



CHAPTER I

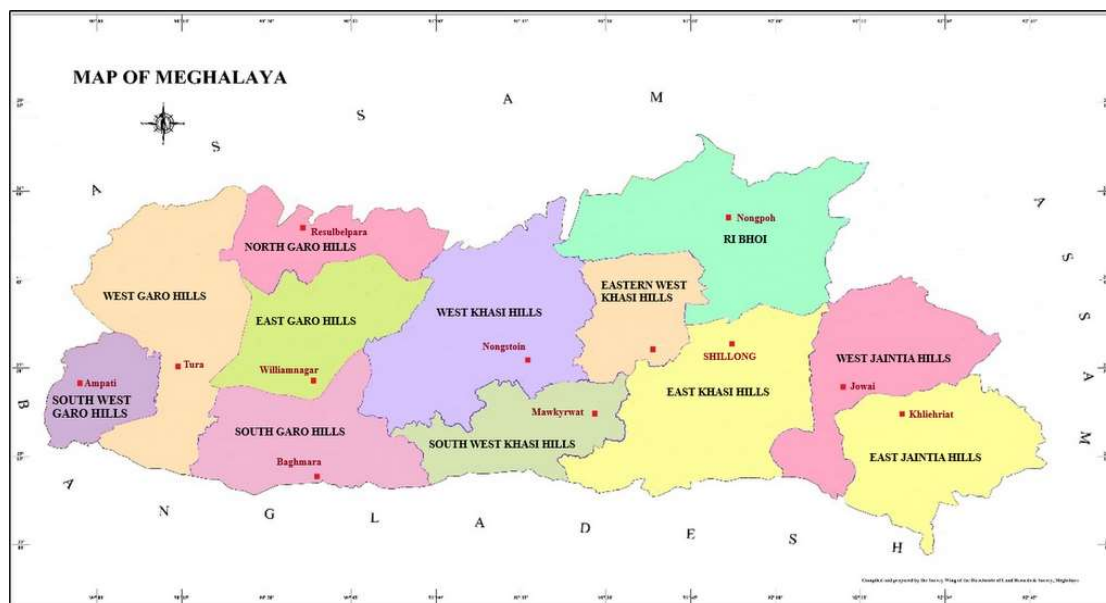
OVERVIEW

CHAPTER I

OVERVIEW

1.1 Profile of the State

Meghalaya is situated in the North Eastern Region of India and is bound in the north and east by Assam and in the south and west by Bangladesh.



The State is spread over a geographical area of 22,429 sq. km. (0.68 *per cent* of the country's total geographical area) and is home to around 29.67 lakh persons (0.25 *per cent* of the population of the country) as per Census 2011. The decadal (2001-2011) growth rate of population for the State was 27.94 *per cent* against the national decadal growth rate of 17.70 *per cent*. The projected population of the State during 2023-24 was 33.94 lakh. As per census 2011, State's literacy rate is 74.43 *per cent*, higher than all India average of 73.00 *per cent*.

The State has 12 districts¹ and three Autonomous District Councils² under Sixth Schedule of the Constitution of India. Meghalaya is one of the ten North Eastern and Himalayan States (NE&HS) (as per the XV FC Report). In general, the NE&HS receive higher share of Central Assistance for implementation of Centrally Sponsored Schemes (CSS) than the General States. The General and Financial data relating to the State is given in **Appendix 1.1**.

¹ East Khasi Hills, West Khasi Hills, South West Khasi Hills, Eastern West Khasi Hills, East Garo Hills, West Garo Hills, South Garo Hills, North Garo Hills, South West Garo Hills, East Jaintia Hills, West Jaintia Hills and Ri-bhoi.

² Khasi Hills Autonomous District Council, Garo Hills Autonomous District Council, and Jaintia Hills Autonomous District Council.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the monetary value of all the final goods and services produced within the territory of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Gross Value Added (GVA) is also being adopted increasingly to measure economic growth as GVA is considered better indicator of economic growth compared to GDP, as it insulates the impact of taxes and subsidies. GVA is defined as the value of output minus the value of intermediate consumption and is a measure of the contribution to GDP made by an individual producer, industry or sector. At its simplest it gives the rupee value of goods and services produced in the economy after deducting the cost of inputs and raw materials used.

Trends in GSDP compared to GDP are shown in **Table 1.1**; and the sectoral contribution and sectoral growth in GSDP during the period 2019-20 to 2023-24 are depicted in **Chart 1.1** and **Chart 1.2** respectively.

Table 1.1: Trends in GSDP compared to the national GDP at Current Prices

(₹ in crore)

Year	2019-20	2020-21	2021-22	2022-23	2023-24
INDIA					
GDP at Current Prices	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646 (FRE)	2,95,35,667 (PE)
GVA	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041 (FRE)	2,67,62,147 (PE)
Growth rate of GDP over previous year (in per cent)	6.37	(-)1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in per cent)	7.02	(-)0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725
MEGHALAYA					
GSDP at Current Prices	34,770	33,776	40,222	46,551(Q)	53,057 (A)
GSVA at Current Prices	32,444	31,373	37,088	42,778 (Q)	48,743 (A)
Growth rate of GSDP over previous year (in per cent)	8.06	(-)2.86	19.08	15.74	13.98
Growth rate of GSVA over previous year (in per cent)	8.05	-3.30	18.22	15.34	13.94
Per Capita GSDP (in ₹)	1,06,267	1,02,259	1,20,678	1,38,381	1,56,326

Source: Ministry of Statistics and Programme Implementation, Government of India and Directorate of Economics and Statistics, Government of Meghalaya.

FRE=First Revised Estimate, PE=Provisional Estimate, Q= Quick Estimates, A= Advance Estimates.

