



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 five year period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State. Information has also been obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates during 2021-22 vis-à-vis 2020-21

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts	Revenue Receipts increased by ₹ 3,590.90 crore (33.61 per cent) Own Tax Receipts increased by ₹ 227.82 crore (10.99 per cent) Non-Tax Receipts increased by ₹ 1.41 crore (0.27 per cent) State's Share of Union Taxes and Duties increased by ₹ 2,029.00 crore (44.58 per cent) Grants-in-Aid from Government of India increased by ₹ 1,332.67 crore (37.69 per cent)
Revenue Expenditure	Revenue Expenditure increased by ₹ 2,121.60 crore (18.45 per cent) Revenue Expenditure on General Services increased by ₹ 452.93 crore (11.32 per cent) Revenue Expenditure on Social Services increased by ₹ 908.22 crore (20.89 per cent) Revenue Expenditure on Economic Services increased by ₹ 760.45 crore (24.13 per cent) Expenditure on Grants-in-Aid increased by ₹ 1,332.67 crore (37.69 per cent)
Capital Expenditure	Capital Expenditure increased by ₹ 1,017.74 crore (58.69 per cent) Capital Expenditure on General Services increased by ₹ 39.26 crore (29.67 per cent) Capital Expenditure on Social Services increased by ₹ 654.15 crore (121.22 per cent) Capital Expenditure on Economic Services increased by ₹ 324.33 crore (30.54 per cent)
Loans and Advances	Disbursement of Loans and Advances increased by ₹ 3.43 crore (4.19 per cent) Recoveries of Loans and Advances decreased by ₹ 3.36 crore (12.10 per cent)
Public Debt	Public Debt Receipts increased by ₹ 1,578.06 crore (64.62 per cent) Repayment of Public Debt increased by ₹ 1728.68 crore (354.59 per cent)
Public Account	Public Account Receipts increased by ₹ 299.32 crore (6.24 per cent) Disbursement of Public Account increased by ₹ 353.89 crore (7.70 per cent)
Cash Balance	Cash Balance decreased by ₹ 205.16 crore (126.26 per cent)

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

2.3 Sources and Application of Funds

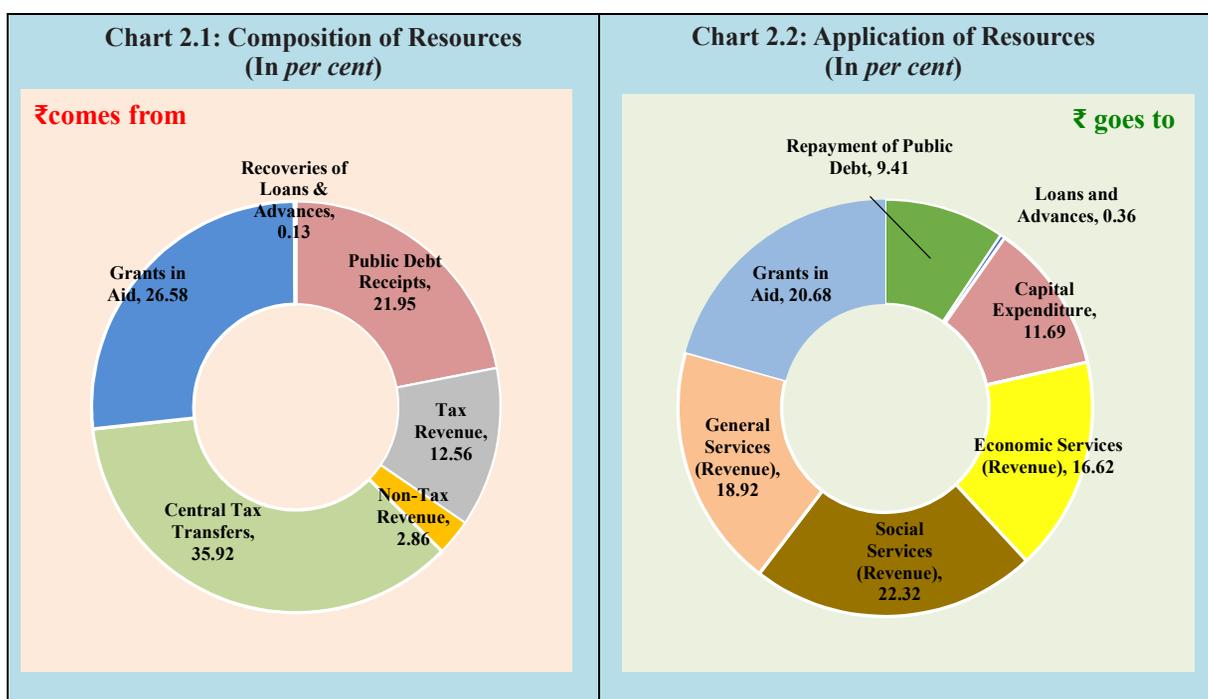
Table 2.2 compares the sources and application of funds of the State during 2021-22 with 2020-21 in absolute terms, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-2022

(₹ in crore)

	Particulars	2020-21	2021-22	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance with RBI	605.24	162.49	-442.75
	Revenue Receipts	10,683.24	14,274.14	3,590.90
	Recoveries of Loans and Advances	27.77	24.41	-3.36
	Public Debt Receipts (Net)	1,954.37	1,803.75	-150.62
	Public Account Receipts (Net)	204.48	149.90	-54.58
	Contingency Fund Receipts	1.96	200.00	198.04
	Total	13,477.06	16,614.69	3,137.63
Application	Revenue Expenditure	11,498.62	13,620.22	2,121.60
	Capital Expenditure	1,734.05	2,751.79	1,017.74
	Disbursement of Loans and Advances	81.90	85.34	3.44
	Appropriation to Contingency Fund ⁶	-	200.00	200.00
	Contingency Fund disbursement	-	-	0.00
	Closing Cash Balance with RBI	162.49	(-)42.66	-205.15
	Total	13,477.06	16,614.69	3,137.63

Source: Finance Accounts 2021-22.



Source: Finance Accounts 2021-22.

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 Government of India (GoI).

¹² Any Appropriation to Contingency Fund for increasing the Corpus of the Fund also forms part of the Total Expenditure.

Capital Receipts comprise debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), loans and advances from GoI and miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances.

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

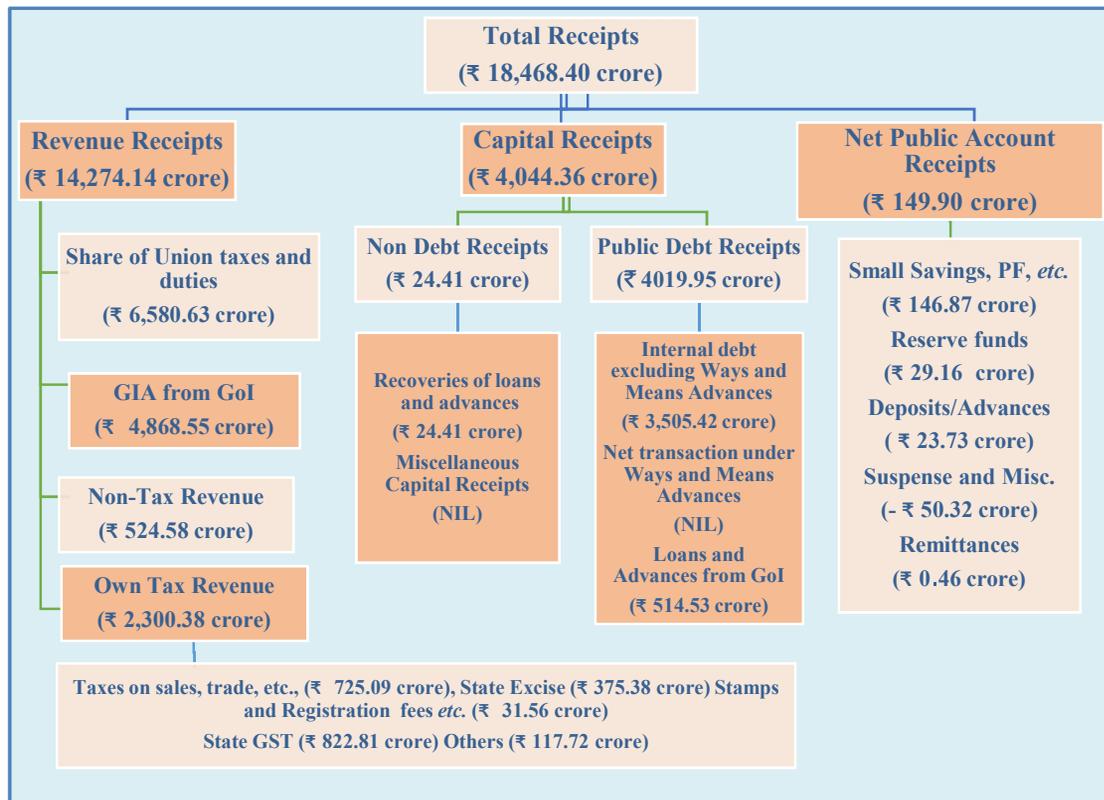
Net Public Account Receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 2021-22



Total Receipts of the State for 2021-22 was ₹ 18,468.40 crore, of which ₹ 14,274.14 crore (77 per cent) came from Revenue Receipts, while ₹ 4,044.36 crore (22 per cent) came from public debt receipts and recoveries of loans and advances, and ₹ 149.90 crore (one per cent) from net Public Account receipts.

2.4.2 State's Revenue Receipts

This section discusses the trends in Revenue Receipts and its components, 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 2017-22. Further, trends in Revenue Receipts relative to GSDP and components of Revenue Receipts are given in Charts 2.4 and 2.5 respectively.

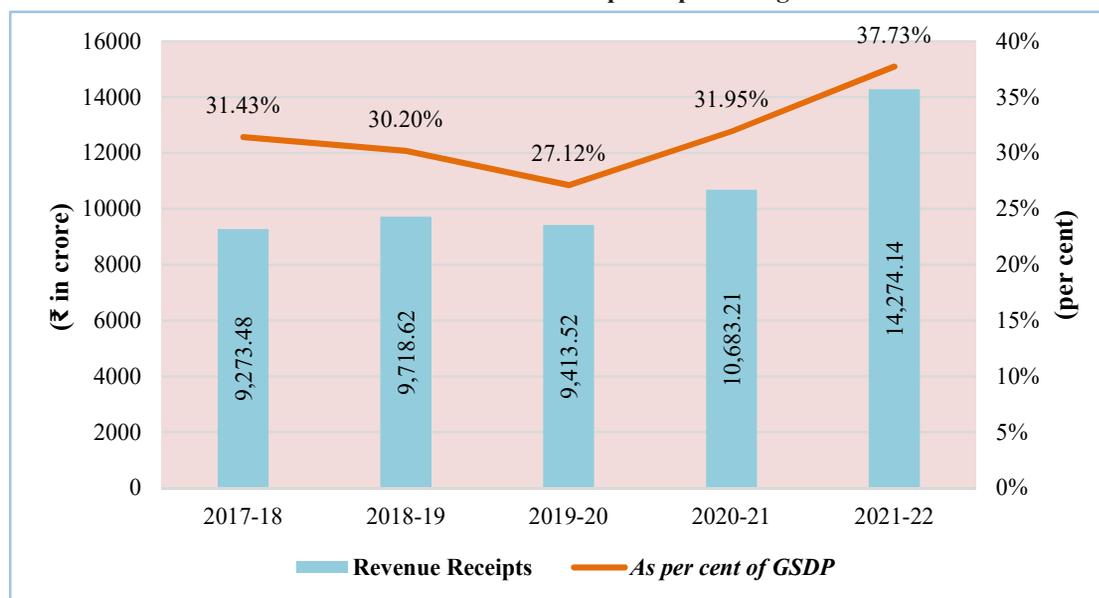
Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Own Tax Revenue	1,450.10	1,793.24	1,891.25	2,072.56	2,300.38
Non-Tax Revenue	366.63	427.70	530.11	523.17	524.58
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	-2.91	22.25	9.02	7.20	8.83
Revenue Receipts (RR) (₹ in crore)	9,273.48	9,718.62	9,413.52	10,683.24	14,274.14
Rate of growth of RR (per cent)	3.74	4.80	-3.14	13.49	33.61
GSDP (₹ in crore) (2011-12 Series)	29,508	32,176	34,770	34,719	37,830
Rate of growth of GSDP (per cent)	7.54	9.04	8.06	(-) 0.15	8.96
RR/GSDP (per cent)	31.43	30.20	27.12	31.95	37.73
Buoyancy Ratios ¹³					
Revenue Buoyancy w.r.t GSDP	0.50	0.53	-0.39	*	3.75
State's Own Revenue Buoyancy w.r.t GSDP	-0.39	2.46	1.12	*	0.99

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

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

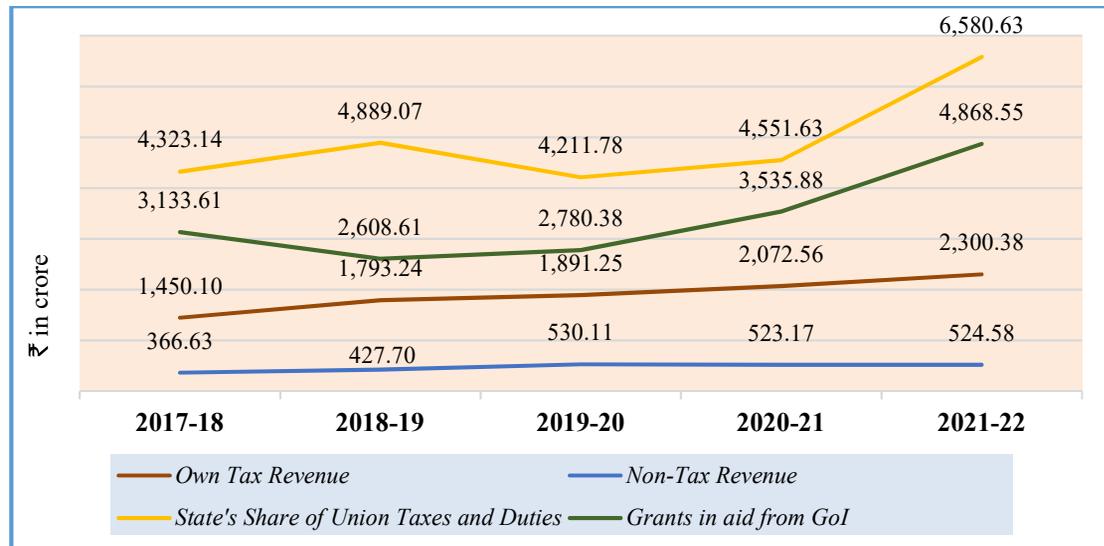
Chart 2.4: Trend of Revenue Receipts as percentage of GSDP



Source: Finance Accounts of respective years.

