



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 five-year period from 2018-19 to 2022-23, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State. Information has also been obtained from the State Government where necessary.

2.2 Major changes in key fiscal aggregates during 2022-23 vis-à-vis 2021-22

Table 2.1 a bird's eye view of the major changes in key fiscal aggregates of the State during 2022-23, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	Revenue Receipts increased by ₹ 545.73 crore (3.82 per cent) Own Tax Receipts increased by ₹ 350.29 crore (15.23 per cent) Non-Tax Receipts decreased by ₹ 67.97 crore (12.96 per cent) State's Share of Union Taxes and Duties increased by ₹ 705.51 crore (10.72 per cent) Grants-in-Aid from Government of India decreased by ₹ 442.10 crore (9.08 per cent)
Revenue Expenditure	Revenue Expenditure increased by ₹ 1,243.55 crore (9.13 per cent) Revenue Expenditure on General Services increased by ₹ 636.67 crore (14.29 per cent) Revenue Expenditure on Social Services increased by ₹ 357.19 crore (6.80 per cent) Revenue Expenditure on Economic Services increased by ₹ 249.69 crore (6.38 per cent) Expenditure on Grants-in-Aid increased by ₹ 558.62 crore (12.98 per cent)
Capital Receipts	Debt Capital Receipts increased by ₹ 2,200.73 crore (54.74 per cent) Non-debt Capital Receipts increased by ₹ 0.14 crore (0.57 per cent)
Capital Expenditure	Capital Expenditure decreased by ₹ 9.51 crore (0.35 per cent) Capital Expenditure on General Services decreased by ₹ 34.45 crore (20.08 per cent) Capital Expenditure on Social Services decreased by ₹ 319.33 crore (26.75 per cent) Capital Expenditure on Economic Services increased by ₹ 344.27 crore (24.83 per cent)
Loans and Advances	Disbursement of Loans and Advances decreased by ₹ 50.81 crore (59.54 per cent) Recoveries of Loans and Advances increased by ₹ 0.14 crore (0.57 per cent)
Public Debt	Public Debt Receipts increased by ₹ 2200.73 crore (54.75 per cent) Public Debt Disbursement increased by ₹ 1533.34 crore (69.19 per cent)
Public Account	Public Account Receipts decreased by ₹ 263.32 crore (5.16 per cent) Disbursement of Public Account decreased by ₹ 599.94 crore (12.12 per cent)
Cash Balance	Cash Balance increased by ₹ 161.50 crore (376.61 per cent)

Source: Finance Accounts 2022-23.

Each of the above fiscal aggregators 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 2022-23 with 2021-22 in absolute terms, while **Chart 2.1** and **Chart 2.2** give the details of

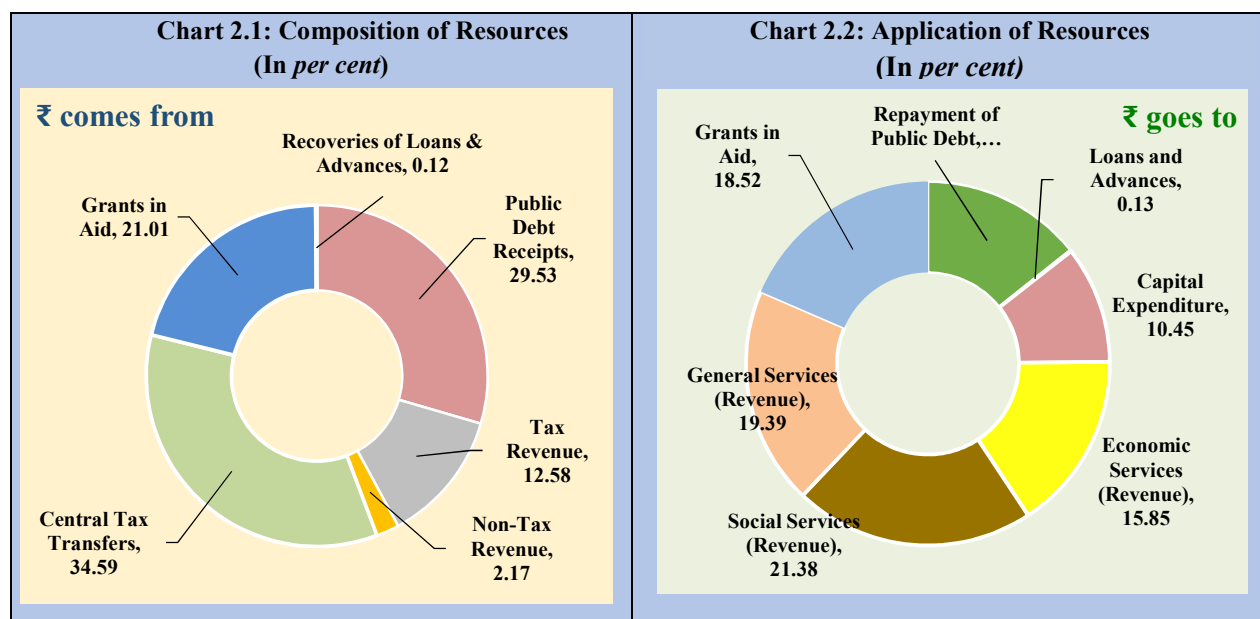
receipts into and expenditure from the Consolidated Fund during 2022-23 in terms of percentage.

Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

	Particulars	2021-22	2022-23	Increase (+)/ Decrease (-) (per cent)
Sources	Opening Cash Balance (including investments held in Cash Investment Account and Deposits with RBI)	162.49	(-)42.66	(-)205.15 (-126.25)
	Revenue Receipts	14,274.14	14,819.87	545.73 (3.82)
	Recoveries of Loans and Advances	24.41	24.55	0.14 (0.57)
	Public Debt Receipts (Net)	1,803.75	2,471.13	667.39 (37.00)
	Public Account Receipts (Net)	149.90	486.52	336.62 (224.56)
	Contingency Fund Receipts	200.00	-	(-)200.00 (-100)
	Total	16,614.69	17,759.41	1,144.72
Application	Revenue Expenditure	13,620.22	14,863.77	1,243.55 (9.13)
	Capital Expenditure	2,751.79	2,742.28	(-)9.51 (-0.35)
	Disbursement of Loans and Advances	85.34	34.52	(-)50.82 (-59.55)
	Appropriation to Contingency Fund ⁹	200.00	-	(-)200.00 (-100)
	Contingency Fund disbursement	-	-	-
	Closing Cash Balance (including investments held in Cash Investment Account and Deposits with RBI)	(-)42.66	118.84	161.50 (378.57)
	Total	16,614.69	17,759.41	1,144.72

Source: Finance Accounts 2022-23.



Source: Finance Accounts 2022-23.

⁹ Any Appropriation to Contingency Fund for increasing the Corpus of the Fund also forms part of the Total Expenditure.

2.4 Resources of the State

The resources of the State are described below:

Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State's share of Union taxes and duties and Grants-in-Aid from Government of India (GoI).

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

Both Revenue and Capital Receipts form part of the Consolidated Fund of the State.

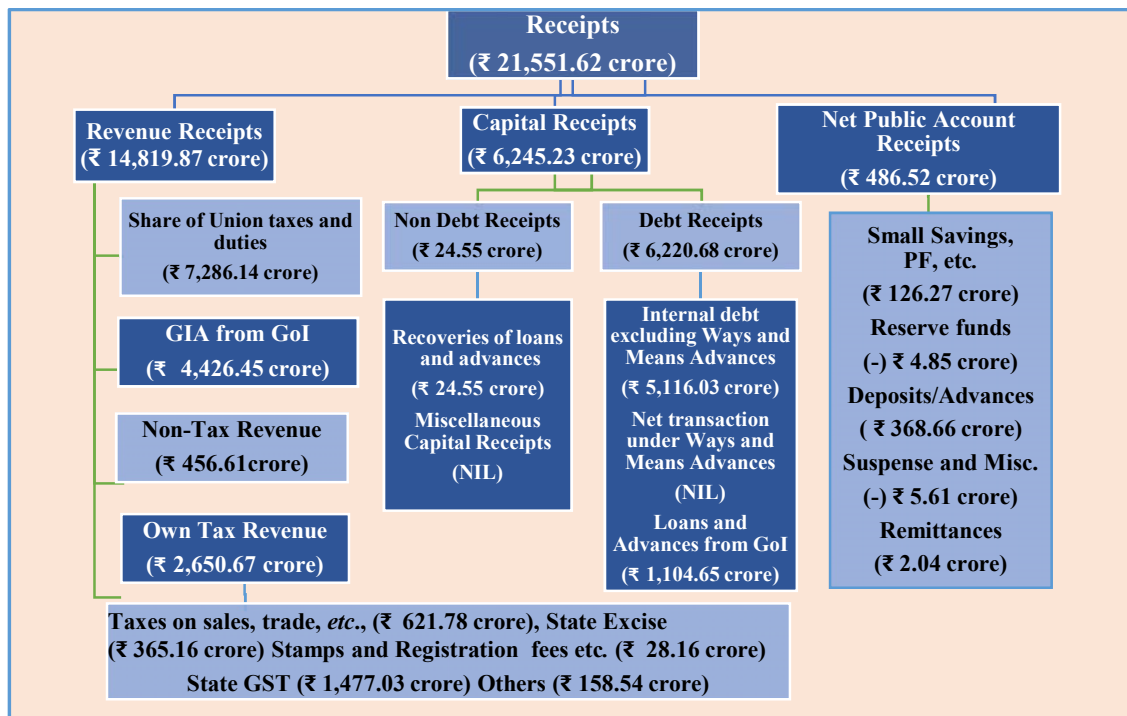
Net Public Account Receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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

This paragraph 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. The composition of total receipts of the State is depicted in **Chart 2.3**.

Chart 2.3: Composition of Receipts of the State during 2022-23



Source: Finance Accounts 2022-23.

Out of the total resources of ₹ 21,551.62 crore of the State Government during the year 2022-23, Revenue Receipts (₹ 14,819.87 crore) constituted 68.76 per cent. Capital Receipts (₹ 6,245.23 crore) and net Public Account Receipts (₹ 486.52 crore) constituted 28.98 per cent and 2.26 per cent of the total resources respectively.

2.4.2 State's Revenue Receipts

This section discusses the trends in Revenue Receipts and its components, 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 2018-23.

Table 2.3: Trend in Revenue Receipts

Table Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	9,718.62	9,413.52	10,683.24	14,274.14	14,819.87
Rate of growth of RR (<i>per cent</i>)	4.80	(-)3.14	13.49	33.61	3.82
Tax Revenue	6,682.31	6,103.03	6,624.19	8,881.01	9,936.81
<i>Own Tax Revenue</i>	<i>1,793.24</i>	<i>1,891.25</i>	<i>2,072.56</i>	<i>2,300.38</i>	<i>2,650.67</i>
<i>State's share in Union taxes and duties</i>	<i>4,889.07</i>	<i>4,211.78</i>	<i>4,551.63</i>	<i>6,580.63</i>	<i>7,286.14</i>
Non-Tax Revenue	427.7	530.11	523.17	524.58	456.61
Grants-in aid from GoI	2,608.61	2,780.38	3,535.88	4,868.55	4,426.45
Own Revenue (Own Tax and Non-tax Revenue)	2,220.94	2,421.36	2,595.73	2,824.96	3,107.28
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	22.25	9.02	7.2	8.83	9.99
GSDP	32,176	34,770	33,776	38,785 (Q)	42,697 (A)
Rate of growth of nominal GSDP (<i>per cent</i>)	9.04	8.06	(-) 2.86	14.83	10.09
RR/GSDP (<i>per cent</i>)	30.20	27.07	31.63	36.80	34.71
2Buoyancy Ratios ¹⁰					
Revenue Buoyancy w.r.t GSDP	0.53	**	*	2.27	0.38
State's Own Revenue Buoyancy w.r.t GSDP	2.46	1.12	*	0.60	0.99

Source of GSDP figures: Department of Economics and Statistics, Government of Meghalaya.

*Not computed due to negative growth of GSDP; **Not computed due to negative growth of RR;

*** Not computed due to negative growth of Grants-in-Aid

Q = Quick Estimates, A = Advance Estimates

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

Table 2.3 shows that the Revenue Receipts increased by 52.49 per cent from ₹ 9,718.62 crore in 2018-19 to ₹ 14,819.87 crore in 2022-23. During five-year period, these increased at an average annual growth rate of 11.12 per cent. As compared to 2021-22, Revenue Receipts grew 3.82 per cent, while Tax Revenue increased by 11.89 per cent (₹ 1,055.80 crore), Non-tax Revenue decreased by 12.96 per cent

¹⁰ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

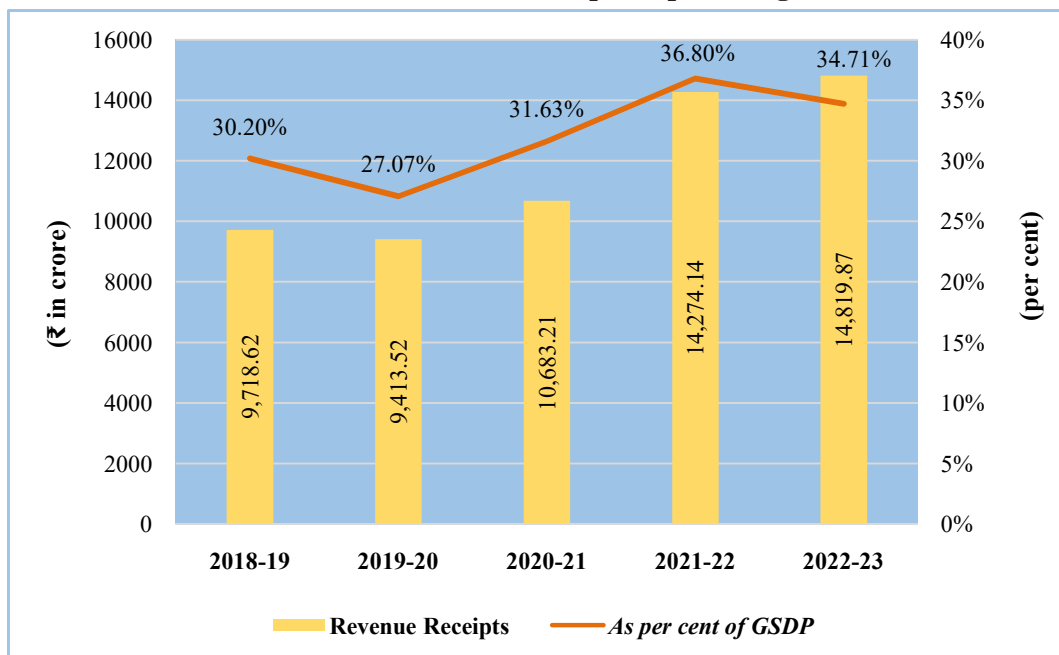
(₹ 67.97 crore) in 2022-23 as compared to 2021-22. Further, Grants-in-Aid from GoI decreased by ₹ 442.10 crore (9.08 per cent) in 2022-23 as compared to 2021-22.

Growth rate of revenue can be better explained in terms of revenue buoyancy. The revenue buoyancy, a measure of how tax/non-tax revenues change as a result of growth in GSDP, indicates the underlying attributes of the State economy including efficiency of tax collection and impact of fiscal measures. A value of less than one reflects higher fiscal deficit whereas values more than one reflects that revenue collection rate is higher than the rate of growth of GSDP and therefore a lower need to resort to fiscal financing. Revenue buoyancy vis-à-vis the State GDP growth was 0.53 in 2018-19 indicating that for every one per cent growth of GSDP, revenue collected increased by approximately half per cent. Post pandemic, there was a dramatic improvement in tax buoyancy with a score of 2.27 in 2021-22, before score slumped to 0.38 in 2022-23, partly explained by the slower GSDP growth rate 10.09 per cent in 2022-23 compared to about 14.83 per cent in 2021-22. Nonetheless, sharp decline witnessed in revenue buoyancy in 2022-23 over 2021-22 is a cause of concern. GoM needs to take corrective measures not only for improving its tax collection by preventing revenue leakages but also to widen the tax base.

Revenue Buoyancy of the State in 2022-23 was 0.38 per cent as compared to 2.27 per cent in 2021-22. In other words, growth in Revenue Receipts with growth in GSDP in 2022-23 was slower than that in 2021-22. This is primarily due to decrease in Non-tax Revenue in 2022-23 as compared to 2021-22. State's Own Revenue (Tax and Non-tax) buoyancy decreased from 2.46 in 2018-19 to 0.99 in 2022-23.

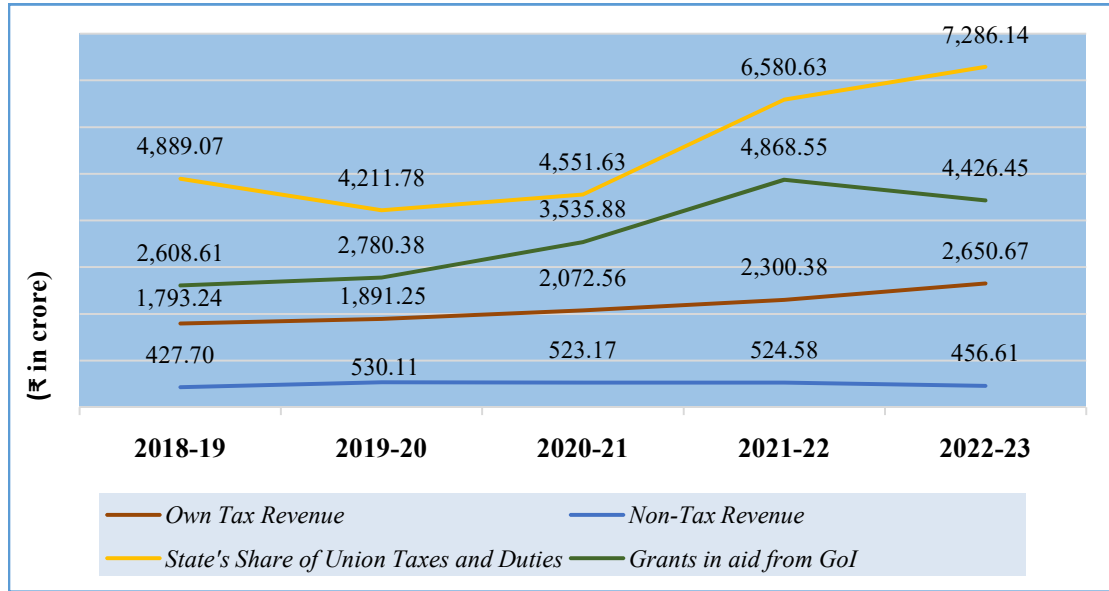
Trends in Revenue Receipts relative to GSDP and components of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

Chart 2.4: Trend of Revenue Receipts as percentage of GSDP



Source: Finance Accounts of 2018-19 to 2022-23.

Chart 2.5: Trend of components of Revenue Receipts



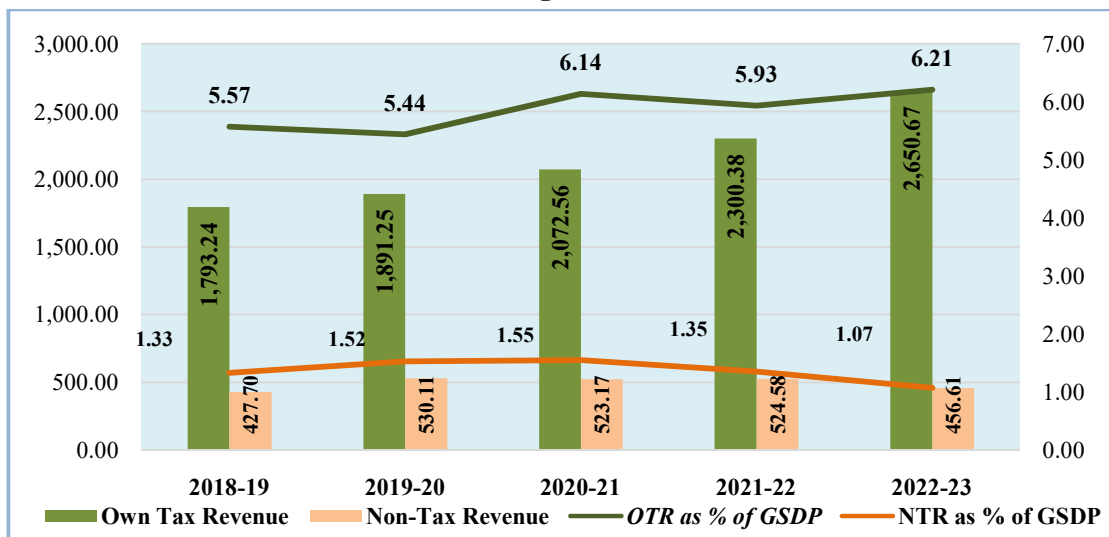
Source: Finance Accounts of 2018-19 to 2022-23.

