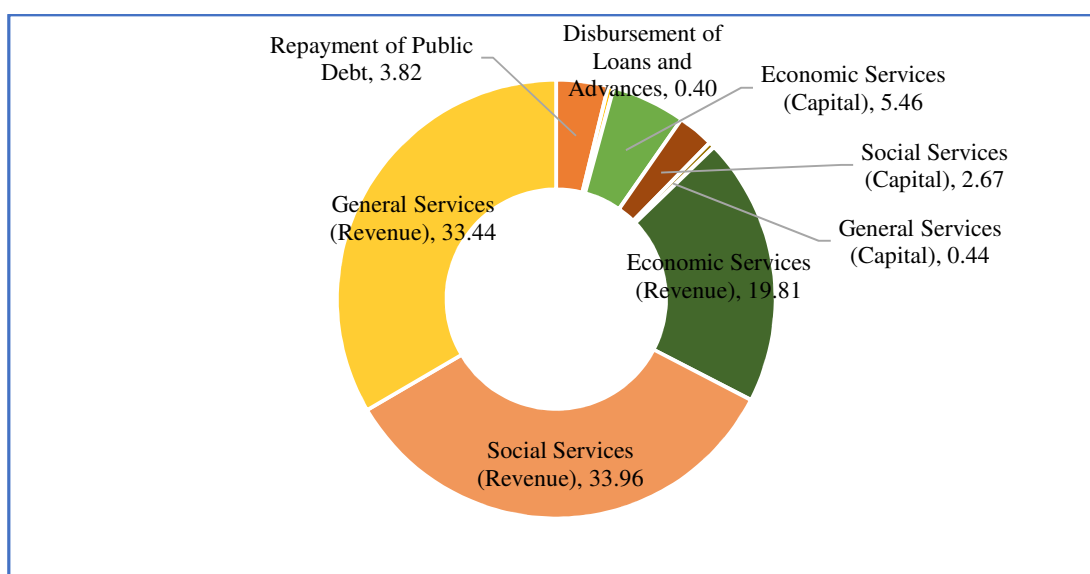


Chart 2.12 present the composition of expenditure during the year 2019-20.

Chart 2.12: Pie Chart for the composition of expenditure (in per cent)



As is evident from above, Revenue Expenditure as a percentage of Total Expenditure increased from 87 per cent in 2018-19 to 91 per cent in 2019-20 and Capital Expenditure as a percentage of Total Expenditure decreased from 12 per cent in 2018-19 to 9 per cent in 2019-20. In terms of activities, Total expenditure is composed of expenditure on General Services, Social services, Economic Services and others.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.17** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.13**.

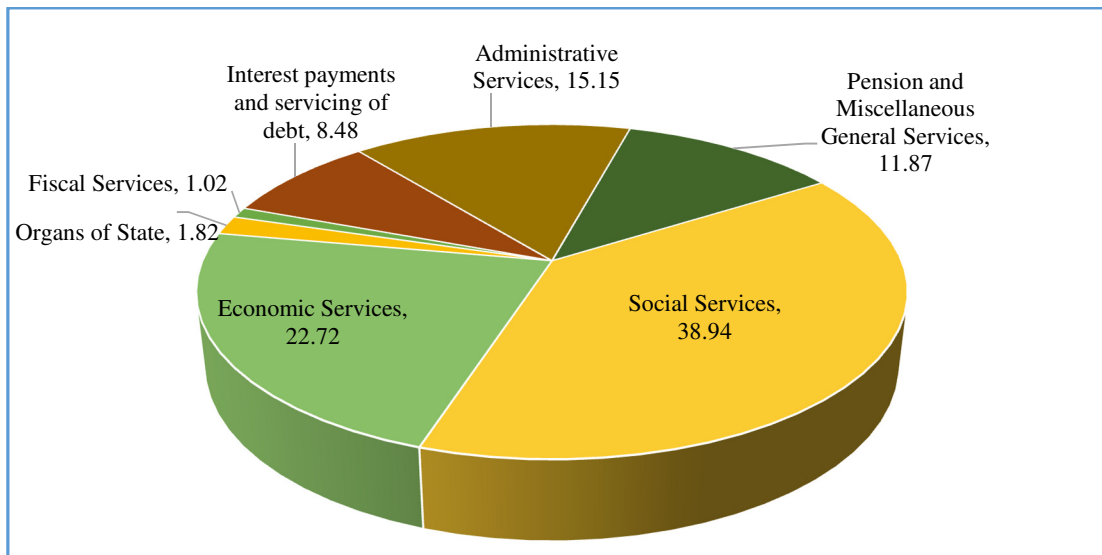
Table 2.17: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	7616.97	9657.17	9428.17	11762.71	10548.61
Revenue Expenditure (RE)	6347.73	8336.54	8422.68	10255.94	9565.12
Rate of Growth of RE (<i>per cent</i>)	1.53	31.33	1.03	21.77	-6.74
Revenue Expenditure as percentage of TE	83.34	86.32	89.34	87.19	90.68
RE/GSDP (<i>per cent</i>)	25.27	30.38	28.54	30.63	26.15
RE as percentage of RR	90.13	93.26	90.83	105.53	101.61
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.19	3.39	0.14	1.62	-0.73
Revenue Receipts (ratio)	0.16	1.14	0.32	4.54	2.15

Source: Finance Accounts of respective years.

Chart 2.13: Sector-wise distribution of revenue expenditure



Revenue Expenditure formed on an average 87.37 per cent (ranging from 83.34 per cent in 2015-16 to 90.68 per cent in 2019-20) of the total expenditure during the period 2015-20.

During 2019-20, Revenue Expenditure has decreased over the previous year by ₹ 690.82 crore and has dipped as a percentage of GSDP from 30.63 per cent during 2018-19 to 26.15 per cent during the current year.

An analysis of the reasons for substantial reduction in revenue expenditure compared to the previous year, revealed that there were five Major Heads under Economic and Social Services where revenue expenditure had decreased by over ₹ 100 crore as compared to the previous year. There was a gross reduction of revenue expenditure of ₹ 713.01 crore, as shown in **Table 2.18** below:

Table 2.18: Substantial decrease in revenue expenditure (more than ₹ 100 crore) Major Head-wise

Sl. No.	Major Head	Expenditure		Decrease	
		2018-19	2019-20	Amount	Percentage
(₹ in crore)					
Economic Services					
1.	2801 – Power	162.92	19.92	143.00	88
2.	2515 – Other Rural Development Programmes	245.68	123.87	121.81	50
3.	3451 – Secretariat – Economic Services	383.17	248.35	134.82	35
Social Services					
1.	2235 – Social Security and Welfare	282.93	175.20	107.73	38
2.	2210 – Medical and Public Health	961.61	755.96	205.65	21
	Total			713.01	

Source: Finance Accounts 2019-20.

It was seen that the State government cut grants-in-aid meant for projects like up gradation of electrical sub-stations, hydro power projects, special rural works programmes, construction of working women's hostel, pension welfare for handicapped, implementation of Persons with Disability Act, CM's social assistance programme and contribution to the flexi pool under National Health Mission *etc.*

Thus, it is evident that though the State Government had reduced the revenue expenditure and was able to maintain the fiscal deficit as per the FRBM targets; it was at the cost of development expenditure under Social and Economic Services and not due to any prudential financial management policies.

2.5.2.1 Committed expenditure

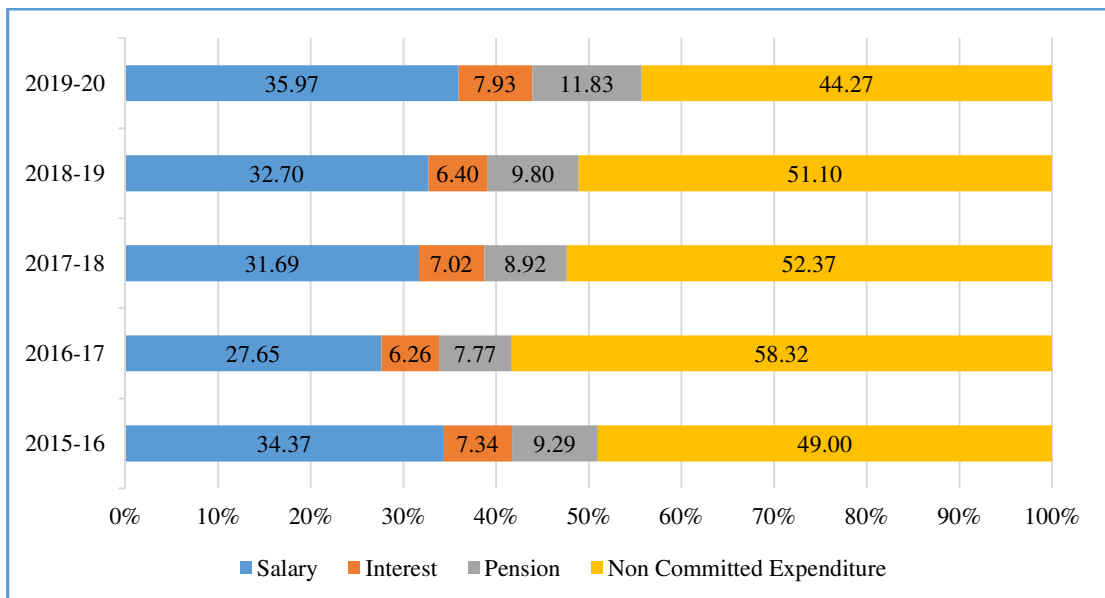
The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. The MFRBM Act, 2006, prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

Table 2.19 presents the trends in the components of committed expenditure during 2015-20. Percentage of committed expenditure to Revenue Expenditure during 2015-20 is given in **Chart 2.14**.

