

**EVALUATION OF FINANCES OF STATE
OF MEGHALAYA**

**SUBMITTED TO
SIXTEENTH FINANCE COMMISSION**



भारतीय प्रबंध संस्थान शिलाँग
Indian Institute of Management Shillong

Dr Mousumi Bhattacharya

Dr Amit Prakash Jha

Dr Subhadip Mukherjee

Dr Varnita Srivastava

**INDIAN INSTITUTE OF MANAGEMENT
SHILLONG
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EXECUTIVE SUMMARY

1. Introduction

Meghalaya, nestled between Assam to the north and east and Bangladesh to the south and west, is renowned for receiving the highest annual rainfall in India, averaging 1,150 cm. The state's varied soil types, including red loamy and laterite soils, support a wide range of agricultural crops such as rice, maize, pulses, oilseeds, cotton, jute, potatoes and mesta. Additionally, Meghalaya has successfully introduced non-traditional crops like tea, cashew nuts, oilseeds, tomatoes, mushrooms, and wheat.

The formation of Meghalaya as an autonomous State on April 2, 1970, followed by its recognition as a full-fledged State on January 21, 1972, marked a significant milestone in the geopolitical history of Northeast India. These events symbolized the success of peaceful democratic negotiations, fostering mutual understanding, and overcoming violence and political strife.

Meghalaya, located in the northeastern part of India, stretches about 300 kilometers in length and 100 kilometers in width. It is bordered to the north by the districts of Goalpara, Kamrup, and Nowgong in Assam, to the east by Assam's Karbi Anglong and North Cachar Hills districts, and to the south and west by Bangladesh.

Shillong, the state's capital, sits at an elevation of 1,496 meters above sea level. Originally established as the capital of Assam in 1874, Shillong remained the capital until Meghalaya became a separate state in January 1972. The city's name is derived from "Shillong", which refers to a local deity symbolizing creation.

The climate in Meghalaya is largely influenced by its varied altitude, with the state experiencing the full range of monsoon weather. The Khasi and Jaintia Hills enjoy a temperate climate, with summers neither too hot nor winters too cold. In contrast, the Garo Hills' plains are warm and humid for most of the year, except during winter. The sky in Meghalaya is often cloud-covered, a characteristic feature of its weather.

Meghalaya is divided into 12 districts and 46 blocks. It is predominantly inhabited by tribal communities, which make up 86.1 percent of its population. With a population density of just 132 people per square kilometer, the state is one of the least densely populated in India, well below the national average of 382 people per square kilometer.

2. Revenue Capacities

The revenue receipts of Meghalaya are composed of tax and non-tax revenue generated by the state government, grants-in-aid from the central government, and the state's share of net proceeds from divisible union taxes and duties. The state has a relatively weak revenue base, with state-generated revenue accounting for less than a quarter of the total receipts. From 2012-13 to 2023-24, the state's revenue has generally increased, with the exception of 2019-20, when there was a significant drop due to a reduction in the share of net proceeds from divisible union taxes and duties. Central government transfers have steadily risen over the years, with the same exception in 2019-20. Except for the years 2018-19, 2019-20, 2020-21, and 2022-23, the state government recorded revenue surpluses throughout the study period.

In terms of the state's own revenue generation, it consistently accounted for around 20 percent of total revenue in the first half of the period under review, except for 2012-13 and 2013-14, when it reached 24 percent. In the latter half of the period, the state's share peaked in 2019-20 before declining to 18 percent in 2023-24. This decline in 2019-20 can be attributed to the reduction in central government transfers.

The impact of the recommendations from the Fourteenth Finance Commission can be clearly seen in the shift in the composition of central transfers to Meghalaya. Notably, in 2015-16, the share of grants-in-aid significantly decreased from the average of 40 percent seen during the earlier years of the study period.

Meghalaya's own tax revenue comes from a variety of sources, including taxes on professions, land revenue, motor vehicles, goods and passengers, sales and trade, state excise, stamps and registration, entertainment (including betting), and duties on electricity, among others. One key revenue stream, taxes on sales and trade, grew from 23.14 percent of total tax revenue in 2012-13 to 33.07 percent in 2023-24, despite experiencing notable declines in 2017-18, 2018-19, 2019-20, and 2022-23. Similarly, state excise revenue rose from 16.34 percent in 2012-13 to 19.12 percent in 2023-24, although it saw a sharp decline in 2021-22. Land revenue exhibited a mixed performance during the study period, initially growing by an impressive 530 percent in 2012-13, then stabilizing with a growth rate of 19.23 percent in 2023-24. The performance of stamps and registration revenue fluctuated between 13.18 percent in 2012-13 and 15.33 percent in 2023-24, with some years showing negative growth.

The growth rate of the state's three major non-tax revenue categories—general services, social services, and economic services—has generally been positive, though negative growth was observed in certain years. The primary source of non-tax revenue comes from economic services, which include forestry and wildlife, non-ferrous mining and metallurgy, crop husbandry, and animal husbandry. General services, such as interest receipts, also contribute significantly to non-tax revenue. Historically, mining receipts, generated through royalties from minerals, were the largest source of non-tax revenue for the state. However, this source sharply declined in 2014-15 and 2015-16, primarily due to a ban on mining in the state. Despite this, the growth rate of economic services saw substantial increases, from 33.95 percent in 2012-13 to 69.80 percent in 2023-24. Meanwhile, social services experienced a sharp rise in growth, increasing from zero in 2012-13 to 34 percent in 2023-24. The growth rate of general services has remained low from 48 percent in 2012-13 to 41 percent in 2023-24. This low growth rate is due to certain strong negative performance trend in the years 2013-14, 2014-15, 2017-18, 2020-21 and 2022-23.

The Goods and Services Tax (GST) was introduced across India, including in Meghalaya, on July 1, 2017. Since its implementation, revenue collection under the State Goods and Services Tax (SGST) has shown a positive trend. SGST collections surged by 101 percent in 2018-19 compared to the previous year. However, growth slowed in 2019-20, with SGST collections increasing by only 18 percent over 2018-19. The upward trajectory resumed in 2021-22, with collections rising by 35.81 percent compared to the previous year. By 2022-23, SGST revenue had reached Rs. 1,477.03 crore, contributing 55.72 percent of the state's own tax revenue.

Several tax categories, including stamps and duties, state excise, motor vehicle taxes, taxes on goods and passengers, and SGST, have demonstrated significant buoyancy, meaning they have grown in line with economic activity. However, taxes such as entertainment tax (including taxes on betting), duties on electricity, taxes on sales and trade, and land revenue have not shown comparable buoyancy relative to economic growth. Additionally, the state has exhibited a low tax effort index in these areas. In terms of non-tax revenue, various government services have not shown significant buoyancy, indicating that the state has made limited efforts to rationalize these services in response to changing economic conditions and evolving consumption patterns among the population.

3. Public Expenditure

The total expenditure of Meghalaya is categorized into revenue expenditure and capital expenditure. Capital expenditure includes outlays for asset creation, loans and advances made to various parties, and the repayment of loans obtained. The ratio of total expenditure to Gross State Domestic Product (GSDP) has increased significantly, from 29.26 percent in 2012-13 to 52.19 percent in 2023-24. However, a

substantial portion of the total expenditure has been directed towards covering the state's revenue expenditure.

Revenue expenditure is divided into three major categories: general services, social services, and economic services. Over the period, total expenditure has grown at an annual rate of 12.6 percent, with year-on-year growth fluctuating from a low of 12 percent in 2012-13 to a high of 35.67 percent in 2023-24. The share of development expenditure in total expenditure has declined, from 72.3 percent in 2012-13 to 51.38 percent in 2023-24. In contrast, non-development expenditure has increased, rising from 27.7 percent in 2012-13 to 48.62 percent in 2023-24. Development expenditure refers to government spending aimed at fostering economic growth by increasing production and real income.

The functional composition of total expenditure includes spending on general services (including interest payments), social services (such as education, health, housing, urban development, and welfare of SC/ST communities), and economic services (such as agriculture, animal husbandry, forestry, rural development, and energy). Additionally, expenditure includes repayment of public debt and loans and advances.

Development expenditure, which covers both social and economic services, recorded a compounded annual growth rate (CAGR) of 7.64 percent from 2012-13 to 2023-24. Social services have seen a CAGR of 8.07 percent during the same period, with this sector becoming the primary driver of development expenditure growth after 2018-19. Economic services, on the other hand, registered a CAGR of 7.17 percent over the same period. Repayment of public debt has grown at a robust rate of around 35 percent annually from 2012-13 to 2023-24. Finally, loans and advances have also seen a steady growth rate, with a CAGR of over 5 percent during the twelve-year period under review.

On average, committed expenditure in Meghalaya grew at a compound annual growth rate (CAGR) of 8.26 percent, increasing from Rs. 3,399.11 crore in 2012-13 to Rs. 8,813.35 crore in 2023-24. The share of committed expenditure in total revenue expenditure has been declining since 2019-20, reflecting an improvement in the state's fiscal sustainability. This trend indicates that the state government has strengthened its capacity to meet expenditure obligations, enhancing its ability to deliver essential services for the socio-economic development of the population.

4. Status of Public Sector Undertakings

State Public Sector Undertakings' (SPSUs) refers to entities owned by the state government, either established under the Companies Act, 2013 or formed as statutory corporations through legislative acts. As of March 31, 2022, Meghalaya had 21 SPSUs, two of which were non-operational. The primary investors in these Public Sector Undertakings (PSUs) include the Government of Meghalaya, the Government of India, and other external stakeholders. The total investment in Meghalaya's PSUs as of March 31, 2022, amounted to Rs. 8,140.81 crore, with 60.64 percent (Rs. 4,936.40 crore) in equity capital and 39.36 percent (Rs. 3,204.41 crore) in long-term loans. This represents a 20.40 percent increase from Rs. 6,761.44 crore in 2017-18 to Rs. 8,140.81 crore in 2021-22.

Between 2019-20 and 2021-22, investments in SPSUs rose by Rs. 1,328.24 crore, from Rs. 6,812.57 crore to Rs. 8,140.81 crore. A significant portion of this growth was driven by a Rs. 1,154.01 crore increase in equity capital and long-term borrowings by the Meghalaya Power Distribution Corporation Limited (MePDCL). The rise in MePDCL's borrowings was largely due to an additional Rs. 1,101.36 crore in loans, split between the Power Finance Corporation Limited and the Rural Electrification Corporation Limited for the Atmanirbhar Bharat Abhiyan. These borrowings were allocated across two fiscal years: Rs. 672.86 crore in 2020-21 and Rs. 428.50 crore in 2021-22.

The data shows that over 90 percent of the total investment in SPSUs was concentrated in the power sector. In the fiscal year 2021-22, the combined investment from the State Government and other

entities in the power sector amounted to Rs. 7,477.80 crore, while investments in the manufacturing and infrastructure sectors were much lower - Rs. 347.36 crore and Rs. 177.84 crore, respectively. The increase in power sector investments was largely driven by long-term loans, totalling Rs. 1,010.24 crore, obtained by four power sector companies. In contrast, the increase in the manufacturing and infrastructure sectors was relatively modest, with an additional Rs. 64.36 crore, primarily in the form of equity investments of Rs. 52.61 crore in three SPSUs. A concerning trend is the decline in investment in the service sector, which fell to just 1.46 percent of total SPSU investments in 2021-22. This is particularly troubling given that the service sector is a major contributor to Meghalaya's Gross State Domestic Product (GSDP), accounting for 55.53 percent of it in 2021-22. To sustain economic growth, the government needs to explore strategies to attract more investment into the service sector.

The overall losses of operational State Public Sector Undertakings (SPSUs) in Meghalaya have been steadily increasing over the five-year period from 2017-18 to 2021-22. The majority of these losses have been concentrated in the power sector SPSUs. In 2020-21, power sector SPSUs accounted for 93.55 percent (Rs. 518.58 crore) of the total losses, while in 2021-22, this share slightly decreased to 93.45 percent (Rs. 676.15 crore).

To support SPSUs in securing financial assistance from banks and other financial institutions, the Government of Meghalaya provides loan guarantees within prescribed limits. Between 2019-20 and 2021-22, the state government committed guarantees totalling Rs. 1,688.82 crore for loans raised by three SPSUs from various banks and financial institutions. These guarantees could become liabilities for the state if the borrowing SPSUs—each of which is loss-making with substantial accumulated losses—fail to repay their loans.

5. Analysis of fiscal imbalance, FRBM Act, 2003 and designing a sustainable roadmap

The state of Meghalaya come under special category status and thus entitled to receive additional central fiscal transfer arrangements in terms of higher per capita grants in comparison to other non-special category states. Therefore, the state is in a comfortable position of revenue surplus for almost all the years over the time period from 2012-13 to 2017-18 except 2018-19, 2019-20, 2020-21 and 2022-23. It is seen that the surplus in revenue account has been utilized to finance revenue expenditure.

However, the state has experienced growing fiscal deficit consistently for all the years over the time period from 2012-13 to 2023-24. The fiscal deficit for the year 2012-13 was Rs. 395.32 crores, which grew to Rs. 1848.61 crores in 2023-24. In terms of percentage of GSDP, fiscal deficit of the state grew from 1.80 percent in 2012-13 to 3.90 percent in 2023-24. During the time period, fiscal deficit grew to a maximum of 6.54 percent in the year, 2022-23. In terms of percentage of GSDP, primary deficit reached the maximum of 5.21 percent in 2020-21 but has remained considerably positive (i.e. primary surplus) in the last three years of 2017-18, 2018-19 and 2019-20.

The total outstanding liabilities of the state government of continuously increased with the average annual compound growth rate of 11.369 percent during the 12 years under study. The total outstanding liabilities as a percentage of GSDP increased from 22.67 percent in 2012-13 to 43.19 percent in 2022-23 with a slight downfall in 2023-24 (38.11 percent). The details of deposits and advances are available only for the last four years of the study.

As per the recommendations of the Fourteenth Finance Commission, fiscal deficit of states should be kept below 3.25 percent of GSDP. Further, as per the recommendations MFRBM Act (as amended on 29.09.2015), the state government of Meghalaya agreed to keep the fiscal deficit target below 3 percent of GSDP during the award period 2015-16 to 2019-20. The state government has succeeded in keeping up of its commitment towards MFRBM Act (as amended) as well as recommendations of the Fourteenth Finance Commission in the year 2016-17 by keeping the fiscal deficit well below 3 percent and during 2015-16, 2016-17, 2017-18 and 2019-20 except 2018-19 when the fiscal deficit was 6.05

percent of GSDP.

The fiscal policy for 2024-25 will continue to be guided by the recommendation of the 15th Finance Commission and the objectives of the FRBM Act, 2006 (Principal Act) i.e., to: (a) generate revenue surplus and reduce the fiscal deficit and also to build up adequate surplus for discharging the committed liabilities and for developmental expenditures; (b) pursue policies to raise tax and non-tax revenue with due emphasis on cost recovery and equity; (c) prioritize capital expenditure and (d) pursue an expenditure policy that would provide impetus for economic growth with social equity and improvement in poverty reduction and human welfare.

6. Transfers To Local Bodies

The Meghalaya State Finance Commission Act, 2012 requires the formation of the Meghalaya State Finance Commission every five years to assess the financial status of Traditional Bodies, Municipal Boards, and Autonomous District Councils (ADCs). This commission is responsible for recommending the distribution of revenue between the State and these entities. According to Section 3(1) of the Act, the State Government must establish the Meghalaya State Commission within one year of the Act's enactment and subsequently every five years to review the financial position of traditional bodies, municipalities, or municipal boards, regardless of the term used for ULBs in the State.

Although the Government of Meghalaya enacted the Act on March 30, 2012, and formulated the Meghalaya Finance Commission Rules, 2013 (notified in December 2013) as per Section 10 of the Act, the State Government has not yet constituted the State Finance Commission as of November 2023, thus depriving the Municipalities and Urban Local Bodies of their due share of the net proceeds of revenue from the GoM as well as the GoI.

Government of India has been transferring sizeable quantum of funds directly to the to the State Implementing Agencies/Beneficiaries for implementing various central schemes. Through Budget Circular 2022-23, the GoI issued the following instructions:

- (a) Central Sector Schemes (CS's) are all those schemes which entirely funded and implemented by the Central Agencies. However, in exceptional cases where the Department of Expenditure has given specific approval, such schemes may be allowed to be implemented through the State Implementing Agencies concerned. In such cases, the transfer of funds will be done directly to the implementing agencies and not through the State Treasuries.
- (b) Centrally Sponsored Scheme (CSS's) are schemes which are implemented by the State/UT Government with the sharing pattern as approved by the GoI. The central share for the schemes will be routed entirely through the State/UT treasuries as grants in aid under various object heads, except in the case of Direct Benefit Transfers where the functional heads could be used.

Analysis reveals that there is 7.09 percent decline in direct fund transfers by the GoI, decreasing from Rs. 2,192.25 crore in 2021-22 to Rs. 2,036.90 crore in 2022-23. The fund directly transferred during 2022-23 comprised Rs. 1,815.06 crore for Centrally Sponsored Schemes (CSS) and Rs. 221.85 crore for Central Sector Scheme (CS). Out of total amount of Rs. 2,036.90 crore transferred directly to the State Implementing Agencies/Beneficiaries during 2022-23, 38.61 percent (Rs. 786.52 crore) was transferred directly to the beneficiaries through Direct Benefit Transfer (DBT) Mode.

The State Government has authorised Drawing and Disbursing Officers (DDOs) to open a zero balance current account in the State bank of India/United Bank of India (merged with Punjab National Bank) under the official designation of the DDOs to facilitate temporary parking of fund pertaining to payment/dues of Government employees before payment is actually made by account payee system to their respective bank accounts. The current account may also be operated by miscellaneous contingent expenditures where endorsement of bills / cheques to the concerned parties of payees is not immediately

feasible under normal rules. During 2022-23, test check of Appropriation Accounts of 2022-23 revealed that out of Rs.591.15 crore transferred to Bank Accounts of 127 DDOs, only Rs.463.12 crore was utilised by 88 DDOs during the year. As on 31 March 2023, amount of Rs.130.90 crore was lying unutilised in the bank accounts of 99 DDOs with balance ranging up to Rs. 37.67 crore. Cases more than Rs 1.00 crore was found lying unspent in the bank accounts of DDOs. Further, information from the remaining 1,064 DDOs is still awaited (November 2023). While the unspent balances have been officially recognised as expenditures from the Consolidated Fund of the State, they are still lying idle parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as correct to that extent.

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour, etc. The position of annual accounts of four of the autonomous bodies (Meghalaya Khadi and Village Industries Board, Meghalaya Building and Other Construction Workers Welfare Board, Meghalaya State Legal Services Authority, Special Purpose Vehicle Society) whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19 & 20 of DPC Act reveals that there have been outstanding annual accounts for all four of them. In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/Authorities and their accounting cannot be vouched. The Administrative Departments may take steps to clear the arrears in accounts of these bodies.

7. Conclusions and Recommendations

Meghalaya has limited industrialization compared to Assam and Tripura, which have seen significant investments in manufacturing, food processing, and oil refining. Lack of large-scale industries and dependence on small-scale and traditional businesses limit economic expansion. Environmental regulations and land acquisition challenges hinder industrial projects. Poor road connectivity, transport, and logistics infrastructure make trade and commerce less competitive. Meghalaya has not been able to attract significant private sector investments compared to states like Assam and Manipur. Unfavourable business environment, land laws, and regulatory bottlenecks discourage large-scale investment. The absence of major industrial clusters and SEZs reduces economic dynamism. Growth in sectors like IT, financial services, and modern retail has been slower than in states like Assam and Manipur. Tourism potential remains underutilized due to inadequate promotion and infrastructure gaps.

Meghalaya's rich natural beauty offers opportunities in eco-tourism, adventure tourism, and homestays. Better infrastructure (hotels, transport, digital connectivity) and marketing could boost tourism revenues significantly. Meghalaya has high-value crops like Lakadong turmeric, ginger, and oranges that can be leveraged for food processing industries. Investment in cold storage, logistics, and export-oriented agribusinesses can create jobs and increase economic output. Meghalaya has significant reserves of limestone, coal, and other minerals. A sustainable mining framework can balance environmental concerns with revenue generation. The state has a rich tradition of handicrafts, textiles, and bamboo-based industries that can be expanded for domestic and export markets. Setting up IT hubs and skill development centers can help Meghalaya integrate into India's digital economy. Meghalaya has immense potential for hydropower, solar energy, and biomass energy.

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Chapter 1

Introduction

1.1 Scope of the Study

This study, commissioned by the Sixteenth Finance Commission, assesses the public finances of Meghalaya as part of the “Evaluation of Finances of the State of Meghalaya”. It spans a twelve-year period from 2012-13 to 2023-24.

The study examines the state of Meghalaya, analyzing its overall finances over a 12-year period. It investigates whether Meghalaya’s fiscal situation has deteriorated over the years by examining fiscal imbalances, revenue, and expenditure performances. The analysis begins with a descriptive overview of the state’s fiscal situation, focusing on fiscal imbalances, revenue, and expenditure performance.

The study utilizes trend analysis, ratio analysis, growth rates, and period averages to examine trends in fiscal performance. Fiscal imbalance, typically measured by fiscal deficit in India, is defined as the total government expenditure minus all non-borrowed receipts. Most states in India finance their fiscal deficits through market borrowings, loans from the Centre, special securities to the NSSF, small savings loans from financial institutions, reserve funds, loans from the RBI, and other deposits and advances.

Another key area of study is the revenue deficit. Prudent fiscal management dictates that the government should not borrow funds to finance its current or revenue expenditure, aiming for a revenue deficit of zero. If the government relies on borrowing to finance its current or revenue expenditure, it becomes crucial to assess whether the level of debt is sustainable.

The study employs statistical tests where necessary and includes an assessment of Meghalaya’s fiscal position. It discusses evolving trends in the composition of revenue receipts, central transfers, and plan transfers. Additionally, the study examines Meghalaya’s own tax revenues and their growth performance, as well as changes in public expenditure, revenue expenditure, and capital expenditure, along with their structure and trends.

1.2 Demographic Features and Socio-Economic Characteristics

Meghalaya, known as “the abode of clouds,” is a gem in the heart of Northeast India. The state boasts vibrant cultures, lush landscapes, and a resilient, warm-hearted people. From the misty Khasi and Jaintia Hills to the verdant Garo Hills, Meghalaya’s beauty is as boundless as its potential.

Nestled in the hills of the eastern sub-Himalayas, Meghalaya is one of the most beautiful states in India. Nature has endowed it with abundant rainfall, sunshine, virgin forests, high plateaus, tumbling waterfalls, crystal-clear rivers, and meandering streamlets. Above all, it is home to sturdy, intelligent, and hospitable people.

The emergence of Meghalaya as an autonomous State on April 2, 1970, and as a full-fledged State on January 21, 1972, marked the beginning of a new era in the geopolitical history of Northeast India. It symbolized the triumph of peaceful democratic negotiations, mutual understanding, and victory over violence and intrigue.

The State of Meghalaya is located in northeast India, extending approximately 300 kilometres in length and about 100 kilometres in breadth. It is bounded to the north by the districts of Goalpara, Kamrup, and Nowgong, to the east by the Karbi Anglong and North Cachar Hills districts of Assam, and to the south and west by Bangladesh.

Shillong, the capital of Meghalaya, is situated at an altitude of 1,496 meters above sea level. Originally made the capital of Assam in 1874, Shillong remained so until January 1972, following the formation of Meghalaya. The capital city derives its name from Shillong, a manifestation of the creator.

Meghalaya experiences the vagaries of the monsoon, with its climate varying by altitude. The Khasi and Jaintia Hills enjoy a uniquely pleasant and bracing climate, neither too warm in summer nor too cold in winter. In contrast, the plains of the Garo Hills are warm and humid, except during winter. The Meghalaya sky is seldom free of clouds.

Meghalaya currently comprises 12 districts and 46 blocks. The state is predominantly inhabited by tribal communities, making up 86.1 percent of the population. It is one of the least densely populated states in India, with a population density of 132 people per square kilometre, significantly lower than the national average of 382.

The **Tables 1.1** and **1.2** below show the geographic, demographic, health and income status of Meghalaya.

The State covers a geographical area of 22,429 sq. km., which is 0.68 percent of the country's total area, and is home to approximately 29.67 lakh people, accounting for 0.25 percent of the national population, according to the 2011 Census. The decadal population growth rate (2001-2011) for the State was 27.95 percent, compared to the national rate of 17.70 percent. As per the 2011 Census, the State's literacy rate is 74.43 percent, higher than the national average of 73.00 percent. The projected population of the State in 2023 was 33.64 lakh.

Table 1.1: Geographic Stats of Meghalaya

Particulars	Description
Area	22,429 Square Kilo metres
Capital	Shillong
Language	Khasi, Puar, Garo & English
Density	32 Per Square Kilo metre
Literacy	74.43%, (Male Literacy- 75.95% and Female Literacy- 72.89%)

Source: Census 2011, Government of Meghalaya

Table 1.2: Demographic, Health and Income Status of Meghalaya

A. Demographic	2011	2001
i. Population	29,66,889	23,18,822
ii. Decadal growth	27.95 (17.7)	29.94 (21.54)
iii. Sex ratio	989 (943)	972 (933)
iv. Literacy rate	74.43 (72.99)	62.56 (64.83)
v. Female literacy rate	72.89 (64.64)	59.61 (53.67)
vi. ST population	86.1(8.6)	85.9 (8.2)
vii. Workers in agriculture	58.4 (54.6)	65.8 (58.2)

viii. Density of population	132 (382)	103 (325)
ix. Rural population	79.9 (68.6)	80.4 (72.18)
B. Health Indicators	2011	2001
i. Birth rate	24.1 (21.6)	28.3 (25.4)
ii. Death Rate	7.6 (7.0)	9.0(8.4)
iii. IMR	49 (42)	56(66)
iv. IMR rural	50(46)	57 (72)
C. Income	2017-18	2011-12
i. GSDP (constant 2011-12 prices. In Rs crores)	24202(13010843)	19918(8736329)
ii. per capita GSDP (constant 2011-12 prices. In Rs)	70910(98867)	66304(71609)
Infant mortality (All India Average = 28 per 1000 live births) (2019)	Meghalaya is 29	
Population Below Poverty Line (BPL) 2011-12 (All India Average:21.92 percent)	Meghalaya is 11.87%	
Gross State Domestic Product (GSDP) 2022-23 at current prices	Rs 42,697 Crore	

Sources: Census 2001 & 2011, Reserve Bank of India (RBI), Central Statistical Organization (CSO), Government of Meghalaya, Figures in the brackets are for all India.

The state of Meghalaya comprises 12 districts: East Khasi Hills, West Khasi Hills, South West Khasi Hills, Eastern West Khasi Hills, East Garo Hills, West Garo Hills, South Garo Hills, North Garo Hills, South West Garo Hills, East Jaintia Hills, West Jaintia Hills, and Ri-Bhoi. Additionally, it has three Autonomous District Councils under the Sixth Schedule of the Constitution of India: Khasi Hills Autonomous District Council, Garo Hills Autonomous District Council, and Jaintia Hills Autonomous District Council. Meghalaya is one of the ten North Eastern and Himalayan States, as noted in the XV Finance Commission Report. Typically, these states receive a higher share of Central Assistance for implementing Centrally Sponsored Schemes (CSS) compared to General States. The general and financial data for the state and the NE&HS, including the Compound Annual Growth Rate (CAGR) from 2012-13 to 2022-23, is detailed in **Table 1.3**.

Table 1.3: Financial Data relating to Meghalaya and comparison with NE&HS

Financial Data				
Particulars	CAGR from 2012-13 to 2022-23		Growth in 2022-23 over 2021-22	
	NE&HS	Meghalaya	NE&HS	Meghalaya
a. Revenue Receipts	10.66	10.35	10.93	3.82
b. Own Tax Revenue	10.59	12.08	17.39	15.23
c. Non-Tax Revenue	9.07	(-0.62)	32.79	(-)12.96
d. Total Expenditure	11.46	11.47	13.10	7.19
e. Capital Expenditure	11.04	11.26	0.65	(-)2.13
f. Revenue Expenditure on Education	10.40	12.07	11.59	27.82
g. Capital Expenditure on Education	10.00	48.09	19.94	356.65

h. Revenue Expenditure on Health & Family Welfare	14.82	15.86	9.15	(-)9.17
i. Capital Expenditure on Health & Family Welfare	12.83	(-) 6.50	2.93	(-)60.28
j. Salaries and Wages	9.28	10.42	9.81	3.92
k. Pension	15.72	15.72	10.74	22.47

Source: Data Compilation by Economic Wing, O/o the CAG of India.

1.3 Methodology

1.3.1 Data Sources

The study utilizes secondary data from various sources, including Finance Accounts, Budget Documents, Economic Survey issues, CAG reports, RBI reports on State Finances, CSO data, the State Finance Commission Report, publications from the Directorate of Economics and Statistics, and unpublished official records of the Meghalaya Government. The primary data sources were the state government's budget documents from different years. The information is gathered from the following sources:

- (a) Annual Financial Statements
- (b) Budget Speech
- (c) Macroeconomic Framework Statement
- (d) Demand for Grant
- (e) Medium Term Fiscal Policy Statement
- (f) Fiscal Policy Strategy Statement

The evaluation study aims to critically analyze the overall state finances over the twelve-year period from 2012-13 to 2023-24. It uses the published GSDP at current prices from the Central Statistical Office, Ministry of Statistics and Program Implementation, for various estimations as presented in the budget documents for different years.

1.3.2 Analytical Tools

Simple statistical tools such as ratios, percentages, and graphs were employed to illustrate changes in the state's fiscal parameters over the period. The Compound Annual Growth Rate (CAGR) was estimated using a semi-log growth model. Additionally, regression model was utilized to estimate the buoyancy, elasticity, and revenue capacity of the state government. Financial modelling techniques were applied to examine trends in financial performance. The specifics of the empirical procedures will depend on the data collected and the relevance of the study.

1.3.3 Terms of Reference (ToR)

The study is basically anchored in the following ToR given by the sixteenth finance commission: -

- i. Estimation of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.
- ii. Analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits - fiscal and revenue.

- v. The level of debt to GSDP ratio and the use of debt (i.e., whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, off-budget borrowings, Central government debt (including those from bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc) and borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
- vii. Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.
- viii. Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.
- ix. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.
- x. Analysis of contingent liabilities of the State.
- xi. Subsidies given by the States (Other than Central subsidies), their costs and benefits, targeting and evaluation.
- xii. Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th FC, in particular
 - (a) analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channelled towards these schemes and the overall impact on development spending of the States;
 - (b) States' own schemes for different development objectives
- xiii. Determination of a sustainable debt roadmap for 2026-31, taking into account tax/non-tax trend forecasts.

Chapter 2

Overview of State Finances

2.1 Overview of the State Economy

Meghalaya, bordered by Assam to the north and east and Bangladesh to the south and west, receives the highest annual rainfall in India, averaging 1,150 cm. The state's diverse soil types, including red-loamy and laterite, support a variety of agricultural crops such as rice, maize, pulses, oilseeds, cotton, jute, potatoes and mesta. Additionally, Meghalaya has successfully cultivated non-traditional crops like tea, cashew nuts, oilseeds, tomatoes, mushrooms, and wheat.

At current prices, Meghalaya's gross state domestic product (GSDP) is projected to reach Rs. 52,974 crore (US\$ 6.36 billion) in the 2024-25 budget estimates. The state's GSDP (in Rs.) is anticipated to grow at a compound annual growth rate (CAGR) of 8.47 percent from 2015-16 to 2024-25 BE.

At current prices, Meghalaya's net state domestic product (NSDP) reached Rs. 37,925 crore (US\$ 4.76 billion) in 2022-23. The state's NSDP (in Rs.) grew at a compound annual growth rate (CAGR) of 7.73 percent from 2015-16 to 2022-23.

This growth was fuelled by sectors such as trade, hotels, real estate, finance, insurance, transport, communications, and other services. The primary sector, which is the largest contributor to Meghalaya's economy, expanded at a compound annual growth rate (CAGR) of 10.73 percent from 2011-12 to 2022-23.

Meghalaya boasts abundant deposits of coal, limestone, kaolin feldspar, quartz, granite, industrial clay, and uranium, along with smaller deposits of sillimanite, bauxite, base metals, and apatite, giving it significant industrial potential. Known as one of the most picturesque states in India, Meghalaya is home to two national parks and three wildlife sanctuaries. The state also offers numerous adventure tourism opportunities, including mountaineering, rock climbing, hiking, trekking, and water sports.

In FY24, Barapani Airport managed 154,658 passengers and recorded 3,839 aircraft movements. According to the Department for Promotion of Industry and Internal Trade (DPIIT), Meghalaya received US\$ 1.10 million in FDI inflows between October 2019 and March 2024. The state's exports amounted to US\$ 10.20 million in 2023-24, with the majority comprising iron and steel, processed minerals, petroleum products, coal, coke, and briquettes.

The GSDP at current market prices for the years 2020-21, 2021-22, 2022-23, and 2023-24 was estimated at Rs.33,435.92 crore, Rs.37,830.11 crore, Rs.42,697.08 crore, and Rs.47,380.95 crore respectively, reflecting annual growth rates of 13.14 percent, 12.86 percent, and 10.97 percent. At constant (2011-12) market prices, the GSDP for the same period was estimated at Rs.23,296.55 crore, Rs.25,696.82 crore, Rs.25,208.50 crore, and Rs.26,523.85 crore, with corresponding annual growth rates of 10.33 percent, -1.90 percent, and 5.22 percent (**Table 2.1**).

Table 2.1: GSDP at Current Prices (Rs in Crore)

	GSDP at current prices	GSDP at 2011-2012 prices
2012-13	21872	19917.75
2013-14	22938.2	21872.02
2014-15	24408.07	21151.83
2015-16	25967.3	21756.49

2016-17	28445.76	23089.42
2017-18	29863.63	23256.64
2018-19	33480.64	24681.96
2019-20	36571.81	26695.23
2020-21	33435.92	23296.55
2021-22	37830.11	25696.82
2022-23	42697.08	25208.5
2023-24	47380.95	26523.85

Source: Central Statistics Office, Ministry of Statistics and Programme Implementation.

The share of the Primary Sector (Agriculture, Livestock, Forestry, Fishery, and Mining & Quarrying) in the GSDP at current market prices was 22.46 percent in 2020-21, 21.79 percent in 2021-22, 22.35 percent in 2022-23, and 22.34 percent in 2023-24. The Secondary Sector contributed 15.34 percent in 2020-21, 16.58 percent in 2021-22, 17.09 percent in 2022-23, and 17.48 percent in 2023-24. The Service/Tertiary Sector, being the major contributor to the state's economy, accounted for 55.09 percent in 2020-21, 56.15 percent in 2021-22, 56.54 percent in 2022-23, and 57.63 percent in 2023-24 (**Table 2.2**).

Table 2.2: Sectoral Share of GSDP at Factor Cost (Current Price)

Sector	2013 -14	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24
Agriculture and Allied	23.25	20.94	23.75	22.66	21.22	19.82	18.68	22.46	21.79	22.35	22.34
Industry	24.38	23.86	16.25	15.47	15.16	16.42	15.35	15.34	16.58	17.09	17.48
Services	47.60	50.64	51.07	51.78	52.27	57.09	58.67	55.09	56.15	56.54	57.63

Source: Central Statistics Office, Ministry of Statistics and Programme Implementation.

2.2 Fiscal Position of the State

The overall financial position of Meghalaya from 2012-13 to 2023-24 is summarized in **Table 2.3**. Public expenditure has been the main driver of growth in the state, given the low contribution from agriculture and the slow growth of the industrial sector. This has made fiscal management by the state government crucial to the health of the state economy. Over the years, fiscal imbalances have been addressed through revenue surpluses.

Except for the years 2018-19, 2019-20, 2020-21, and 2022-23, the state government recorded revenue surpluses throughout the study period. However, fiscal deficits were present throughout the entire period under review.

In 2022-23 (Actual), the State recorded a revenue deficit of Rs.43.90 crore, with revenue receipts of Rs.14,819.87 crore falling short of the revenue expenditure of Rs.14,863.77 crore. However, for 2023-24 (RE), the State is estimated to have a revenue surplus of Rs.3,893.62 crore. In 2021-22 (Actual), the State had a revenue surplus of Rs.653.92 crore, driven by increased receipts from central taxes and higher central fund transfers.

The revenue deficit of Rs.43.90 crore in 2022-23, due to a decrease in the State's own taxes and central fund transfers, contributed to an increased fiscal deficit of Rs.2,796.15 crore, up from Rs.2,358.81 crore in 2021-22. The fiscal deficit for 2023-24 (RE) is projected to decrease to Rs.1,848.61 crore. However, the State is estimated to have a revenue surplus during 2023-24 (RE), 2024-25 (BE) on account of the increase in the earmarked share in central taxes.

The fiscal deficit for 2022-23 stands at 6.55 percent of GSDP, up from 6.24 percent in 2021-22. The state's GSDP increased from Rs.37,830.11 crore in 2021-22 to Rs.42,697.08 crore in 2022-23. Following the recommendations of the Fifteenth Finance Commission and directives from the Government of India, the Meghalaya Government amended the Meghalaya Fiscal Responsibility and Budget Management Act, 2006, through Meghalaya Ordinance No.7 of 2023. This amendment set the fiscal deficit at 3.5 percent of GSDP for 2023-24, including an additional 0.50 percent of GSDP allowed for performance-linked borrowing in the power sector. Consequently, the overall fiscal deficit limit for 2023-24 was fixed at 3.5 percent of GSDP. The fiscal deficit for 2024-25 (BE) is estimated at 3.83 percent of GSDP.

The State's Own Tax Revenue was Rs.2,650.67 crore in 2022-23 (Actual), and it is estimated to increase to Rs.3,262.43 crore in 2023-24 (RE) and Rs.4,041.27 crore in 2024-25 (BE). The State's Own Non-Tax Revenue was Rs.456.61 crore in 2022-23 (Actual), projected to rise to Rs.757.77 crore in 2023-24 (RE) and Rs.746.58 crore in 2024-25 (BE). The State's Share of Central Taxes was Rs.7,286.14 crore in 2022-23 (Actual), estimated at Rs.8,471.47 crore in 2023-24 (RE) and Rs.9,355.73 crore in 2024-25 (BE). Other Central transfers, including grants under the Finance Commission, Central Sector and Centrally Sponsored Schemes, NEC, NLCPR, and EAPs, amounted to Rs.4,426.45 crore in 2022-23 (Actual). This is estimated to increase to Rs.9,696.19 crore in 2023-24 (RE) and Rs.9,371.15 crore in 2024-25 (BE).

The total capital receipt was Rs.3081.14 crore in 2022-23 (Actual). This is estimated at Rs.1661.65 crore in 2023-24 (RE) and Rs.3176.11 crore during 2024-25 (BE). Borrowings constitute a major part of capital receipt, it was Rs.3056.59 crore during 2022-23 (Actuals), Rs.1634.00 crore during 2023-24 (RE) and is estimated at Rs.3146.16 crore during 2024-25 (BE).

The revenue expenditure was Rs.14863.77 crore in 2022-23 (Actual). The expenditure is estimated at Rs.18294.24 crore during 2023-24 (RE) and Rs.19822.76 crore during 2024-25 (BE). The total capital expenditure was Rs.3362.24 crore in 2022-23 (Actual). The expenditure is estimated to increase to Rs.6434.34 crore in 2023-24 (RE) and Rs.6868.08 crore during 2024-25 (BE).

The total expenditure increased from Rs.16457.34 crore in 2021-22 to Rs.17640.57 crore in 2022-23. Much of the increase of the above expenditure of the State Government had been met by way of borrowing which the Government of India has facilitated by increasing the net borrowing limit of the state from 3 percent of GSDP to 4 percent of GSDP during 2022-23.

Table 2.3: Financial Position of Meghalaya State Government (Rs in Lakh)

Items of Receipt/ Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts												
1. Tax Revenue	204018.2	225125.5	232088.42	433327.87	509705.62	577323.51	668231.23	610303.3	662418.8	888100.6	993680.7	1173390
(i) Share of Central tax Duties etc	119245	130196	138168	327492	391105	432314	487769	421178	455163	658063	728614	847147
(ii) State tax Revenue	84773.21	94929.51	93920.42	105835.87	118600.62	145009.51	180462.23	189125.3	207255.8	230037.6	265066.7	326243
2. Non-Tax Revenue	349616.6	401547	410736.98	270985.26	384189.23	350024.62	303630.96	331049.2	405905.1	539313.1	488306	1045396
(i) Grants from Central Government	301122.2	341732.3	376408.38	248125.37	315665.54	313361.15	260860.76	278038.2	353588.2	486854.9	442644.7	969619
(ii) Other Non-Tax Revenue	48494.36	59814.75	34328.6	22859.89	68523.69	36663.47	42770.2	53010.98	52316.97	52458.15	45661.27	75776.51
Total	553634.8	626672.6	642825.4	704313.13	893894.85	927348.13	971862.19	941352.4	1068324	1427414	1481987	2218786
Capital receipts-												
(a) Borrowings o/a of internal debt of the state government	52070.76	63242.71	72219.18	83470	120615.57	121847.07	130227.68	148024	209596.5	350542.6	511709.5	188745

(b) Loans and advances from the Centre	251.84	8.39	476.7	223.46	427.55	666.85	2241.22	1578.31	34535.62	51452.65	110465.2	7000
(c) Recovery of loans and advances	2324.85	2048.48	1976.2	1907.74	1880.91	1745.32	1801.41	3131.69	2776.79	2441.21	2455.28	2765
(d) Special Securities issued to National Small Saving Fund											-106.65	
(e) Borrowings from Public Account (Net)	-4544	-42558.2	47557.26	45208.13	-5447.44	-59314.9	80631.86	8775.76	92665.78	41442.09	42346.78	87620.99
Inter State Settlement	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund (Net)	0	0	0	0	0	10000	0	0	196	20000	0	0
Contingency Fund and Public	-4544	-42558.2	47557.26	45208.13	-5447.44	-69314.88	80631.86	8775.76	92469.78	21442.09	42346.78	87620.99
Total	50103.45	22741.37	122229.3	130809.3	117476.6	64944.36	214902.2	161509.8	339574.6	445878.6	666870	286131
Total Expenditure												
(a) Revenue Account	499953.5	555159.2	625186.07	634772.75	833653.65	842268.14	1025594.12	956512.2	1149861	1362023	1486378	1829424

(i) General Services	159048.4	185771	205009.6	231226.6	250708.12	285578.1 2	355420.01	371226.5	406990.7	455931.9	515010.9	581053
(ii) Social and Community Services	173124.4	195442.7	234179.65	233832.33	307218.32 3	311869.9 1	407975.74	367066.9	427292.8	514666.2	555004	652468.7
(iii) Economic Services	167780.7	173945.4	185996.82	169704.24	275727.21	244820.1 2	262198.37	218218.9	315577.8	391424.9	416362.6	595902.1
(iv) Grant in aid and Contributions												
(b) Capital Account												
(i) Public Debt-Repayment to borrowings	16850.5	29871.24	20266.27	33744.28	41440.68	32961.61	39594.53	41871.05	48752.07	221620.3	374953.5	98791.3
(ii) loans and advances	2702.18	4232.9	5610.97	15835.19	3083.11	2205.35	8948.9	4378.39	8190.06	8533.48	3452.25	4998.88
(iii) capital outlay	92833.93	107547.1	111848.84	111089.11	128979.65	98344.04	141727.76	93971.06	173404.4	275179.3	274227.9	571988.5
(iv) Transfer to Contingency Fund						10000						
Total	112386.6	141651.3	137726.08	160668.58	173503.44	143511	190271.19	140220.5	230346.5	505333.1	652633.7	675778.7
GSDP at current prices	2187200	2293820	2440807	2596730	2844576	3078965	3348064	3657181	3343592	3783011	4269708	4738095

Revenue deficit/ surpluses	53681.26	71513.39	17639.33	69540.38	60241.2	85079.99	-53731.93	-15159.8	-81537.3	65390.78	-4390.86	389361.7
Fiscal Deficit	-39532	-38218.1	-97844.28	-55476.18	-69940.65	-23724.08	-202607.18	-110377	-260355	-235881	-279616	-184861
Revenue Deficit (% of GSDP)	2.454337	3.117655	0.722684342	2.677998098	2.11775674	2.7632659	-1.604865678	-0.41452	-2.43861	1.728538	-0.10284	8.217685
Fiscal Deficit (% of GSDP)	-1.80743	-1.66614	-4.008685652	-2.136386147	-2.4587373	-0.770521	-6.051472732	-3.01809	-7.78668	-6.23527	-6.54883	-3.90158

Source: Budgeting documents, Government of Meghalaya and Central Statistical Office.

2.3 Impact of Recommendation of the 14th and the 15th Finance commission.

Transfers from the centre includes Central Tax transfer (Share in Union Taxes) and Grants-in-Aid. The following **Table 2.4** shows trends in transfer from the Centre from 2012-13 to 2023-24.

(1) Central Tax Transfer

The actual release of share in Union taxes and duties to State Government vis-à-vis projections made by Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2015-16 to 2022-23 is detailed in the following **Table 2.5**.

