CHAPTER II FINANCES OF THE STATE



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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 2019-20 to 2023-24, 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 2023-24 vis-à-vis 2022-23

Table 2.1 provides an overview of the significant changes in the State's key fiscal aggregates for the year 2023-24 as compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

	Revenue Receipts increased by ₹ 3,157.99 crore (21.31 per cent)
Revenue	Own Tax Receipts increased by ₹ 565.86 crore (21.35 per cent)
	Non-Tax Receipts increased by ₹ 66.64 crore (14.59 per cent)
Receipts	State's Share of Union Taxes and Duties increased by ₹ 1,377.08 crore (18.90 per cent)
	Grants-in-Aid from Government of India increased by ₹ 1,148.41 crore (25.94 per cent)
	Revenue Expenditure increased by ₹ 1,719.77 crore (11.57 per cent)
D	Revenue Expenditure on General Services increased by ₹ 405.72 crore (7.97 per cent)
Revenue	Revenue Expenditure on Social Services increased by ₹ 417.68 crore (7.44 per cent)
Expenditure	Revenue Expenditure on Economic Services increased by ₹ 896.37 crore (21.54 per cent)
	Expenditure on Grants-in-Aid increased by ₹ 1,323.44 crore (27.21 per cent)
Capital	Debt Capital Receipts increased by ₹ 1,293.66 crore (20.80 per cent)
Receipts	Non-debt Capital Receipts decreased by ₹ 0.52 crore (2.12 per cent)
	Capital Expenditure increased by ₹ 1,787.26 crore (65.17 per cent)
Capital	Capital Expenditure on General Services increased by ₹ 31.44 crore (22.93 per cent)
Expenditure	Capital Expenditure on Social Services increased by ₹ 248.47 crore (28.41 per cent)
	Capital Expenditure on Economic Services increased by ₹ 1,507.35 crore (87.10 per cent)
Loans and	Disbursement of Loans and Advances increased by ₹ 6.5 crore (18.83 per cent) Recoveries
Advances	of Loans and Advances decreased by ₹ 0.52 crore (2.12 per cent)
Darkii a Daka	Public Debt Receipts increased by ₹ 1,293.66 crore (20.80 per cent)
Public Debt	Public Debt Disbursement increased by ₹ 1,054.07 crore (28.11 per cent)
Public	Public Account Receipts increased by ₹ 727.41 crore (15.04 per cent)
Account	Disbursement of Public Account increased by ₹ 852.09 crore (19.59 per cent)
Cash Balance	Cash Balance decreased by ₹ 79.65 crore (67.02 per cent)

Source: Finance Accounts 2023-24.

Each of the above fiscal aggregators is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

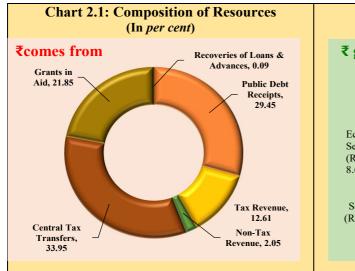
Table 2.2 presents a comparison of the State's sources and application of funds for the years 2023-24 and 2022-23 in absolute terms. Besides, **Charts 2.1** and **2.2** illustrate the breakdown of receipts and expenditure from the Consolidated Fund for 2023-24 in terms of percentage.

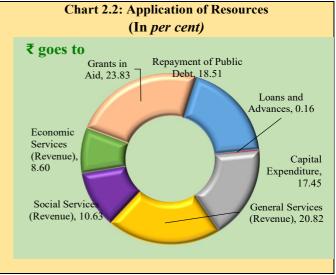
Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24

(₹ in crore) Increase (+)/ **Particulars** 2022-23 2023-24 Decrease (-) Percent Amount Opening Cash Balance (including investments held in Cash Investment (-)42.66118.84 161.50 378.57 Account and Deposits with RBI) 3,157.99 Revenue Receipts 14,819.87 17,977.86 21.31 Recoveries of Loans and Advances 24.55 24.03 (-)0.52(-)2.12Sources Public Debt Receipts (Net) 2,471.13 2,710.74 239.60 9.70 Public Account Receipts (Net) (-)124.69(-)25.63 486.52 361.82 (-)796.15 Contingency Fund Receipts 1,458.81 (-)54.58662.66 21,855.95 2,637.73 13.73 19,218.22 Total 1,719.77 16,583.54 11.57 Revenue Expenditure 14,863.77 1,787.26 Capital Expenditure 2,742.28 4,529.54 65.17 Disbursement of Loans and Advances 34.52 41.02 6.50 18.83 Appropriation to Contingency Fund⁹ (-)796.15 **Application** Contingency Fund disbursement 1,458.81 662.66 (-)54.58Closing Cash Balance (including investments held in Cash Investment 118.84 39.19 (-)79.65(-)67.02Account and Deposits with RBI) 19,218.22 21,855.95 2,637.73 13.73 **Total**

Source: Finance Accounts 2023-24

From **Table 2.1**, it is seen that the higher growth in capital expenditure (65.17 per cent) compared to revenue expenditure (11.57 per cent) reflects an increased focus on asset creation, which is a positive sign for long-term development. Revenue receipts saw moderate growth, but the slower recovery of loans and reduced public account inflows offset some of the gains. Further, public debt receipts grew significantly, driving the increase in total sources. This suggests reliance on borrowings to fund increased expenditures, potentially increasing future debt servicing burdens.





Source: Finance Accounts 2023-24.

Note: Public Debt Receipts and Repayments of Public Debt include receipts and repayments under Special Drawing Facility (SDF) and Ways and Means Advances (WMA).

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

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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.**

Receipts (₹ 25,878.05 crore) **Capital Receipts Net Public** (₹ 7,538.37 crore) **Account Receipts Revenue Receipts** (₹17,977.86 crore) (₹ 361.82 crore) **Public Debt Non Debt Receipts** Receipts (₹ 24.03 crore) Share of Union taxes and duties (₹ 7,514.34 crore) Small Savings, PF, etc. (₹ 8,663.22 crore) Recoveries of loans (₹ 89.76 crore) and advances Reserve funds (₹ 24.03 crore) (₹ 63.68 crore) Loans and Miscellaneous Internal GIA from GoI Deposits/Advances Advances **Capital Receipts** Debt (₹213.82 crore) (₹ 5,574.86 crore) from GoI (₹ 6,153.17 (NIL) Suspense and Misc. (₹ 1,361.17 crore) (-) ₹ 0.66 crore) crore) Remittances Non-Tax Revenue (-)₹ 4.78 crore (₹ 523.25 crore) Own Tax Revenue (₹ 3,216.53 crore) Taxes on sales, trade, etc., (₹ 836.93 crore), State Excise (₹ 458.20 crore) Stamps and Registration fees etc. (₹ 26.30 crore), State GST (₹ 1,723.06 crore) & Others (₹ 172.04 crore)

Chart 2.3: Composition of Receipts of the State during 2023-24

Source: Finance Accounts 2023-24.

Out of the total resources of ₹ 25,878.05 crore for the State Government during the year 2023-24, Revenue Receipts (₹ 17,977.86 crore) constituted 69.47 *per cent* while Capital Receipts (₹ 7,538.37 crore) and net Public Account Receipts (₹ 361.82 crore), accounted for 29.13 *per cent* and 1.40 *per cent* of the total resources respectively.

The state's share of Union taxes (₹ 8,663.22 crore) and Grants-in-Aid (₹ 5,574.86 crore) together account for 79.20 per cent of Revenue Receipts, highlighting reliance on central government support. Debt receipts (₹ 7,514.34 crore) form the bulk of capital receipts, indicating a significant reliance on borrowings to meet fiscal demands. Non-tax revenue (₹ 523.25 crore) remains relatively low compared to tax revenue and central transfers, suggesting potential scope for improvement in resource mobilisation through royalties, fees, and other charges. Recoveries of loans and advances (₹ 24.03 crore) are negligible, indicating inefficiency or limited disbursements of recoverable loans. Negative balances in components like remittances and small savings suggest outflows exceeding inflows, which may indicate issues in financial management or higher payouts.

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 outlines the trends and growth of Revenue Receipts along with revenue buoyancy in relation to GSDP over the five-year period from 2019-24.

Table 2.3: Trend in Revenue Receipts (2019-24)

(₹ in crore)

					(\ in crore,
Table Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR)	9,413.52	10,683.24	14,274.14	14,819.87	17,977.86
Rate of growth of RR (per cent)	(-)3.14	13.49	33.61	3.82	21.31
Tax Revenue	6,103.03	6,624.19	8,881.01	9,936.81	11,879.75
Own Tax Revenue	1,891.25	2,072.56	2,300.38	2,650.67	3,216.53
State's share in Union taxes and duties	4,211.78	4,551.63	6,580.63	7,286.14	8,663.22
Non-Tax Revenue	530.11	523.17	524.58	456.61	523.25
Grants-in aid from GoI	2,780.38	3,535.88	4,868.55	4,426.45	5,574.86
Own Revenue (Own Tax and Non-tax Revenue)	2,421.36	2,595.73	2,824.96	3,107.28	3,739.78
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	9.02	7.2	8.83	9.99	20.36
GSDP	34,770	33,776	40,222	46,551(Q)	53,057(A)
Rate of growth of nominal GSDP (per cent)	8.06	(-)2.86	19.08	15.74	13.98
RR/GSDP (per cent)	27.07	31.63	35.49	31.84	33.88
Buoyancy Ratios ¹⁰					
Own Tax Revenue w.r.t GSDP	0.68	*	0.58	0.97	1.53

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

^{*}Not computed due to negative growth of GSDP;

Q = Quick Estimates, A = Advance Estimates.

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

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

Table 2.3 shows that Revenue Receipts grew by 90.98 *per cent* from ₹ 9,413.52 crore in 2019-20 to ₹ 17,977.86 crore in 2023-24. Over the five-year period, the average annual growth rate was 17.56 *per cent* in terms of CAGR¹¹. As compared to 2022-23, Revenue Receipts grew at 21.31 *per cent*, while Tax Revenue increased by 19.55 *per cent* (₹ 1,942.94 crore), Non-tax Revenue increased by 14.59 *per cent* (₹ 66.64 crore) in 2023-24. Additionally, Grants-in-Aid from GoI and Share in Union Taxes and duties increased by ₹ 1,148.41 crore (25.94 *per cent*) and ₹ 1,377.08 crore (18.90 *per cent*) respectively in 2023-24 as compared to 2022-23.

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 because 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 that revenue collection growth rate is lower than the rate of growth of GSDP. On the other hand, a value more than one reflects that revenue collection growth rate is higher than the rate of growth of GSDP.

State's Own Tax Revenue buoyancy increased from 0.97 in 2022-23 to 1.53 in 2023-24. During 2023-24, growth in Own Tax Revenue was more than that of GSDP at Current Prices.

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

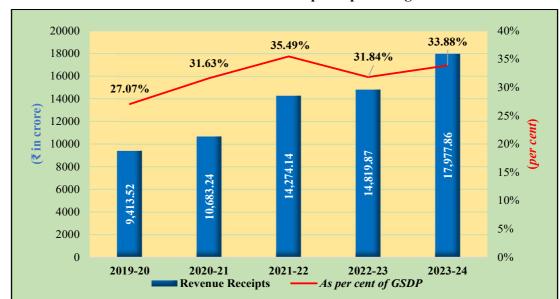


Chart 2.4: Trend of Revenue Receipts as percentage of GSDP

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

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 [(Final Value/Initial Value) ^ (1/n (no. of years)) - 1]*100

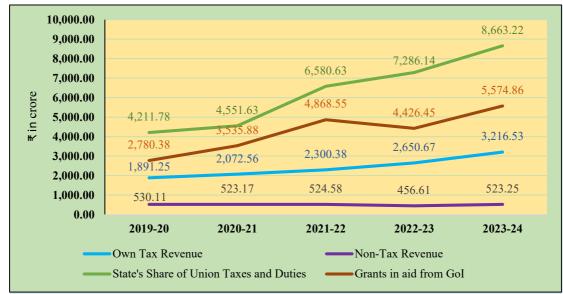


Chart 2.5: Trend of components of Revenue Receipts

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

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, State Goods and Services 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 of Tax and Non-Tax Revenue and their relative share in GSDP during 2019-24 (Please refer to *Appendix 2.1* for details).

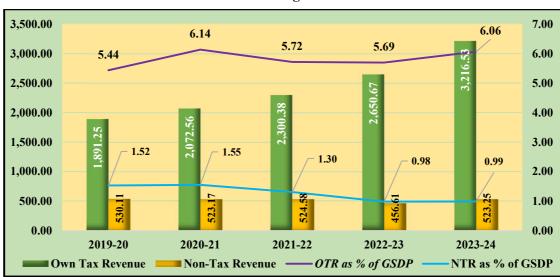


Chart 2.6: Gross collections of Own Tax and Non-Tax Revenue and their share in GSDP during 2019-24

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

The share of state's own tax revenue as percentage of GSDP increased to 6.06 *per cent* in 2023-24 from 5.69 *per cent* in 2022-23. During the five-year period from 2019-20 to 2023-24, the share hovered around six *per cent*.

Chart 2.7 presents the trend of growth of Own Tax Revenue of the State during the five-year period 2019-24.

3,500.00 25.00 19.40 17.89 17.89 20.09 3,000.00 20.00 16.12 2,500.00 15.00 2,000.00 3,216.53 2,650.67 1,500.00 2,300.38 10.00 2,072.56 25 1,000.00 .891 5.00 500.00 0.00 0.00 2019-20 2020-21 2021-22 2022-23 2023-24 Own Tax Revenue -As % of Revenue Receipts

Chart 2.7: Growth of Own Tax Revenue vis-à-vis Revenue Receipts during 2019-24

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

Own Tax Revenue of the State increased by ₹ 1,325.28 crore from ₹ 1,891.25 crore in 2019-20 to ₹ 3,216.53 crore in 2023-24 at a CAGR of 14.20 *per cent*. The major contributors were SGST (from ₹ 909.78 crore to ₹ 1,723.06 crore), Taxes on Sales, Trades, *etc*. (₹ 567.13 crore to ₹ 836.93 crore) and State Excise (₹ 276.27 crore to ₹ 458.20 crore). **Table 2.4** presents the growth of components of the State's own tax revenue.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

1						
Revenue Head	2019-20 2020-21		2021-22	2022-23	2023-24	
Revenue Head	2019-20	2020-21	2021-22	2022-23	BEs	Actuals
Taxes on Sales, Trades, etc.	567.13	725.09	718.89	621.78	791.98	836.93
State Goods and Services Tax	909.78	822.81	1,117.94	1,477.03	1,785.06	1,723.06
State Excise	276.27	375.38	308.00	365.16	413.04	458.20
Taxes on Vehicles	99.24	78.62	99.42	131.51	150.30	144.56
Stamp duty and Registration Fees	20.34	31.56	27.06	28.16	32.47	26.30
Land Revenue	1.00	21.29	9.83	4.91	5.85	4.71
Taxes on Goods and Passengers	9.13	10.72	12.54	14.05	16.91	13.59
Other Taxes	8.36	7.09	6.70	8.07	9.05	9.18
Total	1,891.25	2,072.56	2,300.38	2,650.67	3,204.66	3,216.53

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2023-24).

During 2023-24, the State's Own Tax Revenue comprised 17.89 *per cent* of total Revenue Receipts, of which State Goods and Services Tax at ₹ 1,723.06 crore contributed to 53.57 *per cent* and Sales Tax at ₹ 836.93 crore contributed to 26.02 *per cent* of Own Tax Revenue. Next highest source of Own Tax Revenue was State Excise (14.25 *per cent*).

The increase in Own Tax Revenue over the previous year was primarily due to rise in SGST collections by ₹ 246.03 crore (16.66 per cent), Taxes on vehicles by ₹ 215.15 crore (34.60 per cent) and State Excise by ₹ 93.04 crore (25.48 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 brought into force with effect from 01 July 2017.

As per the Finance Accounts 2023-24, the amount of SGST was ₹ 1,723.06 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 Balance.

The arrears of revenue as on 31 March 2024 were ₹ 82 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 2024	Amount outstanding for more than five years as on 31 March 2024
1.	0040-Taxes on Sale, Trade, etc.	82	34
	Total	82	34

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

Table 2.5 shows that recovery of ₹ 82 crore was pending against Revenue Head 0040-Taxes on Sales, Trade, *etc.*, which was 2.19 *per cent* of the State's own revenue collection of ₹ 3,739.78 crore for 2023-24. Out of this, 41.46 *per cent* (₹ 34 crore) was pending for recovery for more than five years.