¹³ 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 3.75 implies that Revenue Receipts tend to increase by 3.75 percentage points, if the GSDP increases by one per cent.

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts of respective years.

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

Revenue Receipts increased by 19.51 per cent from ₹ 9,273.48 crore in 2017-18 to ₹ 14,274.14 crore in 2021-22 at a compounded annual growth rate of 11.39 per cent. In this period, the State's own revenue increased from ₹ 1,816.73 crore to ₹ 2,824.96 crore, at CAGR of 11.67 per cent. On an average the State's own resources have contributed 22.45 per cent to Revenue Receipts.

During 2021-22, the State's own revenue contributed approximately 19.79 per cent of Revenue Receipts, while Central Tax Transfers and Grants-in-Aid together contributed 80.21 per cent. In comparison with the previous year, during 2021-22, State's Own Revenue has grown by 8.83 per cent compared to 7.20 per cent in the previous year. The contribution of Central Tax Transfers and Grants-in-Aid in the total revenue kitty of the State over the past five years between 2017-22 has ranged between 74.28 per cent to 80.41 per cent. State's share of Union Taxes & Duties and GIA from GoI increased by ₹ 2,029.00 crore (44.58 per cent) and ₹ 1,332.67 crore (37.69 per cent) respectively during 2021-22 over the previous year.

Thus, while State's own share of revenue has grown by about 20 per cent over the past five years, 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.

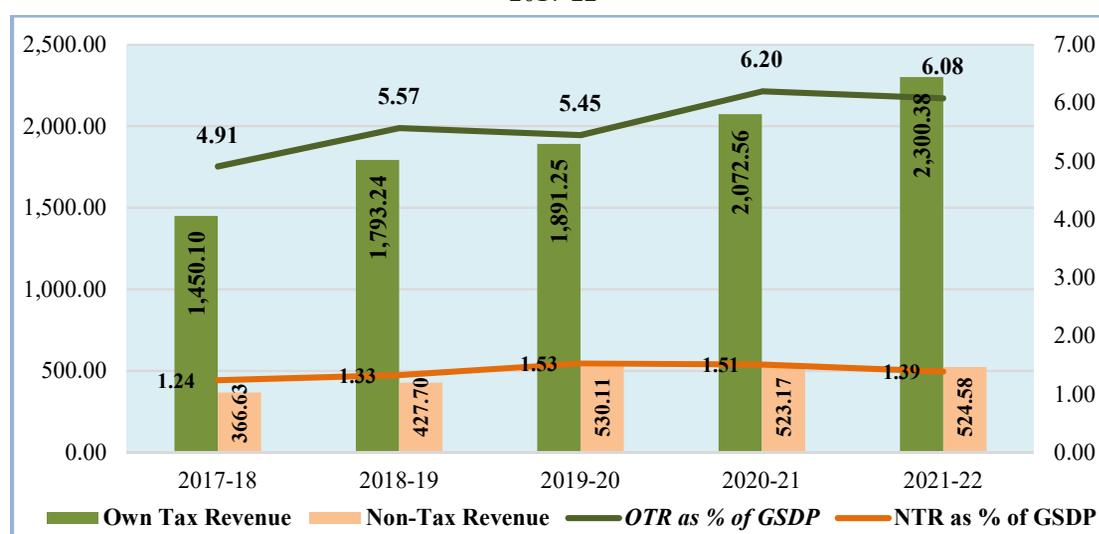
Revenue buoyancy, seen as a percentage point growth in revenue vis-à-vis GSDP growth, hovered around 0.50 during 2017-18 and 2018-19. During 2019-20, the same became negative indicating that tax and non-tax collections of the State did not contribute to the growth of the GSDP. Due to the impact of Covid-19 pandemic in 2020-21, revenue buoyancy could not be estimated due to negative growth. However, there is a jump of 3.75 in revenue buoyancy with respect to GSDP during 2021-22, which has also contributed to the Revenue Surplus budget during the year, as discussed in Chapter-I.

2.4.2.2 State's Own Resources

The 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.

Chart 2.6 depicts the five-year trend in the gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2017-22. (Please refer to **Appendix 2.1** for details).

Chart 2.6: Gross collections of Own Tax and Non-Tax Revenue and their share in GSDP during 2017-22

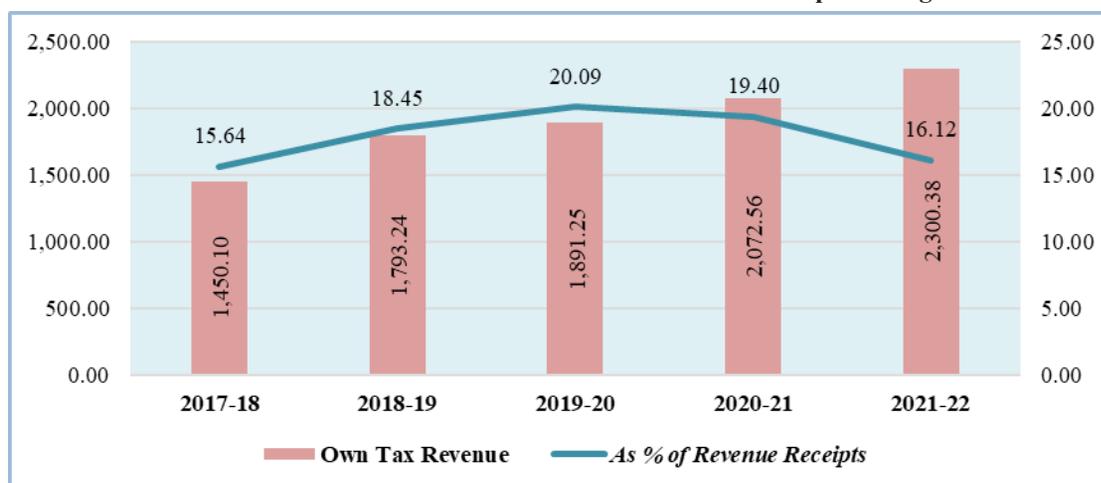


Source: Finance Accounts of respective years.

The State's own tax revenue as percentage of GSDP has hovered around five *per cent* to six *per cent* and is the main source of State's own revenues.

Chart 2.7 presents the trend of growth of Own Tax Revenue of the State during the five-year period 2017-22.

Chart 2.7: Growth of Own Tax Revenue vis-à-vis Revenue Receipts during 2017-22



Source: Finance Accounts of respective years.

Own Tax Revenue of the State increased by ₹ 850.28 crore from ₹ 1,450.10 crore in 2017-18 to ₹ 2,300.38 crore in 2021-22 at a CAGR of 12.23 *per cent*. The major contributors were SGST (from ₹ 376 crore to ₹ 1,117.94 crore), State Excise (₹ 199.30 crore to ₹ 308.00 crore) and Taxes on vehicles (₹ 67.01 crore to ₹ 99.42 crore). The State also collected a fair share of Tax Revenue from Stamp duty and Registration fees (₹ 20.25 crore to ₹ 27.06 crore), Land Revenue (₹ 2.08 crore to ₹ 9.83 crore) and Taxes on goods and passengers (₹ 7.83 crore to ₹ 12.54 crore). **Table 2.4** presents the growth of major components of the State's own taxes.

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Taxes on Sales, Trades, etc.	766.63	627.50	567.13	725.09	767.52	718.89
State Goods and Services Tax	376.00	805.96	909.78	822.81	489.30	1,117.94
State Excise	199.30	226.21	276.27	375.38	360.00	308.00
Taxes on Vehicles	67.01	86.95	99.24	78.62	125.00	99.42
Stamp duty and Registration Fees	20.25	26.19	20.34	31.56	21.30	27.06
Land Revenue	2.08	2.73	1.00	21.29	4.51	9.83
Taxes on Goods and Passengers	7.83	8.45	9.13	10.72	10.00	12.54
Other Taxes	11.00	9.25	8.36	7.09	801.60 ¹⁴	6.70
Total	1,450.10	1,793.24	1,891.25	2,072.56	2,579.23	2,300.38

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

During 2021-22, the State's Own Tax Revenue comprised 16.12 *per cent* of total Revenue Receipts, of which State Goods and Services Tax at ₹ 1,117.94 crore contributed to 48.60 *per cent* of Total Tax Revenue. Next highest source of Tax Revenue was Taxes on Sales, Trade, etc., (31.25 *per cent*) and State Excise (13.39 *per cent*).

The increase in Own Tax Revenue over the previous year was mainly due to increase in collection of taxes under SGST by ₹ 295.13 crore (35.87 *per cent*) and Taxes on vehicles by ₹ 20.80 crore (26.46 *per cent*). On the other hand, tax collection reduced under State Excise by ₹ 67.38 crore (17.95 *per cent*), Land Revenue by ₹ 11.46 crore (53.83 *per cent*), Stamp Duty and Registration Fees by ₹ 4.50 crore (14.26 *per cent*), other taxes by ₹ 0.39 crore (5.50 *per cent*) and Taxes on Sales, Trades, etc. by ₹ 6.20 crore (0.86 *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 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 five years during which the GST Act has been in effect, revenue collected by Government of Meghalaya through SGST has risen by ₹ 741.94 crore from ₹ 376.00 crore in 2017-18 to ₹ 1,117.94 crore in 2021-22. The collections during 2021-22 included Advance Apportionment of IGST amounting to ₹ 46.61 crore.

¹⁴ Includes Taxes and duties on electricity, Other taxes and duties on commodities and services and Other taxes on income and expenditure.

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 projected revenue¹⁵ with 2015-16 as the base year. In case of Meghalaya, the revenue during the base year 2015-16 was ₹ 636.17 crore. The projected revenue of the State for the year 2021-22 works out to ₹ 1,396.38 crore.

Details of SGST and compensation received by the State during April 2021 to March 2022 is given in **Table 2.5**.

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

(₹ in crore)

Particulars	Amount
Projected Revenue for 2021-22	1,396.38
State Goods & Service Tax	1,117.94
Collection of Pre-GST Taxes	10.05
Total Collection	1,127.99
Compensation received (MH 1601)	162.93
Back-to-back loan in lieu of GST Compensation shortfall (MH 6004)	141.16

Source: Commissioner of Taxes, Government of Meghalaya (Provisional Figures).

During 2021-22, State Government received compensation of ₹ 162.93 crore as Grant-in-Aid and ₹ 141.16 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 (s) 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 GST, of which registration of 1,576 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 additions.

During 2021-22, the Taxation Department registered 1,940 new dealers while registration of 478 migrated dealers were cancelled. Thus, as on 31 March 2022, there were 29,994 registered dealers under GST with the State Taxation Department, out of which 8,108 GST registrations pertained to dealers who had migrated from MVAT to GST and 21,886 GST registrations were new additions.

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 2022 is as given in **Table 2.6**.

¹⁵ 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 2.6: 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	26,642	26,642	16,491	61.90
GSTR 3B	Monthly	Regular	26,642	26,642	19,606	73.59
GSTR 7	Monthly	TDS	533	533	260	48.78
GSTR 8	Monthly	TCS	92	92	43	46.74
GSTR 9	Annual	Regular	16,571	16,571	9,188	55.45
GSTR 9A	Annual	Composition	2,876	2,876	1,269	44.12

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 (73.59 per cent of the returns due for submission) were higher than GSTR 1 returns filed (61.90 per cent) during the same period. The filing of GSTR 9 and GSTR 9A returns accounted for only 55.45 per cent and 44.12 per cent of the returns due for submission respectively.

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 48.78 per cent and 46.74 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 2022 under some principal heads of revenue were ₹ 117.83 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 2022	Amount outstanding for more than five years as on 31 March 2022
1.	0040-Taxes on Sales, Trade, etc.	105.12	37.06
2.	0039-State Excise	7.68	4.84
3.	8782-Forest Remittance	5.03	5.03
	Total	117.83	46.93

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

From **Table 2.7**, it may be seen that recovery of ₹ 117.83 crore was pending against three principal heads of revenue, which was 4.17 per cent of the State's own revenue collection (Own Tax Revenue: ₹ 2,300.38 crore + Non-tax Revenue: ₹ 524.58 crore) for 2021-22. Revenue amounting to ₹ 46.93 crore (39.83 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 erstwhile 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 within 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 2021	New cases due for assessment during 2021-22	Total assessments due	Cases disposed of during 2021-22	Balance at the end of the year
0040-Taxes on Sales, Trade, etc.	84,322	312	84,634	7,571	77,063

Source: Information received from the Taxation Department.

From **Table 2.8**, it is seen that only 7,571 cases, *i.e.* 8.95 per cent of the total pending cases were disposed of during 2021-22. There were 77,063 cases (91.05 per cent) pending for assessment at the end of the year.

Keeping in view the huge pendency in assessment of returns, the State Government needs to complete assessments of the pending cases in a time bound manner, and for recovery of dues before these become time-barred.

Details of evasion of tax detected by Department

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 2021-22 are given in **Table 2.9**.

Table 2.9: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	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 2022
					No. of cases	Amount (₹ in crore)	
1.	0040 – Taxes on Sales, Trade	Nil	1	1	1	0.01	Nil
2.	0006 – SGST	32	62	94	68	0.36	26
Total		32	63	95	69	0.37	26

Source: Information furnished by Taxation Department.

It may be seen from **Table 2.9** that during the year 2021-22, the Department detected 63 cases of evasion of tax. Out of 95 cases, only 69 cases were assessed/ investigated and completed, and an additional demand of ₹ 0.37 crore was raised (March 2022). As on 31 March 2022, 26 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 2021-22, claims received during the year, refunds made during the year and cases pending at the end of the year 2021-22, as reported by Taxation Department are given in the **Table 2.10**.