2.4.2.2 State's Own Resources

The State's performance in mobilisation of additional resources is assessed in terms of its own revenue, derived from both tax and non-tax sources. State's Own Tax Revenue (OTR) sources comprise of Sales Tax, SGST, State Excise, Taxes on vehicles, Stamps Duty and Registration fees, Land Revenue, Taxes on goods and passengers and other taxes, while Non-Tax Revenue (NTR) sources include Interest Receipts, Dividends and Profits and Other non-tax receipts.

Chart 2.6 depicts the five-year trend in the gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2018-23 (Please refer to **Appendix 2.1** for details).

Chart 2.6: Gross collections of Own Tax and Non-Tax Revenue and their share in GSDP during 2018-23

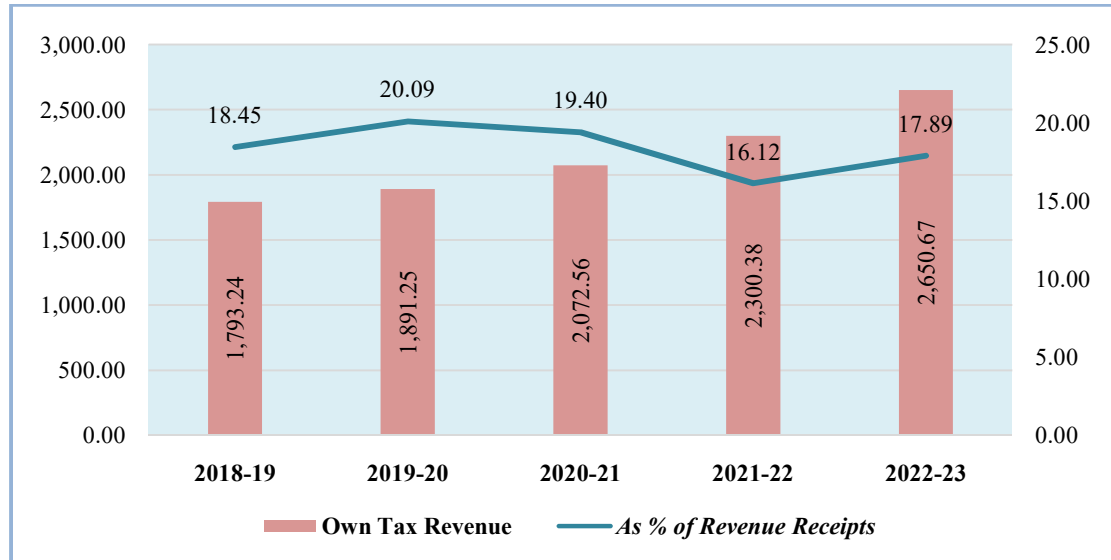


Source: Finance Accounts of 2018-19 to 2022-23.

The State's own tax revenue as percentage of GSDP has hovered around five *per cent* to six *per cent* and it is the main source of State's own revenues.

Chart 2.7 presents the trend of growth of Own Tax Revenue of the State during the five-year period 2018-23.

Chart 2.7: Growth of Own Tax Revenue vis-à-vis Revenue Receipts during 2018-23



Source: Finance Accounts of 2018-19 to 2022-23.

Own Tax Revenue of the State increased by ₹ 857.43 crore from ₹ 1,793.24 crore in 2018-19 to ₹ 2,650.67 crore in 2022-23 at a CAGR¹¹ of 10.26 *per cent*. The major contributors were SGST (from ₹ 805.96 crore to ₹ 1,477.03 crore), State Excise (₹ 226.21 crore to ₹ 365.16 crore) and Taxes on vehicles (₹ 86.95 crore to ₹ 131.51 crore). **Table 2.4** presents the growth of major components of the State's own taxes.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Taxes on Sales, Trades, etc.	627.50	567.13	725.09	718.89	747.51	621.78
State Goods and Services Tax	805.96	909.78	822.81	1,117.94	1,316.01	1,477.03
State Excise	226.21	276.27	375.38	308.00	350.03	365.16
Taxes on Vehicles	86.95	99.24	78.62	99.42	100.12	131.51
Stamp duty and Registration Fees	26.19	20.34	31.56	27.06	38.18	28.16
Land Revenue	2.73	1.00	21.29	9.83	4.51	4.91
Taxes on Goods and Passengers	8.45	9.13	10.72	12.54	11.00	14.05
Other Taxes	9.25	8.36	7.09	6.70	8.04 ¹²	8.07
Total	1,793.24	1,891.25	2,072.56	2,300.38	2,575.40	2,650.67

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2022-23).

¹¹ Compounded Annual Growth Rate (CAGR) refers the average annual growth rate of a parameter over a specified number of years. and is calculated as $(\text{Final Value}/\text{Initial Value})^{1/n} - 1$ (no. of years) – 1

¹² Includes Taxes and duties on electricity, other taxes and duties on commodities and services and Other taxes on income and expenditure.

During 2022-23, the State's Own Tax Revenue comprised 17.89 per cent of total Revenue Receipts, of which State Goods and Services Tax at ₹ 1,477.03 crore contributed to 55.72 per cent of Own Tax Revenue. Next highest source of Tax Revenue was Taxes on Sales, Trade, etc., (23.46 per cent) and State Excise (13.78 per cent).

The increase in Own Tax Revenue over the previous year was primarily on account of increase in collection of taxes under SGST by ₹ 359.09 crore (32.12 per cent), State Excise by ₹ 57.16 crore (18.56 per cent) and Taxes on Vehicles by ₹ 32.09 crore (32.28 per cent). This is partially offset by decrease in Taxes on Sales, Trades, etc. by 97.11 crore (13.51 per cent).

2.4.2.3 State Goods and Services Tax (SGST)

The Government of India rolled out the Goods and Services Tax (GST) on 01 July 2017. 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.

As per the Finance Accounts 2022-23, the amount of SGST is ₹ 1,477.03 crore.

(i) 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 2023 were ₹ 89 crore, as detailed in **Table 2.5**.

Table 2.5: Details of arrears of revenue collection

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1.	0040-Taxes on Sale, Trade, etc.	89	37
	Total	89	37

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

Table 2.5 indicates that recovery of ₹ 89 crore was pending against head 0040-Taxes on Sales, Trade, etc. of revenue, which was 2.86 per cent of the State's own revenue collection of ₹ 3,107.28 crore for 2022-23. Revenue amounting to ₹ 37 crore (41.57 per cent of the total revenue arrears) was pending for recovery for more than five years.

Further, the periodical tax returns filed by the dealers under erstwhile 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 within 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 2.6**.

Table 2.6: Arrears of assessments of VAT

Head of revenue	Opening balance as on 1 April 2022	New cases due for assessment during 2022-23	Total assessments due	Cases disposed of during 2022-23	Balance at the end of the year
0040-Taxes on Sales, Trade, etc.	77,063	505	77,568	7,071	70,497

Source: Information received from the Taxation Department.

Table 2.6 shows that only 7,071 cases, *i.e.*, 9.12 *per cent* of the total pending cases were disposed of during 2022-23. There were 70,497 cases (90.88 *per cent*) pending for assessment at the end of the year.

Keeping in view the huge pendency in assessment of returns, the State Government needs to complete assessments of the pending cases in a time bound manner, and recover dues before these become time barred.

(ii) Details of evasion of tax detected by Department

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 2022-23 are given in **Table 2.7**.

Table 2.7: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2023	Cases detected during 2022-23	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty <i>etc.</i> raised		No. of cases pending for finalisation as on 31 March 2022
					No. of cases	Amount (₹ in crore)	
1	0006 – SGST	47	79	126	73	0.11	53
Total		47	79	126	73	0.11	53

Source: Information furnished by Taxation Department.

Table 2.7 presents that during the year 2022-23, the Department detected 79 cases of evasion of tax. Out of 126 cases, only 73 cases were assessed/ investigated and completed, and an additional demand of ₹ 0.11 crore was raised. As on 31 March 2023, 53 cases were still pending.

(iii) 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 2022-23, claims received during the year, refunds made during the year and cases

pending at the end of the year 2022-23, as reported by Taxation Department are given in **Table 2.8**.

Table 2.8: Details of refund cases of Sales Tax/VAT & GST

(₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		GST	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding as on 01 April 2022	23	16.10	32	7.65
2.	Claims received during the year	20	26.87	114	42.70
3.	Refunds made during the year	29	29.42	66	32.06
4.	Refunds rejected during the year	Nil	Nil	21	11.99
5.	Balance outstanding at the end of year	14	13.55	59	6.3

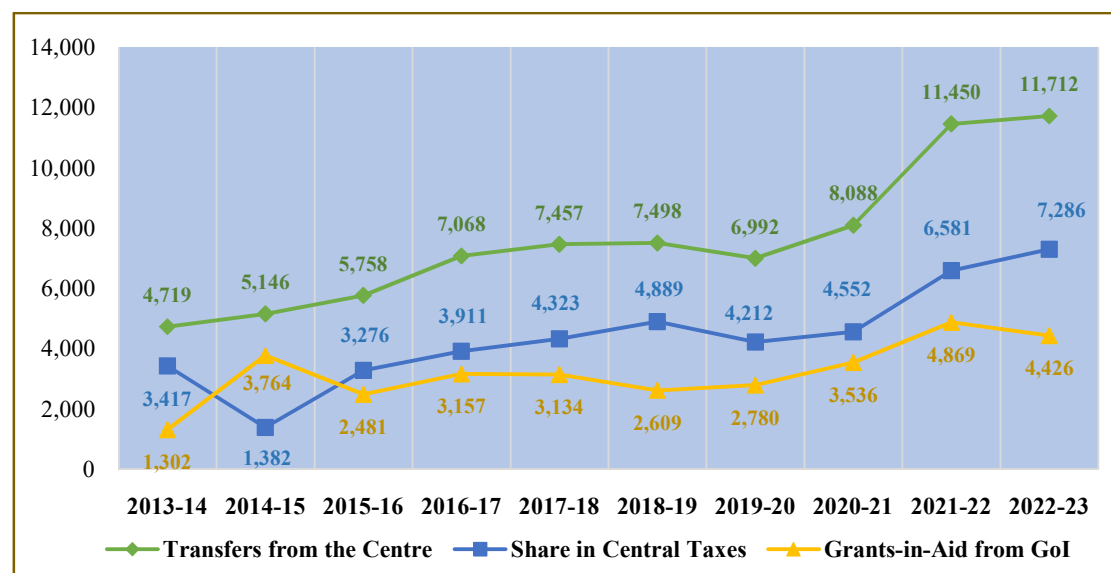
Source: Information furnished by Taxation Department.

It could be seen that out of 43 cases, refunds in 29 cases involving monetary value of ₹ 29.42 crore in case of sales tax/VAT and 66 (45.20 per cent) out of 146 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 Transfers from the Centre

Transfer from the Centre includes Central Tax transfer (Share in Union Taxes) and Grants-in-Aid. Transfers from the Centre constituted 79.03 per cent of total Revenue Receipts during 2022-23. **Chart 2.8** presents the trend in transfers from Government of India.

Chart 2.8: Trend in transfers from Centre



Source: Finance Accounts of 2018-19 to 2022-23.

(i) Central tax transfer

The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by Fourteenth Finance Commission and Fifteenth Finance Commission

during the period from 2015-16 to 2022-23 is detailed in **Table 2.9** and head wise central tax transfer during the years 2018-23 are given in **Table 2.10**.

Table 2.9: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

FC	Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Variation*	
					Amount	per cent
1	2	3	4	5	[(5-4)/4]	
FC-XIV	2015-16	0.642 per cent of net	3,728.00	3,276.46	(-)451.54	(-)12.11
	2016-17	proceeds of all shareable	4,302.00	3,911.05	(-)390.95	(-)9.09
	2017-18	taxes excluding service	4,971.00	4,323.14	(-)647.86	(-)13.03
	2018-19	tax and 0.650 per cent of	5,751.00	4,889.07	(-)861.93	(-)14.99
	2019-20	net proceeds of sharable	6,661.00	4,211.78	(-)2,449.22	(-)36.77
Total			25,413.00	20,616.50	(-)4,801.50	(-)18.89
FC-XV	2020-21	0.765 per cent of net	6,542.00	4,551.63	(-)1,990.37	(-)30.42
	2021-22	proceeds of all shareable	5,051.00	6,580.63	1,529.63	30.28
	2022-23	taxes	5,619.00	7,286.14	1,667.14	29.67

Source: XIVth and XVth Finance Commission Report (FCR), Finance Accounts and Annual Financial Statements.

*(+) indicates a higher devolution of taxes than projection, while (-) indicates a lesser devolution of taxes than projection.

Table 2.9, shows that the overall devolution of taxes from the Centre in XIVth FC was less by 18.89 per cent than projected in the FCR. However, during 2022-23, the actual devolution of taxes was higher by ₹ 1,667.14 crore (29.67 per cent) compared to FCR projection for 2022-23.

Table 2.10: Central Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Central Goods and Services Tax (CGST)	1,206.74	1,195.17	1,364.27	1,945.54	2,056.70	2,058.15
Integrated Goods and Services Tax (IGST)	96.30	Nil	Nil	0.00	0.00	0.00
Corporation Tax	1,700.27	1,436.04	1,364.90	1,974.31	1,955.76	2,444.48
Taxes on Income other than Corporation Tax	1,252.18	1,125.24	1,398.24	1,979.29	1,888.86	2,383.99
Customs	346.56	266.97	249.50	426.42	271.57	286.34
Union Excise Duties	230.32	185.63	154.13	198.34	84.59	89.80
Service Tax	44.70	Nil	17.73	49.84	6.29	11.39
Other Taxes	12.00	2.73	2.86	6.89	-0.07	11.99
Central Tax transfers	4,889.07	2.73	4,551.63	6,580.63	6,263.70	7,286.14
Percentage of increase over previous year	13.09	(-)13.85	8.07	44.58	-	10.72
Central tax transfers as per cent to Revenue Receipts	50.31	44.74	42.61	46.10	-	49.16

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2022-23).

Over the five-year period 2018-23, Central tax transfers increased by 49.03 per cent from ₹ 4,889.07 crore in 2018-19 to ₹ 7,286.14 crore in 2022-23. The central tax transfers during the year increased by ₹ 705.51 crore (10.72 per cent) as compared to the

previous year. During the year, the actuals receipt from central tax transfers was higher by ₹ 1,022.44 crore than the BEs.

2.4.2.5 Non-Tax Revenue

Table 2.11 presents the component-wise details of Non-Tax Revenue collected during the years 2018-23.

Table 2.11: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Interest receipts	58.26	28.91	11.53	24.65	13.95	8.81
Dividends and Profits	0.11	0.14	-	0.12	0.18	0.35
Other Non-Tax Receipts	369.33	501.06	511.64	499.81	716.59	447.46
a) Non-ferrous Mining and Metallurgy* ¹³	147.56	322.84	246.44	239.78	500.00	263.38
b) Forestry and Wildlife	78.31	81.27	102.12	117.34	120.00	129.76
c) Other Administrative Services	9.25	41.30	26.98	3.73	32.65	6.33
d) Public Works	17.64	9.78	7.05	6.34	8.53	9.86
e) Police	16.27	8.17	7.29	6.62	8.82	8.82
f) Animal Husbandry	2.10	1.91	1.96	2.20	2.54	1.99
g) Crop Husbandry	6.71	2.29	2.03	2.65	2.46	2.78
h) Others	91.49	33.50	117.77	121.15	41.59	24.53
Total	427.70	530.11	523.17	524.58	730.72	456.62

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya.

Non-Tax Receipts contributed 3.08 per cent to the Revenue Receipts during 2022-23. Under Non-Tax Revenue, royalty and fees collected under Mining concessions was the highest contributor at 57.68 per cent (₹ 263.38 crore) followed by receipts under Forestry and Wildlife¹⁴ at 28.42 per cent (₹ 129.76 crore).

Non-Tax Revenue rose by 6.76 per cent from 2018-19 (₹ 427.70 crore) to 2022-23 (₹ 456.61 crore). However, during 2022-23, it declined by ₹ 67.97 crore (12.96 per cent) over the previous year. As compared to BEs, actual was 62.49 per cent during current year. Interest Receipts decreased by ₹ 15.84 crore (64.26 per cent).

As per Sixth Schedule of the Constitution, forest and mining royalty collected by the State is shareable with the Autonomous District Councils. However, collection of royalty for mining concession of minor minerals (collected by the Forest Department) is shown under a common accounting sub head of forest revenues. It is, therefore essential that Finance Department, in consultation with Principal Accountant General (A&E), opens specific sub heads for a transparent accounting of amounts booked under various types of mining and forest receipts.

¹³ Non-Ferrous Mining and Metallurgy includes mineral concession fees, rents & royalties, and Mines Department (MH-0853).

¹⁴ Receipts under Forestry and Wildlife (MH-0406) includes Sale of timber and other forest produce, Receipts from social and farm forestries, Receipts from environmental forestry and Receipts from Forest Plantations.

(i) State's performance in mobilisation of resources

The State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. **Table 2.12** presents the State's own tax and non-tax receipts for the year 2022-23 *vis-à-vis* projections made by the XV FC and the Budget Estimates (BEs) of the State Government.

Table 2.12: Tax and non-tax receipts vis-vis projections.*(₹ in crore)*

Particulars	FC projections	Budget Estimates 2022-23	Actuals	Percentage variation of actuals over	
				Budget Estimates	FC projections
Own Tax Revenue	2,180	2,575.40	2,650.67	2.92	21.59
Non-Tax Revenue	528	730.72	456.61	-37.51	-13.52

During the year, own tax revenue was 21.59 *per cent* and 2.92 *per cent* higher than the assessment made by the XV FC and in BEs respectively. Whereas Non-tax revenue was 13.52 *per cent* and 37.51 *per cent* lower than the projection of XV FC and assessment made in BEs respectively.

2.4.2.6 Grants-in-Aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components are shown in **Table 2.13**.

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

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Grants for Centrally Sponsored Schemes (CSS)	2,011.17	2,314.17	2,554.41	2,955.61	4,058.66	3,253.29
Finance Commission Grants	225.60	63.93	708.51	1,494.65 ¹⁵	1,310.00	1,144.70 ¹⁶
Other transfers/Grants to States/Union Territories with Legislature	371.84	402.28	275.96	418.31	1,096.88	28.46
Block Grants	-	-	-	(-)0.02	-	-
Total	2,608.61	2,780.38	3,535.88	4,868.55	6,465.54	4,426.45
Percentage of increase over the previous year	-16.75	6.58	27.17	37.69	-	(-)9.08
<i>Per cent</i> of GIA to Revenue Receipts	26.84	29.54	33.10	34.11	-	29.87

Source: Finance Accounts, Finance Accounts 2022-23 and Annual Financial Statement, Government of Meghalaya (2022-23).

The total amount transferred by the Central Government to the State during the year 2022-23 was ₹ 4,426.45 crore. Grants-in-Aid from GoI decreased by ₹ 442.10 crore (9.08 *per cent*) during the year compared to the previous year, constituting 29.87 *per cent* of Revenue Receipts. Grants for Centrally Sponsored Schemes to the State constituted 73.50 *per cent* (₹ 3,253.29 crore) of the total grants received during the year. It increased 10.07 *per cent* in 2022-23 w.r.t. 2021-22. There was a substantial

¹⁵ Includes Post Devolution Revenue Deficit Grant, Grants for Rural Local Bodies and Urban Local Bodies, GIA for SDRF and SDMF.

¹⁶ Includes Post Devolution Revenue Deficit Grant of ₹ 1,033 crore.

decrease in Other Transfers/Grants to States of 93.20 *per cent* (₹ 389.85 crore) during the year as compared to the previous year due to non-receipt of grants under Central pool of Resources for NER, Schemes of NEC, compensation for loss of Revenue arising out of implementation of GST and Special components plan for Scheduled Castes.