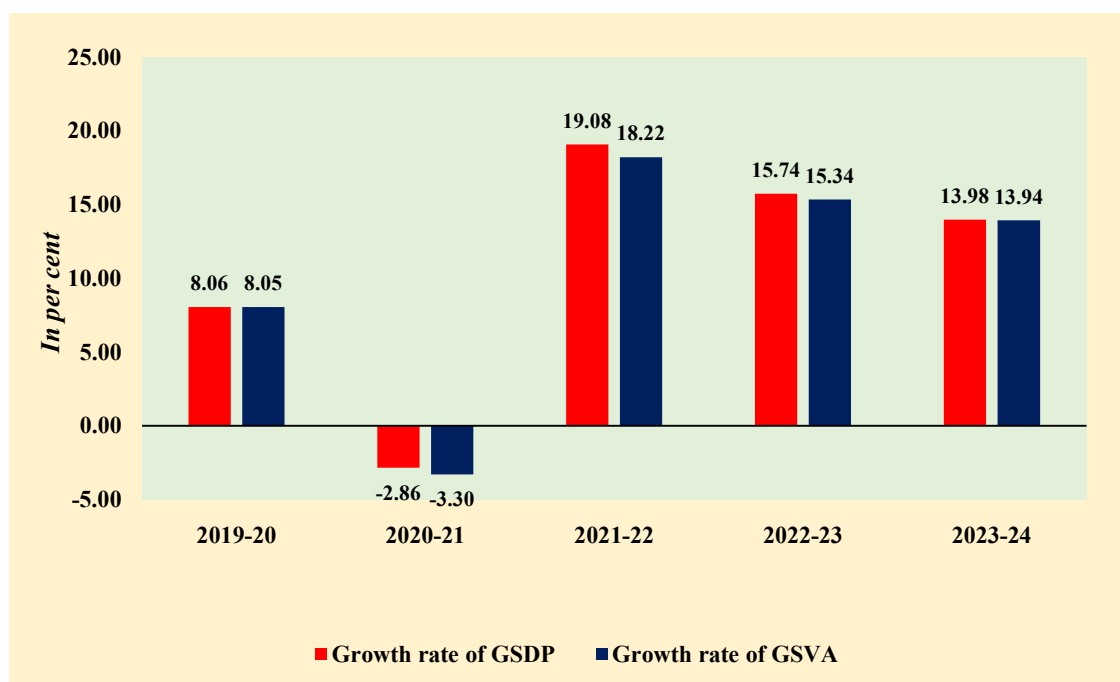
The GSDP at current prices of Meghalaya grew at 13.98 *per cent* from ₹ 46,551 crore in 2022-23 to ₹ 53,057 crore in 2023-24. Whereas the GDP of the country at current prices expanded by 9.60 *per cent* from ₹ 2,69,49,646 crore in 2022-23 to ₹ 2,95,35,667 crore in 2023-24. In other words, the growth rate of the economy of the state was higher than that of the national economy in terms of GDP/GSDP at current prices. The CAGR of the GSDP of the state during 2014-15 to 2023-24 stood at 9.61 *per cent* while that of the GDP of the country was 10.06 *per cent*.

During 2023-24, the per capita GSDP of the State was ₹ 1,56,326, while that of the country was ₹ 2,11,725. In simpler terms, the per capital GSDP of the state was 26.17 *per cent* lower than the per capita GDP of the country. While Meghalaya registered the 27th highest (5th lowest) per capita GSDP among the 31 states/UTs in India, the state recorded the 10th highest (2nd lowest) per capita GSDP in the group of the NE & H states.

While the GVA of the country expanded by 8.53 *per cent* from ₹ 2,46,59,041 crore in 2022-23 to ₹ 2,67,62,147 crore in 2023-24, the GSVA of the state grew at 13.94 *per cent* from ₹ 42,778 crore in 2022-23 to ₹ 48,743 crore in 2023-24. Put differently, the state economy grew faster than the national economy in terms of Gross Value Addition. The CAGR of the GSVA of the State during 2019-20 to 2023-24 registered 10.71 *per cent* while that of the GVA of the country was 9.85 *per cent*.

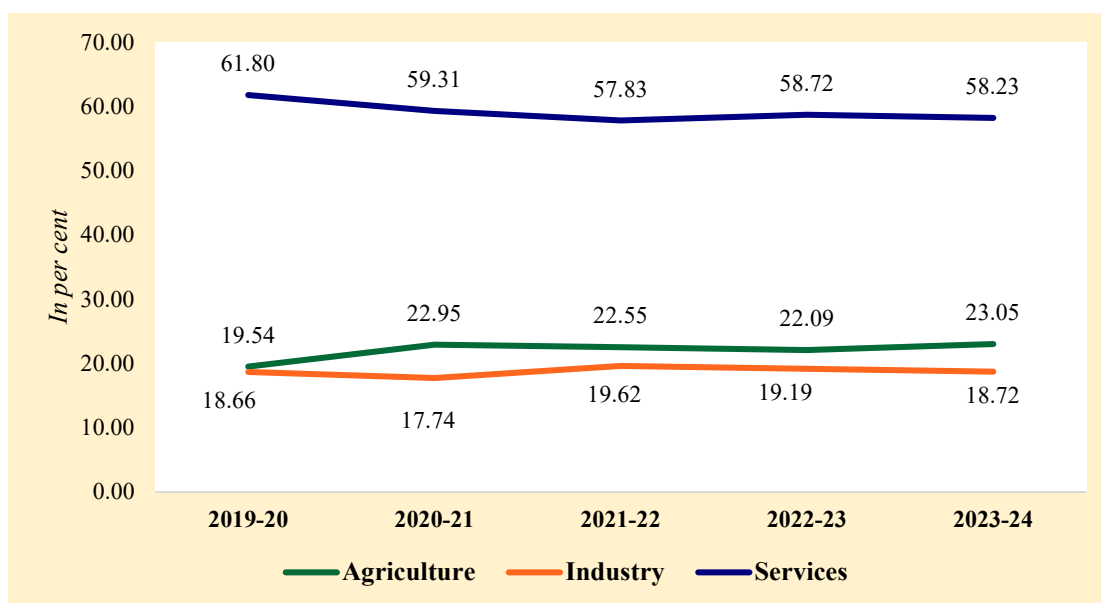
The trends of GSDP and GSVA for the period from 2019-20 to 2023-24 is indicated in **Chart 1.1** below:

Chart 1.1: Growth rate of GSDP vs GSVA



Source: Directorate of Economic & Statistics, Government of Meghalaya.

Chart 1.2: Sectoral Contribution to GSVA during 2019-20 to 2023-24



Source: Directorate of Economics and Statistics, Government of Meghalaya.

Chart 1.2 indicates that Services Sector is the main contributor to the state GSVA, with a contribution of 58.23 *per cent* during 2023-24 followed by Agriculture Sector (23.05 *per cent*) and Industry Sector (18.72 *per cent*). During 2023-24, the share of Services Sector in the State economy marginally reduced to 58.23 *per cent* from 58.72 *per cent* in 2022-23, and that of Industry Sector also shrunk marginally to 18.72 *per cent* from 19.19 *per cent* in 2022-23. However, the share of Agriculture Sector increased from 22.09 *per cent* in 2022-23 to 23.05 *per cent* in 2023-24.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General (CAG) of India relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

The Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial & subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2023-24 constitute the core data for this Report. Other sources include the following:

- State Budget of the current year and previous four years, along with the Meghalaya Fiscal Responsibility and Budget Management Act, 2006 for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating

the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- Results of audit carried out by the Office of the PAG (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (FC), best practices and guidelines of Government of India. The draft Report was forwarded to the State Government for comments on 20 January 2025 and replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Overview of Government Account Structure and Budgetary Process

Government Accounts comprise of Consolidated Fund, Contingency Fund and Public Accounts as defined below:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the functional major head concerned relating to the Consolidated Fund of the State.