Table 2.19: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	2181.80	2305.16	2669.48	3353.65	3440.17
Expenditure on Pensions	589.44	647.85	750.90	1004.91	1131.56
Interest Payments	465.88	522.23	591.18	656.81	758.51
Total	3237.12	3475.24	4011.56	5015.37	5330.24
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	30.98	25.66	28.79	34.51	36.54
Expenditure on Pensions	8.37	7.21	8.10	10.34	12.02
Interest Payments	7.34	5.81	6.37	6.76	8.06
Total	46.69	38.68	43.26	51.61	56.62
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	34.37	27.65	31.69	32.70	35.97
Expenditure on Pensions	9.29	7.77	8.92	9.80	11.83
Interest Payments	7.34	6.26	7.02	6.40	7.93
Total	51.00	41.68	47.63	48.90	55.73

Chart 2.14: Share of Committed expenditure in total Revenue Expenditure



As can be seen from the details tabulated above, the committed expenditure during the current year was 55.73 per cent of Revenue Expenditure which was the highest during the five-year period 2015-20, while it accounted for 56.62 per cent of the Revenue Receipts of the State. The details of various component of the committed expenditure are discussed below.

Salaries and Wages

There was a significant increase of ₹ 684.17 crore (25.63 per cent) in expenditure on salaries & wages during 2018-19 due to implementation of recommendation of the Fifth Meghalaya Pay Commission. The increase during the current year was, however, ₹ 86.52 crore (2.57 per cent) over the previous year. The expenditure on salaries & wages as a percentage of Revenue Receipts and Revenue Expenditure was the highest in 2019-20 during the last five years.

Interest Payments

Interest payments (₹ 758.51 crore) as a percentage of Revenue Expenditure constituted 7.93 per cent in 2019-20 while it was 6.40 per cent during the previous year. In absolute terms interest payments increased by ₹ 292.63 crore from ₹ 465.88 crore in 2015-16 to ₹ 758.51 crore in 2019-20. The overall interest payments were much higher than the projections made in the XIV FC (₹ 624.00 crore).

Pension

The pension payments (including other retirement benefits) indicated an increasing trend during the five-year period 2015-20. Pension payments during the current year had increased by ₹ 126.65 crore, an increase of 12.60 per cent over the previous year.

Undischarged liabilities in National Pension System

Government introduced the 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on or after 01 April 2010. Under this system, employees contribute 10 per cent basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contribution are initially transferred to the Public Account (Major Head '8342-117-Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS. The State Government opens a Current Account with the Bank for parking the funds before transfer to NSDL. As on 31 March 2020, there were 13,242 employees under NPS of which 12,776 employees had been allotted Permanent Retirement Account Number (PRAN).

The details of funds under NPS and amount transferred to NSDL during 2015-20 are shown in the **Table 2.20** below:

Table 2.20: Details of funds under NPS during 2015-20

(₹ in crore)

Year	Opening Balance	Contribution			Transfer to NSDL	Less Transfer	Closing Balance
		Employees	Employer	Total			
2015-16	0.05	15.31	15.00	30.31	30.33	-0.02	0.03
2016-17	0.03	22.08	22.50	44.58	44.08	0.50	0.53
2017-18	0.53	30.60	31.36	61.96	61.63	0.33	0.86
2018-19	0.86	41.67	41.57	83.24	83.33	-0.09	0.77
2019-20	0.77	52.13	51.98	104.11	104.04	0.07	0.84

Source: Finance Accounts.

As on March 2020, an amount of ₹ 0.84 crore was not transferred to NSDL. In terms of the guidelines, the State Government was liable to pay interest on funds not transferred to NSDL.

Subsidies

There was a significant decrease in expenditure booked on subsidies during the year 2019-20 as can be seen from the details given in **Table 2.21**. Subsidies booked as a

percentage of Revenue Receipts decreased from 0.61 *per cent* in 2018-19 to 0.44 *per cent* in 2019-20. In absolute terms, expenditure on booking of subsidies decreased from ₹ 58.80 crore in 2018-19 to ₹ 41.72 crore in 2019-20.

Table 2.21: Expenditure on subsidies during 2014-19

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	89.21	46.14	52.08	58.80	41.72
Subsidies as a percentage of Revenue Receipts	1.27	0.51	0.56	0.61	0.44
Subsidies as a percentage of Revenue Expenditure	1.41	0.55	0.62	0.57	0.44

Major departments where subsidy was highest were Fisheries ₹ 26.50 crore, Power ₹ 9.82 crore and Agriculture ₹ 5.20 crore.

Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institution by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 2.22**.

Table 2.22: Financial Assistance to Local Bodies etc.

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	4.70	11.27	4.81	9.12	6.45
Panchayati Raj Institutions	-	-	-	-	-
Total (A)	4.70	11.27	4.81	9.12	6.45
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	617.57	888.43	1088.08	1021.99	954.62
Development Authorities	382.37	1295.88	717.21	235.37	156.33
Hospitals and Other Charitable Institutions	31.06	22.38	144.81	93.26	189.35
Other Institutions	464.95	782.72	603.27	686.75	514.45
Total (B)	1495.95	2989.41	2553.37	2037.37	1814.75
Total (A+B)	1500.65	3000.68	2558.18	2046.49	1821.20
Revenue Expenditure	6347.73	8336.54	8422.68	10255.94	9565.12
Assistance as percentage of Revenue Expenditure	23.64	35.99	30.37	19.95	19.04

Source: Finance Accounts.

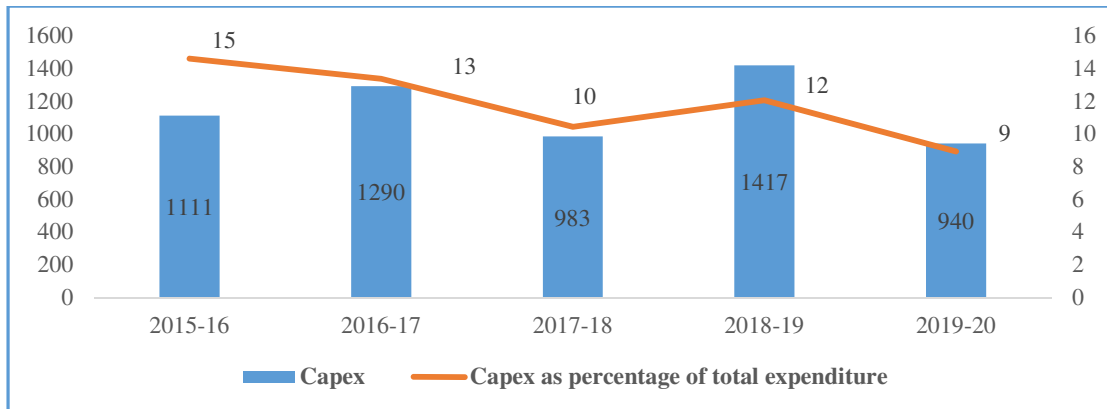
From the above table, it can be seen that the grants extended to local bodies and other institutions had decreased by ₹ 225.29 crore (11.01 *per cent*) from ₹ 2046.49 crore in 2018-19 to ₹ 1821.20 crore in 2019-20. This decrease was mainly due to decrease in assistance to Educational Institutions (₹ 67.37 crore), Development Authorities

(₹ 79.04 crore) and Other Institutions (₹ 172.30 crore), which was off-set by increase in assistance to Hospitals and Other Charitable Institutions (₹ 96.09 crore).

2.5.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* Capex of the State during the current year decreased by ₹ 477 crore over the previous year and showed a fluctuating trend over the period 2015-16 to 2019-20. Details of Capex *vis-à-vis* its percentage to total expenditure during the five-year period 2015-20 are given in **Chart 2.15**.

Chart 2.15: Capital expenditure in the State



Capital expenditure as a percentage of total expenditure declined from 15.00 *per cent* in 2015-16 to 9.00 *per cent* in 2019-20. The decrease in Capital Expenditure (₹ 477 crore) over previous year was mainly on account of decrease in expenditure on Roads and Bridges (₹ 233.05 crore), Minor Irrigation (₹ 78.55 crore), Pubic Works (₹ 28.38 crore) and Flood Control Projects (₹ 12.06 crore).

2.5.3.1 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, *etc.* Requisite steps have to be taken to infuse transparency in such financial operations.

Quality of investments in the Companies, Corporations and other bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded, is not sustainable.

