

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I

Finances of the State Government

Profile of Meghalaya

Meghalaya, a Special Category State, is situated in the North-East region of India and is bounded on the north by Goalpara, Kamrup and Nowgong Districts of Assam, on the east by Karbi Anglong and North Cachar Hills Districts of Assam and on the south and west by Bangladesh. As indicated in **Appendix 1.1 (Part-D)**, the State's population increased from 23,18,822 in 2001 to 29,66,889 in 2011 recording a decadal growth of 27.95 *per cent*. The percentage of population below the poverty line of the State (11.87 *per cent*) was 10.05 *per cent* less than the all India average (21.92 *per cent*). The State's Gross Domestic Product (GSDP) in 2013-14 at current prices was ₹ 21044.60 crore. The State's literacy rate increased from 62.56 *per cent* (2001) to 74.43 *per cent* (as per 2011 census). General data relating to the State is given in **Appendix 1.1 (Part-D)**.

Gross State Domestic Product

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

Table 1.1 : Trends in Gross State Domestic Product

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	6108903	7248860	8391691	9388876	10472807
Growth rate of GDP (<i>per cent</i>)	15.18	18.66	15.77	11.88	11.54
Gross State Domestic Product (₹ in crore)	12709.11	14582.56	17198.57	18296.39	21044.60
Growth rate of GSDP (<i>per cent</i>)	9.40	14.74	17.94	6.38	15.02

{Source: India's GDP: Central Statistics Office, Ministry of Statistics and Programme Implementation as on 01 August 2014; State's GSDP (base year 2004-05: as furnished (November 2014) by the Directorate of Economics & Statistics, Government of Meghalaya}

As per GSDP series (base year 2004-05), there was a fluctuating trend in the growth rate of GSDP. The GSDP increased from ₹ 18296.39 crore in 2012-13 to ₹ 21044.60 crore in 2013-14, representing an increase of 15.02 *per cent*. The increase in the growth of GSDP during 2013-14 over that of previous year was mainly due to increase of 16.41 *per cent* under services like transport, storage and communication including banking, public administration, hotels, *etc.* followed by 15.49 *per cent* under secondary sector (manufacturing, construction, electricity, gas and water supply). The GSDP during 2013-14 also exceeded the assessment (₹ 17,069 crore) made by the XIII FC by 23.29 *per cent*. Incidentally, the growth of GSDP during 2013-14 at 15.02 *per cent* exceeded the assessment of the XIII FC (11.5 *per cent*). The average compound annual growth rate in respect of GSDP for Meghalaya between 2004-05 and 2013-14 was 13.83 *per cent*.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Meghalaya (GOM) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The analysis has been made based on State Finance Accounts and the information obtained from State Government. The structure of Government Accounts, lay out of Finance Accounts, methodology adopted for the assessment of fiscal position and State Profile are shown in **Appendix 1.1 (Parts A, B C & D)**. The time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2009-14 are presented in **Appendix 1.2**.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year. **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.2 : Summary of Current Year's Fiscal Transactions

(₹ in crore)

Receipts			Disbursements				
	2012-13	2013-14		2012-13	2013-14		
Section – A : Revenue							
				Total	Non-Plan	Plan	Total
Revenue Receipts	5536.35	6266.73	Revenue Expenditure	4999.54	3702.82	1848.77	5551.59
Tax revenue	847.73	949.30	General Services	1573.80	1821.77	16.60	1838.37
Non-tax revenue	484.95	598.15	Social Services	1747.93	1170.92	802.85	1973.77
Share of Union Taxes/Duties	1192.45	1301.96	Economic Services	1677.81	710.13	1029.32	1739.45
Grants-in-aid from Government of India	3011.22	3417.32					
Section – B : Capital							
Miscellaneous Capital receipts	...	...	Capital Outlay	928.34	0.71	1074.76	1075.47
Recoveries of Loans and Advances	23.25	20.48	Loans and Advances disbursed	27.02	26.12	16.21	42.33
Public Debt Receipts ¹	523.23	475.42	Repayment of Public Debt ¹	168.51	...	...	141.62
Contingency Fund	...	...	Contingency Fund	...	...	...	...
Public Account Receipts ²	3642.21	4405.98	Public Account Disbursements ³	3993.97	...	...	3508.69
Opening Balance	371.27	- 21.07	Closing Balance	- 21.07	...	...	827.84
Total	10096.31	11147.54	Total	10096.31			11147.54

¹ Includes net Ways and Means Advances.

² Gross Receipts

³ Gross Disbursements

Following are the significant changes during 2013-14 over the previous year:

- **Revenue receipts** increased by 13.19 *per cent* (₹ 730.38 crore) over the previous year. The increase was due to increase in grants-in-aid from the Government of India (GOI) (₹ 406.10 crore), non-tax revenue (₹ 113.20 crore), State's share of Union taxes and duties (₹ 109.51 crore) and tax revenue (₹ 101.57 crore).
- **Revenue expenditure** increased by 11.04 *per cent* (₹ 552.05 crore) over the previous year. While there was significant increase under non-plan heads ₹ 422.69 crore, the expenditure under plan heads increased by ₹ 129.36 crore only over previous year.
- Compared to previous year, the **capital outlay** of the State increased by 15.85 *per cent* (₹ 147.13 crore), which was the net result of increase under social services (₹ 166.82 crore) and general services (₹ 24.23 crore) and decrease under economic services (₹ 43.92 crore).
- **Recovery of loans and advances** during the current year marginally decreased by ₹ 2.77 crore and **disbursement of loans and advances increased** ₹ 15.31 crore compared to the previous year.
- **Public Debt receipts and repayments** decreased by ₹ 47.81 crore and ₹ 26.89 crore respectively over the previous year.
- **Public Account receipts** increased by ₹ 763.77 crore, but **disbursements** under Public Account significantly decreased by ₹ 485.28 crore over the previous year.
- **Cash balance** increased significantly by ₹ 848.91 crore over previous year.

1.1.2 Review of fiscal situation

In accordance with the recommendations of the Twelfth Finance Commission (XII FC), the GOM has enacted the Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006. In accordance with the recommendations of the XIII FC, the MFRBM Act was amended by the State Government and came into force from 10 October 2011. The amended MFRBM Act (**Appendix 1.1- Part-E**) laid down the following fiscal targets.

- (a) maintain revenue surplus during the award period 2011-12 to 2014-15;
- (b) reduce fiscal deficit to 3 *per cent* of GSDP or less during 2011-12 to 2014-15;
- (c) ensure outstanding debt of the State will be aligned as recommended by XIII FC and such outstanding debt expressed as percentage of GSDP shall progressively be reduced from 32.7 *per cent* during 2011-12 to 31.7 *per cent* during 2014-15.
- (d) Government shall notify a Medium Term Fiscal Plan with three years rolling targets, giving details of all significant items of receipts-expenditure along with underlying assumptions made for projection purpose [newly inserted Clause].

Medium Term Fiscal Plan (MTF Plan), as prescribed in the MFRBM Act, 2006 (as amended), was notified by the State Government in June 2014.

The performance of the State during 2013-14 in terms of key fiscal targets set for selected parameters laid down in MFRBM Act, 2006 and projections made in Medium Term Fiscal Policy (MTFP) statement *vis-à-vis* achievements are given in **Table 1.3**.

Table 1.3 : Trends in major fiscal parameters *vis-à-vis* projections for 2013-14

Fiscal parameters	2013-14			
	XIII FC targets for the State	Targets as prescribed in MTF Plan	Projections MTFP Statement	Actual
Revenue Surplus (+)/ Deficit (-) (₹ in crore)	Maintain revenue balance or attain a surplus	1250.13	-	715.14
Revenue Surplus/Total Revenue Receipts (<i>per cent</i>)	-	-	14.56	11.41
Fiscal Deficit/GSDP (<i>per cent</i>)	3 <i>per cent</i>	2.49 <i>per cent</i>	2.63	1.82
Total Outstanding Liabilities/GSDP (<i>per cent</i>)	32 <i>per cent</i> (Outstanding Debt as <i>per cent</i> of GSDP)	26.53 <i>per cent</i>	31.64	29.79

During 2013-14, the State failed to achieve the revenue surplus as prescribed in MTF Plan. The actual revenue surplus to total revenue receipts (as *per cent*) was 11.41 against projection of 14.56 made in MTF Statement. The Fiscal Deficit-GSDP ratio was within the limit fixed in MTFP Statement/MTF Plan as well as by XIII FC. Total Outstanding Liabilities-GSDP ratio was also within the limit fixed in MTFP Statement and by XIII FC, but exceeded the projection made in the MTF Plan.

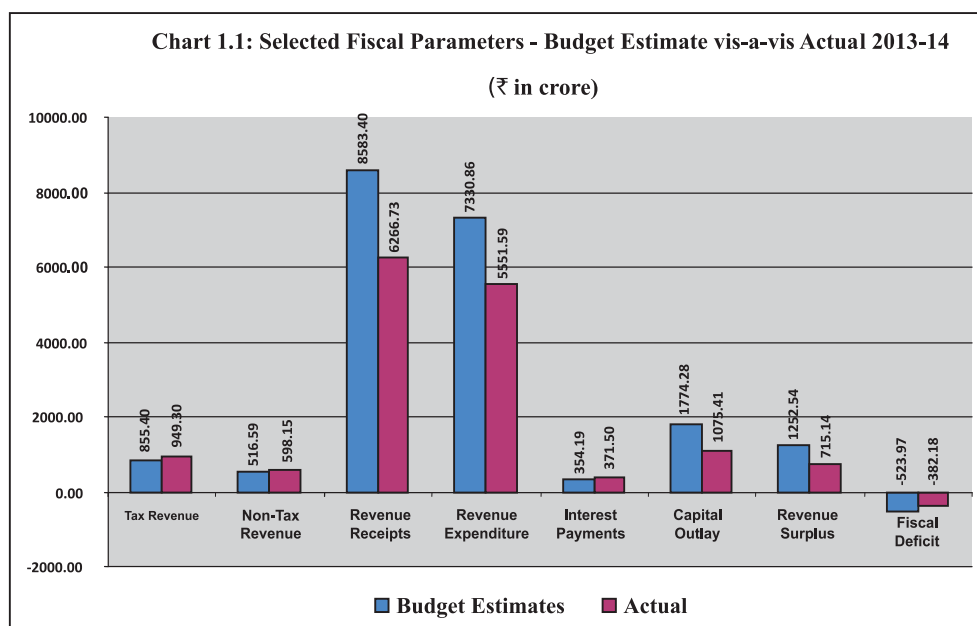
1.1.3 Budget estimates and actual

The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviation from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. **Table 1.4** presents the consolidated picture of finances of the State during 2012-13 (actuals) and 2013-14 (budget estimates, revised estimates and actuals) and **Chart 1.1** presents the budget estimates and actuals for some important fiscal parameters.

Table 1.4 : Variation in major items – Actual of 2013-14 over 2012-13, Actual of 2013-14 vis-à-vis Budget Estimates and Revised Estimates

(₹ in crore)

Parameters	2012-13	2013-14			Percentage of Excess (+)/ Shortfall (-) during 2013-14 with reference to	
	Actual	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Actual of 2012-13	BE/RE
Tax Revenue	847.73	855.40	855.40	949.30	+ 11.98	+ 10.98
Non-Tax Revenue	484.95	516.59	516.59	598.15	+ 23.34	+ 15.79
Revenue Receipts	5536.35	8583.40	8583.40	6266.73	+ 13.19	- 26.99
Non-debt Capital Receipts	23.25	26.14	26.14	20.48	- 11.91	- 21.65
Revenue Expenditure	4999.54	7330.86 ⁴	7330.86 ⁵	5551.59	+ 11.04	- 24.27
Interest Payments	313.82	354.19	354.19	371.50	+ 18.38	+ 4.89
Capital Outlay	928.34	1774.28	1774.28	1075.47	+ 15.85	- 39.39
Disbursement of Loans & Advances	27.02	28.37	28.37	42.33	+ 56.66	+ 49.21
Revenue Surplus (+)/Deficit (-)	+ 536.81	+ 1252.54	+ 1252.54	+715.14	+ 33.22	- 42.90
Fiscal Deficit (-)	- 395.30	- 523.97	- 523.97	- 382.18	- 3.32	- 27.06
Primary Deficit (-)/Surplus (+)	- 81.48	- 169.78	- 169.78	- 106.68	- 86.89	- 93.71



- During 2013-14, actual **revenue receipts** fell short of the budget estimates and revised estimates by 26.99 *per cent*.
- The State Government was successful in restricting the **revenue expenditure** during 2013-14, which was less than the budget estimate by 24.27 *per cent* (₹ 1779.27 crore).

⁴ Net estimates
⁵ Net estimate

- The **capital outlay** *vis-à-vis* budget estimate was less by 39.39 *per cent* (₹ 698.81 crore).
- The year 2013-14 ended with a revenue surplus of ₹ 715.14 crore against assessment for revenue surplus of ₹ 1252.54 crore made in the budget estimate and revised estimate for the year. Due to shortfall in revenue surplus compared to budget estimate during the year by ₹ 537.40 crore offset by shortfall in capital expenditure by ₹ 698.81 crore than estimated, actual fiscal deficit and primary deficit during 2013-14 was lower than the assessment made in the budget estimate by 27.06 *per cent* (₹ 141.79 crore) and 93.71 *per cent* (₹ 159.10 crore) respectively. The wide variation between the budget estimates and the actual indicated that the budgeting was unrealistic and lacked credibility. Paragraph 50 of the Budget Manual provides that the revised estimate should be a genuine re-estimation of the requirements in the light of updated knowledge. On the contrary, all the parameters in the revised estimate were repetition of the budget estimated figures and were way off the mark.

1.1.4 Gender Budgeting

Gender budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The budget documents for the year 2013-14 presented to the State Legislature did not include any separate volume on gender budget. The information whether gender budgeting was introduced in Meghalaya, though called for (August 2014) from the Finance Department, had not been furnished.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI. Besides the funds available in the Public Accounts after disbursement are also utilised by the Government to finance its deficit. **Chart 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2009-14, the **Chart 1.4** depicts the composition of resources of the State during the current year.

