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 2012-13 at current prices was ₹ 18563.84 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 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	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	5303567	6108903	7266967	8353495	9461013
Growth rate of GDP (*per cent*)	15.75	15.18	18.96	14.95	13.26
Gross State Domestic Product (₹ in crore)	11617.04	12709.10	14582.56	16433.86	18563.84
Growth rate of GSDP (*per cent*)	19.34	9.40	14.74	12.70	12.96

{Source: India's GDP: Central Statistics Office, Ministry of Statistics and Programme Implementation as on 01 August 2013.; State's GSDP (base year 2004-05: as furnished (October 2013) 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. While the growth of GSDP during 2008-09 reached its peak to 19.34 *per cent*, it declined to 12.96 *per cent* in 2012-13. The GSDP increased from ₹ 16433.86 crore in 2011-12 to ₹ 18563.84 crore in 2012-13, representing an increase of 12.96 *per cent.* The increase in the growth of GSDP during 2012-13 over that of previous year was mainly due to increase of 17.45 *per cent* under secondary sector (manufacturing, construction, electricity, gas and water supply) followed by 13.35 *per cent* under services like transport, storage and communication including banking, public administration, hotels, *etc.* The GSDP during 2012-13 also exceeded the assessment (₹ 15,308 crore) made by the XIII FC by 21.87 *per cent*. Incidentally, the growth of GSDP during 2012-13 at 12.96 *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 2012-13 was 13.89 *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 2008-13 are presented **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 (2012-13) *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				
	2011-12	2012-13		2011-12	2012-13		
Section – A : Revenue							
				Total	Non-Plan	Plan	Total
Revenue Receipts	**4654.47**	**5536.35**	**Revenue Expenditure**	**4834.81**	**3280.13**	**1719.41**	**4999.54**
Tax revenue	697.54	847.73	General Services	1487.19	1557.64	16.16	1573.80
Non-tax revenue	368.24	484.95	Social Services	1742.47	1083.80	664.13	1747.93
Share of Union Taxes/Duties	1044.19	1192.45	Economic Services	1605.15	638.69	1039.12	1677.81
Grants-in-aid from Government of India	2544.50	3011.22					
Section – B : Capital							
Miscellaneous Capital receipts	**…**	**…**	**Capital Outlay**	**855.24**	48.96	879.38	**928.34**
Recoveries of Loans and Advances	**22.71**	**23.25**	**Loans and Advances disbursed**	**52.38**	15.64	11.38	**27.02**
Public Debt Receipts[1]	**467.91**	**523.23**	**Repayment of Public Debt**	**202.64**	**…**	**…**	**168.51**
Contingency Fund	**…**	**…**	**Contingency Fund**	**…**	**…**	**…**	**…**
Public Account Receipts	**4091.31**	**3642.21**	**Public Account Disbursements**	**3270.77**	**…**	**…**	**3993.97**
Opening Balance	**350.71**	**371.27**	**Closing Balance**	**371.27**	**…**	**…**	**- 21.07**
Total	**9587.11**	**10096.31**	**Total**	**9587.11**			**10096.31**

[1] Includes net Ways and Means Advances.

Following are the significant changes during 2012-13 over the previous year:

- **Revenue receipts** increased by 18.95 *per cent* (₹ 881.88 crore) over the previous year. The increase was due to increase in grants-in-aid from the Government of India (GOI) (₹ 466.72 crore), State's share of Union taxes and duties (₹ 148.26 crore), tax revenue (₹ 150.19 crore) and non-tax revenue (₹ 116.71 crore).

- **Revenue expenditure** increased by 3.41 *per cent* (₹ 164.73 crore) over the previous year. While there was a decrease of ₹ 239.37 crore under plan heads, the expenditure under non-plan heads increased by ₹ 404.10 crore over previous year.

- Compared to previous year, the **capital outlay** of the State increased by 8.55 *per cent* (₹ 73.10 crore), which was the net result of increase under economic services (₹ 129.05 crore) and general services (₹ 8.15 crore) and decrease under social services (₹ 64.10 crore).

- **Recovery of loans and advances** during the current year marginally increased by ₹ 0.54 crore and **disbursement of loans and advances decreased** ₹ 25.36 crore compared to the previous year.

- **Public Debt receipts** increased by ₹ 55.32 crore over the previous year while repayment of public debt, decreased by ₹ 34.13 crore over the previous year.

- **Public Account receipts** decreased by ₹ 449.10 crore, but **disbursements** under Public Account significantly increased by ₹ 723.20 crore over the 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.

The performance of the State during 2012-13 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 2012-13

Fiscal parameters	2012-13			
	XIII FC targets for the State	Targets as prescribed in MFRBM Act	Projections MTFP Statement	Actual
Revenue Surplus (+)/ Deficit (-) (₹ in crore)	Maintain revenue balance or attain a surplus	Maintain Revenue Surplus during 2011-15	-	536.81
Revenue Surplus/Total Revenue Receipts (*per cent*)	-	-	14.49	9.70
Fiscal Deficit/GSDP (*per cent*)	3 *per cent*	3 *per cent* or less during 2011-15	2.07	2.13
Total Outstanding Liabilities/ GSDP (*per cent*)	32.3 *per cent* (Outstanding Debt as *per cent* of GSDP)	Reduce to 31.7 *per cent* during 2014-15	24.30	26.74

During 2012-13, the State was successful in maintaining revenue surplus as prescribed in MFRBM Act. The actual revenue surplus to total revenue receipts (as *per cent*) was 9.70 against projection of 14.49 made in MTFP Statement. The Fiscal Deficit-GSDP ratio was within the limit fixed in MFRBM Act as well as by XIII FC but exceeded the projections made in MTFP Statement. Similarly, Total Outstanding Liabilities-GSDP ratio exceeded the targets fixed in the MTFP Statement but was within the limit prescribed in MFRBM Act and that fixed by XIII FC. The State Government has to initiate requisite measures to contain these fiscal parameters within the permissible limit.

1.1.3 Budget estimates and actual

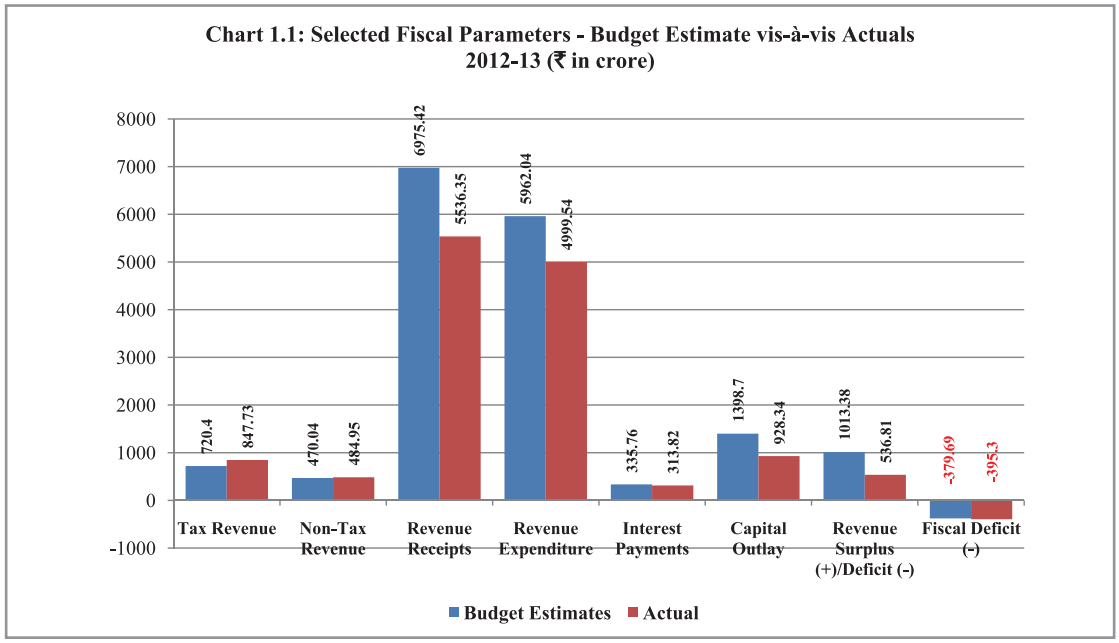
The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies 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 2011-12 (actuals) and 2012-13 (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 2012-13 over 2011-12, Actual of 2012-13 *vis-à-vis* Budget Estimates and Revised Estimates

(₹ in crore)

Parameters	2011-12	2012-13			Percentage of Excess (+)/ Shortfall (-) during 2012-13 with reference to	
	Actual	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Actual of 2011-12	BE/RE
Tax Revenue	697.54	720.40	720.40	847.73	+ 21.53	+ 17.67
Non-Tax Revenue	368.24	470.04	470.04	484.95	+ 31.69	+ 3.17
Revenue Receipts	4654.47	6975.42	6939.69	5536.35	+ 18.95	-20.63/ -20.22
Non-debt Capital Receipts	22.71	23.98	23.98	23.25	+ 2.38	- 3.04
Revenue Expenditure	4834.81	5962.04[2]	5962.04[3]	4999.54	+ 3.41	- 16.14
Interest Payments	285.67	335.76	335.76	313.82	+ 9.85	- 6.53
Capital Outlay	855.24	1398.70	1398.70	928.34	+ 8.55	- 33.63
Disbursement of Loans & Advances	52.38	18.35	18.35	27.02	- 48.42	+ 47.25
Revenue Surplus (+)/Deficit (-)	- 180.34	+ 1013.38	+ 977.65	+536.81	+ 197.67	-47.03/ -45.09
Fiscal Deficit (-)	- 1065.25	- 379.69	- 415.42	- 395.30	- 62.89	+ 4.11/ - 4.84
Primary Deficit (-)/Surplus (+)	- 779.58	- 43.93	- 79.66	- 81.48	- 89.55	+85.48/ +2.28

Chart 1.1: Selected Fiscal Parameters - Budget Estimate vis-à-vis Actuals 2012-13 (₹ in crore)



- During 2012-13, actual **revenue receipts** fell short of the budget estimates and revised estimates by 20.63 *per cent* and 20.22 *per cent* respectively.
- The State Government was successful in restricting the **revenue expenditure** during 2012-13, which was less than the budget estimate by 16.14 *per cent* (₹ 962.50 crore).

[2] Net estimates
[3] Net estimates

- The **capital outlay** *vis-à-vis* budget estimate was less by 33.63 *per cent* (₹ 470.36 crore).
- The year 2012-13 ended with a revenue surplus of ₹ 536.81 crore against assessment for revenue surplus of ₹ 1013.38 crore and ₹ 977.65 crore made in the budget estimate and revised estimate for the year respectively. Due to shortfall in revenue surplus compared to budget estimate during the year by ₹ 476.57 crore, actual fiscal deficit and primary deficit during 2012-13 was higher than the assessment made in the budget estimate by 4.11 *per cent* (₹ 15.61 crore) and 85.48 *per cent* (₹ 37.55 crore) respectively despite actual capital outlay was ₹ 470.36 crore less than budget estimate. 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, most of 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 2012-13 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 (January 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 2008-13, the **Chart 1.4** depicts the composition of resources of the State during the current year.