3. Public Account of the State (Article 266(2) of the Constitution)

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to vote of the Legislature. **Chart 1.3** present the structure of Government Accounts.

Chart 1.3: Structure of Government Accounts

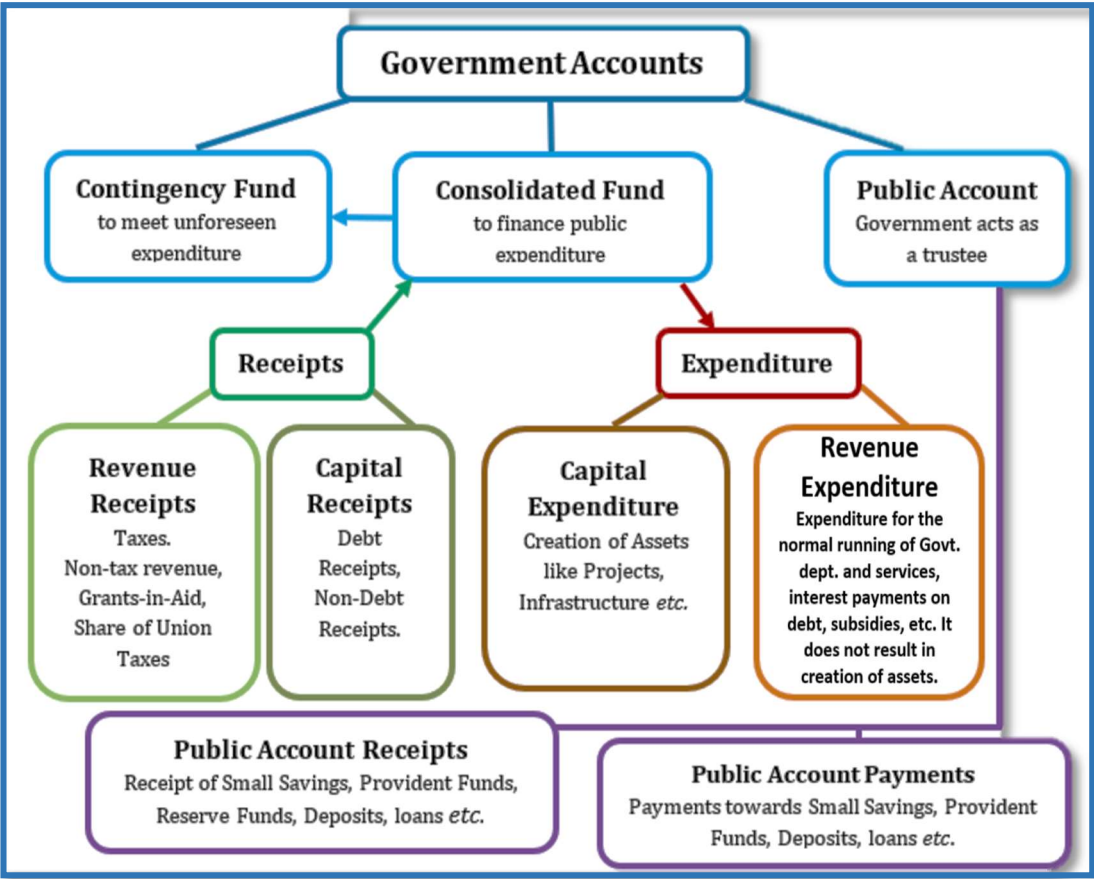


Chart 1.4: Share of Receipts in Government Accounts during the year
(In per cent)

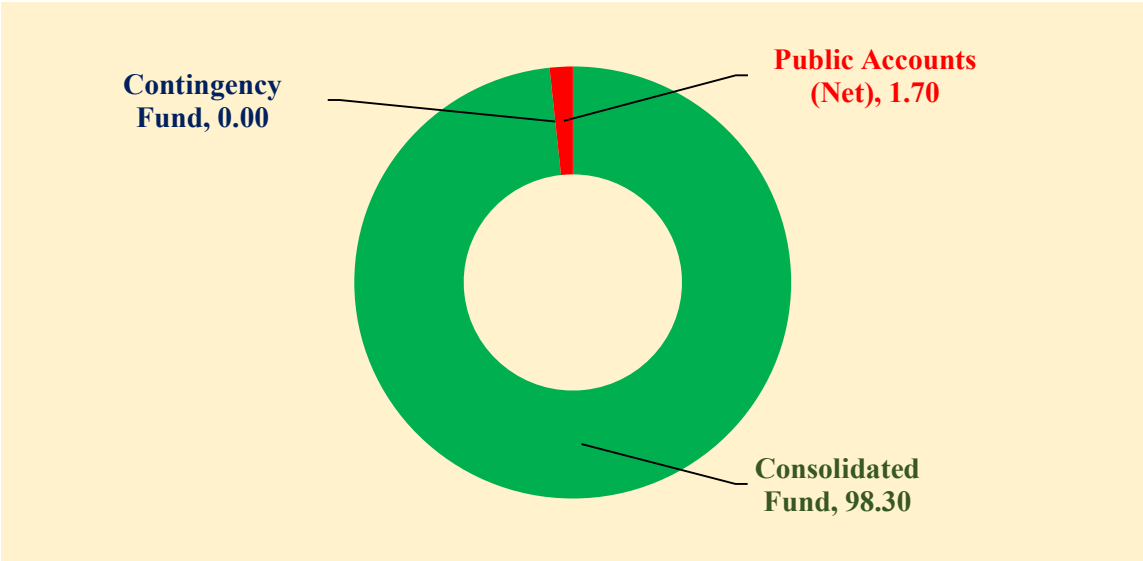


Chart 1.4 depicts the composition of receipts into the Government Accounts during 2023-24. The Consolidated Fund of the State received 98.30 *per cent* of the public funds during the year while the net Public Accounts receipts constituted 1.70 *per cent*.

(i) Budget Document

The Constitution of India under Article 202 prescribes the Governor of the State to cause to lay before the Legislature of the State a statement of the estimated receipts and expenditure of the state, referred to as the Annual Financial Statement, in respect of every financial year. Further, the budget is required to distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the Government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital Receipts consist of:

- **Public Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to Public Sector Enterprises (PSEs) and other parties.

Revenue Surplus/Deficits means the difference between revenue expenditure and total revenue receipts.