Investments made and loan given to companies, corporations, and cooperatives, which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinant of quality of capital expenditure. **Table 2.23** shows year-wise details of investment by Government of Meghalaya over the five-year period 2015-16 to 2019-20.

Table 2.23: Return on Investment

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year(₹ in crore)	466.93	2471.63	2628.56	2638.43	2648.49
Return (₹ in crore)	0.07	0.11	0.11	0.11	0.14
Return (per cent)	0.02	0.01	0.01	0.01	0.01
Average rate of interest on Government Borrowings(per cent)	6.70	6.47	6.40	6.53	6.85
Difference between interest rate and return (per cent)	6.68	6.46	6.39	6.52	6.84
Difference between interest on Government borrowings and return on investment (₹ in crore)#	465.81	522.12	591.07	656.70	758.37

Source: Finance Accounts.

Investment at the end of the year*Difference between interest rate and return.

The average return on investment in State PSUs was less than one *per cent* during 2015-20. Government however, paid interest on its borrowings at an average rate of interest of 6.40 *per cent* to 6.85 *per cent* during 2015-20. The State Government should review the performance of the above units. The MFRBM Act, 2006, also provides that the State Government should review the performance of the State PSUs including restructuring of those that are absolutely essential and closing those which are no longer viable.

Table 2.24 and 2.25 presents the investments made by the State Government in companies whose net worth was completely eroded and in loss making companies.

Table 2.24: Investments made in companies, whose net worth is completely eroded

Sl. No.	Company/ Corporation	Net worth	Investment made during the year	Cumulative investment as on 30 September 2020
1.	Mawmluh Cherra Cements Limited (MCCL)	-71.89	-	162.90
2.	Meghalaya Mineral Development Corporation Limited (MMDCL)	-4.78	-	2.32
3.	Meghalaya Tourism Development Corporation Limited (MTDCL)	-1.65	-	7.96
4.	Meghalaya Handloom & Handicraft Development Corporation Limited (MHHDC)	-3.49	-	1.49
5.	Meghalaya Transport Corporation (MTC)	-71.72	-	34.97
6.	Meghalaya Government Construction Corporation Limited (MGCCCL)	-18.29	-	15.81
Total				225.45

Table 2.25: Investments made in loss making companies

Sl. No.	Company/ Corporation	Loss during the previous year	Investment made during the year	Cumulative investment as on 30 September 2020
1.	Meghalaya Bamboo Chips Limited (MBCL)	-0.03	-	0.48
2.	Meghalaya Industrial Development Corporation Limited (MIDC)	-0.33	-	91.59
3.	Meghalaya Energy Corporation Limited (MeECL)	-14.68	37.37	2070.87
4.	Meghalaya Infrastructure Development and Finance Corporation Limited (MIDFCL)	0.04	-	1.00
Total			37.37	2163.94

From the tables above, it is seen that the State Government had invested ₹ 225.45 crore and ₹ 2163.94 crore in six and four companies respectively, whose net worth is completely eroded and who are loss making respectively.

Loans and Advances by the State Government

Table 2.26 presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.26: Quantum of loans disbursed and recovered during five years (₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	626.92	766.19	778.21	782.82	854.29
Amount advanced during the year	158.35	30.83	22.06	89.49	43.78
Amount recovered during the year	19.08	18.81	17.45	18.02	31.32
Closing Balance of the loans outstanding	766.19	778.21	782.82	854.29	866.75
Net addition	139.27	12.02	4.60	71.48	12.46
Interest received	7.69	8.27	7.61	6.06	6.00
Interest rate on Loans and Advances given by the Government	1.10	1.07	0.98	0.71	0.70
Rate of Interest paid on the outstanding borrowings of the Government	6.70	6.47	6.40	6.53	6.85
Difference between the rate of interest paid and interest received (<i>per cent</i>)	5.60	5.40	5.42	5.82	6.15

From the table above, it can be inferred that:

- The total outstanding loans and advances as on 31 March 2020 was ₹ 866.75 crore. Out of the loans of ₹ 43.78 crore advanced during 2019-20, ₹ 14.60 crore was given for power projects and ₹ 29.18 crore was given to Government servants.
- The current recovery of loan (₹ 31.32 crore) was 71.54 *per cent* of the advances (₹ 43.78 crore) made during the year and was an improvement over the previous year (₹ 18.02 crore). The actual recovery (₹ 31.32 crore) was also more than what was estimated in the Budget for recovery (₹ 24.94 crore).
- Interest receipts decreased from ₹ 7.69 crore in 2015-16 to ₹ 6.00 crore in 2019-20, with percentage of interest received to total outstanding loans and advances decreasing from 1.10 *per cent* in 2015-16 to 0.70 *per cent* in 2019-20.

Capital locked in incomplete projects

As per Appendix IX and Statement 16 of the Finance Accounts for the year 2019-20, there were 218 incomplete/ ongoing projects in the State as on 31 March 2020. Out of these 218 incomplete projects, the scheduled date of completion of 71 projects were after 31 March 2020 and the remaining 147 projects had overshoot their scheduled

completion dates by over one to more than 10 years. Age profile and department-wise details of these 147 incomplete projects as on 31 March 2020 is given in **Tables 2.27** and **2.28**.

Table 2.27: Age profile of incomplete projects as on 31 March 2020 (₹ in crore)

Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2020)
Prior to 2010-11	22	238.69	172.82
2010-11	3	57.45	56.65
2011-12	14	351.84	210.59
2012-13	13	126.33	121.68
2013-14	5	309.86	91.62
2014-15	21	319.08	149.42
2015-16	8	73.16	60.68
2016-17	17	159.22	89.27
2017-18	21	567.74	261.94
2018-19	17	179.87	33.30
2019-20	6	56.37	15.17
Total	147	2439.61	1263.14

Table 2.28: Department-wise profile of incomplete projects as on 31 March 2020 (₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	112	1520.43	854.59
Public Health Engineering	19	811.84	321.64
Health & Family Welfare	13	80.34	62.14
Water Resources	3	27.00	24.77
Total	147	2439.61	1263.14

Source: Finance Accounts.

The expenditure incurred on the 147 incomplete projects was ₹ 1263.14 crore. Physical progress of the projects as on 31 March 2020 was in the range of 0.00 to 98.00 *per cent*⁶ in respect of projects being executed by Public Works Department, 19.00 to 95.00⁷ *per cent* in respect of projects being executed by Public Health Engineering Department, 60.00 to 98.00 *per cent* in respect of projects being executed by Health and Family Welfare Department and 99.00 to 100.00 *per cent* (86.00 to 97.00 *per cent* financially) in respect of projects being executed by Water Resources Department.

Thus, it could be seen that there was delay ranging from one to 29 years in completion of 147 projects/works and this would result in time overrun and cost overrun, besides denying the desired benefit to the beneficiaries.

Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs). With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This scheme facilitated State Governments to take over 75.00 *per cent* of DISCOM's outstanding debt over a period of two years.

⁶ 0.00 – 20.00 *per cent*: 8 projects, 21.00 – 50.00 *per cent*: 17 projects; 51.00 – 98.00 *per cent*: 87 projects.

⁷ 0.00 – 20.00 *per cent*: 2 projects, 21.00 – 50.00 *per cent*: 3 projects; 51.00 – 98.00 *per cent*: 14 projects.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/subsidy. Government of Meghalaya entered the Yojana on 09 March 2017. As per the Memorandum of Understanding (MoU) amongst GoI, State Government and Meghalaya Power Distribution Corporation Limited (MePDCL), GoM was required to take over 75.00 per cent of outstanding loan as on 30 September 2015 payable by MePDCL and convert the same into grant and equity in 3:1 ratio. The total outstanding debt of the DISCOM as on 30 September 2015 was ₹ 166.67 crore and thus, 75 per cent of it, i.e. ₹ 125.00 crore was due for conversion into grant and equity. The State Government sanctioned ₹ 125.00 crore comprising of ₹ 93.75 crore as grant and ₹ 31.25 crore as equity in May 2017.

The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States have to convert loan into equity and subsidy. The State Government will have to takeover losses, if any, of the DISCOMs in a graded manner as detailed in **Table 2.29** below:

Table 2.29: Loss to be taken over by the State Government

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State	0% of loss of 2016-17	5% of loss of 2017-18	10% of loss of 2018-19	25% of loss of 2019-20

Table 2.30 presents the position of equity/ loan/ subsidy under UDAY scheme.

Table 2.30: Position of Equity/Loan/ Subsidy under UDAY

(₹ in crore)				
Year	Equity Investment	Loan	Grants	Total
2017-18	31.25	-	93.75	125.00
2018-19	3.36	-	10.07	13.43
2019-20	-	-	-	-
Total	34.61	-	103.82	138.43

It could be seen that in addition to ₹ 125.00 crore sanctioned during 2017-18, GoM sanctioned ₹ 13.43 crore (₹ 10.07 crore as grants and ₹ 3.36 crore as equity) during the year 2018-19 being 5.00 per cent loss of 2017-18. However, it had not sanctioned losses for the year 2018-19 in 2019-20.