(i) Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No. 1(13)/PFMS/FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (AIs) to the Single Nodal Account of the Single Nodal Agency.

As per PFMS report¹⁷, 115 bank accounts related to SNAs has been linked as on 31 March 2023. The State Government received ₹ 2,639.55 crore being Central share of the Centrally Sponsored Schemes during the year in its Treasury Accounts. As on 31.03.2023, the State Government transferred ₹ 2,496.47 crore being Central share, State share of ₹ 638.65 crore and unclassified amount of ₹ 32.57 crore to the SNAs. There was short transfer of ₹ 143.08 crore of Central Share. As on 31 March 2023, ₹ 1,533.33 crore was lying unspent in the bank account of the SNAs.

However, the State Government intimated that it had received ₹ 2,650.39 crore being Central share during the year and transferred Central share of ₹ 2,529.04 crore, State share of ₹ 606.08 crore and Top-up of ₹ 32.57 crore to the SNAs during the year. Out of total transfer of ₹ 3,167.69 crore, ₹ 1,442.53 crore was transferred through GIA bills and ₹ 1,725.16 crore through final (expenditure) bill. Detailed vouchers and supporting documents of actual expenditure were not received by office of Principal Accountant General (A&E) from the SNAs. The difference between the figures of SNA report of PFMS and as provided by the State Government needs reconciliation.

(ii) Interest earned on savings bank Accounts of SNAs

As per PFMS report¹⁸, during the current year, a total amount of ₹ 47.06 crore interest was earned and credited to SNA's Account.

(iii) Fifteenth Finance Commission Grants

XV FC grants were provided to the States for local bodies, State Disaster Risk Mitigation Funds (SDRMF), Post Devolution Revenue Deficit and health sector. Details of grants recommended by XV FC and provided by GoI to the Government of Meghalaya (GoM) during 2022-23 are given in **Table 2.14**.

¹⁷ SNA 04 Report.

¹⁸ SNA Report 04-Interest Earned.

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

Transfers	Recommendation of XV FC	Actual release by GoI	Released by State Government	
			Amount	Percentage of Release by GoI
A	B	C	D	E
(i) Grants to RLBs				
(a) Untied Grant	56.00	0.00	0.00	-
(b) Tied Grant	84.00	40.50 [#]	40.50 [@]	100.00
Total for RLBs	140.00	40.50		
(ii) Grants to ULBs				
(a) Untied Grant for Non-Million Plus Cities	27.60	22.00 ^{##}	22.00	100.00
(b) Tied Grant for Non-Million Plus Cities	41.40	22.00 ^{##}	22.00	100.00
Total for ULBs	69.00	44.00	44.00	100.00
Total for Local Bodies	209.00	84.50		-
SDRMF*				
Central Share	68.00	27.20	27.20	100.00
(SDRF + SDMF)				
State Share	8.00	-	3.20	-
Grants for Health Sector	59.00	0.00	-	-
Post Devolution Revenue Deficit Grant	1033.00	1033.00	-	-

Source: XV-FC 2021-26 Report, Government of India and Government of Meghalaya.

[@] FC Grants for RLB are transferred to Autonomous District Councils (ADCs).

[#] Rural Local Bodies Grant for the year 2021-22 released in 2022-23 on 28.06.2022.

^{##} Urban Local Bodies Grant for the year 2020-21 released in 2022-23 on 01.09.2023.

* State Disaster Risk Mitigation Funds (SDRMF) = State Disaster Response Fund (SDRF): 80.00 per cent and State Disaster Mitigation Fund (SDMF): 20 per cent.

- As against ₹ 209.00 crore recommended by the 15th FC in respect of Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs), ₹ 84.50 crore was released by the GoI during 2022-23. The Amount released by GoI was released by GoM during the same year.
- In respect of SDRMF, 15th FC recommended Central Share of ₹ 68.00 crore and State Share of ₹ 8.00 crore for the year 2022-23. GoI released its entire share during 2022-23. GoM released ₹ 30.40 crore (Central Share: ₹ 27.20 crore + State Share: ₹ 3.20 crore).
- Against ₹ 59.00 crore recommended by the 15th FC for 2022-23 as Grants for Health Sector for the State, no fund was released during 2022-23.
- In respect of Post-Devolution Revenue Deficit Grants, the State received the entire amount of ₹ 1,033.00 crore recommended by the 15th FC for the year 2022-23. This was 23.34 per cent of the total GIA received from the Government of India during 2022-23.

(iv) State Finance Commission

The **Meghalaya State Finance Commission Act, 2012** mandates constitution of the Meghalaya State Finance Commission every five years to review the financial position of the Traditional Bodies, Municipal Boards and the Autonomous District Councils (ADCs). It recommends sharing of revenue between the State and the Traditional Bodies,

Municipal Boards and the Autonomous District Councils (ADCs). As per Section 3(1) of the Act, the State Government shall as soon as be one year from the enactment of the Act and thereafter at the expiry of every fifth year constitute a body to be known as the Meghalaya State Commission to review the financial position of the traditional bodies, municipalities or municipal boards notwithstanding any term by which ULBs are called in the State.

Though Government of Meghalaya enacted the Act on 30th March 2012 and framed the Meghalaya Finance Commission Rules, 2013 (notified in December 2013) as per Section 10 of the Act, the State Government has not constituted the State Finance Commission (November 2023).

2.4.3 Capital Receipts

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

Table 2.15: Trend in growth and composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	1,342.70	1,527.34	2,469.66	4,044.36	6,245.23
Miscellaneous Capital Receipts	NIL	NIL	NIL	NIL	NIL
Recovery of Loans and Advances	18.01	31.32	27.77	24.41	24.55
Public Debt Receipts	1,324.69	1,496.02	2,441.89	4,019.95	6,220.68
<i>Internal Debt</i>	<i>1,342.7</i>	<i>1,480.24</i>	<i>2,096.53</i>	<i>3,505.42</i>	<i>5,116.03</i>
<i>Growth rate</i>	<i>6.88</i>	<i>13.67</i>	<i>41.63</i>	<i>67.20</i>	<i>45.95</i>
<i>Loans and advances from GoI</i>	<i>22.41</i>	<i>15.78</i>	<i>345.36¹⁹</i>	<i>514.53²⁰</i>	<i>1,104.65</i>
<i>Growth rate</i>	<i>235.98</i>	<i>-29.59</i>	<i>2,088.59</i>	<i>48.98</i>	<i>114.69</i>
Rate of growth of debt Capital Receipts	8.13	12.93	63.23	64.62	54.74
Rate of growth of non-debt Capital Receipts	3.21	73.90	-11.34	-12.10	0.57
Rate of growth of GSDP	9.04	8.06	-2.86	14.83	10.09
Rate of growth of Capital Receipts (per cent)	8.06	13.75	61.70	63.76	54.42

Source: Finance Accounts of 2018-19 to 2022-23.

Capital Receipts increased by 365.12 per cent from ₹ 1,342.70 crore in 2018-19 to ₹ 6,245.23 crore in 2022-23 with a CAGR of 46.86 per cent. Major portion of Capital Receipts comprises of Public Debt Receipts (99.61 per cent) which create future repayment obligation and are taken from Market (28.07 per cent), Financial Institutions and Central Government.

Capital Receipts increased by 54.42 per cent from ₹ 4,044.36 crore in 2021-22 to ₹ 6,245.23 crore in 2022-23 on account of significant rise in internal debt by ₹ 1,610.61 crore (45.95 per cent) and loans and advances from GoI by ₹ 590.12 crore (114.69 per cent). During the year 2022-23, market loans obtained is detailed in Table 2.16.

¹⁹ Meghalaya received back-to-back loan of ₹ 112.00 crore under the debt receipts of the State Government with no repayment liability of the State.

²⁰ Meghalaya received back-to-back loan of ₹ 141.16 crore under the debt receipts of the State Government with no repayment liability of the State.

Table 2.16: Details of market loans during 2022-23

Sl. No.	Details of market loan	Amount (₹ in crore)	Rate of Interest (per cent)	Repayable in Year
1	Meghalaya State Development Loan	200.00	6.94	2025
2		200.00	7.80	2031
3		200.00	7.78	2031
4	Meghalaya Government Stock	413.00	7.39	2026
5		354.00	7.49	2027
6		300.00	7.63	2025
7		86.00	7.40	2027
Total		1,753.00		

Source: Finance Accounts 2022-23.

During 2022-23, an excess expenditure of ₹ 2,786.55 crore under “Public Debt Repayment” in the form of Internal Debt of the State under Capital (Charged) section was incurred as detailed in **Table 2.17**.

Table 2.17: Details of excess expenditure under Public Debt Repayment

(₹ in crore)						
Sl. No.	Type of the Internal Debt	Original Budget Provision	Re-appropriation	Total	Actual Expenditure	Excess (+)/ Savings (-)
1.	Ways and Means Advances (WMA)	280.00	(+) 1.74	281.74	1,572.91	(+) 1,291.17
2.	Special Drawing Facility (SDF)	95.80	0.00	95.80	1,361.02	(+) 1,265.22
3.	Overdraft (OD) State	0.00	0.00	0.00	230.16	(+) 230.16
Total		375.80	1.74	377.54	3,164.09	(+) 2,786.55

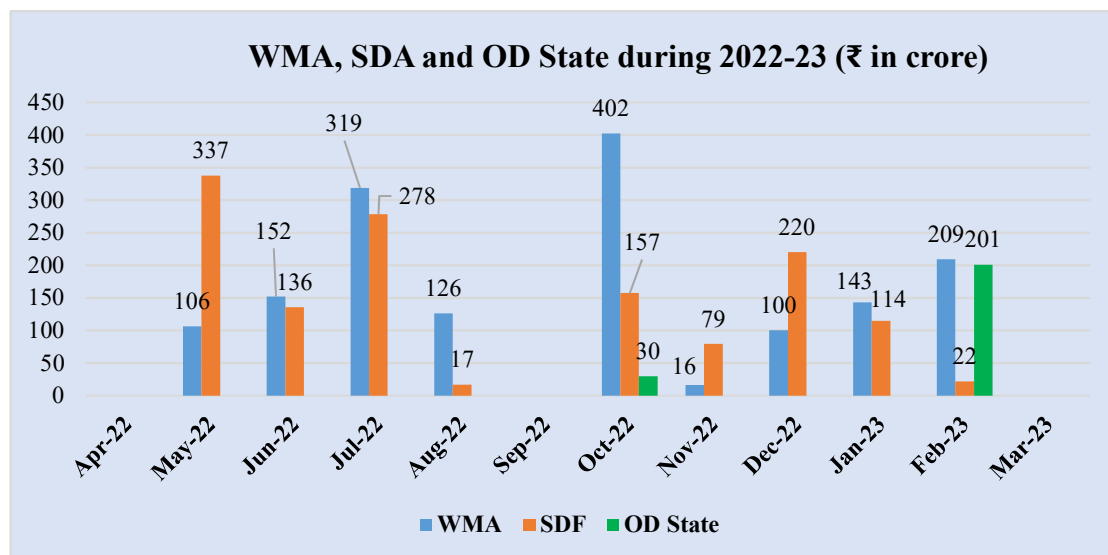
Source: Appropriation Accounts 2022-23.

Audit observed that during the year 2022-23, the Government of Meghalaya made provision of ₹ 280.00 crore for WMA, surpassing the ₹ 209 crore limit set by RBI. Further, the actual expenditure incurred amounted to ₹ 1,572.91 crore which was 752.59 per cent of the above limit.

Apart from the WMA, the State Government also resorted to SDF (₹ 1,361.02 crore) and OD State (₹ 230.16 crore) against the collateral of government securities held by the State and paid an interest of ₹ 2.33 crore²¹ during 2022-23 as compared to ₹ 2.00 crore during the previous year. Month-wise drawal of WMA, SDA and OD State during 2022-23 are detailed in **Chart 2.9**.

²¹ ₹ 2.33 crore (Interest on SDF: ₹ 1.05 crore + Interest of WMA: ₹ 1.28 crore).

Chart 2.9: Details of WMA, SDA and OD during 2022-23



Ways and Means advances are meant to tide over temporary mismatches in the cash flow of receipts and payments and are not a source of permanent financial relief. It provides leverage for both the Centre and the States to borrow from the RBI and it, therefore, helps to meet the receipts and payments of the government. However, exceeding the WMA limits and resorting to SDF and OD State reflects poor financial planning of the State Government necessitating drawal of funds from the RBI to meet exigencies.

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

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements may be sanctioned under the rules made by competent authority shall be classified as capital expenditure.

Loan and Advances: Loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

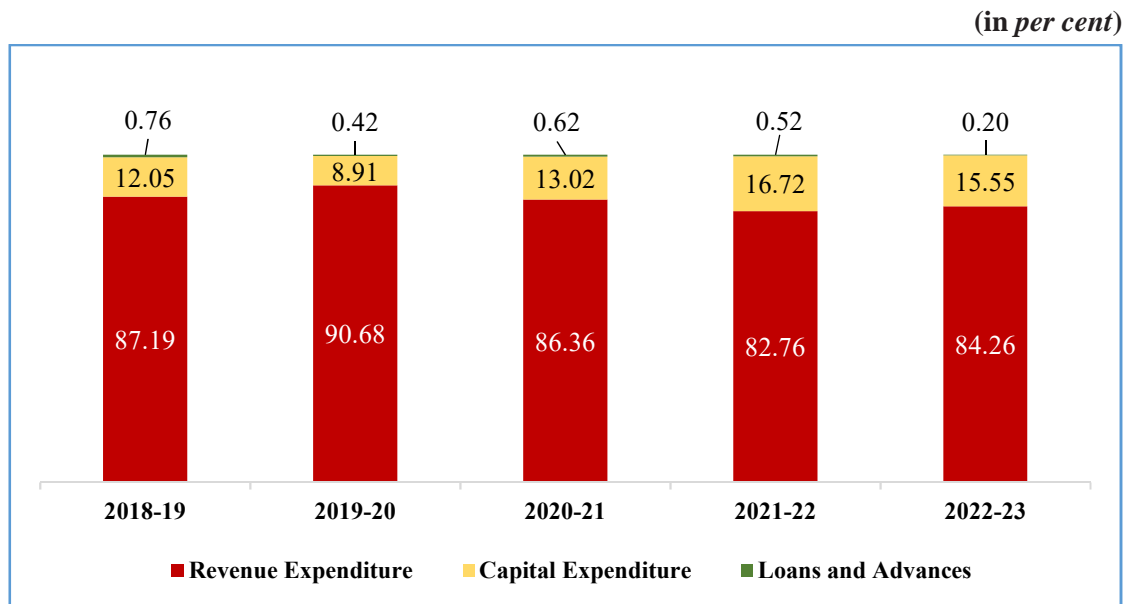
Total Expenditure, its composition and relative share in GSDP during the years 2018-19 to 2022-23 is presented in **Table 2.18**.

Table 2.18: Total expenditure and its composition

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	11,762.71	10,548.61	13,314.56	16,457.34	17,640.57
Revenue Expenditure (RE)	10,255.94	9,565.12	11,498.62	13,620.22	14,863.77
Capital Expenditure (CE)	1,417.28	939.71	1,734.05	2,751.79	2,742.28
Loans and Advances	89.49	43.78	81.90	85.33	34.52
As a percentage of GSDP					
TE/GSDP	36.56	30.34	39.42	42.43	41.32
RE/GSDP	31.87	27.51	34.04	35.12	34.81
CE/GSDP	4.40	2.70	5.13	7.09	6.42
Loans and Advances/GSDP	0.28	0.13	0.24	0.22	0.08

Table 2.18 shows that Total Expenditure (comprising of Revenue Expenditure, Capital Expenditure and Disbursement of Loans and Advances) of the State increased by 49.97 per cent from ₹ 11,762.71 crore in 2018-19 to ₹ 17,640.57 crore in 2022-23 which ranged between 36.56 per cent to 42.43 per cent of the GSDP during the five-year period.

Charts 2.10 present the trend of expenditure, bifurcated into revenue and capital expenditure, during the years 2018-19 to 2022-23.

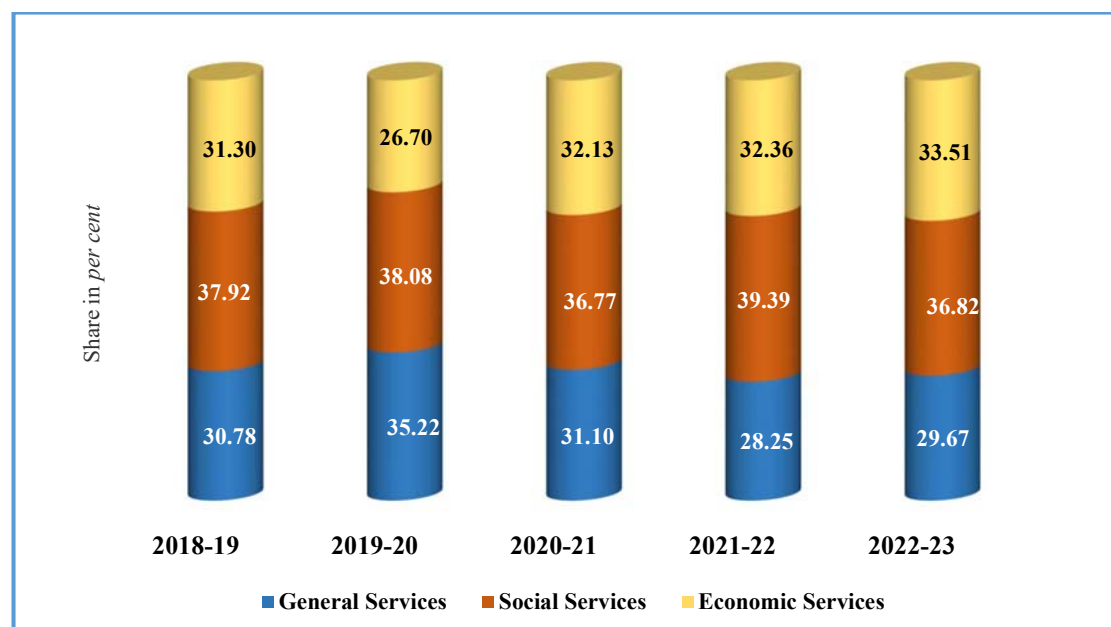
Chart 2.10: Trends in share of its components (Total Expenditure)

Source: Finance Accounts of 2018-19 to 2022-23.

Revenue expenditure formed bulk of the total expenditure during 2018-19 to 2022-23, being more than 80 per cent of the Total Expenditure. The share of Revenue Expenditure rose from 82.76 per cent in 2021-22 to 84.26 per cent in 2022-23. Thus, the share of Revenue Expenditure remains high. However, the rate of increase of Revenue Expenditure in 2022-23 (9.13 per cent) was lower than that in 2021-22 (18.45 per cent). The share of Capital Expenditure, on the other hand, has declined from 16.72 per cent in 2021-22 to 15.55 per cent in 2022-23. During last five years, on three occasions, the Capital Expenditure was less than 15 per cent of Total Expenditure.

Chart 2.11 provides an overview of Total Expenditure segregated by different sectors.

Chart 2.11: Total expenditure²² – Expenditure by activities



Source: Finance Accounts of 2018-19 to 2022-23.