Further, the periodical tax returns filed by the dealers under the Meghalaya Value Added Tax (MVAT) 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 Act has been replaced with Meghalaya Goods and Services Tax (MGST) Act, 2017, it is important that the assessments under the 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 2023	New cases due for assessment during 2023-24	Total assessments due	Cases disposed off during 2023-24	Balance at the end of the year
0040-Taxes on Sales, Trade, <i>etc</i> .	70,497	702	71,199	2,398	68,801

Source: Information received from the Taxation Department.

Table 2.6 depicts that only 2,398 cases, *i.e.*, 3.36 *per cent* of the total pending cases were disposed off during 2023-24. There were 68,801 cases, i.e., 96.63 *per cent* pending for assessment at the end of the year.

Keeping in view the significant backlog in return assessments, the State Government needs to complete assessments of the pending cases in a time bound manner and recover the dues before they 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 2023-24 are outlined in **Table 2.7**.

No. of cases in which No. of Cases assessment/investigation cases pending Cases completed and additional pending SI. Head of as on detected demand with penalty etc. for **Total** revenue 31 during raised finalisation No. 2023-24 March as on No. of Amount 2023 31 March cases (₹ in crore) 2024 53 2.67 0006 - SGST59 112 69 43 Total 53 59 112 69 2.67 43

Table 2.7: Evasion of Tax Detected

Source: Taxation Department, Government of Meghalaya.

Table 2.7 shows that during the year 2023-24, the Department detected 59 cases of evasion of tax. Along with the closing balance as on 31st March 2023, 112 cases were due for finalisation in 2023-24. Out of 112 cases, only 69 cases were assessed/investigated and completed, and an additional demand of ₹ 2.67 crore was raised. As on 31st March 2024, 43 cases were pending for finalisation.

(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 2023-24, claims received during the year, refunds made during the year and cases pending at the end of the year 2023-24, 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.	Particulars	Sales ta	Sales tax/VAT		GST	
No		No. of Amount		No. of	Amount	
		cases		cases		
1.	Claims outstanding as on 01 April 2023	14	13.55	59	6.30	
2.	Claims received during the year	7	1.85	109	23.36	
3.	Refunds made during the year	17	3.59	46	9.97	
4.	Refunds rejected during the year	Nil	Nil	63	17.09	
5.	Balance outstanding at the end of year	4	11.81	59	2.60	

Source: Information furnished by Taxation Department.

It could be seen that out of 21 cases, refunds in 17 cases involving monetary value of ₹ 3.59 crore in case of sales tax/VAT and 46 out of 168 cases in respect of GST were made during the year. The Meghalaya Value Added Tax Act, 2003 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. Further, Meghalaya GST Act, 2017 prescribes payment of interest at the rate not exceeding six *per cent* when refund is not paid within sixty days from the date of application for refund. The Department may take initiative to dispose the pending refund cases in a time bound manner.

2.4.2.4 Transfers from the Centre

Transfers from the Centre, which include Central Tax transfers (Share in Union Taxes) and Grants-in-Aid, made up 79.20 *per cent* of the total Revenue Receipts in 2023-24. **Chart 2.8** illustrates the trend in transfers from the Government of India.

(₹ in crore) 16,000 14,238 14,000 11,71 11,449 12,000 10,000 8,663 8,08 7,286 7,457 7,498 6.581 8,000 7,068 6,992 5,758 4,552 4,889 5,146 6,000 4,323 3.911 4,212 3,276 5,575 4,000 4,869 4,426 3.764 3 536 3,157 3,134 2,000 2,780 2.609 2,481 1,382 0 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2014-15 Transfers from the Centre Share in Central Taxes Grants-in-Aid from GoI

Chart 2.8: Trend in transfers from Centre

Source: Finance Accounts of 2013-14 to 2023-24.

As shown in **Chart 2.8**, Central transfers rose by ₹ 2,525 crore (21.56 *per cent*), from ₹ 11,713 crore in 2022-23 to ₹ 14,238 crore in 2023-24.

(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 2023-24 is detailed in **Table 2.9** and head wise central tax transfer during the years 2019-24 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)

		Finance	Projections	Actual tax	Varia	tion*
FC	FC Year	Commission	in FCR	devolution	Amount	per cent
		projections			[(5-4)/4]
1	2	3	4	5	6	
	2015-16	0.642 <i>per cent</i> of net	3,728.00	3,276.46	(-)451.54	(-)12.11
F	2016-17	proceeds of all shareable taxes	4,302.00	3,911.05	(-)390.95	(-)9.09
FC-XIV	2017-18	shareable taxes excluding service tax and 0.650 per cent of net proceeds of	4,971.00	4,323.14	(-)647.86	(-)13.03
	2018-19		5,751.00	4,889.07	(-)861.93	(-)14.99
	2019-20	sharable service tax	6,661.00	4,211.78	(-)2,449.22	(-)36.77
	To	tal	25,413.00	20,616.50	(-)4,801.50	(-)18.89
Fo	2020-21	0.765 per cent of net proceeds of all shareable taxes	6,542.00	4,551.63	(-)1,990.37	(-)30.42
FC-XV	2021-22	0.767 <i>per cent</i> of net	5,051.00	6,580.63	1,529.63	30.28
	2022-23	proceeds of all	5,619.00	7,286.14	1,667.14	29.67
	2023-24	shareable taxes**	6,323.03	8,663.22	2,340.19	37.01

Source: XIV and XV Finance Commission Report (FCR), Finance Accounts and Annual Financial Statements.

Table 2.9 shows that the overall devolution of taxes from the Centre in the XIV FC was less by 18.89 *per cent* than projected in the FCR. However, during 2023-24, the devolution of taxes from the Centre was higher by $\stackrel{?}{\underset{?}{?}}$ 2,340.19 crore (37.01 *per cent*) compared to the FCR projection for the year.

Table 2.10: Central Tax Transfers

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24	
Heau	2019-20	2020-21	2021-22	2022-23	BEs	Actuals
Central Goods and Services Tax (CGST)	1,195.17	1,364.27	1,945.54	2,058.15	2,533.31	2,629.18
Integrated Goods and Services Tax (IGST)	0.00	ı	ı	-	-	I
Corporation Tax	1,436.04	1,364.90	1,974.31	2,444.48	2,507.56	2,600.30
Taxes on Income other than Corporation Tax	1,125.24	1,398.24	1,979.29	2,383.99	2,439.52	3,003.03
Customs	266.97	249.50	426.42	286.34	248.53	303.59
Union Excise Duties	185.63	154.13	198.34	89.80	104.09	114.89
Service Tax	Nil	17.73	49.84	11.39	1.57	1.60
Other Taxes	2.73	2.86	6.89	11.99	-0.07	10.63
Central Tax transfers	4,211.78	4,551.63	6,580.63	7,286.14	7,834.51	8,663.22
Percentage of increase over previous year	-13.85	8.07	44.58	10.72		18.90
Central tax transfers as <i>per cent</i> to Revenue Receipts	44.74	42.61	46.10	49.16		48.19

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2023-24).

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

^{** ₹ 8,24,385} crore for the year 2023-24 (Projected in XV FC report- Annexure 4.1).

The Central tax transfers during the year 2023-24 increased by ₹ 1,377.08 crore (18.90 per cent) as compared to the previous year. The actuals receipt from central tax transfers was higher by ₹ 828.71 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 2019-24.

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

(₹ in crore)

Revenue Head	2019-20	2020-21 2021-22 2022-23		2022.22	2023	3-24
Tto venue 110mu	2019-20	2020-21	2021-22	2022-23	BEs	Actuals
Interest receipts	28.91	11.53	24.65	8.81	8.65	10.77
Dividends and Profits	0.14	-	0.12	0.35	0.33	0.14
Other Non-Tax Receipts	501.06	511.64	499.81	447.46	733.61	512.34
<i>a)</i> Non-ferrous Mining and Metallurgy ¹²	322.84	246.44	239.78	263.38	500.00	322.82
b) Forestry and Wildlife	81.27	102.12	117.34	129.76	170.95	108.88
c) Other Administrative Services	41.30	26.98	3.73	6.33	7.05	7.22
d) Public Works	9.78	7.05	6.34	9.86	10.24	18.44
e) Police	8.17	7.29	6.62	8.82	10.58	9.14
f) Animal Husbandry	1.91	1.96	2.20	1.99	2.82	1.99
g) Crop Husbandry	2.29	2.03	2.65	2.78	2.95	3.37
h) Others	33.50	117.77	121.15	24.53	29.02	40.48
Total	530.11	523.17	524.58	456.61	742.59	523.25

Source: Finance Accounts and Annual Financial Statement 2023-24, Government of Meghalaya.

During the year 2023-24, the Non-Tax Revenue contributed 2.91 per cent to the Revenue Receipts. Under the Non-Tax Revenue, royalty and fees collected under Mining concessions was the highest contributor at 61.70 per cent (₹ 322.82 crore) followed by receipts under Forestry and Wildlife¹³ at 20.81 per cent (₹ 108.88 crore).

Non-Tax Revenue decreased by 1.29 per cent from 2019-20 (₹ 530.11 crore) to 2023-24 (₹ 523.25 crore). However, as compared to 2022-23, it increased by ₹ 66.64 crore (14.59 per cent) during the year 2023-24. During 2023-24, the actual (₹ 523.25 crore) was 70.46 per cent of the BE (₹ 742.59 crore).

As per the 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.

Department (MH-0853).

¹² Non-Ferrous Mining and Metallurgy includes mineral concession fees, rents & royalties, and Mines

¹³ 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 2023-24 *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	Budget Estimates	Actuals	Percentage actual	
Farticulars	projections	2023-24	Actuals	Budget Estimates	FC projections
Own Tax Revenue	2,412	3,204.66	3,216.53	0.37	33.36
Non-Tax Revenue	583	742.59	523.25	(-)29.54	(-)10.25

During the year 2023-24, Own Tax Revenue was higher by 0.37 *per cent* and 33.36 *per cent* compared to the assessments made in BEs and by XV FC respectively. Further, Non-Tax Revenue was lower by 29.54 *per cent* and 10.25 *per cent* as compared to the BE and XV FC projection respectively.

2.4.2.6 Grants-in-Aid from Government of India

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

Table 2.13: Grants-in-Aid from Government of India

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24	
neau	2019-20	2020-21	2021-22	2022-23	BEs	Actuals
Grants for Centrally Sponsored Schemes (CSS)	2,314.17	2,554.41	2,955.61	3,253.29	5,350.14	4,651.43
Finance Commission Grants	63.93	708.51	1,494.6514	$1,144.70^{15}$	1,063.24	775.20^{16}
Other transfers/Grants to States/Union Territories with Legislature	402.28	275.96	418.31	28.46	1219.13	148.23
Block Grants	-	-	(-)0.02	-	-	-
Total	2,780.38	3,535.88	4,868.55	4,426.45	7,632.51	5,574.86
Percentage of increase over the previous year	6.58	27.17	37.69	(-)9.08	:	25.94
Per cent of GIA to Revenue Receipts	29.54	33.10	34.11	29.87		31.01

Source: Finance Accounts, Finance Accounts 2023-24 and Annual Financial Statement, Government of Meghalaya (2023-24).

The total amount of GIA transferred by the Central Government to the State during the year 2023-24 was ₹ 5,574.86 crore. Grants-in-Aid from GoI increased by ₹ 1,148.41 crore (25.94 per cent) during 2023-24 compared to 2022-23, after a decrease of ₹ 442.10 crore (9.08 per cent) during 2022-23 compared to previous year. The Grants-in-Aid constituted 31.01 per cent of Revenue Receipts during the current year. Grants for

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¹⁴ Includes Post Devolution Revenue Deficit Grant, Grants for Rural Local Bodies and Urban Local Bodies, GIA for SDRF and SDMF.

¹⁵ Includes Post Devolution Revenue Deficit Grant of ₹ 1,033 crore.

Includes Post Devolution Revenue Deficit Grant (₹ 715.00 crore), Grants for Urban Local Bodies
 (₹ 33.00 crore), GIA for SDRF (₹ 27.20 crore).

Centrally Sponsored Schemes to the State constituted 83.44 *per cent* (₹ 4,651.43 crore) of the total grants received during the year. It increased by 42.98 *per cent* in 2023-24 compared to previous 2022-23. However, there was significant decrease in Finance Commission Grants to the State during last two years from ₹ 1,494.65 crore in 2021-22 to 1,144.70 in 2022-23 and further decreased to ₹ 755.20 crore in 2023-24, ₹ 369.50 crore (32.28 *per cent*) as compared to the previous year.

(i) Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure vide Office Memorandum dated 23 March 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, 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 concerned.

Further, as per guidelines dated 16 February 2023 issued by the Ministry of Finance, State Government shall transfer the Central share as well as commensurate State share to the SNA account within 30 days of receipt of Central share. Any delay beyond 30 days in transfer of Central share to the SNA account, interest on the number of days at the rate of seven *per cent per annum* has to be paid by the State Government with effect from 01 April 2023.

As per Public Financial Management System (PFMS) report¹⁷, 148 bank accounts related to SNAs has been linked as on 31 March 2024. The State Government received ₹ 4,013.24 crore being Central share of the Centrally Sponsored Schemes during the year in its Treasury Accounts. During 2023-24, the State Government transferred ₹ 4,627.99 crore to the SNAs, ₹ 3,786.33 crore being Central share and ₹ 841.66 crore being State share with short transfer of ₹ 226.91 crore of Central Share. As on 31 March 2024, ₹ 1,112.23 crore was lying unspent in the bank account of the SNA. Moreover, ₹ 2,860.34 crore of Central and State share was not transferred to SNA within time limit prescribed which resulted in interest liability of ₹ 21.73 crore during the year 2023-24 for the state.

Out of total transfer of ₹ 4,627.99 crore, ₹ 2,935.05 crore was transferred through GIA bills and ₹ 1,692.94 crore through final (expenditure) bills. Detailed vouchers and supporting documents of actual expenditure were not received by Principal Accountant General (Accounts and Entitlement), Meghalaya from the SNAs. The difference of figures between the amount booked in the Accounts and SNA report is under reconciliation.

(ii) Interest earned on savings bank Accounts of SNAs

As per PFMS report¹⁸, during the current year, a total amount of ₹ 37.53 crore interest was earned and credited to SNA's Accounts.

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¹⁷ SNA 04 Report.

¹⁸ SNA Report 04-Interest Earned.

(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 2023-24 are given in **Table 2.14**.

Table 2.14: Recommended amount, actual release and transfers of Grants-in-Aid during 2023-24

(₹ in crore)

				Release	ed by State	
Transfers		Recommendation Actual valence by Cal			vernment	
		of XV FC	Actual release by GoI	Amount	Percentage of Release by GoI	
	A	В	C	D	E	
(i) Grants	to RLBs					
(a) Untied	Grant	56.40	0.00	1	-	
(b) Tied Gi	rant	84.60	0.00	-	-	
Total for R	PLBs	141.00	0.00	-	-	
(ii) Grant	s to ULBs					
(a) Untied Million Plu	Grant for Non- us Cities	29.20	13.20#	13.20	100.00	
(b) Tied Gi Plus Cities	rant for Non-Million	43.80	19.80#	19.80	100.00	
Total for U	LBs	73 .00	33.00	33.00	100.00	
Total for I	Local Bodies	214.00	33.00	33.00	100.00	
SDRMF*	Central Share	73.00	27.20	27.20	100.00	
(SDRF + SDMF)	State Share	8.00	3.20	3.20	-	
Grants for	Health Sector	61.47	0.00	-	-	
Post Devol Deficit Gra	ution Revenue int	715.00	715.00	-	-	

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

- As against ₹ 214.00 crore recommended by the 15th FC in respect of Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs), no fund was released by the GoI during 2023-24. The amount released by GoI was released by GoM during the same year.
- In respect of SDRMF, 15th FC recommended Central Share of ₹ 73.00 crore and State Share of ₹ 8.00 crore for the year 2023-24. GoI released its entire share during 2023-24 and GoM released ₹ 30.40 crore (Central Share: ₹ 27.20 crore + State Share: ₹ 3.20 crore).
- Against ₹ 61.47 crore recommended by the 15th FC for 2023-24 as Grants for Health Sector for the State, no fund was released during 2023-24.
- In respect of Post-Devolution Revenue Deficit Grants, the State received the entire amount of ₹ 715.00 crore recommended by the 15th FC for the year 2023-24. This was 12.83 *per cent* of the total GIA received from the Government of India during 2023-24.

