

Review of Telangana Industrial Growth - Post Tsipass Act

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Abstract: *Telangana, the youngest state of Indian Union has indeed set a new benchmark by moving to 1st Rank in the year 2016-2017 from 13th rank in 2015-16 year in "Ease of doing Business" through introduction of TSiPASS Act,2014 with the aim of higher industrial growth rate from marginal growth rate through single window system for filing applications, payment, status tracking, online scrutiny and approval of application within 15 days, if not, on the sixteenth day, it is deemed approved which has rolled out red-tapism and put red carpet for establishment of new industries by Domestic Industrialists or new entrepreneurs & multi-national Companies to make "BANGARU TELANGANA OR GOLDEN TELANGANA".*

The Present Research Study deals with the review or assess the impact of TSipass in establishment of industries, generation of employment opportunities, removing regional imbalances in various parts of Telangana and participation in economic growth and development of Telangana economy through TS-IPASS (Telangana State Industrial Project Approval and Self-Certification System)Act, 2014 to make "BANGARU OR GOLDEN TELANGANA".

Key Words: *TSipass Act - Growth and Performance of Industrial sector – Progress of TSiPASS Act.*

I. Introduction:

Prior to the introduction of TSiPASS Act or Formation of Telangana State, Industrial growth was marginal i.e., 6.9% in the year 2014-2015, 11% in 2013-2014 and 3.4% in 2011-12 which is an exceptional year recorded negative industrial growth value due to the acute power crisis. Many Micro, Small & Medium enterprises has moved/shut down in combined Andhra Pradesh & Telangana to other states due to acute shortage of power supply. Many Industrial corridors nearly 70% were concentrated in Hyderabad and surrounding districts. Hyderabad has become a major issue during the bifurcation due to the major revenue contribution from Hyderabad and its surrounding districts. In other words, Northern and Southern Telangana which has huge minerals and forest resources have neglected in setting up industrial corridors before formation of telangana resulted more slums around Hyderabad and became overcrowded city. Job opportunities, industrial establishments and investments in Backward areas development were completely ignored by Governments before formation of Telangana in all other districts of Telangana except in Hyderabad and few parts of Rangareddy and Medak. Industrial development in any State or Districts depend on the availability of water and power resources which were major challenges to newly formed state. Apart from that it also has drought prone areas like Mahbubnagar, Karimnagar etc. became as a backward areas though Telangana has nearly 68% catchment area of Krishna river and 79% catchment area of Godavari River. All these challenges pushed the newly formed Telangana state (on 2nd June, 2014) to come up with integrated plan for industrial development in ignored or backward districts of Telangana with TS-iPASS Act, 2014.

Post TS-iPASS Act, Industrial growth rose from 6.9% in the year 2014-15 to 9.2% in 2015-16 and 10.1% in 2016-17 due to the initiatives taken by the Telangana Government. TS-iPASS is one of the major scheme to accomplish the mandate of Minimum Inspection and Maximum Facilitation and is acclaimed as the best industrial policy in the country by consecutively ranking 1st place in "Ease of doing business" for 2016-2017 financial year awarded by Union Government of India and also in 2018 by World Bank Rankings.

Objectives Of The Study

The Objective of the study of TSiPASS Act is to assess the impact of TS-iPASS in achieving a balanced, sustainable and decentralized industrial growth across all the districts of Telangana

II. Research Methodology

The present research methodology or analysis is based mainly on secondary data collected from various reports, magazines and from related website sources.

III. Review Of Literature

Telangana, the youngest state of Indian Union has indeed set a new benchmark by moving to 1st Rank in the year 2016-2017 from 13th rank in 2015-16 year in “Ease of doing Business” through introduction of TSiPASS Act, 2014. The main goal of this Act is to aim for high industrial growth rate from marginal growth rate through single window system for filing applications, payment, status tracking, online scrutiny and approval of application within 15 days, if not, on the sixteenth day, it is deemed approved which has rolled out red-tapism and put red carpet for establishment of new industries by Domestic Industrialists or new entrepreneurs & Multi-National Companies in Telangana to make “BANGARU TELANGANA OR GOLDEN TELANGANA”.

Highlights/Features of TS-iPASS Act

The Telangana State Industrial Project Approval and Self Certification System came into effect from 12th June, 2015 for speedy processing of applications for issue of various clearances required for setting up of industries at a single point based on the self-certificate provided by an entrepreneur and also to create investor friendly environment in the State of Telangana.