Table 2.4: Trends in Transfer from Centre (Rs in Crore)

	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24
Share of the net proceeds of divisible Union taxes and duties	1192.45	1301.96	1381.68	3274.92	3911.05	4323.14	4877.69	4211.78	4551.63	6580.63	7286.14	8471.47
Grants - in - aid	3011.222	3417.323	3764.084	2481.254	3156.655	3133.612	2608.608	2780.382	3535.882	4868.549	4426.447	9696.19
Total	4203.672	4719.283	5145.764	5756.174	7067.705	7456.752	7486.298	6992.162	8087.512	1144.9.18	1171.2.59	1816.7.66

Source: Finance Accounts of 2012-13 to 2023-24.

Table 2.5 shows that the overall devolution of taxes from the Centre in XIVth FC was less by 18.89 percent than projected in the Finance Commission Report (FCR). However, during 2022-23, the actual devolution of taxes was higher by Rs. 1,667.14 crore (29.67 percent) compared to FCR projection for 2022-23.

Table 2.5: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

FC	Year	Finance Commission Projections	Projections in FCR	Actual Tax devolution	Variation*	
					Amount	Percent
					(5-4)/4	
1	2	3	4	5	6	
FC-XIV	2015-16	0.642 percent of net proceeds of all shareable taxes excluding service tax and	3,728	3,276.46	(-)451.54	(-)12.11
	2016-17	0.650 percent of net proceeds of sharable service tax	4,302	3,911.05	-)390.95	(-)9.09
	2017-18		4,971	4,323.14	(-)647.86	(-)13.03
	2018-19		5,751	4,889.07	(-)861.93	(-)14.99
	2019-20		6,661	4,211.78	(-)2,449.22	(-)36.77
	Total		25,413	20,616.50	(-)4,801.50	(-)18.89
FC-XV	2020-21	0.765 percent of net proceeds of all shareable taxes	6,542	4,551.63	(-)1,990.37	(-)30.42

	2021-22	0.767 percent of net proceeds of all shareable taxes	5,051	6,580.63	1,529.63	30.28
	2022-23		5,619.00	7,286.14	1,667.14	29.67

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

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

2.4 Impact of Goods and Services Tax

Goods and Services Tax (GST) was rolled out nationwide, including in Meghalaya, on July 1, 2017. The Meghalaya Goods and Services Tax Act, 2017 was passed by the State Legislature on 15 June 2017 and made effective from 01 July 2017. GST is administered concurrently by the Union (CGST) and the States (SGST) for intra-state supplies, while Integrated Goods and Services Tax (IGST) is levied on inter-state supplies of goods or services. This new tax regime brought significant changes to the collection and administration of taxes on goods and services.

However, the rollout faced challenges due to insufficient implementation. In the initial years, GST revenue collection in the state was negatively impacted by low return filings. One major reason was inadequate digital literacy, which made it difficult for small taxpayers to file returns and make payments. As a result, some taxpayers sought assistance from tax professionals, who charged high fees for their services. This further discouraged return filings and affected revenue collection.

To address these issues, the state's finance department established facilitation centres in all districts with offices of the Superintendent of Taxes and organized various awareness programs across the state. These centres assisted taxpayers with processes such as registration, amendment of registration, cancellation of registration, submission of returns, and payment of tax. It is important to note that a low percentage of return filings in the origin states also affects the state's revenue, as the integrated goods and services settlement amount decreases when suppliers in the origin state do not file returns.

Table 2.6 shows the various components of the GST collection from 2017-18 to 2024-25 of the state of Meghalaya till July 2024. Although in the initial days there was technical glitches such as frequent crashes and issues in invoice matching in the Goods and Service tax network (GSTN) system, this also negatively affected the revenue collection of the state. Another factor in the revenue loss was due to absence of the E waybill. However, it is expected that improved familiarity of the tax payers with the processes and simplification of the return format, improved GSTN portal, and widening of tax net under GST will increase the revenue collection of the state.

Table 2.6: Components of GST from 2017-18 to 2024-25 (Rs in Crore)

Year	CGST	SGST	IGST	CESS	TOTAL
2024-25	181	222	319	6	728
2023-24	490.69	607.46	1137.33	24.05	2259.53
2022-23	396.86	489.17	1170.42	19.38	2075.83
2021-22	294	367	1,094	9	1,764
2020-21	222	295	815	4	1,337
2019-20	232	335	950	5	1,522
2018-19	197	284	866	21	1,368
2017-18	90	141	391	26	648

Source: GST Council.

According to the Finance Accounts 2022-23, the amount of SGST is Rs.1,477.03 crore. The arrears of revenue indicate delayed realization of revenue, while arrears of assessment represent potential revenue blocked due to

delayed assessment. Both factors deprive the state of potential revenue receipts and ultimately affect the revenue deficit. As of March 31, 2023, the arrears of revenue stood at Rs. 89 crores.

Table 2.7: Details of arrears of revenue collection (Rs in Crore)

Head of Revenue	Total amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
0040-Taxes on Sale, Trade, etc	89	37
Total	89	37

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

Table 2.7 shows that Rs. 89 crore was pending recovery under the head 0040 - Taxes on Sales, Trade, etc., which represents 2.86 percent of the state's own revenue collection of Rs. 3,107.28 crore for 2022-23. Of this, Rs. 37 crore (41.57 percent of the total revenue arrears) had been pending for recovery for more than five years.

Furthermore, the periodic tax returns filed by dealers under the erstwhile Meghalaya Value Added Tax Act, 2003, are subject to assessment by the Taxation Authorities to verify their correctness and completeness. The authorities may resort to best judgment assessment if a registered dealer fails to furnish returns within the prescribed time limit. Since the MVAT was replaced by the Meghalaya SGST effective from July 1, 2017, it is crucial to complete assessments under the previous tax regime and recover any revenue arrears. The details of Sales Tax/VAT cases pending for assessment at the beginning of the year, cases becoming due for assessment, cases disposed of during the year, and cases pending finalization at the end of the year are shown in **Table 2.8**.

Table 2.8: Arrears of assessments of VAT

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

Source: Information received from the Taxation Department.

Table 2.8 shows that only 7,071 cases, i.e., 9.12 percent of the total pending cases were disposed of during 2022-23. There were 70,497 cases (90.88 percent) pending for assessment at the end of the year. Keeping in view the huge pendency in assessment of returns, the State Government needs to complete assessments of the pending cases in a time bound manner and recover dues before these become time barred.

2.4.1 GST Registrations

Under GST law, dealers with an annual turnover of Rs. 10 lakh or more from July 1, 2017, and Rs. 20 lakh or more from February 1, 2019, in North Eastern and Himalayan (NE&H) States were required to register under the new GST law. The status of various categories of dealers registered under the State GST as of March 31, 2021, and March 31, 2022, is shown in the **Table 2.9** below.

Table 2.9: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) as on 31 March 2021 and 31 March 2022

Category of Registrant	As on 31.03.2021		As on 31.03.2022	
	No of Registrants	Percentage of Total	No of Registrants	Percentage of Total
Normal taxpayers	25,516	89.43	27,125	90.45
Composition taxpayers	2,440	8.55	2,232	7.44

Tax deductors at source (TDS)	496	1.74	533	1.78
Tax collectors at source (TCS)	72	0.25	92	0.31
Input Service Distributors	08	0.03	06	0.02
Others (Casual, NRTP, OIDAR)	00	0.00	00	0.00
Total Registrants	28,532	100	29,988	100

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

As of March 31, 2021 and March 31, 2022, the total number of registered dealers under the State GST were 28,532 and 29,988, respectively. 'Normal taxpayers' accounted for 89.43 percent and 90.45 percent of these totals, while 'Composition taxpayers' made-up 8.55 percent and 7.44 percent, and 'Tax deductors at source' represented 1.74 percent and 1.78 percent, respectively. During 2020-21 and 2021-22, 8,586 (30.09 percent) and 8,108 (27.04 percent) of the total registrations migrated from the pre-GST regime, with the remaining being new registrations under the GST regime.

2.4.2 SGST Revenue

The actual realisation of revenue from collection under SGST for three years from 2017-18 to 2022-23 is given below in **Table 2.10**.

Table 2.10: The details of revenue from SGST during the period 2017-18 to 2022-23 (Rs in Crore)

Head of Revenue	2017-18		2018-19		2019-20		2020-21		2021-22		2022-23	
	BEs	Actual	BEs	Actual								
SGST		141.40		284.02		334.63	1219.35	822.81	489.30	1117.94	1,316.01	1,477.03

Source: Finance Accounts and Budget, Government of Meghalaya.

Revenue collection under SGST has shown an upward trend, with collections increasing by 101 percent in 2018-19 compared to the previous year. However, in 2019-20, SGST collections rose by only 18 percent over 2018-19. The upward trend continued, with collections rising by 35.81 percent in 2021-22 compared to the previous year. In 2022-23, the State Goods and Services Tax amounted to Rs. 1,477.03 crore, contributing 55.72 percent of Own Tax Revenue.

2.4.3 Compensation

Under the GST (Compensation to States) Act, 2017, states were guaranteed bi-monthly compensation for any loss of revenue in the first five years of GST implementation, starting from 01 July 2017. **Table 2.11** below shows the figures of bi-monthly compensation under GST received by the State from the Union Government. During the period from April 2019 to March 2020, the State had been compensated with Rs.157.00 crore. During the period from April-May 2020 to February-March 2022, the State had been compensated with Rs. 334.87 crore.

Table 2.11: Bi-monthly compensation received from the Union Government (Rs in Crore)

Month	Provisional Compensation Due	Provisional Compensation received	Shortfall/ Surplus, if any
April-May 2019	179	0.00	(-)179.00
June-July 2019	179	21.00	(-)158.00
August-September 2019	179	55.00	(-)124.00
October-November 2019	179	29.00	(-)150.00

December 2019-January 2020	179	25.23	(-)153.77
February-March 2020	179	26.77	(-)152.33
Total	1074	157	(-)917.00
April-May 2020	63.86	12.55	(-)51.31
June-July 2020	63.86	52.00	(-)11.86
August-September 2020	63.86	0.00	(-)63.86
October-November 2020	63.86	32.70	(-)31.16
December 2020-January 2021	63.86	32.70	(-)31.16
February-March 2021	63.86	41.99	(-)21.87
April-May 2021	46.30	0.00	(-) 46.30
June-July 2021	46.30	38.13	(-)8.17
August-September 2021	46.30	35.85	(-)10.45
October-November 2021	46.30	27.78	(-18.52)
December 2021-January 2022	46.30	29.65	(-16.65)
February-March 2022	46.30	31.52	(-14.78)
Total	660.96	334.87	(-)114.87

Source: Information furnished by CAG.

2.4.4 Apportionment of IGST

Under Section 17 of the IGST Act, apportionment of tax and settlement of funds is provided to the States and IGST has to be shared between the Centre and states in the ratio of 50:50. The provisional apportionment of IGST to the State of Meghalaya for the years 2017-18 to 2021-22 is given as under in **Table 2.12**.

Table 2.12: Apportionment of IGST (Rs in Crore)

IGST Component	2017-18	2018-19	2019-20	2020-21	2021-22
IGST apportioned to the State as per Section 17 of IGST Act, 2017	79.67	79.68	101.82	89.11	187.08
IGST provisionally/ ad-hoc apportioned to the State	0.00	104.10	26.25	60.33	46.61
IGST cross utilised between					
SGST as IGST	(-)11.70	29.57	(-)37.53	(-)34.94	(-)45.95
IGST as SGST	166.62	373.33	522.49	421.81	581.84

Source: Information provided by Department.

Chapter 3

Analysis of State Revenue/ Revenue Capacities

3.1 Trends and Issues in Own Tax Revenue

The revenue receipts of the state consist of tax and non-tax revenue raised by the state government, grants-in-aid from the central government, and the assigned share of net proceeds from divisible union taxes and duties. Meghalaya has a weak revenue base, with state revenue contributing less than a quarter of the total revenue receipts. **Figure 3.1** shows the total revenue raised by the state from 2012-13 to 2023-24. Revenue steadily increased during this period, except for 2019-20, which saw a significant drop due to a decrease in the share of net proceeds from divisible union taxes and duties.

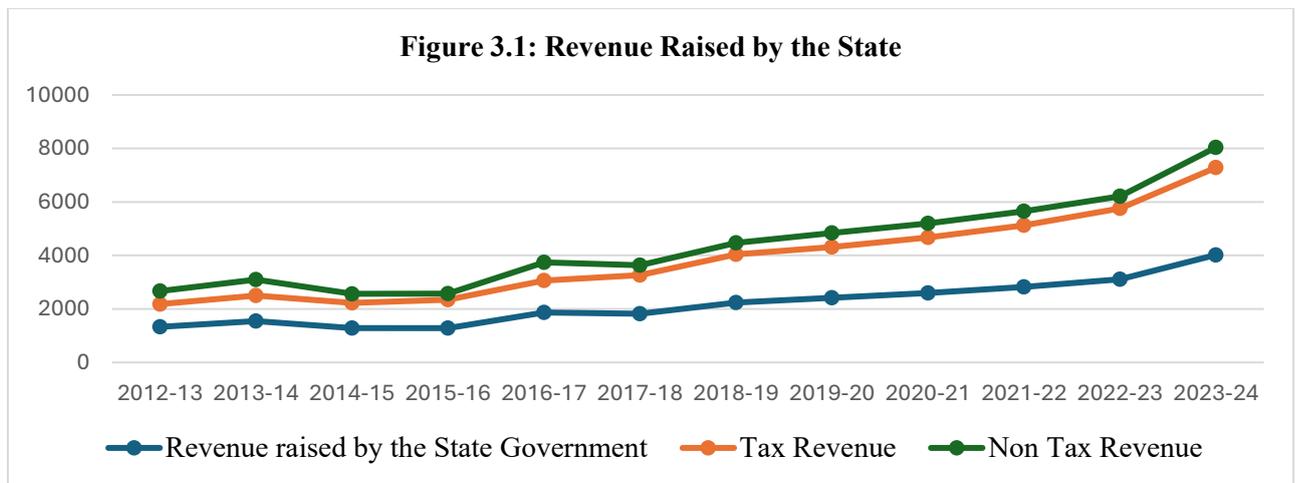


Figure 3.1: Revenue Raised by the State

The following **Figure 3.2** shows the total revenue received from the Central government during the 2012-13 to 2023-24.

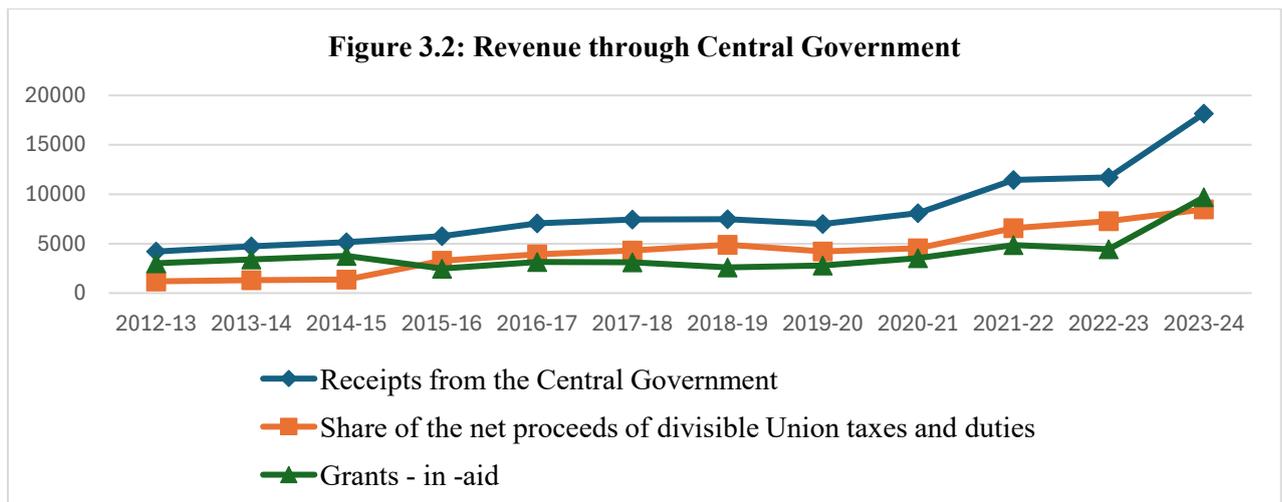


Figure 3.2: Revenue through Central Government

The central transfers have steadily increased over the years except 2019-20 with significant decline in the share of net proceeds of divisible union taxes and duties.

Table 3.1 shows the details of various revenue receipts from the time period 2012-2013 to 2023-2024. The percentage of revenue raised the State government remained around 20 percentage in the first half of the given time period except in 2012-13 and 2013-14 when it reached 24 percent. However, in the second half of the given time period it hit the peak in 2019-20 and gradually declining down to 18 percent in 2023-24. The decline in 2019-20 is attributable to fall in the revenue receipts from central government. The revenue receipts from the central government have consistently and substantially risen over the time period. **Figure 3.3** shows the changing share composition of state revenue in percentage and receipts from central government or central transfers. The impact of recommendations from the fourteenth finance commission can be comprehensively observed through the change in composition of central transfers to the state. In the year 2015-16 the proportion of grants in aid has diminished from the average of 40 percent during the period of the study. The share of net proceeds of divisible union taxes and duties to the state has risen by 137 percent in 2015-16 compared to the previous year. The share of net proceeds of divisible union taxes and duties to the state has fallen by 13.65 percent in 2019-20 compared to the previous year.

Table 3.1: Trends in Revenue Receipts (Rs in Crore)

	201 2- 13	2013 -14	201 4- 15	2015- 16	201 6- 17	201 7- 18	201 8- 19	201 9- 20	202 0- 21	202 1- 22	202 2- 23	202 3- 24
Total Revenue Receipts	553 6.3 48	6266 .725 5	642 8.2 54	7043. 1313	893 8.9 49	927 3.4 81	971 8.6 22	941 3.5 24	106 83. 24	142 74. 14	148 19. 87	221 87. 86
Revenue raised by the State Government												
Tax Revenue	847 .73 21	949. 2951	939 .20 42	1058. 3587	118 6.0 06	145 0.0 95	180 4.6 22	189 1.2 53	207 2.5 58	230 0.3 76	265 0.6 67	326 2.4 3
Non-Tax Revenue	484 .94 36	598. 1475	343 .28 6	228.5 989	685 .23 69	366 .63 47	427 .70 2	530 .10 98	523 .16 97	524 .58 15	456 .61 27	757 .76 51
Total	133 2.6 76	1547 .442 6	128 2.4 9	1286. 9576	187 1.2 43	181 6.7 3	223 2.3 24	242 1.3 62	259 5.7 27	282 4.9 58	310 7.2 8	402 0.1 95
Receipts from the Central Government												
Share of the net proceeds of divisible Union taxes and duties	119 2.4 5	1301 .96	138 1.6 8	3274. 92	391 1.0 5	432 3.1 4	487 7.6 9	421 1.7 8	455 1.6 3	658 0.6 3	728 6.1 4	847 1.4 7
Grants - in -aid	301 1.2 22	3417 .322 9	376 4.0 84	2481. 2537	315 6.6 55	313 3.6 12	260 8.6 08	278 0.3 82	353 5.8 82	486 8.5 49	442 6.4 47	969 6.1 9
Total	420 3.6 72	4719 .282 9	514 5.7 64	5756. 1737	706 7.7 05	745 6.7 52	748 6.2 98	699 2.1 62	808 7.5 12	114 49. 18	117 12. 59	181 67. 66
State Revenue in percentage	24. 071 39	24.6 9300 12	19. 950 83	18.27 2520 35	20. 933 59	19. 590 59	22. 969 56	25. 722 17	24. 297 19	19. 790 74	20. 966 99	18. 118 9

Source: Budget Documents.

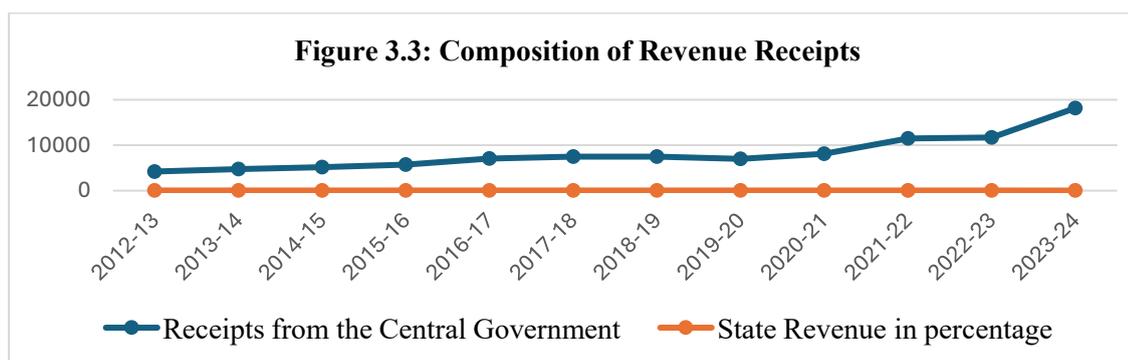


Figure 3.3: Composition of Revenue Receipts

The own tax revenue of the state comprises of tax on professions, land revenue, motor vehicles tax, taxes on goods and passengers, taxes on sales and trade, state excise, stamps and registration, entertainment tax including tax on betting, tax and duties on electricity and others. **Table 3.2** depicts the details of major revenue receipts raised in the state with the corresponding figures for the time period from 2012-13 to 2023-24. **Figure 3.4** shows major revenue heads of own tax revenue of the state. Taxes on sales and trades has consistently increased from 74 percent in 2012-13 to 78.5 percent in 2016-17 and consistently declined after that to 25.36 percent in 2023-24. The state excise which was 18 percent in 2012-13 consistently decreased till 2019-20 and then increased to 18.11 percent in 2020-21 and then started falling again. The share of motor vehicles tax has seen ups and downs from 4.22 percent in 2012-23 to 4.607 percent in 2023-24. The share of land revenue has decreased significantly from 0.74 percent in 2012-13 to 0.17 percent in 2023-24.

Table 3.2: State's Own Tax Revenue (percent)

	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19	2019 -20	2020 -21	2021 -22	2022 -23	2023 -24
1. Tax on Professions	0.377 501	0.368 666	0.372 654	0.412 251	0.315 738	0.242 882	0.706 015	0.207 756	0.206 416	0.179 204	0.171 021	0.160 616
2. Land Revenue	0.743 204	0.368 666	0.008 518	0.300 465	0.107 081	0.143 46	0.151 178	0.052 706	1.027 166	0.427 012	0.185 089	0.179 314
3. Stamps & Registration	1.215 08	1.032 264	1.054 077	1.203 75	1.449 391	1.396 501	1.451 151	1.075 287	1.522 587	1.175 732	1.062 412	0.995 27
4. State Excise	18.04 925	17.13 768	16.08 799	16.06 638	14.24 771	13.74 416	12.53 517	14.60 808	18.11 197	13.38 332	13.77 62	13.33 301
5. Taxes on sales, trade	74.45 019	76.22 95	77.32 03	76.70 365	78.50 321	52.86 762	34.77 208	29.98 714	34.98 517	31.23 774	23.45 74	25.36 238
6. Tax on Vehicles	4.223 288	3.865 721	4.195 015	3.968 408	4.065 715	4.620 982	4.818 465	5.247 184	3.793 641	4.320 277	4.961 204	4.606 995
7. Tax on Goods & passengers	0.554 454	0.516 132	0.564 304	0.464 521	0.448 561	0.540 209	0.468 126	0.483 034	0.517 095	0.545 117	0.530 21	0.518 325
8. Tax and Duties on Electricity	0.109 711	0.200 133	0.085 178	0.314 137	0.197 03	0.125 682	0.141 703	0.079 027	0.077 938	0.070 641	0.061 147	0.060 997
9. Entertainment tax including tax on betting	0.277 321	0.281 239	0.311 964	0.566 434	0.665 565	0.389 735	0.295 214	0.155 209	0.057 919	0.083 286	0.072 31	0.067 434
10. Others taxes	0	0	0	0	0	25.92 877	44.66 09	48.10 457	39.70 01	48.57 767	55.72 3	54.71 566

8. Tax and Duties on Electricity	6.90	104.30	-57.89	315.59	-29.71	-22.01	40.31	-41.55	8.08	0.64	-0.30	22.78
9. Entertainment tax including taxes on betting	12.96	13.58	9.74	104.60	31.67	-28.40	-5.73	-44.90	-59.11	59.67	0.00	14.78
10. Others taxes (Purchase Tax/ SGST)	0.00	0.00	0.00	0.00	0.00	0.00	114.36	12.88	-9.56	35.87	32.12	20.85

Source: Budget Documents.

The year-on-year performance of motor vehicle tax and tax on goods and passengers have remained positive throughout the time period except in 2020-21 when growth performance of motor vehicle tax was negative (20.77 percent) and in 2015-16 when growth performance of tax on goods and passengers was negative (7.23 percent). The year-on-year performance of taxes on profession has moved up from a negative growth rate of -11 percent in 2012-13 to 15.59 percent in 2023-24. Entertainment taxes including taxes on betting showed a year-on-year performance of 12.96 percent in 2012-2013 to 14.78 percent in 2023-24 with negative trends for certain years, the highest being in 2020-21.

3.2 State Tax Buoyancy

Throughout history, many economies have attempted to stimulate growth by increasing public expenditure, operating under the assumption that rising incomes would boost revenues and maintain fiscal sustainability. However, these efforts often fail to mobilize sufficient tax revenues as public expenditure rises, leading to increased borrowing. Such borrowings, both internal and external, can jeopardize fiscal sustainability.

Therefore, it is crucial to assess whether economic growth will generate adequate revenue to ensure long-term fiscal sustainability. Tax buoyancy measures the responsiveness of revenue mobilization, indicating how tax revenue changes in relation to output. It is a key metric for policy formulation, highlighting the role of revenue policies in maintaining fiscal sustainability over time.

A tax buoyancy of one implies that a one percent increase in GSDP results in a one percent increase in tax revenue. Values above one indicate that tax revenue grows faster than GSDP, thereby reducing the fiscal deficit. For financial sustainability, a tax buoyancy greater than one is desirable.

Tax buoyancy for any given period can be estimated using the ordinary least squares (OLS) method. This study employs OLS to estimate the tax buoyancy for the state of Meghalaya from 2012-2013 to 2023-2024. The equation for estimating tax buoyancy can be represented as follows:

$$\ln(Rev) = \beta \ln(GSDP) + \epsilon$$

where Rev is the total revenue and GSDP is the Gross State Domestic Product of the state of Meghalaya for a given year and β represents the tax buoyancy.

Table 3.4 shows that calculated buoyancy for state's own tax and non-tax revenue. The buoyancy for tax revenue includes tax on professions, land revenue, stamps and registration, state excise, taxes on sales and trade, tax on vehicles, tax on goods and passengers, tax and duties on electricity, entertainment tax including taxes on betting and other taxes. The buoyancy for non-tax revenue includes interests, dividends and profits, general services, social services and economic services. The tax buoyancy of one implies that tax- GSDP ratio remain unchanged over the time period. Most of the tax revenue heads have positive and statistically significant coefficients. However, the coefficients for entertainment tax (including taxes on betting) are negative and not significant. Additionally, the coefficients for taxes and duties on electricity, tax on professions, and land revenue tax are also not significant. The coefficient of taxes on sales, trade is negative and non-significant. The coefficient is positive and statistically significant at one percent level for others taxes (Purchase Tax/ SGST) and duties. The coefficients are positive and statistically significant at one percent level for stamps and registration, state excise, tax on goods and passengers and tax on vehicles.

The coefficient for social service under non- tax revenue head is positive and statistically significant. The coefficient of interests, dividend and profits is negative and significant. The coefficients of general and economic services are positive but not statistically significant.

Tax buoyancy is lower than unity for state non-tax revenue and tax on professions, taxes on sales, and trade, tax and duties on electricity, entertainment tax including taxes on betting. The buoyancy is greater than unity for stamps and registration, state excise, tax on goods and passengers and tax on vehicles.

The analysis of taxes and duties on electricity indicates that their growth rate has not kept pace with the overall GDP growth. Based on the budget documents of Meghalaya, the taxes on duties and electricity which is a component of the state’s own tax revenue decreased from 0.109 percent from 2012-13 to 0.060 percent in 2023-24. Tax buoyancy is lower than unity and not significant for taxes on duties and electricity which validates the budget documents of the state of Meghalaya. The government of Meghalaya has not revised the duty rates in line with inflation or economic growth, so the revenue from electricity duties did not keep pace with GSDP. Delays in duty collection or leakages in the system due to poor enforcement, billing inefficiencies, or theft can suppress revenue growth and so the revenue from electricity duties did not keep pace with GSDP. The Discoms (power distribution companies) facing financial distress and that may delay remitting duties to the government. The state of Meghalaya provide electricity subsidies to agricultural consumers, low-income households, and industries. These subsidies reduce the effective duty collected per unit of electricity consumed. As the government policies prioritize affordability over revenue, duty growth remains sluggish.

The buoyancy for tax revenue as a whole and for others taxes (Purchase Tax/ SGST) and duties come out to be very high. In fact, the buoyancy of others taxes (Purchase Tax/ SGST) and duties are higher than the total revenue as a whole. The buoyancy for tax on vehicles come out to be very high and it is higher than the total revenue as a whole.

Table 3.4: Buoyancy of State’s Own Tax and Non-Tax Revenue (2012-2013 to 2023-2024)

	Particulars	Buoyancy	t value	p value	R square	Adjusted R square	F statistic
1.	Total revenue	1.797***	18.618	0	0.972	0.969	346.643
2.	Tax Revenue	1.002***	9.73	0	0.904	0.895	94.676
2.a	Tax on Professions	0.575	1.335	0.212	0.151	0.066	1.782
2.b	Land Revenue	1.9	1.119	0.289	0.111	0.022	1.251
2.c	Stamps & Registration	1.716***	7.275	0	0.841	0.825	52.927
2.d	State Excise	1.45***	7.631	0	0.853	0.839	58.238
2.e	Taxes on sales, trade	-0.058	-0.322	0.754	0.01	-0.089	0.104
2.f	Tax on Vehicles	2.051***	21.406	0	0.979	0.977	458.219
2.g	Tax on Goods & passengers	1.78***	11.34	0	0.928	0.921	128.595
2.h	Tax and Duties on Electricity	0.387	0.787	0.45	0.058	-0.036	0.619
2.i	Entertainment Tax including taxes on betting	-0.718	-1.038	0.324	0.097	0.006	1.077
2.j	Others taxes (Purchase Tax/ SGST) and duties	3.117***	5.698	0.002	0.8665	0.8398	32.46
3.	Non-tax Revenue	0.485	1.253	0.239	0.136	0.049	1.57
3.a	Interests, Dividend and profits	-1.472*	-2.231	0.05	0.332	0.266	4.978

3.b	General Services	0.715	1.24	0.243	0.133	0.047	1.538
3.c	Social Services	1.154*	1.839	0.096	0.253	0.178	3.381
3.d	Economic Services	0.533	1.044	0.321	0.098	0.008	1.089

Source: Budget Documents and Own Calculations.

***, ** and * indicates significant at 1%, 5% and 10% level of significance respectively.

3.3 Measures to Improve Tax-GSDP Ratio

3.3.1 Trends and Issues in Non-Tax Revenues

The non-tax revenue of the state significantly dropped in the years 2014-15 and 2015-16 leading to a lower revenue raised by the state government. **Figure 3.5** shows the composition of non-tax revenue.

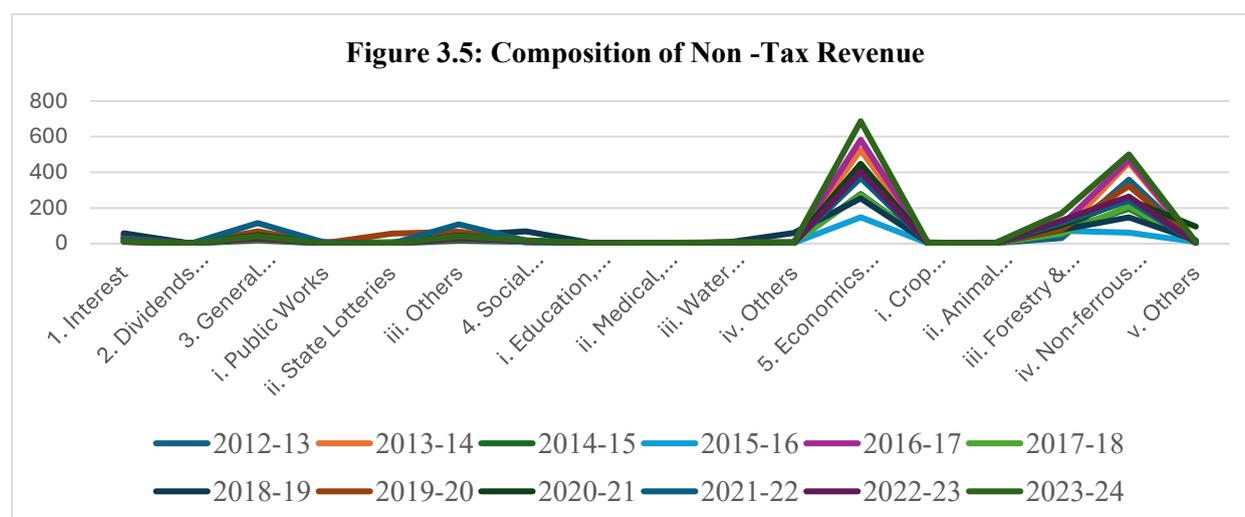


Figure 3.5: Composition of Non-Tax Revenue

The non-tax revenue raised gain in 2016-17 with close to 46 percent downfall in 2017-18. The major sources of non-tax revenue for the state comes from economic services. The major sources of non-tax revenue from economic services are forestry and wildlife, non ferrous mining and metallurgical, crop husbandry and animal husbandry. General services, interest receipts, are also state's significant sources of non-tax revenue. Mining receipts used to be the biggest source of non-tax revenue for the state where the revenue used to be generated from the royalty of minerals. However, the share of the mining receipts sharply dropped in 2014-15 and 2015-16, primarily due to imposed ban on mining in the state. Forestry and wildlife are another major source of non-tax revenue source for the state, as its share strengthen from 6.37 percent in 2012-13 to 22.55 percent in 2023-24, however there was a downfall during 2016-17 and 2017-18. The revenue collection through interest receipts was 5.23 percent in 2012-13, increased to 17 percent in 2015-16 but gradually declined to 1.39 percent in 2023-24. The revenue from medical, public health & family increased from 0.288 percent in 2012-13 to 0.44 percent in 2023-24. The revenue from water supply and sanitation increased from 0.61 percent in 2012-13 to 1.12 percent in 2023-24. The revenue from non-ferrous mining & metallurgical was 73 percent in 2012-13 fell down to 63.98 percent in 2023-24. The revenue collection from public works have come down from 0.36 percent in 2012-13 to 0.002 percent in 2023-24. (Table 3.5)

Table 3.5: Trends in Composition of Non-Tax Revenue (percent)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1. Interest	5.24	5.62	10.9	17.2	6.75	14.3	13.6	5.45	2.20	4.70	1.93	1.39
2. Dividends and profits	0.02	0.04	0.04	0.03	0.02	0.03	0.02	0.03	0.00	0.02	0.08	0.05

3. General services	10.8 9	8.54	5.24	13.5 6	6.06	7.33	10.8 2	12.8 2	9.09	21.8 2	6.49	5.56
i. Public Works	0.37	0.13	0.19	0.38	1.49	0.03	0.31	0.34	0.30	1.21	0.00	0.00
ii. State Lotteries	0.00	0.18	0.00	0.05	0.00	2.58	0.00	10.5 5	0.00	0.00	0.00	0.00
iii. Others	10.5 2	4.58	5.05	13.1 8	3.91	7.30	10.5 1	12.4 8	8.80	20.6 1	6.49	5.55
4. Social services	1.53	1.59	2.59	4.55	2.18	3.91	16.2 2	2.97	3.08	3.18	2.94	2.38
i. Education, Sports, Art & Culture	0.21	0.32	0.29	0.34	0.55	0.39	0.42	0.18	0.17	0.36	0.45	0.32
ii. Medical, Public Health & Family	0.29	0.33	0.79	0.68	0.23	0.56	0.43	0.39	0.50	0.45	0.12	0.44
iii. Water Supply & Sanitation	0.62	0.60	0.99	2.04	0.65	1.40	1.33	0.98	1.14	1.29	1.73	1.13
iv. Others	0.41	0.33	0.52	2.23	0.74	1.56	14.0 5	1.43	1.27	1.07	0.64	0.48
5. Economics services	82.3 3	87.8 8	81.1 4	64.6 7	84.9 9	74.4 1	59.3 1	78.7 3	85.6 2	70.2 9	88.5 6	90.6 2
i. Crop Husbandry	1.02	0.82	1.54	1.39	0.50	1.23	1.57	0.43	0.39	0.51	0.61	0.44
ii. Animal Husbandry	0.39	0.30	0.58	0.86	0.23	0.50	0.49	0.36	0.37	0.42	0.44	0.37
iii. Forestry & Wildfire	6.37	10.0 3	20.9 8	31.5 0	15.1 8	15.1 7	18.3 1	15.3 3	19.5 2	22.3 7	28.4 2	22.5 6
iv. Non-ferrous Mining & Metallurgical	73.8 1	76.1 8	56.8 4	205. 43	68.5 2	56.7 0	34.5 0	60.9 1	47.1 0	45.7 1	57.6 8	65.9 8
v. Others	0.73	0.69	1.20	1.68	0.56	0.82	4.44	1.69	18.2 4	1.28	1.42	1.26

Source: Budget Documents.

The growth performance of the non-tax revenue and its major heads is given in **Table 3.6**. The growth rate of three major services i.e. general services, social services and economic services, has remained positive over most of the years except in certain years when negative growth rate is observed. The state of Meghalaya provides many types of social services like education, sports, art and culture, medical, public health and family and water supply & sanitation. The state also provides a wide range of economic services such as crop husbandry, animal husbandry, forest and wildlife, Non-ferrous Mining & Metallurgical and others. The state is also engaged in a range of general services such as public works, state lotteries, and others. The growth rate of economic services was the maximum from 33.95 percent in 2012-13 to 69.80 percent in 2023-24. The growth rate of social services was from zero in 2012-13 to 34 percent in 2023-24.

The growth rate of general services has remained low from 48 percent in 2012-13 to 41 percent in 2023-24. This low growth rate is due to certain strong negative performance trend in years 2013-14, 2014-15, 2017-18, 2020-21 and 2022-23. Forestry and wildlife had the maximum growth rate from 18.7 percent in 2012-13 to 31.7 percent in 2023-24 with negative growth only in the year 2017-18. Animal husbandry also had the maximum growth rate from 7.95 percent in 2012-13 to 41.8 percent in 2023-24 with negative performance trend in the years 2013-14, 2016-17, 2019-20, 2022-23. Crop husbandry also had the maximum growth rate from 8.48 percent in 2012-13 to 19.95 percent in 2023-24 with negative performance trend in the years 2013-14, 2015-16, 2019-20, 2020-21. Interest receipts show positive trend over the period except 2019-20, 2020-21 and 2022-23 and have shown a growth rate of -6.27 percent in 2012-13 to 20.04 percent in 2023-24.

Table 3.6: Growth Performance in the Non-Tax Revenue (percent)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1. Interest	-6.27	32.28	12.20	4.24	17.68	13.49	11.00	-50.39	-60.10	113.7	-64.28	20.04
2.Dividends and profits	25.00	30.00	0.00	-46.15	57.14	-1.18	-3.22	34.51	-98.87	7350.0	190.02	18.60
3.General services	48.31	-44.51	-38.57	72.17	34.11	-35.34	72.24	46.80	-29.98	140.54	-74.09	41.95
i.Public Works	2253.18	-55.15	-16.92	30.10	1088.23	-98.90	1074.93	37.79	-14.65	307.84	-99.72	20.56
ii.State Lotteries	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	98.35	-46.21	-36.82	73.08	4.43	-44.76	159.75	-77.29	350.66	134.88	-72.59	41.96
4.Social services	0.00	28.38	-6.32	16.74	43.70	-3.99	384.01	-77.30	2.26	3.47	-19.48	34.31
i.Education, Sports, Art and Culture	26.77	90.00	-47.37	-22.87	392.48	-62.13	23.87	-46.00	-6.76	112.13	7.88	19.81
ii.Medical, Public Health and Family	3.64	42.86	35.00	-42.69	2.58	28.55	-9.44	11.38	26.02	-9.46	-76.91	515.90
iii.Water Supply & Sanitation	-19.81	20.00	-5.56	36.85	-4.33	15.31	10.46	-8.79	15.16	13.94	16.09	8.54
iv. Others	31.64	0.00	-10.00	89.92	48.98	12.37	949.86	-87.42	-11.89	-15.50	-47.67	24.66
5.Economic s services	33.95	31.66	-47.02	-46.93	294.05	-53.16	-7.02	64.49	7.35	-17.69	9.68	69.80
i.Crop Husbandry	8.48	-1.41	8.16	-40.00	8.81	29.92	49.33	-65.83	-11.71	30.85	4.76	19.96
ii.Animal Husbandry	7.95	-5.26	11.11	-2.00	-18.88	16.18	13.52	-8.90	2.62	12.35	-9.73	41.84
iii.Forestry & Wildlife	18.71	94.17	20.00	0.00	44.44	-46.53	40.81	3.79	25.66	14.90	10.58	31.75
iv.Non ferrous Mining & Metallurgical	36.33	27.32	-57.19	-68.86	672.89	-55.73	-29.01	118.79	-23.67	-2.70	9.84	89.84
v. Others	12.93	-8.71	26.27	141.53	-61.32	-21.85	533.78	-52.89	966.51	-92.95	-3.48	47.41

Source: Budget Documents.

Table 3.7 and **Figure 3.6** compares the revenue receipts, own tax revenue, and non-tax revenue of Meghalaya with those of other North Eastern and Himalayan States (NE&HS). From 2012-13 to 2022-23, the trend of revenue receipt growth in Meghalaya was like that of other NE&HS states. However, Meghalaya outperformed these states in terms of its own tax revenue growth, achieving a CAGR of 12.08 percent compared to 10.59 percent for NE&HS. Conversely, Meghalaya's average annual growth of non-tax revenue, which includes royalties from major and minor minerals, declined by 0.62 percent, while other NE&HS states saw their non-tax revenue grow at a CAGR of 9.07 percent.

Table 3.7: Revenue Receipts, Own Tax Revenue and Non- Tax Revenue of the State of Meghalaya in comparison with North Eastern and Himalayan States (NE&HS) (percent)

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

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

While the revenue receipts of North Eastern and Himalayan States (NE&HS) grew at an average rate of 10.93 per cent (Table 3.8 and Figure 3.7), it stood at 3.82 percent for Meghalaya. In other words, the revenue receipts of Meghalaya grew at one-third of the rate for NE & HS. This is attributable to sharp decline of 12.96 percent in non-tax revenue during 2022-23 as against 32.79 percent growth of non-tax revenue for NE &HS.