Chart 1.2

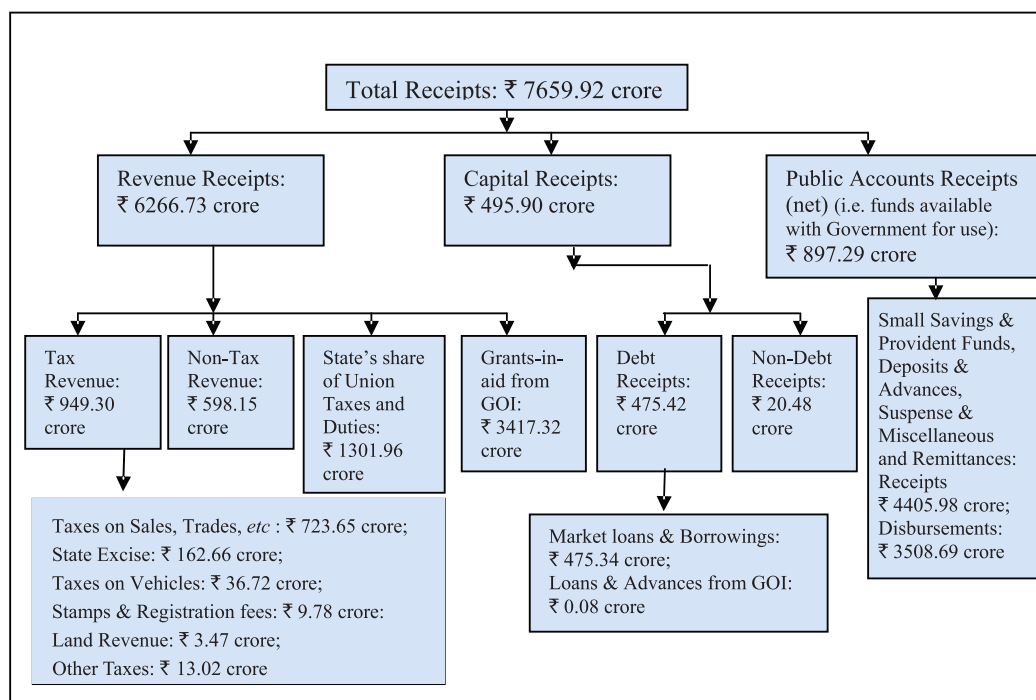
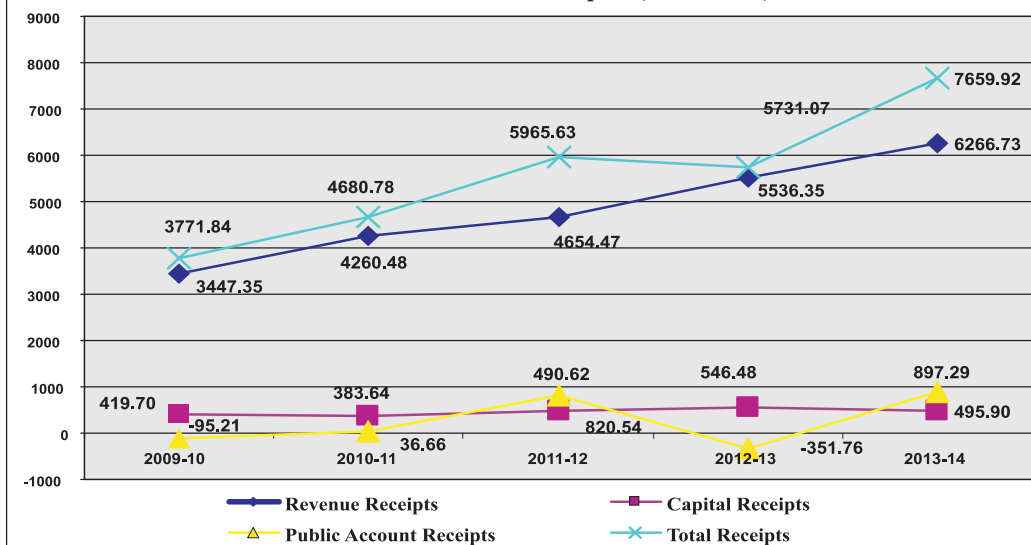


Chart 1.3: Trends in Receipts (₹ in crore)



The **total receipts** during the current year increased by ₹ 1928.85 crore (33.66 *per cent*) over the previous year. This was mainly due to net receipts of ₹ 897.29 crore under Public Account during 2013-14 when compared to minus net receipt of ₹ 351.76 crore during previous year.

The **total receipts** of the State for 2013-14 were ₹ 7659.92 crore, of which ₹ 6266.73 crore (81.81 *per cent*) came from revenue receipts and ₹ 495.90 crore (6.47 *per cent*) came from recoveries of loans and advances and borrowings. The total receipts of the State increased by 103.08 *per cent* from ₹ 3771.84 crore in 2009-10 to ₹ 7659.92 crore in 2013-14.

The debt capital receipts which create future repayment obligation increased by 17.96 *per cent* from ₹ 403.02 crore (10.68 *per cent* of total receipts) in 2009-10 to ₹ 475.42 crore (6.21 *per cent* of total receipts) in 2013-14. The net **Public Account receipts** fluctuated widely during the period 2009-14, with a receipt of ₹ 897.29 crore during 2013-14. During the current year, the **Capital receipts** (recoveries of loans and advances plus Public Debt receipts) accounted for 6.47 *per cent* of total receipts.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁶ for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. In the present mechanism these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. To present the holistic picture on availability of aggregate resources, an illustrative position of Central funds directly transferred to State Implementing Agencies are presented in **Appendix 1.4**. The Government of India directly transferred an approximate amount of ₹ 992.54 crore to various State Implementing Agencies during 2013-14. Scheme-wise position involving ₹ 5 crore or more are given in **Table 1.5** below.

Table 1.5 : Funds Transferred directly to State Implementing Agencies

(in ₹)			
Sl. No	Programme/ Scheme	Implementing Agency in the State	Funds transferred by the GOI
1.	Aajeevika – Swarnjayanti Gram Swarozgar Yojana	Meghalaya State Rural Livelihoods Society, Shillong, Meghalaya	65142000
2.	Afforestation and Forest Management	State Forest Development Agency, Meghalaya	53970000
3.	Central Rural Sanitation Programme	State Water and Sanitation Mission, Meghalaya	515182000
4.	DRDA Administration	DRDAs, West Garo Hills, South Garo Hills, Ri-Bhoi, East Garo Hills, West Khasi Hills, West Jaintia Hills, South West Garo Hills, East Khasi Hills, North Garo Hills, East Jaintia Hills, South West Khasi Hills, Mawkyrwat	50935000
5.	Grants in Aid to NGOs for STs Including Coaching & Allied	R K Mission, R. K. Mission Ashrama Shillong, Meghalaya	85791751
6.	Integrated Watershed Management Programme (IWMP)	SLNA Meghalaya(Shillong)	284659646
7.	Mahatma Gandhi National Rural Employment Guarantee Scheme	State Rural Employment Society, Shillong, Meghalaya	2710621000
8.	MPs Local Area Development Schemes MPLADS	Deputy Commissioner, East Khasi Hills	125000000
		Deputy Commissioner, West Garo Hills	50000000

⁶ State Implementing Agency includes any organisation/institution including non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g., State Implementing Society for SSA and State Health Mission for NRHM, etc.

Sl. No	Programme/ Scheme	Implementing Agency in the State	Funds transferred by the GOI
9.	National Food Security Mission	Meghalaya Small Farmers Agri-Business Consortium	123159000
10.	National Rural Drinking Water Program	SWSM Meghalaya, Shillong	916793000
11.	National Rural Health Mission	State Health Society, Meghalaya	910380600
12.	Off Grid DRPS	Meghalaya Non-Conventional and Rural Energy Development Agency	74836285
13.	Rural Housing –IAY	DRDAs, East Garo Hills, West Garo Hills, West Jaintia Hills, West Khasi Hills, Ri Bhoi, South Garo Hills and East Khasi Hills	806352400
14.	Sarva Shiksha Abhiyan(SSA)	Sarva Shiksha Abhiyan State Mission Authority of Meghalaya	2834086000

Source: Central Plan Scheme Monitoring System of CGA website.

Of ₹ 992.54 crore, ₹ 283.41 crore (28.55 *per cent*) was transferred to the SSA State Education Mission Authority and ₹ 271.06 crore (27.31 *per cent*) to State Rural Employment Society for utilisation under Mahatma Gandhi National Rural Employment Guarantee Act. Direct transfer from the Union to the State Implementing Agencies runs the risk of poor accountability. Unless uniform accounting practices are diligently followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.

Based on the data/information obtained for two programmes, *viz.*, Sarva Shiksha Abhiyan and National Rural Drinking Water Programme, an analysis as to how these funds were being transferred and utilised for the purposes for which they were sanctioned was carried out, which revealed the following:

➤ ***Sarva Shiksha Abhiyan***

Sarva Shiksha Abhiyan (SSA) was launched by GOI in January 2001 to provide useful and relevant elementary education to all children in the age group 6-14 years. The SSA was being implemented in Meghalaya since October 2002 by the SSA State Education Mission Authority (SEMA). Table below shows the position of funds received *vis-à-vis* releases under SSA programme during 2013-14:

Table 1.6

(₹ in crore)

Opening balance	Fund released and received by Implementing Agencies			Miscellaneous receipts	Total fund available	Expenditure ⁷	Unspent balance (<i>per cent</i>)
	GOI	State	Total				
64.70	283.41	29.60	313.01	12.35	390.06	324.69	65.37 (16.76)

Source: Information furnished by the State Project Director, SSA State Education Mission Authority.

From the above table, it is noticed that the SEMA could not utilise around 17 *per cent* of the funds available during 2013-14. Utilisation certificates for the fund utilised have not yet been furnished. The State Project Director (SPD), SSA SEMA stated

⁷ Provisional

(August 2014) that the utilisation certificates would be furnished after completion of statutory audit.

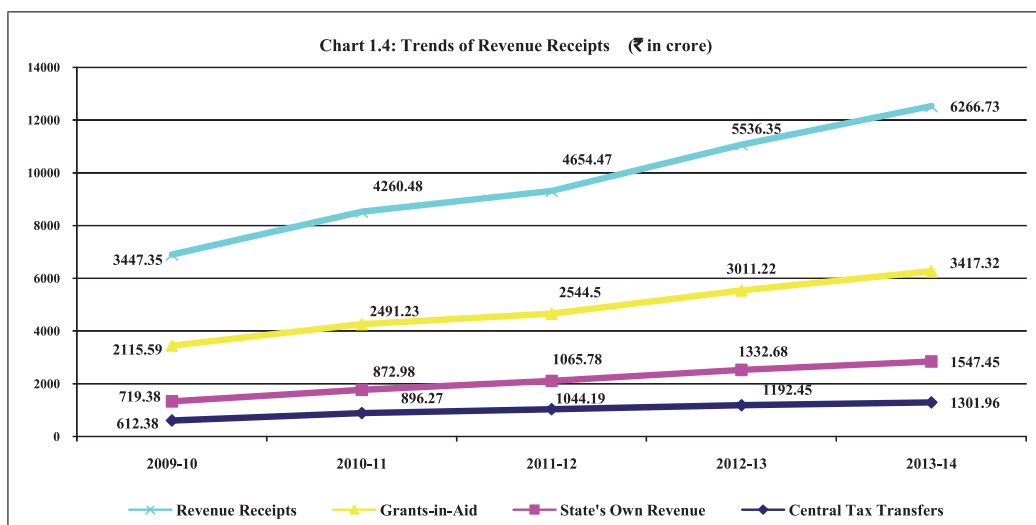
➤ **National Rural Drinking Water Programme**

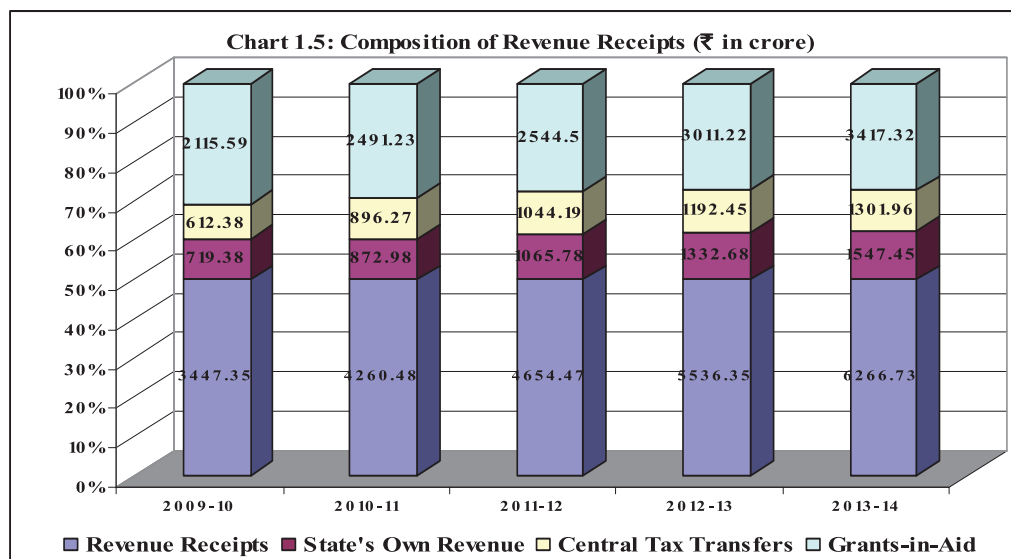
National Rural Drinking Water Programme (NRDWP) was launched by GOI in September 2009. The main objective of the programme is to provide adequate safe drinking water in rural habitations.

According to information available in Central Plan Scheme Monitoring System of CGA website, during 2013-14, GOI released ₹ 91.68 crore to the State Implementing Agency of NRDWP. But as per the information furnished (October 2014) by the Chief Engineer (CE), PHE, Meghalaya (responsible for implementation of the programme in the State), during 2013-14, GOI released ₹ 97.87 crore. Out of the total fund of ₹ 130.73 crore (including opening balance: ₹ 32.86 crore) available with the implementing agency during 2013-14, expenditure of ₹ 112.58 crore was incurred during the year leaving an unspent balance of ₹ 18.15 crore as of 31 March 2014. The CE, PHE, however, stated (October 2014) that utilisation certificate for the funds received during 2013-14 had been submitted to GOI.

