

# Meghalaya Budget Analysis 2023-24

Meghalaya Chief Minister Conrad K Sangma presented the Budget for the state for the financial year 2023-24 on March 23, 2023.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Meghalaya for 2023-24 (at current prices) is projected to be Rs 46,600 crore, amounting to a growth of 11.5% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 21,034 crore, an increase of 8% over the revised estimates of 2022-23. In addition, debt of Rs 988 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 19,442 crore, an increase of 10% as compared to the revised estimate of 2022-23. In 2022-23, as per revised estimate, receipts (excluding borrowings) are estimated to be 10% higher than budgeted.
- **Revenue surplus** in 2023-24 is estimated to be 4.8 % of GSDP (Rs 2,228 crore), higher than the revised estimate for 2022-23 (3.6% of GSDP). In 2022-23, the revenue surplus is expected to be higher than the budget estimate (1.6% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 3.4% of GSDP (Rs 1,592 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 4.5% of GSDP, same as the budget estimates for the year.

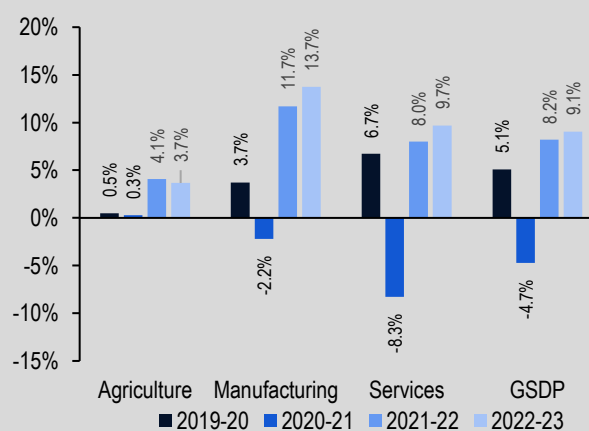
## Policy Highlights

- **Textiles:** A program for cluster-based skill development will be implemented in 2023-24, targeting 10,000 weavers. Common facility centres for weavers will also be built under the programme.
- **Connectivity:** Chief Minister’s Rural Connectivity Scheme will be implemented to connect villages not covered under PMGSY. Suspension and footbridges will be built across streams and rivers to improve connectivity for villages. ‘Integrated Transport Network Development Plan’ and ‘Road Asset Management System’ are under development to streamline the building of new roads and maintain existing road network.
- **Healthcare:** Chief Minister’s Affordable Drug Centres scheme will be implemented to provide generic medicines at cheaper rates.
- **Tourism:** Under the Meghalaya’s Homestay Scheme, construction of 5,000 homestays is targeted between 2023-24 and 2027-28, including 1,000 homestays to be constructed in 2023-24. The scheme is expected to create 25,000 jobs.

## Meghalaya’s Economy

- **GSDP:** In 2022-23, Meghalaya’s GSDP (at constant prices) is estimated to grow at 9.1%. In comparison, India’s real GDP is estimated to grow by 7.2% in 2022-23.
- **Sectors:** In 2022-23, the manufacturing sector is estimated to grow at 13.7%. Services and agriculture sectors are estimated to grow at 9.7% and 3.7%, respectively.
- In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 21%, 19%, and 61% to the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Meghalaya in 2022-23 (at current prices) is estimated at Rs 1,10,002 an increase of 8% from 2021-22 (Rs 1,01,776). In comparison, India’s per capita GDP in 2022-23 is estimated at Rs.1,96,983.

**Figure 1: Growth in Meghalaya’s GSDP at constant prices (2011-12)**



Note: These figures are at constant prices (2011-12) which means the growth rate has been adjusted for inflation.  
Sources: Economic Survey of Meghalaya 2022-23; PRS.

## Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 21,034 crore, an increase of 8% over the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 19,442 crore and net borrowings of Rs 1,351 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 10% over the revised estimate of 2022-23.
- In 2022-23, as per the revised estimate, total expenditure (excluding debt repayment) is estimated to be 9% higher than the budget estimate. Receipts (excluding borrowings) are estimated to be 10% higher than the budget estimate. This increase is anticipated mainly on account of higher central transfers than budgeted (13% higher).
- **Revenue surplus** in 2023-24 is estimated to be 4.8 % of GSDP (Rs 2,228 crore), higher than the revised estimates for 2022-23 (3.6% of GSDP). A high revenue surplus relative to GSDP in both years is mainly owing to high central transfers and a low GSDP base. Central transfers are estimated to comprise about 80% of the state's revenue receipts in both 2022-23 and 2023-24.
- **Fiscal deficit** for 2023-24 is targeted at 3.4% of GSDP (Rs 1,592 crore), lower than the revised estimates for 2022-23 (4.5% of GSDP). In 2023-24, the projected fiscal deficit is within the limit prescribed by the central government (3.5% of GSDP). In 2022-23, Meghalaya's fiscal deficit is estimated to be higher than the limit fixed by the central government (4% of GSDP). In both 2022-23 and 2023-24, of the prescribed fiscal deficit limit, 0.5% of GSDP is conditional upon certain power sector reforms.

**Table 1: Budget 2023-24 - Key figures (in Rs crore)**

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 2022-23 to RE 2022-23	2023-24 BE	% change from RE 2022-23 to BE 2023-24
Total Expenditure	18,674	18,881	23,280	23%	22,022	-5%
(-) Repayment of debt	2,216	964	3,750	289%	988	-74%
<b>Net Expenditure (E)</b>	<b>16,457</b>	<b>17,917</b>	<b>19,530</b>	<b>9%</b>	<b>21,034</b>	<b>8%</b>
Total Receipts	18,319	18,700	22,853	22%	21,781	-5%
(-) Borrowings	4,020	2,632	5,184	97%	2,339	-55%
<b>Net Receipts (R)</b>	<b>14,299</b>	<b>16,069</b>	<b>17,669</b>	<b>10%</b>	<b>19,442</b>	<b>10%</b>
<b>Fiscal Deficit (E-R)</b>	<b>2,159</b>	<b>1,849</b>	<b>1,861</b>	<b>1%</b>	<b>1,592</b>	<b>-14%</b>
as % of GSDP	5.7%	4.5%	4.5%		3.4%	
<b>Revenue Surplus</b>	<b>654</b>	<b>660</b>	<b>1,497</b>	<b>127%</b>	<b>2,228</b>	<b>49%</b>
as % of GSDP	1.7%	1.6%	3.6%		4.8%	
<b>Primary Deficit</b>	<b>1,196</b>	<b>738</b>	<b>832</b>	<b>13%</b>	<b>424</b>	<b>-49%</b>
as % of GSDP	3.3%	1.8%	2%		0.9%	

Note: Fiscal deficit in 2021-22 is lower by Rs 200 crore as compared to the budget documents, as transfer of Rs 200 crore to contingency fund has not been included in the state's expenditure. BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Disclosure Statement, Meghalaya Budget 2023-24; PRS.

## Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 17,186 crore, an increase of 6% over the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 3,812 crore, an increase of 14% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets. In 2022-23, as per revised estimates, capital outlay is estimated to be 36% higher than the budget estimates. This is driven by a 59% increase in capital outlay for education, sports, arts and culture, and a 129% increase in capital outlay towards urban development at the revised stage.

**Table 2: Expenditure Budget 2023-24 (in Rs crore)**

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 2022-23 to RE 2022- 23	2023-24 BE	% change from RE 2022-23 to BE 2023-24
Revenue Expenditure	13,620	15,376	16,149	5%	17,186	6%
Capital Outlay	2,752	2,463	3,343	36%	3,812	14%
Loans given by the state	85	79	38	-52%	37	-3%
<b>Net Expenditure</b>	<b>16,457</b>	<b>17,917</b>	<b>19,530</b>	<b>9%</b>	<b>21,034</b>	<b>8%</b>

BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Meghalaya Budget 2023-24; PRS.