Chart 1.2

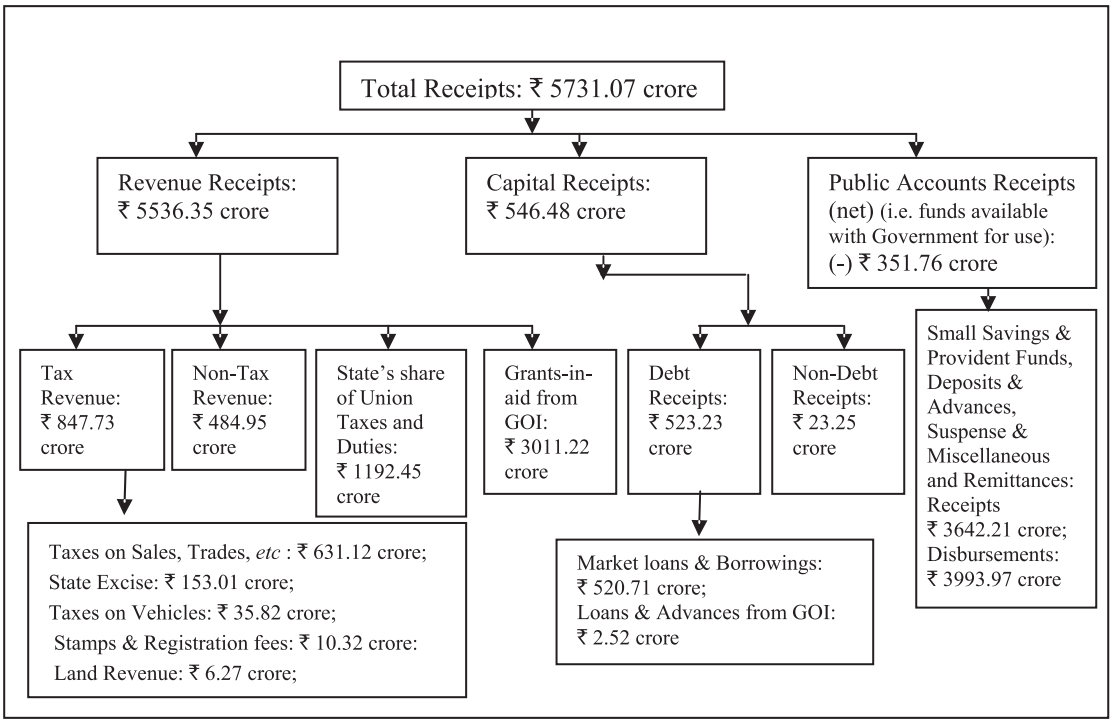
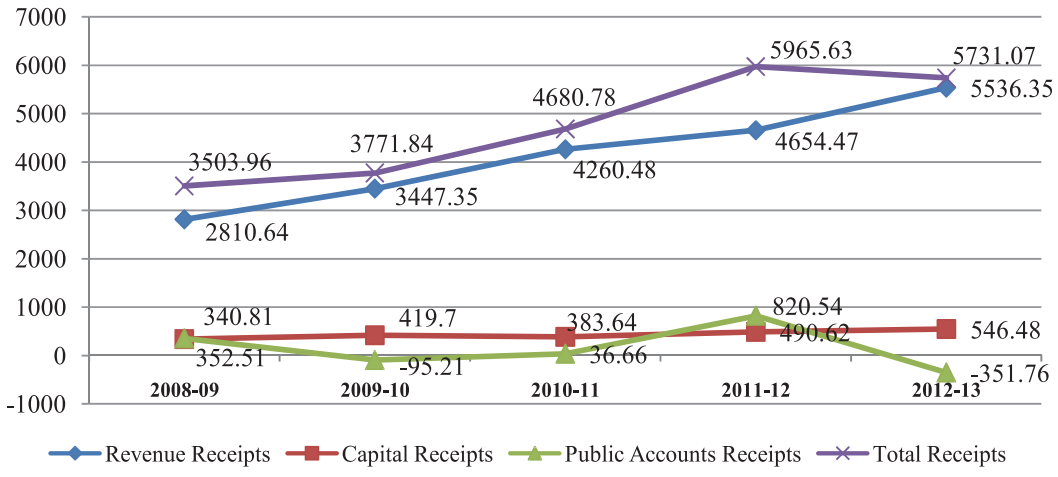


Chart 1.3: Trends in Receipts (₹ in crore)



The **total receipts** during the current year decreased by ₹ 234.56 crore (3.93 *per cent*) over the previous year. This was due to disbursements under Public Account during 2012-13 exceeding the receipts by ₹ 351.76 crore. This was mainly due to disbursement under 'Deposits and Advances' (₹ 1468.58 crore) in excess of receipts (₹ 886.54 crore).

The **total receipts** of the State for 2012-13 were ₹ 5731.07 crore, of which ₹ 5536.35 crore (96.60 *per cent*) came from revenue receipts and ₹ 546.48 crore (9.54 *per cent*) came from recoveries of loans and advances and borrowings. The total receipts of the State increased by 63.56 *per cent* from ₹ 3503.96 crore in 2008-09 to ₹ 5731.07 crore in 2012-13. The share of revenue receipts in total receipts of the State increased by

16.39 *per cent* from 80.21 *per cent* in 2008-09 to 96.60 *per cent* in 2012-13. On the other hand, the capital receipts together with Public Account ranged between 3.40 *per cent* and 21.98 *per cent* of total receipts during 2008-13, which was at its peak during 2011-12 (21.98 *per* cent) and was lowest during 2012-13 (3.40 *per cent*).

Revenue receipts increased by 96.98 *per cent* from ₹ 2810.64 crore in 2008-09 to ₹ 5536.35 crore in 2012-13, whereas the debt capital receipts which create future repayment obligation increased by 62.22 *per cent* from ₹ 322.55 crore (9.21 *per cent* of total receipts) in 2008-09 to ₹ 523.23 crore (9.13 *per cent* of total receipts) in 2012-13. The net **Public Account receipts** fluctuated widely during the period 2008-13, with a negative receipt of ₹ 351.76 crore during 2012-13. During the current year, the **Capital receipts** (recoveries of loans and advances plus Public Debt receipts) accounted for 9.54 *per cent* of total receipts.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies[4] 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. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources under the control of the State Government. 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 ₹ 830.58 crore to various State Implementing Agencies during 2012-13. 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 Rupees)

Sl. No	Programme/ Scheme	Implementing Agency in the State	Funds transferred by GOI
1.	Central Rural Sanitation Programme	State Water and Sanitation Mission, Meghalaya	25,40,01,000
2.	Human Resources for Health	DHS, Meghalaya	13,51,50,000
3.	Integrated Watershed Management Programme (IWMP)	SLNA Meghalaya(Shillong)	37,92,47,303
4.	Mahatma Gandhi National Rural Employment Guarantee	DRDAs, East Garo Hills, West Khasi Hills, Ri Bhoi, Jaintia Hills, East Khasi Hills, South Garo Hills and West Garo Hills	226,10,82,000
5.	MPs Local Area Development Schemes MPLADS	Deputy Commissioner, East Khasi Hills	5,00,00,000
		Deputy Commissioner, West Garo Hills	5,00,00,000

[4] 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 GOI
6.	National Rural Drinking Water Program	SWSM Meghalaya, Shillong	97,23,30,000
7.	National Rural Health Mission (NRHM & JIIT) Centrally	State Health Society, Meghalaya	87,94,54,000
8.	Pradhan Mantri Gram Sadak Yojana (PMGSY)	State Rural Road Development Agency	50,00,00,000
9.	Rural Housing –IAY	DRDAs, East Garo Hills, Ri Bhoi, West Garo Hills, Jaintia Hills, East Khasi Hills, South Garo Hills and West Khasi Hills	48,94,99,300
10.	Sarva Shiksha Abhiyan(SSA)	Sarva Shiksha Abhiyan State Mission Authority of Meghalaya	186,70,78,000

Source: Central Plan Scheme Monitoring System of CGA website.

Of ₹ 830.58 crore, ₹ 226.11 crore (27.22 *per cent*) was transferred to District Rural Development Agencies for utilisation under Mahatma Gandhi National Rural Employment Guarantee Act and ₹ 186.71 crore (22.48 *per cent*) to the SSA State Education Mission Authority. 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 three programmes, *viz.*, Pradhan Mantri Gram Sadak Yojana, 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:

- ***Pradhan Mantri Gram Sadak Yojana***

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by the Government of India (GOI) in December 2000 with the objective of connecting every habitation that had a population of 1,000 or more (in hill states, 500 persons and above) through good all weather roads within three years, i.e., by 2003 and habitations with 500 people or more (in hill states, 250 persons and above), by the end of Tenth Plan (2007). The PMGSY is executed in the State by the District Project Implementation Unit (DPIUs) of the concerned districts headed by an Executive Engineer under the supervision of State Rural Road Development Agency (SRRDA) headed by the Empowered Officer.

According to the information furnished (December 2012) by the Chief Engineer (Standard) cum Empowered Officer, SRRDA, GOI released ₹ 50 crore during 2012-13. Out of the total funds of ₹ 310.14 crore received up to March 2013 for implementation of PMGSY, expenditure of ₹ 261.47 crore was incurred till March 2013, leaving an unspent balance of ₹ 48.67 crore. However, information regarding submission of utilisation certificate to GOI, though called for in August 2013, had not been furnished due to non-completion of statutory audit.

➢ ***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 2012-13:

Table 1.6

(₹ in crore)

Opening balance	Fund released and received by Implementing Agencies			Miscella-neous receipts	Total fund available	Expen-diture[5]	Unspent balance (*per cent*)
	GOI	State	Total				
72.74	186.71	29.40	216.11	13.18	302.03	239.03	63.00 (21)

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 21 *per cent* of the funds available during 2012-13. Utilisation certificates for the fund utilised have not yet been furnished. The State Project Director (SPD), SSA SEMA stated (September 2013) 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 2012-13, GOI released ₹ 97.23 crore to the State Implementing Agency of NRDWP. But as per the information furnished (September 2013) by the Chief Engineer (CE), PHE, Meghalaya (responsible for implementation of the programme in the State), during 2012-13, GOI released ₹ 97.39 crore. Out of the total fund of ₹ 131.27 crore (including opening balance: ₹ 33.20 crore and Interest earned: ₹ 0.68 crore) available with the implementing agency during 2012-13, expenditure of ₹ 98.41 crore was incurred during the year leaving an unspent balance of ₹ 32.86 crore as of 31 March 2013. Of the total expenditure of ₹ 98.41 crore incurred during 2012-13, ₹ 65.22 crore was incurred out of ₹ 97.39 crore leaving a balance of ₹ 32.17 crore unutilised out of the funds received during the year. The CE, PHE, however, stated (September 2013) that utilisation certificate for the funds received during 2012-13 had been furnished 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 2008-13 are presented in **Appendix 1.2** and also

[5] Provisional

depicted in **Charts 1.4** and **1.5** respectively. The trends in revenue receipts relative to GSDP are presented in **Table 1.7.**

Chart 1.4: Trends of Revenue Receipts (₹ in crore)

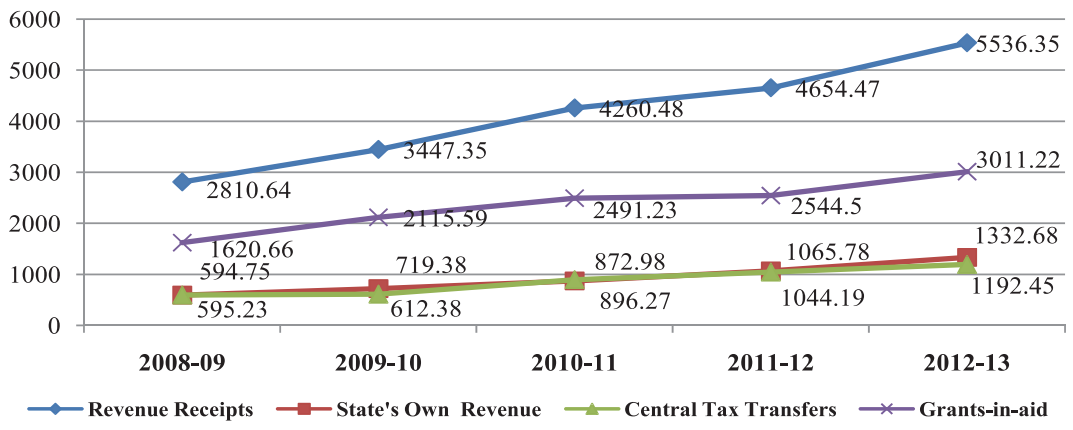


Chart 1.5: The composition of Revenue Receipts during 2008-13 (₹ in crore)

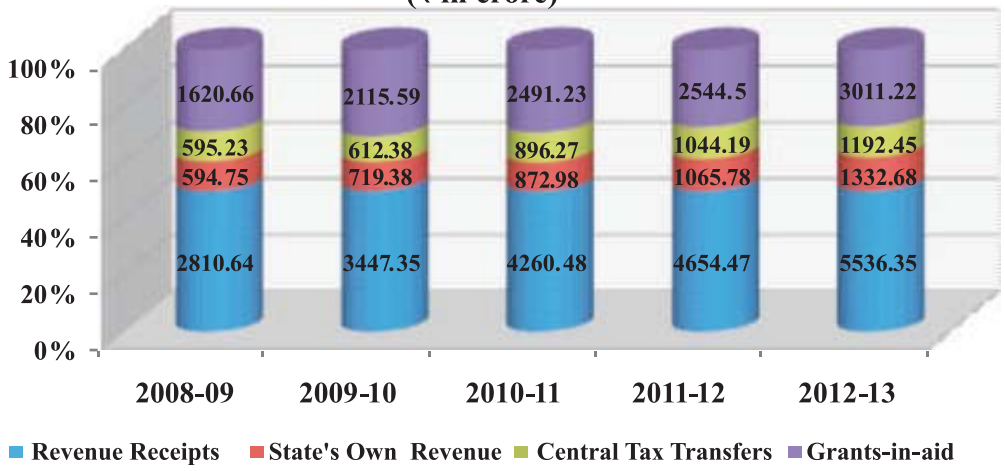


Table 1.7 : Trends in Revenue Receipts relative to GSDP

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	**2810.64**	**3447.35**	**4260.48**	**4654.47**	**5536.35**
Rate of Growth of RR (*per cent*)	15.13	22.65	23.59	9.25	18.95
Rate of Growth of Own Taxes (*per cent*)	15.78	20.26	28.62	22.06	21.53
RR/GSDP (*per cent*)	24.19	27.13	29.22	28.32	29.82
Buoyancy Ratio[6]					
Revenue Buoyancy Ratio with reference to GSDP	0.78	2.41	1.60	0.73	1.46
State's Own Taxes Buoyancy Ratio with reference to GSDP	0.82	2.16	1.94	1.74	1.66
State's Own Taxes Buoyancy Ratio with reference to Revenue Receipts	1.04	0.89	1.21	2.39	1.14

[6] 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 1.46 during 2012-13 implies that revenue receipts tend to increase by 1.4 percentage points, if the GSDP increases by one *per cent*.

