

**SPEECH OF SRI KALVAKUNTLA CHANDRASEKHAR RAO,
HONOURABLE CHIEF MINISTER
WHILE PRESENTING THE BUDGET
FOR THE YEAR 2019-20
TO THE TELANGANA STATE LEGISLATURE
ON 9TH SEPTEMBER, 2019**

Honourable Speaker Sir!

Telangana State, which was formed in 2014, has achieved miraculous progress in a short span of five years. When the new State was formed there was no historic data and the State started its journey based on gross estimates. Several innovative schemes and programmes being implemented for the people's welfare in the Telangana State during the last five years have astonished the entire country. The Telangana State, which made rapid strides in all the spheres and achieved balanced development, has become one of the fastest growing States in the country.

Five years of Economic Development

2. In the first year of formation of the State, the situation was such that the state could spend just Rs 6,247 crore per month, whereas after five years, it has reached a stage and spends Rs 11,305 crore per month.

GSDP Doubled

3. In the two years preceding the formation of the State, the average annual growth of State's Gross Domestic Product (GSDP) was only 4.2 per cent at constant prices. By the financial year 2018-19, the GSDP growth in Telangana State had increased two and half times and stood at 10.5%.

4. During 2013-14, the last year under the united Andhra Pradesh Gross State Domestic Product (GSDP) in Telangana, as per current prices was Rs 4,51,580 crore. During the last five years it had almost doubled. The fact that in the year 2018-19 the State's GSDP has stood at Rs 8,65,688 crore amply demonstrates the economic robustness of the Telangana after it became a separate State.

Significant increase in Capital Expenditure

5. I feel very proud to announce that Telangana, which was at the rock bottom with regard to Capital Expenditure incurred for infrastructure development and asset creation is now in the forefront. Under united AP, the capital Expenditure was only 11.2 per cent of total expenditure. Due to the discrimination under the united AP rule, the share of capital expenditure of Telangana was meagre. Due to the prudent economic policies of

the Telangana Government after formation of the State, capital expenditure has been steadily increasing. Last year, our State stood in the forefront among the states by registering 16.9 per cent rate of capital expenditure. It may be noted by the Hon'ble Members that in the same financial year, the capital expenditure of the Centre was only 12.89 per cent and the average capital expenditure of general category States was 14.2 per cent.

6. During the last ten years under the combined State, total capital expenditure incurred in Telangana was Rs 54,052 crore. Whereas, after formation of Telangana, within five years, an amount of Rs.1,03,551 crore was incurred as capital expenditure.

7. Over and above the budgetary allocation of funds, an additional Rs 65,616 crore was spent under capital expenditure which includes funds raised from financial institutions. In other words, in the last five years, the total capital expenditure incurred in the State was Rs 1,65,167 crore. Under the united AP, the average capital expenditure was Rs 5,400 crore per annum, whereas, in Telangana State more than Rs 33,833 crore is being spent per annum on the development works. The commitment of the Telangana government to spend huge funds for the

development can be evaluated from the fact that the capital expenditure per annum has increased by six times.

8. As a result of achieving all-round progress and development in all the sectors, Telangana State had registered 21.49 per cent average revenue growth rate in the last five years and stood first amongst the states.

9. All this statistical data is taken from the official reports of the Comptroller and Auditor General of India. These were the statistics which were placed before the Legislative Assembly and Council during the last five years. Honourable Members are aware of this.

Telangana Society: Stable and Settled

10. Due to the prudent fiscal management and financial discipline adhered to by the government, due to measures taken in the power sector, by supplying 24-hour uninterrupted and quality power to all the sectors, due to investor-friendly policies like TS-iPASS and industries working in three shifts, the increased agriculture output because of rejuvenation of the agriculture sector following 24-hour uninterrupted free power supply, due to innovative schemes like Rythu Bandhu, Rythu Beema, etc., due to growth achieved in the Information Technology and

Service sectors and due to increase in the capital expenditure in all the major sectors, Telangana State could achieve sustainable economic growth.