Table 2.10: Details of refund cases of Sales Tax/VAT& GST

(₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		GST	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding as on 01 April 2021	15	3.40	34	12.57
2.	Claims received during the year	16	13.60	95	44.37
3.	Refunds made during the year	8	0.90	63	49.22
4.	Refunds rejected during the year	-	-	3	0.07
5.	Balance outstanding at the end of year	23	16.10	32	7.65

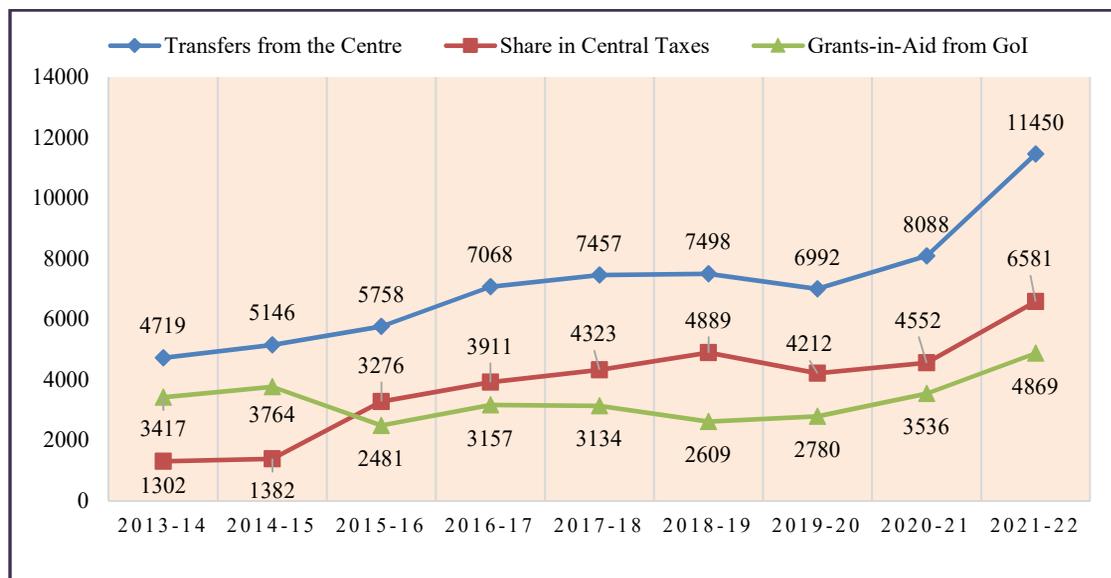
Source: Information furnished by Taxation Department.

It could be seen that out of 31 cases, refunds in only eight cases (25.81 per cent) in case of sales tax/VAT and 63 (48.84 per cent) out of 129 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 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 80.21 per cent of total Revenue Receipts during 2021-22. **Chart 2.8** presents the trend in transfers from Government of India.

Chart 2.8: Trend in transfers from Centre



Source: Finance Accounts of respective years.

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*.

Details of Central tax transfers to the State during 2017-22 are given in **Table 2.11**.

Table 2.11: Central Tax Transfers

Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Central Goods and Services Tax (CGST)	61.44	1,206.74	1,195.17	1,364.27	1,649.42	1,945.54
Integrated Goods and Services Tax (IGST)	436.56	96.30	Nil	Nil	0.00	0.00
Corporation Tax	1,324.23	1,700.27	1,436.04	1,364.90	1,485.25	1,974.31
Taxes on Income other than Corporation Tax	1,118.20	1,252.18	1,125.24	1,398.24	1,509.29	1,979.29
Customs	436.40	346.56	266.97	249.50	308.46	426.42
Union Excise Duties	456.20	230.32	185.63	154.13	149.37	198.34
Service Tax	490.15	44.70	Nil	17.73	3.15	49.84
Other Taxes ¹⁶	-0.04	12.00	2.73	2.86	-0.06	6.89
Central Tax transfers	4,323.14	4,889.07	4,211.78	4,551.63	5,104.88	6,580.63
<i>Percentage of increase over previous year</i>	<i>10.54</i>	<i>13.09</i>	<i>-13.85</i>	<i>8.07</i>	<i>-</i>	<i>44.58</i>
Central tax transfers as <i>per cent</i> to Revenue Receipts	46.62	50.31	44.74	42.61	-	46.10

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

Over the five-year period 2017-22, Central tax transfers increased by 52.22 *per cent* from ₹ 4,323.14 crore in 2017-18 to ₹ 6,580.63 crore in 2021-22. The central tax transfers during the year increased by ₹ 2,029.00 crore (44.58 *per cent*) as compared to the previous year.

2.4.2.5 Non-Tax Revenue

Table 2.12 presents the component-wise details of Non-Tax Revenue collected during the years 2017-22.

Table 2.12: Components of State's non-tax revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Interest receipts	52.50	58.26	28.91	11.53	34.98	24.65
Dividends and Profits	0.11	0.11	0.14	-	0.16	0.12
Other Non-Tax Receipts	314.02	369.33	501.06	511.64	658.49	499.81
a) <i>Non-ferrous Mining and Metallurgy</i> ^{*17}	207.88	147.56	322.84	246.44	449.98	239.78
b) <i>Forestry and Wildlife</i>	55.61	78.31	81.27	102.12	120.00	117.34
c) <i>Other Administrative Services</i>	3.76	9.25	41.30	26.98	21.57	3.73

¹⁶ Include Taxes on Wealth (₹0.24 crore) and Other Taxes and Duties on Commodities and Services (₹6.63 crore).

¹⁷ Non-Ferrous Mining and Metallurgy includes mineral concession fees, rents & royalties and Mines Department (MH-0853).

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
d) Public Works	17.01	17.64	9.78	7.05	11.83	6.34
e) Police	4.51	16.27	8.17	7.29	9.89	6.62
f) Animal Husbandry	1.85	2.10	1.91	1.96	2.31	2.20
g) Crop Husbandry	4.49	6.71	2.29	2.03	2.77	2.65
h) Others	18.91	91.49	33.50	117.77	40.54	121.15
Total	366.63	427.70	530.11	523.17	694.03	524.58

Source: Finance Accounts and Annual Financial Statement, Government of Meghalaya.

Non-Tax Receipts contributed 3.68 *per cent* to the Revenue Receipts during 2021-22. During 2017-18 to 2021-22, Non-Tax Revenue increased by 43.08 *per cent* from ₹ 366.63 crore in 2017-18 to ₹ 524.58 crore in 2021-22. During 2021-22, it increased by ₹ 1.41 crore (0.27 *per cent*) over the previous year. Interest Receipts increased by ₹ 13.12 crore (113.79 *per cent*) while receipts under dividends and profits were merely ₹ 0.12 crore. Under Other Non-Tax Revenue, royalty and fees collected under Mining concessions was the highest contributor at ₹ 239.78 crore. Similarly, receipts under Forestry and Wildlife¹⁸ was ₹ 117.34 crore.

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

State's performance in mobilisation of resources

The State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. **Table 2.13** presents the State's own tax and non-tax receipts for the year 2021-22 *vis-à-vis* projections made by the XV FC and the Budget Estimates (BEs) of the State Government.

Table 2.13: Tax and non-tax receipts *vis-à-vis* projections

Particulars	FC projections	Budget Estimates 2021-22	Actuals	Percentage variation of actuals over	
				Budget Estimates	FC projections
Own Tax Revenue	1,988.00	2,579.23	2,300.38	-10.81	15.71
Non-Tax Revenue	483.00	694.03	524.58	-24.42	8.61

During the year, tax revenue was 15.71 *per cent* higher than the assessment made by the XV FC and 10.81 *per cent* lower than the projection made in the BEs. Non-tax revenue was 8.61 *per cent* higher than the projection of XV FC and 24.42 *per cent* lower than the assessment made in the BEs for the year.

2.4.2.6 Grants-in-Aid from GoI

Grants-in-Aid (GIA) received by the State Government from GoI during 2017-22 are detailed in **Table 2.14**.

¹⁸ Receipts under Forestry and Wildlife (MH-0406) includes Sale of timber and other forest produce, Receipts from social and farm forestries, Receipts from environmental forestry and Receipts from Forest Plantations.

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

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Grants for Centrally Sponsored Schemes (CSS)	2,145.85	2,011.17	2,314.17	2,554.41	-	2,955.61
Grants for CSS (Plan ¹⁹) Schemes	-	-	-	-	4,182.60	-
Finance Commission Grants	499.96	225.60	63.93	708.51	1,546.00	1,494.65 ²⁰
Other transfers/Grants to States/ Union Territories with Legislature	487.80	371.84	402.28	275.96	1,125.05	418.31
Block Grants	-	-	-	-	-	(-)0.02
Total	3,133.61	2,608.61	2,780.38	3,535.88	6,853.65	4,868.55
Percentage of increase over the previous year	-0.73	-16.75	6.58	27.17	-	37.69
Per cent of GIA to Revenue Receipts	33.79	26.84	29.54	33.10	-	34.11

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

The total amount transferred by the Central Government to the State during the year 2021-22 was ₹ 4,868.55 crore. Grants-in-Aid from GoI increased by ₹ 1,332 crore (37.69 per cent) during the year compared to the previous year, constituting 34.11 per cent of Revenue Receipts during the year 2021-22. Grants for Centrally Sponsored Schemes (₹ 2,955.61 crore) to the State constituted 60.71 per cent of the total grants received during the year. There was a substantial increase in FC Grants (₹ 786.14 crore) during the year as compared to the previous year. FC Grants (₹ 1,494.65 crore) to the State were provided as post-devolution deficit grants²¹ and grants for Urban Local Bodies (ULBs) and State Disaster Response Fund (SDRF) constituting 30.70 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 released 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

(₹ in crore)

Transfers	Recommendation of				Actual release by GoI				Release by State Government			
	XIV FC 2015-20	XV FC 2020-21	XV FC 2021-22	Total	2015-20	2020-21	2021-22	Total	2015-20	2020-21	2021-22	Total
(a) General Basic (Untied) Grant	25.22	44.00	26.40	95.62	25.22	22.00	0.00	47.22	25.22	22.00	0.00	47.22
(b) Performance (Tied) Grant	6.30	44.00	39.60	89.90	-	22.00	-	22.00	-	22.00	-	22.00
Total for ULBs	31.52	88.00	66.00	185.52	25.22	44.00	0.00	69.22	25.22	44.00	0.00	69.22

¹⁹ 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, FC Grants and Other Grants to States

²⁰ Includes Post Devolution Revenue Deficit Grant, Grants for Rural Local Bodies and Urban Local Bodies, GIA for SDRF and SD MF.

²¹ The Post Devolution Revenue Deficit Grants are provided to the States under Article 275 of the Constitution, to meet the gap in Revenue Accounts of the States post devolution. The eligibility of States to receive this grant and the quantum of grant for the period from 2020-21 to 2025-26 was decided by the Fifteenth Finance Commission based on the gap between assessment of revenue and expenditure of the State after taking into account the assessed devolution during this period.

Transfers	Recommendation of				Actual release by GoI				Release by State Government			
	XIV FC 2015-20	XV FC 2020-21	XV FC 2021-22	Total	2015-20	2020-21	2021-22	Total	2015-20	2020-21	2021-22	Total
(a) General Basic (Untied) Grant	-	91.00	54.00	145.00	-	91.00	0.00	91.00	-	91.00	0.00	91.00
(b) Performance (Tied) Grant	-	91.00	81.00	172.00	-	91.00	40.50	131.50	-	91.00	-	91.00
Total for RLBS²²	-	182.00	135.00	317.00	-	182.00	40.50	222.50	-	182.00	0.00	182.00
SDRF/SDRMF*	134.00	73.00	73.00	280.00	119.70	66.00	66.00	251.70	133.00	66.00	52.80	251.80
Grand Total	165.52	343.00	274.00	782.52	144.92	292.00	106.50	543.42	158.22	292.00	52.80	503.02

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

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

Against total release of ₹ 543.42 crore by GoI to the State Government, actual release by the State Government to the implementing agencies was ₹ 503.02 crore leaving a gap of ₹ 40.40 crore.

State Finance Commission

The 74th Constitutional Amendment Act mandates the constitution of State Finance Commission every five years to determine sharing of revenue between the State and the Local Bodies. As per Section 3(1) of the Act, the State Government shall as soon as may be one year from the enactment of the Act and thereafter at the expiry of every fifth year constitute a body to be known as the Meghalaya State Commission to review the financial position of the traditional bodies, municipalities or municipal boards notwithstanding any term by which ULBs are called in the State.

Though Government of Meghalaya enacted the Meghalaya State Finance Commission Act, 2012 on 30th March 2012 and framed the Meghalaya Finance Commission Rules, 2013 (notified in December 2013) as per Section 10 of the Act, the State Government has not constituted the State Finance Commission (August 2022).

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

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	1,242.59	1,342.70	1,527.34	2,469.66	4,044.36
Miscellaneous Capital Receipts	NIL	NIL	NIL	NIL	NIL
Recovery of Loans and Advances	17.45	18.01	31.32	27.77	24.41
Public Debt Receipts	1,225.14	1,324.69	1,496.02	2,441.89	4,019.95
<i>Internal Debt</i>	<i>1,218.47</i>	<i>1,302.28</i>	<i>1,480.24</i>	<i>2,096.53</i>	<i>3,505.42</i>
<i>Growth rate</i>	<i>1.02</i>	<i>6.88</i>	<i>13.67</i>	<i>41.63</i>	<i>67.20</i>

²² FC Grants for RLB are mainly given to District Council Affairs Department (ADCs).

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Loans and advances from GoI	6.67	22.41	15.78	345.36 ²³	514.53 ²⁴
Growth rate	56.21	235.98	-29.59	2,088.59	48.98
Rate of growth of debt Capital Receipts	1.22	8.13	12.93	63.23	64.62
Rate of growth of non-debt Capital Receipts	-7.23	3.21	73.90	-11.34	-12.10
Rate of growth of GSDP	7.54	9.04	7.89	-3.69	8.96
Rate of growth of Capital Receipts (per cent)	1.09	8.06	13.75	61.70	63.76

Source: Finance Accounts.

Capital Receipts increased by 225.48 per cent from ₹ 1,242.59 crore in 2017-18 to ₹ 4,044.36 crore in 2021-22 with a CAGR of 34.32 per cent. 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 63.76 per cent from ₹ 2,469.66 crore in 2020-21 to ₹ 4,044.36 crore in 2021-22 on account of significant rise in internal debt by ₹ 1,408.89 crore (67.20 per cent) and loans and advances from GoI by ₹ 169.17 crore (48.98 per cent). During the year 2021-22, six market loans were taken as detailed in Table 2.17.

Table 2.17: Details of market loans during 2021-22

Sl. No.	Details of market loan	Amount (₹ in crore)	Rate of Interest (per cent)	Repayable in Year
1	Meghalaya State Development Loan	100.00	4.69	2023
2		328.00	4.95	2024
3		400.00	6.82	2031
4		80.00	7.27	2032
5		400.00	7.19	2041
6		300.00	7.02	2041
Total		1,608.00		

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

Total Expenditure, its composition and relative share in GSDP during the years 2017-18 to 2021-22 is presented in Table 2.18.

²³ Meghalaya received back-to-back loan of ₹ 112 crore under the debt receipts of the State Government with no repayment liability of the State.

²⁴ Includes back to back loan of ₹ 141.16 crore under the debt receipts of the State Government with no repayment liability of the State.

