CHAPTER I

Overview of Finances of the State

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This chapter provides a snapshot of Meghalaya's finances for 2024-25, covering demographics, economic indicators, and the State's fiscal structure. It analyses trends in revenue and expenditure, debt levels, and fiscal deficits, highlighting persistent imbalances and reliance on borrowings. The chapter flags issues like high committed expenditure, low returns on investments, *etc*.

1.1 Profile of the State

Meghalaya, a predominantly agrarian State in north-east India, covers 22,429 sq. km. and comprises 12 districts and 6,459 villages. As per 2011 Census, its population stood at 29.67 lakh (0.20 *per cent* of India's total), with a density of 132 persons per sq. km. Further, as per the Report of the Technical Group on Population Projections on 'Population Projection for India and States 2011 – 2036', submitted by National Commission on Population, Ministry of Health and Family Welfare, Government of India in July 2020, the population of the State is set to reach 34.10 lakhs (0.24 *per cent* of India's population) in 2025 compared with the country's population of 141.33 crore with a density of 152 persons per square kilometer. This section provides an overview of the State's demography, GSDP, and per capita income of the State.

1.1.1 Demography of the State

The State's demographic details *vis-à-vis* national average are presented in the **Table 1.1** below.

Table 1.1: Demographic profile of the State

Particulars		Meghalaya	National Average
Rural Population (*per cent*)	2011*	79.93	68.86
	2025**	79.26	64.30
Urban Population (*per cent*)	2011*	20.07	31.14
	2025**	20.74	35.70
Population density (persons per sq. km.)	2011*	132	382
	2025**	152	430
Sex Ratio per 1,000 Males	2011*	989	943
	2025**	998	947
Infant Mortality Ratio per 1,000 Live births	2020#	29	28
	2023#	34	25
Maternal Mortality Ratio per 1,00,000 Live births (2016-18) *(Sample Registration System Maternal Mortality Bulletin 2016-18)*		197	113
Total Fertility Rate (children per woman) (2019-21) *(NFHS-5, 2019-21)*		2.91	1.99
Life Expectancy at Birth (in years) (2016) (*India: Health of the Nation's States 2017, ICMR*)	Female	72.4	70.3
	Male	66.8	66.9

Particulars	Meghalaya	National Average
Population below Poverty Line (in *per cent*) (2019-21) *(Multidimensional Poverty Index, 2019-21, NITI Aayog)*	27.79	14.96
Literacy Rate (in *per cent*) *(Periodic Labour Force Survey 2023-24)*	94.20	80.90

**: Census of India, 2011.*
***: (Report of the Technical Group on Population Projections titled 'Population Projection for India and States 2011 – 2036), submitted by National Commission on Population, Ministry of Health and Family Welfare, Government of India in July 2020.*
#: Sample Registration System Bulletin May 2022 (Ref. Year 2020) & Sample Registration System Bulletin September 2025 (Ref. Year 2023)- Registrar General of India, Government of India.

1.1.2 Economy of the State

Gross State Domestic Product (GSDP) and per capita income are important indicators of the State's economy as discussed in succeeding paragraphs.

Gross State Domestic Product and Per capita Income

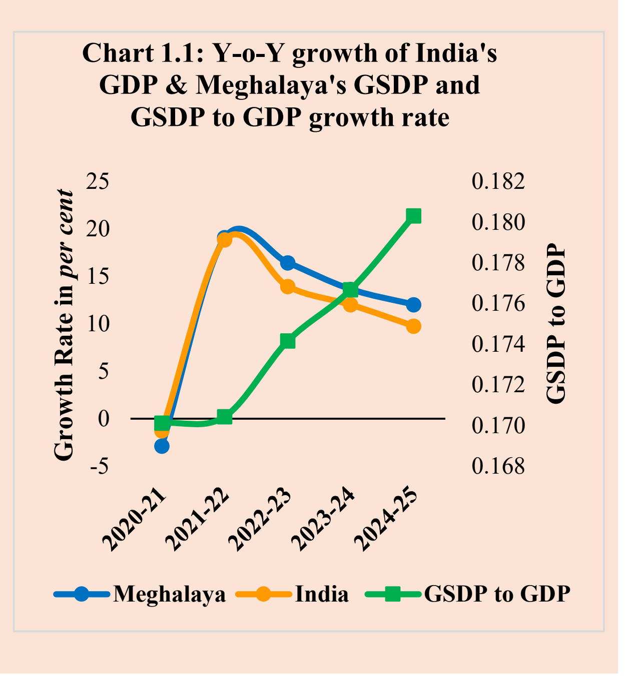
Gross Domestic Product (GDP) refers to the total value of goods and services produced within a country, while GSDP measures the same at the State level, and both reflect economic development and overall progress. Trends of GSDP and GDP is given in **Table 1.2.** Year on year (YoY) growth of **GSDP** and **GDP** as well as **GSDP contribution in GDP** is given in **Chart 1.1** and Per Capital Income (PCI) of the country and Per Capita Income (PCI) of the State is depicted in **Chart 1.2**.

Table 1.2: Trends in GSDP compared to GDP of India (at current prices)

Year	2020-21	2021-22	2022-23	2023-24	2024-25
GDP (₹ in crore)	1,98,54,096	2,35,97,399	2,68,90,473	3,01,22,956 (FRE)	3,30,68,145 (PE)
GSDP (₹ in crore)	33,776	40,222	46,834	53,223 (QE)	59,626 (AE)
PCI of India (in ₹)	1,27,244	1,50,906	1,69,145	1,88,892 (FRE)	2,05,324 (PE)
PCI of Meghalaya (in ₹)	90,751	1,07,971	1,24,673	1,41,195	1,57,141

Source: Ministry of Statistics and Programme Implementation, Government of India.
FRE: First Revised Estimate, PE: Provisional Estimate.
QE: Quick Estimate, AE: Advance Estimate.

Table 1.2 shows that the GSDP of the State grew from ₹ 53,223 crore in 2023-34 to ₹ 59,626 crore in 2024-25 registering growth rate of 12.03 *per cent* which was higher than that of the GDP growth rate (9.78 *per cent*).



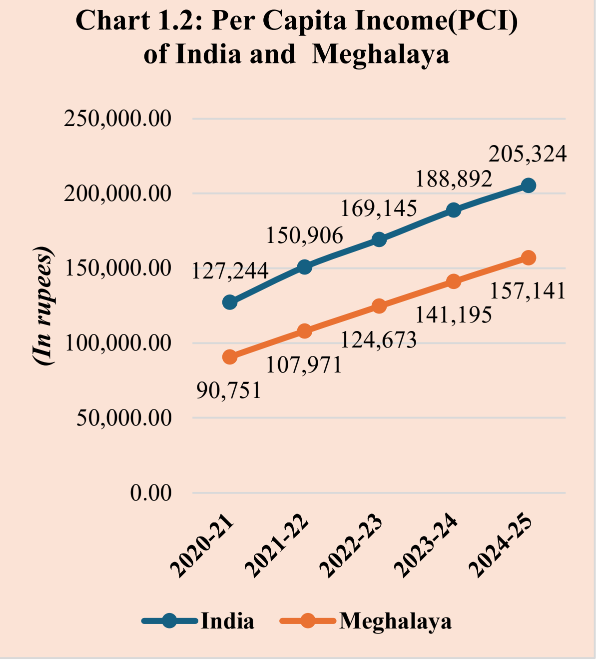


Chart 1.1 highlights that the GSDP growth of the State outpaced the GDP growth during the five-year period except in the Covid-19 year 2020-21 when both GSDP and GDP declined. The low base effect from the pandemic year 2020-21 resulted in strong growth in both nominal GDP and GSDP during 2021-22, followed by slower growth in 2022-23. Despite this deceleration, Meghalaya's nominal GSDP increased higher than the national nominal GDP in 2022-23 and maintained relatively stable and higher growth throughout the period from 2020- 21 to 2024-25 during which Compounded Annual Growth Rate(CAGR) of nominal GDP was 13.60 *per cent* while that of Meghalaya's GSDP recorded 15.27 *per cent*. The GSDP- to-GDP ratio of the State also remained largely stable. Overall, the state's economy exhibited steady momentum and quicker recovery from slowdowns than the national GDP.

As seen from **Chart 1.2**, the State's per capital income consistently remained below the national average. During the five-year period from 2020-21 to 2024-25, the State's per capita income grew by 73.16 *per cent*, outpacing the national per capita income growth of 61.36 *per cent*. However, the gap in terms of absolute income widened from ₹ 36,493 in 2020-21 to ₹ 48,183 in 2024-25. The State's relatively faster per capital income growth exhibited a favourable trend, indicating potential convergence with the national per capita income level over time.

Sectoral contribution to GSVA

The sectoral contribution by various sector during 2024-25 and sectoral growth in GSDP during the last five years are depicted in **Chart 1.3** and **Chart 1.4** respectively.

Chart 1.3 Sectoral contribution 2024-25

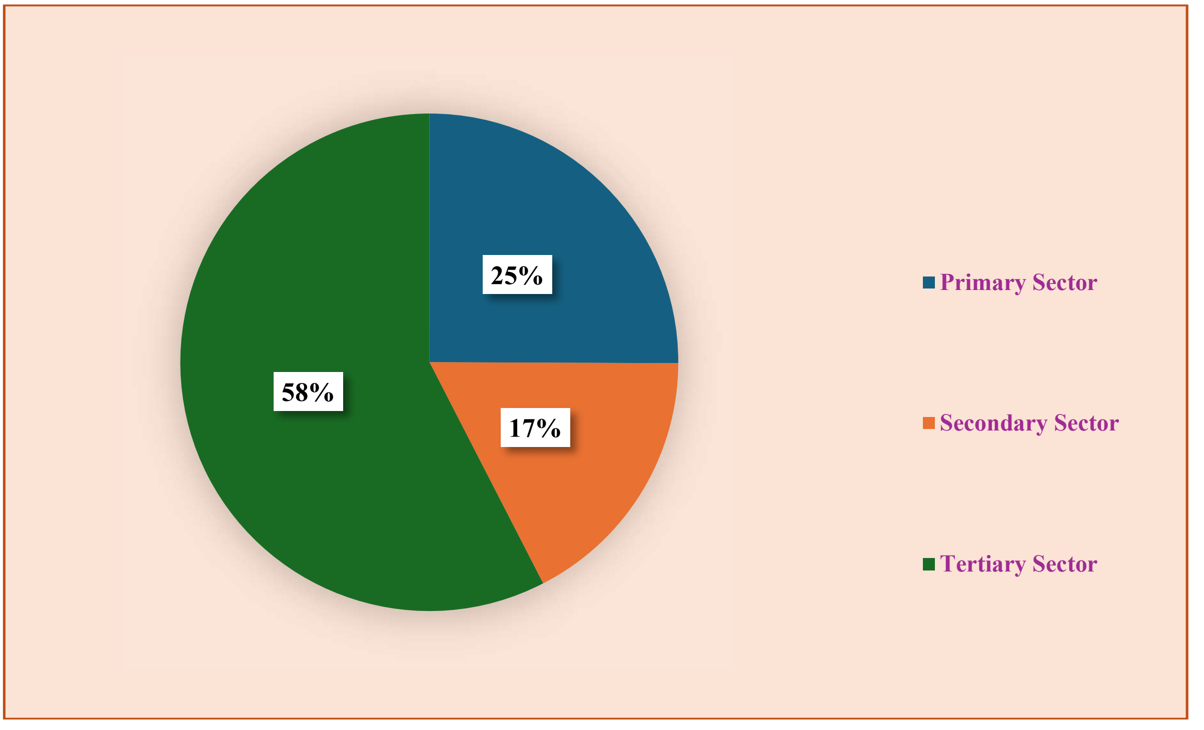


Chart 1.4 Sectoral growth in GSDP

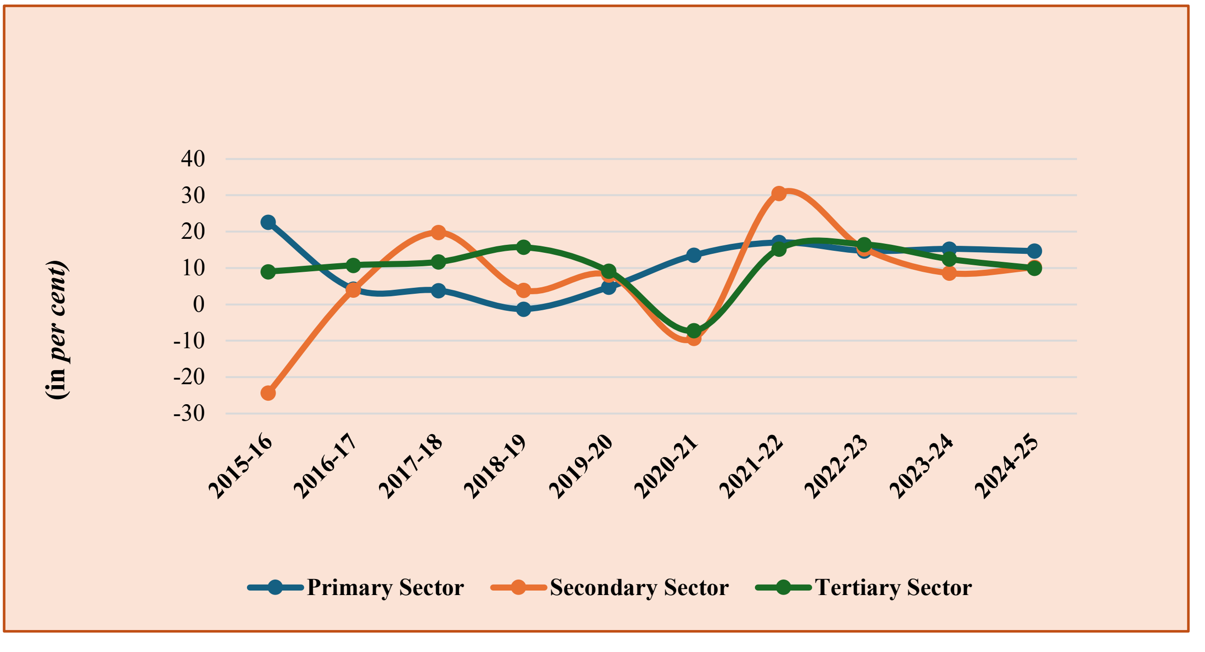
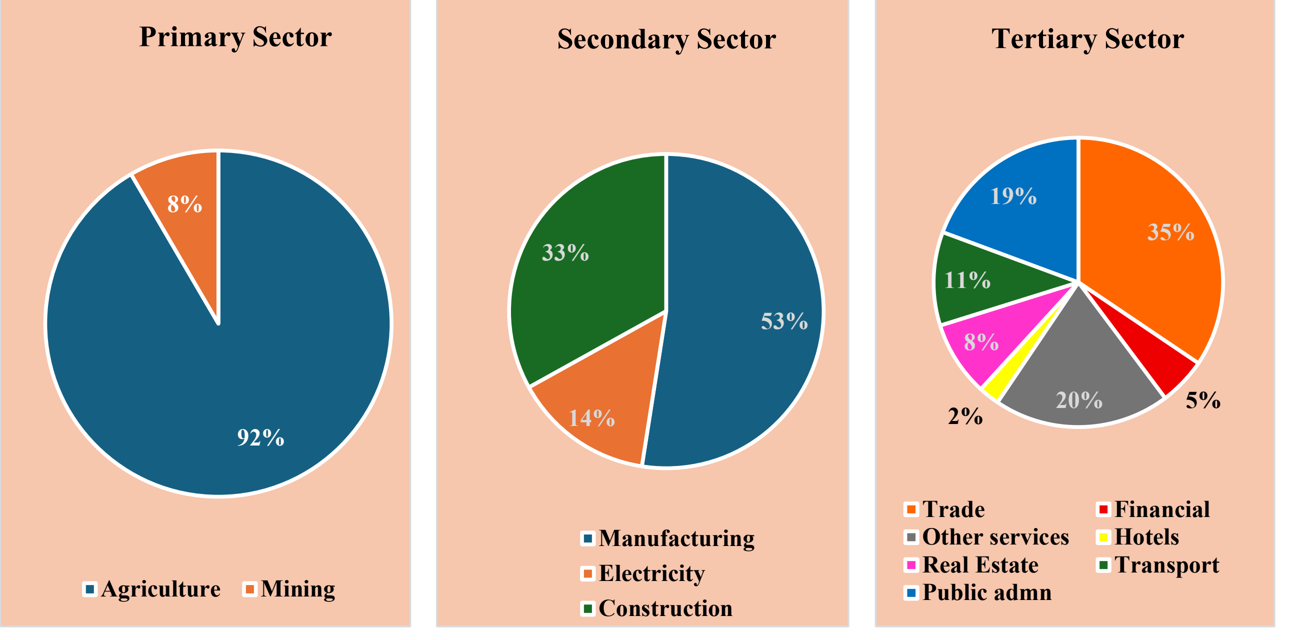


Chart 1.5 shows the composition of each sector during FY 2024-25, in terms of its major contributing segments.

Chart 1.5: Sector-wise distribution, FY 2024-25



Source: Economic and Statistics Department, Government of Meghalaya.

The tertiary sector remained the largest contributor throughout, while the secondary sector showed post-pandemic recovery and the primary sector maintained a relatively stable share.

Charts 1.3, 1.4 and **1.5** indicates that tertiary sector was the dominant force contributing 58 *per cent* of the GSDP, followed by the Primary Sector at 25 *per cent* and the Secondary Sector at 17 *per cent*. Detailed analysis of sub-sectors shows that 92 *per cent* of Primary Sector was contributed by agriculture, the Secondary Sector was led by manufacturing (53 *per cent*) and the diverse tertiary sector was anchored by trade (35 *per cent*) and public administration (19 *per cent*). Sectoral growth trends indicate that the sectors that witnessed a sharp rebound in 2021-22, reversing the decline observed in 2020-21, are the secondary (from -9.31 *per cent* in 2020-21 to 30.52 *per cent* in 2021-22) and tertiary sector (from -7.21 *per cent* in 2020-21 to 15.26 *per cent* in 2021-22). The primary sector, however, continued its growth trajectory, registering robust growth of 13.56 *per cent* in 2020-21 and 17.06 *per cent* in 2021-22.

1.1.3 Snapshot of Finances

Table 1.3 shows the details of actual financial results of State Government of Meghalaya for the years 2023-24 and 2024-25 *vis-a-vis* Budget Estimates (BE), Revised Estimates (RE) and GSDP for the year 2024-25.

Table 1.3: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1.	Tax Revenue	11,879.75	13,397.00	13,911.67	13,343.46	99.60	22.38
(i)	*Own Tax Revenue*	*3,216.53*	*4,041.27*	*4,041.27*	*3,473.06*	85.94	*5.82*
(ii)	*Share of Union taxes/duties*	*8,663.22*	*9,355.73*	*9,870.40*	*9,870.40*	105.50	*16.55*
2.	Non-Tax Revenue	523.25	746.58	746.58	474.08	63.50	0.80
3.	Grants-in-aid and Contributions	5,574.86	9,371.15	9.371.15	3,336.37	35.60	5.60
4.	**Revenue Receipts (1+2+3)**	**17,977.86**	**23,514.73**	**24,029.40**	**17,153.91**	**72.95**	**28.77**
5.	Recovery of Loans and Advances	24.03	29.95	29.95	21.97	73.36	0.04
6.	Other Receipts	-	-	-	-	-	-
7.	Borrowings and other liabilities*	3,152.21	2,029.06	1,514.39	5,184.01	255.49	8.69
8.	**Capital Receipts (5+6+7)**	**3,176.24**	**2,059.01**	**1,544.34**	**5,205.98**	**252.84**	**8.73**
9.	**Total Receipts (4+8)** #	**21,154.10**	**25,573.74**	**27,572.31**	**22,359.89**	87.43	**37.50**
10.	**Revenue Expenditure**	**16,583.54**	**19,652.76**	**19,652.76**	**17,081.19**	**86.91**	**28.65**
11.	Interest payments	1,138.10	1,235.69	1,235.69	1,231.13	99.63	*2.06*
12.	Capital Expenditure	4,529.54	5869.51	5869.51	5,245.98	89.38	8.80
13.	Loans and advances	41.02	51.47	51.47	32.72	63.57	0.05
14.	**Total Expenditure** ** **(10+12+13)**	**21,154.10**	**25,573.74**	**27,572.31**	**22,359.89**	**87.43**	**37.50**
15.	**Revenue Surplus (+)/Deficit (-) (4-10)**	**1,394.32**	**3,861.97**	**4.376.64**	**72.71**[1]	**1.88**	**0.12**
16.	**Fiscal Surplus (+)/Deficit (-) {(4+5+6)-14}**	**(-)3,152.17**	**(-)2,029.06**	**(-)1,514.39**	**(-)5,184.01**	**255.49**	**(-)8.69**
17.	**Primary Deficit (-)/ Surplus (+) (16-11)**	**(-)2,014.11**	**(-) 793.37**	**(-) 278.70**	**(-)3,952.88**	**498.24**	**(-) 6.63**

Source: Finance Accounts.

**Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*
#Includes net receipts under Public Debt, Public Accounts, Contingency Fund and Cash Balance.
*** This does not include amount for repayment of internal debt and loans from the Government of India.*

The details of State Government Finances for the 10-year period from 2015-16 to 2024-25 is given in **Appendix 1.1**.

Table 1.3 highlights that Revenue Receipts of the State decreased by 4.58 *per cent* in 2024-25 as compared to 2023-24 while the Revenue Expenditure increased by 3.00 *per cent* resulting in revenue surplus of ₹ 72.71 crore which is overstated as discussed in subsequent paragraphs. However, the Capital Receipts increased by 63.90 *per cent* while Capital Expenditure increased by 15.82 *per cent*.

1.1.4 Sources and Applications of Funds

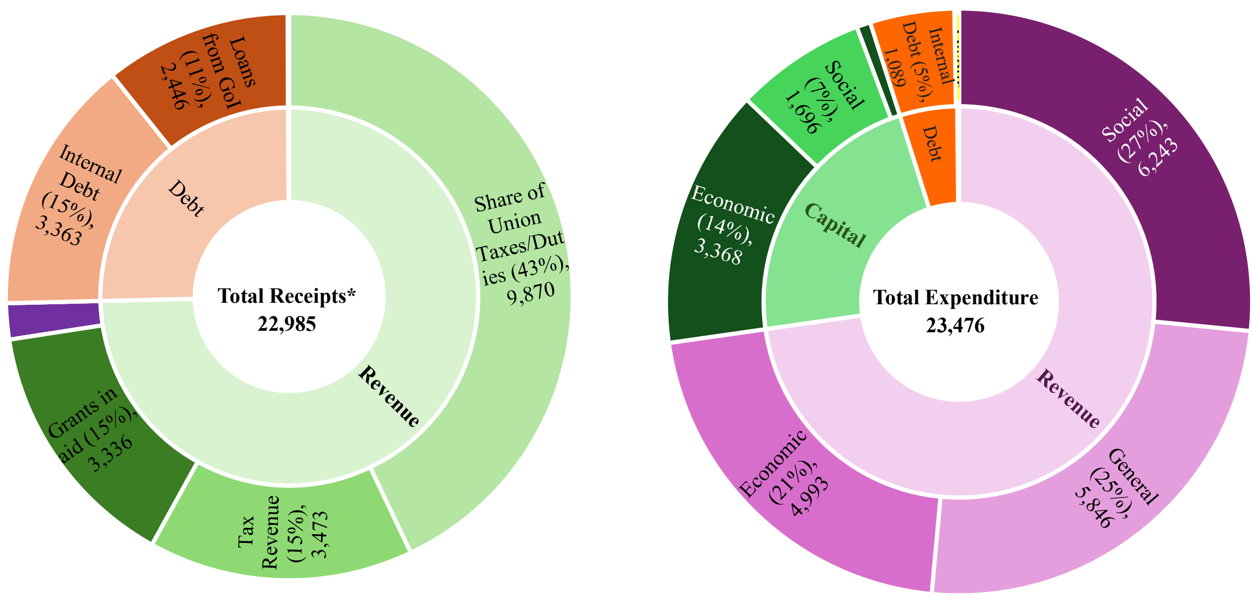
Comparison of components of the sources and application of funds of the State during the current year is given in **Chart 1.6.**

[1] Post Audit adjusted Revenue Deficit is ₹ 52.69 crore.

