

# **CHAPTER-I**

## **FINANCES OF THE STATE GOVERNMENT**



## CHAPTER I

### Finances of the State Government

#### Profile of Meghalaya

Meghalaya, a Special Category State, is situated in the North-Eastern region of India and is bound in the north by Goalpara, Kamrup and Nowgong Districts of Assam, on the east by Karbi Anglong and North Cachar Hills District of Assam and on the south and west by Bangladesh. As indicated in **Appendix 1.1 (Part-D)**, the State's population increased from 23,18,822 in 2001 to 29,66,889 in 2011 recording a decadal growth of 27.95 *per cent*. The percentage of population below the poverty line of the State (11.87 *per cent*) was 10.05 *per cent* less than the all India average (21.92 *per cent*). The State's Gross Domestic Product (GSDP) in 2015-16 at current prices was ₹ 27,305 crore. The State's literacy rate increased from 62.56 *per cent* (2001) to 74.43 *per cent* (as per 2011 census). General data relating to the State is given in **Appendix 1.1 (Part-D)**.

#### Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's GDP *vis-à-vis* State's GSDP at current prices are indicated below:

**Table 1.1 : Trends in Gross State Domestic Product**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (₹ in crore)	8736039	9951344	11272764	12488205	13576086
Growth rate of GDP ( <i>per cent</i> )	#	13.91	13.28	10.78	8.71
Gross State Domestic Product (₹ in crore)	19918	21872	22938	24065	27305
Growth rate of GSDP ( <i>per cent</i> )	#	9.81	4.87	4.91	13.46

*Source: For GSDP, the information as available on Ministry of Statistics and Program Implementation web-site as on 29 July 2016 (based on new base year 2011-12)*

*# Growth rate of GDP and GSDP for the year 2010-11 not indicated as the base year has been revised to 2011-12*

As per GSDP series, there was a fluctuating trend in the growth rate of GSDP. The GSDP increased from ₹ 24,065 crore in 2014-15 to ₹ 27,305 crore in 2015-16, representing an increase of 13.46 *per cent*. The GSDP during 2015-16 also exceeded the assessment (₹ 26,745 crore) made by the Fourteenth Finance Commission (XIV FC) by 2.09 *per cent*. The growth of GSDP during 2015-16 at 13.46 *per cent* exceeded the assessment of the XIV FC (12.22 *per cent*). The average compound annual growth rate in respect of GSDP for Meghalaya between 2006-07 and 2015-16 was 13.66 *per cent*.

## 1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Meghalaya (GoM) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The analysis has been made based on State Finance Accounts and the information obtained from State Government. The structure of Government Accounts, layout of Finance Accounts, methodology adopted for the assessment of fiscal position and State Profile are shown in **Appendix 1.1 (Parts A, B C & D)**. The time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2011-16 are presented in **Appendix 1.2**.

### 1.1.1 Summary of Current Year's Fiscal Transactions

**Table 1.2** presents the summary of the State Government's fiscal transactions while **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the current year (2015-16) *vis-à-vis* the previous year (2014-15).

**Table 1.2 : Summary of Current Year's Fiscal Transactions**

(₹ in crore)

Receipts			Disbursements				
	2014-15	2015-16		2014-15	2015-16		
<b>Section – A : Revenue</b>							
				<b>Total</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>Revenue Receipts</b>	<b>6428.25</b>	<b>7043.13</b>	<b>Revenue Expenditure</b>	<b>6251.86</b>	<b>4307.64</b>	<b>2040.09</b>	<b>6347.73</b>
Tax revenue	939.19	1056.82	General Services	2021.65	2238.51	17.01	2255.52
Non-tax revenue	343.29	228.60	Social Services	2370.24	1347.33	1047.84	2395.17
Share of Union Taxes/Duties	1381.69	3276.46	Economic Services	1859.97	721.80	975.24	1697.04
Grants-in-aid from Government of India	3764.08	2481.25					
<b>Section – B : Capital</b>							
<b>Miscellaneous Capital receipts</b>	...	...	<b>Capital Outlay</b>	<b>1118.49</b>	0.23	1110.66	<b>1110.89</b>
<b>Recoveries of Loans and Advances</b>	<b>19.76</b>	<b>19.08</b>	<b>Loans and Advances disbursed</b>	<b>56.11</b>	117.76	40.59	<b>158.35</b>
<b>Public Debt Receipts<sup>1</sup></b>	<b>726.96</b>	<b>836.93</b>	<b>Repayment of Public Debt<sup>1</sup></b>	<b>202.66</b>	...	...	<b>337.34</b>
<b>Contingency Fund</b>	...	...	<b>Contingency Fund</b>	...	...	...	...
<b>Public Account Receipts<sup>2</sup></b>	<b>3997.59</b>	<b>3527.16</b>	<b>Public Account Disbursements<sup>3</sup></b>	<b>3965.73</b>	...	...	<b>3681.63</b>
<b>Opening Balance</b>	<b>827.84</b>	<b>405.55</b>	<b>Closing Balance</b>	<b>405.55</b>	...	...	<b>195.91</b>
<b>Total</b>	<b>12000.40</b>	<b>11831.85</b>	<b>Total</b>	<b>12000.40</b>			<b>11831.85</b>

Source: Finance Accounts 2015-16

<sup>1</sup> Includes net Ways and Means Advances.

<sup>2</sup> Gross receipts

<sup>3</sup> Gross Disbursements

Following are the significant changes during 2015-16 over the previous year:

- Revenue receipts increased by 9.57 *per cent* (₹ 614.88 crore) over the previous year. The increase was due to increase in State's share of Union taxes and duties (₹ 1894.77 crore) and tax revenue (₹ 117.63 crore), offset by decrease in non-tax revenue (₹ 114.69 crore) and Grants-in-aid from Government of India (₹ 1282.83 crore).
- Revenue expenditure increased by 1.53 *per cent* (₹ 95.87 crore) over the previous year. While there was significant increase under non-plan heads (₹ 236.27 crore), the expenditure under plan heads decreased by ₹ 140.40 crore over previous year.
- Compared to previous year, the capital outlay of the State decreased by 0.68 *per cent* (₹ 7.60 crore), which was the net result of increase under economic services (₹ 51.19 crore) and general services (₹ 14.86 crore) and decrease under social services (₹ 73.65 crore).
- Recovery of loans and advances during the current year marginally decreased by ₹ 0.68 crore and disbursement of loans and advances increased by ₹ 102.24 crore compared to the previous year.
- Public debt receipts and repayments increased by ₹ 109.97 crore and ₹ 134.68 crore respectively over the previous year.
- Public account receipts and disbursement decreased by ₹ 470.43 crore and ₹ 284.10 crore respectively over the previous year.
- Cash balance decreased significantly by ₹ 209.64 crore over previous year.

### 1.1.2 Review of fiscal situation

In accordance with the recommendations of the Twelfth Finance Commission (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 amended MFRBM Act (**Appendix 1.1- Part E**) laid down the following fiscal targets.

- (a) ensure revenue surplus during the award period 2015-16 to 2019-20;
- (b) (i) maintain fiscal deficit to an annual limit of 3 *per cent* of GSDP during the award period 2015-16 to 2019-20;  
(ii) Provide for flexible limit of 0.25 *per cent* over and above the 3 *per cent* of GSDP for any given fiscal year to which its fiscal deficit is to be fixed if its debt-GSDP ratio is less than or equal to 25 *per cent* of the preceding year.
- (c) Government shall notify a Medium Term Fiscal Plan (MTFP) with three years rolling targets, giving details of all significant items of receipts and expenditure along with underlying assumptions made for projection purpose.

The MTFP, as prescribed in the MFRBM Act, 2006 (as amended), was notified by the State Government in June 2014 to provide details of all significant items on receipts

and expenditure along with projection for the next three years viz., 2015-16 to 2017-18.

The performance of the State during 2015-16 in terms of key fiscal targets set for selected parameters laid down in the MFRBM Act, 2006 and projections made in the Medium Term Fiscal Policy (MTFP) Statement/Medium Term Fiscal Plan (MTF Plan) *vis-à-vis* achievements are given in **Table 1.3**.

**Table 1.3 : Trends in Major Fiscal Parameters *vis-à-vis* Projections for 2015-16**

Fiscal parameters	2015-16			
	XIV FC targets for the State	Targets as prescribed in MTF Plan	Projections in MTFP Statement	Actual
Revenue Surplus (+)/ Deficit (-) (₹ in crore)	Maintain revenue surplus	(+) 1266.53	-	(+) 695.40
Revenue Surplus/Total Revenue Receipts ( <i>per cent</i> )	-	-	9.30	9.87
Fiscal Deficit/GSDP ( <i>per cent</i> )	3.25	3.25	2.81	2.03
Total Outstanding Liabilities/GSDP ( <i>per cent</i> )	27.04	25.28	24.09	26.20

During 2015-16, the State failed to achieve the revenue surplus as prescribed in MTF Plan. The actual revenue surplus to total revenue receipts (as *per cent*) was 9.87 against projection of 9.30 made in MTFP Statement. The Fiscal Deficit-GSDP ratio was within the limit fixed in MTFP Statement/MTF Plan as well as that prescribed by XIV FC. Total Outstanding Liabilities-GSDP ratio was within the limit fixed by the XIV FC, but exceeded the limit fixed in the MTFP Statement/MTF Plan.

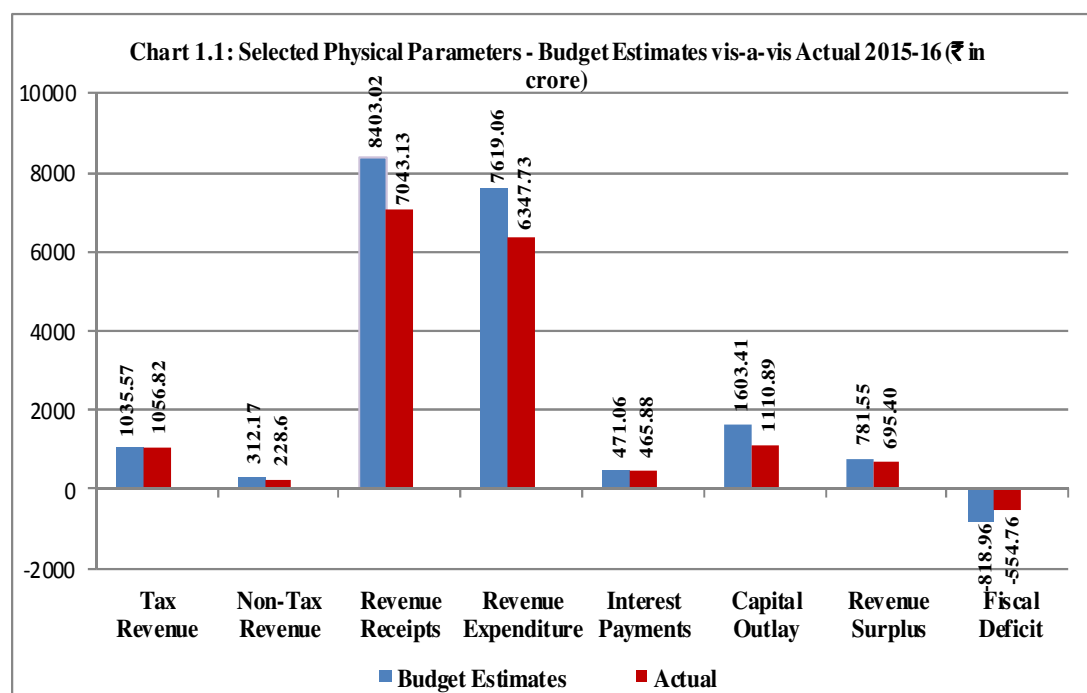
### 1.1.3 Budget Estimates and Actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviation from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. **Table 1.4** presents the consolidated picture of finances of the State during 2014-15 (actual) and 2015-16 (budget estimates, revised estimates and actual) and **Chart 1.1** presents the budget estimates and actual for some important fiscal parameters.

**Table 1.4 : Variation in major items – Actual of 2015-16 over 2014-15, Actual of 2015-16 vis-à-vis Budget Estimates and Revised Estimates**

(₹ in crore)

Parameters	2014-15	2015-16			Percentage of Excess (+)/ Shortfall (-) during 2015-16 with reference to	
	Actual	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Actual of 2014-15	BE/RE
Tax Revenue	939.19	1035.57	1035.57	1056.82	12.52	2.05
Non-Tax Revenue	343.29	312.17	312.17	228.60	-33.41	-26.77
Revenue Receipts	6428.25	8403.02	8403.02	7043.13	9.57	-16.18
Non-debt Capital Receipts	19.76	31.04	31.04	19.08	-3.44	-38.53
Revenue Expenditure	6251.86	7619.06	7619.06	6347.73	1.53	-16.69
Interest Payments	405.10	471.06	471.06	465.88	15.00	-1.10
Capital Outlay	1118.49	1603.41	1603.41	1110.89	-0.68	-30.72
Disbursement of Loans & Advances	56.11	28.13	28.13	158.35	182.21	462.92
Revenue Surplus (+)/Deficit (-)	176.39	781.55	781.55	695.40	294.24	11.02
Fiscal Deficit (-)	- 978.45	-818.96	-818.96	-554.76	43.30	32.26
Primary Deficit (-)/Surplus (+)	- 573.35	-347.90	-347.90	-88.88	84.50	74.45



- During 2015-16, actual revenue receipts fell short of the budget estimates and revised estimates by 16.18 per cent.
- The revenue expenditure of the State Government during 2015-16 was less than the budget estimate by 16.69 per cent (₹ 1271.33 crore).
- The capital outlay vis-à-vis budget estimate was less by 30.72 per cent (₹ 492.52 crore).