**Committed expenditure:** Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2023-24, Meghalaya is estimated to spend Rs 8,761 crore on committed expenditure, which is 45% of its estimated revenue receipts. This comprises spending on salaries (30% of revenue receipts), pension (9%), and interest payments (6%). Expenditure on pensions for 2023-24 is estimated to be Rs 1,794 crore, a 22% increase over the revised estimates of 2022-23. In 2022-23, 45% of revenue receipts are estimated to be spent towards committed expenditure as per revised estimates, lower than 2021-22 (50% of revenue receipts).

**Table 3: Committed Expenditure in 2023-24 (in Rs crore)**

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	4,738	5,625	5,496	-2%	5,798	5%
Pensions	1,366	1,469	1,469	0%	1,794	22%
Interest Payment	963	1,110	1,029	-7%	1,169	14%
<b>Total Committed Expenditure</b>	<b>7,067</b>	<b>8,204</b>	<b>7,995</b>	<b>-3%</b>	<b>8,761</b>	<b>10%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Disclosure Statement; Annual Financial Statement, Meghalaya Budget 2023-24; PRS.

**Sector-wise expenditure:** The sectors listed below account for **60%** of the total expenditure on sectors by the state in 2023-24. A comparison of Meghalaya's expenditure on key sectors with that of other states is shown in Annexure 1.

**Table 4: Sector-wise expenditure under Meghalaya Budget 2023-24 (in Rs crore)**

Sector	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% Change from RE 2022- 23 to BE 2023-24
Education, Sports, Arts, and Culture	2,390	2,816	3,199	3,109	-3%
Health and Family Welfare	1,682	1,618	1,696	1,805	6%
Rural Development	875	1,278	1,357	1,588	17%
Transport	1,610	1,501	1,773	1,501	-15%
Police	1,004	1,163	1,120	1,207	8%
Agriculture and Allied Activities	889	1,068	1,005	1,196	19%
Social Welfare and Nutrition	514	701	687	832	21%
Energy	689	458	1,052	709	-33%
Water Supply and Sanitation	924	589	626	640	2%
Urban Development	594	299	484	487	1%
<b>% of total expenditure on all sectors</b>	<b>65%</b>	<b>63%</b>	<b>64%</b>	<b>60%</b>	<b>-7%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Meghalaya Budget 2023-24; PRS.

## Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 19,414 crore, an increase of 10% over the revised estimate of 2022-23. Of this, Rs 3,947 crore (20%) will be raised by the state through its **own resources**, and Rs 15,467 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 (39% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 7,835 crore, an increase of 6% over the revised estimate of 2022-23. In 2022-23, the devolution of central taxes is estimated to be 18% higher as compared to the budget estimate.
- **Grants from the centre** in 2023-24 are estimated at Rs 7,633 crore, an increase of 9% over the revised estimate of 2022-23. In 2022-23, grants from the centre are expected to be 9% higher than the budgeted.
- **State's own tax revenue:** Meghalaya's total own tax revenue is estimated to be Rs 3,205 crore in 2023-24, an increase of 22% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 6.9% in 2023-24, higher than the revised estimates for 2022-23 (6.3%). As per the actual figures for 2021-22, own tax revenue as a percentage of GSDP was 6.1%.

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

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	2,300	2,575	2,636	2%	3,205	22%
State's Own Non-Tax	525	731	590	-19%	743	26%
Share in Central Taxes	6,581	6,264	7,386	18%	7,835	6%
Grants-in-aid from Centre	4,869	6,466	7,034	9%	7,633	9%
<b>Revenue Receipts</b>	<b>14,274</b>	<b>16,035</b>	<b>17,646</b>	<b>10%</b>	<b>19,414</b>	<b>10%</b>
Non-debt Capital Receipts	24	33	23	-32%	28	22%
<b>Net Receipts</b>	<b>14,299</b>	<b>16,069</b>	<b>17,669</b>	<b>10%</b>	<b>19,442</b>	<b>10%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Meghalaya Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (56% share). State GST revenue is estimated to increase by 22% over the revised estimates of 2022-23.
- Sales Tax/VAT is estimated to account for 25% of the total own tax revenue in 2023-24. Revenue from sales tax/VAT is expected to increase by 22% in 2023-24. However, as per the revised estimate, revenue from sales tax/VAT is estimated to be 13% lower than the budget estimate.