Chart 1.6: Details of sources and application of funds during 2024-25

(₹ in crore)

Source of Funds **Application of Funds**



Source: Finance Accounts.
**This does not include net receipts under Public Accounts, Contingency Fund and net of Opening and Closing Cash Balance.*

Appendix 1.2 provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

1.1.5 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and assets, as on 31 March 2025, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds. Assets comprise mainly of the Capital Expenditure, and loans and advances, given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2023-24 and 2024-25, is given in **Table 1.4.**

Table 1.4: Summarised position of assets and liabilities

(₹ in crore)

Liabilities					Assets				
		2023-24	**2024-25**	***Per cent* increase/ Decrease**			**2023-24**	**2024-25**	***Per cent* increase/ decrease**
Consolidated Fund									
A	Internal Debt	14,008.66	16,282.44	16.23	A	Gross Capital Expenditure#	26,734.14	31,980.12	19.62

Liabilities					Assets				
		2023-24	2024-25	*Per cent* increase/ Decrease			2023-24	2024-25	*Per cent* increase/ decrease
B	Loans and Advances from GoI*	3,339.19	5,565.01		B	Loans and Advances	1,008.76	1,019.51	1.07
Contingency Fund		505.00	505.00				-	-	0.00
Public Account									
A	Small Savings, Provident Funds, *etc.*	2,488.76	2,556.94	2.74	A	Advances with Departmental officers	1.81	1.81	0.00
B	Deposits	1,672.86	1,999.91	19.55	B	Remittances	-	-	0.00
C	Reserve Funds	1,155.43	1,032.75	10.62	C	Suspense and Miscellaneous	145.48	31.73	(-)78.19
D	Remittances	80.67	84.23	4.41	**Cash balance (including investment in Earmarked Funds)**		**930.86**	**827.23**	**(-)11.13**
	Surplus in Government Accounts	**5,570.48**	**5,834.12**	-	-		-	-	-
Total		**28,821.05**	**33,860.40**	**17.49**			**28,821.05**	**33,860.40**	**17.49**

Source: Finance Accounts of respective years.

** This includes Back-to-Back Loans in lieu of GST Compensation Shortfall which stood at ₹ 253.16 crore for 2023-24 and ₹ 60.02 crore for 2024-25.*

 # This excludes investment of ₹ 2,116.26 crore to Meghalaya Energy Corporation Limited (MeECL) made from Revenue Account.

1.2 Consolidated Fund of the State

All revenues received by the State Government, all loans raised by the State Government, ways and means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans forms part of the Consolidated fund of the State.

1.2.1 Revenue Receipts

Trends and growth of revenue receipts with respect to Gross State Domestic Product (GSDP) over the five-year period (2020-25) are shown in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Receipts	**10,683.24**	**14,274.14**	**14,819.87**	**17,977.86**	**17,153.91**
Tax Revenue	6,624.19	8,881.01	9,936.81	11,879.75	13,343.46
Own Tax Revenue	2,072.56	2,300.38	2,650.67	3,216.53	3,473.06
State's share in Union taxes and duties	4,551.63	6,580.63	7,286.14	8,663.22	9,870.40
Non-Tax Revenue	**523.17**	**524.58**	**456.61**	**523.25**	**474.08**
Grants- in aid from GoI	**3,535.88**	**4,868.55**	**4,426.45**	**5,574.86**	**3,336.37**
State's Own Revenue (Own Tax and Non-Tax Revenue)	2595.73	2824.96	3107.28	3739.78	3947.14
GSDP (2011-12 series)	33,776	40,222	46,834 (PE)	53,223 (QE)	59,626 (AE)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Year-on-year growth rates (in *per cent*)					
Revenue Receipts	(-)16.12	33.61	3.82	21.31	(-)4.58
State's Own Tax Revenue of the State	9.59	10.99	15.23	21.35	7.98
GSDP	(-)2.86	19.08	16.44	13.64	12.03
Buoyancy Ratios[2]					
State's Own Tax Revenue Buoyancy w.r.t GSDP	*	0.58	0.93	1.56	0.66

Source: Finance Accounts for Revenue Receipts and MoSPI for GSDP figures.
Note: PE- Provisional Estimate, QE-Quick Estimates and AE-Advance Estimates.
** Buoyancy ratio was not calculated as GSDP/Revenue Receipts growth was negative.*

During 2024-25, Revenue Receipts stood at ₹ 17,153.91 crore which was decrease of 4.58 *per cent* over the previous year. The contraction was mainly due to sharp decrease in Grants-In-Aid from the Government of India by 40.15 *per cent* compared to 2023-24 despite increase in the State's own revenue by 5.54 *per cent* and rise in the State's share in Union taxes and duties by 13.93 *per cent*.

Over the five-year period 2020-25, Revenue Receipts of the State grew by 60.57 *per cent.* During this period, annual increase in State's Own Tax Revenue (SOTR) fell short of annual GSDP growth rate except in 2023-24 as it grew slower than GSDP growth rate except in 2023- 24. This indicates that the State's own tax revenue mobilisation did not keep pace with economic growth in general. This trend of low buoyancy ratio suggests structural weaknesses in revenue mobilisation and highlights the need to broaden tax base, strengthen compliance mechanisms and enhance collection efficiency, to strengthen revenue mobilisation and reduce dependence on external transfers for sustainable fiscal management.

Revenue Receipts as percentage of GSDP and contribution from various sources in revenue receipts is given in **Chart 1.7** and **Chart 1.8**.

Chart 1.7 :Revenue Receipts as percentage of GSDP

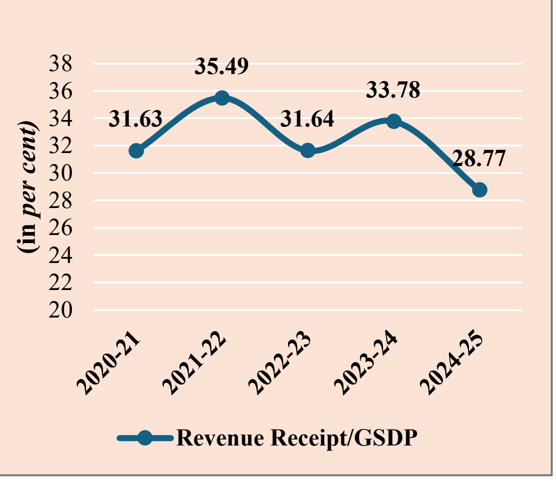
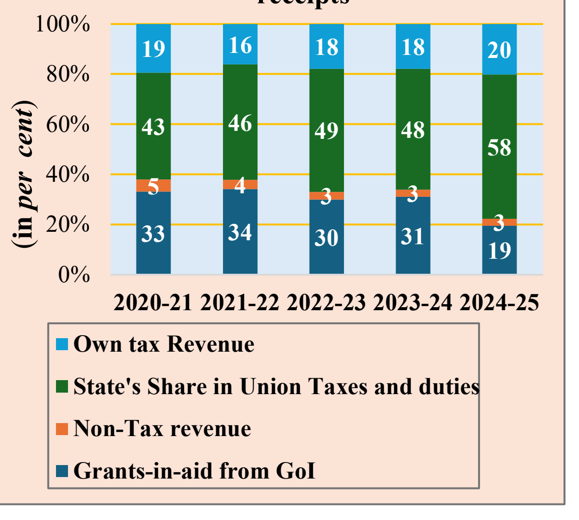


Chart 1.8: Contribution from various receipts

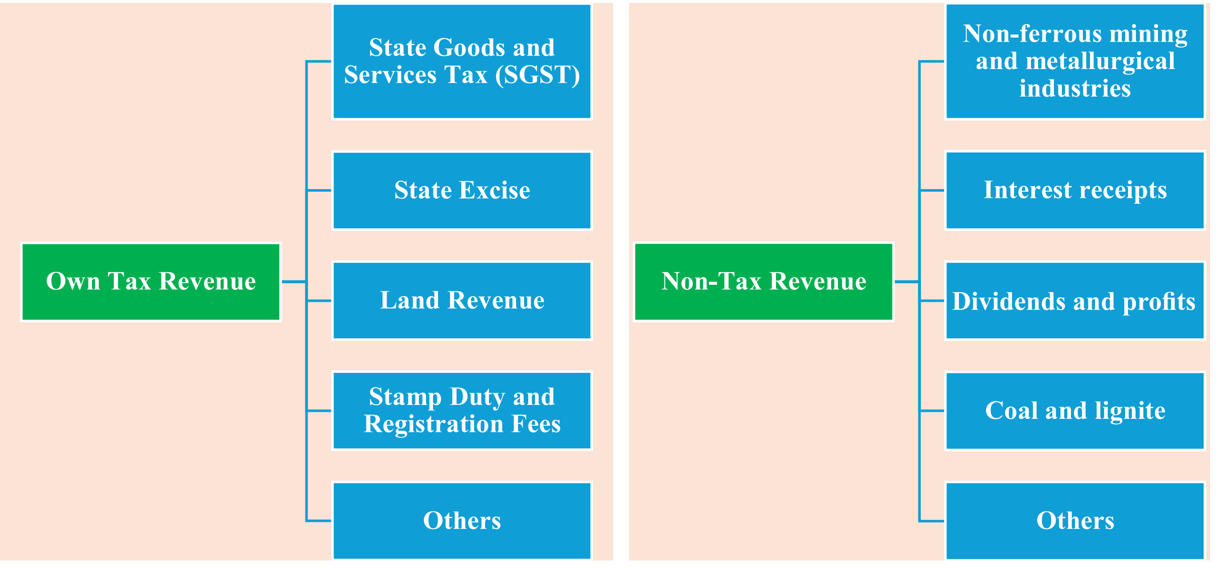


2 Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Chart 1.7 shows that the revenue receipts as share of GSDP declined from 31.63 *per cent* in 2020-21 to 28.77 *per cent* in 2024-25. **Chart 1.8** indictaes that, as share of Revenue Receipts, Central transfers remained in the range of 75.70 *per cent* – 80.21 *per cent* while the State's Own Revenue lied between 19.79 *per cent* and 24.30 *per cent*.

A. State's Own Resources

Chart 1.9: Details of State's Own Revenue



(i) Own Tax Revenue

Own Tax Revenue is the revenue collected by the State Government through taxes it is empowered to levy under the Constitution. Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Own Tax Revenue for the FY 2024-25 are given in **Table 1.6**.

Table 1.6: Own Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

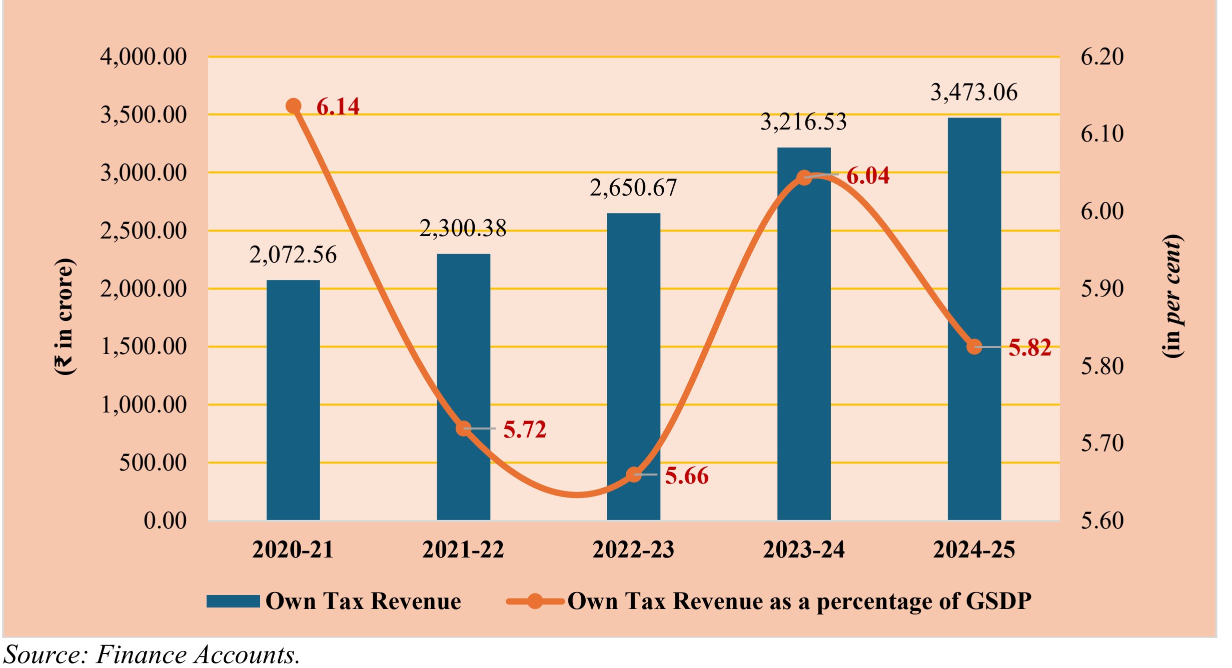
(₹ in crore)

Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Taxes on Sales, Trades, *etc.*	836.93	1,155.95	1,155.95	953.23
State Goods and Services Tax (SGST)	1,723.06	1,994.75	1,994.75	1,807.92
State Excise	458.20	660.52	660.52	505.67
Land Revenue	4.71	7.06	7.06	2.40
Stamp Duty and Registration Fees	26.30	34.25	34.25	36.26
Vehicle Tax	144.56	162.67	162.67	146.28
Taxes on Goods and Passengers	13.59	15.70	15.70	12.42
Others	9.18	10.37	10.37	8.88
Total	**3,216.53**	**4,041.27**	**4,041.27**	**3,473.06**

Source: Finance Accounts and Budget documents of the State.

Trends of own tax revenue and its components during the period 2020-21 to 2024-25 are shown in **Chart 1.10** and **Chart 1.11** respectively.

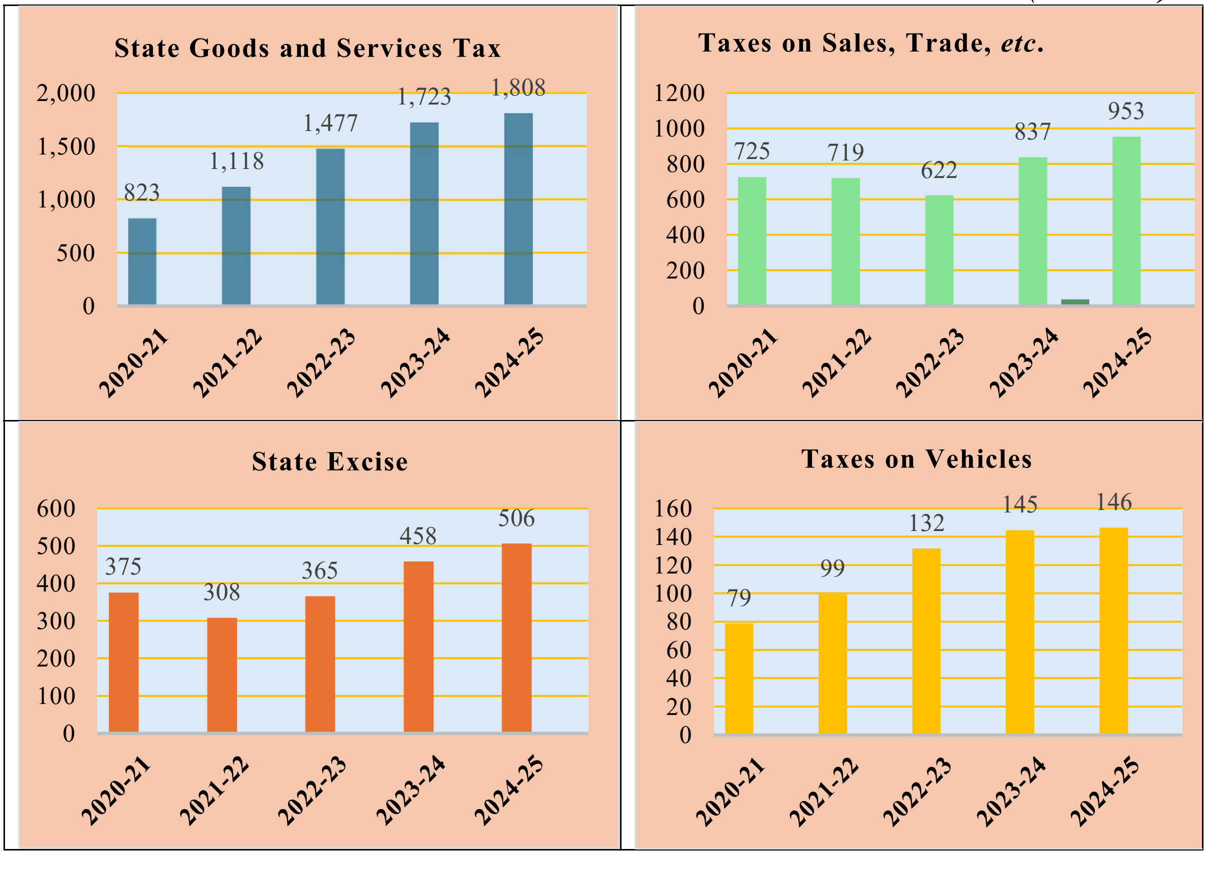
Chart 1.10: Trends of Own Tax Revenue during FY 2020-21 to FY 2024-25

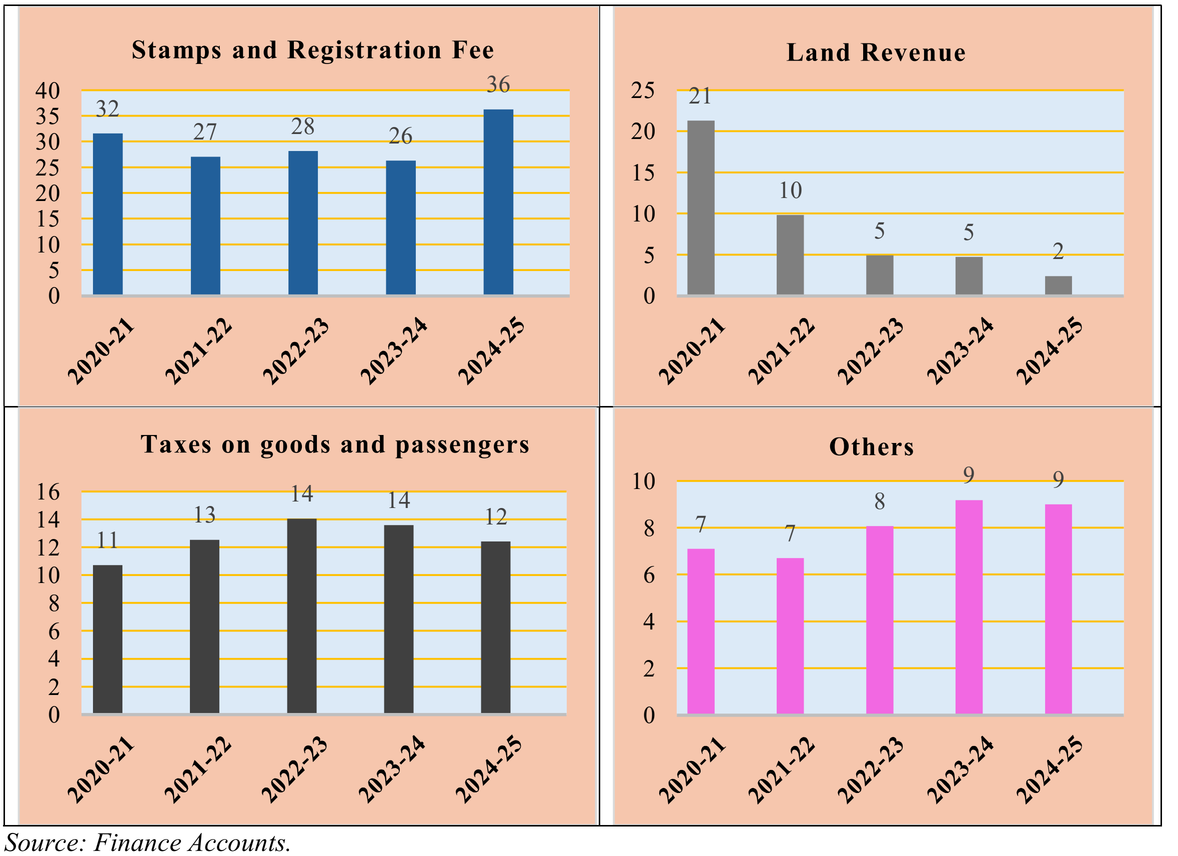


Source: Finance Accounts.

Chart 1.11: Major components of State's Own Tax Revenue

(₹ in crore)





Source: Finance Accounts.

During 2024–25, the State's Own Tax Revenue stood at ₹ 3,473.06 crore which was 7.98 *per cent* higher than the previous year (₹ 3,216.53 crore). This was 85.94 *per cent* of the Budget Estimate (₹ 4,041.27 crore). Also, its share in GSDP declined marginally from 6.04 *percent* in 2023-24 to 5.82 *per cent* in 2024-25.

Within the State's Own Tax Revenue, SGST (₹ 1,807.92 crore) remained the dominant source, contributing 52 *per cent*. However, its growth (4.92 *per cent*) was slower compared to the previous year (16.66 *per cent*). Taxes on Sales, Trades, *etc*. increased by 13.90 *per cent*, while State Excise grew by 10.36 *per cent* over the previous year. Vehicle tax recorded 1.19 *per cent* increase over the last year and Stamp Duty and Registration Fees rose by 37.87 *per cent*. However, land revenue fell sharply by 49.04 *per cent*.

(ii) Non-Tax Revenue

Non-Tax Revenue of a State refers to the rent, fees, royalties and other receipts, of the State Government from sources other than taxes. Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Non-Tax Revenue for the FY 2024-25 are given in **Table 1.7**.