[#] Urban Local Bodies Grant for the year 2021-22 released in 2023-24 on 01.12.2023.

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

(v) 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 2024).

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)

					(<i>t in crore</i>)
Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts	1,527.34	2,469.66	4,044.36	6,245.23	7,538.37
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and	31.32	27.77	24.41	24.55	24.03
Advances	31.32	21.11	24.41	24.33	24.03
Public Debt Receipts	1,496.02	2,441.89	4,019.95	6,220.68	7,514.34
Internal Debt*	1,480.24	2,096.53	3,505.42	5,116.03	6,153.17
Growth rate	13.67	41.63	67.20	45.95	20.27
Loans and advances from	15.78	345.36 ¹⁹	514.53 ²⁰	1,104.65	1,361.17
GoI	13.70	343.30	314.33	1,104.03	1,501.17
Growth rate	(-)29.59	2,088.59	48.98	114.69	23.22
Rate of growth of debt Capital	12.93	63.23	64.62	54.75	20.80
Receipts	12.93	03.23	04.02	34.73	20.80
Rate of growth of non-debt	73.90	(-)11.33	(-)12.10	0.57	(-)2.12
Capital Receipts	73.90	(-)11.33	(-)12.10	0.57	(-)2.12
Rate of growth of GSDP	8.06	(-)2.86	19.08	15.74	13.98
Rate of growth of Capital	13.75	61.70	63.76	54.42	20.71
Receipts (per cent)	13./3	01.70	03.70	34.42	20.71

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

*This includes WMA and SDF of $\not\in$ 140.88 crore in 2020-21, $\not\in$ 1,727.42 crore in 2021-22, $\not\in$ 3,164.09 crore in 2022-23 and $\not\in$ 4,589.17 crore in 2023-24.

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.

Capital Receipts increased by 20.71 *per cent* from ₹ 6,245.23 crore in 2022-23 to ₹ 7,538.37 crore in 2023-24. The Internal Debt and loans and advances from GoI increased by 20.27 *per cent* and 23.22 *per cent* respectively during the year 2023-24 compared to previous year.

Further, Capital Receipts increased by ₹ 6,011.03 crore (393.56 per cent) from ₹ 1,527.34 crore in 2019-20 to ₹ 7,538.37 crore in 2023-24 with a CAGR of 49.05 per cent. Major portion of Capital Receipts during 2023-24 comprises of Public Debt Receipts (99.68 per cent) which create future repayment obligation and are taken from Ways and Means Advances (36.27 per cent), Special Drawing Facility (24.61 per cent), Market (18.09 per cent), Central Government (18.06 per cent) and Financial Institutions (2.65 per cent).

Public debt receipts dominate capital receipts, with internal debt and Central loans forming the backbone of state capital financing. Over-reliance on borrowings could pose sustainability concerns if not effectively utilised for productive purposes.

Negligible recovery of loans and advances indicates inefficiency in recovering outstanding state loans. Absence of miscellaneous capital receipts suggests missed opportunities to generate revenue through asset sales or similar mechanisms.

Loans from GoI grew exponentially, reflecting heightened dependence on Central assistance for capital funding. This could make the state vulnerable to changes in Central policies or repayment conditions.

Market loans taken by the State during the year 2023-24 are outlined in **Table 2.16**.

Rate of Interest Repayable in SI. Amount **Details of market loan** (₹ in crore) Year No. (per cent) 1 7.36% Meghalaya SGS 2032 150.00 7.36 2032 2 7.42% Meghalaya SGS 2032 350.00 7.42 2032 3 7.44% Meghalaya SGS 2031 200.00 7.44 2031 4 7.72% Meghalaya SGS 2031 322.00 7.72 2031 5 7.66% Meghalaya SGS 2032 2032 170.00 7.66 7.63% Meghalaya SGS 2032 6 172.00 7.63 2032 Total 1,364.00

Table 2.16: Details of market loans during 2023-24

Source: Finance Accounts 2023-24.

During 2023-24, an excess expenditure of $\gtrless 3,815.69$ crore out of the total excess expenditure of $\gtrless 3,819.91$ crore, was incurred under "Public Debt Repayment" in the form of Internal Debt of the State under Capital (Charged) section. Out of excess expenditure of $\gtrless 3,815.69$ crore, an amount of $\gtrless 683.66$ crore was expended in excess without any original/supplementary budget provision 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	Total Budget Provision	Actual Expenditure	Excess (+)/ Savings (-) over
1.	Ways and Means Advances (WMA)	209.00	1,789.31	(+)1,579.09
2.	Special Drawing Facility (SDF)	114.45	1,667.39	(+)1,552.94
3.	Overdraft (OD) State	-	683.66	(+)683.66
	Total	323.45	4,140.36	(+)3,815.69

Source: Appropriation Accounts 2023-24.

Audit also observed that during the year 2023-24, the Government made provision of ₹ 209 crore for WMA as set by RBI. Further, the actual expenditure incurred amounted to ₹ 1,789.31 crore which was higher by ₹ 1,580.31 crore (756.13 *per cent*) than the limit set by RBI.

Apart from the WMA, the State Government also resorted to SDF (₹ 1,552.94 crore) against the collateral of government securities held by the State and Overdraft (₹ 683.66 crore) and paid an interest of ₹ 3.95 crore²¹ during 2023-24 as compared to ₹ 2.00 crore and ₹ 2.33 crore during 2021-22 and 2022-23 respectively. Month-wise drawal of WMA, SDA and OD State during 2023-24 are detailed in **Chart 2.9.**

WMA, SDA and OD State during 2023-24 (₹ in crore)

516

500

400

377

416

330

219

224

224

209

100

100

MARIAN MARIAN MARIAN MARIAN Special Drawing Facility (SDF) ■Overdraft (OD) State

Chart 2.9: Details of WMA, SDA and OD during 2023-24

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

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²¹ ₹ 3.95 crore (Interest on SDF: ₹ 1.83 crore + Interest of WMA: ₹ 2.12 crore).

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.

Special Assistance to States for Capital Expenditure/Investment (SASCI)

GoI introduced a Scheme for 'Special Assistance as loan to States for Capital Expenditure' (later renamed as Scheme for Special Assistance as Loan to States for Capital Investment) in the year 2020-21 in the form of 50 years' interest free loan. During 2023-24, GoM availed an amount of ₹ 1,293.06 crore under the Scheme. As of 31 March 2024, SASCI²² constitutes 5.32 *per cent* of total outstanding liabilities-GSDP ratio (40.56 *per cent*).

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 compositions and relative share in GSDP during the years 2019-20 to 2023-24 is presented in **Table 2.18**.

Table 2.18: Total expenditure and its composition

(₹ in crore)

2020-21 2021-22 2022-23 2019-20 2023-24 **Parameters** Total Expenditure (TE) 10,548.61 13,314.56 16,457.34 17,640.57 21,154.10 13,620.22 9,565.12 11,498.62 14,863.77 16,583.54 Revenue Expenditure (RE) Capital Expenditure (CE) 939.71 1,734.05 2,751.79 2,742.28 4,529.54 Loans and Advances 43.78 81.90 85.33 34.52 41.02 As a percentage of GSDP TE/GSDP 30.34 39.42 40.92 37.89 39.87 RE/GSDP 27.51 34.04 33.86 31.93 31.26 CE/GSDP 2.70 5.13 6.84 5.89 8.54 Loans and Advances/ GSDP 0.13 0.24 0.21 0.07 0.08

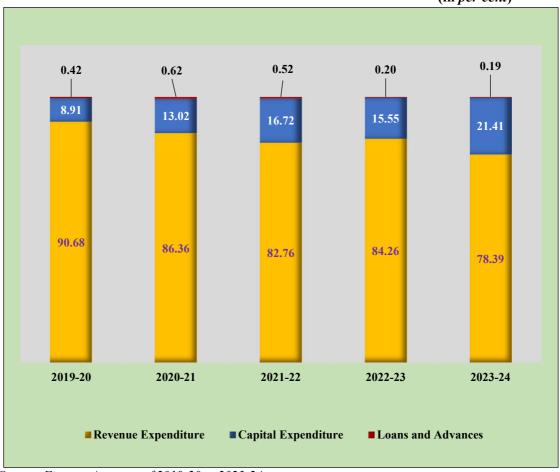
²² Total SASCI Loan availed: ₹ 2,823.28 crore (2020-21: ₹ 200 crore, 2021-22: ₹ 281.20 crore, 2022-23: ₹ 1,049.02 crore and 2023-24: ₹ 1,293.06 crore).

Table 2.18 shows that Total Expenditure (comprising of Revenue Expenditure, Capital Expenditure and Disbursement of Loans and Advances) of the State increased by 100.54 *per cent* from ₹ 10,548.61 crore in 2019-20 to ₹ 21,154.10 crore in 2023-24 which ranged between 30.34 *per cent* and 40.92 *per cent* of the GSDP during the five-year period.

Chart 2.10 presents the trend of expenditure, bifurcated into revenue and capital expenditure, during the five-year period from 2019-20 to 2023-24.

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

(in per cent)



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

Revenue Expenditure formed the bulk of Total Expenditure during 2019-20 to 2023-24, ranging between 78.39 *per cent* and 90.68 *per cent* of the Total Expenditure. The share of Revenue Expenditure decreased from 84.26 *per cent* in 2022-23 to 78.39 *per cent* in 2023-24. However, the rate of increase of Revenue Expenditure in 2023-24 (11.57 *per cent*) was higher than that in 2022-23 (9.13 *per cent*). The share of the Capital Expenditure, on the other hand, has increased from 15.55 *per cent* in 2022-23 to 21.41 *per cent* in 2023-24. During the last five-years, on three occasions, Capital Expenditure was over 15 *per cent* of the Total Expenditure.

26.70 32.13 32.36 33.51 39.35 Share in per cent 38.08 36.77 39.39 36.82 33.85 35.22 31.10 29.67 28.25 26.81 2019-20 2020-21 2021-22 2022-23 2023-24 **■** General Services **Social Services ■** Economic Services

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

Chart 2.11: Total expenditure²³ – Expenditure by activities

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

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 2019-20 to 2023-24. While the share of the Economic Services increased from 33.51 *per cent* in 2022-23 to 39.35 *per cent* 2023-24, Social Services and General Services decreased from 36.82 *per cent* in 2022-23 to 33.85 *per cent* in 2023-24 and 29.67 *per cent* in 2022-23 to 26.81 *per cent* in 2023-24 respectively. The Economic Service replaced Social Services as the largest share of expenditure at 39.35 *per cent* during the current year.

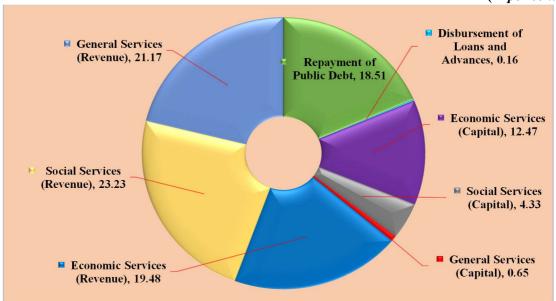
Chart 2.12 provides further analysis of composition of Total Expenditure (including Repayment of Public Debt and Disbursal of Loans and Advances) from the CFS during 2023-24, in terms of sectors segregated into Revenue and Capital Expenditure.

The highest share (31.95 per cent) of the Total Expenditure from the CFS was spent on Economic Services followed by Social Services (27.56 per cent) and General Services (21.82 per cent). Further, repayment of public debt as share of Total Expenditure from the CFS increased from 2022-23 (17.53 per cent) to 2023-24 (18.51 per cent) and disbursement of loans and advances as share of Total Expenditure remained almost the same at 0.16 per cent as compared to 2022-23.

 $^{\rm 23}$ Excluding Repayment of Public Debt and Disbursal of Loans and Advances.

Chart 2.12: Composition of expenditure from the Consolidated Fund during 2023-24

(in per cent)



Source: Finance Accounts, 2023-24.

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 buoyancy²⁴ *vis-à-vis* GSDP and Revenue Receipts are given in **Table 2.19.**

Table 2.19: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	10,548.61	13,314.56	16,457.34	17,640.57	21,154.10
Revenue Expenditure (RE)	9,565.12	11,498.62	13,620.22	14,863.77	16,583.54
Rate of Growth of RE (per cent)	(-) 6.74	20.21	18.45	9.13	11.57
Revenue Expenditure as percentage of TE	90.68	86.36	82.76	84.26	78.39
RE/GSDP (per cent)	27.51	34.04	33.86	31.93	31.26
Revenue Receipts	9,413.52	10,683.24	14,274.14	14,819.87	17,977.87
Rate of Growth of RR (per cent)	(-) 3.14	13.49	33.61	3.82	21.31
RE as percentage of RR	101.61	107.63	95.42	100.29	92.24
Rate of Growth of GSDP (per cent)	8.06	(-)2.86	19.08	15.74	13.98

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

As seen from **Table 2.19**, while Revenue Expenditure as a proportion of Total Expenditure remained above 80 *per cent* from the year 2019-20 to 2022-23. However, during the year 2023-24, it decreased from 84.26 *per cent* to 78.39 *per cent*. The indicates that the lion's share of Government spending on current expenditure on payment of wages and salaries, pension, rent and rates and payment of interest on outstanding debt.

²⁴ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Further, the rate of growth of Revenue Expenditure has increased again from 9.13 *per cent* in 2022-23 to 11.57 *per cent* in 2023-24 after decreasing from 18.45 *per cent* in 2021-22.

During the year 2023-24, Revenue Expenditure as percentage of Revenue Receipts was 92.24 *per cent* indicating that the Revenue Receipts of the State is not sufficient for its Revenue Expenditure. The reduction in Revenue Expenditure as percentage of Revenue Receipts from 100.29 *per cent* in 2022-23 to 92.24 *per cent* in 2023-24 resulted in Revenue Surplus Budget for the year 2023-24. This complied with the Revenue Surplus as prescribed by the Meghalaya Fiscal responsibility and Budgetary Management Act, 2006 (as amended in 2015).

Sectoral distribution of Revenue Expenditure pertaining to 2023-24 is given in **Chart 2.13**.

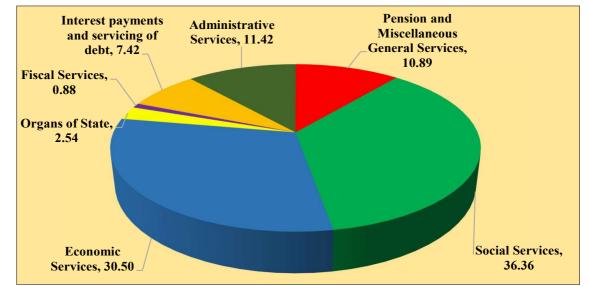


Chart 2.13: Sector-wise distribution of Revenue Expenditure (in per cent)

Source: Finance Accounts 2023-24.

2.5.2.1 Major changes in revenue expenditure

Revenue Expenditure increased substantially by ₹ 1,719.77 crore in 2023-24 mainly due to rise in expenditure by more than ₹ 100 crore across four 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.	Major Head	Expen	diture	Inc	rease				
No.	wiajoi iieau	2022-23	2023-24	Amount	Percentage				
General Services									
1.	2049 – Interest Payments	1,028.52	1,138.10	109.58	10.65				
	Social Services								
1.	2235- Social Security and Welfare	232.49	377.99	145.50	62.58				
	Economic Services								
1.	2501 - Special Programmes for Rural Development	285.51	424.32	138.81	48.62				

Sl.	Major Head	Expen	diture	Increase		
No.	No. Wiajoi Head	2022-23	2023-24	Amount	Percentage	
2.	2505 - Rural Employment	720.88	1,912.44	1,191.57	165.29	
	Total	2,267.40	3,852.85	1,585.45	69.92	

Source: Finance Accounts 2023-24.