2.5.4 Expenditure priorities

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio

of these components to Total Expenditure, the quality of expenditure is considered to be better.

Table 2.31 compares the expenditure priority of the State Government with that of NE & Himalayan States with regard to Health, Education and Capital expenditure during 2019-20, taking 2014-15 as the base year.

Table 2.31: Expenditure priority of the State with regards to Health, Education and Capital expenditure

	(In per cent)			
	AE/GSDP	CE/AE	Education/ AE	Health/ AE
NE & Himalayan States (2014-15)	26.00	14.46	18.28	5.46
Meghalaya	31.96	15.06	17.53	7.69
NE & Himalayan States (2019-20)	23.02	14.08	17.42	6.19
Meghalaya	28.84	8.91	19.16	8.21

AE: Aggregate Expenditure (Total Expenditure), GSDP: Gross State Domestic Product, CE: Capital Expenditure.

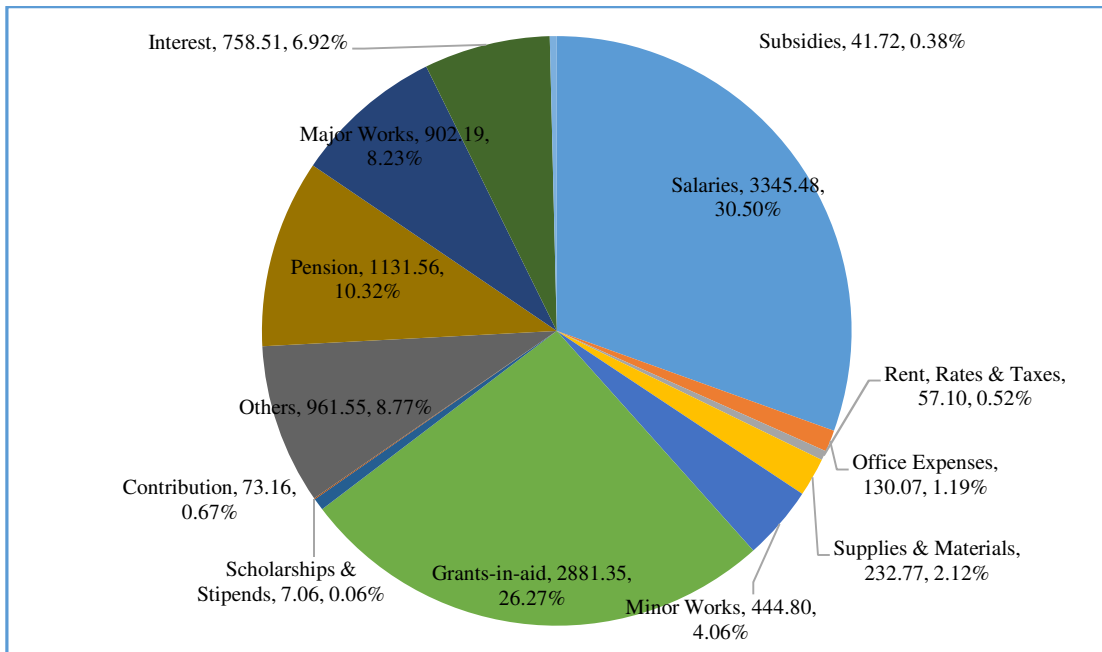
From the table above, the following was noticed:

- Aggregate Expenditure (AE) as ratio of GSDP of the State, was more than that of NE & Himalayan States during both the years 2014-15 and 2019-20.
- Capital expenditure was less than that of NE & Himalayan States during 2019-20.
- Expenditure of the State on Education was higher than that of NE & Himalayan States during 2019-20.
- The ratio of health-aggregate expenditure was higher in both 2014-15 and 2019-20 vis-à-vis NE & Himalayan States.

2.5.5 Object head wise expenditure

As per the Chart of Accounts, the object head wise expenditure captures information about the object/ purpose of the expenditure. Therefore, under each major/minor head representing the capital/revenue, sector/scheme/policy, the object head captures the expenditure incurred on the actual items such as salaries and pension, office expenses, rent/taxes, interest payment, subsidies and so on. Expenditure profile captured at the Object Head Level is given in **Chart 2.16**.

Chart 2.16: Object head wise expenditure



It is seen from the above that the highest expenditure was incurred in Salaries (30.50 per cent) followed by Grants-in-aid (26.27 per cent), pension (10.32 per cent), major works (8.23 per cent), interest (6.92 per cent), minor works (4.06 per cent).

2.6 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Public Account Balances

Table 2.32 present the component-wise net balances in Public Account of the State as on 31 March of each financial year. **Chart 2.17** presents the yearly changes in the composition of Public Account balances.

Table 2.32: Component-wise net balances in Public Account as of 31 March of the year

		(₹ in crore)				
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	131.74	141.17	157.71	179.37	203.54
J. Reserve Funds	(a) Reserve Funds bearing Interest ⁸	-5.81	13.00	-25.00	0	192.31
	(b) Reserve Funds not bearing Interest	12.55	-10.93	1.11	3.97	-2.17

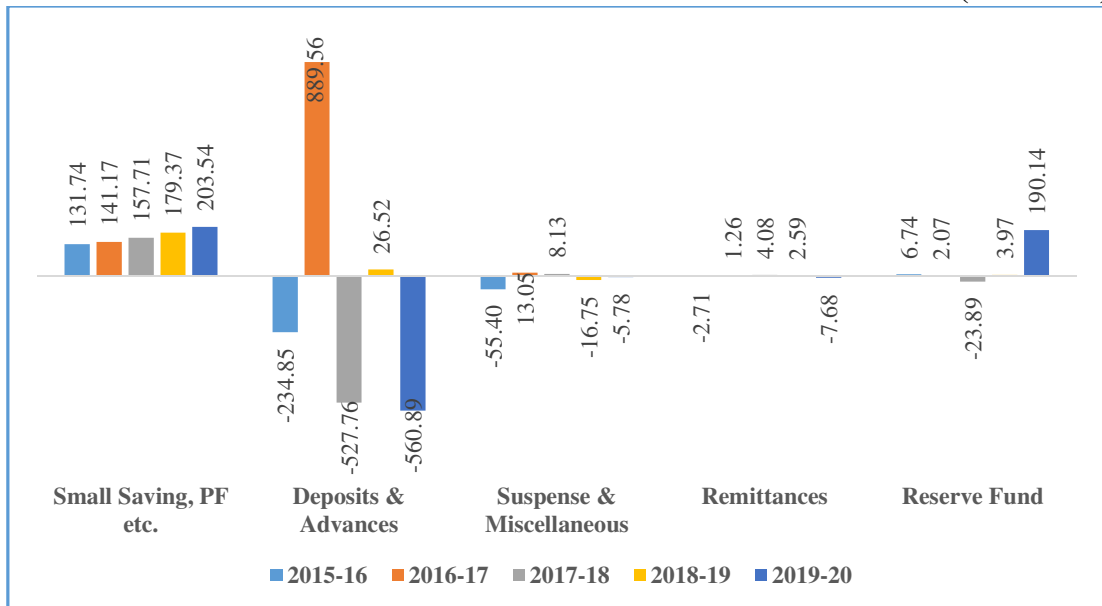
⁸ The increase of ₹192.31 crore over the previous year was due to receipt of State Compensatory Afforestation Fund (SCAF) and less disbursement from SDRF.

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
K. Deposits and Advances	(a) Deposits bearing Interest	-0.02	0.50	0.33	-0.09	0.07
	(b) Deposits not bearing Interest	-234.83	889.06	-528.09	26.61	-560.96
	(c) Advances	-	-	-	-	-
L. Suspense and Miscellaneous	(a) Suspense	-55.40	13.09	8.57	-17.21	-5.80
	(b) Other Accounts	-	-0.04	-0.44	0.46	0.02
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders, and other Remittances	-1.79	0.38	4.11	3.02	-6.82
	(b) Inter-Governmental Adjustment Account	-0.92	0.88	-0.03	-0.43	-0.86
Total		-154.48	1047.11	-381.73	195.70	-180.67

Note: +ve denotes debit balance and -ve denotes credit balances

Chart 2.17: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Accounts of respective years.

From the table and chart above, it can be concluded that:

- The receipts under Small Savings, Provident Fund, etc. was ₹ 437.93 crore as compared to disbursement of ₹ 234.39 crore with net fund of ₹ 203.54 crore available as on 31 March 2020.
- The receipts under Reserve Funds was ₹ 262.43 crore as compared to disbursement of ₹ 72.29 crore with net fund of ₹ 190.14 crore available as on 31 March 2020.
- The receipts under Deposits and Advances was ₹ 773.94 crore as compared to disbursement of ₹ 1334.83 crore with net fund of (-) ₹ 560.89 crore available as on 31 March 2020.