1.3 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2009-14 are presented in **Appendix 1.2** and also depicted in **Charts 1.4** and **1.5** respectively. The trends in revenue receipts relative to GSDP are presented in **Table 1.7**.



**Table 1.7 : Trends in Revenue Receipts relative to GSDP**

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	3447.35	4260.48	4654.47	5536.35	6266.73
Rate of Growth of RR (<i>per cent</i>)	22.65	23.59	9.25	18.95	13.19
Rate of Growth of Own Taxes (<i>per cent</i>)	20.26	28.62	22.06	21.53	11.98
RR/GSDP (<i>per cent</i>)	27.13	29.22	27.06	30.26	29.78
Buoyancy Ratio⁸					
Revenue Buoyancy Ratio with reference to GSDP	2.41	1.60	0.52	2.97	0.88
State's Own Taxes Buoyancy Ratio with reference to GSDP	2.16	1.94	1.23	3.37	0.80
State's Own Taxes Buoyancy Ratio with reference to Revenue Receipts	0.89	1.21	2.39	1.14	0.91

1.3.1 General Trends

The **revenue receipts** of the State increased by ₹ 2819.38 crore from ₹ 3447.35 crore in 2009-10 to ₹ 6266.73 crore in 2013-14. There were, however, wide inter-year variations in the growth rates. The rate of growth of revenue receipts was 13.19 *per cent* in 2013-14 compared to growth rate of 18.95 *per cent* during the preceding year. The buoyancy ratio of revenue receipts in 2013-14 with reference to GSDP has decreased primarily due to significant decrease in the rate of growth of revenue receipts compared to previous year and increase in growth rate of GSDP during the year. The buoyancy ratio of the State's own tax revenue with reference to GSDP has also decreased significantly due to substantial decrease in the rate of growth of own tax revenue in 2013-14 relative to the previous year. Buoyancy ratio of State's own taxes to revenue receipts indicates that the pace of growth of own taxes was slower during the year (2013-14) while the pace was faster during previous three years

⁸ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.88 during 2013-14 implies that revenue receipts tend to increase by 0.88 percentage points, if the GSDP increases by one *per cent*.

(2010-11 to 2012-13). Buoyancy ratio of state's own taxes with reference to revenue receipts was 0.91 during the year 2013-14 against buoyancy ratio of 2.39 during 2011-12, when it was at its peak.

1.3.2 State's Own Resources

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

The State's actual tax and non-tax receipts for the year 2013-14 *vis-à-vis* assessments made by the XIII FC and State Government in Budget Estimate (BE) are given below:

Table 1.8

(₹ in crore)

	XIII FC projections	Budget estimates	Actual
Tax revenue	730.34	855.40	949.30
Non tax revenue	332.40	516.59	598.15

The State has successfully achieved the target fixed by XIII FC in collection of tax and non-tax revenue during 2013-14. During the year, tax revenue was 29.98 *per cent* higher than the assessment made by the XIII FC and 10.98 *per cent* higher than the assessment made in the budget estimate for the year.

1.3.2.1 Tax Revenue

Table 1.9 : Tax Revenue

(₹ in crore)

Heads	2009-10	2010-11	2011-12	2012-13	2013-14	Variations over previous year Increase (+) Shortfall (-) (per cent)
Taxes on Sales, Trade, <i>etc.</i>	321.39	409.89	512.50	631.12	723.65	+ 92.53 (14.66)
State Excise	90.29	104.50	131.50	153.01	162.66	+ 9.65 (6.31)
Taxes on Vehicles	13.61	19.19	31.12	35.82	36.72	+ 0.9 (2.51)
Stamps and Registration Fees	11.02	10.76	9.08	10.32	9.78	- 0.54 (5.23)
Land Revenue	0.26	17.11	2.40	6.27	3.47	- 2.8 (44.66)
Other Taxes ⁹	7.73	10.00	10.94	11.19	13.02	+ 1.83 (16.35)
Total	444.30	571.45	697.54	847.73	949.30	+ 101.57 (11.98)

Tax revenue has increased by around 12 *per cent* during the current year (₹ 949.30 crore) over the previous year (₹ 847.73 crore). The revenue from sales tax contributed the major share of tax revenue (76.23 *per cent*) and it increased by 14.66 *per cent* over

⁹ Other Taxes include taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

the previous year. State excise and Taxes on Vehicles were the other major contributors to the State's tax revenue. *The tax-GSDP ratio (4.51 per cent) during 2013-14 was higher than the projection (4.28 per cent) made by the XIII FC.*

1.3.2.2 Non-Tax Revenue

Table 1.10 : Non-Tax Revenue

Heads	2009-10	2010-11	2011-12	2012-13	2013-14	(₹ in crore)
						Variations over previous year Increase (+)/ Shortfall (-) (per cent)
Interest receipts	23.28	24.72	27.13	25.38	33.57	+ 8.19 (32.27)
Dividends and Profits	0.04	0.03	0.08	0.08	0.13	+ 0.05 (62.50)
General Services	17.53	24.15	35.57	52.83	29.29	- 23.54 (44.56)
Social Services	8.84	5.77	7.36	7.44	9.46	+ 2.02 (27.15)
Economic Services	225.39	246.86	298.10	399.22	525.70	+ 126.48 (31.68)
Non-ferrous Mining and Metallurgical Industries	198.21	215.58	262.58	357.97	455.75	+ 97.78 (27.32)
Forestry and Wild life	20.03	22.05	26.03	30.87	60.12	+ 29.25 (94.75)
Other Economic Services	7.15	9.23	9.49	10.38	9.83	- 0.55 (5.30)
Total	275.08	301.53	368.24	484.95	598.15	+ 113.20 (23.34)

The non-tax revenue (NTR), which constituted around 10 *per cent* of the total revenue receipts, has increased by ₹ 113.20 crore during 2013-14 recording a growth rate of 23.34 *per cent* over the previous year. Around 88 *per cent* (₹ 525.70 crore) of non-tax revenue during 2013-14 was received from economic services and within this category, receipts under non-ferrous mining and metallurgical industries alone contributed around 87 *per cent* (₹ 455.75 crore). This was mainly due to receipts of additional amount of ₹ 92.53 crore under Mineral concession fees, rents and royalties during the current year over that of previous year.

1.3.3 Grants-in-Aid

Details of Grants-in-aid from the GOI are given in **Table 1.11**.

Table 1.11 : Grants-in-Aid from the GOI

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	(₹ in crore)
Non-Plan Grants	377.12	664.07	527.07	895.72	921.41	
Grants for State Plan Schemes	1394.56	1427.57	1702.64	1747.75	2046.28	
Grants for Central Plan Schemes	26.24	12.58	16.29	14.50	31.65	
Grants for Centrally Sponsored Plan Schemes	251.01	315.15	242.27	268.20	348.40	
Grants for Special Plan Schemes	66.66	71.86	56.23	85.05	69.58	
Total	2115.59	2491.23	2544.50	3011.22	3417.32	
<i>Percentage of increase over previous year</i>	<i>30.54</i>	<i>17.76</i>	<i>2.14</i>	<i>18.34</i>	<i>13.49</i>	

Grants-in-aid from the GOI have increased by 13.49 *per cent* (₹ 406.10 crore) from ₹ 3011.22 crore in 2012-13 to ₹ 3417.32 crore in the current year and contributed 55.60 *per cent* of the incremental revenue receipts (₹ 730.38 crore) during the year. Within the plan grants, while grants for Central Plan Schemes, Centrally Sponsored Plan Schemes and State Plan Schemes increased by 118.28 *per cent* (₹ 17.15 crore), 29.90 *per cent* (₹ 80.20 crore) and 17.08 *per cent* (₹ 298.53 crore) respectively, grants for Special Plan Schemes decreased by 18.19 *per cent* (₹ 15.47 crore). The major increase under Central Plan Schemes was in the form of grants of ₹ 5.51 crore released for ‘End to End Computerisation of Targeted Public Distribution System’. The major increase under State Plan Schemes was in the form of grants of ₹ 544.33 crore released as ‘Additional Central Assistance for Urban Infrastructure Development for Small and Medium Towns, JNNURM’, partly offset by release of less grants under ‘Externally Aided Projects’ by ₹ 21.91 crore. Grants for Centrally Sponsored Plan Schemes increased during 2013-14 mainly due to release of additional grants of ₹ 36.65 crore for ‘Integrated Child Development Services’ compared to the previous year.

The Non-Plan grants (₹ 921.41 crore) constituted 26.96 *per cent* of the total grants during the year and marginally increased by 2.87 *per cent* (₹ 25.69 crore) over the previous year. Of the Non-Plan grants, 76.94 *per cent* (₹ 708.93 crore) was for meeting the non-plan revenue deficit. Other components of non-plan grants mainly included grants for ‘State Specific Needs’ (₹ 36.25 crore), ‘Maintenance of Forests’ (₹ 31.52 crore), and ‘Maintenance of Roads & Bridges’ (₹ 26 crore).

1.3.4 Central Tax Transfers

The **Central Tax transfers** increased by 9.18 *per cent* (₹ 109.51 crore) over the previous year and constituted 20.78 *per cent* of revenue receipts. The increase was mainly due to transfer of additional amount of ₹ 48 crore as ‘Taxes on Wealth’ and ₹ 31.85 crore as ‘Taxes on Income other than Corporation Tax’ during 2013-14 compared to previous year. The central tax transfers also contributed 14.99 *per cent* (₹ 109.51 crore) of the incremental revenue receipts (₹ 730.38 crore) during the year.

1.3.5 Optimisation of XIII FC Grants

XIII FC had recommended ₹ 1113.10 crore apart from Share of Central Taxes and Duties and post devolution non-plan revenue deficit. Actual release up to 31 March 2014 and its utilisation are given in **Table 1.12**.

Table 1.12 : Transfers recommended and actual release of grants-in-aid

(₹ in crore)					
Sl. No.	Transfers	Recommendation of the XIII FC	Actual release	Expenditure under relevant heads of account	Shortfall (-)/ Excess (+) in utilisation
1.	Local Bodies	432.40	138.07	109.79	- 28.28
2.	Disaster Relief (including capacity building)	77.90	60.84	3.00	- 57.84

Sl. No.	Transfers	Recommendation of the XIII FC	Actual release	Expenditure under relevant heads of account	Shortfall (-)/ Excess (+) in utilisation
3.	Elementary Education	52.00	40.00	31.00	- 9.00
4.	Improving Outcomes	27.70	10.09	7.81	- 2.28
(i)	Improvement in Justice Delivery	4.20	0.84	0.52	- 0.32
(ii)	Improvement for issuing UIDs	4.50	0.45	1.55	+ 1.10
(iii)	District Innovation Fund	7.00	3.50	0	- 3.50
(iv)	Improvement of Statistical Systems at State and District level	7.00	2.80	1.40	- 1.40
(v)	Employee and Pension Data Base	5.00	2.50	4.34	+ 1.84
5.	Environment related Grants	172.10	73.54	32.95	- 40.59
(i)	Forests	168.10	73.54	32.95	- 40.59
(ii)	Water Sector Management	4.00	0	0	0
6.	Maintenance of Roads and Bridges	101.00	73.00	72.87	- 0.13
7.	State Specific	250.00	92.50	66.13	- 26.37
(i)	Setting up of Meghalaya Police Academy	50.00	12.50	12.50	0
(ii)	Augmentation of Tura Phase I & II Water Supply Scheme	50.00	12.50	12.50	0
(iii)	Heritage and Tourism	30.00	7.50	1.25	- 6.25
(iv)	Infrastructure for Horticulture	38.00	19.00	0	- 19.00
(v)	Warehousing Facilities	2.00	1.00	0	- 1.00
(vi)	Construction of Bridges	80.00	40.00	39.88	- 0.12
	Total	1113.10	488.04¹⁰	323.55	- 164.49

Source: Report of the XIII FC and State Loan Data: Ministry of Finance, GOI (finmin.nic.in) and Detailed Appropriation Accounts, information furnished (October 2014) by the Director, Economic & Statistics (expenditure under Sl. 4-iv) and information furnished (November 2014) by the Chief Engineer, PWD (Roads), Meghalaya (Sl. 6 & 7-vi)

¹⁰ Excluding ₹ 41.92 crore details of which are not available.

Analysis of above information/data pertaining to releases made by GOI in pursuance to XIII FC recommendations during 2010-14 and its utilisation under the respective head of accounts by the State Government shows that:

- Against the release of ₹ 488.04 crore, an expenditure of ₹ 323.55 crore was incurred by the State Government during the period, resulting in non-utilisation of ₹ 164.49 crore. This included expenditure of ₹ 2.94 crore incurred in excess of the amount released under 'Improvement for issuing of Unique Identification to people below poverty line' and 'Employee and Pension Data Base';
- Based on the recommendation of the XIII FC, the GOI released Disaster relief Funds (including capacity building) for ₹ 60.84 crore during 2010-11 to 2013-14 for relief necessitated by natural calamities (₹ 57.84 crore) and capacity building (₹ 3 crore). Against this, expenditure of ₹ 3 crore only was incurred by the State Government till 2013-14 for capacity building. Though there were natural calamities like cyclonic storm, flood, hailstorm, *etc.* in the State during 2013-14 causing death of 17 persons and damaging property (agricultural crops, houses, *etc.*) worth ₹ 5.39 crore, ₹ 57.84 crore released for disaster relief remained unutilised.
- Further, out of the environment related grants of ₹ 172.10 crore recommended by the XIII FC, GOI released ₹ 73.54 crore to the State Government till 2013-14 for preservation and maintenance of forests. Of this, expenditure of ₹ 32.95 crore was incurred by the State Government till 2013-14 leaving an unspent balance of ₹ 40.59 crore.
- In addition, under-utilisation of funds of ₹ 69 crore was noticed in respect of other 10 heads, *viz.* Local Bodies, Elementary Education, Improvement of Justice Delivery, District Innovation Fund, Improvement of Statistical Systems at State and District level, Maintenance of Roads and Bridges, Heritage and Tourism, Infrastructure for Horticulture, Warehousing facilities and Construction of Bridges.
- Actual release of ₹ 2.80 crore under 'Improvement of Statistical Systems at State and District level' includes ₹ 1.40 crore being the second instalment released by GOI on 27 March 2014. However, as per information furnished (October 2014) by the Director, Economics and Statistics, this amount was released by the Finance (Economic Affairs) Department, GOM to the Director, Economics and Statistics on 30 July 2014.