- The year 2015-16 ended with a revenue surplus of ₹ 695.40 crore against assessment for revenue surplus of ₹ 781.55 crore made in the budget estimate and revised estimate for the year. Due to shortfall in revenue surplus compared to budget estimate during the year by ₹ 86.15 crore offset by shortfall in capital expenditure by ₹ 492.52 crore, actual fiscal deficit and primary deficit during 2015-16 was lower than the assessment made in the budget estimate by 32.26 *per cent* (₹ 264.20 crore) and 74.45 *per cent* (₹ 259.02 crore) respectively. The wide variation between the budget estimates and the actual indicated that the budgeting was unrealistic and lacked credibility.
- The fiscal deficit vis-à-vis budget estimate decreased by 32.26 *per cent* (₹ 264.20 crore).

#### 1.1.4 Gender Budgeting

Gender budget of a State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The budget documents for the year 2015-16 presented to the State Legislature did not include any separate volume on gender budget. The information as to whether gender budgeting was introduced in Meghalaya, though called for (August 2016) from the Finance Department, had not been furnished.

### 1.2 Resources of the State

#### 1.2.1 Resources of the State as per Annual Finance Accounts

**Revenue and capital** are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and Grants-in-aid from Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Besides the funds available in the public accounts after disbursement are also utilised by the Government to finance its deficit. **Chart 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2011-16 and **Chart 1.4** depicts the composition of resources of the State during the current year.



Chart 1.2

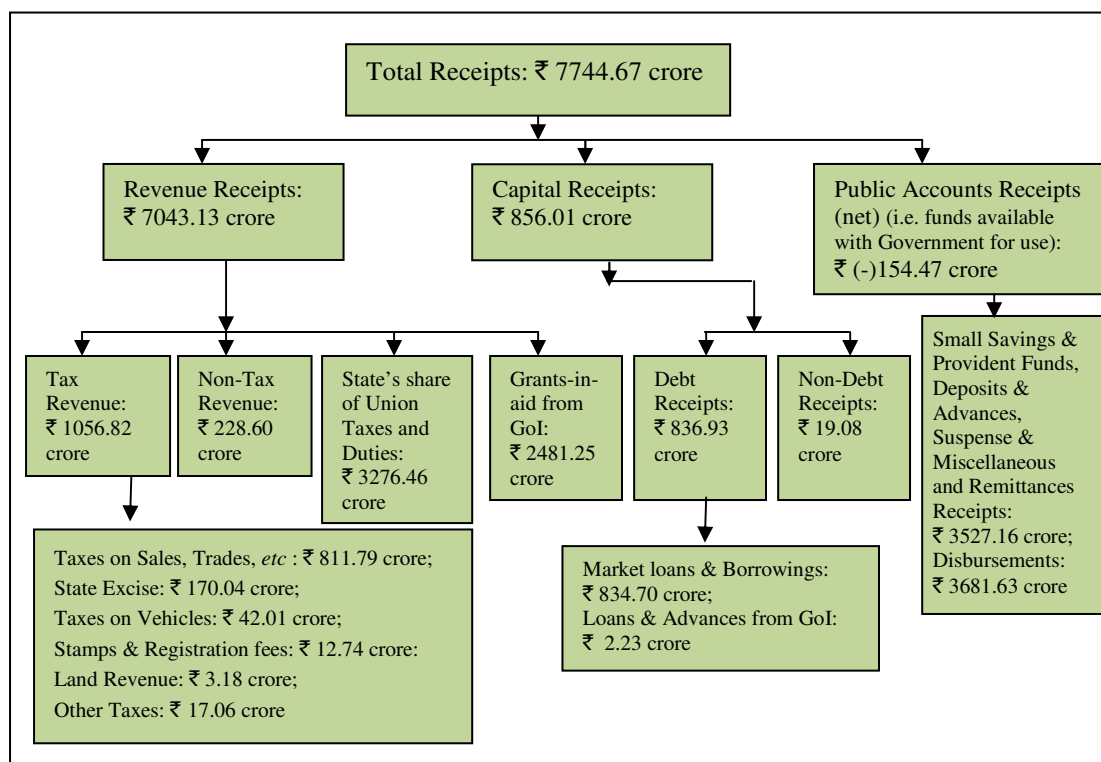
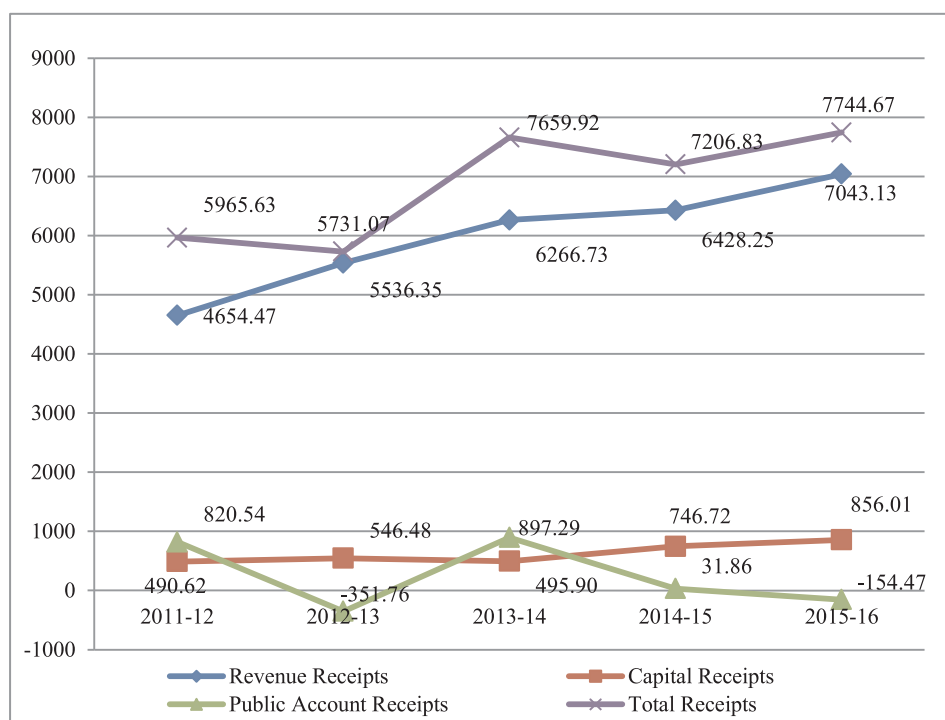


Chart 1.3: Trend in Receipts (₹ in crore)



The total receipts during the current year increased by ₹ 537.84 crore (7.46 per cent) over the previous year. This was mainly due to increase in both revenue and capital receipt during the year offset by less receipt under public account during 2015-16 when compared to previous year.

The total receipts of the State for 2015-16 were ₹ 7744.67 crore, of which ₹ 7043.13 crore (90.94 per cent) came from revenue receipts and ₹ 856.01 crore (11.05 per cent) came from recoveries of loans and advances and borrowings. The total receipts of the State increased by 29.82 per cent from ₹ 5965.63 crore in 2011-12 to ₹ 7744.67 crore in 2015-16.

The debt capital receipts which create future repayment obligation increased by 78.87 per cent from ₹ 467.91 crore (7.84 per cent of total receipts) in 2011-12 to ₹ 836.93 crore (10.81 per cent of total receipts) in 2015-16. The net public account receipts fluctuated widely during the period 2011-16, with a negative receipt of ₹ 154.47 crore during 2015-16. During the current year, the capital receipts (recoveries of loans and advances plus public debt receipts) accounted for 11.05 per cent of total receipts.

### 1.2.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies<sup>4</sup> for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. In order to present the holistic picture on availability of aggregate resources, the Central funds directly transferred to State Implementing Agencies are presented in **Appendix 1.5**. GoI directly transferred an approximate amount of ₹ 117 crore to various State Implementing Agencies during 2015-16. Scheme-wise position involving ₹ 5 crore or more are given in **Table 1.5** below:

**Table 1.5 : Funds Transferred Directly to State Implementing Agencies**

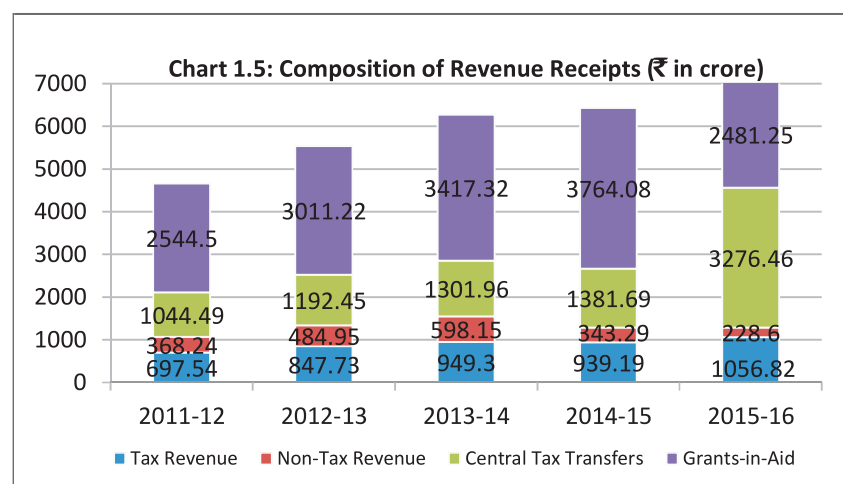
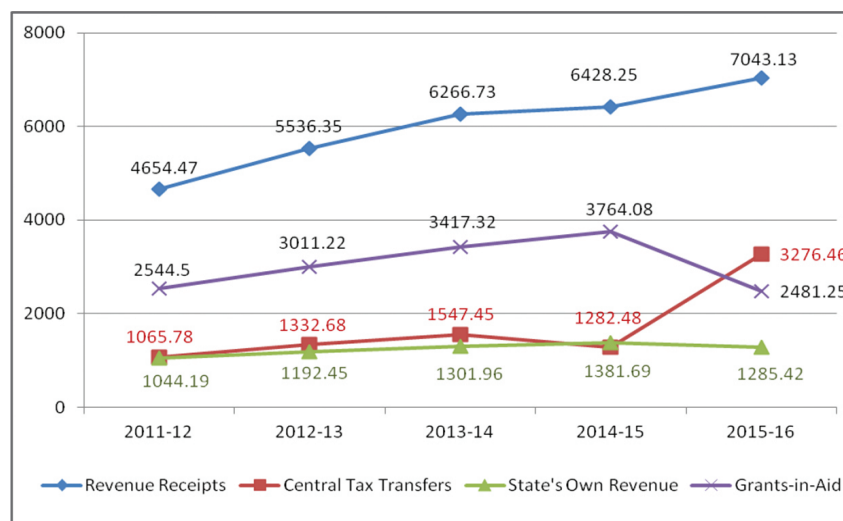
Sl. No.	Programme/Scheme	Implementing Agency in the State	Funds transferred by the GoI (₹ in crore)
1.	North Eastern Council	North Eastern Region Community Resource Management Society	56.80
2.	MPs Local Area Development Scheme (MPLADs)	Deputy Commissioner	20.00
3.	NER-Textile Promotion Scheme	Director of Sericulture and Weaving, Govt. of Meghalaya, Shillong	11.79
4.	Organic Value Chain Development of NE Region	Directorate of Horticulture	6.50

Source: Public Financial Management System of CGA website.

### 1.3 Revenue Receipts

**Statement 14** of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and Grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2011-16 are presented in **Appendix 1.2** and also depicted in **Charts 1.4** and **1.5** respectively. The trends in revenue receipts relative to GSDP are presented in **Table 1.6**.

<sup>4</sup> State Implementing Agency includes any organisation/institution including non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.

**Chart 1.4: Trends in Revenue Receipts (₹ in crore)****Table 1.6 : Trends in Revenue Receipts relative to GSDP**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue Receipts (RR) (₹ in crore)</b>	<b>4654.47</b>	<b>5536.35</b>	<b>6266.73</b>	<b>6428.25</b>	<b>7043.13</b>
Rate of Growth of RR ( <i>per cent</i> )	9.25	18.95	13.19	2.58	9.57
Rate of Growth of Own Taxes ( <i>per cent</i> )	22.06	21.53	11.98	-1.06	12.52
RR/GSDP ( <i>per cent</i> )	23.37	25.31	27.32	26.71	25.79
<b>Buoyancy Ratio<sup>5</sup></b>					
Revenue Buoyancy Ratio with reference to GSDP	...	1.93	2.71	0.53	0.71
State's Own Taxes Buoyancy Ratio with reference to GSDP	...	2.19	2.46	-0.22	0.93
State's Own Taxes Buoyancy Ratio with reference to Revenue Receipts	2.38	1.14	0.91	-0.41	1.31

### 1.3.1 General trends

The revenue receipts of the State increased by ₹ 2388.66 crore from ₹ 4654.47 crore in 2011-12 to ₹ 7043.13 crore in 2015-16. There were however, wide inter-year variations in the growth rates. The rate of growth of revenue receipts was 9.57 *per*

<sup>5</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.71 during 2015-16 implies that revenue receipts tend to increase by 0.71 percentage points, if the GSDP increases by one *per cent*.

cent in 2015-16 compared to growth rate of 2.58 per cent during the preceding year. The buoyancy ratio of revenue receipts in 2015-16 with reference to GSDP has increased primarily due to significant increase in the rate of growth of revenue receipts compared to previous year. The buoyancy ratio of the State's own tax revenue with reference to GSDP has also increased significantly because the rate of growth of own tax revenue in 2015-16 relative to the previous year was positive. Buoyancy ratio of State's own taxes to revenue receipts indicates that there was growth of own taxes during the year (2015-16). Buoyancy ratio of State's own taxes with reference to revenue receipts was 1.31 during the year 2015-16 against buoyancy ratio of negative 0.41 in 2014-15.