Table 3.8: Change in Revenue Receipts, Own Tax Revenue and Non- Tax Revenue of the State of Meghalaya in comparison with North Eastern and Himalayan States (NE&HS) (percent)

FINANCIAL DATA (Change over the Previous Year)			
Particulars		2012-13 to 2022-23	
		NE & HS	Meghalaya
(a)	Revenue Receipts	10.93	3.82
(b)	Own Tax Revenue	17.39	15.23
(c)	Non- Tax Revenue	32.79	(-)12.96

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

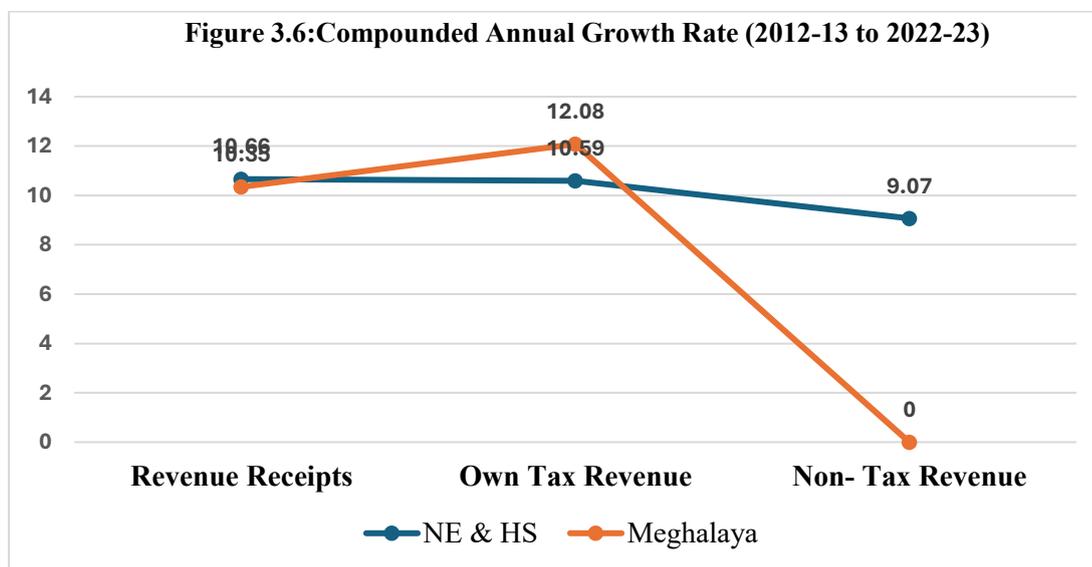


Figure 3.6: Compounded Annual Growth Rate (2012-13 to 2022-23)

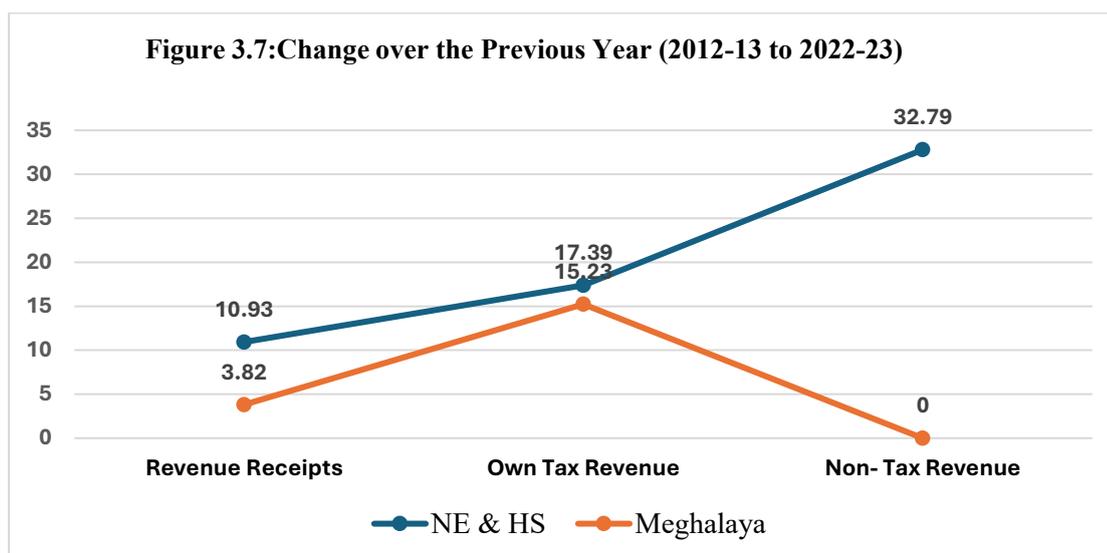


Figure 3.7: Change over the Previous Year (2012-13 to 2022-23)

3.4. Comparison of revenue receipts, own tax revenue and own non tax revenue with North Eastern and NE&HS states.

In **Table 3.9** a cross-sectional analysis of the revenue receipts (RR) of Meghalaya as a percentage of GSDP (RR/GSDP) reveals that in case of Meghalaya it was 40.8 percent, and it is far above the North Eastern States where it was 36.5 percent and for NE&HS States it was 33.2 percent. A cross-sectional analysis of the own tax revenue (OTR) as a percentage of GSDP (OTR/GSDP) reveals that for Meghalaya it was 6.7 percent and it is well above North Eastern States where it was 4.8 percent and NE&HS States where it was 5.3 percent. A cross-sectional analysis of the own non tax revenue (ONTR) as a percentage of GSDP (ONTR/GSDP) reveals that for Meghalaya it was 1.6 percent and it is just above North Eastern States which was 1.4 percent and below NE&HS States where it was 1.8 percent.

A time series analysis of the revenue receipts of Meghalaya as a percentage of GSDP (RR/GSDP) from 2012-13 to 2023-24 RE reveals revenue receipts for Meghalaya jumped from 29.1 percent from 2012-13 to 40.8 percent in 2023-24, for North Eastern states it reduced from 39.4 percent from 2012-13 to 36.5 percent in 2023-24. For NE&HS states RR/GSDP reduced from 34.9 percent in 2012-13 to 33.2 percent in 2023-24. A time series analysis of the own tax revenue of Meghalaya as a percentage of GSDP (OTR/GSDP) from 2012-13 to 2023-24 RE reveals that OTR for Meghalaya jumped outpacing all peer averages. It increased from 4.5 percent from 2012-13 to 6.7 percent in 2023-24, for North Eastern States from 3.7 percent in 2012-13 to 4.8 percent in 2023-24 and for NE&HS states from 4.5 percent in 2012-13 to 5.3 percent in 2023-24. A time series analysis of the own non tax revenue of Meghalaya as a percentage of GSDP (ONTR/GSDP) from 2012-13 to 2023-24 RE reveals ONTR for Meghalaya fell down in line with North Eastern states and NE&HS states. For Meghalaya it went down from 2.6 percent from 2012-13 to 1.6 percent in 2023-24, for North Eastern States it fell down from 2.6 percent in 2012-13 to 1.4 percent in 2023-24 and for NE&HS states from 2.5 percent in 2012-13 to 1.8 percent in 2023-24.

- Meghalaya’s overall revenue receipts soared, indicating buoyant tax collections and higher central transfers.
- Its own-tax share (6.7 percent) is unusually high for a North-East state—comparable to Himalayan peers—reflecting improved tax administration or base-broadening.
- The drop in own non-tax revenues suggests fewer one-off receipts (e.g. land monetization, dividends) or policy decisions to reduce levies on non-tax items.
- While NE&HS states overall saw falling receipts, Meghalaya bucked the trend with double-digit gains—an important buffer against rising development and revenue spending.

3.4.1. Policy Implications

- The surge in RR provides fiscal space for Meghalaya’s elevated spending—but the state must guard against volatility by building stable own-tax sources (e.g. property, lodging taxes).
- Consider monetizing select assets (e.g. forestry, minerals) or charging user fees for services to bolster ONTR without unduly burdening taxpayers.
- Align medium-term revenue forecasts with expenditure ceilings to maintain balance as receipts evolve.
- Share best practices in tax digitization and compliance with slower-growing NE peers to raise the region’s overall revenue yields.

Table 3.9: Comparison of RR, OTR and ONTR with North Eastern and NE&HS States

		Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura	Himachal Pradesh	Jammu and Kashmir	Uttarakhand	North Eastern	NE&HS
2012-13	RR/GSDP	48.7	22.2	53.7	29.1	54.2	39.6	36.2	31.1	21.2	33.8	14.5	39.4	34.9
	OTR/GSDP	2.7	6.0	2.6	4.5	2.7	2.2	4.2	4.4	6.3	7.5	5.9	3.7	4.5
	ONTR/GSDP	2.4	1.8	1.8	2.6	2.5	1.3	7.7	0.8	1.9	2.8	1.5	2.6	2.5
2013-14	RR/GSDP	43.0	20.2	50.8	28.6	46.3	36.6	35.0	28.5	19.0	31.0	14.1	36.1	32.1
	OTR/GSDP	3.2	5.6	3.3	4.3	2.2	1.9	4.2	4.0	6.2	7.2	6.0	3.6	4.4
	ONTR/GSDP	3.0	1.7	1.8	2.7	1.9	1.2	6.4	0.9	2.2	3.3	1.1	2.5	2.4
2014-15	RR/GSDP	54.5	19.3	44.3	26.3	47.7	41.5	29.3	31.1	17.1	28.8	12.5	36.8	32.0
	OTR/GSDP	2.8	4.8	2.9	3.8	2.3	2.1	3.5	4.0	5.7	6.3	5.1	3.3	3.9
	ONTR/GSDP	2.7	1.2	1.0	1.4	2.1	1.5	4.6	0.7	2.0	2.0	0.7	1.9	1.8
2015-16	RR/GSDP	51.6	18.8	43.1	27.1	43.5	40.6	22.3	27.4	20.8	30.0	12.1	34.3	30.7
	OTR/GSDP	2.6	4.5	2.9	4.1	2.3	2.2	3.3	3.9	5.9	6.2	5.3	3.2	3.9
	ONTR/GSDP	1.9	1.2	0.8	0.9	1.9	1.3	2.4	0.8	1.6	3.3	0.7	1.4	1.5
2016-17	RR/GSDP	59.4	26.2	40.8	30.4	48.4	42.6	26.6	32.2	19.8	38.4	15.7	38.3	34.6
	OTR/GSDP	3.1	6.2	2.9	4.3	2.1	2.1	3.5	3.6	5.6	7.0	5.9	3.5	4.2

	ONTR/GSDP P	2.5	2.3	0.8	1.6	1.8	1.1	2.0	0.7	1.3	3.1	1.4	1.6	1.7
2017- 18	RR/GSDP	62.5	18.8	42.8	31.1	48.4	46.6	22.2	21.8	19.5	35.0	12.6	36.8	32.8
	OTR/GSDP	7.9	5.4	5.0	6.3	4.8	4.1	4.0	4.0	5.4	7.8	5.1	5.2	5.4
	ONTR/GSDP P	1.7	1.4	0.7	1.2	2.2	1.6	2.8	1.1	1.7	3.1	0.8	1.6	1.7
2018- 19	RR/GSDP	65.8	20.1	37.9	29.0	46.3	41.9	20.6	24.1	20.1	32.8	12.7	35.7	32.0
	OTR/GSDP	5.2	5.2	4.1	5.6	4.1	3.4	3.3	3.7	5.0	6.5	5.0	4.3	4.6
	ONTR/GSDP P	2.5	2.6	0.6	1.3	2.3	0.9	2.3	0.7	1.8	2.8	1.3	1.7	1.7
2019- 20	RR/GSDP	53.1	19.2	33.6	27.1	38.4	38.7	15.7	19.7	18.9	28.9	12.1	30.7	27.8
	OTR/GSDP	4.4	4.9	3.8	5.4	2.9	3.3	3.1	3.8	4.7	5.2	4.5	4.0	4.2
	ONTR/GSDP P	2.3	1.7	0.4	1.5	2.1	1.1	2.3	0.5	1.5	2.3	1.6	1.5	1.6
2020- 21	RR/GSDP	70.0	26.8	46.5	45.9	29.9	35.8	21.2	24.5	21.2	29.6	15.8	37.6	33.4
	OTR/GSDP	5.3	5.6	3.7	7.1	2.1	3.0	2.8	3.7	5.5	5.9	5.2	4.2	4.5
	ONTR/GSDP P	2.2	1.4	0.5	2.1	2.4	0.8	1.8	0.5	1.5	2.4	1.0	1.5	1.5
2021- 22	RR/GSDP	60.4	19.8	38.5	36.8	32.9	42.2	18.9	28.2	21.2	29.6	15.8	34.7	31.3
	OTR/GSDP	4.7	4.7	4.5	5.9	3.1	4.1	3.3	3.7	5.5	5.9	5.2	4.3	4.6
	ONTR/GSDP P	2.2	0.9	0.3	1.4	2.2	1.0	1.8	0.4	1.5	2.4	1.0	1.3	1.4
2022- 23	RR/GSDP	67.8	18.7	39.5	31.8	33.5	38.0	19.0	25.3	19.9	31.3	16.2	34.2	31.0

	OTR/GSDP	6.4	5.1	4.7	5.7	3.6	3.9	3.5	3.6	5.5	5.6	5.6	4.6	4.8
	ONTR/GSDP	2.9	1.2	1.1	1.0	3.3	1.3	2.3	0.6	1.5	2.3	1.4	1.7	1.7
2023-24	RR/GSDP	60.9	20.1	56.5	40.8	29.7	38.5	18.7	26.9	17.7	38.6	17.1	36.5	33.2
	OTR/GSDP	6.0	5.3	6.6	6.7	2.8	3.8	3.4	3.5	6.1	8.0	6.0	4.8	5.3
	ONTR/GSDP	2.0	1.2	0.8	1.6	2.3	0.9	2.2	0.5	1.6	5.3	1.4	1.4	1.8
2024-25	RR/GSDP	70.0	17.3	51.1	39.6	27.6	35.7	19.8	24.0	18.6	37.7	37.7	35.6	34.5
	OTR/GSDP	6.6	5.3	4.6	6.8	2.9	3.5	4.0	3.5	6.6	8.0	8.0	4.7	5.4
	ONTR/GSDP	2.4	1.4	0.6	1.3	2.5	0.9	1.7	0.5	1.6	3.8	3.8	1.4	1.9

Source: State Finance, RBI.

(RE): Revised Estimates

(BE): Budget Estimates

RR: Revenue Receipts

OTR: Own Tax Revenue

ONTR: Own Non-Tax Revenue

GSDP: Gross State Domestic Product

Chapter 4

Trends in Expenditure Pattern

4.1 Trends in State Expenditure

The total expenditure of the state in terms of economic classification includes revenue expenditure and capital expenditure. The expenditure on capital account includes outlays for creation of assets, and loans and advances made to various parties and the repayment of loans obtained from them. The expenditure to GSDP ratio varied from 29.26 percent in 2012-13 to 52.19 percent in 2023-24. However, much of the total expenditure was devoted towards meeting revenue expenditure of the state. The revenue expenditure is divided into three major heads comprising of general services, social services and economic services. The general services include interest payments, pensions and others, social services include education, health, and water supply and sanitation, economic services include agriculture and allied activities, rural development, energy, transportation and communication. Revenue expenditure is recurring in nature and includes expenditure on administrative expenses. Revenue expenditure does not create any assets and is incurred in ordinary conduct and administration. Meghalaya has about 74 percent of its expenditure as revenue expenditure (see **Table 4.2**) in the year 2023-24.

Table 4.1: Expenditure as percentage of GSDP

Expenditure as percentage of GSDP												
Type of Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	24.56	26.38	25.61	23.73	29.31	27.35	29.82	26.15	34.39	36	34.81	38.61
Capital	5.2	5.11	4.58	4.15	4.53	3.52	4.12	2.57	5.19	7.27	6.42	12.07
Total Expenditure	29.26	31.49	30.19	27.88	33.83	32.02	35.36	29.99	40.86	45.32	42.69	52.19

Source: State disclosure annual publication and State Annual Reports CAG.

The high revenue expenditures have crowded out capital investment as the ratio of capital expenditure to GSDP increased only marginally from 5.2 percent in 2012-13 to 12.07 percent in 2023-24. Higher capital expenditure leads to creation of assets which adds to capital stock of economy and increases overall productivity of the economy. The highest percentage for capital expenditure to GSDP was 12.07 percent in the year 2023-24. As a percentage of GSDP, revenue expenditure varied between 24.56 percent in 2012-13 to 38.61 percent in 2023-24, while the ratio of capital expenditure to GSDP was between 5.2 to 12.07 percent in the same period (**Table 4.1**). **Table 4.2** details the changing share of different categories of expenditure to total expenditure during 2012-13 to 2023-24.

Table 4.2: Change in composition as percentage of total expenditure

Change in Composition as percentage of total expenditure												
Type of Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	84	83.2	84.2	82.4	85.9	85.44	84.35	87.21	84.16	79.44	81.55	73.98
Capital	16	16.8	15.8	17.6	14.1	14.56	15.65	12.79	15.84	20.56	18.45	26.02
Development	72.3	70.9	73.5	73.4	57.9	58.42	58.29	53.97	60.8	59.24	54.52	51.38
Non-development	27.7	29.1	26.5	26.6	42.1	41.58	41.71	46.03	39.2	40.76	45.48	48.62

Source: State disclosure annual publication and State Annual Reports CAG.

Total expenditure grew at an annual rate of 12 percent with the year-on-year growth rate varying between a low of 12 percent in 2012-13 to a high of 35.67 percent in 2023-24. **Table 4.3** shows the year-on-year growth in expenditures of the state for the period 2012-13 to 2023-24.

Table 4.3: Year-on-year Growth in Expenditures

Growth in Expenditure (Year on Year)												
Type of Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	11	12.6	21.9	12.8	16.2	1.03	21.77	-6.74	20.21	18.45	9.13	23.07
Capital	17	5.1	38.9	-13.6	17.9	-14.24	36.3	-34.73	84.64	56.23	-2.13	107.79
Total Expenditure	12	11.4	24.6	8.1	16.3	2.41	23.34	-9.8	24.56	25.51	6.29	35.67

Source: State disclosure annual publication and State Annual Reports CAG.

The predominant share of revenue expenditure in the total expenditure is clear as share of revenue expenditure was above or close to 80 percent throughout the period from 2012-13 to 2023-24. The share of capital expenditure in the total expenditure was the highest at 26.02 percent in 2023-24 followed by 20.56 percent in 2021-22 while the lowest was 12.79 percent in 2019-20.

During this time, revenue expenditure expanded at an annual rate of 16.2 percent while capital expenditure grew at 17.9 percent. In terms of year-on-year growth of revenue and capital expenditure, we see the capital expenditure registering negative annual growth in 2019-20 and 2022-23. A long term of low capital expenditure can lead to decrease in productive capital stock of the state leading to reduced growth rate.

The share of development expenditure in the total expenditure shows a decreasing trend with its share falling from 72.3 percent in 2012-13 to 51.38 percent in 2023-24. In the same period, non-development expenditure has increased from 27.7 percent in 2012-13 to 48.62 percent in 2023-24. Developmental expenditure refers to the expenditure of the government which helps in economic development by increasing production and real income of the country.

4.2 Economic Classification of State Expenditure

Table 4.4 and Figure 4.1 present the trends and composition of government expenditure from 2012-13 to 2023-24. Table 4.4 presents capital expenditures under capital outlay and loans and advances which includes repayment of government debt and loans and advances issued by the government. The total expenditure exhibits a compounded growth rate of 10.49 percent over the years. The capital expenditure on asset creation increased from Rs.1295.56 crores in 2012-13 to Rs.5719.89 crores in 2023-24 with a compounded annual growth rate of 13.17 percent. Expenditure on loans and advances also exhibits an increase from Rs.27.02 crores in 2012-13 to Rs.49.99 crores in 2023-23 with a compounded annual growth of 5.26 percent.

Table 4.4: Economic classification of Total Expenditure in Meghalaya

Year	Amount in Rs in Crore				Composition (%)			
	Revenue Exp.	Capital Outlay	Loans and Advances	Total Exp.	Revenue Exp.	Capital Outlay	Loans and Advances	Total Exp.
2012-13	4999.535	1295.56	27.02	7474.085	66.89	17.33	0.36	100
2013-14	5551.5916	1416.51	42.32	7521.71	73.81	18.83	0.56	100
2014-15	6251.86	1174.6	34.67	7426.46	84.18	15.82	0.47	100
2015-16	6347.72	1269.24	45.2175	7616.96	83.34	16.66	0.59	100
2016-17	8336.54	1320.62	55.765	9657.16	86.32	13.68	0.58	100
2017-18	8422.68	1083.44	22.05	9857.79	85.44	10.99	0.22	100
2018-19	10255.94	1417.28	89.48	12158.64	84.35	11.66	0.74	100
2019-20	9565.12	939.71	43.78	10967.32	87.21	8.57	0.40	100
2020-21	11498.61	1734.05	81.9	13661.2	84.17	12.69	0.60	100
2021-22	13620.23	2751.79	85.34	17146.14	79.44	16.05	0.50	100
2022-23	14863.77	2742.28	34.52	18226.01	81.55	15.05	0.19	100
2023-24 (RE)	18294.24	5719.89	49.99	24728.58	73.98	23.13	0.20	100
CAGR	11.41%	13.17%	5.26%	10.49%	-	-	-	-

Source: State disclosure annual publication and State Annual Reports CAG.

The percentage share of revenue expenditure to total expenditure increased from 66.89 percent in 2012-13 to 73.98 percent in 2023-24. The share of capital outlay in total expenditure also exhibits and increase from 17.33 percent in 2012-13 to 23.13 percent in 2023-24. Loans and advances show a decline from 0.36 percent in 2012-13 to 0.20 percent in 2023-24.

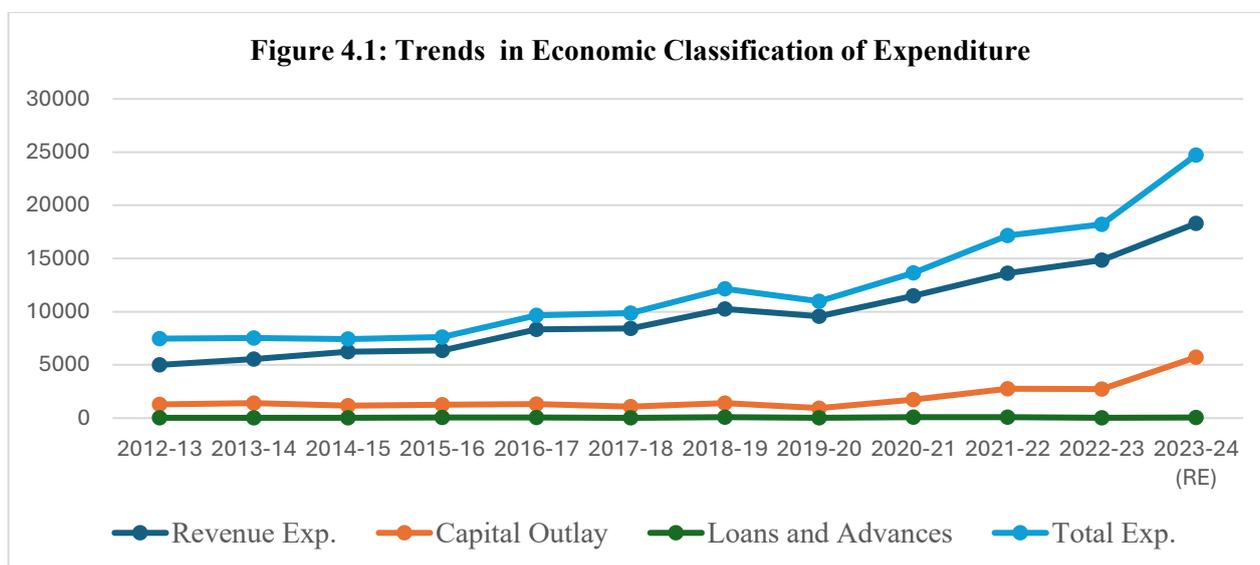


Figure 4.1: Trends in Economic Classification of Expenditure

The increasing total expenditure of the state government is attributed to the consistent increase in revenue expenditure. While capital expenditure represented by capital outlay and loans and advances exhibits a flat trend. Only in the recent years it shows an increasing trend which is much lower than the revenue expenditure. The total expenditure increased from Rs.7474.09 crores in 2012-13 to Rs.24728.58 crores in 2023-24. The fiscal space of the state was reduced gradually with the increase in revenue expenditure alongside the increasing requirements for repayment of loans and advances.

Table 4.5: Classification of Expenditure as percentage of GSDP

Year	Revenue Expenditure	Capital Exp. Outlay	Loans and Advances	Capital Expenditure	Total Expenditure
2012-13	24.56	6.37	0.13	6.50	36.72
2013-14	26.38	6.73	0.20	6.93	35.74
2014-15	25.61	4.81	0.14	4.95	30.43
2015-16	23.73	4.75	0.17	4.91	28.48
2016-17	29.31	4.64	0.20	4.84	33.95
2017-18	27.36	3.52	0.07	3.59	32.02
2018-19	29.82	4.12	0.26	4.38	35.36
2019-20	26.15	2.57	0.12	2.69	29.99
2020-21	34.39	5.19	0.24	5.43	40.86
2021-22	36.00	7.27	0.23	7.50	45.32

2022-23	34.81	6.42	0.08	6.50	42.69
2023-24	38.61	12.07	0.11	12.18	52.19

Source: State disclosure annual publication and State Annual Reports CAG.

The total expenditure as percentage of GSDP has increased from 36.72 percent in 2012-13 to 52.19 percent in 2023-24. (Table 4.5) The revenue expenditure which has exhibited a growing trend with respect to total expenditure also has a similar pattern with respect to the GSDP. It has increased from 24.56 percent in 2012-13 to 38.61 percent in 2023-24. The capital expenditure as a percentage of GSDP increased from 6.50 percent in 2012-13 to 12.18 percent in 2023-24. The loans and advances declined from 0.13 percent in 2012-13 to 0.11 percent in 2023-24.

4.3 Functional Composition of Expenditure

The functional composition of total expenditure consists of expenditure on general services including interest payments, social services (education, health, housing, urban development, welfare of SC/ST etc.), economic services (agricultural, animal husbandry, forestry, rural development, energy, etc.), repayment of public debts, loans and advances. Table 4.6 presents the trend of these expenditures, while Table 4.7 and Table 4.8 present their relative share in the total expenditure and values as percentage of GSDP respectively. The compounded annual growth rate was also calculated for the entire study period to show the trend of expenditure in each component.

Expenditure on the general services (non-developmental expenditure) which accounted for around 28 percent of total expenditure in 2012-13 has grown at a compounded annual rate of 7.74 percent from Rs.2013.5 crore in 2012-13 to Rs.4927 crore in 2023-24. Development expenditure consisting of social services and economic services recorded a compounded annual growth of 7.64 percent from 2012-13 to 2023-24. The social services have individually showed a compounded annual growth rate of growth of 8.07 percent from 2012-13 to 2023-24. After 2018-19 the social services have been main driver in the growth of development expenditures. Economic services individually have registered a compounded annual growth rate of 7.17 percent from 2012-13 to 2023-24. Repayment of public debts shows a compounded annual growth rate of around 35 percent from 2012-13 to 2023-24. Lastly, the compounded annual growth rate reported for loans and advances is above 5 percent during the twelve-year period under consideration.

Table 4.6: Functional Composition of Total Expenditure (Rs in Crore)

Year	General Services	Social Services	Economic Services	Dev. Exp. (Soc.+Eco.)	Public debt repayment	Loans and advances	Total Expenditure
2012-13	2013.5	2549	2436	4985	168.5	27.02	7194.02
2013-14	1923	2365	2339	4704	298.71	42.32	6968.03
2014-15	2104	2733	2533	5266	1023.7	34.67	8428.37
2015-16	2353	2685	2421	5106	1748.69	45.2175	9252.908
2016-17	2563	3558	3504	7062	1671.67	55.765	11352.44
2017-18	2877	3509	3021	6530	1748.69	22.05	11177.74
2018-19	3621	4460	3592	8052	2051.03	89.48	13813.51

2019-20	3716	4017	2772	6789	2030.97	43.78	12579.75
2020-21	4133	4887	4213	9100	1651.5	81.9	14966.4
2021-22	4626	6449	5297	11746	3369.72	85.34	19827.06
2022-23	5228	6486	5892	12378	5061.42	34.52	22701.94
2023-24 (RE)	4927	6467.5	5594.5	12062	6437.14	49.99	23476.13
CAGR	7.74%	8.07%	7.17%	7.64%	35%	5%	-

Source: State disclosure annual publication and State Annual Reports CAG.

Table 4.7: Percentage Breakup of Total Expenditure on Various Functional Classifications

Year	General Services	Social Services	Economic Services	Dev. Exp. (Soc.+Eco.)	Public debt repayment	Loans and advances	Total Expenditure
2012-13	27.99	35.43	33.86	69.29	2.34	0.38	100
2013-14	27.60	33.94	33.57	67.51	4.29	0.61	100
2014-15	24.96	32.43	30.05	62.48	12.15	0.41	100
2015-16	25.43	29.02	26.16	55.18	18.90	0.49	100
2016-17	22.58	31.34	30.87	62.21	14.73	0.49	100
2017-18	25.74	31.39	27.03	58.42	15.64	0.20	100
2018-19	26.21	32.29	26.00	58.29	14.85	0.65	100
2019-20	29.54	31.93	22.04	53.97	16.14	0.35	100
2020-21	27.62	32.65	28.15	60.80	11.03	0.55	100
2021-22	23.33	32.53	26.72	59.24	17.00	0.43	100
2022-23	23.03	28.57	25.95	54.52	22.30	0.15	100

2023-24 (RE)	20.99	27.55	23.83	51.38	27.42	0.21	100
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Source: State disclosure annual publication and State Annual Reports CAG.

Total development expenditure accounted for the larger portion of the total expenditure throughout the twelve years and its share in the total expenditure gradually decreased from 69.29 percent in 2012-13 to 51.38 percent in 2023-24. Of the developmental expenditure the share of social services decreased from 35.43 percent of the total expenditure in 2012-13 to 27.55 percent of the total expenditure in 2023-24. Economic services show a similar trend by reporting a decline from 33.86 percent in 2012-13 to 23.83 percent in 2023-24.

As shown in **Table 4.8**, apart from public debt repayment, the expenditure on different functional heads does not show many variations in terms of their share in GSDP. The development expenditure relative to GSDP has reported a marginal increase from 24.49 percent in 2012-13 to 25.46 percent in 2023-24. However, it has reported the lowest share in 2019-20 at 18.56 percent and the highest share has been reported at 31.05 percent in 2021-22. The public debt repayment has shown a significant increase from 0.83 percent of the GSDP in 2012-13 to 13.59 percent of GSDP in 2013-24 (**Table 4.8**). For the non-developmental expenditure, from 2012-13 to 2017-18 the share as percentage of GSDP has remained around 8 percent. From 2018-19 onward it has reported an increasing trend taking the share in GSDP to as high as 12.36 percent in 2020-21.

Table 4.8: Functional Composition of Expenditure as percentage of GSDP

Year	General Services	Social Services	Economic Services	Dev. Exp. (Soc.+Eco.)	Public debt repayment	Loans and advances	Total Expenditure
2012-13	9.89	12.52	11.97	24.49	0.83	0.13	35.34
2013-14	9.14	11.24	11.11	22.35	1.42	0.20	33.11
2014-15	8.62	11.20	10.38	21.57	4.19	0.14	34.53
2015-16	8.80	10.04	9.05	19.09	6.54	0.17	34.60
2016-17	9.01	12.51	12.32	24.83	5.88	0.20	39.91
2017-18	9.34	11.40	9.81	21.21	5.68	0.07	36.30
2018-19	10.53	12.97	10.45	23.41	5.96	0.26	40.17
2019-20	10.16	10.98	7.58	18.56	5.55	0.12	34.40
2020-21	12.36	14.62	12.60	27.22	4.94	0.24	44.76
2021-22	12.23	17.05	14.00	31.05	8.91	0.23	52.41

2022-23	12.24	15.19	13.80	28.99	11.85	0.08	53.17
2023-24 (RE)	10.40	13.65	11.81	25.46	13.59	0.11	49.55

Source: State disclosure annual publication and State Annual Reports CAG.

To further examine the functional classification of expenditure, **Table 4.9** presents the classification within each of the revenue and capital expenditure. The expenditure on general services has remained below 8 percent of capital expenditure across the years with the highest contribution of 7.64 percent in 2015 -16. It has also reported a decrease from 6.45 percent of the capital expenditure in 2012-13 to 2.4 percent of the capital expenditure in 2023-24. The compounded annual growth rate of general services with respect to the capital expenditure has been at the rate of 5.26 percent across the years. Social services with respect to capital expenditure has reported a compounded annual growth rate of 8.77 percent which the highest among all the functions. However, the year on trend shows a declining trend in the percentage composition of social services in capital expenditure. It has come down from 29.1 percent 2012-13 to 16.07 percent in 2023-24. For economic services, the percentage to capital expenditure has remained around or above 40 percent across the years with the highest reported at 57.04 percent in 2015-16. Only in the year 2023-24 it has reported 24.22 percent share in the capital expenditure.

At the same time expenditure on revenue account reported comparatively a higher share going to social services. Social services however have shown a declining trend as a percentage of revenue expenditure. It has reported a decline from 43.44 percent in 2012-13 to 29.7 percent in 2023-24. (**Table 4.9**) Social services have grown at a compounded annual growth rate of 7.94 percent. The expenditure on economic services on the revenue account has also reported a decline from 36 percent in 2012-13 to 22.06 percent in 2023-23. It has exhibited a compounded growth rate of 6.96 percent. For general services the compounded annual growth is reported at 7.84 percent with a decline reported in the percentage share from 38.60 percent in 2012-13 to 26.09 percent in 2023-24. The grants-in-aid with respect to the revenue expenditure has reported a compounded annual growth of 9.2 percent.

Table 4.9: Functional Composition of Revenue and Capital Expenditure

Sector	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Expenditure	1295.56	1416.51	1174.6	1269.24	1320.62	1435.11	1902.7	1402.2	2162.59	3525.91	3362.24	6434.34
General Services	83.5	85	82	97	83	50	85	48	132	172	137	154.5
% of capital expenditure	6.45	6.00	6.98	7.64	6.28	3.48	4.47	3.42	6.10	4.88	4.07	2.40
Social Services	377	391	363	290	459	361	360	293	540	1194	874	1034
% of capital expenditure	29.10	27.60	30.90	22.85	34.76	25.15	18.92	20.90	24.97	33.86	25.99	16.07
Economic Services	636.5	600	673	724	747	573	972	599	1062	1386	1731	1558.5
% of capital expenditure	49.13	42.36	57.30	57.04	56.56	39.93	51.09	42.72	49.11	39.31	51.48	24.22

Grants-in-aid										18		
% of capital expenditure	0	0	0	0	0	0	0	0	0	0.51	0	0
Revenue Expenditure	4999.54	5551.59	6251.86	6347.72	8336.54	8422.68	10255.94	9565.12	11498.61	13620.23	14863.77	18294.24
General Services	1930	1838	2022	2256	2480	2827	3536	3668	4001	4454	5091	4772.5
% of revenue expenditure	38.60	33.11	32.34	35.54	29.75	33.56	34.48	38.35	34.80	32.70	34.25	26.09
Social Services	2172	1974	2370	2395	3099	3148	4100	3724	4347	5255	5612	5433.5
% of revenue expenditure	43.44	35.56	37.91	37.73	37.17	37.38	39.98	38.93	37.80	38.58	37.76	29.70
Economic Services	1799.5	1739	1860	1697	2757	2448	2620	2173	3151	3911	4161	4036
% of revenue expenditure	35.99	31.32	29.75	26.73	33.07	29.06	25.55	22.72	27.40	28.71	27.99	22.06
Grants-in-aid	1591.5	1366	1817	1591	3293	2674	3277	2881	3809	4286	4864	4575
% of revenue expenditure	31.83	24.61	29.06	25.06	39.50	31.75	31.95	30.12	33.13	31.47	32.72	25.01

Source: State disclosure annual publication and State Annual Reports CAG.

4.4 Committed Expenditure of the State

The committed expenditure of the state government on revenue account mainly consists of salaries, pension, subsidies and interest payments. Most of the subsidies given through the revenue account are implicit in nature and the actual value cannot be estimated accurately for these. To maintain uniformity in trend analysis and comparison with respect to total expenditure, and due to unavailability of sufficient data, the expenditures on subsidies are not presented in the table below.

On an average the committed expenditure increased at an annual compound rate of 8.26 percent – from Rs.3399.11 crores in 2012-13 to Rs.8813.35 crores in 2023-24. (**Table 4.10**) The share of committed expenditure on total revenue expenditure can be seen showing a declining trend post 2019-20 indicating an improvement in the state's sustainability for the fiscal position leading to strengthening of the capacity of the state government to meet its expenditure obligations in its delivery of various services for socio-economic development of the people.

Table 4.10: Components of Committed Expenditure of the State Government

	Amount (Rs in Crore)	as % of total Revenue Expenditure
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Year	Salary	Pension	Interest	Total	Salary	Pension	Interest	Total
2012-13	2911.2675	225.66	262.18	3399.1075	58.23077	4.51362	5.244088	67.98847
2013-14	2937.315	625	371.5	3933.815	52.90942	11.25803	6.691775	70.85923
2014-15	2885.22	514.94	405.1	3805.26	46.14979	8.236589	6.479672	60.86605
2015-16	2989.41	589.43	465.88	4044.72	47.09423	9.285696	7.339328	63.71926
2016-17	3887.21	647.85	522.23	5057.29	46.62858	7.77121	6.264349	60.66414
2017-18	3855.59	750.9	591.18	5197.67	45.77628	8.915215	7.018906	61.71041
2018-19	5201	1004.91	656.8	6862.71	50.71208	9.798322	6.404094	66.91449
2019-20	4843.64	1131.56	758.51	6733.71	50.63857	11.83007	7.929958	70.39859
2020-21	4509.65	1193.61	858.92	6562.18	39.21909	10.38047	7.469772	57.06933
2021-22	4738.17	1365.59	963.28	7067.04	34.78774	10.02619	7.072421	51.88635
2022-23	5116.71	1672.5	1028.52	7817.73	34.42404	11.25219	6.919644	52.59588
2023-24	5899.24	1745.46	1168.65	8813.35	32.24643	9.541036	6.388076	48.17555
CAGR	6.06%	18.58%	13.26%	8.26%	-	-	-	-

Source: State disclosure annual publication and State Annual Reports CAG.

The expenditure on salaries of the government employees accounted for around or above half of total revenue expenditure till 2019-20 and later reducing to reach around one third of the total revenue expenditure in 2023-23 has increased as a compounded annual rate of 6.06 percent. Salary expenditure increased from Rs.2911.27 crores in 2012-13 to Rs. 5899.24 crores in 2023-24. Also, the pension payment obligation of the state government has increased at an annual compound rate of 18.58 percent. The pension payment obligations have increased from Rs.225.66 crores in 2012-13 to Rs.1745.46 crores in 2023-24 while the share in the total revenue also increased from 4.51 percent in 2012-13 to 9.54 percent in 2023-24. The increasing committed expenditure for pension should be a concern for the state government in its efforts to enhance the fiscal space.

At the same time the expenditure on interest payments shows a compounded annual rate of 13.26 percent. Its share in the total revenue expenditure has marginally increased from 5.24 percent in 2012-13 to 6.38 percent in 2023-24. This may be considered as a commendable trend in view of the necessity of bringing down the revenue expenditure.

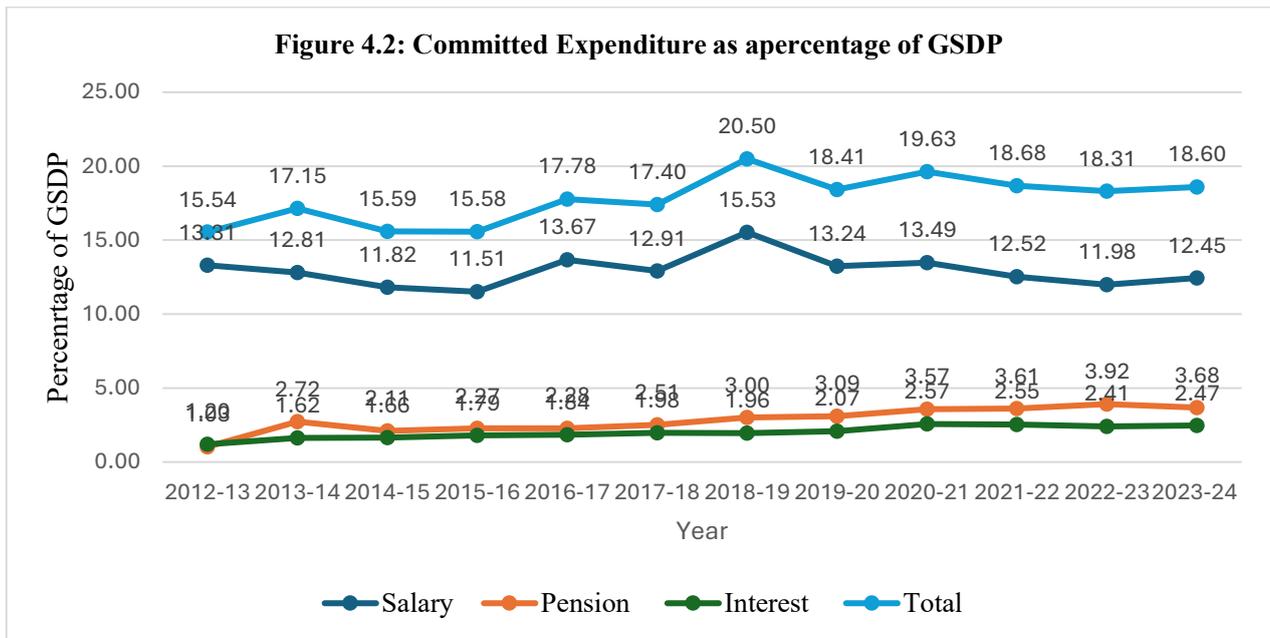


Figure 4.2: Committed expenditure as percentage of GSDP

As observed in **Figure 4.2**, the total committed expenditure as percentage of GSDP has shown an increasing trend till 2018-19 and thereafter the trend has mostly been flat. For salaries also, the trend has been in line with the total committed expenditure. In the case of pension and interest payments, these two with respect percentage in GSDP have shown similar trend over the period of twelve years under consideration. The trend has mostly been flat over the years.

The introduction of a Unified Pension Scheme (UPS) in Meghalaya is likely to increase the financial burden on the state exchequer. Pension obligations are long-term commitments, and if not managed well, they can strain public finances, affecting developmental and capital expenditure. The shift may lead to higher unfunded liabilities, increasing the state’s fiscal burden. Sudden rise in pension expenditure may lead to higher fiscal deficits and borrowing needs. With a higher share of state revenue diverted to pension payments, funding for infrastructure, healthcare, and education may shrink.

4.5 Comparison of revenue expenditure, development revenue expenditure and non development revenue expenditure with North Eastern and NE&HS states

In **Table 4.11** a cross-sectional analysis of the revenue expenditure (RE) as a percentage of GSDP (RE/GSDP) of Meghalaya reveals that Meghalaya’s share (34.5 percent) is slightly above North Eastern States (33.1 percent) and substantially above the NE&HS mean (30.3 percent). A cross-sectional analysis of the development revenue expenditure (DRE) as a percentage of GSDP (DRE/GSDP) of Meghalaya reveals that at 23.7 percent of GSDP, Meghalaya’s development spend is far higher than both North Eastern States (21.0 percent) and NE&HS (18.7 percent). A cross-sectional analysis of the non development revenue expenditure (NDRE) as a percentage of GSDP (NDRE/GSDP) of Meghalaya reveals that at 10.8 percent it is just below the regional average of North Eastern States (11.9 percent); and NE&HS (11.3 percent), despite having grown faster over time.

A time series analysis of the revenue expenditure as a percentage of GSDP (RE/GSDP) of Meghalaya from 2012-13 to 2023-24 RE reveals that for Meghalaya it rose from 26.3 percent in 2012-13 to 34.5 percent in 2023-24 RE, whereas for North Eastern peer group it fell down from 33.9 percent in 2012-13 to 33.1 percent in 2023-24 RE, while for NE&HS states the average actually eased slightly from 30.8 percent in 2012-13 to 30.3 percent in 2023-24 RE. A time series analysis of the development expenditure as a percentage of GSDP (DRE/GSDP) of Meghalaya from 2012-13 to 2023-24 RE reveals for Meghalaya it soared from 18 percent in 2012-13 to 23.7 percent in 2023-24 RE, but for NE&HS states it increased slightly from 18.6 percent in 2012-13 to 18.7 percent in 2023-24, but for North Eastern states it declined from 26 percent in 2012-13 to 21 percent 2023-24 RE. A time series analysis of the non development expenditure as a percentage of GSDP (NDRE/GSDP) of Meghalaya from 2012-13 to 2023-24 RE reveals Meghalaya’s non-development share climbed from 8.3 percent in 2012-13 to 10.8 percent in 2023-24 RE whereas the regional mean

i.e. for North Eastern states it dipped from 12.7 percent in 2012-13 to 11.9 percent in 2023-24 RE whereas for NE&HS it dipped from 11.8 percent in 2012-13 to 11.3 percent in 2023-24 RE.

- Meghalaya's fiscal commitments (RE) are not only above regional peers but have accelerated sharply, risking crowd-out of capital outlays if revenues don't keep pace.
- It's development spend (DEV/GSDP) is spectacularly higher—and rising faster—than in peer states, suggesting strong priority on social/infrastructure sectors.
- Even its non-development revenue items (NDRE) have expanded, bucking the regional trend of containment.

4.5.1 Policy Implications

- Ensure Revenue Buoyancy: Strengthen tax/GSDP elasticity or negotiate higher central transfers to sustain this high RE.
- Re-Visit Composition: Can the rise in Non development revenue expenditure (NDRE) be tempered (e.g. through salary/O&M efficiencies)?
- Leverage Development Gains: Given the strong DEV push, rigorously monitor outputs (e.g. service delivery, infrastructure uptime) to ensure maximum returns.
- Peer Learning: Both North Eastern states and NE&HS states have successfully capped NDRE while maintaining DEV (e.g. Tripura, Sikkim) to replicate best practices.

This dual cross-sectional and trend analysis underscores that Meghalaya is both an outlier and a frontrunner—its budget is unusually large, heavily skewed toward development, but also carrying rising non-development costs that warrant careful management.

4.6 Comparison of development expenditure, capital outlay and social sector expenditure with North Eastern and NE&HS states

In **Table 4.12** a cross-sectional analysis of the development expenditure as a percentage of GSDP (DEV/GSDP) of Meghalaya reveals that Meghalaya's share of 34 percent is well above its peers whereas for North Eastern states it was 29.7 percent and NE&HS states it was 26.4 percent. A cross-sectional analysis of the social sector expenditure (SSE) as a percentage of GSDP (SSE/GSDP) of Meghalaya reveals that Meghalaya leads other with 21.6 percent is well above its peers whereas for North Eastern states it was 18.3 percent and NE&HS states it was 16.5 percent. A cross-sectional analysis of the capital outlay (CO) as a percentage of GSDP (CO/GSDP) of Meghalaya reveals that Meghalaya edges out well above its peers at 10.8 percent whereas for North Eastern states it was 10 percent and NE&HS states it was 8.7 percent.

A time series analysis of the development expenditure as a percentage of GSDP (DEV/GSDP) of Meghalaya from 2012-13 to 2023-24 RE reveals that for Meghalaya it increased from 22.7 percent in 2012-13 to 34 percent in 2023-24 RE, whereas for North Eastern states it increased from 27.3 percent in 2012-13 to 29.7 percent in 2023-24 RE, for NE&HS states it increased from 24.5 percent in 2012-13 to 26.4 percent in 2023-24 RE.

