

CHAPTER-II

FINANCES OF THE STATE

Chapter II: Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates during 2020-21 vis-à-vis 2019-20

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	Revenue Receipts increased by ₹ 1269.68 crore (13.49 per cent) Own Tax Receipts increased by ₹ 181.31 crore (9.58 per cent) Non-Tax Receipts decreased by ₹ 6.94 crore (1.31 per cent) State's Share of Union Taxes and Duties increased by ₹ 339.85 crore (8.07 per cent) Grants-in-Aid from Government of India increased by ₹ 755.50 crore (27.17 per cent)
Revenue Expenditure	Revenue Expenditure increased by ₹ 1933.50 crore (20.21 per cent) Revenue Expenditure on General Services increased by ₹ 333.27 crore (9.09 per cent) Revenue Expenditure on Social Services increased by ₹ 622.41 crore (16.71 per cent) Revenue Expenditure on Economic Services increased by ₹ 977.82 crore (45 per cent) Expenditure on Grants-in-Aid increased by ₹ 927.67 crore (32.20 per cent)
Capital Expenditure	Capital Expenditure increased by ₹ 832.46 crore (84.64 per cent) Capital Expenditure on General Services increased by ₹ 84.60 crore (177.25 per cent) Capital Expenditure on Social Services increased by ₹ 246.57 crore (84.13 per cent) Capital Expenditure on Economic Services increased by ₹ 1003.17 crore (167.50 per cent)
Loans and Advances	Disbursement of Loans and Advances increased by ₹ 38.12 crore (87.07 per cent) Recoveries of Loans and Advances decreased by ₹ 3.55 crore (11.34 per cent)
Public Debt	Public Debt Receipts increased by ₹ 945.87 crore (63.23 per cent) Repayment of Public Debt increased by ₹ 68.81 crore (16.43 per cent)
Public Account	Public Account Receipts increased by ₹ 933.00 crore (24.13 per cent) Disbursement of Public Account increased by ₹ 545.44 crore (13.47 per cent)
Cash Balance	Cash Balance decreased by ₹ 442.75 crore (73.15 per cent)

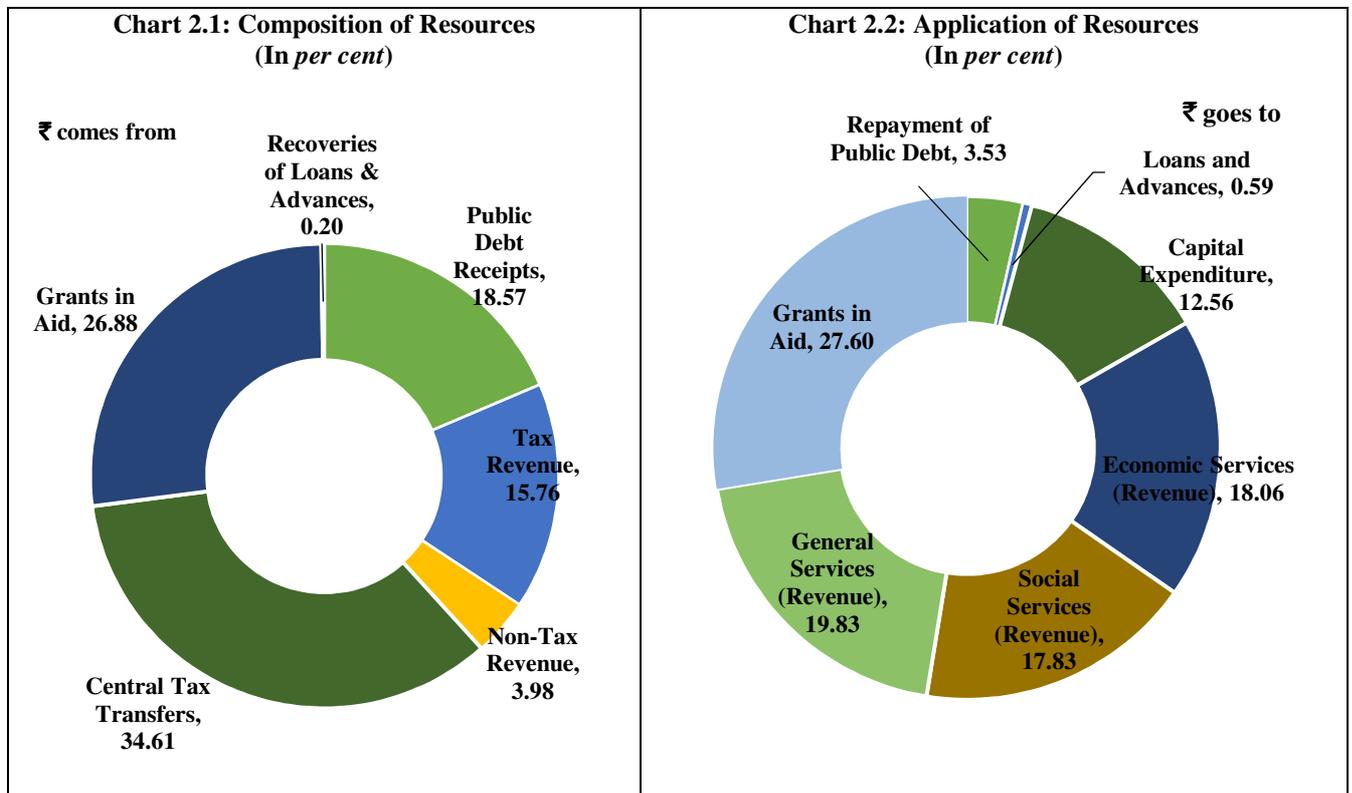
Each of the above fiscal aggregators are analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2020-21 with 2019-20 in figures, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)				
	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance with RBI	814.33	605.24	-209.09
	Revenue Receipts	9413.52	10683.24	1269.72
	Recoveries of Loans and Advances	31.32	27.77	-3.55
	Public Debt Receipts (Net)	1077.31	1954.37	877.06
	Public Account Receipts (Net)	-180.67	204.48	385.15
	Contingency Fund Receipts	-	1.96	1.96
	Total	11155.81	13477.06	2321.25
Application	Revenue Expenditure	9565.12	11498.62	1933.50
	Capital Expenditure	939.71	1734.05	794.34
	Disbursement of Loans and Advances	43.78	81.90	38.12
	Contingency Fund disbursement	1.96	-	-1.96
	Closing Cash Balance with RBI	605.24	162.49	-442.75
	Total	11155.81	13477.06	2321.25



2.4 Resources of the State

The resources of the State are described below:

Revenue Receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the 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.

Both Revenue and Capital Receipts form part of the Consolidated Fund of the State.

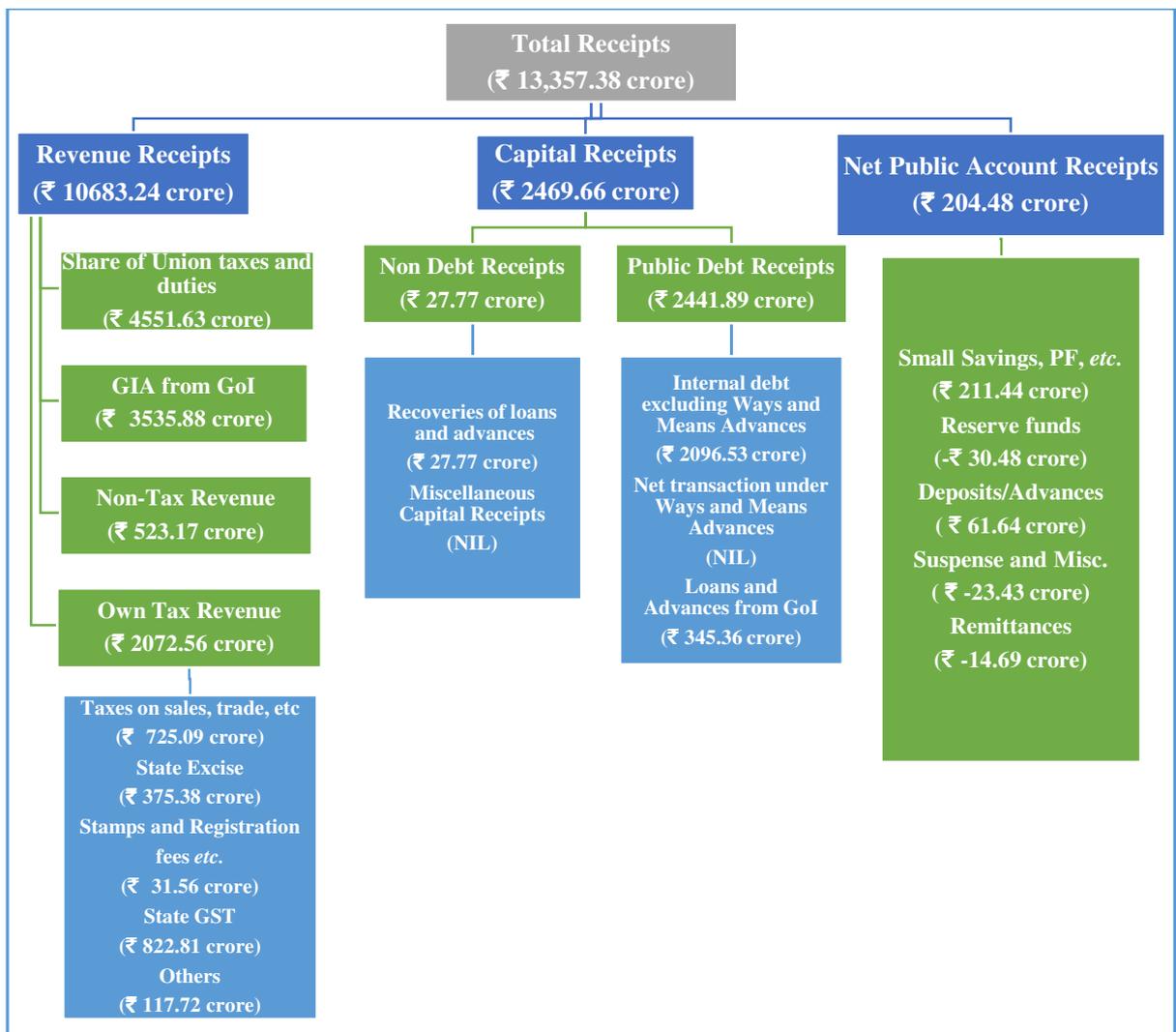
Net Public Account Receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.4.1 Receipts of the State

Chart 2.3 provides the composition of the overall receipts of the State. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Chart 2.3: Composition of receipts of the State during 2020-21



The total receipts of the State for 2020-21 was ₹ 13,357.38 crore, of which ₹ 10,683.24 crore (80 *per cent*) came from Revenue Receipts, while ₹ 2,469.66 crore

(18 per cent) came from public debt receipts and recoveries of loans and advances, and ₹ 204.48 crore (2 per cent) from the net Public Account receipts.

2.4.2 State's Revenue Receipts

This paragraph discusses the trends in Revenue Receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.4.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2016-21. Further, trends in Revenue Receipts relative to GSDP and components of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

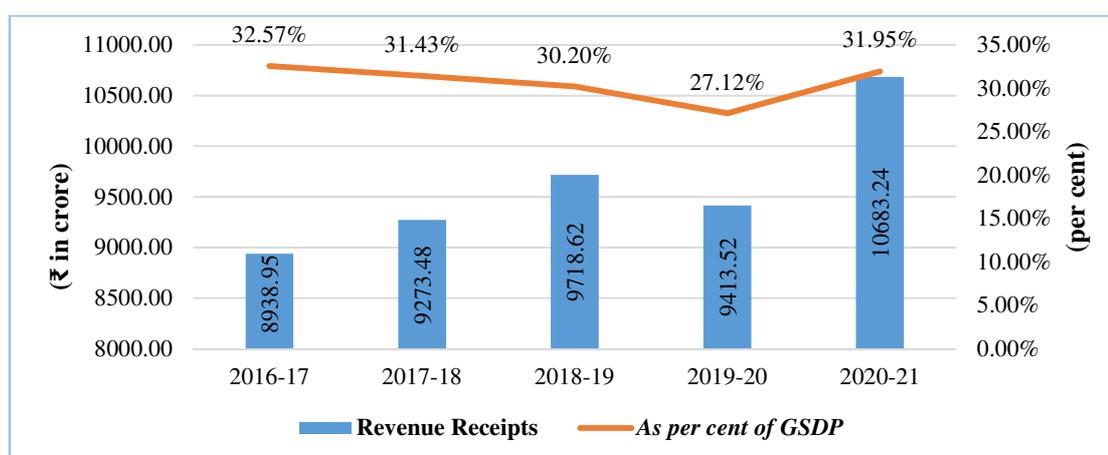
Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Own Tax Revenue	1186.01	1450.10	1793.24	1891.25	2072.56
Non-Tax Revenue	685.24	366.63	427.70	530.11	523.17
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	45.57	-2.91	22.25	9.02	7.20
Revenue Receipts (RR) (₹ in crore)	8938.95	9273.48	9718.62	9413.52	10683.24
Rate of growth of RR (per cent)	26.92	3.74	4.80	-3.14	13.49
Gross State Domestic Product (₹ in crore) (2011-12 Series)	27439	29508	32176	34716	33436
Rate of growth of GSDP (per cent)	9.24	7.54	9.04	7.89	-3.69
RR/GSDP (per cent)	32.57	31.43	30.20	27.12	31.95
Buoyancy Ratios ⁸					
Revenue Buoyancy w.r.t GSDP	2.91	0.43	0.53	-0.40	*
State's Own Revenue Buoyancy w.r.t GSDP	4.93	-0.39	2.46	1.14	*

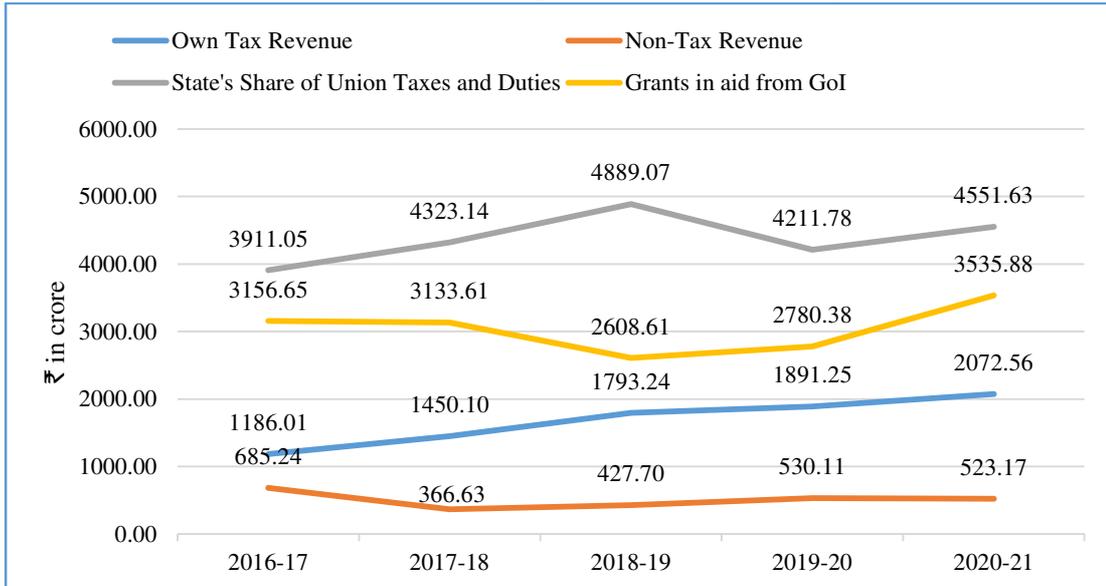
Source of GSDP figures: Department of Economics and Statistics, Government of Meghalaya.

