CHAPTER-I

OVERVIEW

1.1 Profile of the State

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

The State is spread over a geographical area of 22,429 sq.km. (0.68 *per cent* of the country's total geographical area) and is home to around 29.67 lakh persons (0.25 *per cent* of the population of the country) as per Census 2011.

Table 1.1 and **1.2** present the general and financial data of the State, all India and the North Eastern and Himalayan States (NE & HS) respectively.

Table 1.1: General data of the State in comparison with all India figures

Sl. No.	Particulars	Meghalaya	All India
1.	Area in sq km.	22,429	32,87,240
2.	Population in lakh (As per Census 2011)	29.67	12,108.55
3.	Density of Population (Census 2011) (persons per sq km)	132	382
4.	Population below poverty line	12.20%	21.90%
5.	Literacy (Census 2011)	74.40%	73.00%
6.	Infant Mortality (per 1000 live births)	33	33
7.	Gross State Domestic Product (GSDP)/ Gross Domestic Product (GDP) 2019-20 at current prices (₹ in crore)	36,572	2,03,39,849
8.	GSDP CAGR (2011-12 to 2019-20)	7.89	11.14
9.	Per capita GSDP (2019-20)	1,02,672	1,51,677

Source: (1) For GSDP & GDP, the information as released by Ministry of Statistics and Programme Implementation, Government of India on its website as on 31 July 2020.

Table 1.2: Financial data of the State in comparison with 'North Eastern and Himalayan States'

B. Financial Data (Compound Annual Growth Rate)		Figures (in *per cent*)		
Particulars		2010-11 to 2018-19		2018-19 to 2019-20
		NE & HS	Meghalaya	NE & HS	Meghalaya
(a)	Revenue Receipts	12.26	10.86	-9.88	-3.14
(b)	Own Tax Revenue	13.29	15.37	-8.10	5.47
(c)	Non-Tax Revenue	13.92	4.47	-19.72	23.94
(d)	Total Expenditure	12.56	12.36	-6.05	-10.32
(e)	Capital Expenditure	11.41	11.94	-15.60	-33.70
(f)	Revenue Expenditure on General Education	12.75	13.84	-8.16	-2.28
(g)	Revenue Expenditure on Health & Family Welfare	15.50	17.74	-4.96	-20.17
(h)	Salaries and Wages	12.05	10.47	-7.07	2.58
(i)	Pension	16.56	16.33	3.05	12.60

The average compound annual growth rate in respect of GSDP for Meghalaya between 2011-12 and 2019-20 was 7.89 *per cent* which was lower than the all India average

(11.14 *per cent*). The per capita income of the State at current prices was ₹ 1,02,672 during 2019-20, which was lower than the all India average of ₹ 1,51,677.

1.2 Basis and Approach to State Finances Audit Report

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

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

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

• Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

• Results of audit carried out by the Office of the Accountant General (Audit);

• Other data with Departmental Authorities and Treasuries (accounting as well as MIS),

• GSDP data and other State related statistics; and

• Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. The draft Report is forwarded to the State Government for comments and replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.

Chapter - II	**Finances of the State** This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	**Budgetary Management** This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	**Quality of Accounts & Financial Reporting Practices** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter V	**Functioning of the State Public Sector Enterprises (PSEs)** This Chapter presents the financial performance of 'Government Companies', 'Statutory Corporations' and 'Government Controlled Other Companies'.

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

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

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

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

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

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

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

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

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

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

The **capital receipts** consist of:

•   **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

•   **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

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

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

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally "salary" object head is revenue expenditure, "construction" object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.1 present the structure of Government Accounts.