1. A single Common Application Form (CAF) for all departmental approvals
2. All departments connected for establishing and operation of an Enterprise brought under purview of TS-iPASS
3. Time limit set for each approval varying from 1 day to a maximum of 30 days depending upon the complexity of the approval.
4. Pre-scrutiny of the applications at state level and district level to assist the entrepreneurs in proper submission of applications and to avoid delay in processing the files by the departments.
5. Making mandatory for the competent authorities to seek shortfall/additional information required, if any, only once within three days from receipt of the application
6. Providing deemed approvals, in case of failure of according approvals by departments, within the set time limits.
7. Empowering the entrepreneurs with right to clearances under TS-iPASS, to know the reasons for delay, if any, in getting the clearance within time limits and penalising the officers responsible for the delay.
8. Provision for automatic approval system on submission of a self-certification.
9. Providing all approvals within 15 days to mega projects by “Telangana State-Wide Investment Facilitation (T-SWIFT)” Board under the chairmanship of the Chief Secretary to Government, to enable implementation of the project swiftly.
10. Telangana State Industrial Development and Entrepreneur Advancement (T-IDEA):

The T-IDEA scheme provides various incentives to the micro, small and medium enterprises (MSME), large enterprises, Mega Projects and to the women entrepreneurs. Mega Projects with an investment of over Rs.200 crores in plant and machinery or employment above 1000 persons will receive tailor made incentives in addition to standard large category industry incentives are as follows:

- a) 100% Stamp duty reimbursement on the purchase of land/shed/buildings by micro, small and medium enterprises (MSME), large enterprises, Mega Projects and to the women entrepreneurs.
 - b) Reimbursement of Fixed power cost @ 1/- per unit for 5 years from the period of production commenced.
 - c) 100% SGST (State Goods and Service Tax) reimbursement for a period of 5 years.
 - d) 15% investment subsidy on fixed capital investment subject to a maximum of Rs. 20 lakhs for micro and small enterprises
 - e) 50% Reimbursement on training and skill development cost to the local manpower
 - f) 50% Contribution to the cost of infrastructure from IIDF subject to the terms and conditions.
11. Telangana State Programme for Rapid Incubation of Dalit Entrepreneurs (T-PRIDE):

The Telangana State Programme for Rapid Incubation of Dalit Entrepreneurs (T-PRIDE) scheme is aimed at developing entrepreneurship among Scheduled Castes and Scheduled Tribes by extending following incentives:

- 100 percent reimbursement of Stamp duty and transfer duty paid on purchase of land meant for industrial use.
- 100 percent reimbursement of Stamp duty for Lease of Land/ Shed/ Buildings
- 33.3 percent rebate in land cost (limited to Rs.10 lakhs) in industrial estates / industrial parks
- 25 percent land conversion charges for the industrial use (limited to Rs.10 lakh).
- Fixed power cost @ Rs. 1.50 per Energy unit for a period of 5 years.
- Seed capital assistance to first generation entrepreneurs to set-up micro enterprises @ 20 percent of the machinery cost.

- 35 percent investment subsidy on fixed capital investment (limited to Rs. 75 lakh per unit). Additional 5 percent investment subsidy units set up in Scheduled Areas by ST entrepreneurs (limited to Rs.75 lakh per unit).
12. Industries are classified in four categories in terms of Pollution Concerns: —
1. Green
 2. Orange
 3. Red 1
 4. Red 2.

Only Red 2 category has to go to Government of India. 90% of applications will be within purview of State Government.

Analysis on establishment of industries, employment generation and investment after Ts-ipass

TSiPASS Act significant features like time bound sanctions, single window clearances, deemed approvals and red-carpet of Telangana Industrial policy attracted many domestic and foreign investors in terms of in terms of number of industries, investment and employment as compared to the pre TS-iPASS.

Table-I: Position of various Districts of Telangana State during (2010-2012) or before TSiPASS Act

S.NO	Districts	No. of Units	Investment (Rs. in Crores)	Employment
1.	RANGA REDDY	7232	4413	72599
2.	MEDAK	1034	3107.35	24504
3.	KARIMNAGAR	733	324.84	6040
4.	WARANGAL	669	204.98	4453
5.	NIZAMABAD	690	178.81	3502
6.	KHAMMAM	591	2832.62	5251
7.	NALAGONDA	696	931.22	8852
8.	MAHBUBNAGAR	637	612.57	6704
9.	ADILABAD	275	736.4	3010
10.	HYDERABAD	1434	802.69	21607
	Total	13991	14144.48	156522