1.4 Capital Receipts

Table 1.13: Trends in growth and composition of Capital receipts

(₹ in crore)					
Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	419.70	383.64	490.62	546.48	495.90
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	16.68	27.25	22.71	23.25	20.48
Public Debt Receipts	403.02	356.39	467.91	523.23	475.42
Rate of growth of debt capital receipts	24.95	- 11.57	31.29	11.82	- 9.14
Rate of growth of non-debt capital receipts	-8.65	63.37	- 16.66	2.38	- 11.91
Rate of growth of CR (<i>per cent</i>)	23.15	- 8.59	27.89	11.39	- 9.26

Capital receipts increased by 18.16 *per cent* from ₹ 419.70 crore in 2009-10 to ₹ 495.90 crore in 2013-14. The rate of growth of capital receipts decreased from 11.39 *per cent* in 2012-13 to a negative 9.26 *per cent* in 2013-14. The rate of growth of debt capital receipts, which is the main component of capital receipts, also decreased from 11.82 *per cent* in 2012-13 to a negative 9.14 *per cent* in 2013-14. Both the debt receipts from internal sources (market loans, borrowings from financial institutions, *etc.*) and loans and advances from GOI decreased by ₹ 45.37 crore and ₹ 2.44 crore during 2013-14 over previous years. Market loans constituted the major share of debt capital receipts during the current year which, however, decreased from ₹ 385 crore in 2012-13 to ₹ 340 crore during 2013-14, which was in line with the commitment made by the State Government in the Fiscal Policy Strategy (FPS) Statement, i.e., to maintain a sustainable debt level. Non-debt capital receipts in the form of recoveries of loans and advances also decreased by ₹ 2.77 crore during 2013-14 over previous year.

1.5 Public Account Receipts

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

Table 1.14 : Composition of Public Account Receipts (Net)

(₹ in crore)					
Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account Receipts (Net)¹¹	- 95.21	36.66	820.54	- 351.76	897.29
(a) Small Savings, Provident Fund, <i>etc.</i>	67.65	84.30	105.08	109.07	127.17
(b) Reserve Fund	7.02	- 4.14	14.30	- 7.44	18.08
(c) Deposits and Advances	- 105.14	- 10.12	617.37	- 582.04	825.60
(d) Suspense and Miscellaneous	- 39.71	- 28.89	- 18.42	110.67	- 76.71
(e) Remittances	- 25.03	- 4.49	102.21	17.98	3.15

¹¹ Public Account Receipts minus Disbursements. Details in Appendix 1.4 of Audit Report – 2009-10, 2010-11 and Appendix 1.3 of Audit Reports – 2011-12 to 2013-14.

Public Account receipts increased from a negative ₹ 351.76 crore during 2012-13 to ₹ 897.29 crore. Increase in receipts under Public Account during 2013-14 was mainly due to more receipts under 'Deposits and Advances' during the current year (₹ 825.60 crore) against a shortfall of ₹ 582.04 crore during the previous year.

1.6 Application of Resources

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

1.6.1 Growth and Composition of Expenditure

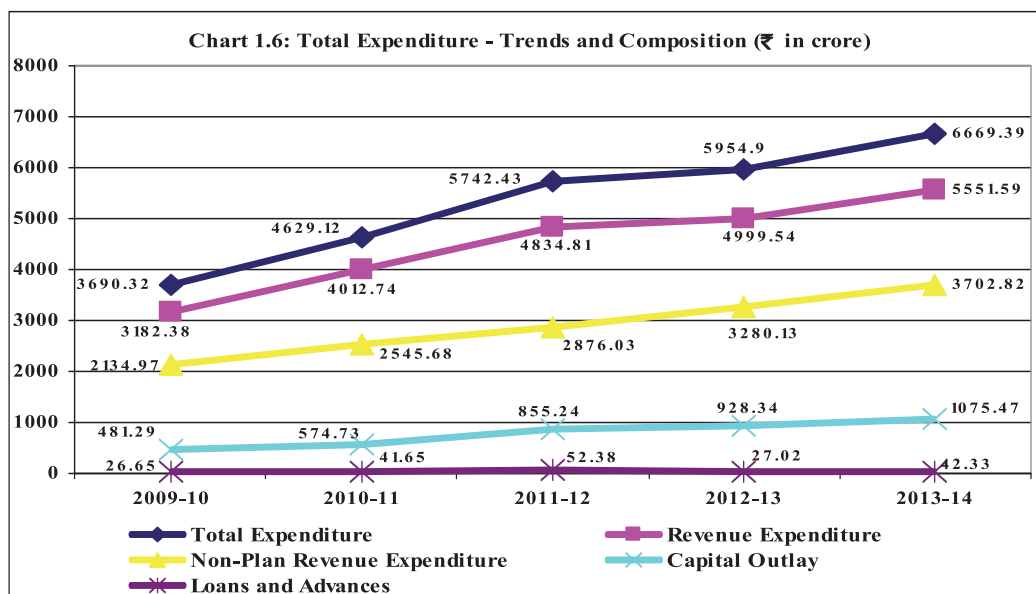
The total expenditure and its compositions during the years 2009-10 to 2013-14 are presented in the **Table 1.15**.

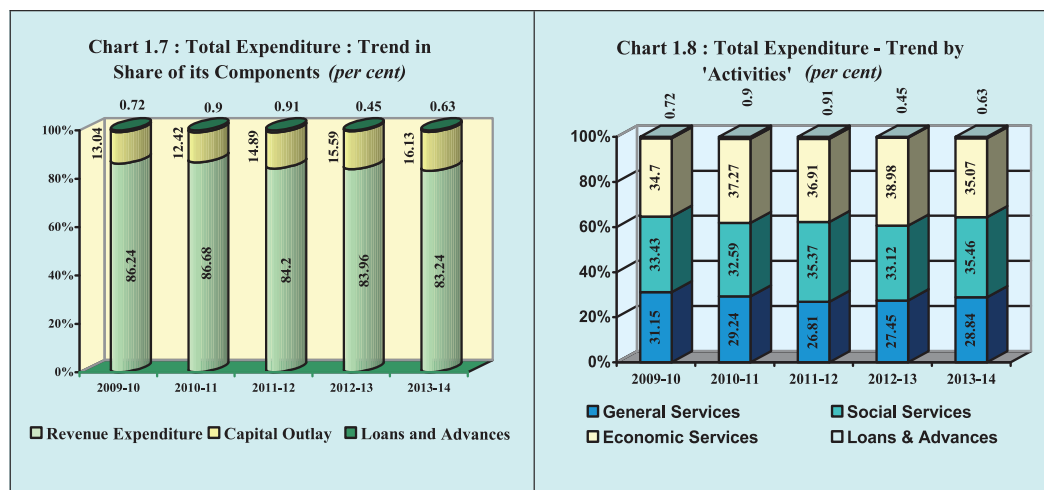
Table 1.15 : Total expenditure and its compositions

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure	3690.32	4629.12	5742.43	5954.90	6669.39
Revenue Expenditure	3182.38	4012.74	4834.81	4999.54	5551.59
<i>Of which, Non-plan Revenue Expenditure</i>	<i>2134.97</i>	<i>2545.68</i>	<i>2876.03</i>	<i>3280.13</i>	<i>3702.82</i>
Capital Outlay	481.29	574.73	855.24	928.34	1075.47
Loans and Advances	26.65	41.65	52.38	27.02	42.33

Chart 1.6 presents the trends in total expenditure over a period of five years (2009-14) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7 and 1.8**.





1.6.1.1 Trends in Total Expenditure

The total expenditure of the State increased by ₹ 2979.07 crore (80.73 per cent) from ₹ 3690.32 crore in 2009-10 to ₹ 6669.39 crore in 2013-14. The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.16**.

Table 1.16 : Total Expenditure – Basic Parameters

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure (TE) (₹ in crore)	3690.32	4629.12	5742.43	5954.90	6669.39
Rate of growth (per cent)	13.06	25.44	24.05	3.70	12.00
TE/GSDP ratio (per cent)	29.04	31.74	33.39	32.55	31.69
RR/TE ratio (per cent)	93.42	92.04	81.05	92.97	93.96
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.39	1.73	1.34	0.58	0.80
RR (ratio)	0.58	1.08	2.60	0.20	0.91

The increase of ₹ 714.49 crore (12 per cent) in total expenditure during 2013-14 over previous year was on account of increase of ₹ 552.05 crore in revenue expenditure followed by increase in capital outlay by ₹ 147.13 crore and disbursement of loans and advances by ₹ 15.31 crore. While the share of plan expenditure constituted 44.08 per cent (₹ 2939.74 crore) of the total expenditure, the remaining 55.92 per cent (₹ 3729.65 crore) was non-plan expenditure. During the current year, 93.96 per cent (₹ 6266.73 crore) of the total expenditure was met from revenue receipts. The buoyancy of total expenditure to GSDP stood at 0.80 in 2013-14 due to growth rate of total expenditure at slower pace as compared to that of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts stood at 0.91 indicating increase in expenditure at a pace much slower than the receipt.

In terms of the activities, total expenditure is composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Of the total expenditure during 2013-14, expenditure on

general services and interest payments, which is considered as non-developmental, together accounted for 28.84 *per cent*. On the other hand, expenditure on social and economic services (excluding loans and advances) together accounted for 70.53 *per cent* during 2013-14. The relative share of social services increased from 33.12 *per cent* in 2012-13 to 35.46 *per cent* in 2013-14, whereas the relative share of economic services declined from 38.98 *per cent* during 2012-13 to 35.07 *per cent* during 2013-14. Loans and advances revealed wide fluctuations during the period 2009-14 and stood at 0.63 *per cent* of total expenditure during 2013-14.

1.6.1.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table 1.17**.

Table 1.17 : Revenue Expenditure – Basic Parameters

(₹ in crore)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Expenditure (RE)	3182.38	4012.74	4834.81	4999.54	5551.59
<i>Of which</i>					
Non-Plan Revenue Expenditure (NPRE)	2134.97 (67.09)	2545.68 (63.44)	2876.03 (59.49)	3280.13 (65.61)	3702.82 (66.70)
Plan Revenue Expenditure (PRE)	1047.41 (32.91)	1467.06 (36.56)	1958.78 (40.51)	1719.41 (34.39)	1848.77 (33.30)
Rate of Growth of					
RE (<i>per cent</i>)	18.62	26.09	20.49	3.41	11.04
NPRE (<i>per cent</i>)	27.29	19.24	12.98	14.05	12.89
PRE (<i>per cent</i>)	4.17	40.07	33.52	- 12.22	7.52
Ratio (<i>per cent</i>)					
RE as percentage of TE	86.24	86.68	84.19	83.96	83.24
NPRE/GSDP (<i>per cent</i>)	16.80	17.46	16.72	17.93	17.60
NPRE as percentage of TE	57.85	54.99	50.08	55.08	55.52
NPRE as percentage of RR	61.93	59.75	61.79	59.25	59.09
Buoyancy Ratio of Revenue Expenditure with					
GSDP	1.98	1.77	1.14	0.53	0.74
Revenue Receipts	0.82	1.11	2.22	0.18	0.84

(Figures in brackets represent percentages to revenue expenditure)

Revenue expenditure constituted 83.24 *per cent* to 86.68 *per cent* of total expenditure during 2009-14 and increased by ₹ 2369.21 crore (74.45 *per cent*) from ₹ 3182.38 crore in 2009-10 to ₹ 5551.59 crore in 2013-14. The non-plan revenue expenditure (NPRE) during the same period increased by ₹ 1567.85 crore (73.44 *per cent*) from ₹ 2134.97 crore to ₹ 3702.82 crore. Plan revenue expenditure (PRE), which normally covers the maintenance expenditure incurred on services, stood at 33.30 *per cent* of revenue expenditure during 2013-14 and was lowest in last four years.

The NPRE constituted a dominant share of 66.70 *per cent* in the revenue expenditure during 2013-14 and has increased by ₹ 422.69 crore (12.89 *per cent*) over the previous year. The growth of NPRE during 2013-14, however, decreased to 12.89 *per cent* against 14.05 *per cent* during the previous year. In absolute terms, the increase in NPRE during 2013-14 was mainly due to increase in expenditure under general education (₹ 64.50 crore) followed by agriculture and allied activities (₹ 56.73 crore), industry and minerals (₹ 23.41 crore) and health and family welfare (₹ 20.58 crore). On the other hand, PRE increased by ₹ 129.36 crore only over the previous year. The growth of PRE during 2013-14 was 7.52 *per cent*.

The NPRE at ₹ 3702.82 crore during 2013-14 was 18.33 *per cent* (₹ 573.52 crore) higher than the normatively assessed level of ₹ 3129.30 crore by XIII FC (Table 1.18).

Table 1.18 : Non-Plan Revenue Expenditure during 2013-14: Actuals *vis-à-vis* Normative Assessment by XIII FC

(₹ in crore)		
Sectors	XIII FC Recommendations	Actuals
Salary	1096.69	1654.58
Interest Payments	368.39	371.50
Pension	273.73	450.87
Other General Services	212.20	292.60
Social Services	373.35	576.47
Economic Services	181.42	356.80
Committed Liabilities	623.52	-
Total	3129.30	3702.82

The actual expenditure incurred during 2013-14 on all components of NPRE (Salary, Interest Payments, Pension, Other General Services, Social Services and Economic Services) was more than the assessments made by the XIII FC. The total NPRE during 2013-14 also exceeded the projection made by the State Government in its Budget (net: ₹ 3479.89 crore) by 6.41 *per cent* (₹ 222.93 crore).

According to the recommendation of the XIII FC, “*the practice of diversion of plan assistance to meet non-plan needs of special category states should be discontinued to leave these states with adequate plan expenditure*”. During 2013-14, the revenue receipts of Meghalaya, excluding Plan assistance (₹ 2495.91 crore), was ₹ 3770.82 crore. Against this, the NPRE during the year was ₹ 3702.82 crore. As such, during 2013-14, there was no diversion of plan assistance to meet non-plan needs.