### 1.3.2 State's Own Resources

As the State's share in central taxes and Grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes, etc., the State's performance in mobilisation of resources should be assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2015-16 *vis-à-vis* assessments made by the XIV FC and the State Government in Budget Estimates (BE) are given below:

**Table 1.7**

(₹ in crore)

	XIVFC projections	Budget Estimates	Actual
Tax revenue	1427	1035.57	1056.82
Non tax revenue	662	312.17	228.60

During the year, tax revenue was 25.94 per cent lower than the assessment made by the XIV FC but 2.05 per cent higher than the projection made in the budget estimate. The non-tax revenue was 65.47 per cent and 26.77 per cent lower than the target of XIV FC and assessment made in the budget estimate for the year respectively. State's own resources (tax and non-tax revenue) during 2015-16 (₹ 1285.42 crore) were 0.23 per cent more than those of previous year (₹ 1282.48 crore) and constituted only 18.25 per cent of the revenue receipts of the year. According to quarterly review report of the trend in receipts and expenditure of the State for the quarter ending December 2015, conducted as per the requirement of Section 9(1) of the MFRBM Act, 2006, the fall in State's own non-tax revenue receipts than the budgeted amount was basically due to ban imposed by the National Green Tribunal on coal mining.

## 1.3.2.1 Tax Revenue

Table 1.8: Tax Revenue

(₹ in crore)

Heads	2011-12	2012-13	2013-14	2014-15	2015-16	*Variations
Taxes on Sales, Trade, etc.	512.50	631.12	723.65	726.20	811.79	+85.59 (11.79)
State Excise	131.50	153.01	162.66	151.14	170.04	+18.90 (12.50)
Taxes on Vehicles	31.12	35.82	36.72	39.38	42.01	+ 2.63 (6.68)
Stamps and Registration Fees	9.08	10.32	9.78	9.90	12.74	+ 2.84 (28.69)
Land Revenue	2.40	6.27	3.47	0.08	3.18	+3.10 (3875)
Other Taxes <sup>6</sup>	10.94	11.19	13.02	12.49	17.06	+4.57 (36.59)
<b>Total</b>	<b>697.54</b>	<b>847.73</b>	<b>949.30</b>	<b>939.19</b>	<b>1056.82</b>	+117.63(12.52)

\* Variations over previous year and percentage of Increase (+)/decrease (-) given in bracket.

**Tax revenue** had increased by 12.52 *per cent* during the current year (₹ 1056.82 crore) over the previous year (₹ 939.19 crore). The revenue from sales tax contributed the major share of tax revenue (76.81 *per cent*) and it increased by 11.79 *per cent* over the previous year. Taxes on Vehicles and Stamps and Registration Fees, Land Revenue and State Excise were the other contributors to the State's tax revenue. *The Tax-GSDP ratio (3.87 per cent) during 2015-16 was much less than the projection (5.34 per cent) made by the XIV FC.*

## 1.3.2.2 Non-Tax Revenue

Table 1.9 : Non-Tax Revenue

(₹ in crore)

Sl. No.	Heads	2011-12	2012-13	2013-14	2014-15	2015-16	*Variations
1.	<b>Interest receipts</b>	<b>27.13</b>	<b>25.38</b>	<b>33.57</b>	<b>37.73</b>	<b>39.34</b>	1.61 (4.27)
2.	<b>Dividends and Profits</b>	<b>0.08</b>	<b>0.08</b>	<b>0.13</b>	<b>0.13</b>	<b>0.07</b>	-0.06 (-46.15)
3.	<b>General Services</b>	<b>35.57</b>	<b>52.83</b>	<b>29.29</b>	<b>18.00</b>	<b>30.99</b>	12.99 (72.17)
4.	<b>Social Services</b>	<b>7.36</b>	<b>7.44</b>	<b>9.46</b>	<b>8.92</b>	<b>10.39</b>	1.47 (16.48)
5.	<b>Economic Services</b>	<b>298.10</b>	<b>399.22</b>	<b>525.70</b>	<b>278.51</b>	<b>147.81</b>	-130.70 (-46.93)
5.1	Non-ferrous Mining and Metallurgical Industries	262.58	357.97	455.75	195.10	60.75	-134.35 (-68.86)
5.2	Forestry and Wildlife	26.03	30.87	60.12	71.99	72.08	0.09 (0.13)
5.3	Other Economic Services	9.49	10.38	9.83	11.42	14.98	3.56 (31.17)
	<b>Total (1 to 5)</b>	<b>368.24</b>	<b>484.95</b>	<b>598.15</b>	<b>343.29</b>	<b>228.60</b>	-114.69 (-33.41)

\* Variations over previous year and percentage of Increase (+)/decrease (-) given in bracket.

**The Non-Tax Revenue (NTR)**, which constituted only 3.25 *per cent* of the total revenue receipts, had decreased by ₹ 114.69 crore during 2015-16 recording a negative growth rate of 33.41 *per cent* over the previous year. Over 64 *per cent* (₹ 147.81 crore) of NTR during 2015-16 was received from economic services and

<sup>6</sup> Other Taxes include taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

within this category, receipts under forestry and wildlife alone contributed 48.77 per cent (₹ 72.08 crore).

### 1.3.3 Grants-in-Aid

Details of Grants-in-aid from GoI are given in **Table 1.10**.

**Table 1.10 : Grants-in-Aid from GoI**

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	527.07	895.72	921.41	803.71	673.86
Grants for State Plan Schemes	1702.64	1747.75	2046.28	2580.17	1240.15
Grants for Central Plan Schemes	16.29	14.50	31.65	8.89	270.44
Grants for Centrally Sponsored Plan Schemes	242.27	268.20	348.40	293.44	196.36
Grants for Special Plan Schemes	56.23	85.05	69.58	77.87	100.44
<b>Total</b>	<b>2544.50</b>	<b>3011.22</b>	<b>3417.32</b>	<b>3764.08</b>	<b>2481.25</b>
Percentage of increase over previous year	2.14	18.34	13.49	10.15	-34.08

**Grants-in-aid** from GoI had decreased by 34.08 per cent (₹ 1282.83 crore) from ₹ 3764.08 crore in 2014-15 to ₹ 2481.25 crore in the current year. Within the plan grants, while grants for Special Plan Schemes increased by 28.98 per cent (₹ 22.57 crore), grants for Central Plan Schemes increased by 2942.07 per cent (₹ 261.55 crore) and Centrally Sponsored Plan Schemes decreased by 33.08 per cent (₹ 97.08 crore). Grants for Centrally Sponsored Plan Schemes decreased during 2015-16 mainly due to less release of grants under Integrated Child Development Services (ICDS) (₹ 19.37 crore), Skill Development Initiative Scheme (₹ 4.62 crore), non-release of grants under Catalytic Development Programme, Development of Horticulture, Modernisation of Police Force and Project Elephant.

The non-plan grants (₹ 673.86 crore) constituted 27.16 per cent of the total grants during the year and decreased by 16.16 per cent (₹ 129.85 crore) over the previous year. Of the non-plan grants, 91.71 per cent (₹ 618.00 crore) was for meeting the non-plan revenue deficit. Other components of non-plan grants mainly included grants for 'State Disaster Response Fund' (₹ 21.60 crore), 'SRE Schemes' (₹ 12.64 crore), and 'Election Expenditure' (₹ 12.00 crore).

### 1.3.4 Central Tax Transfers

The **Central Tax transfers** increased by 137.13 per cent (₹ 1894.77 crore) over the previous year and constituted 46.52 per cent of revenue receipts. The increase was mainly due to transfer of additional amount of ₹ 1895.93 crore under 'Taxes on Income other than Corporation Tax' (₹ 382.42 crore), 'Corporation Tax' (₹ 554.65 crore), 'Union Excise Duties' (₹ 302.59 crore), 'Service Tax' (₹ 355.93 crore) and 'Customs' (₹ 298.80 crore) during 2015-16 compared to previous year, offset due to less release under 'Taxes on Wealth' (₹ 1.15 crore) and Other Taxes on Income and Expenditure (₹ 0.01 crore).

The Central tax transfers were the main source of revenue receipts for the State of Meghalaya. The State share of central taxes and Grants-in-aid from GoI contributed 99.52 *per cent* (₹ 611.94 crore) of the incremental revenue receipts (₹ 614.88 crore) during 2015-16.

## 1.4 Capital Receipts

**Table 1.11: Trends in Growth and Composition of Capital Receipts**

(₹ in crore)

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	490.62	546.48	495.90	746.72	856.01
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	22.71	23.25	20.48	19.76	19.08
Public Debt Receipts	467.91	523.23	475.42	726.96	836.93
Rate of growth of debt capital receipts	31.29	11.82	- 9.14	52.91	15.13
Rate of growth of non-debt capital receipts	- 16.66	2.38	- 11.91	- 3.52	-3.44
Rate of growth of CR ( <i>per cent</i> )	27.89	11.39	- 9.26	50.58	14.64

**Capital Receipts** increased by 74.48 *per cent* from ₹ 490.62 crore in 2011-12 to ₹ 856.01 crore in 2015-16. The rate of growth of capital receipts also decreased from 50.58 *per cent* in 2014-15 to 14.64 *per cent* in 2015-16. The rate of growth of debt capital receipts, which is the main component of capital receipts, significantly decreased from 52.91 *per cent* in 2014-15 to 15.13 *per cent* in 2015-16. The debt receipts from internal sources (market loans, borrowings from financial institutions, *etc.*) increased by ₹ 112.51 crore and loans and advances from GoI decreased by ₹ 2.54 crore during 2015-16 over previous years. Market loans constituted the major share of debt capital receipts during the current year which increased from ₹ 545.00 crore in 2014 -15 to ₹ 680.00 crore during 2015-16. Non-debt capital receipts in the form of recoveries of loans and advances marginally decreased by ₹ 0.68 crore during 2015-16 over previous year.

## 1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.* which do not form part of the Consolidated Fund, are kept in the public account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the government for use.

**Table 1.12 : Composition of Public Account Receipts (Net)**

(₹ in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Public Account Receipts (Net)<sup>7</sup></b>	<b>820.54</b>	<b>- 351.76</b>	<b>897.29</b>	<b>31.86</b>	<b>-154.47</b>
(a) Small Savings, Provident Fund, <i>etc.</i>	105.08	109.07	127.17	133.28	131.74
(b) Reserve Fund	14.30	- 7.44	18.08	- 13.70	6.74
(c) Deposits and Advances	617.37	- 582.04	825.60	- 161.66	-234.84
(d) Suspense and Miscellaneous	- 18.42	110.67	- 76.71	82.28	-55.40
(e) Remittances	102.21	17.98	3.15	- 8.34	-2.71

<sup>7</sup> Public account receipts minus Disbursements. Details in Appendix 1.3.

Public account receipts decreased from ₹ 31.86 crore during 2014-15 to negative ₹ 154.47 crore during the current year. Decrease in receipts under public account during 2015-16 was mainly due to substantial decrease under ‘Deposits and Advances’ from a negative ₹ 161.66 crore during 2014-15 to a negative ₹ 234.84 crore during 2015-16.

## 1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development and social sectors.

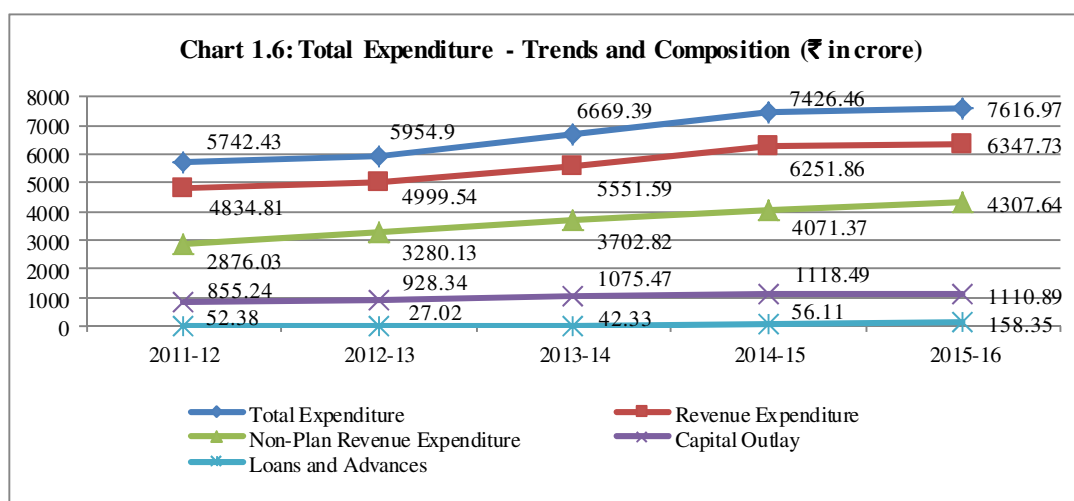
### 1.6.1 Growth and Composition of expenditure

The total expenditure and its composition during the years 2011-12 to 2015-16 are presented in the **Table 1.13**.