1.3.1 General Trends

The **revenue receipts** of the State increased by ₹ 2725.71 crore from ₹ 2810.64 crore in 2008-09 to ₹ 5536.35 crore in 2012-13. There were, however, wide inter-year variations in the growth rates, recording an increase of 18.95 *per cent* in 2012-13 compared to growth rate of 9.25 *per cent* during the preceding year. All the components of revenue receipts have exhibited increases in absolute terms over the period 2008-13. The buoyancy ratio of revenue receipts in 2012-13 with reference to GSDP has increased primarily due to significant increase in the rate of growth of revenue receipts compared to previous year and marginal increase in growth rate of GSDP during 2012-13. However, the buoyancy ratio of the State's own tax revenue with reference to GSDP has decreased marginally due to decrease in the rate of growth of own tax revenue in 2012-13 relative to the previous year against the increase in the rate of growth of GSDP. Buoyancy ratio of State's own taxes to revenue receipts indicates that the pace of growth of own taxes was faster than the revenue receipts in four years (2008-09 and 2010-11 to 2012-13), which is a positive indicator. Buoyancy ratio of state's own taxes with reference to revenue receipts was 1.14 during the year 2012-13 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 2012-13 *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	639.71	720.40	847.73
Non tax revenue	314.47	470.04	484.95

The State has successfully achieved the target fixed by XIII FC in collection of tax and non-tax revenue during 2012-13. During the year, tax revenue was 32.52 *per cent* higher than the assessment made by the XIII FC and 17.67 *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	2008-09	2009-10	2010-11	2011-12	2012-13	Variations over previous year Increase (+) Shortfall (-) (*per cent*)
Taxes on Sales, Trade, *etc.*	281.83	321.40	409.88	512.50	631.12	+ 118.62 (23.15)
State Excise	69.79	90.29	104.50	131.50	153.01	+ 21.51 (16.36)
Taxes on Vehicles	13.21	13.61	19.19	31.12	35.82	+ 4.70 (15.10)
Stamps and Registration Fees	5.54	11.02	10.76	9.08	10.32	+ 1.24 (13.66)
Land Revenue	0.50	0.26	17.11	2.40	6.27	+ 3.87 (161.25)
Other Taxes[7]	- 1.43	7.72	10.01	10.94	11.19	+ 0.25 (2.29)
Total	**369.44**	**444.30**	**571.45**	**697.54**	**847.73**	+ 150.19 (21.53)

Tax revenue has increased by around 22 *per cent* during the current year (₹ 847.73 crore) over the previous year (₹ 697.54 crore). The revenue from sales tax contributed the major share of tax revenue (74.45 *per cent*) and it increased by 23.15 *per cent* over the previous year. State excise and Taxes on Vehicles were the other major contributors to the State's tax revenue. *The tax-GSDP ratio (4.57 per cent) during 2012-13 was higher than the projection (4.18 per cent) made by the XIII FC*. The CAGR of tax revenue between 2003-04 and 2011-12 was 18.64 *per cent*, which has marginally increased to 18.96 *per cent* between 2003-04 and 2012-13.

1.3.2.2 Non-Tax Revenue

Table 1.10 : Non-Tax Revenue

(₹ in crore)

Heads	2008-09	2009-10	2010-11	2011-12	2012-13	Variations over previous year Increase (+)/ Shortfall (-) (*per cent*)
Interest receipts	**17.82**	**23.28**	**24.72**	**27.13**	**25.38**	-1.75 (-6.45)
Dividends and Profits	**0.03**	**0.04**	**0.03**	**0.08**	**0.08**	0
General Services	**46.48**	**17.53**	**24.15**	**35.57**	**52.83**	17.26 (48.52)
Social Services	**3.85**	**8.84**	**5.77**	**7.36**	**7.44**	0.08 (1.09)
Economic Services	**157.13**	**225.39**	**246.86**	**298.10**	**399.22**	101.12 (33.92)
Non-ferrous Mining and Metallurgical Industries	132.73	198.21	215.58	262.58	357.97	95.39 (36.33)
Forestry and Wild life	17.36	20.03	22.05	26.03	30.87	4.84 (18.59)
Other Economic Services	7.04	7.15	9.23	9.49	10.38	0.89 (9.38)
Total	**225.31**	**275.08**	**301.53**	**368.24**	**484.95**	116.71 (31.69)

[7] 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 non-tax revenue (NTR), which constituted around 9 *per cent* of the total revenue receipts, has increased by ₹ 116.71 crore during 2012-13 recording a growth rate of 31.69 *per cent* over the previous year. Around 82 *per cent* (₹ 399.22 crore) of non-tax revenue during 2012-13 was received from economic services and within this category, receipts under non-ferrous mining and metallurgical industries alone contributed around 90 *per cent* (₹ 357.97 crore). This was mainly due to receipts of additional amount of ₹ 95.10 crore under Mineral concession fees, rents and royalties during the current year over that of previous year. The CAGR of non-tax revenue for Meghalaya between 2003-04 and 2011-12 (14.02 *per cent*) has also marginally increased to 15.86 *per cent* between 2003-04 and 2012-13.

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

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	439.92	377.12	664.07	527.07	895.72
Grants for State Plan Schemes	957.87	1394.56	1427.57	1702.64	1747.75
Grants for Central Plan Schemes	8.18	26.24	12.58	16.29	14.50
Grants for Centrally Sponsored Plan Schemes	158.99	251.01	315.15	242.27	268.20
Grants for Special Plan Schemes	55.70	66.66	71.86	56.23	85.05
Total	**1620.66**	**2115.59**	**2491.23**	**2544.50**	**3011.22**
Percentage of increase over previous year	*19.27*	*30.54*	*17.76*	*2.14*	*18.34*

Grants-in-aid from the GOI have significantly increased by 18.34 *per cent* (₹ 466.72 crore) from ₹ 2544.50 crore in 2011-12 to ₹ 3011.22 crore in the current year and contributed 52.92 *per cent* of the incremental revenue receipts (₹ 881.88 crore) during the year . Within the plan grants, while grants for Special Plan Schemes, Centrally Sponsored Plan Schemes and State Plan Schemes increased by 51.25 *per cent* (₹ 28.82 crore), 10.70 *per cent* (₹ 25.93 crore) and 2.65 *per cent* (₹ 45.11 crore) respectively, grants for Central Plan Schemes decreased by 10.99 *per cent* (₹ 1.79 crore). The major increase under Special Plan Schemes was in the form of grants of ₹ 25 crore released for 'Improvement and Upgradation of Mairang Ranigodown-Azra Road'. The major increase under State Plan Schemes was in the form of grants of ₹ 399.76 crore released as 'Special Plan Assistance', offset by release of less 'Special Central Assistance for the Schemes/Projects by ₹ 300 crore. Grants for Centrally Sponsored Plan Schemes increased during 2012-13 mainly due to release of additional grants of ₹ 30.51 crore for 'Mid-Day Meal in Schools' compared to the previous year.

The Non-Plan grants (₹ 895.72 crore) constituted 29.75 *per cent* of the total grants during the year and increased by 69.94 *per cent* (₹ 368.65 crore) over the previous year. Of the Non-Plan grants, 91.43 *per cent* (₹ 819 crore) was for meeting the non-

plan revenue deficit. Other components of non-plan grants mainly included grants for maintenance of roads and bridges (₹ 24 crore), contribution to calamity relief fund (₹ 15.19 crore) and elementary education (₹ 10 crore).

1.3.4 Central Tax Transfers

The **Central Tax transfers** increased significantly by 14.20 *per cent* (₹ 148.26 crore) over the previous year and constituted 21.54 *per cent* of revenue receipts. The increase was mainly due to transfer of additional amount of ₹ 49.54 crore as 'Service Tax' and ₹ 47.67 crore as 'Taxes on Income other than Corporation Tax' during 2012-13 compared to previous year. The central tax transfers also contributed around 16.81 *per cent* (₹ 148.26 crore) of the incremental revenue receipts (₹ 881.88 crore) during the year.

1.3.5 Optimisation of XIII FC Grants

XIII FC had recommended ₹ 9842.50 crore as transfer to the State during the period 2010-11 to 2014-15 including ₹ 8729.40 crore as Share in Central Taxes and Duties (₹ 5918.50 crore) and post devolution non-plan revenue deficit (NPRD) (₹ 2810.90 crore). The details of the balance amount of ₹ 1113.10 crore recommended by the XIII FC, actual release up to 31 March 2013 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 (+)
1.	Local Bodies	432.40	100.34	94.55	- 5.79
2.	Disaster Relief (including capacity building)	77.90	36.31	2.00	- 34.31
3.	Elementary Education	52.00	29.00	20.00	- 9.00
4.	Improving Outcomes	27.70	8.69	4.59	- 4.10
(i)	*Improvement in Justice Delivery*	*4.20*	*0.84*	*0.04*	*- 0.80*
(ii)	*Improvement for issuing UIDs*	*4.50*	*0.45*	*0.90*	*+ 0.45*
(iii)	*District Innovation Fund*	*7.00*	*3.50*	*0*	*- 3.50*
(iv)	*Improvement of Statistical Systems at State and District level*	*7.00*	*1.40*	*0*	*- 1.40*
(v)	*Employee and Pension Data Base*	*5.00*	*2.50*	*3.65*	*+ 1.15*

Sl. No.	Transfers	Recommendation of the XIII FC	Actual release	Expenditure under relevant heads of account	Shortfall (-)/ Excess (+)
5.	Environment related Grants	172.10	42.02	19.23	- 22.79
(i)	*Forests*	*168.10*	*42.02*	*19.23*	*- 22.79*
(ii)	*Water Sector Management*	*4.00*	*0*	*0*	*0*
6.	Maintenance of Roads and Bridges	101.00	47.00	80.41	+ 33.41
7.	State Specific	250.00	46.75	61.15	+ 14.40
(i)	Setting up of Meghalaya Police Academy	50.00	12.50	12.50	0
(ii)	Augmentation of Tura Phase I & II Water Supply Schemes	50.00	12.50	12.50	0
(iii)	Heritage and Tourism	30.00	1.25	1.25	0
(iv)	Infrastructure for Horticulture	38.00	0	0	0
(v)	Warehousing Facilities	2.00	0.50	0	- 0.50
(vi)	Construction of Bridges	80.00	20.00	34.90	+ 14.90
	Total	**1113.10**	**310.11**[8]	**281.93**	**- 28.18**

Source: Report of the XIII FC and State Loan Data: Ministry of Finance, GOI (finmin.nic.in) and *Detailed Appropriation Accounts.*

Analysis of above information/data pertaining to releases made by GOI in pursuance to XIII FC recommendations during 2010-13 and its utilisation under the respective head of accounts by the State Government shows that:

- As per the available information, against the release of ₹ 310.11 crore, an expenditure of ₹ 281.93 crore was incurred by the State Government during the period, resulting in non-utilisation of ₹ 28.18 crore. This included expenditure of ₹ 49.91 crore incurred in excess of the amount released under improvement for issuing of Unique Identification to people below poverty line, Employee and Pension Data Base, Maintenance of Roads and Bridges and Construction of Bridges;
- Under-utilisation of funds of ₹ 72.69 crore (34.86 *per cent*) was noticed in respect of five heads, *viz.* Local Bodies, Disaster Relief, Elementary Education, Improvement of Justice Delivery and Forests.

[8] Excluding ₹ 41.92 crore details of which are not available.

1.4 Capital Receipts

Table 1.13: Trends in growth and composition of Capital receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	**340.81**	**419.70**	**383.64**	**490.62**	**546.48**
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	18.26	16.68	27.25	22.71	23.25
Public Debt Receipts	322.55	403.02	356.39	467.91	523.23
Rate of growth of debt capital receipts	30.49	24.95	-11.57	31.29	11.82
Rate of growth of non-debt capital receipts	10.73	-8.65	63.37	-16.66	2.38
Rate of growth of GSDP	19.34	9.40	14.74	12.70	12.96
Rate of growth of CR (*per cent*)	29.26	23.15	-8.59	27.89	11.39

Capital receipts increased by 60.35 *per cent* from ₹ 340.81 crore in 2008-09 to ₹ 546.48 crore in 2012-13. The rate of growth of capital receipts decreased from 27.89 *per cent* in 2011-12 to 11.39 *per cent* in 2012-13. The rate of growth of debt capital receipts, which is the main component of capital receipts, also decreased from 31.29 *per cent* in 2011-12 to 11.82 *per cent* in 2012-13. Market loans constituted the major share of debt capital receipts during the current year which increased from ₹ 310 crore in 2011-12 to ₹ 385 crore during 2012-13, which was in line with the recommendation of XIII FC. While debt receipts from internal sources (market loans, borrowings financial institutions, *etc*.) increased by ₹ 72.05 crore during 2012-13 over previous years, loans and advances from GOI decreased by ₹ 16.73 crore. Non-debt capital receipts in the form of recoveries of loans and advances almost remained constant during 2011-12 and 2012-13.