Fiscal Deficit means the excess of total disbursements, from the Consolidated Fund of the state, excluding repayment of debt, over total receipts into the Fund (excluding the debt receipts), during a financial year. In other words, when total expenditure (excluding debts repayments) is more than total Receipts (excluding borrowing), the gap is referred to as Fiscal Deficit. The Government borrows to bridge this gap.

Primary Deficit is defined as Fiscal Deficit less interest payments.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

Functional classification specifies department, function, program, scheme and object details of expenditure, while economic classification organises payments by revenue, capital, debt, *etc.* Economic classification is determined by the first digit in 4-digit Major Heads. For example, 0 and 1 signify Revenue Receipts, while 2 and 3 denote Revenue Expenditure, and so on. Economic classification is further established through predefined distribution of certain object heads. For example, the "salary" object head is categorised as Revenue Expenditure, while the "construction" object head is classified as Capital Expenditure. The object head constitutes the primary unit for appropriation within budget documents.

(ii) Public Debt and Public Liability

In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government, *etc.* For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

Further, the transactions relating to 'Small Savings, Provident Fund, *etc.*', 'Reserve Funds' and 'Deposit and Advances' under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to 'Remittances' and 'Suspense' under Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to 'Small Savings, Provident Fund, *etc.*', 'Reserve Funds' and 'Deposit and Advances' along with the transactions under major heads 6003 and 6004.

(iii) Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Gender-based Budget, Agriculture Budget, Weaker sections (SC/ ST) Budget, Disability Budget, Outcome budget, *etc.*

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.3.1 Snapshot of Finances

The budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of

revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviation from the Budget Estimates (BEs) indicates nonattainment of the desired fiscal objectives. **Table 1.2** presents the details of actual financial results for the years 2022-23 and 2023-24 *vis-à-vis* BEs and GSDP for 2023-24.

Table 1.2: Snapshot of Finances of the State*(₹ in crore)*

Sl. No.	Components	2022-23	2023-24		Percentage of Actuals to	
		Actuals	BEs	Actuals	BEs	GSDP
1	Tax Revenue	9,936.81	11,039.17	11,879.75	107.61	22.39
	<i>Own Tax Revenue</i>	2,650.67	3,204.66	3,216.53	100.37	6.06
	<i>Share of Union taxes/duties</i>	7,286.14	7,834.51	8,663.22	110.58	16.33
2	Non-Tax Revenue	456.61	742.59	523.25	70.46	0.99
3	Grants-in-Aid and Contributions	4,426.45	7,632.57	5,574.86	73.04	10.51
4	Revenue Receipts (1+2+3)	14,819.87	19,414.33	17,977.86	92.60	33.88
5	Recovery of Loans and Advances	24.55	27.65	24.03	86.91	0.05
6	Other Receipts	0	0	0	-	0.00
7	Borrowings and other liabilities	6,220.68	2,338.53	7,514.34	321.33	14.16
8	Capital Receipts (5+6+7)	6,245.23	2,366.18	7,538.37	318.59	14.21
9	Total Receipts (4+8)	21,065.10	21,780.51	25,516.23	117.15	48.09
10	Revenue Expenditure	14,863.77	17,186.07	16,583.54	96.49	31.26
11	<i>of which, Interest payments</i>	1,028.52	1,168.65	1,138.10	97.39	2.15
12	Capital Expenditure	2,776.80	3,848.24	4,570.56	118.77	8.61
13	<i>Capital Outlay</i>	2,742.28	3,811.68	4,529.54	118.83	8.54
14	<i>Loans and advances (disbursal)</i>	34.52	36.56	41.02	112.20	0.08
15	Total Expenditure excluding repayment of debts (10+12)	17,640.57	21,034.31	21,154.10	100.57	39.87
16	Revenue Surplus (+)/ Deficit (-) (4-10)	(-) 43.90	2,228.26	1,394.32	62.57	2.63
17	Fiscal Deficit (-) / Surplus (+) {(4+5+6)-15}	(-)2,796.15	(-)1,592.33	(-)3,152.21	197.96	(-)5.94
18	Primary Deficit (-) / Surplus (+) (17-11)	(-)1,767.63	(-)423.68	(-)2,014.11	475.39	(-)3.80

Source: Finance Accounts 2022-23 and 2023-24, Annual Financial Statement 2023-24.

Table 1.2 indicates that the Revenue Receipt of the state expanded by 21.31 *per cent* (₹ 3,157.99 crore) from ₹ 14,819.87 crore in 2022-23 to ₹ 17,977.86 crore in 2023-24. The tax revenue increased by 19.55 *per cent* over the previous year. Further, the non-tax revenue and Grants-in-Aid increased by 14.59 *per cent* and 25.94 *per cent* respectively. The Revenue Receipt was 92.60 *per cent* of the BE (₹ 19,414.33 crore).

The borrowings and other liabilities of the State during 2023-24 (₹ 7,514.34 crore) were 321.33 *per cent* over the BE (₹ 2,338.53 crore). This is 20.80 *per cent* higher than the previous year. While the Revenue Receipts and Recovery of Loans underperformed against the BEs, the Total Receipts (₹ 25,516.23 crore) crossed the BE (₹ 21,780.51 crore) mainly driven by the borrowing substantially exceeding the BE. The Total

Receipts was 21.13 *per cent* (₹ 4,451.13 crore) higher than the previous year (₹ 21,065.10 crore).

The Revenue Expenditure (RE) of the state during 2023-24 (₹ 16,583.54 crore) was 96.49 *per cent* of the BE (₹ 17,186.07 crore), of which 6.86 *per cent* (₹ 1,138.10 crore) constituted interest payments on public debt and public accounts liabilities. The RE during 2023-24 grew 11.57 *per cent* over the previous year.

The Capital Expenditure in 2023-24 (₹ 4,570.56 crore) was higher by 64.60 *per cent* over the previous year. However, as percentage of GSDP, capital outlay was 8.54 *per cent*. Similarly, capital outlay of ₹ 4,529.54 crore exceeded BEs (₹ 3,811.68 crore) by 18.83 *per cent* (₹ 717.86 crore) during the year.

The State registered Fiscal Deficit of ₹ 3,152.21 crore, 12.73 *per cent* higher than the previous year (₹ 2,796.15 crore). Further, the Primary Deficit of the state widened by 13.94 *per cent* from ₹ 1,767.63 crore in 2022-23 to ₹ 2,014.11 crore in 2023-24.

Notable increase in Capital Expenditure indicates higher investment in infrastructure or other developmental projects. However, revenue expenditure remained significant, emphasising operational costs. A surplus in revenue and an increase in capital expenditure are positive indicators, but the widening fiscal and primary deficits highlight growing reliance on borrowings.