1.6.1.3 Components of Revenue Expenditure

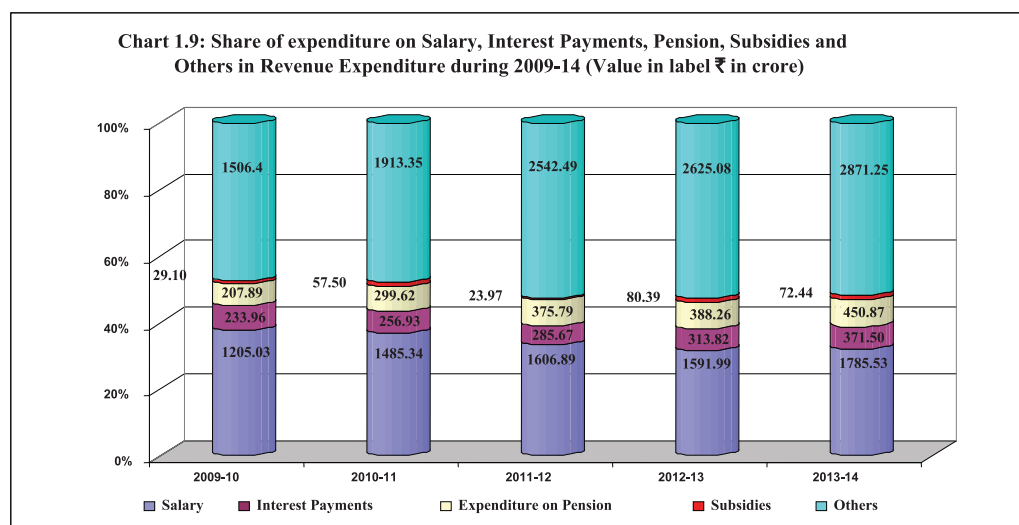
The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.19** and **Chart 1.9** present the trends in the expenditure on these components during 2009-14.

Table-1.19 : Components of Revenue Expenditure

(₹ in crore)

Components of Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
Salary ¹²	1205.03 (34.95)	1485.34 (34.86)	1606.89 (34.52)	1591.99 (28.76)	1785.53 (28.49)
<i>Of which</i>					
Non-Plan Head	999.36 (28.99)	1231.40 (28.90)	1324.62 (28.46)	1464.32 (26.45)	1654.58 (26.40)
Plan Head	205.67 (5.97)	253.94 (5.96)	282.27 (6.06)	127.67 (2.31)	130.95 (2.09)
Interest Payments	233.96 (6.79)	256.93 (6.03)	285.67 (6.14)	313.82 (5.67)	371.50 (5.93)
Expenditure on Pension and other retirement benefits	207.89 (6.03)	299.62 (7.03)	375.79 (8.07)	388.26 (7.01)	450.87 (7.19)
Subsidies	29.10 (0.84)	57.50 (1.35)	23.97 (0.51)	80.39 (1.45)	72.44 (1.16)
Other Components of revenue expenditure, i.e, other than salary, interest payments, pension and subsidies	1506.40 (43.70)	1913.35 (44.91)	2542.49 (54.62)	2625.08 (47.42)	2871.25 (45.82)

(Figures in the parentheses indicate percentage to Revenue Receipts)



1.6.1.4 Salary

Salary alone during 2013-14 accounted for 28.49 *per cent* of the revenue receipts of the State during the year. It also increased by 12.16 *per cent* from ₹ 1591.99 crore in 2012-13 to ₹ 1785.53 crore in 2013-14. Expenditure on salary under non-plan head during 2013-14 significantly increased by ₹ 190.26 crore (12.99 *per cent*) over the previous year, whereas this expenditure under plan head marginally increased by ₹ 3.28 crore (2.57 *per cent*) over the previous year. *The non-plan revenue expenditure on salary component during 2013-14 was also significantly higher by 50.87 per cent (₹557.89 crore) than the assessment made by the XIII FC for the State (₹1096.69 crore).*

Further, the State Government, in its FPS Statement for the year 2013-14, committed to reduce expenditure on salaries and wages through an objective analysis of the relevancy of existing posts and abolition of posts identified as redundant. Increase in

¹² Salary does not include wages.

expenditure on salary alone by 12.16 *per cent* during 2013-14 against a decrease of 0.93 *per cent* during the previous year indicates that the State Government was not successful in fulfilling its commitment.

1.6.1.5 Interest Payments

Compared to previous year, interest payments during 2013-14 increased by 18.38 *per cent* (₹ 57.68 crore). Interest payments were on market loans (₹ 189.54 crore), State Provident Funds (₹ 80.81 crore), Special Securities issued to National Small Savings Fund of the Central Government (₹ 54.10 crore), loans and advances received from Central Government (₹ 20.49 crore) and other internal debts including interest on ways and means advances and other obligations (₹ 26.56 crore). Of the total interest payments during the year, around 51 *per cent* (₹ 189.54 crore) were paid on market borrowings. *The overall interest payments (₹ 371.50 crore) was also higher than the projections made by the XIII FC (₹ 368.39 crore) as well as budget estimates (₹ 354.19 crore) of the year.*

1.6.1.6 Pension Payments

The pension payments (including other retirement benefits) indicated an increasing trend during the five year period 2009-14. Pension payments during the current year have increased by ₹ 62.61 crore, an increase of 16.13 *per cent* over the previous year. The comparative analysis of actual pension payments and the projection made by the State Government shows that actual pension payment exceeded the projection made by the State Government in its Budget for the year 2013-14 and MTF Plan by ₹ 115.76 crore.

GOI introduced a defined, contribution based New Pension System (NPS) with effect from 01 April 2004 to cover all new entrants to government service. According to the recommendations of the XIII FC, the migration to the NPS needs to be completed at the earliest. The NPS for the employees of the GOM had been adopted since 1st April 2010.

1.6.1.7 Subsidies

Table 1.19 shows that the expenditure on payment of subsidies decreased by 9.89 *per cent* from ₹ 80.39 crore in 2012-13 to ₹ 72.44 crore during 2013-14. The decrease of ₹ 7.95 crore was mainly due to decrease in payment of subsidy under fisheries by ₹ 32.69 crore and crop husbandry by ₹ 5.28 crore during the current year over previous year and increase under animal husbandry and dairy development by ₹ 21.58 crore.

1.6.2 Capital Outlay

Capital outlay during the current year (2013-14) increased by ₹ 147.13 crore over previous year mainly due to increased expenditure on housing and urban development (₹ 99.94 crore), transport (₹ 74.59 crore) and health and family welfare (₹ 32.98 crore), partly offset by decrease in expenditure on irrigation and flood control (₹ 78.34 crore) and special areas programme (₹ 35.39 crore). *As per cent to*

total expenditure, capital outlay showed a fluctuating trend over the period 2009-10 to 2013-14 and ranged between 12.42 *per cent* and 16.13 *per cent*. The capital outlay constituted 16.13 *per cent* of total expenditure during 2013-14 against 15.59 *per cent* during the preceding year. Though there was an increase in capital outlay during the current year compared to the previous year, the State Government did not fulfil its commitment made in the budget as it fell short by 39.39 *per cent* (₹ 698.81 crore) of the budget estimate (₹ 1774.28 crore) for the year.

1.6.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.20**.

Table 1.20 : Financial Assistance to Local Bodies, etc.

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimate	Actual
University and Educational Institutions	291.70	379.02	590.54	507.84	756.34	586.86
Co-operative Societies	0.64	0.65	3.18	2.77	16.67	2.60
District Councils	1.05	10.92	2.86	2.60	10.39	5.98
Municipalities, Meghalaya Urban Development Authority, etc.	1.97	3.00	2.89	10.30	26.69	20.19
Power sector	110.65	114.52	179.10	174.22	208.31	160.09
Other Institutions ¹³	34.66	33.20	48.14	44.33	63.70	71.65
Total	440.67	541.31	826.71	742.06	1082.10	847.37
Assistance as percentage of RE	13.85	13.49	17.10	14.84		15.26

The financial assistance extended to the above local bodies and other institutions with inter-year variations increased by 14.19 *per cent* from ₹ 742.06 crore in 2012-13 to ₹ 847.37 crore in 2013-14. The share of financial assistance in revenue expenditure also increased from 14.84 *per cent* in 2012-13 to 15.26 *per cent* during the current year. The State Government was successful in restricting the expenditure on payment of financial assistance within the projection made in its annual budget for the year 2013-14.

University and Educational Institutions were the major recipients as over 69 *per cent* of the total financial assistance during 2013-14 was given to them. The assistance under this sector also increased by 15.56 *per cent*, i.e. from ₹ 507.84 crore during 2012-13 to ₹ 586.86 crore during the current year. Of ₹ 586.86 crore, ₹ 307.49 crore was given to Non-Government Primary Schools and ₹ 165.54 crore to Non-Government Secondary Schools. Out of ₹ 71.65 crore given to other

¹³ **Other Institutions (figures for 2013-14 in brackets):** Patients suffering from TB, Cancer and other fell diseases (₹ 21.87 crore), National Rural Health Mission (₹ 15.14 crore), Emergency Management Research Institute & NGOs (₹ 13.20 crore), Construction of Working Womens' Hostel and Hajong Boys' Hostel (₹ 5.34 crore), Local bodies for prevention of air and water (₹ 3.96 crore), Khadi Industries (₹ 2.83 crore), Public Sector Undertakings (₹ 2.69 crore), Forest Development Corporation (₹ 1.75 crore), Indian Red Cross Society, Shillong, Meghalaya State Housing Board, Voluntary Organisations, Meghalaya, State Medical Plant Board, Meghalaya State Social Welfare Board, Meghalaya State Bio-Diversity Board, etc. (₹ 4.87 crore).

institutions, major share (₹ 21.87 crore) was paid to the patients suffering from TB, Cancer and other fell disease followed by National Rural Health Mission (₹ 15.14 crore).

1.7 Local Bodies

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

1.7.1 Accounts and Audit

As per the Meghalaya Municipal Act, 1973, the accounts of these ULBs are to be submitted within four months after the close of the financial year. Except Shillong Municipal Board, the other five ULBs are yet to maintain their annual accounts as per prescribed format. The audit of accounts of these ULBs is conducted under Section 20(1) of Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. Audit findings arising out of conduct of such audit are conveyed to the State Government in the form of an Annual Technical Inspection Report (ATIR).

1.7.2 Devolution of funds to ULBs

As per the information furnished (September 2014) by the Director, Urban Affairs, Meghalaya, the devolution of funds by the State Government to urban local bodies during 2009-10 to 2013-14 is as indicated in **Table 1.21**:

Table 1.21

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Amount sanctioned					
Grants-in-aid (Non-Plan)					
(i) General purpose	1.24	2.05	2.02	3.06	3.36
(ii) Special purpose	0.44	0.22	0	0	0.45
Grants-in-aid (Plan)	0.15	0.30	0.50	0.56	0.65
XII FC/XIII FC Award	3.20	8.31	11.90	15.24	0.51
Total	5.03	10.88	14.42	18.86	4.97
Expenditure					
Grants-in-aid (Non-Plan)					
(i) General purpose	1.24	2.05	1.98	2.71	1.14
(ii) Special purpose	0.44	0.22	0	...	0.45
Grants-in-aid (Plan)	0.15	0.29	0.25	NA	NA
XII FC/XIII FC Award	3.20	8.31	11.90	NA	NA
Total	5.03	10.87	14.13	2.71	1.59

Against ₹ 54.16 crore sanctioned by the State Government during 2009-14, information regarding expenditure of ₹ 34.33 crore has so far been furnished by the Director, Urban Affairs, Meghalaya. As regards expenditure of Grants-in-aid (Plan) and XII FC/XIII FC Award during 2012-13 and 2013-14, the Director,

Urban Affairs stated that the amount was released to the Boards, but utilisation certificates had not been received.

1.8 Quality of Expenditure

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

1.8.1 Adequacy of Public Expenditure

In view of the importance of public expenditure for social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods¹⁴. Apart from improving the allocation towards development expenditure¹⁵, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.22** presents the trends in development expenditure relative to the total expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.23** provides the details of capital outlay and the components of revenue expenditure incurred on the selected social and economic services.

Table 1.22 : Development Expenditure

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE (Net)	Actual
Development Expenditure (a to c)	2524.80 (68.42)	3260.49 (70.43)	4186.36 (72.90)	4304.87 (72.29)	7320.65 (80.15)	4729.97 (70.92)
a. Development Revenue Expenditure	2081.39 (56.40)	2695.94 (58.24)	3347.62 (58.30)	3425.74 (57.53)	5620.86 (61.54)	3713.22 (55.68)
b. Development Capital Outlay	432.89 (11.73)	538.09 (11.62)	802.80 (13.98)	867.75 (14.57)	1687.75 (18.48)	990.65 (14.85)
c. Development Loans and Advances	10.52 (0.29)	26.46 (0.57)	35.94 (0.62)	11.38 (0.19)	12.04 (0.13)	26.10 (0.39)

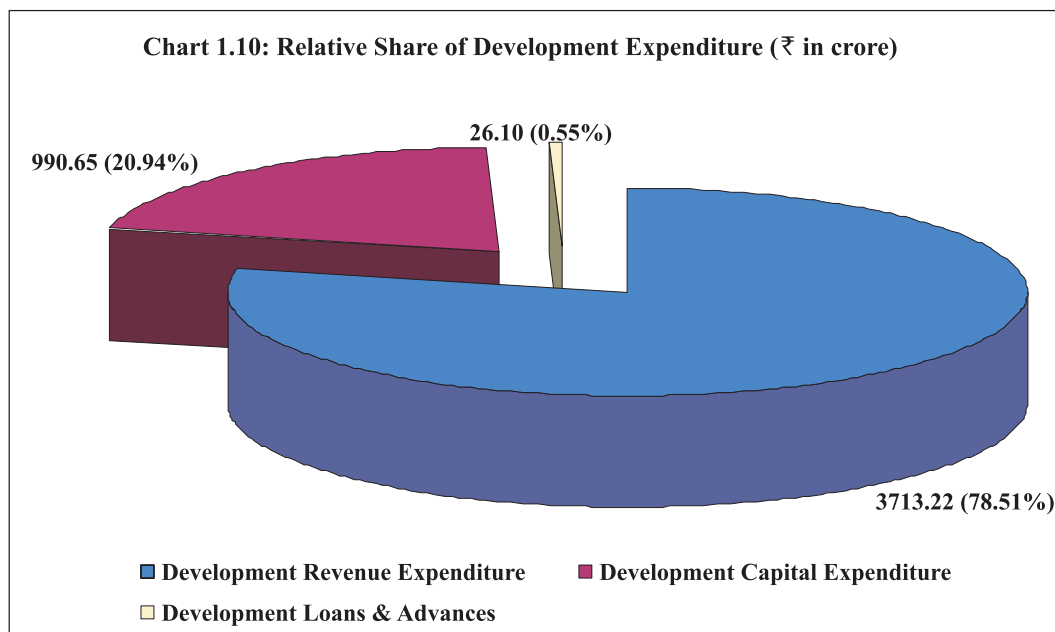
(Figures in parentheses indicate percentage to total expenditure)

The development expenditure increased by 9.87 per cent over previous year. During the current year, though the State Government earmarked 80.15 per cent of the estimated total expenditure for development expenditure, this assessment fell short by 9.23 per cent at the end of the year, as only 70.92 per cent of the total expenditure

¹⁴ As defined in Appendix 1.1

¹⁵ As defined in Appendix 1.1.

during 2013-14 was incurred for development purposes. The relative share of development expenditure during 2013-14 given in **Chart 1.10** below showed that 78.51 *per cent* of the development expenditure was incurred on revenue account and only 20.94 *per cent* was utilised for capital expenditure.