Progress in Agriculture, Industrial and Service Sectors

11. On account of the progressive policies being implemented by the State government, it was possible to register remarkable growth rates in all the sectors. During 2013-14, agriculture and its allied sectors could register only 1.8 per cent growth in Telangana. During the last five years 6.3 per cent additional growth was achieved. In 2018-19, 8.1 per cent growth rate was recorded in the agriculture sector. The industrial sector which had a negligible growth rate of 0.4 per cent in 2013-14 increased its growth to 5.8 per cent by achieving an additional 5.4 per cent growth. In the Information Technology and other services sector, while in 2013-14, the growth rate was only 8.7 per cent in Telangana, by 2018-19 it reached 11.5 percent up by 2.8 percentage points. In 2014-value of IT exports from the State was of the order of Rs 52,000 crore, but by 2018 the value of IT exports increased by 100 percent and stood at Rs 1.10 Lakh crore. This is a remarkable achievement by our state. This pace

of economic progress could be achieved due to corruption free governance coupled with quick decisions.

12. Due to rapid strides that the State made in economic growth, the Government was able to revive, promote and sustain the development of rural Telangana, agriculture, hereditary professions and trades, handloom sector etc. which took a beating under the united AP rule. The government was able to spend huge funds for the welfare of the poorest of the poor. Lakhs of poor students are able to get corporate level education free of cost in hundreds of residential schools run by the government. Major irrigation projects aimed at giving permanent solace to the farmers are being completed on a fast track. Power generation is taking place on a large scale, which is unparalleled in history. Through Mission Kakatiya, thousands of tanks are rejuvenated and revived and through Mission Bhagiratha the problem of clean and pure drinking water supply has been permanently solved.

13. The people-centric, problem solving policies and programmes of the State government - implemented with commitment have resulted in the rejuvenation of Telangana

Society. The society has recovered from the neglect suffered in the combined State.

Economic Slowdown in the Last One and a Half Years

14. Unfortunately, the country is going through an economic slowdown over the last one and a half years. In the first quarter of 2018-19, the country's GDP recorded a growth of 8 per cent. From then onwards the GDP was on the decline. In the second quarter the GDP growth was 7 per cent, in third quarter it was 6.6 per cent and in the fourth and final quarter it touched 5.8 per cent. In the first quarter of this financial year, it further declined to 5 per cent. This clearly indicates the steep decline of the economic growth in the country. All these statistics are from the official reports put out by the central government. These statistics prove the continuous economic slowdown in the country. The severe economic slowdown is leading to serious repercussions in the country, which we are witnessing daily.

Impact of Economic Slowdown on All Sectors

15. The economic slowdown has adversely impacted all the sectors. There is a negative growth in many key sectors, which mirror the prevailing economic situation. The official data put

out by the institutions connected with these sectors present a gloomy picture.

16. According to a recent report by Society of Indian Automobile Manufacturers (SIAM), the manufacturing of the vehicles all over the country is down by 33 percent. The sale of vehicles has come down by 10.65 per cent. Since there are no buyers for the vehicles already manufactured, several top companies have stopped the production temporarily. Taxes from the purchase of vehicles stopped. Sale of Petrol, diesel, and auto spare parts have also declined resulting in decline in VAT collections. Lakhs of people have lost their jobs and employment opportunities. The fact that about 3.5 Lakh persons lost their jobs in the automobile sector shows how severe the situation is!

17. There is a decline in air traffic from 11.6 per cent to minus 0.3 per cent. The decline in the air passengers is 11.9 percent. In the air cargo transport the growth rate declined by 10.6%. Transport of goods through air cargo declined from 6% to 4.6%.