1.3.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government, and the assets created out of the expenditure incurred. The liabilities consist mainly of internal debt, loans and advances from the Government of India (GoI) and receipts from public accounts, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.3** presents the summarised position of assets and liabilities.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2022-23	2023-24	Increase (per cent)			2022-23	2023-24	Increase (per cent)
Consolidated Fund									
A	Internal Debt	12,634.54	14,008.66	10.88	A	Gross Capital Outlay	22,204.60	26,734.14	20.40
	Market loans	11,285.50	12,209.50	8.19		Investment in shares of Companies, etc.#	1,118.92	1,861.02	66.32
	Loans from other institutions	1,349.04	1,799.16	33.37		Other Capital Outlay	21,085.68	24,873.12	17.96
B	Loans and Advances from GoI*	2,002.58*	3,339.19*	66.74	B	Loans and Advances	991.77	1,008.76	1.71
Contingency Fund									
Contingency Fund		505.00	505.00						

Liabilities					Assets				
		2022-23	2023-24	Increase (per cent)			2022-23	2023-24	Increase (per cent)
Public Account									
A	Small Savings, Provident Funds, etc.	2,399.00	2,488.76	3.74	A	Advances	1.81	1.81	0.00
B	Deposits	1,459.04	1,672.86	14.66	B	Remittance	-	-	-
C	Reserve Funds	989.98	1,155.43	16.71	C	Suspense and Miscellaneous	144.81	145.48	0.46
D	Remittances	85.45	80.67	(-) 5.59	Cash balance (incl. investment in Earmarked Fund)		908.75	930.86	
Surplus in Government Account		4,176.16	5,570.48	-	-		-	-	-
Total		24,251.74	28,821.04	18.84	Total		24,251.74	28,821.04	18.84

Source: Finance Accounts of 2023-24.

This excludes investment of ₹ 2,116.26 crore to Meghalaya Energy Corporation Limited (MeECL) made from Revenue Account. Further, figure for 2022-23 excludes ₹ 5.00 crore invested on Meghalaya Transport Corporation (MTC) during 2021-22, which has been adjusted in the figure for 2023-24.

* This includes ₹ 253.16 crore Back-to-Back Loans in lieu of GST Compensation Shortfall.

Liabilities on the Consolidated Fund of State include market loans, loans raised from financial institutions and loans and advances received from the Government of India (GoI). During 2023-24, Public Debt liabilities stood at ₹ 17,347.85 crore. This comprises market loans of ₹ 12,209.50 crore, loans from financial institutions of ₹ 1,799.16 crore and ₹ 3,339.19 crore loans and advances from the GoI.

The increase in Public Debt in 2023-24 over 2022-23 (₹ 14,637.12 crore) was 18.52 per cent. This was primarily due to increase in loans and advances from the GoI³ (66.74 per cent) and Loans from Other Institutions⁴ (33.37 per cent).

Liabilities on the Consolidated Fund of the State increased by 18.85 per cent in 2023-24 over 2022-23 mainly due to increase in Loans from Other Institutions by 33.37 per cent, market loans⁵ by 8.19 per cent and Loans and Advances from the GoI⁶ by 76.40 per cent

³ Loans and advances from GoI include Loans for State/Union Territory Plan Schemes, Loan under Scheme for Special Assistance to States for Capital Expenditure, Loans for Centrally Sponsored Plan Schemes and Back -to-Back Loan to States in lieu of GST Compensation Shortfall.

⁴ Loans from Other Institutions include: Loans from General Insurance Corporation of India, Loans from National Bank for Agricultural and Rural Development, Compensations and Other Bonds, Loans from National Co-operative Development Corporation, Ways and Means Special Drawing Facility on 91 Days Deposits and from the Reserve Bank of India and Special Securities issued to National Small Savings Fund of the Central Government.

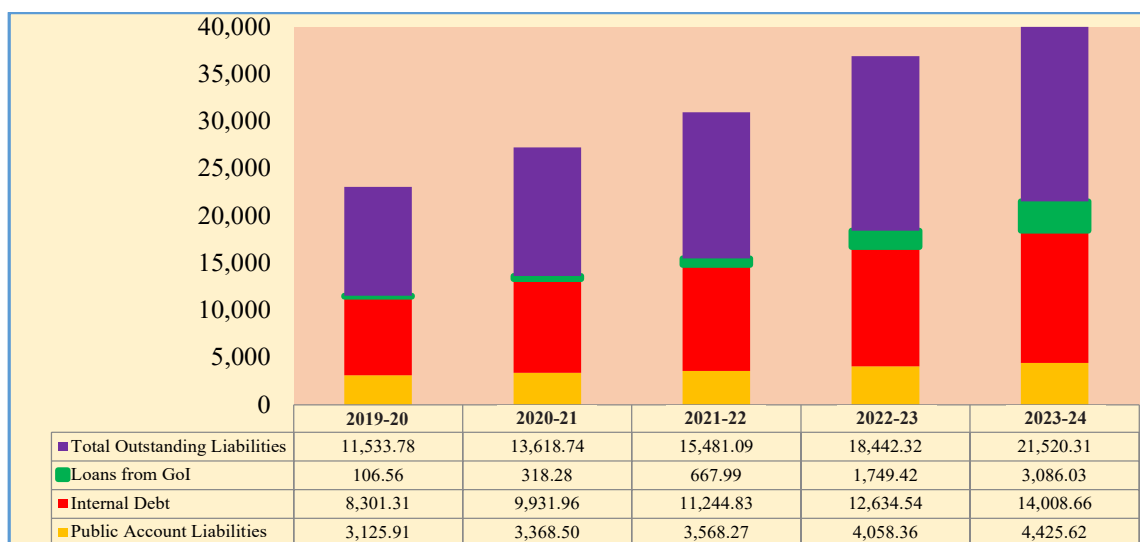
⁵ Market loans include Loans from State Bank of India, Life Insurance Corporation, General Insurance Corporation, National Bank for Agriculture and Rural Development, Compensation and other bonds, Ways and Means Advances, Special Securities issued to National Social Securities Fund, Loans from NCDC and Loans from other Institutions.

⁶ Loans and advances from GoI include Loans for State/Union Territory Plan Schemes, Loan under Scheme for Special Assistance to States for Capital Expenditure, Loans for Centrally Sponsored Plan Schemes and Back -to-Back Loan to States in lieu of GST Compensation Shortfall.

(excluding Back-to-Back Loan to State in lieu of GST Compensation Shortfall of ₹ 253.16 crore) in 2023-24 over 2022-23.