Chart 1.1: Structure of Government Accounts
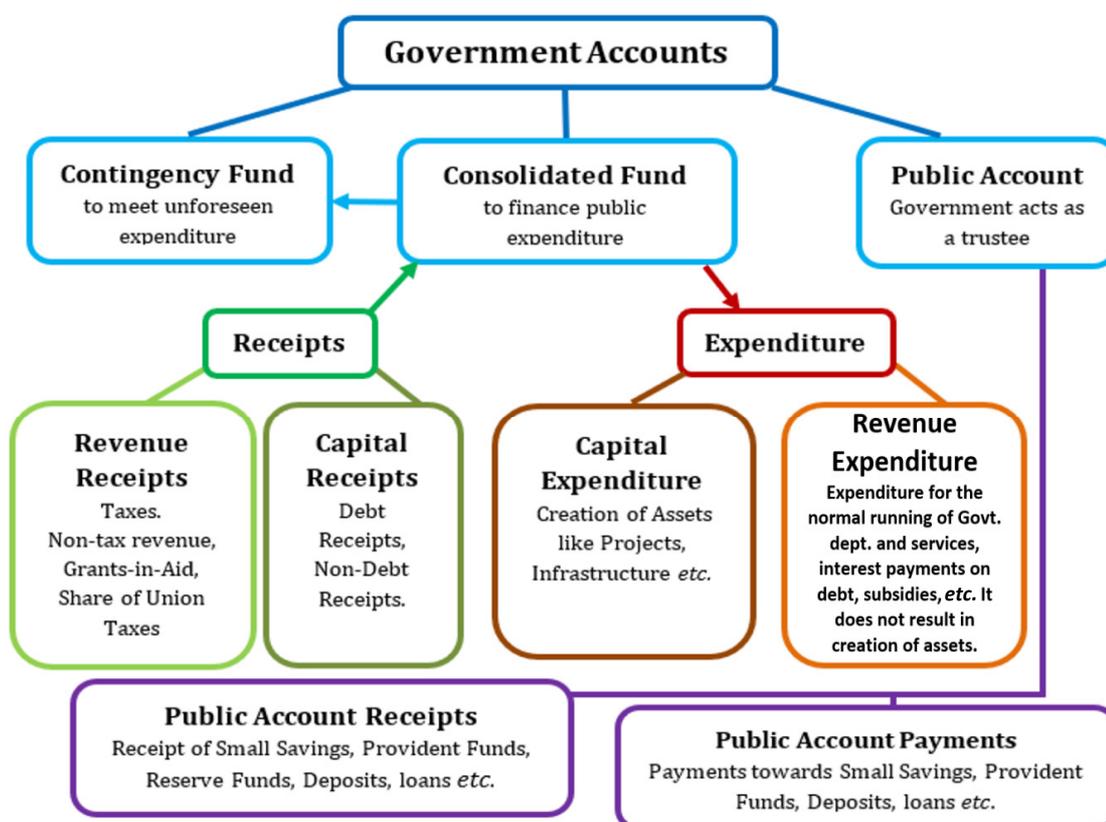
Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget, Outcome budget, *etc.*

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1   Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. **Table 1.3** presents trends in annual growth of India's GDP *vis-à-vis* State's GSDP at current prices.