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 the 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)

					(Vin Crore)			
Components	2019-20	2020-21	2021-22	2022-23	2023-24			
Components of Committed Expenditure								
Salaries & Wages	3,439.81	3,383.67	3,795.25	4,105.00	4,284.63			
Expenditure on Pensions	1,131.56	1,193.61	1,365.59	1,672.50	1,789.88			
Interest Payments	758.51	858.92	963.27	1,028.52	1,138.10			
Total	5,329.88	5,436.20	6,124.11	6,806.02	7,212.74			
Components of Inflexible Expenditu	re							
Statutory devolution to local bodies	-	ı	-	ı	-			
Contribution to Reserve Funds	262.43	117.79	182.72	142.43	172.37			
Recoupment of Contingency Fund	(-)1.96	1.96	200.00	0.00	0.00			
Transfer of cess to reserve fund / other body	-	-	-	1	-			

Components	2019-20	2020-21	2021-22	2022-23	2023-24
Components of Committed Expendit	ure				
Share contribution of CSS against the					
Central Fund Received (Appendix -	307.93	561.24	644.07	703.96	737.86
VA Finance Accounts)					
Total	568.40	680.99	1,026.79	846.39	910.23
As a percentage of Revenue Receipts	(RR)				
Committed expenditure					
Salaries & Wages	36.54	31.67	26.59	27.70	23.83
Expenditure on Pensions	12.02	11.17	9.57	11.29	9.96
Interest Payments	8.06	8.04	6.75	6.94	6.33
Total	56.62	50.89	42.90	45.92	40.12
Inflexible expenditure					
Statutory devolution to local bodies	-	-	-	-	-
Contribution to Reserve Funds	2.79	1.10	1.28	0.96	0.96
Recoupment of Contingency Fund	(-)0.02	0.02	1.40	0.00	0.00
Transfer of cess to reserve fund /	_	_	_	_	_
other body					
Share contribution of CSS against the	3.27	5.25	4.51	4.75	4.10
Central Fund Received	3.27		_		4.10
Total	6.04	6.37	7.19	5.71	5.06
As a percentage of Revenue Expendit	ture (RE)				
Salaries & Wages	35.96	29.43	27.86	27.62	25.84
Expenditure on Pensions	11.83	10.38	10.03	11.25	10.79
Interest Payments	7.93	7.47	7.07	6.92	6.86
Total	55.72	47.28	44.96	45.79	43.49
Inflexible expenditure					
Statutory devolution to local bodies	-	-	-	-	=
Contribution to Reserve Funds	2.74	1.02	1.34	0.96	1.04
Recoupment of Contingency Fund	(-)0.02	0.02	1.47	0.00	0.00
Transfer of cess to reserve fund /					
other body	-	-	-	-	-
Share contribution of CSS against the	3.22	4.88	4.73	4.74	
Central Fund Received	3.22	4.00	4./3	4./4	4.45
Total	5.94	5.92	7.54	5.69	5.49
Non-committed RE	4,235.24	6,062.42	7,496.11	8,057.75	9,370.93
Percentage of RE	44.28	52.72	55.04	54.21	56.51
Percentage of TE	40.15	45.53	45.55	45.68	44.30
Subsidies	41.72	37.91	34.25	44.32	59.01
Subsidies as percentage of non-	0.00	0.62	0.46	0.55	0.62
committed expenditure	0.99	0.63	0.46	0.55	0.63
Source: Finance Accounts of 2010-20 to	2022 24			l l	

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

Table 2.21 shows that the committed expenditure during the current year was 43.49 *per cent* of Revenue Expenditure, while it accounted for 40.12 *per cent* of the Revenue Receipts of the State.

The decline in committed expenditure as a percentage of Revenue Receipts from 56.62 per cent in 2019-20 to 40.12 per cent in 2023-24 indicates improved fiscal management. Rising interest payments reflect increasing debt servicing costs, requiring close monitoring to ensure long-term fiscal sustainability. Pension expenditure is increasing

steadily, which could pose a long-term fiscal challenge given the aging workforce and rising commitments.

Percentage of committed expenditure to Revenue Expenditure during 2019-24 is given in **Chart 2.14**.

2023-24 25.84 10.79 56.51 2022-23 11.25 54.21 2021-22 10.03 55.04 2020-21 52.72 2019-20 11.83 44.28 0% 10% 20% 50% 60% 70% 80% 90% 100% 30% 40% **■**Salary and Wages **■** Interest **■** Pension **■**Non Committed Expenditure

Chart 2.14: Share of Committed expenditure in total Revenue Expenditure

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

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

(i) Salaries and Wages

The expenditure on salary and wages was ₹ 4,284.63 crore during 2023-24, an increase by ₹ 179.63 crore (4.38 per cent) compared to the previous year. The reasons for increase in salary and wages is mainly increase in Salaries under Police Department, Health and Family Welfare Department and Law Department, and wages (₹ 33.95 crore).

(ii) Interest Payments

Interest payments amounted to ₹ 1,138.10 crore, an increase of ₹ 109.58 crore over the previous year, and as a percentage of Revenue Expenditure constituted 6.86 *per cent* in 2023-24 while it was 6.92 *per cent* during the previous year. Further, interest of ₹6.12 crore on off-budget borrowings of by Meghalaya Urban Development Agency was paid during the year 2023-24.

(iii) Pension

Government's expenditure towards pension payments (including other retirement benefits) stood at ₹ 1,789.88 crore²⁵. Pension payments have been consistently rising during the five-year period 2019-24. Pension payments during the current year had increased by ₹ 117.38 crore, an increase of 7.02 per cent over the previous year.

²⁵ This includes Government Contribution towards NPS (₹ 110.66 crore) (MH 2071-01-107).

(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 2024, there were 22,506 employees under NPS of which 22,500 employees had been allotted Permanent Retirement Account Number (PRAN). Out of remaining six employees, three employees have not been allotted PRAN due to non-submission of PRAN application form and in respect of the other three employees, no intimation has been received from DDOs concerned.

The details of funds under NPS and amount transferred to NSDL during 2019-24 are shown in **Table 2.22**:

Table 2.22: Details of funds under NPS during 2019-24

(₹ in crore)

	Opening	C	Contribution		Transfer	Less (+) /	Closing	
Year	Balance	Employees	Employer	Total	to NSDL	Excess (-) Transfer*	Balance	
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	
2023-24	1.12	110.26	110.66	220.92	220.88	0.04	1.15	

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

During 2023-24, the Government transferred ₹ 220.92 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension Scheme. Out of which, ₹ 220.88 crore, was transferred to NSDL. As on 31 March 2024, ₹ 1.15 crore remained in the Public Account and was not transferred to the NSDL, which is a deferred liability of the State Government. Further, in terms of the guidelines, the State Government was liable to pay interest of ₹ 0.14 crore during the year on funds not transferred to NSDL amounting to ₹ 1.12 crore as on 1 April 2023.

(v) Inflexible expenditure

The components of Inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Funds hovered around ₹ 568.40 crore to ₹ 1,026.79 crore during the period 2019-20 to 2023-24. As a percentage of revenue expenditure, the inflexible expenditure decreased from 5.94 *per cent* to 5.49 *per*

^{* (+)} indicates transfer to NSDL for further investment was less than the contribution and conversely (-) indicates transfer to NSDL was more than the contribution during the year.

cent. Further, the inflexible expenditure (₹ 910.23 crore) increased by 7.54 *per cent* during 2023-24 over the previous year (₹ 846.39 crore).

2.5.2.3 *Subsidies*

Table 2.23 depicts the expenditure on subsidies during the period 2019-24. The subsidies during the current year increased by 33.15 *per cent* (₹ 14.69 crore) mainly due to rise in subsidies to the Food and Civil Supplies Department by 30.52 *per cent* (₹ 8.75 crore), Agriculture Department by 49.68 *per cent* (₹ 3.43 crore) and Tourism Department by 252.74 *per cent* (₹ 2.64 crore).

Table 2.23: Expenditure on subsidies during 2019-24

(₹ in crore)

					(* 111 61 61 6)
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies	41.72	37.91	34.25	44.32	59.01
Subsidies as a Percentage of Revenue Receipts	0.44	0.35	0.24	0.30	0.33
Subsidies as a percentage of Revenue Expenditure	0.44	0.33	0.25	0.30	0.36
Subsidies as a percentage of Total Expenditure	0.40	0.28	0.21	0.25	0.28

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

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 2023-24 compared to the previous years is presented in **Table 2.24**.

Table 2.24: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

					(X in crore,	
Financial Assistance to Institutions*	2019-20	2020-21	2021-22	2022-23	2023-24	
(A) Local Bodies						
Municipal Corporations and Municipalities	6.07	18.32	24.15	32.69	59.72	
Panchayati Raj Institutions**	-	12.50	110.34	86.00	-	
Total (A)	6.07	30.82	134.49	118.69	59.72	
(B) Others						
Public Sector Undertakings	23.49	24.20	42.79	29.38	58.74	
Autonomous Bodies	18.94	7.94	37.4	10.21	26.59	
Non-Government Organisations	13.78	12.47	1.54	1.95	27.35	
Other Institutions	2,819.07	3,733.59	4,088.31	4,702.91	6,014.18	
Total (B)	2,875.28	3,778.20	4,170.04	4,744.45	6,126.86	
Total (A+B)	2,881.35	3,809.02	4,304.53	4,863.14	6,186.58	
GIA on Salary	1,498.16	1,598.86	1,085.58	1,172.61	1,418.52	
GIA for creation of Capital assets	6.65	3.09	51.15	9.55	16.14	
GIA for non-salary	1,376.54	2,207.07	3,167.80	3,680.98	4,751.92	
GIA given in kind	Information has not been furnished by State Government					
Revenue Expenditure	9,565.12	11,498.61	13,620.22	14,863.77	16,583.54	
Assistance as percentage of Revenue Expenditure	30.12	33.13	31.60	32.72	37.31	

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

^{*}Includes State Fund Expenditure as well as Central Assistance.

State Government's financial assistance to Municipal Bodies consists of assistance towards State Plan/Tribal Sub-Plan schemes. During the year 2023-24, it decreased by ₹ 58.97 crore (49.68 *per cent*). Over five years, it increased from ₹ 6.07 crore to ₹ 59.72 crore (883.86 *per cent*). The increase in financial assistance was on account of increase in assistance towards implementation of State Plan/GoI schemes.

The Government's financial assistance to institutions other than local bodies had increased by \gtrless 1,382.41 crore (29.14 *per cent*) during current year and over last five years, it increased by \gtrless 3,251.58 crore (113.09 *per cent*) from \gtrless 2,875.28 crore in 2019-20 to \gtrless 6,126.86 crore in 2023-24.

Financial assistance given for creation of Capital Assets, Salary and Non-salary during 2023-24 increased over the previous year. Over the five-year period from 2019-20 to 2023-24, share of financial assistance for creation of Capital assets, Salary and Non-salary purposes in the total financial assistance stood at an average of 0.39 *per cent*, 33.25 *per cent* and 66.36 *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 steadily increased during the five-year period from 2019-20 to 2023-24 except in 2022-23 when it slightly decreased. It significantly increased by 65.17 per cent (₹ 1,787.26 crore) from ₹ 2,742.28 crore (15.55 per cent of Total Expenditure) in 2022-23 to ₹ 4,529.54 crore (21.41 per cent of Total Expenditure) in 2023-24. The Capex as share of the Total Expenditure ranged between 9 per cent and 22 per cent during last five years from 2019-20 to 2023-24.

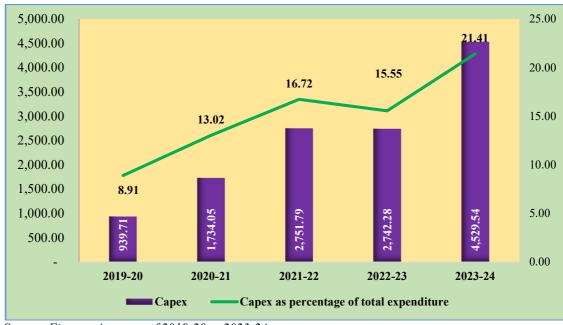


Chart 2.15: Capital Expenditure in the State

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

2.5.3.1 Major changes in capital expenditure

Major changes in capital expenditure during 2023-24 compared to 2022-23 are depicted in **Table 2.25.**

Table 2.25: Capital expenditure during 2023-24 compared to 2022-23

(₹ in crore)

			T (1)
Major Head of Accounts	2022-23	2023-24	Increase (+) /Decrease (-)
5475 - Capital Outlay on other General Economic Services	50.00	831.98	781.98
4801 - Capital Outlay on Power Projects	575.00	928.00	353.00
4217 - Capital Outlay on Urban Development	243.64	525.59	281.95
5054 - Capital Outlay on Roads and Bridges	998.19	1,197.74	199.55
4515 - Capital Outlay on other Rural Development Programmes	11.00	165.07	154.07
4055 - Capital Outlay on Police	0.00	37.36	37.36
4210 - Capital Outlay on Medical and Public Health	32.17	59.71	27.54
4202 - Capital Outlay on Education, Sports, Art and Culture	173.48	192.52	19.04
4235 - Capital Outlay on Social Security and Welfare	17.08	34.41	17.33
4215 - Capital Outlay on Water Supply and Sanitation	355.13	287.07	(-)68.06
4216 - Capital Outlay on Housing	50.92	23.39	(-)27.53

Source: Finance Accounts 2023-24.

Chart 2.15 shows that the capital expenditure increased by 65.17 per cent (₹ 1,787.26) from ₹ 2,742.48 crore in 2022-23 to ₹ 4,529.54 crore in 2023-24. The increase in overall capital expenditure was mainly due to major increase in Capital Outlay on Other General Economic Services – ₹ 781.98 crore, Capital Outlay on Power Projects – ₹ 353.00 crore, Capital Outlay on Urban Development - ₹ 281.95 crore, Capital Outlay on Roads and Bridges - ₹ 199.55 crore and Capital Outlay on other Rural Development Programmes – ₹ 154.07 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 must 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 2019-20 to 2023-24.

Table 2.26: Return on Investment

(₹ in crore)

Investment/return/ cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year	2,648.49	2,650.39	2,657.07	3,240.18	3,977.28
Return	0.14	*	0.12	0.35	0.14
Return (per cent)	0.01	0	0.01	0.01	0.004
Average rate of interest on Government Borrowings (per cent) **	7.77	7.47	7.30	6.56	6.12
Difference between interest rate and return (per cent) @	(-)7.76	(-)7.47	(-)7.29	(-)6.55	(-)6.12
Difference between cost on Government borrowings and return on investment#	(-)205.52	(-)197.98	(-)193.70	(-)212.23	(-)243.25

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

During 2023-24, the return on investment was ≥ 0.14 crore (0.004 per cent). The average rate of return on investment was between 0.00 to 0.01 per cent only during 2019-24. However, the average rate of interest paid by the State Government on its borrowings was between 6.12 per cent and 7.77 per cent during the same period. Over the past five-year period 2019-24, the difference in the return on investments and the cost of Government borrowings for the investments amounted to $\ge 1,052.69$ crore. The return on investment remains below the borrowing cost, leading to a net fiscal burden. Investments are not generating sufficient returns to justify the associated debt servicing.

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 essential and closing those, which are no longer viable.

(ii) Reconciliation of Government Investments with Accounts of Companies

The figures of Government investments as equity in State Public Sector Enterprises (SPSEs) should agree with those appearing in the accounts of the PSEs. Reconciliation of figures is necessary to figure out the difference in accounts of PSEs and Finance Accounts of the State Government. But there is a difference between the number of SPSEs recorded in the Finance Accounts (11) and that in the Audit Report on General, Social and Economic Sectors (23). The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the Principal Accountant General (A&E) and the details given in the Audit Reports obtained from the individual SPSEs.

^{*₹ 16,078/-}

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

 $^{^{\#}}$ (Investment at the end of the year X 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).

(iii) 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)

				v in crorej	
Quantum of loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding	854.29	866.75	920.88	981.80	991.77
Amount advanced during the year	43.78	81.90	85.33	34.52	41.02
Amount recovered during the year	31.32	27.77	24.41	24.55	24.03
Closing Balance of the loans outstanding	866.75	920.88	981.80	991.77	1,008.76
Net addition	12.46	54.14	60.92	9.97	16.99
Interest received	6.09	5.64	14.92	6.84	7.41
Interest received (<i>per cent</i>) on Loans and Advances (Closing Balance) given by the Government	0.70	0.61	1.52	0.68	0.73
Average Rate of Interest paid on the outstanding borrowings of the Government*	7.65	7.47	7.28	6.56	6.12
Difference between the rate of interest paid and interest received (per cent)	6.95	6.86	5.76	5.88	5.39

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

Table 2.27 shows that the total outstanding loans and advances as on 31 March 2024 was ₹ 1,008.76 crore. Out of the loans of ₹ 41.02 crore advanced during 2023-24, ₹ 22.03 crore was given to Government servants and ₹ 13.43 crore to Co-operative Institutions for Agriculture and Allied Activities including Piggery Development.

During 2023-24, an amount of ₹ 24.03 crore was recovered out of which ₹ 23.71 crore was from Government Servants. The actual recovery (₹ 24.03 crore) was also lower than what was estimated in the Budget (₹ 27.65 crore).