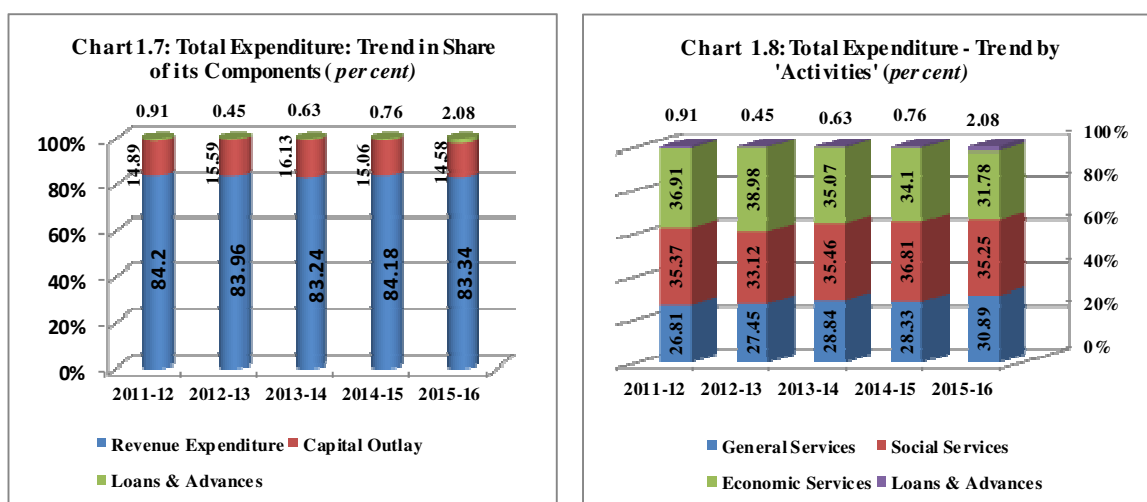
**Table 1.13 : Total Expenditure and its Composition**

Particulars	₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Total expenditure</b>	<b>5742.43</b>	<b>5954.90</b>	<b>6669.39</b>	<b>7426.46</b>	<b>7616.97</b>
Revenue expenditure	4834.81	4999.54	5551.59	6251.86	6347.73
Of which, Non-plan Revenue expenditure	2876.03	3280.13	3702.82	4071.37	4307.64
Capital Outlay	855.24	928.34	1075.47	1118.49	1110.89
Loans and Advances	52.38	27.02	42.33	56.11	158.35

**Chart 1.6** presents the trends in total expenditure over a period of five years (2011-16) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted respectively in **Charts 1.7 and 1.8**.







### 1.6.1.1 Trends in Total Expenditure

The total expenditure of the State increased by ₹ 1874.54 crore (32.64 per cent) from ₹ 5742.43 crore in 2011-12 to ₹ 7616.97 crore in 2015-16. The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.14**.

**Table 1.14 : Total Expenditure – Basic Parameters**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Total expenditure (TE) (₹ in crore)</b>	5742.43	5954.90	6669.39	7426.46	7616.97
Rate of growth (per cent)	24.05	3.70	12.00	11.35	2.57
TE/GSDP ratio (per cent)	28.83	27.23	29.08	30.86	27.90
RR/TE ratio (per cent)	81.05	92.97	93.96	86.56	97.47
<b>Buoyancy of Total expenditure with reference to:</b>					
GSDP (ratio)	...	0.38	2.46	2.31	0.19
RR (ratio)	2.60	0.20	0.91	4.40	0.27

The increase of ₹ 190.51 crore (2.57 per cent) in total expenditure during 2015-16 over previous year was on account of increase of ₹ 95.87 crore in revenue expenditure and disbursement of loans and advances by ₹ 102.24 crore which is marginally offset by decrease in capital outlay by ₹ 7.60 crore. While the share of plan expenditure constituted 41.90 per cent (₹ 3191.34 crore) of the total expenditure, the remaining 58.10 per cent (₹ 4425.63 crore) was non-plan expenditure. During the current year, 92.47 per cent (₹ 7043.13 crore) of the total expenditure was met from revenue receipts. The buoyancy of total expenditure to GSDP stood at 0.19 in 2015-16 due to growth rate of total expenditure at slower pace as compared to that of GSDP.

In terms of the activities, total expenditure is composed of expenditure on general services including interest payments, social and economic services, Grants-in-aid and loans and advances. Of the total expenditure during 2015-16, expenditure on general services and interest payments, which is considered as non-developmental, together accounted for 30.89 per cent. On the other hand, expenditure on social and economic services (excluding loans and advances) together accounted for 67.03 per cent during 2015-16. The relative share of social services decreased from 36.81 per cent in 2014-15 to 35.25 per cent in 2015-16 and the relative share of economic

services declined from 34.10 *per cent* during 2014-15 to 31.78 *per cent* during 2015-16. Loans and advances revealed wide fluctuations during the period 2011-16 and stood at 2.08 *per cent* of total expenditure during 2015-16.

### 1.6.1.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table 1.15**.

**Table 1.15 : Revenue Expenditure – Basic Parameters**

(₹ in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure (RE)	4834.81	4999.54	5551.59	6251.86	6347.73
<i>Of which</i>					
Non-Plan Revenue expenditure (NPRE)	2876.03 (59.49)	3280.13 (65.61)	3702.82 (66.70)	4071.37 (65.12)	4307.64 (67.86)
Plan Revenue expenditure (PRE)	1958.78 (40.51)	1719.41 (34.39)	1848.77 (33.30)	2180.49 (34.88)	2040.09 (32.14)
<b>Rate of Growth of</b>					
RE ( <i>per cent</i> )	20.49	3.41	11.04	12.61	1.53
NPRE ( <i>per cent</i> )	12.98	14.05	12.89	9.95	5.80
PRE ( <i>per cent</i> )	33.52	- 12.22	7.52	17.94	-6.44
<b>Ratio (<i>per cent</i>)</b>					
RE as percentage of TE	84.19	83.96	83.24	84.18	83.34
NPRE/GSDP ( <i>per cent</i> )	14.44	15.00	16.14	16.92	15.78
NPRE as percentage of TE	50.08	55.08	55.52	54.82	56.55
NPRE as percentage of RR	61.79	59.25	59.09	63.34	61.16
<b>Buoyancy Ratio of Revenue expenditure with</b>					
GSDP	...	0.35	2.27	2.57	0.11
Revenue Receipts	2.22	0.18	0.84	4.89	0.16

Revenue expenditure constituted 83.24 *per cent* to 84.19 *per cent* of total expenditure during 2011-16 and increased by ₹ 1512.92 crore (31.29 *per cent*) from ₹ 4834.81 crore in 2011-12 to ₹ 6347.73 crore in 2015-16. The non-plan revenue expenditure (NPRE) during the same period increased by ₹ 1431.61 crore (49.78 *per cent*) from ₹ 2876.03 crore to ₹ 4307.64 crore. Plan revenue expenditure (PRE), which normally covers the maintenance expenditure incurred on services, stood at 32.14 *per cent* of revenue expenditure during 2015-16.

The NPRE constituted a dominant share of 67.86 *per cent* in the revenue expenditure during 2015-16 and has increased by ₹ 236.27 crore (5.80 *per cent*) over the previous year. The growth of NPRE during 2015-16 however, decreased to 5.80 *per cent* against 9.95 *per cent* during the previous year. In absolute terms, the increase in NPRE during 2015-16 was mainly due to increase in expenditure under General Education (₹ 69.89 crore), Social Welfare and Nutrition (₹ 36.90 crore), Transport (₹ 27.64 crore), Health and Family Welfare (₹ 17.41 crore) and Water Supply and Sanitation (₹ 11.49 crore). On the other hand, PRE decreased by ₹ 140.40 crore over

the previous year mainly due to decrease in expenditure under General Education (₹ 87.78 crore) and Social Welfare and Nutrition (₹ 47.61 crore). The decline of PRE during 2015-16 was 6.44 per cent.

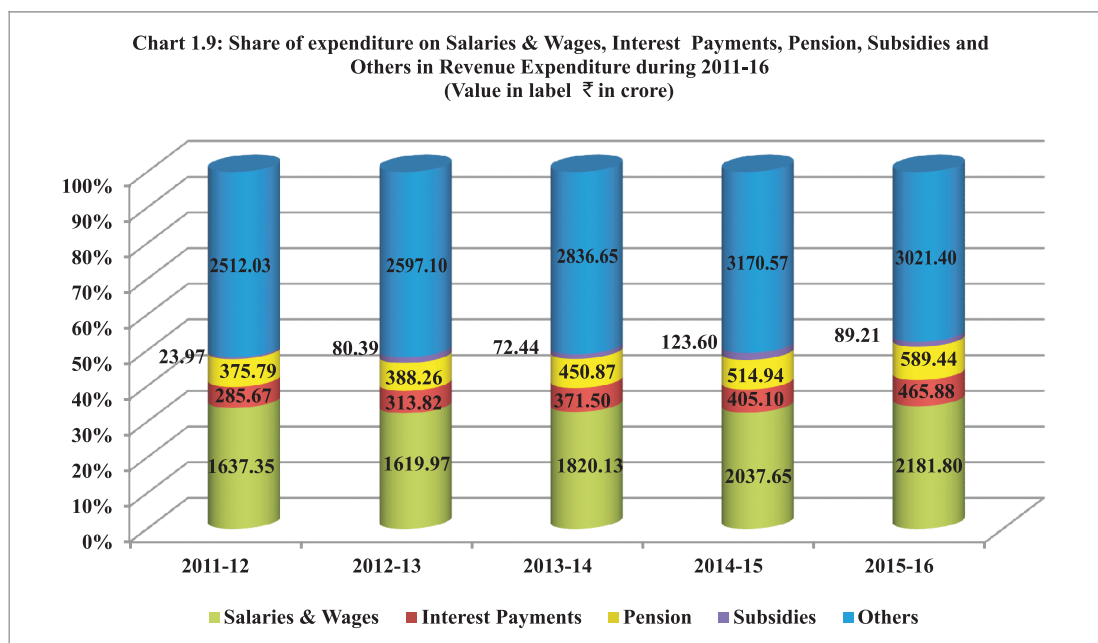
### 1.6.1.3 Components of Revenue Expenditure

The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** and **Chart 1.9** present the trends in the expenditure on these components during 2011-16.

**Table 1.16 : Components of Revenue expenditure**

(₹ in crore)					
Components of expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Salaries and Wages	1637.35 (35.18)	1619.97 (29.26)	1820.13 (29.04)	2037.65 (31.70)	2181.80 (30.98)
<i>Of which</i>					
<i>Non-Plan Head</i>	1335.64 (28.70)	1477.70 (26.69)	1674.86 (26.72)	1853.31 (28.83)	1981.54 (28.13)
<i>Plan Head</i>	301.71 (6.48)	142.27 (2.57)	145.27 (2.32)	184.34 (2.87)	200.26 (2.84)
Interest Payments	285.67 (6.14)	313.82 (5.67)	371.50 (5.93)	405.10 (6.30)	465.88 (6.61)
Expenditure on Pension and other retirement benefits	375.79 (8.07)	388.26 (7.01)	450.87 (7.19)	514.94 (8.01)	589.44 (8.37)
Subsidies	23.97 (0.51)	80.39 (1.45)	72.44 (1.16)	123.60 (1.92)	89.21 (1.27)
Other Components of revenue expenditure, i.e, other than salaries and wages, interest payments, pension and subsidies	2512.03 (53.97)	2597.10 (46.91)	2836.65 (45.27)	3170.57 (49.32)	3021.40 (42.90)

(Figures in the parentheses indicate percentage to revenue receipts)



### 1.6.1.4 Salaries and Wages

Salaries and wages during 2015-16 accounted for 30.98 per cent of the revenue receipts of the State during the year. It also increased by 7.07 per cent from ₹ 2037.65 crore in 2014-15 to ₹ 2181.80 crore in 2015-16. Expenditure on salaries and wages

under non-plan head during 2015-16 significantly increased by ₹ 128.53 crore (6.92 per cent) over the previous year and this expenditure under plan head increased by ₹ 15.92 crore (8.64 per cent) over the previous year. Further, the State Government, in its Fiscal Policy Strategy (FPS) Statement for the year 2015-16, committed to reduce expenditure on salaries and wages through an objective analysis of the relevancy of existing posts and abolition of posts identified as redundant. Increase in expenditure on salaries and wages by 7.07 per cent during 2015-16 indicated that the State Government was not successful in fulfilling its commitment.

#### **1.6.1.5 Interest Payments**

Compared to previous year, interest payments during 2015-16 increased by 15.00 per cent (₹ 60.78 crore). Interest payments were on market loans (₹ 259.72 crore), State Provident Funds (₹ 94.44 crore), Special Securities issued to National Small Savings Fund of the Central Government (₹ 68.69 crore), loans and advances received from Central Government (₹ 17.73 crore) and other internal debts including other obligations (₹ 25.30 crore). Of the total interest payments during the year, 55.75 per cent (₹ 259.72 crore) were paid on market borrowings. The overall interest payments (₹ 465.88 crore) was however, much higher than the projections made by the XIV FC (₹ 387.00 crore) but lower than the budget estimates (₹ 471.06 crore) of the year.

#### **1.6.1.6 Pension Payments**

The pension payments (including other retirement benefits) indicated an increasing trend during the five year period 2011-16. Pension payments during the current year had increased by ₹ 74.50 crore, an increase of 14.47 per cent over the previous year. The comparative analysis of actual pension payments and the projection made by the XIV FC (₹ 440.00 crore) and State Government showed that actual pension payment exceeded the projection made by the State Government in its Budget (₹ 446.32 crore) for the year 2015-16.

GoI introduced a defined, contribution based New Pension System (NPS) with effect from 01 April 2004 to cover all new entrants to Government service. According to the recommendations of the XIV FC, the migration to the NPS needs to be completed immediately in order to reduce their future burden. The NPS for the employees of the GoM had been adopted since 1<sup>st</sup> April 2010.

#### **1.6.1.7 Subsidies**

**Table 1.16** shows that the expenditure on payment of subsidies decreased by 27.82 per cent from ₹ 123.60 crore in 2014-15 to ₹ 89.21 crore during 2015-16. The decrease of ₹ 34.39 crore was mainly due to decrease in payment of subsidy under Power by ₹ 83.41 crore and increase in Animal Husbandry and Veterinary by ₹ 39.88 crore, Agriculture by ₹ 3.39 crore, Food and Civil Supplies by ₹ 4.80 crore and Transport by ₹ 0.96 crore during the current year over previous year.

### **1.6.2 Capital Outlay**

Capital outlay during the current year (2015-16) decreased by ₹ 7.60 crore over previous year. As per cent to total expenditure, capital outlay showed a fluctuating

trend over the period 2011-12 to 2015-16 and ranged between 14.89 *per cent* and 16.13 *per cent*. The capital outlay constituted 14.58 *per cent* of total expenditure during 2015-16 against 15.06 *per cent* during the preceding year. There was a decrease in capital outlay during the current year compared to the previous year and the State Government did not fulfil its commitment made in the budget as it fell short by 30.72 *per cent* (₹ 492.52 crore) of the budget estimate (₹ 1603.41 crore) for the year.