*Not computed due to negative rate of growth rate of GSDP.

Chart 2.4: Trend of Revenue Receipts as percentage of GSDP



⁸ 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 with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart 2.5: Trend of components of Revenue Receipts

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

Revenue Receipts increased by 19.51 *per cent* from ₹ 8938.95 crore in 2016-17 to ₹ 10,683.24 crore in 2020-21 at an average compound annual growth rate of 4.43 *per cent*.

During 2020-21, State's own revenue has grown by 7.20 *per cent* compared to 9.02 *per cent* in the previous year. The share of Revenue Receipts in the GSDP increased from 27.12 *per cent* to 31.95 *per cent*. The Goods and Services Tax (GST) collection was ₹ 822.81 crore as compared to ₹ 909.78 crore in 2019-20, registering a decrease of ₹ 86.97 crore (9.56 *per cent*). State's share of Union Taxes & Duties and GIA from the GoI increased by ₹ 339.85 crore (8.07 *per cent*) and ₹ 755.50 crore (27.17 *per cent*) respectively during 2020-21 over the previous year.

About 24.29 *per cent* of the Revenue Receipts during 2020-21 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 75.70 *per cent*. Hence, Central Tax Transfers and Grants-in-Aid continued to be the main source of Revenue Receipts for the State of Meghalaya, as for the other North Eastern States.

2.4.2.2 State's Own Resources

State's performance in mobilisation of additional resources is assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. State's own tax revenue sources comprises of Sales Tax, SGST, State Excise, Taxes on vehicles, Stamps duty and Registration fees, Land Revenue, Taxes on goods and passengers and Other taxes, while non-tax revenue sources include Interest Receipts, Dividends and Profits and Other non-tax receipts. State's own tax revenues comprised 19.40 *per cent* of total Revenue Receipts.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2016-21 are given in **Appendix 2.1** and **Chart 2.6**.

Chart 2.6: Gross collections of Own Tax and Non-Tax Revenue and their share in GSDP during 2016-21

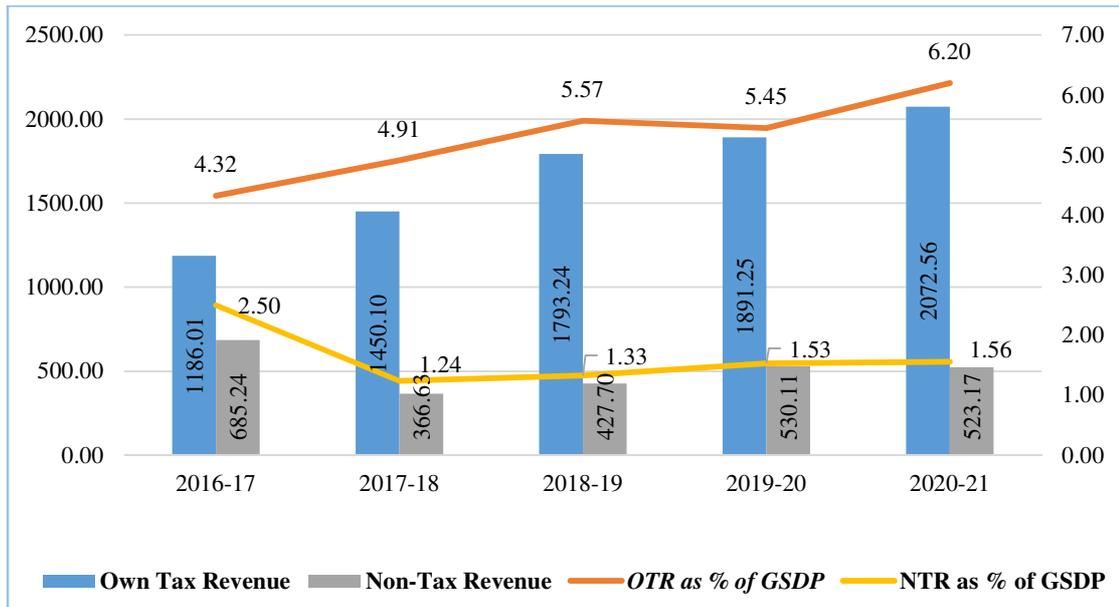


Chart 2.7 and Table 2.4 present the growth and component of Own Tax Revenue of the State during the five-year period 2016-21.

Chart 2.7: Growth of Own Tax Revenue vis-à-vis Revenue Receipts during 2016-21

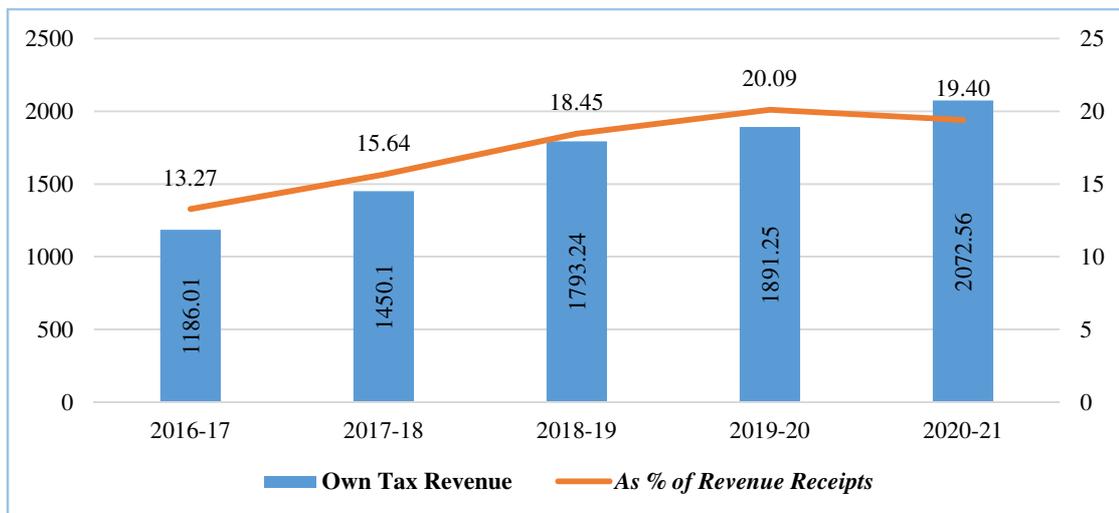


Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					BEs	Actuals
Taxes on Sales, Trades, etc.	931.06	766.63	627.50	567.13	679.18	725.09
State Goods and Services Tax	0.00	376.00	805.96	909.78	1219.35	822.81
State Excise	168.98	199.30	226.21	276.27	312.50	375.38
Taxes on Vehicles	48.22	67.01	86.95	99.24	120.00	78.62
Stamp duty and Registration Fees	17.19	20.25	26.19	20.34	23.46	31.56
Land Revenue	1.27	2.08	2.73	1.00	2.20	21.29
Taxes on Goods and Passengers	0.00	7.83	8.45	9.13	9.97	10.72
Other Taxes	19.29	11.00	9.25	8.36	2417.89	7.09
Total	1186.01	1450.10	1793.24	1891.25	4784.55	2072.56

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2021-22).

Own tax revenue of the State increased by ₹ 886.55 crore from ₹ 1186.01 crore in 2016-17 to ₹ 2072.56 crore in 2020-21 at an average compound annual growth rate of 14.98 *per cent*. The major contributors were SGST (₹ 376 crore to ₹ 822.81 crore), State Excise (₹ 168.98 crore to ₹ 375.38 crore), Taxes on vehicles (₹ 48.22 crore to ₹ 78.62 crore), Stamp duty and Registration fees (₹ 17.19 crore to ₹ 31.56 crore), Land Revenue (₹ 1.27 crore to ₹ 21.29 crore) and Taxes on goods and passengers (₹ 7.83 crore to ₹ 10.72 crore).

The contributors of Tax Revenue during 2020-21 were Goods and Services Tax (39.70 *per cent*), Sales Tax (34.99 *per cent*), State Excise (18.11 *per cent*), Taxes on vehicles (3.79 *per cent*), Stamp duty and Registration fees (1.52 *per cent*), taxes on goods and passengers (0.52 *per cent*) and other taxes including Land Revenue (1.37 *per cent*).

The increase in the own tax revenue over the previous year was mainly due to increase in collection of taxes under Sales Tax by ₹ 157.96 crore (27.85 *per cent*), State excise by ₹ 99.11 crore (35.87 *per cent*), Stamp duty and registration fees by ₹ 11.22 crore (55.16 *per cent*), Land Revenue by ₹ 20.29 crore (2029 *per cent*) and Taxes on Goods and Passengers by ₹ 1.59 crore (17.42 *per cent*). Collection of taxes reduced under SGST by ₹ 86.97 crore (9.56 *per cent*), taxes on vehicles by ₹ 20.62 crore (20.78 *per cent*) and other taxes by ₹ 1.27 crore (15.19 *per cent*).

2.4.2.3 State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Union Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Meghalaya Goods and Services Tax Act, 2017 was passed by the State Legislature on 15 June 2017 and made effective from 01 July 2017.

In the four years during which the GST Act has been in effect, revenue collected by Government of Meghalaya through SGST has risen by ₹ 446.81 crore (119 *per cent*) from ₹ 376.00 crore in 2017-18 to ₹ 822.81 crore in 2020-21. The collections during 2020-21 included Advance Apportionment of IGST amounting to ₹ 60.33 crore. In addition, the State received ₹ 1364.27 crore as its share under Central Goods and Services Tax.

GST Compensation

According to GST (Compensation to the States) Act 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation to be paid is calculated by taking into account the protected revenue⁹ with 2015-16 as the base year. In case of Meghalaya, the revenue during the base year 2015-16 was ₹ 636.17 crore. The protected revenue of the State for the year 2020-21 works out to ₹ 1224.89 crore.

Details of SGST and compensation received by the State during April 2020 to March 2021 is given in **Table 2.5**.

⁹ Protected revenue is calculated/ arrived at by taking into consideration the revenue collected during the base year (2015-16) plus 14.00 *per cent* increase for every following year.

Table 2.5: Details of SGST and compensation received by the State

(₹ in crore)

Particulars	Amount
Revenue to be protected	1224.89
State Goods & Service Tax	822.81
Collection of Pre-GST Taxes	18.38
Total Collection	841.19
Compensation to be received during the year	383.70
Compensation received	283.94

Source: Commissioner of Taxes, Government of Meghalaya.

Under the GST (Compensation to States) Act, 2017, the State Government received compensation of ₹ 171.94 crore as Grant-in-Aid and ₹ 112.00 crore as ‘back to back loan in lieu of GST Compensation shortfall’ under debt receipts of the State Government, with no repayment liability to the State. The compensation is provisional and subject to adjustment in subsequent financial year on receipt of audited figures.

Registration under Goods and Services Tax (GST)

The State had 30,599 registered dealers under the Meghalaya Value Added Tax (MVAT) Act as on 30 June 2017. The Taxation Department, during the period from 01 July 2017 to 31 March 2021, registered 30,108 dealers under the GST of which, registration of 1576 dealers under GST were cancelled. Thus, as on 31 March 2021 there were 28,532 registered dealers under GST with the State Taxation Department, out of which 8,586 GST registrations pertained to dealers who had migrated from MVAT to GST and 19,946 GST registrations were new addition.

Filing of GST Returns

The position of various GSTR returns to be filed and compliance by dealers during the period from 1 July 2017 to 31 March 2021 is as under:

Table 2.6: Position of various GSTR returns

Returns	Periodicity	Category of dealers to file	Total number of dealers	Total number of returns to be filed	Total number of returns actually filed	Percentage of returns filed
GSTR 1	Monthly	Regular	26317 ¹⁰	26317	12340	46.89
GSTR 3B	Monthly	Regular	26317	26317	18590	70.64
GSTR 7	Monthly	TDS	496	496	248	50.00
GSTR 8	Monthly	TCS	72	72	37	51.39
GSTR 9	Annual	Regular	16571	16571	9154	55.24
GSTR 9A	Annual	Composition	2876	2876	1267	44.05

Source: Information provided by Taxation Department.

From the table above, the following observations are made:

The filing of GSTR 1 and GSTR 3B returns is mandated under Section 37 and 39(1) of the Meghalaya Goods and Services Tax (MGST) Act. GSTR 1 and GSTR 3B are monthly returns required to be filed by Regular dealers. However, it was seen that the number of GSTR 3B returns filed (70.64 per cent of the returns due for submission)

¹⁰ Total number of GST dealers as on 31 March 2021 was 28,532. However, the number of total Returns (GSTR-1 & 3B) to be filed was 26,317 as Dealers filling GSTR-4,5,6 & 7 are not required to file GSTR-1 & 3.

were higher than the GSTR 1 returns filed (46.89 *per cent*) during the same period. The filing of GSTR 9 and GSTR 9A returns accounts for only 55.24 *per cent* and 44.05 *per cent* of the returns due for submission respectively.

The GSTR 7 (Tax Deducted at Source) and GSTR 8 (Tax Collection at Source i.e., e-commerce dealers) returns filed during the period aggregated only 50 *per cent* and 51.39 *per cent* respectively.

Arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realisation of revenue. Similarly, arrears of assessment indicate potential revenue, which is blocked due to delayed assessment. Both deprive the State of potential Revenue Receipts and ultimately affect the Revenue Deficit.

The arrears of revenue as on 31 March 2021 under some principal heads of revenue were ₹ 270.59 crore, as detailed in **Table 2.7**.

Table 2.7: Details of arrears of revenue collection

(₹ in crore)			
Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021
1	0040-Taxes on Sale, Trade, etc.	250.25	193.02
2	0039-State Excise	4.18	5.24
3	8782-Forest Remittance	16.16	8.38
	Total	270.59	206.64

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

From the table above, it could be seen that recovery of ₹ 270.59 crore was pending against three principal heads of revenue, which was 10.42 *per cent* of the State's own revenue collection (Own Tax Revenue: ₹ 2072.56 crore + Non-tax Revenue: ₹ 523.17 crore) for 2020-21. Revenue amounting to ₹ 206.64 crore (76 *per cent* of the total revenue arrears) was pending for recovery for more than five years.