Predominant share of revenue expenditure in development expenditure indicated that more emphasis was given on maintenance of the current level of services (including 12.83 *per cent* and 6.57 *per cent* of total revenue expenditure on salary under social services and economic services respectively) which did not result in any addition to State's infrastructure and service network. Thus, expenditure pattern under this sector needs correction in the ensuing year.

Table 1.23 : Efficiency of Expenditure Use in Selected Social and Economic Services

(In *per cent*)

Social/Economic Infrastructure	2012-13		2013-14	
	Ratio of Capital Expenditure to Total Expenditure ¹⁶	In Revenue Expenditure, the share of Salary ¹⁷	Ratio of Capital Expenditure to Total Expenditure ¹⁶	In Revenue Expenditure, the share of Salary ¹⁷
Social Services (SS)	11.37	37.11	16.54	36.09
General Education	0.33	35.05	1.01	33.82
Technical Education, Sports, Arts and Culture	0.57	15.62	9.32	12.16
Health and Family Welfare	15.89	63.58	21.35	67.04
Water Supply & Sanitation, Housing and Urban Development	40.64	31.69	53.91	35.20
Other SS	0.00	21.03	1.31	18.60

¹⁶ Total revenue and capital expenditure of the services concerned.

¹⁷ Does not include wages.

Social/Economic Infrastructure	2012-13		2013-14	
	Ratio of Capital Expenditure to Total Expenditure ¹⁶	In Revenue Expenditure, the share of Salary ¹⁷	Ratio of Capital Expenditure to Total Expenditure ¹⁶	In Revenue Expenditure, the share of Salary ¹⁷
Economic Services (ES)	27.72	19.65	25.63	20.97
Agriculture and Allied Activities	2.07	37.87	2.68	35.77
Irrigation & Flood Control	53.48	26.69	14.46	60.26
Energy	0.00	0.00	0.00	0.00
Transport	70.93	0.00	77.34	0.00
Other ES	14.18	15.85	8.75	16.14

Social Services

The trends presented in **Table 1.23** reveal that development capital expenditure as a percentage of total expenditure constituted only 16.54 *per cent* in 2013-14, which indicated that the revenue expenditure was dominant. Compared to 2012-13, there was improvement in the share of capital expenditure during 2013-14 under all the infrastructure of social services.

Of the revenue expenditure on social services, the share of salary component marginally decreased from 37.11 *per cent* in 2012-13 to 36.09 *per cent* in 2013-14. The non-salary expenditure on social services increased by 14.75 *per cent* during 2013-14 from ₹ 1099.35 crore in 2012-13 to ₹ 1261.52 crore in 2013-14. Within the priority sectors, non-salary component continue to have the dominant share under general education, technical education, sports, art and culture and water supply, sanitation, housing and urban development. During 2013-14, share of salary expenditure under health and family welfare services was 67.04 *per cent* of Revenue Expenditure.

Economic Services

The share of capital expenditure on economic services to total of revenue and capital expenditure on economic services decreased to 25.63 *per cent* during 2013-14 from 27.72 *per cent* in 2012-13. Salary component within the revenue expenditure on economic services as a percentage of the total expenditure on economic sector marginally increased from 19.65 *per cent* in 2012-13 to 20.97 *per cent* in 2013-14.

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

According to the information furnished (September 2014) by the Directorate of Programme Implementation & Evaluation, GOM, the position of implementation of flagship programmes/schemes till 2013-14 is given in **Appendix 1.5**. Details of significant shortfall in achievement of targets are given in **Table 1.24** below:

Table 1.24

Sl. No.	Programme/ Scheme	Financial Outlays and Expenditure (₹ in crore)		Physical Achievement/Outcome of the Programme up to March 2014			
		Funds available up to 31 March 2014	Actual expenditure up to 31 March 2014	Performance Indicator	Unit of measurement	Physical Targets	Achievement/ Outcome (Percentage of shortfall)
1.	Indira Awaas Yojana (IAY)	98.96	87.99	Houses constructed	Nos.	13,865	5,037 (64)
2.	Sarva Shiksha Abhiyan (SSA)	1465.75	1400.62	Salary, Grants Training, Learning enhancement Programme, etc.	Centre/ School Schools	11,45,215	6,53,823 (43)
3.	Special Nutrition Programme (SNP) in ICDS Areas	88.31	88.31	Beneficiaries	Nos.	6,48,973	5,20,503 (20)
4.	Mid Day Meal Programme	6.99	3.73	Foodgrain	MT	12,378.91	9,861.95 (20)
5.	Mid Day Meal Programme	1.21	0.73	Transportation cost	MT	12,378.91	7,427.35 (40)
6.	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	3354.59	3354.59	Survey, engineering, design, construction and distribution, etc.	NA	NA	70% (30)
				Construction of Houses at Nongmensong (Phase I)	Units	300	160 (47)
				-do- Phase II	Units	300	16 (95)
				Integrated Slum Development	Units	168	0 (100)
				Housing at Tura	Units	456	48 (89)
7.	Rural Drinking Water Programme (RDWP)	77.00	68.05	Habitations covered	Nos.	200	50 (75)
8.	Total Sanitation Campaign (TSC)	96.97	46.35	Habitations covered	Nos.	50,266	29,012 (42)
9.	Accelerated Irrigation Benefit Programme (AIBP)	100.00	44.75	Schemes on Soil & Water Conservation	In Ha	7300	3267 (55)

Sl. No.	Programme/ Scheme	Financial Outlays and Expenditure (₹ in crore)		Physical Achievement/Outcome of the Programme up to March 2014			
		Funds available up to 31 March 2014	Actual expenditure up to 31 March 2014	Performance Indicator	Unit of measurement	Physical Targets	Achievement/ Outcome (Percentage of shortfall)
10.	Rashtriya Krishi Vikas Yojana (RKVY)	763.76	150.00	Horticulture Department	NA	NA	10 % (90)
				Cluster Cooperative Trading & Training Centre			
				Citrus Project for Quality Planting Material at Dewlieh farm	NA	NA	31 % (69)
				Completion of Farmers's Hostel at Rongram	NA	NA	46 % (54)
				Cluster Cooperative Trading & Training Centre	NA	NA	10 % (90)
				Orchid Valley Establishment	NA	NA	28 % (72)
				Upgradation of infrastructure at Kyrwen Farm	NA	NA	29 % (71)

Source: Directorate of Programme Implementation & Evaluation, GOM and State Project Director, SSA State Education Mission Authority (Sl. No. 2, Column 2 & 3)

As can be seen from the above table, major shortfall in achievement of targets was under JNNURM (30 per cent to 100 per cent).

1.9 Financial Analysis of Government Expenditure and Investments

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

1.9.1 Incomplete projects

According to the information available in Appendix X of the Finance Accounts for the year 2013-14, as of 31 March 2014, there were 57 ongoing projects in the State. The department-wise information pertaining to incomplete projects as on 31 March 2014 even after target date(s) of completion is given in **Table 1.25**.

Table 1.25 : Department-wise profile of incomplete projects

(₹ in crore)

Department	Number of incomplete projects	Initial estimated cost	Original estimated cost of projects which were revised		Revised cost of incomplete projects	Cost overrun	Cumulative expenditure on incomplete projects (as of March 2014)
			Number	Amount			
Water Resources	02	10.48	Not available (NA)	NA	NA	...	6.47
Public Works (Roads & Bridges)	07	70.48	NA	NA	NA	...	36.90
Total	09	80.96	NA	NA	NA	...	43.37

As can be seen from the above table, nine projects stipulated for completion on or before March 2014 at an estimated cost of ₹ 80.96 crore, remained incomplete with an expenditure of ₹ 43.37 crore. Effective steps need to be taken to complete the incomplete projects without further delay to avoid cost overrun due to time overrun.

1.9.2 Financial results of irrigation works

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

1.9.3 Investment and returns

As per Statement 14 of Finance Accounts for the year 2013-14, as of 31 March 2014, the State Government had invested ₹ 429.78 crore in two Statutory Corporations (₹ 83.41 crore), eight Government Companies (₹ 254.36 crore) and 1,444 Co-operative Banks and Societies (₹ 92.01 crore). Details are given in **Table 1.26**.

Table 1.26 : Return on Investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)					
(i) Statutory Corporations	70.91	71.11	71.11	71.11	83.41
(ii) Government Companies	152.51	177.51	188.51	228.68	254.36
(iii) Co-operative Societies	62.77	67.17	77.45	83.72	92.01
Total	286.19	315.79	337.07	383.51	429.78
Return (₹ in crore)	0.04	0.03	0.08	0.08	0.13
Return (<i>per cent</i>)	0.01	0.01	0.02	0.02	0.03
Average rate of interest on Government borrowing (<i>per cent</i>)	6.34	6.51	6.22	6.24	6.61
Difference between interest rate and return (<i>per cent</i>)	6.33	6.50	6.20	6.22	6.58

Of the two Statutory Corporations, bulk of the investment (₹ 81.27 crore) was made to the Meghalaya Transport Corporation Limited during 1986-2014 which had

accumulated loss of ₹ 83.28 crore as per the latest finalised annual accounts (2009-10). Out of ₹ 254.36 crore invested in Government Companies, ₹ 144.79 crore was invested in Mawmluh Cherra Cements Limited during 1958-2014, which had accumulated loss of ₹ 48.06 crore as per the latest finalised annual accounts (2011-12). Further, out of ₹ 92.01 crore invested in co-operative banks/societies, ₹ 23.01 crore was invested in 1,091 loss making co-operative banks/societies, which had accumulated losses of ₹ 7.48 crore up to 31 March 2010. Working results of one Government company and 122 co-operative banks/societies had not been intimated (August 2014).

1.9.4 Loans and advances by the State Government

In addition to investments in co-operative societies, corporations and companies, Government has also been providing loans and advances for other purposes, e.g., loans for power projects, loans to Government servants, loans for tourism, etc. **Table 1.27** presents the outstanding loans and advances as on 31 March 2014, interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.27 : Average Interest Received on Loans and Advances given by the State Government

(₹ in crore)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Balance	510.91	520.88	535.28	564.95	568.72
Amount advanced during the year	26.65	41.65	52.38	27.02	42.33
Amount recovered during the year	16.68	27.25	22.71	23.25	20.48
Closing Balance	520.88	535.28	564.95	568.72	590.57
Net Addition	9.97	14.40	29.67	3.77	21.85
Interest Receipts	2.59	4.62	4.83	6.46	6.76
Interest received as <i>per cent</i> to outstanding Loans and Advances	0.50	0.87	0.88	1.14	1.17
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.34	6.51	6.22	6.24	6.61
Difference between interest payments and receipts (<i>per cent</i>)	5.84	5.64	5.34	5.10	5.44

Loans and advances given by the State Government during 2013-14 increased by 56.66 *per cent* over previous year. The total outstanding loans and advances as on 31 March 2014 was ₹ 590.57 crore. Out of the loans of ₹ 42.33 crore advanced during 2013-14, ₹ 26.10 crore was given for power projects and ₹ 16.23 crore was given to Government servants. Interest receipt of ₹ 6.76 crore on loans and advances by GOM during 2013-14 constituted 1.17 *per cent* only of the outstanding loans and advances given by the State Government, whereas the Government was paying interest at an average rate of 6.61 *per cent* for the outstanding liabilities.

1.9.5 Cash Balances and Investment of Cash balances

Table 1.28 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.28 : Cash Balances and Investment of Cash Balances

(₹ in crore)		
Particulars	Opening balance on 01 April 2013	Closing balance on 31 March 2014
(a) General Cash Balance		
Cash in Treasuries	29.12	30.78
Deposits with Reserve Bank	- 45.46	- 521.09
	-16.34	- 490.31
Investments held in Cash Balance investment account	- 5.63	1317.00
Total (a)	- 21.97	826.69
(b) Other Cash Balances and Investments		
Cash with departmental officers of Forest and Public Works Departments	0.90	1.14
Permanent advances for contingent expenditure with departmental officers	¹⁸	0.01
Investment of earmarked funds	136.24	157.20
- Sinking Fund Investment Account	136.21	157.17
- Other Development and Welfare Fund	0.03	0.03
Total (b)	137.14	158.35
Grand Total (a) + (b)	115.17	985.04

Cash balances (excluding investment of earmarked funds) of the State Government at the end of the current year significantly increased from a negative ₹ 21.07 crore in 2012-13 to ₹ 827.84 crore in 2013-14. As on 31 March 2014, the Government invested ₹ 157.20 crore in Sinking Fund and Development and Welfare Fund. During 2013-14, interest of ₹ 26.81 crore was earned on investment of cash balances against ₹ 18.93 crore earned during the preceding year.

