

Meghalaya Budget Analysis 2024-25

The Chief Minister of Meghalaya, Mr. Conrad K Sangma, presented the Budget for the state for the financial year 2024-25 on February 21, 2024.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Meghalaya for 2024-25 (at current prices) is projected to be Rs 52,974 crore, amounting to a growth of 11.8% over 2023-24.
- **Expenditure (excluding debt repayment)** in 2024-25 is estimated to be Rs 25,574 crore, an increase of 6.3% over the revised estimates of 2023-24. In addition, debt of Rs 1,498 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2024-25 are estimated to be Rs 23,545 crore, an increase of 6% as compared to the revised estimate of 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 7.3% of GSDP (Rs 3,862 crore), lower than the revised estimate for 2023-24 (8.2% of GSDP). In 2023-24, the revenue surplus is expected to be higher than the budget estimate (4.8% of GSDP).
- **Fiscal deficit** for 2024-25 is targeted at 3.8% of GSDP (Rs 2,029 crore). In 2023-24, as per the revised estimates, fiscal deficit is expected to be 3.9% of GSDP, higher than the budget estimate for 2024-25 (3.4%).

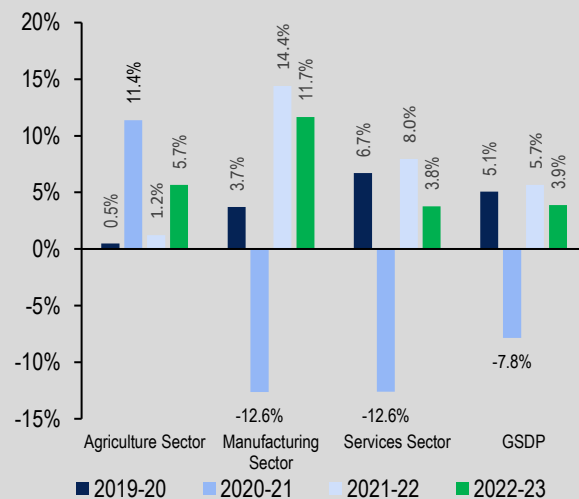
Policy Highlights

- **Encouraging investment:** The state will create an Invest Meghalaya Authority, which will be empowered to undertake all investment promotion and facilitation activities.
- **Health infrastructure:** A comprehensive, three-year mission will be launched to revamp all health facilities in the state. An investment of Rs 500 crore will be allocated towards this.
- **Infrastructure for tourism:** A new scheme will be launched for the development of infrastructure at all tourism spots. Communities managing tourist sites will be provided grants up to Rs 25 lakh.
- **Eco-Tourism framework:** A framework to notify eco-tourism zones will be created. The zones will have a defined capacity and charge a higher 'green fee' from tourists, which will be disbursed amongst residents.

Meghalaya's Economy

- **GSDP:** In 2022-23, Meghalaya's GSDP (at constant prices) grew at 3.9%. In comparison, national GDP grew at 7.3% in 2022-23.
- In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 23%, 18%, and 59% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Meghalaya in 2023-24 (at current prices) is estimated at Rs 1,39,602, an increase of 10% over 2022-23.
- **Unemployment:** As per the Periodic Labour Force Survey (June 2022-July 2023), the unemployment rate in Meghalaya was 6%, higher than the national average of 3.2%. Unemployment in urban areas (12.3%), was much higher than the national average of 5.4%.

Figure 1: Growth in GSDP and sectors in Meghalaya at constant prices (2011-12)



Note: Agriculture includes mining and quarrying; Manufacturing includes construction and electricity. These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.

Sources: Meghalaya FRBM Statement 2023-24; PRS.

Budget Estimates for 2024-25

- **Total expenditure (excluding debt repayment)** in 2024-25 is targeted at Rs 25,574 crore. This is an increase of 6% over the revised estimate for 2023-24. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 23,545 crore and net borrowings of Rs 2,029 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 6% over the revised estimate for 2023-24.
- **Revenue surplus** in 2024-25 is estimated to be 7.3% of GSDP (Rs 3,862 crore), decrease from the revised estimate for 2023-24 (8.2% of GSDP). The revenue surplus is mainly owing to central transfers. **Fiscal deficit** for 2024-25 is targeted at 3.8% of GSDP (Rs 2,029 crore), marginal decrease from the revised estimate for 2023-24 (3.9% of GSDP).