18. Since there is a fall in the demand for all commodities, railway wagon booking growth rate declined from 4.1 per cent to 1.6 per cent. Since several industrial units have closed down,

coal mining has stopped at several mines. With this, the growth in coal mining also decreased from 10.6 per cent to minus 5.1 per cent. Rupee exchange value is falling speedily and steadily. For the first time in history, the US Dollar value against rupee is Rs.72.43 now. All these facts and figures that I have stated are being talked about on a daily basis all over the world.

Telangana's Inevitable Dependence on GST Compensation

19. The severe financial crisis that the country has been witnessing impacted Telangana State's economy too. In the first year of GST implementation, in the absence of any proper calculations, Telangana got compensation as was done in the case of all other states. After this, there was no necessity for Telangana to take this compensation again. But due to economic slowdown, during April and May months this year, Rs 175 crore and during June and July months Rs 700 crore was given as GST compensation. The compensation taken during June and July was 4 times more than the compensation given in April, May and this alone reflects the steep decline in the financial situation. I appeal to the Honourable members to understand why such a situation has emerged.

20. The Central government alone decides the broad fiscal policies in the country. The states have no option but to follow the fiscal policies of the Centre and Telangana State is no exception.

21. I regret that I am presenting the State Budget for 2019-20 in the House when both the Centre and State are going through a severe financial crisis. We have to tread carefully and cautiously during such a testing time. We cannot go beyond certain limits. Against this backdrop of severe financial crunch, our Finance Department did a lot of brain storming, discussed the matter with several experts and with a practical approach prepared 2019-20 budget proposals. Based on the information and data given by the finance department, I am placing before this House, the State's Annual Budget with the permission of the Chair.

22. There is a lot of difference between the estimates presented in the Vote-on-Account budgets of the Centre and the State, and the proposals being presented today. Based on the provisional figures published by the Controller General of Accounts (CGA), it was estimated that there would be 22.69 growth in the tax revenue of the Centre during 2019-20, but in

the first quarter, only 1.36 per cent growth was realised. In Telangana State too, we anticipated 15 percent growth rate but only 5.46 percent could be realised.

23. In the last five financial years, in commercial taxes, the State recorded an average of 13.6 per cent growth rate while it is 6.61 per cent in the first four months of this financial year. In excise, only 2.59 per cent growth is registered in the first four months. In stamps and registration, till last financial year, 19.8 growth rate was recorded, but, in the first four months of this financial year 17.5 per cent growth was recorded. In the motor vehicle taxes, there is a steep fall. In the last five financial years, there was 19 per cent growth rate in motor vehicle tax and it has now declined to minus 2.06 percent in the first four months in this financial year.

24. There is a steep decline in the non-tax revenue too. Till last year, the growth rate was 14.9 per cent on an average and during the first four months of this financial year it fell down to minus 14.16 per cent. In all, the non-tax revenue declined by 29 per cent. This is purely due to the economic slowdown.

25. In addition to the decline in the State own revenue, the Centre also had made a reduction in the funds that are to be

transferred to the State. For 2019-20 financial year, the centre has cut 4.19 per cent in the State's share in Central taxes (Devolution). The Centre also reduced allocations in several other items causing severe loss to the State.

Telangana Slightly Better Placed

26. The situation of several other States in the country is much worse than ours. According to Comptroller and Auditor General (CAG) report, Punjab, Karnataka and Haryana have registered a minus growth rate. When compared to other States, Telangana is slightly in a better position. Because of the leverage the State has due to its economic growth and fiscal discipline, it could raise funds from other financial institutions. Within the limits of FRBM and following the Centre's guidelines, the State is raising funds from the financial institutions. The State government has decided to utilise extra budgetary funds for the construction of major irrigation projects.

27. With funds obtained from the financial institutions and margin money, the government is completing the irrigation projects. Let me assure people through this House that construction works on Kaleshwaram, Palamurur-Rangareddy,

Sitarama, Devadula and other such major projects will continue without any interruptions.