### 1.6.3 Financial Assistance by State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.17**.

**Table 1.17: Financial Assistance to Local Bodies, etc.**

Financial Assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16	
					Budget Estimate	Actual
					University and Educational Institutions	590.54
Co-operative Societies	3.18	2.77	2.60	1.78	2.14	2.06
District Councils	2.86	2.60	5.98	1.60	3.11	0.36
Municipalities, Meghalaya Urban Development Authority, etc.	2.89	10.30	20.19	5.40	4.70	4.70
Power Sector	179.10	174.22	160.09	203.19	102.55	102.44
Other Institutions <sup>8</sup>	48.14	44.33	71.65	68.07	56.65	53.19
<b>Total</b>	<b>826.71</b>	<b>742.06</b>	<b>847.37</b>	<b>840.50</b>	<b>952.66</b>	<b>860.29</b>
Assistance as percentage of RE	17.10	14.84	15.26	13.44		13.55

The financial assistance extended to the local bodies and other institutions with inter-year variations marginally increased by 2.35 *per cent* from ₹ 840.50 crore in 2014-15 to ₹ 860.29 crore in 2015-16. The share of financial assistance in revenue expenditure also increased from 13.44 *per cent* in 2014-15 to 13.55 *per cent* during the current year. The State Government was successful in restricting the expenditure on payment of financial assistance within the projection made in its annual budget for the year 2015-16.

University and Educational Institutions were the major recipients followed by power sector. Around 81 *per cent* of the total financial assistance during 2015-16 was given to the University and Educational Institutions. The assistance under this sector however, marginally increased by 24.46 *per cent*, i.e. from ₹ 560.46 crore during 2014-15 to ₹ 697.54 crore during the current year. Of ₹ 697.54 crore, ₹ 436.66 crore was given to Non-Government Primary Schools and ₹ 171.07 crore to Non-Government Secondary Schools. Out of ₹ 52.48 crore given to other institutions, major share (₹ 16.50 crore) was paid to the Emergency Management Research Institute & NGOs followed by National Rural Health Mission (₹ 14.56 crore).

<sup>8</sup> **Other Institutions (figures for 2015-16 in brackets):** Emergency Management Research Institute & NGOs (₹ 16.50 crore), National Rural Health Mission (₹ 14.56 crore), Khadi Industries (₹ 2.82 crore), Meghalaya State Housing Board (₹ 2.02 crore), Indian Red Cross Society, Shillong (₹ 0.11 crore), Junior Red Cross (₹ 0.24 crore), Voluntary Organisations (₹ 0.75 crore), Public Sector Undertakings and other Undertakings (₹ 9.17 crore), Modernisation of Handloom (₹ 0.20 crore), State Control Animal Diseases (₹ 1.50 crore), Olympic Association (₹ 0.01 crore), State Sports Council (₹ 5.31 crore).

## 1.7 Local Bodies

There are no Panchayati Raj Institutions (PRIs) in Meghalaya. However, there are six Urban Local Bodies (ULB), viz. (i) Shillong Municipal Board, (ii) Tura Municipal Board, (iii) Jowai Municipal Board, (iv) Williamnagar Municipal Board, (v) Baghmara Municipal Board and (vi) Resubelpara Municipal Board. The main function of these Municipal Boards is to provide civic amenities, e.g., water supply, street lighting, drainage and sanitation.

### 1.7.1 Accounts and Audit

As per the Meghalaya Municipal Act, 1973, the accounts of these ULBs are to be submitted within four months after the close of the financial year. Except Shillong Municipal Board, the other five ULBs had not maintained their annual accounts as per prescribed format. The audit of accounts of these ULBs is conducted under Section 20(1) of Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. Audit findings arising out of conduct of such audit are conveyed to the State Government in the form of an Annual Technical Inspection Report (ATIR).

### 1.7.2 Devolution of funds to Urban Local Bodies

As per the information furnished (September 2016) by the Director, Urban Affairs, Meghalaya, the devolution of funds by the State Government to urban local bodies during 2011-12 to 2015-16 is as indicated in **Table 1.18**:

**Table 1.18**

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Amount sanctioned</b>					
Grants-in-aid (Non-Plan)					
(i) General purpose	2.02	3.06	3.36	3.37	4.22
(ii) Special purpose	0	0	0.45	0.44	NA
Grants-in-aid (Plan)	0.50	0.56	0.65	0.60	NA
XIII FC/ XIV FC Award	11.90	15.75	0.51	1.81	3.03
<b>Total</b>	<b>14.42</b>	<b>19.37</b>	<b>4.97</b>	<b>6.22</b>	<b>7.25</b>
<b>Expenditure</b>					
Grants-in-aid (Non-Plan)					
(i) General purpose	1.98	2.71	1.14	3.18	3.22
(ii) Special purpose	0	...	0.45	0.44	NA
Grants-in-aid (Plan)	0.34	0.34	0.41	0.15	NA
XIII FC/XIV FC Award	11.90	15.75	NA	1.81	NA
<b>Total</b>	<b>14.22</b>	<b>18.80</b>	<b>2.00</b>	<b>6.58</b>	<b>3.22</b>

Against ₹ 52.23 crore sanctioned by the State Government during 2011-16, information regarding expenditure of ₹ 44.82 crore had not been furnished by the Director, Urban Affairs, Meghalaya. As regards expenditure of Grants-in-aid (Plan) and XIV FC Award during 2015-16, the Director, Urban Affairs stated that no funds was released to the Boards till September 2016. Only ₹ 3.03 crore was sanctioned under XIV FC Award in 2015-16 as intimated (September 2016) by Finance (Economic Affairs) Department.

## 1.8 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of the expenditure (*i.e.* adequate provision for providing public services), efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

### 1.8.1 Adequacy of Public Expenditure

In view of the importance of public expenditure for social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>9</sup>. Apart from improving the allocation towards development expenditure<sup>10</sup>, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.19** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years and provides the details of capital outlay and the components of revenue expenditure incurred on the selected social and economic services.

**Table 1.19 : Fiscal Priority of the State in 2012-13 and 2015-16**

	AE/GSDP	SSE/AE	DE/AE	CE/AE	Education/AE	Health/AE
Special Category States Average (Ratio) 2012-13	22.23	38.42	69.92	15.53	20.86	5.58
Meghalaya State's Average (Ratio) 2012-13	27.23	33.12	72.12	15.59	16.20	6.66
Special Category States Average (Ratio) 2015-16	21.66	39.78	70.41	13.95	20.63	6.41
Meghalaya State's Average (Ratio) 2015-16	27.90	35.25	68.88	14.58	16.91	7.94

AE: Aggregate expenditure (total expenditure), GSDP: Gross State Domestic Product, SSE: Social Sector expenditure, DE: Development expenditure, CE: Capital expenditure

**Table 1.19** analyses the fiscal priority of the State Government with regard to Development expenditure, Social Sector expenditure and capital expenditure during 2015-16, taking 2012-13 as the base year.

<sup>9</sup> As defined in Appendix 1.1

<sup>10</sup> As defined in Appendix 1.1

Government of Meghalaya contributed a higher portion of its GSDP by way of Aggregate expenditure both in 2012-13 & 2015-16 *vis-a-vis* Special Category States. The Developmental expenditure–Aggregate expenditure ratio was higher in 2012-13 but lower in 2015-16. Expenditure on Health–Aggregate expenditure ratio and capital expenditure–Aggregate expenditure ratio were also higher in Meghalaya both in 2012-13 and 2015-16 *vis-a-vis* Special Category States. However, the ratio of expenditure on Social sector expenditure–Aggregate expenditure and Education–Aggregate expenditure were lower in Meghalaya both in 2012-13 and 2015-16 *vis-a-vis* Special Category States.

**Table 1.20 : Efficiency of Expenditure Use in Selected Social and Economic Services**

(In per cent)

Social/Economic Infrastructure	2014-15		2015-16	
	Ratio of capital expenditure to Total expenditure <sup>11</sup>	In revenue expenditure, the share of Salaries and Wages	Ratio of capital expenditure to Total Expenditure <sup>11</sup>	In revenue expenditure, the share of Salaries and Wages
<b>Social Services (SS)</b>	<b>13.29</b>	<b>32.89</b>	<b>10.79</b>	<b>35.33</b>
General Education	0.35	29.78	0.23	32.38
Technical Education, Sports, Arts and Culture	0.14	16.03	1.61	16.53
Health and Family Welfare	15.38	54.89	15.23	56.08
Water Supply & Sanitation, Housing and Urban Development	53.96	41.03	39.27	33.30
Other SS	4.19	15.26	0.98	21.88
<b>Economic Services (ES)</b>	<b>26.56</b>	<b>23.05</b>	<b>29.90</b>	<b>26.40</b>
Agriculture and Allied Activities	1.72	44.00	1.18	45.98
Irrigation & Flood Control	53.32	69.45	8.40	67.84
Energy	0.00	0.00	7.35	0.00
Transport	80.45	0.00	81.56	1.97
Other ES	11.30	15.16	5.34	17.83

### Social Services

The trends presented in **Table 1.20** reveal that development capital expenditure as a percentage of total expenditure constituted only 10.79 *per cent* in 2015-16, which indicated that the revenue expenditure was dominant. Compared to 2014-15, there was deterioration in the share of capital expenditure during 2015-16 under all the infrastructure of social services except technical education, sports, arts and culture.

Of the revenue expenditure on social services, the share of salaries and wages component increased from 32.89 *per cent* in 2014-15 to 35.33 *per cent* in 2015-16. The non-salary and non-wage expenditure on social services decreased by 2.48 *per cent* during 2015-16 from ₹ 1588.32 crore in 2014-15 to ₹ 1548.93 crore in 2015-16. Within the priority sectors, salaries and wages component continue to have the

<sup>11</sup> Total revenue and capital expenditure of the services concerned.



dominant share under health and family welfare. Around 56 per cent of revenue expenditure under this service during 2015-16 were incurred on salaries and wages.

### *Economic Services*

The share of capital expenditure on economic services to total of revenue and capital expenditure on economic services marginally increased to 29.90 per cent during 2015-16 from 26.56 per cent in 2014-15. Salaries and wages component within the revenue expenditure on economic services as a percentage of the total expenditure on economic sector also increased from 23.05 per cent in 2014-15 to 26.40 per cent during 2015-16. During 2015-16, share of expenditure on salaries and wages under irrigation and flood control was 67.84 per cent of revenue expenditure under economic services.

### **1.8.2 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship**

According to the information furnished (August 2016) by the Directorate of Programme Implementation & Evaluation, GoM, the position of implementation of flagship programmes/schemes till 2015-16 is given in **Appendix 1.6**. Details of significant shortfall in achievement of targets are given in **Table 1.21** below:

**Table 1.21**

Sl. No.	Programme/ Scheme	Financial Outlays and expenditure (₹ in crore)		Physical Achievement/Outcome of the Programme up to March 2016			
		Funds available up to 31 March 2016	Actual expenditure up to 31 March 2016	Performance Indicator	Unit of measurement	Physical Targets	Achievement/ Outcome (Shortfall in per cent)
1.	Indira Awas Yojana (IAY)	55.01	55.01	Houses constructed	Nos	5672	1634 (71.19)
2.	National Rural Livelihoods Mission (NRLM)	2.07	0.57	Self Help Group/ Village Organisation	In crore	16.32	13.05 (20.04)
3.	Sarva Shiksha Abhiyan (SSA)	227.70	210.53	Salary, grants Training, and Learning enhancement programme, etc.	Transport/ Escort facility/ Free Text Books/Teachers Salary/Training, Libraries in Schools/ Civil Works, etc.	10,90,586	3,60,898 (66.91)
4.	Accelerated Irrigation Benefit Programme (AIBP)	272.66	272.66	Scheme on Water Resources	In Hectare	26470.675	22489.995 (15.04)
<b>Meghalaya Power Development Corporation Limited</b>							
5.	R-APDRP (Part-A)	10.19	8.86	Distribution of Network in Towns	Nos	09	08 (11.11)
6.	Rural Sanitation Programme	75.93	60.77	<b>Swachh Bharat Mission (Gramin) SBM(G)</b> IHHL(BPL) IHHL(APL) Sanitary Complex	Nos. of Households	31,620 20,380 133	29,831 (5.66) 15,904 (21.96) 97 (27.07)

Source: Directorate of Programme Implementation & Evaluation, GoM

As can be seen from the table, shortfall in achievement of targets under the above programmes/schemes ranged between 11.11 per cent and 71.19 per cent, the maximum being under IAY (71.19 per cent) followed by SSA (66.91 per cent).

## 1.9 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

### 1.9.1 Incomplete Projects

According to the information available in Appendix IX and Statement 16 of the Finance Accounts for the year 2015-16, as on 31 March 2016, there were 24 ongoing projects in the State. The department-wise information pertaining to incomplete projects as on 31 March 2016 even after passage of target date(s) of completion is given in **Table 1.22**.