A time series analysis of the social sector expenditure as a percentage of GSDP (SSE/GSDP) of Meghalaya from 2012-13 to 2023-24 RE reveals that Meghalaya's SSE grew far exceeding the gains in the peer group, for Meghalaya it increased from 12.1 percent in 2012-13 to 21.6 percent in 2023-24 RE, for North Eastern states it increased from 14.7 percent in 2012-13 to 18.3 percent in 2023-24 RE, for NE&HS states it increased from 13.3 percent in 2012-13 to 16.5 percent in 2023-24 RE.

A time series analysis of the of the capital outlay as a percentage of GSDP (CO/GSDP) shows that for Meghalaya capital outlay jumped more than the peer average over the period 2012-13 to 2023-24 RE, where it increased from 4.9 percent in 2012-13 to 10.8 percent in 2023-24 RE, for North Eastern states from 7.3 percent in 2012-13 to 10 percent in 2023-24 RE and for NE&HS states from 6.5 percent in 2012-13 to 8.7 percent in 2023-24 RE.

Overall, Meghalaya stands out both in levels and in growth rates for all three development-spend indicators, highlighting a deliberate—and exceptionally rapid—shift of fiscal resources into social and capital sectors compared to its regional peers. Meghalaya's ambitious development spending embodies a clear growth-and-equity agenda—but

sustaining it will require disciplined fiscal management, outcome-oriented budgeting, and continuous efficiency improvements to ensure that high outlays translate into lasting economic and social dividends.

4.6.1 Policy Implications

- Development expenditure surged and also revenue expenditure surged in just a decade. Unless matched by buoyant own-tax and central transfers, this accelerated spending could squeeze fiscal space for future priorities or force higher borrowing.
- Rapid capital and social outlays often rely on market borrowings and centrally sponsored schemes; interest servicing must be monitored to prevent escalation of “non-productive” recurring costs.
- Elevated CO (10.8 percent of GSDP) signals strong investment in roads, electricity, water—critical inputs for longer-term economic growth and improved market access.
- High SSE (21.6 percent) bodes well for education and health outcomes, which underpin labour productivity; sustained attention to quality (not just quantity) will determine whether these outlays translate into real human-development gains.
- Large SSE and CO budgets demand robust monitoring and evaluation systems—e.g. geo-tagged progress tracking, citizen grievance redressal—to deter leakages and delays.
- Even as SSE and CO soared, the state should continue to cap non-development revenue (wages, interest payments) growth, to preserve room for further DEV expansions.
- Engage regularly with North Eastern and NE&HS counterparts to distill best practices in project delivery, procurement, and social-sector innovations.

Table 4.11: Comparison of RE, DRE and NDRE with North Eastern and NE&HS States

		Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura	Himachal Pradesh	Jammu and Kashmir	Uttarakhand	North Eastern	NE&HS
2012-13	RE/GSDP	40.4	21.1	41.9	26.3	53.9	35.7	28.8	23.0	21.9	32.4	12.9	33.9	30.8
	DRE/GSDP	28.4	11.5	22.4	18.0	36.9	19.5	15.3	12.9	13.0	18.7	7.5	20.6	18.6
	NDRE/GSDP	12.0	7.6	18.0	8.3	17.0	16.2	13.2	9.5	9.0	13.7	5.0	12.7	11.8
2013-14	RE/GSDP	42.3	20.1	39.9	25.3	47.8	32.4	27.9	22.2	21.0	30.9	13.2	32.2	29.4
	DRE/GSDP	29.2	11.5	20.5	16.9	31.4	17.0	15.8	12.9	12.5	17.9	7.6	19.4	17.6
	NDRE/GSDP	13.1	6.8	17.0	8.4	16.4	15.4	11.9	8.7	8.5	13.0	5.0	12.2	11.3
2014-15	RE/GSDP	42.7	19.7	40.3	25.6	48.9	36.7	24.5	25.1	19.0	29.2	13.1	32.9	29.5
	DRE/GSDP	30.4	12.7	22.4	17.3	33.8	19.7	13.8	15.5	11.7	17.2	8.1	20.7	18.4
	NDRE/GSDP	12.3	6.5	15.2	8.3	15.1	17.0	10.4	9.0	7.3	12.0	4.6	11.7	10.7
2015-16	RE/GSDP	40.9	16.4	38.4	24.4	36.3	38.3	21.5	22.9	19.8	30.6	13.1	29.9	27.5
	DRE/GSDP	28.6	10.6	21.2	15.8	23.8	20	13.9	13.5	12.0	19.1	7.9	18.4	16.9
	NDRE/GSDP	12.3	5.6	15.3	8.7	12.5	18.3	7.3	8.9	7.8	11.5	4.8	11.1	10.3
2016-17	RE/GSDP	44.2	25.7	44.6	30.2	40.1	42.9	24.1	24.9	22.1	31.7	24.9	34.6	32.3
	DRE/GSDP	31.4	17.1	26.3	21.7	25.7	24.0	15.7	14.8	14.1	19.3	14.8	22.1	20.4
	NDRE/GSDP	12.7	8.3	16.3	8.5	14.3	18.9	8.0	9.6	7.9	12.4	9.6	12.1	11.5
2017-18	RE/GSDP	49.4	19.2	38.3	28.2	38.8	43.1	17.7	22.5	19.2	29.5	13.5	32.2	29.0
	DRE/GSDP	33.6	11.5	21.0	18.7	26.2	24.9	10.9	12.7	11.4	17.4	7.1	19.9	17.8
	NDRE/GSDP	15.8	7.6	15.1	9.5	12.6	18.3	6.5	9.5	7.8	12.2	5.8	11.9	11.0
2018-19	RE/GSDP	50.5	18.0	35.0	30.6	38.5	40.0	18.2	23.9	19.1	36.0	13.1	31.8	29.4
	DRE/GSDP	35.0	11.3	18.6	20.1	24.6	21.6	11.1	13.1	11.7	21.3	7.0	19.4	17.8
	NDRE/GSDP	15.5	6.7	14.3	10.6	13.8	18.4	6.8	10.3	7.4	14.7	5.5	12.0	11.3
2019-20	RE/GSDP	43.6	19.6	32.2	27.6	37.6	39.4	20.1	23.9	18.9	29.1	13.0	30.5	27.7
	DRE/GSDP	29.9	12.9	16.5	17.0	25.0	21.0	11.9	13.3	11.3	16.2	6.8	18.4	16.5

	NDRE/GSDP	13.7	6.7	14.0	10.6	12.6	18.4	7.9	10.2	7.6	12.9	5.5	11.8	10.9
2020-21	RE/GSDP	50.6	28.7	44.3	43.1	32.4	38.5	22.1	28.4	23.1	33.0	16.5	36.0	32.8
	DRE/GSDP	34.6	18.7	28.5	30.4	22.1	21.3	13.6	16.7	14.3	18.1	8.9	23.2	20.7
	NDRE/GSDP	15.9	9.7	14.0	12.7	10.3	17.2	8.2	11.2	8.8	15.0	6.6	12.4	11.8
2021-22	RE/GSDP	45.1	20.0	34.5	35.1	30.8	37	17.8	25.8	20.5	29.6	14.3	30.8	28.2
	DRE/GSDP	31.4	11.1	16.9	23.6	19.5	19	10.7	14.8	12.6	14.8	8.0	18.4	16.6
	NDRE/GSDP	13.8	8.8	16.1	11.5	11.3	18.0	6.8	10.5	7.9	14.8	5.8	12.1	11.4
2022-23	RE/GSDP	49.6	21.3	35.2	31.9	32.9	36.1	17.9	24.5	23.2	28.6	14.4	31.2	28.7
	DRE/GSDP	34.8	14.0	17.8	21.0	20.4	17.7	10.7	14.4	13.9	14.5	8.2	18.9	17.0
	NDRE/GSDP	14.8	7.2	16.5	10.9	12.5	18.4	7.0	9.6	9.3	14.2	5.6	12.1	11.5
2023-24 (BE)	RE/GSDP	53.7	19.6	41.6	36.1	28.6	36.8	18.6	26.9	19.9	30.2	15.8	32.7	29.8
	DRE/GSDP	35.9	11.9	26.1	24.2	17.3	18.9	10.7	16.3	11.6	15.5	9.0	20.2	17.9
	NDRE/GSDP	17.9	7.5	14.3	11.9	11.3	17.9	7.6	10.2	8.2	14.7	5.9	12.3	11.6
2023-24 (RE)	RE/GSDP	60.6	20.8	37.5	34.5	34.0	34.1	17.6	25.8	22.3	31.6	14.9	33.1	30.3
	DRE/GSDP	44.0	13.2	20.6	23.7	21.8	18.1	10.6	15.6	13.4	16.5	8.6	21.0	18.7
	NDRE/GSDP	16.5	7.4	15.6	10.8	12.2	16.0	6.8	9.6	8.8	15.1	5.4	11.9	11.3
2024-25(BE)	RE/GSDP	58.1	17.0	38.0	33.1	26.3	33.5	18.9	22.2	20.5	31.4	14.1	30.9	28.5
	DRE/GSDP	40.4	10.0	22.5	22.8	16.4	17.4	11.1	12.7	11.7	17.8	7.9	19.2	17.3
	NDRE/GSDP	17.7	6.9	14.3	10.3	9.9	16.1	7.5	8.9	8.8	13.7	5.4	11.5	10.9

Source: State Finances, RBI.

(BE): Budgeted estimate

(RE): Revised estimate

RE/GSDP: Revenue Expenditure/GSDP

NDRE/GSDP: Non-development Revenue Expenditure

GSDP: Gross State Domestic Product

Table 4.12: Comparison of DEV, SSE and CO with North Eastern and NE&HS States

		Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura	Himachal Pradesh	Jammu and Kashmir	Uttarakhand	North Eastern	NE&HS
2012-13	DEV/GSDP	37.9	13.6	32.4	22.7	44.0	26.2	22.6	18.7	16.1	24.7	10.9	27.3	24.5
	SSE/GSDP	16.4	8.9	16.2	12.1	25.3	12.6	13.3	12.7	9.6	11.8	7.4	14.7	13.3
	CO/GSDP	10.2	1.9	11.8	4.9	7.3	8.0	8.0	6.5	2.7	6.7	3.3	7.3	6.5
2013-14	DEV/GSDP	40.3	14.0	28.0	21.6	36.9	22.8	21.9	18.2	15.3	22.4	10.8	25.5	22.9
	SSE/GSDP	18.9	9.1	14.7	12.4	22.3	12.1	13.7	12.1	9.6	11.2	7.6	14.4	13.1
	CO/GSDP	12.4	2.0	9.0	4.9	5.8	6.8	7.4	6.1	2.2	5.1	3.0	6.8	5.9
2014-15	DEV/GSDP	38.5	14.9	28.6	21.7	41.2	24.4	19.7	23.9	14.4	21.8	11.1	26.6	23.7
	SSE/GSDP	18.2	10.3	17.3	13.5	25.1	13.6	11.7	17.1	8.7	11.5	8.0	15.9	14.1
	CO/GSDP	8.8	2.0	7.4	4.6	8.0	5.6	6.4	9.5	2.4	5.1	3.0	6.5	5.7
2015-16	DEV/GSDP	36.7	24.4	26.8	20.3	28.3	24.8	17.5	22.4	14.8	24.4	10.3	25.2	22.8
	SSE/GSDP	16.4	13.2	16.0	12.5	18.8	13.8	9.5	16.6	8.8	13.2	7.6	14.6	13.3
	CO/GSDP	9.8	6.2	6.4	4.3	4.6	5.3	3.7	9.3	2.5	6.2	2.4	6.2	5.5
2016-17	DEV/GSDP	44.1	20.6	28.2	25.1	31.3	25.8	21.0	23.6	15.4	33.2	12.5	27.5	25.5
	SSE/GSDP	23.5	14.3	15.3	14.7	17.9	16.1	11.8	17.9	10.0	15.8	9.1	16.4	15.1
	CO/GSDP	12.1	4.1	7.3	4.6	8.3	5.8	4.6	10.2	2.4	13.4	2.8	7.1	6.9
2017-18	DEV/GSDP	45.6	14.2	26.4	21.9	36.9	29.1	16.7	16.3	14.3	24.3	9.5	25.9	23.2
	SSE/GSDP	24.8	9.7	17.8	15.3	21.5	19.0	9.7	12.7	9.0	13.4	7.2	16.3	14.6
	CO/GSDP	14.5	2.7	5.9	3.3	11.3	5.4	6.4	3.9	2.7	7.5	2.8	6.7	6.0

2018-19	DEV/GSDP	54.0	14.7	24.4	24.2	33.9	26.0	15.5	15.9	14.8	26.2	9.4	26.1	23.6
	SSE/GSDP	25.9	9.6	16.0	15.7	20.8	15.3	9.1	12.8	9.2	15.1	7.1	15.6	14.2
	CO/GSDP	23.3	3.5	6.2	4.2	9.6	5.8	4.5	3.0	3.0	5.4	2.5	7.5	6.5
2019-20	DEV/GSDP	40.8	16.7	20.0	19.6	30.4	24.6	13.9	14.7	14.6	21.1	8.9	22.6	20.5
	SSE/GSDP	20.2	11.1	14.6	14.1	17.9	14.9	8.8	12.0	9.1	13.0	6.9	14.2	13.0
	CO/GSDP	13.2	3.9	3.6	2.7	5.5	4.1	2.3	1.6	3.2	5.5	2.1	4.6	4.3
2020-21	DEV/GSDP	52.9	25.6	40.3	37.2	26.4	26.8	18.4	19.3	18.3	36.3	11.7	30.9	28.5
	SSE/GSDP	23.3	16.7	29.6	22.8	16.4	16.6	11.2	14.8	11.6	19.3	9.0	18.9	17.4
	CO/GSDP	21.7	7.1	12.1	7.1	4.5	6.9	5.2	3.0	3.9	19.3	3.1	8.5	8.5
2021-22	DEV/GSDP	45.2	15.8	25.6	30.4	22.9	24.1	13.5	16.7	16.1	20.1	10.5	24.3	21.9
	SSE/GSDP	22.6	9.9	19.4	18.9	15.2	15.7	8.3	13.0	9.9	12.9	8.0	15.4	14.0
	CO/GSDP	18.5	4.9	8.9	7.1	3.6	5.9	3.5	2.2	3.4	5.5	2.8	6.8	6.0
2022-23	DEV/GSDP	53.2	17.0	26.2	26.6	24.4	23.8	15.6	16.7	16.9	18.9	10.4	25.4	22.7
	SSE/GSDP	25.0	12.6	19.6	16.5	14.4	14.8	9.8	13.1	11.4	13.1	8.1	15.7	14.4
	CO/GSDP	23.1	3.3	8.7	5.9	4.3	7.3	5.6	2.8	3.1	4.9	2.7	7.6	6.5
2023-24 (BE)	DEV/GSDP	43.1	15.2	46.3	31.8	18.7	22.2	14.5	21.0	14.0	27.8	12.3	26.6	24.3
	SSE/GSDP	21.6	10.8	32.1	18.8	12.9	14.1	9.5	16.0	9.4	18.8	9.1	17.0	15.7
	CO/GSDP	13.0	4.2	20.5	8.0	4.4	4.4	4.4	5.4	2.4	13.0	3.9	8.0	7.6
2023-24 (RE)	DEV/GSDP	63.8	17.8	34.7	34.0	27.1	23.8	16.0	20.4	16.6	24.9	11.1	29.7	26.4
	SSE/GSDP	28.6	12.4	25.4	21.6	17.5	14.9	10.2	15.4	11.0	15.9	8.5	18.3	16.5
	CO/GSDP	24.3	5.5	14.7	10.8	5.8	6.7	7.0	5.2	3.3	9.0	3.0	10.0	8.7
2024-25 (BE)	DEV/GSDP	53.5	13.3	37.5	32.4	18.1	21.4	15.5	18.2	14.4	26.9	10.7	26.2	23.8

	SSE/GSDP	25.1	9.4	26.2	19.2	12.3	14.0	9.7	13.0	9.7	16.4	7.8	16.1	14.8
	CO/GSDP	18.7	4.1	15.9	9.9	4.4	5.1	6.1	6.3	2.8	9.7	3.5	8.8	7.9

Source: State Finances, RBI.

(BE): Budget Estimates.

(RE): Revised Estimates.

DEV: Development Expenditure

SSE: Social Sector Expenditure

CO: Capital Outlay

Chapter 5

Status of State Public Sector Undertakings

5.1 Introduction

This chapter provides an overview of the financial performance of government-owned companies, corporations, and other entities controlled by the government. The term “State Public Sector Undertakings” (SPSUs) refers to companies owned by the state government under the Companies Act, 2013, and statutory corporations established by legislative acts. According to Section 2(45) of the Companies Act, 2013, a Government Company is one where at least 51 percent of the paid-up share capital is held by the Central Government, any State Government(s), or a combination of both, including subsidiaries of such companies. As of March 31, 2022, Meghalaya had 21 SPSUs, including two that were non-operational. (Table 5.1)

Table 5.1: Status of SPSUs in Meghalaya

Type of SPSUs	Working SPSUs	Non-working SPSU	Total
Government Companies	17	2	19
Statutory Corporations*	2	Nil	2
Total	19	2	21

Source: Finance accounts of the state government CAG.

*Two Statutory Corporations are (a) Meghalaya Transport Corporation and (b) Meghalaya State Warehousing Corporation.

Table 5.2: List of SPSUs in Meghalaya

Sl. No.	State PSUs of Meghalaya
1	Meghalaya Government Construction Corporation Limited (PSU)
2	Mawmluh Cherra Cements Limited (MCCL)
3	Meghalaya Energy Corporation Limited (MeECL)
4	Meghalaya Power Generation Corporation Limited (MePGCL)
5	Meghalaya Power Transmission Corporation Limited (MePTCL)
6	Meghalaya Power Distribution Corporation Limited (MePDCL)
7	Meghalaya Handloom & Handicrafts Development Corporation Limited (MHHDC)
8	Meghalaya Industrial Development Corporation Limited (MIDCL)
9	Meghalaya Bamboo Chips Limited (MBCL)
10	Meghalaya Electronics Development Corporation Limited (MEDCL)
11	Meghalaya Infratech Consultancy and Innovation Limited (MICIL)
12	Meghalaya Mineral Development Corporation Limited (MMDC)
13	Shillong Smart City Limited (SSCL)
14	Forest Development Corporation of Meghalaya Ltd.
15	Meghalaya Basin Management Agency

16	Meghalaya Infrastructure Development and Finance Corporation Limited
17	Meghalayan Age Limited

Source: Finance accounts of the state government CAG.

None of the Government companies was listed on the stock exchange which means that the shares of the SPSUs cannot be traded in the stock exchange. Both the non-working companies in the State were under the liquidation process since 1986 (Meghalaya Electronics Development Corporation) and 2021 (Meghalaya Bamboo Chips Limited).

The investors in Meghalaya's Public Sector Undertakings (PSUs) include the Government of Meghalaya, the Government of India, and other entities. As of March 31, 2022, the total investment (capital and long-term loans) in SPSUs amounted to Rs. 8,140.81 crore, comprising 60.64 percent in capital (Rs. 4,936.40 crore) and 39.36 percent in long-term loans (Rs. 3,204.41 crore). This represents a 20.40 percent increase from Rs. 6,761.44 crore in 2017-18 to Rs. 8,140.81 crore in 2021-22. (Table 5.3 and Figure 5.1) As of March 31, 2023, the total investment in SPSUs amounted to Rs. 9,088.47 crores. Of this, the power sector SPSUs received a significant 93.04 percent, totalling Rs. 8,455.77 crores. The State Government's contribution was approximately 42.75 percent, which is Rs. 3,885.07 crores of the total investment.

Table 5.3: Total Investment in SPSUs in Meghalaya (Rs in Crore)

Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Investment (Capital and Long term loans)	6761.44	6669.93	6812.57	7664.77	8140.81	9088.47

Source: Finance accounts of the state government CAG.

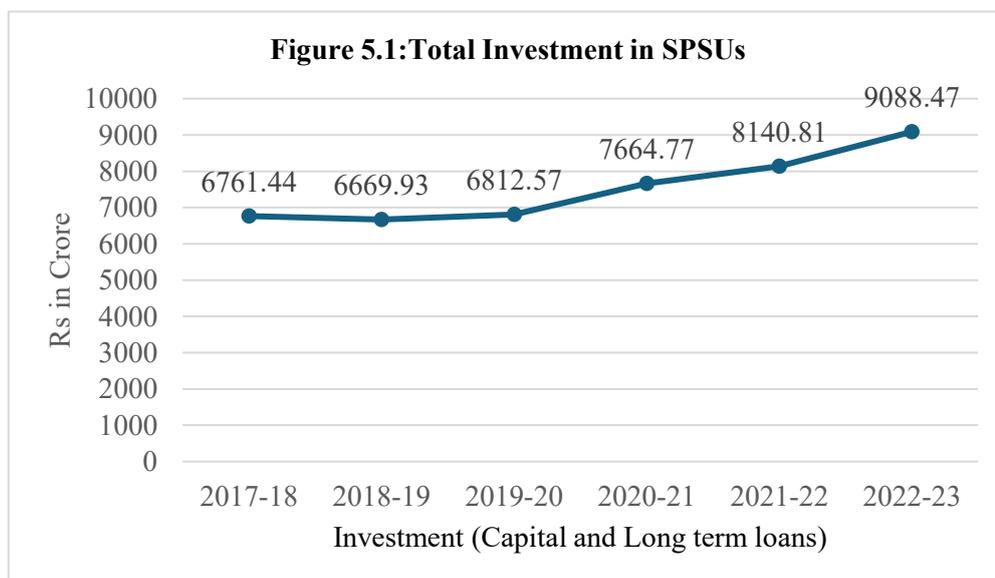


Figure 5.1: Total Investment in SPSUs

There was a notable increase of Rs. 1,328.24 crore in investments in State Public Sector Undertakings (SPSUs) in the last two years, rising from Rs. 6,812.57 crore in 2019-20 to Rs. 8,140.81 crore in 2021-22. This growth was primarily driven by a Rs. 1,154.01 crore increase in the equity capital (Rs. 9.05 crore) and long-term borrowings (Rs. 1,144.96 crore) of the Meghalaya Power Distribution Corporation Limited (MePDCL) during 2019-22. The rise in MePDCL's loans was largely due to additional borrowings of Rs. 1,101.36 crore, split equally (Rs. 550.68 crore each) between the Power Finance Corporation Limited and the Rural Electrification Corporation Limited during 2020-21 (Rs. 672.86 crore) and 2021-22 (Rs. 428.50 crore) for the Atmanirbhar Bharat Abhiyan scheme.

Total investment as share capital in public sector undertakings (PSUs) stood at Rs. 3240 crore at the end of the year of 2022-23. However, dividends received during the year were Rs. 0.12 crore on total investment. During the year 2022-23, investments increased by Rs. 583 crore and dividend income decreased by Rs. 0.002 crore.

The figures in respect of equity and loans provided by the State Government as per the records of SPSUs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSUs concerned and the Finance Department should carry out reconciliation of differences. It can be noticed that as on 31 March 2023, there were unreconciled differences in the figures of Equity (Rs. 167.49 crore) and Loan (Rs. 180.04 crore) as per two sets of records. The differences in Equity occurred in respect of 11 SPSUs falling under Power Sector (one SPSU) and non-power Sector (ten SPSUs).

5.2 Sector-wise investment in SPSUs

The total investment, including equity and long-term loans, from the State Government and other stakeholders (such as the Central Government, holding companies, banks, and financial institutions) in SPSUs across various key sectors at the end of 31 March 2018, 31 March 2021 and 31 March 2022 is presented in the **Table 5.4** below.

Table 5.4: Sector-wise total investments in SPSUs (Rs in Crore)

Name of Sector	Government/ Other Companies			Statutory Corporations			Total Investment		
	2017-18	2020-21	2021-22	2017-18	2020-21	2021-22	2017-18	2020-21	2021-22
Power	6,181.06	7,017.86	7,477.80	0	0	0	6181.06	7,017.86	7,477.80
Manufacturing	301.15	347.36	347.36				301.15	347.36	347.36
Infrastructure	159.69	174.69	177.84	0	0	0	159.69	174.69	177.84
Service	7.96	10.51	10.51	95.94	103.31	108.31	103.9	113.82	118.82
Agriculture & Allied	2.45	1.97	1.97	0	0	0	2.45	1.97	1.97
Miscellaneous	9.83	5.71	11.86	3.36	3.36	5.16	13.19	9.07	17.02
Total	6,662.14	7,558.10	8,027.34	99.30	106.67	113.47	6,761.44	7,664.77	8,140.81

Source: Finance accounts of the state government CAG.

The data indicates using comparative figures of 2017-18, 2020-21 and 2021-22 that over 90 percent of the total investment in SPSUs was directed towards the power sector. In the fiscal year 2021-22, the combined investment from the State Government and other stakeholders in the power sector amounted to Rs. 7,477.80 crore. In comparison, the manufacturing sector received Rs. 347.36 crore, and the infrastructure sector received Rs. 177.84 crore. The rise in investment in the power sector from 2017-18 to 2021-22 was primarily due to long-term loans totalling Rs.1,010.24 crore taken by four power sector companies. In contrast, the overall increase of Rs. 64.36 crore in the manufacturing and infrastructure sectors during 2017-22 was mainly due to equity investments of Rs. 52.61 crore in three State Public Sector Undertakings (SPSUs). The investment in service sector SPSUs which was meagre at around 1.54 per cent of total investment in 2017-18, dropped to 1.46 percent in 2021-22, which is concerning since the service sector is the main contributor to the state's Gross State Domestic Product (GSDP), accounting for 55.53 percent in 2021-22. The government needs to explore ways to attract more investment in this sector to stimulate economic growth.

5.3 State's investment in SPSUs

The State Government invests in its State Public Sector Undertakings (SPSUs) through share capital, loans, and special financial support via revenue grants. As of March 31, 2022, the State Government's total investment in 21 SPSUs was Rs. 3,340.75 crore, with 81.20 percent allocated to capital investment and 18.80 percent to long-term loans, compared to 89.05 percent (capital) and 10.95 percent (long-term loans) as of March 31, 2018.

Equity investment by the State Government increased by 8.43 percent, from Rs. 2,501.78 crore in 2017-18 to Rs. 2,712.69 crore in 2021-22 (**Table 5.5 and Figure 5.2**). Meanwhile, loans from the State Government more than doubled, rising from Rs. 307.48 crore in 2017-18 to Rs. 628.06 crore in 2021-22. During 2021-22, out of 18 operational SPSUs with direct State Government investment, 11 incurred losses totalling Rs. 726.65 crore, while only five reported profits amounting to Rs. 3.13 crore. One SPSU operated on a ‘no profit no loss’ basis, and another had not submitted its first annual accounts. None of the profit-making SPSUs declared any dividends, and there was no specific policy on minimum dividend payments by SPSUs. The past data regarding the State Government’s investment in SPSUs eroded by 16.61 percent in 2021-22. The accumulated losses of eight SPSUs, totalling Rs. 3,269.51 crore, completely eroded the State’s investment of Rs. 1,162.48 crore in their paid-up capital, according to their latest finalized accounts.

Table 5.5: State’s Investment in SPSUs (Rs in Crore)

Year	Equity Capital	Long term Loans	Total
2017-18	2,501.78	307.48	2,809.26
2018-19	2532.97	353.32	2886.29
2019-20	2668.6	369.62	3038.22
2020-21	2699.86	476.8	3176.66
2021-22	2,712.69	628.06	3,340.75

Source: Finance accounts of the state government CAG.

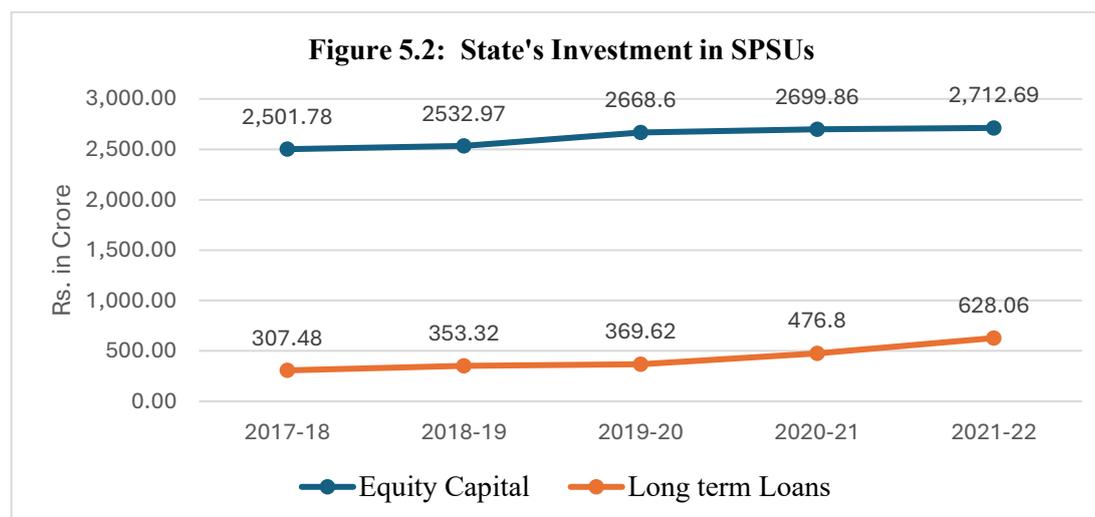


Figure 5.2: State’s Investment in SPSUs

5.4 Financial Performance of SPSUs

5.4.1 Share of SPSUs in State GDP

Table 5.6 below provides the comparative details of working SPSUs turnover and State GDP for a period of five years ending 2021-22, based on the latest available annual accounts:

Table 5.6: Details of working SPSUs turnover vis- a- vis State GDP (Rs in Crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover	1,136.90	1,121.40	1,203.88	1,386.14	1,388.78
State GDP	29, 508.30	32, 175.82	34, 770.40	34, 718.70	37, 830.11
Percentage of Turnover to State GDP	3.85	3.48	3.46	3.99	3.67

Source: Finance accounts of the state government CAG.

5.4.2 Trends of profit and losses in SPSUs

Table 5.7 provides details on the profits earned and losses incurred by the SPSUs during the fiscal years 2020-21 and 2021-22. Aggregate losses reported in the year 2021-22 for the SPSUs is Rs.726.65 crores whereas the aggregate profits are amounting to Rs.3.13 crores in the same year.

Table 5.7: Details of Profits/Losses by the SPSUs during 2020-21 and 2021-22 (Rs in Crore)

Particulars	2020-21	2021-22
Total no. of working SPSUs	17	19
Numbers of loss-making working SPSUs	12	11
Aggregate loss (Rs in Crore)	556.36	726.65
Numbers of profit-making working SPSUs	04	05
Aggregate profit (Rs in Crore)	2.03	3.13
Number of SPSUs functioning on 'no profit no loss' basis	01	01

Source: Finance accounts of the state government CAG.

From **Table 5.8** and **Figure 5.3**, it is evident that the overall losses of operational State Public Sector Undertakings (SPSUs) have been increasing over the five-year duration from 2017-18 to 2021-22. The significant losses during this period were primarily from power sector SPSUs. In 2020-21 and 2021-22, the power sector SPSUs accounted for 93.55 percent (Rs. 518.58 crore) and 93.45 percent (Rs. 676.15 crore) of the total losses, respectively.

Table 5.8: Overall losses of working SPSUs (Rs in Crore)

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Overall losses of working SPSUs	410.17	419.16	514.75	554.33	723.52

Source: Finance accounts of the state government CAG.

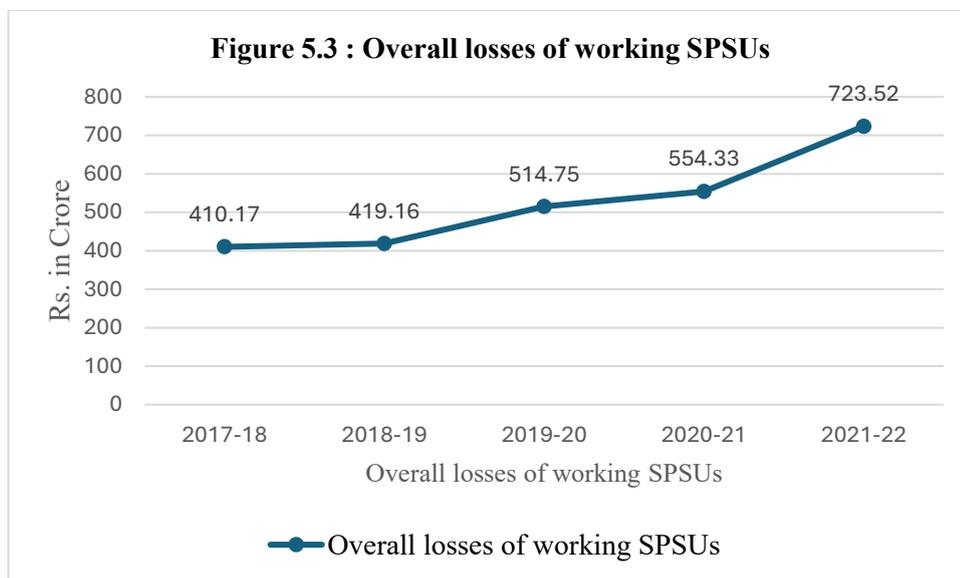


Figure 5.3: Overall losses of working SPSUs

The details of major contributors to overall losses of working SPSUs during 2020-21 and 2021-22 as per their latest finalised accounts are given in **Table 5.9**.

Table 5.9: Major contributors to overall losses of working SPSUs (Rs in Crore)

Name of SPSU	2020-21		2021-22	
	Latest finalized accounts	Profit(+)/ Loss (-)	Latest finalized Accounts	Profit(+)/ Loss (-)
Major Losses				

Meghalaya Power Distribution Corporation Limited	2019-20	(-)427.52	2020-21	(-)425.58
Meghalaya Power Generation Corporation Limited	2019-20	(-)55.87	2020-21	(-)130.74
Meghalaya Power Transmission Corporation Limited	2019-20	(-)3.08	2020-21	(-)62.32
Meghalaya Energy Corporation Limited	2019-20	(-)32.11	2020-21	(-)57.61
Mawmluh Cherra Cements Limited	2017-18	(-)13.84	2019-20	(-)38.04
Major Profits				
Meghalaya Tourism Development Corporation Limited	2018-19	(+)1.18	2018-19	(+)1.18
Meghalaya Mineral Development Corporation Limited	2019-20	(+)0.09	2020-21	(+)0.65
Forest Development Corporation of Meghalaya Limited	2016-17	(+)0.46	2016-17	(+)0.48

Source: Finance accounts of the state government CAG

Table 5.10: Key Financial Indicators of the SPSUs (Rs in Crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	1,756.87	1,939.59	1,921.98	1,916.66	2,753.56
Turnover	1,136.90	1,121.40	1,203.88	1,386.14	1,388.78
Debt/ Turnover Ratio (DTR)	1.55:1	1.73:1	1.59:1	1.38:1	1.98:1
Interest Payments	154.94	166.87	251.67	236.25	303.95
Accumulated losses	2,182.97	2,229.77	2,747.35	3,466.72	4,202.56

Source: Finance accounts of the state government CAG.

Table 5.10 discusses key financial indicators of the SPSUs. A low debt-to-turnover ratio (DTR) indicates a healthy balance between debt and income. On the other hand, a high DTR suggests that an SPSU may have excessive debt relative to its income from core activities. Therefore, SPSUs with a lower DTR are generally better positioned to manage their debt servicing and repayments effectively. The debts of SPSUs increased significantly by Rs. 836.90 crore over the past year, rising from Rs. 1,916.66 crore in 2020-21 to Rs. 2,753.56 crore in 2021-22. This increase was primarily due to borrowings of Rs. 428.50 crore by MePDCL for the Atmanirbhar Bharat Abhiyan and bonds worth Rs.199.00 crore issued by MeECL to restructure high-cost borrowings of its three subsidiary companies. Over the five-year period from 2017-22, the Debt to Turnover Ratio (DTR) rose from 1.55:1 in 2017-18 to 1.98:1 in 2021-22, indicating a worsening ability of PSUs to service and repay their long-term debts compared to previous years. This deterioration was mainly due to a disproportionate increase in SPSU debts (56.73 percent) compared to the growth in SPSU turnover (22.1 percent) during the same period. The rise in PSU debts also led to a significant increase in interest expenditure, from Rs.154.94 crore in 2017-18 to Rs. 303.95 crore in 2021-22.

5.5 Power Sector

5.5.1 Losses of Power Sector SPSUs

Table 5.11 outlines the total losses incurred by four power sector SPSUs over the past five years. There is an alarming increase in the losses incurred by power sector SPSUs from Rs.369.72 crores of losses in 2017-18 to Rs. 676.15 crore of losses in 2021-22. The value of overall accumulated losses is more than doubled during the five year span from Rs.1812.90 crore in 2017-18 to Rs.3719.57 crore in 2021-22.

Table 5.11: Losses incurred in Power Sector SPSUs

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Total No. of power sector SPSUs	4	4	4	4	4
Number of loss-making SPSUs	3	3	4	4	4
Number of profit-earning SPSUs	1	1	0	0	0

Net overall losses in the power sector (Rs in Crore)	(-) 369.72	(-) 369.19	(-) 478.54	(-) 518.58	(-) 676.15
Accumulated losses (Rs in crore)	(-) 1,812.90	(-) 1,836.03	(-) 2,314.57	(-) 3,027.36	(-) 3,719.57

Source: Finance accounts of the state government CAG.

5.5.2 Erosion of capital in SPSUs

The **Table 5.12** shows that in 2021-22, the net worth of the Meghalaya Power Distribution Corporation Limited (MePDCL) was negative at (-) Rs. 1,979.95 crore due to accumulated losses completely eroding its equity capital. MePDCL's net worth first turned negative in 2016-17 when its paid-up capital of Rs. 801.20 crore was entirely wiped out by accumulated losses of Rs. 961.42 crore, based on its latest finalized accounts for 2014-15 as of September 30, 2017. From October 2017 to September 2022, MePDCL finalized six annual accounts (2015-16 to 2020-21), but its net worth remained negative throughout this period. The ongoing losses of power sector SPSUs have been a significant drain on the state's economy and resources. Despite the continuous decline in the overall performance of four power sector SPSUs, the State Government has continued to provide substantial budgetary support. Records show that the State Government provided a total of Rs. 665.68 crore in budgetary support to these four SPSUs during 2019-20 (Rs. 231.97 crore), 2020-21 (Rs. 234.63 crore), and 2021-22 (Rs. 199.08 crore) through equity (Rs. 133.82 crore), loans (Rs. 261.13 crore), and grants/subsidies (Rs. 270.73 crore). This included Rs. 292.09 crore in support to MePDCL during 2019-20 (Rs. 50.61 crore), 2020-21 (Rs. 118.88 crore), and 2021-22 (Rs. 122.60 crore) via loans (Rs. 156.52 crore) and grants/subsidies (Rs.135.57 crore).

Table 5.12: Capital erosion in Power Sector SPSUs during 2021-22 (Rs in Crore)

Name of the Company	Financial Year	Paid-up capital	Net loss	Accumulated losses	Net worth#
Meghalaya Power Distribution Corporation Limited	2020-21	858.39	425.48	2,838.34	(-) 1,979.95
Meghalaya Power Generation Corporation Limited	2020-21	924.36	130.74	541.14	(+) 383.22
Meghalaya Energy Corporation Limited	2020-21	2,212.25	57.61	257.66	(+) 1,954.59
Meghalaya Power Transmission Corporation Limited	2020-21	425.59	62.32	82.43	(+) 343.16
Total		44,420.59	(-) 676.15	(-) 3719.57	

Source: Finance accounts of the state government CAG.

Net Worth means the sum total of the 'paid-up capital' and 'free reserves and surplus' minus 'accumulated losses' and 'deferred revenue expenditure'.

To help SPSUs secure financial assistance from banks and financial institutions, the State Government provides guarantees within prescribed limits. The guaranteed amount committed by the Government of Meghalaya for loans raised by three SPSUs from various institutions (banks, financial institutions, and others) was Rs. 1,688.82 crore over the three years from 2019-20 to 2021-22. These guarantees could become liabilities for the State Government if the borrowing SPSUs, all of which are loss-making with significant accumulated losses, default on their loans.

5.6 Reforms related to Power Sector SPSUs

The following reform measures can be undertaken with regard to Power Sector SPSUs:-

- Upgrade outdated transmission lines and substations to reduce technical losses.
- Implement high-voltage transmission systems to improve efficiency. Distinguish industrial, agricultural, and residential feeder lines to optimize load management. Ensure dedicated feeders for high-revenue consumers (e.g., industries).
- Implement prepaid and smart metering for real-time monitoring and billing efficiency.

- Reduce power theft and unauthorized connections. Strengthen vigilance teams to curb illegal connections and power theft.
- Use GIS mapping and aerial surveillance to detect unauthorized power usage. Implement online payment systems and doorstep billing services to improve collection efficiency. Offer incentives for timely bill payments to encourage compliance.
- Deploy supervisory control and data acquisition (SCADA) systems for real-time grid monitoring, fault detection, and automatic load balancing.
- Speed up clearance and funding for stalled projects like Myntdu-Leshka Stage II, Umngot Hydroelectric Project, and Kynshi-I & II. Engage private players via PPP (Public-Private Partnership) models.
- Encourage community-based small hydro projects in remote areas to improve rural electrification. Provide subsidies and incentives for off-grid mini-hydro projects.
- Strengthen power purchase agreements (PPAs) with states like Assam, Tripura, and West Bengal. Connect Meghalaya to the India-Bangladesh power grid for cross-border electricity sales.
- Upgrade Meghalaya's interstate transmission capacity to facilitate seamless power exports. Improve interconnections with the National Power Grid for surplus power evacuation.

Meghalaya Power Distribution Corporation Limited (MePDCL) has been making efforts to reduce the Transmission and Distribution (T&D) losses and (Aggregate Technical and Commercial) AT&C losses in the state. The past 5 years performance in terms of AT&C and Distribution Losses is tabulated below in **Table 5.13:-**

Table 5.13: Commercial parameters of MePDCL

	2019-20	2020-21	2021-22	2022-23	2023-24
AT&C Losses	32.07%	29.67%	25.95%	24.05%	17.29%
T&D Losses	29.88%	26.75%	21.76%	16.47%	18.96%
Billing Efficiency	73.60%	72.96%	75.23%	81.04%	83.53%
Collection Efficiency	90.90%	96.27%	100.23%	86.39%	102.06%

Source: Annual Energy Audit Report, 2023-24.

In the last five years the AT&C losses have reduced from 32.07 percent to 17.29 percent and zero-defect billing has improved from 65 percent to 90 percent. The average power supply in 2023-24 was 22.21 hours per day in rural areas and 23.14 hours per day in urban areas. The power infrastructure has undergone significant modernization and expansion. This includes the construction of 31 new sub-stations, installation of 2,676 new distribution transformers, and the addition of 2,207 ckt kms of high-tension lines, 1,255 ckt kms of 3-phase low-tension lines, and 2,359 ckt kms of single-phase low-tension lines.

Further the peak demand and energy requirement of the state for the last 7 years is elaborated in **Table 5.14: -**

Table 5.14: Peak demand and energy requirement

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Peak Demand(MW)	369	374	371	384	408	404	405
Energy Requirement (MU)	1557	1957	2112	2031	2256	2237	2236

Source: Annual Energy Audit Report, 2023-24.

The government has come up with “Meghalaya Power Policy 2024” which shall come into force from the date of publication of official gazette of the state and shall remain in force till 31.03.2030, unless otherwise notified separately. The following objectives have been set out in the Policy:-

- To form the State Power Trading company with the objective to execute power purchase agreements, undertake short-term purchase on behalf of State Distribution Utility, undertake PPA with new renewable Power Plants in the state and management of the power in an efficient manner.
- To encourage and promote the development of renewable energy.
- To address the environmental issues in line with the requirement of the Ministry of Environment, Forest and Climate Change, Government of India.
- To develop power projects through Hydro, Thermal, Pumped Storage, Solar, Wind etc., in a sustainable manner and to improve the efficiency of the operations of the existing Power Plants and the Generation Utility as a whole.
- To build, maintain & operate an efficient, coordinated & economical transmission system.
- To improve the distribution System and reduce the system losses and to make a user-friendly system for the public, with respect to billing, resolution of complaints, etc.

The power scenario in the State is seeing a turnaround. Financial support in the form of grants, takeover of losses, pension contributions and equity infusion to the tune of Rs. 2,762 Crore has been provided to MeECL from 2018-25, compared to Rs. 312 Crore provided from 2012-18. The support has been instrumental to revive the corporation and to resolve the legacy issues including settlement of power purchase dues to central sector PSUs and contribution to the employee pension fund.

5.7 Investment by State Government in SPSUs whose accounts are in arrears

The State Government invested Rs. 744.09 crore in 18 SPSUs (equity: Rs. 37.13 crore; long term loans: Rs. 151.26 crore and grants: Rs. 555.70 crore) during the years for which the accounts of these SPSUs had not been finalised as detailed in **Table 5.15**.