28. The State government is committed to continue the welfare programmes for the poor people and farmers despite the existing financial crisis. The commitment of this government to farmers' welfare can be proved from the fact that it had increased the financial assistance under Rythu Bandhu Scheme from Rs. 8,000 per acre to Rs. 10,000 per acre per annum. I assure the farming community in the State that Rythu Bandhu Scheme would continue without any changes. The government is proposing Rs 12,000 crore for Rythu Bandhu in this Budget. Similarly, Rythu Beema Scheme will also be continued. The Government proposes in this budget allocation of Rs 1,137 crore towards Rythu Beema premium. The Government has decided to waive crop loans as promised during the last elections. For the crop loan waiver, the Government is proposing Rs 6,000 crore in this Budget. Free power given to the farm sector will also continue. The electricity bills for supplying water from irrigation projects to agriculture lands will also be paid by the government without passing the burden on to farmers. This has resulted in increase in electricity subsidies of the agriculture. For the first

time, Rs 8,000 crore is proposed for power subsidies in this Budget, which is a record by itself.

29. I want to make it very clear that there will not be any problem with regard to funds for Aasara pensions given to the poor, KCR Kits, Kalyana Lakshmi, Arogya Lakshmi, 6-KG rice and for other such schemes.

30. As promised during the last elections, the State government has doubled the amount of Aasara pensions, for providing greater security to lives of poor. The government also increased the pension given to beedi workers, single woman, widows, weavers, toddy tappers, filaria patients, people suffering with AIDS, from Rs 1,000 per month to Rs 2,016 per month. For the differently abled and old age artistes, the pension is enhanced from Rs 1,500 per month to Rs 3,016 per month and the increased pension amount is being paid. To extend Aasara pension further, the State government has taken two key decisions. Old age pension scheme eligibility age limit is reduced from 65 years to 57 years. Very soon all those eligible beneficiaries who complete 57 years of age will get the pension. The Government has also removed the PF cut-off date for the

Beedi workers. For Aasara pensions, the amount proposed is Rs.9,402 crore in this budget.

31. The Government will continue the residential schools, which are providing English medium education to students besides providing food and hostel facility as is being done now. The Government will implement all the assurances it gave in the last elections.

32. The State government wants to give total clarity on the funds given by Centre under Centrally Sponsored Schemes (CSS) to members of this August House. In the last five years, funds to the tune of Rs.2,72,926 crore have been collected by the Centre through various taxes from Telangana State. Like all the States in the country, we have also received funds to the extent of Rs.31,802 crore from the Centre for the implementation of Central schemes in the State.

33. The State Reorganisation Act stipulated that the Centre shall provide grants for the development of backward areas in the State. But in the last five years, in one year the Centre had not given the grant of Rs.450 crores

34. According to CAG Report, for welfare and development during the past five years, Rs 5,37,373 crore was spent by the State government. Out of this, the Centre's contribution for implementing its schemes was a mere Rs.31,802 crore. The

Centre had not paid even a rupee more than this and I request the Honourable Members to take note of this.

35. While implementing the Central Schemes, the State government is taking decisions with total understanding. The Central schemes which are really helpful to people are being implemented in the State. Let me declare here that the State government is not interested in wasting public money on those programmes, which are not beneficial to the people. For instance, the State government is implementing Arogya Sri to extend medical and health services to the poor. Through Arogya Sri, the Government is spending Rs.1,336 crore per year benefitting 85.34 Lakh families in the State. From the Centre's Ayushman Bharat scheme, it is possible for the State to provide medical benefits only to the extent of Rs 250 crore per year benefiting only 26 Lakh families. Through Arogya Sri, the Government is extending services relating to the organ transplants free of cost. This facility is not available under Ayushman Bharat Scheme. Since Arogya Sri Scheme is far more beneficial than Ayushman Bharat in several ways, we have decided not to implement Ayushman Bharat Scheme. Let me make it clear that the State government will examine thoroughly all the Central government schemes and will implement such schemes which are beneficial to the people.