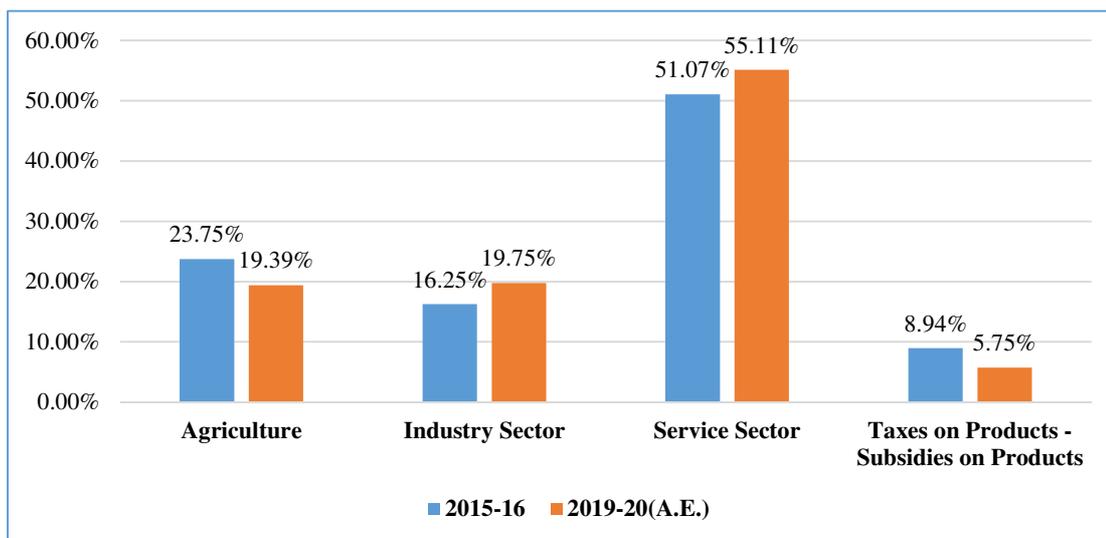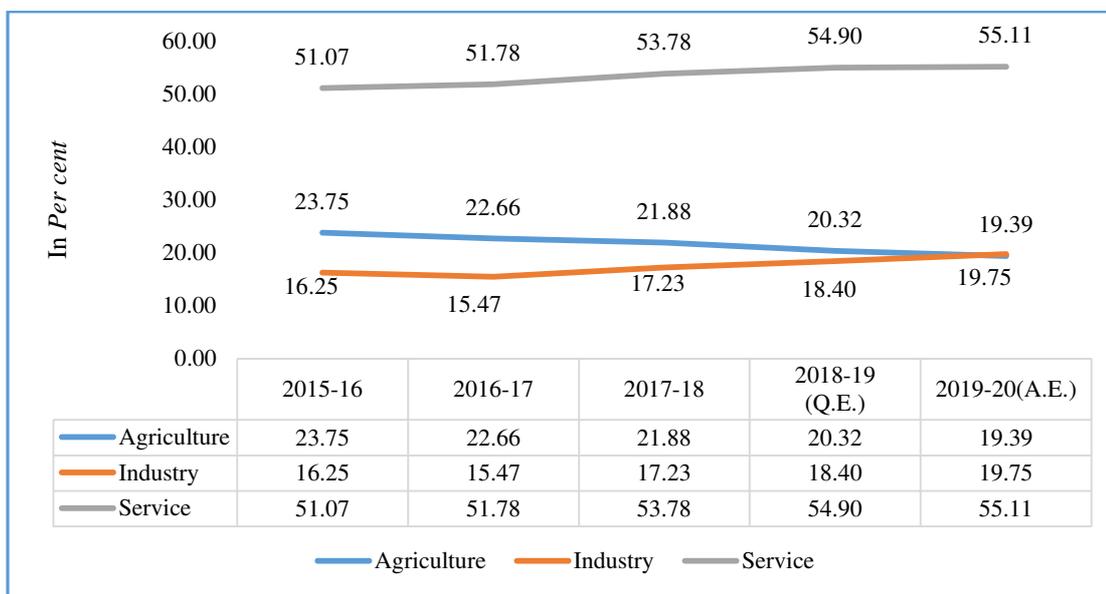**Table 1.3: Trends in GSDP compared to the national GDP**

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP (2011-12 Series)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year (in *per cent*)	10.40	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	25,117	27,439	29,508	33,481	36,572
Growth rate of GSDP over previous year (in *per cent*)	8.10	9.24	7.54	13.46	9.23

Source of data: Department of Economics and Statistics, Government of Meghalaya and Ministry of Statistics and Programme Implementation, Government of India's website.

The GSDP at current prices increased from ₹ 33,481 crore in 2018-19 to ₹ 36,572 crore in 2019-20, representing an increase of 9.23 *per cent.* The growth of GSDP during 2019-20 was lower, being 9.23 *per cent,* as against the assessment of XIV Finance Commission (FC) (12.22 *per cent*). However, in comparison to the national GDP growth rate (7.21 *per cent*), the growth rate of GSDP of Meghalaya (9.23 *per cent*) was higher, as compared to the previous year.

Changes in sectoral headings in GSDP

Changes in sectoral contribution to the GSDP are indication of the changing structure of the economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. **Charts 1.2 and 1.3** present a sectoral analysis of GSDP of the state of Meghalaya.

Chart 1.2: Change in sectoral contribution to GSDP (2015-16 and 2019-20)

Chart 1.3: Sectoral growth in GSDP

	2015-16	2016-17	2017-18	2018-19 (Q.E.)	2019-20(A.E.)
Agriculture	23.75	22.66	21.88	20.32	19.39
Industry	16.25	15.47	17.23	18.40	19.75
Service	51.07	51.78	53.78	54.90	55.11

As seen from the GSDP composition in **Charts 1.2** and **1.3** above, the main driver of the state GSDP is the Service sector, with more than half of the GSDP being generated from this sector. The growth rate of the sector, however has almost plateaued during the last five years since the contribution from this sector has grown only by 4.04 *per cent*. On the other hand, the share of Agriculture sector, which was only about one-fourth of the total GSDP during 2015-16 has further shrunk to 19.39 *per cent* in 2019-20. The Industry sector contributed 19.75 *per cent* to the GSDP in 2019-20, which increased from 16.25 *per cent* in 2015-16.