Interest receipts increased from ₹ 6.84 crore in 2022-23 to ₹ 7.41 crore in 2023-24, with percentage of interest received to total outstanding loans and advances increased from 0.68 *per cent* in 2022-23 to 0.73 *per cent* in 2023-24.

(iv) 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 2024, 229 projects remained incomplete. Age profile and department-wise details of these 229 incomplete projects as on 31 March 2024 are given in **Table 2.28** and **Table 2.29** respectively.

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

Table 2.28: Age profile of incomplete projects as on 31 March 2024

(₹ in crore)

Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2024)
Prior to 2012-13	12	578.31	485.87
2012-13	3	97.51	32.33
2013-14	2	255.96	39.73
2014-15	2	324.49	41.53
2015-16	2	175.44	140.70
2016-17	-	-	-
2017-18	5	91.51	78.10
2018-19	5	86.98	58.47
2019-20	3	90.60	23.09
2020-21	16	252.95	148.49
2021-22	82	837.56	412.49
2022-23	72	2,007.98	718.32
2023-24	21	589.21	403.92
Info Not Available	4	42.53	2.62
Total	229	5,429.34	2,585.66

Table 2.29: Department-wise profile of incomplete projects as on 31 March 2024

(₹ in crore)

	(t in crore)			
Department	No. of incomplete projects	Estimated cost	Expenditure	
Public Health Engineering Department (PHED)	176	4,621.25	2,022.49	
Public Works Department (PWD)	29	611.46	466.17	
Water Resources	2	2.09	1.05	
Director of Health and Services	22	194.54	95.94	
Total	229	5,429.34	2,585.66	

Source: Finance Accounts 2023-24.

Source: Finance Accounts 2023-24 (Appendix IX).

The expenditure incurred on 229 incomplete projects was ₹ 2,585.66 crore. Physical progress of the projects being executed by Public Works Department, Water Resources Department and Directorate of Health & Services as on 31 March 2024 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	13	5.68	
21-50	32	13.97	
51-99	181	79.04	
Information not available	03	1.31	
Total	229	100	

Source: Finance Accounts 2023-24 (Appendix IX).

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, especially 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 better.

Table 2.31 compares the fiscal priority²⁶ of the State Government with that of NE & Himalayan States regarding Health & Family Welfare (H&FW), Education and Capital Expenditure during 2023-24, taking 2019-20 as the base year.

Table 2.31: Fiscal priority of the State w.r.t Health, Education and Capital Expenditure

(In per cent)

	TE/GSDP	CE*/TE	Education/TE	H &FW/ TE
NE & Himalayan States (2019-20)	26.21	14.94	17.08	6.37
Meghalaya (2019-20)	30.34	9.32	18.86	8.20
NE & Himalayan States (2023-24)	25.19	17.61	15.93	6.43
Meghalaya (2023-24)	39.87	21.61	14.18	7.78

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

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

Table 2.31 shows that:

- Total Expenditure (TE) as ratio of GSDP of the State in 2023-24 (39.87 per cent) was higher than that of NE & Himalayan States (25.19 per cent) during the same period. This ratio for the State increased from 30.34 per cent in 2019-20 to 39.87 per cent in 2023-24 while that of NE & Himalayan States decreased from 26.21 per cent in 2019-20 to 25.19 per cent in 2023-24.
- Capital Expenditure as ratio of Total Expenditure of the State in 2023-24 (21.61 per cent) was marginally higher than that of the NE & Himalayan States (17.61 per cent) during the same period. This ratio for the State increased from 9.32 per cent in 2019-20 to 21.61 per cent in 2023-24 and that of NE & Himalayan States increased from 14.94 per cent in 2019-20 to 17.61 per cent in 2023-24.
- Expenditure on Education as ratio of Total Expenditure of the State in 2023-24 (14.18 per cent) was lower than that of the NE & Himalayan States (15.93 per cent) during the same period. This ratio for the State decreased from 18.86 per cent in 2019-20 to 14.18 per cent in 2023-24 and that of NE & Himalayan States decreased from 17.08 per cent in 2019-20 to 15.93 per cent in 2023-24.
- Expenditure on Health and Family Welfare as ratio of Total Expenditure of the State in 2023-24 (7.78 per cent) was higher than that of the NE & Himalayan States (6.43 per cent) during the same period. This ratio for the State decreased from 8.20 per cent in 2019-20 to 7.78 per cent in 2023-24 while that of NE & Himalayan States increased from 6.37 per cent in 2019-20 to 6.43 per cent in 2023-24.

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.

^{*}CE includes disbursement of loans and advance.

²⁶ Ratio of expenditure in the respective category with respect to the Total Expenditure (TE).

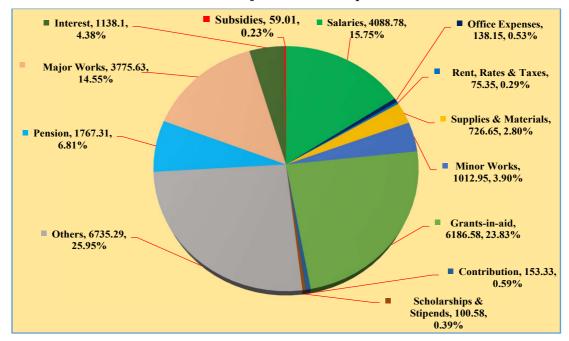


Chart 2.16: Object head wise expenditure

Source: Finance Accounts 2023-24.

Chart 2.16 shows that the highest expenditure was incurred in Grants-in-Aid²⁷ (23.83 *per cent*) followed by Salaries (15.75 *per cent*), major works (14.55 *per cent*), pension (6.81 *per cent*), interest (4.38 *per cent*) and minor works (3.90 *per cent*).

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

The Compound Annual Growth Rate (CAGR)²⁸ of Meghalaya's Gross State Domestic Product (GSDP) was 9.61 *per cent* for a period of 10 years between 2014-15 and 2023-24 which was lower than the CAGR of National GDP at 10.06 *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	2013-14 t	o 2023-24					
	Farticulars	NE & HS	Meghalaya					
(a)	Revenue Receipts	10.59	11.11					
(b)	Own Tax Revenue	10.76	12.98					
(c)	Non-Tax Revenue	8.37	(-)1.33					
(d)	Total Expenditure	10.93	12.24					
(e)	Capital Expenditure	12.45	15.12					
(f)	Revenue Expenditure on							
	Education	9.25	11.13					

²⁷ GIA includes Salary: ₹ 1,412.02 crore, non-salary: ₹ 4,751.92 crore and Capital Assets: ₹ 16.14 crore.

²⁸ CAGR refers to the average annual growth rate of a parameter over a specified number of years and is calculated as (Final Value/Initial Value) ^1/n (no. of years) – 1)*100.

	FINANCIAL DATA (Compound Annual Growth Rate)							
	Particulars	2013-14 to 2023-24						
	Farticulars	NE & HS	Meghalaya					
(g)	Capital Expenditure on Education	13.32	11.45					
(h)	Revenue Expenditure on Health & Family Welfare	13.09	16.17					
(i)	Capital Expenditure on Health & Family Welfare	11.81	(-)4.59					
(j)	Salaries and Wages	8.41	8.43					
(k)	Pension	14.80	14.78					

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

During 2013-14 to 2023-24, trend of growth of revenue receipts in Meghalaya was like 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 12.98 *per cent* compared to 10.76 *per cent* for NE&HS. On the expenditure side, average annual growth of Revenue Expenditure on Education was higher than that of NE&HS while that of Capital Expenditure on Education was lower than that of NE&HS.

Meghalaya's average annual growth of non-tax revenue, which includes royalty from major and minor minerals, declined by 1.33 *per cent*, compared to NE & HS which saw their non-tax revenue growth at CAGR of 8.37 *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 Particulars	2022-23 to 2023-24					
		NE & HS	Meghalaya				
(a)	Revenue Receipts	4.79	21.31				
(b)	Own Tax Revenue	12.61	21.35				
(c)	Non-Tax Revenue	6.60	14.44				
(d)	Total Expenditure	4.25	19.91				
(e)	Capital Expenditure	18.00	64.60				
(f)	Revenue Expenditure on Education	3.26	8.15				
(g)	Capital Expenditure on Education	49.81	(-)60.69				
(h)	Revenue Expenditure on Health & Family						
(11)	Welfare	(-)4.04	8.93				
(i)	Capital Expenditure on Health & Family Welfare	3.14	87.50				
(j)	Salaries and Wages	3.32	3.65				
(k)	Pension	3.16	6.99				

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

Table 2.33 shows how the listed fiscal parameters changed during 2023-24 as compared to 2022-23. While the Revenue Receipts of NE & HS grew at an average rate of 4.79 *per cent*, it stood at 21.31 *per cent* for Meghalaya. In other words, the revenue receipts of Meghalaya grew at four times the rate of NE & HS. This is attributable to significant increase of 21.35 *per cent* in own tax Revenue and 14.44 *per cent* in non-tax revenue during 2023-24 as against 12.61 and 6.60 *per cent* growth respectively for NE &HS.

Capital Expenditure, which denotes government spending on long-term economic assets, in Meghalaya rose by 64.60 *per cent* while it rose slower for NE & HS at 18.00 *per cent*. However, capital expenditure on Education in Meghalaya significantly decreased by 60.69 *per cent* while it increased by 49.81 *per cent* for NE & HS. In the previous year 2022-23, capital expenditure on Education in Meghalaya grew at 356.65 *per cent* over 2021-22 as compared to 19.94 *per cent* for NE&HS. Capital expenditure on the health sector increased by 87.50 *per cent*, compared to NE &HS where it grew by an average of 3.32 *per cent*.

Growth of Pension Expenditure for Meghalaya (6.99 per cent) was double of that for NE & HS (3.16 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 2019-20 to 2023-24 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	2019-20	2020-21	2021-22	2022-23	2023-24
Small Savings,	Small Savings, Provident Funds,					
Provident Funds,	etc.	1,914.42	2,125.86	2,272.73	2,399.00	2,488.76
etc.						
	(a) Reserve Funds bearing Interest	197.01	168.01	197.34	190.82	245.63
Reserve Funds	(b) Reserve Funds not bearing Interest	9.47	7.99	7.83	9.50	18.37
Danasita and	(a) Deposits bearing Interest	0.88	0.83	1.93	1.16	1.20
Deposits and Advances	(b) Deposits not bearing Interest	1,004.12	1,065.82	1,088.45	1,457.88	1,671.66
Advances	(c) Advances	(-)1.81	(-)1.81	(-)1.81	(-)1.81	-1.81
	(a) Suspense	(-)65.45	(-)88.88	(-)139.20	(-)144.81	(-)145.48
Suspense and	(b) Other Accounts	(-) 801.85	(-)81.63	(-)17.11	(-)80.16	(-)0.24
Miscellaneous	(c) Accounts with Governments of Foreign Countries	-	1	-	-	-
	(d) Miscellaneous	-	1	-	-	-
Remittances	(a) Money Orders, and other Remittances	95.52	79.58	81.42	84.14	80.00
Remitances	(b) Inter- Governmental Adjustment Account	2.12	3.36	1.99	1.31	0.67
	Total	2,354.43	3,279.13	3,493.57	3,917.03	4,358.76

Source: Finance Accounts of respective years & Finance Accounts 2023-24.

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

Some key changes have been observed over time. The shift from interest-bearing to non-interest-bearing Reserve Funds could reduce financial liabilities but may also limit the yield on reserves. Deposits not bearing interest show consistent growth, suggesting reliance on low-liability funds for operations. The declining trend in Remittances in recent years suggests reduced inter-governmental adjustments or transfers.

Chart 2.17: Yearly changes in composition of Public Account balances

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

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 2024 was ₹ 1,155.42 crore in six active reserve funds, out of which ₹ 363.64 crore was under interest bearing Reserve Fund and ₹ 791.78 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 2024							
Reserv	Reserve fund bearing interest (active)								
1	8121- General and Other Reserve Fund, 129-State Compensatory Afforestation Fund (SCAF)	194.65							

Sl. No.	Head of Accounts	Balance as on 31 March 2024
2	8121-General and Other Reserve Fund, 122- State Disaster Response Fund (SDRF).	154.33
3	8121-General and Other Reserve Fund, 130-State Disaster Mitigation Fund	14.66
	Sub-Total	363.64
Reserv	e fund not bearing interest (active)	
1	8222-Sinking Funds- 101-Sinking Funds	708.57
2	8235-General and Other Reserve Funds-117-Guarantee Redemption Fund (GFR)	83.19
3	8229-Development and Welfare Funds- 123- Consumer Welfare Fund	0.02
	Sub-Total	791.78
	Grand-Total	1,155.42

Source: Finance Accounts 2023-24.

Investment out of these funds was ₹891.43 crore, which was 77.15 *per cent* of the accumulated balance (₹1,155.42 crore). The transactions during the year 2023-24 under major Reserve Funds are discussed below:

2.6.2.1 Consolidated Sinking Fund

Government of Meghalaya set up Consolidated Sinking Fund for amortisation of loans in 1999-2000. According to the revised guidelines of the Fund effective from 2018-19, the State Government may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) at the end of the previous year to the Consolidated Sinking Fund.

At the beginning of the current year 2023-24, balance of the Fund stood at $\stackrel{?}{\underset{?}{?}}$ 613.13 crore. As on 31 March 2023, the outstanding overall liabilities (internal debt + public account) of Government of Meghalaya were $\stackrel{?}{\underset{?}{?}}$ 16,692.90 crore. Accordingly, the State Government was to contribute a minimum of $\stackrel{?}{\underset{?}{?}}$ 83.46 crore (0.50 per cent of $\stackrel{?}{\underset{?}{?}}$ 16,692.90 crore) during 2023-24 against which the State Government made contribution of $\stackrel{?}{\underset{?}{?}}$ 91.21 crore to the Fund which also earned interest of $\stackrel{?}{\underset{?}{?}}$ 3.23 crore. As the result, the total accumulation of the Fund was $\stackrel{?}{\underset{?}{?}}$ 708.58 crore as on 31 March 2024.

2.6.2.2 State Disaster Risk Management Fund (SDRMF)

The Fifteenth Finance Commission (XV FC) recommended constitution of State Disaster Risk Management Fund (SDRMF) as the basic fund to be allocated to the states for disaster management. SDRMF includes State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF). The Government of India accepted the recommendations and issued guidelines on constitution and administration of the SDRF and SDMF. Allocation to SDRMF of each state for each year is based on the recommendations of the Finance Commission. Within each state, SDRF and SDMF

receive 80 per cent and 20 per cent of the total allocation under SDRMF respectively. The administration of these funds in the State is as detailed below:

(i) State Disaster Response Fund (SDRF)

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.

Based on the Finance Accounts of the Government of Meghalaya, the SDRF had an opening balance of ₹ 130.86 crore at the beginning of 2023-24. As on 31 March 2024, the balance of the SDRF stood at ₹ 154.33 crore out of which, ₹ 118.00 crore has been invested while ₹ 36.33 crore remained to be invested. The investment figure of ₹ 118.00 crore in the SDRF Investment Account is based on information provided by the State Government vide letter dated 28 January 2021. The State Government has not provided updated information on investments or disinvestment out of the available balances under SDRF despite several requests. However, as per the information provided and documents made available by the Secretary to Government of Meghalaya, Revenue and Disaster Management Department during the course of audit of State Disaster Response Fund for the period 2017-18 to 2021-22, the available fund was disinvested as on 16 April 2022. In such a scenario, a reasonable assurance could not be drawn on the investment of available State Disaster Response Fund balances.

Further, during the Exit Conference (March 2025), the State Government stated that the matter will be taken up for conclusive settlement of the discrepancy issue in the balances of the Fund.

As per SDRF Guidelines, the total SDRF allocation of Meghalaya for 2023-24 was ₹ 64.80 crore with ₹ 58.40 crore as the Central Share and ₹ 6.40 crore as the State Share. During the year 2023-24, the State Government received ₹ 27.20 crore as Central Government's share. The State Government's share contributed 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 ₹ 64.80 crore for 2023-24) 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 ₹ 6.93 crore from the fund for recouping expenditure incurred on relief work as per the SDRF guidelines by

showing a negative entry under Major Head 2245-05-901. During the current year, no expenditure was made directly from the Public Account (MH-8121-122-SDRF).

Further, the State Government was required to pay interest amounting to ₹ 1.26 crore on un-invested SDRF balance of ₹ 12.86 crore (as on 31 March 2023) at the rate of 8.50 *per cent* (Overdraft Rate) during 2023-24. As the interest was not paid, Revenue Surplus for the year is overstated to that extent.