Table 1.7: Major Non-Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

(₹ in crore)

Non-Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Interest Receipts	10.77	12.68	12.68	5.45
Dividends and Profits	0.14	0.49	0.49	0.20

Non-Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
User charges[3]	13.75	16.01	16.01	9.55
Non-ferrous Mining and Metallurgy	322.82	500.00	500.00	273.97
Forestry and Wildlife	108.88	144.46	144.46	111.76
Public Works	18.44	21.29	21.29	7.74
Police	9.14	12.71	12.71	10.88
Others	39.31	38.94	38.94	54.53
Total	**523.25**	**746.58**	**746.58**	**474.08**

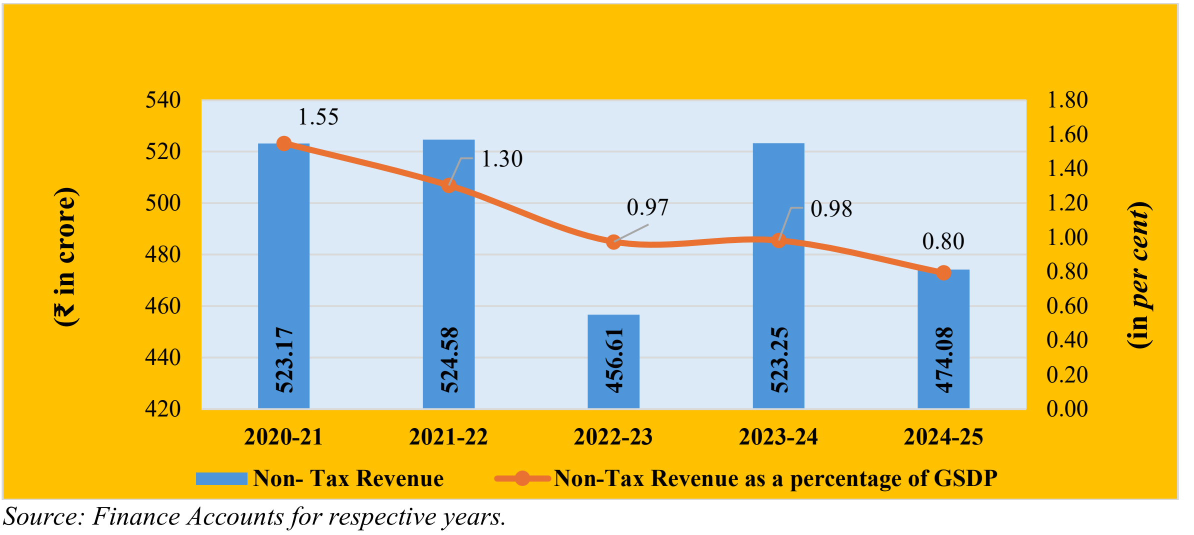
Source: Finance Accounts and Annual Financial Statements.

Against the Budget Estimate (BE) of ₹ 746.58 crore for non-tax revenue receipts during the year 2024-25, actual receipts stood at ₹ 474.08 crore i.e., 63.50 *per cent* of BE. This was mainly due to less realisation of BE for royalty and other receipts under Non-ferrous Mining and Metallurgy (less by ₹ 226.03 crore) and Forestry and Wildlife (less by ₹ 32.70 crore).

As compared to the previous year, the actual non-tax revenue receipts show decrease of ₹ 49.17 crore (9.40 *per cent*). This was mainly due to decrease of ₹ 48.85 crore in royalty and other receipts under Non-ferrous Mining and Metallurgy, ₹ 10.70 crore in hire charges and other receipts under Public Works and ₹ 5.32 crore in interest receipts despite increase of ₹ 15.22 crore under other non-tax revenue receipts and 2.88 crore under Forests and Wildlife.

Trends of non-tax revenue and its components during the period 2020-21 to 2024-25 are shown in **Chart 1.12** and **Chart 1.13** respectively.

Chart 1.12: Trends in Non-Tax Revenue



Source: Finance Accounts for respective years.

Chart 1.12 shows that non-tax revenue receipts as the share of GSDP consistently decreased during the five-year period from 1.55 *per cent* in 2020-21 to 0.80 *per cent* in 2024-25. This suggests that non-tax revenue receipts grew at a slower pace than GSDP of the state.

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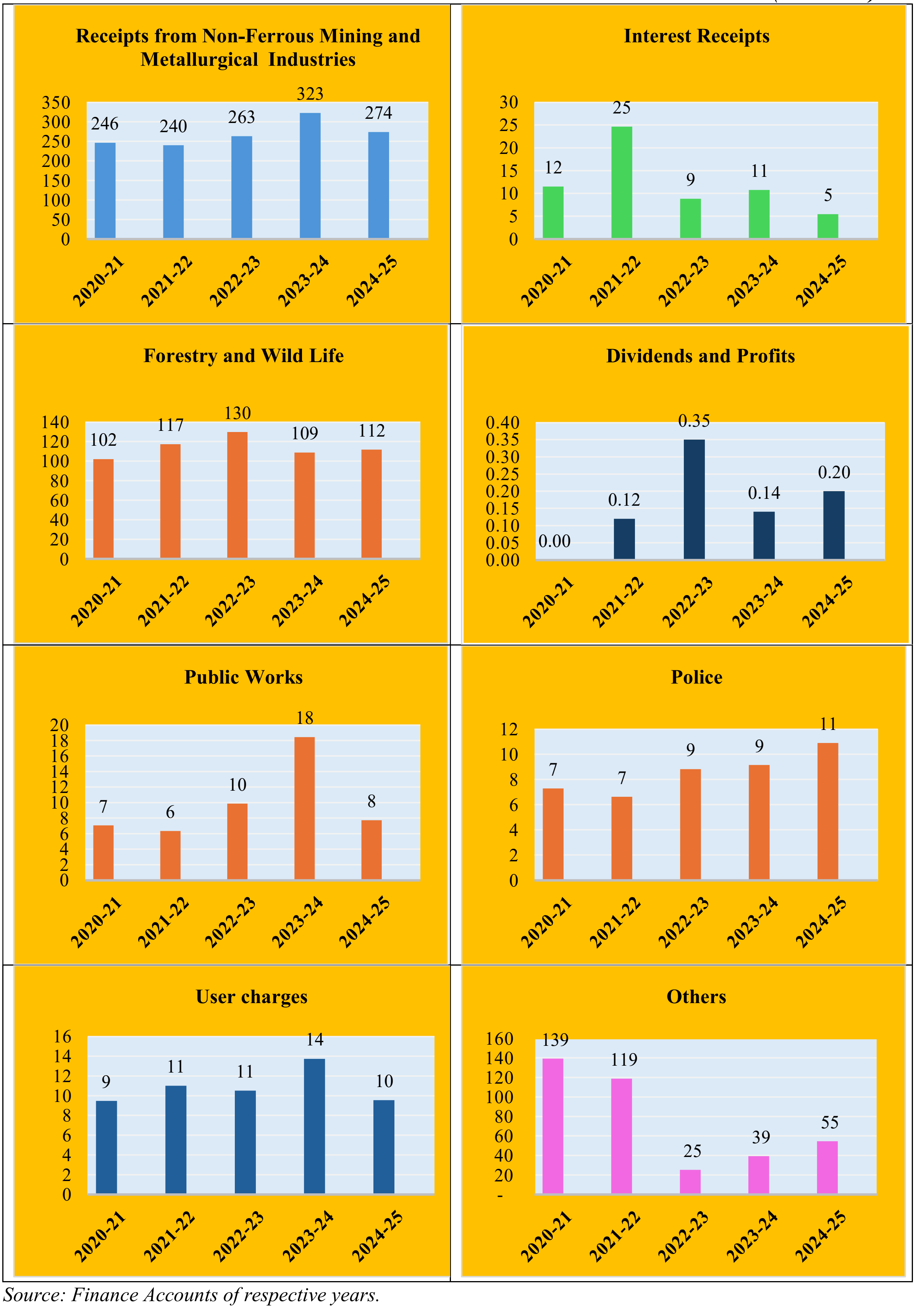
[3] All non-tax revenue under Education, Health, Water Supply and Sanitation, Irrigation, Transport and Tourism pertaining to Major Head 0202, 0210, 0215, 0700, 0701, 1054 and 1452 are user charges.

Chart 1.13: Major components of State's Non-Tax Revenue

(₹ in crore)



Source: Finance Accounts of respective years.

During the five-year period from 2020-21 to 2024-25, the total non-tax revenue receipts remained in the range of ₹ 456.61 crore – ₹ 524.58 crore. Out of this, receipts mainly came from royalties on minerals and other receipts under Non-ferrous Mining and Metallurgy (45.71 *per cent* – 61.69 *per cent*) and Forestry and Wildlife (19.52 *per cent* - 28.42 *per cent*).

During the Exit Conference, the State Government stated that Non-Tax Revenue (NTR) in Meghalaya is largely derived from limestone and coal. However, during 2024-25, a court judgement stayed export of limestone, and this was the primary reason for the reduction of non-tax revenue. The State Government added that the court stay has been vacated now and the export has been resumed. However, volatile situations in the export destination of limestone restricted export and hence there was less Non-Tax Revenue from limestone in the year 2025-26 also.

B. State's share in Union Taxes and Duties

Trends in the components of State's share in Union taxes and duties are shown in **Table 1.8.**

Table 1.8: State's share in Union Taxes and Duties

(₹ in crore)

Components	2020-21	2021-22	2022-23	2023-24	2024-25
Central Goods and Services Tax (CGST)	1,364.27	1,945.54	2,058.15	2,629.18	2,882.79
Integrated Goods and Services Tax (IGST)	-	-	-	-	-
Corporation Tax	1,364.90	1,974.31	2,444.48	2,600.30	2,800.80
Taxes on Income other than Corporation Tax	1,398.24	1,979.29	2,383.99	3,003.03	3,571.81
Customs	249.50	426.42	286.34	303.59	502.18
Union Excise Duties	154.13	198.34	89.80	114.89	96.65
Service Tax	17.73	49.84	11.39	1.6	0.28
Other Taxes[4]	2.86	6.89	11.99	10.63	15.89
Total	**4,551.63**	**6,580.63**	**7,286.14**	**8,663.22**	**9,870.40**

Source: Finance Accounts.

Percentage of total State's share in Union taxes and duties to GSDP is given in **Chart 1.14**

Chart 1.14: State's share in Union taxes and duties as percentage of GSDP

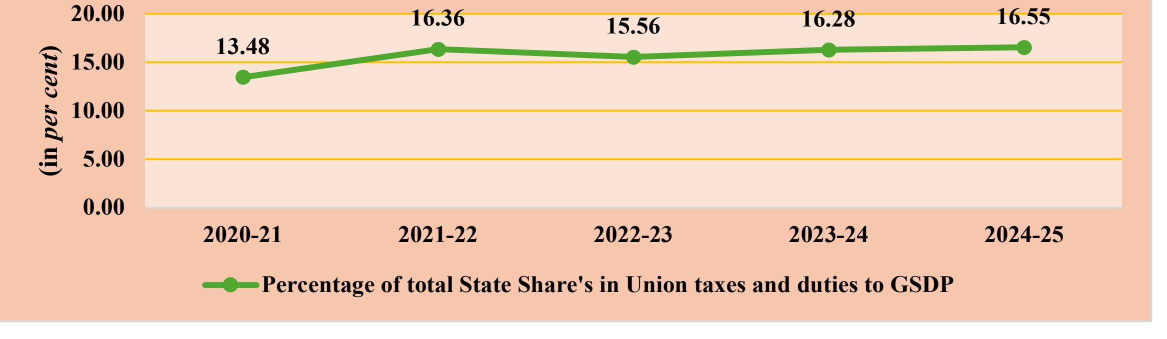


Table 1.8 shows that the State's share in Union Taxes and Duties during 2024-25 increased to ₹ 9,870.40 crore from ₹ 8,663.22 crore in 2023-24 registering a growth of 13.91 *per cent* (₹ 1,207.18 crore). The increase was mainly due to increase in Taxes on Income other than Corporation Tax (₹ 568.78 crore), CGST (₹ 253.61 crore) and Corporation Tax

[4] Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

(₹ 200.50 crore) and Customs (₹ 198.59 crore). The State's share in Union taxes and duties constituted 57.54 *per cent* of the total Revenue Receipts of the State in 2024-25. Over the five- year period 2020-25, the State's share increased from ₹ 4,551.63 crore to ₹ 9,870.40 crore. As share of Revenue Receipts of the state, it was in the range of 42.61 *per cent* – 57.54 *per cent.* As seen in **Chart 1.14**, the State's share as percentage of GSDP remained stable within the range 13.48 *per cent* - 16.55 *per cent* indicating close link between increase in the State's share and the growth in the GSDP of the State.

C. Grants-in-aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components are shown in **Table 1.9**.

Table 1.9: Grants-in-aid from Government of India

(₹ in crore)

Components	2020-21	2021-22	2022-23	2023-24	2024-25
Grants for State/Union Territory Plan Schemes	-	-	-	-	(-)11.70*
Grants for Centrally Sponsored Schemes	2,554.41	2,955.61	3,253.29	4,651.43	3,006.04
Finance Commission Grants	691.99	1,494.65	1,144.70	775.20	229.60
Other transfers/Grants to States/Union Territories with Legislature	289.48	418.31	28.46	148.23	112.43
Total	**3,535.88**	**4,868.55**	**4,426.45**	**5,574.86**	**3,336.37**

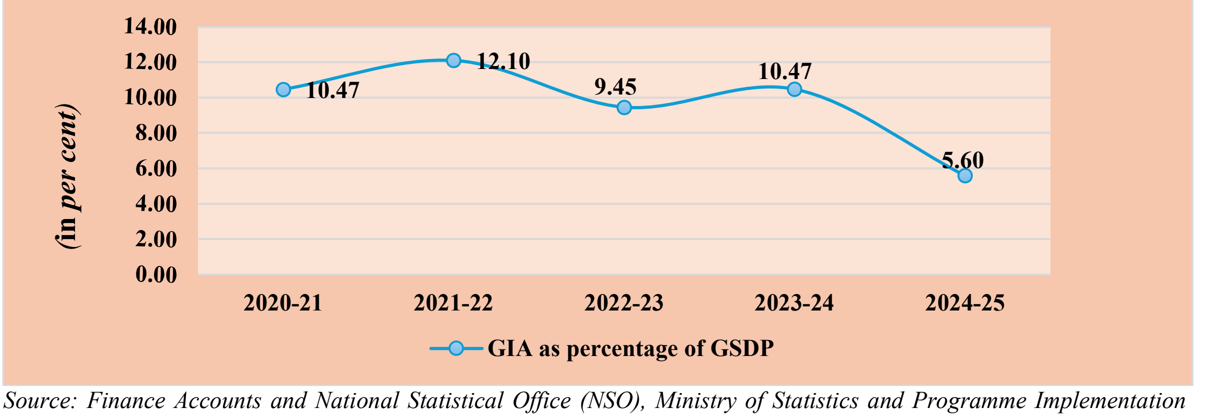
Source: Finance Accounts.

* *Refunds of Central Assistance from Non-Lapsable Central Pool of Resources.*

Table 1.9 shows that the state received ₹ 3,336.37 crore as Grants-in-Aid (GIA) from the Government of India in the current year 2024-25. This was 40.15 *per cent* (₹ 2,238.49 crore) lower than the previous year. In fact, this was the lowest in the last five-year period. Out of the GIA for the year, 90.10 *per cent* was received for Centrally Sponsored Schemes followed by Finance Commission Grants (6.88 *per cent*) and other transfers and grants (3.37 *per cent*). As share of total Revenue Receipts, GIA stood at 19.45 *per cent* for the year.

Percentage of Grant-in-aid from Government of India to GSDP is given in **Chart 1.15**

Chart 1.15: Grant-in-aid from Government of India as percentage of GSDP



Source: Finance Accounts and National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI).

Chart 1.15 shows that Grants-in-Aid (GIA) from the Government of India to the State constituted between 5.60 *per cent* and 12.10 *per cent* during the five-year period from 2020-21 to 2024-25, with the lowest share recorded in 2024-25. This was mainly because the Post-Devolution Revenue Deficit grant under the Finance Commission Grants of the state in 2024-25 was the lowest during this period.

During the Exit Conference, the State Government stated that the primary reason for reduction was decrease in the funds for Centrally Sponsored Schemes mainly due to substantial funds received under Pradhan Mantri Awas Yojana (PMAY) in 2023-24. The State Government added that migration to SNA SPARSH also contributed to the reduction.

(i) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹ 3,006.04 crore for Centrally Sponsored Schemes during 2024-25, major allocations were made to the schemes shown in **Table 1.10**.

Table 1.10: Major Schemes receiving grants[5]

Name of the Scheme	2024-25 Amount (₹ in crore)	2023-24 Amount (₹ in crore)	Percentage change over previous year
Additional Central Assistance for Externally Aided Project	679.43	610.74	11.25
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	404.34	336.45	20.18
Samagra Shiksha	362.83	394.18	(-)7.95
Flexible Pool for RCH & Health System Strengthening National Health Prog. & Urban Health Mission	255.80	92.71	175.91
Pradhan Mantri Gram Sadak Yojana (PMGSY)	219.62	122.59	79.15
National Rural Livelihood Mission (NRLM)	217.63	284.11	(-)23.40
Post Matric Scholarships to the Students belonging to Scheduled Tribes	145.08	85.00	70.68
Saksham Anganwadi & POSHAN II	137.93	269.69	(-)48.86

Source: Finance Accounts.

Table 1.10 shows that the largest grants among the Centrally Sponsored Schemes during 2024-25 were received under Additional Central Assistance for Externally Aided Project (₹ 679.43 crore) followed by MGNREGA Scheme (₹ 404.34 crore) and Samagra Shiksha Scheme (₹ 362.83 crore).

[5] Centrally Sponsored Schemes which received over ₹ 100 crore grants during the year included.

(ii) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15th FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), State Disaster Mitigation Fund (SDMF) and health sector grants. Details of grants provided by GoI are given in **Table 1.11.**

Table 1.11: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers		Recommendation of 15th FC for 2024-25	Actual release by GoI, during 2024-25	Release by State Government	
				Amount	Total percentage of the amount released by GoI
(i) Grants to RLBs		**149**	**27.00***	**27.00**	**100.00**
(a) Tied Grants		89	-	-	-
(b) Untied Grants		60	27.00	27.00	**100.00**
(ii) Grants to ULBs		**77.00**	**33.00**	**33.00**	**100.00**
(a) Non-Million Plus Cities (Tied Grant)		46.20	13.20#	13.20	**100.00**
(b) Non-Million Plus Cities (Untied Grant)		30.80	19.80#	19.80	**100.00**
(iii) Grant for Health Sector		64.48	-	-	-
Total for Local Bodies (i+ii+iii)		**226.00**	**60.00**	**60.00**	**100.00**
State Disaster Response Fund (SDRF)	Central Share	60.80	59.60	59.60	100.00
	State Share	6.40	-	6.40	-
State Disaster Mitigation Fund (SDMF)	Central Share	15.20	-	-	-
	State Share	1.60	-	-	-
Total for SDRMF[6]		**84.00**	**59.60**	**66.00**	**-**

Source: 15th FC Report and departmental information.
RLBs -Rural Local Bodies and ULBs - Urban Local Bodies.
**Rural Local Bodies Grant for the year 2021-22 released in 2024-25 on 26.11.2024.*
 # Urban Local Bodies Grant for the year 2021-22 released in 2024-25 on 27.03.2025.

As depicted in **Table 1.11**, during the year 2024-25, against the total amount of ₹ 226 crore recommended for the year as grants-in-aid by the 15th Finance Commission (FC) for the Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs), the State received ₹ 60 crore (26.55 *per cent*) which was fully released by the State (₹ 27 crore to the Autonomous District Councils and ₹ 33 crore to the Municipal Boards) during the year. Further, the 15th FC also recommended a total of ₹ 84 crore for State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) components of State Disaster Risk Management Fund (SDRMF) comprising central share of ₹ 60.80 crore for SDRF and ₹ 15.20 crore for SDMF and a state share of ₹ 6.40 crore for SDRF and ₹ 1.60 crore for SDMF. As compared to this, the Government of India (GoI) released ₹ 59.60 crore as the central share for SDRF, which was transferred by the State to the SDRF in the Public Accounts along with the state's share of ₹ 6.40 crore.

[6] State Disaster Risk Management Fund (SDRMF) comprises State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF).

1.2.2 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.

Trends of capital receipts and its components from 2020-21 to 2024-25 are shown in **Table 1.12.**

Table 1.12: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Receipts	2,329	2,317	3,081	3,398	5,831
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	28	24	25	24	22
Public Debt Receipts	2,301	2,293	3,057	3,374	5,809
*Internal Debt**	*1,956*	*1,778*	*1,952*	*2,013*	*3,363*
Loans and advances from GoI#	*345*[7]	*515*[8]	*1,105*	*1,361*	2,446
Year-on-Year growth rates (in percent)					
GSDP	(-)2.86	19.08	16.44	13.64	12.03
Capital Receipts	52.45	(-)0.47	32.97	10.27	71.60
Debt Capital Receipts	53.78	(-)0.33	33.32	10.37	72.17
Internal Debt	32.12	(-)9.08	9.78	3.12	67.09
Loans and advances from GoI	2,085.88	49.28	114.56	23.17	79.69

Source: Finance Accounts.
** Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility.*
#Includes 50-year interest-free loan received for capital projects under the Scheme for 'Special Assistance to States for Capital Investment (SASCI)': ₹ 200.00 crore in 2020-21, ₹ 281.20 crore in 2021-22, ₹ 1,049.02 crore in 2022-23, ₹ 1,293.06 crore in 2023-24 and ₹ 2,369.63 crore in 2024-25.

Capital Receipts as percentage of GSDP is depicted in **Chart 1.16.**

[7] Includes an amount of ₹ 112.00 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*.

[8] Includes an amount of ₹ 14,116.00 lakhs Back-to-Back loan by GoI in lieu of GST Compensation shortfall vide GoI Letter No. F.No.40(1) PF-S/ 2021-22 dated 10-12-2021 which will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, *etc.*

Chart: 1.16 Capital Receipts as percentage of GSDP

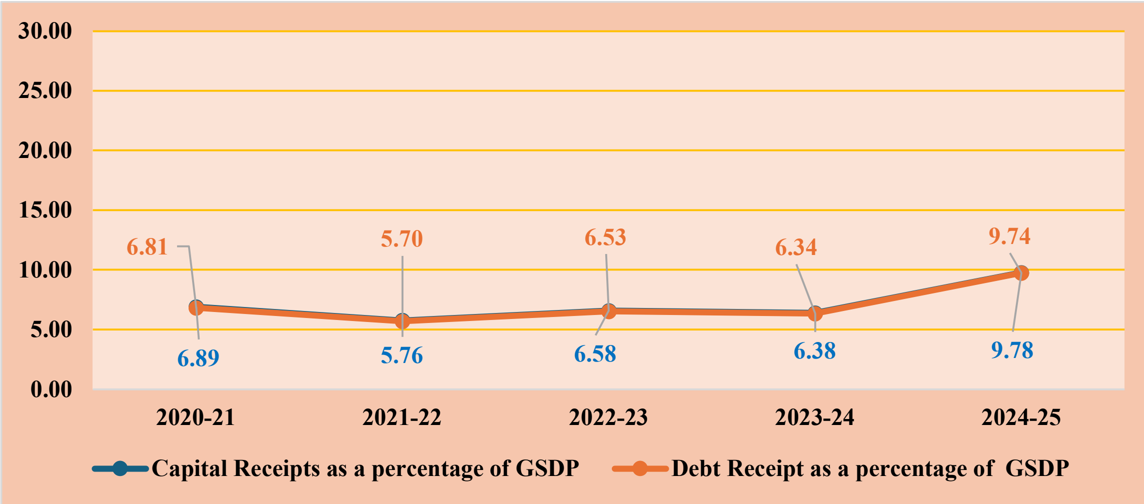


Table 1.12 shows that the State's Capital Receipts in 2024-25 increased significantly by 71.60 *per cent* to ₹ 5,831 crore from ₹ 3,398 crore in 2023-24. This rise was primarily driven by higher public debt receipts (including net WMA & SDF of ₹ 1,227.49 crore) (₹ 5,809 crore), which accounted for 99.62 *per cent* of the total capital receipts. Within this, loans and advances from GoI increased by 79.69 *per cent* and internal debt rose by 67.09 *per cent* over the previous year.