The overall sectoral composition of the State GSDP has not shown any major change in the five-year period from 2015-16 to 2019-20, except that the Agriculture's share in the GSDP has declined sharply.

The steep decline in the share of Agriculture sector in GSDP is an area of concern as agriculture and horticulture are important economic activities for the primary sector of the State's economy.

1.4.2 Snapshot of Finances

The budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviation from the Budget Estimates (BE)/ Revised Budget Estimates (RE) indicates non-attainment of the desired fiscal objectives. **Table 1.4** presents the details of actual financial results *vis-a-vis* RE for the year 2019-20 *vis-a-vis* actual of 2018-19.

Table 1.4: Variation in RE vis-à-vis Actuals

(₹ in crore)

| Sl. No.	Components	2018-19 (Actual)	2019-20 (RE)	2019-20 (Actuals)	Percentage of Actual to R.E.	Percentage of Actuals to GSDP
1	Tax Revenue	1793.24	2089.80	1891.25	-9.50	5.17
2	Non-Tax Revenue	427.70	600.57	530.11	-11.73	1.45
3	Share of Union taxes/duties	4889.07	5422.37	4211.78	-22.33	11.52
4	Grants-in-aid and Contributions	2608.61	6325.22	2780.38	-56.04	7.60
5	**Revenue Receipts (1+2+3+4)**	**9718.62**	**14437.96**	**9413.52**	**-34.80**	25.74
6	Recovery of Loans and Advances	18.01	24.94	31.32	25.58	0.09
7	Other Receipts	NIL	Nil	NIL	Nil	Nil
8	Borrowings and other Liabilities (a)	1324.69	1736.65	1496.02	-13.86	4.09
9	**Capital Receipts (6+7+8)**	**1342.70**	**1761.59**	**1527.34**	**-13.30**	4.18
10	**Total Receipts (5+9)**	**11061.32**	**16199.55**	**10940.86**	**-32.46**	29.92
11	**Revenue Expenditure**	**10255.94**	**13699.48**	**9565.12**	**-30.18**	26.15
12	Interest payments	656.81	746.16	758.51	1.66	2.07
13	**Capital Expenditure**	**1506.77**	**2086.26**	**983.49**	**-52.86**	2.69
14	Capital outlay	1417.28	2030.30	939.71	-53.72	2.57
15	Loan and advances	89.49	55.96	43.78	-21.77	0.12
16	**Total Expenditure (11+13)**	**11762.71**	**15785.74**	**10548.61**	**-33.18**	28.84
17	**Revenue Deficit (5-11)**	**-537.32**	**738.48**	**-151.60**	**-120.53**	**-0.41**
18	**Fiscal Deficit {16-(5+6+7)}**	**-2026.08**	**-1322.84**	**-1103.77**	**-16.56**	**-3.02**
19	**Primary Deficit (18-12)**	**-1369.27**	**-576.68**	**-1862.28**	**-222.93**	**-5.09**

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

From the above table, the following were noticed:

➢ Though a revenue surplus of ₹ 738.48 crore was estimated in the revised budget estimates of 2019-20, the actual figures depict revenue deficit of ₹ 151.60 crore. One of the key factors for revenue deficit is the shortfall in revenue receipts. The actual revenue receipts were ₹ 9413.52 crore as against the RE of ₹ 14437.96 crore resulting in a shortfall of 35 *per cent* over the estimates. The total receipts of the State (₹ 10940.86 crore), including capital receipts fell short by 32.46 *per cent* as against the RE of (₹ 16199.55 crore). Further, though tax revenue (₹ 1891.25 crore) and non-tax revenue (₹ 530.11 crore) in 2019-20 increased over the previous year by ₹ 98.01 crore and ₹ 104.41 crore, the Share of Union taxes/ duties (₹ 4211.78 crore) fell short over the previous year figure of ₹ 4889.07 crore by ₹ 677.92 crore. Similarly, while the RE projected ₹ 6325.22 crore as receipts from Grants-in-aid and other Contributions from the Centre, the actual receipts fell short by a whopping 56 *per cent* (₹ 3544.84 crore).

➢ The revenue expenditure of the State Government during 2019-20 also fell short of the revised budget estimate by 30.18 *per cent* (₹ 4134.36 crore) and also declined by 6.74 *per cent* (₹ 690.82 crore) over the previous year.