Table 5.15: Investment by State Government in SPSUs having accounts in arrears (Rs in Crore)

Sl. No.	Name of State PSUs	Accounts Finalized Upto	Period for which Financial Statements are pending	Investment by the State Government during the period of accounts in arrears		
				Equity	Loans	Grants
1	Meghalaya Government Construction Corporation Limited (PSU)	2020-21	2021-22	3	-	0.36
2	Meghalaya Transport Corporation	2015-16	2016-17 to 2021-22	14.3		60.46
3	Meghalaya Energy Corporation Limited (MeECL)	2020-21	2021-22	1.88	-	-
4	Meghalaya Power Generation Corporation Limited (MePGCL)	2020-21	2021-22	-	50	18.25
5	Meghalaya Power Transmission Corporation Limited (MePTCL)	2020-21	2021-22	-	-	6.35
6	Meghalaya Power Distribution Corporation Limited (MePDCL)	2020-21	2021-22	-	101.26	21.34

7	Meghalaya Handloom & Handicrafts Development Corporation Limited (MHHDC)	2018-19	2019-20 to 2021-22	-	-	7.07
8	Meghalaya Industrial Development Corporation Limited (MIDCL)	2019-20	2020-21 to 2021-22	15	-	-
9	Livelihood Improvement Finance Company of Meghalaya	2017-18	2018-19 to 2021-22	-	-	10
10	Meghalaya State Warehousing Corporation	2020-21	2021-22	1.8	-	-
11	Meghalaya Infratech Consultancy and Innovation Limited (MICIL)	2020-21	2021-22	-	-	144.5
12	Meghalaya Mineral Development Corporation Limited (MMDC)	2020-21	2021-22	-	-	0.69
13	Shillong Smart City Limited (SSCL)	2020-21	2021-22	-	-	45
14	Forest Development Corporation of Meghalaya Ltd.	2016-17	2017-18 to 2021-22	-	-	8.99
15	Meghalaya Basin Management Agency	2020-21	2021-22	-	-	180.55
16	Meghalaya Infrastructure Development and Finance Corporation Limited	2020-21	2021-22	-	-	144.5
17	Meghalayan Age Limited	first accounts (2020-21) not finalised	2020-21 & 2021-22	1	-	35
18	Meghalaya Tourism Development Corporation	2018-19	2019-20 to 2021-22	-	-	17.14

Source: Finance accounts of the state government CAG.

In the absence of accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred thereagainst have been properly accounted for and the purpose for which the amount was invested was achieved or not. The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of SPSUs. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

Chapter 6

Analysis of Fiscal Imbalances, FRBM Act 2003, and designing a sustainable roadmap

6.1 Introduction

A government deficit indicates the gap between receipts and expenditures. When expenditures exceed receipts, it results in a deficit; when receipts exceed expenditures, it results in a surplus. The nature and financing of the deficit reflect the financial health of the state government. This study uses three key fiscal parameters—revenue deficit, fiscal deficit, and primary deficit—to understand overall fiscal imbalances in state finances. Revenue deficit is the difference between the actual and projected revenue of the state. Fiscal deficit is the difference between the total expenditure and total revenue receipts of the state. Fiscal deficit indicates the total borrowing that will be required by the state whereas revenue deficit indicates the shortage in revenue generation. The primary deficit is the difference of gross fiscal deficit and interest payments, and it measures the net addition to the state government borrowings excluding the cost of interest payments. Thus, the interpretations of fiscal indicators should be considered in this context of special funding from the Central government and fiscal imbalances need to be considered accordingly. The chapter examines the trends and magnitudes of the deficits and the outstanding debt of the government of Meghalaya during the period 2012-13 to 2023-24.

6.2 Trends in Deficit Indicators

The state of Meghalaya comes under special category status and thus entitled to receive additional central fiscal transfer arrangements in terms of higher per capita grants in comparison to other non-special category states. Therefore, the state is in a comfortable position of revenue surplus for almost all the years over the time period from 2012-13 to 2017-18 except 2018-19, 2019-20, 2020-21 and 2022-23.

Table 6.1: Trends in Deficit Indicators

Year	Primary deficit (Rs Crore)	Revenue deficit (Rs Crore)	Fiscal Deficit (Rs Crore)	Revenue Deficit (% of GSDP)	Fiscal Deficit (% of GSDP)	Primary Deficit (% of GSDP)
2012-13	-81.4983	536.8126	-395.32	2.454337	-1.80743	-0.37261
2013-14	-10.679	715.1339	-382.181	3.117655	-1.66614	-0.04656
2014-15	-573.32	176.42	-978.42	0.7227937	-4.008592	-2.3488952
2015-16	-88.88	695.4	-554.76	2.6779834	-2.1363792	-0.3422766
2016-17	-177.17	602.41	-699.4	2.11774971	-2.4587144	-0.6228345
2017-18	353.94	850.8	-237.24	2.7632662	-0.770519	1.1495421
2018-19	1369.27	-537.32	-2026.07	-1.6048677	-6.0514673	4.0897366
2019-20	345.26	-151.6	-1103.77	-0.41453	-3.01809	0.94406
2020-21	-1744.63	-815.37	-2603.55	-2.4386	-7.78669	-5.21783
2021-22	-1395.53	653.91	-2358.81	1.728544	-6.23527	-3.68894
2022-23	-1767.63	-43.9	-2796.16	-0.10282	-6.54883	-4.13993
2023-24	-679.96	3893.62	-1848.61	8.217691	-3.90159	-1.43509

Source: Budgeted Documents. Government of Meghalaya.

Table 6.1 details all the three fiscal deficit indicators of the state for the time period from 2012-13 to 2023-24 in absolute terms and as percentage of GSDP. The state enjoys revenue surplus over the time period, which grew from Rs. 536.8126 crores in 2012-13 to Rs.850.8 crores in 2017-18. Revenue surplus took the biggest dip in the year 2014-15 when it fell from Rs.715 crores in 2013-14 to Rs.176 crores in 2014-15. The state also enjoyed revenue surplus during the year 2021-22 amidst years of revenue deficit from 2018-19 to 2022-23. The data in terms of percentage of GSDP comes out to be slightly different for different sources. Therefore, to maintain consistency in data, we have

selected the Reserve Bank of India data throughout. As percentage of GSDP, revenue surplus increased from 2.45 percent in 2012-13 to 2.76 percent in 2017-18. The revenue deficit also came down from 1.60 percent in 2018-19 to 0.10282 percent in 2022-23. The revenue surplus jumped to the highest in 2023-24 by 8.21 percent to Rs. 3893.62 crore. 2020-21 is the only year when the state experiences maximum revenue deficit of 2.43 percent.

However, the state has experienced growing fiscal deficit consistently for all the years over the time period from 2012-13 to 2023-24. The fiscal deficit for the year 2012-13 was Rs. 395.32 crores, which grew to Rs. 1848.61 crores in 2023-24. In terms of percentage of GSDP, fiscal deficit of the state grew from 1.80 percent in 2012-13 to 3.90 percent in 2023-24. During the time period, fiscal deficit grew to a maximum of 6.54 percent in the year, 2022-23.

Primary deficit of the state reveals a mix trend over the time period. From a deficit of Rs. 81.4983 crores in 2012-13, primary deficit grew to Rs.679.96 crores in 2023-24. In 2017-18, 2018-19 and 2019-20, the state again had primary surplus of Rs.353.94 crores, Rs.1369.27 crores and Rs.345.26 crores respectively. The state reached the maximum primary deficit of Rs.1767.63 crores in 2022-23. In terms of percentage of GSDP, primary deficit reached the maximum of 5.21 percent in 2020-21 but has remained considerably positive (i.e. primary surplus) in the last three years of 2017-18, 2018-19 and 2019-20. The primary deficit showed a fluctuation of 0.04 percent to 5.21 percent of GSDP in all the years.

Figure 6.1 shows the state deficit indicators for the time period 2012-13 to 2023-24. Though there has been revenue surplus in the state for the certain time period, there is also revenue deficit in the last few years of the study with the exception of 2021-22 and 2023-24. There is a steady increase in the fiscal deficit over the time period with ups and downs in certain years.

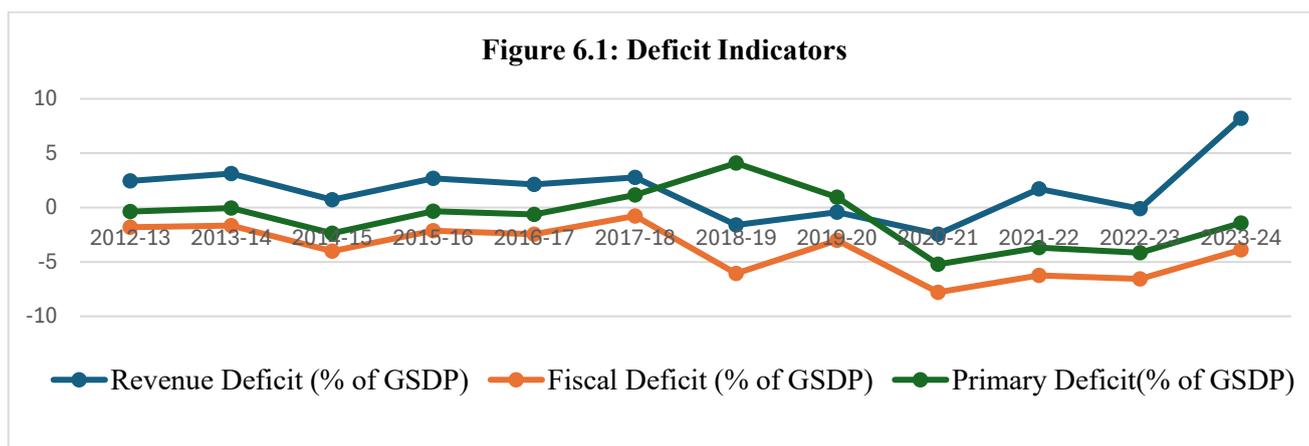


Figure 6.1: Deficit Indicators

As per the recommendations of the Fourteenth Finance Commission, fiscal deficit of states should be kept below 3.25 percent of GSDP. Further, as per the recommendations MFRBM Act (as amended on 29.09.2015), the state government of Meghalaya agreed to keep the fiscal deficit target below 3 percent of GSDP during the award period 2015-16 to 2019-20. **Table 6.1** clearly reveals that the state government has succeeded in keeping up of its commitment towards MFRBM Act (as amended) as well as recommendations of the Fourteenth Finance Commission in the year 2016-17 by keeping the fiscal deficit well below 3 percent and during 2015-16, 2016-17, 2017-18 and 2019-20 except 2018-19 when the fiscal deficit was 6.05 percent of GSDP.

Figure 6.2 presents the ratio of the revenue deficit to fiscal deficit to measure as to what extent the borrowed fund was used for current consumption. **Table 6.2** represents the ratio of revenue deficit to fiscal deficit. A persistently high ratio indicates continuously deteriorating financial position as it indicates that major part of the borrowing was used for expenditure which does not add to the asset base of the economy. The figure shows significant deterioration in the quality of deficit financing in the year 2017-18 but showed an improvement afterwards in the next year 2018-19 as the ratio moved up in the positive zone and remained positive till 2020-21. The ratio had a significant deterioration in 2023-24. The fiscal position of the state improved during 2018-19, 2019-20, 2020-21 and 2022-23.

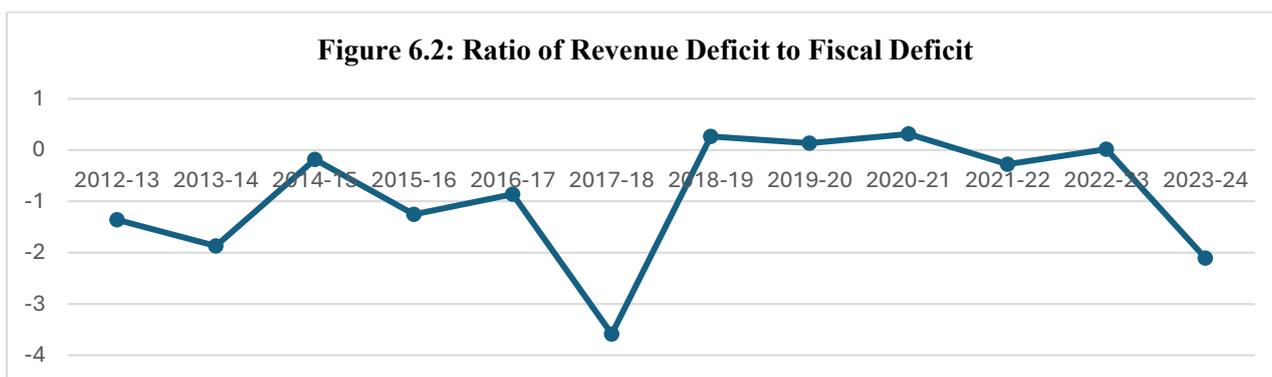


Figure 6.2: Ratio of Revenue Deficit to Fiscal Deficit

The following **Table 6.2** represents the ratio of revenue deficit to fiscal deficit of the state of Meghalaya from 2012-13 to 2023-24.

Table 6.2: Ratio of Revenue Deficit to Fiscal Deficit

Year	Revenue Deficit (Rs Crore)	Fiscal Deficit (Rs Crore)	Ratio of Revenue Deficit to Fiscal Deficit
2012-13	536.8126	-395.32	-1.35792
2013-14	715.1339	-382.181	-1.87119
2014-15	176.42	-978.42	-0.18031
2015-16	695.4	-554.76	-1.25352
2016-17	602.41	-699.4	-0.86132
2017-18	850.8	-237.24	-3.58624
2018-19	-537.32	-2026.07	0.265203
2019-20	-151.6	-1103.77	0.137347
2020-21	-815.37	-2603.55	0.313176
2021-22	653.91	-2358.81	-0.27722
2022-23	-43.9	-2796.16	0.0157
2023-24	3893.62	-1848.61	-2.10624

Source: Budgeted Documents, Government of Meghalaya and Own calculations.

The state government had revenue surplus over the years except 2018-19, 2019-20, 2020-21 and 2022-23 in which there were revenue deficits. It is seen that the surplus in revenue account has been utilized to finance revenue expenditure. Thus, the ratio of revenue surplus to revenue expenditure could be interpreted as the capacity of the state government to finance its revenue expenditure from the surplus of its revenue generation. The **Table 6.3** and **Figure 6.3** presents the ratio of revenue surplus to the revenue expenditure which may be interpreted as adequacy of revenue for financing during the time period of the study.

It can be seen that the adequacy of revenue to finance revenue expenditure showed fluctuation which increased in 2013-14 to 12.88 percent and suddenly decreased to 2.82 percent in 2014-15. It increased again in 2015-16 and reverted back to 7.22 percent in 2016-17. After three-year revenue fallout, the revenue surplus was only 4.80 percent in 2022-23. We see substantial amount of revenue surplus in 2023-24 which is 21.28 percent of the revenue expenditure. So, we can conclude that the surplus in the revenue account had helped the state government to support the increasing percentage of the revenue expenditure.

Table 6.3: Financing of Revenue Expenditure by Revenue Surplus

Year	Revenue Expenditure	Revenue Deficit/ Surplus	Ratio of Revenue Surplus to Revenue Expenditure
2012-13	536.8126	-395.32	-0.7364
2013-14	715.1339	-382.181	-0.5344
2014-15	176.42	-978.42	-5.5461
2015-16	695.4	-554.76	-0.7979
2016-17	602.41	-699.4	-1.1610
2017-18	850.8	-237.24	-0.2789
2018-19	-537.32	-2026.07	3.7706
2019-20	-151.6	-1103.77	7.2869
2020-21	-815.37	-2603.55	3.2000
2021-22	653.91	-2358.81	-3.6088
2022-23	-43.9	-2796.16	-63.6938
2023-24	3893.62	-1848.61	-0.4748

2012-13	4999.535	536.8126	10.73725056
2013-14	5551.5916	715.1339	12.88160138
2014-15	6251.8607	176.42	2.821879892
2015-16	6347.7275	695.4	10.95510165
2016-17	8336.5365	602.41	7.226142415
2017-18	8422.6814	850.8	10.10129625
2018-19	10255.9412	-537.32	-
2019-20	9565.1222	-151.6	-
2020-21	11498.6124	-815.37	-
2021-22	13620.2291	653.91	4.801020564
2022-23	14863.775	-43.9	-
2023-24	18294.2377	3893.62	21.28331371

Source: Budgeted Documents, Government of Meghalaya and Own calculations.

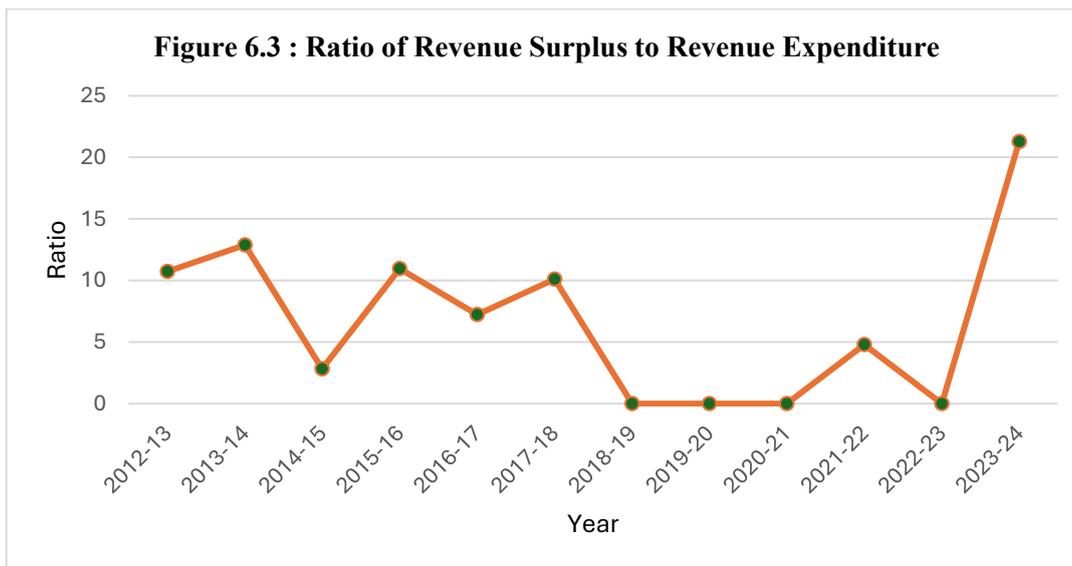


Figure 6.3: Ratio of Revenue Surplus to Revenue Expenditure

The following Table 6.4 provides an analysis of revenue surplus/ deficit without post devolution revenue deficit grant.

Table 6.4: Analysis of Revenue Surplus/ Deficit without post devolution revenue deficit grant (Rs in Crore)

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Amount received under post devolution revenue deficit grant	708.93	571	618	535	404	213	0	490.99	127.9	103.3	715
Revenue deficit/ surpluses without incorporating post devolution rev deficit grant	715.1339	176.42	695.4	602.41	850.8	537.32	151.6	815.37	653.91	-43.9	3893.62

	626	642	704	893	927	971	941	106	142	148	221
	6.72	8.25	3.13	8.94	3.48	8.62	3.52	83.2	74.1	19.8	87.8
Total revenue receipts	6	4	1	9	1	2	4	4	4	7	6
	555	625	634	833	842	102	956	114	136	148	182
	1.59	1.86	7.72	6.53	2.68	55.9	5.12	98.6	20.2	63.7	94.2
Total revenue expenditure	2	1	8	7	1	4	2	1	3	8	4
	555	585	642	840	886	950	941	101	129	137	214
	7.79	7.25	5.13	3.94	9.48	5.62	3.52	92.2	95.1	86.8	72.8
Total revenue receipts without Post Devolution Revenue Deficit Grant	6	4	1	9	1	2	4	5	4	7	6
Revenue deficit / Surplus incorporating post devolution revenue deficit grant	6.20	-	77.4	67.4	446.	-	-	-	-	-	317
	39	394.	038	12	799	750.	151.	130	625.	107	8.61
		607			9	319	598	6.36	092	6.91	7
	229	244	259	284	307	334	365	334	378	426	473
	38.2	08.0	67.3	45.7	89.6	80.6	71.8	35.9	30.1	97.0	80.9
GSDP at current prices		7	6	5	4	1	2	1	8	5	
	0.02	-	0.29	0.23	1.45	-	-	-	-	-	
	704	1.61	808	698	113	2.24	0.41	3.90	1.65	2.52	6.70
Revenue Deficit/ GSDP%	6	671	2	4	7	105	452	707	237	221	864

Source: Budgeted Documents, Government of Meghalaya and Own calculations

It can be observed that incorporating post devolution revenue deficit grant the state of Meghalaya seems to have revenue deficit in the years 2014-15, 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23. In such cases the revenue deficit as a percentage of GSDP will be -1.61 percent, -2.24 percent, -0.41 percent, -3.90 percent, -1.65 percent, -2.52 percent respectively.

6.3 Trends in Outstanding Liabilities

The trend in outstanding liabilities of the state government of Meghalaya is presented in **Table 6.5**. It can be seen from this table that the outstanding liabilities continuously increased with the average annual compound growth rate of 11.369 percent during the 12 years under study. The total outstanding liabilities increased from Rs. 4959.4751 crore in 2012-13 to Rs. 6263.4023 crore in 2013-14 with 26.29 percent annual growth. The year-on-year growth of total outstanding liabilities was highest in 2013-14 followed by 2016-17 when the rate of increase was 26.29 percent and 25.56 percent respectively. The total outstanding liabilities decreased by 2.09 percent in 2023-24.

Table 6.5: Trends in Total Outstanding Liabilities of the State Government as a percentage of GSDP

Year	Total Outstanding Liabilities (Rs Crore)	Annual Growth (%)	Total Outstanding Liabilities as percentage of GSDP
2012-13	4959.4751	-	22.675
2013-14	6263.4023	26.29163719	27.306
2014-15	6744.8146	7.686114941	27.650
2015-16	7152.85	6.049616249	26.740
2016-17	8981.69	25.56799038	31.570
2017-18	9485.08	5.604624519	31.760
2018-19	10621.87	11.98503334	30.890
2019-20	11533.78	8.585211455	31.540
2020-21	13730.74	19.04804843	41.070

2021-22	15481.09	12.7476742	40.920
2022-23	18442.29	19.12785211	43.193
2023-24	18055.81	-2.095618277	38.110

Source: Budgeted Documents, Government of Meghalaya and Own calculations

The total outstanding liabilities as a percentage of GSDP increased from 22.67 percent in 2012-13 to 43.19 percent in 2022-23 with a slight downfall in 2023-24 (38.11 percent). (Figure 6.4).

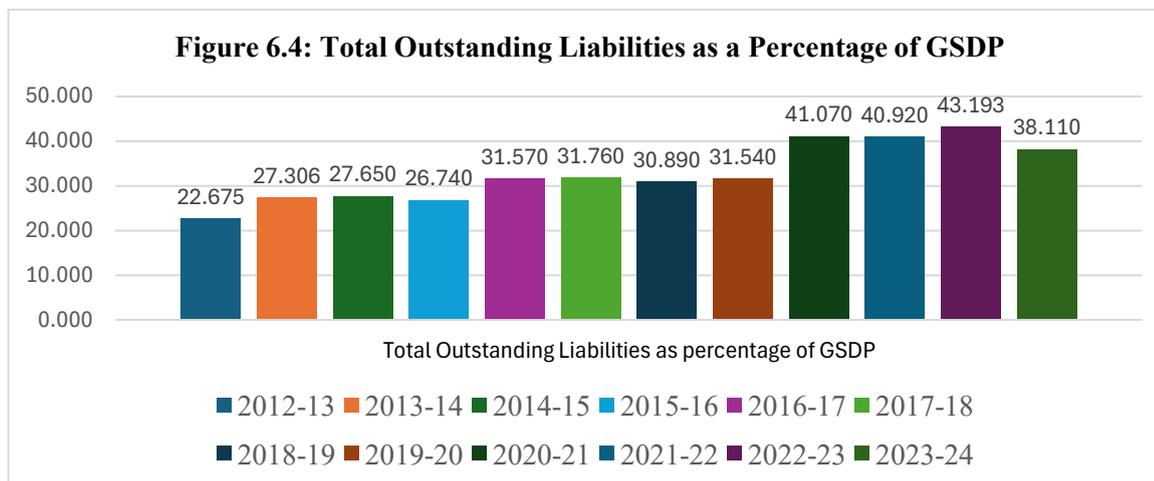


Figure 6.4: Total Outstanding Liabilities as Percentage of GSDP

6.4 Composition of Public Debt

Table 6.6 and Table 6.7 present the trends and changing composition respectively of total outstanding liabilities from various sources. To enhance better understanding of the trends of total outstanding liabilities, compound annual growth rate (CAGR) was calculated for each.

However, calculations of CAGR were avoided for Ways and Means Advances or Other Deposit (WMA/OD) and Special drawing facility (SDF) as the values are zero. The CAGR calculation was also avoided for deposits and advances because of skewed data and availability of data for four years out of twelve years considered for the study.

Table 6.6: Trends of State Government Total Outstanding Liabilities (Rs in Crore)

Year	Market Borrowings	Loans from Centre	Special Securities issued to NSSF	Borrowings from Financial Institutions/Banks	WMA/OD from RBI	Special Drawing Facility (SDF)	Provident Funds, etc.	Reserve Funds/Deposits	Deposit and Advances	Total
2012-13	2272.15	195.70	562.61	322.13	0.0	0.0	840.44	766.45		4959.48
2013-14	2558.70	176.44	631.62	319.62	0.0	0.0	967.60	1609.42		6263.40
2014-15	3001.62	161.39	715.74	331.93	0.0	0.0	1100.89	1433.25		6744.81
2015-16	3461.31	143.77	775.51	329.67	0.0	0.0	1232.63	1209.96		7152.85
2016-17	4179.64	128.14	733.13	465.39	0.0	0.0	1373.80	2101.59		8981.69

2017-18	5099.44	114.48	687.75	500.15	0.0	0.0	1531.51	1551.75		9485.08
2018-19	5962.04	116.27	638.12	614.15	0.0	0.0	1710.88	1580.41		10621.87
2019-20	7032.50	106.57	584.37	684.44	0.0	0.0	1914.42	1211.48	0.00	11533.78
2020-21	8619.50	430.28	530.62	781.83	0.0	0.0	2125.85	176.00	1066.66	13730.74
2021-22	9917.50	668.00	476.87	850.46	0.0	0.0	2272.72	205.16	1090.38	15481.09
2022-23	11285.50	219.22	422.04	926.99	0.0	0.0	2399.00	200.31	1459.04	16912.10
2023-24	12209.50	264.65	368.04	981.09	0.0	0.0	2480.76	209.18	1542.59	18055.81

Source: Budget documents, Government of Meghalaya.

Note: Debt outstanding at the end of 31st March of the Year.

It can be seen in **Table 6.6** that market borrowing has increased from Rs.2272.14 crore in 2012-13 to Rs.12209.5 crore in 2023-24 and has gained importance over the years with an estimated annual CAGR of 15.04 percent. The second most important source of borrowing is borrowings from financial institutions/banks which increased from Rs. 322.1297 crore in 2012-13 to Rs. 981.09 crore in 2023-24. The estimated annual compound growth rate turned out to be 9.73 percent. The third most important source of borrowings is borrowings from provident fund etc. which increased from Rs. 840.4426 crore in 2012-13 to Rs. 2480.76 crore in 2023-24 with an estimated annual compound growth rate of 9.44 percent. The special securities to NSSF declined from Rs. 562.607 crores in 2012-13 to Rs. 368.04 crores in 2023-24 with an annual decline rate of -3.47 percent during the study period. The reserve funds and deposits declined from Rs. 766.44 crores in 2012-13 to Rs. 209.18 crores in 2023-24 with an annual decline rate of -10.26 percent during the study period. The loans from centre showed a marginal increase from Rs. 195.699 crore in 2012-13 to Rs 264.65 crore in 2023-24 with an annual compound growth rate of 2.55 percent. The values of Ways and Means Advances or Other Deposit (WMA/OD) and Special drawing facility (SDF) were zero for the time period of the study. The details of deposits and advances are available only for the last four years of the study. This involves the fund parked in deposits and advances head of public account which is non-interest bearing. As the fund lying in this account is considered as total liabilities outstanding, it may be prudent for the government to take necessary action to avoid further accumulation.

Table 6.7: Composition of State Government Total Outstanding Liabilities (percent)

Year	Market Borrowings	Loans from Centre	Special Securities issued to NSSF	Borrowings from Financial Institutions/Banks	WMA/OD from RBI	Special Drawing Facility (SDF)	Provident Funds, etc.	Reserve Funds/Deposits	Deposit and Advances	Total
2012-13	45.81	3.95	11.34	6.50	0.00	0.00	16.95	15.45	0.00	100
2013-14	40.85	2.82	10.08	5.10	0.00	0.00	15.45	25.70	0.00	100
2014-15	44.50	2.39	10.61	4.92	0.00	0.00	16.32	21.25	0.00	100
2015-16	48.39	2.01	10.84	4.61	0.00	0.00	17.23	16.92	0.00	100
2016-17	46.54	1.43	8.16	5.18	0.00	0.00	15.30	23.40	0.00	100
2017-18	53.76	1.21	7.25	5.27	0.00	0.00	16.15	16.36	0.00	100

2018-19	56.13	1.09	6.01	5.78	0.00	0.00	16.11	14.88	0.00	100
2019-20	60.97	0.92	5.07	5.93	0.00	0.00	16.60	10.50	0.00	100
2020-21	62.78	3.13	3.86	5.69	0.00	0.00	15.48	1.28	7.77	100
2021-22	64.06	4.31	3.08	5.49	0.00	0.00	14.68	1.33	7.04	100
2022-23	66.73	1.30	2.50	5.48	0.00	0.00	14.19	1.18	8.63	100
2023-24	67.62	1.47	2.04	5.43	0.00	0.00	13.74	1.16	8.54	100

Source: Budget Documents, Government of Meghalaya.

Table 6.7 present the percentage composition of various sources of total liabilities outstanding during the study period. It can be seen that market borrowings had been the main contributor of total outstanding liabilities in Meghalaya and its share in total outstanding liabilities has shown a rising trend from 45.81 percent in 2012-13 to 67.62 percent in 2023-24. The market borrowings accounted for more than fifty percent of the total outstanding liabilities in most of the years under study. At the same time loans from centre declined from 3.95 percent in 2012-13 to 1.47 percent in 2023-24. The share of special securities issued to NSSF declined from 11.34 percent in 2012-13 to 2.04 percent in 2023-24. It can also be seen from the table that provident fund's share in the total outstanding liabilities remained around 15 percent during most of the time period and declined to 13.74 percent in 2023-24. The reserve funds/ deposits showed a downward trend from 15.45 percent in 2012-13 to 1.16 percent in 2023-24. The deposits and advances share in the total outstanding liabilities hovered around 7 to 8 percent during 2021-22 to 2023-24.

Table 6.8: State Government Total Outstanding Liabilities as a percentage of GSDP

Year	Market Borrowings	Loans from Centre	Special Securities issued to NSSF	Borrowings from Financial Institutions/ Banks	WMA/ OD from RBI	Special Drawing Facility (SDF)	Provident Funds, etc.	Reserve Funds/Deposits	Deposit and Advances	Total
2012-13	10.388	0.895	2.572	1.473	0.0	0.0	3.843	3.504	0.0	22.675
2013-14	11.155	0.769	2.754	1.393	0.0	0.0	4.218	7.016	0.0	27.306
2014-15	12.298	0.661	2.932	1.360	0.0	0.0	4.510	5.872	0.0	27.634
2015-16	12.942	0.538	2.900	1.233	0.0	0.0	4.609	4.524	0.0	26.744
2016-17	14.693	0.450	2.577	1.636	0.0	0.0	4.830	7.388	0.0	31.575
2017-18	17.076	0.383	2.303	1.675	0.0	0.0	5.128	5.196	0.0	31.761
2018-19	17.337	0.338	1.856	1.786	0.0	0.0	4.975	4.596	0.0	30.887
2019-20	19.229	0.291	1.598	1.871	0.0	0.0	5.235	3.313	0.0	31.537
2020-21	25.779	1.287	1.587	2.338	0.0	0.0	6.358	0.526	3.190	41.066
2021-22	26.216	1.766	1.261	2.248	0.0	0.0	6.008	0.542	2.882	40.923
2022-23	26.432	0.513	0.988	2.171	0.0	0.0	5.619	0.469	3.417	39.610

2023-24	25.769	0.559	0.777	2.071	0.0	0.0	5.236	0.441	3.256	38.108
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Source: Budget Documents, Government of Meghalaya

Table 6.8 presents the state government total outstanding liabilities as a percentage of GSDP. As noted from above, the two main sources of total outstanding liabilities are market borrowings and provident funds etc. The market borrowing as a percentage of GSDP increased from 10.38 percent in 2012-13 to 25.76 percent in 2023-24. Whereas the provident funds etc as a percentage of GSDP increased from 3.84 percent in 2012-13 to 5.23 percent in 2023-24. The loans from centre as a percentage of GSDP decreased from 0.89 percent in 2012-13 to 0.55 percent in 2023-24. The special securities issued to NSSF declined from 2.57 percent in 2012-13 to 0.77 percent in 2023-24. The reserve funds/ deposits as a percentage of GSDP showed a declining trend from 3.50 percent in 2012-13 to 0.44 percent in 2023-24. This may be considered as an improvement in the total outstanding liabilities of the company in relation to its economic growth. However, the borrowings from financial institutions and banks as a percentage of GSDP increased from 1.47 percent in 2012-13 to 2.07 percent in 2023-24.

6.5 Implementation of FRBM Act in Meghalaya

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

In accordance with the recommendations of XII FC, Government of Meghalaya (GoM) has enacted the MFRBM Act, 2006. It is an Act

“to provide for the responsibility of the State Government to ensure fiscal prudence, stability and efficiency and also to achieve fiscal consolidation so as to facilitate the generation of revenue surplus to enhance the scope for improvement of investment in the social and economic sectors/infrastructures of the State and to ensure fiscal and debt sustainability through progressive reduction of the fiscal deficit and proper debt management system and also to provide for a more transparent and accountable system of budgeting that will ensure an efficient and effective system of governance.”

The performance of the State during the period 2018-19 to 2022-23 in terms of key fiscal targets set for selected parameters as per the MFRBM Act, as amended in September 2015, March 2020, March 2021 and September 2022 vis-à-vis achievements are given in **Table 6.9**.

Table 6.9: Compliance with provisions of MFRBM Act 2006

Fiscal Parameters		Achievement vis-à-vis targets set in the MFRBM				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (Rs in Crore)	Target	Maintain Revenue Surplus				
	Actual	-537.32	-151.60	-815.38	653.92	-43.90
	Status	X	X	X	✓	X
Fiscal Deficit (as percentage of GSDP)	Target	3.25^	4.35^	5.25^	4.00-4.50	4.00
	Actual	2,026.08 (6.30)	1,103.77 (3.17)	2,603.56 (7.71)	2,158.79 (5.57)	2,796.15 (6.55)
	Status	X	✓	X	X	X

Ratio of total outstanding liabilities to GSDP (in percent)	Target	28.00	28.00	28.00	28.00	28.00
	Actual	33.02	33.17	40.32*	39.92+	43.19+
	Status	X	X	X	X	X

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

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

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

The State Government slipped back into a revenue deficit in 2022-23, after achieving a revenue surplus of Rs.653.92 crore in 2021-22, the first surplus since 2018-19. Additionally, the State Government has consistently failed to meet the targets for Fiscal Deficit-GSDP and Liability-GSDP ratios as set by the MFRBM Act, 2006. The Fiscal Deficit rose from 6.23 percent of GSDP in 2021-22 to 6.55 percent in 2022-23, exceeding the 4.00 percent target set by the MFRBM (Amendment) Act, 2022. Furthermore, the State has not met the target for the total outstanding liability-GSDP ratio since 2018-19, with the ratio not only remaining above the prescribed target but also increasing over the past five years.

Table 6.10 below compares the performance of key fiscal parameters against the targets set by the Fifteenth Finance Commission (15th FC) and the Budget for 2022-23. In 2022-23, the State did not meet the targets recommended by the 15th FC or those set in the Budget for Revenue Surplus/Deficit as a percentage of GSDP, Fiscal Deficit as a percentage of GSDP, and Total Outstanding Liabilities as a percentage of GSDP.

Table 6.10: Targets Set vis-à-vis achievements in respect of major fiscal aggregates for the year 2022-23

Fiscal Variables	Targets as prescribed by 15th FC	Targets in the Budget	Actuals*	Variation of actuals over#	
				Targets of 15th FC	Targets in Budget
Revenue Deficit (-)/ Surplus (+)/GSDP (percent)	0.80	1.61	(-)0.10	(-)0.90	(-)1.71
Fiscal Deficit (-)/Surplus (+)/GSDP (percent)	(-)3.50	-(4.51)	-(6.55)	(-)3.05	(-)2.04
Total outstanding liabilities/GSDP (percent)	40.30	40.23	43.19 [§]	(-)2.89	(-)2.96

Source: Recommendations of 15th FC, Annual Financial Statement and Finance Accounts.

* Calculated on the basis of GSDP figures of Rs. 42,697 (A) crore provide by O/o the Directorate of Economics and Statistics, GoM.

[§] Excludes Back-to-Back loan of Rs. 253.16 crore (Rs. 112.00 crore + Rs. 141.16 crore) received from GoI in lieu of GST compensation shortfall during 2020-22.

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

Regarding fiscal parameters in 2022-23, the State fell short of maintaining revenue surplus as mandated by the MFRBM Act. The Fiscal Deficit as a percentage of GSDP reached 6.55 percent, and the outstanding-GSDP ratio was 43.19 percent (**Refer Table 6.9**), missing the FRBM Act targets of 4.00 percent and 28.00 percent, respectively. Over the past five years, the State has missed the targets for Revenue Balance and Fiscal Balance in four of those years. Additionally, the Outstanding Liability-GSDP ratio has consistently surpassed the 28 percent limit.

As per the MFRBM Act, 2006, the State Government shall in each financial year lay before the State Legislature, Medium Term Fiscal Policy Statement (MTFPS) along with the Annual Budget. The MTFPS has to set forth a three-year rolling target for the prescribed fiscal indicators. **Table 6.11** indicates the variation between the projections made for 2022-23 in MTFPS presented to the State Legislature along with the Annual Budget and Actuals for the year 2022-23.

Table 6.11: Actuals vis-à-vis projection in FPSs for 2022-23 (Rs in Crore)

Sl No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation in percent
1.	Tax Revenue (i + ii)	8,839.10	9,936.81	12.42
	<i>i) Own Tax Revenue</i>	<i>2,575.4</i>	<i>2,650.67</i>	<i>2.92</i>
	<i>ii) Share of Central Taxes</i>	<i>6,263.70</i>	<i>7,286.14</i>	<i>16.32</i>
2.	Non-Tax Revenue	730.72	456.61	-37.51
3.	GIA from GoI	6,465.53	4,426.45	-31.54
4.	Revenue Receipts (1+2+3)	16,035.35	14,819.87	-7.58
5.	Revenue Expenditure	15,375.53	14,863.77	-3.33
6.	Revenue Deficit (-) / Surplus (+) (4-5)	659.82	-43.90	-106.65
7.	Fiscal Deficit (-)/ Surplus (+)	-1,848.70	-2,796.15	51.25
8.	Debt-GSDP ratio (percent)	40.24	43.19	2.95
9.	GSDP growth rate at current prices (per cent)	9.38	10.09	0.71
10.	Fiscal Deficit as a percentage of GSDP	4.51	6.55	(-2.04)

Source: Finance Accounts 2022-23 and State Budget 2022-23.

The above **Table 6.11** depicts that the Revenue Deficit and Fiscal Deficit deviated significantly from projections made in FPS. During 2020-21, a significant deviation was noticed in Revenue and Fiscal Deficit. While the deviation of Revenue Deficit improved in 2021-22 (48.73 percent), it deteriorated again in 2022-23 (106.65 percent). Further, Debt-GSDP ratio breached the projection of 40.24 percent set by MTFPS.

6.6 Debt Sustainability Analysis

Debt sustainability analysis has been conducted based on fiscal and debt parameters, Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of this analysis are detailed in the following **Table 6.12**.

6.6.1. On the basis of fiscal and debt parameters

Debt sustainability refers to the State's ability to service its debt in the future. This includes having sufficient liquid assets to meet current or committed obligations and balancing the costs of additional borrowings with the returns from such borrowings. Essentially, an increase in the Fiscal Deficit should correspond with an enhanced capacity to service the debt. Beyond the sheer magnitude of the State Government's debt, it is crucial to examine various indicators that determine the State's debt sustainability. **Table 6.12** and **Figure 6.5** provide an analysis of the State's public debt sustainability indicators over the five-year period starting from 2018-19 to 2022-23.

Table 6.12: Trends in Public Debt Sustainability Indicators (Rs in Crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31 st March of the year)	7,330.56	8,407.87	10,250.24 ¹	11,912.82 ¹¹	14,383.96
<i>Back-to-Back Loans</i>	-	-	112	253.16	253.16
Rate of Growth of Outstanding Public Debt	14.51	14.7	21.91	16.22	20.74
GSDP at Current Prices	32,176	34,770	33,776	38,785	42,697
Rate of Growth of GSDP at Current Prices	9.04	8.06	-2.86	14.83	10.09
Public Debt/GSDP at Current Prices	22.78	24.18	30.35	30.72	33.69
Debt maturity profile of repayment of State Debt - including default history if any	394.73	407.65	346.64	487.94	585.44
Average interest Rate of Outstanding Public Debt (percent) [^]	7.48	7.77	7.47	7.3	6.56
Interest payment on Public Debt	513.01	611.28	696.62	809.5	862.94
Revenue deficit (-) /surplus (+) without Interest payment on Public Debt	-24.31	459.68	-118.76	1463.42	819.04
Percentage of Interest payment on Public Debt to Revenue Receipt	5.28	6.4	6.52	5.65	5.82
Percentage of Public Debt Repayment to Public Debt Receipt	29.89	27.99	19.96	55.13	60.28
Net Public Debt available to the State [#]	271.94	318.8	1095.45	840.13	1442.62
Net Public Debt available as percent to Public Debt Receipts	20.53	21.31	44.86	20.9	23.19
Primary deficit (-) /Surplus (+)	- 1,369.27	-345.26	-1,744.64	-1,195.52	-1,767.63
Debt Stabilisation (Quantum spread [§] + Primary Deficit)	- 1,254.29	-320.55	-2,803.08	-299.07	-1,260.84

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

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

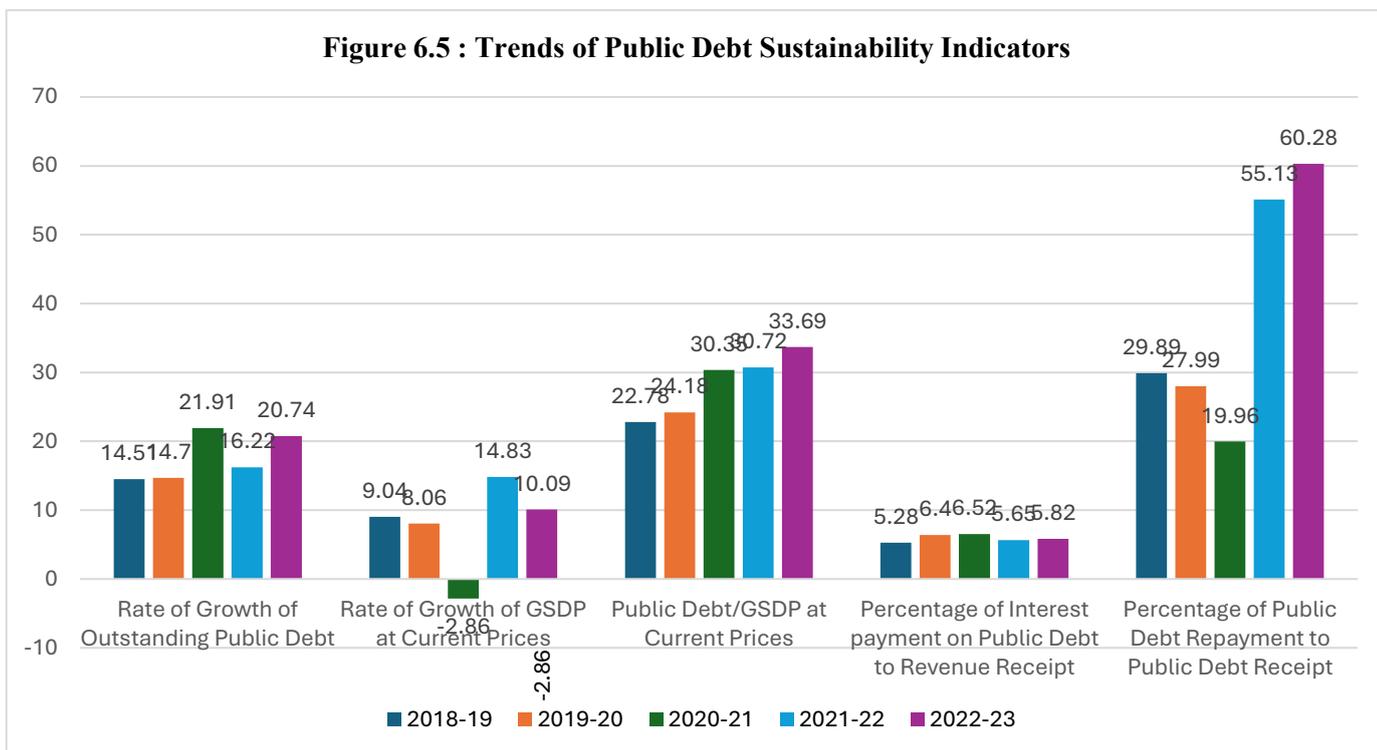
[#]Net debt available to the State Government is calculated as excess of public debt receipts over public debt repayment and interest payment on Public Debt.