Table 1: Budget 2024-25 - Key figures (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Total Expenditure	21,390	22,022	25,052	13.8%	27,072	8%
(-) Repayment of debt	3,750	988	988	0.0%	1,498	52%
Net Expenditure (E)	17,641	21,034	24,064	14.4%	25,574	6%
Total Receipts	21,065	21,781	24,173	11.0%	27,072	12%
(-) Borrowings	6,221	2,339	1,957	-16.3%	3,527	80%
Net Receipts (R)	14,844	19,442	22,216	14.3%	23,545	6%
Fiscal Deficit (E-R)	2,796	1,592	1,849	16.1%	2,029	10%
as % of GSDP	6.5%	3.4%	3.9%		3.8%	
Revenue Balance	-44	2,228	3,894	74.7%	3,862	-1%
as % of GSDP	-0.1%	4.8%	8.2%		7.3%	
Primary Deficit	1,768	424	680	60.5%	793	17%
as % of GSDP	4.1%	0.9%	1.4%		1.5%	
GSDP	42,697	46,600	47,381	1.7%	52,974	12%

Note: BE is Budget Estimates; RE is Revised Estimates. Negative sign (-) indicates a revenue deficit.

Revenue Balance for 2024-25 differs from that in the FRBM statement. The FRBM statement's estimation of revenue expenditure is Rs 170 crore higher than that in the Annual Financial Statement.

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; PRS.

Expenditure in 2024-25

- **Revenue expenditure** for 2024-25 is proposed to be Rs 19,653 crore, an increase of 7% over the revised estimate of 2023-24. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2024-25 is proposed to be Rs 5,870 crore, an increase of 3% over the revised estimates of 2023-24. Capital outlay indicates the expenditure towards creation of assets.
- In 2023-24, at the revised stage, capital outlay is estimated to be 50% higher (Rs 1,908 crore higher) than the budget estimates. Key areas where capital outlay is estimated to be higher are: (i) energy (increase of Rs 660 crore), (ii) urban development (Rs 444 crore), and (iii) rural development (Rs 228 crore).

Table 2: Expenditure budget 2024-25 (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Revenue Expenditure	14,864	17,186	18,294	6%	19,653	7%
Capital Outlay	2,742	3,812	5,720	50%	5,870	3%
Loans given by the state	35	37	50	37%	51	3%
Net Expenditure	17,641	21,034	24,064	14%	25,574	6%

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2024-25, Meghalaya is estimated to spend Rs 9,173 crore on committed expenditure, which is 39% of its estimated revenue receipts. This comprises spending on salaries (26% of revenue receipts), pension (8%), and interest payments (5%). In 2022-23, as per actuals, Meghalaya spent 53% of its revenue receipts towards committed expenditure.

Table 3: Committed Expenditure in 2024-25 (in Rs crore)

Committed Expenditure	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
Salaries	5,117	5,798	5,899	2%	6,073	3%
Pension	1,673	1,794	1,764	-2%	1,865	6%
Interest payment	1,029	1,169	1,169	1%	1,236	4%
Total Committed Expenditure	7,818	8,761	8,832	1%	9,173	4%

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; PRS.

Sector-wise expenditure: The sectors listed below account for **65%** of the total expenditure on sectors by the state in 2024-25. A comparison of Meghalaya's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Meghalaya Budget 2024-25 (in Rs crore)

Sector	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	2024-25 Budgeted	% change from RE 23- 24 to BE 24-25
Education, Sports, Arts, and Culture	3,085	3,109	3,429	3,846	12%
Rural Development	1,185	1,593	3,368	2,001	-41%
Health and Family Welfare	1,487	1,805	1,862	1,971	6%
Roads and Bridges	1,385	1,483	1,702	1,877	10%
Energy	868	704	1,403	1,539	10%
Agriculture and Allied Activities	894	1,196	1,086	1,290	19%
Police	1,052	1,207	1,267	1,279	1%
Social Welfare and Nutrition	397	832	769	1,022	33%
Urban Development	365	487	972	932	-4%
Water Supply and Sanitation	710	640	732	902	23%
% of total expenditure on all sectors	65%	62%	69%	65%	-

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; PRS.