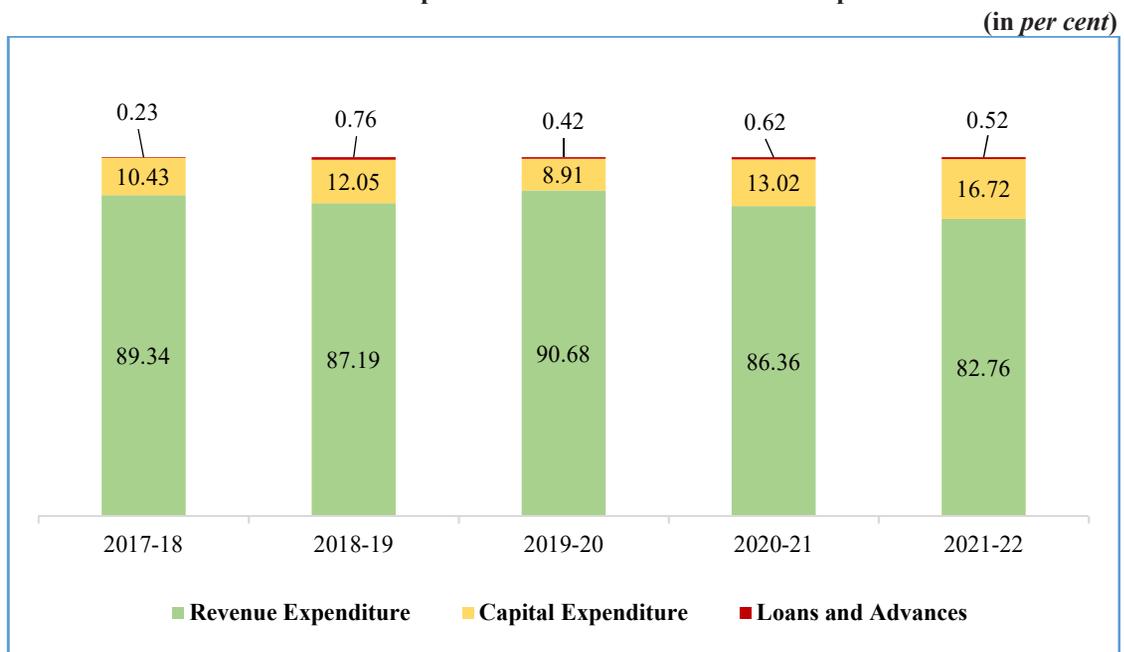
Table 2.18: Total expenditure and its composition

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	9,428.17	11,762.71	10,548.61	13,314.56	16,457.34
Revenue Expenditure (RE)	8,422.68	10,255.94	9,565.12	11,498.62	13,620.22
Capital Expenditure (CE)	983.44	1,417.28	939.71	1,734.05	2,751.79
Loans and Advances	22.05	89.49	43.78	81.90	85.33
As a percentage of GSDP					
TE/GSDP	31.95	36.56	30.39	39.82	43.50
RE/GSDP	28.54	31.87	27.55	34.39	36.00
CE/GSDP	3.33	4.40	2.71	5.19	7.27
Loans and Advances/GSDP	0.07	0.28	0.13	0.25	0.23

Table 2.18 shows that Total Expenditure (comprising of Revenue Expenditure, Capital Expenditure and disbursement of Loans and Advances) of the State increased by 74.55 per cent from ₹ 9,428.17 crore in 2017-18 to ₹ 16,457.34 crore in 2021-22.

Charts 2.9 and 2.10 present the trend of expenditure, bifurcated into revenue and capital expenditure, during the years 2017-18 to 2021-22.

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

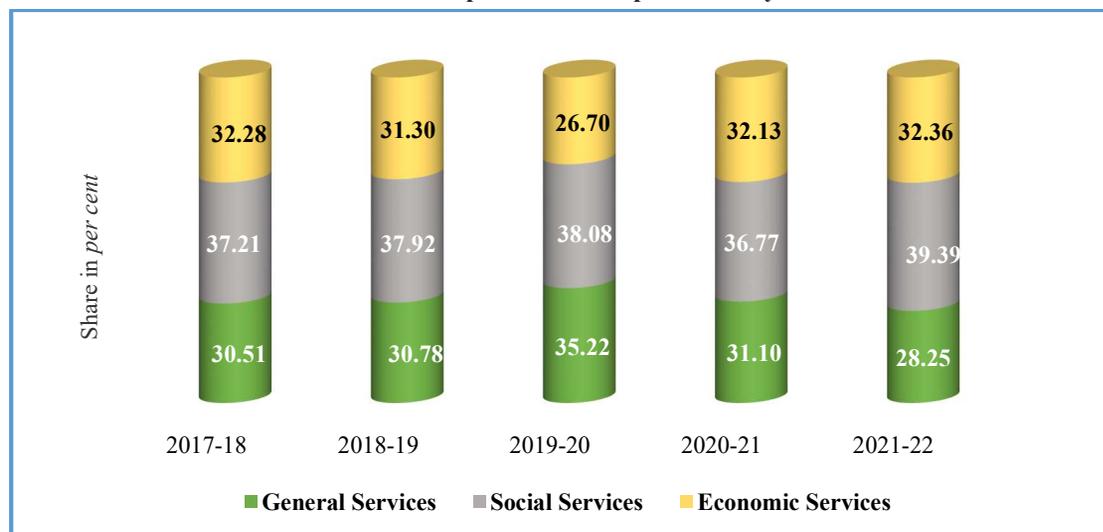


Source: Finance Accounts of respective years.

Revenue expenditure formed bulk of the total expenditure during 2017-18 to 2021-22, being more than 80 per cent of the Total Expenditure. There was a decline by about four percentage point in the Revenue Expenditure during 2021-22 over the previous year, but Revenue Expenditure remained at a high of 82.76 per cent of the total expenditure. Capital Expenditure, on the other hand, has been less than 15 per cent of Total Expenditure during each of the previous four years. During 2021-22, Capital Expenditure was recorded at 16.72 per cent over 13.02 per cent in 2020-21.

Chart 2.10 provides an overview of the Total Expenditure segregated by different sectors.

Chart 2.10: Total expenditure – Expenditure by activities



Source: Finance Accounts.

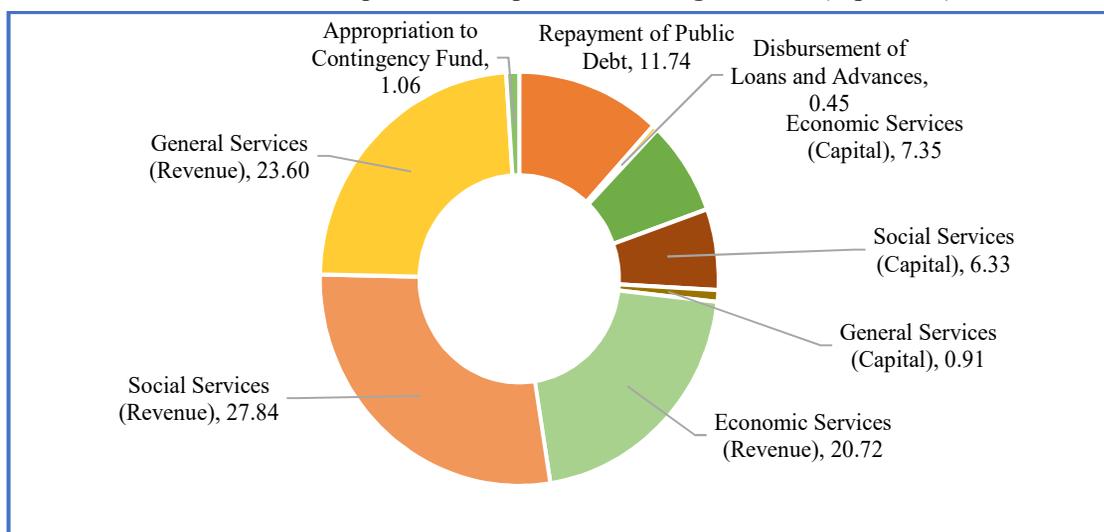
As evident from **Chart 2.10**, proportionate expenditure on social sector was highest, ranging between 36.77 per cent to 39.39 per cent during the five-year period up to 2021-22. The expenditure in economic and general sectors comprised of the remaining two thirds of Total Expenditure during this period.

Chart 2.11 provides further analysis of composition of Total Expenditure during 2021-22, by sectors segregated into Revenue and Capital Expenditure.

In keeping with the overall trend of Total Expenditure during 2021-22, the highest Revenue Expenditure is seen in the social services, followed by general services and economic services respectively. Nature of expenditure under these sectors has been detailed under **Paragraph 2.5.2**.

It is pertinent to note that repayment of public debt including interest on loans and advances comprised 11.74 per cent of Total Expenditure during 2021-22. Compared to 2020-21, this was more by 8.21 per cent.

Chart 2.11: Composition of expenditure during 2021-22 (in per cent)



Source: Finance Accounts, 2021-22.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for past obligations. 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 buoyancy²⁵ vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.19**.

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE) (₹ in crore)	9,428.17	11,762.71	10,548.61	13,314.56	16,457.34
Revenue Expenditure (RE) (₹ in crore)	8,422.68	10,255.94	9,565.12	11,498.62	13,620.22
Rate of Growth of RE (<i>per cent</i>)	1.03	21.77	-6.74	20.21	18.45
Revenue Expenditure as percentage of TE	89.34	87.19	90.68	86.36	82.76
RE/GSDP (<i>per cent</i>)	28.54	31.87	27.51	33.12	36.00
RE as percentage of RR	90.83	105.53	101.61	107.63	95.42
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.14	2.41	-0.84	-134.73	2.06
Revenue Receipts (ratio)	0.28	4.54	2.15	1.50	0.55

Source: Finance Accounts of respective years.

As seen from **Table 2.19**, while Revenue Expenditure as a proportion of Total Expenditure remained above 80 *per cent*, the rate of growth of Revenue Expenditure has been close to 20 *per cent* per annum during 2020-21 and 2021-22. This indicates that the lion's share of Government spending was on current expenditure on payment of wages and salaries, pension, rent and rates and payment of interest on outstanding debt.

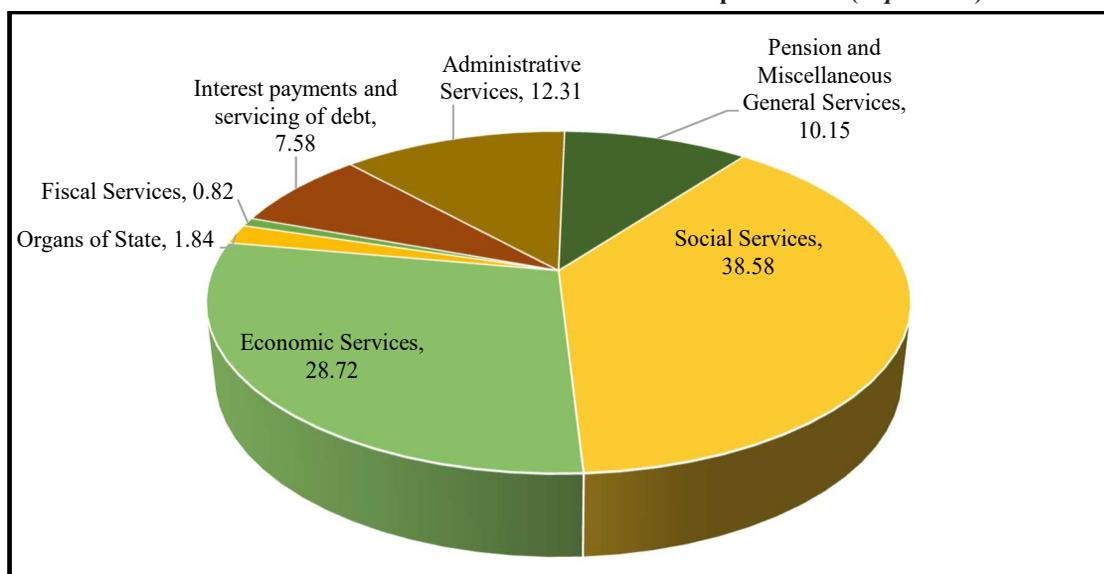
Revenue Expenditure as percentage of Revenue Receipts was 95.42 *per cent* indicating that more than 95 *per cent* of revenue receipts went into financing revenue expenditure. However, decrease in Revenue Expenditure as percentage of Revenue Receipts from 107.63 *per cent* in 2020-21 to 95.42 *per cent* in 2021-22 has improved the Fiscal Deficit gap from 7.79 *per cent* in 2020-21 to 5.71 *per cent* in 2021-22.

Buoyancy of revenue expenditure of 2.06 during 2021-22 indicates that for every percentage growth in GSDP, revenue expenditure grew by approximately two per cent.

Sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.12**.

²⁵ 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 expenditure buoyancy with respect to GSDP at 2.06 implies that Revenue expenditure tend to increase by 2.06 percentage points, if the GSDP increases by one *per cent*.

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



Source: Finance Accounts.

On an average, Revenue Expenditure formed 86.75 per cent of the Total Expenditure during the period 2017-22. During 2021-22, Revenue Expenditure (₹ 13,620.22 crore) increased by ₹ 2,121.60 crore over the previous year while RE as percentage of GSDP increased to 36.00 per cent from 33.12 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 five Major Heads under General, Economic and Social Services, led to gross increase of Revenue Expenditure by ₹ 1,485.06 crore. This increase accounted for 70.01 per cent of total increase in Revenue Expenditure (₹ 2,121.60 crore) during 2021-22, as detailed in **Table 2.20**:

Table 2.20: Substantial increase in RE (more than ₹ 100 crore) Major Head-wise

(₹ in crore)

Sl. No.	Major Head	Expenditure		Increase	
		2020-21	2021-22	Amount	Percentage
General Services					
1.	2049 – Interest Payments	858.91	963.27	104.36	12.15
2.	2071 – Pensions & Other Retirement Benefits	1,193.61	1,365.59	171.98	14.41
Social Services					
1.	2202- General Education	1,884.47	2,096.96	212.49	11.28
2.	2210 – Medical and Public Health	1,104.76	1,536.07	431.31	39.04
Economic Services					
1.	2801 – Power	115.36	680.28	564.92	489.70
	Total	5,157.11	6,642.17	1,485.06	28.80

Source: Finance Accounts.

Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions.

Table 2.21 presents the trends in the components of committed expenditure during 2017-22.

Table 2.21: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	2,669.48	3,353.65	3,440.17	3,383.67	3,795.25
Expenditure on Pensions	750.90	1,004.91	1,131.56	1,193.61	1,365.59
Interest Payments	591.18	656.81	758.51	858.92	963.27
Total	4,011.56	5,015.37	5,330.24	5,436.20	6,124.11
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	28.79	34.51	36.54	31.67	26.59
Expenditure on Pensions	8.10	10.34	12.02	11.17	9.57
Interest Payments	6.37	6.76	8.06	8.04	6.75
Total	43.26	51.61	56.62	50.88	42.91
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	31.69	32.70	35.97	29.43	27.86
Expenditure on Pensions	8.92	9.80	11.83	10.38	10.03
Interest Payments	7.02	6.40	7.93	7.47	7.07
Total	47.63	48.90	55.73	47.28	44.96

Source: Finance Accounts of respective years.