(ii) State Disaster Mitigation Fund (SDMF)

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. In addition, 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 2023-24 was ₹ 16.20 crore (Central Share: ₹ 14.60 crore and State Share: ₹ 1.60 crore).

During the year 2023-24, the State Government did not receive any amount from Central Government for SDMF. The Central Share of the SDMF amounting to ₹ 14.60 crore for the current year was not released by GoI. As on 31st March 2024, SDMF balance amounting to ₹ 14.66 crore was yet to be invested and thus the State Government was required to pay interest amounting to ₹ 1.25 crore on the un-invested SDRF balance at the rate of 8.50 *per cent* (Overdraft Rate) during 2023-24. Resultantly, Revenue Surplus for the year is overstated to that extent.

2.6.2.3 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 2023 was ₹ 68.00 crore. During the year, the State Government contributed the prescribed amount of ₹ 14.90 crore (0.50 per cent of the total outstanding guarantees of ₹ 2,977.53 crore as on 31 March 2023) to the GRF. The total accumulation of the Fund was ₹ 83.19 crore as on 31 March 2024 including accrued interest of ₹ 0.29 crore for 2023-24 realised on investment on government securities. The Fund has achieved 2.86 per cent of the total outstanding guarantees of ₹ 2,908.20 crore as on 31 March 2024. The target of the Fund for achieving 3.00 per cent is by 2025-26. The State Government issued guarantee of ₹ 0.02 crore and withdrew guarantee of ₹ 69.35 crore during the year 2023-24 as the corresponding borrowings were repaid by the borrowers. 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.

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 0.5 *per cent* on the amount guaranteed and outstanding on the 31st March each year for the next financial year till the guarantee is vacated or till the loan is liquidated.

The outstanding Guarantee Fees as on 31 March 2023 was to ₹ 86.80 crore. Further, as on 31 March 2023, outstanding guarantees stood at ₹ 2,977.53 crore. As such, the Guarantee Fee for 2023-24 amounting to ₹ 14.89 crore (0.50 *per cent* of the total outstanding guarantees of ₹ 2,977.53 crore as on 31 March 2023) was to be levied within 30 April 2024. However, no Guarantee Fee was received during 2023-24. As on 31 March 2024, outstanding Guarantee Fees amount to ₹ 99.83 crore.

2.6.2.4 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 2023 was ₹163.31 crore. During the year 2023-24, the State Government did not receive any amount from the user agencies. No amount was

remitted to the National Fund during the year 2023-24. However, the State Government received amount of ₹ 31.34 crore in 2023-24 from National Compensatory Afforestation. The total balance in the State Compensatory Afforestation Fund as on 31 March 2024 was ₹ 194.65 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 ₹ 5.65 crore²⁹ resulted in overstatement of Revenue Surplus to that extent.

2.6.2.5 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).

During the year 2023-24, the State Government received grants of ₹ 78.42 crore towards CRIF and the State Government transferred entire amount (₹ 78.42 crore) to the Fund in the Public Account.

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

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

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 specified by the Central Government which has notified the rate as one *per cent* of the cost of construction incurred by an employer. 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.

Interest calculated at the rate of 3.35 *per cent* as notified by the Ministry of Environment, Forest & Climate Change, Government of India.

During 2019-20 to 2023-24, the total amount of BOCW cess received was ₹ 162.02 crore while total amount spent was ₹ 53.48 crore (scheme expenses³⁰: ₹ 51.97 crore, administrative expenses on salary: ₹ 0.64 crore and other administrative expenses: ₹ 0.66 crore). The fund position of the MBOCWWB for the last five years from 2019-20 to 2023-24 is as shown in **Table 2.36**.

Table 2.36: BOCW Cess received by MBOCWWB during 2019-24

(₹ in crore)

		Rece	eipts		Expenditure					
Year *	Cess received	Interest Earned	Other Receipts	Total	Scheme Expenses	Administrative Expenses on Salary	Other Administrative Expenses	Other Expenditure	Total	Administrative Expenses as Share of Total Expenses (in per cent)
2019-20	23.12	13.20	0.10	36.42	3.64	0.11	0.14	0.04	3.94	6.47
2020-21	20.81	9.92	0.27	31.00	22.25	0.12	0.14	0.14	22.65	1.12
2021-22	24.13	9.56	0.20	33.89	5.52	0.13	0.06	0.01	5.72	3.30
2022-23	43.89	11.21	0.19	55.29	15.24	0.14	0.13	0.00	15.51	1.74
2023-24	50.07	20.58	0.00	70.65	5.33	0.14	0.20	0.00	5.66	5.95
Total	162.02	64.48	0.77	227.26	51.97	0.64	0.66	0.20	53.48	•

Source: Meghalaya Building and Other Construction Workers Welfare Board.

Table 2.36 shows that, during 2019-20 to 2023-24, the share of administrative expenses to the total expenditure of the MBOCWWB during 2023-24 was not within 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 in 2019-20 and 2023-24.

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 overall outstanding liabilities of State along with its percentage to GSDP during the five years- period 2019-24 is presented in **Chart 2.18**.

^{*} Annual Accounts for 2023-24 yet to be received as on 31 January 2025.

³⁰ Financial assistance for education, death benefits, funeral assistance, maternity benefits, insurance, marriage assistance, medical assistance, *etc*.

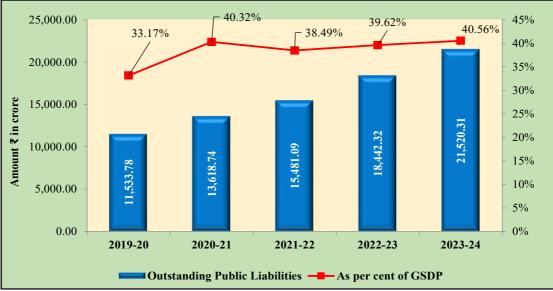


Chart 2.18: Outstanding Public Liabilities and its percentage to GSDP

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

During the year 2023-24, the outstanding public liabilities of the State of Meghalaya has increased by ₹ 3,077.99 crore (16.69 *per cent*) from ₹ 18,442.32 crore in 2022-23 to ₹ 21,520.31 crore³¹ in 2023-24. Over five-year period, the increase was by 86.59 *per cent* (₹ 9,986.53 crore) from ₹ 11,533.78 crore in 2019-20 to ₹ 21,520.31 crore in 2023-24. As percentage of GSDP, the outstanding public liabilities was 33.17 *per cent* in 2019-20 which increased significantly to 40.56 *per cent* in 2023-24.

The primary reason for spike in outstanding public liabilities-GSDP ratio during 2023-24 was significant increase in Internal Debt by ₹ 1,374.12 crore (10.88 per cent), Loans from GoI by ₹ 1,336.61 crore (76.40 per cent) and Public Accounts liabilities by ₹ 367.26 crore (9.05 per cent). During the five-years period 2019-24, 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. The shortfall against the target ranged between 5.17 per cent and 12.56 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 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 2023-24 was ₹ 21,520.31 crore excluding Back-to-Back Loans of ₹ 253.16 crore. The trend of various components of liabilities from 2019-20 to 2023-24 is depicted in **Table 2.37** and **Chart 2.19**.

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³¹ 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*.

Table 2.37: Component wise liability Trends

(₹ in crore)

					(in crore)
Components of fiscal liability	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Liabilities	11,533.78	13,618.74	15,481.09	18,442.32	21,520.31
Public Debt	8,407.87	10,250.24	11,912.82	14,383.96	17,094.69
Internal debt	8,301.31	9,931.96	11,244.83	12,634.54	14,008.66
Loan from GOI*	106.56	318.28	667.99	1,749.42	3,086.03
Public Account Liabilities	3,125.91	3,368.50	3,568.27	4,058.36	4,425.62
Small Savings, Provident Funds, etc.	1,914.42	2,125.86	2,272.73	2,399.00	2,488.76
Reserve Funds bearing Interest	197.01	168.01	197.34	190.82	245.63
Reserve Funds not bearing Interest	9.47	7.99	7.83	9.50	18.37
Deposits bearing Interest	0.88	0.82	1.92	1.16	1.2
Deposits not bearing Interest	1,004.13	1,065.82	1,088.45	1,457.88	1,671.66
Rate of growth of outstanding total liability (per cent)	8.57	18.08	13.67	19.13	16.69
Gross State Domestic Product (GSDP)	34,770	33,776	40,222	46,551	53,057
Liability/GSDP (per cent)	33.17	40.32	38.49	39.62	40.56
Borrowings and Other Liabilities	(as per State	ment 6 of Fi	nance Accour	nts)	
Total Receipts	2,941.07	3,736.45	5,232.08	7,940.08	9,747.31
Total Repayments	2,030.97	1,651.50	3,369.72	4,978.85	6,669.32
Net funds Available	910.10	2,084.95	1,862.36	2,961.23	3,077.99
Repayments/Receipts (per cent)	69.06	44.20	64.40	62.71	68.42

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

During the current year 2023-24, Public Debt (Internal Debt + Loan from GoI) increased by $\stackrel{?}{\stackrel{?}{?}}$ 2,710.73 crore (18.85 *per cent*) over the previous year 2022-23 wherein Internal Debt increased by $\stackrel{?}{\stackrel{?}{?}}$ 1,374.12 crore (10.88 *per cent*) and Loans from GoI significantly increased by $\stackrel{?}{\stackrel{?}{?}}$ 1,336.61 crore (76.40 *per cent*). Public Accounts liabilities also increased by $\stackrel{?}{\stackrel{?}{?}}$ 367.26 crore (9.05 *per cent*) in 2023-24 as compared to 2022-23.

Over the five-year period from 2019-20 to 2023-24, Public Debt increased by \gtrless 8,686.82 crore (103.32 *per cent*) from \gtrless 8,407.87 crore in 2019-20 to \gtrless 17,094.69 crore in 2023-24 with Internal Debt increasing by \gtrless 5,707.35 (68.75 *per cent*) from \gtrless 8,301.31 crore in 2019-20 to \gtrless 14,008.66 crore in 2023-24 and Loans from GoI by \gtrless 2,979.47 crore from \gtrless 106.56 crore in 2019-20 to \gtrless 3,086.03 crore in 2023-24. During the same period, Public Accounts liabilities increased by \gtrless 1,299.71 crore (41.58 *per cent*) from \gtrless 3,125.91 crore in 2019-20 to \gtrless 4,425.62 crore in 2023-24 with major increase under Deposits not bearing interest (\gtrless 667.53 crore) and Small Savings, Provident Funds, *etc.* (\gtrless 574.34 crore).

Break-up of outstanding total liabilities at the end of 2023-24 is presented in **Chart 2.19**.

^{*} Excludes an amount of $\not\in$ 253.16 crore ($\not\in$ 112.00 crore in 2020-21 + $\not\in$ 141.16 crore in 2021-22) Backto-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.

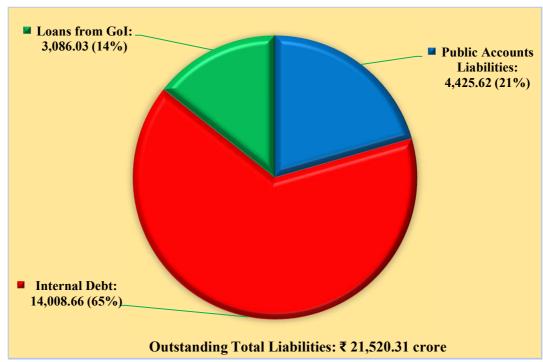


Chart 2.19: Break-up of outstanding total liabilities at the end of 2023-24

Source: Finance Accounts 2023-24.

Chart 2.20 presents the quantum of internal debt taken *vis-à-vis* repaid during the period of five years i.e., 2019-24.

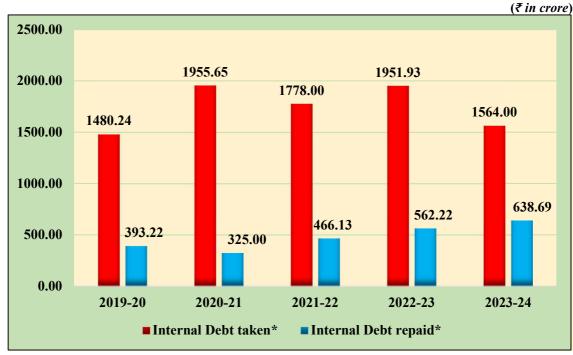


Chart 2.20: Internal Debt taken vis-à-vis repaid

*Ways and Means Advances/overdraft from the Reserve bank of India and Special Drawing Facility on 91 Days Deposits of $\[\]$ 140.88 crore, $\[\]$ 1,727.42 crore, $\[\]$ 3,164.09 crore taken and $\[\]$ 140.88 crore, $\[\]$ 1,727.42 crore, $\[\]$ 3,164.09 crore and $\[\]$ 4,140.36 crore repaid during the year 2020-21, 2021-22, 2022-23 and 2023-24 respectively has been excluded.

Chart 2.20 indicates that servicing of the existing internal debt to the State Government during 2019-24 accounted for more than one-fourth of the internal debt taken. During 2023-24, the State Government's internal debt repayment amounting to ₹ 1,578.82 crore (Principal: ₹ 638.69³² crore and Interest on Internal Debt: ₹ 940.13 crore³³) exceeded the total internal debt taken (₹ 1,564.00 crore) by 0.95 *per cent*.

2.7.1.1 Components of Fiscal Deficit and its financing pattern

Table 2.38 shows financing pattern of the fiscal deficit during 2019-20 to 2023-24.

Table 2.38: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

						(₹ in crore
	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
		Composit	ion of Fiscal Def	icit		
1	Revenue Deficit (-)/ Revenue Surplus (+)	(-)151.60	(-)815.38	653.92	(-)43.90	1,394.32
2	Net Capital Expenditure	(-)939.71	(-)1,734.05	(-)2,751.79	(-)2,742.28	(-)4,529.54
3	Net Loans and Advances	(-)12.46	(-)54.13	(-)60.92	(-)9.97	(-)16.99
	Total	(-)1,103.77	(-)2,603.56	(-)2,158.79	(-)2,796.15	(-)3,152.21
		Financing P	attern of Fiscal D	Deficit		
1	Market Borrowings	1,070.46	1,587.00	1,298.00	1,368.00	924.00
2	Loans from GoI	(-)9.71	323.71	490.87	1,081.43	1,336.61
3	Special Securities issued to NSSF	(-)53.75	(-)53.75	(-)53.75	(-)54.82	(-)53.75
4	Loans from Financial Institutions	70.31	97.41	68.62	89.03	67.56
5	Bonds	-	-	-	(-)12.50	(-)12.50
6	Special Drawing Facility on 91 Days Deposits	0.00	0.00	0.00	0.00	187.89
7	Ways and Means Advances from RBI	0.00	0.00	0.00	0.00	260.92
8	Small Savings, PF, etc.	203.54	211.44	146.87	126.27	89.77
9	Deposits and Advances	(-)560.89	61.64	23.73	368.66	213.82
10	Suspense	(-)5.78	(-)23.43	(-)50.32	(-)5.61	(-)0.66
11	Remittances	(-)7.68	(-)14.69	0.45	2.04	(-)4.78
12	Reserve Fund	190.14	(-)30.48	29.16	(-)4.85	63.68
13	Contingency Fund	(-)1.96	1.96	200.00	-	0.00
14	Appropriation to Contingency Fund	-	-	(-)200.00	-	0.00
15	Overall Deficit	894.68	2,160.81	1,953.63	2,957.65	3,072.56
16	Increase (-)/Decrease (+) in cash balance	209.09	442.75	205.16	(-)161.50	79.65
17	Gross Fiscal Deficit	1,103.77	2,603.56	2,158.79	2,796.15	3,152.21

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

Trend analysis of fiscal situation of the state over past five years from 2019-20 to 2023-24 shows that the gross fiscal deficit was least in 2019-20 at about ₹ 1,103.77 crore. Despite having a revenue surplus budget of ₹ 1,394.32 crore during 2023-24, the fiscal

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³² Excluding WMA repayment of ₹ 2,472.97 crore and SDF repayment of ₹ 1,667.39 crore during the current year.

³³ Excluding interest payment of ₹ 2.12 crore on WMA and ₹ 1.83 crore on SDF during the current year.

deficit increased to ₹3,152.21 crore, which is an increase of ₹356.06 crore compared to the previous year 2022-23.