- The receipts under Suspense and Miscellaneous was ₹ 116.88 crore as compared to disbursement of ₹ 122.66 crore with net fund of (-) ₹ 5.78 crore available as on 31 March 2020.
- The receipts under Remittances was ₹ 2277.27 crore as compared to disbursement of ₹ 2284.94 crore with net fund of (-) ₹ 7.67 crore available as on 31 March 2020.
- Net Public Account receipts decreased from ₹ 195.70 crore during 2018-19 to (-) ₹ 180.67 crore during the current year.

2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted under the Consolidated Fund itself for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to public account under the concept of gross budgeting through an operation of deduct entry in accounts. The funds are further classified as 'Funds carrying interest' and 'Funds not carrying interest'.

The total accumulated balance as on 31 March 2020 was ₹ 630.89 crore in 11 reserve funds (four active funds: ₹ 628.85 crore and seven inactive funds: ₹ 2.04 crore) as given in the table below:

Table 2.33: Reserve funds

		(₹ in lakh)
Sl. No.	Head of Accounts	Balance as on 31 March 2020
Reserve fund bearing interest (active)		
1	8121-General and Other Reserve Fund, 122- State Disaster Response Fund (SDRF).	3,370.26
2	8121- General and Other Reserve Fund, 129-State Compensatory Afforestation Fund (SCAF)	16,330.66
Reserve fund not bearing interest (active)		
1	8222-Sinking Funds- 101-Sinking Funds	39,975.58
2	8235-General and Other Reserve Funds-117-Guarantee Redemption Fund (GFR)	3,208.19
Total		62,884.69
Reserve fund not bearing interest (inactive)		
1	8223- Famine Relief Fund-101- Famine Relief Fund	192.82
2	8226-Depreciation/Renewal Reserve Fund-102- Depreciation Reserve Funds of Govt. Non-Commercial Departments	2.25
3	8229-Development and Welfare Fund - 101- Development Funds For Educational Purpose	0.01
4	8229- Development and Welfare Fund - 103- Development Funds for Agricultural Purposes	0.50
5	8229- Development and Welfare Fund 124- National Fund for control of Drug abuse	0.40

Sl. No.	Head of Accounts	Balance as on 31 March 2020
6	8229- Development and Welfare Fund 200 Other Development and Welfare Fund	13.81
7	8235- General and Other Reserve Funds -200- Other Funds	-5.91
Total		203.88

Investment out of these funds was ₹ 438.40 crore, which was 69.49 *per cent* of the accumulated balance. The transactions during the year 2019-20 under major Reserve Funds are detailed below:

2.6.2.1 Consolidated Sinking Fund

The Consolidated Sinking Fund (CSF), which is a Reserve Fund not bearing interest, was constituted by the State Government in the year 1999-2000 for amortisation of liabilities and is administered by the Reserve Bank of India on the instructions of the State Government. Under the Scheme, the State Government is required to make annual contributions to the Fund at a minimum of 0.5 *per cent* of the total outstanding liabilities at the end of the previous year.

During 2019-20, against requirement of ₹ 53.12 crore⁹, the State Government transferred ₹ 52.47 crore from MH 2048-01 to CSF. Thus, there was short contribution of ₹ 0.65 crore (₹ 53.12 crore - ₹ 52.47 crore) to the fund. The balance under CSF was ₹ 399.76 crore as on 31 March 2020.

2.6.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010, which is an interest bearing Reserve Fund. In terms of the Guidelines on the Constitution and Administration of the SDRF and National Disaster Response Fund, which was notified in September 2010, the Centre and States are required to contribute to the Fund in the certain proportion. The contributions are to be transferred to the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

As per Paragraph 4 of the Guidelines, the State Government shall pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest will be credited on a half-yearly basis. Further, as per Paragraph 19 of the said Guidelines, the accretions to the SDRF together with the income earned on the investment of SDRF shall be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

In terms of the guidelines, the Centre and the North Eastern and Himalayan States are required to contribute to the Fund in the ratio of 90:10. During the year 2019-20, the State Government received ₹ 38.70 crore as grants towards SDRF from the Centre. The SDRF had an opening balance of ₹ 4.70 crore at the beginning of 2019-20 and ₹ 43.00

⁹ 0.5 *per cent* of outstanding liabilities of ₹ 10623.68 crore as on April 2019.

crore (₹ 38.70 crore Central Share and ₹ 4.30 crore State Share) was transferred to the Fund. Against the total available funds of ₹ 47.70 crore, the State Government withdrew ₹ 14.00 crore from the funds for investment leaving a balance of ₹ 33.70 crore unutilised at the end of the year.

As the SDRF is an interest bearing Reserve Fund, the liability of interest payment rests with the State Government. Non-payment of interest amounting to ₹ 0.35 crore¹⁰ resulted in understatement of Revenue Deficit to that extent.

2.6.2.3 Guarantee Redemption Fund

State Government constitutes 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. As per the Act, the Fund shall be set up by the Government with an initial contribution of minimum one *per cent* of outstanding Guarantees at the end of the previous year and thereafter, minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* of total sum guaranteed in the next five years.

Accordingly, Government of Meghalaya constituted a Guarantee Redemption Fund (GRF) in 2014-15 with ₹ 11.74 crore for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies, through an Act dated 23 June 2014. During the year 2019-20, the State Government made a contribution of ₹ 5.82 crore to the Fund Account (0.51 *per cent* of outstanding guarantees of ₹ 1150.31 crore as on April 2019) and the balances under the Fund as on 31 March 2020 was ₹ 32.08 crore. No Guarantees were invoked during the year.

During the year 2019-20, interest to the tune of ₹ 2.39 crore was realised on investment which was subsequently re-invested. However, Guarantee Commission fee of ₹ 38.79 crore (₹ 38.65 crore pertaining to years upto 2018-19 and addition of ₹ 0.14 crore for the year 2019-20) was not realised by the Government thereby overstating the Revenue Deficit by ₹ 0.14 crore.

2.6.2.4 State Compensatory Afforestation Fund (SCAF)

The Government of Meghalaya in compliance to the instructions issued by the Ministry of Environment and Forests, Government of India's vide their letter No. 5-1/2009-FC dated 28 April 2009 and guidelines of 2 July 2009, established the State Compensatory Afforestation Fund.

The moneys received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Accounts of the State at Minor Head level below the Major Head 8336-Civil

¹⁰ ₹ 0.35 crore = Balance of ₹ 4.70 crore X 7.5 *per cent* (average rate of interest for Ways and Means Advances).

Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act; 2016, 90.00 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Fund in Public Account of State and balance 10.00 *per cent* shall be credited into the National Fund on yearly basis provided that, the credit of 10.00 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

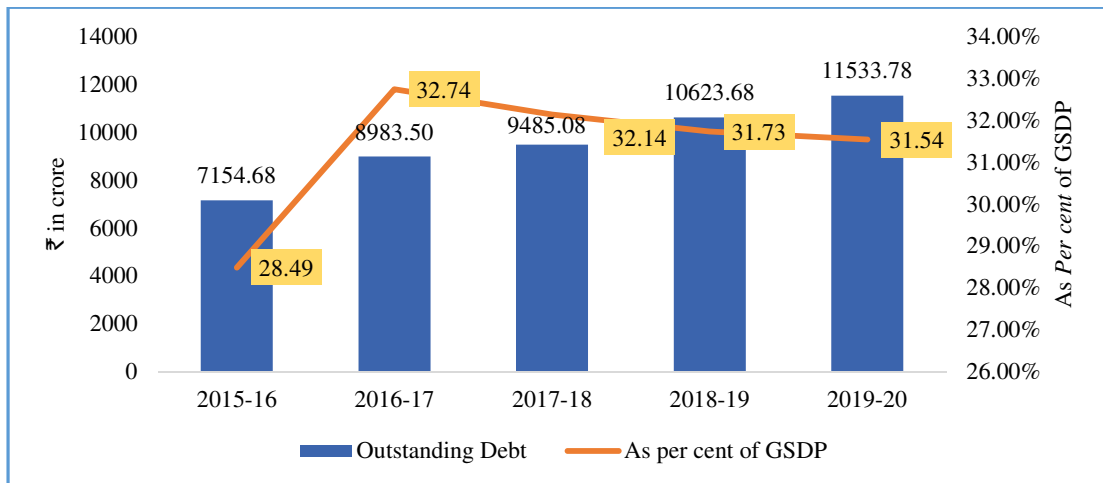
During the year 2019-20, the State Government received ₹ 163.31 crore (including interest of ₹ 46.82 crore) from Ministry of Environment, Forest and Climate Change, Forest Conservation/National Authority, Government of India being State share as per the provision of the Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund (Accounting Procedure) Rules, 2018 for credit to the CAMPA Fund. As on 31 March 2020, neither any expenditure nor investment was made by the State Government out of the Fund.

2.7 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The details relating to total outstanding debt and ratio of debt to GSDP during the five-year period 2015-20 is given in **Chart 2.18**.

Chart 2.18: Trend of overall debt



In absolute monetary terms, the overall debt of the State of Meghalaya has increased from ₹ 7154.68 crore during 2015-16 to ₹ 11533.78 crore during 2019-20. As percentage of GSDP, the overall debt peaked at 32.74 *per cent* in 2016-17, but has come down by about one-percentage points to 31.54 *per cent* in 2019-20.