As seen from **Chart 1.16**, Capital Receipts as a percentage of GSDP grew from 6.38 *per cent* in 2023-24 to 9.78 *per cent* in 2024-25 after hovering around 6.00 *per cent* during the previous years. This was mainly because debt capital receipts grew faster than the GSDP, indicating rising debt dependence and potential risks to fiscal sustainability. It may be mentioned that increased reliance on debt carries greater interest burden. The near overlap of the graphs of Capital Receipts and Debt Receipts as percentages of GSDP highlights the dominance of debt receipts within Capitals Receipts of the state over the five-year period.

During the Exit Conference, the State Government stated that the increase in Debt Capital Receipts are due to significant loan amount received by the State under Special Assistance to States for Capital Investment (SASCI) which is effectively in the nature of a Grant even though it is accounted as loan as per accounting procedure as it is in the form of interest free loan from the Government of India with tenure of 50 years. The State Government stated that the matter of accounting SASCI as loan has already been take up with the Ministry of Finance, Government of India and further instructions are awaited.

It may be mentioned that suitable disclosure on SASCI loan are incorporated in the SFAR since 2023-24 based on the request of the State Government and the same is also incorporated in the SFAR 2024-25.

1.2.3 Finance Commission Projections and Actuals

The projected revenue, deficits and GSDP by the 15th Finance Commission and actuals for the FY 2020-21 to FY 2024-25 are given in the **Table 1.13**.

Table 1.13: 15th FC Projection *vis-à-vis* actuals

Particulars	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
GSDP (Current Prices)	*	33,776	5,941	40,222	9,021	46,834	2,706	53,223	7,038	59,626
Own Revenue Receipts	*	2,595.73	2,471.00	2,824.96	2,708.00	3,107.28	2,995.00	3,739.78	3,336.00	3,947.14
State's Own Tax Revenue	*	2,072.56	1,988.00	2,300.38	2,180.00	2,650.67	2,412.00	3,216.53	2,688.00	3,473.06
State's Own Non-Tax Revenue	*	523.17	483.00	524.58	28.00	456.61	583.00	523.25	648.00	474.08
State's share in Union Taxes/Duties	6 ,542.00	4,551.63	5,051.00	6,580.63	5,619.00	7,286.14	6,323.03	8,663.22	7,183.47	9,870.40
Revenue Deficit (-)/ Surplus (+) as percentage of GSDP	0.00	(-)2.41	0.00	1.59	0.00	(-)0.10	0.00	2.62	0.00	(-)0.09
Fiscal Deficit as percentage of GSDP	4.50	(-)7.71	4.00	(-)5.37	3.50	(-)5.97	3.00	(-)5.92	3.00	(-)8.69

Note: *Revenue and Fiscal deficit are post Audit figures.*

1.2.4 Expenditure

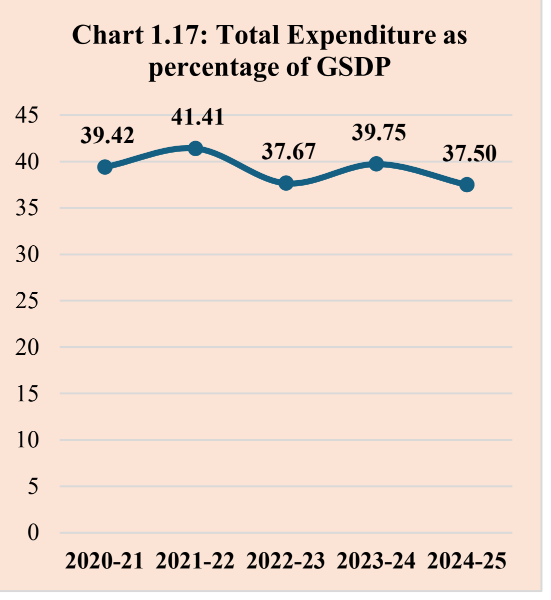
Government expenditure is classified into Revenue expenditure, Capital expenditure, and Loans and Advances. Revenue expenditure includes costs for maintenance, repairs, and day- to-day functioning of Departments, including administrative and establishment expenses. Capital expenditure relates to the initial construction of projects and sanctioned improvements or additions to assets. Loans and advances comprise funds provided by the Government to Public Sector Undertakings and other entities, which are recoverable over time. Details of expenditure, total expenditure as percentage of GSDP and share of its components are given in **Table 1.14, Chart 1.17** and **Chart 1.18** respectively.

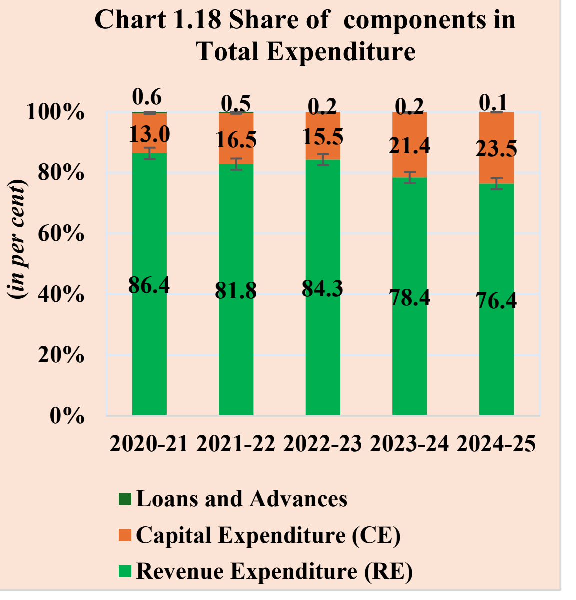
Table 1.14: Total expenditure and its composition

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	13,314.56	16,657.35	17,640.57	21,154.10	22,359.89
Revenue Expenditure (RE)	11,498.61	13,620.23	14,863.77	16,583.54	17,081.19
Capital Expenditure (CE)	1,734.05	2,751.79	2,742.28	4,529.54	5,245.98
Loans and Advances	81.90	85.33	34.52	41.02	32.72
Appropriation to contingency fund	-	200	-	-	-

Source: Finance Accounts.





Source: Finance Accounts.

Out of the total expenditure of ₹ 22,359.89 crore incurred by the State during the financial year 2024-25, a portion of ₹ 3,185.58 crore pertained to pass-through transactions such as Centrally Sponsored Schemes (including Central Assistance, Special Assistance, *etc.*) Finance Commission Grant and other transfers/Grants (including Capital Expenditure), *etc.*

The State's expenditure in 2024-25 continued to be dominated by Revenue expenditure. This reflects high routine and administrative expenses such as salaries, pensions, interest payments and subsidies which might limit fiscal flexibility. However, increasing share of capital expenditure reflects signals a positive shift towards investment in asset formation and infrastructure development which has the potential to enhance productive capacity and future revenue generation. Although the State's expenditure pattern was more towards consumption, gradual rise in productive investment as highlighted by growing share of capital expenditure reflects a favourable movement towards fiscal sustainability and achieving growth objectives in the long-run provided the trend is sustained.

Sector-wise Total Expenditure

Sector-wise composition of expenditure is given in **Table 1.15** and relative share of various sectors in total expenditure is depicted in **Chart 1.19**.

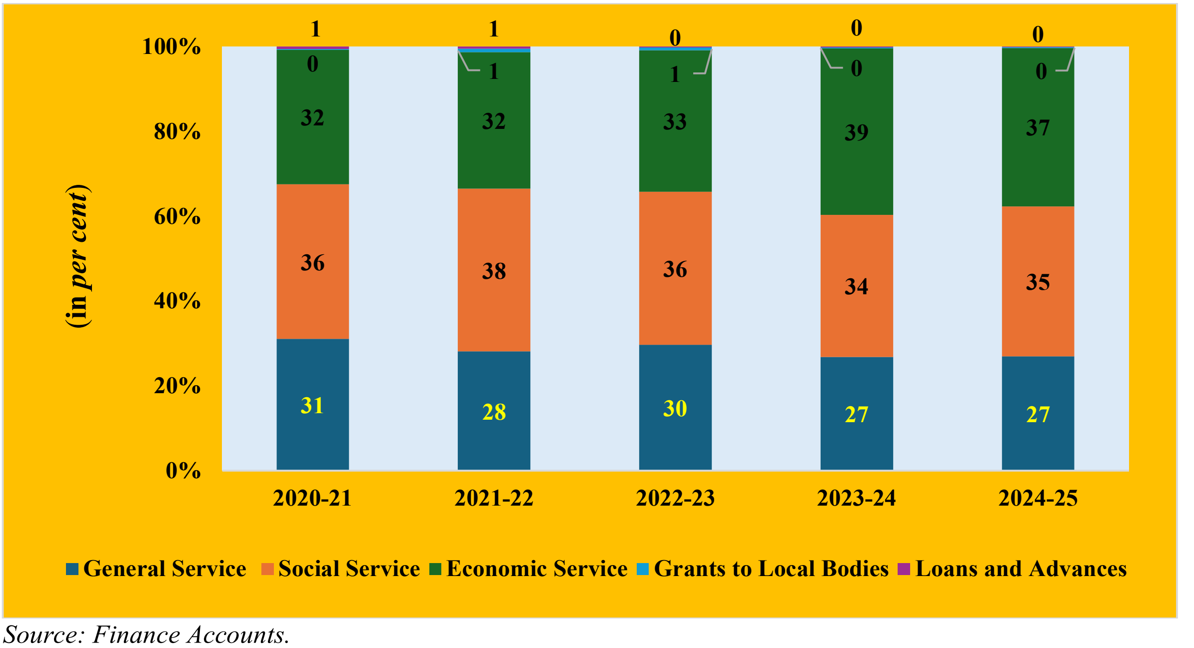
Table 1.15: Sector-wise Total Expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	4,133.30	4,625.49	5,227.71	5,664.87	6,027.29
Social Services	4,855.52	6,314.21	6,367.86	7,092.98	7,895.21
Economic Services	4,213.05	5,297.83	5,891.79	8,295.51	8,360.91
Grants to Local Bodies	30.80	134.49	118.69	59.72	43.79
Loans and Advances	81.90	85.33	34.52	41.02	32.72

Source: Finance Accounts.

Chart 1.19: Relative share of various sectors in Total expenditure



Source: Finance Accounts.

Chart 1.19 shows that during 2024-25, economic services (₹8,360.91 crore) constituted the largest share in the total expenditure of the State followed by social services (₹ 7,895.21 crore), both accounting for nearly 72 *per cent* of total expenditure. General Services constituted around 27 *per cent*.

As highlighted in **Chart 1.19**, over the last five years, the economic services overtook social services as the largest sector in the total expenditure. The trend of rising allocations to the economic services reflects greater orientation towards development programs. Further, share of expenditure on general services saw decline indicating rationalisation in administrative expenses. This trend of expenditure structure needs to be sustained to advance the goals of sustainable development.

1.2.4.1 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Growth of revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts are shown in **Table 1.16**.

Table 1.16: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	13,314.56	16,657.35	17,640.57	21,154.10	22,359.89
Revenue Expenditure (RE)	11,498.61	13,620.23	14,863.77	16,583.54	17,081.19
RE as percentage of Revenue Receipts	107.63	95.42	100.30	92.24	99.58
RE as percentage of TE	86.36	81.77	84.26	78.39	76.39
RE/GSDP (*per cent*)	34.04	33.86	31.74	31.16	28.65
Year-on-year growth (in *per cent*)					
Revenue Expenditure	20.21	18.45	9.13	11.57	3.00
GSDP Growth	(-)2.86	19.08	16.43	13.64	12.03

Source: Finance Accounts.

As seen in **Table 1.16**, during 2024-25, Revenue expenditure remained marginally lower than the Revenue receipts (₹ 17,153.91 crore). Further, its growth rate remained below that of GSDP. However, it constituted 76.39 *per cent* of the total expenditure down from 86.36 *per cent* in 2020-21. As persistently high Revenue expenditure-to-total expenditure reflects limited space for capital investments, reducing it further is crucial for securing fiscal flexibility and accelerating growth through greater capital investments.

A. Sector-wise Revenue Expenditure

Sector-wise composition of Revenue expenditure is given in **Table 1.17** and relative share of various sectors in Revenue expenditure is depicted in **Chart 1.20**. Detailed Sector-wise expenditure is given in **Appendix 1.2.**

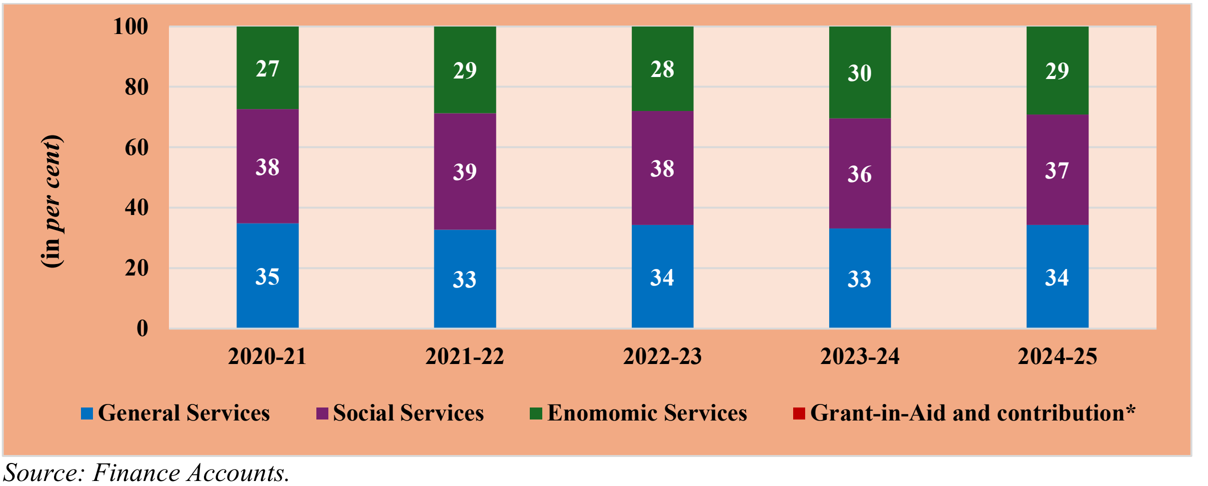
Table 1.17: Sector-wise Revenue expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	4,000.96	4,453.90	5,090.57	5,496.29	5,845.95
Social Services	4,346.67	5,254.90	5,612.08	6,029.76	6,242.69
Economic Services	3,150.98	3,911.43	4,161.12	5,057.49	4,992.55
Grants-In-Aid and Contributions	*	*	*	*	*

Source: Finance Accounts.
**Grants-In-Aid and Contributions included in the respective sectors viz. General Services, Social Services and Economic Services.*

Chart 1.20: Relative share of various sectors in Revenue expenditure



Source: Finance Accounts.
**Grants-in-Aid and Contributions included in the respective sectors viz. General Services, Social Services and Economic Services.*

In 2024-25, Social services continued to dominate Revenue expenditure, accounting for 37 *per cent*, indicating high share of expenditure on health, education and welfare. General Services constituted 34 *per cent*, reflecting expenditure on administration and interest payments, while Economic Services accounted for 29 *per cent*.

The expenditure mix reveals a consumption-oriented pattern, with substantial resources absorbed by non-developmental heads. This structure may constrain fiscal sustainability and reduce scope for capital investment in growth sectors. The State needs to rationalise routine administrative spending, ensure better control over committed liabilities, and prioritise development-oriented outlays in social and economic sectors to achieve long-term inclusive growth.

B. Committed expenditure

The committed expenditure of the State Government on Revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. The components of committed expenditure are given in **Table 1.18** and committed expenditure as a percentage of Revenue Receipts and remaining fiscal space for other expenditure is given in **Chart 1.21.**

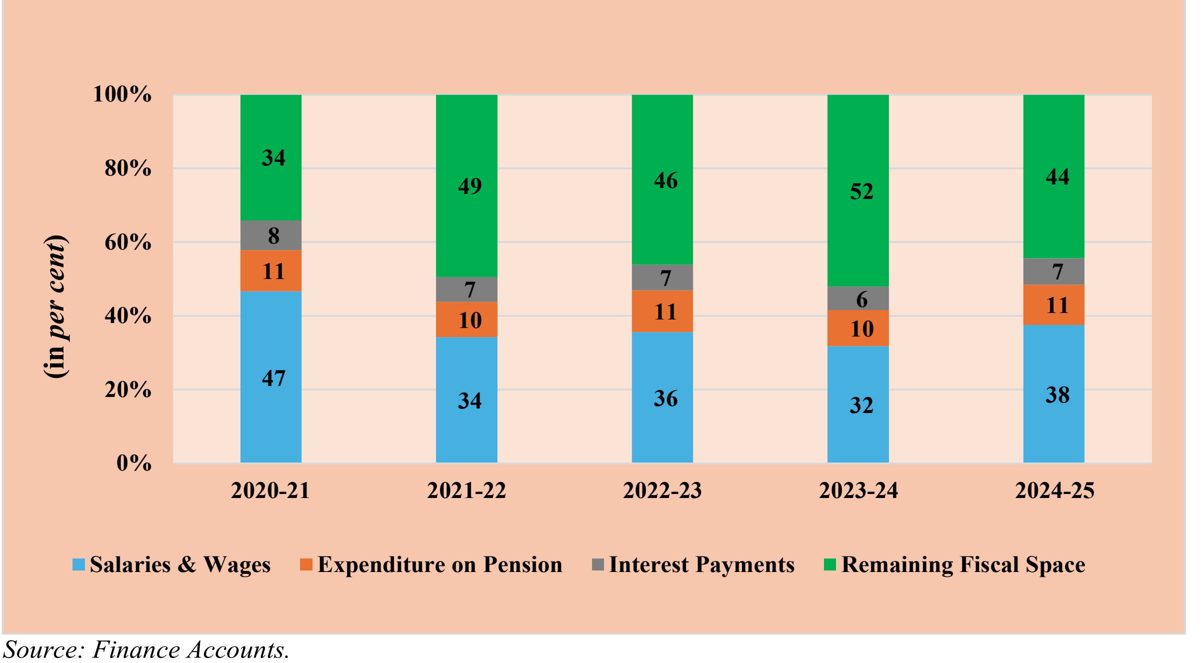
Table 1.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2020-21	2021-22	2022-23	2023-24	2024-25
Salaries & Wages[9]	4,982.53	4,880.83	5,277.61	5,703.15	6,440.18
Expenditure on Pensions	1,193.61	1,365.59	1,672.50	1,767.31	1,874.42
Interest Payments	858.92	963.27	1,028.52	1,138.10	1,231.13
Total	**7,035.06**	**7,209.69**	**7,978.63**	**8,608.56**	**9,545.73**
Committed Expenditure as a percentage of Revenue Expenditure	61.18	52.93	53.68	51.91	55.88

Source: Finance Accounts.

Chart 1.21: Committed Expenditure as a percentage of Revenue receipts and remaining fiscal space



Source: Finance Accounts.

As shown in **Table 1.18**, committed expenditure increased from ₹ 8,608.56 crore in 2023-24 to ₹ 9,545.73 crore in 2024-25 and accounted for 55.88 *per cent* of the total Revenue Expenditure. Although its share declined and fiscal space for capital or welfare expenditure improved over the five-year period from 2020-21 to 2024-25, the year 2024-25 witnessed

[9] Includes Grants-in-aid (Salary): 2020-21 (₹ 1,598.86 crore); 2021-22 (₹ 1,085.58 crore); 2022-23 (₹ 1,172.61 crore); 2023-24 (₹ 1,418.52 crore) and 2024-25 (₹ 1,863.11 crore).

spike in share of committed liabilities and hence drop in fiscal space for capital or welfare expenditure with respect to the last year. Salaries and wages remained the largest component within committed expenditure. To ensure committed expenditure is sustainable and fiscal space maintains the improving trend over the recent years, sustained reforms in expenditure management, employee cost rationalisation and debt servicing are crucial.

C. Subsidies

The subsidies during the current year increased by ₹ 80.62 crore (136.62 *per cent*) from the previous year. The increase was mainly due to increase of ₹ 23.70 crore in food subsidy for expenditure on intra-state movement and handling of food grains and Fair Price Shop dealers' margin, *etc*. under the National Food Security Act and additional state financial assistance under PDS for Government nominees/PDS agents, ₹ 20.68 crore in fisheries subsidy for welfare of fishermen, State Aquaculture Mission, Blue Revolution and Pradhan Mantri Matsya Sampada Yojana, and ₹ 20.33 in agriculture subsidy under initiatives including Regional Centre for Training and Production of Mushroom, National Mission on Agricultural Extension and Technology (NMAET) and Mission for Integrated Development of Horticulture (MIDH), Horticulture Mission for North East and Himalayan States (HMNEH). Further, the State Government also gave ₹ 14.40 crore towards subsidy to private airlines under the Transport Department in 2024-25.

Department-wise major subsidies for the years 2020-21 to 2024-25, are shown in **Table 1.19**.