**Table 1.22 : Department-wise Profile of Incomplete Projects**

Department	Number of incomplete projects	Initial estimated cost	Original estimated cost of projects which were revised		Revised cost of incomplete projects	Cost overrun	Cumulative expenditure on incomplete projects (as on March 2016)
			Number	Amount			
Public Works (Roads & Bridges)	17	176.13	-	-	-	-	146.58
Public Health Engineering	07	87.55	01	17.43	27.45	10.02	69.10
<b>Total</b>	<b>24</b>	<b>263.68</b>	<b>01</b>	<b>17.43</b>	<b>27.45</b>	<b>10.02</b>	<b>215.68</b>

As can be seen from the above table, 24 projects stipulated for completion on or before March 2016 at an estimated cost of ₹ 263.68 crore, remained incomplete after incurring an expenditure of ₹ 215.68 crore. Though the cost of one project under Public Health Engineering Department, *viz.* 'Greater Rymbai Water Supply Scheme' was revised by 57.49 per cent from ₹ 17.43 crore to ₹ 27.45 crore, the actual expenditure on the project till March 2016 was ₹ 19.67 crore *i.e.* 28.34 per cent (₹ 7.78 crore) lesser than the revised cost. Effective steps need to be taken to complete the incomplete projects without further delay to avoid cost overrun due to time overrun.

## 1.9.2 Financial Results of Irrigation Works

The State Government had not declared any irrigation project as commercial/productive. Hence, the financial results in respect of irrigation projects have not been worked out.

## 1.9.3 Investment and Returns

As per Statements 8 and 19 of Finance Accounts for the year 2015-16, as on 31 March 2016, the State Government had invested ₹ 466.93 crore in two Statutory Corporations (₹ 91.29 crore), eight Government Companies (₹ 273.90 crore) and Co-operative Banks and Societies (₹ 101.74 crore). Details are given in **Table 1.23**.

**Table 1.23 : Return on Investment**

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)					
(i) Statutory Corporations	71.11	71.11	83.41	83.41	91.29
(ii) Government Companies	188.51	228.68	254.36	273.90	273.90
(iii) Co-operative Societies	77.45	83.72	92.01	97.68	101.74
<b>Total</b>	<b>337.07</b>	<b>383.51</b>	<b>429.78</b>	<b>454.99</b>	<b>466.93</b>
Return (₹ in crore)	0.08	0.08	0.13	0.13	0.07
Return ( <i>per cent</i> )	0.02	0.02	0.03	0.03	0.02
Average rate of interest on Government borrowing ( <i>per cent</i> )	6.22	6.24	6.61	6.22	6.70
Difference between interest rate and return ( <i>per cent</i> )	6.20	6.22	6.58	6.19	6.68

Of the two Statutory Corporations, bulk of the investment (₹ 83.83 crore) was made in the Meghalaya Transport Corporation Limited during 1986-2016 which had accumulated loss of ₹ 99.62 crore till 2013-14. Out of ₹ 273.90 crore invested in Government Companies, ₹ 162.79 crore was invested in Mawmluh Cherra Cements Limited during 1958-2015, which had accumulated loss of ₹ 97.97 crore up to 2014-15. Out of ₹ 273.90 crore invested in Government Companies, ₹ 273.86 crore was invested in seven loss making Companies, which had accumulated loss of ₹ 164.58 crore, as detailed in **Table 1.24** below:

**Table 1.24: Details of loss making Government Companies**

Sl. No.	Name of Companies	Amount invested up to March 2016	Invested up to	Accumulated loss	Period up to <sup>12</sup>
1.	Mawmluh-Cherra Cements Limited (MCCL)	162.79	2015-16	97.97	2014-15
2.	Meghalaya Industrial Development Corporation (MIDC)	91.59	2015-16	36.15	2013-14
3.	Meghalaya Mineral Development Corporation Limited (MMDC)	2.32	2015-16	6.89	2014-15

<sup>12</sup> Working results for the subsequent years are in arrears.

Sl. No.	Name of Companies	Amount invested up to March 2016	Invested up to	Accumulated loss	Period up to <sup>12</sup>
4.	Forest Development Corporation of Meghalaya Limited (FDCML)	1.97	2015-16	5.23	2007-08
5.	Meghalaya Government Construction Corporation Limited (MGCCCL)	0.75	2015-16	7.00	2014-15
6.	Meghalaya Tourism Development Corporation Limited (MTDCL)	11.70	2015-16	7.82	2010-11
7.	Meghalaya Handloom and Handicraft Development Corporation Limited (MHHDCCL)	2.74	2015-16	3.52	2010-11
	<b>Total</b>	<b>273.86</b>		<b>164.58</b>	

Further, out of ₹ 101.74 crore invested in co-operative banks/societies, ₹ 24.37 crore was invested in 1,091 loss making co-operative banks/societies, which had accumulated losses of ₹ 7.48 crore up to 31 March 2010. Working results of 117 co-operative banks/societies had not been intimated (October 2016).

The average return on investment in statutory corporations, Government companies and co-operative Banks/Societies was less than one *per cent* during 2011-16. However, Government paid interest on its borrowings at an average rate of interest of 6.22 *per cent* to 6.70 *per cent* during 2011-16.

#### 1.9.3.1 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State Public Sector Undertakings (SPSU) should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 is stated below.

**Table 1.25: Equity, Loans, Guarantees outstanding as per Finance Accounts *vis a vis* records of SPSUs**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	365.15 <sup>13</sup>	4283.65 <sup>14</sup>	(-)3918.50
Loans	Not available <sup>15</sup>	1311.64	--
Guarantees	992.38 <sup>16</sup>	1040.00	(-)47.62

<sup>13</sup> Includes ₹ 2.14 crore in Meghalaya State Warehousing Corporation (MSWC), ₹ 83.83 crore in Meghalaya Transport Corporation (MTC), ₹ 91.59 crore in MIDC, ₹ 162.79 crore in MCCL, ₹ 2.32 crore in MMDCL, ₹ 5.32 crore in MeECL, ₹ 1.97 crore in FDCML, ₹ 0.75 crore in MGCCCL, ₹ 11.70 crore in MTDCL and ₹ 2.74 crore in MH&HDCL.

<sup>14</sup> Includes ₹ 1.97 crore in FDCM, ₹ 107.93 crore in MIDC, ₹ 0.75 crore in MGCCCL, ₹ 162.79 crore in MCCL, ₹ 2.32 crore in MMDC, ₹ 1961.98 crore in MeECL, ₹ 779.51 crore in MePGCL, ₹ 801.20 crore in MePDCL, ₹ 357.66 crore in MePTCL, ₹ 7.96 crore in MTDC, ₹ 4.26 crore in MH&HDC, ₹ 0.05 crore in MBMA, ₹ 93.14 crore in MTC, and, ₹ 2.13 crore in MSWC.

<sup>15</sup> State Government's loans to State PSUs are extended through the Government Departments. These Government Departments reallocate the loan funds to different PSUs. Hence, the PSU-wise figures of State Government loans are not available in the Finance Accounts.

<sup>16</sup> Guarantee commitment given by the State Government against loans were ₹ 992.38 crore (Principal: ₹ 675.18 crore and interest: ₹ 317.20 crore) for MeECL. Guarantee commitment given by the State Government against loans were ₹ 992.38 crore for MeECL.

The main reasons for difference in equity between the figures of Finance Accounts and SPSUs are the difference of figure in respect of Meghalaya Energy Corporation Limited (MeECL) of ₹ 1956.70 crore and the figures of three<sup>17</sup> power sector companies of ₹ 1938.37 crore which did not appear in the Finance Accounts. Though the Principal Secretary, Finance Department, Government of Meghalaya as well as the management of the SPSUs concerned were apprised every three months about the differences and stressed upon the need for early reconciliation, no significant progress was noticed in this regard. The matter was also regularly taken up with the Chief Secretary, Government of Meghalaya every three months to take necessary steps. The Government and the SPSUs concerned should take concrete steps to reconcile the differences in a time-bound manner.

#### 1.9.4 Loans and Advances by the State Government

In addition to investments in co-operative societies, corporations and companies, Government has also been providing loans and advances for other purposes, e.g., loans for power projects, loans to Government servants, loans for tourism, *etc.* **Table 1.26** presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.26: Average Interest Received on Loans and Advances given by the State Government**

Particulars	₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Opening Balance</b>	<b>535.28</b>	<b>564.95</b>	<b>568.72</b>	<b>590.57</b>	<b>626.92</b>
Amount advanced during the year	52.38	27.02	42.33	56.11	158.35
Amount recovered during the year	22.71	23.25	20.48	19.76	19.08
<b>Closing Balance</b>	<b>564.95</b>	<b>568.72</b>	<b>590.57</b>	<b>626.92</b>	<b>766.19</b>
Net Addition	29.67	3.77	21.85	36.35	139.27
Interest Receipts	4.83	6.46	6.76	8.28	7.69
Interest received as <i>per cent</i> to outstanding Loans and Advances	0.88	1.14	1.17	1.36	1.10
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.22	6.24	6.61	6.22	6.70
Difference between interest payments and receipts ( <i>per cent</i> )	5.34	5.10	5.44	4.86	5.60

Loans and advances given by the State Government during 2015-16 increased by 182.21 *per cent* over the previous year. The total outstanding loans and advances as on 31 March 2016 was ₹ 766.19 crore. Out of the loans of ₹ 158.35 crore advanced during 2015-16, ₹ 40.59 crore was given for power projects and ₹ 17.45 crore was given to Government servants and to others ₹ 100.31 crore. Interest receipt of ₹ 7.69 crore on loans and advances by GoM during 2015-16 constituted 1.10 *per cent* only of the outstanding loans and advances given by the State Government, whereas the Government was paying interest at an average rate of 6.70 *per cent* for the outstanding liabilities.

<sup>17</sup> MePGCL - ₹ 779.51 crore, MePDCL - ₹ 801.20 crore and MePTCL - ₹ 357.66

## 1.9.5 Cash Balances and Investment of Cash Balances

**Table 1.27** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table 1.27 : Cash Balances and Investment of Cash Balances**

(₹ in crore)		
Particulars	Opening balance on 01 April 2015	Closing balance on 31 March 2016
<b>(a) General Cash Balance-</b>		
Cash in Treasuries	19.58	40.81
Deposits with Reserve Bank	- 488.46	- 112.79
	<b>- 468.88</b>	<b>- 71.98</b>
Investments held in Cash Balance investment account	874.20	267.65
<b>Total (a)</b>	<b>405.32</b>	<b>195.67</b>
<b>(b) Other Cash Balances and Investments</b>		
Cash with departmental officers of Forest and Public Works Department	0.22	0.21
Permanent advances for contingent expenditure with departmental officers	0.01	0.03
Investment of earmarked funds	180.53	211.10
- Sinking Fund Investment Account	180.50	211.07
- Other Development and Welfare Fund	0.03	0.03
<b>Total (b)</b>	<b>180.76</b>	<b>211.34</b>
<b>Grand Total (a) + (b)</b>	<b>586.08</b>	<b>407.01</b>

Cash balances (excluding investment of earmarked funds) of the State Government at the end of the current year decreased from ₹ 405.55 crore in 2014-15 to ₹ 195.91 crore in 2015-16. As on 31 March 2016, the Government invested ₹ 211.10 crore in Sinking Fund and other Development and Welfare Fund. During 2015-16, interest of ₹ 31.48 crore was earned on investment of cash balances against ₹ 29.45 crore earned during the preceding year.

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – Ordinary and Special – from Reserve Bank of India (RBI) has been put in place. Under an agreement with the RBI, the State Government was to maintain a minimum cash balance of ₹ 21 lakh with the Bank.

During the five-year period ending 2015-16, the Government did not have to resort to WMA and overdraft, except during 2013-14, indicating comfortable position of cash balances of the State in four out of five years.

## 1.10 Assets and Liabilities

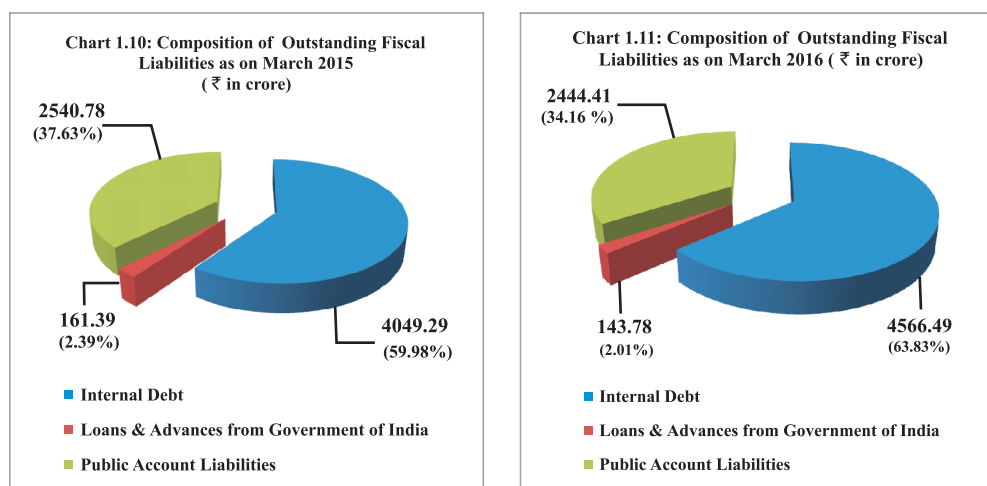
### 1.10.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding

position on 31 March 2015. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from GoI, receipts from the public account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

### 1.10.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. However, the composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.10** and **1.11**.