The primary reason for a downward trend in debt/GSDP ratio since 2017-20 was because the rate of growth of GSDP is greater than the rate of growth of outstanding

debt during the same period. However, the State was not able to achieve the target set forth in the MFRBM Act, 2006 to maintain the debt-GSDP ratio under 28.00 *per cent*.

2.7.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, *etc.*), loans and advances from the Central Government, and Public Account Liabilities.

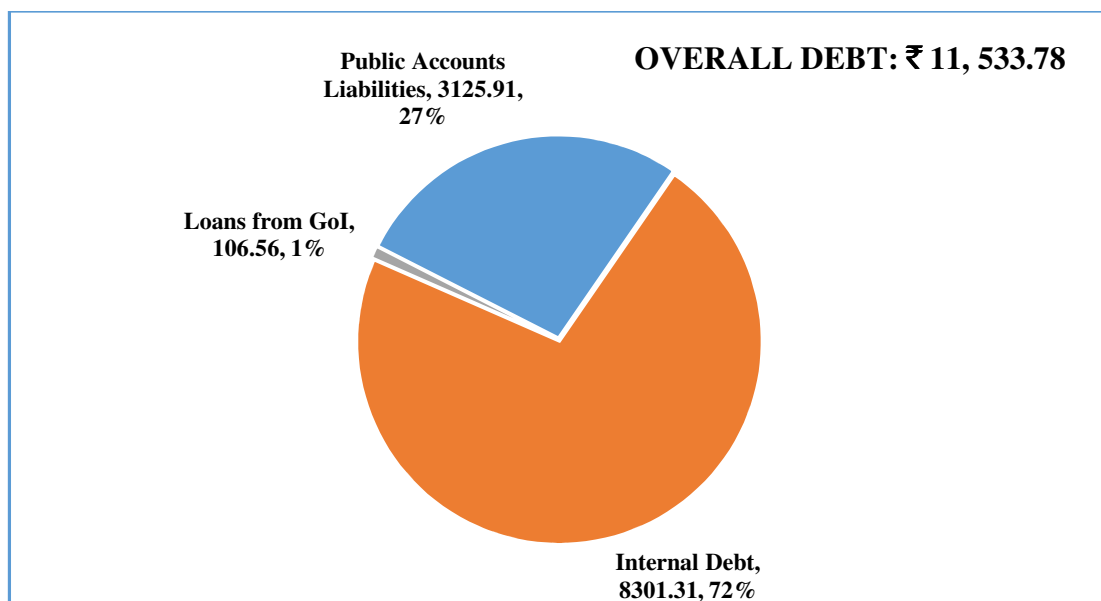
The total outstanding debt of the State Government at the end of 2019-20 was ₹ 11533.78 crore. The component-wise debt trends for the period 2015-16 to 2019-20 and break up of outstanding debt during 2019-20 and component wise are given in **Table 2.34** and **Chart 2.19**.

Table 2.34: Component wise debt trends

		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt		7154.68	8983.50	9485.08	10623.68	11533.78
Public Debt	Internal Debt	4566.49	5378.14	6287.33	7214.29	8301.31
	Loans from GoI	143.78	128.15	114.48	116.27	106.56
<i>Liabilities on Public Account</i>		2444.41	3477.21	3083.27	3293.12	3125.91
Rate of growth of outstanding Overall debt (<i>percentage</i>)		5.97	25.56	5.58	12.00	8.57
Gross State Domestic Product (GSDP)		25117	27439	29508	33481	36572
Debt/GSDP (<i>per cent</i>)		28.49	32.74	32.14	31.73	31.54
Total Debt Receipts		2151.92	3454.69	2954.36	3189.65	2941.07
Total Debt Repayments*		2214.57	2148.10	3043.96	2707.85	2789.48
Total Debt Available		-62.65	1306.59	-89.60	481.80	151.59
Debt Repayments/Debt Receipts (<i>percentage</i>)		102.91	62.18	103.03	84.89	94.85

*Note: Including interest.

Chart 2.19: Break up of Outstanding Overall Debt at the end of FY



It could be seen from the above that the outstanding debt comprises of internal debt (71.97 per cent), public account liabilities (27.10 per cent) and loans from GoI (0.92 per cent). Compared to previous year, the outstanding debt at the end of 2019-20 increased by 8.57 per cent (₹ 910.10 crore).

Components of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 2.35**.

Table 2.35: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit						
1	Revenue Deficit	+695.40	+602.41	+850.80	-537.32	-151.60
2	Net Capital Expenditure	-1110.89	-1289.80	-983.44	-1417.28	-939.71
3	Net Loans and Advances	-139.27	-12.02	-4.60	-71.48	-12.46
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	459.69	718.33	919.81	862.60	1070.46
2	Loans from GOI	-17.61	-15.64	-13.67	1.79	-9.71
3	Special Securities issued to NSSF	59.76	-42.38	45.38	-49.62	-53.75
4	Loans from Financial Institutions	-2.25	135.71	34.76	113.98	70.31
5	Small Savings, PF, etc.	131.74	141.17	157.71	179.36	203.54
6	Deposits and Advances	6.74	2.07	-23.89	3.97	-560.89
7	Suspense and Miscellaneous	-234.85	889.56	-527.76	26.52	-5.78
8	Remittances	-55.40	13.09	8.57	-17.21	-7.68
9	Reserve Fund	-2.70	1.26	4.09	2.59	190.14
10	Contingency Fund	-	-	-	-	-1.96
11	Overall Deficit	345.12	1843.17	605.00	1123.98	894.68
12	Increase/Decrease in cash balance	209.64	-1143.76	-467.76	902.10	209.09
13	Gross Fiscal Deficit	554.76	699.41	237.24	2026.08	1103.77

Fiscal deficits during the five year period, peaked at ₹ 2026.08 crore during 2018-19 and came down to ₹ 1103.77 crore during 2019-20.

The Receipts and Disbursements under components financing the fiscal deficit in given in **Table 2.36**.

Table 2.36: Receipts and Disbursements under components financing the fiscal deficit

		(₹ in crore)		
Particulars		Receipt	Disbursement	Net
1	Market Borrowings	1344	273.54	1070.46
2	Loans from GOI	15.78	25.49	-9.71
3	Special Securities issued to NSSF	-	53.75	-53.75
4	Loans from Financial Institutions	136.24	65.93	70.31
5	Small Savings, PF, etc.	437.93	234.39	203.54
6	Deposits and Advances	773.94	1334.83	-560.89
7	Suspense and Miscellaneous	116.88	122.66	-5.78
8	Remittances	2277.27	2284.95	-7.68
9	Reserve Fund	262.43	72.29	190.14

10	Contingency Fund	0	1.96	-1.96
11	Overall Deficit	5364.47	4469.79	894.68
12	Increase/Decrease in cash balance			209.09
13	Gross Fiscal Deficit	1344	273.54	1070.46

During 2019-20, fiscal deficit was primarily financed by net market borrowings (₹ 1070.46 crore), small savings, provident funds, *etc.* (₹ 203.54 crore), reserve funds (₹ 190.14 crore), and cash balances (₹ 209.09 crore).

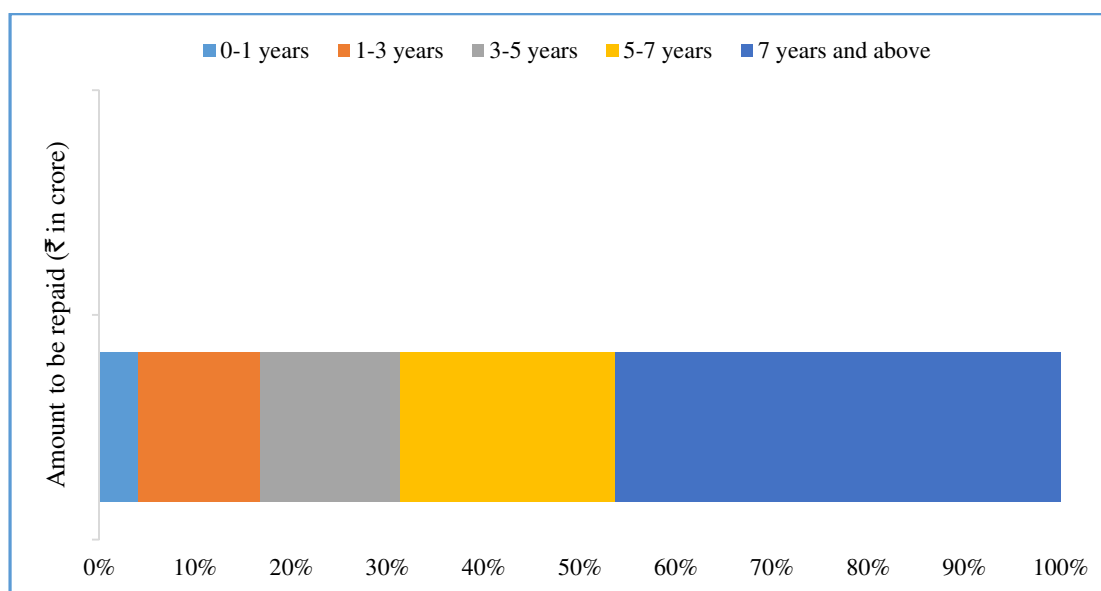
2.7.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2019-20, the maturity profile of debt is as indicated in **Table 2.37** and **Chart 2.20**.