Receipts in 2024-25

- **Total revenue receipts** for 2024-25 are estimated to be Rs 23,515 crore, an increase of 6% over the revised estimates of 2023-24. Of this, Rs 4,788 crore (20%) will be raised by the state through its **own resources**, and Rs 18,727 crore (80%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (40% of revenue receipts) and grants (40% of revenue receipts).
- **Devolution:** In 2024-25, state's share in central taxes is estimated at Rs 9,356 crore, an increase of 10% over the revised estimates of 2023-24.
- **Grants from the centre** in 2024-25 are estimated at Rs 9,371 crore, a decrease of 3% over the revised estimates for 2023-24. As per revised estimates, in 2023-24, grants from the centre are estimated to be 27% higher than the budget estimate. One key reason is a higher receipt estimated on account of Pradhan Mantri Awas Yojana-Gramin. Grants for this scheme are estimated to be Rs 1,624 crore at the revised stage, significantly higher than the budget estimate (Rs 200 crore).
- **State's own tax revenue:** Meghalaya's total own tax revenue is estimated to be Rs 4,041 crore in 2024-25, an increase of 24% over the revised estimate of 2023-24. Own tax revenue as a percentage of GSDP is estimated at 7.6% in 2024-25, significantly higher than the revised estimates for 2023-24 (6.9%). As per the actual figures for 2022-23, own tax revenue as a percentage of GSDP was 6.2%.

Table 5: Break-up of the state government's receipts (in Rs crore)

Items	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 2023-24 to RE 2023-24	2024-25 Budgeted	% change from RE 2023-24 to BE 2024-25
State's Own Tax	2,651	3,205	3,262	2%	4,041	24%
State's Own Non-Tax	457	743	758	2%	747	-1%
Share in Central Taxes	7,286	7,835	8,471	8%	9,356	10%
Grants-in-aid from Centre	4,426	7,633	9,696	27%	9,371	-3%
Revenue Receipts	14,820	19,414	22,188	14%	23,515	6%
Non-debt Capital Receipts	25	28	28	0%	30	8%
Net Receipts	14,844	19,442	22,216	14%	23,545	6%

BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; PRS.

- In 2024-25, **State GST** is estimated to be the largest source of own tax revenue (49% share). State GST revenue is estimated to increase by 12% over the revised estimate for 2023-24.
- Revenue from sales tax/VAT in 2024-25 is expected to see an increase of 40% as compared to the revised estimate for 2023-24. Revenue from state excise is also expected to increase by 52% over the revised estimate for 2023-24.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Head	2022-23 Actuals	2023-24 Budgeted	2023-24 Revised	% change from BE 23-24 to RE 23-24	2024-25 Budgeted	% change from RE 23-24 to BE 24-25
State GST	1,477	1,785	1,785	0%	1,995	12%
Sales Tax/ VAT	622	792	827	4%	1,156	40%
State Excise	365	413	435	5%	661	52%
Taxes on Vehicles	132	150	150	0%	163	8%
Stamps Duty and Registration Fees	28	32	32	0%	34	5%
Land Revenue	4.9	5.9	5.9	0%	7.1	21%
GST Compensation Grants	0	0	33	-	-	100%

Sources: Annual Financial Statement, Revenue Budget, and Meghalaya Budget 2024-25; PRS.

Deficits, Debt, and FRBM Targets for 2024-25

The Meghalaya Fiscal Responsibility and Budget Management Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

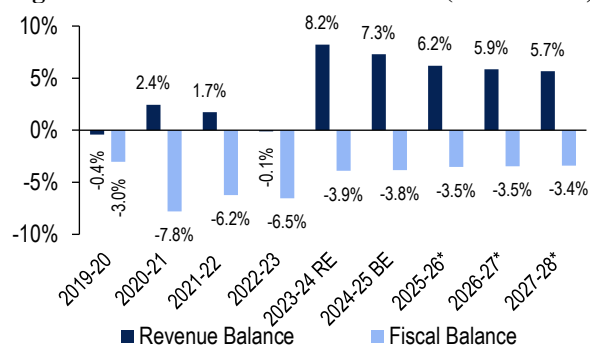
Revenue surplus: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government does not need to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue surplus of Rs 3,862 crore (or 7.3% of GSDP) in 2024-25. Meghalaya receives grants for revenue deficit as recommended by the Fifteenth Finance Commission. In 2022-23, the state received Rs 1,033 crore as post devolution revenue deficit grants. In 2023-24, the state is estimated to receive Rs 715 crore in such grants. In 2024-25, the state will receive Rs 110 crore as revenue deficit grants, however, no grants have been recommended for 2025-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2024-25, the fiscal deficit is estimated to be 3.8% of GSDP. For 2024-25, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. The state will also be eligible to avail 50-year interest-free loan for capital outlay from the central government over and above its borrowing limit. In 2022-23, the state received Rs 1,049 crore through such loans; however, the state has not budgeted to receive this loan in 2023-24 and 2024-25.

As per the revised estimates, in 2023-24, the fiscal deficit of the state is expected to be 3.9% of GSDP. This is higher than the budget estimate (3.4% of GSDP). Fiscal deficit is projected to be lowered to 3.4% of GSDP by 2027-28.

Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2024-25, the outstanding liabilities are estimated to be 37.9% of GSDP, lower than the revised estimate for 2023-24 (38.1% of GSDP). The outstanding liabilities significantly increased in 2022-23 (43.2% of GSDP). They are estimated to decrease to 35% of GSDP at the end of 2027-28.

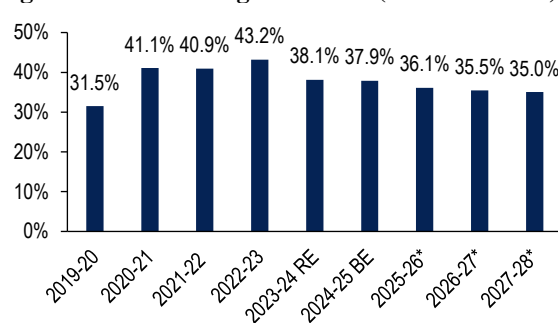
Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures for 2025-26, 2026-27, and 2027-28 are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Meghalaya Budget 2024-25; PRS.

Figure 3: Outstanding Liabilities (as % of GSDP)



Note: *Figures for 2025-26, 2026-27 and 2027-28 are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Meghalaya Budget 2024-25; PRS.

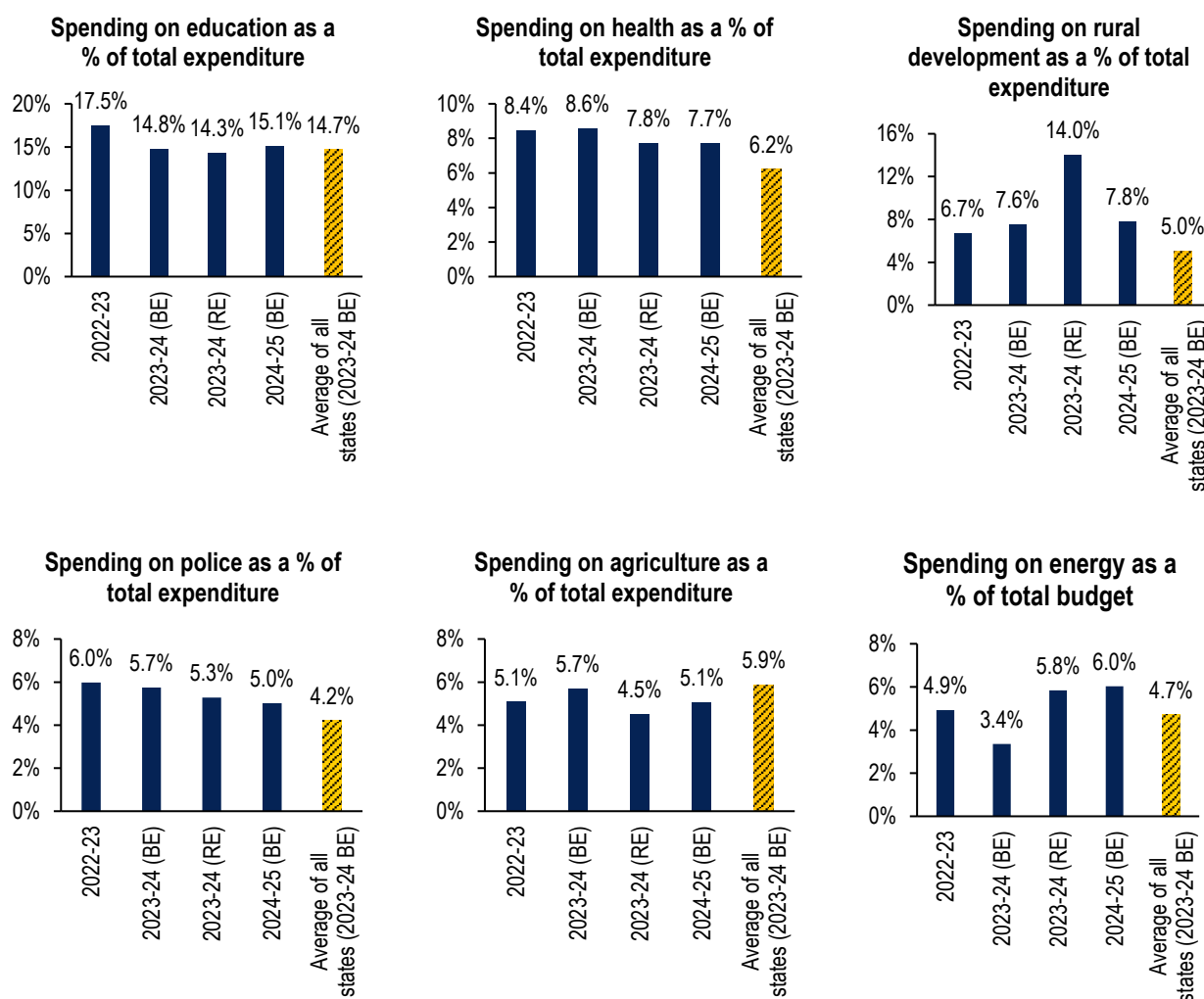
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. As on March 31, 2023, the state's outstanding guarantee is estimated to be Rs 2,978 crore, which is 7% of Meghalaya's GSDP in 2022-23. A majority of these guarantees (Rs 2,960 crore) belong to the power sector.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Meghalaya's expenditure in 2024-25 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Meghalaya) as per their budget estimates of 2023-24.¹