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

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	1,118	1,316	1,463	11%	1,785	22%
Sales Tax/ VAT	719	748	649	-13%	792	22%
State Excise	308	350	350	0%	413	18%
Taxes on Vehicles	99	100	123	23%	150	22%
Stamps Duty and Registration Fees	27	38	24	-38%	32	37%
Land Revenue	10	5	5	8%	6	20%
Taxes and Duties on Electricity	2	2	1	-10%	2	43%
GST Compensation Grants	163	50	-	-	-	-
GST Compensation Loans	141	-	-	-	-	-

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Detailed Estimates of Receipts, Annual Financial Statement, Meghalaya Budget 2023-24; PRS.

## Deficits, Debt, and FRBM Targets for 2023-24

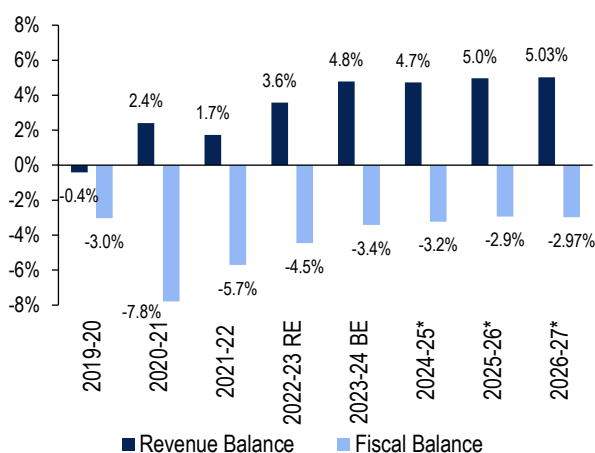
The Meghalaya Fiscal Responsibility and Budget Management Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

**Revenue surplus:** It is the difference between revenue expenditure and revenue receipts. A revenue surplus implies that the government does not need to borrow money to finance its revenue expenditure (includes salaries, pensions, and grants). In 2023-24, revenue surplus is estimated to be Rs 2,228 crore (or 4.8 % of the GSDP). In 2022-23, the state is estimated to observe a revenue surplus of 3.6% of GSDP, significantly higher than the budget estimate of 1.6% of GSDP. The higher than budgeted revenue surplus in 2022-23 could be on account of higher than budgeted central transfers. Tax devolution from the Centre is estimated to be 18% higher at the revised estimate stage in 2022-23 as compared to budget estimate, whereas nominal GSDP is expected to be only 1.9% higher at the revised stage.

**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 2023-24, the fiscal deficit is estimated to be 3.4% of GSDP. For 2023-24, the central government has permitted a fiscal deficit of up to 3.5% of GSDP to states. As per the revised estimates of 2022-23, the fiscal deficit of the state is expected to be 4.5% of GSDP which is above the limit of 4% of GSDP prescribed by the central government. In both 2022-23 and 2023-24, of the prescribed fiscal deficit limit, 0.5% of GSDP is conditional upon certain power sector reforms.

**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 2023-24, Meghalaya's outstanding liabilities are estimated at 39.9% of GSDP, lower than the revised estimate for 2022-23 (41.7% of GSDP). The outstanding liabilities have risen as compared to 2019-20 level (31.5% of GSDP).

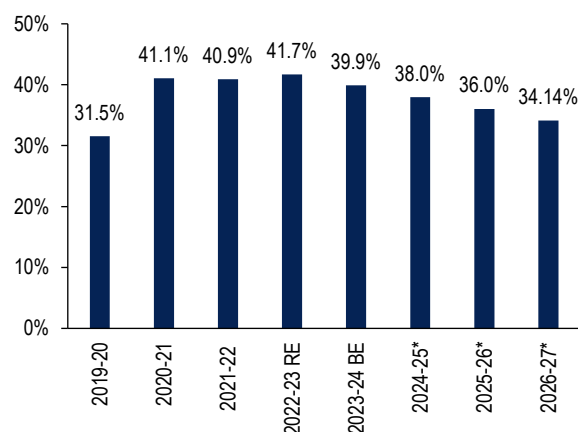
**Figure 3: Revenue and Fiscal Balance (% of GSDP)**



Note: For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy 2023-24, Meghalaya Budget 2023-24; PRS.