Table 2.37: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	346.64	4
1 – 3	1070.72	13
3 – 5	1240.51	15
5 – 7	1894.04	22
7 and above	3925.56	46
Total	8477.47	100

Chart 2.20: Debt Maturity Profile



The maturity profile of outstanding stock of public debt as on 31 March 2020 indicated that out of the outstanding public debt of ₹ 8477.47 crore, 53.69 per cent (₹ 4551.91 crore) is payable within the next seven years. The remaining 46.31 per cent was in the maturity bracket of seven years and above. Of the total outstanding public

debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 97.97 per cent (₹ 8305.57 crore).

Repayment of debt of more than 50.00 per cent within seven years indicates an alarming position and State may be heading towards debt trap. Therefore, debt repayment and further borrowings in future should be planned in such a way that there is no bunching of repayments in any particular year as that will cause undue stress on the budget.

2.8 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt in future. Sustainability of debt therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with increase in capacity to service the debt. Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt/ GSDP ratio, burden of interest payments (measured by interest payments to revenue receipts ratio); and also the maturity profile of State Government securities as given in the preceding **Paragraph 2.7.2**.

Table 2.38 and **Chart 2.21** analyses debt sustainability indicators of the State for the five-year period beginning from 2015-16.

Table 2.38: Trends in debt Sustainability indicators

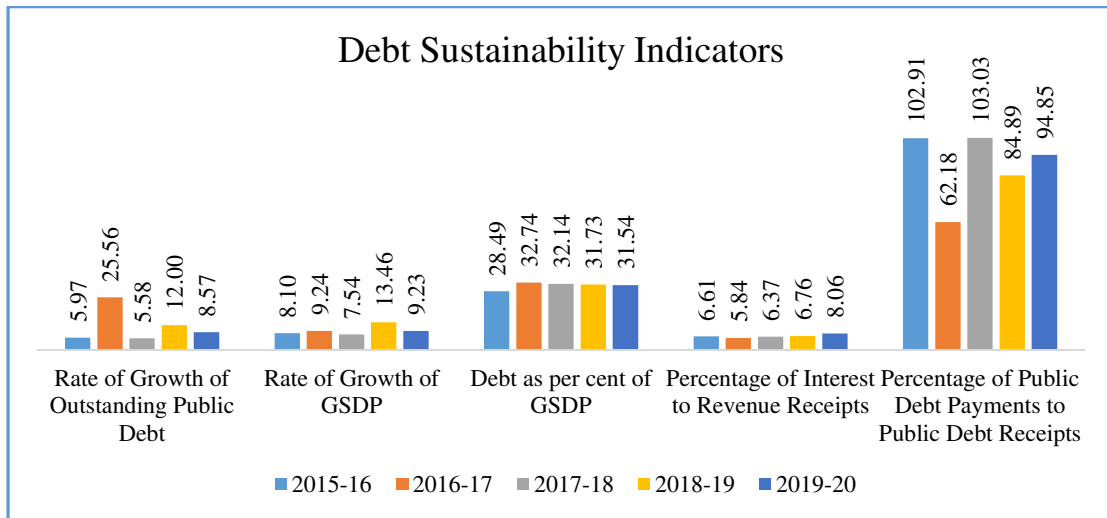
Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	7154.68	8983.50	9485.08	10623.68	11533.78
Rate of Growth of Outstanding Public Debt	5.97	25.56	5.58	12.00	8.57
GSDP	25117	27439	29508	33481	36572
Rate of Growth of GSDP	8.10	9.24	7.54	13.46	9.23
Debt/GSDP	28.49	32.74	32.14	31.73	31.54
Average interest Rate of Outstanding Public Debt (per cent)	6.70	6.47	6.40	6.53	6.85
Percentage of Interest payment to Revenue Receipt	6.61	5.84	6.37	6.76	8.06
Percentage of Debt Repayment to Debt Receipt	102.91	62.18	103.03	84.89	94.85
Net Debt available to the State [#]	-62.65	1306.59	-89.60	481.80	151.59
Net Debt available as per cent to Debt Receipts	-2.91	37.82	-3.03	15.11	5.15
Debt Stabilisation (Quantum spread + Primary Deficit)	367.52	415.23	910.17	-821.09	-1587.78

Source Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

[#]Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Chart 2.21: Trends of Debt Sustainability indicators



From the above it is seen that the Debt-GSDP ratio ranged between 28.49 *per cent* and 32.74 *per cent* during the five-year period, 2015-16 to 2019-20. At 31.54 *per cent*, the Debt-GSDP ratio during 2019-20 (*Appendix 2.1*) was above the target of outstanding debt to GSDP (28.00 *per cent*) of MFRBM Act, 2006. In terms of net debt availability, the situation had worsened during 2019-20 compared to 2018-19, when the net debt available to the State had decreased by 68.54 *per cent*. The burden of interest payment, which ranged from 5.84 to 8.06 *per cent* of the Revenue Receipts, has been less than 10.00 *per cent* as recommended by the XIV FC.

2.8.1 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees. For instance, in some States, the Government guarantees are to be restricted to a certain percentage of the State’s Tax and Non-Tax Revenue of the second preceding year.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2014-15 to 2018-19 are shown in **Table 2.39**.

Table 2.39: Guarantees given by the State Government

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Criteria as per MFRBM Act, 2006	Restrict issuing of guarantees, except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed (there is no statutory limit)				
Outstanding amount of guarantees including interest	1042.19	982.89	1151.85	1163.09	1120.14

During 2019-20 the outstanding guarantee was 46.26 *per cent* of State Own Tax and Non- Tax Revenue as compared to 52.37 *per cent* during 2018-19. During 2019-20, out of the total outstanding guarantees, ₹ 1058.82 crore (94.53 *per cent*), while during

2018-19, out of the total outstanding guarantees, ₹ 1096.78 crore (94.30 per cent) pertains to power sector.

2.8.2 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund, Guarantee Redemption Fund as well.

Table 2.40 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.40: Cash Balances and their investment

	(₹ in crore)	
	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	20.20	38.02
Deposits with Reserve Bank of India	-275.91	-234.39
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	-255.71	-196.37
Investments held in Cash Balance investment account	1070.04	801.61
Total (A)	814.33	605.24
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.22	0.20
Permanent advances for contingent expenditure with department officers	0.04	0.04
Investment out of earmarked funds	366.11	438.40
Total (B)	366.37	438.64
Total (A + B)	1180.70	1043.88
Interest realised	52.20	22.85

Source: Finance Accounts.

General Cash Balance of the State Government at the end of the current year decreased by ₹ 209.09 crore from ₹ 814.33 crore in 2018-19 to ₹ 605.24 crore in 2019-20. State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of

₹ 22.85 crore during 2019-20 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 438.40 crore in earmarked funds, ₹ 392.58 crore was invested in the Consolidated Sinking Fund, ₹ 31.79 crore in Guarantee Redemption Fund and ₹ 14.03 crore in Other Development and Welfare Fund at the end of the year.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in **Table 2.41** below:

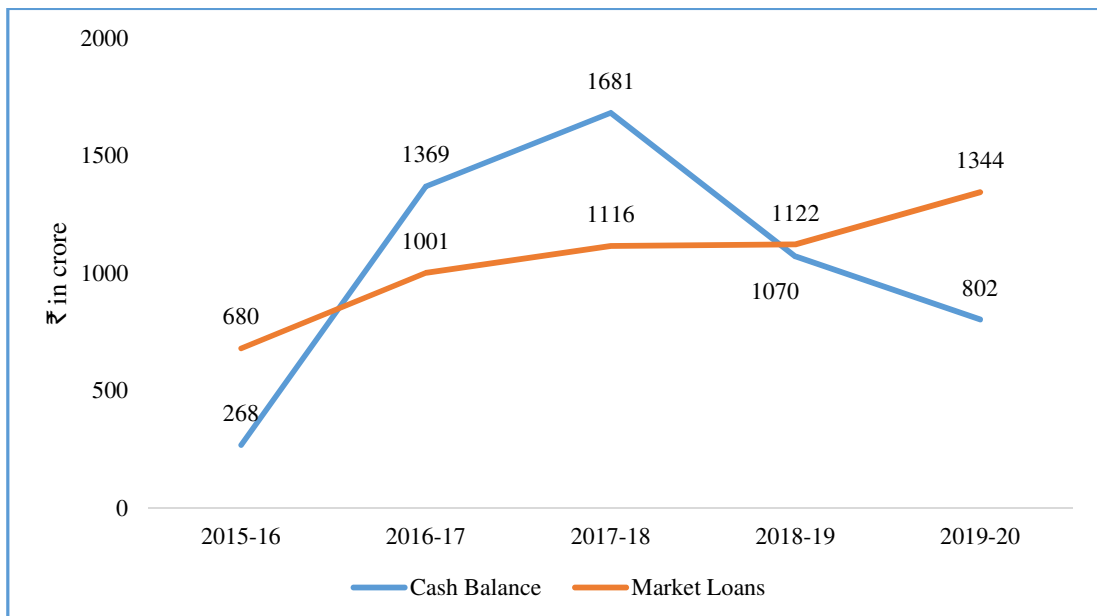
Table 2.41: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	874.20	267.65	-606.55	31.48
2016-17	267.65	1369.24	1101.60	37.98
2017-18	1369.24	1680.66	311.42	44.88
2018-19	1680.66	1070.04	-610.62	52.20
2019-20	1070.04	801.61	-268.43	22.85