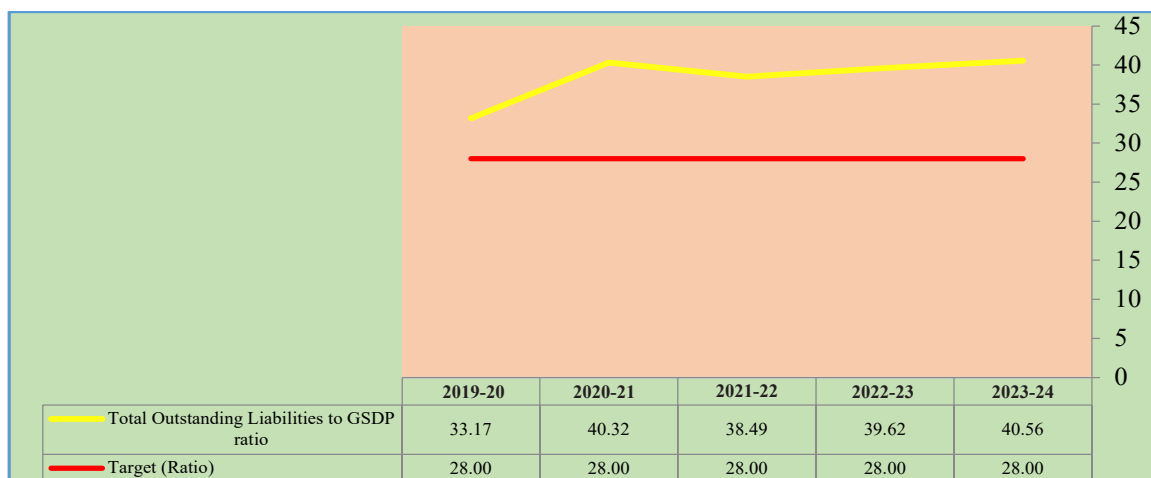
Chart 1.5 and **Chart 1.6** depict the trends in fiscal liabilities and total outstanding liabilities to GSDP ratio during the five-year period 2019-24.

Chart 1.5: Trends in Liabilities



Source: Finance Accounts 2019-20 to 2023-24.

Chart 1.6: Comparison of Total Liabilities to GSDP Ratio and the Targets



Source: Finance Accounts 2019-20 to 2022-23 and MFRBM Act 2006.

Outstanding liabilities of the State increased from ₹ 11,533.78 crore as on 31 March 2020 to ₹ 21,520.31⁷ crore as on 31 March 2024. Compared to previous year, the outstanding liabilities at the end of 2023-24 increased by 16.69 *per cent* (₹ 3,077.99 crore).

The State failed to achieve the Total Outstanding Liabilities to GSDP ratio target of 28 *per cent* set by the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 for the period 2019-20 to 2023-24.

⁷ Excludes an amount of ₹ 253.16 crore (₹ 112.00 crore + ₹ 141.16 crore) 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.*

Meghalaya is the seventh highest in the terms of Outstanding liabilities-GSDP ratio among 30 States/UTs in India. In comparison to the North Eastern and Himalayan States, Meghalaya stood at the fifth position. This indicates mounting liabilities of the State. The state may take proactive measures to address this concern and avoid falling into a potential debt trap.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

The objective of prudent budget management is to achieve a healthy fiscal balance, which prevents the economy from getting into a debt trap while promoting economic growth. The ways in which the deficit is financed, and the resources raised are applied, are important pointers to its fiscal health.

This section presents trends, nature and magnitude of deficits and the manner of financing these deficits, and the assessment of actual levels of Revenue and Fiscal Deficits *vis-à-vis* targets set under MFRBM Act/Rules for the financial year 2023-24. Three key fiscal parameters – Revenue, Fiscal and Primary Deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period.

In accordance with the recommendations of XII FC, Government of Meghalaya (GoM) has enacted the MFRBM Act, 2006. The performance of the State during the period 2019-20 to 2023-24 in terms of key fiscal targets set for selected parameters as per the MFRBM Act, as amended⁸ *vis-à-vis* achievements are given in **Table 1.4**.

Table 1.4: Compliance with provisions of MFRBM Act 2006

Fiscal Parameters		Achievement vis-à-vis targets set in the MFRBM				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Target	Maintain Revenue Surplus				
	Actual	(-)151.60	(-)815.38	653.92	(-)43.90	1,394.32
	Status	X	X	✓	X	✓
Fiscal Deficit (as percentage of GSDP)	Target	4.35 [^]	5.25 [^]	4.00-4.50	4.00	3.50
	Actual	1,103.77 (3.17)	2,603.56 (7.71)	2,158.79 (5.37)	2,796.15 (6.01)	3,152.21 (5.94)
	Status	✓	X	X	X	X
Ratio of total outstanding liabilities to GSDP (in per cent)	Target	28.00	28.00	28.00	28.00	28.00
	Actual	33.17	40.32*	38.49 ⁺	39.62 ⁺	40.56 ⁺
	Status	X	X	X	X	X

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

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

[^]Increased by 0.25 per cent as the total interest paid preceding year is less than/equal to 10 per cent of Revenue Receipts. Refer to MFRBM (Amendment) Act 2015.

The State Government achieved Revenue Surplus (₹ 1,394.32 crore) in 2023-24, recovering from Revenue Deficit of ₹ 43.90 crore in 2022-23. However, the State Government continue to fall short of meeting the target set for Fiscal Deficit-GSDP and Outstanding Liabilities-GSDP ratios set in the MFRBM Act, 2006. Fiscal Deficit marginally came down from 6.01 per cent in 2022-23 to 5.94 per cent of GSDP in

⁸ September 2015, March 2020, March 2021 and September 2022.

2023-24, which is still above the target of 3.50 *per cent* set under MFRBM (Amendment) Act, 2024. Further, the State failed to achieve the target for total outstanding liabilities-GSDP ratio prescribed by MFRBM Act, 2006 since 2019-20. The ratio has not only remained above the prescribed target but also continued to increase during the last five-year period.

During Exit Conference (March 2025), State Government stated that out of the total outstanding liabilities-GSDP ratio of 40.56 *per cent* as on 31 March 2024, 5.32 *per cent* is on account of 50-year interest free loan from the Central Government under the Scheme for Assistance to States for Capital Investment (SASCI).

Table 1.5 tracks the performance of the list key fiscal parameters against the targets set by the Fifteenth Finance Commission (15th FC) as well as the Budget for 2023-24.