Administrative Reforms

36. The Government is implementing administrative reforms in a big way for good governance. The Government has reconstituted the administrative wings to take governance to the doorsteps of the people, for better implementation of the government schemes and programmes, and to deliver transparent governance with proper monitoring. We have formed 33 Districts out of the ten erstwhile districts. We have increased revenue divisions from 43 to 69. We have increased the number of Mandals from 459 to 584. Municipalities have been increased from 68 to 142. Seven new Municipal Corporations have been formed taking the total number of Corporations to thirteen. Tribal Thandas, Gudems, remote habitations were made into panchayats. There are 12,751 panchayats now in the state compared to 8,690 in the past.

37. To strengthen the Panchayat Raj institutions, the Government has created new wings. In the past, there were 9 District Panchayat Offices in the State. They have now been increased to 32. With a view to have one DLPO at every revenue Division, the number of DLPOs is increased from 28 to 68. Earlier there were 438 EOPRDs and now there are 539 and their designation is changed to Mandal Panchayat Officer.

38. The government also reorganized the police network for better maintenance of law and order. Seven new Police Commissionarates were formed increasing their number to nine.

Police Sub Divisions were increased from 139 to 163. Circles have also been increased from 688 to 717. Newly, 102 Police Station are formed thereby increasing the total number to 814.

39. A new zonal system has been introduced to increase the job opportunities to the locals. The State government has enacted an Act making 95 percent of local cadre jobs to be made available to locals and the same was approved by the Centre. Job appointments will be made in the State based on the new zonal system.

New Acts

40. To offer better services to the people, spending money alone is not the solution. Sometimes, the change which cannot be achieved by spending huge amounts is possible by bringing in a good policy. The Government has brought Comprehensive Rural and Urban policies to develop model villages and towns. Recently, the Government has brought a new Municipal Act and Panchayat Raj Act. The Government is also preparing a new Revenue Act which will address the problems being faced by people and farmers and remove any scope for corruption.

41. In these Acts, guidelines and rules indicate clearly the duties and responsibilities of each and every functionary. There is also clarity on the powers, duties, functions, funds and responsibilities of the local bodies. If anyone is guilty of

dereliction of duties, they can be removed from the service through this Act.

42. The Government is making a serious effort with commitment to revive and restore the past glory of the local bodies, which was weakened by the failures of Governments in the past. The Government is of the firm view that through the new Acts, positive attitudes would emerge from the gram panchayats and municipalities. With these reforms, it is hoped that villages will be shining with cleanliness and greenery, towns will develop in a planned manner and the people will have high living standards. To usher in a new phase in village governance, 30-day Special Action Plan is being implemented from 6th of this month. With wider people's participation, issues like maintaining cleanliness, increasing green cover, spending funds with prudence and planning, preparing one year and five-year plans, preparing village budget as per the village needs, solving electricity related issues will be taken up during the Action Plan.

Strengthening Panchayath Raj Institutions

43. The Government is filling up all the vacancies to strengthen the Panchayat Raj department. The Government has increased the salaries of Safai Karmacharees to Rs.8,500 per month who were till now taking care of sanitary work on a meagre salary. The hike benefitted 36,000 Safai Karmacharees

workers in the State. I am happy that with the hiked salaries, Safai Karmacharees will earn dignity and respect in the society.

Funds for Local Bodies

44. The Government came out with a robust plan so that the local bodies do not suffer due to lack of funds. The State government has decided to give matching grants to the funds given by the Central Finance Commission. The government will release matching grants together with the Central Finance Commission grants to the local bodies. Combining these two, the government has decided to release Rs.339 crore per month to the rural local bodies. The Government has already released funds for September. Similarly, the municipalities will also have funds flow. The local bodies will also have funds from MNREGA, general taxes and permissions. Hence the local bodies will have no funds problem. The Government is proposing Rs.2,714 crores for Gram Panchayats and Rs.1,764 crore for the Municipalities in this Budget.