During 2023-24, Fiscal Deficit was primarily financed by loans from GoI (₹ 1,336.61 crore), net market borrowings (₹ 924.00 crore), Ways and Means Advances (₹ 260.92 crore), Special Drawing Facility on 91 Days (₹ 187.89 crore) and Deposits and advances (₹ 213.82 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 for repayment of Public Debt

	Period of	Public Debt (₹ in crore)			Percentage
Year of Maturity	repayment (Years)	Internal Debt	Loans and advances from GoI	Total	(w.r.t. Public debt)
By 2024-25	0 - 1	1,538.27	26.61	1,564.88	9.15
Between 2025-26 & 2026-27	1 – 3	3,044.53	29.58	3,074.11	17.98
Between 2027-28 & 2028-299	3 – 5	3,027.30	23.88	3,051.17	17.85
Between 2029-30 & 2030-31	5 – 7	3,318.66	30.09	3,348.75	19.59
2031-32 onwards	above 7	3,079.90	2,975.87	6,055.78	35.43
Total		14,008.66	3,086.03	17,094.69	100.00

Source: Finance Accounts 2023-24.

The maturity profile of outstanding stock of public debt as on 31 March 2024 indicates that out of the outstanding public debt of ₹17,094.69 crore, 9.15 per cent (₹ 1,564.88 crore) is payable within the next one year i.e., 2024-25, 35.83 per cent (₹ 6,125.28 crore) is payable in the next two to five years, while the remaining 55.01 per cent (₹ 9,404.54 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 of ₹7,690.16 crore (44.99 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 2034-35) is detailed below:

2.7.2.1 Internal Debt of the State-Maturity Profile

As on 31 March 2024, Internal Debt (₹ 14,008.66 crore) comprising market borrowings and loans from LIC, GIC, NABARD, etc., constituted 81.95 per cent of the total outstanding Public Debt (₹ 17,094.69 crore) and 65.10 per cent of the total outstanding public liabilities (₹21,520.31 crore). During the current year, the State Government borrowed ₹ 1,564.00³⁴ crore through market loans and loans from financial institutions

³⁴ Excluding Ways and Means Advances (WMA) of ₹ 2,733.89 crore and Special Drawing Facility (SDF) of ₹ 1,855.28 crore availed during the current year.

and repaid ₹ 1,578.82 crore (Principal: ₹ 638.69³⁵ crore and Interest on Internal Debt: ₹ 940.13 crore³⁶), which is higher than the total internal borrowings. This indicates that fresh internal debt loans were not enough for servicing of existing internal debts which may lead to a debt trap in future.

The repayment schedule of internal debt and interest³⁷ to be paid thereon over the next 11 years (2024-25 to 2034-35) is detailed in **Chart 2.21.**

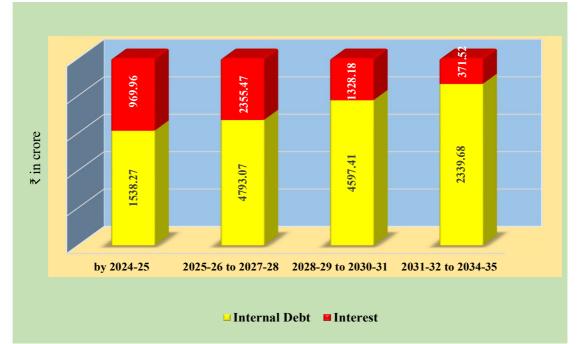


Chart 2.21: Repayment schedule of Internal Debt and Interest thereon

Source: Finance (Economic Affairs) Department, Government of Meghalaya.

Chart 2.21 shows that out of the total internal debt of ₹ 18,293.56 crore (₹ 13,268.43 crore in principal and ₹ 5,025.13 crore in interest) due by 2034-35, internal debt of ₹ 2,508.23 crore which includes principal of ₹ 1,538.27 crore and interest of ₹ 969.96 crore will become payable by the financial year 2024-25. Thereafter, in the next three years up to 2027-28, an amount of ₹ 7,148.54 crore which includes ₹ 4,793.07 crore as principal and ₹ 2,355.47 crore as interest will become payable. Between 2028-29 and 2034-35, the liability of the state towards principal and interest will be ₹ 8,636.79 crore 38 . On average, the State Government will need to repay ₹ 1,663.05 crore of internal debt, including interest, each year until 2034-35.

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³⁵ Excluding WMA repayment of ₹ 2,472.97 crore and SDF repayment of ₹ 1,667.39 crore during the current year.

³⁶ Excluding interest payment of ₹ 2.12 crore on WMA and ₹ 1.83 crore on SDF during the current year.

³⁷ The debt figures are provisional figures based on loans and advances for the year ended 31 March 2024 which are likely to change due to additional loans and change in interest rates in future.

³⁸ Principal ₹ 6,937.09 crore and Interest ₹ 1,699.70 crore.

2.7.2.2 Loans and advances from the GoI- Maturity Profile

As on 31 March 2024, outstanding Loans and Advances from the GoI (₹ 3,086.03 crore³⁹) constituted 18.05 *per cent* of the total outstanding public debt (₹ 17,094.69 crore) and 14.34 *per cent* of the total outstanding public liabilities (₹ 21,520.31 crore). During the current year, the State Government borrowed ₹ 1,361.17 crore from Government of India and repaid ₹ 43.44 crore (Principal ₹ 24.56 crore and Interest ₹ 18.88 crore).

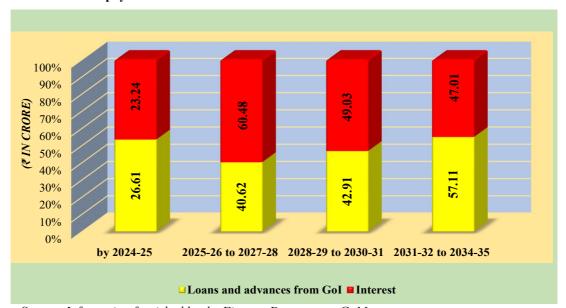


Chart 2.22: Repayment schedule of Loans and advances from the GoI and Interest⁴⁰ thereon

Source: Information furnished by the Finance Department, GoM.

Chart 2.22 shows that ₹ 347.01 crore (Principal ₹ 167.25 crore + Interest ₹ 179.76 crore) has to be repaid by 2034-35, out of which 14.37 per cent (₹ 49.85 crore: Principal ₹ 26.61 crore + Interest ₹ 23.24 crore) is due by 2024-25. During the three-year period from 2025-26 to 2027-28, the State Government has to repay ₹ 101.10 crore (Principal ₹ 40.62 crore + Interest ₹ 60.48 crore). On an average, the State Government has to repay ₹ 31.55 crore of Loans from the Government of India including interest each year till 2034-35.

As on 31 March 2024, the total outstanding liabilities stood at ₹ 21,520.31 crore, which is 40.56 *per cent* of the Gross State Domestic Product (GSDP) of ₹ 53,057 crore, which was already higher than the limit of 28 *per cent* limit set by the MFRBM Act for overall liabilities to GSDP. Therefore, it is thus inevitable for the state's GSDP to grow at a sufficient rate to generate enough revenue for future debt servicing to avoid debt trap.

2.7.2.3 Repayment of borrowing and its interest

During the year 2023-24, the Government of Meghalaya repaid a total of public debt of ₹ 1,626.20 crore ⁴¹, which includes principal of ₹ 663.25 crore and Interest of ₹ 962.95 crore. This repayment accounted for 55.59 *per cent* of total Public Debt borrowings of

³⁹ Excluding Back-to-Back Loan of ₹ 253.16 crore.

⁴⁰ Figures w.e.f 2024-25 are subject to change on receipt of additional loans or dues to refund/write off/debt waiver by GoI.

⁴¹ This excludes repayment of ₹ 4,140.36 crore for WMA/SDF during the year 2023-24.

₹ 2,925.17 crore⁴² for the year. This implies that more than half of the borrowed funds were utilised for servicing of existing public debt and its interest during the year, rather than being invested in asset generation.

2.8 Debt Sustainability Analysis

Debt sustainability analysis has been carried out based on 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 debt sustainability indicators of the State for the five-year period beginning from 2019-20.

Table 2.40: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl.	Debt Sustainability					
No.	Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt*	11,533.78	13,618.73	15,481.09	18,442.32	21,520.31
2	Rate of Growth of Overall Debt (per cent)	8.57	18.08	13.67	19.13	16.69
3	GSDP (in nominal terms)	34,770	33,776	40,222	46,551	53,057
4	Nominal GSDP growth (per cent)	8.06	(-)2.86	19.08	15.74	13.98
5	Overall Debt/GSDP (per cent)	33.17	40.32	38.49	39.62	40.56
6	Maturity profile of all kinds of borrowings (including liabilities under Public Accounts, if any) **	8,477.48	10,314.50	11,911.76	14,383.97	17,094.69
6a	0-2 years	346.65	487.94	585.44	663.25	1,564.88
6b	2-5 years	1,596.43	1,896.25	2,656.32	4,145.01	4,833.69
6c	5-10 years	4,942.30	5,728.62	6,810.76	7,154.04	6,969.02
6d	Over 10 years	1,592.10	2,201.69	1,859.23	2,421.67	3,727.10
7	Repayment to Gross Borrowings (per cent)	69.06	42.91	62.71	62.71	68.42
8	Net borrowings available as a percentage of Gross Borrowings	30.94	57.09	37.29	37.29	31.58
9	Interest payments on Overall Debt	758.51	858.92	963.27	1,028.52	1,138.10
10	Effective rate of interest on Overall Debt (per cent) \$	7.75	7.51	7.34	7.01	7.01
11	Interest payment to Revenue Receipts (per cent)	8.06	8.04	6.75	6.94	6.33
12	Revenue Deficit/Surplus	(-)151.60	(-)815.38	653.92	(-)43.90	1,394.32

⁴² This excludes borrowings of ₹ 4,589.17 crore by WMA/SDF during the year 2023-24.

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Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
13	Primary Revenue Balance (PRB)#	606.91	43.54	1,617.19	984.62	2,532.42
14	Primary Balance (PB)##	(-)345.26	(-)1,744.64	(-)1,195.52	(-)1,767.63	(-)2,014.11
15	PB/GSDP (per cent)	(-)0.99	(-)5.17	(-)2.97	(-)3.80	(-)3.80
16	Difference between RoI and effective rate of interest on Overall Debt	(-)4.39	(-)6.22	(-)4.75	(-)6.12	(-)5.94
17	Liquidity Management^^ (use of financial accommodation instruments available with RBI) (in number of occasions) @	0	3	131	296	241
18	Debt Stabilisation (Quantum spread^ + Primary balance)	(-)312.75	(-)3,025.02	437.44	(-) 419.91	(-) 830.09
19	Domar Criteria					
a	GSDP (in constant terms)	24,923	22,967	24,876	26,789	28,342
b	Real Growth (in constant terms)	5.08	(-)7.85	8.31	7.69	5.80
c	Inflation based on CPI (per cent)	2.78	8.50	3.26	4.28	4.07
d	Effective Rate of interest	7.75	7.51	7.34	7.01	7.01
e	Real effective rate of interest (Effective rate of interest-Inflation)	4.97	(-)0.99	4.08	2.73	2.94
f	Growth Interest Differential (Real Growth-Real effective rate of interest)	0.11	(-)6.86	4.23	4.96	2.85

Source: Finance Accounts of 2019-20 to 2023-24, Brief on the Finances of the State for the State Finance Audit Report – 2023-24 compiled by the Economic Division of the Office of the Comptroller and Auditor General of India.

#PRB: Revenue Receipts - Revenue Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

##PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

(a) Number of days.

\$Effective Rate of Interest: Interest Payments/Average Outstanding Debt of Previous and Current Financial Year. This may be calculated excluding the non-interest-bearing reserve funds and deposits.

\$\$Interest/Rate Spread: GSDP Nominal Growth – Effective rate of Interest.

^Quantum Spread: Interest Spread*Debt. ^^Liquidity Management: Amount availed against SDF, WMA & OD

^{*}Overall Liabilities or Overall debt consists of Public Debt (including Ways and Means Advances) and other liabilities including Public Account Liabilities (including interest and non-interest-bearing reserve funds and deposits).

^{**} This excludes Back-to-back Loan in lieu of GST Compensation Shortfall from GoI and Public Accounts Liabilities

Table 2.40 indicates as follows:

(i) Overall Debt or Liabilities

The state's overall debt indicates steady upward trend, increasing from ₹ 11,533.78 crore in 2019-20 to ₹ 21,520.31 crore in 2023-24. This includes 50-year interest free loan from the Central Government under Special Assistance to States for Capital Investments amounting to ₹ 2,823.28 crore as on 31 March 2024. However, the rate of growth of overall debt fluctuated between 8.57 per cent and 19.13 per cent. As compared to 19.13 per cent in 2022-23, overall debt increased relatively slower at 16.69 per cent during 2023-24.

(ii) Debt to GSDP Ratio

The ratio measures the State's financial leverage *i.e.*, its capability to repay its debt. A low value of Debt to GSDP ratio indicates that the State's economy is vibrant to pay the debt without incurring further debt. Conversely, a high Debt to GSDP Ratio signifies that the State's burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.

The state's average debt burden, measured by the total liabilities-GSDP ratio, remained higher than the pre-pandemic year (2019-20), even if the pandemic year (2020-21) is ignored. After registering a marginal increase of less than a percentage point in 2019-20 over the previous year, it witnessed a steep hike of over 7.2 percentage points in 2020-21 given the pandemic effect which resulted in sharp rise in borrowing requirement, as measured by Fiscal Deficit, from ₹ 1,103.77 crore in 2019-2020 to ₹ 2,603.56 crore in 2020-21. Relative to GSDP, it also more than doubled from 3.17 per cent in 2019-20 to 7.71 per cent in 2020-21. This in turn allowed debt-GSDP ratio to deteriorate from 33.17 per cent in 2019-20 to 40.32 per cent in 2020-21. Given the significant acceleration in nominal growth due to inflation as well as economic recovery from a low base, the debt-to-GSDP ratio witnessed a marginal improvement of 1.8 percentage points from 40.32 per cent in 2020-21 to 38.49 per cent in 2021-22. Thereafter, it started rising again and peaked at 39.62 per cent in 2022-23 and further increased by about one percentage point to a six-year high of 40.56 per cent in 2023-24. In the latest two years i.e., 2022-23 and 2023-24, increase in debt surpassing the nominal growth allowed the debt-GSDP to rise persistently. This is mainly due to the deceleration witnessed in real growth compared to general inflation, which remained stable at eight per cent in 2022-23 and 2023-24, causing debt growth to outpace nominal growth. Therefore, the State requires persistent spending restraint and increase growth boosting expenditure to reduce its reliance on borrowing before its debt gets into a spiral condition.

The State continued to breach the overall liability-GSDP ratio limit set under the FRBM Act in all five years, but succeeded in keeping it within the indicative debt path set by Finance Commission in 2020-21, 2021-22 and 2022-23, which are higher than the targets set under the FRBM Act.

(iii) Nominal GSDP Growth vs Growth of Debt

Comparison of rate of nominal growth of GSDP with rate of growth of debt assesses the sufficient condition for debt sustainability. Rate of growth of nominal GSDP should be

more than rate of growth of debt for GSDP growth for healthy debt servicing. When this requirement is reversed, the debt servicing will not be sustainable. During 2019-20 to 2023-24, nominal GSDP growth rate was higher than the rate of growth of debt except 2021-22. This indicates that the GSDP growth is positive for debt servicing.

(iv) Real GSDP Growth vs Real Interest Rate

Comparison of rate of real growth of GSDP with rate of interest rate tests the essential condition that real growth must exceed real interest rate for debt sustainability in aggregate. Rate of real growth of GSDP should be more than real rate of interest for GSDP growth to be feasible for debt servicing. When this requirement is reversed, the debt is on unsustainable path. During 2019-20 to 2023-24, real GSDP growth rate was higher than the real interest rate except 2020-22. Thus, GSDP growth rate signals that debt servicing is feasible except 2020-22.

(v) Primary Balance and Primary Revenue Balance

Primary Balance (PB) should be in surplus as well as Primary Revenue Balance (PRB) should be in surplus and adequate to meet Interest Payments (IP) for debt sustainability.