➢ Similarly, capital outlay *vis-à-vis* revised budget estimate was less by 53.72 *per cent* (₹ 1090.59 crore) and actual expenditure in 2019-20 was less by ₹ 477.57 crore over the previous year (₹ 939.71 crore).

➢ Due to compressed revenue expenditure, revenue deficit decreased compared with the revised budget estimate by ₹ 890.08 crore.

Charts 1.4 depicts the trends in surplus/ deficit parameters during the five-year period 2015-20.

Chart 1.4: Trends in deficit parameters
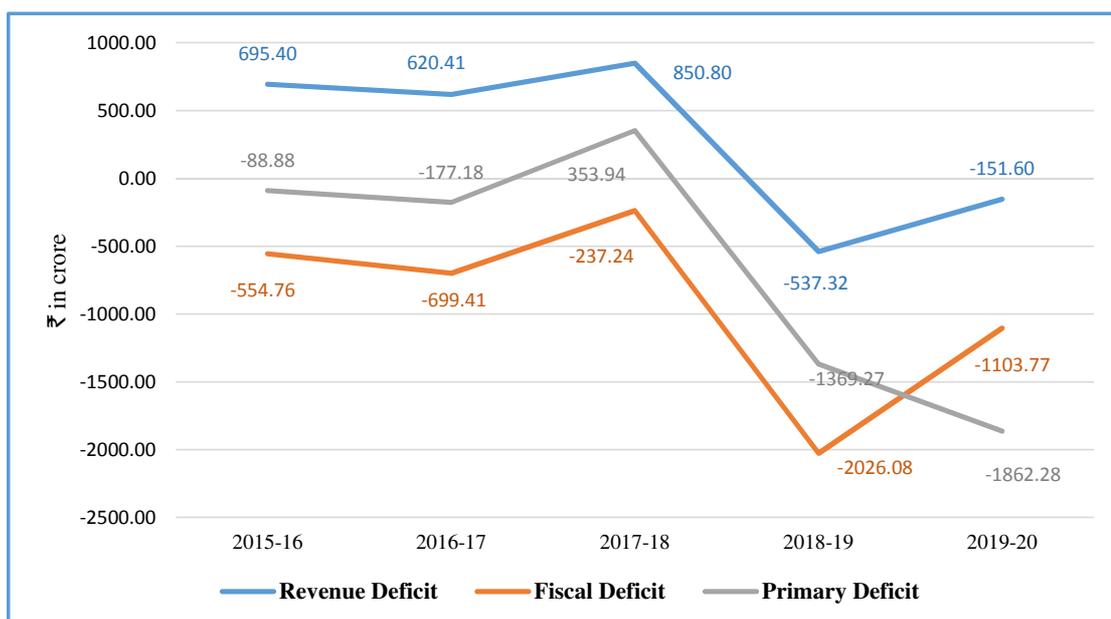
1.4.3 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.5** present the summarised position of assets and liabilities.

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

	Liabilities				Assets		
		2018-19	2019-20	*Per cent increase*		2018-19	2019-20	*Per cent increase*
Consolidated Fund								
A	Internal Debt	7214.29	8301.30	15	A	Gross Capital Outlay	14036.78	14976.49	7
	Market loans	*5962.04*	*7032.50*			*Investment in shares of Companies, etc*	*2638.43*	*2648.49*	
	Loans from other institutions	*1252.25*	*1268.80*			*Other Capital Outlay*	*11398.35*	*12328.00*	
B	Loans and Advances from GoI	116.27	106.57	-8	B	Loans and Advances	854.29	866.76	1
Contingency Fund		**305.00**	**303.04**	-1			**305.00**	**305.00**	-
Public Account								
A	Small Savings, Provident Funds, *etc.*	1710.89	1914.42	12	A	Advances	1.81	1.81	-
B	Deposits	1565.90	1005.00	-36	B	Remittance	-	-	-
C	Reserve Funds	382.46	630.89	65	C	Suspense and Miscellaneous	59.65	65.45	10
D	Remittances	105.31	97.64	-7		**Cash balance (including investment in Earmarked Fund)**	**1180.70**	**1029.88**	-13
	Total	**3764.56**	**3647.95**	-3		**Total**	**1242.16**	**1097.14**	-12
						Deficit in Revenue Account	**5038.11**	**4886.53**	-
	Total	**11400.12**	**12358.86**	5		**Total**	**11400.12**	**12358.86**	5

Charts 1.5 depicts the trends in fiscal liabilities and GSDP during the five-year period 2015-20.