Table 2.21 shows that the committed expenditure during the current year was 44.96 per cent of Revenue Expenditure, while it accounted for 42.91 per cent of the Revenue Receipts of the State.

Percentage of committed expenditure to Revenue Expenditure during 2017-22 is given in **Chart 2.13**.

Chart 2.13: Share of Committed expenditure in total Revenue Expenditure



The details of various components of the committed expenditure are discussed below.

Salaries and Wages

The expenditure on salary and wages was ₹ 3,795.25 crore during 2021-22, an increase by ₹ 411.58 crore (12.16 per cent) compared to the previous year. The reasons for increase included mainly increase in Salaries under Secretariat Administration Department, Water Supply and Sanitation Department, Treasury and Accounts Administration Department, Police Department and Stationery and Printing Department.

Interest Payments

Interest payments amounted to ₹ 963.27 crore, an increase of ₹ 104.35 crore over previous year, and as a percentage of Revenue Expenditure constituted 7.07 per cent in 2021-22 while it was 7.47 per cent during the previous year.

Pension

Government's expenditure towards pension payments (including other retirement benefits) stood at ₹ 1,365.59 crore. Pension payments have been consistently rising during the five-year period 2017-22. Pension payments during the current year had increased by ₹ 171.98 crore, an increase of 14.41 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 2022 there were 18,512 employees under NPS of which 18,494 employees had been allotted Permanent Retirement Account Number (PRAN).

The details of funds under NPS and amount transferred to NSDL during 2017-22 are shown in **Table 2.22**:

Table 2.22: Details of funds under NPS during 2017-22

(₹ in crore)

Year	Opening Balance	Contribution			Transfer to NSDL	Less Transfer	Closing Balance
		Employees	Employer	Total			
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
2021-22	0.79	74.24	72.95	147.19	146.10	1.09	1.88

Source: Finance Accounts.

During 2021-22, the Government's contribution to the NPS was less by ₹ 1.29 crore, which resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent. As of March 2022, an amount of ₹ 1.88 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 amounting to ₹ 0.06 crore.

Subsidies

There was a decrease in expenditure booked on subsidies during the year 2021-22 as can be seen from the details given in **Table 2.23**. Subsidies booked as a percentage of Revenue Receipts decreased from 0.35 *per cent* in 2020-21 to 0.24 *per cent* in 2021-22. In absolute terms, expenditure on booking of subsidies decreased from ₹ 37.91 crore in 2020-21 to ₹ 34.25 crore in 2021-22.

Table 2.23 : Expenditure on subsidies during 2017-22

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	52.08	58.80	41.72	37.91	34.25
Subsidies as a percentage of Revenue Receipts	0.56	0.61	0.44	0.35	0.24
Subsidies as a percentage of Revenue Expenditure	0.62	0.57	0.44	0.33	0.25

Source: Finance Accounts.

Major departments where subsidy was highest were Power Department ₹ 20.00 crore, Agriculture Department ₹ 10.92 crore and Fisheries Department ₹ 3.06 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 institutions 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 2.24**.

Table 2.24 : Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Local Bodies					
Municipal Corporations and Municipalities	4.81	9.12	6.45	18.32	24.15
Panchayati Raj Institutions	-	-	-	-	-
Total (A)	4.81	9.12	6.45	18.32	24.15
Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,088.08	1,021.99	954.62	915.38	1,079.29
Development Authorities	717.21	235.37	156.33	324.03	328.33
Hospitals and Other Charitable Institutions	144.81	93.26	189.35	311.90	186.17
Other Institutions	603.27	686.75	514.45	986.80	1,447.63
Total (B)	2,553.37	2,037.37	1,814.75	2,538.11	3,041.42
Total (A+B)	2,558.18	2,046.49	1,821.20	2,556.43	3,065.57
Revenue Expenditure	8,422.68	10,255.94	9,565.12	11,498.61	13,620.22
Assistance as percentage of Revenue Expenditure	30.37	19.95	19.04	21.42	22.51

Source: Finance Accounts.

State Government’s financial assistance to Municipal bodies consists of assistance towards State Plan/Tribal Sub-Plan schemes. The quantum of financial assistance over the past five years has gone up from a mere ₹ 4.81 crore during 2017-18 to ₹ 24.15 crore in 2021-22. The increase in financial assistance was on account of increase in assistance towards implementation of State Plan/GoI schemes.

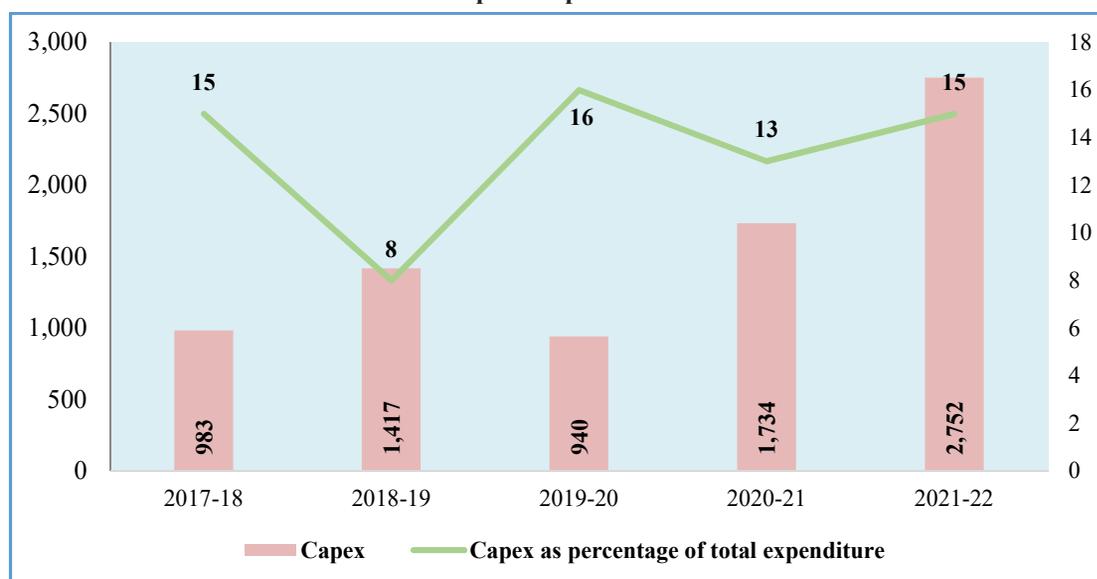
Similarly, Government’s financial assistance to other institutions other than local bodies had increased by ₹ 844.36 crore from ₹ 603.27 crore in 2017-18 to ₹ 1,447.63 crore in 2021-22, an increase of 139.96 *per cent*. The financial assistance in 2021-22 over 2020-21 was mainly due to increase in assistance under State’s share to *Sarva Shiksha Abhiyaan* (₹ 140.47 crore), financial assistance given to State Department for construction of outdoor and indoor stadiums (₹ 60.41 crore), Special Problems recommended by the Twelfth/Thirteen Finance Commission in Tribal Administration (₹ 51.79 crore), Meghalaya Industrial Development Corporation (₹ 7.50 crore), Institute of Natural Resources (₹ 4.29 crore) and Meghalaya Tourism Development Corporation (₹ 4.00 crore).

2.5.3 Capital Expenditure

Capital Expenditure (capex) refers to expenditure on creation of long term assets such as roads, bridges, buildings and other infrastructure, and government’s investment in public sector enterprises which leads to revenue generation and economic growth.

Capex of the State during the current year was ₹ 2,751.79 crore. Though in absolute monetary terms it increased by ₹ 1,018 crore over the previous year, as a percentage of total expenditure, it was ranging between eight *per cent* and 16 *per cent* for the period 2017-18 to 2021-22. Details of capex *vis-à-vis* its percentage to total expenditure during the five-year period 2017-22 are given in **Chart 2.14**.

Chart 2.14: Capital Expenditure in the State



Source: Finance Accounts of respective years.

The increase in capex during 2021-22 by ₹ 1,018 crore over the previous year was mainly on account of increase in expenditure on Capital outlay on Urban development

(₹ 446.99 crore), Roads and Bridges (₹ 271.46 crore), Water Supply and Sanitation (₹ 100.13 crore) and Minor Irrigation (₹ 21.51 crore).

2.5.3.1 Quality of Capital Expenditure

Quality of capital expenditure denotes the productivity of government resources invested in capital projects and state enterprises.

Quality of investments in the Companies, Corporations and other bodies

Return on investment in share capital invested in PSEs and history of repayment of loans given to various bodies are important determinants of the quality of capital expenditure. Investments made and loans given to companies, corporations, and cooperatives, which are loss making and those where net worth is completely eroded, affect the quality of capital expenditure.

Table 2.25 shows year-wise details of investment by Government of Meghalaya over the five-year period from 2017-18 to 2021-22.

Table 2.25: Return on Investment

	(₹ in crore)				
Investment /return/ cost of borrowings ²⁶	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year	2,628.56	2,638.43	2,648.49	2,650.39	2,657.07
Return	0.11	0.11	0.14	*	0.12
Return (<i>per cent</i>)	0.01	0.01	0.01	0	0.01
Average rate of interest on Government Borrowings (<i>per cent</i>)	6.40	6.53	6.85	6.80	6.62
Difference between interest rate and return (<i>per cent</i>)	6.39	6.52	6.84	6.80	6.61
Difference between interest on Government borrowings and return on investment[#]	168.23	172.29	181.42	180.23	175.10

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 2017-22. Government however, paid interest on its borrowings at an average rate of interest of 6.40 *per cent* to 6.85 *per cent* during 2017-22.

The State Government should review the performance of the PSEs. 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.

SPSEs having complete erosion of capital

Analysis of investment and accumulated losses of 20 working SPSEs revealed that the accumulated losses of eight working SPSEs (₹3,269.31 crore) had completely eroded their paid-up capital (₹ 1,162.48 crore) as detailed in **Table 2.26**.

²⁶ Difference in previous year figures due to calculation error which has now been rectified.

Table 2.26: Erosion of Capital of SPSEs

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of finalised accounts	Total Paid Up Capital	Net Profit (+)/ Loss (-) after interest, tax and dividend	Accumulated Loss	Net Worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
1.	Meghalaya Power Distribution Corporation Limited (MePDCL)	2020-21	858.39	-425.48	2,838.34	-1,979.95	859.27	175.45
2.	Meghalaya Cherra Cements Limited (MCCL)	2019-20	197.51	-38.04	272.64	-75.13	197.51	147.53
3.	Meghalaya Transport Corporation Limited (MTC)	2015-16	93.05	-4.43	106.69	-13.64	100.63	Nil
4.	Meghalaya Tourism Development Corporation Limited (MTDC)	2018-19	7.96	1.18	8.42	-0.46	7.96	2.55
5.	Meghalaya Handloom & Handicrafts Development Corporation Limited (MHHDC)	2018-19	1.50	-0.08	5.06	-3.56	5.56	Nil
6.	Meghalaya Government Construction Corporation Ltd. (MGCCCL)	2020-21	0.75	-2.72	26.29	-25.54	0.75	Nil
7.	Meghalaya Infrastructure Development and Financial Corporation Ltd. (MIDFCL)	2020-21	1.00	-4.03	5.52	-4.52	1.00	Nil
8.	Meghalaya Minerals Development Corporation Ltd. (MMDCL)	2020-21	2.32	0.65	6.35	-4.03	2.32	Nil
	Total		1,162.48	-472.95	3,269.31	-2,106.83	1,175.00	325.53

Source: Annual Accounts of SPSEs.

Accumulation of huge losses by eight out of 20 working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve the functioning of these SPSEs or take a decision on continuing their operations.

Loans and Advances by the State Government

Table 2.27 presents the outstanding loans and advances, interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.27: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	778.21	782.82	854.29	866.75	920.88
Amount advanced during the year	22.06	89.49	43.78	81.90	85.33
Amount recovered during the year	17.45	18.02	31.32	27.77	24.41
Closing Balance of the loans outstanding	782.82	854.29	866.75	920.88	981.80
Net addition	4.60	71.48	12.46	54.14	60.92

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Interest received	7.61	6.06	6.09	5.64	14.92
Interest received (%) on Loans and Advances (Closing Balance) given by the Government	0.98	0.71	0.70	0.61	1.52
Rate of Interest paid on the outstanding borrowings of the Government	6.40	6.53	6.85	6.80	6.62
Difference between the rate of interest paid and interest received (<i>per cent</i>)	5.42	5.82	6.15	6.19	5.10

Source: Finance Accounts of respective years.

From the table above, it can be inferred that:

The total outstanding loans and advances as on 31 March 2021 was ₹ 920.88 crore. Out of the loans of ₹ 85.33 crore advanced during 2021-22, ₹ 50.00 crore was given to Government Companies (Power Projects), ₹ 12.27 crore to Co-operative Institutions and ₹ 23.06 crore was given to Government servants.

The current recovery of loan (₹ 24.41 crore) was 28.61 *per cent* of the advances (₹ 85.33 crore) made during the year and was a deterioration over the previous year (₹ 27.77 crore). The actual recovery (₹ 24.41 crore) was also lower than what was estimated in the Budget for recovery (₹ 30.17 crore).

Interest receipts increased from ₹ 7.61 crore in 2017-18 to ₹ 14.92 crore in 2021-22, with percentage of interest received to total outstanding loans and advances increasing from 0.98 *per cent* in 2017-18 to 1.52 *per cent* in 2021-22.

Capital locked in incomplete projects

As per Appendix IX and Statement 16 of the Finance Accounts for the year 2021-22, there were 124 incomplete projects in the State as on 31 March 2022, which had overshoot their scheduled completion dates by over one to more than 10 years. Age profile and department-wise details of these 124 incomplete projects as on 31 March 2022 is given in Tables 2.28 and 2.29.

Table 2.28 : Age profile of incomplete projects as on 31 March 2022

(₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2022)
Prior to 2012-13	6	18.36	10.98
2012-13	5	18.72	12.66
2013-14	5	2.96	1.25
2014-15	0	0	0
2015-16	2	32.04	29.76
2016-17	3	31.39	30.81
2017-18	27	79.87	54.83
2018-19	19	99.85	53.24
2019-20	18	131.80	82.31
2020-21	17	286.82	124.43
2021-22	22	959.49	395.88
Total	124	1,661.30	796.15

Source: Finance Accounts.

Table 2.29 : Department-wise profile of incomplete projects as on 31 March 2022

(₹ in crore)			
Department	No. of incomplete projects	Estimated cost	Expenditure
Public Works	101	596.96	369.65
Public Health Engineering	23	1,064.34	426.50
Total	124	1,661.30	796.15

Source: Finance Accounts.