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

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

1 The effective Outstanding Public Debt excludes Rs. 112.00 crore received as Back-to-Back Loan.

11 The effective Outstanding Public Debt excludes Rs. 253.16 crore received as Back-to-Back Loan.



Source: State Finance Report 2023-24, Meghalaya.

Figure 6.5: Trends of Public Debt Sustainability Indicators

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

6.6.2. On the basis of Domar Approach

An analysis of debt sustainability is also carried out based on study by E.D Domar (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 model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the Primary Budget Balance are as follows. Primary Budget Balance refers to the fiscal balance excluding interest payments for government borrowings.

Primary Balance $g=r$	PB (Primary Balance) < 0 i.e., Primary Deficit (PD)	PB (Primary Balance) >= 0 i.e., Primary Surplus (PS)
If $g-r > 0$ i.e., Real economic growth exceeds real interest rate (strong economic growth)	Provided that the PD is stable and consistent with debt/GSDP, Public Debt is sustainable.	Debt/GSDP ratio shall decrease and Public Debt tends towards stable level and is therefore sustainable.
If $g-r < 0$	Debt tends to increase	Debt is no longer

i.e., Real economic growth is lower than real interest rate (slow economic growth)	without limitations and becomes unsustainable.	sustainable provided that it is not decreased in the medium or long run.
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g: Real Economic growth rate; r: Real Interest rate.

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

The results of applying the above parameters in the case of Meghalaya, are shown in **Table 6.13**.

Table 6.13: Debt sustainability analysis based on Domar Model

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

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

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

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

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

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

6.6.3 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 the guarantees, the Government of Meghalaya has not prescribed any ceiling for guarantees to be extended for loans availed by the State Government entities (March 2023). The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2018-19 to 2022-23 are shown in **Table 6.14**.

Table 6.14: Guarantees given by the State Government (Rs in Crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Criteria as per MFRBM Act, 2006	Restrict issuing of guarantees, except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed (there is no statutory limit)- Section 4(d), MFRBM Act, 2006				
Amount of outstanding guarantees (Rs in Crore)	1,163.09	1,120.14	3,060.99	2,980.44	2,977.53

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

During 2022-23, the outstanding guarantee declined to 95.82 percent of State Own Tax and Non-Tax Revenue as compared to 105.50 percent during 2021-22. As on 31 March 2023, 99.39 percent (Rs.2,959.54 crore) of the total outstanding guarantees (Rs. 2,977.53 crore) pertained to the power sector.

6.6.4. Medium Term Fiscal Policy Statement, Fiscal Indicators Rolling Targets

The fiscal performance against major parameters in the Actual 2022-23, Revised Estimates of 2023-24, Budget Estimates of 2024-25 and the rolling targets for the next three financial years are indicated in **Table 6.15** below. Following the recommendation of the Fifteenth Finance Commission and the direction of the Government of India, the State Government amended the Meghalaya Fiscal Responsibility and Budget Management Act, 2006, through Meghalaya Ordinance No.7 of 2023. This amendment set the fiscal deficit at 3.5 percent of GSDP for 2023-24, which includes an additional 0.50 percent of GSDP allowed for performance-linked borrowing in the power sector. Consequently, the overall fiscal deficit limit for the State was fixed at 3.5 percent of GSDP for 2023-24. For 2024-25 (BE), the fiscal deficit is estimated at 3.83 percent of GSDP, and it is projected to be 3.53 percent, 3.45 percent, and 3.39 percent of GSDP for 2025-26, 2026-27, and 2027-28, respectively. The total liabilities as a percentage of GSDP were 43.19 percent in 2022-23 (Actual) and are estimated to be 38.11 percent in 2023-24. For 2024-25 (BE), the total liabilities are projected at 37.91 percent of GSDP, and for the subsequent years 2025-26, 2026-27, and 2027-28, they are estimated at 36.07 percent, 35.45 percent, and 35.04 percent, respectively.

Table 6.15: Medium Term Fiscal Policy Statement, Fiscal Indicators Rolling Targets

Sl No.	Items	2022-23 Actual	2023-24 RE	2024-25 BE	Targets for next 3 (three) years		
					2025-26 Estimates	2026-27 Estimates	2027-28 Estimates
1	Revenue surplus as percentage of Total Revenue Receipts (TRR)	-0.30	17.55	15.70	14.40	14.13	13.74
2	Fiscal Deficit as percentage of GSDP	-6.55	-3.90	-3.83	-3.53	-3.45	-3.39
3	Total Outstanding Liabilities as percentage of GSDP	43.19	38.11	37.91	36.07	35.45	35.04
4	Revenue surplus	-43.90	3893.62	3691.97	3900.06	4159.82	4549.95
5	Fiscal Deficit	-2796.15	-1848.61	-2029.06	-2221.35	-2450.96	-2721.04
6	Total Revenue Receipts	14819.87	22187.86	23514.73	27092.69	29439.79	33116.32
7	Total Liabilities	18442.29	18055.81	20084.87	22677.53	25186.87	28135.87
8	GSDP (at Current Prices)	42697.08	47380.95	52973.51	62879.56	71053.90	80290.90

Source: Budget Documents, Government of Meghalaya.

In order to achieve comparative growth rate as at the national level, the State Government may make efforts to improve its capital spending which will act as a facilitator for private investment in all sectors of the economy. State Government may make efforts to achieve the projections/ targets on major fiscal parameters, made in the Meghalaya FRBM Act through prudent financial management.

The fiscal policy for 2024-25 will continue to be guided by the recommendation of the 15th Finance Commission and the objectives of the FRBM Act, 2006 (Principal Act) i.e., to: (a) generate revenue surplus and reduce the fiscal deficit and also to build up adequate surplus for discharging the committed liabilities and for developmental expenditures; (b) pursue policies to raise tax and non-tax revenue with due emphasis on cost recovery and equity; (c) prioritize capital expenditure and (d) pursue an expenditure policy that would provide impetus for economic growth with social equity and improvement in poverty reduction and human welfare.

6.6.5 Impact of SASCI and Externally Aided Projects on Capital Expenditure in the State

Capital expenditure plays a crucial role in the economic development of any state, as it involves investments in long-term infrastructure, public services, and economic growth projects. In Meghalaya, two key funding sources—the Scheme for Special Assistance to States for Capital Investment (SASCI) and Externally Aided Projects (EAPs)—have had a significant impact on the state's capital expenditure, particularly in infrastructure development and economic expansion. Meghalaya received Rs 200 crores in FY 21, Rs. 281.20 crores in FY 22, Rs. 1049.02 crores in FY23 and Rs. 1293.05 crores in FY24 and Rs. 1756.51 crores as on 24.03.2025. (Table 6.16)

Table 6.16: Fund released by Government of India under Scheme for Special Assistance to State for Capital Investment (SASCI) since its inception

Sl. No.	Year	Amount in Rs Crore
1	2020-21	200.00
2	2021-22	281.20
3	2022-23	1049.02

4	2023-24	1293.0583
5	2024-25 (as on 24.03.2025)	1756.5177
	Total	4579.79

Source: Department of Planning Investment Promotion and Sustainable Development Department.

6.6.5.1 Impact of SASCI on Meghalaya's Capital Expenditure

The Scheme for Special Assistance to States for Capital Investment (SASCI) is an initiative by the Government of India that provides interest-free loans to states to support capital investments. The Scheme for Special Assistance to States for Capital Expenditure was launched in FY 2020-21 in the wake of Covid-19 Pandemic. The primary objective of SASCI is to increase infrastructure spending, improve economic development, and ensure long-term financial sustainability for states.

- **Meghalaya's Utilization of SASCI**

Meghalaya has aggressively leveraged the SASCI scheme to increase its capital expenditure. The state government has received substantial allocations under this scheme to enhance infrastructure projects in roads, education, healthcare, and tourism.

- **Key Impacts of SASCI on Capital Expenditure in Meghalaya**

1. Significant Increase in Capital Expenditure

- In 2017-18, Meghalaya's capital expenditure was Rs.1,435 crore.
- By 2025-26, the projected capital expenditure is Rs.9,447 crore, marking a seven-fold increase.
- This sharp rise is attributed to strategic investments under SASCI.

2. Expansion of Infrastructure Projects

- A large portion of SASCI funds has been used to improve roads, bridges, and urban infrastructure, addressing the state's connectivity challenges.
- New government buildings, educational institutions, and healthcare centers have been built using these funds.

3. Focus on Priority Sectors

- The Meghalaya government has prioritized rural connectivity, tourism, and power sector development, which have received significant investments under SASCI.

4. Future SASCI Allocations

- Meghalaya Chief Minister Conrad K. Sangma has requested Rs.1.5 lakh crore in SASCI allocations for 2025-26.
- This shows the government's commitment to expanding capital investments and ensuring continuous economic growth.

The following **Table 6.17** shows the utilization of funds received under SASCI by the State Government of Meghalaya.

Table 6.17: Utilization of funds received under SASCI by the State Government (Rs in Crore)

Year	Amount received from GOI	Amount Utilized by GOM	Remarks
2020-21	200	181.2	The amount of Rs. 18.80 Crore was not utilized by the GOM
2021-22	281.2	300	The amount of Rs. 18.80 Crore was met from State resources
2022-23	1049.2	921	The amount of Rs. 128.20 Crore was not utilized by GOM

2023-24	1293.05	1421.25	The amount of Rs. 128.20 Crore was met from State resources
2024-25	2369.63	2151.47	The amount of Rs. 218.15 Crore will be utilized in the FY 2025-26 against releases made to Part VI and Part X of the SASCI for FY 2024-25.

Source: Department of Planning Investment Promotion and Sustainable Development Department.

The following **Table 6.18** shows the debt trend across North Eastern and Himalayan States.

Table 6.18: Debt trend Across North Eastern and Himalayan States (Debt-to -GSDP)

Debt excluding SASCI/ GSDP	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Arunachal Pradesh	31.8%	28.3%	32.1%	33.9%	40.4%	38.0%	42.0%	44.6%
Assam	17.1%	17.3%	17.4%	19.2%	20.8%	24.6%	24.2%	24.8%
Himachal Pradesh	36.1%	37.6%	36.8%	36.6%	39.1%	42.5%	40.1%	-
Manipur	41.6%	41.4%	37.1%	38.2%	38.3%	44.3%	44.8%	-
Meghalaya	26.2%	30.4%	30.0%	32.2%	29.9%	38.6%	37.3%	36.3%
Mizoram	42.3%	39.1%	37.7%	33.4%	34.7%	41.3%	38.5%	35.8%
Nagaland	45.7%	44.0%	42.7%	39.8%	41.2%	46.0%		
Sikkim	22.0%	22.6%	21.0%	22.3%	23.5%	27.4%	28.9%	29.8%
Tripura	27.5%	28.5%	29.5%	29.7%	33.0%	38.2%	34.7%	
Uttarakhand	22.1%	22.8%	23.5%	25.2%	27.6%	29.9%	26.6%	23.6%

Source: Department of Planning Investment Promotion and Sustainable Development Department and authors own calculations.

- FY 24 Debt-to- GSDP ratio excluding SASCI for Meghalaya-34.4 percent
- Additional borrowing from FY21 led to increase trend
- Increased debt was used for Capital and not revenue expenditure
- Multiplier effect expected in the near future

The following **Table 6.19** shows the impact of SASCI on the fiscal deficit of Meghalaya.

Table 6.19: SASCI Impact on Fiscal Deficit

Year	Fiscal Deficit/GSDP	Fiscal Deficit (excluding SASCI) /GSDP
FY16	2.2	2.2
FY17	2.9	2.9
FY18	0.8	0.8
FY19	6.3	6.3
FY20	3.2	3.2
FY21	7.7	7.1
FY22	5.9	5.2
FY23	6.0	3.8
FY24	5.9	3.5

Source: Department of Planning Investment Promotion and Sustainable Development Department

SASCI has a bigger impact on states with smaller GSDP size. The total expenditure increased from Rs.17640.57 crore in 2022-23 to Rs. 21154.10 crore in 2023-24. Much of the increase of the above expenditure of the State Government had been met by way of increased tax devolution, improvement in own tax collection and effective implementation of funds under Special Assistance to State for Capital Investment (SASCI). The total capital receipt was Rs. 2949.20 crore in 2023-24 (Actual) of which Rs. 1293.06 crore is a 50 years interest free loan under Special Assistance to States for Capital Investment (SASCI).

- **Challenges in SASCI Implementation**

While SASCI has significantly increased capital expenditure, there are a few challenges:

- Timely execution of projects is required to avoid delays in fund utilization.
- Capacity constraints in project planning and execution can hinder the full realization of SASCI benefits.

6.6.5.2 Meghalaya's Externally Aided Projects Portfolio

Externally Aided Projects (EAPs) are development projects funded by multilateral financial institutions and bilateral donor agencies. These projects help states receive international financial assistance for infrastructure and development initiatives.

Meghalaya has actively engaged with multilateral financial institutions, securing funding for ongoing EAPs. EAPs are performance and merit-based funding provided by agencies like World Bank, ADB and JICA. For Northeastern and hilly States, 90 percent of the amount is repaid by the Union Government. In 2018, Meghalaya was implementing 5 such projects with a total funding support of Rs. 2,502 Crore. Over the last 7 years, 13 new projects have been approved at Rs. 7,427 Crore. The expenditure under EAPs to reach a record high of Rs.1,426 Crore in 2025-26. These projects are financed by:

- World Bank
- Asian Development Bank (ADB)
- Japan International Cooperation Agency (JICA)
- International Fund for Agricultural Development (IFAD)
- New Development Bank (NDB)

The following **Table 6.20** and **Table 6.21** shows that year wise receipt of externally aided projects (EAP) fund and details of completed externally aided projects respectively.

Table 6.20: Year wise receipt of Externally Aided Projects fund (Rs in Lakh)

	Name of EAP	Livelihood Improvement Projects for the Himalayas (LIPH)	Renovation and Modernization Umiam-Umtru II	Supporting Human Capital Development in Meghalaya (MSSDS)	Meghalaya Livelihood and Access to Market Project (Megha-Lamp)	Community Led Landscape Management Project (CLLMP)	Meghalaya Integrated Transport Project (MITP)	Meghalaya Power Distribution Sector Improvement Project	Second Dam Rehabilitation and Improvement Project (MePGCL)	Renovation and Modernization Umiam-Umtru Stage III	Meghalaya Health System Strengthening Project (MHSSP)	Community Based Forest Management Livelihoods Improvement in Meghalaya (Meg-Life)	Meghalaya Ecotourism Infrastructure Development Project (MEIDP)	Protection of Vulnerable Catchment Areas in Meghalaya	Sustainable Land Management Meghalaya (SLMM)	Total	Grand Total
	Funding Institution	IFAD	GoJP	ADB	IFAD	IRBD	IRBD	ADB	IRBD	GoJP	ADB	GoJP	NDB	KFW	KFW		
2012-13	Loan	251.84	184.48													436.32	4363.4
	Grant	2266.62	1660.46													3927.08	
2013-14	Loan	8.39														8.39	83.77
	Grant	75.38														75.38	
2014-15	Loan			362.7												362.7	3626.96
	Grant			3264.26												3264.26	
2015-16	Loan			128.07	95.39											223.46	2234.63
	Grant			1152.67	858.5											2011.17	
2016-17	Loan			412.2	15.35											427.55	4275.52
	Grant			3709.84	138.13											3847.97	
2017-18	Loan			642.34	24.51											666.85	6668.5
	Grant			5781.06	220.59											6001.65	
2018-19	Loan			1533.01	138.51	3.7										1675.22	16752.55
	Grant			13797.33	1246.67	33.33										15077.33	
2019-20	Loan			918.47	574	85.84										1578.31	15783.08
	Grant			8266.21	5166.02	772.54										14204.77	
	Loan			1822.11	533.64	248.47	13.77	683.79								3301.78	

2020-21	Grant			16399.26	4802.71	2236.29	123.93	6154.09								29716.28	33018.06
2021-22	Loan			-30.98	281.3	1003.92	242.56	1150.66	2.14	34.52						2684.12	
	Grant			-278.81	2531.82	9035.33	2182.99	10355.86	19.27	310.62						24157.08	26841.2
2022-23	Loan				614.84	971.41	1932.24	1402.25	23.08	17.07	167.28	435				5563.17	
	Grant				5533.59	8742.66	17390.14	12620.27	207.71	153.68	1505.55	3914.96				50068.56	55631.73
2023-24	Loan				649.54	469.49	2547.5	1253.26	25.62	221.21	605.69	634.69	378.98	5.21	4.34	6795.53	
	Grant				5845.95	4225.5	22927.19	11279.39	230.59	1990.85	5451.16	5712.16	3410.82	46.84	39.05	61159.5	67955.03
2024-25					724.94	478.05	2201.49	1034.81	257.63	224.68	730.9	519.53	933.84	29.73	50.86	7186.46	
					6524.54	4302.38	19813.42	9313.16	2318.84	2022.1	6578.14	4675.67	8404.61	267.67	457.75	64678.28	71864.74

Source: Department of Planning Investment Promotion and Sustainable Development Department.

Table 6.21: Details of Completed Externally Aided Projects (Rs in Crore)

Sl No.	Name of the Programme/ Project	Funding Agency	Type of Assistance	Total Cost (Rs in Crore)			Date of Completion
				External Assistance	State Share	Total	
1.	Supporting Human Capital Development in Meghalaya	ADB	Loan	583.29	145.8	729.09	31.03.2019
2.	North Eastern Region Capital Cities Development Program (NERCCDIP)-Tranche-I	ADB	Grant from GOI	29.26		29.26	22.06.2019
3.	North Eastern Region Capital Cities Development Program (NERCCDIP)-Tranche-II	ADB	Grant from GOI	69.28		69.28	22.06.2019
4.	Community Led Landscape Management Project (CLLMP)	World Bank	Loan	312.01	77.98	389.99	30.06.2024

Source: Department of Planning Investment Promotion and Sustainable Development Department.

Key Impacts of EAPs on Meghalaya's Capital Expenditure

1. Rise in EAP Funding Over Time

- In 2018-19, Meghalaya had only Rs.2,500 crore worth of EAPs.
- By 2023-24, this figure increased fivefold to Rs.12,500 crore.
- This rapid rise indicates the state's ability to secure and implement large-scale externally funded projects.

2. Infrastructure Development

- A major portion of EAPs has been invested in rural roads, highways, and urban development projects.
- Improvement in connectivity has enhanced trade, tourism, and accessibility in Meghalaya.

3. Social Sector Investments

- Externally Aided Projects have contributed to education, healthcare, and rural livelihood programs.
- The Meghalaya Livelihoods and Access to Markets Project (Megha-LAMP), funded by IFAD, has significantly improved rural income and agricultural productivity.

4. Economic Growth Acceleration

- The strategic use of EAPs has played a key role in Meghalaya's economic transformation.
- The state government aims to make Meghalaya a Rs. 10 billion economy by 2027-28, with an annual growth rate of 11.14 percent.

5. Long-Term Impact on Capital Expenditure

- EAPs have significantly increased the proportion of Meghalaya's capital expenditure directed towards infrastructure.
- These projects have also reduced the fiscal burden on the state government by securing funds from international agencies.

Challenges in EAP Implementation

While EAPs have been highly beneficial, some challenges include:

- Delays in project approvals due to bureaucratic processes.
- Dependence on international agencies may lead to fluctuations in funding availability.
- Timely execution of projects remains a key issue in ensuring maximum utilization of funds.

6.7 Forecasting of Deficits and Liabilities

The trends and patterns of deficits and liabilities of the state government over the twelve year period from 2012-13 to 2023-24 have been analysed. It is now required to forecast the sustainable debt roadmap for 2026 to 2031 taking into account tax/ non tax trend forecasts. However as the actual budget data is available only upto 2022-23, we have used revised estimate for the year 2023-24 and 2024-25 respectively. Given the limited time series data, it is a big challenge to make accurate forecasting for future years. Despite this fact, attempt is made in this section to forecast the various fiscal indicators for the year starting from 2025-26 to 2030-2031 for a six year period and also from 2021-22 to 2030-31 for a ten year period to give a rough idea about the financial performance of the state in the near future.

ARIMA model (Box Jenkins (BJ) methodology) is used for forecasting of own tax revenue, own non tax revenue, own revenue receipts, revenue expenditure, revenue deficit, fiscal deficit, primary deficit. It is a combination of autoregressive (AR) and moving average (MA) of errors (residual) terms, with data being converted into stationary process before forecasting. The results are presented below in **Table 6.22**.

Table 6.22: Projections of Revenue Deficit and Fiscal Deficit from 2025-26 to 2030-31

Year	Own Tax Revenue (Rs Crore)	Own Non Tax Revenue (Rs Crore)	Own Revenue receipts (Rs Crore)	Revenue Expenditure (Rs Crore)	Revenue Deficit/ Surplus (Rs Crore)	Fiscal Deficit (Rs Crore)	GSDP (Rs Crore)	Revenue Deficit/ Surplus (% of GSDP)	Fiscal Deficit (% of GSDP)	Primary Deficit (% of GSDP)	Primary deficit (Rs Crore)
2012-13	2040.1821	3496.1655	5536.3476	4999.535	536.8126	395.32	21872	2.454337052	1.807425018	0.372614759	81.4983
2013-14	2251.2551	4015.4704	6266.7255	5551.5916	715.1339	382.1814	22938.2	3.117654829	1.666135093	0.046555527	10.679
2014-15	2320.8842	4107.3698	6428.254	6251.8607	176.3933	978.42	24408.07	0.722684342	4.00859224	2.348895263	573.32
2015-16	4333.2787	2709.8526	7043.1313	6347.7275	695.4038	554.76	25967.3	2.677998098	2.136379215	0.342276633	88.88
2016-17	5097.0562	3841.8923	8938.9485	8336.5365	602.412	-699.4	28445.76	2.117756741	2.458714409	0.622834475	177.17
2017-18	5773.2351	3500.2462	9273.4813	8422.6814	850.7999	237.24	30789.65	2.763265903	0.770518665	1.149542135	353.94
2018-19	6682.3123	3036.3096	9718.6219	10255.9412	537.3193	2026.07	33480.64	1.604865678	6.051467355	4.089736636	1369.27
2019-20	6103.0325	3310.4917	9413.5242	9565.1222	151.598	1103.77	36571.81	0.414521458	3.018089616	0.944060466	345.26
2020-21	6624.1877	4059.0514	10683.2391	11498.6124	815.3733	2603.5495	33435.92	2.438614819	7.786684201	5.217831601	1744.63
2021-22	8881.0064	5393.1305	14274.1369	13620.2291	653.9078	2358.8077	37830.11	1.728537929	6.235265242	3.688939842	1395.53
2022-23	9936.8069	4883.0595	14819.8664	14863.775	43.9086	2796.1576	42697.08	0.102837477	6.54882629	4.139931817	1767.63
2023-24 (RE)	11733.9	10453.9551	22187.8551	18294.2377	3893.6174	1848.6064	47380.95	8.217685378	3.901581543	1.435091529	679.96
2024-25 (BE)	13397	10117.73	23514.73	19822.76	3691.97	2029.06	52973.51	6.969464549	3.830329536	1.497673082	793.37
2025-26 (P)	14975.2421	11123.1015	26098.3436	22862.4546	3235.889	1860.53	57850.77	5.593510683	3.21608511	0.928647968	537.23
2026-27 (P)	16751.6739	11856.1905	28607.8644	24815.6426	3792.2218	1796.93	62927.37	6.0263472	2.855561896	0.614978824	386.99

2027-28 (P)	17919.9962	12525.6126	30445.6088	26311.41408	4134.19472	1525.58	68603.32	6.026231267	2.223769928	0.043668441	29.958
2028-29 (P)	18527.9016	13231.2274	31759.129	27828.7272	3930.4018	1237.68	72478.61	5.422843788	1.707648643	0.472797423	342.677
2029-30 (P)	19802.1495	13821.3108	33623.4603	29468.89295	4154.56735	1025.14	78353.24	5.302355525	1.308356872	0.815555298	639.014
2030-31 (P)	20675.096	14659.2996	35334.3956	30941.80215	4392.59345	880.49	83227.22	5.277832721	1.057935132	1.04116658	866.534

Source: Budget Documents and authors own calculations.

It is observed that the forecasted growth rate of own tax revenue, own non tax revenue, own revenue receipts for the six years starting from 2025-26 to 2030-31 are 5.52 percent, 4.70 percent and 5.179 percent respectively, while the revenue expenditure is forecasted to grow at an annual rate of 5.172 percent during the period. The nominal estimates of revenue expenditure, obtained from ARIMA(1,1,1) model has a CAGR OF 5.17 percent which is in line with own revenue receipts. This is higher than the target inflation rate of 4 percent in India, which is likely to be sustained. It is also observed that the forecasted growth rate of own tax revenue, own non tax revenue, own revenue receipts for the ten years starting from 2021-22 to 2030-31 are 8.81 percent, 10.51 percent and 9.48 percent respectively, while the revenue expenditure is forecasted to grow at an annual rate of 8.55 percent during this period. The state is forecasted to have revenue surplus over these 6 years, however the surplus as a percentage of GSDP will decrease from 5.59 percent in 2025-26 to 5.27 percent in 2030-31. The state is forecasted to have revenue surplus over these 10 years from 2021-22 to 2030-31, however the surplus as a percentage of GSDP will increase from 1.72 percent in 2021-22 to 5.27 percent in 2030-31. At the same time the state is not likely to achieve zero fiscal deficits in the near future, though fiscal deficit in absolute and relative to GDP are forecasted to decline continuously. However, the state is likely to achieve the MFRBM fiscal deficit target of 3.5 percent of GSDP throughout from 2025-26 to 2030-31. **Table 6.23** represents the total outstanding liabilities, GSDP and Debt to GSDP ratio.

In view of the observations we run the ARIMIA (1,1,1) model to get the nominal estimates of the forecasted figures. (**Table 6.22**) Even then the estimates are lower than MTFP projections. This is a conservative estimate based on observed past data series and it is expected that in current macro-economic situation the conservative estimates best suits the purpose. The MTFP estimates are often aspirational and aim to present an optimistic scenario for planning. To achieve this, we expect the state government needs to do structural changes in its tax and non tax sources of revenue.

GSDP growth rate for the projected 5 year period is 7.54 percent. Post covid 9 years growth rate is expected to be 9.15 percent whereas pre covid 7 years growth is about 7.62 percent. We expect current focus of the central government towards the state will be helpful in maintaining the expected growth rate. However, to utilise full potential and do better, the state needs to enhance efficiency of public services, prioritise essential services and undertake tax reforms wherever possible.

Table 6.23: Forecasted Total Outstanding Liabilities of the State Government from 2025-26 to 2030-31

Year	Total Outstanding Liabilities (Rs Crore)	GSDP (Rs Crore)	Debt- GSDP (%)
2012-13	4959.4751	21872	22.67
2013-14	6263.4023	22938.2	27.31
2014-15	6744.8146	24408.07	27.63

2015-16	7152.85	25967.3	27.55
2016-17	8981.69	28445.76	31.57
2017-18	9485.08	30789.65	30.81
2018-19	10621.87	33480.64	31.73
2019-20	11533.78	36571.81	31.54
2020-21	13730.74	33435.92	41.07
2021-22	15481.09	37830.11	40.92
2022-23	16912.1	42697.08	39.61
2023-24 (RE)	18055.81	47380.95	38.11
2024-25 (BE)	20082.26	52973.51	37.91
2025-26 (P)	21563.37	57850.77	37.27
2026-27 (P)	23031.27	62927.37	36.59
2027-28 (P)	24486.09	68603.32	35.69
2028-29 (P)	25927.93	72478.61	35.77
2029-30 (P)	27356.91	78353.24	34.91
2030-31 (P)	28773.15	83227.22	34.57

Source: Budget Documents and authors own calculations.

Table 6.23 shows that total outstanding liabilities will be increasing by 4.92 percent during the period starting from 2025-26 to 2030-31, while GSDP is expected to increase by around 6.24 percent during the period starting from 2025-26 to 2030-31. Thus, the Debt-GSDP ratio would continuously be decreasing from 37.27 percent in 2025-26 to 34.57 percent in 2030-31. However, the total outstanding liabilities will be increasing by 6.39 percent during the period starting from 2021-22 to 2030-31, while GSDP is expected to increase by around 8.20 percent during the period starting from 2021-22 to 2030-31. Thus, the Debt-GSDP ratio would continuously be brought down from 41.07 percent in 2020-21 to 34.57 percent in 2030-31.

Chapter 7

Outcome Evaluation of State Finances Including Debt

7.1 Transfer to States

Other Central transfers such as grants for under Finance Commission, Central Sector and Centrally Sponsored Schemes, NEC, NLCPR and EAPs, etc. are detailed below in **Table 7.1**.

Table 7.1: Transfer to State for various schemes (Rs in Crore)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Central Transfers	3764.08	2481.25	3577.32	3133.62	2608.61	2780.38	3535.88	4868.57	4,426.45	9,696.19

Source: State disclosure annual publication and State Annual Reports CAG.

The transfers have increased from Rs.3764.08 crores in 2014-15 to Rs.9696.19 crore in 2023-24 (RE). The increase in central transfer for state schemes has happened at a compounded annual growth rate of 9.92 percent over the ten-year period.

Table 7.2: Details of Central Assistance received for Various Schemes (Rs in Crore)

Particulars	2021-22	2022-23	2023-24
State's Scheme (Central Asst.)	-0.0229	0	0
State's Schemes (Revenue Receipt) of which	11378.65	12433.11	13316.22
Support to SPSUs	65.78	134.72	41.07
Lotteries (gross expenditure)	0	0	0
Interest Payment	963.27	1029.06	1168.65
Loans for State Schemes (Capital Receipt)	514.53	67	70

Source: State disclosure annual publication and State Annual Reports CAG.

Table 7.2 details the flow of funds received by the state from centre in the form of assistance. As per the state disclosure through budget statements, for state's scheme a grant of Rs.13316.22 crore has been received in the year 2023-24 which is higher than the transfers made in 2021-22. Major portion of these transfers are allocated for debt servicing. In 2023-24, 8.78 percent of the transfers under revenue account were utilised for interest repayments whereas in 2021-22 this allocation was made almost of the same share at 8.46 percent.

Table 7.3: Details of Debt (Rs in Crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Borrowing and other liabilities	1218.47	1324.69	1496.02	2301	2292.52	3056.59	1634
Loan Repayment to Centre	329.62	395.94	418.71	346.64	488.78	585.44	664.46
Loans and Advances	22.05	89.48	43.78	81.9	85.34	34.52	49.99

Source: State disclosure annual publication and State Annual Reports CAG.

Table 7.3 outlines the details of debt with the state. The borrowings and other liabilities of the state has increased from Rs. 1218.47 crores in 2017-18 to Rs.1634 crores in 2023-24. It exhibits a compounded annual growth rate of 4.28 percent over the seven-year period under consideration. However, the rate of repayment of loan to centre has grown at a compounded rate of 10.54 percent from Rs.329.62 crores in 2017-18 to Rs.664.46 crores in 2023-24.

7.2 Funds transferred directly to State implementing agencies

Government of India has been transferring sizeable quantum of funds directly to the to the State Implementing Agencies/Beneficiaries for implementing various central schemes. Through Budget Circular 2022-23, the GoI issued the following instructions:

- (c) Central Sector Schemes (CS's) are all those schemes which entirely funded and implemented by the Central Agencies. However, in exceptional cases where the Department of Expenditure has given specific approval, such schemes may be allowed to be implemented through the State Implementing Agencies concerned. In such cases, the transfer of funds will be done directly to the implementing agencies and not through the State Treasuries.
- (d) Centrally Sponsored Scheme (CSS's) are schemes which are implemented by the State/UT Government with the sharing pattern as approved by the GoI. The central share for the schemes will be routed entirely through the State/UT treasuries as grants in aid under various object heads, except in the case of Direct Benefit Transfers where the functional heads could be used.

The following **Table 7.4** depicts quantum of funds directly transferred to the State implementing agencies/beneficiaries during the last five years i.e., 2018-19 to 2022-23.

Table 7.4: Direct Transfer of Funds by GoI (Rs in Crore)

Direct transfers to State Implementing Agencies	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Funds transferred	704.79	944.29	1,345.76	2,192.25	2,036.90	7,223.99

Source: Finance Accounts 2022-23.

Table 7.4 shows a 7.09 percent decline in direct fund transfers by the GoI, decreasing from Rs. 2,192.25 crore in 2021-22 to Rs. 2,036.90 crore in 2022-23. The fund directly transferred during 2022-23 comprised Rs. 1,815.06 crore for Centrally Sponsored Schemes (CSS) and Rs. 221.85 crore for Central Sector Scheme (CS). Funds transferred directly to State Implementing Agencies/Beneficiaries during 2022-23 are given at **Appendix 7.1**.

Out of total amount of Rs. 2,036.90 crore transferred directly to the State Implementing Agencies/Beneficiaries during 2022-23, 38.61 percent (Rs. 786.52 crore) was transferred directly to the beneficiaries through Direct Benefit Transfer (DBT) Mode.

7.3 Funds lying unutilised in the bank account of DDOs

The State Government has authorised Drawing and Disbursing Officers (DDOs) to open a zero balance current account in the State bank of India/United Bank of India (merged with Punjab National Bank) under the official designation of the DDOs to facilitate temporary parking of fund pertaining to payment/dues of Government employees before payment is actually made by account payee system to their respective bank accounts. The current account may also be operated by miscellaneous contingent expenditures where endorsement of bills / cheques to the concerned parties of payees is not immediately feasible under normal rules. During 2022-23, test check of Appropriation Accounts of 2022-23 revealed that out of Rs. 591.15 crore transferred to Bank Accounts of 127 DDOs, only Rs. 463.12 crore was utilised by 88 DDOs during the year. As on 31 March 2023, amount of Rs. 130.90 crore was lying unutilised in the bank accounts of 99 DDOs with balance ranging up to Rs. 37.67 crore. Cases more than Rs 1.00 crore was found lying unspent in the bank accounts of DDOs. Further, information from the remaining 1,064 DDOs is still awaited (November 2023). While the unspent balances have been officially recognised as expenditures from the Consolidated Fund of the State, they are still lying idle parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as correct to that extent.

7.4 Delay in submission of Utilization Certificates

Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a special object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant) if no time-limit has been fixed by the sanctioning authority. In other words, unless the State Government specifies otherwise, any grant for a particular purpose must be used for that purpose within one year from the date of sanction. The purpose for which the Grants-in- Aid were utilised can be confirmed only on receipt of Utilization Certificates (UCs). This serves as a safeguard against diversion of funds for other purposes. To the extent of non-receipt of UCs, the expenditure shown in the accounts can neither be treated as final nor can it be confirmed that the amount has been utilised for the intended purposes. Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for Capital Expenditure. The year-wise details of UCs pending for submission are given in **Table 7.5**.

Table 7.5: Age-wise arrears in submission of UCs as on 31 March 2023 (Rs in Crore)

Year	Opening Balance *		UCs which become due during the year		UCs submitted during the year		Closing Balance**		GIA disbursed during the year***	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2		3		4		5		6	
2021-22	215	1,765.85	178	1215.36	86	607.70	307	2373.51	419	2086.07
2022-23	307	2,373.51	419	2,086.07	272#	1,023.57	454	3436.01	606 #	4,024.83

Source: Finance Accounts.

* UCs which have already become due as on 1st April of the respective year.

** UCs which remain overdue/outstanding as on 31st March of the respective year.

*** UCs which will become due in the subsequent year.

This excludes 14 UCs amounting to Rs. 1.28 crore (disbursed in 2022-23) to be due in 2023-24 but submitted in 2022-23 itself.

During 2022-23, 726 UCs amounting to Rs.4,459.58 crore (307 amounting to Rs. 2,373.51 crore overdue from previous years + 419 UCs amounting to Rs. 2,086.07 crore which became due in 2022-23) were outstanding. Out of this, only 37.46 percent (272 UCs amounting to Rs. 1,023.57 crore) were submitted. Further, 14 UCs amounting to Rs.1.28 crore for grants disbursed in 2022-23, which will become due in 2023-24, were also submitted in 2022-23. Thus, total 286 UCs amounting Rs. 1,024.85 crore were submitted.

As on 31 March 2023, 454 UCs amounting Rs. 3,436.01 crore remained outstanding. This is 47.88 percent over the last year in terms of the numbers of UCs and 44.76 percent more than the last year in terms in amount of the outstanding UCs. Total of 1,060 UCs amounting to Rs. 7,460.84 crore (Overdue50: 454 UCs amounting to Rs. 3,436.01 crore + Addition51: 606 UCs amounting to Rs. 4,024.83 crore) are yet to be disposed as on 31 March 2023.

7.4.1 Year-wise Break-up of outstanding UCs

The year-wise break-up of outstanding Utilisation Certificate for the years 2012-13 to 2021-22 is given below in **Table 7.6**.

Table 7.6: Year-wise Break-up of outstanding UCs

Year	No. of UCs	Amount in Rs Crore
2012-13	17	54.01
2013-14	8	89.70
2014-15	1	2.25
2015-16	2	20.41

2016-17	10	136.17
2017-18	17	152.23
2018-19	20	301.41
2019-20	24	232.56
2020-21	113	777.02
2021-22	242	1670.25
Total	454	3436.01

Source: State Finance Report 2023.

7.5 Integrity of Budgetary and Accounting Process

During the year 2022-23, utilisation in respect of four Grants (revenue section) and 10 Grants (capital section) was below 50 percent as detailed in **Table 7.7**.

Table 7.7: Grants/Appropriations with Budget Utilisation less than 50 percent in 2022-23 (Rs in Crore)

Sl No.	Grant No. and Description	Budget	Expenditure	Utilisation (in percent)
Revenue				
1	6-Administration of Land Revenue, Land Ceilings etc.	143.98	64.68	45
2	11-Administration of Electricity Acts and Rules, Power Department Services etc.	776.82	298.58	38
3	35-Administration of Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	173.84	86	49
4	37-Administration of Information Technology	90.55	40.5	45
Capital				
1	1-Administration of the State Legislature	105	17.26	16
2	10-Administration of Transport Services	43.11	1	2
3	16-Administration of Civil Police and Fire Protection Services	37	0	0
4	18-Stationery and Printing	7.2	0.87	12
5	21-Administration of the Education Department	80.85	35.59	44
6	34-Administration of Social Welfare	41.4	17.08	41
7	45-Administration of Soil and Water Conservation	6.5	1.13	17
8	47-Administration of Animal Husbandry and Veterinary Department	52.37	10.98	21
9	54-Administration of Village and Small Scale Industries	83.76	10.79	13
10	57-Administration of Tourist Organisation	36.1	9.8	27

Source: Appropriation Accounts 2022-23.

The underutilization of Grant no. 21 (Education) only 44 percent and 34 (Social Welfare) only 41 percent impacts significantly the educational opportunities and wellbeing for the people of the state. Similarly, the utilization of Grant

No. 10 at two percent (Transport Services) and Grant No. 57 at 27 percent (Tourism Organization) exhibited a suboptimal level, significantly impacting the overall development of infrastructure. Ensuring efficient utilization of allocated funds, especially in capital grants, holds the promise of advancing infrastructure development, a crucial element for the sustainable growth of the state. The state government may examine the reasons for suboptimal utilization of allocated funds in these grants and take appropriate corrective action.

7.5.1 Submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour, etc. The position of annual accounts of four of the autonomous bodies whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19 & 20 of DPC Act is given in **Table 7.8**.

Table 7.8: Position of outstanding annual accounts

Name of the Autonomous Body	Section of DPC Act under which audit is conducted	Due date for submission of Annual Accounts	Year of Annual Accounts received up to	Outstanding Annual Accounts
Meghalaya Khadi and Village Industries Board	19(3)	30 th June every year	2021-22	2022-23
Meghalaya Building and Other Construction Workers' Welfare Board	19(2)	-do-	2020-21	2021-22 & 2022-23
Meghalaya State Legal Services, Authority	19(2)	-do-	2020-21	2021-22 & 2022-23
Special Purpose Vehicle Society	20(1)	-do-	2021-22	2022-23

Source: State Finance Report 2023.

In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/Authorities and their accounting cannot be vouched. The Administrative Departments may take steps to clear the arrears in accounts of these bodies.

7.5.2 Non-submission of details of grants / loans given to bodies and authorities

To identify institutions subject to audit under Sections 14 and 15 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), the Government and Heads of Departments must annually provide detailed information to Audit. This includes financial assistance given, the purpose of the assistance, and the total expenditure of the institutions. Additionally, the Regulation on Audit and Accounts (Amendments), 2020 mandates that by the end of July each year, Governments and HODs must submit a statement to Audit listing bodies or authorities that received grants or loans totalling Rs.10 lakh or more in the previous year, detailing the amount, purpose, and total expenditure. As of November 2023, the Principal Accountant General (Audit) had not received the annual accounts for 51 bodies/authorities due up to 2022-23. Details are in **Appendix 7.2**, with age-wise pendency in **Table 7.9**.

Table 7.9: Age-wise arrears of Annual Accounts due from Government Bodies

Sl. No.	Delay in number of years	Total No. of Accounts
1	0 to 1 year	3
2	Above 1 year to 3 years	18
3	Above 3 years to 5 years	9
4	Above 5 years to 7 years	28

5	Above 7 years to 9 years	44
6	Above 9 years	342
Total		444

Source: State Finance Report, Government of Meghalaya.

Without the annual accounts and their audit, it is impossible to verify the proper utilization of the grants and loans disbursed to these bodies. The relevant Administrative Departments should advise these bodies to clear any arrears in their accounts.

The finance department should consider evolving a system to expedite the process of compilation and submission of Annual Accounts by Government Bodies, Authorities and Autonomous Bodies in order to have a realistic and timely assessment of their financial position. They should review further financial assistance to those entities who are in arrears of their Annual Accounts. An accountability framework for submission of UCs in a timely manner to the Finance Department and Principal Accountant General (A&E) may be put in place. Further disbursement of grants to Departments may strictly be linked to submission UCs.

Chapter 8

Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives

8.1 Introduction

The hill state of Meghalaya was established on January 21, 1972, after being carved out of the composite state of Assam. It comprises three distinct autonomous regions: the Garo Hills, the Khasi Hills, and the Jaintia Hills, each predominantly inhabited by the Garo, Khasi, and Jaintia tribes, respectively. Today, the Garo Hills are divided into three districts, the Khasi Hills into another three, while the Jaintia Hills remain a single unit.

Meghalaya is unique in the North East as it is entirely governed by the provisions of the Sixth Schedule, except for the Cantonment and Municipality of Shillong. The state has three Autonomous District Councils (ADCs): the Garo Hills ADC, the Khasi Hills ADC, and the Jaintia Hills ADC. Each ADC consists of 30 members, 29 elected by the people and one nominated by the Governor. All members must take an oath as per the Third Amendment of the Constitution of India before assuming office, with a term of five years.

The ADC sessions are convened by the Chairman at least three times a year, and all business is conducted according to parliamentary procedures outlined in The Assam and Meghalaya Autonomous Districts (Constitution of District Councils) Rules, 1951. All laws, rules, and regulations made by the ADCs must be published in the official Gazette of the State Government to have the force of law, as stipulated in paragraph 11 of the Sixth Schedule.

Paragraphs 3 to 10 of the Sixth Schedule outline the powers of the Autonomous District Councils (ADCs) within their respective autonomous areas. These powers include making laws related to land, managing forests (excluding reserved forests), regulating trade by non-local Scheduled Tribes, appointing traditional Chiefs and Headmen, handling inheritance of property, marriage, divorce, social customs, establishing and maintaining primary schools, markets, taxation, and issuing leases for mineral extraction.

Paragraph 7 of the Sixth Schedule mandates the creation of a District Fund for each autonomous district. All money received by the District Council for that district is credited to this fund, and the Comptroller and Auditor General (CAG) of India prescribes the manner of maintaining and auditing these accounts. The financial rules of the ADCs are modelled after the state's financial rules, covering the custody, payment, and withdrawal of money from the consolidated fund as provided under Article 275 of the Constitution of India.

Paragraph 5 of the Sixth Schedule confers judicial powers on the District Council Courts for suits or cases under the Civil Procedure Code (CPC) and Criminal Procedure Code (CrPC). These courts have been instrumental in delivering justice to the people.

The District Councils in Khasi and Jaintia Hills operate under their own set of rules for administering justice, known as the United Khasi-Jaintia Hills Autonomous District (Administration of Justice) Rules, 1953. These rules establish three classes of courts:

- i. Village Courts
- ii. Subordinate District Council Courts and Additional Subordinate District Council Courts
- iii. District Council Court and Additional District Council Court

The above mentioned courts try all cases at different level when litigation is within the tribal areas and party or parties involved are tribals. They dispense justice in line with the traditional customs and usages at a very speedy, simple and inexpensive manner. As a result they have benefited the poor people. The District Council stands to continue administering of speedy, cheap and fair justice to the people under its jurisdiction.

Recently, there have been intense debates about introducing the Panchayati Raj system in the ADCs, which has led to questions about the relevance and existence of the current ADC structure, and whether it should be abolished. The ADCs of Meghalaya are excluded from the Panchayati Raj Act of 1993 under Article 243.

There are six Urban Local Bodies (ULBs) in Meghalaya:

- i. Shillong Municipal Board
- ii. Tura Municipal Board
- iii. Jowai Municipal Board
- iv. Williamnagar Municipal Board
- v. Baghmara Municipal Board
- vi. Resubelpara Municipal Board

The primary function of these Municipal Boards is to provide civic amenities such as water supply, street lighting, drainage, and sanitation.