**Figure 4: Outstanding Liabilities (as % of GSDP)**



Note: For 2020-21 and 2021-22, deficits reported without treating GST compensation loans as grants. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy 2023-24, Meghalaya Budget 2023-24; PRS.

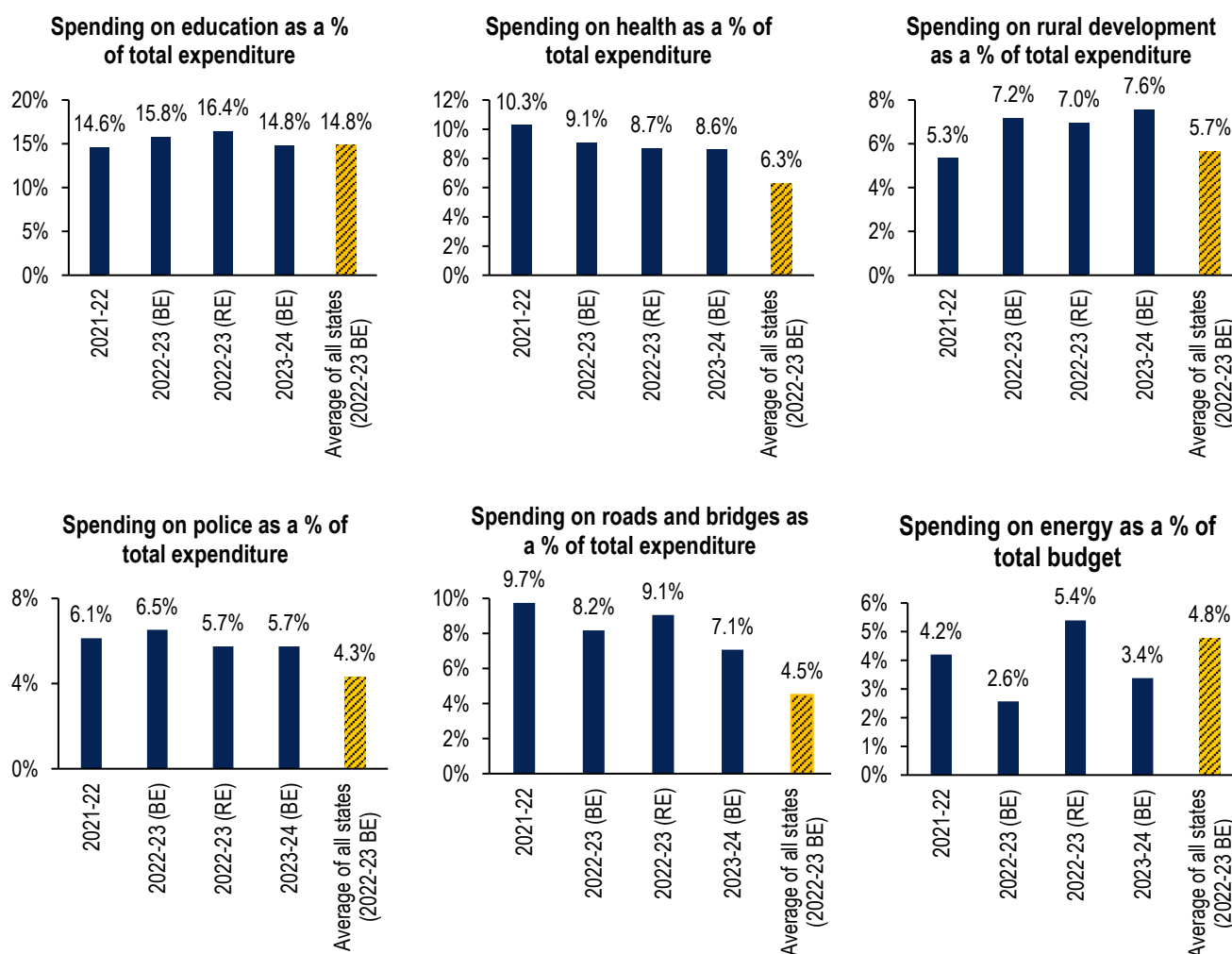
**Outstanding Government Guarantees:** Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. The state's total outstanding guarantees are 0.07% of Meghalaya's GSDP at the end of 2021-22 (Rs 34 crore).