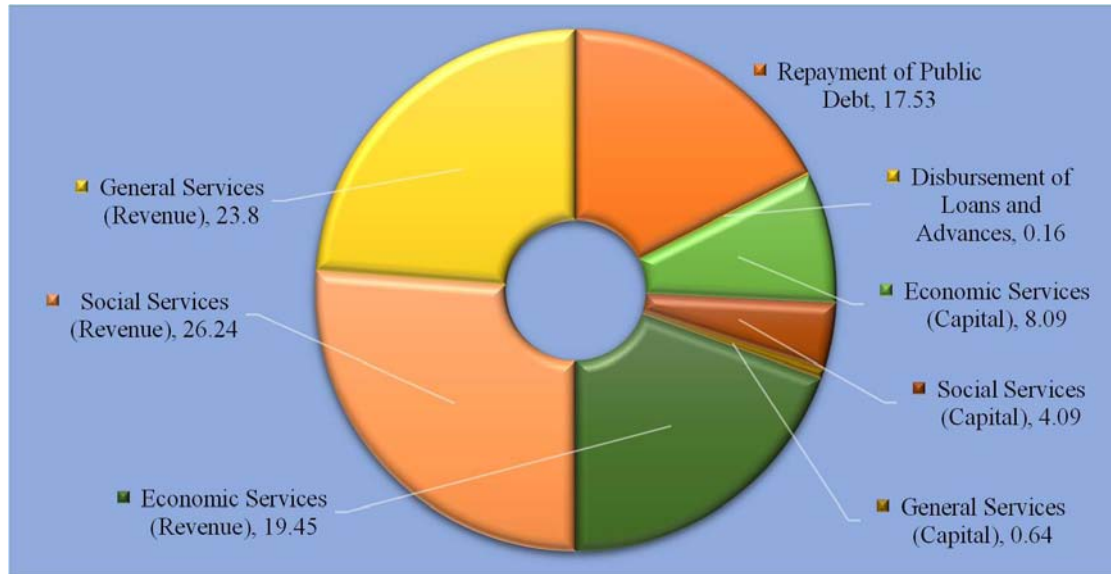
Chart 2.11 highlights that relative share of expenditure on General, Economic and Social Services in the Total Expenditure from the Consolidated Fund of the State (CFS) excluding Repayment of Public Debt and Disbursal of Loans and Advances during the five-year period from 2018-19 to 2022-23. While the share of the Economic Services increased from 31.30 per cent in 2018-19 to 33.51 per cent in 2022-23, Social Services and General Services decreased from 37.92 per cent in 2018-19 to 36.82 per cent in 2022-23 and 30.78 per cent in 2018-19 to 29.67 per cent in 2022-23 respectively. The Social Services retained the largest share of expenditure ranging between 36.77 per cent and 39.39 per cent during the period.

Chart 2.12 provides further analysis of composition of Total Expenditure (including Repayment of Public Debt and Disbursal of Loans and Advances) from the CFS during 2022-23, in terms of sectors segregated into Revenue and Capital Expenditure.

The highest share (26.24 per cent) of the Total Expenditure from the CFS was spent on Social Services followed by General Services (23.80 per cent) and Economic Services (19.45 per cent). Further, repayment of public debt as share of Total Expenditure from the CFS increased from 2021-22 (11.74 per cent) to 2022-23 (17.53 per cent) and disbursement of loans and advances as share of Total Expenditure slightly decreased from 0.45 per cent (2021-22) to 0.16 per cent (2022-23).

²² Excluding Repayment of Public Debt and Disbursal of Loans and Advances.

Chart 2.12: Composition of expenditure from the Consolidated Fund during 2022-23
(in per cent)



Source: Finance Accounts, 2022-23.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for past obligations. 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 buoyancy²³ vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.19**.

Table 2.19: Revenue Expenditure – Basic Parameters

	(₹ in crore)				
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	11,762.71	10,548.61	13,314.56	16,457.34	17,640.57
Revenue Expenditure (RE)	10,255.94	9,565.12	11,498.62	13,620.22	14,863.77
Rate of Growth of RE (per cent)	21.77	(-) 6.74	20.21	18.45	9.13
Revenue Expenditure as percentage of TE	87.19	90.68	86.36	82.76	84.26
RE/GSDP (per cent)	31.87	27.51	34.04	35.12	34.81
Revenue Receipts	9,718.62	9,413.52	10,683.24	14,274.14	14,819.87
Rate of Growth of RR (per cent)	4.80	(-) 3.14	13.49	33.61	3.82
RE as percentage of RR	105.53	101.61	107.63	95.42	100.29
Rate of Growth of GSDP (per cent)	9.04	8.06	(-) 2.86	14.83	10.09
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	2.41	*	**	1.24	0.91
Revenue Receipts (ratio)	4.54	2.15	1.50	0.55	2.39

Source: Finance Accounts of 2018-19 to 2022-23.

* RE is Negative; ** Rate of Growth of GSDP is Negative.

As seen from **Table 2.19**, while Revenue Expenditure as a proportion of Total Expenditure remained above 80 per cent. This indicates that the lion's share of

²³ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Government spending was on current expenditure on payment of wages and salaries, pension, rent and rates and payment of interest on outstanding debt. However, the rate of growth of Revenue Expenditure has decreased to 9.13 *per cent* during 2022-23 from 20.21 *per cent* and 18.45 *per cent* in 2020-21 and 2021-22 respectively.

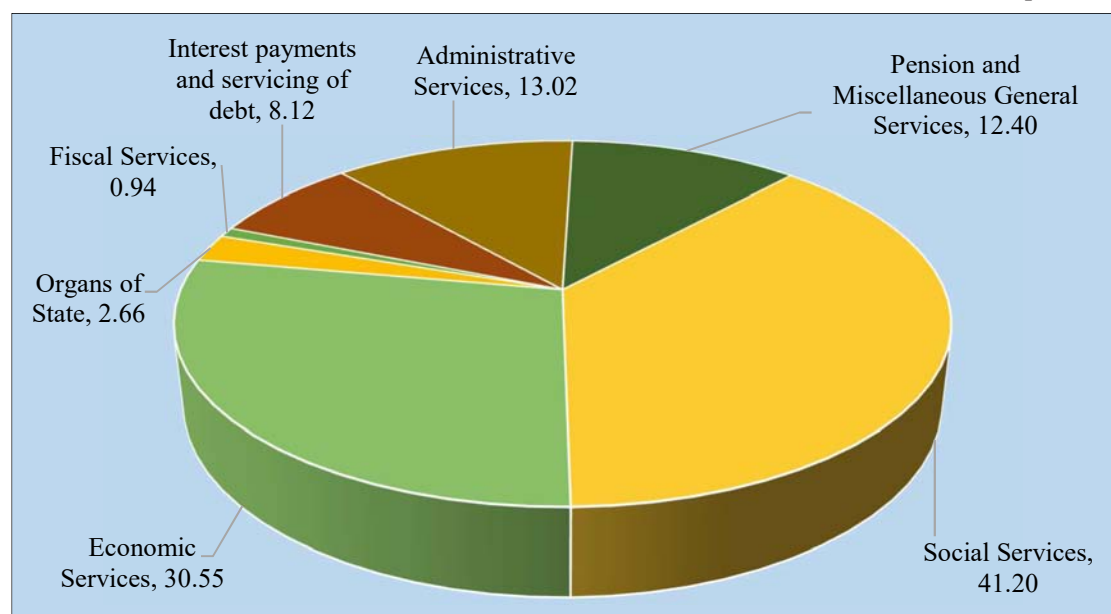
Revenue Expenditure as percentage of Revenue Receipts was 100.29 *per cent* indicating that the Revenue Receipts of the State is not sufficient for its Revenue Expenditure. The increase in Revenue Expenditure as percentage of Revenue Receipts from 95.42 *per cent* in 2021-22 to 100.29 *per cent* in 2022-23 resulted in Revenue Deficit Budget for the year 2022-23. This deviated from the Revenue Surplus as prescribed by the Meghalaya Fiscal Responsibility and Budgetary Management Act, 2006 (as amended in 2015).

Buoyancy of revenue expenditure of 0.91 during 2022-23 indicates that for every percentage growth in GSDP, revenue expenditure grew by approximately one *per cent*. Buoyancy of revenue expenditure with reference to revenue receipts was 2.39 *per cent* in 2022-23. It implies that for every percentage growth in revenue receipts, revenue expenditure grew by more than two *per cent*.

Sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in **Chart 2.13**.

Chart 2.13: Sector-wise distribution of Revenue Expenditure

(in *per cent*)



Source: Finance Accounts 2022-23.

2.5.2.1 Major changes in revenue expenditure

Revenue Expenditure increased substantially by ₹ 1,243.55 crore in 2022-23 mainly due to rise in expenditure by more than ₹ 100 crore across five Major Heads under General, Economic and Social Services as shown in **Table 2.20**.

Table 2.20: Substantial increase in RE (more than ₹ 100 crore) Major Head-wise
(₹ in crore)

Sl. No.	Major Head	Expenditure		Increase	
		2021-22	2022-23	Amount	Percentage
General Services					
1.	2071 – Pensions & Other Retirement Benefits	1,365.59	1,672.50	306.91	22.47
Social Services					
1.	2202- General Education	2,096.96	2,681.80	584.84	27.89
2.	2216- Housing	90.32	192.72	102.40	113.38
Economic Services					
1.	2505- Rural Employment	467.48	720.88	253.40	54.20
2.	3451-Secretariat-Economic Services	549.20	956.40	407.20	74.14
	Total	4,569.55	6,224.30	1,654.76	36.21

Source: Finance Accounts 2022-23.

2.5.2.2 Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. It has first charge on Government resources.

Apart from above, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure *etc.* For example, the following items may be considered as inflexible expenditure:

- i. Devolution to local bodies: Statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- ii. Statutory requirements of contribution to Reserve Funds: Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF). State Disaster Mitigation / Response Fund (SDMF/SDRF), *etc.*
- iii. Recoupment of Contingency Fund: Amount recouped within the year.
- iv. Transfer of cess to reserve fund / other body, which are statutorily required.
- v. Share contribution of CSS against the Central Fund received: Amount of State share to be transferred to SNAs / spent by the State.
- vi. Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - interest Payment.

Upward trend on committed expenditure leaves the Government with reduced flexibility in spending especially on the development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.21** and share of committed expenditure in revenue expenditure is shown in **Chart 2.14**.

Table 2.21: Components of Committed and Inflexible Expenditure

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	3,353.65	3,440.17	3,383.67	3,795.25	4,105.00
Expenditure on Pensions	1,004.91	1,131.56	1,193.61	1,365.59	1,672.50
Interest Payments	656.81	758.51	858.92	963.27	1,028.52
Total	5,015.37	5,330.24	5,436.20	6,124.11	6,806.02
Components of Inflexible Expenditure					
Statutory devolution to local bodies	-	-	-	-	-
Contribution to Reserve Funds	70.98	262.43	117.79	182.72	142.43
Recoupment of Contingency Fund	0.00	(-)1.96	1.96	200.00	0.00
Transfer of cess to reserve fund / other body	-	-	-	-	-
Share contribution of CSS against the Central Fund Received (Appendix -VA Finance Accounts)	744.64	307.93	561.24	644.07	703.96
Payment of interest on the balances of the interest-bearing funds#	0.35	0.35	17.00	5.81	7.66
Total	815.97	568.75	697.99	1,032.60	854.05
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries & Wages	34.51	36.54	31.67	26.59	27.70
Expenditure on Pensions	10.34	12.02	11.17	9.57	11.29
Interest Payments	6.76	8.06	8.04	6.75	6.94
Total	51.61	56.62	50.89	42.90	45.92
Inflexible expenditure					
Statutory devolution to local bodies	-	-	-	-	-
Contribution to Reserve Funds	0.73	2.79	1.10	1.28	0.96
Recoupment of Contingency Fund	0.00	(-)0.02	0.02	1.40	0.00
Transfer of cess to reserve fund / other body	-	-	-	-	-
Share contribution of CSS against the Central Fund Received	7.66	3.27	5.25	4.51	4.75
Payment of interest on the balances of the interest-bearing funds#	0.00	0.00	0.16	0.04	0.05
Total	8.40	6.04	6.53	7.23	5.76
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	32.70	35.97	29.43	27.86	27.62
Expenditure on Pensions	9.80	11.83	10.38	10.03	11.25
Interest Payments	6.40	7.93	7.47	7.07	6.92
Total	48.90	55.73	47.28	44.96	45.79
Inflexible expenditure					
Statutory devolution to local bodies	-	-	-	-	-
Contribution to Reserve Funds	0.69	2.74	1.02	1.34	0.96
Recoupment of Contingency Fund	0.00	(-)0.02	0.02	1.47	0.00
Transfer of cess to reserve fund / other body	-	-	-	-	-
Share contribution of CSS against the Central Fund Received	7.26	3.22	4.88	4.73	4.74
Payment of interest on the balances of the interest-bearing funds#	0.00	0.00	0.15	0.04	0.05
Total	7.96	5.95	6.07	7.58	5.75

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Non-committed RE	5,240.57	4,234.88	6,062.42	7,496.11	8,057.75
Percentage of RE	51.10	44.27	52.72	55.04	54.21
Percentage of TE	44.55	40.15	45.53	45.55	45.68
Subsidies	58.80	41.72	37.91	34.25	44.32
Subsidies as percentage of non-committed expenditure	1.12	0.99	0.63	0.46	0.55

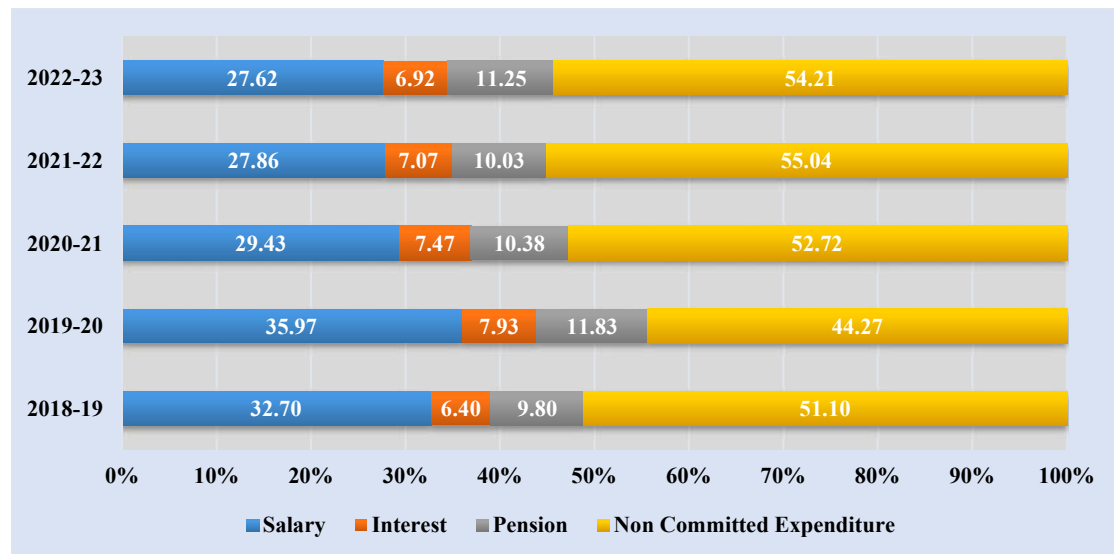
Source: Finance Accounts of 2018-19 to 2022-23.

As if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment

Table 2.21 shows that the committed expenditure during the current year was 45.79 per cent of Revenue Expenditure, while it accounted for 45.92 per cent of the Revenue Receipts of the State.

Percentage of committed expenditure to Revenue Expenditure during 2018-23 is given in **Chart 2.14**.

Chart 2.14: Share of Committed expenditure in total Revenue Expenditure



The details of various components of the committed expenditure are discussed below.

(i) Salaries and Wages

The expenditure on salary and wages was ₹ 4,105.00 crore during 2022-23, an increase by ₹ 309.75 crore (8.16 per cent) compared to the previous year. The reasons for increase in salary and wages is mainly increase in Salaries under Secretariat Administration Department, Rural Employment Department, Education Department, Police Department and Animal Husbandry.

(ii) Interest Payments

Interest payments amounted to ₹1,028.52 crore, an increase of ₹ 65.25 crore over previous year, and as a percentage of Revenue Expenditure constituted 6.92 per cent in 2022-23 while it was 7.07 per cent during the previous year.

(iii) Pension

Government's expenditure towards pension payments (including other retirement benefits) stood at ₹ 1,672.50 crore. Pension payments have been consistently rising during the five-year period 2018-23. Pension payments during the current year had increased by ₹ 292.26 crore, an increase of 21.40 per cent over the previous year.

(iv) 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 2023 there were 20,823 employees under NPS of which 20,814 employees had been allotted Permanent Retirement Account Number (PRAN). Remaining nine employees have not been allocated PRAN due to non-submission of subscriber registration form.

The details of funds under NPS and amount transferred to NSDL during 2018-23 are shown in **Table 2.22**:

Table 2.22: Details of funds under NPS during 2018-23

(₹ in crore)

Year	Opening Balance	Contribution			Transfer to NSDL	Less (+) / Excess(-) Transfer	Closing Balance
		Employees	Employer	Total			
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
2020-21	0.84	60.42	61.52	121.94	121.99	-0.05	0.79
2021-22	0.79	74.24	72.95	147.19	146.10	1.09	1.88
2022-23	1.88	93.40	93.90	187.30	188.06	-0.76	1.12

Source: Finance Accounts of 2018-19 to 2022-23.

During 2022-23, the Government's contribution to the NPS was excess by ₹ 0.50 crore, due to AIS Officers' contribution at the rate of 14 per cent and release of arrear Government contribution. As of March 2023, an amount of ₹ 1.12 crore was not transferred to NSDL, which is a deferred liability of the State Government. In terms of the guidelines, the State Government was liable to pay interest on funds not transferred to NSDL amounting to ₹ 0.15 crore during the year.

(v) Inflexible expenditure

The components of Inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Funds hovered around ₹ 568.75 crore to ₹ 1,032.60 crore during the period 2018-19 to 2022-23. As a percentage

of revenue expenditure, the inflexible expenditure decreased from 7.96 per cent to 5.75 per cent. Further, the inflexible expenditure (₹ 854.05 crore) decreased by 17.29 per cent during 2022-23 over the previous year (₹ 1,032.60 crore).

2.5.2.3 Subsidies

Table 2.23 depicts the expenditure on subsidies during the period 2018-23. The subsidies during the current year increased by 29.40 per cent (₹ 10.07 crore) mainly due to rise in subsidies to the Food and Civil Supplies and Consumers Affairs Department by 100 per cent (₹ 28.67 crore) and Fisheries Department by 143.15 per cent (₹ 4.38 crore). However, subsidies to the Power Department and the Agriculture Department current year declined by 100.00 per cent (₹ 20.00 crore) and 36.72 per cent (₹ 4.01 crore) respectively over the previous year.

Table 2.23: Expenditure on subsidies during 2018-23

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies	58.80	41.72	37.91	34.25	44.32
Subsidies as a Percentage of Revenue Receipts	0.61	0.44	0.35	0.24	0.30
Subsidies as a percentage of Revenue Expenditure	0.57	0.44	0.33	0.25	0.30
Subsidies as a percentage of Total Expenditure	0.50	0.40	0.28	0.21	0.25

Source: Finance Accounts of 2018-19 to 2022-23.

2.5.2.4 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 institutions by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during 2022-23 compared to the previous years is presented in **Table 2.24**.

Table 2.24: Financial Assistance to Local Bodies and other institutions

Financial Assistance to Institutions	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	9.12	6.45	18.32	24.15	35.20
Panchayati Raj Institutions	-	-	-	-	-
Total (A)	9.12	6.45	18.32	24.15	35.20
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,021.99	954.62	915.38	1,079.29	1,163.12
Development Authorities	235.37	156.33	324.03	328.33	268.13
Hospitals and Other Charitable Institutions	93.26	189.35	311.90	186.17	201.48
Other Institutions	686.75	514.45	986.80	1,447.63	1,875.97
Total (B)	2,037.37	1,814.75	2,538.11	3,041.42	3,508.70
Total (A+B)	2,046.49	1,821.20	2,556.43	3,065.57	3,543.90
GIA on Salary	1,357.26	1,498.16	1,598.86	1,085.58	1,172.61
GIA for creation of Capital assets	0.58	6.65	3.09	51.15	9.55

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
GIA for non-salary	1,919.35	1,376.54	2,207.07	3,167.80	3,680.98
GIA given in kind	<i>Information has not been furnished by State Government</i>				
Revenue Expenditure	10,255.94	9,565.12	11,498.61	13,620.22	14,863.77
Assistance as percentage of Revenue Expenditure	19.95	19.04	21.42	22.51	23.84

Source: Finance Accounts of 2018-19 to 2022-23.

State Government's financial assistance to Municipal Bodies consists of assistance towards State Plan/Tribal Sub-Plan schemes. During the year 2022-23, it went up by ₹ 11.05 crore (45.76 per cent). Over five years, it increased from ₹ 9.12 crore to ₹ 35.20 crore (285.96 per cent). The increase in financial assistance was on account of increase in assistance towards implementation of State Plan/GoI schemes.