8.2. Functions of the Autonomous District Council

The Autonomous District Councils being autonomous bodies under the Sixth Schedule to the Constitution of India, the District Council Affairs Department of the State Government acts as the co-ordinating Department between the District Councils and other Government Departments of the State Government. At present, Meghalaya has three Autonomous District Councils - the Khasi Hills Autonomous District Council, the Jaintia Hills Autonomous District Council and the Garo Hills Autonomous District Council.

The functions and activities of the Department are broadly as follows:-

1. Conduct of General Elections and Bye-Elections to the District Councils in accordance with the provisions of the Assam and Meghalaya Autonomous Districts (Constitution of District Councils) Rules, 1951.
2. Constitution of the District Councils after the General Elections to the District Councils - i.e. convening the First Session of the District Council(s) and the election of the Chairman thereafter.
3. Processing the Bills, Rules and Regulations framed/passed by the Autonomous District Councils for the assent or the approval of the Governor.
4. Processing and sanctioning of Grants-in-Aid to the District Councils from the State Government and the Government of India, including preparation of Budget Estimates.
5. Co-ordinating the proposals/works of the District Councils with the various Departments of the State Government and concerned Ministries of the Government of India.

8.3. Sources of Revenue of ADCs

The ADCs have limited own revenue sources and rely heavily on grants from the state and central governments. Their major revenue streams include (A) Own tax revenue and non tax revenue (B) Grants and External Funding

- (A) Own tax revenue and non tax revenue
- (i) Land Revenue & Taxes on Profession, Taxes on Employments, Other Administrative Services, Other Economic and General Services etc.
 - Revenue from land ownership regulations, transfer fees, and land lease rents.
 - Taxes on Profession, Taxes on Employments, Other Administrative Services, Other Economic and General Services etc.
 - (ii) Trade & Licensing Fees
 - Collection of fees from local markets, shops, and business licenses.

- (iii) Mineral Royalties (Limited Share)
 - Share in royalties from coal, limestone, and minor minerals collected by the state government.
 - However, the share of royalties given to ADCs is often inconsistent and subject to state discretion.
- (iv) Forest and Natural Resource Utilization Fees
 - Income from timber, bamboo, and other forest products.
 - Some revenue from fines and penalties imposed for environmental violations.
- (v) Judicial Fines & Fees from Village Courts
 - Collection of fines for violations of traditional laws and court fees.
- (vi) Taxes on Vehicles
 - Share of taxes placed by the State Government on Taxes on Vehicles.
- (B) Grants and External Funding
 - (i) State and Central Government Grants
 - ADCs receive allocations under Article 275 and other schemes.
 - The funds, however, are often insufficient and delayed.
 - (ii) Schemes from the Ministry of Tribal Affairs
 - Funding for infrastructure, education, and social welfare programs.
 - (iii) Special Assistance from Finance Commissions
 - The Fifteenth Finance Commission recommended additional funding to strengthen ADCs, but fund utilization remains a challenge.

A comparative statement of sources and application of funds of the Council during 2018-19 and 2019-20 is given below in **Table 8.1**. It can be seen that during 2019-20 KHADC generated Rs.18.44 crore (19 percent) from its own sources, which comprises of Rs. 16.91 crore collected directly by it and only Rs. 1.53 crore received as its share of “royalty” from the State government. Revenue from KHADC own sources collected directly by it (Rs. 16.91 crore) however declined during the year from 30 percent of the total revenues in 2018-19 (Rs. 19.25 crore) to 17 percent of total revenues in 2019-20 which is mainly due to less receipt of bank interest as compared to the previous year.

Table 8.1: Sources and Application of Fund during 2018-19 and 2019-20 (Rs in Crore)

	Particulars	2018-19	2019-20	Increase (+)/Decrease (-) (in %)
Sources	Opening Cash Balances	195.4	135.14	(-)30.84
	Own Revenue Receipts	54.71	18.44	(-)66.30
	Grants- in- aid (GoI)	9.85	77.78	(+)689.64
	Grants -in- aid (GoM)	0.1	0.01	(-)90
	Total Revenue Receipts	64.66	96.23	(-)48.82
	Capital Receipts	-	-	-
	Recoveries of Loans and Advances	0.11	0.02	(-)81.82
	Receipts under Deposit Fund	2.7	5.73	(+)112.22
	Total	67.47	101.98	(+)51.15
Application	Revenue Expenditure	58.59	52.37	(-)10.62
	Capital Expenditure	69	17.67	(-)74.39
	Disbursement of loans and advances	-	-	-
	Disbursement under Deposit Fund	0.14	0.11	(-)21.43
	Total (Disbursement)	127.72	70.15	(-)45.08
	Closing Cash Balance	135.14	166.97	(+) 23.55

Source: Annual Accounts of KHADC.

8.3.1: Availability of funds and expenditure

8.3.1.1: Revenue Receipts

The revenue receipts and revenue expenditure of KHADC during 2018-19 and 2019-20 is analysed below:-

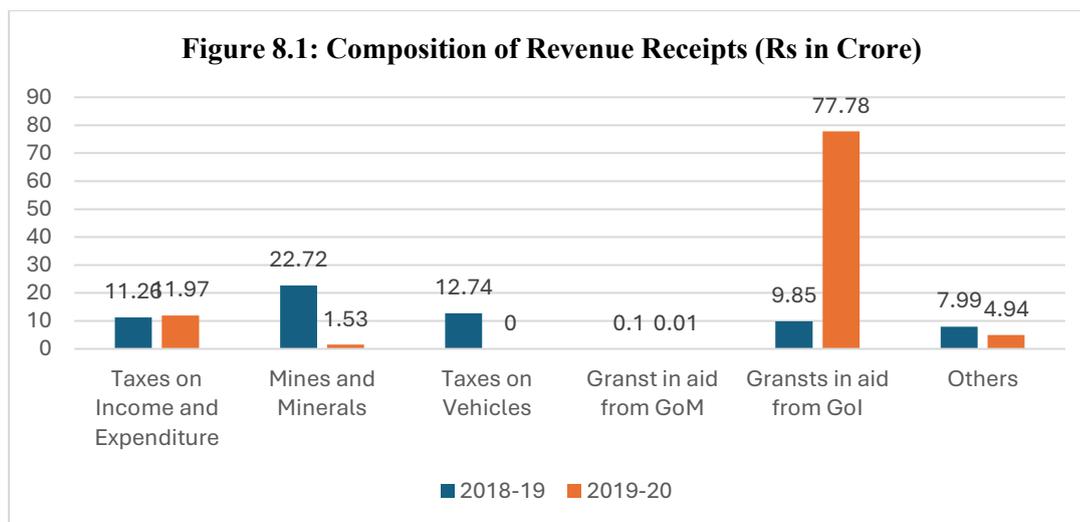


Figure 8.1: Composition of Revenue Receipts

The total revenue receipts of KHADC increased by 49 percent from Rs. 64.66 crore (2018-19) to Rs. 96.23 crore during 2019-20. (**Figure 8.1**) The improvement in revenue receipts during 2019-20 was primarily due to increase in Grants in aid from GoI by 690 percent as compared to 2018-19. However revenue receipts under Mines & Minerals (share of royalty) and Taxes on vehicles received from the State Government have sharply declined by 93.27 percent and 100 percent respectively as compared to the previous year due to non receipt of shares from the State Government. The receipt of revenue in the form of share of royalty on mines and minerals and share of taxes on vehicles are one the major sources of revenue of the KHADC, however the same has been showing a declining trend from 61 percent of the total revenue receipts during 2017-18 to two percent during 2019-20. (**Table 8.2**)

Table 8.2: Summarized position of share of taxes/royalty (Rs in Crore)

Year	Total Revenue Receipts	Shares of taxes/royalty			
		Share of Royalty on Minerals	Taxes on Vehicles	Total (3+4)	Percentage (5*100/2)
1	2	3	4	5	6
2017-18	127.85	71.84	6.71	78.55	61
2018-19	64.66	22.72	12.74	35.46	55
2019-20	96.23	1.53	0	1.53	2

Source: Annual Accounts of KHADC.

Despite the importance of revenue from share of royalty/taxes to the revenue health of the Council, the KHADC has no information on the amount of royalty collected by the State Government and its due share. In fact, no mechanism was found to have been in place to ensure that the amount of royalty on minor minerals and taxes on vehicles being released by the State Government was the actual amount due and that it was released on time.

8.3.1.2: Revenue Expenditure

Table 8.3 and **Figure 8.2** reveals that during 2019-20, KHADC had incurred Rs. 52.37 crore out of total revenue receipts of Rs. 96.23 crore as revenue expenditure which represent expenditure of 54 percent as compared to 91 percent during 2018-19. The decrease in revenue expenditure during 2019-20 is due to less implementation of work and less purchases than the previous year. **Table 8.3** summarizes the revenue expenditure of KHADC during 2018-19 and 2019-20.

Table 8.3: Summarized position of revenue expenditure (Rs in Crore)

Head	2018-19	2019-20 (%)
Secretariat General Services	22.75	23.50 (45)
Public Works	4.9	7.67 (15)
Forest	7.35	7.04 (13)
Pension and Retirement Benefits	5.8	5.70 (11)
Administration of Justice	3.26	3.63 (07)
Land Revenue	0.84	0.87 (02)
Social Security and Welfare	7.59	0.55 (01)
Information and Publicity	0.76	0.03 (0)
Others	5.34	3.38 (06)
Total	58.59	52.37 (100)

Source: Annual Accounts of KHADC.

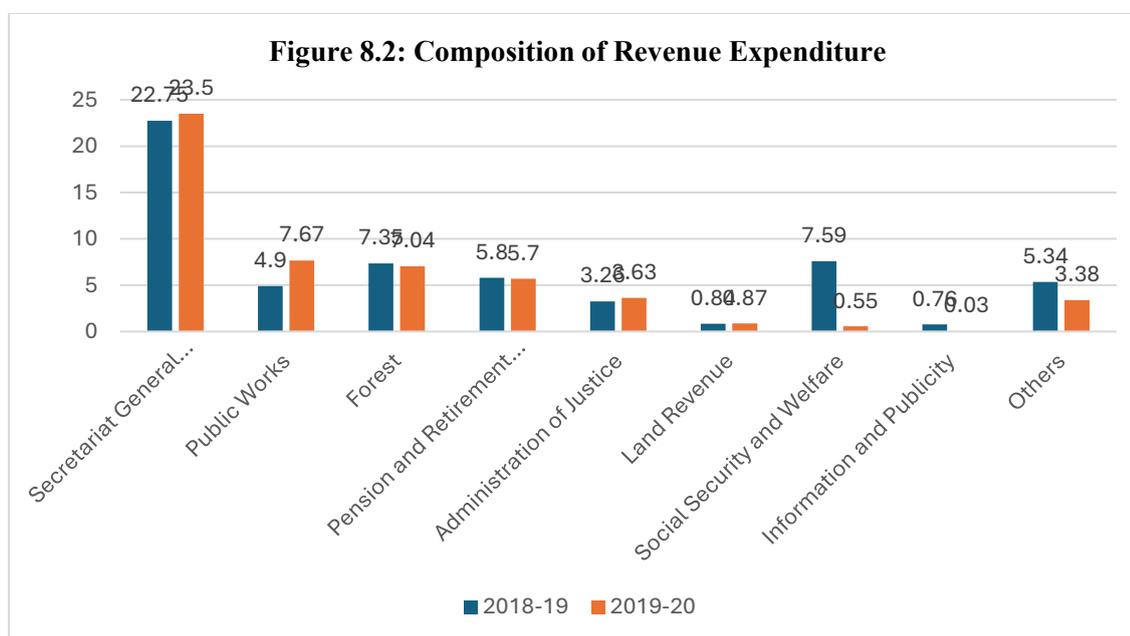


Figure 8.2: Composition of Revenue Expenditure

It is seen from **Table 8.3** and **Figure 8.2** that the revenue expenditure of KHADC decreased by 12 percent from Rs. 58.59 crore to Rs. 52.37 crore in 2019-20. The decrease in revenue expenditure during 2019-20 was primarily due to decrease in expenditure under Information and Publicity from Rs.0.76 crore in 2018-19 to Rs.0.03 crore in 2019-20 (96 percent) and Social Security & Welfare from Rs.7.59 crore in 2018-19 to Rs. 0.55 crore in 2019-20 (93 percent). Further during 2019-20, Secretariat General Services (45 percent), Public Works (15 percent) and Forest (13 percent) together accounted for 73 percent of the revenue expenditure leaving small percentage for other heads of expenditure including important heads such as Land Revenue, Social Security & Welfare and Public Health Sanitation & Water Supply.

8.3.1.3 Capital Expenditure

The following **Table 8.4** summarizes the capital expenditure of KHADC during 2018-19 and 2019-20.

Table 8.4: Summarized position of capital expenditure (Rs in Crore)

Sl No.	Capital Expenditure	2018-19	2019-20
1	Public Works	51.51	12.52
	(i) Public Works	9.8	0.45

	(ii) Arts and Culture	8.72	5.81
	(iii) Public Health and Sanitation	6.22	1.06
	(iv) Social Security and Welfare	22.97	4.59
	(v) Other General Economic Services	3.57	0.61
	(vi) Fisheries	0.12	0
	(vii) Minor Irrigation	0.11	0
2	Roads and Bridges	17.49	5.15
	Total	69	17.67

Source: Annual Accounts of KHADC.

It can be seen from **Table 8.4** that the capital expenditure of KHADC during 2019-20 has decreased by 74 percent from Rs. 69.00 crore in 2018-19 to Rs 17.67 crore in 2019-20. The decrease in capital expenditure during 2019-20 was seen across all departments. Out of the total available funds of Rs. 237.12 crore during 2019-20, only seven percent (i.e. Rs. 17.67 crore) was spent as capital expenditure, which is quite low as compared to previous year.

8.3.1.4 Grants -in- aid (GIA)

The council received GIA from GOI and State Government for implementation of various schemes. The position of GIA received, and expenditure incurred by the Council during 2019-20 are as under in **Table 8.5**:

Table 8.5: Summarized position of GIA expenditure (Rs in Lakh)

Sl No.	GIA received			Expenditure
	Under the Head	From	Amount	
1	Forest	State Government	1.1	1.1
2	Areas not included in Part IX and IXA of the Constitution	Government of India	7,778.34	618.2

Source: Annual Accounts of KHADC.

The spending of GIA was also low during 2019-20.

A detailed scrutiny of budget estimates for the year 2019-20 vis-a-vis actual receipt and expenditure revealed that significant variations between budget estimates and actual figures of receipts and expenditure as detailed below in **Table 8.6**.

Table 8.6: Budget Estimates and Actual for the year 2019-20 (Rs in Crore)

Particulars	Budget Estimate	Actual	Excess (+)/ Shortfall (-)	Percentage of Excess (+)/ Shortfall (-) w.r.t. BE
Receipt	215.36	96.25	(-) 119.11	(-) 55
Expenditure	215.36	70.04	(-) 145.32	(-) 67

Source: Budget estimates of Receipts and Expenditure and Statement 5 & 6 of Annual Accounts.

During 2019-20, the actual receipts and expenditure of the KHADC fell short of the BE by 55 percent and 67 percent respectively. This shortfall in actual receipt and budget estimate was mainly due to shortfall receipt of GIA from GoI and GoM (Rs. 84 crore), share of taxes on mines and minerals (Rs. 31.47 crore) and share of taxes on vehicles (Rs. 6.00 crore).

Variations between BE and actual receipts and expenditure during 2019-20 indicated that the KHADC had prepared BEs without taking into account the actual position. Budgetary estimates were off the mark by a considerable margin, and control over the execution and monitoring of budget was inadequate. The council had utilized only 29 percent of total available funds during the year 2019-20, out of which 22 percent was spent on revenue expenditure while

seven percent spent on capital projects of the council. This indicates that the council has not yet been able to develop capacity to expend the planned expenditure, particularly capital expenditure.

8.3.1.5 Challenges in Revenue Collection

- **Dependence on State Government:** ADCs have limited autonomy in taxation and heavily rely on state revenue transfers.
- **Poor Revenue Administration:** Inefficient collection of market fees, taxes, and royalties.
- **Leakages & Mismanagement:** Allegations of corruption and revenue leakages reduce financial strength.

8.4 Critical Analysis of the Working of ADCs

A. Overlapping Jurisdiction and Conflict with State Government

- ADCs and the state government often have overlapping functions, creating administrative confusion.
- The state government controls major financial and developmental policies, reducing the autonomy of ADCs.
- **Example:** Disputes over land laws and environmental regulations lead to inefficiencies.

B. Inefficiency and Governance Gaps

- **Poor service delivery:** ADCs struggle to implement schemes effectively due to lack of administrative capacity.
- **Bureaucratic inefficiencies:** Slow decision-making and excessive political interference hinder governance.
- **Weak enforcement of customary laws:** While ADCs have the power to enforce tribal laws, enforcement is weak, leading to law and order issues.

C. Financial Constraints and Lack of Accountability

- **Limited revenue generation capacity:** Most ADCs rely on external funding.
- **Irregular fund disbursement:** Delayed payments from the state government affect functioning.
- **Allegations of Corruption:** Cases of fund mismanagement and misuse of grants weaken the credibility of ADCs.

8.5 Impact on Development Sectors Under ADCs' Domain

1. **Land and Forest Management**
 - Lack of scientific land-use policies and deforestation issues due to poor monitoring.
2. **Traditional Institutions & Village Administration**
 - Inconsistent functioning of local institutions like Dorbar Shnongs (Khasi) and Nokmas (Garo).
 - Need for greater integration with modern administrative frameworks.
3. **Market & Trade Regulation**
 - Unorganized markets and poor regulation affect revenue generation.
4. **Judicial and Law Enforcement Issues**
 - Village courts lack proper legal infrastructure, affecting dispute resolution.

8.6 Suggested Reforms & Way Forward

A. Strengthening Financial Autonomy

- Increase ADCs' share in mineral royalties and tax revenue.
- Improve tax collection mechanisms and reduce revenue leakages.
- Introduce financial auditing and transparency measures.

B. Clearer Division of Powers Between ADCs and the State Government

- Define clear roles and responsibilities to avoid duplication of governance.
- Improve coordination between ADCs and state agencies for better policy implementation.

C. Institutional Reforms & Capacity Building

- Strengthen administrative capacity through digital governance and training.
- Ensure regular audits and financial oversight to curb corruption.
- Promote professional management of ADC functions rather than excessive political interference.

D. Modernizing Market & Trade Regulations

- Implement structured market policies with standardized taxation and licensing.
- Develop rural business hubs under ADCs to support local traders.

E. Enhancing People's Participation & Transparency

- ADCs must conduct regular public consultations to improve governance legitimacy.
- Implement e-governance and online financial tracking systems for better transparency.

The council needs to improve the collection efficiency of revenue from own sources by implementing robust monitoring mechanisms like maintaining up- to -date database of all assesses to bring an end to the leakage of revenue. KHADC and the State government should keep in place a mechanism which ensures sharing of information with the council about the royalty on minor minerals being collected the year vis-à-vis the due amount to be realised to the council. The council needs to improve its capital spending and implement schemes in a timely and efficient manner. The council also needs to strengthen its capacity commensurate with its proposals and budget provisions. The council may undertake detailed budgetary analysis and reviews to identify untapped eligible revenue resources and for estimating revenue receipts more accurately. The KHADC should put in place mechanisms of collecting updated data on eligible taxpayers. In addition, the council should institute a system of periodical survey by the inspection officers to ensure that all eligible taxpayers have been duly registered. The council implement IT system to enhance database of assesses. The council needs to insist on filing of returns in the manner and as per provisions of the Act. The assessing authority needs to assess the returns and correctly maintain its assessment register. Non adherence to recruitment rules creates opportunities for favouritism in the hiring process. In order to maintain fair competition for selection of deserving candidates. Council may follow recruitment rules. The council may put in place systems to ensure timely remittances of receipts to the treasury to prevent risk of temporary misappropriation of council funds due to delayed remittances/ non deposit of the collected revenue.

8.7 Grants in aid from Government of India

The details of Grants in aid (GIA) from GoI is given in **Table 8.7**.

Table 8.7: Grants in aid from Government of India (Rs in Crore)

Head	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non Plan Grants	921.41	803.71	673.86	640.47	-	-	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	348.4	293.44	196.36	138.19	2145.85	2,011.17	2,314.17	2,554.41	2,955.61	3,253.29
Finance Commission Grants	-	-	-	-	499.96	225.6	63.93	708.51	1,494.65#	1,144.701##
Other transfers/Grants to States/Union Territories with Legislature	2147.51	2666.93	1611.03	2377.99	487.8	371.84	402.28	275.96	418.31	28.46

Table 8.8: Recommended amount, actual release and transfers of Grants-in-Aid (Rs in Crore)

Transfers	Recommendation of the XV FC	Actual release by GoI	Released by State Government	
			Amount	Percentage of Release by GoI
A	B	C	D	E
i) Grants to RLBs				
(a) Untitled Grant	56	0	0	
(b) Tied Grant	84	40.50*	40.50#	100
Total for RLBs	140	40.50		
ii) Grants to ULBs				
a) Untied Grant for Non-Million Plus Cities	27.60	22##	22	100
(b) Tied Grant for Non-Million Plus Cities	41.40	22##	22	100
Total for ULBs	69	44	44	100
Total for Local Bodies	209	84.50		
SDRMF** (SDRF+SDMF)	Central Share	68	27.20	27.20
	State Share	8		3.20
Grants for Health Sector	59			
Post Devolution Revenue Deficit Grant	1033	1033		

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

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

* Rural Local Bodies Grant for the year 2021-22 released in 2022-23 on 28.06.2022

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

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

As against Rs. 209.00 crore recommended by the 15th FC in respect of Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs), Rs. 84.50 crore was released by the GoI during 2022-23. The Amount released by GoI was released by GoM during the same year.

In respect of SDRMF, 15th FC recommended Central Share of Rs. 68.00 crore and State Share of Rs. 8.00 crore for the year 2022-23. GoI released its entire share during 2022-23. GoM released Rs 30.40 crore (Central Share: Rs.27.20 crore + State Share: Rs. 3.20 crore).

Against Rs. 59.00 crore recommended by the 15th FC for 2022-23 as Grants for Health Sector for the State, no fund was released during 2022-23.

In respect of Post-Devolution Revenue Deficit Grants, the State received the entire amount of Rs.1,033.00 crore recommended by the 15th FC for the year 2022-23. This was 23.34 percent of the total GIA received from the Government of India during 2022-23.

8.7.4 State Finance Commission

The Meghalaya State Finance Commission Act, 2012 requires the formation of the Meghalaya State Finance Commission every five years to assess the financial status of Traditional Bodies, Municipal Boards, and Autonomous District Councils (ADCs). This commission is responsible for recommending the distribution of revenue between the State and these entities. According to Section 3(1) of the Act, the State Government must establish the Meghalaya

State Commission within one year of the Act’s enactment and subsequently every five years to review the financial position of traditional bodies, municipalities, or municipal boards, regardless of the term used for ULBs in the State.

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

8.8 Revenue Expenditure- Committed Expenditure and Inflexible Expenditure

The State Government’s committed expenditure on the revenue account includes interest payments, salaries and wages, and pensions, which take priority over other expenditures. Additionally, there are certain inflexible expenditures that cannot be easily altered or are required by law on an annual basis, unlike variable transactions such as capital expenditure. Examples of these inflexible expenditures include:

- i. **Devolution to local bodies:** Statutory devolutions for pay and allowances, and transfers for capital expenditure.
- ii. **Statutory contributions to Reserve Funds:** Contributions to the Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), and State Disaster Mitigation/Response Fund (SDMF/SDRF).
- iii. **Recoupment of the Contingency Fund:** Amounts recouped within the year.
- iv. **Transfer of cess to reserve funds or other bodies:** Statutorily required transfers.
- v. **Share contribution of CSS against the Central Fund received:** State share to be transferred to SNAs or spent by the State.
- vi. **Payment of interest:** Interest on balances of interest-bearing funds and public debt, treated as charged expenditure.

8.8.1 Inflexible expenditure

The components of Inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Funds hovered around Rs. 815.97 crore to Rs. 854.05 crore during the period 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure decreased from 7.96 percent in 2018-19 to 5.75 percent in 2022-23. Further, the inflexible expenditure (Rs. 854.05 crore) decreased by 17.29 percent during 2022-23 over the previous year (Rs. 1,032.60 crore)

8.9 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local Bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during 2022-23 compared to the previous years is presented in **Table 8.9**.

Table 8.9: Financial Assistance to Local Bodies and other institutions (Rs in Crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	9.12	6.45	18.32	24.15	35.20
Panchayati Raj Institutions	-	-	-	-	-
Total (A)	9.12	6.45	18.32	24.15	35.20
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,021.99	954.62	915.38	1,079.29	1,163.12
Development Authorities	235.37	156.33	324.03	328.33	268.13
Hospitals and Other Charitable Institutions	93.26	189.35	311.90	186.17	201.48
Other Institutions	686.75	514.45	986.80	1,447.63	1,875.97
Total (B)	2,037.37	1,814.75	2,538.11	3,041.42	3,508.7
Total (A+B)	2,046.49	1,821.20	2,556.43	3,065.57	3,543.90
GIA on Salary	1,357.26	1,498.16	1,598.86	1,085.58	1,172.61
GIA for creation of Capital assets	0.58	6.65	3.09	51.15	9.55

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

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

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

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

8.10 Reserve Funds

Reserve Funds are created for specific and defined purposes under Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted under the Consolidated Fund itself for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to public account under the concept of gross budgeting through an operation of deduct entry in accounts. The funds are further classified as 'Funds bearing interest' and 'Funds not bearing interest'. The total accumulated balance as on 31 March 2023 was Rs. 989.97 crore in five active reserve funds, out of which Rs. 308.82 crore was under interest bearing Reserve Fund and Rs 681.15 crore under non-interest-bearing Reserve Fund

8.10.1 State Disaster Response Fund

The Government of India (GoI) replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) on April 1, 2010. The SDRF is an interest-bearing Reserve Fund. According to the SDRF Guidelines notified on January 12, 2022, the Centre and North-Eastern and Himalayan States (NE & HS) must contribute to the Fund in a 90:10 ratio. Contributions are transferred to the Public Account under Major Head 8121, with no direct expenditure from the Public Account. Expenditures charged to the SDRF are shown as negative entries under Major Head 2245-05-911.

State Governments must pay interest to the SDRF at the rate applicable to overdrafts under the RBI's Overdraft Regulation Guidelines. The SDRF's accretions and income earned from investments are to be invested in Central Government dated Securities, auctioned Treasury Bills, and interest-earning deposits and certificates with Scheduled Commercial Banks.

The State Government did not provide updated information on investments or disinvestments from the SDRF. In the absence of such details, entries in the Annual Accounts were based on the latest information provided by the State Government on November 20, 2020. Consequently, the SDRF had an opening balance of Rs.152.03 crore at the beginning of 2022-23. As of March 31, 2023, the SDRF balance was Rs.130.86 crore, with Rs.118.00 crore invested and Rs.12.86 crore remaining to be invested.

According to SDRF Guidelines, Meghalaya's total SDRF allocation for 2022-23 was Rs. 60.80 crore, with Rs. 54.40 crore as the Central Share and Rs 6.40 crore as the State Share. During 2022-23, the State Government received Rs 27.20 crore as the Central Government's share and Rs. 3.20 crore as the State Government's share. The State Government transferred Rs. 30.40 crore (Central Share Rs. 27.20 crore, State Share Rs. 3.20 crore), approximately 50 percent of the total allocation of Rs. 60.80 crore for 2022-23, to the Fund under Major Head 8121-122 SDRF. The State did not receive any grant from the Central Government towards the NDRF. During the year, the State Government disbursed Rs. 51.58 crore from the fund. Of this, Rs. 22.25 crore was recouped as per the SDRF

guidelines by showing a negative entry under Major Head 2245-05-911, against the expenditure incurred on relief work booked under MH-2245. The remaining Rs. 29.33 crore was debited directly from the Public Account (MH-8121-122-SDRF), violating SDRF guidelines.

Additionally, the State Government was required to pay Rs. 2.04 crore in interest on the un-invested SDRF balance of Rs. 34.03 crore (as of March 31, 2022) at a rate of 6.00 percent (Overdraft Rate) during 2022-23. Since this interest was not paid, the Revenue Deficit for the year is understated by that amount.

8.10.2 State Disaster Mitigation Fund

The State Disaster Mitigation Fund (SDMF) is established under Section 48 (1) (a) of the Disaster Management Act, 2005. This fund is dedicated to mitigation projects for disasters covered under the State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and state-specific local disasters notified by the State Government. The SDMF's accretions and income earned from investments are to be invested in Central Government dated Securities, auctioned Treasury Bills, and interest-earning deposits and Certificates of Deposits with Scheduled Commercial Banks. Additionally, State Governments must pay interest to the SDRF at the rate applicable to overdrafts under the RBI's Overdraft Regulation Guidelines.

The State Government created the SDMF via a notification dated March 2, 2022, under Major Head 8121-130 State Disaster Mitigation Fund. Meghalaya's SDMF allocation for 2022-23 is Rs.15.20 crore (Central Share: Rs.13.60 crore and State Share: Rs.1.60 crore). During 2022-23, the State Government did not receive any amount from the Central Government for the SDMF. However, the Central share of Rs. 13.20 crore received during 2021-22 was transferred during 2022-23 along with the State share of Rs. 1.46 crore to the Fund under Major Head 8121-130 SDMF. The Central Share of Rs. 13.60 crore for the 2022-23 was not released. As of March 31, 2023, the SDMF balance of Rs. 14.66 crore is yet to be invested.

8.11 Fifteenth Finance Commission Grants Released for Meghalaya

The Union Government has released Fifteenth Finance Commission (XV FC) Grants during Financial Year 2024–25, for Rural Local Bodies in Meghalaya. 1st instalment of Untied Grants of the Financial Year 2021–22 amounting to Rs.27.00 crore have been released. These funds are for all the 3 eligible Autonomous District Councils (Khasi, Garo, Jaintia) of the state.

The Government of India through **Ministry of Panchayati Raj** and **Ministry of Jal Shakti (Department of Drinking Water and Sanitation)** recommends release of XV–FC Grants to the States for Rural Local Bodies which are then released by Ministry of Finance. The allocated grants are recommended and released in 2 instalments in a financial year.

The **Untied Grants** provided to Rural Local Bodies are designated for location-specific needs across the **Twenty–Nine (29) Subjects** outlined in the Eleventh Schedule of the Constitution, with the exception of expenses related to salaries and other establishment costs. Meanwhile, the **Tied Grants** are dedicated to supporting essential services, including **(a)** sanitation efforts and maintenance of Open Defecation-Free (ODF) status, covering household waste management, human waste treatment, and fecal sludge management, and **(b)** ensuring the supply of drinking water along with rainwater harvesting and water recycling initiatives.

Chapter 9

New Initiatives by the State

9.1 Youth Budget

The Government of Meghalaya adopts an inclusive, comprehensive, and sustainable approach for the development of youth. The Meghalaya Youth Policy 2021 is intended to ensure equal opportunities, promoting meaningful participation, being gender-responsive, taking a holistic approach, distributing resources fairly and equitably, and using an interdisciplinary method. In line with this policy, Meghalaya published its first ever Youth Budget in the year 2022. The goal of Youth Budget is to measure the total funds allocated for youth in the state and identify youth-focused programs from different departments. This will help in planning and budgeting effectively for these programs. Additionally, it ensures transparency in spending on youth and encourages collaboration between departments to promote youth programs.

For the financial year 2023-24, the youth budget is set at Rs. 2,215.72 crores, making up 10.1 percent of the state's total budget. The total expenditure on youth of Meghalaya has increased from Rs.1,789.36 crores in 2022-23 to Rs. 2,215.72 crores in 2023-24 representing a 24 percent increase from the previous year. The Education Department is the largest contributor to the youth budget, followed by the Health & Family Welfare Department, Planning, Investment Promotion and Sustainable Development Department, Community & Rural Development Department, and Tourism Department. Notable successes in youth development include the ASPIRE Meghalaya program, which trained over 23,000 youth, the Youth Empowerment Support Scheme initiative benefiting over 1,200 groups, and the Meghalaya Grassroots Music Program, which supported over 500 local artists. Some of the major initiatives taken by the government to promote youth development include:

Sl. No.	Initiatives
1	Youth Empowerment Support Scheme (YESS)
2	Meghalaya Grassroot Music Program
3	Promotion and Incubation of Market-driven Enterprises (PRIME)
4	Meghalaya Youth Exchange Program (MYEP)
5	Sports Scholarship Program
6	Cash Award Scheme

9.2 Gender Budget

Gender Budget aims to support informed planning and budgeting for programs and schemes that improve the status of girls and women, both directly and indirectly. This involves ensuring transparency and accountability in public spending on women, fostering collaboration among all departments to promote gender-sensitive initiatives, and strengthening the capacity of government officials to integrate gender considerations into planning and evaluation at all levels. Additionally, it seeks to align the state's policies and programs with the fifth Sustainable Development Goal (SDG-5), which focuses on achieving gender equality and empowering all women and girls.

The Gender Budget for 2023-24 has a total budget outlay of Rs.3,354.4 crores which is an increase of 21 percent from the last year. The Gender Budget 2023-24 constitutes 15 percent of the total State Budget, as compared to 14 percent in 2022-23. Eighteen departments contribute towards the gender budget. The departments with highest total allocation to gender budget include Education Department, Health and Family Welfare Department, Community and Rural Development Department, Planning, Investment Promotion and Sustainable Development Department, and Social Welfare Department.

Some of the major initiatives taken by the government to empower women include:

Sl. No.	Initiatives
1	Chief Minister's Safe Motherhood Scheme
2	MOTHER App

3	Chief Minister's Comfort, Assist, Respect and Empowered Scheme (CM-CAREs)
4	Farmer's Collectivization for Upscaling Production and Marketing System (FOCUS)

9.3 Climate Action Budget

Meghalaya, with approximately 76 percent of its area covered by forests, is predominantly mountainous. Due to its economy's heavy reliance on agriculture rather than industry, along with its hydro power generation and the nature of its industrial sectors, Meghalaya has a lower per capita emission of greenhouse gases compared to other states. However, industries such as cement and ferro alloys significantly contribute to the state's greenhouse gas emissions, accounting for 56 percent of the total emissions.

For coordinating and approving climate change-related initiatives, Meghalaya has established the Meghalaya State Council on Climate Change & Sustainable Development. The Climate Action Budget aims to allocate financial resources to activities that promote climate action, including reducing greenhouse gas emissions and adapting to climate change impacts. This includes initiatives like renewable energy investments, improving energy efficiency, supporting public transportation, and training communities to protect natural ecosystems. It ensures public spending aligns with climate objectives, aiding the transition to a low-carbon, climate-resilient economy.

The total budget allocated to climate action for Meghalaya has increased from Rs. 2,456.23 crores in 2022-23 to Rs. 3,411.93 crore in 2023-24 (budget estimates) constituting 15.36 percent of the total State Budget for the FY 2023-24. The Community & Rural Development Department significantly contributes 33 percent to the budget, primarily through MGNREGA projects focused on natural resource management. The Planning, Investment Promotion & Sustainable Development Department, which emphasizes natural resource management and community engagement to enhance livelihoods, accounts for 20 percent of the climate action budget. Additionally, the Urban Affairs Department contributes 7 percent. Major initiatives of the state with regards to climate action include:

Sl. No.	Initiatives
1	Community-based Forest Management and Livelihood Improvement in Meghalaya
2	Community-Led Landscape Management Project (CLLMP)
3	Meghalaya Livelihoods and Access to Markets Project (Megha- LAMP)

9.4 Sustainable Development Goals Budget

Meghalaya has released its second Sustainable Development Goal (SDG) budget for 2023-24, reaffirming its goal to be among the top 10 states in India by 2030 in terms of Per Capita Income and SDGs. The state is currently ranked 22nd in the latest SDG India Index by NITI Aayog in 2020, an improvement from 25th in 2019. For the year 2023-24, Rs.13,145.08 crores have been allocated towards achieving the Sustainable Development Goals (SDGs), representing 59 percent of the budget and a 23 percent increase from the previous year (BE-2022-23). Goal 4 - Quality Education receives the highest budget allocation at 22.7 percent, followed by Goal 9 - Industry, Innovation, and Infrastructure at 12.2 percent.

Although for the purpose of the budget, allocations have been mapped to a single goal, SDGs are interconnected and influence the progress of one another. Therefore, budget allocation for a particular goal supports the progress of indicators from other goals as well. For instance, the first 7 goals promote basic human rights which are all interconnected for human development. The State budget complemented by several externally aided projects has identified key sectors for concentrated development. With active participation from all stakeholders, the State puts forth a clear path for rapid progress commanding national and international attention.

Chapter 10

Conclusions and Recommendations

Evaluation of the state finance of Meghalaya is undertaken in this study using various fiscal parameters and other factors affecting the financial health of the state. The key indicators that were analyzed are revenue, expenditure, deficit, debt and other liabilities. In addition to these, this study also examined the implementation of the FRBM Act, nature, and magnitude of subsidies, power sector, and public sector undertakings, and transfers to local bodies. The conclusions and suggestions presented in the foregoing chapters of this study are summarised below.

The state of Meghalaya has a relatively weak revenue base, with state-generated revenue accounting for less than a quarter of the total receipts. From 2012-13 to 2023-24, the state's revenue has generally increased, with the exception of 2019-20, when there was a significant drop due to a reduction in the share of net proceeds from divisible union taxes and duties. Central government transfers have steadily risen over the years, with the same exception in 2019-20. *The enhancement of vertical devolution by FC XIV had significant impact on fund transfer to the state in which the state's share in the central taxes has started to gain more importance.* Except for the years 2018-19, 2019-20, 2020-21, and 2022-23, the state government recorded revenue surpluses throughout the study period.

In terms of the state's own revenue generation, it consistently accounted for around 20 percent of total revenue in the first half of the period under review, except for 2012-13 and 2013-14, when it reached 24 percent. In the latter half of the period, the state's share peaked in 2019-20 before declining to 18 percent in 2023-24. This decline in 2019-20 can be attributed to the reduction in central government transfers. The revenue receipts from the central government have consistently and substantially risen over the time period. The impact of recommendations from the fourteenth finance commission can be comprehensively observed through the change in composition of central transfers to the state. In the year 2015-16 the proportion of grants in aid has diminished from the average of 40 percent during the period of the study. The share of net proceeds of divisible union taxes and duties to the state has risen by 137 percent in 2015-16 compared to the previous year. The share of net proceeds of divisible union taxes and duties to the state has fallen by 13.65 percent in 2019-20 compared to the previous year.

Meghalaya's own tax revenue comes from a variety of sources, including taxes on professions, land revenue, motor vehicles, goods and passengers, sales and trade, state excise, stamps and registration, entertainment (including betting), and duties on electricity, among others. One key revenue stream, taxes on sales and trade, grew from 23.14 percent of total tax revenue in 2012-13 to 33.07 percent in 2023-24, despite experiencing notable declines in 2017-18, 2018-19, 2019-20, and 2022-23. Similarly, state excise revenue rose from 16.34 percent in 2012-13 to 19.12 percent in 2023-24, although it saw a sharp decline in 2021-22. Land revenue exhibited a mixed performance during the study period, initially growing by an impressive 530 percent in 2012-13, then stabilizing with a growth rate of 19.23 percent in 2023-24. The growth performance of stamps and registration revenue fluctuated between 13.18 percent in 2012-13 and 15.33 percent in 2023-24, with some years showing negative growth.

The growth rate of the state's three major non-tax revenue categories—general services, social services, and economic services—has generally been positive, though negative growth was observed in certain years. The primary source of non-tax revenue comes from economic services, which include forestry and wildlife, non-ferrous mining and metallurgy, crop husbandry, and animal husbandry. General services, such as interest receipts, also contribute significantly to non-tax revenue. Historically, mining receipts, generated through royalties from minerals, were the largest source of non-tax revenue for the state. However, this source sharply declined in 2014-15 and 2015-16, primarily due to a ban on mining in the state. *Despite this, the growth rate of economic services saw substantial increases, from 33.95 percent in 2012-13 to 69.80 percent in 2023-24.* Meanwhile, social services experienced a sharp rise in growth, increasing from zero in 2012-13 to 34 percent in 2023-24. The growth rate of general services has remained low from 48 percent in 2012-13 to 41 percent in 2023-24. This low growth rate is due to certain strong negative performance trend in years 2013-14, 2014-15, 2017-18, 2020-21 and 2022-23.

Tax buoyancy measures the responsiveness of revenue mobilization, indicating how tax revenue changes in relation to output. It is a key metric for policy formulation, highlighting the role of revenue policies in maintaining fiscal

sustainability over time. Therefore, it is crucial to assess whether economic growth will generate adequate revenue to ensure long-term fiscal sustainability.

Several tax categories, including *stamps and duties, state excise, motor vehicle taxes, taxes on goods and passengers, and SGST*, have demonstrated significant buoyancy, meaning they have grown in line with economic activity. However, taxes such as entertainment tax (including taxes on betting), duties on electricity, taxes on sales and trade, and land revenue have not shown comparable buoyancy relative to economic growth. Additionally, the state has exhibited a low tax effort index in these areas. *In terms of non-tax revenue, various government services have not shown significant buoyancy, indicating that the state has made limited efforts to rationalize these services in response to changing economic conditions and evolving consumption patterns among the population. Government policies may be limiting the effectiveness of these taxes. For example, there may be exemptions, loopholes, or inefficient tax administration in the collection of taxes like entertainment tax or land revenue.*

In fact, the buoyancy of other taxes (Purchase Tax/ SGST) and duties are higher than the total revenue as a whole. *The higher buoyancy of taxes like SGST and Purchase Tax means that the state is benefiting more from sectors linked to trade, commerce, and goods and services consumption. This could indicate that these sectors are growing and becoming more productive. Taxes (especially SGST) benefit from GST reforms, which have led to more streamlined and efficient collection processes. The introduction of a unified GST system has improved tax compliance, reducing leakage and tax evasion, which resulted in faster growth in SGST revenue.*

The buoyancy for tax on vehicles comes to be very high and it is higher than the total revenue as a whole. The demand for personal cars, motorcycles, commercial vehicles, and luxury vehicles is increasing. Alongside there is a change in the travel mode choices among the people along with emergence and growth of the logistic sector and changes in the means of commodity transportation. This leads to a higher number of vehicles being registered, which directly increases revenue from vehicle registration fees and other associated taxes. *The State government should take several strategic steps to ensure that the economy remains balanced, sustainable, and efficient. The state government should work on improving tax compliance, ensuring that more businesses and individuals are paying the correct taxes. This could involve better tracking of sales, purchases, and transactions. The state should consider diversifying its revenue sources. Relying too much on one type of tax can make the economy of the state vulnerable to fluctuations in specific sectors. The state government should stimulate growth in sectors that are not contributing as heavily to tax revenue.*

One of the most buoyant tax observed in this study is stamp and registration duty. The buoyancy of stamp and registration is greater than unity. There is a revenue loss to the state due to short/ non collection of stamp duty on minor minerals. There have been instances where short computation of anticipated royalty by the DFOs resulted in short-realisation of Stamp-duty. There is high revenue potential from Stamp & Registration through rationalisation of its structure and efficiency in the collection. *The state government need to clearly define the tax parameters and make the people aware of its significance, while also taking steps to make dealings on transfer of assets more transparent, thus enhancing efficient assessment of taxes/fees.*

Land revenue had failed to show significant buoyancy with respect to GSDP as there is wide gap between tax effort and tax capacity. The Revenue and Disaster Management Department administers the land in the State of Meghalaya and maintains the Land Records. Lands in Meghalaya have not been surveyed since the British regime except in few villages in Garo Hills. Therefore, no records-of-rights exist in the State. *The study observed that large revenue potential to leverage since large number of landholdings are yet to be accessed due to capacity limitation of the state's revenue department. So, the problem seems to lie on capacity limitations, rather than institutional constraints. It is suggested that necessary efforts be made by the government to access all the landholdings with immediate effect and institute a more efficient mechanism of revenue collection.*

When comparing the revenue receipts, own tax revenue, and non-tax revenue of Meghalaya with those of other North Eastern and Himalayan States (NE&HS) from 2012-13 to 2022-23, it is evident that the trend of revenue receipt growth in Meghalaya mirrored that of the other NE&HS states. However, Meghalaya outperformed these states in terms of its own tax revenue growth, achieving a CAGR of 12.08 percent compared to 10.59 percent for NE&HS. *Conversely, Meghalaya's average annual growth of non-tax revenue, which includes royalties from major and minor*

minerals, declined by 0.62 percent, while other NE&HS states saw their non-tax revenue grow at a CAGR of 9.07 percent.

The Goods and Services Tax (GST) was introduced across India, including in Meghalaya, on July 1, 2017. Since its implementation, revenue collection under the State Goods and Services Tax (SGST) has shown a positive trend. SGST collections surged by 101 percent in 2018-19 compared to the previous year. However, growth slowed in 2019-20, with SGST collections increasing by only 18 percent over 2018-19. The upward trajectory resumed in 2021-22, with collections rising by 35.81 percent compared to the previous year. By 2022-23, SGST revenue had reached Rs. 1,477.03 crore, contributing 55.72 percent of the state's own tax revenue. *The data regarding arrears of revenue indicate delayed realization of revenue, while arrears of assessment represent potential revenue blocked due to delayed assessment. Both factors deprive the state of potential revenue receipts and ultimately affect the revenue deficit.* As of March 31, 2023, the arrears of revenue stood at Rs. 89 crores. Analysis also reveals that 7,071 cases, i.e., 9.12 percent of the total pending cases were disposed of during 2022-23. There were 70,497 cases (90.88 percent) pending for assessment at the end of the year. *Keeping in view the huge pendency in assessment of returns, the State Government needs to complete assessments of the pending cases in a time bound manner and recover dues before these become time barred.*

The overall devolution of taxes from the Centre in XIVth FC was less by 18.89 percent than projected in the FCR. However, during 2022-23, the actual devolution of taxes was higher by Rs. 1,667.14 crore (29.67 percent) compared to FCR projection for 2022-23.