Table 1.19: Department-wise Subsidies during FYs 2020-21 to 2024-25

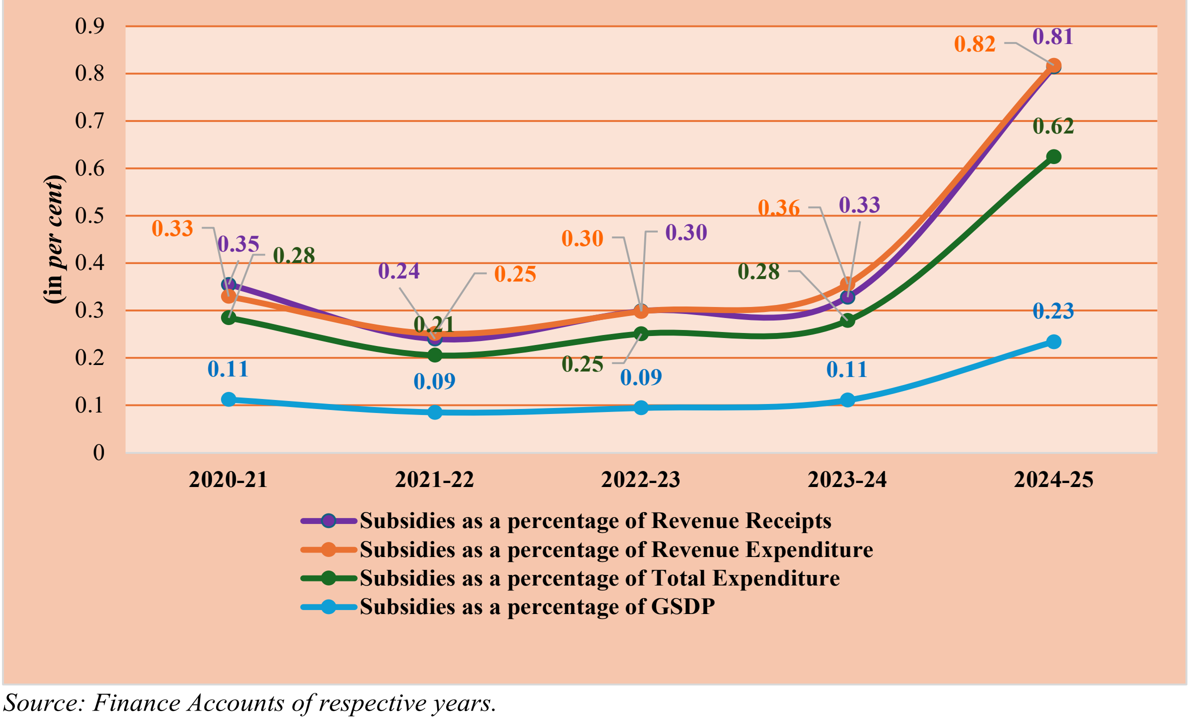
(₹ in crore)

Sl. No.	Departments	2020-21	2021-22	2022-23	2023-24	2024-25
1.	Food and Civil Supplies and Consumers Affairs	-	-	28.67	37.43	61.13
2.	Agriculture	8.34	10.93	6.91	10.35	30.68
3.	Fisheries	9.53	3.06	7.45	7.32	28.00
4.	Other Departments [10]	20.04	20.26	1.29	3.91	19.82
Total Subsidy		**37.91**	**34.25**	**44.32**	**59.01**	**139.63**

Source: Finance Accounts of respective years, Government of Meghalaya.

[10] Other Departments include (i) Transport, (ii) Tourism, (iii) Secretariat Administration, (iv) Power, (v) Animal Husbandry and Veterinary.

Chart 1.22: Trend analysis of subsidies



Source: Finance Accounts of respective years.

Table 1.19 shows that total subsidy amount increased by 268.28 *per cent* from ₹ 37.91 crore in 2020-21 to ₹ 139.63 crore in 2024-25. From **Chart 1.22**, shares of subsidies in Revenue expenditure as well as total expenditure rose significantly over the previous year 2023-24. Similar trend is seen for subsidies as compared of Revenue receipts and GSDP of the State. Excessive subsidies can strain resources needed for development expenditure. Targeted delivery mechanisms, periodic review of subsidies to enhance efficiency, and greater adoption of direct benefit transfers are crucial for improving transparency, minimising leakages, and reducing the overall fiscal burden.

During the Exit Conference, the State Government stated that the increase in subsidies under Food and Civil Supplies and Consumers Affairs Department was mainly due to expenditure on transportation of food grains under National Food Security Act.

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

Assistance provided by way of grants to the local bodies and other institutions during the period 2020-21 to 2024-25 is presented in **Table 1.20.**

Table 1.20: Financial assistance to Local Bodies and Other Institutions

(₹ in crore)

Institutions	2020-21	2021-22	2022-23	2023-24	2024-25
(A) Local Bodies					
Municipal Corporations and Municipalities	18.32	24.15	32.69	59.72	43.79
GIA for creation of Capital assets to Municipal Corporations and Municipalities	-	-	-	-	-
Zilla Parishads and other Panchayati Raj Institutions*	12.50	110.34	86.00	-	27.00
GIA for creation of Capital assets to PRIs	-	-	2.50	-	-
Total (A)	**30.82**	**134.49**	**118.69**	**59.72**	**70.79**

Institutions	2020-21	2021-22	2022-23	2023-24	2024-25
(B) Others					
Public Sector Undertakings	24.20	42.79	29.38	58.74	132.18
Autonomous Bodies**	7.94	37.40	10.21	26.59	48.85
Non-Government Organisations	12.47	1.54	1.95	27.35	35.16
Other Institutions	3,733.59	4,088.31	4,702.91	6,014.18	5,394.11
Total (B)	**3,778.20**	**4,170.04**	**4,744.45**	**6,126.86**	**5,610.30**
Total (A+B)	**3,809.02**	**4,304.53**	**4,863.14**	**6,186.58**	**5,681.09**
Total GIA for creation of Capital assets	3.09	51.15	9.55	16.14	33.09
Revenue Expenditure	11,498.61	13,620.22	14,863.77	16,583.54	17,081.19
Assistance as percentage of Revenue Expenditure	33.13	31.60	32.72	37.31	33.26

Source: Finance Accounts.
**District Councils in Meghalaya.*
*** Excluding District Councils.*

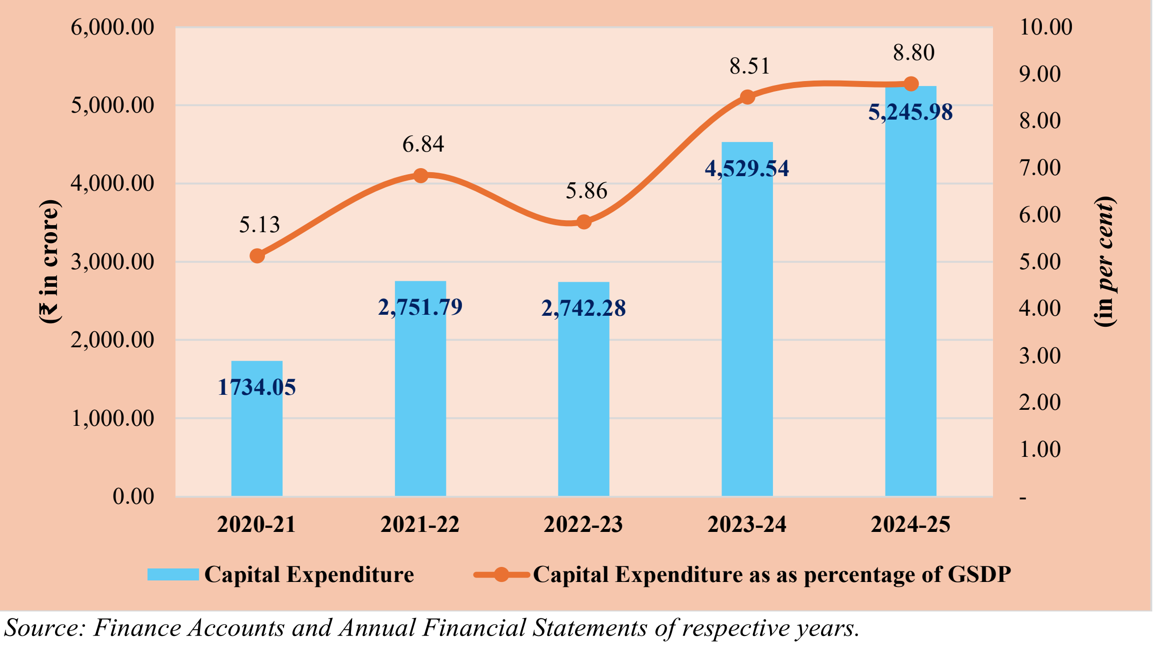
During the current year, financial assistance to the local bodies and other institutions decreased by ₹ 505.49 crore (8.17 *per cent*) over the previous year. This was mainly due to drop in assistance to Municipal Corporations and Municipalities by 26.67 *per cent* (₹ 15.93 crore). The overall quantum of financial assistance to the local bodies and other institutions as percentage to Revenue expenditure decreased to 33.26 *per cent* during the current year from 37.31 *per cent* of the previous year.

As Meghalaya is covered under the Sixth Schedule of the Constitution of India, the constitutional provision to constitute a State Finance Commission do not apply to the State as per Article 243M (*w.r.t.* Panchayats) and Article 243ZC (*w.r.t.* Municipalities). However, the State enacted Meghalaya State Finance Commission Act, 2012 which mandates constitution of the Meghalaya State Finance Commission every five years to review the financial position of the Traditional Bodies, Municipal Boards and the Autonomous District Councils (ADCs). It is mandated to recommend sharing of Revenue between the State and the Traditional Bodies, Municipal Boards and the Autonomous District Councils (ADCs). As per Section 3(1) of the Act, the State Government shall as soon as 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 Act, 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 (December 2025).

1.2.4.2 Capital Expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings, *etc*. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/off-budget borrowings. It also includes investments made by the State Government in Companies/Corporations. Trends of capital expenditure in the State over the last five years *i.e.* 2020-25 is given in **Chart 1.23**.

Chart 1.23: Capital Expenditure in the State



Source: Finance Accounts and Annual Financial Statements of respective years.

Apart from Capital expenditure of ₹ 5,245.98 crore, State Government also transferred ₹ 33.09 crore as Grant-in-Aid for creation of Capital assets to the local bodies and other institutions. Further, percentage of Capital Expenditure as compared to Debt receipts was 37.72 *per cent*, which indicates that the borrowings were not proportionately converted to infrastructural development.

Chart 1.23 depicts that the State's Capital expenditure showed consistent growth during the five -year period from 2020-21 to 2024-25 except for a marginal dip in 2022-23. Its share in Total Expenditure also increased from 13.02 *per cent* in 2020-21 to 23.46 *per cent* in 2024-25 showing prioritisation of long-term asset creation. This share was 21.41 *per cent* in the previous year 2023-24.

Further, the State gave ₹ 33.09 crore as Grants for creation of capital assets which was almost double the amount given for the same in the previous year (₹ 16.14 crore). While the increase in allocation of resources for creation of Capitals assets to generate additional revenue and maintain fiscal sustainability, regular assessment and effective monitoring is crucial for realisation of the intended purposes behind these investments.

A. Sector-wise Capital Expenditure

Sector-wise composition of Capital expenditure is given in **Table 1.21**. Detailed Sector-wise expenditure is given in **Appendix 1.2.**

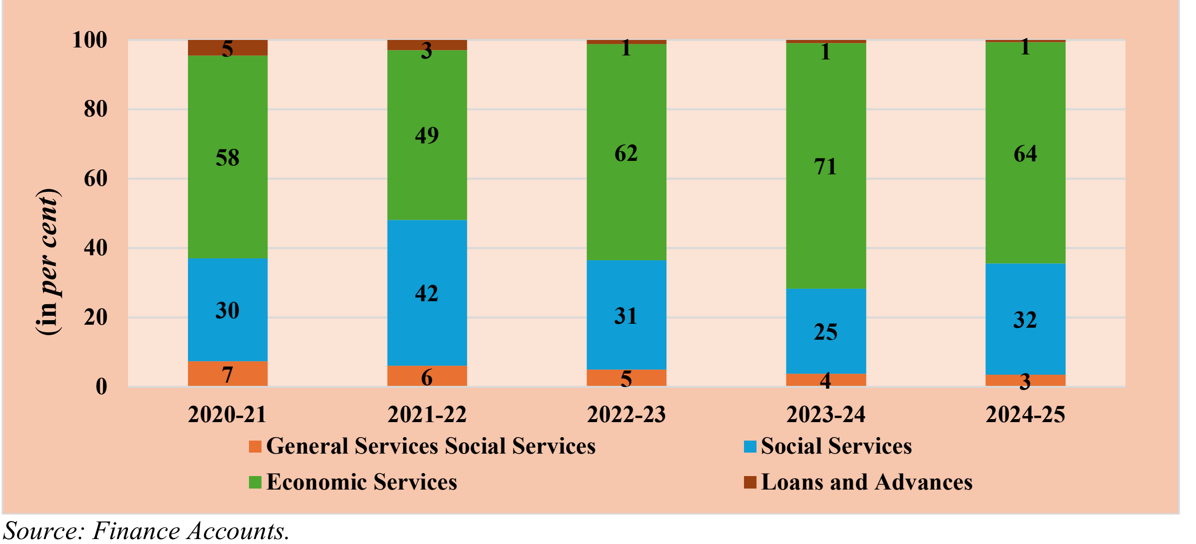
Table 1.21: Sector-wise Capital expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	132.33	171.59	137.14	168.58	181.31
Social Services	539.65	1,193.80	874.47	1,122.94	1,696.31
Economic Services	1,062.07	1,386.40	1,730.67	3,238.02	3,368.36
Loans & Advances	81.90	85.33	34.52	41.02	32.72

Source: Finance Account of respective years.

Chart 1.24: Relative share of various sectors in Capital expenditure



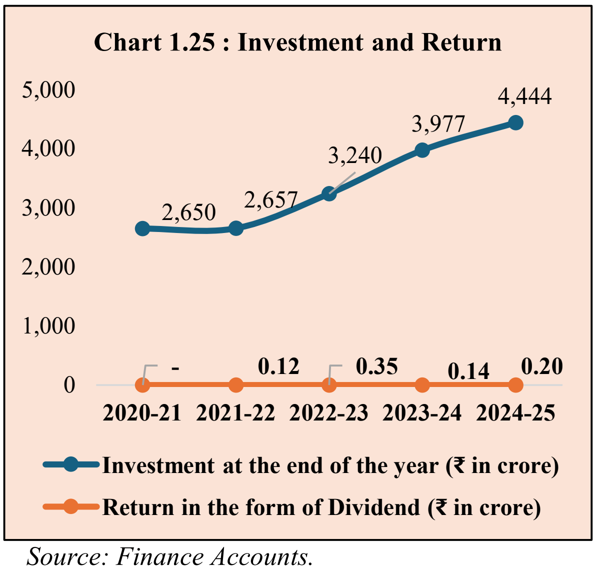
Source: Finance Accounts.

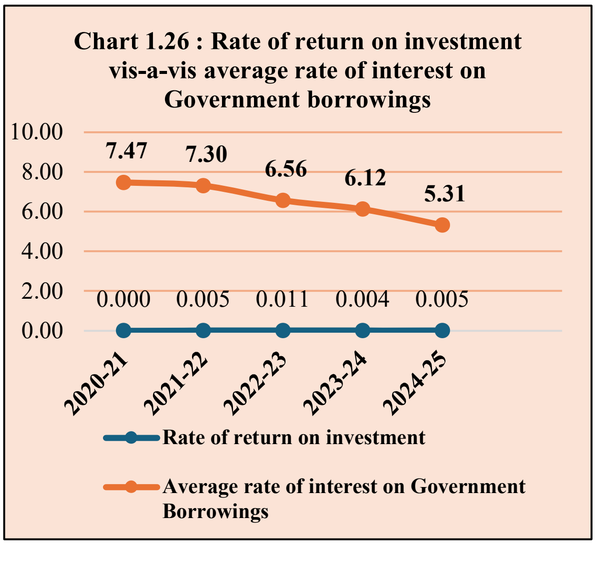
During 2024-25, Economic Services continued to dominate capital expenditure with a share of 64 *per cent*, followed by Social Services (32 *per cent*), reflecting focus on infrastructure and social sector investment. The consistent rise in outlay for developmental sectors indicates a positive shift towards growth-oriented spending.

B. Quality of investments in the companies, corporations and other bodies

As of 31 March 2025, based on the Finance Accounts, the State Government's investment in companies, corporations and other bodies stood at ₹ 4,444.43 crore, comprising Government Companies (₹ 4,215.15 crore), Co-operative Bank, Societies, *etc.* (₹ 121.91 crore) and Statutory Corporations (₹ 107.37 crore).

Trends of investment at the end of the year in companies, corporations, and co-operative banks and societies, and return on these investments is depicted in **Chart 1.25**. Rate of return on investment made *vis-à-vis* average rate of interest on Government borrowing is depicted in **Chart 1.26.**





Source: Finance Accounts.

During 2024-25, the return on investment was meagre 0.20 crore[11] (0.005 *per cent*). The return was negligible and remained below 0.01 *per cent* during 2020-25 while the average rate of interest paid by the State Government on its borrowings was between 6.12 *per cent* and 7.47 *per cent* during the same period. Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 4,363.59 crore. Throughout the entire period from 2020-21 to 2024-25, returns on investment remained persistently low far below the cost of Government borrowings as measured by average rate of interest on its borrowings which was between 5.31 *per cent* and 7.47 *per cent*. This reflects inefficient use of public funds and fiscal stress.

It was found that ₹ 4,322.52 crore was invested in 11 State PSUs upto the year 2024-25 (based on Finance Accounts for 2024-25). Out of 11 PSUs, only one PSU *viz*. Meghalaya State Warehousing Corporation (MSWC) gave return of ₹ 0.06 crore during the FY 2024-25. which was only zero *per cent* of total investment. However, Government borrowed funds at an average rate of interest of 5.31 *per cent*.

Reconciliation of Government Investments with Accounts of Companies

The figures of Government investments as equity in State Public Sector Enterprises (SPSEs) should agree with those appearing in the accounts of the PSEs. Reconciliation of figures is necessary to figure out the difference in accounts of PSEs and Finance Accounts of the State Government. But there is a difference between the number of SPSEs recorded in the Finance Accounts (11) and that in the Audit Report on General, Social and Economic Sectors (**22)**. The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the Principal Accountant General (A&E) and the details given in the Audit Reports obtained from the individual SPSEs.

Lack of Dividend Policy and Its Impact

A well-defined dividend policy mandating a minimum return from profit-making enterprises, enables the State Government to optimise its returns from investments in SPSEs and enhances monitoring of the SPSEs financial performance. It was observed that the state has not formulated or enforced a dividend policy for its Public Sector Undertakings (PSUs). This has resulted in persistently low returns (0.005 *per cent* of investment) on the Government's substantial equity investments, undermining the potential for Non-tax Revenue generation.

During the Exit Conference (January 2026), Audit suggested considering practice adopted by Union Government wherein performance targets are fixed for each year for such undertakings through a Memorandum of Understanding (MOU) between the Administrative Department and the SPSU. The State Government agreed to explore the mechanism of fixing annual performance targets for SPSUs.

Forgone Revenue from Non-realisation of Dividends

During the previous financial year (2023-24), three State PSUs registered profits. In that year, none of the profit making SPSEs had declared any dividend. There was no information about

[11] Statutory Corporations (₹ 0.06 crore) and Co-operative Banks and Societies (₹ 0.14 crore).

the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

Out of the 22 SPSUs, two SPSUs were non-working/defunct and no investment therein had remained un-recouped. Of the remaining active 20 SPSUs, none paid any dividend during the period. This calls for reviewing viability of nonperforming entities, considering disinvestment where feasible, and enforcing dividend declarations to improve returns and reduce fiscal burden.

C. Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many institutions/organisations. **Table 1.22** presents the position of outstanding loans and advances as on 31 March 2025 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

Table 1.22: Quantum of loans disbursed and recovered during 2020-25

(₹ in crore)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance of loans outstanding	866.75	920.88	981.80	991.77	1,008.76
Amount advanced during the year	81.90	85.33	34.52	41.02	32.72
Amount recovered during the year	27.77	24.41	24.55	24.03	21.97
Closing Balance of the loans outstanding	920.88	981.80	991.77	1,008.76	1,019.51
Net addition	54.14	60.92	9.97	16.99	10.75
Interest received	5.64	14.92	6.84	7.41	4.24
Interest rate on Loans and Advances given by the Government	0.61	1.52	0.69	0.73	0.42
Average rate of interest on Government Borrowings (*per cent*) *	7.47	7.30	6.56	6.12	5.31
Difference between the rate of interest received and interest paid (*per cent*)	6.85	5.79	5.87	5.38	4.90

Source: Finance Accounts.

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

Table 1.22 shows that the total outstanding loans and advances as on 31 March 2025 was ₹ 1,019.51 crore. Out of the loans of ₹ 32.72 crore advanced during 2024-25, ₹ 22.30 crore was given to Government servants and ₹ 9.31 crore to Co-operative Institutions for piggery development.

During 2024-25, an amount of ₹ 21.97 crore was recovered out of which ₹ 21.52 crore was from Government Servants. The actual recovery (₹ 21.97 crore) was also lower than what was estimated in the Budget (₹ 29.95 crore).

Interest receipts decreased from ₹ 7.41 crore in 2023-24 to ₹ 4.24 crore, with rate of interest received from total outstanding loans and advances decreased from 0.73 *per cent* in 2023-24 to 0.42 *per cent* in 2024-25.

1.3 Contingency Fund

The Contingency Fund of the Government of Meghalaya is intended to provide advances for meeting unforeseen expenditure, pending its authorisation by the State Legislature. The fund is recouped once the Legislature approves the additional expenditure. The corpus of the Fund is ₹ 505.00 crore.

During 2024-25, ₹ 562.46 crore had been withdrawn from the fund under various budgetary heads. However, the entire amount of ₹ 562.46 crore had been replenished by the end of the FY 2024-25. As on 31st March 2025, Contingency Fund had a balance of ₹ 505.00 crore.

Details of expenditure made out of the Contingency Fund are discussed in ***paragraph no. 2.8 of Chapter II****.*

1.4 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 balance after disbursements during the year is the fund available with the Government for use for various purposes.

1.4.1 Net Public Account balances

The component-wise net balances in Public Account of the State are given in **Table 1.23**.

Table 1.23: Component-wise net balances in Public Account

(₹ in crore)

Sector	Sub-Sector	2020-21	2021-22	2022-23	2023-24	2024-25
Small Savings, Provident Funds, *etc*.	Small Savings, Provident Funds, *etc*.	(-)2,125.86	(-)2,272.73	(-)2,399.00	(-)2,488.76	(-)2,556.95
Reserve Funds	(a) Reserve Funds bearing Interest	(-)168.01	(-)197.34	(-)190.82	(-)245.63	(-)238.80
	(b) Reserve Funds not bearing Interest	(-)7.99	(-)7.83	(-)9.50	(-)18.37	(-)18.36
Deposits and Advances	(a) Deposits bearing Interest	(-)0.83	(-)1.93	(-)1.16	(-)1.20	(-)1.26
	(b) Deposits not bearing Interest	(-)1,065.82	(-)1,088.45	(-)1,457.88	(-)1,671.66	(-)1,998.65
	(c) Advances	1.81	1.81	1.81	1.81	1.81
Suspense and Miscellaneous	(a) Suspense	88.88	139.20	144.81	145.48	31.74
	(b) Other Accounts	81.63	17.11	80.16	0.24	0.24
	(c) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0.00
Remittances	(a) Money Orders, and other Remittances	(-)79.58	(-)81.42	(-)84.14	(-)80.00	(-)81.44
	(b) Inter- Governmental Adjustment Account	(-)3.36	(-)1.99	(-)1.31	(-)0.67	(-)2.79
Total		**3,279.13**	**(-)3,279.13**	**(-)3,493.57**	**(-)3,917.03**	**(-)4,358.76**

Source: Finance Accounts.

Note: +ve figures denote debit balance and –ve figures denote credit balances.

1.4.2 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 or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

There were thee interest bearing funds and three Reserve Funds not bearing interest as on 31 March 2025. The fund balances lying in these Reserve Funds as on 31 March 2025 are given in **Table 1.24**.