Table 1.5: Targets vis-à-vis achievements in respect of major fiscal aggregates for the year 2023-24

Fiscal Variables	Targets as prescribed by 15th FC	Targets in the Budget	Actuals*	Variation of actuals over #	
				Targets of 15th FC	Targets in Budget
Revenue Deficit (-)/ Surplus (+)/GSDP (<i>per cent</i>)	0.00	4.78	2.63	2.63	(-) 2.15
Fiscal Deficit (-)/Surplus (+)/GSDP (<i>per cent</i>)	(-) 3.00	(-) 3.42	(-) 5.94	(-) 2.94	(-) 2.52
Total outstanding liabilities/GSDP (<i>per cent</i>)	39.80	39.91	40.56 ^{\$}	(-) 0.76	(-) 0.65

Source: Recommendations of 15th FC, Annual Financial Statement 2023-24, Finance Accounts 2023-24, Brief on the Finances of the States for the State Finance Audit Report 2023-24 compiled by the Economic Division, Office of the Comptroller and Auditor General of India.

*Calculated based on GSDP figures of ₹ 53,507 (A) crore provided by the Directorate of Economics and Statistics, Government of Meghalaya.

^{\$} Excludes Back-to-Back loan of ₹ 253.16 crore (₹ 112.00 crore + ₹ 141.16 crore) received from GoI in lieu of GST compensation shortfall during 2020-22.

Negative indicates that the target was not achieved while Positive Sign indicates that the target was achieved.

During 2023-24, the State achieved the targets for Revenue Surplus as a percentage of GSDP as recommended by the 15th Finance Commission, while falling short of the target set in the Budget 2023-24. However, the targets for Fiscal Deficit and Total Outstanding Liabilities as a percentage of GSDP set by both the 15th Finance Commission and the Budget 2023-24 were not achieved.

Chart 1.7 depicts the trends in surplus/deficit parameters during 2019-20 to 2023-24.

Chart 1.7: Trends in deficit parameters

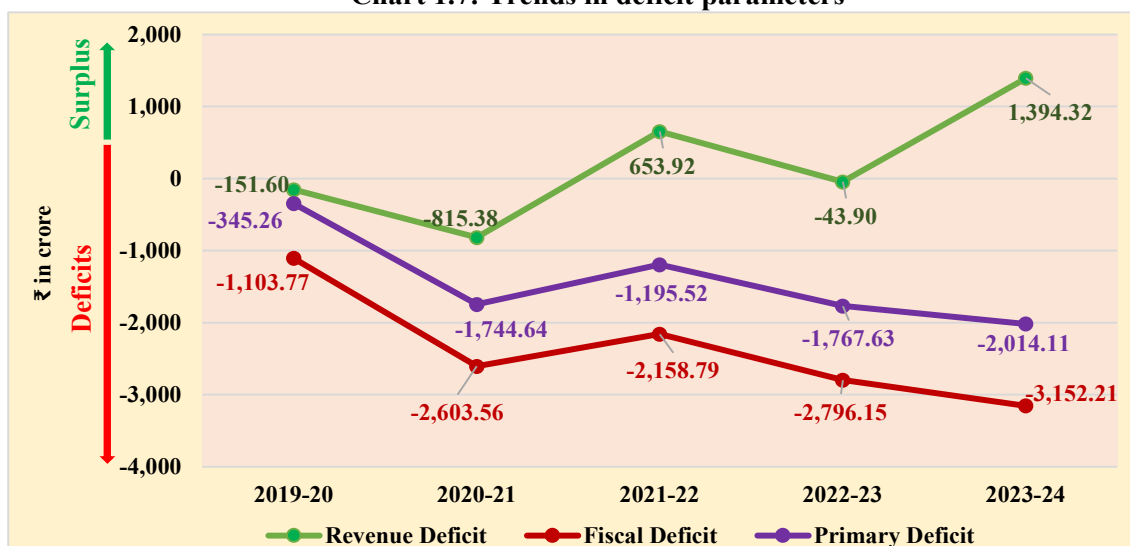


Chart 1.7 shows that Revenue, Fiscal and Primary deficits showed a fluctuating trend. While the Fiscal and Primary balances were in deficits during the period, the Revenue balance was in Surplus during 2023-24 recovering from deficit in 2022-23.

Overall, the State failed to achieve the projections set for key fiscal performance parameters during 2019-20 to 2023-24 except Fiscal Deficit target in 2019-20 and Revenue Surplus in 2021-22 and 2023-24.

1.5 Fiscal Policy Statements (FPSs)

As per the MFRBM Act, 2006, the State Government shall in each financial year lay before the State Legislature, Medium Term Fiscal Policy Statement (MTFPS) along with the Annual Budget. The MTFPS has to set forth a three-year rolling target for the prescribed fiscal indicators.

Table 1.6 indicates the variation between the projections made for 2023-24 in MTFPS presented to the State Legislature along with the Annual Budget and Actuals for the year 2023-24.

Table 1.6: Actuals vis-à-vis projection in MTFPS for 2023-24

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation in per cent
1	Tax Revenue (i + ii)	11,039.17	11,879.75	7.61
	(i) Own Tax Revenue	3,204.66	3,216.53	0.37
	(ii) Share of Central Taxes	7,834.51	8,663.22	10.58
2	Non-Tax Revenue	742.59	523.25	(-)29.54
3	GIA from GoI	7,632.57	5,574.86	(-)26.96
4	Revenue Receipts (1+2+3)	19,414.33	17,977.86	(-)7.40
5	Revenue Expenditure	17,186.07	16,583.54	(-)3.51
6	Revenue Deficit (-) / Surplus (+) (4-5)	2,228.26	1,394.32	(-)37.43
7	Fiscal Deficit (-)/ Surplus (+)	(-)1,592.33	(-)3,152.21	97.96
8	Debt-GSDP ratio (per cent)	39.91	40.56	(-)0.65

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation in per cent
9	GSDP growth rate at current prices (per cent)	11.54	13.98	2.44
10	Fiscal Deficit as a percentage of GSDP	3.42	5.94	(-)2.52

Source: Finance Accounts 2023-24 and MTFPS 2023-24.

Table 1.6 depicts that the Revenue Surplus fell short from projections made in FPS by ₹ 833.94 crore (37.43 per cent) while Fiscal Deficit exceeded projections made in FPS by ₹ 1,559.88 crore (97.96 per cent). However, Revenue Balance recovered from deficit in 2022-23 (₹ 43.90 crore) to surplus in 2023-24 (₹ 1,394.32 crore). Despite achieving a revenue surplus, the State witnessed a wider fiscal deficit. This is indicative of increased capital expenditure or borrowing beyond what was planned. Further, Total Liabilities-GSDP ratio breached the projection of 39.91 per cent set by MTFPS.

1.6 Deficits and total outstanding Liabilities post examination by Audit

To enhance the portrayal of State Finances, there is a tendency to categorise Revenue Expenditure as Capital Expenditure and engage in off-budget fiscal operations.