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

During the years 2009-10 to 2012-13, the Government did not have to resort to ways and means Advances and overdraft. However, during 2013-14, the minimum balance was maintained by the Government by obtaining ways and means advance of ₹ 157.09 crore for two days for which interest of ₹ 0.04 crore was paid during the year. This indicated the mismatch between flow of resources and expenditure obligations, which needs to be addressed by prudent cash management.

¹⁸ ₹ 246 only

1.10 Assets and Liabilities

1.10.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and the assets as on 31 March 2014, compared with the corresponding position on 31 March 2013. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

1.10.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. However, the composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.11** and **1.12**.

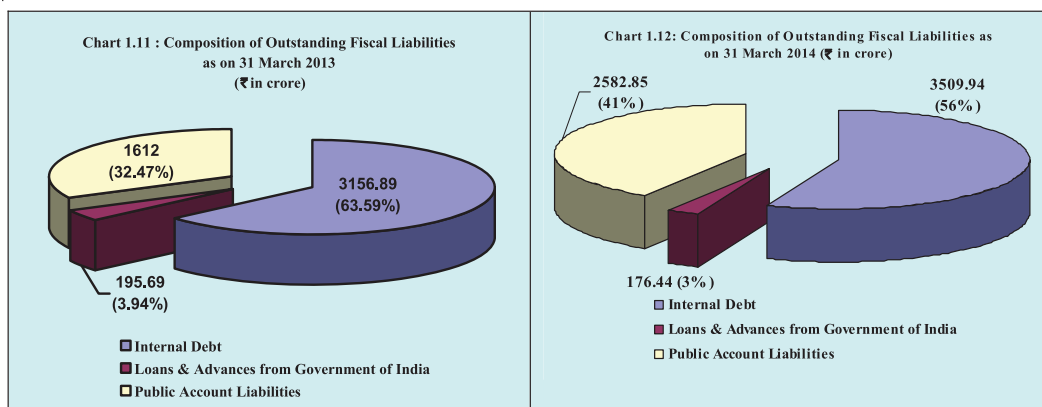


Table 1.29 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP to revenue receipts and State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.29 : Fiscal Liabilities – Basic Parameters

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities ¹⁹ (₹ in crore)	3802.62	4088.28	5090.28	4964.58	6269.23
Rate of Growth (<i>per cent</i>)	6.43	7.51	24.51	-2.47	26.28
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	29.92	28.04	29.60	27.13	29.79
Revenue Receipts (<i>per cent</i>)	110.31	95.96	109.36	89.67	100.04
Own Resources (<i>per cent</i>)	528.60	468.31	477.61	372.53	405.13
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	0.68	0.51	1.37	-0.39	1.75
Revenue Receipts (ratio)	0.28	0.32	2.65	-0.13	1.99
Own Resources (ratio)	0.31	0.35	1.11	-0.10	1.63

¹⁹ Includes Internal Debt, Loans and Advances from Government of India, Small Savings, Provident Funds, etc., Reserve Funds and Deposits.

Fiscal liabilities of ₹ 6269.23 crore as of 31 March 2014 consist of internal debt, e.g., market loans, loans from financial institutions, Special Securities issued to National Small Savings Fund, *etc.* (₹ 3509.94 crore), loans and advances from Central Government (₹ 176.44 crore), small savings, provident funds, *etc.* (₹ 967.62 crore) and other liabilities, e.g., Reserve Funds and Deposits (₹ 1615.23 crore). Fiscal liabilities of the State increased from ₹ 3802.62 crore as of 31 March 2010 to ₹ 6269.23 crore as of 31 March 2014. Compared to previous year, the fiscal liabilities at the end of 2013-14 increased by 26.28 *per cent* mainly due to increase under other liabilities in the form of ‘Deposit not bearing interest’ by ₹ 825.48 crore (110.32 *per cent*). The ratio of fiscal liabilities to GSDP also increased from 27.13 *per cent* in 2012-13 to 29.79 *per cent* in 2013-14. These liabilities stood at over one time of the revenue receipts and four times of the State’s own resources at the end of 2013-14. The buoyancy of these liabilities with respect to GSDP during the year was 1.75 indicating that for each one *per cent* increase in GSDP, fiscal liabilities increased by 1.75 *per cent*.

The State Government in its MTF Plan and MTFP Statement projected the Total Outstanding Liabilities-GSDP ratio for the year 2013-14 as 26.53 *per cent* and 31.64 *per cent* respectively. As can be seen from the **Table 1.29** above, the Fiscal Liabilities-GSDP ratio of the State (29.79 *per cent*) was higher during the year compared to assumption made in the MTF Plan, but was marginally lower than the projection in the MTFP Statement.

1.10.3 Transactions under Reserve Funds

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector ‘J’ in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted under the Consolidated Fund itself for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account under the concept of gross budgeting through an operation of deduct entry in accounts. The funds may be further classified as ‘Funds carrying interest’ and ‘Funds not carrying interest’.

The total accumulated balance as of 31 March 2014 in these funds was ₹ 198.35 crore (active funds: ₹ 196.31 crore; inactive funds: ₹ 2.04 crore) in nine reserve funds. However, only two are active. Investment out of these funds was ₹ 157.20 crore, which is 79.25 *per cent* of the accumulated balance. Action needs to be taken to close the inoperative reserve funds and remit the balances into the Consolidated Fund.

During 1999-2000, the State Government constituted a ‘Consolidated Sinking Fund’ for redemption and amortisation of open market loans. In 2013-14, the Government has appropriated ₹ 21.68 crore from revenue and credited to this fund for investment in the Government of India Securities.

1.10.4 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2009-10 are given in **Table 1.30**.

Table 1.30: Guarantees given by GOM

Particulars	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maximum amount guaranteed	1033.34	948.79	1002.85	947.02	1188.64
Outstanding amount of guarantees (including interest)	953.74	1110.77	1293.20	1285.19	1610.55
Percentage of maximum amount guaranteed to total revenue receipts	29.97	22.27	21.55	17.11	18.97

Government has guaranteed loans raised by various Corporations and others, which at the end of 2013-14 stood at ₹ 1610.55 crore (including interest). Bulk of the guaranteed amount (₹ 1504.37 crore) was outstanding against the power sector for repayment of principal and payment of interest on loans from Rural Electrification Corporation (₹ 508.94 crore), Housing and Urban Development Corporation (₹ 235.61 crore) and short term loans, bonds, etc. (₹ 759.82 crore). The outstanding amount of guarantees is in the nature of contingent liabilities, which was around 19 per cent of revenue receipts of the State during 2013-14. *In order to provide for sudden discharge of the states' obligations on guarantees, the XII FC recommended that state should set up guarantee redemption funds. However, the Guarantee Redemption Fund, though notified by GOM in June 2011, was yet to be set up.*

As of 31 March 2014, commission/fee amounting to ₹ 4.79 crore for the guarantees given by the State Government was receivable.

1.11 Debt Management

1.11.1 Debt sustainability

The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt amortisation²⁰; sufficiency of non-debt receipts²¹; net availability of borrowed

²⁰ As defined in Appendix 1.1.

²¹ As defined in Appendix 1.1.

funds²²; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.31** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2009-10.

Table 1.31: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Deficit)	117.00	228.50	- 300.43	- 74.35	406.84
Sufficiency of Non-debt Receipts (Resource Gap)	208.81	- 115.10	- 723.86	669.95	13.12
Net Availability of Borrowed Funds	- 4.29	28.73	716.35	- 439.52	933.15
Burden of Interest Payments (IP/RR) (per cent)	6.79	6.03	6.14	5.67	5.93

Table 1.31 reveals that the quantum spread together with primary deficit, which was negative during 2011-13, not only turned positive in 2013-14, but also reached its peak during the period. At 29.79 *per cent*, the Debt²³-GSDP ratio during 2013-14 (**Appendix 1.2**) was well below the target of outstanding Debt to GSDP (32 *per cent*) set forth by XIII FC for the State, but exceeded the assessment (26.53 *per cent*) made by the State Government in MTF Plan.

The trends in resource gap indicate the oscillation between positive and negative magnitudes. During 2013-14, though incremental non-debt receipts was sufficient to meet the incremental primary expenditure and interest burden, when compared with the situation during 2012-13, was not encouraging as the resource gap during 2013-14 declined to ₹ 13.12 crore only against ₹ 669.95 crore during the previous year.

The trends in debt redemption ratio fluctuated widely during 2009-14 and decreased to 65.94 *per cent* during 2013-14 against 127.17 *per cent* during the previous year (**Appendix 1.2**). During the current year, against receipts of ₹ 2739.66 crore, Government repaid ₹ 1806.51 crore as principal and interest on internal debt (₹ 547.91 crore), loans and advances from Central Government (₹ 39.83 crore) and other liabilities²⁴ (₹ 1218.77 crore), as a result of which borrowed fund of ₹ 933.15 crore was available at the end of the year.

1.11.2 Debt profile

As per Annexure to Statement 15 of the Finance Accounts for the year 2013-14, the maturity profile of the State debt is as indicated in **Table 1.32** and **Chart 1.13**.

²² As defined in Appendix 1.1.

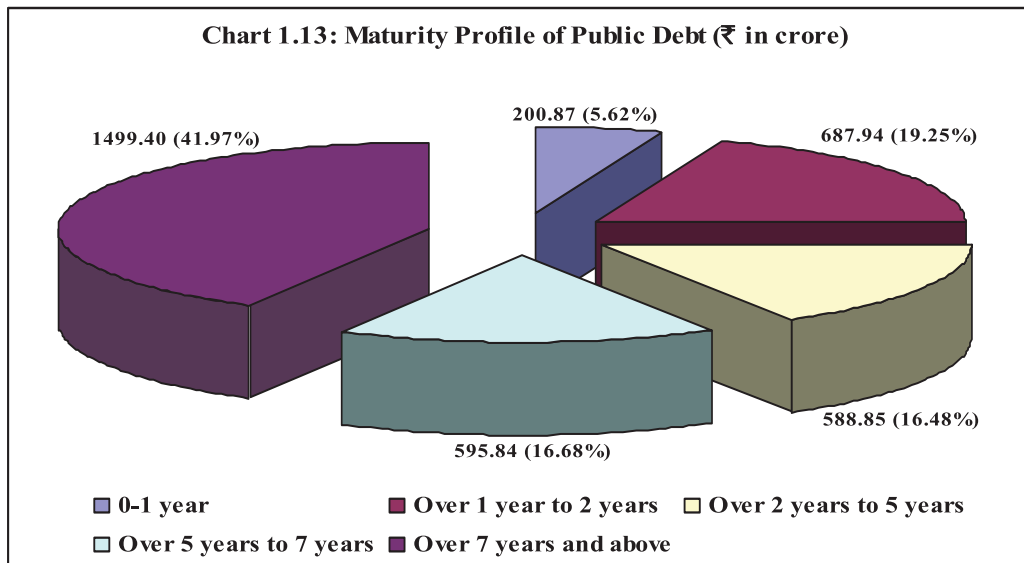
²³ Internal Debt, Loans & Advances from GOI and Other Liabilities (Small Savings, Provident Funds, Reserve Funds, Deposits)

²⁴ Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

Table 1.32: Maturity Profile of State Debt

(₹ in crore)

Debt maturity	Maturity Profile	Amount			Per cent
		Internal Debt	Loans & Advances from GOI	Total	
During 2014-15	0-1 year	181.00	19.87	200.87	5.62
Between 2015-16 & 2016-17	Over 1 year to 2 years	653.00	34.94	687.94	19.25
Between 2017-18 & 2018-19	Over 2 years to 5 years	558.52	30.33	588.85	16.48
Between 2019-20 & 2020-21	Over 5 years to 7 years	563.70	32.14	595.84	16.68
2021-22 onwards	Over 7 years and above	1418.50	80.90	1499.40	41.97
Total		3374.72	198.18	3572.90	100



The maturity profile of outstanding stock of public debt as on 31 March 2014 indicates that out of the outstanding Public Debt of ₹ 3572.90 crore, 58.03 *per cent* (₹ 2073.50 crore) is payable within the next seven years while the remaining 41.97 *per cent* was in the maturity bracket of over seven years and above. Of the total outstanding Public Debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, *etc.* constituted 94.45 *per cent* (₹ 3374.72 crore).

The above position indicates that the Government will have to borrow further to discharge the expenditure obligations unless there is adequate fiscal surplus. Ideally, further borrowings in future should be planned in such a way that there is no bunching of repayments in any particular year as that will cause undue stress on the budget.

1.12 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these

deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2013-14.

1.12.1 Trends in Deficits

Charts 1.14 and 1.15 present the trends in deficit indicators over the period 2009-14.