Similarly, Government's financial assistance to institutions other than local bodies had increased by ₹ 467.28 crore (15.36 per cent) during current year, and over last five years, it increased by ₹ 1,471.33 crore (72.22 per cent) from ₹ 2,037.37 crore in 2018-19 to ₹ 3,508.70 crore in 2022-23.

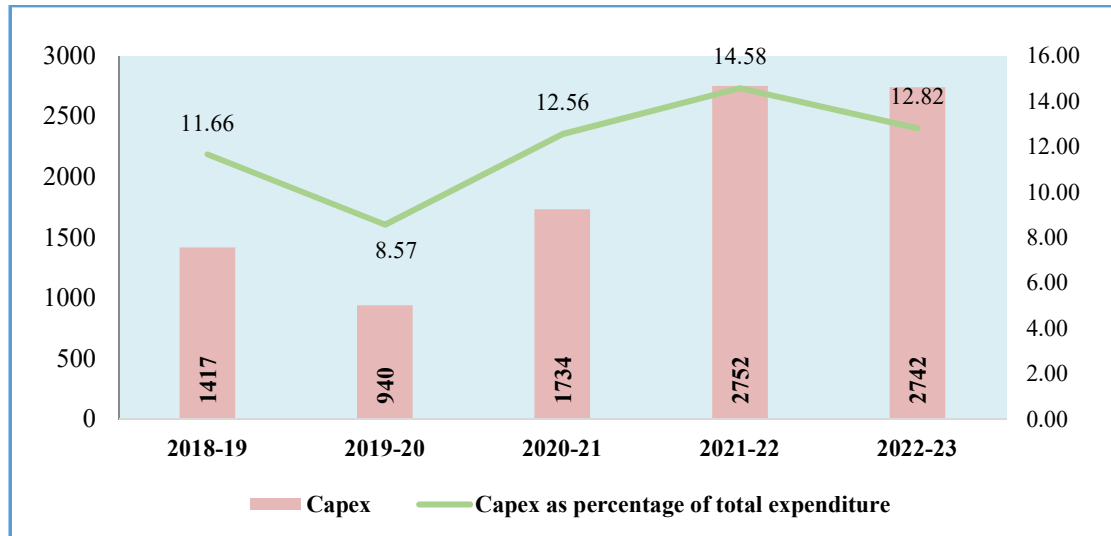
Financial assistance given for creation of capital assets purpose during 2022-23 decreased over the previous year, whereas the financial assistance on Salary and non-Salary had shown an increase. It was further noted that assistance on salary and non-salary components had showed an increasing trend in four years during the last five years. Moreover, share of financial assistance on Salary, creation of Capital assets and for non-salary purpose was given at an average rate of 35.08 per cent, 0.37 per cent and 64.55 per cent respectively.

2.5.3 Capital Expenditure

Capital Expenditure (capex) refers to expenditure on creation of long-term assets such as roads, bridges, buildings and other infrastructure, and government's investment in public sector enterprises which leads to revenue generation and economic growth.

Chart 2.15 shows that the capital expenditure fluctuated during the five years period. It slightly declined by 0.35 per cent (₹ 9.51 crore) from ₹ 2,751.79 crore (14.58 per cent of the Total Expenditure from the Consolidated Fund of the State) in 2021-22 to ₹ 2,742.48 crore (12.82 per cent of Total Expenditure) in 2022-23. The Capex as share of the Total Expenditure ranged between 9 and 15 per cent for last five years from 2018-19 to 2022-23.

Chart 2.15: Capital Expenditure in the State



Source: Finance Accounts of 2018-19 to 2022-23.

2.5.3.1 Major changes in capital expenditure

Major changes in capital expenditure during 2022-23 compared to 2021-22 are depicted in Table 2.25.

Table 2.25: Capital expenditure during 2022-23 compared to 2021-22

Major Head of Accounts	2021-22	2022-23	Increase (+) / Decrease (-)
4801 - Capital Outlay on Power Projects	0.00	575.00	575.00
4202 - Capital Outlay on Education, Sports, Art and Culture	37.99	173.48	135.49
5475 - Capital Outlay on other General Economic Services	0.00	50.00	50.00
4055 - Capital Outlay on Police	13.13	0.00	-13.13
5055 - Capital Outlay on Road Transport	15.60	0.00	-15.60
4059 - Capital Outlay on Public Works	148.97	131.27	-17.70
4702 - Capital Outlay on Minor Irrigation	95.44	65.15	-30.29
4210 - Capital Outlay on Medical and Public Health	80.99	32.17	-48.82
4215 - Capital Outlay on Water Supply and Sanitation	542.77	355.13	-187.64
5054 - Capital Outlay on Roads and Bridges	1,207.23	998.19	-209.04
4217 - Capital Outlay on Urban Development	475.03	243.64	-231.39

Source: Finance Accounts 2022-23.

Chart 2.15 shows that the capital expenditure declined by 0.35 per cent (₹ 9.51 crore) from ₹ 2,751.79 crore in 2021-22 to ₹ 2,742.48 crore in 2022-23. The decrease in overall capital expenditure was mainly due to major decrease in Capital Outlay on Urban Development – ₹ 231.39 crore, Capital Outlay on Roads and Bridges – ₹ 209.04 crore and Capital Outlay on Water Supply and Sanitation – ₹ 187.64 crore.

2.5.3.2 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making Government companies, whose net worth has completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write-off of the loans

given to loss making corporations and other bodies. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

(i) Quality of investments in the Companies, Corporations and other bodies

Return on investment in share capital invested in PSEs and history of repayment of loans given to various bodies are important determinants of the quality of capital expenditure. Investments made and loans given to companies, corporations, and cooperatives, which are loss making and whose net worth is completely eroded, affect the quality of capital expenditure.

Table 2.26 shows year-wise details of investment by Government of Meghalaya over the five-year period from 2018-19 to 2022-23.

Table 2.26: Return on Investment

	(₹ in crore)				
Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year	2,638.43	2,648.49	2,650.39	2,657.07	3,240.18
Return	0.11	0.14	*	0.12	0.35
Return (<i>per cent</i>)	0.01	0.01	0	0.01	0.01
Average rate of interest on Government Borrowings (<i>per cent</i>) **	7.48	7.77	7.47	7.30	6.56
Difference between interest rate and return (<i>per cent</i>) @	(-7.47)	(-7.76)	(-7.47)	(-7.29)	(-6.55)
Difference between cost on Government borrowings and return on investment#	(-)197.09	(-)205.52	(-)197.98	(-)193.70	(-)212.23

Source: Finance Accounts of 2018-19 to 2022-23.

* ₹ 16,078/-

** $Average\ Interest\ Rate = \{Interest\ Payments / [(Opening\ Balance\ of\ Public\ Debt + Closing\ Balance\ of\ Public\ Debt) / 2]\} * 100$

$(Investment\ at\ the\ end\ of\ the\ year \times Difference\ between\ interest\ rate\ and\ return) \div 100$

@ -ve indicates that the average interest rate on borrowings is higher than return on investment (*per cent*).

During 2022-23, the return on investment was ₹ 0.35 crore (0.01 *per cent*). The average rate of return on investment was between 0.00 to 0.01 *per cent* only during 2018-23. However, the average rate of interest paid by the State Government on its borrowings was between 6.56 *per cent* to 7.77 *per cent* during the same period. Over the past five-year period 2018-23, the difference in the return on investments and the cost of Government borrowings for the investments amounted to ₹ 1,006.52 crore.

The State Government should review the performance of the PSEs. The MFRBM Act, 2006, also provides that the State Government should review the performance of the State PSEs including restructuring of those that are absolutely essential and closing those which are no longer viable.

(ii) Loans and Advances by the State Government

Table 2.27 presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.27: Quantum of loans disbursed and recovered during five years.

(₹ in crore)					
Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	782.82	854.29	866.75	920.88	981.80
Amount advanced during the year	89.49	43.78	81.90	85.33	34.52
Amount recovered during the year	18.02	31.32	27.77	24.41	24.55
Closing Balance of the loans outstanding	854.29	866.75	920.88	981.80	991.77
Net addition	71.48	12.46	54.14	60.92	9.97
Interest received	6.06	6.09	5.64	14.92	6.84
Interest received (%) on Loans and Advances (Closing Balance) given by the Government	0.71	0.70	0.61	1.52	0.68
Average Rate of Interest paid on the outstanding borrowings of the Government*	7.68	7.65	7.47	7.28	6.56
Difference between the rate of interest paid and interest received (<i>per cent</i>)	6.97	6.95	6.86	5.76	5.88

Source: Finance Accounts of 2018-19 to 2022-23.

* Interest paid/ (Debt Outstanding at the end of the Previous Year + Debt Outstanding at the end of the Current).

Table 2.27 shows that the total outstanding loans and advances as on 31 March 2023 was ₹ 981.80 crore. Out of the loans of ₹ 34.52 crore advanced during 2022-23, ₹ 23.54 crore was given to Government servants and ₹ 10.98 crore to Co-operative Institutions for Piggery Mission under National Cooperative Development Corporation (NCDC) Development Scheme.

During 2022-23, an amount of ₹ 24.55 crore was recovered out of which ₹ 24.29 crore was from Government Servants. The actual recovery (₹ 24.55 crore) was also lower than what was estimated in the Budget (₹ 33.19 crore).

Interest receipts decreased from ₹ 14.92 crore in 2021-22 to ₹ 6.84 crore in 2022-23, with percentage of interest received to total outstanding loans and advances decreased from 1.52 *per cent* in 2021-22 to 0.68 *per cent* in 2022-23.

(iii) Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works also indicates quality of capital expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years lead to extra burden in terms of servicing of debt and interest liabilities. As on 31 March 2023, 235 incomplete projects have overshoot their respective scheduled completion timelines by over 1-34 years. Age profile and department-wise details of these 235 incomplete projects as on 31 March 2023 are given in **Table 2.28** and **Table 2.29** respectively.

Table 2.28: Age profile of incomplete projects as on 31 March 2023

(₹ in crore)

Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)
Prior to 2012-13	17	35.43	30.07
2012-13	4	9.72	3.08
2013-14	5	14.24	6.05
2014-15	16	12.00	10.02
2015-16	10	24.78	13.57
2016-17	11	76.07	67.08
2017-18	5	9.32	9.18
2018-19	54	158.08	130.32
2019-20	29	113.80	83.14
2020-21	36	133.30	95.59
2021-22	48	219.55	165.85
Total	235	806.30	613.95

Source: Finance Accounts 2022-23.

Table 2.29: Department-wise profile of incomplete projects as on 31 March 2023

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	234	795.38	611.06
Public Health Engineering	01	10.92	2.89
Total	235	806.30	613.95

Source: Finance Accounts 2022-23.

The expenditure incurred on the 235 incomplete projects was ₹ 613.95 crore. Physical progress of the projects being executed by Public Works Department and Public Health Engineering Department as on 31 March 2023 is detailed in **Table 2.30**.

Table 2.30: Range of physical progress of incomplete projects

Stage of completion (per cent)	No. of incomplete projects	Percentage of Incomplete Projects
0-20	11	4.68
21-50	11	4.68
51-99	213	90.64
Total	235	100.00

Table 2.30 indicates that 9.36 per cent of the projects are lying incomplete with less than 50 per cent completion. In number of years, 17 projects are delayed between **11 and 34 years**, and **218 projects** are lying incomplete between one and 10 years.

2.5.4 Expenditure priorities

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The State Government is required to prioritise Development Expenditure, specially expenditure on Social and Economic Services. The efficiency of expenditure is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure allocated to 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 fiscal priority²⁴ of the State Government with that of NE & Himalayan States with regard to Health, Education and Capital Expenditure during 2022-23, taking 2018-19 as the base year.

²⁴ Ratio of expenditure in the respective category with respect to the Total Expenditure (TE).

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

	(In per cent)			
	TE/GSDP	CE*/TE	Education/TE	Health/ TE
NE & Himalayan States (2018-19)	27.30	16.11	17.70	6.48
Meghalaya (2018-19)	36.56	12.81	17.33	9.06
NE & Himalayan States (2022-23)	27.24	15.52	15.77	6.95
Meghalaya (2022-23)	41.32	15.74	16.34	8.43

Source: Data compiled by the Economic Division, C&AG of India.

TE: Total Expenditure, GSDP: Gross State Domestic Product, CE: Capital Expenditure.

* CE includes disbursement of loans and advance.

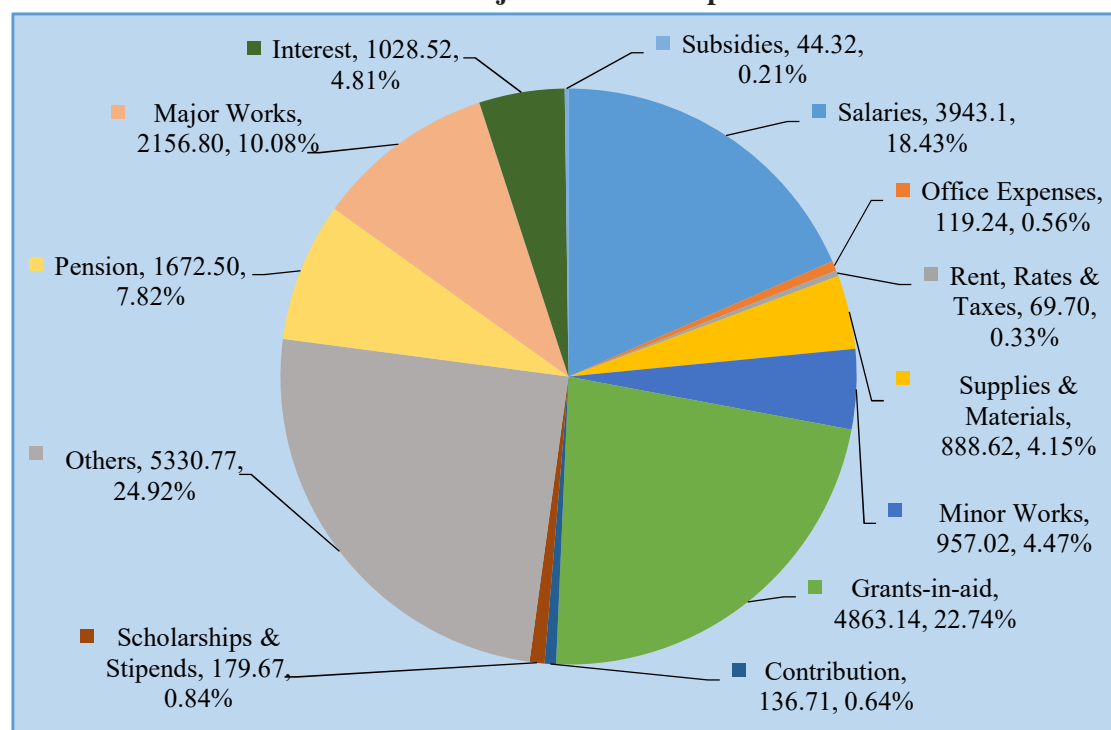
Table 2.31 shows that:

- Total Expenditure (TE) as ratio of GSDP of the State in 2022-23 (41.32 per cent) was higher than that of NE & Himalayan States (27.24 per cent) during the same period. This ratio for the State increased from 36.56 per cent in 2018-19 to 41.32 per cent in 2022-23 while that of NE & Himalayan States decreased from 27.30 per cent in 2018-19 to 27.24 per cent in 2022-23.
- Capital Expenditure as ratio of Total Expenditure of the State in 2022-23 (15.74 per cent) was marginally higher than that of the NE & Himalayan States (15.52 per cent) during the same period. This ratio for the State decreased from 12.81 per cent in 2018-19 to 15.74 per cent in 2022-23 while that of NE & Himalayan States decreased from 16.11 per cent in 2018-19 to 15.52 per cent in 2022-23.
- Revenue Expenditure on Education as ratio of Total Expenditure of the State in 2022-23 (16.34 per cent) was higher than that of the NE & Himalayan States (15.77 per cent) during the same period. This ratio for the State decreased from 17.33 per cent in 2018-19 to 16.34 per cent in 2022-23 while that of NE & Himalayan States decreased from 17.70 per cent in 2018-19 to 15.77 per cent in 2022-23.
- Revenue Expenditure on Health as ratio of Total Expenditure of the State in 2022-23 (8.43 per cent) was higher than that of the NE & Himalayan States (6.95 per cent) during the same period. This ratio for the State decreased from 9.06 per cent in 2018-19 to 8.43 per cent in 2022-23 while that of NE & Himalayan States increased from 6.48 per cent in 2018-19 to 6.95 per cent in 2022-23.

2.5.5 Object head wise expenditure

The object head wise expenditure captures information about the object/ purpose of the expenditure. **Chart 2.16** shows object head-wise expenditure.

Chart 2.16: Object head wise expenditure



Source: Finance Accounts 2022-23.

Chart 2.16 shows that the highest expenditure was incurred in Grants-in-Aid²⁵ (22.74 per cent) followed by Salaries (18.43 per cent), major works (10.08 per cent), pension (7.82 per cent), interest (4.81 per cent) and minor works (4.47 per cent).

2.5.6 Financial Data Comparison with North Eastern & Himalayan States (NE&HS)

The Compound Annual Growth Rate (CAGR)²⁶ of Meghalaya’s Gross State Domestic Product (GSDP) was 7.15 per cent for a period of 10 years between 2013-14 and 2022-23 which was lower than the CAGR of National GDP at 10.34 per cent during the same period.

Table 2.32 presents the financial data of the State in comparison with North Eastern and Himalayan States (NE & HS).

Table 2.32: Financial data of the State in comparison with ‘North Eastern and Himalayan States (NE&HS)’

(in per cent)

FINANCIAL DATA (Compound Annual Growth Rate)			
Particulars		2012-13 to 2022-23	
		NE & HS	Meghalaya
(a)	Revenue Receipts	10.66	10.35
(b)	Own Tax Revenue	10.59	12.08
(c)	Non-Tax Revenue	9.07	(-)0.62

²⁵ GIA includes Salary: ₹ 1,172.61 crore, non-salary: ₹ 3,680.98 crore and Capital Assets: ₹ 9.55 crore.

²⁶ CAGR refers to the average annual growth rate of a parameter over a specified number of years and is calculated as $(\text{Final Value}/\text{Initial Value})^{1/n} - 1$ (no. of years) – 1.

FINANCIAL DATA (Compound Annual Growth Rate)			
Particulars		2012-13 to 2022-23	
		NE & HS	Meghalaya
(d)	Total Expenditure	11.46	11.47
(e)	Capital Expenditure	11.04	11.26
(f)	Revenue Expenditure on Education	10.40	12.07
(g)	Capital Expenditure on Education	10.00	48.09
(h)	Revenue Expenditure on Health & Family Welfare	14.82	15.86
(i)	Capital Expenditure on Health & Family Welfare	12.83	(-)6.50
(j)	Salaries and Wages	9.28	10.42
(k)	Pension	15.72	15.72

Source: Data compiled by the Economic Division, O/o CAG of India.

During 2012-13 to 2022-23, trend of growth of revenue receipts in Meghalaya was similar to other NE&HS states. However, the state fared better than other NE&HS states in garnering a better growth rate of its own Tax Revenue, which grew at CAGR of 12.08 *per cent* compared to 10.59 *per cent* for NE&HS. On the expenditure side, Meghalaya's performance in average annual spending on education sector, both revenue and capital, was at a higher rate than the NE&HS.

Meghalaya's average annual growth of non-tax revenue, which includes royalty from major and minor minerals, was declined by 0.62 *per cent*, compared to other NE & HS which saw their non-tax revenue grow at CAGR of 9.07 *per cent*.

The state's performance in selected economic parameters over the last two years, compared to other NE&HS states shows a similar trend, as per **Table 2.33**.

Table 2.33: Financial data of the State in comparison with 'North Eastern and Himalayan States' compared to previous year

(in *per cent*)

FINANCIAL DATA (CHANGE OVER THE PREVIOUS YEAR)			
Particulars		2021-22 to 2022-23	
		NE & HS	Meghalaya
(a)	Revenue Receipts	10.93	3.82
(b)	Own Tax Revenue	17.39	15.23
(c)	Non-Tax Revenue	32.79	(-)12.96
(d)	Total Expenditure	13.10	7.19
(e)	Capital Expenditure	0.65	(-)2.13
(f)	Revenue Expenditure on Education	11.59	27.82
(g)	Capital Expenditure on Education	19.94	356.65
(h)	Revenue Expenditure on Health & Family Welfare	9.15	(-)9.17
(i)	Capital Expenditure on Health & Family Welfare	2.93	(-)60.28
(j)	Salaries and Wages	9.81	3.92
(k)	Pension	10.74	22.47

Source: Data compiled by the Economic Division, O/o CAG of India.