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

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts	**2020.33**	**2416.65**	**2765.86**	**4091.31**	**3642.21**
(a) Small Savings, Provident Fund, *etc*.	106.55	121.56	155.74	181.49	204.03
(b) Reserve Fund	25.85	27.26	24.17	39.90	111.70
(c) Deposits and Advances	814.35	823.65	878.80	1687.12	886.54
(d) Suspense and Miscellaneous	9.69	- 39.89	- 40.85	- 13.89	92.01
(e) Remittances	1063.89	1484.07	1748.00	2196.69	2347.93

Public Account receipts decreased by 10.98 *per cent* (₹ 449.10 crore) over previous year. Shortfall in receipts under Public Account during 2012-13 was mainly due to less receipts under 'Deposits and Advances' by ₹ 800.58 crore over 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

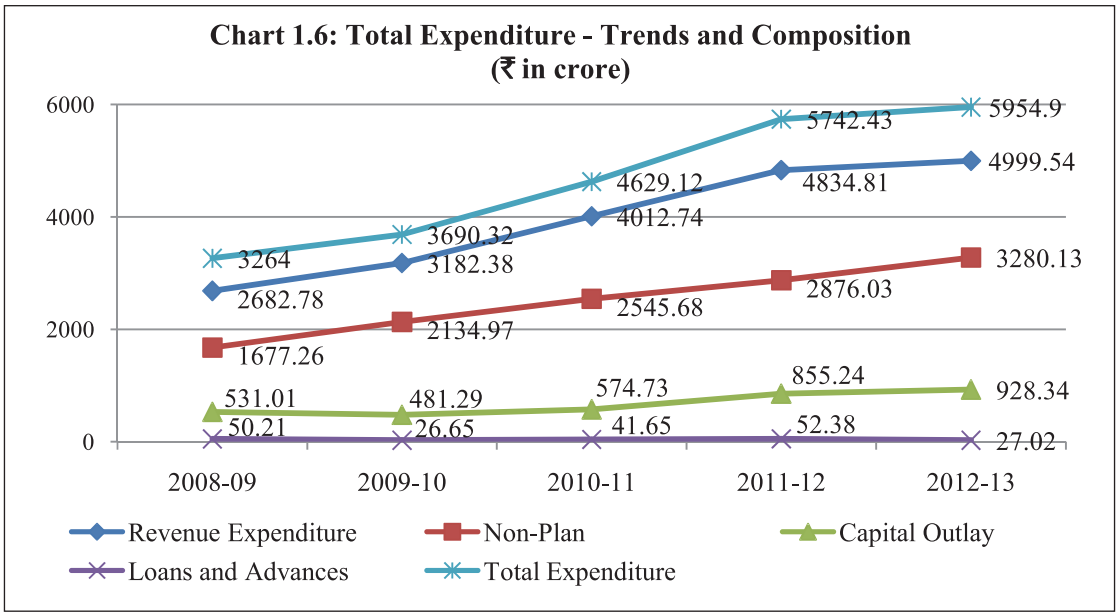
The total expenditure and its compositions during the years 2008-09 to 2012-13 are presented in the **Table 1.15**.

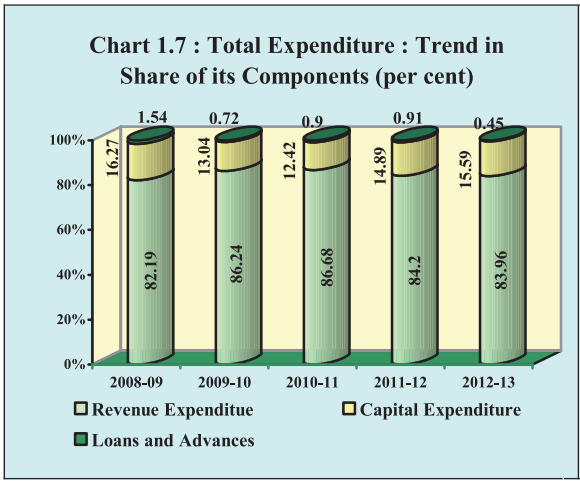
Table 1.15 : Total expenditure and its compositions

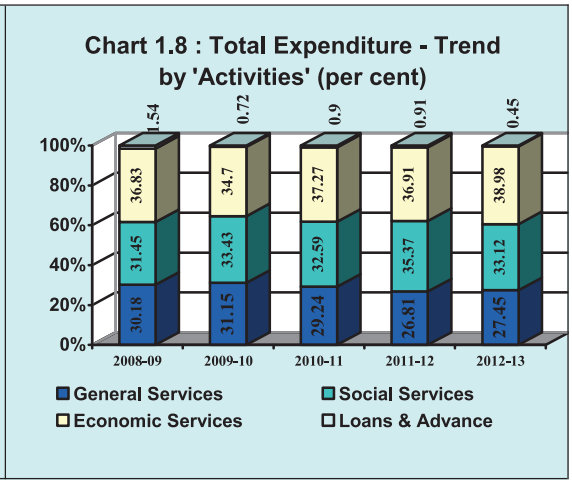
(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure	**3264.00**	**3690.32**	**4629.12**	**5742.43**	**5954.90**
Revenue Expenditure	2682.78	3182.38	4012.74	4834.81	4999.54
Of which, Non-plan Revenue Expenditure	*1677.26*	*2134.97*	*2545.68*	*2876.03*	*3280.13*
Capital Expenditure	531.01	481.29	574.73	855.24	928.34
Loans and Advances	50.21	26.65	41.65	52.38	27.02

Chart 1.6 presents the trends in total expenditure over a period of five years (2008-13) 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 ₹ 2690.90 crore (82.44 *per cent*) from ₹ 3264 crore in 2008-09 to ₹ 5954.90 crore in 2012-13. 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	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure (TE) (₹ in crore)	3264.00	3690.32	4629.12	5742.43	5954.90
Rate of growth (*per cent*)	22.15	13.06	25.44	24.05	3.70
TE/GSDP ratio (*per cent*)	28.10	29.04	31.74	34.94	32.08
RR/TE ratio (*per cent*)	86.11	93.42	92.04	81.05	92.97
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.15	1.39	1.73	1.89	0.29
RR (ratio)	1.46	0.58	1.08	2.60	0.20

The increase of ₹ 212.47 crore (3.70 *per cent*) in total expenditure during 2012-13 over previous year was mainly on account of increase of ₹ 164.73 crore in revenue expenditure followed by increase in capital outlay by ₹ 73.10 crore and partially off-set by decrease in disbursement of loans and advances by ₹ 25.36 crore respectively. While the share of plan expenditure constituted 43.83 *per cent* (₹ 2610.17 crore) of the total expenditure, the remaining 56.17 *per cent* (₹ 3344.73 crore) was non-plan expenditure. During the current year, 92.97 *per cent* (₹ 5536.35 crore) of the total expenditure was met from revenue receipts. The buoyancy of total expenditure to GSDP stood at 0.29 in 2012-13 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 0.20 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 2012-13, expenditure on general services and interest payments, which is considered as non-developmental,

together accounted for 27.45 *per cent.* On the other hand, expenditure on social and economic services (excluding loans and advances) together accounted for 72.10 *per cent* during 2012-13. The relative share of social services decreased from 35.37 *per cent* in 2011-12 to 33.12 *per cent* in 2012-13. The relative share of economic services which ranged between 34.7 *per cent* and 38.98 *per cent* during 2008-13 and reached its peak at 38.98 *per cent* during 2012-13. Loans and advances revealed wide fluctuations during the period 2008-13 and stood at 0.45 *per cent* of total expenditure during 2012-13.

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	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Expenditure (RE)	2682.78	3182.38	4012.74	4834.81	4999.54
Of which					
Non-Plan Revenue Expenditure (NPRE)	1677.26 (62.52)	2134.97 (67.09)	2545.68 (63.44)	2876.03 (59.49)	3280.13 (65.61)
Plan Revenue Expenditure (PRE)	1005.52 (37.48)	1047.41 (32.91)	1467.06 (36.56)	1958.78 (40.51)	1719.41 (34.39)
Rate of Growth of					
RE (*per cent*)	19.04	18.62	26.09	20.49	3.41
NPRE (*per cent*)	9.46	27.29	19.24	12.98	14.05
PRE (*per cent*)	39.40	4.17	40.07	33.52	-12.22
Ratio (*per cent*)					
RE as percentage of TE	82.19	86.24	86.68	84.19	83.96
NPRE/GSDP (*per cent*)	14.44	16.80	17.46	17.50	17.67
NPRE as percentage of TE	51.39	57.85	54.99	50.08	55.08
NPRE as percentage of RR	59.68	61.93	59.75	61.79	59.25
Buoyancy Ratio of Revenue Expenditure with					
GSDP	0.98	1.98	1.77	1.61	0.26
Revenue Receipts	1.26	0.82	1.11	2.22	0.18

(Figures in brackets represent percentages to revenue expenditure)

Revenue expenditure constituted 82.19 *per cent* to 86.68 *per cent* of total expenditure during 2008-13 and increased by 86.36 *per cent* from ₹ 2682.78 crore in 2008-09 to ₹ 4999.54 crore in 2012-13. The non-plan revenue expenditure (NPRE) during the same period increased by 95.56 *per cent* from ₹ 1677.26 crore to ₹ 3280.13 crore. As a percentage of total revenue expenditure also the NPRE increased from 62.52 *per cent* in 2008-09 to 65.61 *per cent* in 2012-13. As a result, plan revenue expenditure (PRE), which normally covers the maintenance expenditure incurred on services,

decreased its share in total revenue expenditure from 37.48 *per cent* during 2008-09 to 34.39 *per cent* during 2012-13.

The NPRE constituted a dominant share of 65.61 *per cent* in the revenue expenditure during 2012-13 and has increased by ₹ 404.10 crore over the previous year. The growth of NPRE during 2012-13 also increased to 14.05 *per cent* against 12.98 *per cent* during the previous year. In absolute terms, the increase in NPRE during 2012-13 was mainly due to increase in expenditure under general education (₹ 58.74 crore) followed by transport (₹ 54.91 crore), water supply and sanitation (₹ 48.49 crore) and health and family welfare (₹ 42.23 crore). On the other hand, PRE, which normally covers the maintenance expenditure incurred on services, decreased by ₹ 239.37 crore over the previous year. The growth of PRE during 2012-13 turned to a negative 12.22 *per cent* against 33.52 *per cent* during the preceding year mainly due to decline in the growth of expenditure under general education (- 37.56 *per cent* in 2012-13 against 71.78 *per cent* in 2011-12) and general economic services (- 35.14 *per cent* during 2012-13 against 114.89 *per cent* during 2011-12).

The NPRE at ₹ 3280.13 crore during 2012-13 was 12.17 *per cent* (₹ 355.92 crore) higher than the normatively assessed level of ₹ 2924.21 crore by XIII FC (**Table 1.18).**

Table 1.18 : Non-Plan Revenue Expenditure during 2012-13: Actuals *vis-à-vis* Normative Assessment by XIII FC

(₹ in crore)

Sectors	XIII FC Recommendations	Actuals
Salary	1034.65	1464.32
Interest Payments	329.99	313.82
Pension	248.85	388.26
Other General Services	201.63	244.11
Social Services	345.70	547.97
Economic Services	169.56	321.65
Committed Liabilities	593.83	-
Total	**2924.21**	**3280.13**

Except for interest payments during 2012-13, the actual expenditure incurred on all other components of NPRE (Pension, Other General Services, Social Services and Economic Services) was more than the assessments made by the XIII FC. The total NPRE during 2012-13 also exceeded the projection made by the State Government in its Budget (net: ₹ 2950.47 crore) by 11.17 *per cent* (₹ 329.66 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 2012-13, the revenue receipts of Meghalaya, excluding Plan assistance (₹ 2115.50 crore), was ₹ 3420.85 crore. Against this, the NPRE during the year was ₹ 3280.13 crore. Thus, during 2012-13, the revenue receipt of the State was able to cover NPRE, which implies that there was no diversion of plan assistance to meet non-plan needs.

1.6.1.3 Components of Revenue Expenditure

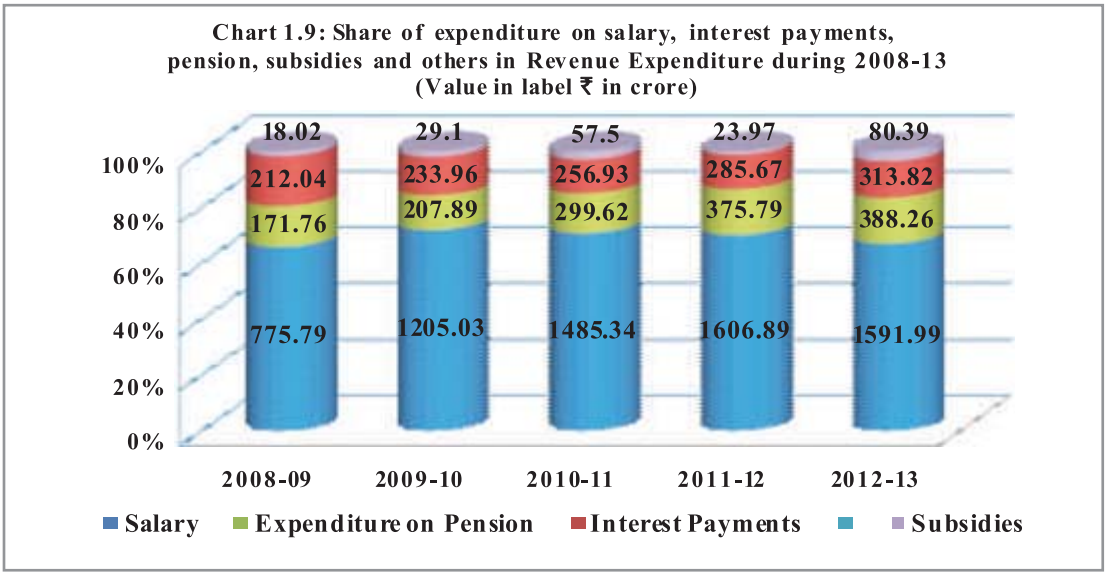
The expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.19** and **Chart 1.9** present the trends in the expenditure on these components during 2008-13.