- **Education:** Meghalaya has allocated 15.1% of its expenditure on education in 2024-25. This is higher than the average allocation for education by states in 2023-24 (14.7%).
- **Health:** Meghalaya has allocated 7.7% of its total expenditure towards health, which is higher than the average allocation for health by states (6.2%).
- **Rural development:** Meghalaya has allocated 7.8% of its expenditure on rural development. This is higher than the average allocation for rural development by states (5%).
- **Police:** Meghalaya has allocated 5% of its expenditure towards police. This is higher than the average allocation towards police by states (4.2%).
- **Agriculture:** Meghalaya has allocated 5.1% of its total expenditure towards agriculture, which is lower than the average expenditure on agriculture by states (5.9%).
- **Energy:** Meghalaya has allocated 6% of its total expenditure towards energy, which is higher than the average allocation by states (4.7%).



Note: 2022-23, 2023-24 (BE), 2023-24 (RE), and 2024-25 (BE) figures are for Meghalaya.

Sources: Annual Financial Statement, Meghalaya Budget 2024-25; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry .

Annexure 2: Comparison of 2022-23 Budget Estimates and Actuals

The following tables compare the actuals of 2022-23 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Net Receipts (1+2)	16,069	14,844	-8%
1. Revenue Receipts (a+b+c+d)	16,035	14,820	-8%
a. Own Tax Revenue	2,575	2,651	3%
b. Own Non-Tax Revenue	731	457	-38%
c. Share in central taxes	6,264	7,286	16%
d. Grants-in-aid from the Centre	6,466	4,426	-32%
Of which GST compensation grants	50	0	-100%
2. Non-Debt Capital Receipts	33	25	-26%
3. Borrowings	2,632	6,221	136%
Net Expenditure (4+5+6)	17,917	17,641	-2%
4. Revenue Expenditure	15,376	14,864	-3%
5. Capital Outlay	2,463	2,742	11%
6. Loans and Advances	79	35	-56%
7. Debt Repayment	964	3,750	289%
Revenue Balance*	660	-44	-107%
Revenue Balance (as % of GSDP)*	1.6%	-0.1%	-
Fiscal Deficit	1,849	2,796	51%
Fiscal Deficit (as % of GSDP)	4.5%	6.5%	-

Note: *Negative sign (-) indicates a revenue deficit.

Source: Meghalaya Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Stamps Duty and Registration Fees	38	28	-26%
Sales Tax/ VAT	748	622	-17%
State Excise	350	365	4%
Taxes and Duties on Electricity	1.5	1.6	7%
Land Revenue	4.5	4.9	9%
State GST	1,316	1,477	12%
Taxes on Vehicles	100	132	31%

Source: Meghalaya Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2022-23 BE	2022-23 Actuals	% change from BE to Actuals
Welfare of SC, ST, OBC, and Minorities	174	86	-51%
Social Welfare and Nutrition	701	397	-43%
Irrigation and Flood Control	194	140	-28%
Agriculture and Allied Activities	1,068	894	-16%
Police	1,163	1,052	-10%
Health and Family Welfare	1,618	1,487	-8%
Transport	1,501	1,386	-8%
of which Roads and Bridges	1,460	1,385	-5%
Rural Development	1,278	1,185	-7%
Housing	232	244	5%
Education, Sports, Arts, and Culture	2,816	3,085	10%
Water Supply and Sanitation	589	710	21%
Urban Development	299	365	22%
Energy	458	868	90%

Source: Meghalaya Budget Documents of various years; PRS.