Source: FTAPCCI Report on “*TS-iPASS and Industrial Growth of Telangan State*”

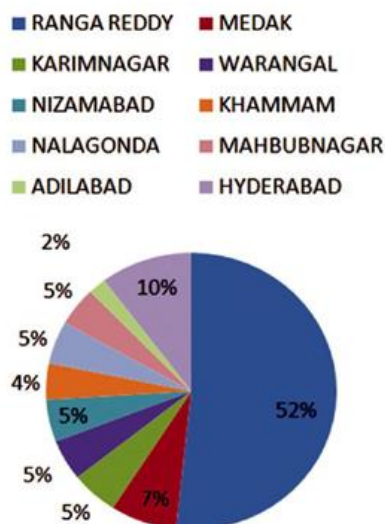
Table-II: District-Wise Report After Ts-Ipass (01-January-2015 to 02-March-2017)

S.NO	Districts	No. of Industries	Investment (Rs. in Crores)	Total Employment
1.	RANGA REDDY	1230	14377.1	125898
2.	MEDAK	498	8459.24	35313
3.	KARIMNAGAR	425	11434.87	7209
4.	WARANGAL	297	3566.15	5377
5.	NIZAMABAD	168	477.19	9362
6.	KHAMMAM	179	7483.11	7665
7.	NALAGONDA	294	1753.19	7936
8.	MAHBUBNAGAR	144	3906.93	18299
9.	ADILABAD	206	6761.67	3399
10.	HYDERABAD	10	121.68	300
	Total	3451	58341.13	220758

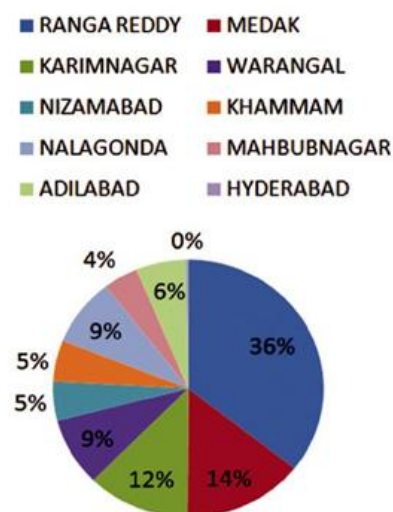
Source: FTAPCCI Report on “*TS-iPASS and Industrial Growth of Telangan State*”

Above Table I & II indicates that during Pre- and Post TS-ipass period also Rangareddy District stood first with 39% increase in industrial establishment, 25% increase in Investment and 55% increase in terms of generation in employment. It is found that, in the pre TS-iPASS period also Ranga Reddy and Medak were the leading districts in terms of number of industries establishment, investment and employment generation with a share of 60% in number of industries establishment, 53% of investment and 62% of employment opportunities generated. The changes in the relative shares of various districts are shown by using pie charts:

**NUMBER OF UNITS:
2010-12**



2015-17 (up to March)

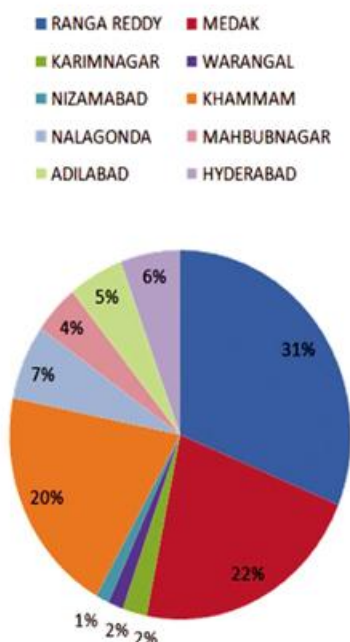


Source: FTAPCCI Report on “TS-iPASS and Industrial Growth of Telangan State”

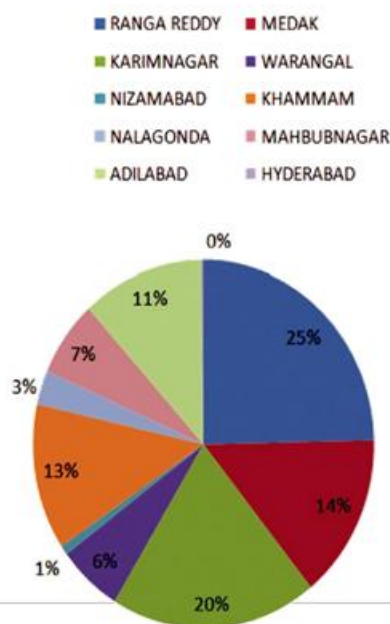
The above pie charts indicate the relative shares of the districts in terms of number of units from 2010-12 and 2015-17 (Up to March). There is considerable fall in the relative share of Ranga Reddy district in the total number of units from 52% to 36% while the shares of Medak, Karimnagar, Nalagonda, Adilabad and Warangal have doubled. But there was no change in the shares of Nizamabad, Khammam, and Mahbubnagar. Over all, there is a clear indication of disbursement of industries among the districts under TS-iPASS system.