Table 1.19 : Components of Revenue Expenditure

(₹ in crore)

Components of Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
Salary	775.79 (27.60)	1205.03 (34.95)	1485.34 (34.86)	1606.89 (34.52)	1591.99 (28.76)
Of which					
Non-Plan Head	*640.48 (22.79)*	*999.36 (28.99)*	*1231.40 (28.90)*	*1324.62 (28.46)*	*1464.32* (26.45)
Plan Head	*135.31 (4.81)*	*205.67 (5.97)*	*253.94 (5.96)*	*282.27 (6.06)*	*127.67 (2.31)*
Interest Payments	212.04 (7.54)	233.96 (6.79)	256.93 (6.03)	285.67 (6.14)	313.82 (5.67)
Expenditure on Pension and other retirement benefits	171.76 (6.11)	207.89 (6.03)	299.62 (7.03)	375.79 (8.07)	388.26 (7.01)
Subsidies	18.02 (0.64)	29.10 (0.84)	57.50 (1.35)	23.97 (0.51)	80.39 (1.45)
Other Components of revenue expenditure, i.e, other than salary, interest payments, pension and subsidies	1505.17 (53.55)	1506.40 (43.70)	1913.35 (44.91)	2542.49 (54.62)	2625.08 (47.42)

(*Figures in the parentheses indicate percentage to Revenue Receipts*)



1.6.1.4 Salary

Salary alone during 2012-13 accounted for around 29 *per cent* of the revenue receipts of the State during the year. However, it marginally decreased by 0.93 *per cent* from ₹ 1606.89 crore in 2011-12 to ₹ 1591.99 crore in 2012-13. Expenditure on salary under non-plan head during 2012-13 increased by ₹ 139.70 crore (10.55 *per cent*) over the previous year, whereas this expenditure under plan head decreased by ₹ 154.60 crore (54.77 *per cent*) over the previous year. *The non-plan revenue*

expenditure on salary component during 2012-13 was also significantly higher by around 41.53 per cent (₹429.67 crore) than the assessment made by the XIII FC for the State (₹1034.65 crore).

1.6.1.5 Interest Payments

Interest payments increased by 48 *per cent* (₹ 101.78 crore) from ₹ 212.04 crore in 2008-09 to ₹ 313.82 crore in 2012-13. Compared to previous year, interest payments during 2012-13 increased by 9.85 *per cent* (₹ 28.15 crore). Interest payments were mainly on market loans (₹ 159.09 crore), State Provident Funds (₹ 60.86 crore), Special Securities issued to National Small Savings Fund of the Central Government (₹ 47.43 crore), loans and advances received from Central Government (₹ 22.31 crore) and other internal debts (₹ 24.13 crore). Of the total interest payments during the year, around 51 *per cent* (₹ 159.09 crore) were paid on market borrowings. *The overall interest payments (₹ 313.82 crore) was, however, lower than the projections made by the XIII FC (₹ 329.99 crore) as well as budget estimates (₹ 335.76 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 2008-13. Pension payments during the current year have increased by ₹ 12.47 crore, an increase of 3.32 *per cent* over the previous year. The comparative analysis of actual pension payments and the assessment/projection made by XIII FC and the State Government shows that actual pension payment exceeded the assessment made by XIII FC by ₹ 139.41 crore and the projection made by the State Government in its Budget for the year 2012-13 by ₹ 162.63 crore as shown in (**Table 1.20**).

Table 1.20 : Actual Pension Payments *vis-à-vis* Projection

(₹ in crore)

Year	Assessment made by XII FC/XIII FC	Assessment made by the State Government in		Actuals	Expenditure in excess of Assessment made in the		
		FCP	Budget		XII FC/XIII FC	FCP	Budget
2008-09	117.10	122.47	125.57	171.76	54.66 (46.68)	49.29 (40.25)	46.19 (36.78)
2009-10	128.81	132.27	176.00	207.89	79.08 (61.39)	75.62 (57.17)	31.89 (18.12)
2010-11	205.66	(NA)	201.65	299.62	93.96 (45.69)	(NA)	97.97 (48.58)
2011-12	226.22	(NA)	235.90	375.79	149.57 (66.12)	(NA)	139.89 (59.30)
2012-13	248.85	(NA)	225.63	388.26	139.41 (56.02)	(NA)	162.63 (72.08)

(*Figures in brackets represent percentages*). NA: Not available.

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 increased by 235.38 *per cent* from ₹ 23.97 crore in 2011-12 to ₹ 80.39 crore during 2012-13. The increase of ₹ 56.42 crore is mainly due to payment of more subsidy under fisheries by ₹ 47.48 crore during the current year over previous year.

1.6.2 Capital Outlay

Capital outlay during the current year (2012-13) increased by ₹ 73.10 crore over previous year mainly due to increased expenditure on transport (₹ 93.49 crore), health and family welfare (₹ 26.60 crore) and special areas programmes (₹ 18.15 crore), partly offset by decrease in expenditure on housing and urban development (₹ 75.69 crore) and water supply and sanitation (₹ 14.30 crore). As *per cent* to total expenditure, capital outlay showed a fluctuating trend over the period 2008-09 to 2012-13 and ranged between 12.42 *per cent* and 16.27 *per cent*. The capital outlay constituted 15.59 *per cent* of total expenditure during 2012-13 against 14.89 *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 failed to fulfil its commitment made in the budget as it fell short by 33.63 *per cent* (₹ 470.36 crore) of the budget estimate (₹ 1398.70 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 1.21**.

Table 1.21 : Financial Assistance to Local Bodies, *etc.*

(₹ in crore)

Financial Assistance to Institutions	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget Estimate	Actual
University and Educational Institutions	244.61	291.70	379.02	590.54	668.97	507.84
Co-operative Societies	1.92	0.64	0.65	3.18	17.49	2.77
District Councils	16.93	1.05	10.92	2.86	7.82	2.60
Municipalities	2.29	1.97	3.00	2.89	27.85	10.30
Power sector	209.51	110.65	114.52	179.10	270.26	174.22
Other Institutions[9]	3.87	34.66	33.20	48.14	50.76	44.33
Total	**479.13**	**440.67**	**541.31**	**826.71**	**1043.15**	**742.06**
Assistance as percentage of RE	17.86	13.85	13.49	17.10		14.84

[9] **Other Institutions (figures for 2012-13 in brackets)**: Emergency Management Research Institute & NGOs (₹ 21.58 crore), National Rural Health Mission (₹ 13.94 crore), Khadi Industries (₹ 2.47 crore), Local bodies for prevention of air and water (₹ 1.84 crore), Forest Development Corporation (₹ 1.75 crore), Indian Red Cross Society, Shillong, Meghalaya State Housing Board, Voluntary Organisations, Meghalaya, State Medival Plan Board, *etc.* (₹ 2.75 crore).

The financial assistance extended to the above local bodies and other institutions with inter-year variations decreased by 10.24 *per cent* from ₹ 826.71 crore in 2011-12 to ₹ 742.06 crore in 2012-13. The share of financial assistance in revenue expenditure also decreased from 17.1 *per cent* in 2011-12 to 14.84 *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 2012-13.

University and Educational Institutions were the major recipients as over 68 *per cent* of the total financial assistance during 2012-13 was given to them. The assistance under this sector, however, decreased by 14 *per cent,* i.e. from ₹ ₹ 590.54 crore during 2011-12 to ₹ 507.84 crore during the current year. Of ₹ 507.84 crore, ₹ 291.94 crore was given to Non-Government Primary Schools and ₹ 145.28 crore to Non-Government Secondary Schools. Out of ₹ 44.33 crore given to other institutions, major share (₹ 21.58 crore) was paid to Emergency Management Research Institute and Non-Government Organisations followed by National Rural Health Mission (₹ 13.94 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 two ULBs (Shillong and Tura Muncipal Boards), these provisions had not been followed by other four ULBs. 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 Pattern of finances in ULBs

As per the information furnished (July 2013) by the Director, Urban Affairs, Meghalaya, the pattern of finances in six ULBs during 2008-09 to 2012-13 is as indicated in **Table 1.22**:

Table 1.22

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Resources					
Own Revenue	6.41	7.88	8.31	8.36	8.27
Assigned Revenues (XII & XIII FC)	0.80	3.20	3.73	10.24	6.24
Grants, Contribution & Subsidy	1.36	1.61	2.86	2.90	3.82
Capital Receipts	15.19	24.06	26.43	27.57	25.05
Other Receipts	5.89	8.03	5.51	5.90	7.85
Total	**29.65**	**44.78**	**46.84**	**54.97**	**51.23**
Expenditure					
Revenue Expenditure	7.82	9.19	11.19	12.40	13.06
Expenditure out of assigned revenues	0.80	3.2	3.73	10.24	6.24
Expenditure out of Grants, Contribution & Subsidy	0.44	0.37	1.08	1.31	1.18
Capital Outlay	8.82	22.30	20.63	20.51	28.41
Other Expenditure	5.89	8.03	5.51	5.90	7.85
Total	**23.77**	**43.09**	**42.14**	**50.36**	**56.74**

The resources of the ULBs have increased by 72.78 *per cent* from ₹ 29.65 crore in 2008-09 to ₹ 51.23 crore in 2012-13. The expenditure during 2012-13 exceeded the available resources of the year by ₹ 5.51 crore.

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 goods[10]. Apart from improving the allocation towards development expenditure[11], 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 1.23** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years,

[10] As defined in Appendix 1.1
[11] As defined in Appendix 1.1.

Table 1.24 provides the details of capital outlay and the components of revenue expenditure incurred on the selected social and economic services.

Table 1.23 : Development Expenditure

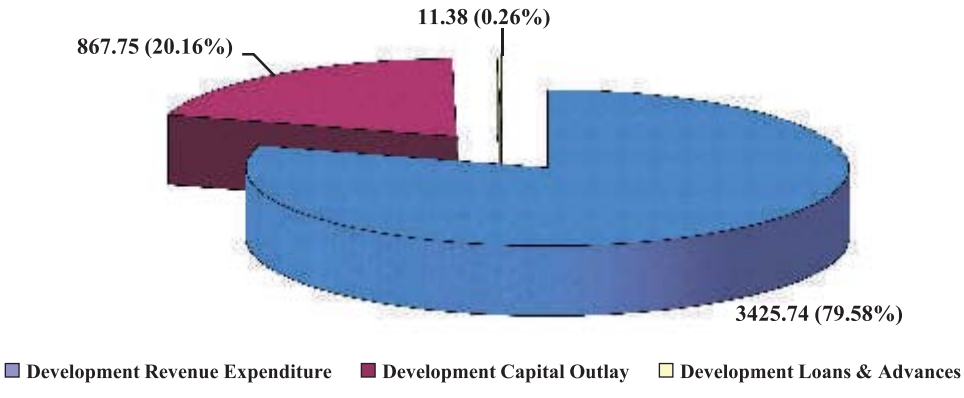
(₹ in crore)

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE (Net)	Actuals
Development Expenditure (a to c)	**2271.96 (69.61)**	**2524.80 (68.42)**	**3260.49 (70.43)**	**4186.36 (72.90)**	**5848.58 (79.26)**	**4304.87 (72.29)**
a. Development Revenue Expenditure	1745.26 (53.47)	2081.39 (56.40)	2695.94 (58.24)	3347.62 (58.30)	4537.49 (61.49)	3425.74 (57.53)
b. Development Capital Outlay	483.44 (14.81)	432.89 (11.73)	538.09 (11.62)	802.80 (13.98)	1308.60 (17.73)	867.75 (14.57)
c. Development Loans and Advances	43.26 (1.33)	10.52 (0.29)	26.46 (0.57)	35.94 (0.62)	2.49 (0.04)	11.38 (0.19)

(*Figures in parentheses indicate percentage to aggregate expenditure*)

The development expenditure marginally increased by 2.83 *per cent* over previous year. During the current year, though the State Government earmarked 79.26 *per cent* of the estimated aggregate expenditure for development expenditure, this assessment fell short by 6.97 *per cent* at the end of the year, as only 72.29 *per cent* of the aggregate expenditure during 2012-13 was incurred for development purposes. The relative share of development expenditure during 2012-13 given in **Chart 1.10** below showed that 79.58 *per cent* of the development expenditure was incurred on revenue account and only 20.16 *per cent* was utilised for capital expenditure.