Table 2.33 shows how the listed fiscal parameters changed during 2022-23 as compared to 2021-22. While the Revenue Receipts of NE & HS grew at an average rate of 10.93 *per cent*, it stood at 3.82 *per cent* for Meghalaya. In other words, the revenue receipts of Meghalaya grew at one-third of the rate for NE & HS. This is attributable

to sharp decline of 12.96 per cent in non-tax revenue during 2022-23 as against 32.79 per cent growth of non-tax revenue for NE & HS.

Capital Expenditure, which denotes government spending on long-term economic assets, in Meghalaya declined by 2.13 per cent while it rose marginally for NE & HS by 0.65 per cent. However, capital expenditure on Education in Meghalaya expanded by 356.64 per cent vis-à-vis 19.94 per cent for NE & HS. Capital expenditure on health sector was a cause of concern since it declined by almost 60 per cent, compared to NE & HS where it grew by an average of 3.00 per cent.

Growth of Pension Expenditure for Meghalaya (22.47 per cent) was double that for NE & HS (10.74 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

The component-wise net balances in Public Account of the State during the five-year period from 2018-19 to 2022-23 is shown in **Table 2.34** and **Chart 2.17**. The analysis of the net balances of various components in the Public Account are given in the respective paragraphs.

Table 2.34: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

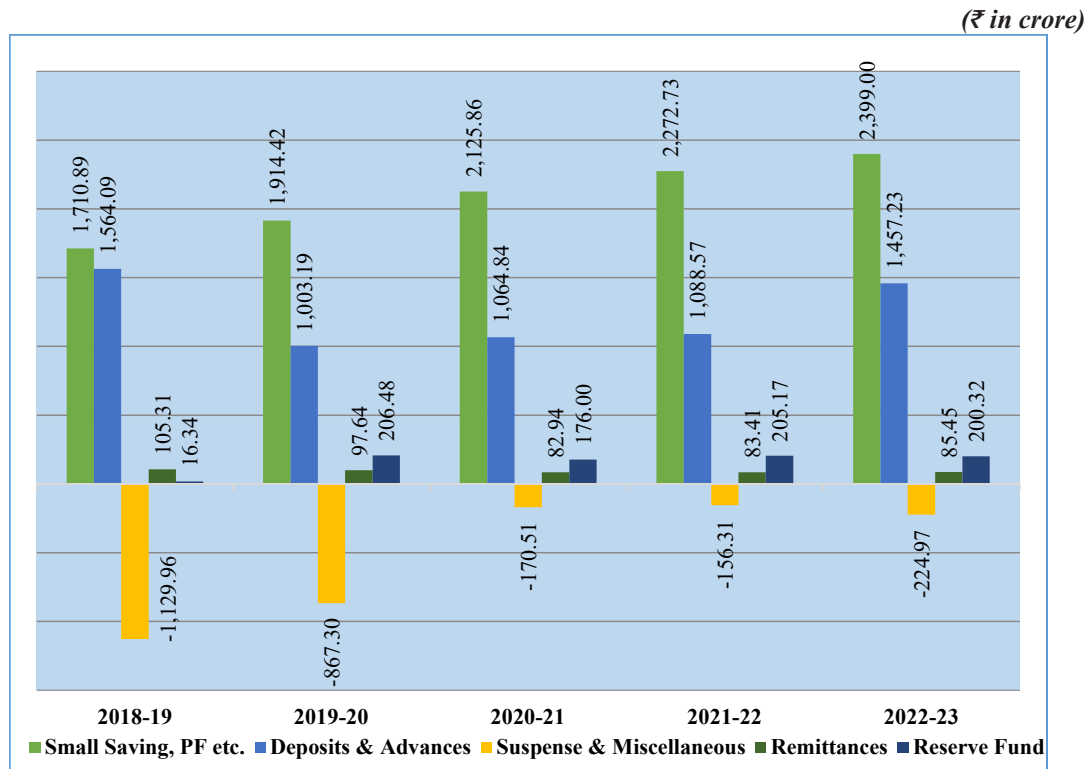
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,710.89	1,914.42	2,125.86	2,272.73	2,399.00
Reserve Funds	(a) Reserve Funds bearing Interest	4.70	197.01	168.01	197.34	190.82
	(b) Reserve Funds not bearing Interest	11.64	9.47	7.99	7.83	9.50
Deposits and Advances	(a) Deposits bearing Interest	0.81	0.88	0.83	1.93	1.16
	(b) Deposits not bearing Interest	1,565.09	1,004.12	1,065.82	1,088.45	1,457.88
	(c) Advances	-1.81	-1.81	-1.81	-1.81	-1.81
Suspense and Miscellaneous	(a) Suspense	-59.66	-65.45	-88.88	-139.20	-144.81
	(b) Other Accounts	-1,070.30	-801.85	-81.63	-17.11	-80.16
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Remittances	(a) Money Orders, and other Remittances	102.34	95.52	79.58	81.42	84.14
	(b) Inter- Governmental Adjustment Account	2.97	2.12	3.36	1.99	1.31
Total		2,266.67	2,354.43	3,279.13	3,493.57	3,976.39

Source: Finance Accounts of respective years & Finance Accounts 2022-23.

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

Chart 2.17: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years & Finance Accounts 2022-23.

2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under 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 bearing interest' and 'Funds not bearing interest'.

The total accumulated balance as on 31 March 2023 was ₹ 989.97 crore in five active reserve funds, out of which ₹ 308.82 crore was under interest bearing Reserve Fund and ₹ 681.15 crore under non-interest-bearing Reserve Fund as given in the following table:

Table 2.35: Reserve funds

(*₹ in crore*)

Sl. No.	Head of Accounts	Balance as on 31 March 2023
Reserve fund bearing interest (active)		
1	8121- General and Other Reserve Fund, 129-State Compensatory Afforestation Fund (SCAF)	163.31
2	8121-General and Other Reserve Fund, 122- State Disaster Response Fund (SDRF).	130.85
3	8121-General and Other Reserve Fund, State Disaster Mitigation Fund	14.66
Sub-Total		308.82
Reserve fund not bearing interest (active)		
1	8222-Sinking Funds- 101-Sinking Funds	613.13
2	8235-General and Other Reserve Funds-117-Guarantee Redemption Fund (GFR)	68.00
3	8229-Development and Welfare Funds- 123- Consumer Welfare Fund	0.02
Sub-Total		681.15
Grand-Total		989.97

Source: Finance Accounts 2022-23.

Investment out of these funds was ₹ 789.67 crore, which was 80.97 *per cent* of the accumulated balance (₹ 989.97 crore). The transactions during the year 2022-23 under major Reserve Funds are detailed below:

2.6.2.1 Consolidated Sinking Fund

Government of Meghalaya set up Consolidated Sinking Fund for amortisation of loans in 1999-2000. The latest amendment made to the Consolidated Sinking Fund notification issued by the Government, effective from 2018-19, stipulates that the State Government may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the Consolidated Sinking Fund.

At the beginning of the current year, opening balance of the Fund stood at ₹ 530.78 crore. As on 31 March 2023, the outstanding liabilities (internal debt + public account) of Government of Meghalaya were ₹ 14,813.10 crore. Accordingly, the State Government was required to contribute a minimum of ₹ 74.07 crore (0.50 *per cent* of ₹ 14,813.10 crore) during 2022-23 against which the State Government had made contribution of ₹ 77.41 crore to the Fund which had earned interest of ₹ 4.95 crore. As the result, the total accumulation of the Fund was ₹ 613.13 crore as on 31 March 2023.

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 of SDRF notified on 12 January 2022, the Centre and North-Eastern and Himalayan States (NE & HS) are required to contribute to the Fund in the ratio of 90:10. The contributions are to be transferred to the Public Account to Major Head – 8121. No direct expenditure is to be made from the

Public Account. The expenditure charged to the SDRF will be shown as a negative entry under Major Head 2245-05-911.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. 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 Interest earning deposits and Certificates with Scheduled Commercial Banks.

The State Government did not provide the updated status of investments/ disinvestment out of the available balances under SDRF. In the absence of details of investments made or funds utilised out of the reported investments during the year, entries in the Annual Accounts were made based on the latest information provided by the State Government on 20 November 2020. Accordingly, SDRF had an opening balance of ₹ 152.03 crore at the beginning of 2022-23. As on 31 March 2023, the balance of the SDRF stood at ₹ 130.86 crore out of which, ₹ 118.00 crore has been invested while ₹ 12.86 crore remained to be invested.

As per SDRF Guidelines, the total SDRF allocation of Meghalaya for 2022-23 is ₹ 60.80 crore with ₹ 54.40 crore as the Central Share and ₹ 6.40 crore as the State Share. During the year 2022-23, the State Government received ₹ 27.20 crore as Central Government's share. The State Government's share during the year was ₹ 3.20 crore. The State Government transferred ₹ 30.40 crore (Central Share ₹ 27.20 crore, State Share ₹ 3.20 crore) only (approximately 50 per cent of the total allocation of ₹ 60.40 crore for 2022-23) to the Fund under Major Head 8121-122 SDRF. The State did not receive any grant from the Central Government towards NDRF.

During the year, the State Government made total disbursement of ₹ 51.58 crore from the fund. Out of this, ₹ 22.25 crore was recouped as per the SDRF guidelines by showing a negative entry under Major Head 2245-05-911, against the expenditure incurred on relief work booked under MH-2245. Remaining funds of ₹ 29.33 crore were debited directly from the Public Account (MH-8121-122-SDRF) in violation of the SDRF guidelines.

Further, the State Government was required to pay interest amounting to ₹ 2.04 crore on un-invested SDRF balance of ₹ 34.03 crore (as on 31 March 2022) at the rate of 6.00 per cent (Overdraft Rate) during 2022-23. As the interest was not paid, Revenue Deficit for the year is understated to that extent.

2.6.2.3 State Disaster Mitigation Fund

The State Disaster Mitigation Fund (SDMF) is to be constituted under section 48 (1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project in respect of disaster covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. Further, the accretions to the SDMF together with the income earned on the investment of SDMF shall be invested in Central Government dated Securities, auctioned Treasury Bills and Interest earning deposits and Certificates of Deposits with Scheduled Commercial Banks. Also,

the State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI.

The State Government has created the SDMF vide Notification dated 02 March 2022, under Major Head 8121-130 State Disaster Mitigation Fund. The SDMF allocation of Meghalaya for 2022-23 is ₹ 15.20 crore (Central Share: ₹ 13.60 crore and State Share: ₹ 1.60 crore).

During the year 2022-23, the State Government did not receive any amount from Central Government for SDMF. However, Central share of ₹ 13.20 crore received during 2021-22 was transferred during 2022-23 along with State share of ₹ 1.46 crore to the Fund under Major head 8121-130 SDMF. The Central Share of the SDMF amounting to ₹ 13.60 crore for the current year was not released. As on 31st March 2023, SDMF balance amounting to ₹ 14.66 crore is yet to be invested.

2.6.2.4 Guarantee Redemption Fund

The State Government constituted a Guarantee Redemption Fund (GRF) vide Notification dated 10 June 2021, for meeting its obligations arising out of the issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Enterprises 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. GRF is administered by the RBI.

Effective from 2021-22, the State Government is required to initially contribute a minimum of one *per cent* and thereafter at the rate of 0.50 *per cent* of outstanding guarantees at the end of the previous year to achieve a minimum level of three *per cent* in the next five years. The Fund shall be gradually increased to a desirable level of five *per cent*.

The opening balance of the Fund as on 01 April 2022 was ₹ 52.98 crore. During the year, the Government contributed the prescribed amount of ₹ 14.90 crore (0.50 *per cent* of the total outstanding guarantees of ₹ 2,980.44 crore as on 31 March 2022) to the GRF. The total accumulation of the Fund was ₹ 68.00 crore as on 31 March 2023 including accrued interest of ₹ 0.12 crore for 2022-23. The Fund has achieved 2.28 *per cent* of the total outstanding guarantees of ₹ 2,977.53 crore as on 31 March 2023. The target of the Fund for achieving 3.00 *per cent* is by 2025-26. The State Government did not issue any guarantee during the year 2022-23. The entire fund had been invested by RBI.

As per guidelines dated 24 April 1989, the State Government is required to levy a Guarantee Fee of one *per cent* of the Guaranteed amount before the execution of the guarantee deed. For the subsequent years, the guarantee fee is fixed at 0.50 *per cent* on amount guaranteed and outstanding on the 31 March for the next financial year till the guarantee is withdrawn or till the loan is liquidated.

The outstanding Guarantee Fees as on 31 March 2022 was ₹ 71.88 crore. Further, as on 31 March 2022, outstanding guarantees stood at ₹ 2,980.44 crore. As such, the

Guarantee Fee for 2022-23 amounting to ₹ 14.90 crore (0.50 per cent of the total outstanding guarantees of ₹ 2,980.44 crore as on 31 March 2022) was to be levied within 30 April 2023. However, no Guarantee Fee was received during 2022-23. Thus, as on 31 March 2023, outstanding Guarantee Fees amounts to ₹ 86.08 crore (₹ 71.88 crore + ₹ 14.90 crore).

2.6.2.5 State Compensatory Afforestation Fund

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 dated 02 July 2009, established State Compensatory Afforestation Fund (SCAF).

The moneys received by the State Government from the user agencies needs to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor Head level below the Major Head 8336-Civil Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016, 90 per cent of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Fund in the Public Account of the State and balance 10 per cent shall be credited into the National Fund on yearly basis provided that the credit of 10 per cent Central share of funds should be ensured on a monthly basis so that the same is transferred to the National Fund.

The balance of the Fund on 01 April 2022 was ₹ 163.31 crore. During the year 2022-23, the State Government did not receive any amount from the user agencies. No amount was remitted to the National Fund during the year 2022-23. The Government also did not receive any amount from National Compensatory Afforestation Fund. The total balance in the State Compensatory Afforestation Fund as on 31 March 2023 was ₹ 163.31 crore.

As the SCAF is an interest-bearing Reserve Fund, the liability of interest payment rests with the State Government. Non-payment of interest amounting to ₹ 5.47 crore²⁷ resulted in understatement of Revenue Deficit to that extent.

2.6.2.6 Central Road and Infrastructure Fund (CRIF):

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette Notification dated 31 March 2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure.

In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449-103-Subventions from Central Road and Infrastructure Fund through functional Major Head(s).

²⁷ As per circulars issued by the Ministry of Environment, Forest & Climate Change.

During the year 2022-23, the State Government received grants of ₹ 43.08 crore towards CRIF and the State Government transferred entire amount (₹ 43.08 crore) to the Fund in the Public Account.

2.6.2.7 Funds outside the Consolidated Fund/Public Account of the State and dedicated Funds

(i) Building and Other Construction Workers' Welfare Cess (BOCW)

Government of Meghalaya constituted the Meghalaya Building and Other Construction Workers' Welfare Board (MBOCWWB) vide Notification dated 2 September 2009, as mandated under Section 18 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

Further, Section 3(1) of the Building and Other Construction Workers' Welfare Cess Act, 1996, provides for levy and collection of Building and Other Construction Workers' Welfare Cess on the cost of construction incurred by an employer at the rate of one *per cent*. Rule 5(1) of the Building and Other Construction Workers' Welfare Cess Rules, 1998 requires the proceeds of the Cess collected by Government office, Public Sector Undertakings, local authority or cess collector, to be transferred to the MBOCWWB.

During 2018-19 to 2022-23, the total amount of BOCW cess received was ₹ 153.73 crore while total amount spent was ₹ 49.27 crore (scheme expenses²⁸: ₹ 48.12 crore, administrative expenses on salary: ₹ 0.61 crore and other administrative expenses: ₹ 0.54 crore). The fund position of the MBOCWWB for the last five years, *i.e.* from 2018-19 to 2022-23 is shown in **Table 2.36**.

Table 2.36: BOCW Cess received by MBOCWWB during 2018-23

(₹ in crore)

Year ²⁹	Receipts			Expenditure			
	Cess received	Interest Earned	Total	Scheme Expenses	Administrative Expenses on Salary	Other Administrative Expenses	Total
2018-19	17.66	8.52	26.18	1.47	0.10	0.07	1.64
2019-20	23.12	13.20	36.32	3.64	0.11	0.14	3.89
2020-21	20.81	9.92	30.73	22.25	0.13	0.14	22.52
2021-22	24.13	9.57	33.70	5.52	0.13	0.06	5.71
2022-23	68.01	11.21	79.22	15.24	0.14	0.13	15.51
Total	153.73	52.42	206.15	48.12	0.61	0.54	49.27

Source: Annual Accounts Meghalaya Building and Other Construction Workers Welfare Board.

Table 2.36 shows that the share of administrative expenses in the total expenditure of the MBOCWWB during 2022-23 adhered to the five *per cent* limit prescribed under Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

²⁸ Financial assistance for education, death benefits, funeral assistance, maternity benefits, insurance, marriage assistance, medical assistance, *etc.*

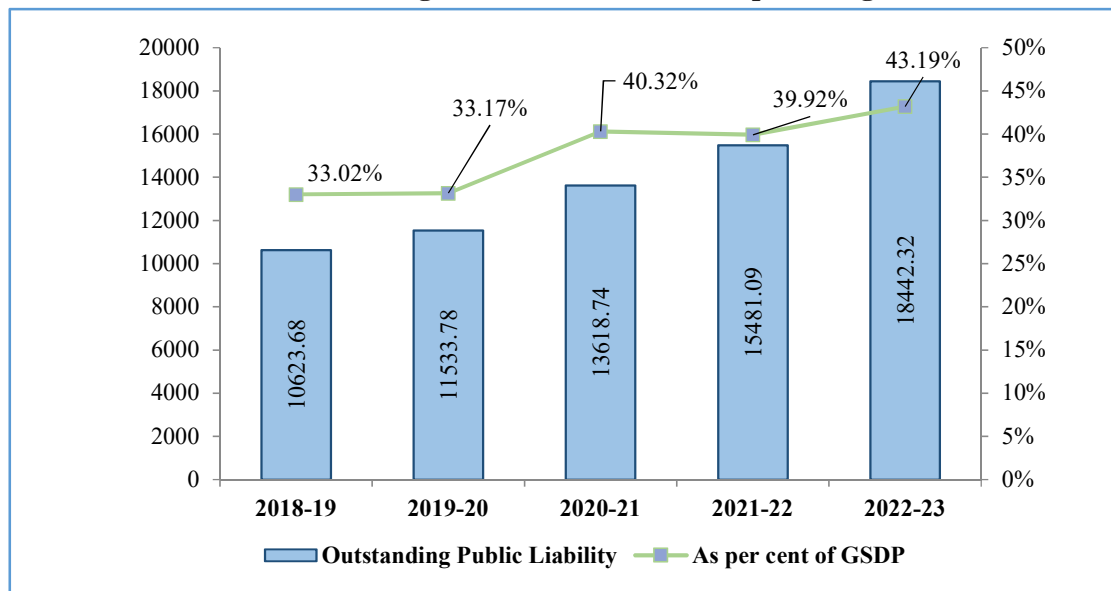
²⁹ Annual accounts from 2017-18 to 2020-21 are final and figures of 2021-22 are provisional as annual account is yet to be finalised.

2.7 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liabilities 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 liabilities of State along with its percentage to GSDP during the five year- period 2018-23 is depicted in **Chart 2.18**.

Chart 2.18: Outstanding Public Liabilities and its percentage to GSDP



In absolute monetary terms, the overall liability of State of Meghalaya has increased by 73.60 *per cent* from ₹ 10,623.68 crore in 2018-19 to ₹ 18,442.32 crore³⁰ in 2022-23. As percentage of GSDP, the overall outstanding liabilities was 33.02 *per cent* in 2018-19 which increased to 43.19 *per cent* in 2022-23.