**Table 1.28** gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, revenue receipts and State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

**Table 1.28: Fiscal Liabilities – Basic Parameters**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities <sup>18</sup> (₹ in crore)	5090.28	4964.58	6269.23	6751.46	7154.68
Rate of Growth ( <i>per cent</i> )	24.51	-2.47	26.28	7.69	5.97
<b>Ratio of Fiscal Liabilities to</b>					
GSDP ( <i>per cent</i> )	25.56	22.70	27.33	28.06	26.20
Revenue Receipts ( <i>per cent</i> )	109.36	89.67	100.04	105.03	101.58
Own Resources ( <i>per cent</i> )	477.61	372.53	405.13	526.44	556.60
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP (ratio)	...	-0.25	5.40	1.57	0.44
Revenue Receipts (ratio)	2.65	-0.13	1.99	2.98	0.62
Own Resources (ratio)	1.11	-0.10	1.63	-0.45	25.96

Fiscal liabilities of ₹ 7154.68 crore as on 31 March 2016 consist of internal debt, e.g., market loans, loans from financial institutions, Special Securities issued to National Small Savings Fund, *etc.* (₹ 4566.49 crore), loans and advances from Central Government (₹ 143.78 crore), small savings, provident funds, *etc.* (₹ 1232.64 crore) and other liabilities, e.g., Reserve Funds and Deposits (₹ 1211.77 crore). Fiscal liabilities of the State increased from ₹ 5090.28 crore as on 31 March 2012 to ₹ 7154.68 crore as on 31 March 2016. Compared to previous year, the fiscal liabilities

<sup>18</sup> Includes Internal debt, Loans and Advances from Government of India, Small Savings, Provident Funds, *etc.*, Reserve Funds and Deposits.

at the end of 2015-16 increased by 5.97 *per cent* mainly due to increase in internal debt in the form of market loans by ₹ 459.68 crore (15.31 *per cent*). The ratio of fiscal liabilities to GSDP decreased from 28.06 *per cent* in 2014-15 to 26.20 *per cent* in 2015-16. These liabilities were a little above the revenue receipts and over five times of the State's own resources at the end of 2015-16. The buoyancy of these liabilities with respect to GSDP during the year was 0.44 indicating that for each one *per cent* increase in GSDP, fiscal liabilities increased by 0.44 *per cent*.

The State Government in its MTF Plan and MTFP Statement projected the total Outstanding Liabilities-GSDP ratio for the year 2015-16 as 25.28 *per cent* and 24.09 *per cent* respectively. As can be seen from the **Table 1.28** above, the Fiscal Liabilities-GSDP ratio of the State (26.20 *per cent*) was higher than the limit fixed in the MTF Plan and MTF Policy Statement.

### 1.10.3 Transactions under Reserve Funds

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (public account). These funds are fed by contributions or grants from the Consolidated Fund of India or 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 may be further classified as 'Funds carrying interest' and 'Funds not carrying interest'.

The total accumulated balance as on 31 March 2016 was ₹ 245.29 crore (active funds: ₹ 243.25 crore; inactive funds: ₹ 2.04 crore) in ten reserve funds. However, only three funds are active and seven funds are inactive for more than 20 years. Investment out of these funds was ₹ 211.10 crore, which is 86.06 *per cent* of the accumulated balance. Action needs to be taken to close the inoperative reserve funds and remit the balances into the Consolidated Fund of the State.

During 1999-2000, the State Government constituted a 'Consolidated Sinking Fund' for redemption and amortisation of open market loans. During 2015-16, the Government had appropriated ₹ 31.38 crore from revenue and credited to this fund for investment in the Government of India Securities.

### 1.10.4 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. As per Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2011-12 are given in **Table 1.29**.



**Table 1.29: Guarantees given by GoM**

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed	1002.85	947.02	1188.64	1054.43	868.09
Outstanding amount of guarantees (including interest)	1293.20	1285.19	1610.55	1173.81	1042.19
Percentage of maximum amount guaranteed to total revenue receipts	21.55	17.11	18.97	16.40	12.33

Government had guaranteed loans raised by various Corporations and others, which at the end of 2015-16 stood at ₹ 1042.19 crore (including interest). Bulk of the guaranteed amount (₹ 992.38 crore) was outstanding against the power sector for repayment of principal and payment of interest on loans from Rural Electrification Corporation (₹ 430.26 crore), and short term loans, bonds, *etc.* (₹ 562.12 crore). The outstanding amount of guarantees is in the nature of contingent liabilities, which was 12.33 *per cent* of revenue receipts of the State during 2015-16. In order to provide for sudden discharge of the states' obligations on guarantees, the XII FC recommended that State should set up guarantee redemption funds. As per the Fiscal Policy Strategy Statement for the year 2015-16, to service contingent liabilities arising out of the invocation of State Government Guarantees, the Government had constituted the Meghalaya Guarantee Redemption Fund to be managed by the Reserve Bank of India.

As on 31 March 2016, commission/fee amounting to ₹ 21.27 crore for the guarantees given by the State Government was receivable.

The figure in respect of guarantees outstanding in respect of SPSUs as per their records (₹ 1040.00 crore) differs with that shown in the Finance Accounts (₹ 992.38 crore). However, the discrepancies had not been reconciled as discussed in paragraph 1.9.3.1 above.

## 1.11 Debt Management

### 1.11.1 Debt Sustainability

The debt sustainability is defined as the ability of the State to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. The rate of growth of GSDP ranged between 4.87 *per cent* and 13.46 *per cent* during 2012-13 to 2015-16 whereas average interest rate on outstanding debt ranged between 6.22 *per cent* and 6.70 *per cent* during 2011-12 to 2015-16. GSDP growth rate is much more than the average interest paid by the State Government on public debt. **Table 1.30** analyses the

debt sustainability of the State according to these indicators for the period of five years beginning from 2011-12.

**Table 1.30: Debt Sustainability: Indicators and Trends**

(₹ in crore)					
Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding debt (year end)	5090.28	4964.58	6269.23	6751.46	7154.68
Rate of Growth of Outstanding debt	24.51	-2.47	26.28	7.69	5.97
Gross State Domestic Product(GSDP)	19918	21872	22938	24065	27305
Rate of Growth of GSDP	...	9.81	4.87	4.91	13.46
Debt/GSDP( <i>in per cent</i> )	25.56	22.70	27.33	28.06	26.20
Average interest rate of Outstanding debt	6.22	6.24	6.61	6.22	6.70
Interest Paid/Revenue Receipts(IP/RR)	6.14	5.67	5.93	6.30	6.61
Debt Repayment/Debt Receipts	0.68	1.27	0.64	0.97	1.03
Net Debt available to the State	716.35	-439.52	933.15	77.13	-62.65

**Table 1.30** reveals that the Debt-GSDP ratio ranged between 22.70 *per cent* and 28.06 *per cent* during 2011-12 to 2015-16. At 26.20 *per cent*, the Debt<sup>19</sup>-GSDP ratio during 2015-16 (**Appendix 1.2**) was well below the target of outstanding debt to GSDP (27.04 *per cent*) set forth by XIV FC for the State but above the assessment made by the State Government in the MTF Plan (25.28 *per cent*) and MTFP Statement (24.09 *per cent*). The trends in resource gap indicate the oscillation between positive and negative magnitudes. The resource gap has been negative in two out of five-year period ending 2015-16 indicating that the incremental non-debt receipts were not sufficient to meet the incremental primary expenditure and interest burden. Compared to 2014-15, the situation had been improved during 2015-16, when the resource gap had turned positive ₹ 423.69 crore against negative ₹ 596.27 crore during 2014-15. These trends indicate that the State had made sustainable efforts to mobilise more resources to meet the incremental liabilities arising on account of additional primary expenditure and interest payment during the year.

The trends in debt redemption ratio fluctuated widely during 2011-16 and increased to 102.91 *per cent* during 2015-16 against 96.64 *per cent* during the previous year (**Appendix 1.2**). During the current year, against receipts of ₹ 2151.92 crore, Government repaid ₹ 2214.57 crore as principal and interest on internal debt (₹ 671.21 crore), loans and advances from Central Government (₹ 37.58 crore) and other liabilities<sup>20</sup> (₹ 1505.79 crore), as a result of which no borrowed fund was available at the end of the year.

### 1.11.2 Debt Profile

As per Annexure to Statement 17 of the Finance Accounts for the year 2015-16, the maturity profile of the State debt is as indicated in **Table 1.31** and **Chart 1.12**.

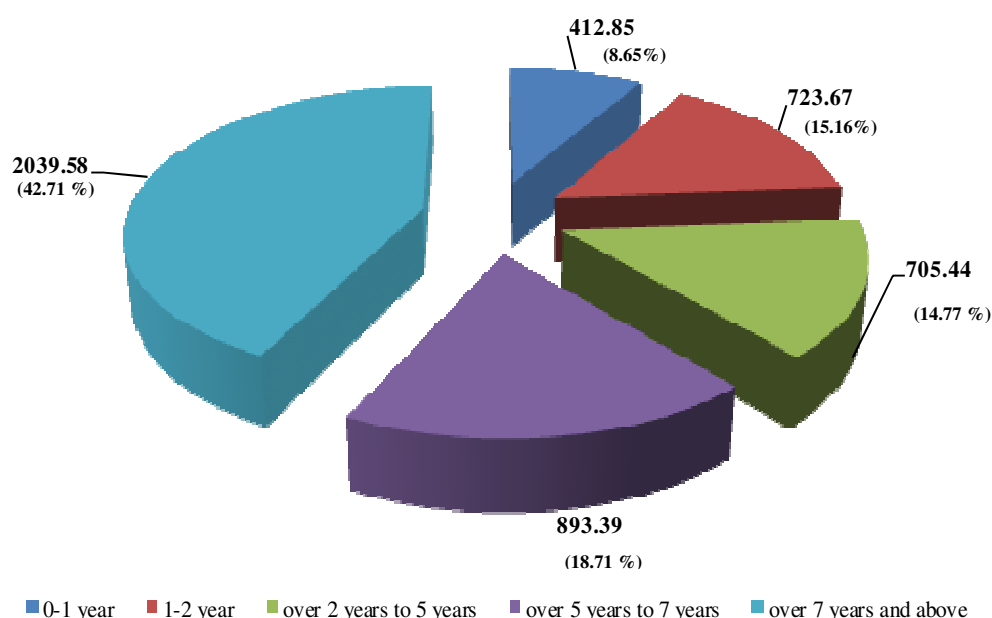
<sup>19</sup> Internal debt, Loans & Advances from GoI and Other Liabilities (Small Savings, Provident Funds, Reserve Funds, Deposits)

<sup>20</sup> Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

**Table 1.31: Maturity Profile of State Debt**

(₹ in crore)

Debt maturity	Maturity Profile	Amount			Per cent
		Internal Debt	Loans & Advances from GoI	Total	
During 2016-17	0-1 year	393.00	19.85	412.85	8.65
Between 2017-18 & 2018-19	Over 1 year to 2 years	683.53	40.14	723.67	15.16
Between 2019-20 & 2020-21	Over 2 years to 5 years	664.80	40.64	705.44	14.77
Between 2021-22 & 2022-23	Over 5 years to 7 years	852.55	40.84	893.39	18.71
2023-24 onwards	Over 7 years and above	1952.11	87.47	2039.58	42.71
<b>Total</b>		<b>4545.99</b>	<b>228.94</b>	<b>4774.93</b>	<b>100.00</b>

**Chart 1.13: Maturity Profile of Public Debt (₹ in crore)**

The maturity profile of outstanding stock of public debt as on 31 March 2016 indicates that out of the outstanding public debt of ₹ 4774.93 crore, 57.29 per cent (₹ 2735.35 crore) is payable within the next seven years while the remaining 42.71 per cent was in the maturity bracket of seven years and above. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 95.21 per cent (₹ 4545.99 crore).

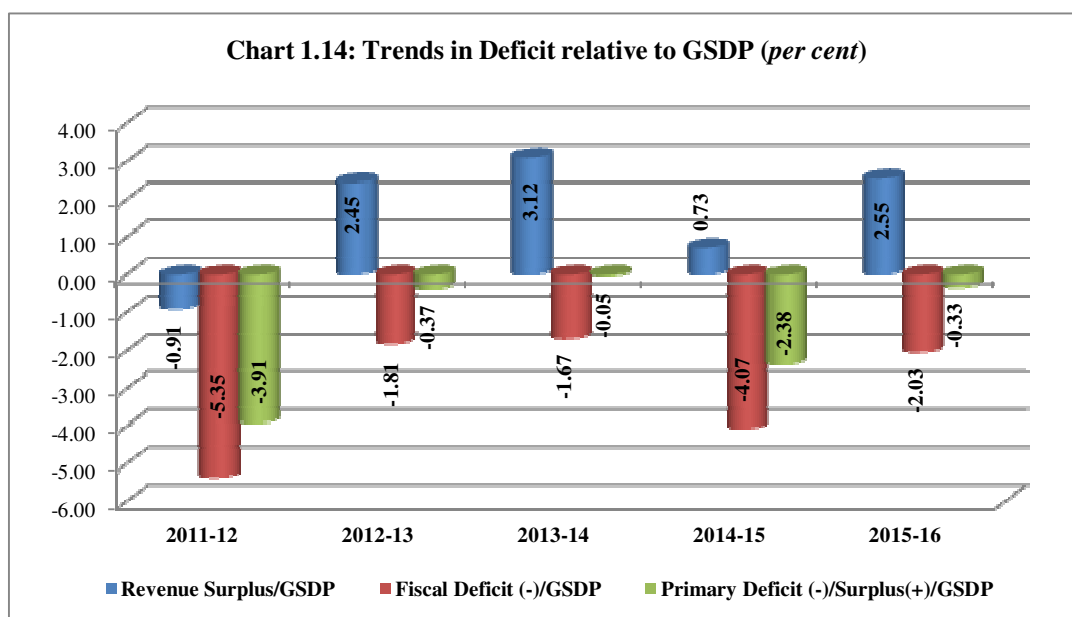
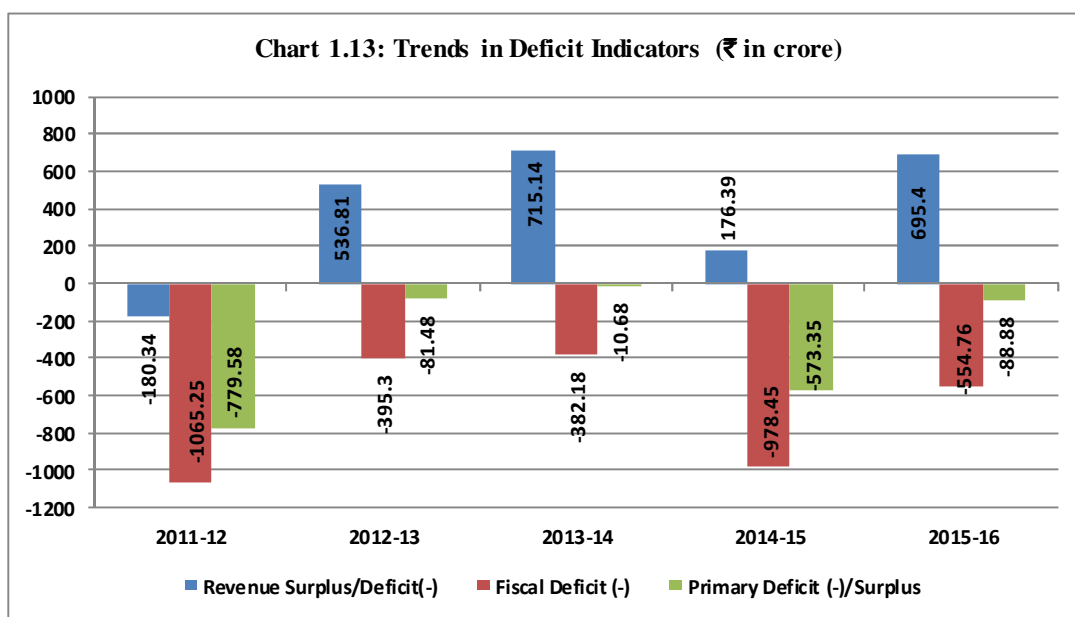
Repayment of debt of more than 50 per cent within seven years indicates an alarming position and State may be heading towards debt trap. Therefore debt repayment and further borrowings in future should be planned in such a way that there is no bunching of repayments in any particular year as that will cause undue stress on the budget.