Chart 1.10 : Relative share of Development Expenditure (₹ in crore)



Predominant share of revenue expenditure in development expenditure indicated that more emphasis was given on maintenance of the current level of services (including 12.97 *per cent* of revenue expenditure on salary under social services and 6.59 *per cent* on economic services) 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 1.24 : Efficiency of Expenditure Use in Selected Social and Economic Services

(In *per cent*)

Social/Economic Infrastructure	2011-12		2012-13	
	Ratio of Capital Expenditure to Total Expenditure[12]	In Revenue Expenditure, the share of Salary	Ratio of Capital Expenditure to Total Expenditure[12]	In Revenue Expenditure, the share of Salary
Social Services (SS)	**14.20**	**36.71**	**11.37**	37.11
General Education	0.25	30.97	0.33	35.05
Technical Education, Sports, Arts and Culture	1.32	20.04	0.57	15.62
Health and Family Welfare	11.31	73.74	15.89	63.58
Water Supply & Sanitation, Housing and Urban Development	57.15	40.37	40.64	31.69
Other SS	0.28	18.45	0.00	21.03
Economic Services (ES)	**24.27**	**20.85**	**27.72**	19.65
Agriculture and Allied Activities	5.33	38.92	2.07	37.87
Irrigation & Flood Control	53.84	27.82	53.48	26.69
Energy	0.00	0.00	0.00	0.00
Transport	73.67	0.00	70.93	0.00
Other ES	8.81	15.99	14.18	15.85

Social Services

The trends presented in **Table 1.24** reveal that development capital expenditure as a percentage of total expenditure constituted only 11.37 *per cent* in 2012-13, which indicated that the revenue expenditure was dominant. While there was significant improvement in the share of capital expenditure during 2012-13 under 'Health and Family Welfare', there was deterioration in the share of capital expenditure during the year under 'Water Supply and Sanitation, Housing and Urban Development' and 'Technical Education, Sports, Arts and Culture' compared to 2011-12.

Of the revenue expenditure on social services, the share of salary component marginally increased from 36.71 *per cent* in 2011-12 to 37.11 *per cent* in 2012-13. The non-salary expenditure on social services decreased by 0.31 *per cent* during 2012-13 from ₹ 1102.76 crore in 2011-12 to ₹ 1099.35 crore in 2012-13. 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 2012-13, share of salary expenditure under health and family welfare services was 63.58 *per cent* of Revenue Expenditure.

[12] Total revenue and capital expenditure of the services concerned.

Economic Services

The share of capital expenditure on economic services to total of revenue and capital expenditure on economic services increased to 27.72 *per cent* during 2012-13 from 24.27 *per cent* in 2011-12. Salary component within the revenue expenditure on economic services as a percentage of the total expenditure on economic sector marginally reduced from 20.85 *per cent* in 2011-12 to 19.65 *per cent* in 2012-13.

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

According to the information furnished (July 2013) by the different authorities, the position of implementation of 13 programmes/schemes during 2012-13 is given in **Appendix 1.5**. Details of significant shortfall in achievement of targets are given in **Table 1.25** below:

Table 1.25

(₹ in crore)

Sl. No.	Programme/Scheme	Financial Outlays and Expenditure		Physical Achievement/Outcome of the Programme		
		Outlay	Expendi-ture	Performance Indicator	Targets	Achievement/ Outcome (Percentage of shortfall)
1	Indira Awaas Yojana (IAY)	11.50	6.93	Construction of houses (in number)	12,608	5,356 (58)
2	Special Nutrition Programme (SNP)	73.71	57.59	Number of beneficiaries (Mini beneficiaries)	6,48,973	5,16,804 (20)
3	Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	206.78	79.00	Number of villages	694	476 (31)
4	Accelerated Irrigation Benefit Programme (AIBP)	75.00	75.00	Creation of Irrigation Potential (in hectare)	3015.82	1072.06 (64)

Source: Information furnished by Social Welfare, Community & rural Development, Meghalaya Power Distribution Corporation Limited and Chief Engineer, Water Resources.

As can be seen from the above table, shortfall in achievement of targets under the above schemes ranged between 20 *per cent* and 64 *per cent*. Out of all the above programmes, major shortfall in achievement of targets (64 *per cent*) during 2012-13 was under Accelerated Irrigation Benefit Programme.

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 2012-13, as of 31 March 2013, there were 196 ongoing projects in the State. The department-wise information pertaining to incomplete projects as on 31 March 2013 even after target date(s) of completion is given in **Table 1.26**.

Table 1.26 : 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 of all incomplete projects (as of March 2013)
			Number	Amount			
Public Works (Roads & Bridges)	32	452.73	03	19.81	29.31	9.50	280.44
Public Health Engineering	19	348.10	01	18.66	23.16	4.50	117.43
Total	**51**	**800.83**	**04**	**38.47**	**52.47**	**14.00**	**397.87**

As can be seen from the above table, 51 projects stipulated for completion on or before March 2013 at an estimated cost of ₹ 800.83 crore, remained incomplete with an expenditure of ₹ 397.87 crore. The revised cost of three incomplete projects under Public Works (Roads & Bridges) Department and one project under PHE Department increased by 36.39 *per cent* from ₹ 38.47 crore to ₹ 52.47 crore, resulting in a total cost overrun of ₹ 14 crore. Effective steps need to be taken to complete the incomplete projects without further delay to avoid cost overrun due to time overrun. Further, in case of three projects under PHE Department, the original estimated cost (₹ 21.59 crore) was revised to ₹ 6.39 crore, i.e., less by over 70 *per cent* (₹ 15.20 crore), although the cumulative expenditure on these projects till March 2013 was 70 *per cent* (₹ 15.19 crore) of the original estimated cost. Reasons for downward revision of estimated cost of the project was not furnished.

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 2012-13, as of 31 March 2013, the State Government had invested ₹ 383.51 crore in two Statutory Corporations (₹ 71.11 crore), eight Government Companies (₹ 228.68 crore) and 1,456 Co-operative Banks and Societies (₹ 83.72 crore). Details are given in **Table 1.27.**

Table 1.27 : Return on Investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)					
(i) Statutory Corporations	40.79	70.91	71.11	71.11	71.11
(ii) Government Companies	112.92	152.51	177.51	188.51	228.68
(iii) Co-operative Societies	46.72	62.77	67.17	77.45	83.72
Total	**200.43**	**286.19**	**315.79**	**337.07**	**383.51**
Return (₹ in crore)	0.03	0.04	0.03	0.08	0.08
Return (*per cent*)	0.01	0.01	0.01	0.02	0.02
Average rate of interest on Government borrowing *(per cent)*	6.32	6.34	6.51	6.22	6.24
Difference between interest rate and return (*per cent*)	6.31	6.33	6.50	6.20	6.22

On the investments made, Government earned a return of merely ₹ 0.08 crore in 2012-13. The return on investment was very low at less than one *per cent* during 2008-13 while the average rate of interest paid during the period ranged between 6.22 *per cent* and 6.51 *per cent.*

Of the two Statutory Corporations, bulk of the investment (₹ 68.97 crore) was made to the Meghalaya Transport Corporation Limited during 1986-2010 which had accumulated loss of ₹ 3.55 crore as per the latest finalised annual accounts (2009-10). Out of ₹ 228.68 crore invested in Government Companies, ₹ 136.14 crore was invested in four ailing Companies, which had accumulated losses of ₹ 20.33 crore as per the latest finalised annual accounts of these Companies[13]. Further, out of ₹ 83.72 crore invested in co-operative banks/societies, ₹ 21.03 crore was invested in 1,091 loss making co-operative banks/societies, which had accumulated losses of ₹ 7.47 crore up to 31 March 2010. Up-to-date working results of one Government company and 365 co-operative banks/societies had not been intimated (August 2013).

Further, Mawmluh Cherra Cements limited (MCCL) is a loss incurring Company, which had accumulated losses of ₹ 18.71 crore as per the latest finalised Annual Accounts for the year 2011-12. But the State Government released ₹ 34.07 crore as share capital to the MCCL in January 2013 for payment of energy bills, which

[13] Mawmluh Cherra Cements Limited: Annual Accounts-2011-12-Loss: ₹ 18.71 crore; Meghalaya Mineral Development Corporation Limited: Annual Accounts-2011-12-Loss: ₹ 0.12 crore; Forest Development Corporation of Meghalaya Limited: Annual Accounts-2003-04- Loss: ₹0.61 crore; Meghalaya Tourism Development Corporation Limited: Annual Accounts-1997-98-Loss: ₹ 0.89 crore.

included an avoidable expenditure of ₹ 15.89 crore as 'delay payment charges' for the period from December 2008 to November 2012.

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 1.28** presents the outstanding loans and advances as on 31 March 2013, interest receipts *vis-à-vis* interest payments during the last five years**.**

Table 1.28 : Average Interest Received on Loans and Advances given by the State Government

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance	**478.96**	**510.91**	**520.88**	**535.28**	**564.95**
Amount advanced during the year	50.21	26.65	41.65	52.38	27.02
Amount recovered during the year	18.26	16.68	27.25	22.71	23.25
Closing Balance	**510.91**	**520.88**	**535.28**	**564.95**	**568.72**
Net Addition	31.95	9.97	14.40	29.67	3.77
Interest Receipts	2.04	2.59	4.62	4.83	6.46
Interest received as *per cent* to outstanding Loans and Advances	0.41	0.50	0.87	0.88	1.14
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	6.32	6.34	6.51	6.22	6.24
Difference between interest payments and receipts (*per cent*)	5.91	5.84	5.64	5.34	5.10

Loans and advances given by the State Government during 2012-13 decreased by 48.42 *per cent* over previous year. The total outstanding loans and advances as on 31 March 2013 was ₹ 568.72 crore. Out of the loans of ₹ 27.02 crore advanced during 2012-13, ₹ 11.38 crore was given to Electricity Boards for power projects and ₹ 15.64 crore was given to Government servants. Interest receipt of ₹ 6.46 crore on loans and advances by GOM during 2012-13 constituted around 1.14 *per cent* only of the outstanding loans and advances at the end of 2009-10 (₹ 520.88 crore).

1.9.5 Cash Balances and Investment of Cash balances

Table 1.29 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.29 : Cash Balances and Investment of Cash Balances

(₹ in crore)

Particulars	Opening balance on 01 April 2012	Closing balance on 31 March 2013
(a) General Cash Balance-		
Cash in Treasuries	15.12	29.12
Deposits with Reserve Bank	54.56	- 45.46
	69.68	**-16.34**
Investments held in Cash Balance investment account	301.22	- 5.63
Total (a)	**370.90**	**- 21.97**
(b) Other Cash Balances and Investments		
Cash with departmental officers, of Forest and Public Works Department	0.37	0.90
Permanent advances for contingent expenditure with departmental officers	[14]	[15]
Investment of earmarked funds	115.81	136.24
- *Sinking Fund Investment Account*	*115.78*	*136.21*
- *Other Development and Welfare Fund*	*0.03*	*0.03*
Total (b)	**116.18**	**137.14**
Grand Total (a) + (b)	**487.08**	**115.17**

Cash balances (excluding investment of earmarked funds) of the State Government at the end of the current year significantly decreased from ₹ 371.27 crore in 2011-12 to a negative ₹ 21.07 crore in 2012-13. As on 31 March 2013, the Government invested ₹ 136.24 crore in Sinking Fund and Development and Welfare Fund. During 2012-13, interest of ₹ 18.93 crore was earned on investment of cash balances against ₹ 22.30 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.

During the years 2008-09 to 2012-13, the Government did not have to resort to ways and means Advances and overdraft indicating comfortable position of cash balances of the State.