Table 1.24: Detail of Major Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
A	**Reserve Funds bearing Interest**	**247.85**	**92.67**	**-**	**101.72**	**238.80**
1	State Disaster Response Fund	38.54	66.00	-	82.59	21.95
2	State compensatory Afforestation Fund	194.65	26.67	-	19.13	202.19
3	State Disaster Mitigation Fund	14.66	-	-	-	14.66
B	**Reserve Funds not bearing Interest**	**79.79**	**2.16**	**-**	**-**	**793.94**
1	Sinking Fund	708.58	2.03	-	-	710.60
2	Consumer Welfare Fund	0.02	-	-	-	0.02
3	Guarantee Redemption Fund (GRF)	83.19	0.13	-	-	83.32
	Grand Total	**1,039.64**	**94.82**	**-**	**101.72**	**1,032.74**

Source: Finance Accounts.

1.4.3 Cash Balances

As per the agreement with Reserve Bank of India (RBI), State Governments must maintain a minimum daily cash balance of ₹ 21 lakh with the Bank. If the balance falls below this minimum, the shortfall is met through instruments like Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/ Special Drawing Facility (SDF)/ Overdrafts (OD), with the WMA limit revised periodically by RBI.

The State Government invests surplus cash balances, including those from earmarked reserve funds in GoI securities and Treasury Bills. Earnings from these investments are credited under ‘0049-Interest Receipts’.

It is undesirable for the State Government to raise market loans while holding large unutilised cash balances, as it leads to idle funds rather than productive use. Cash balance and investment details for 2023-24 and 2024-25 are provided in **Table 1.25.**

Table 1.25: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance as on 01 April 2024	Closing balance as on 31 March 2025
A. General Cash Balances		
Deposits with Reserve Bank of India	32.19	44.41
Cash in Treasuries	7.00	7.00
Investments held in Cash Balance Investment Account	0	0
Total (A)	**39.19**	**51.41**

Particulars	Opening balance as on 01 April 2024	Closing balance as on 31 March 2025
B. Other Cash Balances and Investments		
Cash with departmental officers *viz.* Forest and Public Works	0.20	0.20
Permanent advances with departmental officers for contingent expenditure	0.04	0.04
Investment of earmarked funds	891.43	775.58
Total (B)	**891.67**	**775.82**
Total (A + B)	**930.86**	**827.23**
Interest realised	**3.36**	**1.21**

Source: Finance Accounts.

Details of Cash Balance Investment Account during the last five years is given in **Table 1.26**.

Table 1.26: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2020-21	801.61	81.39	(-)720.22	5.90
2021-22	81.39	16.87	(-)64.52	9.72
2022-23	16.87	79.92	(-)63.05	1.96
2023-24	79.92	-	(-)79.92	3.36
2024-25	-	0.00	-	1.21

Source: Finance Accounts.

During 2024-25, the State Government maintained the minimum balance without taking any advance for 67 days. However, the State had to resort to Ways and Means Advances (WMA) for 52 days, Special Drawing Facility (SDF) for 229 days and Overdrafts (OD) for 17 days to maintain the minimum balance. This facility was availed by incurring an interest expenditure of ₹ 10.26 crore (₹ 1.82 crore for WMA and ₹ 8.44 crore for SDF).

The closing balance under General Cash Balances stood at ₹ 51.41 crore as on 31 March 2025, compared to ₹ 39.19 crore at the beginning of the year. The investment of earmarked funds declined from ₹ 891.43 crore to ₹ 775.58 crore, indicating partial utilisation of these funds.

1.5 Fiscal Sustainability

Fiscal Sustainability is the ability of a Government to manage its Revenue and Expenditure in a manner that ensures it can meet its current and future obligations such as public services, infrastructure, and debt repayments without excessive borrowing or accumulating unsustainable debt. It implies maintaining a stable balance between revenue generation and expenditure over the long term. **Chart 1.27** and **Chart 1.28** shows Receipts and Expenditure of the State as a percentage of GSDP, during FY 2020-25 respectively.

Chart 1.27: Receipt of the State

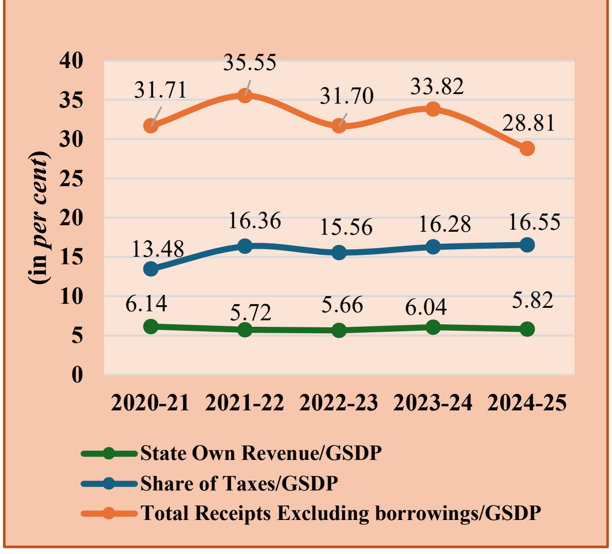
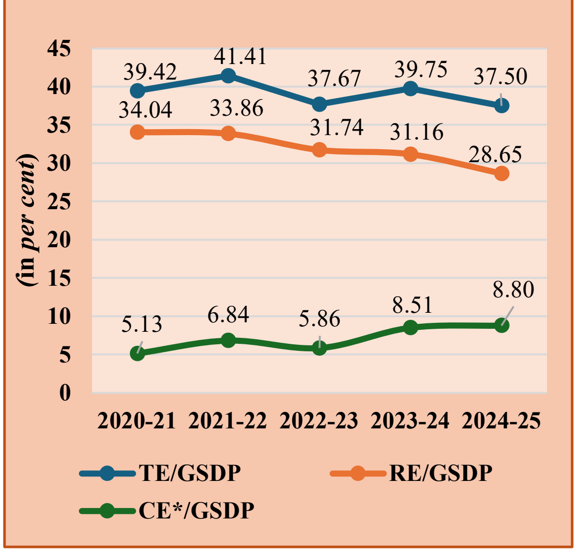


Chart 1.28: Expenditure of the State



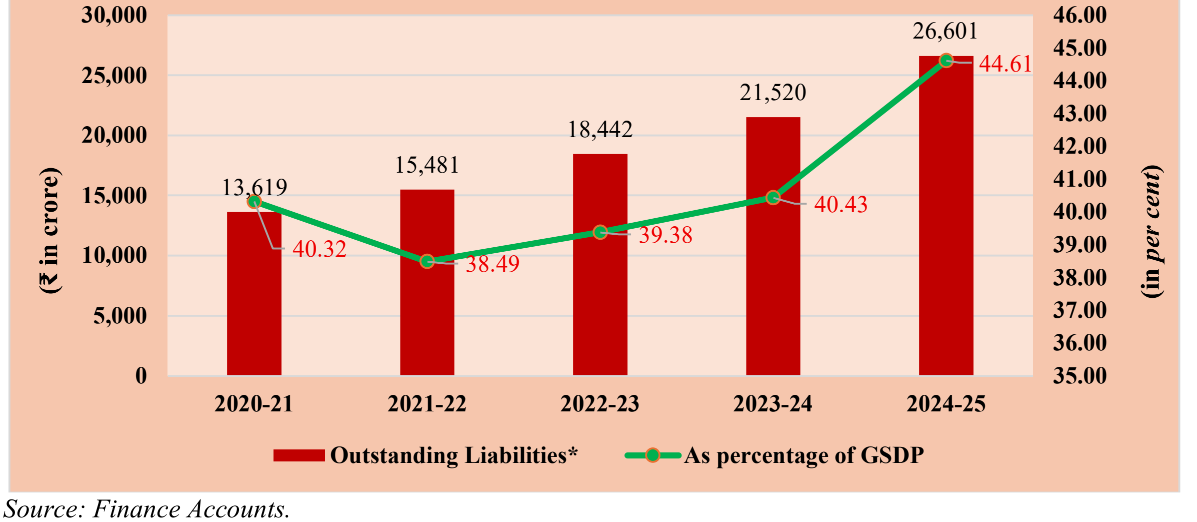
Source: Finance accounts.

**: Excludes Loans and Advances.*

1.5.1 Public Liability Management

Outstanding liability of the State along with its percentage to GSDP for the years 2020-21 to 2024-25 is depicted in **Chart 1.29.**

Chart 1.29: Outstanding Public Liability and its percentage to GSDP



Source: Finance Accounts.

**Excluding back-to-back loan of ₹ 112.00 crore in 2020-21, ₹ 253.16 crore in 2021-22 to 2023-24 and ₹ 60.02 crore in 2024-25. However, this includes 50-year interest-free loan under Special Assistance to States for Capital Investment (SASCI): ₹ 200.00 crore for 2020-21, ₹ 481.20 crore for 2021-22, ₹ 1,530.22 crore for 2022-23, ₹ 2,823.28 crore for 2023-24 and ₹ 5,192.91 crore for 2024-25.*

1.5.1.1 Liability profile: Components

Total liabilities of the State Government typically constitute 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 component-wise liability trends of the State for the period of five years beginning from 2020-21 are presented in **Table 1.27.**

Table 1.27: Component-wise liability trends

(₹ in crore)

Components of fiscal liability	2020-21	2021-22	2022-23	2023-24	2024-25
Outstanding Total Liability	**13,618.74**	**15,481.09**	**18,442.32**	**21,520.31**	**26,601.45**
Public Debt	10,250.24	11,912.82	14,383.96	17,094.69	21,787.43
Internal Debt	9,931.96	11,244.83	12,634.54	14,008.66	16,282.44
*Loans from GoI**	318.28	667.99	1,749.42	3,086.03	5,504.99
Public Account Liabilities	3,368.50	3,568.27	4,058.36	4,425.62	4,814.02
Small Savings, Provident Funds, etc.	2,125.86	2,272.73	2,399.00	2,488.76	2,556.94
Reserve Funds bearing Interest	168.01	197.34	190.82	245.63	238.79
Reserve Funds not bearing Interest	7.99	7.83	9.5	18.37	18.37
Deposits bearing Interest	0.82	1.92	1.16	1.2	1.26
Deposits not bearing Interest	1,065.82	1,088.45	1,457.88	1,671.66	1,998.66
Rate of growth of outstanding total liability (*per cent*)	18.08	13.67	19.13	16.69	23.61
Gross State Domestic Product (GSDP)	33,776	40,222	46,834	53,223	59,626
Outstanding Total Liability/GSDP (*per cent*)	40.32	38.49	39.38	40.43	44.61
Borrowings and Other Liabilities					
Total Receipts	3,736.45	5,232.08	7,940.08	9,747.31	18,476.23
Total Repayments	1,651.50	3,369.72	4,978.85	6,669.32	13,397.30
Net funds available	2,084.95	1,862.36	3,961.23	3,077.99	5,078.93
Repayments/ Receipts (per cent)	44.20	64.40	62.71	68.42	72.51

Source: Finance Accounts.

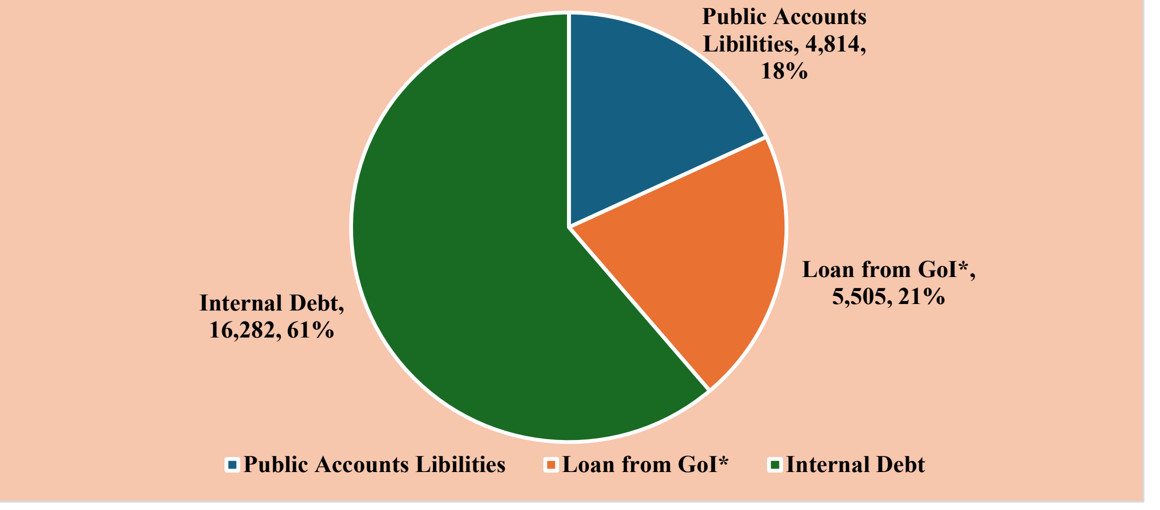
**Excluding ₹ 112.00 crore in 2020-21, ₹ 253.16 crore in 2021-22 to 2023-24 and ₹ 60.02 crore in 2024-25, as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources. However, this includes 50-year interest-free loan under Special Assistance to States for Capital Investment (SASCI): ₹ 200.00 crore for 2020-21, ₹ 481.20 crore for 2021-22, ₹ 1,530.22 crore for 2022-23, ₹ 2,823.28 crore for 2023-24 and ₹ 5,192.91 crore for 2024-25.*

During the current year 2024-25, Outstanding Total Liabilities increased by 23.61 *per cent* (₹ 5,081.14 crore) over the previous year 2023-24. This was mainly due to 27.45 *per cent* (₹ 4,692.74 crore) increase in outstanding Public Debt which stood at ₹ 21,787.43 crore. Within Public Debt, Loan from the Government of India (GoI) increased significantly by 78.38 *per cent* (₹ 2,418.96 crore) while internal debt grew by 16.23 *per cent* (₹ 2,273.78 crore). The increase in internal debt included additions of ₹ 704.58 crore and ₹ 522.91 crore under the temporary cash management facilities of Ways and Means Advances (WMA) and Special Drawing Facility (SDF) respectively, availed from the Reserve Bank of India (RBI). Further, outstanding public accounts liabilities rose by 8.78 *per cent* (₹ 388.40 crore) over the previous year 2023-24.

Over the five-year period from 2020-21 to 2024-25, the State's total outstanding liabilities increased substantially by 95.33 *per cent* (₹ 12,982.71 crore) from ₹ 13,618.74 crore to ₹ 26,601.45 crore. This was mainly on account of rise in Loan from GoI by 1,629.61 *per cent* (₹ 5,186.71 crore) and internal debt by 63.94 *per cent* (₹ 6,350.48 crore).

Break-up of outstanding total liabilities at the end of 2024-25 is shown in **Chart 1.30**.

Chart 1.30: Break-up of outstanding total liabilities at the end of 2024-25



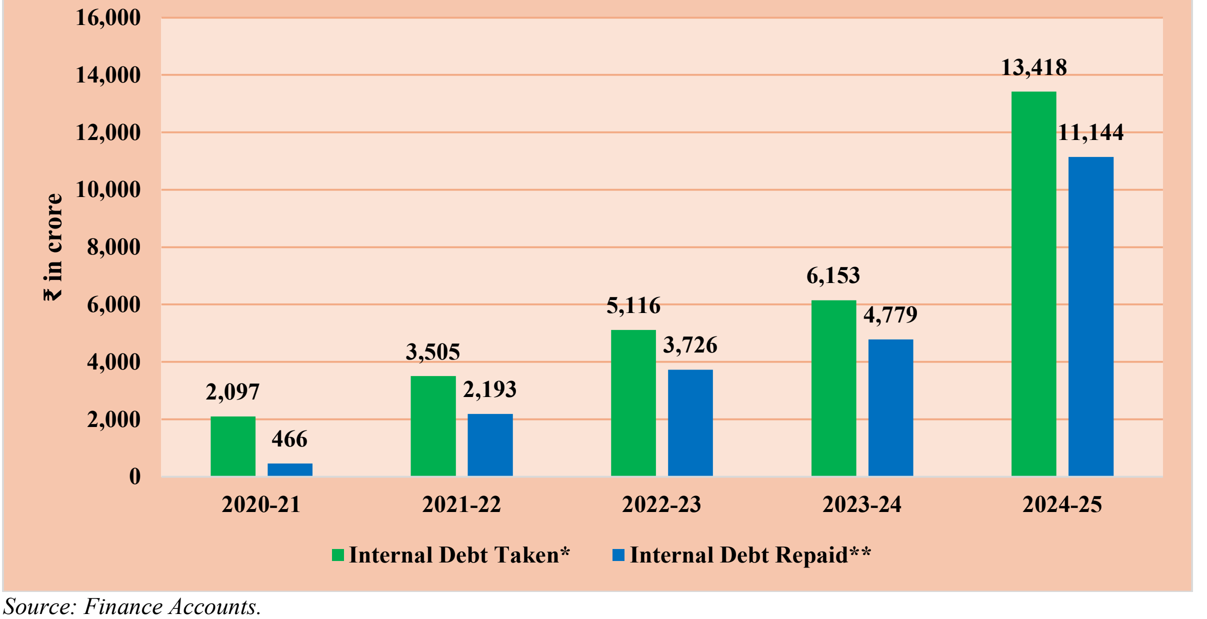
Source: Finance Accounts.

**Excludes back-to-back loans of ₹ 60.02 crore received from GoI in lieu of GST Compensation shortfall during 2020-22, which are not to be repaid by the State from its sources. However, this includes 50-year interest-free loan under Special Assistance to States for Capital Investment (SASCI) ₹ 5,192.91 crore as at the end of 2024-25.*

Chart 1.31 depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years i.e. 2020-25.

Chart 1.31: Internal debt taken *vis-a-vis* repaid

(₹ in crore)



Source: Finance Accounts.

**This includes WMA & SDF receipts of ₹ 140.88 crore in 2020-21, ₹ 1,727.42 crore in 2021-22, ₹ 3,164.09 crore in 2022-23, ₹ 4,589.17 crore in 2023-24 and ₹ 11,282.25 crore in 2024-25.*

***This includes WMA & SDF payments of ₹ 140.88 crore in 2020-21, ₹ 1,727.42 crore in 2021-22, ₹ 3,164.09 crore in 2022-23, ₹ 4,140.36 crore in 2023-24 and ₹ 10,054.76 crore in 2024-25.*

Outstanding internal debt of the State Government increased by ₹ 6,350.48 crore (63.94 *per cent*) from ₹ 9,931.96 crore in 2020-21 to ₹ 16,282.44 crore in 2024-25. An amount of ₹ 1,009.32 crore was paid towards interest on internal debt during 2024-25.

During the Exit Conference (January 2026), the State Government stated that Total Liabilities Receipts of the State Government in 2024-25, which stood at ₹ 18,476.23 crore, was mainly on account of receipts under Ways and Means Advances (WMA) and Special Deposit Facility (SDF) which are made available by the Reserve Bank of India for cash management.

1.5.1.2 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 1.28 and Chart 1.32** depict the utilisation and trends of borrowed funds during 2020-25 respectively.

Table 1.28: Utilisation of borrowed funds

(₹ in crore)

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Total borrowings*	2,301	2,293	3,057	3,374	5,809
Repayment of earlier borrowings (Principal)**	347	489	585	663	1,116
Net capital expenditure	1,734	2,752	2,742	4,530	5,246
Net loans and advances	54	61	10	17	11
Portion of Revenue expenditure met out of net available borrowings	815.37	0.00#	43.90	0.00#	0.00#

Source: Finance Accounts.

**Including net borrowing of ₹ 448.81 crore in 2023-24 and ₹ 1,227.49 crore in 2024-25 under WMA and SDF.*

***Excluding repayment of WMA and SDF which have been netted.*

 # Indicates Revenue Surplus of ₹ 653.91 crore in 2021-22, ₹ 1,394.32 crore in 2023-24 and ₹ 72.71 crore in 2024-25 and hence no portion of Revenue expenditure met out of borrowings.

In the year 2024-25, the State borrowed a total of ₹ 5,809 crore as public debt comprising internal debt and loan from the Government of India. Significant portion of the total borrowings went towards Capital expenditure, which stood at ₹ 5,246 crore. The State incurred ₹ 1,116 crore towards repayment of principal of earlier borrowings. As the State recorded revenue surplus of ₹ 72.71 crore in 2024-25, no portion of Revenue expenditure was met out of borrowings. Further, the State also disbursed ₹ 33 crore as loans and advances while making recovery of ₹ 22 crore from previous loans and advances resulting in net disbursal of ₹ 11 crore.

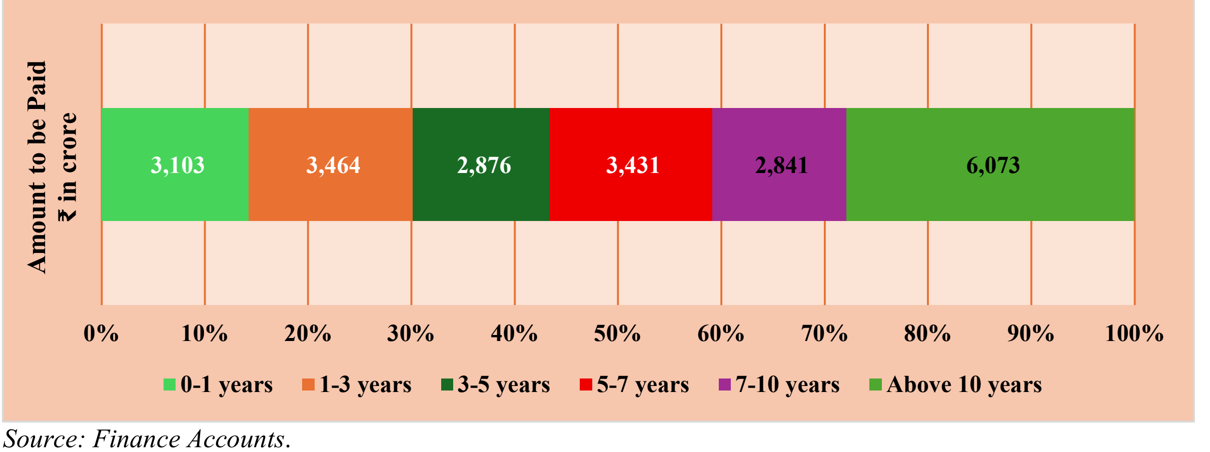
Over the five-year period from 2020-21 to 2024-25, total public debt borrowings grew by 152 *per cent* from ₹ 2,301 crore in 2020-21 to ₹ 5,809 crore in 2024-25. During the same period, Capital expenditure rose by over 200 *per cent* from ₹ 1,734 crore in 2020-21 to ₹ 5,246 crore in 2024-25.

As the share of borrowings utilised for debt repayment remained moderate between 15 *per cent* and 21 *per cent* of the borrowings and the revenue surplus was achieved in the last five years except in 2020-21 (revenue deficit of ₹ 815 crore) and 2022-23 (₹ 44 crore) along with sustained growth in capital expenditure, the recent trend of the utilisation of borrowed funds indicates expanding fiscal space favourable to long-term fiscal sustainability supported growing investment in infrastructure. However, this fiscal parameter alone is not conclusive on fiscal position of the State. The fiscal space is contingent on the State's other fiscal parameters including fiscal deficit and outstanding liabilities to GSDP ratio, adhering to prescribed norms under the Meghalaya Fiscal Responsibility and Budget Management Act, 2006 and maintaining a disciplined borrowing strategy with focus on capital assets creation and Revenue mobilisation improvement though control on committed expenditure which comprises salary and wages, pensions and interest payments.

