EXECUTIVE SUMMARY

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This Report on the finances of the State of Meghalaya provides an independent assessment of the fiscal position of the State for FY 2024-25. It analyses the State's overall financial health and reviews its Revenue and Expenditure trends, assesses the State's debt position and borrowing pattern, evaluates its compliance with fiscal responsibility laws and compares its performance against fiscal health indicators.

Meghalaya's economy showed growth of 12.03 *per cent* as against the previous financial year. This was higher than that of the GDP growth rate (9.78 *per cent*). The State contributed (0.18 *per cent*) to GDP of India. This contribution has increased over last five years. We observed that the Revenue Receipts of the State declined over the previous year (4.58 *per cent*), mainly due to sharp decrease in grants-in-aid from the Government of India by 40.15 *per cent* and non-tax revenue by 9.40 *per cent* compared to 2023-24 despite increase in the State's own revenue by 5.54 *per cent* and rise in the State's share in Union taxes and duties by 13.93 *per cent*. The State's Own Revenue performance improved yet dependence on Central grants-in-aid remains substantial.

Expenditure of the State was dominated by revenue spending (76 *per cent*) particularly committed costs and subsidies (56 *per cent* of Revenue Expenditure, 56 *per cent* of Revenue Receipts, 43 *per cent* of Total Expenditure), leaving limited fiscal space for Capital Investment. Capital expenditure saw persistent growth, but it was below budgeted levels, reflecting constraints in infrastructure investment. Subsidies increased sharply, mainly due to food, fisheries and agriculture subsidies. As a result, the State was not able to arrest the revenue and fiscal deficit as well as outstanding liabilities within the target levels of the Meghalaya FRBM Act, thereby rendering little room for fiscal consolidation. The State also had outstanding Off budget borrowings and contingent liabilities through guarantees. Besides, the State Government also carried forward significant undischarged liabilities in respect of National Mineral Exploration Trust (NMET), Guarantee Redemption Fund (GRF), interest liabilities, Consolidated Sinking Fund (CSF), *etc*., to the tune of ₹ 406.39 crore (1.82 *per cent* of Total Expenditure) in the FY 2024-25.

Audit through its various reports have already highlighted the increased efforts to be taken by the State in realising the arrears in Tax Revenue, reducing the compliance risks in the taxations, recycling the Capital Investments made in the SPSEs and rationalising the expenditure in tune with revenue growth.

The fiscal year also continued to witness large scale Savings and Excess in Revenue/ Capital, charged and voted sections of 66 grants. Excess expenditure in financial year 2024-25 requires regularisation by legislature. Concerns also arise from delays in submission of utilisation certificates, some of which are from 2012-13, pending accounts for autonomous bodies, and substantial use of Minor Head 800-Other Receipts/ Expenditure affecting transparency and reliability of financial reporting. Resorting to off-budget borrowings has contributed to lack of revenue universality and unity in the budget. Funds, *viz*., Meghalaya State Electricity Regulatory Commission (MSERC) were kept outside Consolidated Government Accounts which violates the provisions of Article 266 of the Constitution of India.

The report notes positive steps like implementation of Single Nodal Agency (SNA) and SNA-SPARSH for better fund tracking in Centrally Sponsored Schemes. However, full migration to these systems was pending.

The increasing debt load, high committed expenditure, and dropping Revenue Receipts raise concerns about fiscal sustainability. There's a need for revenue augmentation, better expenditure control, and structural reforms to ensure long-term fiscal health. Transparency should be enhanced in off-budget borrowings, ensuring timely accounting and reporting. Steps should be taken for more judicious budget provisioning.