

12.05 hrs.

KARNATAKA BUDGET, 1989-90

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA): On behalf of Shri S.B. Chavan, I lay on the Table of the House the Annual Financial Statement of the State of Karnataka for the financial year 1989-90.

2. Consequent on the Proclamation issued under Article 356 of the Constitution on the 21st April, 1989, the powers of the Legislature of the State of Karnataka are exercisable by or under the authority of Parliament.
3. The Annual Financial Statement of the Government of Karnataka for 1989-90 was presented to the Legislature of the State on 17th March, 1989 and a vote on account for the expenditure estimated to be incurred during the first six months of the year was obtained on 27th March, 1989. Since the Legislative Assembly was dissolved before the Demands for the full year could be voted, the statement of estimated receipts and expenditure of the State of Karnataka for the financial year 1989-90 as was presented to the State Legislature is being placed before this House.

Revised Estimates 1988-89

4. The Revised Estimates for the year 1988-89 as placed before the Karnataka State Legislature and now being placed before the House show a closing deficit of Rs. 91.53 crores for that year.

The data since received from Reserve Bank of India show that the State closed with a deficit of Rs. 10.46 crores for the year

1988-89. This, however, should not be taken as any real improvement brought about by the former State Government. The lowering of the deficit was brought about by deliberate withholding of large amounts of payments for supplies and services and impounding of deposits of autonomous bodies in State Treasuries. The burden of discharging these liabilities has been shifted to the current year.

Budget Estimates 1988-89

5. For the current year Revenue Receipts are estimated at Rs. 3429.40 crores. The expenditure on revenue account is estimated at Rs. 3551.40 crores resulting in a revenue deficit of Rs. 122.16 crores. Capital Receipts are estimated at Rs. 1580.27 crores and capital expenditure at Rs. 1634.41 crores. Revenue and Capital transactions of the year taken together are thus estimated to show a deficit of Rs. 176.30 crores.

Plan Outlay

6. The State Plan outlay for the year 1989-90 has been fixed at Rs. 1040 crores, to be funded to the extent of Rs. 255.51 crores by Central assistance and the balance from State's own and other resources. The Annual Plan provides Rs. 209.40 crores for irrigation and Rs. 275.17 crores for the Energy sector. Special attention will be paid to ongoing projects especially projects at an advanced stage of completion.
7. A legacy of a huge budgetary deficit and undischarged liabilities has been left behind by the Janata Government. In addition to fiscal mis-management and indiscipline, there are reasons to believe that the Janata Government was not vigilant in the matter of curbing tax evasion. Apparently there has been large scale evasion of state excise

duty on liquor. Thus liquor manufacturers have been able to get away with large unaccounted incomes. This does not speak well of the health of the fiscal system in Karnataka under the Janata Government.

8. Ever since the State came under President's rule the State Administration is doing its best to retrieve the situation. A number of measures are being taken to improve revenue collections. Higher targets have been set for tax collecting agencies. Action is also being initiated to plug loopholes in tax rules and procedures and eliminate tax evasion. This will generate additional resources which will be used for social and economic development of Karnataka.
9. As regards expenditure, Finance Department of the State will be undertaking a complete review of expenditure to effect maximum economy in expenditure without affecting priority areas of development. Small savings collections are another important source of receipts for the State Government and maximising receipts from this source will also be a special endeavour of the State Government. Through these and other measures including those envisaged by the Planning Commission while fixing the Annual Plan Outlay of the State for the Current year at Rs. 1040 crores, it is expected that the deficit shown in the Budget will be substantially brought down.
10. I commend the Budget Estimates of the State of Karnataka for the year 1989-90 for the consideration and the approval of the House.

12.07 hrs.

[MR. DEPUTY-SPEAKER *In the Chair*]

[*English*]

SHRI P.R. KUMARAMANGALAM (Salem): Sir, I would like to know from the Government what is the real connection between Shri Hedge, the then Chief Minister..... (*Interruptions*) It is relevant. We must know whether there is any connection between him and the tax evasion.

MR. DEPUTY-SPEAKER: You raise it when we discuss this.

SHRI P.R. KUMARAMANGALAM: Is it a simple tax evasion? Rs. two thousand crores have been pilfered literally which belonged to the State and which belonged to the people. They say that deficit is going to be Rs. 298 crores this year, including both revenue as well as capital account, if one looks into that. Rs. 300 crores is the amount of tax evasion that is done every year on the second sale that the liquor barons are doing. It is Rs. 2000 crores. Is the State Government taking any steps? Are they going to have an enquiry? We must know how much Shri Hedge is responsible for. Why are they evading..... (*Interruptions*)

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA): Sir, I have made this Statement before the House. The hon. Member will get enough opportunity to participate in the debate. He can make this point at that time and I will certainly reply to it.

MR. DEPUTY SPEAKER: No interruptions, please. Now, we will take up matters under Rule 377. Prof. N. C. Parashar.