Chart 1.5: Trends in Fiscal Liabilities and GSDP
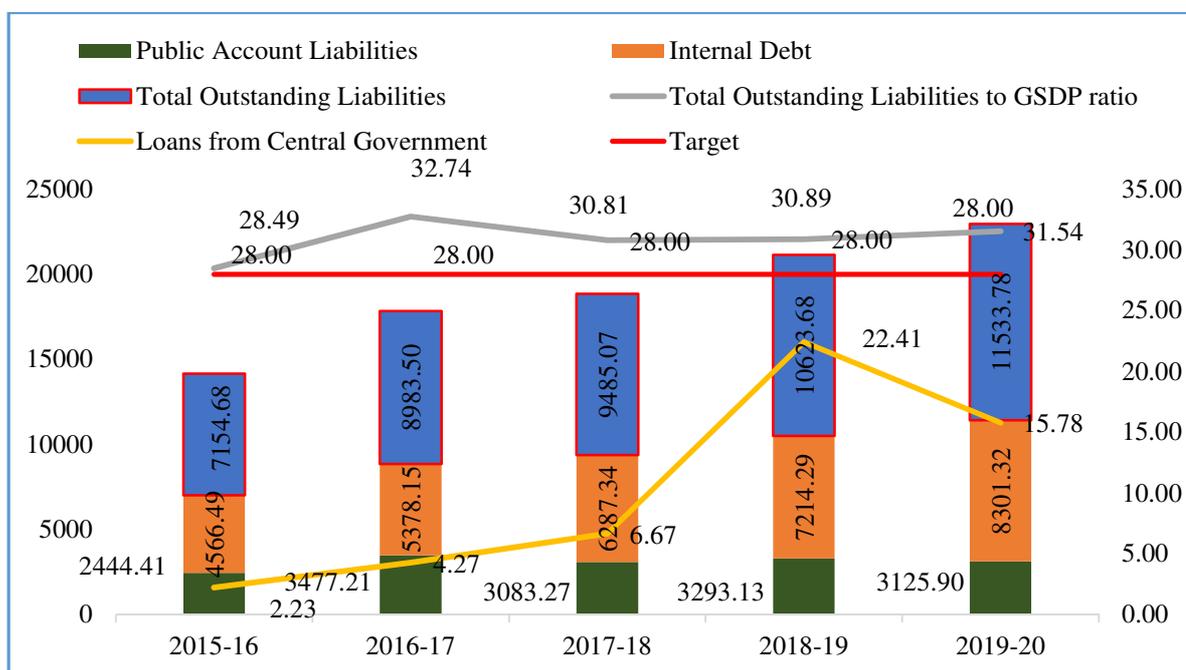
Outstanding liabilities of the State increased from ₹ 7154.68 crore as on 31 March 2016 to ₹ 11533.78 crore as on 31 March 2020. Compared to previous year, the outstanding liabilities at the end of 2019-20 increased by 8.57 *per cent* (₹ 910.10 crore).

This was due to increase in market borrowings by ₹ 4030.88 crore (134.29 *per cent*) from ₹ 3001.62 crore as on 01 April 2015 to ₹ 7032.50 crore as on 31 March 2020. GoI loans during the same period had, however, decreased by ₹ 54.82 crore (33.97 *per cent*) from ₹ 161.39 crore as on 01 April 2015 to ₹ 106.57 crore as on 31 March 2020.

1.5	**Fiscal Balance: Achievement of deficit and total debt targets**

The Central and State Governments have passed Fiscal Responsibility and Budget Management Acts (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the state with regard to deficit measures and debt level.

In accordance with the recommendations of XII FC, Government of Meghalaya (GoM) has enacted the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006. In accordance with the recommendations of the XIV FC, the MFRBM Act was amended by the State Government and came into force from 29 September 2015. The amended MFRBM Act laid down the following fiscal targets.