The expenditure incurred on the 124 incomplete projects was ₹ 796.15 crore. Physical progress of the projects being executed by Public Works Department and Public Health Engineering Department as on 31 March 2022 is detailed in **Table 2.30**.

Table 2.30 : Range of physical progress of incomplete projects

Stage of completion (<i>per cent</i>)	No. of incomplete projects
0-20	14
21-50	19
51-98	91
Total	124

It is evident from **Table 2.30** that about one-third projects are lying incomplete with less than 50 *per cent* completion stage. In number of years, 67 projects are delayed beyond three years, and six projects are lying incomplete for more than ten years.

Audit conducted a test check of records of Chief Engineer (PWD) roads, to ascertain possible causes for delays.

1. Scrutiny of the records (November 2022) revealed that five works/projects²⁷ which were sanctioned in March 2015 and scheduled to be completed by March 2018 are lying abandoned till the date of audit (November 2022). All these works were awarded to M/s CCL International Pvt. Ltd. which specialised in Evocrete CCL (German)/Geocrete Soil Stabilisation technology. Out of the total tendered cost of ₹ 712.00 lakh, an expenditure of ₹ 251.00 lakh has already been incurred by the Department. However, there was no physical progress of the projects till the date of audit (November 2022).

Out of the five works, three works²⁸ have already been overlapped with other schemes (PMGSY, SPF and RIDF) and in remaining two works, the contractor has not resumed work despite repeated reminders. The above three overlapped works are still incomplete till the date of audit (November 2022).

2. Scrutiny of records (October 2022) revealed that two works²⁹ which were sanctioned in September 2006 and scheduled to be completed by 2009 remained incomplete till 2012 after incurring an expenditure of ₹ 99.86 lakh due to demise of the contractor (2012). The incomplete portion of these works were re-tendered in July 2013 and work order was issued (September 2016) to M/s R.B. Corporation, Tura after a delay of three years. The cost of works had been revised³⁰ to ₹ 316.40 lakh and ₹ 252.11 lakh respectively on 14 February 2022. However, these two projects

²⁷ Construction of five road projects under Special Central Assistance 2014-15 namely i) Kashra to Bashbari with culverts, ii) GA road to Purasinga with culverts and bridges, iii) Domdoma to Gujagata via Agalgre Sanggicham, iv) Bainapara to Dabokgre via Ajongre with culverts and v) GA Road to Bandoraja via Khangrara.

²⁸ i) GA road to Purasinga with culverts and bridges, ii) Bainapara to Dabokgre via Ajongre with culverts and iii) GA Road to Bandoraja via Khangrara.

²⁹ (i) Re-construction of R.C.C. Bridge No. 11/3 (Well Foundation) with approaches & sub way on GSB Road. (RIDF XI) and (ii) Re-construction of R.C.C. Bridge No. 15/1 (Well Foundation) with approaches & sub way on GSB Road. (RIDF XI).

³⁰ The cost of these two works had been revised twice from ₹202.97 lakh to ₹568.51 lakh, an increase of ₹365.54 lakh (180.10 *per cent*).

are still lying incomplete³¹ even after lapse of 13 years from their scheduled date of completion (September 2017) after incurring an expenditure of ₹ 531.05 lakh (March 2022).

In respect of the test checked incomplete works, Audit observed that the PWD Department, apart from issuing routine reminders to the contractors, never imposed penalty clauses like levying liquidated damages, recovery of cost-escalations due to abandonment of works and blacklisting of contractors for commencement/ resumption/completion of works. This indicated poor monitoring and supervision of the works by the Department which resulted in undue delay/abandonment of works by the contractors.

Delay in completion of projects not only resulted in unnecessary locking up of capital, but also denied the citizens of the economic benefits of these projects.

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 2.31 compares the expenditure priority of the State Government with that of NE & Himalayan States with regard to Health, Education and Capital Expenditure during 2021-22, taking 2017-18 as the base year.

Table 2.31: Expenditure priority of the State with regards to Health, Education and Capital Expenditure

	(In per cent)			
	AE/GSDP	CE/AE	Education/AE	Health/ AE
NE & Himalayan States (2017-18)	26.07	16.10	17.56	6.22
Meghalaya (2017-18)	31.95	10.66	17.80	7.45
NE & Himalayan States (2021-22)	27.56	17.46	15.95	7.25
Meghalaya (2021-22)	43.50	17.24	13.11	10.22

Source: Data compiled by the Economic Division, C&AG of India

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

From **Table 2.31**, 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 2017-18 and 2021-22.

Capital Expenditure of the State was lower than that of NE & Himalayan States during 2017-18 and 2021-22.

³¹ Physical Progress (March 2022): 90 per cent.

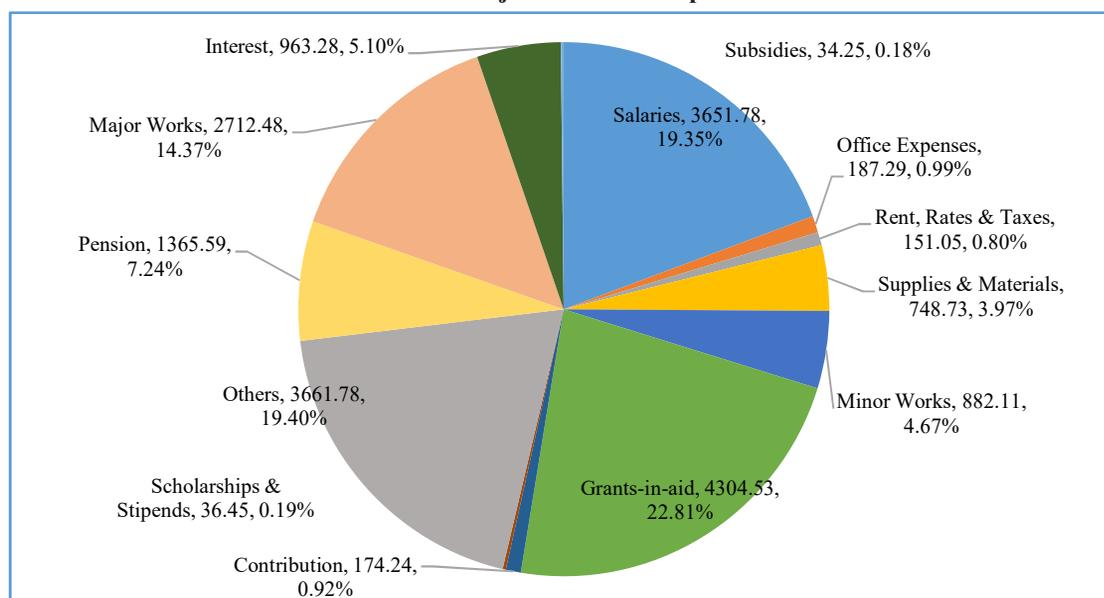
The ratio of education-aggregate expenditure of the State was higher than that of NE & HS during 2017-18, but slumped during 2021-22.

The ratio of health-aggregate expenditure was higher in both 2017-18 and 2021-22 *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



Source: Finance Accounts 2021-22.

It is seen from **Chart 2.15** that the highest expenditure was incurred in Grants-in-Aid³² (22.81 per cent) followed by Salaries (19.35 per cent), major works (14.37 per cent), pension (7.24 per cent), interest (5.10 per cent) and minor works (4.67 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.

³² GIA includes Salary: ₹ 1,085.58 crore, Non-salary: ₹ 3,167.80 crore and Capital Assets: ₹ 51.15 crore.

2.6.1 Net Public Account Balances

The component-wise net balances in Public Account of the State during the five year period from 2017-18 to 2021-22 is shown in **Table 2.32** and **Chart 2.16**. The analysis of the net balances of various components in the Public Account are given in the respective paragraphs.

Table 2.32: Component-wise net balances in Public Account as of 31 March of the year

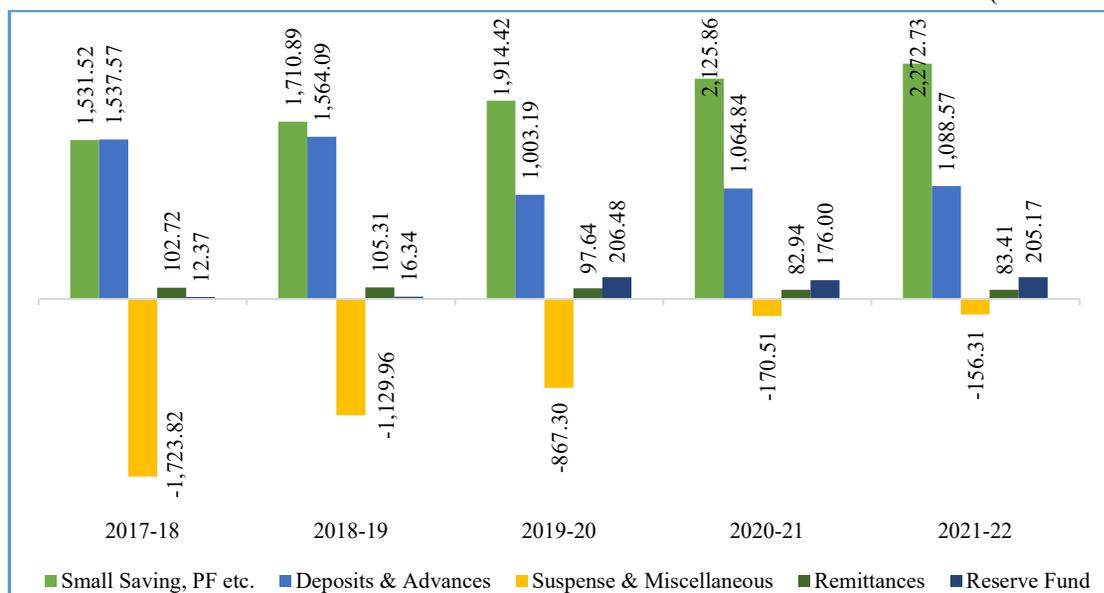
(₹ in crore)

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,531.52	1,710.89	1,914.42	2,125.86	2,272.73
J. Reserve Funds	(a) Reserve Funds bearing Interest	4.70	4.70	197.01	168.01	197.34
	(b) Reserve Funds not bearing Interest	7.67	11.64	9.47	7.99	7.83
K. Deposits and Advances	(a) Deposits bearing Interest	0.90	0.81	0.88	0.83	1.93
	(b) Deposits not bearing Interest	1,538.48	1,565.09	1,004.12	1,065.82	1,088.45
	vis-à-vis Advances	-1.81	-1.81	-1.81	-1.81	-1.81
L. Suspense and Miscellaneous	(a) Suspense	-42.45	-59.66	-65.45	-88.88	-139.20
	(b) Other Accounts	-1,681.37	-1,070.30	-801.85	-81.63	-17.11
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
M. Remittances	(a) Money Orders, and other Remittances	99.32	102.34	95.52	79.58	81.42
	(b) Inter- Governmental Adjustment Account	3.40	2.97	2.12	3.36	1.99
Total		1,460.36	2,266.67	2,354.43	3,279.13	3,493.57

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

Chart 2.16: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Accounts of respective year.

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 bearing interest' and 'Funds not bearing interest'.

The total accumulated balance as on 31 March 2022 was ₹ 899.12 crore in five active reserve funds, out of which ₹ 315.34 crore was under interest bearing Reserve Fund and ₹ 583.78 crore under non-interest bearing Reserve Fund as given in the following table:

Table 2.33: Reserve funds

		(₹ in crore)
Sl. No.	Head of Accounts	Balance as on 31 March 2022
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).	152.03
Sub-Total		315.34
Reserve fund not bearing interest (active)		
1	8222-Sinking Funds- 101-Sinking Funds	530.78
2	8235-General and Other Reserve Funds-117-Guarantee Redemption Fund (GFR)	52.98
3	8229-Development and Welfare Funds- 123- Consumer Welfare Fund	0.02
Sub-Total		583.78
Grand-Total		899.12

Investment out of these funds was ₹ 693.96 crore, which was 77.18 *per cent* of the accumulated balance (₹ 899.12 crore). The transactions during the year 2021-22 under major Reserve Funds are detailed below:

2.6.2.1 Consolidated Sinking Fund (not bearing interest)

The Government of Meghalaya set up the Consolidated Sinking Fund for amortisation of loans in 1999-2000. The latest amendment made to the Consolidated Sinking Fund notification issued by the Government, effective from 2018-19, stipulates that the State Government may contribute a minimum of 0.50 *per cent* of their outstanding liabilities (internal debt + public account) as at the end of the previous year to the Consolidated Sinking Fund. In the year 2021-22, Government contributed ₹ 68.65 crore as against minimum required contribution of ₹ 66.50 crore. The total accumulation of the Fund was ₹ 530.78 crore as on 31 March 2022 (₹ 458.98 crore as on 31 March 2021).

2.6.2.2 State Disaster Response Fund (interest bearing)

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 ratio of 90:10. 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 the investment of SDRF shall be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

At the beginning of 2021-22, the SDRF had an opening balance of ₹ 122.70 crore. During the year 2021-22, the State Government received ₹ 52.80 crore as Central Government's share. The State Government's share during the year was ₹ 5.86 crore. The State Government transferred ₹ 95.32 crore [(Central Share ₹ 85.80 crore, State Share ₹ 9.52 crore) including outstanding contribution of ₹ 36.66 crore (Central Share ₹ 33.00 crore and State share ₹ 3.66 crore for the year 2020-21)] to the Fund under Major Head 8121-122 SDRF. The State did not receive any grant from the Central Government towards NDRF.

During the year, the State Government disbursed ₹ 65.99 crore directly from the fund under the MH-8121-122-SDRF instead of MH -2245, as provided for in the SDRF guidelines.

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 ₹ 0.28 crore³³ resulted in overstatement of Revenue Surplus to that extent.

2.6.2.3 State Disaster Mitigation Fund

As per Clause 48 of the Disaster Management Act, 2005, the State Government shall immediately after notifications issued for constituting the State Authority and the District Authorities, establish the fund to be called "State Disaster Mitigation Fund" and the State shall ensure that the funds established is available to the State Authority. Further, the Central and State Governments are required to contribute to the fund in the proportion of 90:10.

During the year 2021-22, the State Government received ₹ 13.20 crore as Central Government's share. The State's share during the year was ₹ 1.46 crore. However, contrary to the Fund account guidelines, the State Government constituted the State Disaster Mitigation Fund (SDMF) only in March 2022 *i.e* after 17 years of enactment of

³³ ₹ 0.28 crore = Balance of ₹ 4.70 crore X six per cent (Average rate of interest of 6 per cent *i.e*, Bank Overdraft rate *i.e*. Bank Repo rate plus two per cent).

the Disaster Management Act, 2005. The GoI's share of ₹ 13.20 crore received during the year was shown as Grants-in-Aid (MH 1601-07-105). However, the State Government transferred ₹ 14.66 crore (GoI's share: ₹ 13.20 crore + GoM's share: ₹ 1.46 crore) to SDMF (8121-130) in August 2022.