The periodical tax returns filed by the dealers under Meghalaya Value Added Tax Act, 2003, are subject to assessment by the Taxation Authorities to verify and ascertain their correctness and completeness. The Taxation authorities may take recourse to best judgement assessment in case returns are not furnished by a registered dealer in the prescribed time limit. Since the MVAT has been replaced with Meghalaya SGST *w.e.f.* 01 July 2017, it is important that the assessments under the previous tax regime are completed and revenue arrears are recovered.

The details of cases of Sales Tax/VAT pending for assessment at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and cases pending for finalisation at the end of the year are shown in **Table 2.8**.

Table 2.8: Arrears of assessments of VAT

Head of revenue	Opening balance as on 1 April 2020	New cases due for assessment during 2020-21	Total assessments due	Cases disposed of during 2020-21	Balance at the end of the year
0040-Taxes on Sales, Trade, etc.	90683	234	90917	6561	84356

Source: Information received from the Taxation Department.

From the table above, it is seen that only 6561, i.e. 7.22 per cent of the total pending cases were disposed off during 2020-21. There were 84,356 cases (92.78 per cent) pending for assessment at the end of the year. Government should put in place a mechanism to expedite the disposal of cases pending for assessment, before expiry of the statutory period.

Details of evasion of tax detected by Department refund cases etc.

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Details of evasion of tax detected during the year 2020-21 are given in the table below:

Table 2.9: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1.	0040 – Taxes/VAT on sales, Trade	Nil	106	106	59	0.19	47
2	0006 – SGST	Nil	Nil	Nil	Nil	Nil	Nil

Source: Information furnished by Taxation Department.

It could be seen from the above table that during the year 2020-21, the Department detected 106 cases of evasion of tax. Out of 106 cases, only 59 cases were assessed/ investigated and completed and an additional amount of ₹ 0.19 crore was collected. As on 31 March 2021, 47 cases were still pending.

Pendency of Refund cases

Promptness in disposal of refund cases is an important indicator of performance of the Department. The number of refund cases pending at the beginning of the year 2020-21, claims received during the year, refunds made during the year and cases pending at the end of the year 2020-21, as reported by Taxation Department are given in the table below:

Table 2.10: Details of refund cases of Sales Tax/VAT& GST (₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		GST	
		Number of cases	Amount	Number of cases	Amount
1.	Claims outstanding at the beginning of the year	11	2.65	86	22.18
2.	Claims received during the year	8	1.40	147	33.01
3.	Refunds made during the year	4	0.61	113	27.24

Sl. No.	Particulars	Sales tax/VAT		GST	
		Number of cases	Amount	Number of cases	Amount
4.	Refunds rejected during the year	-	-	3	0.23
5.	Balance outstanding at the end of year	15	3.44	117	27.72

Source: Information furnished by Taxation Department.

It could be seen that out of 19 cases, refunds in only four cases (21.05 per cent) in case of sales tax/VAT and 113 (48.50 per cent) out of 233 cases in respect of GST, were made during the year. The Meghalaya Value Added Tax Act provides for the payment of interest at the rate of eight per cent per annum, if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund. The Department should take initiative to dispose the pending refund cases in a time bound manner.

2.4.2.4 Non Tax Revenue

Table 2.11 presents the component-wise details of Non-Tax Revenue collected during the years 2016-21.

Table 2.11: Components of State's non-tax revenue (₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					BEs	Actuals
Interest receipts	46.25	52.50	58.26	28.91	60.57	11.53
Dividends and Profits	0.11	0.11	0.11	0.14	0.23	-
Other Non-Tax Receipts	638.88	314.02	369.33	501.06	629.49	511.64
a) Non-ferrous Mining and Metallurgy*	469.52	207.88	147.56	322.84	400.66	246.44
b) Forestry and Wildlife	103.99	55.61	78.31	81.27	120.00	102.12
c) Other Administrative Services	3.11	3.76	9.25	41.30	8.69	26.98
d) Public Works	10.22	17.01	17.64	9.78	20.58	7.05
e) Police	25.21	4.51	16.27	8.17	9.53	7.29
f) Animal Husbandry	1.59	1.85	2.10	1.91	3.03	1.96
g) Crop Husbandry	3.46	4.49	6.71	2.29	10.40	2.03
h) Others	21.78	18.91	91.49	33.50	56.60	117.77
Total	685.24	366.63	427.70	530.11	690.29	523.17

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2021-22).

During 2016-17 to 2020-21, Non-Tax Revenue declined by 23.65 per cent from ₹ 685.24 crore in 2016-17 to ₹ 523.17 crore in 2020-21. During 2020-21, it decreased by ₹ 6.94 crore (-1.31 per cent) over the previous year. There were no receipts under dividends and profits. Non-ferrous Mining and Metallurgy¹¹ receipts decreased by ₹ 76.40 crore (23.66 per cent), Interest Receipts decreased by ₹ 17.38 crore (60.12 per cent) and receipts under Other Administrative Services decreased by ₹ 14.32 crore (34.67 per cent).

State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. **Table 2.12** presents the State's own

¹¹ It is MH 0853- Non-Ferrous Mining and Metallurgy which includes mineral concession fees, rents & royalties and Mines Department.

tax and non-tax receipts for the year 2020-21 *vis-à-vis* assessments made by the XV FC and the State Government in BEs are given below:

Table 2.12: Tax and non-tax receipts *vis-à-vis* projections (₹ in crore)

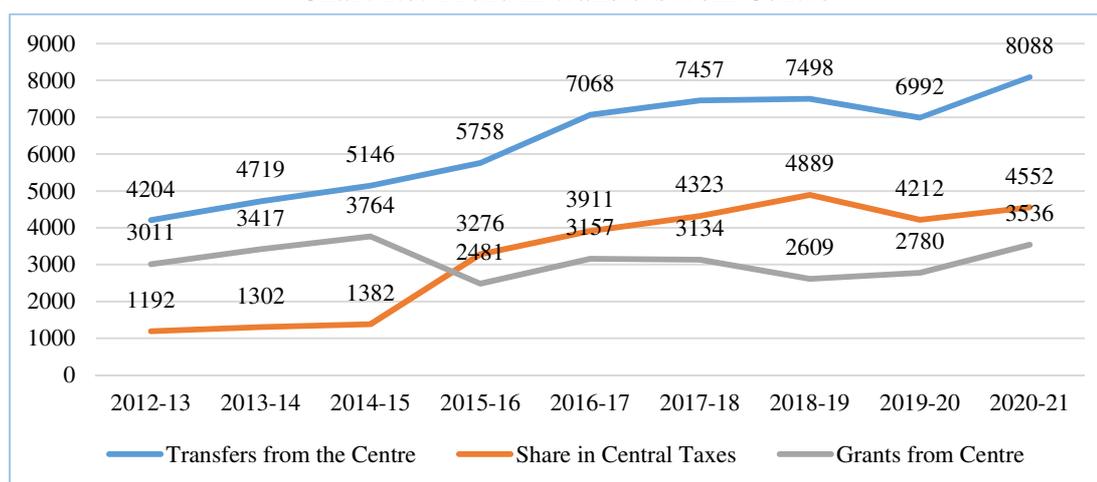
	FC projections	Budget Estimates 2020-21	Actuals	Percentage variation of actuals over	
				Budget Estimates	FC projections
Own Tax revenue	2238.00	2376.98	2072.56	-12.81	-7.39
Non-tax revenue	473.00	690.29	523.17	-24.21	10.61

During the year, tax revenue was 7.39 *per cent* lower than the assessment made by the XV FC and 12.81 *per cent* lower than the projection made in the BEs. The non-tax revenue was 10.61 *per cent* higher than the projection of XV FC and 24.21 *per cent* lower than the assessment made in the BEs for the year.

2.4.2.5 Transfers from the Centre

Transfer from the Centre includes Central Tax transfer (Share in Union Taxes) and Grants-in-Aid. Transfers from the Centre constituted 75.71 *per cent* of total Revenue Receipts during 2020-21. **Chart 2.8** presents the trend in transfers from Government of India.

Chart 2.8: Trend in transfers from Centre



Central tax transfer

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of Central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The XV FC however, recommended an aggregate share of 41 *per cent* of the net proceeds of the Union taxes (divisible pool) to be devolved to States in the year 2020-21. Meghalaya's share in the divisible pool of taxes was fixed at 0.765 *per cent*.

The details of Central tax transfers to the State during 2016-21 are given in **Table 2.13**.

Table 2.13: Central Tax Transfers

Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					BEs	Actuals
Central Goods and Services Tax (CGST)	-	61.44	1206.74	1195.17	1815.73	1364.27
Integrated Goods and Services Tax (IGST)	-	436.56	96.30	Nil	0	Nil
Corporation Tax	1254.73	1324.23	1700.27	1436.04	1845.27	1364.90
Taxes on Income other than Corporation Tax	872.03	1118.20	1252.18	1125.24	1715.77	1398.24
Customs	539.73	436.40	346.56	266.97	374.43	249.50
Union Excise Duties	616.32	456.20	230.32	185.63	244.64	154.13
Service Tax	625.36	490.15	44.70	Nil	3.20	17.73
Other Taxes ¹²	2.88	-0.04	12.00	2.73	2376.92	2.86
Central Tax transfers	3911.05	4323.14	4889.07	4211.78	8375.96	4551.63
Percentage of increase over previous year	19.37	10.54	13.09	-13.85	-	8.07
Central tax transfers as Per cent to Revenue Receipts	43.75	46.62	50.31	44.74	-	42.61

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2021-22).

Over the five-year period 2016-21, Central tax transfers increased by 16.38 per cent from ₹ 3911.05 crore in 2016-17 to ₹ 4551.63 crore in 2020-21. The central tax transfers during the year increased by ₹ 339.85 crore (8.07 per cent) as compared to the previous year.

Grants-in-Aid from GoI

Grants-in-Aid (GIA) received by the State Government from GoI during 2016-21 are detailed in Table 2.14.

Table 2.14: Grants-in-Aid from Government of India

Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					BEs	Actuals
Non-Plan Grants	640.47	-	-	-	-	-
Grants for State Plan Schemes	2263.52	-	-	-	-	-
Grants for Central Plan Schemes*	19.33	-	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	2145.85	2011.17	2314.17	-	2554.41
Grants for Special Plan Schemes	95.14	-	-	-	-	-
Grants for CSS (Plan) Schemes	138.19	-	-	-	-	-
Finance Commission Grants	-	499.96	225.60	63.93	-	708.51
Other transfers/Grants to States/Union Territories with Legislature	-	487.80	371.84	402.28	-	275.96
Total	3156.65	3133.61	2608.61	2780.38	6286.34	3535.88
Percentage of increase over the previous year	27.22	-0.73	-16.75	6.58	-	27.17
Per cent of GIA to Revenue Receipts	35.14	33.79	26.84	29.54	-	33.10

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya (2021-22).

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

The total amount transferred by the Central Government to the State during the year 2020-21 was ₹ 3535.88 crore (including amount transferred through RBI and other sources). Out of this, ₹ 1244.29 crore (As per PFMS portal of CGA) was directly received by the implementing agencies in the State and ₹ 101.47 crore (PM-KISAN)

¹² Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

was transferred directly to the beneficiaries. Grants-in-Aid from GoI increased by ₹ 755.50 crore (27.17 per cent) during the year compared to the previous year, constituting 33.10 per cent of Revenue Receipts during the year 2020-21. Grants for Centrally Sponsored Schemes (₹ 2554.41 crore) to the State constituted 72.24 per cent of the total grants received during the year. While there was a substantial increase in Finance Commission (FC) Grants (₹ 644.58 crore) during the year as compared to previous year. FC Grants (₹ 708.51 crore) to the State were provided for Urban Local Bodies (ULBs) and State Disaster Response Fund (SDRF) and constituted 20.03 per cent of total grants received during the year.

Fourteen/Fifteenth Finance Commission Grants

XIV/XV FC grants were provided to the States for local bodies and SDRF. The details of grants recommended by XIV/XV FC and provided by GoI to the State during the award period are given in **Table 2.15**.

Table 2.15: Recommended amount, actual release and transfers of Grants-in-Aid

Transfers	Recommendation of		Actual release by GoI			Release by State Government		
	XIV FC 2015-20	XV FC 2020-21	2015-20	2020-21	Total	2015-20	2020-21	Total
(a) General Basic (Untied) Grant	25.22	44.00	25.22	44.00	69.22	25.22	44.00	69.22
(b) Performance (Tied) Grant	6.30	44.00	-	-	-	-	-	-
Total for ULBs	31.52	88.00	25.22	44.00	69.22	25.22	44.00	69.22
(a) General Basic (Untied) Grant	-	91.00	-	91.00	91.00	-	91.00	91.00
(b) Performance (Tied) Grant	-	91.00	-	45.50	45.50	-	-	-
Total for RLBs	-	182.00	-	136.50	136.50	-	91.00	91.00
SDRF/SDRMF*	134.00	73.00	119.70	66.00	185.70	133.00	73.32	206.32
Grand Total	165.52	343.00	144.92	246.50	391.42	158.22	208.32	366.54

* Including State share of 10 per cent of total grant.

Source: XIV/XV-FC Report and information furnished by the Departments.

Out of ₹ 508.52 crore (₹ 165.52 crore + ₹ 343.00 crore) recommended by the XIV/XV FCs, actual release by the State Government was ₹ 366.54 crore (72 per cent) leaving a gap of ₹ 141.98 crore.

2.4.3 Capital Receipts

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.

Table 2.16 shows the trend in growth and composition of Capital Receipts.

Table 2.16: Trend in growth and composition of Capital Receipts

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	1229.24	1242.59	1342.70	1527.34	2469.66
Miscellaneous Capital Receipts	NIL	NIL	NIL	NIL	NIL
Recovery of Loans and Advances	18.81	17.45	18.01	31.32	27.77
Net Public Debt Receipts	1210.43	1225.14	1324.69	1496.02	2441.89

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Internal Debt	1206.16	1218.47	1302.28	1480.24	2096.53
Growth rate	44.50	1.02	6.88	13.67	41.63
Loans and advances from GoI	4.27	6.67	22.41	15.78	345.36 ¹³
Growth rate	91.48	56.21	235.98	-29.59	2088.59
Rate of growth of debt Capital Receipts	44.63	1.22	8.13	12.93	63.23
Rate of growth of non-debt Capital Receipts	-1.42	-7.23	3.21	73.90	-11.34
Rate of growth of GSDP	9.24	7.54	9.04	7.89	-3.69
Rate of growth of Capital Receipts (per cent)	43.60	1.09	8.06	13.75	61.70

Source: Finance Accounts.