## 1.12 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2015-16.

### 1.12.1 Trends in Deficits

Charts 1.13 and 1.14 present the trends in deficit indicators over the period 2011-16.



**Chart 1.13** reveals that the State was able to attain a revenue surplus of ₹ 695.40 crore during 2015-16, which was 294.24 *per cent* (₹ 519.01 crore) more than the revenue surplus of previous year (₹ 176.39 crore). The rise in revenue surplus during 2015-16 was mainly due to increase in revenue receipts mainly due to increase in collection of State's own resources in the form of tax revenue by ₹ 117.63 crore compared to decrease of ₹ 10.11 crore during the previous year. The State Government was successful in fulfilling the commitment made in the MFRBM Act, (as amended) to maintain revenue surplus during 2015-16, as recommended by the XIV FC, except during 2011-12, but failed to achieve the revenue surplus (₹ 781.55 crore) for the year 2015-16 made in the Budget Estimate.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, significantly decreased from ₹ 978.45 crore in 2014-15 to ₹ 554.76 crore in 2015-16. This was mainly due to the fact that the increase in revenue expenditure was lower compared to increase in revenue and non-debt capital receipts during the current year relative to the previous year. During the current year, the revenue and non-debt capital receipts increased by 9.53 *per cent* against 2.56 *per cent* during the previous year, while the increase in revenue expenditure by 1.53 *per cent* only against 12.61 *per cent* during previous year.

As per the recommendations of the XIV FC, fiscal deficit of all States will be anchored to an annual limit of 3 *per cent* of GSDP. GoM also agreed in the MFRBM Act (as amended) to reduce fiscal deficit to 3 *per cent* of GSDP or less during 2016-20 of the award period of the XIV FC. The fiscal deficit-GSDP ratio was at 2.03 *per cent* during 2015-16 and thus, GoM succeeded to restrict this ratio as per recommendation of the XIV FC (3.25) and its own commitment in the amended MFRBM Act.

The primary deficit during 2015-16 also substantially decreased by ₹ 484.47 crore over previous year. Decrease of ₹ 423.69 crore in fiscal deficit as well as increase in interest payment (₹ 60.78 crore) resulted in a primary deficit of ₹ 88.88 crore during the current year.

### 1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.32**.

**Table 1.32 : Components of Fiscal Deficit and its Financing Pattern**

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Decomposition of Fiscal Deficit (1 + 2 + 3)</b>						
<b>Fiscal Deficit</b>		<b>1065.25</b>	<b>395.30</b>	<b>382.18</b>	<b>978.45</b>	<b>554.76</b>
1.	Revenue Surplus (+)/ Deficit (-)	- 180.34	536.81	715.14	176.39	695.40
2.	Net Capital Outlay	855.24	928.34	1075.47	1118.49	1110.89
3.	Net Loans and Advances	29.67	3.77	21.85	36.35	139.27
<b>Financing Pattern of Fiscal Deficit<sup>(a)</sup></b>						
1.	Market Borrowing	208.55	298.00	286.55	442.92	459.69
2.	Loans from GoI	- 26.04	- 17.77	- 19.26	-15.05	- 17.61
3.	Special Securities issued to NSSF	47.14	70.73	69.02	84.12	59.76
4.	Loans from Financial Institutions	35.62	3.76	- 2.51	12.31	- 2.25

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
5.	Small Savings, PF, etc.	105.08	109.07	127.17	133.28	131.74
6.	Reserve Funds	14.30	- 7.44	18.08	- 13.70	6.74
7.	Deposits and Advances	617.37	- 582.04	825.60	- 161.66	- 234.85
8.	Suspense and Miscellaneous	- 18.42	110.67	- 76.71	82.28	- 55.40
9.	Remittances	102.21	17.98	3.15	- 8.34	- 2.70
10.	Increase (+) / Decrease (-) in Cash Balances	20.56	- 392.34	848.91	- 422.29	- 209.64
<b>Fiscal Deficit</b>		<b>1065.25</b>	<b>395.30</b>	<b>382.18</b>	<b>978.45</b>	<b>554.76</b>
<b>Fiscal Deficit (percentage to GSDP)</b>		<b>5.35</b>	<b>1.81</b>	<b>1.67</b>	<b>4.07</b>	<b>2.03</b>

(a) All these figures are net of disbursements/outflows during the year.

There were fiscal deficits during the five year period ending 2015-16, which peaked to ₹ 1065.25 crore during 2011-12. Though the fiscal deficit increased to ₹ 978.45 crore during 2014-15, it significantly decreased to ₹ 554.76 crore during 2015-16. During 2015-16, 94.85 per cent (₹ 526.19 crore) of the fiscal deficit was financed through market borrowings (82.86 per cent), special securities issued to National Small Savings Fund (NSSF) of the Central Government (10.77 per cent) and Reserve Funds (1.21 per cent). Since there was no balance available with the Government after disbursements under other heads of public account as well as from GoI loans, the balance 5.15 per cent (₹ 28.57 crore) was obviously financed from the cash balances which led to decrease in cash balances from ₹ 405.55 crore in 2014-15 to ₹ 195.91 crore in 2015-16.

### 1.12.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital outlay as well as loans and advances would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

**Table 1.33: Primary Deficit/Surplus – Bifurcation of Factors**

(₹ in crore)							
Year	Non-debt Receipt	Primary Revenue Expenditure	Capital Outlay	Loans and Advances	Primary Expenditure <sup>21</sup>	Primary Revenue Surplus	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	4677.18	4549.14	855.24	52.38	5456.76	128.04	- 779.58
2012-13	5559.60	4685.72	928.34	27.02	5641.08	873.88	- 81.48
2013-14	6287.21	5180.09	1075.47	42.33	6297.89	1107.12	- 10.68
2014-15	6448.01	5846.76	1118.49	56.11	7021.36	601.25	- 573.35
2015-16	7062.21	5881.85	1110.89	158.35	7151.09	1180.36	- 88.88

<sup>21</sup> Primary expenditure of the State, defined as the total expenditure net of the interest payments, indicates the expenditure incurred on transactions undertaken during the year.

The bifurcation of the factors resulting into primary deficit or surplus of the State during 2011-16 revealed that-

- Non-debt receipts increased by 50.99 *per cent* from ₹ 4677.18 crore in 2011-12 to ₹ 7062.21 crore in 2015-16.
- Total primary expenditure increased by ₹ 1694.33 crore (31.05 *per cent*) during 2015-16 compared to 2011-12 due to increase in primary revenue expenditure to the extent of ₹ 1332.71 crore (29.30 *per cent*) during the period 2011-12 to 2015-16.
- The primary revenue surplus increased to ₹ 1180.36 crore in 2015-16 from ₹ 601.25 crore during 2014-15.
- In all the five years (2011-16), the State experienced primary deficit. During the period, the non-debt receipts of the State were sufficient to meet the primary revenue expenditure<sup>22</sup> and capital outlay requirements, but was not adequate for expenditure on loans and advances. The extent of the primary deficit during 2015-16 has been mainly on account of decrease in capital expenditure by ₹ 7.60 crore and increase in loans and advances by ₹ 102.24 crore compared to previous year.

### 1.13 Institutional Measures

Towards strengthening fiscal disciplines, the Government of Meghalaya had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the MFRBM Act in 2006. Since then the Government had been undertaking measures like introduction of VAT.

As a measure to improve fiscal transparency, Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. The Public Private Partnership (PPP) is such an initiative that enables implementation of Government programmes/schemes in partnership with the private sector. The potential benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. It also allows the State Government to use limited budgetary resources on high priority schemes where private sector is not willing to enter.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructure projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro-electricity projects, *etc.*

Information regarding framing of policy on PPP and particulars of PPP projects under execution in the State was called for (July 2016) from the Finance Department, GoM. As per the information furnished (October 2016) by the Finance Department, GoM, setting up of medical college at Shillong was undertaken under PPP at a project cost

<sup>22</sup> Primary revenue expenditure represents revenue expenditure less interest payments.

of ₹ 250 crore and scheduled to be completed in May 2017. But the work on the project had not started till October 2016.

### **1.14 Conclusion and Recommendations**

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit – indicated improvement in the financial health of the State during 2015-16 relative to previous four years (2011 to 2015). During 2015-16, though the State continued to maintain the status of revenue surplus, this surplus increased to ₹ 695.40 crore against ₹ 176.39 crore during 2014-15. The fiscal deficit as well as primary deficit of the State had decreased significantly during 2015-16 compared to previous year.

#### **Revenue Receipts**

Revenue receipts during 2015-16 grew merely by 9.57 per cent (₹ 614.88 crore) over previous year. The tax revenue receipts fell short of normative assessment made by XIV FC by 25.94 per cent and the non-tax revenue was 65.47 per cent lower than the target of XIV FC. State's own resources (tax and non-tax revenue) during 2015-16 (₹ 1285.42 crore) were only 0.23 per cent more than those of previous year (₹ 1282.48 crore) and constituted only 18.25 per cent of the revenue receipts of the year. The Central transfers comprising State's share of central taxes and Grants-in-aid from Government of India increased by ₹ 611.94 crore in 2015-16 and contributed 99.52 per cent of the incremental revenue receipts during the year, indicating central transfers being the key in the increase in revenue receipts of the State.

#### **Revenue and Total Expenditure**

Compared to previous year, the revenue expenditure during 2015-16 increased by only 1.53 per cent. The expenditure pattern of the State revealed that though the revenue expenditure as a percentage of total expenditure marginally decreased from 84.18 per cent in 2014-15 to 83.34 per cent in the current year, it hovered around 84 per cent during the period (2011-16) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, NPPE at ₹ 4307.64 crore in 2015-16 constituted 67.86 per cent. Further, expenditure on salaries and wages, pensions, interest payments and subsidies continued to consume a large share of revenue expenditure which was 52.40 per cent (₹ 3326.33 crore) during 2015-16. Capital outlay during 2015-16 (₹ 1110.89 crore) decreased by ₹ 7.60 crore (0.68 per cent) over previous year. It decreased to 14.58 per cent of total expenditure during 2015-16 against 15.06 per cent during the preceding year and also fell short by 30.72 per cent (₹ 492.52 crore) of the projection (₹ 1603.41 crore) made by the State Government in its budget estimate for the year.

*The State needs to give more priority to capital expenditure and ensure that it does not decrease over the years.*



### *Fiscal Correction Path*

During 2015-16, there was significant improvement in all the three major fiscal indicators, viz., revenue surplus, fiscal deficit and primary deficit over previous year. The fiscal deficit decreased from ₹ 978.45 crore in 2014-15 to ₹ 554.76 crore during the current year. Primary deficit also decreased significantly by ₹ 484.47 crore from ₹ 573.35 crore in 2014-15 to ₹ 88.88 crore in 2015-16. The fiscal deficit-GSDP ratio stood at 2.03 *per cent* during 2015-16 against the ceiling of 3 *per cent* or less prescribed in the MFRBM Act, 2006 (as amended) and also the recommendation of the XIV FC to maintain this ratio at 3.25 *per cent* of GSDP. The prevalence of fiscal deficit during 2011-16 indicates continued reliance of the State on borrowed funds resulting in increasing fiscal liabilities or debt of the State over the period 2011-16, fiscal liabilities or debt increased by 5.97 *per cent* during 2015-16 as compared to previous year. The fiscal liabilities or debt during 2015-16 stood at 26.20 *per cent* of the GSDP during the current year against 28.06 *per cent* during 2014-15 and exceeded the limit of total outstanding Debt-GSDP ratio projected in MTF Plan (25.28 *per cent*) for the year.

The average return on investment in Statutory corporations, Government companies and Co-operative banks/societies was less than one *per cent* during 2011-16. However, Government paid interest at an average rate of 6.22 *per cent* to 6.70 *per cent* on its borrowings during the period. Interest received as *per cent* to outstanding Loans and Advances given by the State Government was also inadequate, which ranged between 0.88 *per cent* and 1.36 *per cent* during 2011-15 and stood at 1.10 *per cent* during 2015-16.

The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long term, unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through the tax and non-tax sources in the ensuing years.

*State Government may review the working of the units which were incurring losses to avoid further financial burden on the Government.*