2.6.2.4 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.

Guarantee Redemption Fund is administered by the RBI. The latest amendment to the Fund notification issued by the State Government, effective from the year 2021-22, stipulates that the State Government shall initially contribute a minimum of one *per cent* and thereafter at the rate of 0.50 *per cent* of outstanding guarantees at the end of the previous year to achieve a minimum level of three *per cent* 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 the Fund as on 01 April 2021 was ₹ 37.39 crore. During the year Government contributed only ₹ 15.35 crore as against a minimum required contribution of ₹ 15.24 crore. The total accumulation of the Fund was ₹ 52.98 crore as on 31 March 2022.

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.

The State Government did not issue any guarantee during the year 2021-22. The cumulative guarantee was ₹ 2,980.44 crore as on 31 March 2022.

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 Commission 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 0.50 *per cent* on 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 2021-22, the State Government did not receive any amount towards Guarantee Commission Fee which works out to ₹ 15.24 crore³⁴ during 2021-22. The accumulated outstanding balance of Guarantee Commission Fee as on 31 March 2022 was ₹ 79.19 crore³⁵.

2.6.2.5 State Compensatory Afforestation Fund

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 (SCAF).

The moneys received by the State Government from the user agencies needs 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 the Public Account of the 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 a monthly basis so that the same is transferred to the National Fund.

During the year 2021-22, the State Government did not receive any amount from the user agencies. No amount was remitted to the National fund during the year 2021-22. The Government also did not receive any amount from National Compensatory Afforestation Deposit. The total balance in the State Compensatory Afforestation Fund as on 31 March 2022 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 ₹ 5.47 crore³⁶ resulted in overstatement of Revenue Surplus to that extent.

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.

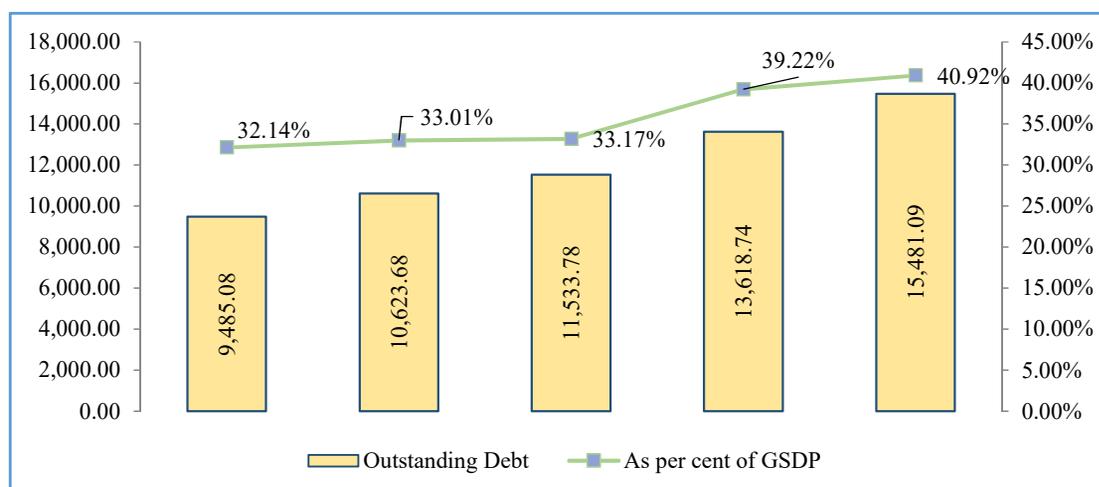
The details relating to total outstanding debt and ratio of debt to GSDP during the five-year period 2017-22 is given in **Chart 2.17**.

³⁴ Calculated @ 0.5 per cent of ₹ 3,047.52 crore.

³⁵ ₹ 63.93 crore (₹ 79.17 crore - ₹ 15.24 crore) related to outstanding guarantee commission fee up to 2020-21.

³⁶ As per circulars issued by the Ministry of Environment, Forest & Climate Change.

Chart 2.17: Trend of overall debt



In absolute monetary terms, the overall debt of the State of Meghalaya has increased by 63.22 per cent from ₹ 9,485.08 crore during 2017-18 to ₹ 15,481.09 crore³⁷ during 2021-22. As percentage of GSDP, the overall debt was 32.14 per cent in 2017-18, but has increased considerably by nearly nine-percentage points to 40.92 per cent in 2021-22.

The primary reason for spike in Debt/GSDP ratio during 2021-22 was on account of significant increase in Internal Debt by ₹ 1,312.87 crore (13.22 per cent) and Loans from GoI by ₹ 237.71 crore (55.25 per cent). The State was not able to achieve the target set forth in the MFRBM Act, 2006 to maintain the Debt-GSDP ratio under 28 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 2021-22 was ₹ 15,481.09 crore. The component-wise debt trends for the period 2017-18 to 2021-22 and break up of outstanding debt during 2021-22 are given in **Table 2.34** and **Chart 2.18**.

Table 2.34: Component wise Debt Trends

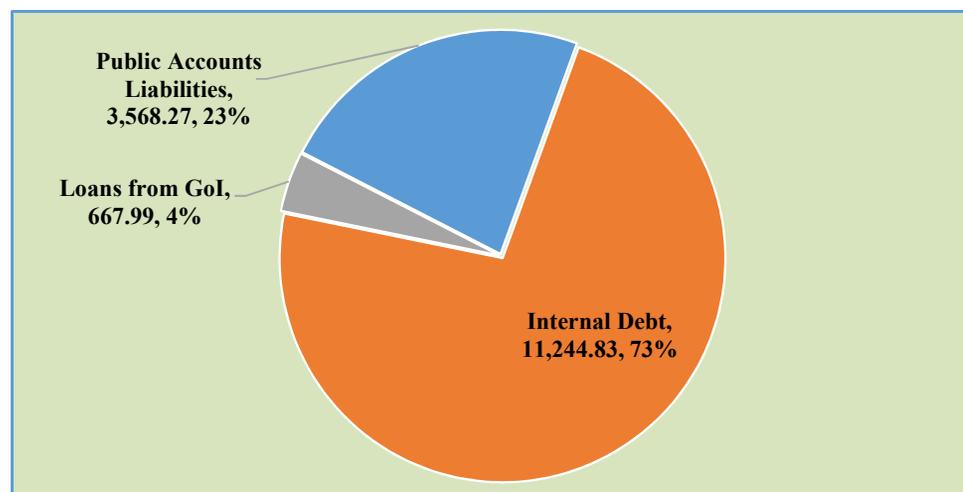
		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Overall Debt		9,485.08	10,623.68	11,533.78	13,618.74	15,481.09
Public Debt	Internal Debt	6,287.33	7,214.29	8,301.31	9,931.96	11,244.83
	Loans from GoI	114.48	116.27	106.56	430.28	667.99
<i>Liabilities on Public Account</i>		3,083.27	3,293.12	3,125.91	3,368.50	3,568.27

³⁷ Excludes an amount of ₹ 253.16 crore (₹ 112.00 crore + ₹ 141.16 crore) Back to Back loan by GoI in lieu of GST Compensation shortfall which will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission etc.

	2017-18	2018-19	2019-20	2020-21	2021-22
Rate of growth of outstanding Overall debt (<i>percentage</i>)	5.58	12.00	8.57	18.08	13.67
Gross State Domestic Product (GSDP)	29,508	32,176	34,770	34,719	37,830
Debt/GSDP (<i>per cent</i>)	32.14	33.01	33.17	39.22	40.92
Total Debt Receipts	2,954.36	3,189.65	2,941.07	3,736.46	5,373.23
Total Debt Repayments*	3,043.96	2,707.85	2,789.48	2,510.42	3,369.72
Total Debt Available	-89.60	481.80	151.59	1226.04	2003.51
Debt Repayments/Debt Receipts (<i>percentage</i>)	103.03	84.89	94.85	67.19	62.71

* Note: Including interest.

Chart 2.18: Break up of Outstanding Overall Debt at the end of FY 2021-22



It may be seen from the above that the outstanding debt comprises of internal debt (73 per cent), public account liabilities (23 per cent) and loans from GoI (four per cent). Compared to the previous year, the outstanding debt at the end of 2021-22 increased by 13.67 per cent (₹ 1,862.35 crore).

Components of Fiscal Deficit and its financing pattern

The financing pattern of the Fiscal Deficit during the five-year period 2017-22 is reflected in **Table 2.35**.

Table 2.35: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit						
1.	Revenue Deficit(-)/Revenue Surplus (+)	850.80	-537.32	-151.60	-815.38	653.92
2.	Net Capital Expenditure	-983.44	-1,417.28	-939.71	-1,734.05	-2,751.79
3.	Net Loans and Advances	-104.60	-71.48	-12.46	-54.13	-60.92
Total		-237.24	-2,026.08	-1,103.77	-2,603.56	-2,158.79
Financing Pattern of Fiscal Deficit						
1.	Market Borrowings	919.81	862.60	1,070.46	1,587.00	1,298.00
2.	Loans from GOI	-13.67	1.79	-9.71	323.71	490.87
3.	Special Securities issued to NSSF	45.38	-49.62	-53.75	-53.75	-53.75

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
4.	Loans from Financial Institutions	34.76	113.98	70.31	97.41	68.62
5.	Small Savings, PF, etc.	157.71	179.36	203.54	211.44	146.87
6.	Deposits and Advances	-23.89	3.97	-560.89	61.64	23.73
7.	Suspense and Miscellaneous	-527.76	26.52	-5.78	-23.43	-50.32
8.	Remittances	8.57	-17.21	-7.68	-14.69	0.45
9.	Reserve Fund	4.09	2.59	190.14	-30.48	29.16
10.	Contingency Fund	-	-	-1.96	1.96	200.00
11.	Appropriation to Contingency Fund	-	-	-	-	-200.00
12.	Overall Deficit	605.00	1,123.98	894.68	2,160.81	1,953.63
13.	Increase/Decrease in cash balance	- 467.76	902.10	209.09	442.75	205.16
14.	Gross Fiscal Deficit	237.24	2,026.08	1,103.77	2,603.56	2,158.79

Fiscal Deficits during the five-year period, came down to ₹ 1,103.77 crore during 2019-20 and again peaked at ₹ 2,603.56 crore during 2020-21. However, it decreased to ₹ 2,158.79 crore during 2021-22.

During 2021-22, Fiscal Deficit was primarily financed by net market borrowings (₹ 1,298.00 crore), loans from GoI (₹ 490.87 crore), small savings, provident funds, etc. (₹ 146.87 crore), deposits and advances (₹ 23.73 crore) and cash balances (₹ 205.16 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. Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2021-22, the maturity profile of public debt is indicated in Table 2.36.

Table 2.36: Debt Maturity profile of repayment of Public debt

Year of Maturity	Period of repayment (Years)	Public Debt (₹ in crore)			Percentage (w.r.t. Public debt)
		Internal Debt	Loans and advances from GoI	Total	
By 2022-23	0 – 1	562.22	23.22	585.44	5
Between 2023-24 & 2024-25	1 – 3	1,728.15	46.67	1,774.82	15
Between 2025-26 & 2026-27	3 – 5	2,011.53	23.35	2,034.88	17
Between 2027-28 & 2028-29	5 – 7	3,172.30	15.80	3,188.10	27
2029-30 onwards	7 and above	3,770.63	558.95	4,329.58	36
	Total	11,244.83	667.99¹⁷	11,912.82	100

Source: Finance Accounts 2021-22.

The maturity profile of outstanding stock of public debt as on 31 March 2022 indicated that out of the outstanding public debt of ₹ 11,912.82 crore, 5 per cent (₹ 585.44 crore) is payable within the next one year i.e., 2022-23, 32 per cent (₹ 3,809.70 crore) is

³⁸ Excluding Back to Back Loan of ₹ 253.16 crore.

payable in the next two to five years, while the remaining 63 per cent (₹ 7,517.68 crore) is to be paid after more than five years.

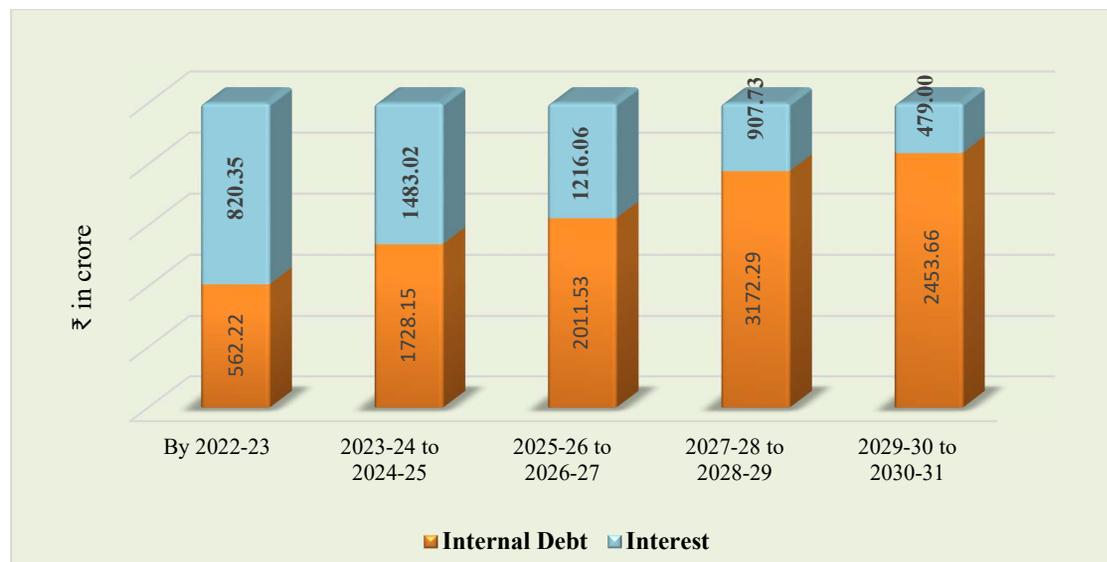
Maturity profile and repayment schedule of Internal Debt and Loans and Advances received from GoI along with interest for the next ten years (2022-23 to 2031-32) is detailed below:

Internal Debt of the State-Maturity Profile

Internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 94.39 per cent (₹ 11,244.83 crore) of the total outstanding public debt (₹ 11,912.82 crore). During the year, the State Government borrowed ₹ 1,608.00 crore in the form of market loans and paid ₹ 699.55 crore towards interest, which was higher by ₹ 112.66 crore as compared to the previous year. This indicates that substantial portion of fresh market loans are being utilised towards servicing of existing debts which may lead to a debt trap in future.