Capital Receipts increased by 100.91 per cent from ₹ 1229.24 crore in 2016-17 to ₹ 2469.66 crore in 2020-21. Major portion of Capital Receipts comprises of Public debt receipts which create future repayment obligation and are taken from Market, Financial Institutions and Central Government.

Capital Receipts increased by 61.70 per cent from ₹ 1527.34 crore in 2019-20 to ₹ 2469.66 crore in 2020-21 on account significant rise in loans and advances from GoI ₹ 329.58 crore (2089 per cent) and internal debt ₹ 616.29 crore (42 per cent).

2.5 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and Social Sector.

2.5.1 Growth and composition of expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2016-17 to 2020-21 is presented in **Table 2.17**.

Table 2.17: Total expenditure and its composition

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	9657.17	9428.17	11762.71	10548.61	13314.56
Revenue Expenditure (RE)	8336.54	8422.68	10255.94	9565.12	11498.62
Capital Expenditure (CE)	1289.80	983.44	1417.28	939.71	1734.05
Loans and Advances	30.83	22.05	89.49	43.78	81.90
As a percentage of GSDP					
TE/GSDP	35.20	31.95	36.56	30.39	39.82
RE/GSDP	30.38	28.54	31.87	27.55	34.39
CE/GSDP	4.70	3.33	4.40	2.71	5.19
Loans and Advances/GSDP	0.11	0.07	0.28	0.13	0.25

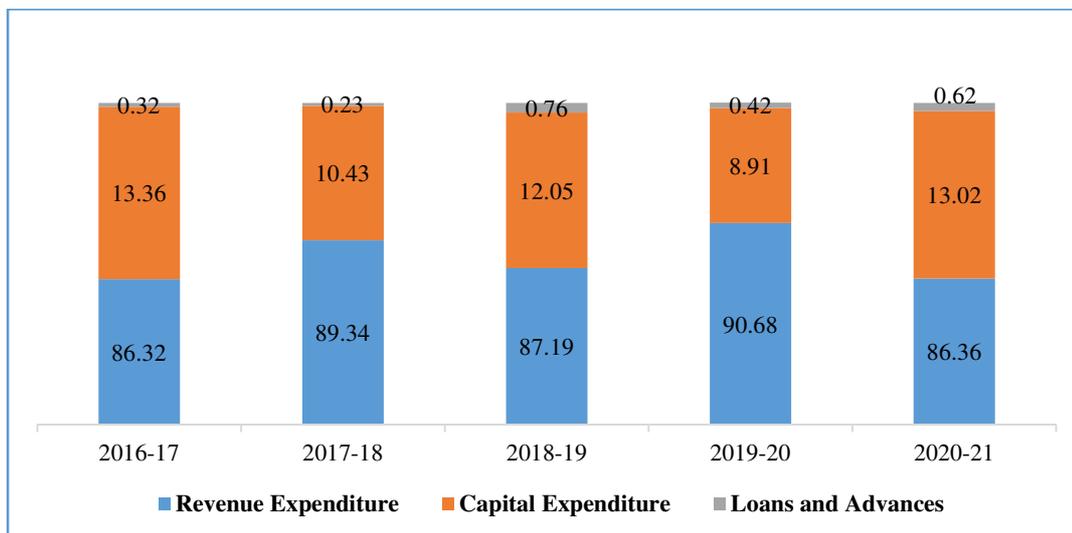
The above table shows that Total Expenditure (comprising of Revenue Expenditure, Capital Expenditure and disbursement of Loans and Advances) of the State increased by 37.87 per cent from ₹ 9657.17 crore in 2016-17 to ₹ 13314.56 crore in 2020-21.

¹³ Meghalaya received back to back loan of ₹ 112 crore under the debt receipts of the State Government with no repayment liability of the State.

During 2020-21, it was observed that Capital Expenditure had increased significantly as compared to previous year, with its share as a percentage of GSDP increasing from 2.71 per cent during 2019-20 to 5.19 per cent during 2020-21.

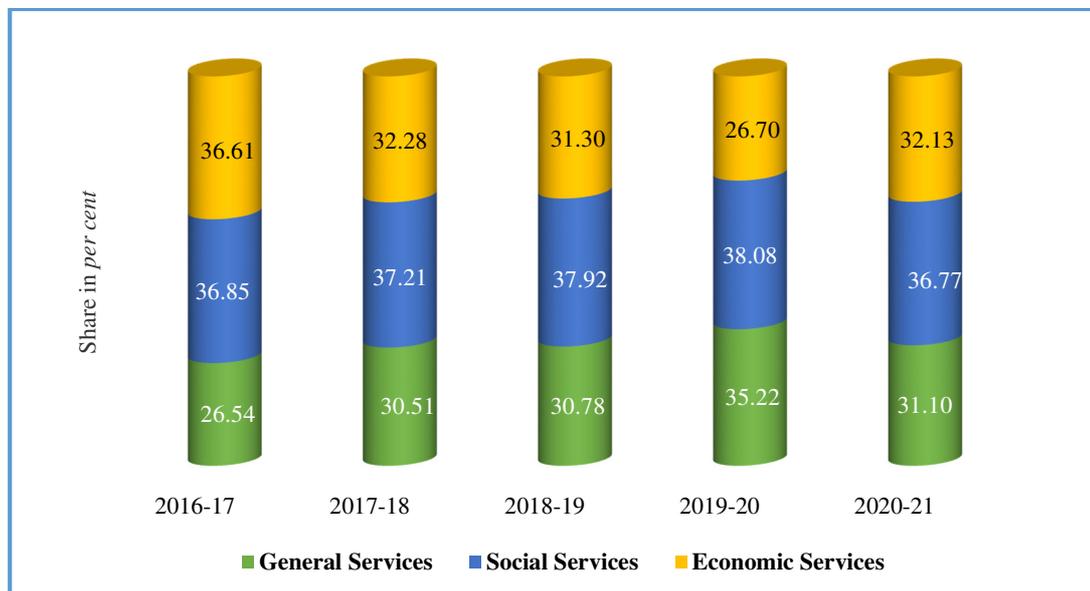
Charts 2.9 and 2.10 present the trends in Total Expenditure relative to the share of its components and activities during the years 2016-17 to 2020-21.

Chart 2.9: Total Expenditure: Trends in share of its components



Source: Finance Accounts.

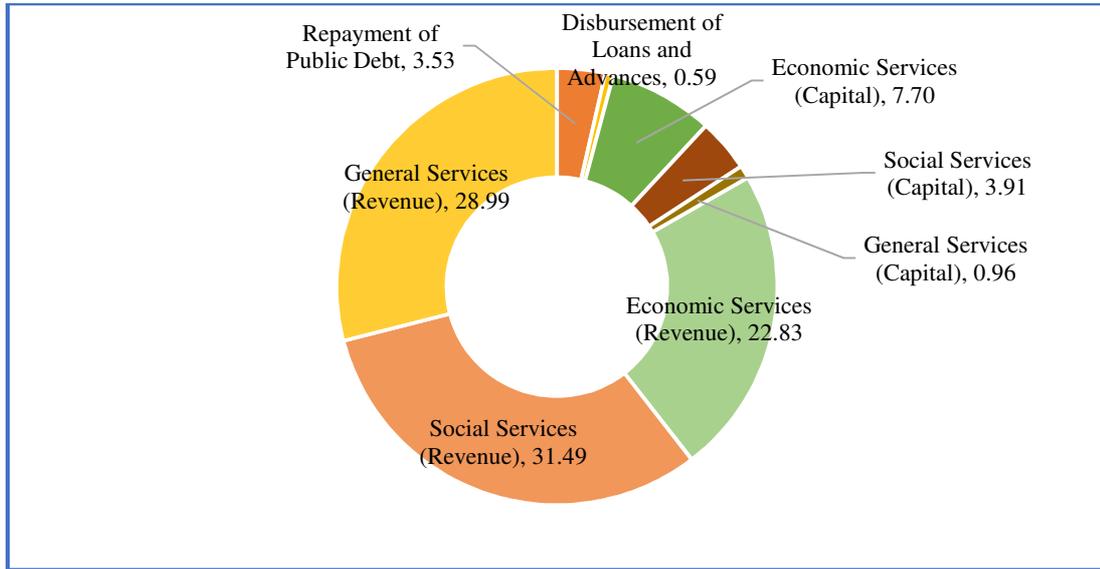
Chart 2.10: Total expenditure - Expenditure by activities



Source: Finance Accounts.

Chart 2.11 present the composition of expenditure during the year 2020-21.

Chart 2.11: Pie Chart for the composition of expenditure (in per cent)



Source: Finance Accounts.

It is evident from the above chart that Revenue Expenditure as a percentage of Total Expenditure decreased from 91 per cent in 2019-20 to 86 per cent in 2020-21 and Capital Expenditure as a percentage of Total Expenditure increased from 9 per cent in 2019-20 to 13 per cent in 2020-21. In terms of activities, Total expenditure is composed of expenditure on General Services, Social services, Economic Services and other expenditure.

2.5.2 Revenue Expenditure

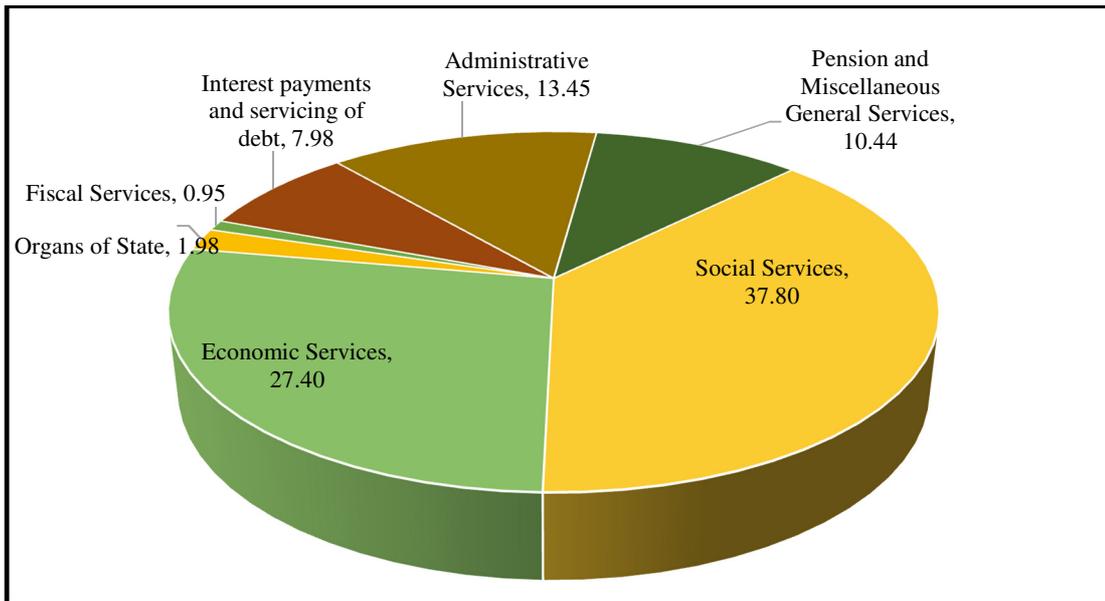
Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.18** and the sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in **Chart 2.12**.

Table 2.18: Revenue Expenditure – Basic Parameters

	(₹ in crore)				
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	9657.17	9428.17	11762.71	10548.61	13314.56
Revenue Expenditure (RE)	8336.54	8422.68	10255.94	9565.12	11498.62
Rate of Growth of RE (per cent)	31.33	1.03	21.77	-6.74	20.21
Revenue Expenditure as percentage of TE	86.32	89.34	87.19	90.68	86.36
RE/GSDP (per cent)	30.38	28.54	31.87	27.55	34.40
RE as percentage of RR	93.26	90.83	105.53	101.61	107.63
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	3.39	0.14	1.62	-0.73	-5.48
Revenue Receipts (ratio)	1.14	0.32	4.54	2.15	1.50

Source: Finance Accounts of respective years.

Chart 2.12: Sector-wise distribution of Revenue Expenditure (in per cent)



Source: Finance Accounts.

On an average, Revenue Expenditure formed 87.98 per cent of the Total Expenditure during the period 2016-21.

During 2020-21, Revenue Expenditure (₹ 11,498.62 crore) increased by ₹ 1933.50 crore over the previous year while RE as percentage of GSDP increased to 34.40 per cent from 27.55 per cent.

An analysis of the reasons for substantial increase in Revenue Expenditure as compared to the previous year, showed that an increase of expenditure of more than ₹ 100 crore in four Major Heads under General, Economic and Social Services, led to gross increase of Revenue Expenditure by ₹ 795.64 crore. This increase accounted for 41.15 per cent of total increase in Revenue Expenditure (₹ 1933.50 crore) during 2020-21, as detailed in **Table 2.19**:

Table 2.19: Substantial increase in Revenue Expenditure (more than ₹ 100 crore)
Major Head-wise (₹ in crore)

Sl. No.	Major Head	Expenditure		Increase	
		2019-20	2020-21	Amount	Percentage
General Services					
1.	2049 – Interest Payments	758.51	858.91	100.40	13.24
Social Services					
1.	2210 – Medical and Public Health	755.96	1104.76	348.80	46.14
2.	2505 – Rural Employment	529.72	641.66	111.94	21.13
Economic Services					
1.	3451 – Secretariat Economic Services	248.35	482.85	234.50	94.42
	Total	2292.54	3088.18	795.64	34.71

Source: Finance Accounts 2020-21.

Thus, the increase in Revenue Expenditure as percentage of Revenue Receipts from 101.61 per cent in 2019-20 to 107.63 per cent in 2020-21 has further deteriorated the Fiscal Deficit gap from 3.18 per cent in 2019-20 to 7.79 per cent in 2020-21.

Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. The MFRBM Act, 2006, prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

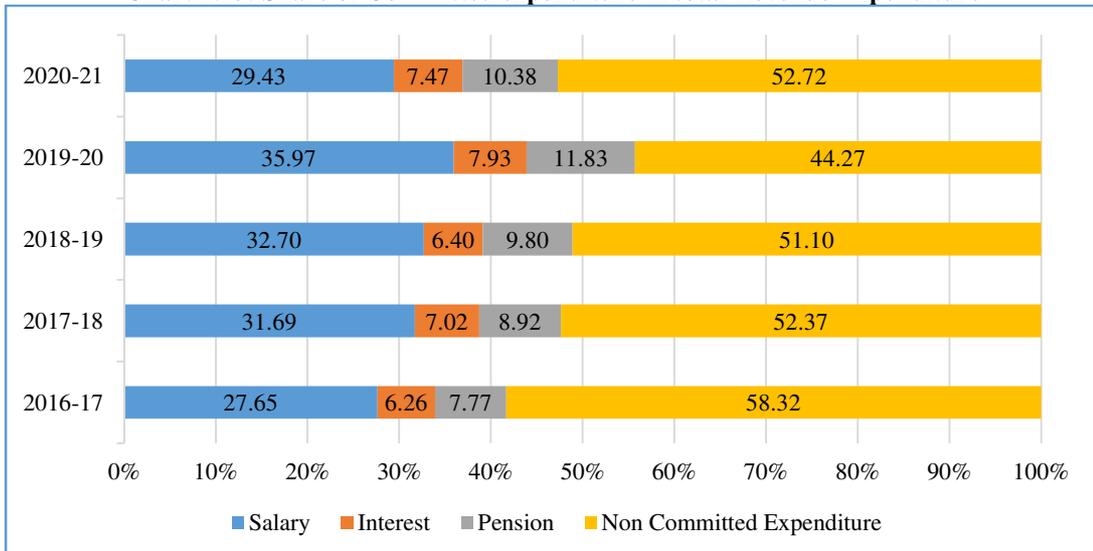
Table 2.20 presents the trends in the components of committed expenditure during 2016-21. Percentage of committed expenditure to Revenue Expenditure during 2016-21 is given in **Chart 2.13**.

Table 2.20: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	2305.16	2669.48	3353.65	3440.17	3383.67
Expenditure on Pensions	647.85	750.90	1004.91	1131.56	1193.61
Interest Payments	522.23	591.18	656.81	758.51	858.92
Total	3475.24	4011.56	5015.37	5330.24	5436.20
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	25.79	28.79	34.51	36.54	31.67
Expenditure on Pensions	7.25	8.10	10.34	12.02	11.17
Interest Payments	5.84	6.37	6.76	8.06	8.04
Total	38.88	43.26	51.61	56.62	50.88
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	27.65	31.69	32.70	35.97	29.43
Expenditure on Pensions	7.77	8.92	9.80	11.83	10.38
Interest Payments	6.26	7.02	6.40	7.93	7.47
Total	41.68	47.63	48.90	55.73	47.28

Source: Finance Accounts

Chart 2.13: Share of Committed expenditure in total Revenue Expenditure



As can be seen from the details tabulated above, the committed expenditure during the current year was 47.28 per cent of Revenue Expenditure, while it accounted for 50.88 per cent of the Revenue Receipts of the State. The details of various component of the committed expenditure are discussed below.

Salaries and Wages

There was a decrease of ₹ 56.50 crore (1.64 per cent) in expenditure on salaries & wages during 2020-21 as compared to the previous year. The expenditure on salaries & wages as a percentage of Revenue Receipts and Revenue Expenditure was the highest in 2019-20 during the last five years on account of implementation of recommendation of the Fifth Meghalaya Pay Commission.

Interest Payments

Interest payments (₹ 858.92 crore) as a percentage of Revenue Expenditure constituted 7.47 per cent in 2020-21 while it was 7.93 per cent during the previous year. In absolute terms, interest payments increased by ₹ 336.69 crore from ₹ 522.23 crore in 2016-17 to ₹ 858.92 crore in 2020-21.

Pension

The pension payments (including other retirement benefits) indicated an increasing trend during the five-year period 2016-21. Pension payments during the current year had increased by ₹ 62.05 crore, an increase of 5.48 per cent over the previous year.

Undischarged liabilities in National Pension System

Government introduced the 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on or after 01 April 2010. Under this system, employees contribute 10 per cent basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contribution are initially transferred to the Public Account (Major Head '8342-117-Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS. The State Government opens a Current Account with the Bank for parking the funds before transfer to NSDL. As on 31 March 2020, there were 13,242 employees under NPS of which 12,776 employees had been allotted Permanent Retirement Account Number (PRAN).

The details of funds under NPS and amount transferred to NSDL during 2016-21 are shown in the **Table 2.21** below:

Table 2.21: Details of funds under NPS during 2016-21

Year	Opening Balance	Contribution			Transfer to NSDL	Less Transfer	Closing Balance
		Employees	Employer	Total			
2016-17	0.03	22.08	22.50	44.58	44.08	0.50	0.53
2017-18	0.53	30.60	31.36	61.96	61.63	0.33	0.86
2018-19	0.86	41.67	41.57	83.24	83.33	-0.09	0.77
2019-20	0.77	52.13	51.98	104.11	104.04	0.07	0.84
2020-21	0.84	60.42	61.52	121.94	121.99	-0.05	0.79

Source: Finance Accounts.

As on March 2021, an amount of ₹ 0.79 crore was not transferred to NSDL. In terms of the guidelines, the State Government was liable to pay interest on funds not transferred to NSDL.

Subsidies

There was a decrease in expenditure booked on subsidies during the year 2020-21 as can be seen from the details given in **Table 2.22**. Subsidies booked as a percentage of Revenue Receipts decreased from 0.44 *per cent* in 2019-20 to 0.35 *per cent* in 2020-21. In absolute terms, expenditure on booking of subsidies decreased from ₹ 41.72 crore in 2019-20 to ₹ 37.91 crore in 2020-21.

Table 2.22: Expenditure on subsidies during 2016-21

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	46.14	52.08	58.80	41.72	37.91
Subsidies as a percentage of Revenue Receipts	0.51	0.56	0.61	0.44	0.35
Subsidies as a percentage of Revenue Expenditure	0.55	0.62	0.57	0.44	0.33

Source: Finance Accounts.

Major departments where subsidy was highest, were Fisheries ₹ 9.53 crore, Power ₹ 17.77 crore and Agriculture ₹ 8.34 crore.

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

Financial assistance is provided by the State Government to Local bodies and other institution by way of grants and loans. 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 2.23**.

Table 2.23: Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
Local Bodies					
Municipal Corporations and Municipalities	11.27	4.81	9.12	6.45	18.32
Panchayati Raj Institutions	-	-	-	-	-
Total (A)	11.27	4.81	9.12	6.45	18.32
Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	888.43	1088.08	1021.99	954.62	915.38
Development Authorities	1295.88	717.21	235.37	156.33	324.03
Hospitals and Other Charitable Institutions	22.38	144.81	93.26	189.35	311.90
Other Institutions	782.72	603.27	686.75	514.45	986.80
Total (B)	2989.41	2553.37	2037.37	1814.75	2538.11
Total (A+B)	3000.68	2558.18	2046.49	1821.20	2556.43
Revenue Expenditure	8336.54	8422.68	10255.94	9565.12	11498.61
Assistance as percentage of Revenue Expenditure	35.99	30.37	19.95	19.04	21.42

Source: Finance Accounts.

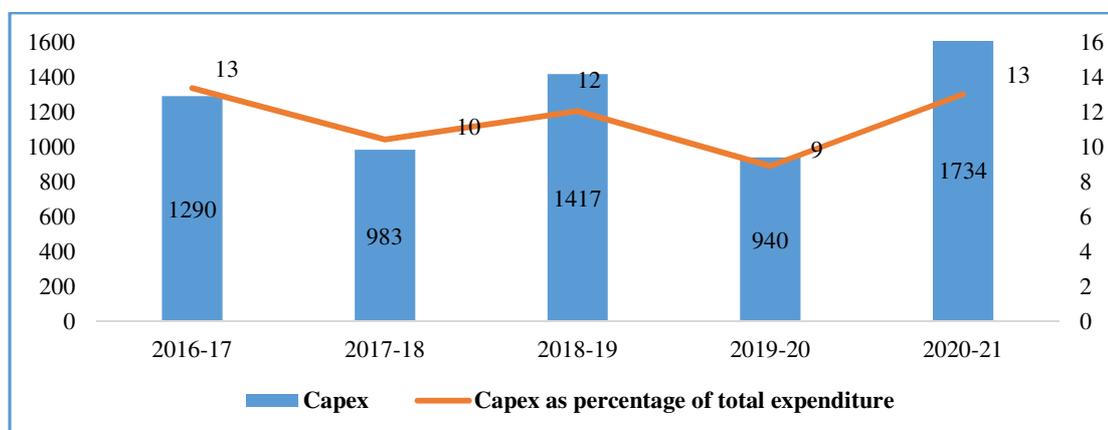
From the above table, it can be seen that the grants extended to local bodies and other institutions had increased by ₹ 735.23 crore (40.37 *per cent*) from ₹ 1821.20 crore in

2019-20 to ₹ 2556.43 crore in 2020-21. This increase was mainly due to increase in assistance to Municipal Corporations and Municipalities (₹ 11.87 crore), Development Authorities (₹ 167.70 crore), Hospitals and Other Charitable Institutions (₹ 122.55 crore) and Other Institutions (₹ 472.35 crore), which was off-set by decrease in assistance to Educational Institutions (₹ 39.24 crore).

2.5.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* Capex of the State during the current year increased by ₹ 794 crore over the previous year and remained stagnant at 13 *per cent* over the period 2016-17 to 2020-21. Details of Capex *vis-à-vis* its percentage to total expenditure during the five-year period 2016-21 are given in **Chart 2.14**.

Chart 2.14: Capital Expenditure in the State



The increase in the Capex during 2020-21 by ₹ 794 crore over the previous year was mainly on account increase in expenditure on Roads and Bridges (₹ 422.57 crore), Water Supply and Sanitation (₹ 255.62 crore) and Minor Irrigation (₹ 69.97 crore).

Quality of Capital Expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, *etc.* Requisite steps have to be taken to infuse transparency in such financial operations.

Quality of investments in the Companies, Corporations and other bodies

Capital Expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded, is not sustainable.

Investments made and loan given to companies, corporations, and co-operatives, which are loss making and those where net worth is completely eroded, affect quality of Capital Expenditure. Return on investment in share capital invested in PSEs and history of repayment of loans given to various bodies are important determinant of quality of Capital Expenditure. **Table 2.24** shows year-wise details of investment by Government of Meghalaya over the five-year period 2016-17 to 2020-21.

Table 2.24: Return on Investment

(₹ in crore)

Investment/return/ cost of borrowings ¹⁴	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year	2471.63	2628.56	2638.43	2648.49	2650.39
Return	0.11	0.11	0.11	0.14	*
Return (<i>per cent</i>)	0.01	0.01	0.01	0.01	0
Average rate of interest on Government Borrowings (<i>per cent</i>)	6.47	6.40	6.53	6.85	6.80
Difference between interest rate and return (<i>per cent</i>)	6.46	6.39	6.52	6.84	6.80
Difference between interest on Government borrowings and return on investment[#]	159.91	168.23	172.29	181.42	180.23

Source: Finance Accounts.

*₹ 16,078/-

Investment at the end of the year.

The average return on investment in State PSEs was less than one *per cent* during 2016-21. Government however, paid interest on its borrowings at an average rate of interest of 6.40 *per cent* to 6.85 *per cent* during 2016-21. The State Government should review the performance of the above units. The MFRBM Act, 2006, also provides that the State Government should review the performance of the State PSEs including restructuring of those that are absolutely essential and closing those which are no longer viable.

Loans and Advances by the State Government

Table 2.25 presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.25: Quantum of loans disbursed and recovered during five years (₹ in crore)

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	766.19	778.21	782.82	854.29	866.75
Amount advanced during the year	30.83	22.06	89.49	43.78	81.90
Amount recovered during the year	18.81	17.45	18.02	31.32	27.77
Closing Balance of the loans outstanding	778.21	782.82	854.29	866.75	920.88
Net addition	12.02	4.60	71.48	12.46	54.14
Interest received	8.27	7.61	6.06	6.09	5.64
Interest received (%) on Loans and Advances (Closing Balance) given by the Government	1.07	0.98	0.71	0.70	0.61
Rate of Interest paid on the outstanding borrowings of the Government	6.47	6.40	6.53	6.85	6.80
Difference between the rate of interest paid and interest received (<i>per cent</i>)	5.40	5.42	5.82	6.15	6.19

From the table above, it can be inferred that:

The total outstanding loans and advances as on 31 March 2021 was ₹ 866.75 crore. Out of the loans of ₹ 81.90 crore advanced during 2020-21, ₹ 57.17 crore was given to Government Companies (Power Projects) and ₹ 24.73 crore was given to Government servants.

¹⁴ Difference in previous year figures due to calculation error which has now been rectified.

The current recovery of loan (₹ 27.77 crore) was 33.91 *per cent* of the advances (₹ 81.90 crore) made during the year and was deterioration over the previous year (₹ 31.32 crore). The actual recovery (₹ 27.77 crore) was also more than what was estimated in the Budget for recovery (₹ 27.43 crore).

Interest receipts decreased from ₹ 8.27 crore in 2016-17 to ₹ 5.64 crore in 2020-21, with percentage of interest received to total outstanding loans and advances decreasing from 1.07 *per cent* in 2016-17 to 0.61 *per cent* in 2020-21.

Capital locked in incomplete projects

As per Appendix IX and Statement 16 of the Finance Accounts for the year 2020-21, there were 103 incomplete/ ongoing projects in the State as on 31 March 2021. Out of these 103 incomplete projects, the scheduled date of completion of 41 projects were after 31 March 2021 and the remaining 62 projects had overshoot their scheduled completion dates by over one to more than 10 years. Age profile and department-wise details of these 103 incomplete projects as on 31 March 2021 is given in **Tables 2.26** and **2.27**.

Table 2.26: Age profile of incomplete projects as on 31 March 2021

(₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2021)
Prior to 2011-12	9	233.04	165.39
2011-12	2	24.41	23.81
2012-13	1	10.10	10.10
2013-14	2	23.50	18.86
2014-15	5	202.07	50.86
2015-16	19	160.16	158.68
2016-17	15	364.85	132.03
2017-18	18	168.51	67.75
2018-19	14	147.59	43.48
2019-20	8	276.07	60.46
2020-21	10	1215.18	110.43
Total	103	2825.48	841.85

Source: Finance Accounts.

Table 2.27: Department-wise profile of incomplete projects as on 31 March 2021

(₹ in crore)			
Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	102	2674.06	831.73
Public Health Engineering	1	151.42	10.12
Total	103	2825.48	841.85

The expenditure incurred on the 103 incomplete projects was ₹ 841.85 crore. Physical progress of the projects as on 31 March 2021 was in the range of 0 to 98 *per cent* (0 to 20 *per cent* in respect of 12 projects, 21 to 50 *per cent* in respect of 29 projects and 51 to 98 *per cent* in respect of 61 projects) in respect of projects being executed by Public Works Department and 24.50 to 60 *per cent* (Swachh Bharat Mission: Individual Household Toilets: 24.50 *per cent* and Community Toilets/Public Toilets: 60 *per cent*) in respect of projects being executed by Public Health Engineering Department.

Thus, it could be seen that there was delay ranging from one to 10 years in completion of 103 projects/ works and this would result in time overrun and cost overrun, besides denying the desired benefit to the beneficiaries.

Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs). With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This scheme facilitated State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/ subsidy. Government of Meghalaya entered the Yojana on 09 March 2017. As per the Memorandum of Understanding (MoU) amongst GoI, State Government and Meghalaya Power Distribution Corporation Limited (MePDCL), GoM was required to take over 75 per cent of outstanding loan as on 30 September 2015 payable by MePDCL and convert the same into grant and equity in 3:1 ratio. The total outstanding debt of the DISCOM as on 30 September 2015 was ₹ 166.67 crore and thus, 75 per cent of it, i.e. ₹ 125 crore was due for conversion into grant and equity. The State Government sanctioned ₹ 125 crore comprising of ₹ 93.75 crore as grant and ₹ 31.25 crore as equity in May 2017.

The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States have to convert loan into equity and subsidy. The State Government will have to takeover losses, if any, of the DISCOMs in a graded manner as detailed in **Table 2.28**:

Table 2.28: Loss to be taken over by the State Government

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State	0% of loss of 2016-17	5% of loss of 2017-18	10% of loss of 2018-19	25% of loss of 2019-20

Table 2.29 presents the position of equity/ loan/ subsidy under UDAY scheme.

Table 2.29: Position of Equity/Loan/ Subsidy under UDAY

Year	Equity Investment	Loan	Grants	Total
2017-18	31.25	-	93.75	125.00
2018-19	3.36	-	10.07	13.43
2019-20	-	-	-	-
2020-21	-	-	-	-
Total	34.61	-	103.82	138.43

It could be seen that in addition to ₹ 125 crore sanctioned during 2017-18, GoM sanctioned ₹ 13.43 crore (₹ 10.07 crore as grants and ₹ 3.36 crore as equity) during the year 2018-19 being 5 per cent loss of 2017-18. However, the State did not take over the losses for the year 2018-19 and 2019-20.

2.5.4 Expenditure priorities

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

Table 2.30 compares the expenditure priority of the State Government with that of NE & Himalayan States with regard to Health, Education and Capital Expenditure during 2020-21, taking 2016-17 as the base year.

Table 2.30: Expenditure priority of the State with regards to Health, Education and Capital Expenditure

	(In per cent)				
	AE/GSDP	CE/AE	CO/AE	Education/AE	Health/ AE
NE & Himalayan States (2016-17)	26.50	15.97	14.16	16.67	5.67
Meghalaya (2016-17)	35.20	13.68	13.36	15.66	7.11
NE & Himalayan States (2020-21)	26.92	15.83	15.63	16.95	7.04
Meghalaya (2020-21)	39.82	13.64	13.02	14.31	9.10

AE: Aggregate Expenditure (Total Expenditure), GSDP: Gross State Domestic Product, CE: Capital Expenditure, CO: Capital Outlay.

From the table above, the following was noticed:

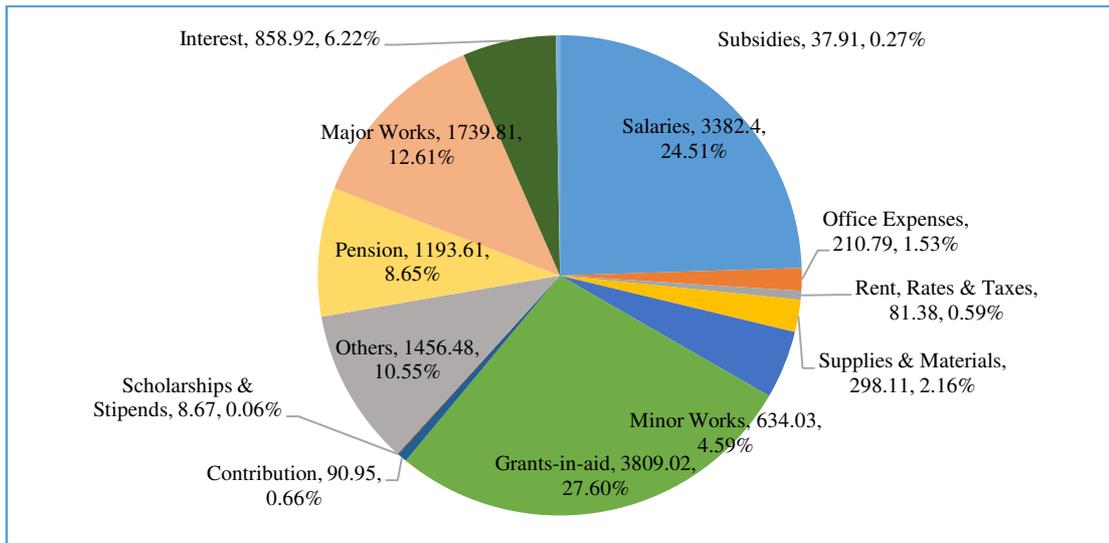
Aggregate Expenditure (AE) as ratio of GSDP of the State, was more than that of NE & Himalayan States during both the years 2016-17 and 2020-21.

Capital Expenditure, Capital Outlay and Expenditure on Education of the State was lower than that of NE & Himalayan States during 2016-17 and 2020-21.

The ratio of health-aggregate expenditure was higher in both 2016-17 and 2020-21 *vis-à-vis* NE & Himalayan States.

2.5.5 Object head wise expenditure

As per the Chart of Accounts, the object head wise expenditure captures information about the object/ purpose of the expenditure. Therefore, under each major/minor head representing the capital/revenue, sector/scheme/policy, the object head captures the expenditure incurred on the actual items such as salaries and pension, office expenses, rent/taxes, interest payment, subsidies and so on. Expenditure profile captured at the Object Head Level is given in **Chart 2.15**.

Chart 2.15: Object head wise expenditure

It is seen from the above that the highest expenditure was incurred in Grants-in-Aid (27.60 per cent) followed by Salaries (24.51 per cent), major works (12.61 per cent), Others (10.55 per cent), pension (8.65 per cent), interest (6.22 per cent), minor works (4.59 per cent).

2.6 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Public Account Balances

The component-wise net balances in Public Account of the State during last five year period 2016-17 to 2020-21 is shown in **Table 2.31** and **Chart 2.16**. The analysis of the Net balances of various components in the Public Account are given in the respective paragraphs.

Table 2.31: Component-wise net balances in Public Account as of 31 March of the year

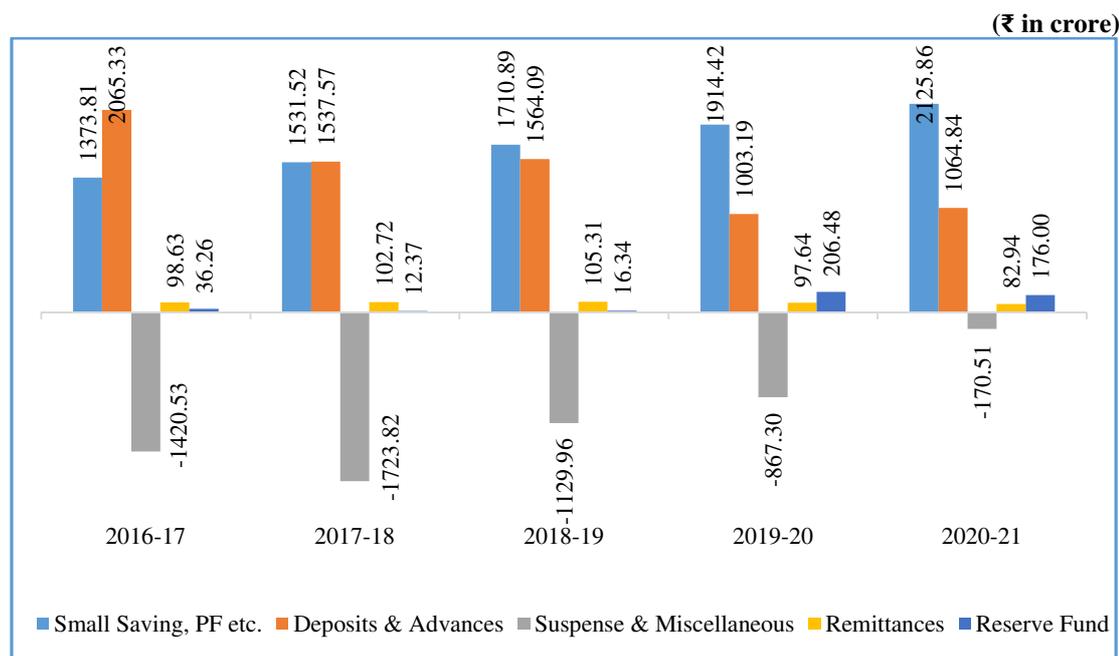
(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	1373.81	1531.52	1710.89	1914.42	2125.86
J. Reserve Funds	(a) Reserve Funds bearing Interest	29.70	4.70	4.70	197.01	168.01
	(b) Reserve Funds not bearing Interest	6.56	7.67	11.64	9.47	7.99
K. Deposits and Advances	(a) Deposits bearing Interest	0.57	0.90	0.81	0.88	0.83
	(b) Deposits not bearing Interest	2066.57	1538.48	1565.09	1004.12	1065.82
	(c) Advances	-1.81	-1.81	-1.81	-1.81	-1.81
	(a) Suspense	-51.01	-42.45	-59.66	-65.45	-88.88

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
L. Suspense and Miscellaneous	(b) Other Accounts	-1369.52	-1681.37	-1070.30	-801.85	-81.63
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders, and other Remittances	95.21	99.32	102.34	95.52	79.58
	(b) Inter-Governmental Adjustment Account	3.42	3.40	2.97	2.12	3.36
Total		2153.50	1460.36	2266.67	2354.43	3279.13

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

Chart 2.16: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years.

2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted under the Consolidated Fund itself for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to public account under the concept of gross budgeting through an operation of deduct entry in accounts. The funds are further classified as 'Funds carrying interest' and 'Funds not carrying interest'.

The total accumulated balance as on 31 March 2021 was ₹ 782.40 crore in 4 active reserve funds. Out of which, ₹ 286.01 crore was under interest bearing Reserve Fund and ₹ 496.39 crore under non-interest bearing Reserve Fund as given in the following table:

Table 2.32: Reserve funds

		(₹ in crore)
Sl. No.	Head of Accounts	Balance as on 31 March 2021
Reserve fund bearing interest (active)		
1	8121- General and Other Reserve Fund, 129-State Compensatory Afforestation Fund (SCAF)	163.31
2	8121-General and Other Reserve Fund, 122- State Disaster Response Fund (SDRF).	122.70
Sub-Total		286.01
Reserve fund not bearing interest (active)		
1	8222-Sinking Funds- 101-Sinking Funds	458.98
2	8235-General and Other Reserve Funds-117-Guarantee Redemption Fund (GFR)	37.39
3	8229-Development and Welfare Funds- 123- Consumer Welfare Fund	0.02
Sub-Total		496.39
Grand-Total		782.40

Investment out of these funds was ₹ 606.40 crore, which was 77.51 per cent of the accumulated balance (₹ 782.40 crore). The transactions during the year 2020-21 under major Reserve Funds are detailed below:

2.6.2.1 Consolidated Sinking Fund

The Consolidated Sinking Fund (CSF), which is a Reserve Fund not bearing interest, was constituted by the State Government in the year 1999-2000 for amortisation of liabilities and is administered by the Reserve Bank of India on the instructions of the State Government. Under the Scheme, the State Government is required to make annual contributions to the Fund at a minimum of 0.5 per cent of the total outstanding liabilities at the end of the previous year.

During 2020-21, against requirement of ₹ 57.67 crore¹⁵, the State Government transferred ₹ 59.22 crore from MH 2048-01 to CSF. The balance under CSF was ₹ 458.98 crore as on 31 March 2021.

2.6.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010, which is an interest bearing Reserve Fund. In terms of the Guidelines on the Constitution and Administration of the SDRF and National Disaster Response Fund, which was notified in September 2010, the Centre and States are required to contribute to the Fund in the certain proportion. The contributions are to be transferred to the Public Account to Major Head – 8121. No direct expenditure is to be made from the Public Account. The expenditure charged to the SDRF will be shown as a negative entry under Major Head –2245-05-911.

As per Paragraph 4 of the Guidelines, the State Government shall pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest will be credited on a half-yearly basis. Further, as per Paragraph 19 of the said Guidelines, the accretions to the SDRF together with the income earned on

¹⁵ 0.5 per cent of outstanding liabilities of ₹ 11,533.78 crore as on April 2020.

the investment of SDRF shall be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

In terms of the guidelines, the Centre and the North Eastern and Himalayan States are required to contribute to the Fund in the ratio of 90:10. At the beginning of 2020-21, the SDRF had an opening balance of ₹ 47.70 crore. In addition to ₹ 104.00 crore being investment amount pertaining to the period 2015-16 to 2018-19, ₹ 53.18 crore (₹ 49.52 crore Central Share and ₹ 3.66 crore State Share) was transferred to the Fund. As on 31 March 2021, the Fund had an unutilised balance of ₹ 122.70 crore. During the year an amount of ₹ 82.18 crore was disbursed from the funds under the MH-8121-122, however, no entry was made against the Major Head – 2245-05-911. This act of the State Government was in contravention of the SDRF Guidelines as no expenditure was to be made directly from Public Account.

As the SDRF is an interest bearing Reserve Fund, the liability of interest payment rests with the State Government. Non-payment of interest amounting to ₹ 1.91 crore¹⁶ resulted in understatement of Revenue Deficit to that extent.

2.6.2.3 *Guarantee Redemption Fund*

State Government constitutes '*Guarantee Redemption Fund*' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Enterprises or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued. As per the Act, the Fund shall be set up by the Government with an initial contribution of minimum one *per cent* of outstanding Guarantees at the end of the previous year and thereafter, minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* of total sum guaranteed in the next five years. The Fund shall be gradually increased to a desirable level of five *per cent*.

Accordingly, Government of Meghalaya constituted a Guarantee Redemption Fund (GRF) in 2014-15 with ₹ 11.74 crore for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies, through an Act dated 23 June 2014.

The opening balance of Fund as on 01 April 2020 was ₹ 32.08 crore. During the year, the State Government made a contribution of ₹ 5.31 crore to the Fund Account (0.48 *per cent* of outstanding guarantees of ₹ 1106.44 crore as on 31 March 2021) as against the required amount of ₹ 5.53 crore (0.50 *per cent* of outstanding guarantees) resulting in short contribution of ₹ 0.22 crore. The total accumulated balance of the Fund as on 31 March 2021 was ₹ 37.39 crore which was entirely invested by the RBI. An interest of ₹ 3.11 crore was realised during the year which was subsequently re-invested. No Guarantees were invoked during the year.

¹⁶ ₹ 1.91 crore = Balance of ₹ 47.70 crore X 4 *per cent* (average rate of interest for Ways and Means Advances).

Further, Section 4(1) (d) of Meghalaya FRBM Act, 2006 restricts issuing of Guarantee except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed and is beneficial to the State.