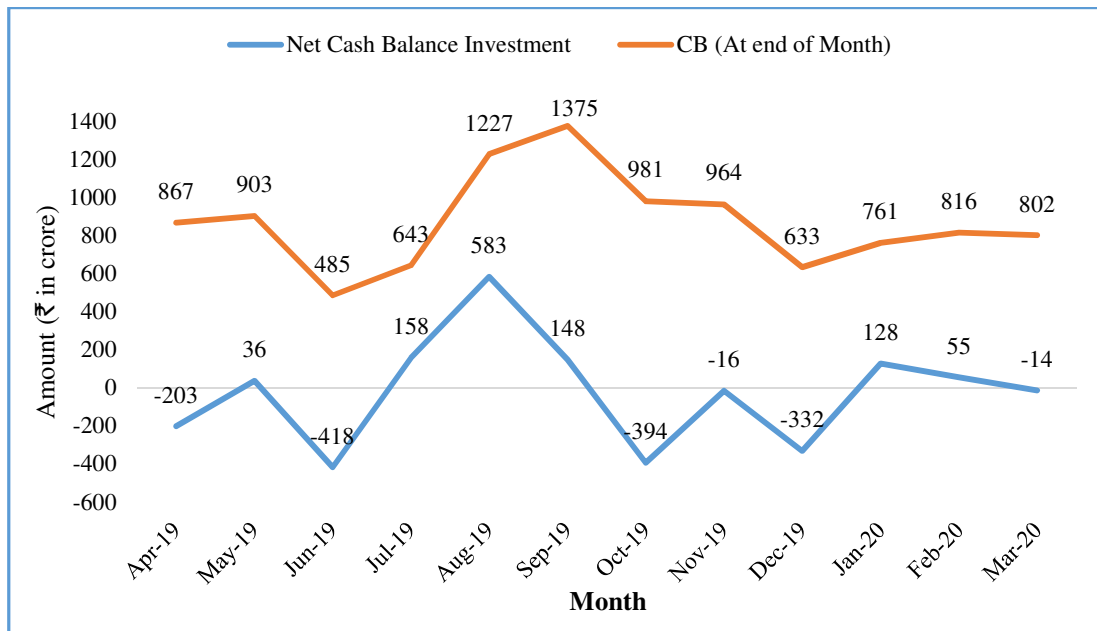
The trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly during 2016-17. During the current year, *i.e.*, 2019-20, the cash balance stood at 4.72 per cent of the budget of the State.

Chart 2.22 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2015-20. **Chart 2.23** compares the month-wise cash balances and net cash balance investments during the year 2019-20.

Chart 2.22: Market loans vis-a-vis Cash Balance



Source: Information received from AG(A&E).

Chart 2.23: Month wise movement of Cash Balances and net cash balance investments during the year

Source: Information received from AG(A&E).

The above charts indicate that the State Government had taken recourse to market loans on several occasions during the year despite having large cash balances leading to further accretion to cash balances without putting it to productive use and increasing the debt liabilities of the State.

2.9 Conclusions

In conclusion, the analysis of state of finances of the Government of Meghalaya, in terms of its total receipts and expenditure for the financial year (FY) 2019-20 shows that the State turned into a revenue deficit State, from being a revenue surplus state until the FY 2017-18.

Revenue Receipts during 2019-20 were ₹ 9413.52 crore and had decreased by 3.14 per cent (₹ 305.10 crore) over the previous year, even though the own tax revenue, of the State (₹1891.25 crore) increased by 5.47 per cent (₹ 98.01 crore). The Goods and Services Tax (GST) registered an increase of ₹ 103.82 crore (12.88 per cent), over the previous year and the collections were ₹ 909.78 crore. The Central tax transfers decreased by ₹ 677.29 crore (13.85 per cent) during 2019-20 compared to previous year. The Central tax transfers, however, contributed 74.28 per cent of the revenue receipts during the year, indicating their predominance in revenue receipts of the State.

The Revenue Expenditure during 2019-20 which was ₹ 9565.12 crore decreased by 6.74 per cent compared to the previous year. The expenditure pattern of the State continued to be largely revenue in nature, being at an average of 87 per cent of the total expenditure over the period 2015-20. Revenue expenditure as percentage of total expenditure increased from 87.19 per cent in 2018-19 to 90.68 per cent in the current year. Expenditure on salaries and wages was ₹ 3440.17 crore (35.97 per cent). The pension payments, including other retirement benefits, were ₹ 1131.56 crore, an

increase of 12.60 *per cent* over the previous year. The interest payments were ₹ 758.51 crore which was almost 8.00 *per cent* of the total revenue expenditure. The State Government had reduced its Revenue Expenditure and was able to maintain its fiscal deficit targets, but the same was at the cost of development expenditure under Social and Economic Services and not as a result of Prudential Financial management policies.

Capital outlay during 2019-20 was ₹ 939.71 crore and declined by 33.70 *per cent* over the previous year. Capital expenditure as a percentage of total expenditure has declined from 15.00 *per cent* in 2015-16 to 9.00 *per cent* in 2019-20.

The Government's total investment in their Companies/Corporations stood at ₹ 2648.49 crore as of 31 March 2020. However, the return on investment has been less than one *per cent* during 2015-20, indicating huge financial burden of sustaining and running the State PSUs. As on September 2020, State Government had a cumulative investment of ₹ 225 crore in six companies whose net worth had completely eroded and ₹ 2163.94 crore in four loss making companies.

Out of the 218 incomplete projects as on 31 March 2020, 147 projects had over-shot their schedules by one to more than 10 years. The expenditure incurred on the 147 incomplete projects was ₹ 12163.14 crore. Disbursements in public account (₹ 4046.71 crore) exceeded the receipts (₹ 3866.03 crore) by ₹ 180.68 crore during 2019-20. In respect of Reserve Funds, there was short contribution of ₹ 0.65 crore to the Consolidated Sinking Fund during 2019-20. Against the available fund of ₹ 47.70 crore of the State Disaster Response Fund, the State Government withdrew ₹ 14.00 crore for investment, leaving a balance of ₹ 33.70 crore unutilised at the end of the year. Guarantee Commission fee under Guarantee Redemption Fund, of ₹ 38.79 crore (₹ 38.65 crore pertaining to years upto 2018-19 and addition of ₹ 0.14 crore for the year 2019-20) was not credited to the Government account, thereby overstating the Revenue Deficit by ₹ 0.14 crore.

The prevalence of Fiscal Deficit during 2015-20 indicated continued reliance of the State on borrowed funds, resulting in increased fiscal liabilities of the State over the period 2015-20. Fiscal liabilities increased by ₹ 910 crore (9 *per cent*) during 2019-20 compared to previous year. The fiscal liabilities during 2019-20 stood at 32 *per cent* of the GSDP and exceeded the limit of total outstanding Debt-GSDP ratio target fixed in the State FRBM Act, (28.00 *per cent*). Debt Repayment as a percentage of Debt Receipts ranged between 62 *per cent* and 103 *per cent* during 2015-20.

The State could not meet the targets set (₹ 2798 crore) by the XIV FC as the Tax Revenue (₹ 1891 crore) fell short of the normative assessment made by them by ₹ 907 crore (32 *per cent*) and the Non-Tax Revenue (₹ 530 crore) was 41 *per cent* lower than the target of XIV FC (₹ 903 crore). Revenue Expenditure as a percentage of Total Expenditure hovered around 87 *per cent* during the period (2015-20) leaving inadequate resources for creation of assets.

Cash Balances of the State Government at the end of the current year decreased by ₹ 209.09 crore from ₹ 814.33 crore in 2018-19 to ₹ 605.24 crore in 2019-20. Cash Balance investment decreased from ₹ 1070.04 crore in 2018-19 to ₹ 801.61 crore in 2019-20. Despite having large cash balances, the State Government had taken recourse to market loans on several occasions during the year leading to further accretion to cash balances without putting it to productive use and increasing the debt liabilities of the State.

2.10 Recommendations

- *The State Government needs to further augment its own tax and non-tax revenues to reduce its dependency on Central transfers and Grants and increase its spending.*
- *The Government should adhere to targets of FRBM Act, set for outstanding debts and reduce its reliance on borrowed funds.*
- *The State Government may review its Cash Balances vis-à-vis its market borrowings and put them to productive use.*