1.6.1 Deficits post examination by Audit

The MFRBM Act, 2006 requires the State Government to ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, etc. The revenue deficit and the fiscal deficit as determined for the State are impacted due to various circumstances such as misclassification of revenue expenditure as capital expenditure and off-budget fiscal operations. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, Sinking Fund and guarantee Redemption Fund, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the effect of misclassification of revenue expenditure/capital outlay and/or any such misclassification needs to be included, and the impact of such irregularities needs to be reversed. Analysis of deficits after examination in audit are given in **Table 1.7**.

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

(₹ in crore)

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement (₹ in crore)	Under-statement (₹ in crore)	Over-statement (₹ in crore)	Under-statement (₹ in crore)
Non-payment of interest on the balances under interest bearing Reserve Funds and Deposits: NPS: ₹ 0.14 crore; SCAF: ₹ 5.65 crore; SDRF: ₹ 1.26 crore, SDMF: ₹ 1.25 crore;	8.30	-	-	8.30
Misclassification between revenue and capital	0.54	-	-	-
Non-receipt of commission on the Guaranteed amount	-	-	-	-
Short transfer of royalty for NMET from the Consolidated Fund of the State to the Public Account	-	-	-	-

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement (₹ in crore)	Under-statement (₹ in crore)	Over-statement (₹ in crore)	Under-statement (₹ in crore)
Non-transfer of Central Share (received up-to 1st March 2024 by the State for CSS) to State Nodal Agency.	368.47	-	-	368.47
Total (Net) Impact	377.31 (Overstatement)		376.77 (Understatement)	

Source: Finance Accounts 2023-24.

Table 1.7 highlights that the revenue surplus (₹ 1,394.32 crore) was overstated by ₹ 377.31 crore and fiscal deficit (₹ 3,152.21 crore) was understated by ₹ 376.77 crore (as referred in **Paragraph 1.4**). The corrected revenue surplus and fiscal deficit would be ₹ 1,017.01 crore and ₹ 3,528.98 crore respectively.

1.6.2 Total Outstanding Debt post examination by Audit

The MFRBM Act, 2006 defined total liabilities as the liabilities under the Consolidated Fund, the Public Accounts of the State under Article 266 of the Constitution of India and includes borrowings by the Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budgets. The position of outstanding liabilities of the state is summarised in **Table 1.8**.

Table 1.8: Components of outstanding debt/liabilities as on 31 March 2024

Borrowings and other liabilities as per Finance Accounts	Amount (₹ in crore)
Internal Debt (A)	14,008.66
Market Loans	12,209.50
Special Drawing Facility on 91 Days Deposits	187.89
Compensation and other Bonds	100
Loans from Financial Institutions, etc.	882.06
Special Securities issued to the National Small Savings Fund of the Central Government	368.29
Ways and Means Advances from the Reserve Bank of India	260.92
Loans and Advances from Central Government (B)	3,339.19
Non-plan Loans	0.41
Loans for State Plan Schemes	42.61
Loans for Centrally Sponsored Plan Schemes	2.05
Loans for Special Schemes	0.13
Centrally Sponsored Schemes	0.25
Other Loans*	3,293.74
Liabilities upon Public Accounts (C)	4,425.62
Small Savings, Provident Funds, etc.	2,488.76
Deposits	1,672.86
Reserve Funds	264
Total (A+B+C)	21,773.47

Source: Finance Accounts 2023-24.

*Includes back-to-back loans of ₹ 253.16 crore (₹ 112.00 crore in 2020-21 and ₹ 141.16 crore in 2021-22) from GOI in lieu of GST Compensation shortfall.

1.7 Conclusion

The economy of the state grew at 13.98 *per cent* in 2023-24 over 2022-23 in terms of GSDP at current prices. Compared to the national GDP at current prices, which grew at 9.60 *per cent* in 2023-24 over 2022-23, the economy of the State expanded more. As a matter of fact, during 2021-22 to 2023-24, the economy of the state grew faster than the national economy in terms of GSDP/GDP at current prices. However, Meghalaya's per capita GSDP was lower than the per capita GDP of the country from 2019-20 to 2023-24. This indicates the need to consolidate and build on the current trend with strategic economic initiatives in Meghalaya, including diversification, infrastructure investment, tourism promotion, and prioritising education and skill development.

Revenue Receipts and Revenue Expenditure rose by 21.31 *per cent* and 11.57 *per cent*, respectively, from the previous year. However, they fell short of budget estimates by 7.40 *per cent* and 3.51 *per cent* respectively. Increase in Grants-in-Aid & Contributions, and higher tax as well as non-tax revenue helped the state recover from revenue deficit of ₹ 43.90 crore in 2022-23 to revenue surplus of ₹ 1,394.32 crore in 2023-24.

While non-tax revenue in 2023-24 fell short of budget estimate by 29.54 *per cent*, and Grants-in-Aid by 26.96 *per cent*, tax revenue collection surpassed budget estimates by 7.61 *per cent*. Total revenue receipts were 7.40 *per cent* less than the budget estimate. Although the revenue surplus for 2023-24 was 37.43 *per cent* lower than budget estimate, the state achieved a revenue surplus of ₹ 1,394.32 crore in 2023-24, recovering from a revenue deficit of ₹ 43.90 crore in the previous year.

During 2023-24, capital receipts was ₹ 7,538.37 crore (including WMA & SDF of ₹ 4,589.17 crore), surpassing the Budget Estimates (₹ 2,366.18 crore) by ₹ 5,172.19 crore (218.59 *per cent*). This included borrowing of ₹ 7,514.34 crore, which is 20.79 *per cent* higher than the previous year (₹ 6,220.68 crore). Capital outlay was ₹ 4,529.54 crore, exceeding the Budget Estimates by 18.83 *per cent* (₹ 717.86 crore).

As regards to fiscal parameters in 2023-24, the State maintained revenue surplus as mandated by the MFRBM Act. The Fiscal Deficit as a percentage of GSDP reached 5.94 *per cent*, and the outstanding-GSDP ratio was 40.56 *per cent*, missing the targets under MFRBM Act at 3.50 *per cent* and 28.00 *per cent* respectively. Over the past five years, the State failed to meet the targets for Revenue Balance in three years and Fiscal Balance in four years, while the Outstanding liability-GSDP ratio consistently exceeded the 28 *per cent* limit.

1.8 Recommendations

- *The State Government may continue to build on the current trend of economic initiatives and enhance capital spending to increase contribution of all sectors to the economy of the state.*
- *The State Government may make efforts to achieve the projections/ targets on major fiscal parameters committed in the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 through better financial management.*