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

The ratio of total expenditure to Gross State Domestic Product (GSDP) has increased significantly, from 29.26 percent in 2012-13 to 52.19 percent in 2023-24. However, a substantial portion of the total expenditure has been directed towards covering the state's revenue expenditure. Meghalaya has about 74 percent of its expenditure as revenue expenditure in the year 2023-24. The high revenue expenditures have crowded out capital investment as the ratio of capital expenditure to GSDP increased only marginally from 5.2 percent in 2012-13 to 12.07 percent in 2023-24. *Higher capital expenditure leads to creation of assets which adds to capital stock of economy and increases overall productivity of the economy.* The highest percentage for capital expenditure to GSDP was 12.07 percent in the year 2023-24. The predominant share of revenue expenditure in the total expenditure is clear as share of revenue expenditure was above or close to 80 percent throughout the period from 2012-13 to 2023-24. The share of capital expenditure in the total expenditure was the highest at 26.02 percent in 2023-24.

The share of development expenditure in the total expenditure shows a decreasing trend with its share falling from 72.3 percent in 2012-13 to 51.38 percent in 2023-24. In the same period, non-development expenditure increased from 27.7 percent in 2012-13 to 48.62 percent in 2023-24. *Developmental expenditure refers to the expenditure of the government which helps in economic development by increasing production and real income of the state. The analysis reveals that significant reduction in the proportion of government funds allocated to initiatives that directly foster long-term economic development and public welfare. This rise in non development expenditure suggests that a larger portion of government spending is now going towards maintaining the current functioning of the government and servicing debt rather than investing in new development projects. The decrease in development expenditure and the rise in non-development expenditure reflect a shift in government priorities, potentially influenced by immediate fiscal pressures such as debt servicing or rising administrative costs.*

The increasing total expenditure of the state government is attributed to the consistent increase in revenue expenditure. While capital expenditure represented by capital outlay and loans and advances exhibits a flat trend. Only in the recent years it shows an increasing trend which is much lower than the revenue expenditure. The total expenditure increased from Rs. 7,474.09 crores in 2012-13 to Rs. 24,728.58 crores in 2023-24. *Thus, the fiscal space of the state was reduced gradually with the increase in revenue expenditure alongside the increasing requirements*

for repayment of loans and advances. However, the expanding volume of revenue expenditure over the period is a serious concern. Consequently, the main thrust area for efficiency in resource allocation boils down to the rationalisation and control of revenue expenditure. Thus, any expenditure policy of the state government must be directed towards containing the ever-expanding revenue expenditure.

The functional composition of total expenditure includes spending on general services (including interest payments, pensions and others), social services (such as education, health, housing, urban development, and welfare of SC/ST communities), and economic services (such as agriculture, animal husbandry, forestry, rural development, and energy). Additionally, expenditure includes repayment of public debt and loans and advances.

Development expenditure, which covers both social and economic services, recorded a compounded annual growth rate (CAGR) of 7.64 percent from 2012-13 to 2023-24. Social services, in particular, have seen a CAGR of 8.07 percent during the same period, with this sector becoming the primary driver of development expenditure growth after 2018-19. This is justified on grounds that increased allocation for education, health, and water supply are considered key to social development. Economic services individually have registered a compounded annual growth rate of 7.17 percent from 2012-13 to 2023-24. Repayment of public debt has grown at a robust rate of around 35 percent annually from 2012-13 to 2023-24. Finally, loans and advances have also seen a steady growth rate, with a CAGR of over 5 percent during the twelve-year period under review. The economy of Meghalaya is basically agrarian as it is rural based with agriculture playing a predominant role in the state's economy. Since, 81 percent of the state's population depends on agriculture, employment and income generation also depends on agricultural developmental activities to a great extent. Given the discontinuation of several CSS for agriculture and allied and rural development schemes post FCXIV, *it is necessary for the state government to allocate more resources for agriculture and rural development to achieve more inclusive growth.*

The committed expenditure of the state government on revenue account mainly consists of salaries, pension, subsidies and interest payments. On average, committed expenditure in Meghalaya grew at a compound annual growth rate (CAGR) of 8.26 percent, increasing from Rs. 3,399.11 crore in 2012-13 to Rs. 8,813.35 crore in 2023-24. The share of committed expenditure in total revenue expenditure has been declining since 2019-20, reflecting an improvement in the state's fiscal sustainability. *This trend indicates that the state government has strengthened its capacity to meet expenditure obligations, enhancing its ability to deliver essential services for the socio-economic development of the population.* Salary expenditure increased from Rs. 2,911.27 crores in 2012-13 to Rs. 5,899.24 crores in 2023-24. Also, the pension payment obligation of the state government has increased at an annual compound rate of 18.58 percent. The pension payment obligations have increased from Rs.225.66 crores in 2012-13 to Rs.1,745.46 crores in 2023-24 while the share in the total revenue also increased from 4.54 percent in 2012-13 to 9.54 percent in 2023-24. *The increasing committed expenditure for pension should be a concern for the state government in its efforts to enhance the fiscal space.*

State Public Sector Undertakings' (SPSUs) refers to entities owned by the state government, either established under the Companies Act, 2013, or formed as statutory corporations through legislative acts. As of March 31, 2022, Meghalaya had 21 SPSUs, two of which were non-operational. The primary investors in these Public Sector Undertakings (PSUs) include the Government of Meghalaya, the Government of India, and other external stakeholders. The total investment in Meghalaya's PSUs as of March 31, 2022, amounted to Rs. 8,140.81 crore, with 60.64 percent (Rs. 4,936.40 crore) in equity capital and 39.36 percent (Rs.3,204.41 crore) in long-term loans. This represents a 20.40 percent increase from Rs. 6,761.44 crore in 2017-18 to Rs. 8,140.81 crore in 2021-22. As of March 31, 2023, the total investment in SPSUs amounted to Rs. 9,088.47 crores. Of this, the power sector SPSUs received a significant 93.04 percent, totalling Rs.8,455.77 crores. The State Government's contribution was approximately 42.75 percent, which is Rs.3,885.07 crores of the total investment.

The figures in respect of equity and loans provided by the State Government as per the records of SPSUs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSUs concerned and the Finance Department should carry out reconciliation of differences. It can be noticed that as on 31 March 2023, there were unreconciled differences in the figures of Equity (Rs. 167.49 crore) and Loan (Rs. 180.04 crore) as per two sets of records. The differences in Equity occurred in respect of 11 SPSUs falling under Power Sector (one SPSU) and non-power Sector (ten SPSUs). *The State Government and the SPSUs*

concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of recording the funding provided to SPSUs in the State Finance Accounts and the Finance Accounts be updated.

Between 2019-20 and 2021-22, investments in SPSUs rose by Rs.1,328.24 crore, from Rs. 6,812.57 crore to Rs. 8,140.81 crore. A significant portion of this growth was driven by a Rs.1,154.01 crore increase in equity capital and long-term borrowings by the Meghalaya Power Distribution Corporation Limited (MePDCL). The rise in MePDCL's borrowings was largely due to an additional Rs.1,101.36 crore in loans, split between the Power Finance Corporation Limited and the Rural Electrification Corporation Limited for the Atmanirbhar Bharat Abhiyan. These borrowings were allocated across two fiscal years: Rs. 672.86 crore in 2020-21 and Rs. 428.50 crore in 2021-22.

The data shows that over 90 percent of the total investment in SPSUs was concentrated in the power sector. In the fiscal year 2021-22, the combined investment from the State Government and other entities in the power sector amounted to Rs.7,477.80 crore, while investments in the manufacturing and infrastructure sectors were much lower—Rs. 347.36 crore and Rs. 177.84 crore, respectively. The increase in power sector investments was largely driven by long-term loans, totalling Rs.1,010.24 crore, obtained by four power sector companies. In contrast, the increase in the manufacturing and infrastructure sectors was relatively modest, with an additional Rs.64.36 crore, primarily in the form of equity investments of Rs.52.61 crore in three SPSUs. *A concerning trend is the decline in investment in the service sector, which fell to just 1.46 percent of total SPSU investments in 2021-22. This is particularly troubling given that the service sector is a major contributor to Meghalaya's Gross State Domestic Product (GSDP), accounting for 55.53 percent of it in 2021-22. To sustain economic growth, the government needs to explore strategies to attract more investment into the service sector.*

The overall losses of operational State Public Sector Undertakings (SPSUs) in Meghalaya have been steadily increasing over the five-year period from 2017-18 to 2021-22. The majority of these losses have been concentrated in the power sector SPSUs. In 2020-21, power sector SPSUs accounted for 93.55 percent (Rs. 518.58 crore) of the total losses, while in 2021-22, this share slightly decreased to 93.45 percent (Rs. 676.15 crore) of the total losses respectively. *The ongoing losses of power sector SPSUs have been a significant drain on the state's economy and resources. Despite the continuous decline in the overall performance of four power sector SPSUs, the State Government has continued to provide substantial budgetary support. This accumulation of huge losses has eroded the public wealth, which is a cause of concern due to the burden on the exchequer. The State government need to analyse the viability of continuing with these organizations and find out ways either to improve their profitability or close their operations.*

A low debt-to-turnover ratio (DTR) indicates a healthy balance between debt and income. On the other hand, a high DTR suggests that an SPSU may have excessive debt relative to its income from core activities. Over the five-year period from 2017-18 to 2021-22, the Debt to Turnover Ratio (DTR) rose from 1.55:1 in 2017-18 to 1.98:1 in 2021-22, *indicating a worsening ability of SPSUs to service and repay their long-term debts compared to previous years. This deterioration was mainly due to a disproportionate increase in SPSU debts (56.73 percent) compared to the growth in SPSU turnover (22.1 percent) during the same period.*

To support SPSUs in securing financial assistance from banks and other financial institutions, the Government of Meghalaya provides loan guarantees within prescribed limits. Between 2019-20 and 2021-22, the state government committed guarantees totalling Rs.1,688.82 crore for loans raised by three SPSUs from various banks and financial institutions. These guarantees could become liabilities for the state if the borrowing SPSUs—each of which is loss-making with substantial accumulated losses—fail to repay their loans.

The State Government invested Rs. 744.09 crore in 18 SPSUs (equity: Rs. 37.13 crore; long term loans: Rs. 151.26 crore and grants: Rs. 555.70 crore) during the years for which the accounts of these SPSUs had not been finalised. *In the absence of accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of SPSUs. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.*

State Government may impress upon the managements of SPSUs to ensure timely submission of their Financial Statements. As many as 40 Accounts of 19 SPSUs were in arrears. In the absence of finalised accounts, Government investments in such SPSUs remain outside the oversight of the State Legislature. The two inactive SPSUs under the process of liquidation were neither contributing to State economy nor meeting the intended objectives. The State Government needs to expedite the liquidation process to wind up these nonworking SPSUs.

The state of Meghalaya come under special category status and thus entitled to receive additional central fiscal transfer arrangements in terms of higher per capita grants in comparison to other non-special category states. Therefore, the state is in a comfortable position of revenue surplus for almost all the years over the time period from 2012-13 to 2017-18 except 2018-19, 2019-20, 2020-21 and 2022-23. It is seen that the surplus in revenue account has been utilized to finance revenue expenditure. *Thus, the ratio of revenue surplus to revenue expenditure could be interpreted as the capacity of the state government to finance its revenue expenditure from the surplus of its revenue generation. In case of Meghalaya the surplus in the revenue account had helped the state government to support the increasing percentage of the revenue expenditure. Public expenditure has been the main driver of growth in the state, given the low contribution from agriculture and the slow growth of the industrial sector. This has made fiscal management by the state government crucial to the health of the state economy. Over the years, fiscal imbalances have been addressed through revenue surpluses.*

The ratio of the revenue deficit to fiscal deficit is used to measure as to what extent the borrowed fund was used for current consumption. A persistently high ratio indicates continuously deteriorating financial position as it indicates that major part of the borrowing was used for expenditure which does not add to the asset base of the economy. *The analysis shows significant deterioration in the quality of deficit financing in the year 2017-18 but showed an improvement afterwards in the next year 2018-19 as the ratio moved up in the positive zone and remained positive till 2020-21. The ratio had a significant deterioration in 2023-24. The fiscal position of the state improved during 2018-19, 2019-20, 2020-21 and 2022-23.*

However, the state has experienced growing fiscal deficit consistently for all the years over the time period from 2012-13 to 2023-24. The fiscal deficit for the year 2012-13 was Rs. 395.32 crores, which grew to Rs. 1848.61 crores in 2023-24. In terms of percentage of GSDP, fiscal deficit of the state grew from 1.80 percent in 2012-13 to 3.90 percent in 2023-24. During the time period, fiscal deficit grew to a maximum of 6.54 percent in the year, 2022-23. In terms of percentage of GSDP, primary deficit reached the maximum of 5.21 percent in 2020-21 but has remained considerably positive (i.e. primary surplus) in the last three years of 2017-18, 2018-19 and 2019-20.

The total outstanding liabilities of the state government has continuously increased with the average annual compound growth rate of 11.369 percent during the 12 years under study. The total outstanding liabilities as a percentage of GSDP increased from 22.67 percent in 2012-13 to 43.19 percent in 2022-23 with a slight downfall in 2023-24 (38.11 percent). The details of deposits and advances are available only for the last four years of the study. *This involves the fund parked in deposits and advances head of public account which is non-interest bearing. As the fund lying in this account is considered as total liabilities outstanding, it may be prudent for the government to take necessary action to avoid further accumulation.*

As per the recommendations of the Fourteenth Finance Commission, fiscal deficit of states should be kept below 3.25 percent of GSDP. Further, as per the recommendations MFRBM Act (as amended on 29.09.2015), the state government of Meghalaya agreed to keep the fiscal deficit target below 3 percent of GSDP during the award period 2015-16 to 2019-20. The state government has succeeded in keeping up its commitment towards MFRBM Act (as amended) as well as recommendations of the Fourteenth Finance Commission in the year 2016-17 by keeping the fiscal deficit well below 3 percent and during 2015-16, 2016-17, 2017-18 and 2019-20 except 2018-19 when the fiscal deficit was 6.05 percent of GSDP.

The Fiscal Deficit rose from 6.23 percent of GSDP in 2021-22 to 6.55 percent in 2022-23, exceeding the 4.00 percent target set by the MFRBM (Amendment) Act, 2022. In 2022-23, the State did not meet the targets recommended by the 15th FC or those set in the Budget for Revenue Surplus/Deficit as a percentage of GSDP, Fiscal Deficit as a percentage of GSDP, and Total Outstanding Liabilities as a percentage of GSDP. Regarding fiscal parameters in 2022-23, the State fell short of maintaining revenue surplus as mandated by the MFRBM Act. *In the year 2022-23,*

the Fiscal Deficit as a percentage of GSDP reached 6.55 percent, and the outstanding-GSDP ratio was 43.19 per cent missing the FRBM Act targets of 4.00 percent and 28.00 percent, respectively. Over the past five years, the State has missed the targets for Revenue Balance and Fiscal Balance in four of those years. Additionally, the Outstanding Liability-GSDP ratio has consistently surpassed the 28 percent limit.

As per the MFRBM Act, 2006, the State Government shall in each financial year lay before the State Legislature, Medium Term Fiscal Policy Statement (MTFPS) along with the Annual Budget. The MTFPS has to set forth a three-year rolling target for the prescribed fiscal indicators. The Revenue Deficit and Fiscal Deficit deviated significantly from projections made in FPS. During 2020-21, a significant deviation was noticed in Revenue and Fiscal Deficit. While the deviation of Revenue Deficit improved in 2021-22 (48.73 percent), it deteriorated again in 2022-23 (106.65 percent). Further, Debt-GSDP ratio breached the projection of 40.24 percent set by MTFPS in 2022-23.

The fiscal policy for 2024-25 will continue to be guided by the recommendation of the 15th Finance Commission and the objectives of the FRBM Act, 2006 (Principal Act) i.e., to: (a) generate revenue surplus and reduce the fiscal deficit and also to build up adequate surplus for discharging the committed liabilities and for developmental expenditures; (b) pursue policies to raise tax and non-tax revenue with due emphasis on cost recovery and equity; (c) prioritize capital expenditure and (d) pursue an expenditure policy that would provide impetus for economic growth with social equity and improvement in poverty reduction and human welfare.

After analyzing the trends and patterns of deficits and liabilities of the state government over the twelve year period from 2012-13 to 2023-24 the study has made an attempt to determine the sustainable road map for 2026-31 by taking into account the tax/ non tax trends. ARIMA model (Box Jenkins (BJ) methodology) is used for forecasting of own tax revenue, own non tax revenue, own revenue receipts, revenue expenditure, revenue deficit, fiscal deficit, primary deficit. It is a combination of auto regressive (AR) and moving average (MA) of errors (residual) terms, with data being converted into stationary process before forecasting. It is observed that the forecasted growth rate of own tax revenue, own non tax revenue, own revenue receipts for the six years starting from 2025-26 to 2030-31 are 5.52 percent, 4.70 percent and 5.179 percent respectively, while the revenue expenditure is forecasted to grow at an annual rate of 5.172 percent during the period. The nominal estimates of revenue expenditure, obtained from ARIMA(1,1,1) model has a CAGR OF 5.17 percent which is in line with own revenue receipts. This is higher than the target inflation rate of 4 percent in India, which is likely to be sustained. It is also observed that the forecasted growth rate of own tax revenue, own non tax revenue, own revenue receipts for the ten years starting from 2021-22 to 2030-31 are 8.81 percent, 10.51 percent and 9.48 percent respectively, while the revenue expenditure is forecasted to grow at an annual rate of 8.55 percent during this period. The state is forecasted to have revenue surplus over these 6 years, however the surplus as a percentage of GSDP will decrease from 5.59 percent in 2025-26 to 5.27 percent in 2030-31. The state is forecasted to have revenue surplus over these 10 years from 2021-22 to 2030-31, however the surplus as a percentage of GSDP will increase from 1.72 percent in 2021-22 to 5.27 percent in 2030-31. At the same time the state is not likely to achieve zero fiscal deficits in the near future, though fiscal deficit in absolute and relative to GDP are forecasted to decline continuously. However, the state is likely to achieve the MFRBM fiscal deficit target of 3.5 percent of GSDP throughout from 2025-26 to 2030-31.

In view of the observations we run the ARIMIA (1,1,1) model to get the nominal estimates of the forecasted figures. Even then the estimates are lower than MTFP projections. This is a conservative estimate based on observed past data series and it is expected that in current macro-economic situation the conservative estimates best suit the purpose. The MTFP estimates are often aspirational and aim to present an optimistic scenario for planning. To achieve this, we expect the state government needs to do structural changes in its tax and non tax sources of revenue.

GSDP growth rate for the projected 5 year period is 7.54 percent. Post covid 9 years growth rate is expected to be 9.15 percent whereas pre covid 7 years growth is about 7.62 percent. We expect current focus of the central government towards the state will be helpful in maintaining the expected growth rate. However to utilise full potential and do better, the state needs to enhance efficiency of public services, prioritise essential services and undertake tax reforms wherever possible.

The total outstanding liabilities will be increasing by 4.92 percent during the period starting from 2025-26 to 2030-31, while GSDP is expected to increase by around 6.24 percent during the period starting from 2025-26 to 2030-31.

Thus, the Debt-GSDP ratio would continuously be decreasing from 37.27 percent in 2025-26 to 34.57 percent in 2030-31. However, the total outstanding liabilities will be increasing by 6.39 percent during the period starting from 2021-22 to 2030-31, while GSDP is expected to increase by around 8.20 percent during the period starting from 2021-22 to 2030-31. Thus, the Debt-GSDP ratio would continuously be brought down from 41.07 percent in 2020-21 to 34.57 percent in 2030-31.

Centrally Sponsored Scheme (CSS's) are schemes which are implemented by the State/UT Government with the sharing pattern as approved by the GoI. The central share for the schemes will be routed entirely through the State/UT treasuries as grants in aid under various object heads, except in the case of Direct Benefit Transfers where the functional heads could be used. The transfers have increased from Rs.3764.08 crores in 2014-15 to Rs.9696.19 crore in 2023-24 (RE). The increase in central transfer for state schemes has happened at a compounded annual growth rate of 9.92 percent over the ten-year period. The State Government has authorised Drawing and Disbursing Officers (DDOs) to open a zero balance current account in the State bank of India/United Bank of India (merged with Punjab National Bank) under the official designation of the DDOs to facilitate temporary parking of fund pertaining to payment/dues of Government employees before payment is actually made by account payee system to their respective bank accounts. *As on 31 March 2023, amount of Rs. 130.90 crore was lying unutilised in the bank accounts of 99 DDOs with balance ranging up to Rs. 37.67 crore. Cases where more than Rs.1.00 crore was found lying unspent in the bank accounts of DDOs.* Further, information from the remaining 1,064 DDOs is still awaited (November 2023). *While the unspent balances have been officially recognised as expenditures from the Consolidated Fund of the State, they are still lying idle parked outside the Government Accounts. Thus, the expenditure shown in the Finance Accounts cannot be vouched as correct to that extent.*

Meghalaya Financial Rules, 1981, provides that unless otherwise ruled by the State Government, every grant made for a special object is subject to the implied conditions that the grant will be spent upon that object within a reasonable time (one year from the date of issue of the letter sanctioning the grant) if no time-limit has been fixed by the sanctioning authority. In other words, unless the State Government specifies otherwise, any grant for a particular purpose must be used for that purpose within one year from the date of sanction. The purpose for which the Grants-in-Aid were utilised can be confirmed only on receipt of UCs. This serves as a safeguard against diversion of funds for other purposes. To the extent of non-receipt of UCs, the expenditure shown in the accounts can neither be treated as final nor can it be confirmed that the amount has been utilised for the intended purposes. Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for Capital Expenditure. During 2022-23, 726 UCs amounting to Rs.4,459.58 crore (307 amounting to Rs. 2,373.51 crore overdue from previous years + 419 UCs amounting to Rs. 2,086.07 crore which became due in 2022-23) were outstanding. Out of this, only 37.46 percent (272 UCs amounting to Rs 1,023.57 crore) were submitted. Further, 14 UCs amounting to Rs. 1.28 crore for grants disbursed in 2022-23, which will become due in 2023-24, were also submitted in 2022-23. Thus, total 286 UCs amounting Rs. 1,024.85 crore were submitted.

As on 31 March 2023, 454 UCs amounting Rs.3,436.01 crore remained outstanding. This is 47.88 percent over the last year in terms of the numbers of UCs and 44.76 percent more than the last year in terms in amount of the outstanding UCs. Total of 1,060 UCs amounting to Rs.7,460.84 crore (Overdue⁵⁰: 454 UCs amounting to Rs.3,436.01 crore + Addition⁵¹: 606 UCs amounting to Rs. 4,024.83 crore) are yet to be disposed as on 31 March 2023. During the year 2022-23, utilisation in respect of four Grants (revenue section) and 10 Grants (capital section) was below 50 percent. *The underutilization of Grant no. 21 (Education) only 44 percent and 34 (Social Welfare) only 41 percent impacts significantly the educational opportunities and wellbeing for the people of the state.* Similarly, the utilization of Grant No. 10 at two percent (Transport Services) and Grant No. 57 at 27 percent (Tourism Organization) exhibited a suboptimal level, significantly impacting the overall development of infrastructure. *Ensuring efficient utilization of allocated funds, especially in capital grants, holds the promise of advancing infrastructure development, a crucial element for the sustainable growth of the state. The state government may examine the reasons for suboptimal utilization of allocated funds in these grants and take appropriate corrective action.*

Several autonomous bodies have been set up by the State Government in the field of Khadi and Village Industries, Labour, etc. The position of annual accounts of four of the autonomous bodies (Meghalaya Khadi and Village Industries Board, Meghalaya Building and Other Construction Workers Welfare Board, Meghalaya State Legal Services Authority, Special Purpose Vehicle Society) whose audit was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19 & 20 of DPC Act reveals that there have been outstanding annual accounts for all four of them. *In the absence of annual accounts and their audit, proper utilisation of the grants and loans disbursed to those Bodies/Authorities and their accounting cannot be vouched. The Administrative Departments may take steps to clear the arrears in accounts of these bodies.*

To identify institutions subject to audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act), the Government and Heads of Departments must annually provide detailed information to Audit. This includes financial assistance given, the purpose of the assistance, and the total expenditure of the institutions. Additionally, the Regulation on Audit and Accounts (Amendments), 2020 mandates that by the end of July each year, Governments and HODs must submit a statement to Audit listing bodies or authorities that received grants or loans totalling Rs.10 lakh or more in the previous year, detailing the amount, purpose, and total expenditure. *As of November 2023, the Principal Accountant General (Audit) had not received the annual accounts for 51 bodies/authorities due up to 2022-23.*

Without the annual accounts and their audit, it is impossible to verify the proper utilization of the grants and loans disbursed to these bodies. The relevant Administrative Departments should advise these bodies to clear any arrears in their accounts.

The finance department should consider evolving a system to expedite the process of compilation and submission of Annual Accounts by Government Bodies, Authorities and Autonomous Bodies in order to have a realistic and timely assessment of their financial position. They should review further financial assistance to those entities who are in arrears of their Annual Accounts. An accountability framework for submission of UCs in a timely manner to the Finance Department and Principal Accountant General (A&E) may be put in place. Further disbursement of grants to Departments may strictly be linked to submission of UCs.

The Meghalaya State Finance Commission Act, 2012 requires the formation of the Meghalaya State Finance Commission every five years to assess the financial status of Traditional Bodies, Municipal Boards, and Autonomous District Councils (ADCs). This commission is responsible for recommending the distribution of revenue between the State and these entities. According to Section 3(1) of the Act, the State Government must establish the Meghalaya State Commission within one year of the Act's enactment and subsequently every five years to review the financial position of traditional bodies, municipalities, or municipal boards, regardless of the term used for ULBs in the State.

Although the Government of Meghalaya enacted the Act on March 30, 2012, and formulated the Meghalaya Finance Commission Rules, 2013 (notified in December 2013) as per Section 10 of the Act, the State Government has not yet constituted the State Finance Commission as of November 2023, thus depriving the Municipalities and Urban Local Bodies of their due share of the net proceeds of revenue from the GoM as well as the GoI.

The Government of India (GoI) replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) on April 1, 2010. The SDRF is an interest-bearing Reserve Fund. According to the SDRF Guidelines notified on January 12, 2022, the Centre and North-Eastern and Himalayan States (NE & HS) must contribute to the Fund in a 90:10 ratio. *The State Government did not provide updated information on investments or disinvestments from the SDRF. As of March 31, 2023, the SDRF balance was Rs.130.86 crore, with Rs.118.00 crore invested and Rs.12.86 crore remaining to be invested.*

The Meghalaya Financial Rules, 1981 mandate that the Executive must promptly respond to Inspection Reports (IRs) issued by the Principal Accountant General (Audit) of the State (PAG). This ensures rectificatory actions are taken in compliance with prescribed rules and procedures, and accountability is maintained for deficiencies and lapses identified during audits. Heads of offices and higher authorities are required to address audit observations communicated through IRs and take corrective actions swiftly. Audit observations in IRs are discussed periodically in meetings at District and State levels between officers of the PAG's office and the concerned departments. *Serious*

irregularities are highlighted to the Heads of Departments by the PAG through a half-yearly report on pending IRs, facilitating monitoring and corrective actions.

As of March 2022, there were 3,639 outstanding paragraphs related to General, Social, and Economic Sectors from 1988-89 to March 2022. *Prolonged inaction on IRs and audit paragraphs risks perpetuating financial and compliance irregularities, weakening internal controls, and leading to inefficient and ineffective delivery of public services, fraud, corruption, and loss to the public exchequer. Therefore, the State Government needs to establish an effective mechanism to review and promptly address the concerns raised in IRs and audit paragraphs.*

The Union Government has released Fifteenth Finance Commission (XV FC) Grants during Financial Year 2024–25, for Rural Local Bodies in Meghalaya. 1st instalment of Untied Grants of the Financial Year 2021–22 amounting to Rs.27.00 crore have been released. These funds are for all the 3 eligible Autonomous District Councils (Khasi, Garo, Jaintia) of the state.

Meghalaya has limited industrialization compared to Assam and Tripura, which have seen significant investments in manufacturing, food processing, and oil refining. Lack of large-scale industries and dependence on small-scale and traditional businesses limit economic expansion. Environmental regulations and land acquisition challenges hinder industrial projects. Poor road connectivity, transport, and logistics infrastructure make trade and commerce less competitive. Meghalaya has not been able to attract significant private sector investments compared to states like Assam and Manipur. Unfavourable business environment, land laws, and regulatory bottlenecks discourage large-scale investment. The absence of major industrial clusters and SEZs reduces economic dynamism. Growth in sectors like IT, financial services, and modern retail has been slower than in states like Assam and Manipur. Tourism potential remains underutilized due to inadequate promotion and infrastructure gaps.

Meghalaya's rich natural beauty offers opportunities in eco-tourism, adventure tourism, and homestays. Better infrastructure (hotels, transport, digital connectivity) and marketing could boost tourism revenues significantly. Meghalaya has high-value crops like Lakadong turmeric, ginger, and oranges that can be leveraged for food processing industries. Investment in cold storage, logistics, and export-oriented agribusinesses can create jobs and increase economic output. Meghalaya has significant reserves of limestone, coal, and other minerals. A sustainable mining framework can balance environmental concerns with revenue generation. The state has a rich tradition of handicrafts, textiles, and bamboo-based industries that can be expanded for domestic and export markets. Setting up IT hubs and skill development centers can help Meghalaya integrate into India's digital economy. Meghalaya has immense potential for hydropower, solar energy, and biomass energy.

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APPENDICES

Appendix 7.1: Statement showing Funds transferred by the Government of India directly to State Implementing Agencies /Beneficiaries (Rs in Crore)

Sl No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases during 2021-22	Government of India releases during 2022-23
1	Management Support to Rural Development Programs and Strengthening of District Planning Process	Director State Institute of Rural Development Meghalaya	-	2.35
2	North Eastern Council	Directorate of Higher & Technical Education Meghalaya	2.17	-
		Meghalaya Tourism Development Corporation Ltd.	1.7	-
		Directorate of Tourism, Government of Meghalaya Shillong	0.2	-
		Bio-Resources Development Centre	0.45	-
		State Sports Council Meghalaya	2.52	-
		North East India Mission Association	-	-
		Meghalaya Government Construction Corporation Ltd.	1.11	-
		Meghalaya Basin Management Agency	4.29	-
		Horticulture Development Officer(TEA)	1.01	-
		DRDA West Khasi Hills	1.84	-
		DRDA East Jaintia Hills	1.91	-
		DRDA Baghmara	1.8	-

		Deputy Commissioner Ri-Bhoi	-	-
		Directorate of Horticulture	9.01	-
		Directorate of Arts and Culture	0.1	-
3	North Eastern Council	North East India Mission Association	0.46	-
		Meghalaya Industrial Development Corporation Ltd.	6.91	-
		Chief Engineer PWD (Buildngs) Meghalaya	0.24	-
		Directorate of Social Welfare, Meghalaya	2.51	-
		Assistant Resident Commissioner	0.09	-
4	NER-Textile Promotion Scheme	Director of Sericulture and Weaving, Govt. of Meghalaya	2.77	-
	Management Support to RD Programmes and Strengthening of District Planning Process in lieu of Programmes	Principal Extension Training Centre Meghalaya Nongsder	0.19	-
		Extension Training Centre Tura	0.15	-
		Director State Institute of Rural Development Meghalaya	1.85	-
5	Scheme of Residential Education for Students in High School in Targeted Area (SRESHTA)	Ramakrishna Mission Ashrama Cherrapunjee	0.34	0.22
6	National AIDS and STD Control Programme (NACO)	Meghalaya AIDS Control Society	12.89	-
	Pilgrimage Rejuvenation and Spiritual Heritage			

	Augmentation Drive (PRASHAD)		2.26	-
7	Integrated development of Tourist Circuits around specific themes (Swadesh Darshan)	Meghalaya Tourism Development Corporation Ltd.	6.23	-
8	E-Court Phase-II	Registrar General, High Court of Meghalaya	2.23	-
9	Biotechnology Research and Development	Bio-Resources Development Centre	0.27	-
		Synod College	-	-
		State Council of Science, Technology & Environment(SCSTE),Meghalaya	0.02	-
10	Science & Technology Institutional and Human Capacity Building	State Council of Science, Technology & Environment(SCSTE),Meghalaya	0.38	-
		St. Anthonys College	0.2	-
11	Innovation, Technology Development and Deployment	State Council of Science, Technology & Environment(SCSTE),Meghalaya	0.17	-
		Martin Luther Christian University	-	-
		University of Science and Technology	-	-
12	AID to Voluntary Organisations working for the Welfare of Scheduled Tribes	Ramakrishna Mission, Shillong, Meghalaya	7.37	-
		SAN-KER Charitable Trust	0.39	-
13	Domestic Promotion and Publicity Including Marked Development Assistance	Director of Tourism	0.5	-

14	Khelo India	State Sports Council Meghalaya	5	3.27
15	Pradhan Mantri Kisan Sampada Yojana- Creation /Reation/ Expansion of Food Processing and Preservation Capacities	Himalayan Spices	2.26	-
		Directorate of Food Processing	-	-
16	Schemes for differently Abled persons	Office of the Commissioner for Persons with Disabilities, Government of Meghalaya	0.03	-
		SRCDA-UDID Shillong	0.11	-
17	National Service Scheme	Meghalaya State NSS Cell	1.6	1.4
18	North East Road Sector Development Scheme	Public Works Department (Roads), Meghalaya	106.15	-
19	National Rural Health Mission	Bakdil	-	-
20	Research Training and Studies and Other Road Safety Schemes	Office of the Commissioner of Transport	1.5	-
21	Assistance to State Agencies for intra- state movement of foodgrains and FPS dealers margin under NFSA	Food Civil Supplies & Consumers Affairs Department Government of Meghalaya	38.78	-
22	Official Development Assistance for Sustainable Development Goals (EAP Component)	SPV - Aspirational - Ribhoi	6.88	-
23	Grants to Other Institutions	State Cancer society of Meghalaya	6.33	-
24	Integrated Management of Public Distribution System	Food Civil Supplies & Consumers Affairs Department Government of Meghalaya	0.26	0.52
25	Livestock Health and Disease Control	State Implementing Agency Meghalaya	3.27	-

26	MPs Local Area Development Scheme MPLADS	Deputy Commissioner	4	9.5
27	Deen Dayal Disabled Rehabilitation Scheme	Montfort Center for Education	-	0.44
		ASHA Rehabilitation Centre Shillong	0.12	0.11
		Bethany Society	0.18	0.09
		Dwar Jingkyrmen School for Children in Need of Special Education	-	0.19
		The Society for the Welfare of the Disabled	-	0.19
28	National Hydrology Project	Water Resources Department, Meghalaya	4	5.18
29	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	Department of Agriculture, Meghalaya	115.15	13.62
30	Development of Nursing Services	School of Nursing, Civil Hospital, Shillong, Meghalaya	2	2.5
31	Trade Infrastructure for Export Schemes (TIES)	Meghalaya Industrial Development Corporation Ltd.	-	2.41
32	Consumer Welfare Fund	Directorate Food Civil supplies & Consumer Affairs	-	2
33	National Digital Health Mission	State Health Society, Meghalaya	-	0.71
34	Blood Transfusion Services	Meghalaya AIDS Control Society	-	0.61
35	Infrastructure Development and Capacity Building	Directorate of Commerce & Industries, Meghalaya, Shillong	-	0.57
36	Scheme for Usage of Geotextiles in North East	Public Works Department (Roads), Meghalaya	0	1.36
37	Universal Services Obligation Fund (USOF) Compensation	Bharti Hesacom Limited	-	174.61

38	Electronic Governance	Meghalaya Information Technology Society	-	-
39	Solar Power-OFFGRID	Meghalaya Non-Conventional Rural Energy Development Agency	-	-
40	Biogas Programme-OFFGRID	Meghalaya Non-Conventional Rural Energy Development Agency	-	-
41	Grants in Aid to Voluntary Organisation Working for the Welfare of Scheduled Tribes	Ramakrishna Mission Ashrama, Meghalaya	-	-
		Kayzey Society	-	-
42	Organic Value Chain Development of NE Region	Directorate of Horticulture	0.93	6.22
43	Beti Bachao Beti Padhao	Deputy Commissioner RI-Bhoi	-	-
		DM BBBP East Khasi Hills	-	-
44	Pradhan Mantri Matru Vandana Yojna	Directorate of Health Services, Meghalaya	-	-
45	National Programme for Dairy Development	East Khasi Hills District Co-operative Milk Union Ltd.	8.11	14.64
	National Rural Livelihood Mission	Meghalaya State Rural Livelihoods Society, Shillong, Meghalaya	0.8	-
46	Training Schemes PPG & P	Meghalaya Administrative Training Institute	-	-
47	Biotechnology Research and Development	Bio-Resources Development Center	-	-

	National Rural Employment Guarantee Scheme (MGNREGA) CS	State Rural Employment Society, Shillong Meghalaya	882.83	691.44
48	Rashtriya Gokul Mission	State Implementing Agency Meghalaya	7.38	-
49	SAMBAL (Beti Bachao Beti Padhao One Stop Centre Mahila Police Volunteer Women helpline Nari Adalat etc)	One Stop Centre (OSC) EJHD	0.29	0.09
		Deputy Commissioner, East Khasi Hills District	0.91	0.64
		Deputy Commissioner and Chairman, One Stop Centre, North Garo Hills, Resubelpara	0.39	0.16
50	SAMBAL (Beti Bachao Beti Padhao One Stop Centre Mahila Police Volunteer Women helpline Nari Adalat, etc)	Deputy Commissioner, Ribhoi District, One Stop Centre	0.15	0.15
		One Stop Centre, South Garo Hills, Baghmara	0.39	0.13
		One Stop Centre, Ampati	0.39	0.04
		District Magistrate, One Stop Centre, South-West Khasi Hills, Mawkyrwat	0.15	-
		Deputy Commissioner, West Garo Hills	0.15	0.32
		Deputy Commissioner, One Stop Centre	0.15	0.11
		One Stop Centre, West Jaintia Hills	0.15	-
		One Stop Centre, West Khasi Hills	0.15	-
51	Kisan Urja Suraksha Evam Utthaan Mahabhiyan OFF GRID (KUSUM)	Meghalaya Non Conventional & Rural Energy Development Agency	-	-
52	Womens Helpline	Deputy Commissioner, East Khasi Hills District	-	-
53	National Animal Disease Control Programme	State Implementing Agency Meghalaya	-	-

54	Human Resource and Capacity Development	Indian Institute of Public Health Shillong Society	-	-
55	PM Formalization of Micro Food Processing Enterprises PM-FME	Directorate of Food Processing	0.13	-
56	Agriculture Infrastructure Fund	Agriculture Infrastructure Fund (AIF), Meghalaya	-	-
57	Agriculture Census and Statistics	Directorate of Agriculture Meghalaya	-	0.32
58	Pradhan Mantri Matsya Sampada Yojana (PMMSY)	Directorate of Fisheries	0.55	-
59	SAMARTHYA (BBBP	Directorate of Health Services, Meghalaya	5.08	6.26
60	Creche PMMVY Gender Budget Research Skilling Training etc)	Deputy Commissioner, Ri-Bhoi	0.25	-
61	Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	SWSM Meghalaya Shillong	908.79	1,047.00
		University of Science and Technology	-	0.24
62	Ayushman Bharat -- Pradhan Mantri Jan Arogya Yojana (PMJAY)	State Nodal Agency, Megha Health Insurance Scheme, Meghalaya, Shillong.	-	47.31
Total			2,192.25	2,036.90

Source: Finance Accounts 2023.

Appendix 7.2: Statement showing names of Autonomous Bodies and Authorities, the accounts of which had not been received under Section 14 (1) and 15

Sl. No.	Name of the bodies Authorities	Under which Audited	Accounts pending	Number of Accounts Pending
1	Meghalaya State Social Welfare Board (MSSWB)	14 (1)	2008-2009 to 2022-23	15
2	State Sports Council, Shillong	14 (1)	2020-21 to 2022-23	3
3	District Rural Development Agency Shillong	14 (1)	2010-11 to 2022-23	13
4	District Rural Development Agency Tura	14 (1)	2007-08 to 2022-23	14
5	District Rural Development Agency Williamnagar	14 (1)	2008-09 to 2022-23	15
6	District Rural Development Agency Jowai	14 (1)	2010-11 to 2022-23	13
7	District Rural Development Agency Nongstoin	14 (1)	1998-99 to 2022-23	25
8	District Rural Development Agency Nongpoh	14 (1)	2009-10 to 2022-23	14
9	DHTE, Shillong	15	2019-20 to 2022-23	4
	Project Co-ordinator & Development Strategies North Eastern Region Community Resource Management Project(NERCORMP), Shillong			
10		15	2020-21 to 2022-23	3
11	State Institute of Rural Development (SIRD), Nongsder, Shillong	14 (1)	2016-17 to 2022-23	7
12	Hospital Management Society, Civil Hospital, Shillong	14 (1)	2018-19 to 2022-23	5
13	State Rural Employment Society (SRES), Shillong	14 (1)	2013-14 to 2022-23	10
14	National Rural Health Mission (NRHM), Shillong	14 (1)	2022-23	1 (09 months)
15	Meghalaya State Rural Livelihood Society, Shillong	14 (1)	2016-17 to 2022-23	7
16	Meghalaya State Skill Development Society, Shillong	14 (1)	2016-17 to 2022-23	7
17	Meghalaya Basin Development Authority	14 (1)	2022-23	1
18	Commissioner & Secretary District Council Affairs Department	15	February 2023 to March 2023	1 (2 months)
19	DRDA Khliehriat	14(1)	2012-13 to 2022-23	11
20	DRDA Mawkyrwat	14(1)	2012-13 to 2022-23	11
21	DRDA Ampati	14(1)	2012-13 to 2022-23	11
22	DRDA Resubelpara	14(1)	2012-13 to 2021-22	11
23	DRDA Baghmara	14(1)	2012-13 to 2022-23	11

24	State Resource Centre	14(1)	2013-14 to 2022-23	10
25	State Project Director, State Education Mission Authority	14(1)	01.02.2021 to 31.03.2023	2
26	District Mission Coordinator Sangra Shiksha Abhiyan (SSA) East Khasi Hills	14(1)	2013-14 to 2022-23	10
27	District Mission, Nongstoin	14(1)	2013-14 to 2022-23	10
Sl. No.	Name of the bodies Authorities	Under which Audited	Accounts pending	Number of Accounts Pending
28	District Mission, Jowai	14(1)	2013-14 to 2022-23	10
29	District Mission, Nongpoh	14(1)	2013-14 to 2022-23	10
30	District Mission East Garo Hills, Williamnagar	14(1)	2013-14 to 2022-23	10
31	District Mission West Khasi Hills, Mawkyrwat	14(1)	2013-14 to 2022-23	10
32	District Mission West Garo Hills, Tura	14(1)	2013-14 to 2022-23	10
33	District Mission SSA South Garo Hills, Baghmara	14(1)	2013-14 to 2022-23	10
34	District Mission SSA North Garo Hills, Resubelpara	14(1)	2013-14 to 2022-23	10
35	District Mission South West Garo Hills, Ampati	14(1)	2013-14 to 2022-23	10
36	District Mission SSA East Jaintia Hills, Khliehriat	14(1)	2013-14 to 2022-23	10
37	Ramkrishna Mission Ashram Sohra, Cherrapunji	14(1)	2016-17 to 2022-23	7
38	Meghalaya Commercial Crop Development Board, Shillong	14(1)	2008-09 to 2022-23	15
39	CE Standard cum SRRDA	14(1)	January 2022 to Mach 2023	2
40	DPIU, Tura	14(1)	January 2022 to Mach 2023	2
41	DPIU, Williamnagar	14(1)	February 2022 to Mach 2023	2
42	DPIU, Jaintia Hills, Jowai	14(1)	January 2022 to Mach 2023	2
43	DPIU, Nongstoin	14(1)	March 2022 to March 2023	2
44	DPIU, Shillong	14(1)	November 2013 to Mar-23	9
45	DPIU, Baghmara	14(1)	2000-2001 to 2021-23	23
46	DPIU, Nongpoh	14(1)	November 2013 to Mar-23	9
47	Meghalaya Urban Development Authority	14(1)	2014-15 to 2022-23	9
48	Meghalaya State Agricultural Marketing Board	14(1)	2013-14 to 2022-23	10

49	Secretary, Meghalaya State Disaster Management Authority	14(1)	2011-12 to 2022-23	12
50	Member Secretary, Meghalaya Information Technology Society	14(1)	2014-15 to 2022-23	9
51	State Council for Science Technology and Environment	14(1)	2015-16 to 2022-23	8
Total				444

Source: State Finance Report, Government of Meghalaya 2023.