Year-wise analysis shows that out of the five years (2019-2024) under consideration, except the pandemic year (2020-21), the Growth Interest Differential (GID)⁴³ remained favourable. However, it was not sufficient to balance the impact of persistent and fluctuating primary deficits pushing the debt burden on the rising trajectory in the post-pandemic years (2022-24). The marginal increase of 15 basis points in debt-GSDP in 2019-20 over the previous fiscal can be attributed to the improvement in the primary deficit, as the GID remained in the positive territory despite reduction of one percentage points. The GID which remained favourable despite the deceleration in 2019-20 over 2018-19 supported with improvement in primary deficit helped the State to restrict the increase in debt burden by less than a percentage point in 2019-20 over **2018-19.** The pandemic-induced lockdown in 2020-21 led to a sharp contraction in the hotel and restaurant and road sub-sectors, severely impacting the services sector, which in turn caused real growth of the State to witness a contraction of 7.85 percentage points in 2020-21. This resulted in a sharp increase in the primary deficit allowing the debt-to-GSDP ratio to increase by 7.2 percentage points from 33.2 per cent in 2019-20 to 40.3 per cent in 2020-21. With the post-pandemic recovery, the State managed to reduce its debt-to-GSDP ratio by 1.8 percentage points in 2021-22 compared to the previous year. However, this trend could not be sustained for the next two years and the state's debt burden relative to GSDP increased to 39.6 per cent in 2022-23 and 40.6 per cent in 2023-24. The worsening debt burden of the State can be primarily attributed to the fluctuations in the negative primary, particularly the increasing trend observed during 2022-2024, which left favourable GID inadequate to arrest the accretion of primary deficit to the debt burden of the State.

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⁴³ Nominal GSDP Growth Rate – Effective Rate of Interest.

(vi) Interest Payment (IP) as percentage of Revenue Receipts (RR) and Revenue Expenditure (RE)

Interest Payment (IP) as percent of GSDP, Revenue Receipts (RR) and Revenue Expenditure (RE) should be falling over time so that more resources are left for other productive purposes. For debt sustainability, Interest Payment (IP) as percent to Revenue Receipts (RR) as well as Interest Payment (IP) as percent to Revenue Expenditure (RE) should decline over time. A declining trend in these IP ratios is an indication of sustainable debt whereas an increasing trend indicates an unsustainable debt trajectory. During 2019-20 to 2023-24, Interest Payment (IP) as percent to Revenue Receipts (RR) declined from 8.06 *per cent* in 2019-20 to 6.33 *per cent* in 2023-24. Similarly, Interest Payment (IP) as percent to Revenue Expenditure (RE) fell from 7.93 *per cent* in 2019-20 to 6.86 *per cent* in 2023-24. Since both the ratios declines over the five-year period, these ratios indicate debt sustainability.

(vii) Composition and Structure of Debt *i.e.*, Maturity Profile (M) and Cost of Borrowing (C)

Maturity profile captures redemption pressure on the State's debt. Higher maturity means lower redemption pressure in future. Typically, longer the horizon of debt, the lower the roll over risk. Cost effective financing pattern (fixed/floating coupon rate) enable the State to mobilise more resources thereby reducing interest payment burden for better finances management. The longer average residual maturity period along with a small share of floating rate debt limits roll over risks and insulates interest rate volatility to maintain the debt sustainably. As on 31 March 2024, the outstanding borrowings (Public Debt) of the State Government was ₹ 17,094.69 crore, out of which ₹ 1,564.88 crore (9.15 per cent) will mature in 2024-25, ₹ 4,833.69 crore (28.28 per cent) from 2025-26 to 2027-28 and ₹ 6,969.02 crore (40.77 per cent) from 2028-29 to 2031-32.

(viii) Liquidity Management

Number of occasions a state resorted to Ways and Means Advances (WMA) and Overdraft (OD) facility to manage short-term funding gaps reflects their liquidity position. Substantial use of WMA and Overdraft facility in large amount indicates poor liquidity management which warrants poor fiscal management and hinders short-term debt sustainability. During 2023-24, the State Government availed WMA for 107 days, Special Drawing Facility (SDF) for 120 days and OD for 14 days totalling 241 days.

(ix) Fiscal Imbalance (FB)

Fiscal Imbalance (FB) equals to zero indicates that Debt to GSDP ratio would remain constant while positive FB signals fall in Debt to GSDP ratio and vice-versa. Fiscal Imbalance (FB) is obtained by adding Quantum Spread to Primary Balance (PB). When the State has zero Fiscal Imbalance (FB), the State has scope for fiscal expansion through borrowings. However, when the FB is negative and Primary Balance is negative, the debt is not in a sustainable position. During 2019-20 to 2023-24, Fiscal Imbalance (FB) was negative except in 2021-22. Further, during the same period, the Primary Balance was

negative throughout. As the Fiscal Imbalance does not exhibit a clear trend, this indicator alone cannot provide a definitive conclusion about debt sustainability.

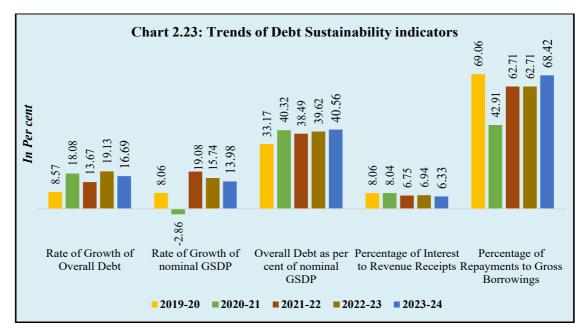


Chart 2.23 presents the trend of Debt Sustainability indicators.

From the above, it is seen that the ratio of overall debt (overall liabilities) to nominal GSDP ratio ranged between 33.17 *per cent* and 40.56 *per cent* during the five-year period from 2019-20 to 2023-24. During the year, it increased by around one *percentage* point and overall debt availability increased by 3.94 *per cent* from \gtrless 2,961.23 crore in 2022-23 to \gtrless 3,077.99 crore in 2023-24.

(B) An analysis on debt sustainability was carried out based on a study by E.D Domar⁴⁴ [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.

Domar criterion suggests that contrary to the nominal growth, the average effective rate of interest was largely driven by CPI inflation, thereby suppressing the average real interest rate. Average inflation as measured by CPI remained within bandwidth of 2-6 *per cent* determined by the RBI helped the State to suppress the real rate of interest below the real growth and to keep the GID favourable. This enabled the State to recover the cost of borrowing except for the pandemic year when both the real growth and real interest rate turned negative.

During the five-year period from 2019-20 to 2023-24, the Primary Budget Balance of the State was deficit. In the pre-Covid year of 2019-20, the real growth rate of the GSDP was around five *per cent* while Domar gap worsened in 2020-21 after improving in 2019-20 due to falling real economic growth rate. In the post Covid period, the Domar gap has remained positive during 2021-22 to 2023-24 indicating that real interest rates have

⁴⁴ Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

remained below the GSDP growth rates. However, the sustainability of overall public debt depends on whether the state economy maintains the real growth in the long run and the Primary Balance is stable and consistent with the Debt to GSDP ratio rate.

Further, details of the achievements vis-à-vis targets set in the Medium-Term Fiscal Policy Statement (MTFPS) under Meghalaya Fiscal responsibility and Budget Management (MFRBM) Act, 2006 are given in **Table 2.41**.

Achievement vis-à-vis targets set in the MTFPS **Fiscal Parameter** 2019-20 2020-21 2021-22 2022-23 2023-24 Revenue Deficit (RD) Target 2.04 2.13 3.31 1.61 4.78 (-)/Surplus (RS) (+)-**GSDP** Ratio Achieved (-)0.44(-)2.411.63 (-)0.092.63 (in percent) Fiscal Deficit (FD) (-) Target (-)3.65(-)3.53-4.07 (-)4.51(-)3.42/ Surplus (FS) (+)-**GSDP** Ratio Achieved (-)3.17(-)7.71(-)6.01(-)5.94(-)5.37(in percent) Ratio of total 39.91 Target 31.12 30.62 36.58 40.24 outstanding liabilities 38.49** 39.62** Achieved 33.17 40.32* 40.56**

Table 2.41: Achievements vis-à-vis targets set in the MTFPS

to GSDP (in per cent)

The ratio of revenue deficit (-)/surplus (+)-GSDP improved from (-) 0.09 per cent during 2022-23 to (+) 2.63 per cent during current year 2023-24. Fiscal deficit-GSDP decreased from 6.01 per cent to 5.94 per cent. The State Government was unable to meet the targets of RS/RD-GSDP and FD-GSDP during the period from 2019-20 to 2023-24 except FD-GSDP in 2019-20. Also, the outstanding liabilities to GSDP ratio was not achieved during 2019-20 to 2023-24 except in the year 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 missing of the targets set under MTPFS by a significant margin. Although the MTPFS target for the ratio of total outstanding liabilities to GSDP was almost achieved, the Government failed to meet the targets for Revenue Surplus-GSDP and Fiscal Deficit - GSDP ratios.

On the basis of the above, it is inferred that the fiscal sustainability of the State in the long run depends on sustained healthy real economic growth, rationalised borrowings to keep real effective interest rate in check and bringing down Primary Deficit and shifting towards Primary Surplus through remedial measures such as better budgeting and expenditure control, increase revenue collection from various sources, expanding revenue base and investing 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 State Governments have come out with legislations or instructions with regard to cap on

^{*}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 guarantees, the Government of Meghalaya has not prescribed any ceiling for guarantees to be extended for loans availed by the State Government entities (March 2024).

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2019-20 to 2023-24 are shown in **Table 2.42**.

Table 2.42: Guarantees given by the State Government

(₹ in crore)

Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24	
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)	1,120.14	3,060.99	2,980.44	2,977.53	2,908.20	

Source: Finance Accounts of respective years & Finance Accounts 2023-24.

During 2023-24, the outstanding guarantee declined to 77.76 *per cent* of State Own Tax and Non- Tax Revenue as compared to 95.82 *per cent* during 2022-23. As on 31 March 2024, 99.40 *per cent* (₹ 2,890.80 crore) of the total outstanding guarantees (₹ 2,908.20 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 of ₹ 21 lakh 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 Drawing Facility (SDF)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time. The limit for ordinary ways and means advances to the State Government was ₹ 209.00 crore with effect from 01 April 2022.

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 2.43 presents the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.43: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 01 April 2023	Closing balance on 31 March 2024				
A. General Cash Balance						
Cash in treasuries	7.00	7.00				
Deposits with Reserve Bank of India	31.92	32.19				
Deposits with other Banks	0.00	0.00				
Remittances in transit – Local	0.00	0.00				
Total	38.92	39.19				

Particulars	Opening balance on 01 April 2023	Closing balance on 31 March 2024			
Investments held in Cash Balance	79.92	0.00			
investment account	17.72				
Total (A)	118.84	39.19			
B. Other Cash Balances and Investments					
Cash with departmental officers viz.,	0.20	0.20			
Public Works, Forest Officers	0.20	0.20			
Permanent advances for contingent	0.04	0.04			
expenditure with department officers	0.04	0.04			
Investment out of earmarked funds	789.67	891.43			
Total (B)	789.91	892.03			
Total (A + B)	908.75	930.86			

Source: Finance Accounts 2023-24.

General Cash Balance of the State Government at the end of the current year decreased by ₹ 79.65 crore from ₹ 118.84 crore in 2022-23 to ₹ 39.19 crore in 2023-24. The State Government earned an interest of ₹ 1.96 crore and ₹ 3.36 crore during 2022-23 and 2023-24 respectively from the investments made in GoI Treasury Bills.

Out of the investment of ₹ 891.43 crore in earmarked funds, ₹ 690.24 crore was invested in Sinking Fund Investment Account, ₹ 118.00 crore⁴⁵ was invested in the State Disaster Response Fund Investment Account and ₹ 83.19 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 2019-20 to 2023-24 are given in **Table 2.44**.

Table 2.44: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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
2023-24	79.92	-	79.92	3.36

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

2.9 Conclusion

The analysis of the finances of the Government of Meghalaya with focus on revenue receipts and expenditure for the financial year 2023-24 shows that the State has achieved Revenue Surplus of ₹ 1,394.32 crore, recovering from revenue deficit in the previous year.

During current year 2023-24, the Revenue Receipts saw a significant increase of 21.31 per cent over 2022-23. Further, over the past five years, Revenue Receipts rose by 90.98 per cent from ₹ 9,413.52 crore in 2019-20 to ₹ 17,977.86 crore in 2023-24 at an average annual growth rate of 17.56 per cent. During 2023-24, the State's Own Revenue

⁴⁵ As per information provided by the State Government on 28 January 2021. Information regarding investment and withdrawal for the financial year 2021-22, 2022-23 and 2023-24 has not been provided by the State Government.

constituted about 20.80 per cent of Revenue Receipts, while Central Tax Transfers and Grants-in-Aid accounted for 79.20 per cent. Over the last five years, Central Tax Transfers and Grants contributed between 74.28 per cent and 80.21 per cent of the Revenue Receipts. The Central Transfers continued to be the primary source of Revenue Receipts for Meghalaya similar to other North Eastern States.

In the financial year 2023-24, Revenue Expenditure increased by 11.57 per cent, rising from ₹ 14,863.77 crore in 2022-23 to ₹ 16,583.54 crore. This growth was primarily driven by higher spending on Rural Employment, Social Security and Welfare, Special Programmes for Rural Development and Interest Payments. Notably, the growth of Revenue Expenditure was less than the growth of Revenue Receipts for the same period. Revenue Expenditure as a proportion of Total Expenditure slightly decreased to 78.39 per cent from 84.26 per cent in the previous year. However, Revenue Expenditure continued to be the lion's share of Government spending on salaries, wages, pensions, rents, rates, and interest on outstanding debt.

The spending of the State Government on Capital Outlay increased significantly by 65.17 per cent to ₹ 4,529.54 crore in 2023-24 over the previous year signals higher priority for creation of assets. This rise in Capital Expenditure from 8.91 per cent (2019-20) to 21.41 per cent (2023-24) of the total expenditure indicates more emphasis given towards investment in asset creation and infrastructure development, which will yield future returns.

During the year, the State Government made total disbursement of ₹ 6.93 crore from the fund for recouping expenditure incurred on relief work as per the SDRF guidelines. As on 31 March 2024, the balance of the State Disaster Response Fund (SDRF) stood at ₹ 154.33 crore out of which, ₹ 118.00 crore has been invested while ₹ 36.33 crore remained to be invested. The State Government has not provided updated information on the investments out of SDRF and withdrawals thereof. The indicated figures are based on information furnished in January 2021. However, as per the information provided and documents made available by the Secretary to Government of Meghalaya, Revenue and Disaster Management Department during audit of State Disaster Response Fund for the period 2017-18 to 2021-22, the available fund was disinvested as on 16 April 2022. Thus, a reasonable assurance could not be drawn on the investment of available State Disaster Response Fund balances. Further, 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 ₹ 1.26 crore resulted in an overstatement of the Revenue Surplus to that extent.

During the current year, the State Government issued guarantees amounting to ₹ 0.02 crore and guarantees worth ₹ 69.35 crore were withdrawn. By the end of the financial year 2023-24, the total outstanding guarantees stood at ₹ 2,908.20 crore. The State Government did not receive guarantee commission. The Guarantee Commission for 2023-24 amounted to ₹ 14.89 crore. As of 31 March 2024, the accumulated balance of the outstanding Guarantee Commission Fee was ₹ 99.83 crore.

The Fiscal Deficit of the State showed an increasing trend over the past five years, ranging from ₹ 1,103.77 crore to ₹ 3,152.21 crore, indicating a growing dependency on

borrowings to sustain financial operations. In the last four years, Fiscal Deficit as percentage of GSDP ranged between 5.37 per cent and 7.71 per cent. Further, the Overall Outstanding Liabilities reached ₹ 21,520.31 crore, a rise of ₹ 3,077.99 crore (16.69 per cent) compared to the previous year. The overall outstanding liabilities in 2023-24 stood at 40.56 per cent of the nominal GSDP, surpassing the Debt-GSDP ratio target of 28 per cent set by the Meghalaya FRBM Act, 2006.

Regarding the repayment of the State's debt stock, the total outstanding public debt stands at $\stackrel{?}{\underset{?}{|}}$ 18,293.56 crore (Principal+Interest). Of this, $\stackrel{?}{\underset{?}{|}}$ 2,508.23 crore (including interest) is due by 2024-25, with an additional $\stackrel{?}{\underset{?}{|}}$ 7,148.54 crore (including interest) due between 2025-26 and 2027-28.

At the end of the current year, the State Government's cash balances decreased by ₹ 79.65 crore, from ₹ 118.84 crore in 2022-23 to ₹ 39.19 crore in 2023-24.

2.10 Recommendations

- The State should improve budgeting and expenditure control on unproductive spending and improve revenue collection through better enforcements to improve fiscal position.
- The State may strengthen its debt sustainability by measures including sustained economic growth, reduced borrowings and improving Primary Balance.