INVESTMENT

2010-12



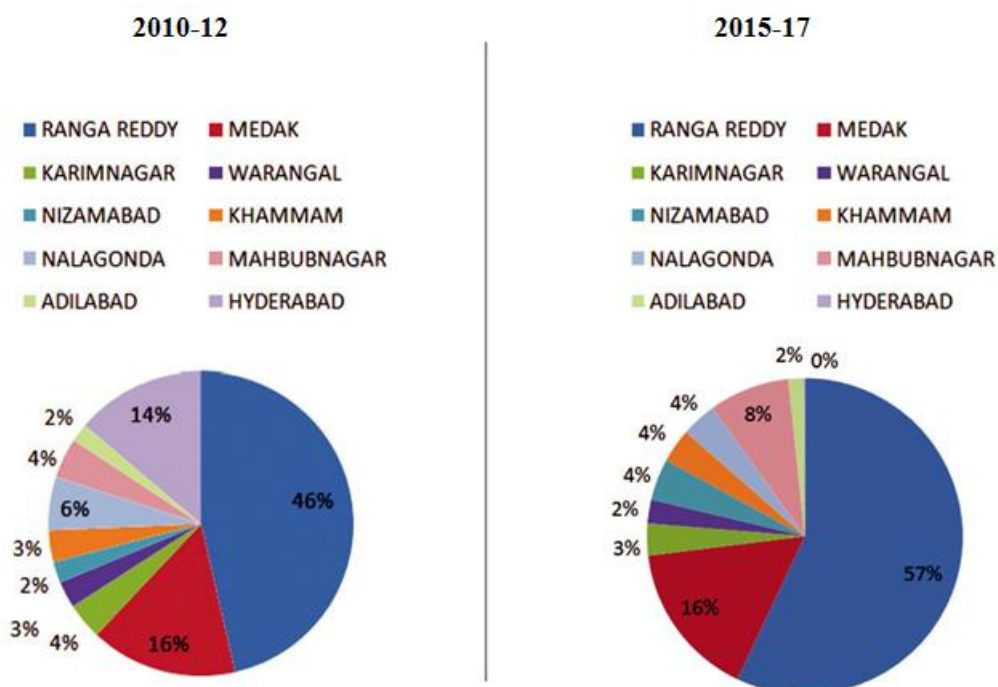
2015-17



The relative shares of Ranga Reddy and Medak Districts in total investment together have come down from 55% in 2010 -12 to 39% in 2015-17 but the relative shares of Karimnagar, Adilabad, Mahbubnagar and Warangal have increased during the same period. This clearly indicates that the TS-iPASS system has succeeded in attracting investments into rest of the districts other than Ranga Reddy and Medak districts.

Nizamabad, Khammam and Nalgonda districts share have come down in the total investment. Ranga Reddy which had the highest investment during 2010-12 still continues to dominate other districts in attracting largest amount of investment in 2015-17 in absolute terms. On the other hand, districts such as Nizamabad and Nalgonda failed to attract more investment under TS-iPASS system and remained as the least performing districts.

EMPLOYMENT



Source: FTAPCCI Report on “TS-iPASS and Industrial Growth of Telangan State”

The above figures show the transition in the relative share of the districts in terms of employment from 2010-12 to 2015-17 (Upto March). The figures indicate that Ranga Reddy and Medak districts together has generated 62% of the employment opportunities in industrial sector during 2010-12 where as the share of these two districts increased to 73% during 2015-17. It also shows the transition in the absolute share of the districts in terms of employment from 2010-12 to 2015-17 (Upto March). We see that Ranga Reddy which had the highest employment during 2010-12 still continues to dominate other districts in providing highest employment in 2015-17 and perceptible change in the performance of Karimnagar, Warangal, Khammam, Mahbubnagar and Adilabad. Though districts have shown a better performance in attracting investments and in number of industries establishment under TS-iPASS system but they failed to generate adequate number of employment opportunities as can be seen from above chart. Since the other districts failed to generate more employment, a large number of people are depending on agriculture for their livelihood or migration to other districts especially Hyderabad and surrounding districts.