(a)   To ensure Revenue Surplus during the award period 2015-16 to 2019-20;

(b)   (i) to maintain fiscal deficit at an annual limit of three *per cent* of GSDP during the award period 2015-16 to 2019-20;

(ii) provide for flexible limit of 0.25 *per cent* over and above the three *per cent* of GSDP for any given fiscal year to which its fiscal deficit is to be fixed if its debt-GSDP ratio is less than or equal to 25.00 *per cent* of the preceding year; and

(iii) be further eligible for additional 0.25 *per cent* of the GSDP in a year for which the borrowing limits will be fixed if the interest payments are less than or equal to 10.00 *per cent* of the revenue receipts in the preceding year.

(c)   The government shall notify a Medium Term Fiscal Plan (MTFP) with three years rolling targets, giving details of all significant items of receipts and expenditure along with underlying assumptions made for projection purpose. The State Government did not notify the MTFP for the year 2019-20 and hence, the variation between the actuals *vis-à-vis* the projection in MTFP for the year 2019-20 could not be carried out.

The performance of the State during the period 2015-16 to 2019-20 in terms of key fiscal targets set for selected parameters laid down in the MFRBM Act, 2006, and as amended in 2015 *vis-à-vis* achievements are given in **Table 1.6**.

Table 1.6: Compliance with provisions of MFRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	+695.40	+602.41	+850.80	-537.32	-151.60
		✓	✓	✓	✗	✗
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	Three *per cent* (2015-16 to 2018-19) 3.25[1] *per cent* (2019-20)	-554.76 (-2.21)	-699.41 (-2.55)	-237.24 (-0.80)	-2026.08 (-6.05)	-1103.77 (-3.02)
		✓	✓	✓	✗	✓
Ratio of total outstanding debt to GSDP (in *per cent*)	28.00 *per cent*	28.49	32.74	32.14	31.73	31.54
		✗	✗	✗	✗	✗

The State became Revenue Deficit during 2018-19 and 2019-20 from a Revenue Surplus State due to decrease in revenue receipts.

The Fiscal Deficit was below three *per cent* of GSDP in three out of four years during 2015-16 to 2018-19. It was 3.02 *per cent* in 2019-20 which was below the fiscal target of 3.25 *per cent* set in the MFRBM Act, 2006.

During the five-year period, the State was unable to maintain the outstanding debt below 28.00 *per cent* of GSDP (norms prescribed in the MFRBM Act, 2006).

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[1]   Interest payments/Revenue Receipts= ₹ 758.51/9718.62 = 7.80 *per cent* (Table 2.19).

1.6   Conclusions

Gross State Domestic Product (GSDP) of Meghalaya during 2019-20 was ₹ 36,572 crore and had increased by ₹ 3091 crore (nine *per cent*) over the previous year . Service sector was the main driver of the State GSDP with more than half the share. The overall sectoral composition of the State GSDP for the period 2015-20, did not show any major changes, except that the Agriculture's share in the GSDP declined sharply from 23.75 *per cent* to 19.39 *per cent.*

The State's Revenue Receipt (₹ 9413.52 crore) as well as the Revenue Expenditure (₹ 9565.12 crore) fell short of the revised budget estimate by ₹ 5024 crore (35 *per cent*) and ₹ 4134 crore (30 *per cent*) respectively.

Though the State Government had planned for a Revenue Surplus of ₹ 738 crore as per forecast in the revised budget estimates, they ended with a revenue deficit of ₹ 152 crore at the end of the financial year. The fiscal deficit (₹ 1104 crore) was lower than the assessment made in the revised budget estimate by ₹ 219 crore (17 *per cent*) while the primary deficit (₹1862 crore) was higher than the assessment made in the revised budget estimate by ₹ 1286 crore (223 *per cent*).

The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in three out of the last five years, however, during the current year it remained around three *per cent.*

1.7   Recommendations

➢ *The main driver of the State GSDP is the Service Sector, which accounts for more than half of the GSDP. The rate of growth of this Sector has however stagnated over the last five years. As tourism is one of the important service sectors in the State of Meghalaya, the State Government should take steps to create infrastructure for tourism development and also act as a facilitator for private investment in the sector which will help in promoting economic growth of the State.*

➢ *The State should also increase its outlay under Agriculture Sector so as to boost agriculture activities and overcome the declining trend in its share to GSDP.*

➢ *Though the magnitude of Revenue Deficit and Fiscal Deficit has come down during 2019 as compared to the previous year, earnest efforts are required to further increase State's own revenue receipts and increase developmental expenditure.*

➢ *The State needs to augment its resources and spend more on creation of capital assets.*