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## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Meghalaya's expenditure in 2023-24 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 2022-23.<sup>1</sup>

- **Education:** Meghalaya has allocated 14.8% of its expenditure on education in 2023-24. This is similar to the average allocation for education by states in 2022-23 (14.8%).
- **Health:** Meghalaya has allocated 8.6% of its expenditure towards health. This is higher than the average allocation for health by states (6.3%).
- **Rural Development:** Meghalaya has allocated 7.6% of its expenditure to rural development. This is higher than the average allocation for rural development by states (5.7%).
- **Police:** Meghalaya has allocated 5.7% of its total expenditure towards police, which is higher than the average allocation by states (4.3%).
- **Roads and bridges:** Meghalaya has allocated 7.1% of its total expenditure towards roads and bridges, which is higher than the average allocation for roads and bridges by states (4.5%).
- **Energy:** Meghalaya has allocated 3.4% of its total expenditure towards energy, which is lower than the average expenditure on energy by states (4.8%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Meghalaya. Sources: Annual Financial Statement, Meghalaya Budget 2023-24; various state budgets; PRS.

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

## Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

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

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
<b>Net Receipts (1+2)</b>	<b>15,262</b>	<b>14,299</b>	<b>-6%</b>
1. Revenue Receipts	15,232	14,274	-6%
a. Own Tax Revenue	2,579	2,300	-11%
b. Own Non-Tax Revenue	694	525	-24%
c. Share in central taxes	5,105	6,581	29%
d. Grants-in-aid from the Centre	6,854	4,869	-29%
Of which GST compensation grants	100	163	63%
2. Non-Debt Capital Receipts	30	24	-19%
3. Borrowings	2,248	4,020	79%
Of which GST compensation loan	0	141	-
<b>Net Expenditure (4+5+6)</b>	<b>16,832</b>	<b>16,457</b>	<b>-2%</b>
4. Revenue Expenditure	13,956	13,620	-2%
5. Capital Outlay	2,817	2,752	-2%
6. Loans and Advances	59	85	44%
7. Debt Repayment	771	2,216	187%
<b>Revenue Surplus</b>	<b>1,275</b>	<b>654</b>	<b>-49%</b>
Revenue Surplus (as % of GSDP)	3.3%	1.7%	-
<b>Fiscal Deficit</b>	<b>1,570</b>	<b>2,159</b>	<b>37%</b>
Fiscal Deficit (as % of GSDP)	4.0%	5.7%	-

Source: Meghalaya Budget Documents of various years; PRS.

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

Tax Head	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Taxes on Vehicles	125	99	-20%
State Excise	360	308	-14%
State GST	1,283	1,118	-13%
Sales Tax/ VAT	767	719	-6%
Stamps Duty and Registration Fees	21	27	27%
Taxes and Duties on Electricity	1.2	1.6	35%
Land Revenue	4.5	9.8	118%

Source: Meghalaya Budget Documents of various years; PRS.

**Table 9: Allocation towards Key Sectors**

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Social Welfare and Nutrition	791	514	-35%
Rural Development	1,216	875	-28%
Welfare of SC, ST, OBC, and Minorities	145	110	-24%
Water Supply and Sanitation	1,174	924	-21%
Agriculture and Allied Activities	1,100	889	-19%
Education, Sports, Arts, and Culture	2,690	2,390	-11%
Housing	145	132	-9%
Police	1,088	1,004	-8%
Irrigation and Flood Control	169	189	12%
Transport	1,442	1,610	12%
<i>of which Roads and Bridges</i>	<i>1,401</i>	<i>1,594</i>	<i>14%</i>
Health and Family Welfare	1,268	1,682	33%
Urban Development	293	594	103%
Energy	120	689	476%

Source: Meghalaya Budget Documents of various years; PRS.