Table-III: Impact of TS-iPASS on setting up of New Industries SECTOR WISE REPORT (01-Jan-2015 to 02-March-2017)

S.No.	Sector – Major	No.	Investment in Crores	Total Employment
1.	Aerospace & Defence	6	207.83	760
2.	Agro-Based(Incl.Poultry&cold storage)	275	498.43	6410
3.	Automobile	18	1333.44	2303
4.	Breweries	10	1062.10	2812
5.	Cement	156	178.72	1700
6.	Defence	1	268.22	400
7.	Electrical & Electronics	68	1132.38	8022
8.	Engineering	503	993.58	8665
9.	Fertilizers	1	3160	1660
10.	Food Processing	535	2645.18	31889
11.	Granite & Stone Crushing	222	404.81	3906
12.	IT & IT Services	8	3338.87	45900
13.	Paper and Printing	116	625.50	2458

14.	Pharma & Chemicals	324	4981.62	26993
15.	Others(Leather, Paints& Wood)	761	9643.85	31888
16	Plastic & Rubber	234	940.85	7585
17.	R & D	1	1000	252
18	Real Estate	7	2948.32	25909
19.	Solar Power	86	4148.42	1946
20.	Textile	99	263.03	2178
21.	Thermal Power	11	18539	7122
	Total	3451	58341.15	220758

Source: FTAPCCI Report on “TS-iPASS and Industrial Growth of Telangan State”

Post-Tsipass Act, IT & IT Services stood first in terms of generation employment followed by Food Processing, Others (Leather, Paints & Wood), Pharma & Chemicals, Real Estate Sectors. R & D (Research & Development) stood at bottom and followed by Aerospace & Defence Sectors.

Table-IV: TS-iPASS Progress Review on Medium of Industries

S.NO.	TYPE	INVESTMENT RANGE (Rs.In Cr.)	No. of Industries	Investment (In Cr.)	Total Employment
1.	MSEs (Micro & Small Enterprises)	0-5	2898	2686.31	46803
2.	Medium Enterprises	5-100	205	1399.65	12774
3.	Large Enterprises	100-200	308	13561.92	78970
4.	Mega Enterprises	200 Above	40	40693.27	82211
			3451	58341.15	220758

Source: FTAPCCI Report on “TS-iPASS and Industrial Growth of Telangan State”

The Above table indicates that Mega enterprises generating 37% employment opportunities and Large enterprises generating 36% employment opportunities which means both mega and large enterprises generating around 73% employment opportunities though only 27% increase in set up of industries. It shows that government should focus on establishing more and more on these labour intensive enterprises to increase the income standars in rural and semi-urban backward areas which in turn increase GDP of backward districts and standard of living helps to make “BANGARU TELANGANA”.

IV. Findings

TS-iPASS has created around 2.46 lakh jobs since 2015 and attracted investments worth Rs. 73000 crores. Nearly 3828 proposals for establishing new industries were cleared by the Department of Industries and Commerce as per its Annual Performance Report 2016-2017 resulting Telangana GSDP witnessed a growth rate of 10.10 percent against the national average of 7.1%. Some of findings observed that Government of Telangana has successfully initiated steps by entering MOU with many national and international companies towards industrialization of Telangana are as follows:

- a) Medha Servo Drives on October 27th 2017 entered MOU with Telangana State Industrial Infrastructure Corporation on the proposed new greenfield project for setting up and allotment of 100 acres of land at Kodangal about 45 km from Hyderabad bordering the Sangareddy and Ranga Reddy districts to set up 800 crore Rail Coach manufacturing unit has potential to provide jobs about 2000 people and create an opportunity to develop ancillary industries.
- b) Kakatiya Mega Textile Park was inaugurated by Chief Minister KCR in Warangal Rural District. Telangana State Industrial Infrastructure Corporation (TSIIC) is executing the KMTP Project for which IL&FS Cluster Development Initiative (IL&FS Clusters) has been engaged as Project Consultant. The proposed 'cotton-to-garment' park will be set up in an area of 2,000 – 3,000 acres, with a vision to have a “fibre to fabric (end-to-end)” facility. Along with the 22 firms that signed MOU's with the Telangana government for investments in the textile park, Tiruvuru Exporters Association (TEA) has also proposed to set up 10 units in the park.
- c) An Incubation and laboratory centre at the Genome Valley with 20 lakh sq.ft. in association with the IKP Knowledge Park will come shortly.
- d) Medical Device Park with 250 acre would come up at Sultanpur near Hyderabad.
- e) First Phase of Pharma City Project in Hyderabad will spread over 19,333 acres (largest cluster globally) would attract an investment worth Rs. 64,000 crores and may provide direct employment to 1.7 lakh people which would commence from November, 2017.
- f) Telangana Genco going to boost with additional capital through the investments under TSIPASS Act.
- g) A dry port in Nalgonda district would come up shortly.
- h) Three food parks at Jangaon, Sircilla and Khammam would come up shortly.
- i) Seed park at Siddipet would come up shortly.