The primary reason for spike in public liability/GSDP ratio during 2022-23 was significant increase in Internal Debt by ₹ 1,389.71 crore (12.36 *per cent*) while increase in Loans from GoI by ₹ 1,081.43 crore (161.89 *per cent*) and increase in Public Account liabilities by ₹ 490.13 crore (13.74 *per cent*) also contributed to the same. The State was not able to achieve the target set forth in the MFRBM Act, 2006 to maintain the public liabilities-GSDP ratio under 28 *per cent*.

2.7.1 Liability profile: Components

Total public liabilities of the State Government typically comprise Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to

³⁰ Excludes an amount of ₹ 253.16 crore (₹ 112.00 crore in 2020-21 + ₹ 141.16 crore in 2021-22) Back to Back loan by GoI in lieu of GST Compensation shortfall which will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission *etc.*

National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities.

The total outstanding public liabilities of the State Government at the end of 2022-23 was ₹ 18,442.32 crore excluding Back-to-Back Loans ₹ 253.16 crore. The component-wise liabilities trends for the period 2018-19 to 2022-23 are depicted in Table 2.37 and Chart 2.19.

Table 2.37: Component wise liability Trends

(₹ in crore)					
Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liabilities	10,623.68	11,533.78	13,618.74	15,481.09	18,442.32
Public Debt	7,330.56	8,407.87	10,250.24	11,912.82	14,383.96
<i>Internal debt</i>	7,214.29	8,301.31	9,931.96	11,244.83	12,634.54
<i>Loan from GOI*</i>	116.27	106.56	318.28	667.99	1,749.42
Public Account Liabilities	3,293.12	3,125.91	3,368.50	3,568.27	4,058.36
<i>Small Savings, Provident Funds, etc.</i>	1,710.88	1,914.42	2,125.86	2,272.73	2,399.00
<i>Reserve Funds bearing Interest</i>	4.70	197.01	168.01	197.34	190.82
<i>Reserve Funds not bearing Interest</i>	11.64	9.47	7.99	7.83	9.50
<i>Deposits bearing Interest</i>	0.81	0.88	0.82	1.92	1.16
<i>Deposits not bearing Interest</i>	1,565.09	1,004.13	1,065.82	1,088.45	1,457.88
Rate of growth of outstanding total liability (per cent)	12.00	8.57	18.08	13.67	19.13
Gross State Domestic Product (GSDP)	32,176	34,770	33,776	38,785	42,697
Liability/GSDP (per cent)	33.02	33.17	40.32	39.92	43.19
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
<i>Total Receipts</i>	3,189.65	2,941.07	3,736.45	5,232.08	7,940.08
<i>Total Repayments</i>	2,051.05	2,030.97	1,651.50	3,369.72	4,978.85
<i>Net funds Available</i>	1,138.60	910.10	2,084.95	1,862.36	2,961.23
<i>Repayments/Receipts (per cent)</i>	64.30	69.06	44.20	64.40	62.71

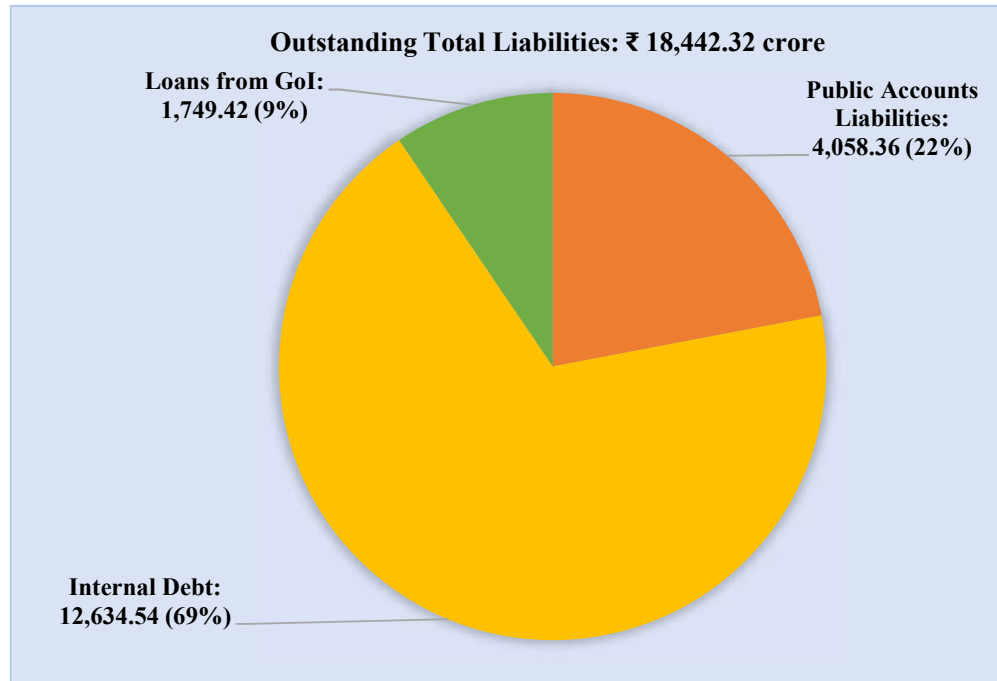
Source: Finance Accounts of 2018-19 to 2022-23.

* Excludes an amount of ₹ 112.00 crore in 2020-21 and ₹ 141.16 crore in 2021-22 for Back-to-Back loan by GoI in lieu of GST Compensation shortfall which will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc.

Public Debt increased by ₹ 7,053.40 crore (96.22 per cent) during the period 2018-23, wherein internal debt increased by ₹ 5,420.25 crore (75.13 per cent) and Loan from GoI significantly increased by ₹ 1,633.15 crore (1,404.62 per cent).

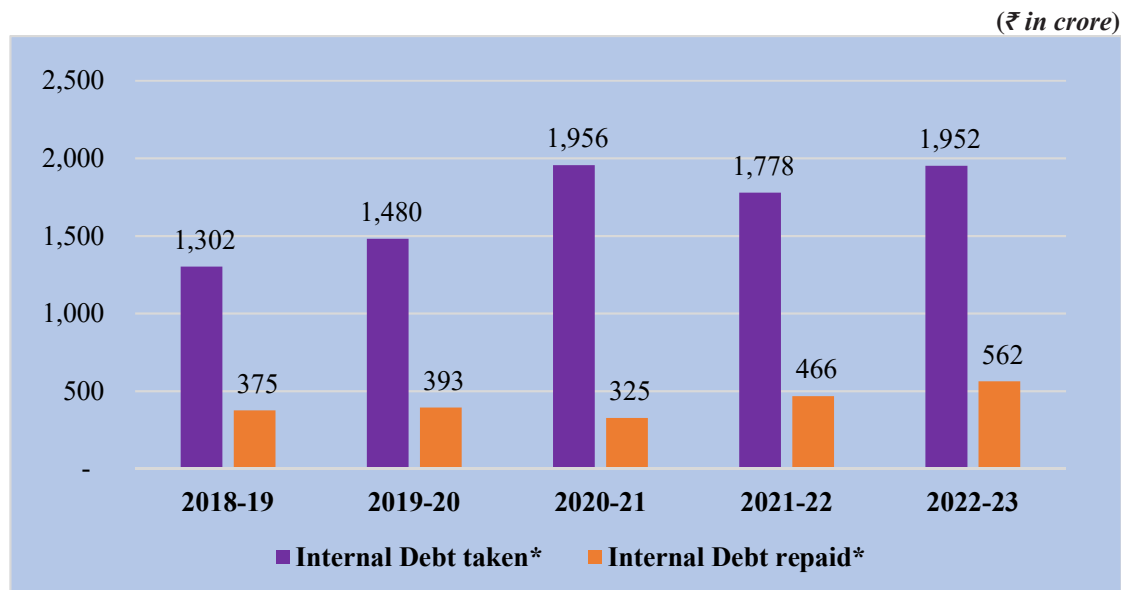
Public Account liabilities increased by ₹ 765.24 crore (23.24 per cent) over the period from 2018-19 2022-23. During the period, major increase was under Small Savings, Provident Funds, etc. (₹ 688.12 crore) and Reserve Funds bearing Interest (₹ 186.12 crore).

Break-up of outstanding total liabilities at the end of 2022-23 is shown in Chart 2.19.

Chart 2.19: Break-up of outstanding total liabilities at the end of 2022-23

Source: Finance Accounts 2022-23.

Chart 2.20 depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years *i.e.*, 2018-23.

Chart 2.20: Internal Debt taken *vis-à-vis* repaid

* Ways and Means Advances from the Reserve bank of India and Special Drawing Facility on 91 Days Deposits of ₹ 140.88, ₹ 1,727.42 crore and ₹ 3,164.09 crore taken and repaid during the year 2020-21, 2021-22 and 2022-23 respectively has been excluded.

Chart 2.20 indicates that more than one-fourth of the internal debt taken in the recent years was utilised for servicing the existing internal debt to the Government. During 2022-23, the State Government utilised 72.18 per cent of total internal debt

(₹ 1,951.94 crore) taken to repay internal debt amounting to ₹ 1,409 crore (principal ₹ 562.23 crore and interest ₹ 847.18 crore).

2.7.1.1 Components of Fiscal Deficit and its financing pattern

Table 2.38 depicts financing pattern of the fiscal deficit during 2018-19 to 2022-23.

Table 2.38: Components of Fiscal Deficit and its financing pattern

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
<i>(₹ in crore)</i>						
Composition of Fiscal Deficit						
1.	Revenue Deficit (-)/ Revenue Surplus (+)	-537.32	-151.60	-815.38	653.92	-43.90
2.	Net Capital Expenditure	-1,417.28	-939.71	-1,734.05	-2,751.79	-2,742.28
3.	Net Loans and Advances	-71.48	-12.46	-54.13	-60.92	-9.97
Total		-2,026.08	-1103.77	-2,603.56	-2,158.79	-2,796.15
Financing Pattern of Fiscal Deficit						
1.	Market Borrowings	862.60	1,070.46	1,587.00	1,298.00	1,368.00
2.	Loans from GOI	1.79	-9.71	323.71	490.87	1,081.43
3.	Special Securities issued to NSSF	-49.62	-53.75	-53.75	-53.75	-54.82
4.	Loans from Financial Institutions	113.98	70.31	97.41	68.62	89.03
5.	Bonds	-	-	-	-	(-)12.50
6.	Small Savings, PF, etc.	179.36	203.54	211.44	146.87	126.27
7.	Deposits and Advances	3.97	-560.89	61.64	23.73	368.66
8.	Suspense	26.52	-5.78	-23.43	-50.32	(-)5.61
9.	Remittances	-17.21	-7.68	-14.69	0.45	2.04
10.	Reserve Fund	2.59	190.14	-30.48	29.16	(-)4.85
11.	Contingency Fund	-	-1.96	1.96	200.00	-
12.	Appropriation to Contingency Fund	-	-	-	-200.00	-
12.	Overall Deficit	1,123.98	894.68	2,160.81	149.89	2,970.15
13.	Increase (-)/Decrease (+) in cash balance	902.10	209.09	442.75	205.16	(-)161.50
14.	Gross Fiscal Deficit	2,026.08	1,103.77	2,603.56	2,158.79	2,796.15

Source: Finance Accounts of 2018-19 to 2022-23.

Trend analysis of fiscal situation of the state over past five years shows that the gross fiscal deficit was least in 2019-20 at about ₹ 1,104 crore. However, it reached its peak at ₹ 2,796.15 crore during 2022-23 over last five-year span.

During 2022-23, Fiscal Deficit was primarily financed by net market borrowings (₹ 1,368.00 crore), loans from GoI (₹ 1,081.43 crore), small savings, provident funds, etc. (₹ 126.27 crore), deposits and advances (₹ 368.66 crore) and cash balance (₹ 161.50 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 maturity profile of the State is depicted in **Table 2.39**.

Table 2.39: Debt Maturity profile of repayment of Public debt

Year of Maturity	Period of repayment (Years)	Public Debt (₹ in crore)			Percentage (w.r.t. Public debt)
		Internal Debt	Loans and advances from GoI	Total	
By 2023-24	0 – 1	638.69	24.56	663.25	5
Between 2024-25 & 2025-26	1 – 3	2,494.94	42.30	2,537.24	17
Between 2026-27 & 2027-28	3 – 5	3,307.59	18.04	3,325.63	23
Between 2028-29 & 2029-30	5 – 7	2,663.00	22.19	2,685.19	19
2030-31 onwards	7 and above	3,530.32	1,642.33	5,172.65	36
Total		12,634.54	1,749.43³¹	14,383.96	100

Source: Finance Accounts 2022-23.

The maturity profile of outstanding stock of public debt as on 31 March 2023 indicated that out of the outstanding public debt of ₹ 14,383.96 crore, five per cent (₹ 663.25 crore) is payable within the next one year *i.e.*, 2023-24, 40 per cent (₹ 5,862.87 crore) is payable in the next two to five years, while the remaining 55 per cent (₹ 7,857.84 crore) is to be paid after five years. In the coming five years, the State Government is required to repay a sizable portion of public debt *i.e.*, ₹ 6,526.12 crore (45 per cent).

Maturity profile and repayment schedule of Internal Debt and Loans and Advances received from GoI along with interest for the next 11 years (2023-24 to 2033-34) is detailed below:

2.7.2.1 Internal Debt of the State-Maturity Profile

As on 31 March 2023, Internal debt (₹ 12,634.54 crore) consisting of market borrowings, loans from LIC, GIC, NABARD, *etc.* constituted 87.84 per cent of the total outstanding public debt (₹ 14,383.96 crore) and 68.51 per cent of outstanding public liabilities (₹ 18,442.32 crore). During the current year, the State Government borrowed ₹ 1,951.94 crore³² as Market Loans and Loans from Financial Institutions and repaid ₹ 1,406.88 crore (Principal ₹ 562.03 crore³³ and Interest ₹ 844.85 crore³⁴), *i.e.*, 72.08 per cent of total internal borrowings. This indicates that substantial portion of fresh loans are being utilised towards servicing of existing debts which may lead to a debt trap in future.

The repayment schedule of internal debt and interest³⁵ to be paid thereon over the next 11 years (2023-24 to 2033-34) is detailed in **Chart 2.21**.

³¹ Excluding Back-to-Back Loan of ₹ 253.16 crore.

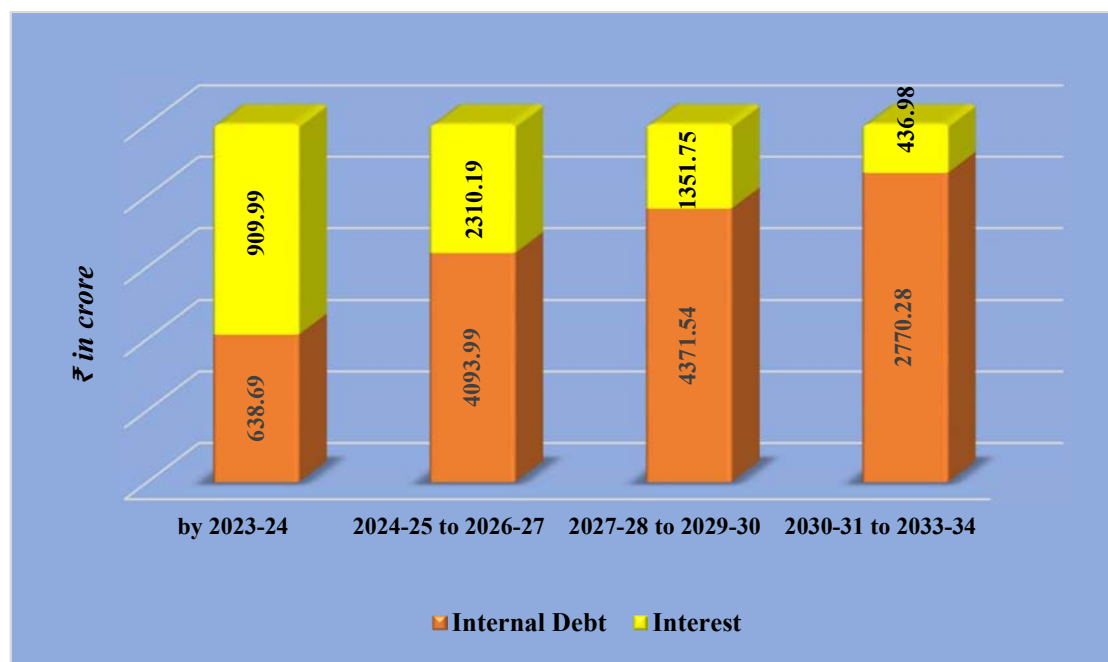
³² Excluding Ways and Means Advances (WMA) of ₹ 1,803.07 crore and Special Drawing Facility (SDF) of ₹ 1,361.02 crore availed during the current year.

³³ Excluding WMA repayment of ₹ 1,803.07 crore and SDF repayment of ₹ 1,361.02 crore during the current year.

³⁴ Excluding interest payment of ₹ 1.28 crore on WMA and ₹ 1.05 crore on SDF during the current year.

³⁵ The debt figures are provisional figures based on loans and advances for the year ended 31 March 2023 which are likely to change due to additional loans and change in interest rates in future.

Chart 2.21: Repayment schedule of Internal Debt and Interest thereon



Source: Information furnished by the Finance Department, GoM.

Chart 2.21 indicates that out of total internal debt of ₹ 16,883.41 crore (Principal ₹ 11,883.50 crore and Interest ₹ 5,008.91 crore) payable by 2033-34, internal debt of ₹ 1,548.68 crore which includes principal of ₹ 638.69 crore and interest of ₹ 909.99 crore will become payable by financial year 2023-24. Thereafter, in the next three years up to 2026-27, an amount of ₹ 6,404.18 crore, which includes ₹ 4,093.99 crore as principal and ₹ 2,310.19 crore as interest will become payable. Between 2027-28 and 2033-34, the liability of the State towards principal and interest will be ₹ 8,930.55 crore³⁶. On an average, the State Government has to repay ₹ 1,680.56 crore of internal debt including interest each year till 2033-34.

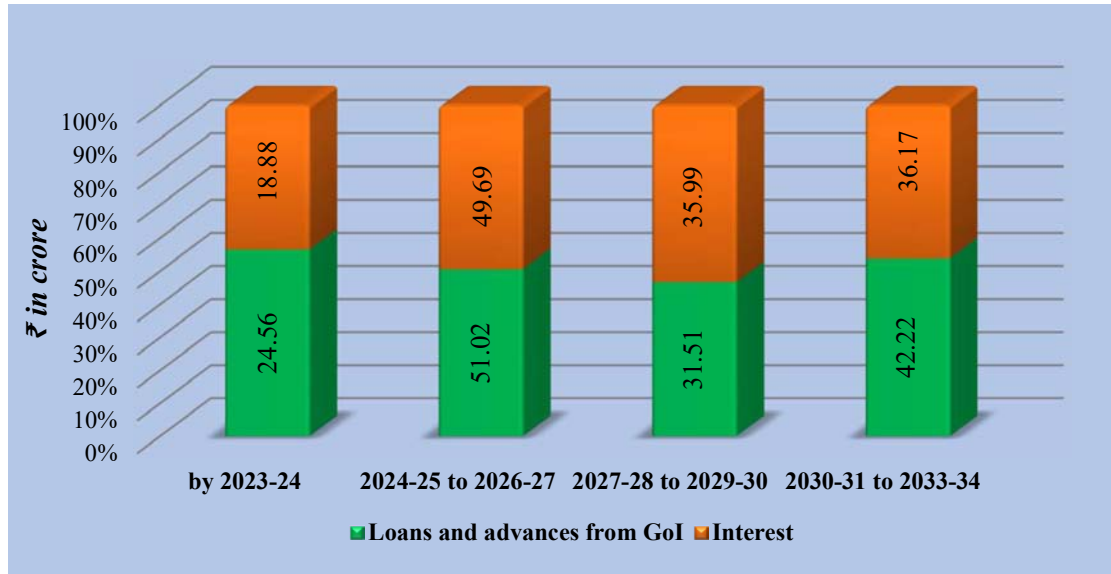
2.7.2.2 Loans and advances from the GoI- Maturity Profile

As on 31 March 2023, Loans and Advances from the GoI (₹ 1,749.42 crore³⁷) constituted 12.16 per cent of the total outstanding public debt (₹ 14,383.96 crore) and 9.49 per cent of the total outstanding public liabilities (₹ 18,442.32 crore). During the current year, the State Government borrowed ₹ 1,104.65 crore from Government of India and repaid ₹ 38.98 crore (Principal ₹ 23.22 crore and Interest ₹ 15.76 crore).