A Guarantee Act has not been enacted by the State Government. As per guidelines issued by the Government of Meghalaya Finance (Budget) Department letter No. Fin(B)91/89/53 dated 24th April, 1989, the State Government is required to levy a Guarantee Fee of one *per cent* of the Guaranteed amount before the execution of the guarantee deed. For, the subsequent years, the guarantee fee is fixed at 0.5 *per cent* on the amount guaranteed and outstanding on the 31st March each year for the next financial year till the guarantee is withdrawn or till the loan is liquidated.

During 2020-21, the State Government issued guarantees of ₹ 1975.92 crore. However, the State Government did not receive any amount towards guarantee fee. As such, Guarantee Commission fee of ₹ 25.29 crore (₹ 19.76 crore on the guaranteed amount during the year 2020-21 and ₹ 5.53 crore on outstanding guarantees as on 31 March 2020) was receivable during the year. Further, ₹ 38.79 crore receivable Guarantee Commission fee pertaining up to the years 2019-20 were also not received. The outstanding guarantees as on 31 March 2021 was ₹ 3047.52 crore.

2.6.2.4 State Compensatory Afforestation Fund (SCAF)

The Government of Meghalaya in compliance to the instructions issued by the Ministry of Environment and Forests, Government of India's vide their letter No. 5-1/2009-FC dated 28 April 2009 and guidelines of 2 July 2009, established the State Compensatory Afforestation Fund.

The moneys received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Accounts of the State at Minor Head level below the Major Head 8336-Civil Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act; 2016, 90 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Fund in Public Account of State and balance 10 *per cent* shall be credited into the National Fund on yearly basis provided that, the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

During the year 2020-21, the State Government did not receive any amount from the user agencies under Major Head 8336-Civil Deposits. The total balance in the State Compensatory Afforestation Fund as on 31 March 2021 was ₹ 163.31 crore.

As the SCAF is an interest bearing Reserve Fund, the liability of interest payment rests with the State Government. Non-payment of interest amounting to ₹ 5.55 crore¹⁷ resulted in understatement of Revenue Deficit to that extent.

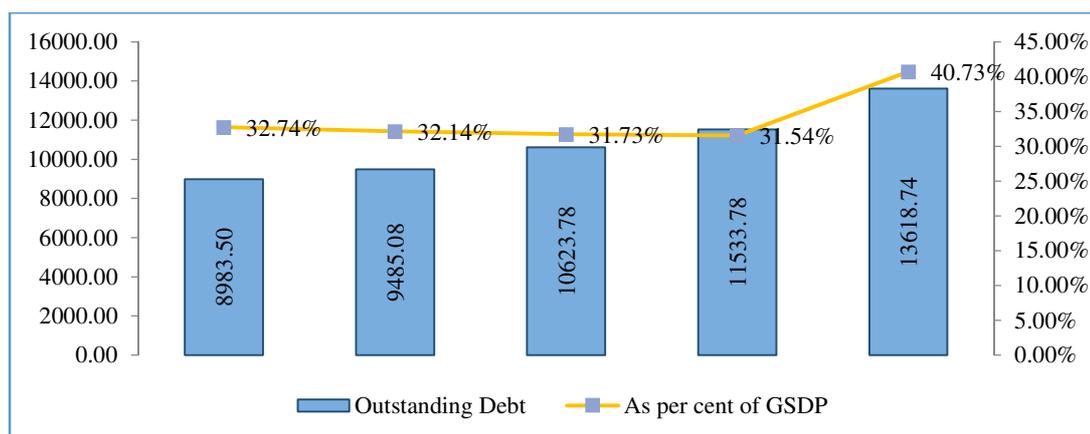
¹⁷ ₹ 5.55 crore = Balance of ₹ 163.31 crore x 3.4 *per cent* (As notified by the GoI for the year 2020-21).

2.7 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The details relating to total outstanding debt and ratio of debt to GSDP during the five-year period 2016-21 is given in **Chart 2.17**.

Chart 2.17: Trend of overall debt



In absolute monetary terms, the overall debt of State of Meghalaya has increased by 51.60 *per cent* from ₹ 8983.50 crore during 2016-17 to ₹ 13,618.74 crore¹⁸ during 2020-21. As percentage of GSDP, the overall debt was 32.74 *per cent* in 2016-17, but has increased considerably by almost eight-percentage points to 40.73 *per cent* in 2020-21.

The primary reason for spike in debt/GSDP ratio during 2020-21 was on account of significant increase in Internal Debt ₹ 1630.65 crore (19.64 *per cent*) and Loans from GoI ₹ 323.72 crore (303.79 *per cent*). However, the State was not able to achieve the target set forth in the MFRBM Act, 2006 to maintain the debt-GSDP ratio under 37.39 *per cent*.

2.7.1 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, *etc.*), loans and advances from the Central Government, and Public Account Liabilities.

The total outstanding debt of the State Government at the end of 2020-21 was ₹ 13,730.74 crore. The component-wise debt trends for the period 2016-17 to 2020-21 and break up of outstanding debt during 2020-21 and component wise are given in **Table 2.33** and **Chart 2.18**.

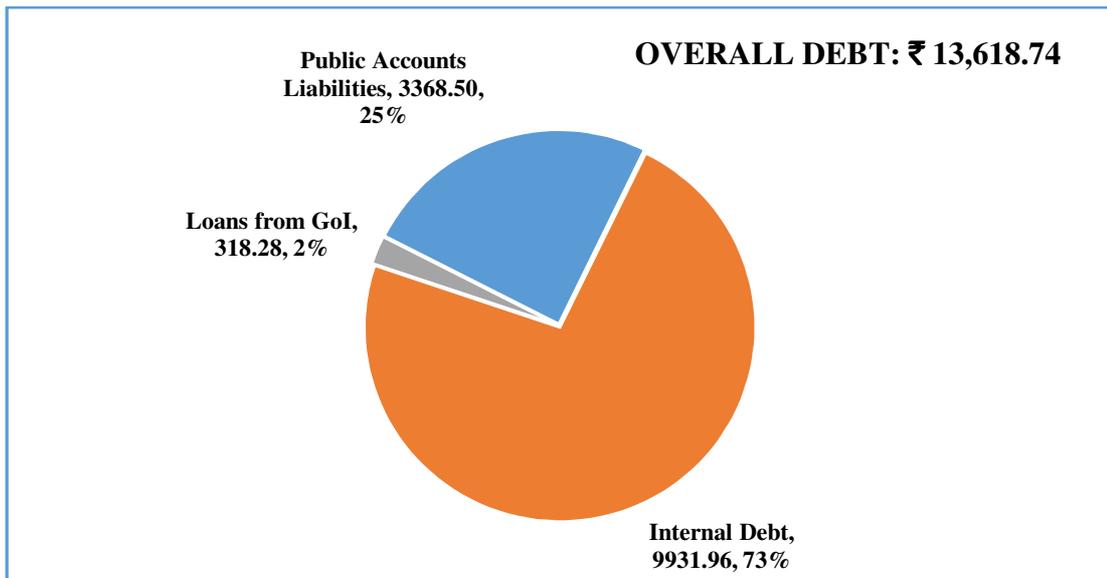
¹⁸ ₹ 13,730.74 *minus* ₹ 112.00 crore as Meghalaya received back to back loan of ₹ 112 crore under the debt receipts of the State Government with no repayment liability of the State.

Table 2.33: Component wise Debt Trends

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Overall Debt		8983.50	9485.08	10623.68	11533.78	13730.74
Public Debt	Internal Debt	5378.14	6287.33	7214.29	8301.31	9931.96
	Loans from GoI	128.15	114.48	116.27	106.56	430.28
<i>Liabilities on Public Account</i>		3477.21	3083.27	3293.12	3125.91	3368.50
Rate of growth of outstanding Overall debt (percentage)		25.56	5.58	12.00	8.57	18.08
Gross State Domestic Product (GSDP)		27439	29508	32176	34716	33436
Debt/GSDP (per cent)		32.74	32.14	33.01	33.22	40.73 ¹⁹
Total Debt Receipts		3454.69	2954.36	3189.65	2941.07	3736.46
Total Debt Repayments*		2148.10	3043.96	2707.85	2789.48	2510.42
Total Debt Available		1306.59	-89.60	481.80	151.59	1226.04
Debt Repayments/Debt Receipts (percentage)		62.18	103.03	84.89	94.85	67.19

*Note: Including interest.

The effective outstanding overall debt would be ₹ 13,618.74 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 112.00 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Chart 2.18: Break up of Outstanding Overall Debt at the end of FY

It could be seen from the above that the outstanding debt comprises of internal debt (73 per cent), public account liabilities (25 per cent) and loans from GoI (2 per cent). Compared to previous year, the outstanding debt at the end of 2020-21 increased by 18.08 per cent (₹ 2084.96 crore).

¹⁹ Back to back loan of ₹ 112 crore received from GoI during the year 2020-21 in lieu of GST compensation shortfall has been excluded for computing the ratio of outstanding debt to GSDP in terms of Government of India, Ministry of Finance, Department of Expenditure letter no. F. No.40(1) PF-S/2021-22 dated 10 December 2021.

Components of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit during the five-year period 2016-21 is reflected in **Table 2.34**.

Table 2.34: Components of Fiscal Deficit and its financing pattern

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
(₹ in crore)						
Composition of Fiscal Deficit						
1	Revenue Deficit(-)/Revenue Surplus (+)	602.41	850.80	-537.32	-151.60	-815.38
2	Net Capital Expenditure	-1289.80	-983.44	-1417.28	-939.71	-1734.05
3	Net Loans and Advances	-12.02	-4.60	-71.48	-12.46	-54.13
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	718.33	919.81	862.60	1070.46	1587.00
2	Loans from GOI	-15.64	-13.67	1.79	-9.71	323.71 ²⁰
3	Special Securities issued to NSSF	-42.38	45.38	-49.62	-53.75	-53.75
4	Loans from Financial Institutions	135.71	34.76	113.98	70.31	97.41
5	Small Savings, PF, etc.	141.17	157.71	179.36	203.54	211.44
6	Deposits and Advances	2.07	-23.89	3.97	-560.89	61.64
7	Suspense and Miscellaneous	889.56	-527.76	26.52	-5.78	-23.43
8	Remittances	13.09	8.57	-17.21	-7.68	-14.69
9	Reserve Fund	1.26	4.09	2.59	190.14	-30.48
10	Contingency Fund	-	-	-	-1.96	1.96
11	Overall Deficit	1843.17	605.00	1123.98	894.68	2160.81
12	Increase/Decrease in cash balance	-1143.76	-467.76	902.10	209.09	442.75
13	Gross Fiscal Deficit	699.41	237.24	2026.08	1103.77	2603.56

Fiscal Deficits during the five-year period, came down to ₹ 1103.77 crore during 2019-20 and again peaked at ₹ 2603.56 crore during 2020-21.

During 2020-21, Fiscal Deficit was primarily financed by net market borrowings (₹ 1587 crore), loans from GoI (₹ 323.71 crore), small savings, provident funds, etc. (₹ 211.44 crore), deposits and advances (₹ 61.64 crore) and cash balances (₹ 442.75 crore).

2.7.2 Debt profile: Maturity and Repayment

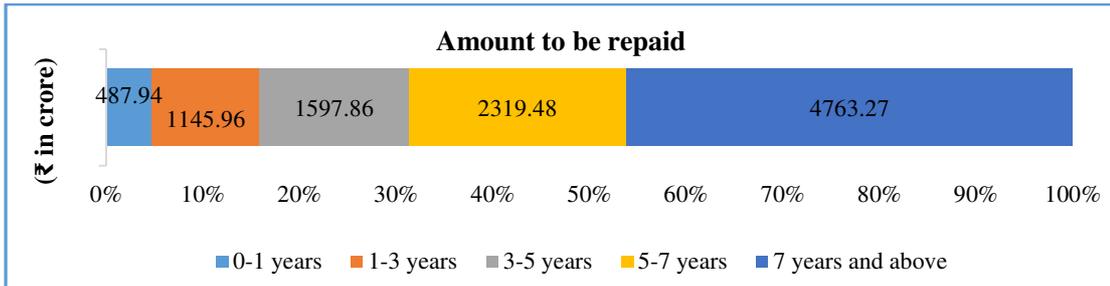
Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2020-21, the maturity profile of debt is as indicated in **Table 2.35** and **Chart 2.19**.

Table 2.35: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	487.94	5
1 – 3	1145.96	11
3 – 5	1597.86	16
5 – 7	2319.48	22
7 and above	4763.27	46
Total	10314.51	100

²⁰ Meghalaya received back to back loan of ₹ 112 crore from GoI in lieu of GST compensation shortfall with no repayment liability to the State.

Chart 2.19: Debt Maturity Profile



The maturity profile of outstanding stock of public debt as on 31 March 2021 indicated that out of the outstanding public debt of ₹ 10,314.51 crore, 53.82 per cent (₹ 5551.23 crore) is payable within the next seven years. The remaining 46.18 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 72.33 per cent (₹ 9931.96 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.

2.8 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt in future. Sustainability of debt therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in Fiscal Deficit should match with increase in capacity to service the debt. Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. 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 also the maturity profile of State Government securities as given in the preceding Paragraph 2.7.2.

Table 2.36 and Chart 2.20 analyses debt sustainability indicators of the State for the five-year period beginning from 2016-17.