1.5.1.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Chart 1.33**.

Chart 1.33: Maturity Profile of Public Debt*



Source: Finance Accounts.

**Public Debt excludes ₹60.02 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.*

As on 31 March 2025, outstanding Public Debt stood at ₹ 21,787.44 crore comprising ₹ 16,282.44 crore as internal debt and ₹ 5,504.99 crore as loans from the Government of India. Out of this, 14.24 *per cent* (₹ 3,102.81 crore) is payable within the next year. Along with this, maturity profile of 59.09 *per cent* (₹ 12,873.95 crore) of public debt is concentrated within the short to medium term (0-7 years).

A concentrated short- to medium-term maturity profile indicates potential rollover risks and liquidity pressure. A high concentration of liabilities maturing within the short to medium term indicates potential debt bunching, increasing refinancing and liquidity pressure on the State.

1.5.1.4 Financing pattern of fiscal deficit

Table 1.29 depicts financing pattern of the fiscal deficit during 2020-25.

Table 1.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Composition of Fiscal Deficit						
1	Revenue Deficit (-)/ Revenue Surplus (+)	(-)815.38	653.92	(-)43.90	1,394.32	72.71
2	Net Capital Expenditure	(-)1,734.05	(-)2,751.79	(-)2,742.28	(-)4,529.54	(-)5,245.98
3	Net Loans and Advances	(-)54.13	(-)60.92	(-)9.97	(-)16.99	(-)10.75
4	Appropriation to Contingency Fund	-	(-)200.00	-	-	0.00
Total		**(-)2,603.56**	**(-)2,358.79**	**(-)2,796.15**	**(-)3,152.21**	**(-)5,184.01**
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	1,587.00	1,298.00	1,368.00	924.00	1,009.00
2	Loans from GOI	323.71	490.87	1,081.43	1,336.61	2,418.96
3	Special Securities issued to NSSF	(-)53.75	(-)53.75	(-)54.82	(-)53.75	(-)53.76
4	Loans from Financial Institutions	97.41	68.62	89.03	67.56	103.55
5	Bonds	-	-	(-)12.50	(-)12.50	(-)12.50
6	Special Drawing Facility on 91 Days Deposits	-	-	-	187.89	522.91
7	Ways and Means Advances from RBI	-	-	-	260.92	704.58
8	Small Savings, PF, *etc.*	211.44	146.87	126.27	89.77	68.18
9	Deposits and Advances	61.64	23.73	368.66	213.82	327.06
10	Suspense	(-)23.43	(-)50.32	(-)5.61	(-)0.66	113.74
11	Remittances	(-)14.69	0.45	2.04	(-)4.78	3.56
12	Reserve Fund	(-)30.48	29.16	(-)4.85	63.68	(-)9.05
13	Contingency Fund	1.96	200.00	-	-	-
14	**Overall Deficit**	**2,160.81**	**2,153.63**	**2,957.65**	**3,072.56**	**5,196.23**
15	Increase (-)/Decrease (+) in cash balance	442.75	205.16	(-)161.50	79.65	(-)12.22
16	**Gross Fiscal Deficit**	**2,603.56**	**2,358.79**	**2,796.15**	**3,152.21**	**5,184.01**

Source: Finance Accounts.

1.5.2 Post Audit Deficit Indicators

As per Finance Accounts of the State for the financial year 2024-25, the Revenue Surplus of the state was ₹ 72.71 crore (0.12 *per cent* of GSDP) and fiscal deficit was ₹ 5,184.01 crore (8.69 per *cent* of GSDP). However, Audit found that, during 2024-25, the State Government misclassified, expenditure of **₹ 125.40 crore** of revenue nature as Capital expenditure (Details discussed in paragraph no 2.5.6 of Chapter II). This resulted in overstatement of revenue surplus to that extent and the revenue surplus worked out to be revenue deficit of ₹ 52.69 crore (0.09 *per cent* of GSDP) after Audit.

1.5.3 Fiscal Balance: Achievement of deficit and total debt targets

As per the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 and its amendments aligned with the 15th Finance Commission, the State aims to:

- maintain revenue surplus and limit fiscal deficit within the ceiling of 3.50 *per cent* of GSDP.
- ensure that outstanding liabilities-to-GSDP ratio is not more than 28 *per cent*.
- disclose contingent liabilities and off-budget borrowings through Fiscal Policy Strategy statement.

Achievements, *vis-à-vis* the fiscal targets, prescribed in the MFRBM Act for the FYs 2020-21 to 2024-25, post Audit are detailed in **Table 1.30**.

Table 1.30: Compliance with provisions of State FRBM Act post Audit

Fiscal Parameters		Achievement *vis-a-vis* targets set in the MFRBM[12] Act				
		2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Target	Maintain Revenue Surplus				
	Actual	(-)815.38	637.81	(-)44.60	1,393.78	(-)52.69
	Status	✗	✓	✗	✓	✗
Fiscal Deficit (as percentage of GSDP)	Target	5.25^	4.00-4.50	4.00	3.50	3.50
	Actual	2,603.56 (7.71)	2,358.80 (5.86)	2,796.15 (5.97)	3,152.21 (5.92)	5,184.01 (8.69)
	Status	✗	✗	✗	✗	✗
Ratio of total outstanding liabilities to GSDP (in *per cent*)	Target	28.00	28.00	28.00	28.00	28.00
	Actual	40.32*	38.49+	39.38+	40.43+	44.61#
	Status	✗	✗	✗	✗	✗

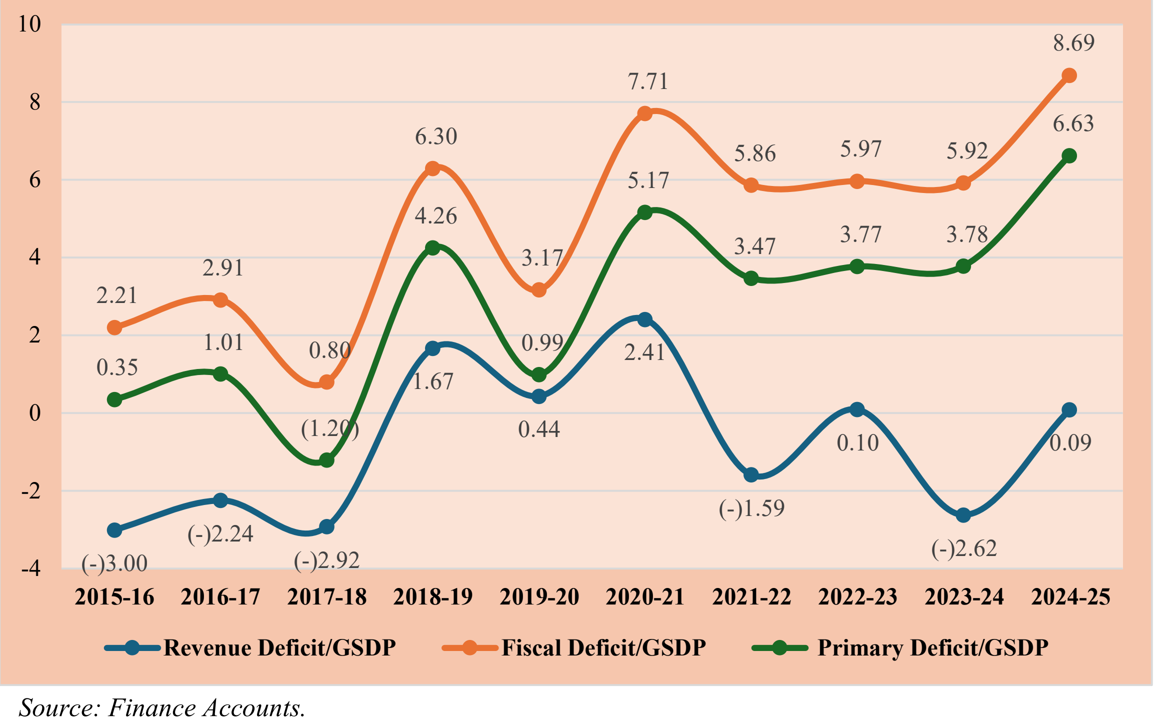
^Increased by 0.25 per cent as the total interest paid preceding year is less than/equal to 10 per cent of Revenue Receipts. Refer to MFRBM (Amendment) Act 2015.
**Excludes Back-to-Back loan of ₹ 112.00 crore which will not be treated as debt of the State for any norms which may be prescribed.*
+Excludes Back-to-Back loan of ₹ 253.16 crore (₹ 112.00 crore + ₹ 141.16 crore) which will not be treated as debt of the State for any norms which may be prescribed.
 # Excludes Back-to-Back loan of ₹ 60.02 crore remaining after repayment back-to-back loan of ₹ 193.14 crore by Central Government out of the total ₹ 253.16 crore.

In the year 2024-25, as per the Finance Accounts, the State recorded revenue surplus of ₹ 72.71 crore. However, Audit found that this surplus was overstated by ₹ 125.40 crore due to misclassification of Revenue expenditure as Capital expenditure (discussed in paragraph 2.5.6 of Chapter II). This results in post Audit revenue deficit of ₹ 52.69 crore which is not in compliance with the target of maintaining revenue surplus set under the MFRBM Act, 2006 as amended. This represents a sharp reversal from the previous year, when the post-audit revenue surplus stood at ₹ 1,393.78 crore in compliance with the target fixed. This change is mainly due to decline in Revenue Receipts stemming from 40.15 *per cent* (₹ 2,238.49 crore) decrease in Grants-In-Aid from the Government of India as discussed under **Paragraph 1.2.1**. Over the five-year period, the State's post audit revenue balance achieved the target of revenue surplus only in 2021-22 and 2023-24 which witnessed substantial growth in Revenue receipts (₹ 3,590.90 crore in 2021-22 over 2020-21 and ₹ 3,157.99 crore in 2023-24 over 2022-23).

[12] Meghalaya Fiscal Responsibility and Budget Management Act, 2006.

In respect of fiscal deficit, post Audit figure stood at ₹ 5,184.01 crore. As percentage of the GSDP, fiscal deficit was 8.69 *per cent* which was not in compliance with the target for the year under MFRBM Act. Throughout the five-year period from 2020-21 to 2024-25, post Audit figure of fiscal deficit as percentage of GSDP did not adhere to the target set under MFRBM Act, 2006 as amended, in any of these years. State-wise and year-wise comparable numbers of deficit indicators and total outstanding liabilities as percentage of the GSDP is given at **Appendix 1.4**.

Chart 1.34: Trend analysis of deficits post audit in the last ten years



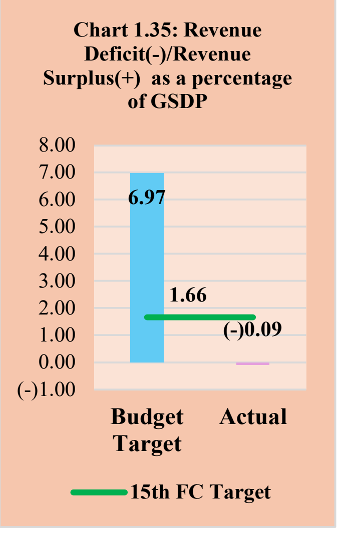
Source: Finance Accounts.

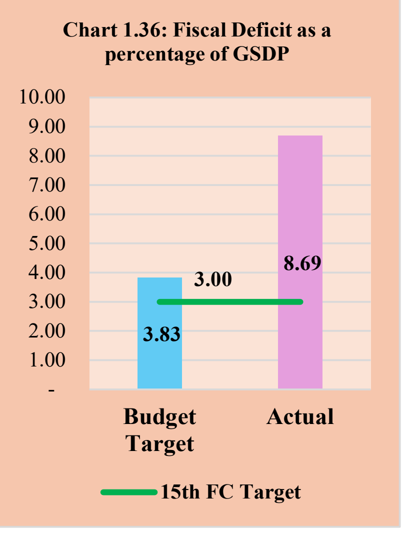
** Negative Revenue Deficit (RD) indicates Revenue Surplus.*

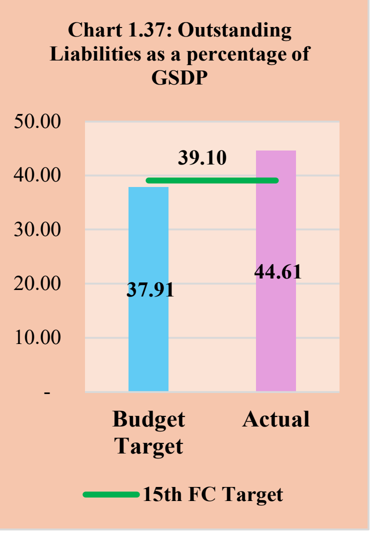
Chart 1.34 illustrates the trend of post Audit ratios of revenue deficit/revenue surplus, fiscal deficit and primary deficit with respect to GSDP, over the last ten years from 2015-16 to 2024-25. During this period, the State witnessed revenue deficit in the years 2018-19, 2019-20, 2020-21, 2022-23 and 2024-25 which saw either subdued growth or decline in revenue receipts compounded by higher committed expenditure and increased subsidies.

Further, fiscal deficit/GSDP ratio decreased from 2020-21 (7.71 *per cent*) to 2021-22 (5.37 *per cent*) primarily due to higher revenue receipts (increased by ₹ 3,590.90 crore) despite rise in capital expenditure (by ₹ 794.34 crore). However, the ratio saw steady rise from 2021-22 onwards driven largely by increased Capital spending, particularly in 2023- 24 (Capital expenditure of ₹ 4,529.54 crore) and 2024-25 (Capital expenditure of ₹ 5,245.98 crore). The year 2024-25 saw the highest fiscal deficit/GSDP ratio as the non- debt receipts of the State declined (by ₹ 826.01 crore) alongside a sharp increase of 76.24 *per cent* (₹ 716.44 crore) in Capital expenditure.

The targets set by 15th FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2024-25 are given in **Chart 1.35**, **Chart 1.36** and **Chart 1.37**.







Source: Finance Accounts, 15th Finance Commission Report and budget documents.

During the year 2024-25, the State narrowly missed the target for revenue surplus as a percentage of GSDP, set by the Fifteenth Finance Commission (15th FC) and that projected in the budget estimates as the actual stood at revenue deficit of 0.09 *per cent* of GSDP. Further, both the fiscal deficit-GSDP ratio and outstanding liabilities-GSDP ratio fell short of the 15th FC targets as well as the budget projections.

During the Exit Conference (January 2026), the State Government stated that outstanding liabilities as percentage of GSDP exceeding the target of 28.00 *per cent* set under Meghalaya Fiscal Responsibility & Budgetary Management (MFRBM) Act, 2006, was mainly due to SASCI loans. If SASCI loans were excluded, the ratio is substantially lower.

1.5.4 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators for five years from 2020-21 to 2024-25 is given in **Table 1.31.** Ten years analysis is given at **Appendix 1.5.**

Table 1.31: Trends in Debt Sustainability Indicators indicates

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
1	Overall Liabilities or Overall Debt*	13,618.73	15,481.09	18,442.32	21,520.31	26,601.45
2	Rate of Growth of Overall Debt (*per cent*)	18.08	13.67	19.13	16.69	23.61
3	GSDP (in nominal terms)	33,776	40,222	46,834	53,223	59,626
4	Nominal GSDP growth (*per cent*)	(-)2.86	19.08	16.44	13.64	12.03
5	Overall Debt/GSDP (*per cent*)	40.32	38.49	39.38	40.43	44.61
6	Repayment to Gross Borrowings (*per cent*)	42.91	62.71	62.71	68.42	72.51
7	Net borrowings available as a percentage of Gross Borrowings	57.09	37.29	37.29	31.58	27.49
8	Interest payments on Overall Debt	858.92	963.28	1,028.52	1,138.10	1,231.13

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
9	Effective rate of interest on Overall Debt[13] (*per cent*)	7.51	7.34	7.01	7.01	6.76
10	Interest payment to Revenue Receipts (*per cent*)	8.04	6.75	6.94	6.33	7.18
11	Revenue Deficit/Surplus (Post Audit)	(-)815.38	637.81	(-)44.60	1,393.78	(-)52.69
12	Primary Revenue Balance (PRB)#	43.55	1,617.19	984.62	2,532.42	1,303.85
13	Primary Balance (PB)##	(-)1,744.64	(-)1,195.52	(-)1,767.63	(-)2,014.11	(-)3,952.88
14	PB/GSDP (*per cent*)	(-)5.17	(-)2.97	(-)3.77	(-)3.78	(-)6.63
15	Difference between RoI[14] and effective rate of interest on Overall Debt	(-)6.22	(-)4.75	(-)6.12	(-)5.94	(-)6.23
16	Liquidity Management^^ (use of financial accommodation instruments available with RBI) (in number of occasions) @	3	131	296	241	298
17	Debt Stabilisation (Quantum spread[15] + Primary balance)	(-)3,025.02	437.44	(-)311.24	(-)886.94	(-)2,931.76
18	**Domtar gap**					
a	GSDP (in constant terms)	22967	24876	27255	30154	33067
b	Real Growth (in constant terms)	(-)7.85	8.31	9.56	10.64	9.66
c	Inflation based on CPI (*per cent*)	8.50	3.26	4.28	4.07	4.03
d	Effective Rate of interest	7.51	7.34	7.01	7.01	6.76
e	Real effective rate of interest (Effective rate of interest-Inflation)	(-)0.99	4.08	2.73	2.94	2.73
f	Growth Interest Differential (Real growth-Real effective rate of interest)	(-)6.86	4.23	6.84	7.69	6.93
g	Primary Balance (PB)	(-)1,744.64	(-)1,195.52	(-)1,767.63	(-)2,014.11	(-)3,952.88

Source: Finance Accounts.

** Overall Liabilities or Overall debt consists of Public Debt (including Ways and Means Advances) and other liabilities including Public Account Liabilities (including interest and non-interest-bearing reserve funds and deposits). Excludes ₹ 112.00 crore in 2020-21, ₹ 253.16 crore in 2021-22, 2022-23, 2023-24 and ₹ 60.02 crore in 2024-25 as back-to-back loans from Government of India (GoI) in lieu of GST Compensation shortfall, which are not to be repaid by the State from its sources.*

#PRB: Revenue Receipts - Revenue Expenditure (net of interest payments), where (-) PRB implies Primary Revenue Deficit and vice-versa.

##PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

@ Number of days.

^^Liquidity Management: Amount availed against SDF, WMA & OD.

Table 1.31 indicates:

(i) **Overall Debt or Liabilities**: The State's overall debt indicates steady upward trend, increasing from ₹ 13,618.73 crore in 2020-21 to ₹ 26,601.45 crore in 2024- 25. This includes 50-year interest free loan from the Central Government under Special Assistance to States for Capital Investments amounting to ₹ 5,192.91 crore as on 31 March 2025.

[13] *Effective rate of interest on Overall Debt has been calculated adjusting the Reserve Funds, Deposits not bearing interest and 50 years' interest free Central assistance to State for Capital Expenditure.*
*Effective Rate of Interest = Interest Payment/Average of Opening and Closing Stock of Debt (excluding non-interest bearing liabilities) * 100.*

[14] *Return on Investment (RoI) as measured by effective rate of interest receipts.*
*RoI = Interest Receipts/Average of Opening & Closing Stock of Loans and Advances Disbursed *100.*

[15] *Quantum Spread = Interest Spread x Debt (excluding non- interest bearing liabilities).*

(ii) **Nominal GSDP Growth vs Growth of Debt:** Over the five-year period from 2020-21 to 2024-25, the growth rate in overall debt exceeded the growth rate in GSDP at current prices except in the year 2021-22 which witnessed faster GSDP growth post-COVID. This trend of persistent excess suggests rising debt stress. Over the 10 years from 2015-16 to 2024-25, overall debt growth outpaced nominal GSDP growth rate except in 2015-16, 2017-18 and 2021-22.

(iii) **Debt to GSDP Ratio**: The ratio measures the State's financial leverage i.e., its capability to repay its debt. A low value of Debt to GSDP ratio indicates that the State's economy is vibrant to pay the debt without incurring further debt. Conversely, a high Debt to GSDP Ratio signifies that the State's burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.

Over the past five years, the state's average debt burden, measured by the overall liabilities-GSDP ratio, consistently grew, even if the pandemic year (2020-21) is ignored. After registering a marginal decrease of almost two percentage points in 2021-22 over the previous year driven mainly by sharp recovery in post-pandemic economic growth as measured by nominal GSDP growth rate of 19.08 *per cent* in 2021-22 exceeding growth in overall debt, it witnessed steady rise, peaking at 44.61 *per cent* in this year 2024-25. This is partly attributable to growing Capital expenditure which pushed fiscal deficit wider from ₹ 2,603.56 crore in 2021-22 to ₹ 5,184.01 crore in 2024-25. Given the significant acceleration in nominal growth due to inflation as well as economic recovery from a low base in 2020-21, the debt-to-GSDP ratio witnessed a marginal improvement of 1.83 percentage points from 40.32 *per cent* in 2020-21 to 38.49 *per cent* in 2021-22. Thereafter, it started rising again and reached 39.62 *per cent* in 2022-23 and further increased by about one percentage point to a five-year high of 44.61 *per cent* in 2023-24. In the latest three years i.e., 2022-23 to 2024-25, increase in debt surpassing the nominal growth allowed the debt-GSDP to rise persistently. This resulted in the State breaching the target set for overall liabilities-GSDP ratio under the MFRBM Act, 2006 throughout the last five years. Therefore, the State requires persistent spending restraint and higher growth boosting expenditure to reduce its reliance on borrowing before its debt gets into a spiral condition. On the other hand, the State succeeded in keeping this ratio within the indicative debt path set by Finance Commission only in 2020-21, 2021-22 and 2022-23, which are higher than the targets set under the FRBM Act. However, the State failed to adhere to even the Finance Commission targets in the last two years i.e., 2023-24 and 2024-25 suggesting misalignment of the borrowings with the GSDP growth. The target for outstanding liabilities-GSDP ratio set by MFRBM Act was never achieved in the last ten years.

(iv) **Share of repayments in gross borrowings**: This share indicates whether borrowings are being used productively or largely to service past debt. A low net borrowing availability points to constrained fiscal space. Over the five-year period from 2020-21 to 2024-25, the share of borrowings used to service previous borrowings grew sharply from 43 *per cent* to 73 *per cent*. This trend indicates a substantial decline in the proportion of borrowings available for productive use, such as asset creation and revenue-augmenting investments, which bottomed out in 2024-25. This low net borrowing availability for productive use suggests constrained fiscal space. However, this share witnessed marked improvement when compared with its level from ten years back which stood at 81.26 *per cent* in 2015-16.