V. Suggestions

Following measures are suggested to achieve the objective of “Inclusive Industrialization with social equality” through the Industrial Policy of Telangana State:

- 1) Government should come up with new schemes/incentives to develop entrepreneurship spirit among OBC (Other Backward Communities) also like T-Pride Scheme for SC/ST entrepreneurs.
- 2) Government of Telangana should promote EDPs (Entrepreneurship Development Programmes) in the field of Floriculture, Nursery and any other activities in backward regions to motivate them from job seekers to job providers.
- 3) Adilabad district is dominant in cotton generation and particular Government Order issued in that state restricts only ST entrepreneurs will be allowed to set up ancillary industries but fact is due to their poor financial background unable to implement above said GO. Hence, Telangana Government should provide proper Infrastructure and Finance facilities to help them in this regard.
- 4) Oil seeds, Maize, pulses, rice, turmeric & sugar mills food parks should establish in Nizamabad due to the recent closure of many rice mills and sugar mills also.
- 5) Telangana Government should take inspiration from Gujarat and Maharashtra to extend special incentives to the product wise parks under (Public Private Partnership) PPP scheme or in private sector.
- 6) Government of Telangana should promote Tourism sector which has ample opportunities for self-employment which should also extend to general category entrepreneurs not only SC/ST entrepreneurs.
- 7) Balanced Regional Development can achieve by establishing Large and mega industries in backward districts to develop ancillary units leading to industrial development in these areas.
- 8) Government should formulate/draft policies in consultation with various industrial experts and associations connected with 14 thrust areas to be focussed in telangana with TS-iPASS Act which are as follows:
 - i. Life Sciences including biotechnology and pharma.
 - ii. IT Hardware including medical devices and communications.
 - iii. Aviation, aero-space and defence.
 - iv. Food processing and nutrition products.
 - v. Automobiles, farm equipment and transport vehicles.
 - vi. Textiles, leather and apparel and related products.
 - vii. Plastics and polymers.
 - viii. Fast moving consumer goods (FMCG) and domestic appliances.
 - ix. Engineering and capital goods.
 - x. Gems and Jewellery.
 - xi. Waste management and Green technologies.
 - xii. Renewable energy and solar parks.
 - xiii. Mineral and wood based industries.
 - xiv. Transportation and logistics
- 9) TASK (TELANGANA ACADEMY FOR SKILL AND KNOWLEDGE) help should take by Telangana Government in introducing new courses and training with new technology in ITI's and Polytechnic Colleges accordance with the requirement of local industries of concerned districts in creation of more employment opportunities which prevent migration of people from rural to urban areas.
- 10) Top priority should be given to The District Industries Centres (DIC's) to overcome the acute shortage of man-power and vehicles to check the proper implementation of various schemes of government.

VI. Conclusions

TSiPASS (Telangana State Industrial Project Approval and Self-certification System) industrial policy is successful in attracting huge investments to sustain and strengthen existing industries to become more competitive in every major sector like Railway Coach, Textile parks, Pharma City, knowledge park, dry ports, food parks, seed park etc and is now a house for large number of multi-national companies in the following fields of Information Technology (IT Investment Region – ITIR), Life Sciences Hub (Drugs, API's, Vaccines & Devices), Defense and Aerospace Manufacturing, Financial Services (Advance to Middle-Office categories), Automotive manufacturing, Food Processing and Seeds, Basic Materials industries (Coal, Granite & Cement) & Logistics and Distribution. However, many industries which are still in preliminary stage and under establishing stage which may require more time to commence their operations. Hence, Telangana Government particularly Industries Department, TSIIC should take initiative drive to operate industries in full capacity for prevention of migration of people from rural to urban areas, increased incomes, better standard of living and leading to an overall development of the state.

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