³⁶ Principal (₹ 4,371.54 crore + ₹ 2,770.28 crore) and Interest (₹ 1,351.75 crore + ₹ 436.98 crore).

³⁷ Excluding Back-to-Back Loan of ₹ 253.16 crore.

Chart 2.22: Repayment schedule of Loans and advances from the GoI and Interest³⁸ thereon



Source: Information furnished by the Finance Department, GoM.

Chart 2.22 shows that 14.98 per cent (₹ 43.44 crore: Principal ₹ 24.56 crore + Interest ₹ 18.88 crore) of the total loans from the Government of India (₹ 290.04 crore: Principal ₹ 149.31 crore + Interest ₹ 140.73 crore) has to be repaid by 2023-24. During the three-year period from 2024-25 to 2026-27, the State Government has to repay ₹ 100.71 crore (Principal ₹ 51.02 crore + Interest ₹ 49.69 crore). On an average, the State Government has to repay ₹ 26.37 crore of Loans from the Government of India including interest each year till 2033-34.

As on 31 March 2023, public debt (₹ 14,383.96 crore) as percentage of GSDP (₹ 42,697 crore) accounted for 33.69 per cent which was already higher than the percentage (28 per cent) of overall liabilities to GSDP prescribed by the MFRBM Act. Further, overall Liabilities (₹ 18,442.32 crore) as percentage of GSDP accounted for 43.19 per cent as at the end of the year. It is thus inevitable that the State GSDP must grow at a sufficient pace in order to generate enough revenues for future debt servicing to avoid debt trap.

2.7.2.3 Repayment of borrowing and its interest

During the year 2022-23, the Government of Meghalaya repaid ₹ 1,448.38 crore³⁹ (Principal ₹ 585.44 crore and Interest ₹ 862.94 crore). This repayment accounted 47.39 per cent of total borrowings (Public Debt) of ₹ 3,056.59 crore⁴⁰ during the year. This indicates that around half of the borrowings were utilised for servicing of borrowings and its interest during the year which could be utilised for the generation of assets.

³⁸ Figures w.e.f 2023-24 are subject to change on receipt of additional loans or dues to refund/write off/debt waiver by GoI.

³⁹ This excludes repayment of ₹ 3,164.09 crore for WMA/SDF during the year 2022-23.

⁴⁰ This excludes borrowings of ₹ 3,164.09 crore by WMA/SDF during the year 2022-23.

2.8 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

(A) 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 a 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. **Table 2.40** and **Chart 2.23** analyse public debt sustainability indicators of the State for the five-year period beginning from 2018-19.

Table 2.40: Trends in Public Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31 st March of the year)	7,330.56	8,407.87	10,250.24 ⁴¹	11,912.82 ⁴²	14,383.96
<i>Back-to-Back Loans</i>	-	-	112	253.16	253.16
Rate of Growth of Outstanding Public Debt	14.51	14.70	21.91	16.22	20.74
GSDP at Current Prices	32,176	34,770	33,776	38,785	42,697
Rate of Growth of GSDP at Current Prices	9.04	8.06	-2.86	14.83	10.09
Public Debt/GSDP at Current Prices	22.78	24.18	30.35	30.72	33.69
Debt maturity profile of repayment of State Debt - including default history if any	394.73	407.65	346.64	487.94	585.44
Average interest Rate of Outstanding Public Debt (<i>per cent</i>) [^]	7.48	7.77	7.47	7.30	6.56
Interest payment on Public Debt	513.01	611.28	696.62	809.50	862.94
Revenue deficit (-) /surplus (+) without Interest payment on Public Debt	-24.31	459.68	-118.76	1463.42	819.04
Percentage of Interest payment on Public Debt to Revenue Receipt	5.28	6.40	6.52	5.65	5.82
Percentage of Public Debt Repayment to Public Debt Receipt	29.89	27.99	19.96	55.13	60.28
Net Public Debt available to the State [#]	271.94	318.80	1095.45	840.13	1442.62

⁴¹ The effective Outstanding Public Debt excludes ₹ 112.00 crore received as Back-to-Back Loan.

⁴² The effective Outstanding Public Debt excludes ₹ 253.16 crore received as Back-to-Back Loan.

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Net Public Debt available as <i>per cent</i> to Public Debt Receipts	20.53	21.31	44.86	20.90	23.19
Primary deficit (-) /Surplus (+)	-1,369.27	-345.26	-1,744.64	-1,195.52	-1,767.63
Debt Stabilisation (Quantum spread [§] + Primary Deficit)	-1,254.29	-320.55	-2,803.08	-299.07	-1,260.84

Source: Finance Accounts of 2018-19 to 2022-23.

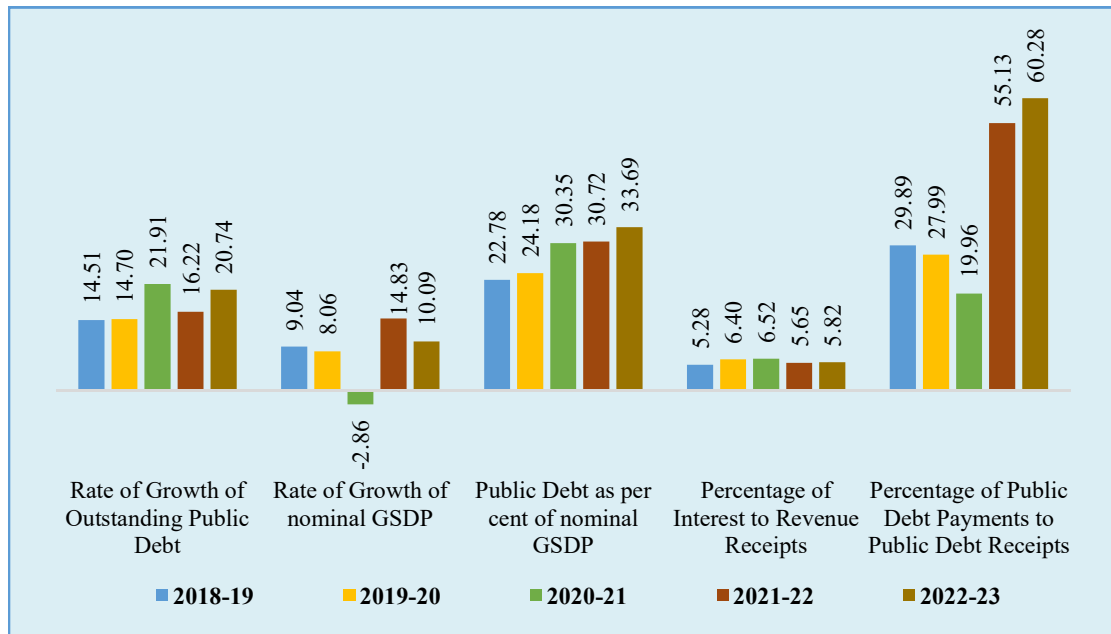
* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

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.

^ Average Interest Rate = {Interest Payments/ [(Opening Balance of Public Debt + Closing Balance of Public Debt)/2]} *100.

§ Quantum Spread = Debt*(GSDP growth rate-Interest rate).

Chart 2.23: Trends of Public Debt Sustainability indicators



From the above, it is seen that the ratio of public debt to nominal GSDP ratio ranged between 22.78 *per cent* and 33.69 *per cent* during the five-year period from 2018-19 to 2022-23. During the year, it increased by around three *percentage* point and public debt availability increased by 71.71 *per cent* from ₹ 840.13 crore in 2021-22 to ₹ 1,442.62 crore.

(B) An analysis on debt sustainability was carried out based on a study by E.D Domar⁴³ [Domar, 1994]. The Domar model states that the necessary premise for ensuring sustainability of government's debt financing is that the interest rate on government loans should not exceed the growth rate of GDP.

⁴³ Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

The dynamics of **public debt** depending on the interest rate, growth rate of GSDP and the Primary Budget Balance⁴⁴ are as follows:

g-r	Primary Balance	PB (Primary Balance) <0 i.e., Primary Deficit (PD)	PB (Primary Balance) >=0 i.e., Primary Surplus (PS)
If g-r>0 i.e., Real economic growth exceeds real interest rate (strong economic growth)		Provided that the PD is stable and consistent with debt/GSDP, Public Debt is sustainable.	Debt/GSDP ratio shall decrease and Public Debt tends towards stable level and is therefore sustainable.
If g-r<0 i.e., Real economic growth is lower than real interest rate (slow economic growth)		Debt tends to increase without limitations and becomes unsustainable.	Debt is no longer sustainable provided that it is not decreased in the medium or long run.

g: Real Economic growth rate; r: Real Interest rate.

PB: Primary Balance, PB<0: Primary Deficit (PD), PB>0: Primary Surplus (PS).

The results of applying the above parameters in the case of Meghalaya, are shown in **Table 2.41**.

Table 2.41: Debt sustainability analysis based on Domar Model

Year	Real Growth* (g)	Real Interest# (r)	g-r (Domar gap)		Primary Deficit (-) / Surplus (+)		Inference as per Domar Model for Debt Sustainability
			Value	Nature of 'g-r'	Value	Nature of Primary Balance 'PB'	
2018-19	5.12	5.25	(-)0.16	<0	(-)1,369.27	Primary Deficit (PB<0)	As (g-r) < 0 and PB < 0, Public Debt tends to increase without limitations and becomes unsustainable.
2019-20	5.08	4.99	0.11	>0	(-)345.26		As (g-r) > 0 and PB < 0, provided that the PD is stable and consistent with debt/GSDP, Public Debt is sustainable.
2020-21	(-)7.85	(-)1.03@	(-)6.12	<0	(-)1,744.64		As (g-r) < 0 and PB < 0, Public Debt tends to increase without limitations and becomes unsustainable.
2021-22	5.66	4.04	1.36	>0	(-)1,195.52		As (g-r) > 0 and PB < 0, provided that the PD is stable and consistent with debt/GSDP, Public Debt is sustainable.
2022-23	3.88	2.28	1.62	>0	(-)1767.63		As (g-r) > 0 and PB < 0, provided that the PD is stable and consistent with debt/GSDP, Public Debt is sustainable.

Source: Handbook of Statistics on Indian States 2022-23 by the Reserve Bank of India, Data Compiled by Economic Wing, O/o C&AG of India.

* Calculated based on GSDP at constant prices (2011-12).

Real Interest Rate = Nominal Interest Rate – Inflation (CPI). Nominal Interest Rate is the average interest rate on outstanding Public Debt.

@ Average CPI Index for ten months has been taken due to unavailability of CPI data for the months of April and May 2020.

⁴⁴ Primary Budget Balance refers to the fiscal balance excluding interest payments for government borrowings.

During the five-year period from 2018-19 to 2022-23, the State had primary deficit. In the pre Covid period of 2018-19 and 2019-20, the real growth rate of the GSDP was an average of five *per cent* while Domar gap marginally improved in 2019-20 due to falling interest rate. In the post Covid period, the Domar gap has remained positive during 2021-22 and 2022-23 indicating that real interest rates have remained below the GSDP growth rates. However, the sustainability of public debt depends on whether the state economy maintains the real growth rate in the long run.

Details of the achievements *vis-à-vis* targets set in the MTFPS⁴⁵ under MFRBM Act, 2006 are given in **Table 2.42**.

Table 2.42: Achievements vis-à-vis targets set in the MTFPS

Fiscal Parameter		Achievement vis-à-vis targets set in the MTFPS				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (RD) (-) / Surplus (RS) (+)-GSDP Ratio (in percent)	Target	1.43	2.04	2.13	3.31	1.61
	Achieved	-1.67	-0.44	-2.41	1.69	-0.10
Fiscal Deficit (FD) (-) / Surplus (FS) (+)-GSDP Ratio (in percent)	Target	-3.33	-3.65	-3.53	-4.07	-4.51
	Achieved	-6.30	-3.17	-7.71	-5.57	-6.55
Ratio of total outstanding liability to GSDP (in per cent)	Target	30.03	31.12	30.62	36.58	40.24
	Achieved	33.02	33.17	40.32*	39.92 ⁺	43.19 ⁺

*Excludes Back-to-Back loan of ₹ 112.00 crore.

+Excludes Back-to-Back loan of ₹ 253.16 crore (₹ 112.00 crore + ₹ 141.16 crore)

The ratio of revenue deficit-GSDP decreased from 1.67 *per cent* to 0.10 *per cent* and fiscal deficit-GSDP increased from 6.30 *per cent* to 6.55 *per cent*. The State Government was unable to meet the targets of RS/RD-GSDP and FD-GSDP during the period from 2018-19 to 2022-23 except RD-GSDP in 2022-23 and FD-GSDP in 2019-20. Also, the outstanding liability-GSDP ratio was not achieved during 2018-19 to 2022-23.

As per the macro fiscal parameters, such as ceiling on public debt, revenue and fiscal deficit in a particular year and as on 31 March of that year, the government's fiscal sustainability is of concern as indicated by the rising ratios of revenue deficit-GSDP, fiscal-GSDP and outstanding liability-GSDP. Although the revenue deficit-GSDP ratio remained within targets during the year 2022-23, the Government failed to meet the targets for Fiscal-GSDP and outstanding liability-GSDP ratio.

On the basis of the above, it is inferred that the State fiscal sustainability is at risk in the short to medium term unless remedial measures are taken to rationalise expenditure, explore further sources of revenue, expand revenue base and invest in revenue generating assets.

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. Although various

⁴⁵ Medium Term Fiscal Policy Statement.

State Governments have come out with legislations or instructions with regard to cap on the guarantees, the Government of Meghalaya has not prescribed any ceiling for guarantees to be extended for loans availed by the State Government entities (March 2023).

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2018-19 to 2022-23 are shown in **Table 2.43**.

Table 2.43: Guarantees given by the State Government

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
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)-Section 4(d), MFRBM Act, 2006				
Amount of outstanding guarantees (₹ in crore)	1,163.09	1,120.14	3,060.99	2,980.44	2,977.53

Source: Finance Accounts of respective years & Finance Accounts 2022-23.

During 2022-23, the outstanding guarantee declined to 95.82 *per cent* of State Own Tax and Non- Tax Revenue as compared to 105.50 *per cent* during 2021-22. As on 31 March 2023, 99.39 *per cent* (₹ 2,959.54 crore) of the total outstanding guarantees (₹ 2,977.53 crore) pertained to the 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 is 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 2.44 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.44: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 01 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in treasuries	7.00	7.00
Deposits with Reserve Bank of India	(-) 66.53	31.92
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	(-) 59.53	38.92

Particulars	Opening balance on 01 April 2022	Closing balance on 31 March 2023
Investments held in Cash Balance investment account	16.87	79.92
Total (A)	(-) 42.67	118.84
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.20	0.20
Permanent advances for contingent expenditure with department officers	0.04	0.04
Investment out of earmarked funds	693.96	789.67
Total (B)	694.20	789.91
Total (A + B)	651.54	908.75

Source: Finance Accounts 2022-23.

General Cash Balance of the State Government at the end of the current year increased by ₹ 161.51 crore from ₹ (-)42.67 crore in 2021-22 to ₹ 118.84 crore in 2022-23. The State Government earned an interest of ₹ 9.72 crore and ₹ 1.96 crore during 2021-22 and 2022-23 respectively from the investments made in GoI Treasury Bills.

Out of the investment of ₹ 789.67 crore in earmarked funds, ₹ 603.66 crore in Sinking Fund Investment Account, ₹ 118.00 crore was invested in the State Disaster Response Fund Investment Account and ₹ 68.00 crore in Guarantee Redemption Fund Investment Account at the end of the year. The cash balance investments of the State during the five-year period 2018-19 to 2022-23 are given in **Table 2.45**.

Table 2.45: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	1,680.66	1,070.04	-610.62	52.20
2019-20	1,070.04	801.61	-268.43	22.85
2020-21	801.61	81.39	-720.22	5.90
2021-22	81.39	16.87	-64.52	9.72
2022-23	16.87	79.92	63.05	1.96

Source: Finance Accounts of 2018-19 to 2022-23.

2.9 Conclusion

In conclusion, the analysis of the state of finances of the Government of Meghalaya, focusing on revenue receipts and expenditure for the financial year (FY) 2022-23, shows that the State has again turned into a Revenue Deficit (₹ 43.90 crore) State, after achieving revenue surplus during last years.

During the current year, Revenue Receipts increased by 3.82 per cent, while comparative increase over the previous five year period was 52.49 per cent from ₹ 9,718.62 crore in 2018-19 to ₹ 14,819.87 crore in 2022-23 at an average compound annual growth rate of 11.12 per cent. During 2022-23, the state's own revenue contributed approximately 20.97 per cent of the Revenue Receipts, while Central Tax Transfers and Grants-in-Aid together contributed 79.03 per cent. Over the past five years, the contribution of central tax transfers and grants in aid ranged between 74.28 per cent and 80.21 per cent. The

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 year 2022-23, Revenue Expenditure increased by 9.13 *per cent* from ₹ 13,620.22 crore in 2021-22 to ₹ 14,863.77 crore in 2022-23. The increase in Revenue Expenditure was mainly due to an increase in expenditure on Elections, Housing, Secretariat economic services Rural Employment, Soil and Water Conservation. Revenue expenditure as a proportion of total expenditure remained above 80 *per cent* indicating that the lion's share of Government spending was on current expenditure on payment of salaries and wages, pension, rent and rates and payment of interest on outstanding debt.

Expenditure on Capital outlay during 2022-23 decreased by 0.35 *per cent* to ₹ 2,742.48 crore over the previous year. Capital Expenditure as a percentage of total expenditure has decreased from 15 *per cent* to 13 *per cent* during the year 2022-23.

As on 31 March 2023, 235 incomplete projects had over-shot their schedules by more than one year to 34 years. The expenditure incurred on these 235 incomplete projects was ₹ 613.95 crore.

During the year 2022-23, ₹ 51.57 crore was disbursed from State Disaster Response Fund (SDRF) out of which ₹ 29.33 crore was directly withdrawn from the fund violating the SDRF guidelines. As on 31 March 2023 closing balance of the fund was ₹ 130.86 crore. 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 ₹ 2.04 crore resulted in an under statement of the Revenue Deficit to that extent.

During the current year, no guarantees were given by the State Government. At the end of the year 2022-23, outstanding guarantees given by the State Government were ₹ 2,977.53 crore. The State Government did not receive any amount towards the guarantee commission. Guarantee Commission works out to ₹ 14.90 crore during 2022-23. The accumulated balance of the outstanding Guarantee Commission Fee was ₹ 86.08 crore as on 31 March 2023.

The Fiscal Deficit of the State ranged between ₹ 1,103.77 crore to ₹ 2,793.15 crore over the past five years with an increasing trend. Consistent and increasing trend of Fiscal Deficit shows the state's growing dependency on borrowings to sustain its financial operations. The outstanding liabilities reached to ₹ 18,442.32 crore, increased by ₹ 2,961.23 crore (16.06 *per cent*) compared to the previous year. The outstanding liabilities during 2022-23 stood at 43.19 *per cent* of the GSDP and exceeded the limit of the total outstanding Debt-GSDP ratio target (28 *per cent*) fixed in the State FRBM Act, 2006.

Out of the total outstanding public debt of ₹ 14,637.12 crore, an amount of ₹ 1,592.12 crore (including interest) is payable by 2023-24 and an amount of ₹ 6,504.89 crore (including interest) is payable between 2024-25 and 2026-27.

Cash Balances of the State Government at the end of the current year decreased by ₹ 161.51 crore from (-) ₹ 42.67 crore in 2021-22 to ₹ 118.84 crore in 2022-23. Cash Balance investment increased from ₹ 16.87 crore in 2021-22 to ₹ 79.92 crore in 2022-23.

2.10 Recommendations

1. *Government should consider broadening and strengthening revenue collection mechanism to improve its revenue buoyancy on one hand, and to reduce fiscal deficit, on the other hand.*
2. *Government may prioritise capital spending, especially on sectors like education and health.*
3. *Government should ascertain reasons for infrastructure projects lying incomplete for several years and take corrective steps for completion of these projects in order to prevent wasteful expenditure.*