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 2013, compared with the corresponding

[14] ₹ 246 only
[15] ₹ 246 only

position on 31 March 2012. 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.**

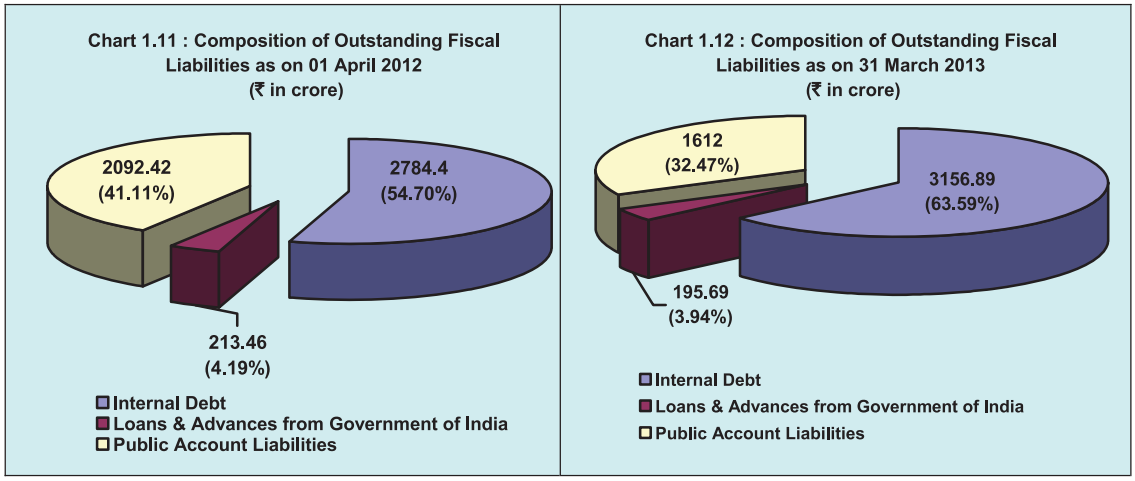


Table 1.30 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP to revenue receipts and State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.30 : Fiscal Liabilities – Basic Parameters

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities[16] (₹ in crore)	3572.95	3802.62	4088.28	5090.28	4964.58
Rate of Growth (*per cent*)	13.76	6.43	7.51	24.51	-2.47
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	30.76	29.92	28.04	30.97	26.74
Revenue Receipts (*per cent*)	127.12	110.31	95.96	109.36	89.67
Own Resources (*per cent*)	600.75	528.60	468.31	477.61	372.53
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	0.71	0.68	0.51	1.93	-0.19
Revenue Receipts (ratio)	0.91	0.28	0.32	2.65	-0.13
Own Resources (ratio)	0.94	0.31	0.35	1.11	-0.10

Fiscal liabilities of ₹ 4964.58 crore during 2012-13 consist of internal debt, e.g., market loans, loans from financial institutions, Special Securities issued to National Small Savings Fund, *etc.* (₹ 3156.89 crore), loans and advances from Central Government (₹ 195.69 crore), small savings, provident funds, *etc.* (₹ 840.46 crore)

[16] Includes Internal Debt, Loans and Advances from Government of India, Small Savings, Provident Funds, *etc.*, Reserve Funds and Deposits.

and other liabilities, e.g., Reserve Funds and Deposits (₹ 771.54 crore). Fiscal liabilities of the State increased from ₹ 3572.95 crore in 2008-09 to ₹ 4964.58 crore in 2012-13. Compared to previous year, the fiscal liabilities during 2012-13 decreased by 2.47 *per cent* mainly due to decrease under other liabilities in the form of 'Deposit not bearing interest' by ₹ 582.05 crore (43.75 *per cent*). The ratio of fiscal liabilities to GSDP also decreased from 30.97 *per cent* in 2011-12 to 26.74 *per cent* in 2012-13. These liabilities stood at 0.9 times of the revenue receipts and 3.73 times of the State's own resources at the end of 2012-13. The buoyancy of these liabilities with respect to GSDP during the year was a negative 0.19 indicating that for each one *per cent* increase in GSDP, fiscal liabilities declined by 0.19 *per cent*.

The State Government in its MTFP Statement for the year 2012-13 projected the Total Outstanding Liabilities-GSDP ratio as 24.30 *per cent.* As can be seen from the **Table 1.30** above, the Fiscal Liabilities-GSDP ratio of the State (26.74 *per cent*), though decreased during 2012-13 compared to previous year, was higher than the projection made 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 2013 in these funds was ₹ 159.31 crore (active funds: ₹ 137.75 crore; dormant funds: ₹ 21.56 crore) in nine reserve funds. However, only two are active. Investment out of these funds was ₹ 136.24 crore, which is around 86 *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 2012-13, the Government has appropriated ₹ 20.43 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 2008-09 are given in **Table 1.31**.

Table 1.31: Guarantees given by GOM

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Maximum amount guaranteed	1083.19	1033.34	948.79	1002.85	947.02
Outstanding amount of guarantees (including interest)	990.25	953.74	1110.77	1293.20	1285.19
Percentage of maximum amount guaranteed to total revenue receipts	38.54	29.97	22.27	21.55	17.11

Government has guaranteed loans raised by various Corporations and others, which at the end of 2012-13 stood at ₹ 1285.19 crore (including interest). Bulk of the guaranteed amount (₹ 1282.24 crore) was outstanding against the power sector for repayment of principal and payment of interest on loans from Rural Electrification Corporation (₹ 451.48 crore), Housing and Urban Development Corporation (₹ 248.47 crore) and short term loans, bonds, *etc.* (₹ 582.29 crore). The outstanding amount of guarantees is in the nature of contingent liabilities, which was 17 *per cent* of revenue receipts of the State during 2012-13. *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.*

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 amortisation[17]; sufficiency of non-debt receipts[18]; net availability of borrowed funds[19]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.32** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2008-09.

[17] As defined in Appendix 1.1.

[18] As defined in Appendix 1.1.

[19] As defined in Appendix 1.1.

Table 1.32: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	185.86	117.00	228.50	-514.66	260.59
Sufficiency of Non-debt Receipts (Resource Gap)	-220.91	208.81	-115.1	-723.86	669.95
Net Availability of Borrowed Funds	220.2	-4.29	28.73	716.35	-439.52
Burden of Interest Payments (IP/RR) (*per cent*)	7.54	6.79	6.03	6.14	5.67

Table 1.32 reveals that four out of five year-period 2008-13, the quantum spread together with primary deficit remained positive. The quantum spread, which was negative during 2011-12, not only turned positive in the current year but also reached its peak during 2008-13. At 26.74 *per cent*, the Debt[20]-GSDP ratio during 2012-13 (**Appendix 1.2**) was well below the target of outstanding Debt to GSDP (32.3 *per cent*) set forth by XIII FC for the State.

The trends in resource gap indicate the oscillation between positive and negative magnitudes. The resource gap has been negative in three out of five year period indicating that the incremental non-debt receipts were not sufficient to meet the incremental primary expenditure and interest burden. The situation has been improved during 2012-13 when the resource gap turned to positive ₹ 669.95 crore.

The trends in debt redemption ratio fluctuated widely during 2008-13 and increased to 127.17 *per cent* during 2012-13 against 67.60 *per cent* during the previous year (**Appendix 1.2).** During the current year, against receipts of ₹ 1617.62 crore, Government repaid ₹ 2057.14 crore as principal and interest on internal debt (₹ 378.87 crore), loans and advances from Central Government (₹ 42.60 crore) and other liabilities[21] (₹ 1635.67 crore), as a result of which no borrowed fund was available at the end of the year.

1.11.2 Debt profile

The maturity profile of the State debt is as indicated in **Table 1.33** and **Chart 1.13**.

Table 1.33: Maturity Profile of State Debt

(₹ in crore)

Debt maturity	Maturity Profile	Amount			*Per cent*
		Internal Debt	Loans & Advances from GOI	Total	
During 2013-14	0-1 year	122.62	19.93	142.55	4.22
Between 14-15 & 2015-16	Over 1 year to 2 years	484.84	39.71	524.55	15.54
Between 2016-17 & 2017-18	Over 2 years to 5 years	597.02	30.30	627.32	18.58
Between 2018-19 & 2019-20	Over 5 years to 7 years	633.29	31.21	664.50	19.69
2020-21 onwards	Over 7 years and above	1319.56	96.96	1416.52	41.97
Total		**3157.33**	**218.11**	**3375.44**	100

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

[21] Small Savings, Provident Funds, Reserve Funds, Deposits, *etc.*

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



The maturity profile of outstanding stock of public debt as on 31 March 2013 indicates that out of the outstanding Public Debt of ₹ 3375.44 crore, 58.03 *per cent* (₹ 1958.92 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, market borrowings constituted 67.31 *per cent* (₹ 2272.16 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 Market Borrowings

1.12.1 Introduction

Fiscal deficit represents the borrowing requirements of the Government during the year. The borrowings are accounted for under the Consolidated Fund (E-Public Debt). The major divisions are Internal Debt of the State Government and Loans and Advances from the Government of India (GOI). The Internal Debt is further divided into market loans and negotiated loans. Market borrowings are raised by issuing dated securities/bonds, termed State Development Loan (SDL) of varying tenors. These borrowings are controlled by GOI and managed by the Reserve Bank of India (RBI). According to Article 293 (2) of the Constitution, the states may not, without the consent of GOI, raise any loan if they are indebted to GOI. The RBI manages the domestic borrowings of states through separate agreements with each of them.

1.12.2 Position of Open Market Borrowing of the State

The position of market loans raised by the Government of Meghalaya (GOM) during 2008-09 to 2012-13 is summarised below:

Table 1.34 : Position of Open Market Borrowing Of the State

(₹ in crore)

Year	Borrowings of the State	Date of floatation	Percentage of Market borrowing quarterly	Date of redemption
2008-09	120.00	11.11.2008	46 (3rd quarter)	12.11.2018
	103.54	27.02.2009	54 (4th quarter)	02.03.2019
	25.64	09.03.2009		12.03.2019
	10.22	24.03.2009		25.03.2019
Total	**259.40**			
2009-10	50.00	23.06.2009	18 (1st quarter)	24.06.2019
	50.00	22.09.2009	18 (2nd quarter)	23.09.2019
	123.54	29.10.2009	46 (3rd quarter)	30.10.2019
	50.00	19.01.2010	18 (4th quarter)	20.01.2020
Total	**273.54**			
2010-11	50.00	21.09.2010	26 (2nd quarter)	22.09.2020
	100.00	11.11.2010	74(3rd quarter)	12.11.2020
	40.00	21.12.2010		22.12.2020
Total	**190.00**			
2011-12	100.00	10.05.2011	32 (1stqur)	11.05.2021
	60.00	18.10.2011	36 (3rd quarter)	19.10.2021
	50.00	22.11.2011		23.11.2021
	50.00	10.01.2012	32 (4th quarter)	11.01.2022
	50.00	24.01.2012		25.01.2022
Total	**310.00**			
2012-13	50.00	03.07.2012	26 (2nd quarter)	04.07.2022
	50.00	21.08.2012		22.08.2022
	100.00	06.11.2012	39 (3rd quarter)	07.11.2022
	50.00	20.11.2012		21.11.2022
	80.00	22.01.2013	35 (4th quarter)	23.01.2023
	55.00	19.03.2013		20.03.2023
Total	**385.00**			

Source: Records of the Finance Department.

As can be seen from the above table, maximum loan was raised during third and fourth quarters of the respective years which ranged between 18 *per cent* and 74 *per cent* during 2008-13.

It was further noticed from the records of the Finance Department that there was no analysis for borrowing on the part of the State Government. The amount was fixed on the basis of ceiling fixed by GOI. Amount floated by Government depends on the cash balance position of the State.

1.12.3 Profile of market loans

Table 1.35 depicts the profile of market loans for the years from 2008-09 to 2012-13:

Table 1.35: Profile of market loans

(₹ in crore)

Details	Amount of loan raised				
	2008-09	2009-10	2010-11	2011-12	2012-13
Loan raised during the year	259.40	273.54	190.00	310.00	385.00
Loan repaid during the year	73.08	81.88	70.00	101.45	87.00
Outstanding loan at the end of the year	1453.94	1645.60	1765.60	1974.15	2272.15
Percentage of repayment to outstanding loan	5.03	4.98	3.96	5.13	3.83
Percentage of loan raised during the year to outstanding loan	17.84	16.62	10.76	15.70	16.94

Source: Finance Accounts

The maturity profile of borrowings showed that since 2005-06, all issues of State Development Loans (SDL) had a maturity of 10 years. The total outstanding loan at the end of 2012-13 (₹ 2272.15 crore) was 56.28 *per cent* higher as compared to 2008-09 (₹ 1453.94 crore). The percentage of loan raised to total outstanding market loan, after inter-year variations, stood at 16.94 *per cent* during 2012-13. For providing a cushion for redemption of open market loans, the State has a corpus of ₹ 164.31 crore under Consolidated Sinking Fund (CSF). However, the outstanding loan at the end of 2012-13 far surpassed the corpus of CFS.

1.12.4 Interest payment on market loan

Table 1.36 present the interest rate profile of loans raised during 2008-13.

Table 1.36 : Interest rate profile

Rate of interest (*per cent*)	Market loans raised during the year (₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
7 to 7.99	103.54	50.00	-	-	-	153.54
8 to 8.99	155.86	223.54	190.00	200.00	385.00	1154.40
9 to 9.99	-	-	-	110.00	-	110.00
Total	**259.40**	**273.54**	**190.00**	**310.00**	**385.00**	**1417.94**

Source: Finance Accounts

Out of the total amount of loan of ₹ 1417.94 crore raised during 2008-09 to 2012-13, 81.41 *per cent* (₹ 1154.40 crore) was raised at an interest of 8 *per cent* to 8.99 *per cent.* As far as the burden of interest payment on market loans is concerned, the State is in a comfortable position because the ratio of interest payment on market loans to revenue receipts showed a declining trend which declined to 2.87 *per cent* during 2012-13 against 3.72 *per cent* in 2008-09.