Table 2.36: Trends in Debt Sustainability Indicators

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	5506.29	6401.81	7330.56	8407.87	10362.24 ²¹
Rate of Growth of Outstanding Public Debt	16.90	16.26	14.51	14.70	23.24
GSDP	27439.00	29508.00	32176.00	34716.00	33436.00
Rate of Growth of GSDP	9.24	7.54	9.04	7.89	-3.69

²¹ The effective Outstanding Public Debt will be ₹ 10,362.24 crore minus ₹ 112.00 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 112 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

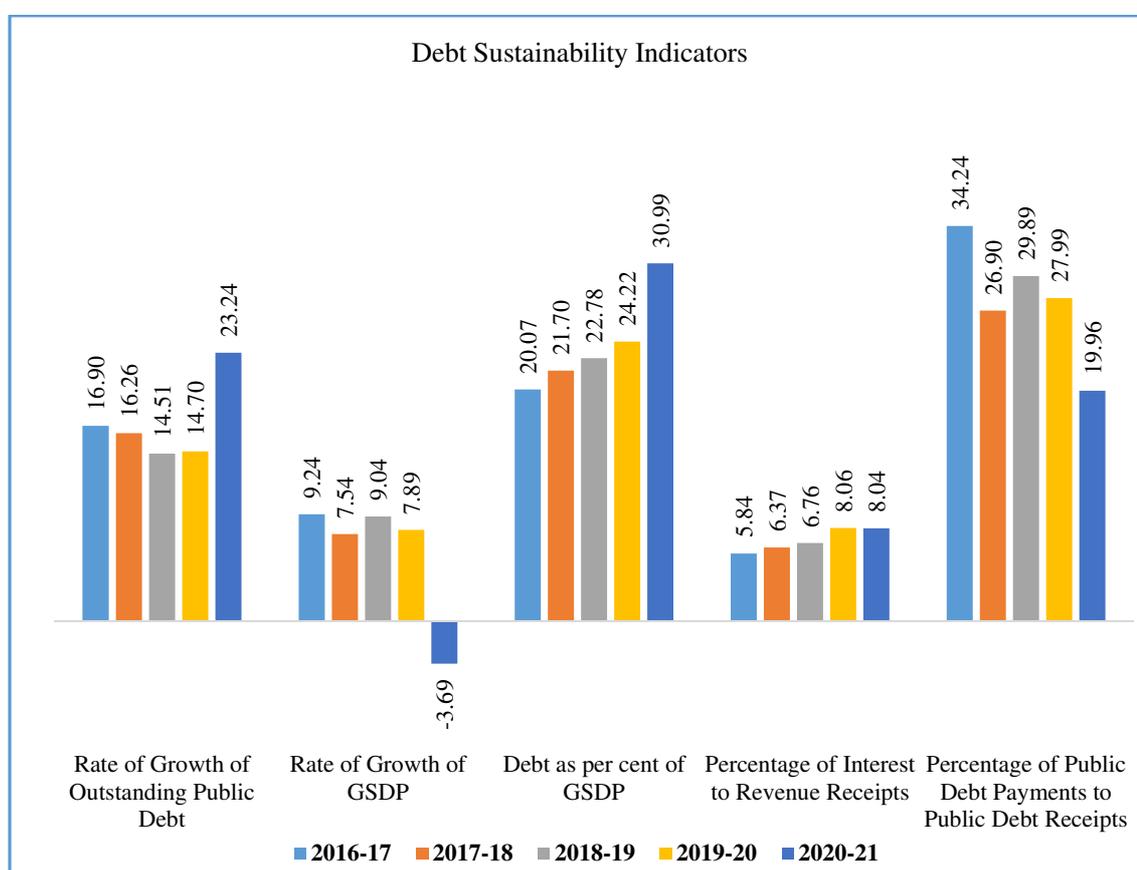
Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Public Debt/GSDP	20.07	21.70	22.78	24.22	30.99
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	6.47	6.40	6.53	6.85	6.80
Percentage of Interest payment to Revenue Receipt	5.84	6.37	6.76	8.06	8.04
Percentage of Debt Repayment to Debt Receipt	34.24	26.90	29.89	27.99	19.96
Net Debt available to the State [#]	273.79	304.34	271.94	318.80	1095.45
Net Debt available as <i>per cent</i> to Debt Receipts	22.62	24.84	20.53	21.31	44.86
Debt Stabilisation (Quantum spread + Primary Deficit)	415.23	910.17	-821.09	-225.31	-3173.25

Source: Finance Accounts.

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

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

Chart 2.20: Trends of Debt Sustainability indicators



From the above it is seen that the Debt-GSDP ratio ranged between 20.07 *per cent* and 30.99 *per cent* during the five-year period, 2016-17 to 2020-21. In terms of net public debt availability, the State had seen an increase of 243.62 *per cent* from ₹ 318.80 crore during 2019-20 to ₹ 1095.45 crore in 2020-21.

2.8.1 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State

Governments have come out with legislations or instructions with regard to cap on the guarantees. For instance, in some States, the Government guarantees are to be restricted to a certain percentage of the State's Tax and Non-Tax Revenue of the second preceding year.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2016-17 to 2020-21 are shown in **Table 2.37**.

Table 2.37: Guarantees given by the State Government (₹ in crore)

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Criteria as per MFRBM Act, 2006	Restrict issuing of guarantees, except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed (there is no statutory limit)				
Outstanding amount of guarantees including interest	982.89	1151.85	1163.09	1120.14	3060.99

During 2020-21, the outstanding guarantee was 117.92 *per cent* of State Own Tax and Non- Tax Revenue as compared to 46.26 *per cent* during 2019-20. Out of the total outstanding guarantees of ₹ 3060.99 crore during 2020-21, guarantees amounting to ₹ 3034.54 crore (99.14 *per cent*) pertained to the power sector.

2.8.2 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund, Guarantee Redemption Fund as well.

Table 2.38 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.38: Cash Balances and their investment

	(₹ in crore)	
	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	38.02	30.45
Deposits with Reserve Bank of India	-234.39	50.65
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	-196.37	81.10
Investments held in Cash Balance investment account	801.61	81.39
Total (A)	605.24	162.49

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.20	0.20
Permanent advances for contingent expenditure with department officers	0.04	0.04
Investment out of earmarked funds	438.40	606.39
Total (B)	438.64	606.63
Total (A + B)	1043.88	769.12
Interest realised	22.85	5.90

Source: Finance Accounts.

General Cash Balance of the State Government at the end of the current year decreased by ₹ 442.75 crore from ₹ 605.24 crore in 2019-20 to ₹ 162.49 crore in 2020-21. State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 5.90 crore during 2020-21 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 606.39 crore in earmarked funds, ₹ 118 crore was invested in the State Disaster Response Fund Investment Account, ₹ 451.01 crore in Sinking Fund Investment Account and ₹ 37.39 crore in Guarantee Fund Investment Account at the end of the year.

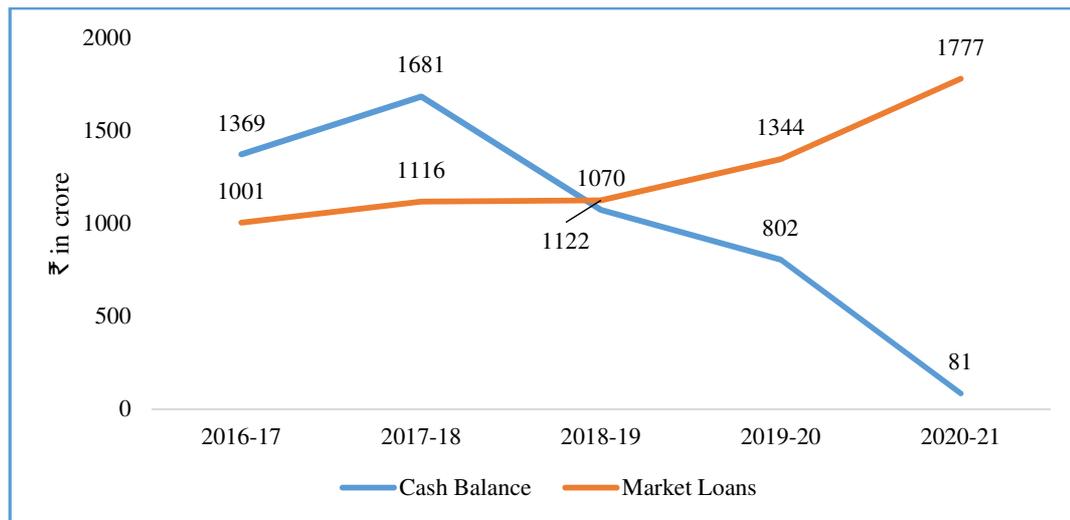
The cash balance investments of the State during the five-year period 2016-17 to 2020-21 are given in **Table 2.39**:

Table 2.39: Cash Balance Investment Account (Major Head-8673)

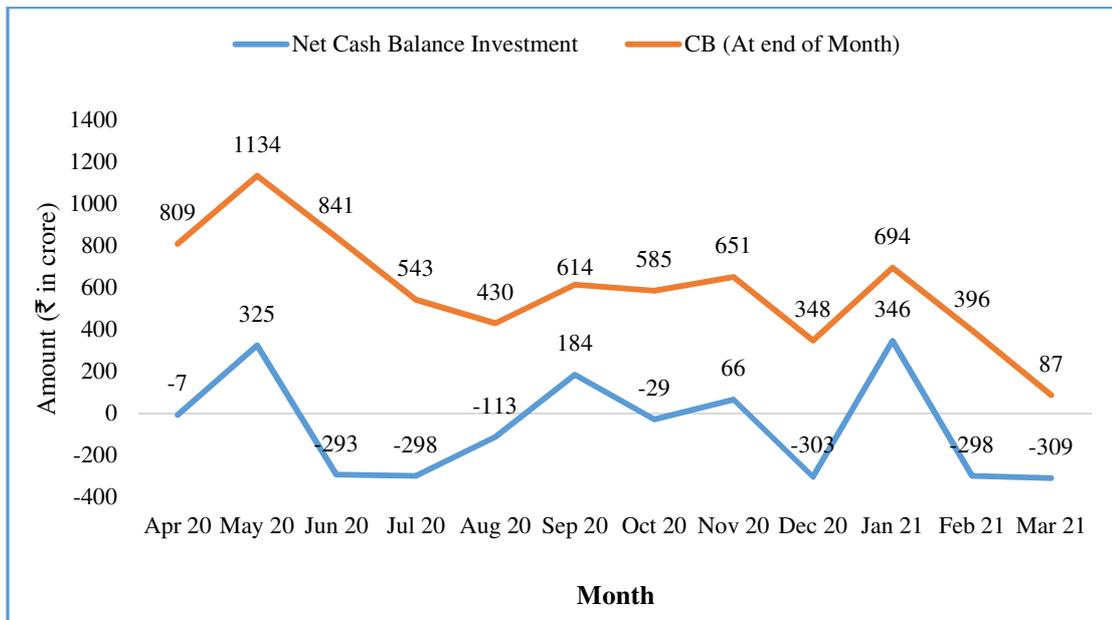
Year	Opening Balance	Closing Balance	(₹ in crore)	
			Increase (+) / decrease (-)	Interest earned
2016-17	267.65	1369.24	1101.60	37.98
2017-18	1369.24	1680.66	311.42	44.88
2018-19	1680.66	1070.04	-610.62	52.20
2019-20	1070.04	801.61	-268.43	22.85
2020-21	801.61	81.39	-720.22	5.90

During the current year, *i.e.*, 2020-21, the cash balance stood at 0.43 *per cent* of the budget (₹ 18,999 crore) of the State.

Chart 2.21 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2016-21. **Chart 2.22** compares the month-wise cash balances and net cash balance investments during the year 2020-21.

Chart 2.21: Market loans vis-à-vis Cash Balance

Source: Information received from AG(A&E).

Chart 2.22: Month wise movement of Cash Balances and net cash balance investments during the year

Source: Information received from AG(A&E).

The State Government may take the cash balances available with them into consideration before taking a decision on borrowings.

2.9 Conclusion

In conclusion, the analysis of state of finances of the Government of Meghalaya, in terms of its total receipts and expenditure for the financial year (FY) 2020-21 shows that the State turned into a Revenue Deficit State, from being a revenue surplus state until the FY 2017-18.

Revenue Receipts during 2020-21 were ₹ 10,683.24 crore and had increased by 13.49 per cent (₹ 1269.72 crore) over the previous year and the own tax revenue of the State (₹ 2072.56 crore) increased by 9.59 per cent (₹ 181.31 crore). The Goods and

Services Tax (GST) registered a decrease of ₹ 86.97 crore (9.56 per cent), over the previous year and the collections were ₹ 822.81 crore. The Central tax transfers increased by ₹ 339.85 crore (8.07 per cent) during 2020-21 compared to previous year. The Central tax transfers, however, contributed 42.61 per cent of the Revenue Receipts during the year, indicating their predominance in Revenue Receipts of the State.

The Revenue Expenditure during 2020-21 which was ₹ 11,498.62 crore increased by 20.21 per cent compared to the previous year. Revenue Expenditure as percentage of total expenditure decreased from 90.68 per cent in 2019-20 to 86.36 per cent in the current year. Expenditure on salaries and wages was ₹ 3383.67 crore (29.43 per cent). The pension payments, including other retirement benefits, were ₹ 1193.61 crore, an increase of 5.48 per cent over the previous year. The interest payments were ₹ 858.92 crore which was 7.47 per cent of the total Revenue Expenditure. During 2020-21, Revenue Expenditure has increased over the previous year by ₹ 1933.50 crore. The substantial increase in Revenue Expenditure was due to increased interest payments, medical and public health expenditure due to Covid-19 pandemic, rural employment guarantee schemes and various projects (Externally Aided Projects, Community Development Programmes, etc.) under Secretariat Economic Services.

Capital outlay during 2020-21 was ₹ 1734.05 crore and increased by 84.53 per cent over the previous year. Capital Expenditure as a percentage of total expenditure has remained stagnant at 13 per cent over the period 2016-17 to 2020-21.

Out of the 103 incomplete projects as on 31 March 2021, 62 projects had over-shot their schedules by one to more than 10 years. The expenditure incurred on the 103 incomplete projects was ₹ 841.85 crore.

Receipts in public account (₹ 4799.03 crore) exceeded the disbursements (₹ 4594.56 crore) by ₹ 204.47 crore during 2020-21.

As on 31 March 2021, the State Disaster Response Fund (SDRF) had an unutilised balance of ₹ 122.70 crore. As the SDRF is an interest bearing Reserve Fund, the liability of interest payment rests with the State Government. Non-payment of interest amounting to ₹ 11.38 crore resulted in understatement of Revenue Deficit to that extent.

Under Guarantee Redemption Fund, there was short contribution of ₹ 0.22 crore, resulting in understatement of Revenue and Fiscal Deficit by ₹ 0.22 crore.

During 2020-21, the State Government issued guarantees of ₹ 1975.92 crore. However, the State Government did not receive any amount towards guarantee commission. As such, Guarantee Commission fee of ₹ 25.29 crore (₹ 19.76 crore on the guaranteed amount during the year 2020-21 and ₹ 5.53 crore on outstanding guarantees as on 31 March 2020) was receivable during the year.

The prevalence of Fiscal Deficit during 2016-21 indicated continued reliance of the State on borrowed funds, resulting in increased fiscal liabilities of the State over the period 2016-21. Fiscal liabilities increased by ₹ 2196.95 crore (19.05 per cent) during 2020-21 compared to previous year. The fiscal liabilities during 2020-21 stood at

41 *per cent* of the GSDP and exceeded the limit of total outstanding Debt-GSDP ratio target fixed in the State FRBM Act, (28 *per cent* up to 2019-20 and 37.39 *per cent* during 2020-21).

Cash Balances of the State Government at the end of the current year decreased by ₹ 442.75 crore from ₹ 605.24 crore in 2019-20 to ₹ 162.49 crore in 2020-21. Cash Balance investment decreased from ₹ 801.61 crore in 2019-20 to ₹ 81.10 crore in 2020-21.

2.10 Recommendations

State Government needs to make stringent efforts to mobilise additional revenue resources in order to reduce dependence on debt financing.

The State Government should formulate guidelines for quick completion of incomplete projects and strictly monitor reasons for time and cost overrun with a view to take corrective action. In addition, it should give priority to works nearing completion.