Financial Assistance to Power Utilities

45. The Government has so far paid Rs 20,925 crore to the power sector for the supply of free power to farmers for 24 hours. The government had taken the burden and cleared Rs 9,695 crore loan of the DISCOMS under UDAY Scheme. The Government also paid Singareni Collieries Rs.5,772 Crore, as the

dues to be paid by the electricity agencies. The Government also, from time to time, has been paying for the expenditure incurred for buying additional power when the demand is at its peak. In all, in the last five years, the State government has paid Rs.42,632 crore as financial assistance to the electricity organisations. Since there is uninterrupted and quality power supply for 24 hours, there is an increase in agriculture and industrial output. I proudly inform the Honourable Members and the House that in per capita power consumption, which is a very important indicator for growth, our State stood first in the country.

46. There is no need for the Government to hide from placing the facts and actual situation before the people. We want to place facts before the people. It is a harsh reality that due to economic slowdown, the revenues of both the Centre and the State have come down. It is also fact that this economic slowdown led to some setbacks. Based on the hard facts the government has prepared its financial proposals. Policy decisions are taken for proper fiscal management. The government has decided to clear all the pending dues of all the departments. For this adequate allocations are being made in this Budget. New works are proposed to be taken up only after the pending bills are cleared. Accordingly, the finance department has advised the

Hon'ble Ministers and Secretaries concerned to spend funds based on this policy.

Budget Estimates 2019-20.

47. For 2019-20 Financial year, an amount of Rs 1,82,017 crore was shown as expenditure in the vote on account budget. However, economic slowdown is continuing in the country for the past 18 months. There is a steep fall in the Gross Domestic Product. All the major sectors are experiencing downward trend. Revenues have fallen. The country's economic situation has a bearing on the state too. The Government has decided to formulate the budget based on the change in the scenario and the ground realities. The proposed expenditure for the 2019-20 financial year is Rs.1,46,492.30 crore. Of this, revenue expenditure is Rs.1,11,055.84 and capital expenditure is Rs.17,274.67 crore. As per the budget estimates proposed, revenue surplus is Rs.2,044.08 crore and the fiscal deficit is Rs.24,081.74 crore.

48. I have shared with you State's financial position and the fiscal indicators. I have placed before this House, the State government's priorities and targets. Allocations made to the department and other related details are available in the Budget

documents circulated to the Hon'ble Members.. Details can also be obtained from the Finance Department website, finance.telengana.gov.in.

49. Though there is fall in revenues due to economic slowdown, I am hopeful and optimistic that situation will change for the better. This Budget is formulated based on the facts and realities, as they exist today. If the situation improves in future, there is always scope for making suitable changes in the estimates later.

50. The relentless legal fight put in by the State government to free government lands from the grabbers and to clear several cases pending in the courts have started yielding good results. The Government could get back its rightful ownership of land worth thousands of crores. The Government can raise additional funds through sale of these lands in a phased manner. The Government has decided to transfer these funds to SDF and to use them to meet any contingency arising in any department for meeting the needs of the people.

51. I want to inform this House and the general public through this House that based on the revenue resources, the government

will review its priorities, make amendments from time to time and will play a dynamic role.

Conclusion

52. Let me once again reiterate our commitment to allocate more funds for agriculture and welfare sectors to better the lives of farmers and general public and bring light into their lives. The Government wants villages to be clean and green and towns to develop and progress with proper planning. The Government is of the firm opinion that this budget will help realising the aspirations of people by attaining development and progress in all the sectors.

53. With a positive attitude, keeping in view the factual situation, and with the objective of fulfilling all the election promises, I am placing 2019-20 budget proposals before this House. I humbly request the honourable members to pass the Budget aimed at balanced development.

// Jai Hind //

// Jai Telangana //