1.12.5 Market borrowings for current expenditure

Table 1.37 depicts the position of revenue surplus or revenue deficit of the State during 2008-09 to 2012-13 along with the market loan raised, capital outlay and market loan repaid:

Table 1.37 : Revenue Surplus/Deficit

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Surplus (+)/Deficit (-)	+ 127.86	+ 264.97	+ 247.74	- 180.34	+ 536.81
Market loan raised	259.40	273.54	190.00	310.00	385.00
Capital Outlay	531.01	481.29	574.73	855.24	928.34
Market loan repaid	73.08	81.88	70.00	101.45	87.00

Source: Finance Accounts

As per the MFRBM Act, 2006, *the State Government was to ensure that borrowings are used for productive assets and accumulation of capital assets and are not used to finance revenue expenditure*. During the five-year period ending 2012-13, the State experienced revenue deficit of ₹ 180.34 crore only during 2011-12. This indicated that the revenue receipts during 2008-11 and 2012-13 were sufficient to meet the requirement of revenue expenditure. Even during the year 2011-12, when there was revenue deficit the market borrowing need not have been utilised to meet revenue deficit. The capital outlay (₹ 855.24 crore) plus market loan repaid (₹ 101.45 crore) was much more than the amount of market loan raised (₹ 310 crore) during the year. The gap was financed from the Public Accounts as the Public Accounts Receipts during the year was much more than the Public Accounts Disbursements (by ₹ 820.54 crore). Thus, during five year period 2008-13, the State Government did not use the borrowings to finance revenue expenditure.

1.13 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 2012-13.

1.13.1 Trends in Deficits

Charts 1.14 and **1.15** present the trends in deficit indicators over the period 2008-13.

Chart 1.14 : Trends in deficit indicators

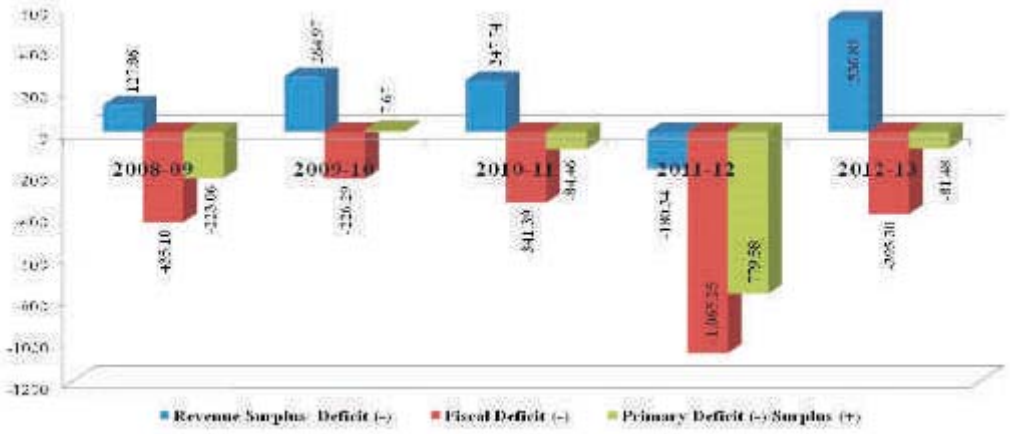


Chart 1.15 : Trends in deficit relative to GSDP

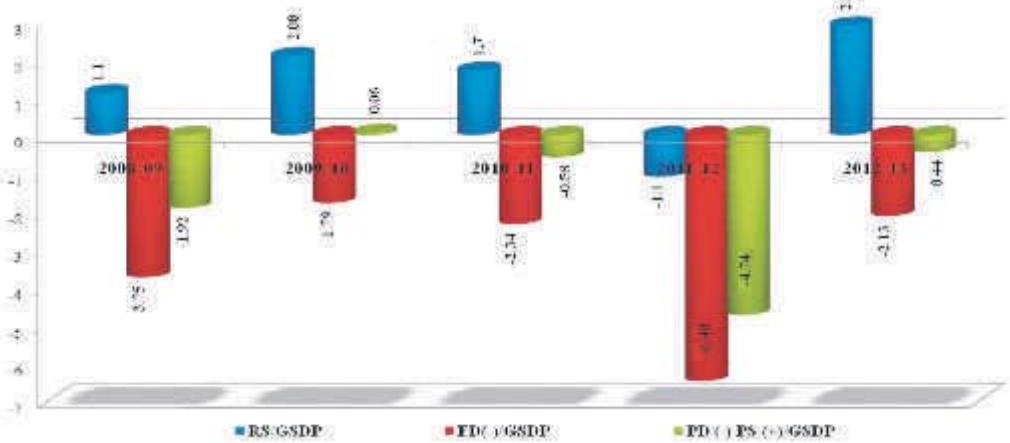


Chart 1.14 reveals that the State was able to attain a revenue surplus of a substantial amount of ₹ 536.81 crore during 2012-13 against the deficit of ₹ 180.34 crore during the preceding year. This was, however, mainly due to increase of central transfer in the form of share of Union Taxes and Duties and grants-in-aid by ₹ 614.98 crore (17.14 *per cent*) during 2012-13 against ₹ 201.19 crore (5.94 *per cent*) during the previous year and an increase in revenue expenditure by ₹ 164.73 crore (3.41 *per cent*) during the current year against a substantial increase of ₹ 822.07 crore (20.49 *per cent*) during the previous year. The State Government was successful in fulfilling the commitment made in the MFRBM Act, (as amended) *to maintain revenue surplus during 2011-12 to 2014-15 as recommended by the XIII FC except during 2011-12*.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, decreased from ₹ 1065.25 crore during 2011-12, to ₹ 395.30 crore in 2012-13. Revenue surplus attained during the year against revenue deficit during the previous year and marginal increase (8.55 *per cent*) in capital outlay against a substantial increase in capital outlay (48.81 *per cent*) during the previous year as well as decrease in loans and advances disbursed (₹ 25.36 crore) over the previous year led to decrease in fiscal deficit by ₹ 669.95 crore during the current 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 2.13 *per cent* during 2012-13 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 2012-13 also decreased significantly by ₹ 698.10 crore over previous year. A sharp decrease of ₹ 669.95 crore in fiscal deficit and a moderate increase in interest payment (₹ 28.15 crore) resulted in a primary deficit of ₹ 81.48 crore during the current year.

1.13.2 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 1.38.**

Table 1.38 : Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Decomposition of Fiscal Deficit (1 + 2 + 3)						
	Fiscal Deficit	**435.10**	**226.29**	**341.39**	**1065.25**	**395.30**
1.	Revenue Surplus (-)/ Deficit (+)	- 127.86	- 264.97	- 247.74	+ 180.34	- 536.81
2.	Net Capital Outlay	531.01	481.29	574.73	855.24	928.34
3.	Net Loans and Advances	31.95	9.97	14.40	29.67	3.77
Financing Pattern of Fiscal Deficit[(a)]						
1.	Market Borrowing	186.32	191.66	120.00	208.55	298.00
2.	Loans from GOI	- 53.38	- 18.33	- 19.05	- 26.04	- 17.77
3.	Special Securities issued to NSSF	5.80	61.43	89.82	47.14	70.73
4.	Loans from Financial Institutions	15.08	25.23	24.54	35.62	3.76
5.	Small Savings, PF, *etc.*	45.58	67.65	84.30	105.08	109.07
6.	Reserve Funds	0.20	7.02	- 4.14	14.30	- 7.44
7.	Deposits and Advances	232.62	- 105.14	- 10.12	617.37	- 582.04
8.	Suspense and Miscellaneous	58.54	- 39.71	- 28.89	- 18.42	110.67
9.	Remittances	15.57	- 25.03	- 4.49	102.21	17.98
10.	Increase (-) / Decrease (+) in Cash Balances	- 71.23	+ 61.51	+ 89.42	- 20.56	+ 392.34
	Percentage to GSDP	**3.75**	**1.79**	**2.34**	**6.48**	**2.13**

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

There were fiscal deficits during the five year period ending 2012-13, which peaked to ₹ 1065.25 crore during 2011-12, but declined significantly to ₹ 395.30 crore during 2012-13. During 2012-13, fiscal deficit was primarily financed through market borrowing, special securities issued to National Small Savings Fund (NSSF) of the Central Government, small savings, provident fund, *etc.*

1.13.3 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 1.39)** 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 1.39: Primary Deficit/Surplus – Bifurcation of Factors

(₹ in crore)

Year	Non-debt Receipt	Primary Revenue Expendi-ture	Capital Outlay	Loans and Advances	Primary Expendi-ture	Primary Revenue Surplus	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2 -6)
2008-09	2828.90	2470.74	531.01	50.21	3051.96	358.16	- 223.06
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

The bifurcation of the factors resulting into primary deficit or surplus of the State during 2008-13 reveals that-

- Non-debt receipts increased by 96.53 *per cent* from ₹ 2828.90 crore in 2008-09 to ₹ 5559.60 crore in 2012-13.
- Total primary expenditure increased by ₹ 2589.12 crore (84.83 *per cent*) during 2012-13 compared to 2008-09 due to increase in primary revenue expenditure to the extent of ₹ 2214.98 crore (89.65 *per cent*) during the period 2008-09 to 2012-13.
- The primary revenue surplus, which had shown sharp decline in 2011-12, again showed a sharp increase during 2012-13.
- In four (2008-09 and 2010-13) out of five years, the State experienced primary deficit. However, non-debt receipts of the State were sufficient to meet the primary expenditure[22] 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 2012-13 has been mainly on account of increase in capital expenditure by ₹ 73.10 crore compared to previous year,

[22] 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.

which may be desirable to improve the productive capacity of the State's economy.

1.14 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 (August 2013) from the Finance Department, GOM, had not been furnished (December 2013). As such, the position of PPP projects in the State could not be ascertained by Audit.

1.15 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 2012-13 relative to previous four years (2008-12). During 2012-13, the State has returned to the status of revenue surplus as the revenue deficit which was ₹ 180.34 crore during 2011-12 turned to revenue surplus of a significant amount of ₹ 536.81 crore during the current year. This achievement was, however, mainly due to increase of central transfer in the form of share of Union Taxes and Duties and grants-in-aid by ₹ 614.98 crore (17.14 *per cent*) during 2012-13 against ₹ 201.19 crore (5.94 *per cent*) during the previous year and marginal increase in revenue expenditure by ₹ 164.73 crore (3.41 *per cent*) during the current year against a substantial increase of ₹ 822.07 crore (20.49 *per cent*) during the previous year. The fiscal deficit as well as primary deficit of the State have also significantly decreased during 2012-13 compared to previous year.

Revenue Receipts

Revenue receipts during 2012-13 grew by 18.95 *per cent* (₹ 881.88 crore) over previous year. The tax revenue and non-tax revenue receipts exceeded normative assessment made by XIII FC by 32.52 *per cent* and 54.21 *per cent* respectively. But State's own resources (tax and non-tax revenue) contributed 30.26 *per cent* (₹ 266.90 crore) of the incremental revenue receipts during 2012-13 (₹ 881.88 crore). The Central transfers comprising State's share of central taxes and grants-in-aid from the Government of India increased by ₹ 614.98 crore in 2012-13 and contributed 69.74 *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

The revenue expenditure of the State increased by 86.36 *per cent* from ₹ 2682.78 crore in 2008-09 to ₹ 4999.54 crore in 2012-13. The expenditure pattern of the State reveals that though the revenue expenditure as a percentage of total expenditure marginally decreased by 0.23 *per cent* in the current year over previous year, it hovered around 85 *per cent* during the period (2008-13) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, NPRE at ₹ 3280.13 crore in 2012-13 constituted 65.61 *per cent* and remained significantly higher (12.17 *per cent*) than the normatively assessed level of ₹ 2924.21 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 47.49 *per cent* during 2012-13. During 2012-13, though the development expenditure (₹ 4304.87 crore) increased by ₹ 118.51 crore (2.83 *per cent*) over the previous year, it was much below the budget estimate (₹ 5848.58 crore) for 2012-13. The relative share of revenue development expenditure was 79.58 *per cent* of the total development expenditure, while this share in respect of capital development expenditure was only 20.16 *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 2012-13 (₹ 928.34 crore) increased by ₹ 73.10 crore over previous year. As *per cent* to total expenditure, the capital outlay showed a fluctuating trend over the period 2008-09 to 2012-13. It increased to 15.59 *per cent* of total expenditure during 2012-13 against 14.89 *per cent* during the preceding year, but fell short by 33.63 *per cent* (₹ 470.36 crore) of the projection (₹ 1398.70 crore) made by the State Government in its budget for the year.

Expenditure pattern of the State Government needs correction in the ensuing years. 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 2012-13, 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 ₹ 1065.25 crore in 2011-12 to ₹ 395.30 crore during the current year. Primary deficit also decreased significantly by around 90 *per cent* (₹ 698.10 crore) compared to the previous year. The fiscal deficit-GSDP ratio stood at 2.13 *per cent* during 2012-13 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 2008-13 indicates continued reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over the period 2008-12. However, fiscal liabilities during 2012-13 marginally decreased by 2.47 *per cent* (₹ 125.70 crore) and stood at 26.74 *per cent* of the GSDP during the current year against 30.97 *per cent* during 2011-12, but exceeded the limit of total outstanding liabilities-GSDP ratio (24.30 *per cent*) projected in the Medium Term Fiscal Policy Statement for the year.

The average return on investment in Statutory corporations, Government companies and Co-operative societies was less than one *per cent* during 2008-13, while the Government paid interest at an average rate of 6.22 *per cent* to 6.51 *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 0.41 *per cent* and 0.88 *per cent* during 2008-12 and stood at 1.14 *per cent* during 2012-13.

Though there was an indication of improvement in the financial health of the State during 2012-13 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-GSDP ratio can be restricted to the projection made in the MTFP Statement. 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.