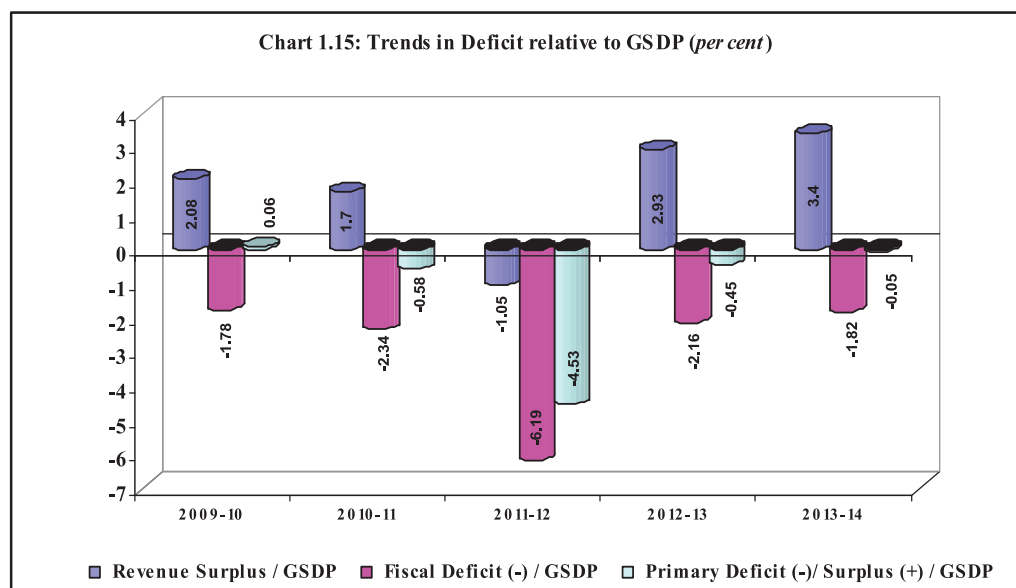
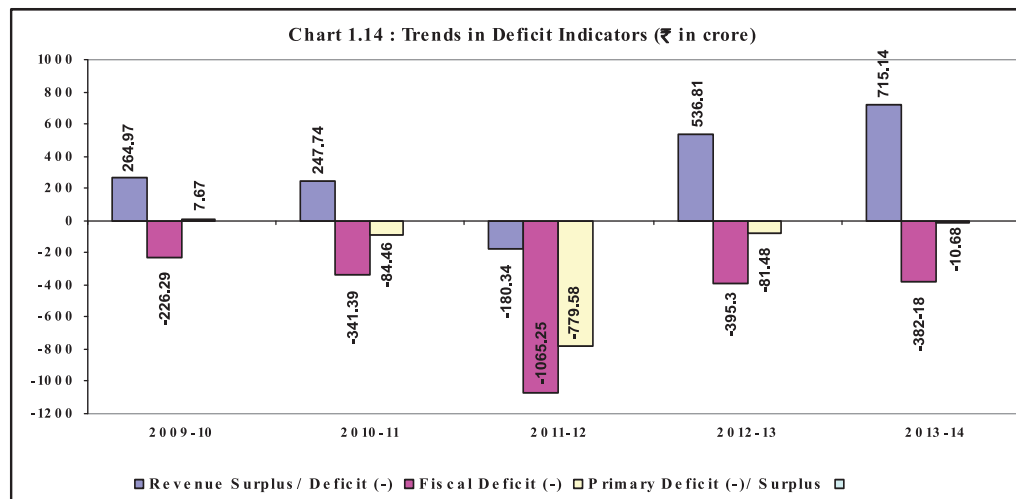


Chart 1.14 reveals that the State was able to attain a revenue surplus of a substantial amount of ₹ 715.14 crore during 2013-14 against ₹ 536.81 crore during the preceding year. The rise in revenue surplus during 2013-14 was mainly due to lesser increase (₹ 552.05 crore) in revenue expenditure against the increase (₹ 730.38 crore) in revenue receipts relative to previous year. The increase in revenue receipts was, however, mainly due to increase of central transfer in the form of share of Union Taxes and Duties and grants-in-aid by ₹ 515.61 crore. The State Government was successful in fulfilling the commitment made in the MFRBM Act, (as amended) *to maintain revenue surplus during 2011-12 to 2014-15 as recommended by the XIII FC*, except during 2011-12, but failed to achieve the assumption of revenue surplus (₹ 1250.13 crore) for the year 2013-14 made in the MTF Plan.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, marginally declined from ₹ 395.30 crore in 2012-13 to ₹ 382.18 crore in 2013-14. This was mainly due to the fact that the increase in revenue and capital expenditure was commensurate with increase in revenue and non-debt capital receipts during the current year relative to the previous year. During the current year, the revenue and non-debt capital receipts increased by 13.09 *per cent* against 18.87 *per cent* during the previous year, while the revenue and capital expenditure (taken together) increased by 11.79 *per cent* against 4.18 *per cent* during the previous year.

As per the recommendations of the XIII FC, *all special category states with base fiscal deficit of less than 3 per cent of GSDP in 2007-08 could incur a fiscal deficit of 3 per cent in 2011-12 and maintain it thereafter*. GOM also agreed in the MFRBM Act (as amended) to reduce fiscal deficit to 3 *per cent* of GSDP or less during 2011-15 of the award period of the XIII FC. The fiscal deficit-GSDP ratio was at 1.82 *per cent* during 2013-14 and thus, GOM was successful in restricting this ratio as per recommendation of the XIII FC and its own commitment in the MFRBM Act, (as amended).

The primary deficit during 2013-14 also decreased by ₹ 70.80 crore over previous year. A decrease of ₹ 13.12 crore in fiscal deficit and an increase in interest payment (₹ 57.68 crore) resulted in a primary deficit of ₹ 10.68 crore during the current year.

1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.33**.

Table 1.33 : Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Decomposition of Fiscal Deficit (1 + 2 + 3)						
	Fiscal Deficit	226.29	341.39	1065.25	395.30	382.18
1.	Revenue Surplus (-)/ Deficit (+)	- 264.97	- 247.74	+ 180.34	- 536.81	- 715.14
2.	Net Capital Outlay	481.29	574.73	855.24	928.34	1075.47
3.	Net Loans and Advances	9.97	14.40	29.67	3.77	21.85
Financing Pattern of Fiscal Deficit^(a)						
1.	Market Borrowing	191.66	120.00	208.55	298.00	286.55
2.	Loans from GOI	- 18.33	- 19.05	- 26.04	- 17.77	- 19.26
3.	Special Securities issued to NSSF	61.43	89.82	47.14	70.73	69.02
4.	Loans from Financial Institutions	25.23	24.54	35.62	3.76	- 2.51
5.	Small Savings, PF, etc.	67.65	84.30	105.08	109.07	127.17
6.	Reserve Funds	7.02	- 4.14	14.30	- 7.44	18.08
7.	Deposits and Advances	- 105.14	- 10.12	617.37	- 582.04	825.60
8.	Suspense and Miscellaneous	- 39.71	- 28.89	- 18.42	110.67	- 76.71
9.	Remittances	- 25.03	- 4.49	102.21	17.98	3.15
10.	Increase (-) / Decrease (+) in Cash Balances	+ 61.51	+ 89.42	- 20.56	+ 392.34	- 848.91
	Fiscal Deficit (percentage to GSDP)	1.78	2.34	6.19	2.16	1.82

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

There were fiscal deficits during the five year period ending 2013-14, which peaked to ₹ 1065.25 crore during 2011-12, but declined significantly to ₹ 382.18 crore during 2013-14. During 2013-14, fiscal deficit was over financed through deposits and advances, market borrowing, special securities issued to National Small Savings Fund (NSSF) of the Central Government, small savings, provident fund, *etc.* which led to increase in cash balance from minus ₹ 21.07 crore to ₹ 827.84 crore in 2013-14.

1.12.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital outlay as well as loans and advances would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.34**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.34: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)							
Year	Non-debt Receipt	Primary Revenue Expenditure	Capital Outlay	Loans and Advances	Primary Expenditure	Primary Revenue Surplus	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2 -6)
2009-10	3464.03	2948.42	481.29	26.65	3456.36	515.61	+ 7.67
2010-11	4287.73	3755.81	574.73	41.65	4372.19	531.92	- 84.46
2011-12	4677.18	4549.14	855.24	52.38	5456.76	128.04	- 779.58
2012-13	5559.60	4685.72	928.34	27.02	5641.08	873.88	- 81.48
2013-14	6287.21	5180.09	1075.47	42.33	6297.89	1107.12	- 10.68

The bifurcation of the factors resulting into primary deficit or surplus of the State during 2009-14 reveals that-

- Non-debt receipts increased by 81.50 *per cent* from ₹ 3464.03 crore in 2009-10 to ₹ 6287.21 crore in 2013-14.
- Total primary expenditure increased by ₹ 2841.53 crore (82.21 *per cent*) during 2013-14 compared to 2009-10 due to increase in primary revenue expenditure to the extent of ₹ 2231.67 crore (75.69 *per cent*) during the period 2009-10 to 2013-14.
- The primary revenue surplus continued to increase since 2012-13 and reached its peak to ₹ 1107.12 crore during 2013-14.
- In four (2010-11 to 2013-14) out of five years (2009-14), the State experienced primary deficit. However, non-debt receipts of the State were

sufficient to meet the primary expenditure²⁵ requirements, but was not adequate for expenditure on capital outlay and loans and advances except during the year 2009-10. The extent of the primary deficit during 2013-14 has been mainly on account of increase in capital expenditure by ₹ 147.13 crore compared to previous year, which may be desirable to improve the productive capacity of the State's economy.

1.13 Institutional measures

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

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

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

Information regarding framing of any policy on PPP and particulars of PPP projects under execution in the State, though called for (July 2014) from the Finance Department, GOM, had not been furnished (November 2014). As such, the position of PPP projects in the State could not be ascertained by Audit.

1.14 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit – indicated significant improvement in the financial health of the State during 2013-14 relative to previous four years (2009-14). During 2013-14, the State continued to maintain the status of revenue surplus as the revenue deficit of ₹ 180.34 crore during 2011-12 which turned to revenue surplus for an amount of ₹ 536.81 crore during 2012-13, increased to ₹ 715.14 crore during the current year. This achievement was mainly due to lesser increase (₹ 552.05 crore) in revenue expenditure against the increase (₹ 730.38 crore) in revenue receipts relative to previous year. The fiscal deficit as well as primary deficit of the State have also decreased during 2013-14 compared to previous year.

²⁵ Primary expenditure of the State, defined as the total expenditure net of the interest payments, indicates the expenditure incurred on transactions undertaken during the year.

Revenue Receipts

Revenue receipts during 2013-14 grew by 13.19 *per cent* (₹ 730.38 crore) over previous year. The tax revenue and non-tax revenue receipts exceeded normative assessment made by XIII FC by 29.98 *per cent* and 79.95 *per cent* respectively. But State's own resources (tax and non-tax revenue) contributed 29.41 *per cent* (₹ 214.77 crore) of the incremental revenue receipts during 2013-14 (₹ 730.38 crore). The Central transfers comprising State's share of central taxes and grants-in-aid from the Government of India increased by ₹ 515.61 crore in 2013-14 and contributed 70.59 *per cent* of the incremental revenue receipts during the year, indicating central transfers being the key in the increase in revenue receipts of the State.

The State Government should explore the possibilities of mobilising additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges.

Revenue and Total Expenditure

Compared to previous year, the revenue expenditure during 2013-14 increased by 11.04 *per cent*. The expenditure pattern of the State reveals that though the revenue expenditure as a percentage of total expenditure marginally decreased by 0.72 *per cent* in the current year over previous year, it hovered around 85 *per cent* during the period (2009-14) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, NPPE at ₹ 3702.82 crore in 2013-14 constituted 66.70 *per cent* and remained significantly higher (18.33 *per cent*) than the normatively assessed level of ₹ 3129.30 crore by XIII FC for the year. Further, expenditure on salaries, pensions, interest payments and subsidies continued to consume a large share of revenue expenditure which was 48.28 *per cent* during 2013-14. During 2013-14, though the development expenditure (₹ 4729.97 crore) increased by ₹ 425.10 crore (9.87 *per cent*) over the previous year, it was much below the budget estimate (₹ 7320.65 crore) for 2013-14. The relative share of revenue development expenditure was 78.51 *per cent* of the total development expenditure, while this share in respect of capital development expenditure was only 20.94 *per cent*. Predominant share of revenue expenditure in development expenditure indicated that more emphasis was given on maintenance of the current level of services. Capital outlay during 2013-14 (₹ 1075.47 crore) increased by ₹ 147.13 crore over previous year. It increased to 16.13 *per cent* of total expenditure during 2013-14 against 15.59 *per cent* during the preceding year, but fell short by 39.39 *per cent* (₹ 698.81 crore) of the projection (₹ 1774.28 crore) made by the State Government in its budget for the year.

Expenditure pattern of the State Government needs correction. The State should initiate action to restrict the components of non-plan revenue expenditure. Though expenditure incurred under capital heads had been increasing over the years, yet the expenditure pattern under this sector also needs correction. From the point of view of improving developmental expenditure, it is pertinent for the Government of

Meghalaya to take appropriate expenditure measures and lay emphasis on provision of development capital expenditure.

Fiscal Correction Path

During 2013-14, there was improvement in all the three major fiscal indicators, viz., revenue surplus, fiscal deficit and primary deficit over previous year. The fiscal deficit decreased from ₹ 395.30 crore in 2012-13 to ₹ 382.18 crore during the current year. Primary deficit also decreased significantly by around 87 per cent (₹ 70.80 crore) compared to the previous year. The fiscal deficit-GSDP ratio stood at 1.82 per cent during 2013-14 against the ceiling of 3 per cent or less prescribed in the MFRBM Act, 2006 (as amended) and also the recommendation of the XIII FC to maintain this ratio at 3 per cent of GSDP or less. The prevalence of fiscal deficit during 2009-14 indicates continued reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over the period 2009-14, which increased by 26.28 per cent during 2013-14 compared to previous year. The fiscal liabilities during 2013-14 stood at 29.79 per cent of the GSDP during the current year against 27.13 per cent during 2012-13 and also exceeded the limit of total outstanding liabilities-GSDP ratio projected in MTF Plan (26.53 per cent) for the year.

The average return on investment in Statutory corporations, Government companies and Co-operative societies was less than one per cent during 2009-14, while the Government paid interest at an average rate of 6.22 per cent to 6.61 per cent on its borrowings during the period. Interest received as per cent to outstanding Loans and Advances given by the State Government was also inadequate, which ranged between 0.50 per cent and 1.14 per cent during 2009-13 and stood at 1.17 per cent during 2013-14.

Though there was an indication of improvement in the financial health of the State during 2013-14 compared to previous year, the substantial amount of fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long term, unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through the tax and non-tax sources in the ensuing years.

The State should make efforts to maintain revenue surplus and reduce fiscal deficit. Recourse to borrowed funds in future should be carefully assessed and managed so that the Fiscal Liabilities-ratio can be restricted to the projection made in the MTF Plan. The State Government should also ensure better value for money in investments by identifying the companies/corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non-revenue generating investments through clear and transparent guideline. The State Government should also explore the possibility of the closure of perennially sick Public Sector Undertakings.

Funds transferred to State Implementing Agencies

Large amount of money is being given directly by Government of India to the State implementing agencies. Such direct transfers from the Union Government to the State Implementing Agencies runs the risk of poor accountability. As such, the State Government may institute a mechanism for centralised monitoring of utilisation of funds.