The repayment schedule of internal debt and interest³⁹ to be paid thereon over the next nine years (2022-23 to 2030-31) is detailed in **Chart 2.19**.

Chart 2.19: Repayment schedule of Internal Debt and Interest thereon



Source: Information furnished by the Finance Department, GoM.

Of the total internal debt, an amount of ₹ 4593.74 crore which includes principal of ₹ 2,290.37 crore⁴⁰ and interest of ₹ 2,303.37 crore⁴¹ will become payable in the next three financial years *i.e.*, up to 2024-25. Thereafter, in the next two years up to 2026-27, an amount of ₹ 3,227.59 crore, which includes ₹ 2,011.53 crore as principal and ₹ 1,216.06 crore as interest will become payable. Between 2027-28 and 2030-31, the liability of the State towards principal and interest will be ₹ 7,012.68 crore⁴².

³⁹ The debt figures are provisional figures based on loans and advances for the year ended 31 March 2022 which are likely to change due to additional loans and change in interest rates in future.

⁴⁰ ₹ 562.22 crore + ₹ 1,728.15 crore.

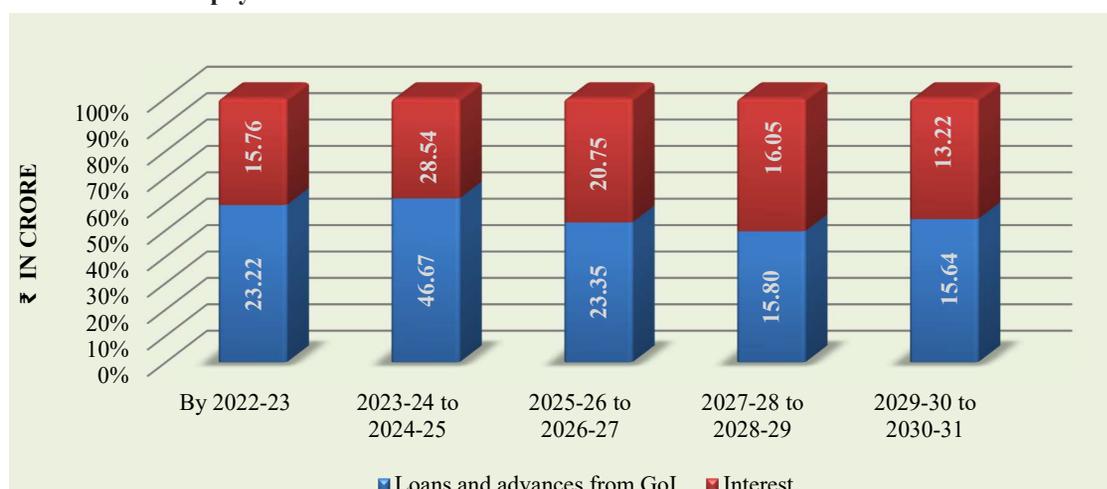
⁴¹ ₹ 820.35 crore + ₹ 1,483.02 crore.

⁴² Principal (₹ 3,172.29 crore + ₹ 2,453.66 crore) and Interest (₹ 907.73 crore + ₹ 479.00 crore).

Loans and advances from the GoI- Maturity Profile

Loans and advances from the GoI constituted 5.61 per cent (₹ 667.99 crore) of the total outstanding public debt (₹ 11,912.82 crore). The repayment schedule of the loans and advances from the GoI and interest to be paid thereon over the next nine years (2022-23 to 2030-31) is detailed in **Chart 2.20**.

Chart 2.20: Repayment schedule of Loans and advances from the GoI and Interest⁴³ thereon



Source: Information furnished by the Finance Department, GoM.

Of the total loans and advances from the GoI, amount of ₹ 114.19 crore which includes principal of ₹ 69.89 crore⁴⁴ and interest of ₹ 44.30 crore⁴⁵ will become payable in the next three financial years *i.e.* up to 2024-25. In the next two years up to 2026-27, an amount of ₹ 44.10 crore, which includes ₹ 23.35 crore as principal and ₹ 20.75 crore as interest will become payable. Between 2027-28 and 2030-31, the liability of the State towards principal and interest will be ₹ 60.71 crore⁴⁶.

During 2021-22, public debt as percentage of GSDP accounted for 31.49 per cent which was already higher than the percentage (28 per cent) of overall debt to GSDP prescribed by the MFRBM Act. It is thus inevitable that the State GSDP must grow at a sufficient pace in order to generate enough revenues for future debt servicing if a debt trap is to be avoided.

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 a 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

⁴³ Figures w.e.f 2023-24 are subject to change on receipt of additional loans or dues to refund/write off/ debt waiver by GoI.

⁴⁴ ₹ 23.22 crore + ₹ 46.67 crore.

⁴⁵ ₹ 15.76 crore + ₹ 28.54 crore.

⁴⁶ Principal (₹ 15.80 crore + ₹ 15.64 crore) and Interest (₹ 16.05 crore + ₹ 13.22 crore).

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 **Paragraph 2.7.2**.

Table 2.37 and **Chart 2.20** analyse public debt sustainability indicators of the State for the five-year period beginning from 2017-18.

Table 2.37: Trends in Public Debt Sustainability Indicators

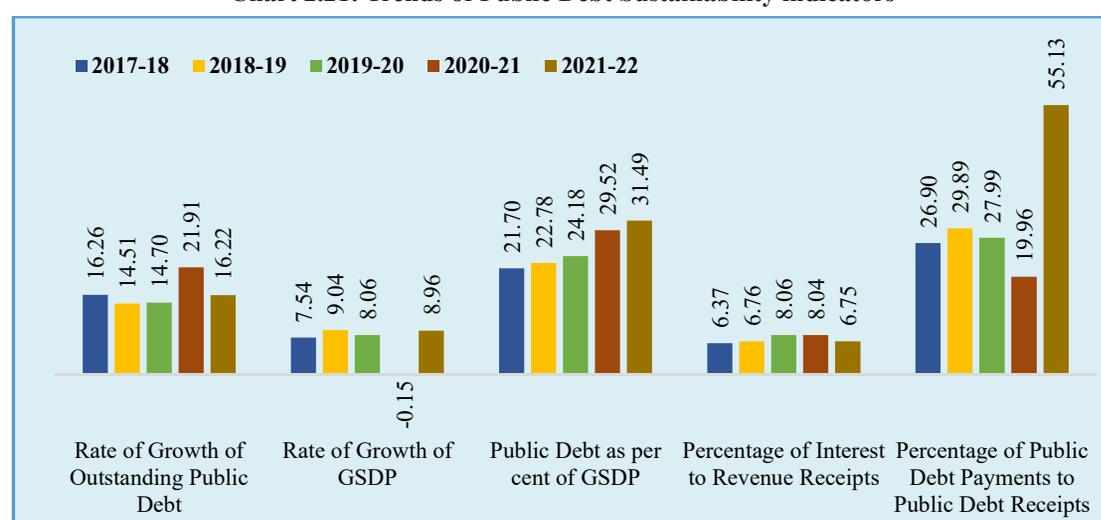
Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	6401.81	7330.56	8407.87	10250.24 ⁴⁷	11,912.82 ⁴⁸
Back to Back Loans	-	-	-	112.00	253.16
Rate of Growth of Outstanding Public Debt	16.26	14.51	14.70	21.91	16.22
GSDP	29,508	32,176	34,770	34,719	37,830
Rate of Growth of GSDP	7.54	9.04	8.06	(-) 0.15	8.96
Public Debt/GSDP	21.70	22.78	24.18	29.52	31.49
Average interest Rate of Outstanding Public Debt (per cent)	6.40	6.53	6.85	6.80	6.62
Percentage of Interest payment to Revenue Receipt	6.37	6.76	8.06	8.04	6.75
Percentage of Public Debt Repayment to Public Debt Receipt	26.90	29.89	27.99	19.96	55.13
Net Public Debt available to the State [#]	304.34	271.94	318.80	1,095.45	840.13
Net Public Debt available as per cent to Public Debt Receipts	24.84	20.53	21.31	44.86	20.90
Debt Stabilisation (Quantum spread + Primary Deficit)	910.17	-821.09	-225.31	-2691.14	-833.26

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 2.21: Trends of Public Debt Sustainability indicators



⁴⁷ The effective Outstanding Public Debt excludes ₹ 112.00 crore received as Back to Back Loan.

⁴⁸ The effective Outstanding Public Debt excludes ₹ 253.16 crore received as Back to Back Loan.

From the above it is seen that the ratio of public debt to GSDP ratio ranged between 21.70 *per cent* and 34.79 *per cent* during the five-year period from 2017-18 to 2021-22. In terms of net public debt availability, the State had seen a decrease of 23.31 *per cent* from ₹ 1,095.45 crore in 2020-21 to ₹ 840.13 crore during 2021-22.

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. Although various State Governments have come out with legislations or instructions with regard to cap on the guarantees however, Government of Meghalaya has not prescribed any ceiling for guarantees to be extended for loans availed by the State Government entities (March 2022).

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2017-18 to 2021-22 are shown in **Table 2.38**.

Table 2.38: Guarantees given by the State Government

(₹ in crore)					
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
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 (₹ in crore)	1,151.85	1,163.09	1,120.14	3,060.99	2,980.44

During 2021-22, the outstanding guarantee was 105.50 *per cent* of State Own Tax and Non- Tax Revenue as compared to 1,17.92 *per cent* during 2020-21. Out of the total outstanding guarantees of ₹ 2,980.44 crore for the year 2021-22, guarantees amounting to ₹ 2,959.54 crore (99.30 *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 is 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 2.39 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.39: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	30.45	7.00
Deposits with Reserve Bank of India	50.65	(-) 66.54
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	81.10	(-) 59.54
Investments held in Cash Balance investment account	81.39	16.87
Total (A)	162.49	(-) 42.67
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	606.39	693.96
Total (B)	606.63	694.20
Total (A + B)	769.12	651.53
Interest realised	5.90	9.72

Source: Finance Accounts.

General Cash Balance of the State Government at the end of the current year decreased by ₹ 205.16 crore from ₹ 162.49 crore in 2020-21 to (-) ₹ 42.67 crore in 2021-22. The State Government 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 ₹ 693.96 crore in earmarked funds, ₹ 118.00 crore was invested in the State Disaster Response Fund Investment Account, ₹ 522.98 crore in Sinking Fund Investment Account and ₹ 52.98 crore in Guarantee Fund Investment Account at the end of the year. The cash balance investments of the State during the five-year period 2017-18 to 2021-22 are given in **Table 2.40**:

Table 2.40: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	1,369.24	1,680.66	311.42	44.88
2018-19	1,680.66	1,070.04	-610.62	52.20
2019-20	1,070.04	801.61	-268.43	22.85
2020-21	801.61	81.39	-720.22	5.90
2021-22	81.39	16.87	-64.52	9.72

During the current year, *i.e.*, 2021-22, the cash balance stood at 0.08 *per cent* of the budget (₹ 20,390 crore) of the State.

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) 2021-22 shows that

the State turned into a Revenue Surplus State, from being a revenue deficit state during FY 2018-19 to 2020-21.

Revenue Receipts increased by 19.51 *per cent* from ₹ 9,273.48 crore in 2017-18 to ₹ 14,274.14 crore in 2021-22 at an average compound annual growth rate of 11.39 *per cent*. During 2021-22, the state's own revenue contributed approximately 19.79 *per cent* of the Revenue Receipts, while Central Tax Transfers and Grants-in-Aid together contributed 80.21 *per cent*. The contribution of central tax transfers and grants in aid in the total revenue kitty of the State over the past five years between 2017-22 has ranged between 74.28 *per cent* to 80.41 *per cent*. Thus, while State's own share of revenue has grown by about 20 *per cent* over the past five years, 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.

Revenue Expenditure during 2021-22 which was ₹ 13,620.22 crore increased by 18.45 *per cent* compared to the previous year. The substantial increase in Revenue Expenditure was due to increased interest payments, medical and public health expenditure, Family Welfare expenditure and assistance to Power sector. Revenue expenditure as a proportion of total expenditure remained above 80 *per cent* indicating that lion's share of Government spending was on current expenditure on payment of wages and salaries, pension, rent and rates and payment of interest on outstanding debt.

Revenue expenditure as percentage of revenue receipts was 95.42 *per cent* indicating that more than 95 *per cent* of revenue receipts went into financing revenue expenditure. However, decrease in Revenue Expenditure as percentage of Revenue Receipts from 107.63 *per cent* in 2020-21 to 95.42 *per cent* in 2021-22 has improved the Fiscal Deficit gap from 7.79 *per cent* in 2020-21 to 5.71 *per cent* in 2021-22.

Capital outlay during 2021-22 was ₹ 2,751.79 crore and increased by 58.69 *per cent* over the previous year. Capital Expenditure as a percentage of total expenditure has remained stagnant at 15 *per cent* over the period 2017-18 to 2021-22.

As on 31 March 2022, there were 124 incomplete projects which had over-shot their schedules by one to more than 10 years. The expenditure incurred on these 124 incomplete projects was ₹ 796.15 crore.

Receipts in public account (₹ 5,098.35 crore) exceeded the disbursements (₹ 4,948.45 crore) by ₹ 149.90 crore during 2021-22.

As on 31 March 2022, the State Disaster Response Fund (SDRF) had an unutilised balance of ₹ 152.03 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 ₹ 0.28 crore resulted in overstatement of Revenue Surplus to that extent.

During 2021-22, the State Government issued guarantees of ₹ 2,980.44 crore. However, the State Government did not receive any amount towards guarantee commission. Guarantee Commission works out to ₹ 15.24 crore during 2021-22. The accumulated balance of outstanding Guarantee Commission Fee was ₹ 79.19 crore as on 31 March 2022.

The prevalence of Fiscal Deficit during 2017-22 indicated continued reliance of the State on borrowed funds, resulting in increased fiscal liabilities of the State over the period 2017-22. Fiscal liabilities increased by ₹ 1,862.35 crore (13.67 per cent) during 2021-22 compared to previous year. The fiscal liabilities during 2021-22 stood at 40.92 per cent of the GSDP and exceeded the limit of total outstanding Debt-GSDP ratio target (28 per cent) fixed in the State FRBM Act, 2006.

Cash Balances of the State Government at the end of the current year decreased by ₹ 205.16 crore from ₹ 162.49 crore in 2020-21 to (-) ₹ 42.67 crore in 2021-22. Cash Balance investment decreased from ₹ 81.10 crore in 2020-21 to ₹ 16.87 crore in 2021-22.

2.10 Recommendations

- 1. State Government needs to make sincere efforts to augment its own resources and reduce its over-dependence on GoI funds*
- 2. State Government should take corrective action for quick completion of incomplete projects in order to avoid time and cost overrun besides blockade of funds. Stringent actions should be taken against defaulting contractors in the form of levying penalty clauses and blacklisting of the contractors.*