(v) **Primary balances and the debt-stabilisation metric (quantum spread plus primary balance):** This indicator assesses whether the State is moving toward a sustainable fiscal path. A positive growth–interest differential supports sustainability, while a negative one signals concern. Year-wise analysis shows that out of the five years (2020-25) under consideration, except the pandemic year (2020-21), the Growth Interest Differential (GID) remained favourable. However, the favourable growth-interest differential (GID), which had begun to narrow from 2021-22, was not large enough to offset the impact of the rising primary deficit, leading to an increase in the debt-to-GSDP ratio during 2022-23 and 2024- 25 indicating that indebtedness of the State tends to rise. The worsening debt burden of the State can be primarily attributed to the fluctuations in the negative primary, particularly the increasing trend observed during 2022-2025, which left favourable GID inadequate to arrest the accretion of primary deficit to the debt burden of the State.

(vi) **Interest payment to Revenue Receipts**: During 2020-21 to 2024-25, the share of interest payments out of Revenue Receipts was between 6.33 *per cent* to 8.04 *per cent*. The State's FRBM Act does not prescribe any specific ceiling for this ratio.

(vii) **Composition and Structure of Debt i.e., Maturity Profile(M) and Cost of Borrowing(C):** Maturity profile captures redemption pressure on the State's debt. Higher maturity means lower redemption pressure in future. Typically, longer the horizon of debt, the lower the roll over risk. Cost effective financing pattern (fixed/floating coupon rate) enable the State to mobilise more resources thereby reducing interest payment burden for better finances management. The longer average residual maturity period along with a small share of floating rate debt limits roll over risks and insulates interest rate volatility to maintain the debt sustainably. As on 31 March 2025, the outstanding borrowings (Public Debt) of the State Government was ₹ 21,787.44 crore, out of which ₹ 3,102.81 crore (14.24 *per cent*) will mature in 2025-26, ₹ 3,463.62 crore (15.90 *per cent*) from 2026-27 to 2027-28 and ₹ 7,824.12 crore (35.91 *per cent*) from 2028-29 to 2032-33.

(viii) **Liquidity Management**: Frequent use of RBI's liquidity facilities *viz*. Ways and Means Advances (WMA), Special Deposit Facility (SDF) and Overdraft (OD), reflects weak cash management. During 2024-25, the State Government availed WMA for 52 days, SDF for 229 days and OD for 17 days totalling 241 days. The use of these facilities was significantly higher in the last three years –296 days in 2022-23, 241 days in 2023-24 and 298 in 2024-25. The State paid ₹ 17 crore in the last three years as interest for availing these facilities. This trend suggests the need for improving cash management and reducing interest liabilities for availing these facilities towards better fiscal space of the State. To put in perspective, this trend indicates marked shift from 2015-16 to 2019-20 when such facilities were not resorted to.

Overall, these indicators suggest that the State's fiscal space has gradually narrowed and debt sustainability has come under pressure. Over the medium and long term, debt growth has generally exceeded nominal GSDP growth, leading to a rising debt-to-GSDP ratio and repeated deviations from FRBM and Finance Commission targets. While the growth–interest differential remained mostly favourable, its stabilising effect has been offset by continuing primary deficits. In addition, a higher share of borrowings being absorbed by debt servicing has limited the resources available for productive expenditure, and frequent use of RBI liquidity facilities calls for improving cash management and reducing interest liabilities for availing these facilities towards better fiscal space of the state. Despite the concerns arising from rising outstanding liabilities-GSDP ratio, declining share of net borrowings available for productive use and increasing reliance on cash management facilities, the favourable GID indicates debt sustainability provided the primary deficit declines and sufficient surplus is generated over the medium to long term through rationalisation of committed liabilities and timely commissioning of projects funded by growing capital expenditure, enabling repayment of the current debt stock.

1.5.5 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund in case of borrower defaults. The State extends guarantees for loans raised by entities like statutory corporations, boards, local bodies, and co-operative institutions. As per the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006, the Government may prescribe such targets as may be deemed necessary to restrict issuing of guarantees except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed. Details of the guarantees and status of outstanding guarantees to total receipts for the last five years is given in **Table 1.32**.

Table 1.32: Guarantees given by the State Government

(₹ in crore)

Guarantees	2020-21	2021-22	2022-23	2023-24	2024-25
Criteria as per section 4(10)(d) of MFRBM Act 2006 - 4(10)(d))	Restrict issuing of guarantees, except on selective basis where the quality and viability of the scheme to be guaranteed is properly analysed (there is no statutory limit)-Section 4(d), MFRBM Act, 2006.				
Outstanding amount of guarantees at the beginning of the year	1,075.71	3,055.44	2,980.44	2,977.53	2,908.20
Outstanding guarantees at the end of the year	3,047.52	2,980.44	2,977.53	2,908.20	2,905.80

Source: Finance Accounts and Annual Financial Statements.

The outstanding guarantees for ₹ 2,905.80 crore as on 31 March 2025 was in respect of Power (₹ 2,890.80 crore); Cooperation (₹ 8.10 crore); and Commerce & Industries (₹ 6.90 crore).

The MFRBM Act has not prescribed the limits of guarantees extended by the State. However, the State enacted Meghalaya Ceiling on Government Guarantees Act, 2025 which prescribes ceilings on total outstanding Government guarantees as on the first day of April of any year at 10 *per cent* of the Gross State Domestic Product (GSDP) estimated for the year and total fresh Government guarantees issued in a year at five *per cent* of the Revenue Receipts or 0.5 *per cent* of Gross State Domestic Product (GSDP) estimated for the year, whichever is less.

During the period from 2020-21 to 2024-25, the last four years witnessed net reduction of guarantees as the reduction in outstanding guarantees exceeded addition of fresh guarantees. This reflects efforts to avoid accumulation of guarantees.

The State constituted Guarantees Redemption Fund in the Public Account for meeting its obligations arising out of the guarantees issued on behalf of the state level bodies. As per the provisions of the Scheme for Constitution and Administration of the Guarantees Redemption Fund which came into force from the year 2021-22, State Government was required to 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 at three *per cent* of the outstanding guarantees at the end of the previous year in next five years *i.e.,* 2025- 26. The Fund shall be gradually increased to the desirable level of five *per cent*. As on 31 March 2025, the Guarantee Redemption Fund stood at ₹ 83.32 crore – about three *per cent* of the outstanding guarantees at the end of the previous year. This follows the target set under the provisions cited.

Further, during the year 2024-25, the State Government was required to contribute a minimum of ₹ 14.54 crore *i.e.,*0.50 *per cent* of the outstanding guarantees at the end of the previous year 2023-24 (₹ 2,908.20 crore). However, the State did not make any contribution to the fund during the year.

As per letter No FIN(B)/91/89/53 of the Finance Department, Government of Meghalaya dated 24th April 1989 which came into effect from 1st April 1989, the State Government is required to levy a guarantee fee of one *per cent* of the guaranteed amount before the execution of the guarantee deed. For the subsequent years, the guarantee fee is fixed at 0.50 *per cent* on the amount guaranteed and outstanding on the 31st of March each year for the next financial year till the guarantee is vacated or till the loan is liquidated. The State Government did not levy or receive any guarantee fee during the year. As on 31 March 2025, the outstanding receivable guarantee fee stood at ₹ 1.14 crore.

1.5.6 Pathways to Fiscal Stability

Deficits can be improved by enhancing revenues and rationalising expenditures. This includes strengthening tax compliance, widening the tax base, revising user charges, and monetising idle Government assets. On the spending side, better targeting of subsidies, controlling salary and pension growth, and ensuring proper classification of expenditure are key factors. Prioritising productive capital investment and improving debt management through transparent and efficient borrowing can further ease fiscal pressure. These measures collectively create fiscal space and help reduce revenue, fiscal, and primary deficits in a sustainable manner. These have been discussed in succeeding paragraphs.

1.5.6.1 Improving revenues of the State

Untapped revenue potential that, if harnessed effectively, could significantly enhance fiscal space and reduce dependence on debt. Inefficiencies in assessment, undervaluation, and limited enforcement mechanisms of key tax streams such as State GST, Stamp Duty, and Excise will lead to subdued revenue growth. Under-realised non-tax revenues, with low user charges, poor cost recovery, and suboptimal returns on public assets and investments also impede the fiscal space. Timely realisation of pending arrears is (tax and non-tax) another step towards enhancing the fiscal space.

A. Arrears of revenue

As on 31 March 2025, the arrears of revenue in respect of principal heads of revenue were ₹ 150.30 crore, of which ₹ 39.07 crore were outstanding for more than five years, as depicted in **Table 1.33**.

Table 1.33: Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2025	Amount outstanding for more than five years as on 31 March 2025
1.	Taxes/VAT on Sales, Trade, *etc*.	150.30	39.07
2.	Goods and Services Tax	-	-
3.	State Excise	-	-
4.	Stamps and Registration Fee	-	-
5.	Taxes on Vehicles	-	-
Total		**150.30**	**39.07**

Source: Departmental Information.

B. Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Department of Excise and Department of Taxation in respect of Sales Tax/VAT is depicted in **Table 1.34**.

Table 1.34: Arrears of Assessment

Sl. No.	Head of Revenue	Cases pending at the beginning of 2024-25	New cases due for assessment during 2024-25	Total cases due for assessment	Cases disposed of during 2024-25	Balance at the end of the year	Percentage of disposal
1.	Taxes/VAT on Sales, Trade, *etc*.	51,486	2,426	53,912	2,226	51,686	4.13

Source: Departmental information.

During the period 2020-25, the number of pending cases at the end of the respective years were 70,387 (2020-21); 58,418 (2021-22); 52,436 (2022-23); 51,486 (2023-24) as against 51,686 cases at the end of 2024-25. Disposal of cases during this period ranged between 4.13 *per cent* and 19.85 *per cent*.

C. Details of evasion of tax detected by the Department, refund cases, *etc.*

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

The details of cases of evasion of tax detected by the Excise and Taxation, cases finalised and the demand for additional tax raised during the year 2024-25, as reported by the Departments concerned, are depicted in **Table 1.35**.

Table 1.35: Evasion of tax detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2024	Cases detected during 2024-25	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 2025
					No. of cases	Amount of demand (₹ in crore)	
1.	Goods and Services Tax	43	105	148	97	0.22	51
Total		**43**	**105**	**148**	**97**	**0.22**	**51**

Source: Departmental information.

1.5.6.2 Issues on expenditure side

A. Fiscal stress from committed expenditure and subsidies

Chart 1.38 and **Chart 1.39** depicts Committed expenditure and subsidies together as a percentage of Revenue Receipts and Revenue Expenditure during the **ten-year period from 2015-16 to 2024-25** respectively.

Chart 1.38: Committed Expenditure and Subsidies as a percentage of Revenue Receipts

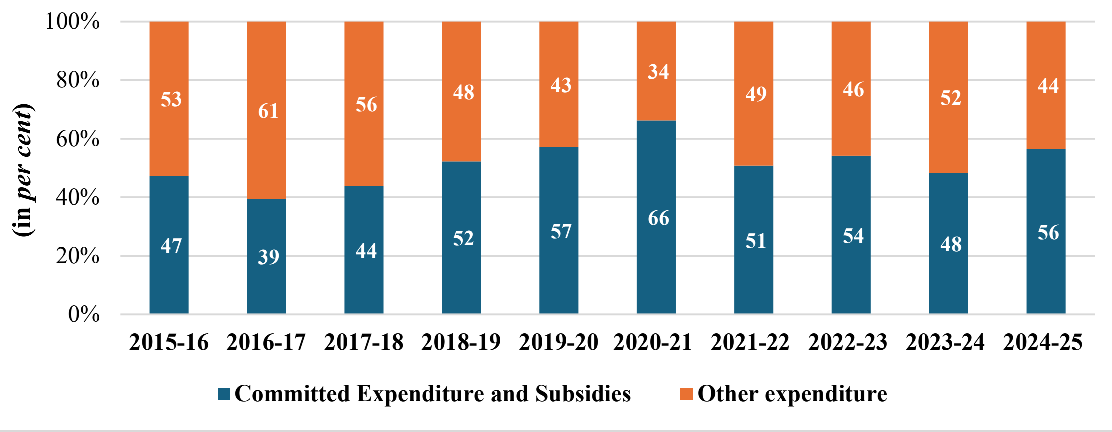
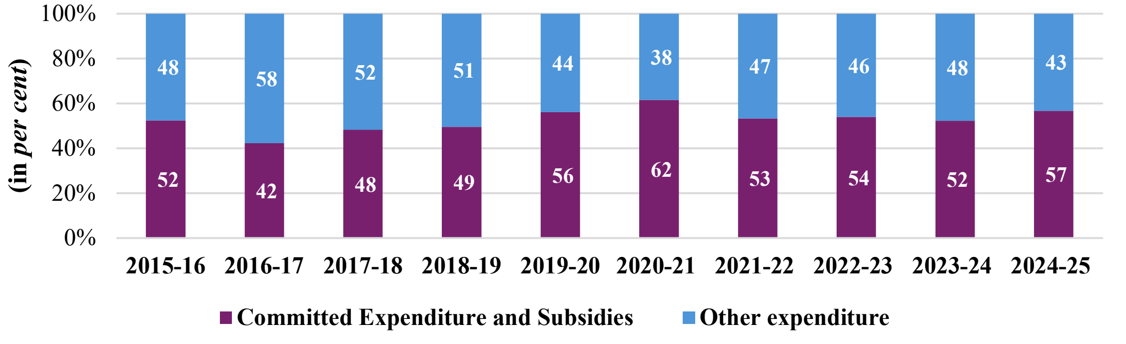


Chart 1.39: Committed Expenditure and Subsidies as a percentage of Revenue Expenditure



In 2024-25, the State's committed expenditure of ₹ 9,545.73 crore comprising salaries and wages (₹ 6,440.18 crore), pensions (₹ 1,874.42 crore), and interest payments (₹ 1,231.13 crore), accounted for 55.65 *per cent* of the Revenue Receipts. In addition, subsidies amounted to ₹ 139.63 crore, bringing the total rigid expenditure to ₹ 9,685.36 crore, which was 56.46 *per cent* of the State's Revenue receipts. The high and inflexible nature of such expenditure significantly compresses fiscal space, limiting the State's ability to allocate resources towards capital investment and developmental priorities. This structural imbalance increases the risk of persistent revenue and primary deficits, constrains long-term fiscal sustainability, and reduces the Government's capacity to respond to emergent socio-economic challenges.

There is an urgent need for expenditure reform through rationalisation of subsidies, improved targeting, and prudent management of salary and pension commitments, to enhance fiscal flexibility and ensure a sustainable fiscal path.

B. Capital blocked in incomplete projects

An assessment of capital blocked in incomplete Capital projects would also indicate the quality of Capital Expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits of the projects for prolonged periods. Further, funds borrowed for implementation of these projects during the respective years would lead to an extra burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 1.36** (based on information provided by the State Government for ***Appendix-IX*** of the Finance Accounts for the year 2024-25).

Table 1.36: Capital blocked in incomplete projects

(₹ in crore)

Age profile of incomplete projects as on 31 March 2025				Department-wise profile of incomplete projects till 31 March 2025		
Target Year of Completion	**No. of incomplete project**	**Estimated cost**	**Expenditure incurred**	**Department**	**No. of incomplete project**	**Estimated Cost (Expenditure incurred)**
2012-13	2	15.33	7.83	Directorate of Health Services	10	56.18 (44.42)
2013-14	-	-	-			
2014-15	-	-	-	Public Works Department (Buildings)	4	187.06 (239.46)
2015-16	-	-	-			
2016-17	3	55.94	53.97			
2017-18	-	-	-	Public Works Department (Roads)	69	1,089.43 (622.59)
2018-19	1	20.14	17.65			
2019-20	4	36.86	30.39			
2020-21	4	39.58	27.12			
2021-22	2	22.94	6.40			
2022-23	6	254.12	159.24			
2023-24	15	106.39	71.38	Water Resources	6	626.06 (80.03)
2024-25	36	544.05	280.25			
Year Unknown	16	863.38	332.26			
Total	**89***	**1,958.73**	**986.49**	**Total**	**89**	**1,958.73 (986.49)**

** Includes projects whose completion target falls in or before 2024-25 only.*

Out of the estimated cost of ₹ 1,958.73 crore on these 89 ongoing projects, ₹ 986.49 crore was spent till 2024-25. Therefore, due to non-completion of these 89 projects, Capital Expenditure of ₹ 986.49 crore remained blocked.

Due to incomplete information in ***Appendix-IX*** (Commitments of the Government-List of Incomplete Capital Works) of the Finance Accounts for the year 2024-25 (provided by the State Government), Audit could not ascertain the actual progressive expenditure, physical progress of work, position of pending payment (future liability) and revised cost, if any, as on 31 March 2025.

C. Un-discharged liabilities on Fiscal Space

Undischarged/deferred liabilities, if not addressed timely, will reduce the available fiscal space for future developmental and infrastructure spending. Besides creating lack of transparency and credibility, this impair the state's ability to raise resources in a sustainable manner, thereby impacting overall fiscal health and long-term sustainability.

Audit observed that the State Government had accumulated several un-discharged liabilities over the years, which have significant implications for fiscal sustainability. These include:

- Non-transfer of Central Share (received up to 1st March 2025 by the State for CSS) to State Nodal Agency which stood at ₹ 217.92 crore.

- Non-transfer of statutory funds/cess such as National Mineral Exploration Trust (NMET), Guarantee Redemption Fund (GRF), and Consolidated Sinking Fund (CSF) amounting to ₹ 14.73 crore.
- Un-discharged interest liabilities totalling ₹ 13.60 crore.
- Off-budget borrowings and other liabilities not captured in the debt stock amounting to ₹ 115.66 crore out of which ₹ 6.43 crore was repaid in 2024-25 resulting in outstanding off budget borrowing of ₹ 109.20 crore.
- Short/non-transfer of State Government's contribution to the National Pension System (NPS) amounting to ₹ 1.21 crore.
- Pending refund cases amounting to ₹ 39.30 crore.

The cumulative value of these un-discharged liabilities amounted to ₹ 406.39 crore, which is equivalent to 0.68 *per cent* of the GSDP and 7.84 *per cent* of the Fiscal Deficit for the year 2024-25.

Audit recommends that the State Government disclose and address all un-discharged liabilities transparently and make provisions for timely discharge of these obligations to avoid future fiscal stress.

1.6 Conclusion

GSDP of the state grew from ₹ 53,223 crore in 2023-34 to ₹ 59,626 crore in 2024-25 registering growth rate of 12.03 *per cent* which was higher than that of the GDP growth rate (9.78 *per cent*). Tertiary sector was the dominant force, followed by the Primary Sector and Secondary Sector.

During 2024-25, Revenue Receipts stood at ₹ 17,153.91 crore and its growth did not kept pace with the GSDP. The higher revenue buoyancy ratios in 2021-22 and 2023-24 was mainly due to higher Central transfers.

Further, the State's Own Revenue persistently lagged behind the GSDP except in 2023-24 as indicated by low buoyancy ratios. This indicates that the State's revenue mobilisation did not keep pace with economic growth in general.

Against the Budget Estimate (BE) for non-tax revenue receipts during the year 2024-25, actual receipts achieved 64 *per cent* of BE but lower than the previous.

State's share in Union Taxes and Duties during 2024-25 increased from 2023-24 registering a growth of 14 *per cent*.

However, the state's Grants-in-Aid (GIA) from the Government of India in the current year 2024-25 was 40 *per cent* lower than the previous year. In fact, this was the lowest in the last five-year period.

The State's Capital Receipts in 2024-25 increased significantly by 72 *per cent*. Capital Receipts as a percentage of GSDP grew to 10 *per cent* in 2024-25 after hovering around 6.00 *per cent* during the previous years.

Out of the total expenditure of ₹ 22,359.89 crore incurred by the State during the financial year 2024-25, ₹ 3,185.58 crore pertained to pass-through transactions.

During 2024-25, Revenue expenditure remained marginally lower than the Revenue receipts. Further, its growth rate remained below that of GSDP and it constituted 76 *per cent* of the total expenditure down from 86 *per cent* in 2020-21.

Committed expenditure accounted for 56 *per cent* of the Revenue expenditure. Shares of committed expenditure as well as subsidies in Revenue expenditure as well as total expenditure rose significantly over the previous year 2023-24.

Though Government of Meghalaya enacted the Meghalaya State Finance Commission Act, 2012, the State Government has not constituted the State Finance Commission (December 2025).

As of 31 March 2025, the State Government's investment in companies, corporations and other bodies stood at ₹ 4,444.43 crore. During 2024-25, the return on investment was meagre ₹ 0.20 crore (0.005 *per cent*) lower than the average rate of interest paid by the State Government on its borrowings.

In the year 2024-25, the State recorded revenue surplus of ₹ 72.71 crore. However, Audit found that this surplus was overstated by ₹ 125.40 crore due to misclassification of Revenue expenditure as Capital expenditure. This results in post Audit revenue deficit of ₹ 52.69 crore which is not in compliance with the target of maintaining revenue surplus set under the MFRBM Act, 2006 as amended. During the last ten years from 2015-16 to 2024-25, the State witnessed revenue deficit in the years 2018-19, 2019-20, 2020-21, 2022-23 and 2024-25 which saw either subdued growth or decline in Revenue receipts compounded by higher committed expenditure and increased subsidies.

Post Audit Fiscal deficit stood at ₹ 5,184.01 crore i.e., 8.69 *per cent* of GSDP, which was not in compliance with the target for the year under MFRBM Act. Throughout the five-year period from 2020-21 to 2024-25, MFRBM Act, 2006 was never achieved.

Over the past ten years, the target for outstanding liabilities-GSDP ratio (28.00 *per cent*) set by MFRBM Act, was never achieved in the last ten years.

During the period from 2020-21 to 2024-25, the last four years witnessed net reduction of guarantees as the reduction in outstanding guarantees exceeded addition of fresh guarantees. This reflects efforts to avoid accumulation of guarantees.

The cumulative value of the un-discharged liabilities which include off budget borrowings, amounted to ₹ 406.39 crore, which is equivalent to 0.68 *per cent* of the GSDP and 7.84 *per cent* of the Fiscal Deficit for the year 2024-25. Out of off-budget borrowings of ₹ 115.66 crore at the start of the year, ₹ 6.43 crore was repaid in 2024-25 resulting in outstanding off budget borrowing of ₹ 109.20 crore.

1.7 Good practices

The State enacted Meghalaya Ceiling on Government Guarantees Act, 2025 which prescribes ceilings on total outstanding government guarantees and total fresh Government guarantees issued in a year.

1.8 Recommendations

- *The State Government may strengthen revenue mobilisation by improving tax compliance, updating revenue policies, and enforcing a clear non-tax revenue policy, especially for dividends, mining, and interest receipts, and revising user charges and fees periodically.*
- *The State Government may rationalise revenue expenditure and committed liabilities, better targeting of subsidies, and controlling interest payments to create fiscal space for developmental spending.*
- *The State Government may enhance capital expenditure quality and prioritisation by increasing allocations to infrastructure sectors, avoiding misclassification of expenditures, and ensuring capital outlay keeps pace with economic growth.*
- *The State Government may improve return on public investments by enforcing a dividend policy for profit-making PSUs, disinvesting from non-performing entities, and enhancing monitoring of loans and advances to ensure financial discipline and accountability.*
- *The State Government may ensure fiscal transparency and better fund management by reconciling and timely transferring CSS funds to SNA accounts, routing all cesses and levies through designated government accounts, and strictly adhering to FRBM targets with disclosure of off-budget liabilities*.